ARMED FORCES RETIREMENT HOME

PERFORMANCE AND ACCOUNTABILITY REPORT
FOR FISCAL YEAR 2024

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MESSAGE FROM AFRH LEADERS

We are pleased to present the Armed Forces Retirement Home (AFRH) Performance and Accountability Report for fiscal year 2024. This annual report consolidates multiple Federal reporting standards as well as AFRH-unique requirements into one comprehensive document that measures our financial and management performance over the last year, highlights accomplishments, and sets the stage for objectives in fiscal year 2025. A key part of this report includes our independently audited financial statements and notes on our accounting procedures. We consider the financial and performance information reliable and complete; and, though the Agency has no identified material weaknesses, leadership takes its responsibilities very seriously for the stewardship and management of resources.

As we close Fiscal Year 2024, we reflect on a year of significant progress and renewed commitment to our mission of service to veterans. Occupancy rates at AFRH have returned to pre-pandemic levels, matching the occupancy at the onset of the COVID-19 pandemic in March 2020. This recovery, reflecting a 4 percent increase from FY 2023, brings renewed vitality to our campuses. Increased interest from reservists and couples further underscores the appeal of AFRH as a premier retirement community for our nation's veterans. Through streamlined admissions processes, we have minimized waiting periods from an average of 90 days to under 20 days, allowing us to meet veteran needs more responsively.

Infrastructure improvements continue to be a priority. The long-awaited modernization of the Sheridan Building has advanced from planning to execution. With completed elevator replacements and ongoing upgrades to electrical, water, and HVAC systems, we are now poised to solicit and commence the renovation in early FY 2025. This renovation will enhance our Washington campus, fortify sustainability efforts, and extend the life of the Sheridan Building.

In late FY 2024, AFRH reached a pivotal decision with the Department of Defense to terminate the solicitation for mixed-use development on the Washington campus, an effort that had been open since 2018. Economic shifts presented financial challenges that ultimately diminished the project's viability for AFRH. While this is a setback, we remain committed to leveraging our assets strategically and in ways that maximize benefit to the Home without compromising resident services. Our gratitude goes to all stakeholders who supported us throughout this endeavor, and we remain open to innovative solutions that ensure AFRH's future.

In the year ahead, AFRH will continue to prioritize the well-being and legacy of our residents and explore avenues to strengthen our financial sustainability. We are committed to the stewardship of AFRH as a treasured national institution, maintaining our support for those who have served.

STEPHEN T. RIPPE
Chief Executive Officer

JOHN RISCASSI
Chief Operating Officer

ABOUT THIS REPORT

The Armed Forces Retirement Home (AFRH) Performance and Accountability Report (PAR), is a detailed annual retrospective of the Agency's performance toward achieving its goals and objectives for its programs, management, and budget. The PAR was created to meet government reporting requirements (including the Government Performance and Results Act, the Chief Financial Officers Act of 1990, and the Federal Financial Management Improvement Act of 1996). This report consolidates multiple required financial and performance management reports into one volume:

- Performance and Accountability Report (31 USC 3516)
  - Financial management reports (31 USC chapters 9 and 35)
  - Agency performance update (31 USC 1116)
  - Improper Payments Act annual report (31 USC 3321 note)
  - Inspector General statement on management and performance challenges (31 USC 3516)
- Annual report by the Secretary of Defense (24 USC 411(h))

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 USC 3515(b). The statements are prepared from the books and records of Federal entities in accordance with Federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

The report covers the Federal fiscal year 2024, from October 1, 2023 through September 30, 2024, and is organized in three parts in accordance with OMB guidance for performance and accountability reports:

Part 1 -- Management Discussion and Analysis -- Presents an overview of the agency and its programs; a snapshot of AFRH's achievements during the fiscal year; the challenges it faces and the plans and responses to those challenges; information on AFRH's strategic planning, including progress on strategic objectives, performance goals and agency priorities.

Part 2 -- Financial Information -- Provides the fiscal year 2024 independent auditor’s report, audited financial statements, and notes to the financial statements.

Part 3 -- Other Information – Fulfills additional reporting requirements and additional details.

SECTION 1
MANAGEMENT DISCUSSION & ANALYSIS

AGENCY OVERVIEW

The Armed Forces Retirement Home (AFRH) is the only continuing care retirement community (CCRC) or life plan community operated by the Federal Government. The Armed Forces Retirement Home Act of 1991 merged two storied institutions, the U.S. Soldier's and Airmen's Home in Washington, D.C. established in 1851, and the U.S. Naval Home in Gulfport, Mississippi, originally established in Philadelphia, Pennsylvania, in 1834, under one agency organization. The Act is codified in title 24, United States Code, chapter 10.

MISSION

To fulfill our Nation's commitment to its veterans by providing a premier retirement community with exceptional residential care and extensive support services.

VISION

A retirement community committed to excellence, fostering independence, vitality and wellness for veterans, making it a vibrant place in which to live, work and thrive.

LEADERSHIP & GOVERNANCE

AFRH's governance structure and oversight is unique in the Federal Government. While it is an independent agency, AFRH leadership and administration is overseen by the Secretary of Defense and delegated to the Director of Administration and Management. Day-to-day oversight is exercised by the AFRH Chief Executive Officer (CEO), a Department of Defense executive reporting to the Director of Washington Headquarters Services. The CEO appoints key AFRH officials including the Chief Operating Officer (COO) who serves as the AFRH agency head, as well as the administrators and ombudsmen for each of the two campuses. The agency headquarters is located in Washington, D.C. and consists of a small corporate staff to manage common agency functions and services.

The Deputy Director of the Defense Health Agency oversees healthcare administration statutorily as the AFRH Senior Medical Advisor, and all resident services are accredited by nationally recognized independent organizations including The Joint Commission (TJC) and Commission on Accreditation of Rehabilitation Facilities (CARF).

Organizational Chart

◆Position appointed by the Secretary of Defense
Department of Defense employees in dark blue

Leadership Team

Lakesia Campbell Performance Improvement Officer
Patrick Cavanagh Director of Safety and Security and Inspector General
Etheldreda Collins, M.D. Chief Medical Officer
Travis Cook Chief Financial Officer
Vacant Deputy Chief Operating Officer
Sherry-Beth Grady Administrator, AFRH—Gulfport
Robert McAndrews Administrator, AFRH—Washington
Karen Nowowieski Public Affairs Officer
Joseph Pollard Chief Counsel
Stephen Rippe Chief Executive Officer
John RisCassi Chief Operating Officer
Justin Seffens Corporate Facilities Manager
Donna Smith Chief Human Capital Officer
Stacey Tyley Director of Real Estate Development
Stanley Whitehead Information Technology Manager

Two Campuses, One Mission

Armed Forces Retirement Home—Washington

The 272-acre campus of AFRH—Washington features the state-of-the-art Scott Building which serves as the hub of the resident community and includes rooftop gardens, sunlit common areas, fitness center, an extensive library, as well as 36 rooms for long-term nursing care and 24 rooms for residents who need memory support. The Sheridan Building houses independent living, independent living plus, and assisted living residents with amenities including a bowling alley, ceramics and woodworking studios, and AAFES-operated convenience store. Residents enjoy the extensive grounds with 9-hole golf course, fishing ponds, community gardens, and walking trails to support wellness. The historic campus features 19th century landmarks including President Lincoln's Cottage at the Soldiers' Home, a national monument. Washington residents take advantage of the capital's sites and cultural activities and have nearby access to the VA hospital and Walter Reed National Military Medical Center for their healthcare needs.

Armed Forces Retirement Home—Gulfport

The AFRH—Gulfport facility, opened in 2011, includes 584 rooms each with balconies overlooking the Gulf of Mexico. The facility provides abundant amenities for residents, including an outdoor swimming pool, bowling alley, art and hobby studios, and fitness center. Gulfport residents love the relaxed beachside community of the Gulf Coast and have easy access to activities and entertainment in Gulfport and Biloxi as well as extensive healthcare services at the nearby VA hospital and Keesler Air Force Base medical center.

Five Mission Tenets

The foundation of success and the path to sustainability for the AFRH are built on the following 5 tenets:

1. We are guardians for veterans who have come to AFRH as residents, made it their home, and whose health and welfare depend on us. We must ensure the highest attention to care attainable in any setting.
2. We are caretakers responsible for decisions that will determine how AFRH will exist for future generations of veterans and residents.
3. We are trustees for active-duty service members who contribute a portion of their pay to support veterans today with the expectation AFRH will be here for them if they need us later.
4. We are custodians of a National treasure, continuing an illustrious history while preserving AFRH's legacy.
5. We are stewards for taxpayers who expect their resources will be responsibly used to maximize our vital mission.

Program Summary

AFRH is the only Federal entity operating what is known in the private sector senior living industry as a continuing care retirement community (CCRC) or life plan community, meaning residential facilities with a continuum of care levels so residents can "age in place" as their physical and health needs change. AFRH features high quality facilities with extensive services and amenities rarely available in private sector facilities. Each of our campuses provide services to residents through three operating segments: Healthcare Services, Resident Services, and Campus Operations.

- Healthcare Services include our 24-hour wellness centers available to all residents. The wellness centers offer medical providers during business hours, with nursing coverage and on-call providers after hours. The wellness centers feature services, pharmacy delivery, and specialist services including optometry, podiatry, nutrition, mental health, as well as physical, occupational, and speech therapy. Some specialist services are provided through partnerships with Department of Defense health facilities and contract providers, some of whom independently bill insurance programs for their services. In addition to wellness center services available to all residents, Healthcare Services provides dedicated nursing care to our residents in upper levels of care.

- Resident Services provide a full spectrum of services and amenities to all residents who enjoy meals in our community dining rooms with assistance for those with mobility needs, exercise equipment and instruction in our fitness facilities, organized activities both on and off site, library and media centers, hobby shops for arts and crafts, and game and sport amenities. Resident Services provides personal and spiritual services including social workers, chaplains, financial literacy, and legal and estate planning assistance.

- Campus Operations ensure safe and secure facilities and grounds for our residents, staff, and visitors. Both our campuses are gated communities with 24-hour security booths controlling access to grounds and regular security patrols. Facilities staff keep our building interiors clean and well maintained and grounds staff are responsible for landscaping and upkeep of our beautiful campuses and outdoor amenities. Safety and emergency operations planners are prepared for and experienced in handling a broad spectrum of contingencies.

Continuum of Care

AFRH offer five levels of care to our residents, who enter our communities at the independent living level and access higher levels as their needs change:

- Independent Living (IL) residents live independently and perform all activities of daily living without assistance. Rooms are private and equipped with full bathrooms. Residents have meals in the community dining room. AFRH provides general healthcare and dental services in the wellness centers and a shuttle service to local Department of Veterans Affairs, military and community hospitals for medical appointments and services. There is a full range of amenities and recreational activities.

- Independent Living Plus (ILP) residents continue to live in their independent living rooms while receiving limited assistance with activities of daily living such as personal hygiene, medication management, and housekeeping. ILP residents continue to dine in the community dining room and use available amenities.

- Assisted Living (AL) residents receive regular assistance with activities of daily living and are supported with 24/7 nursing coverage. Dedicated dining is provided in AL communities and residents may join recreational activities in the common areas or participate in activities offered in the AL areas. Most resident healthcare needs are met at the AFRH wellness centers, and residents who need specialty care are provided an escort to outside medical appointments.

- **Long Term Care (LTC)** residents receive total support for their activities of daily living due to chronic illness or disability with 24/7 nursing coverage. Dining and recreational activities are provided in the LTC communities. The majority of LTC resident healthcare needs are met in their community area, and residents who need specialty care are escorted to outside medical appointments.

- **Memory Support (MS)** residents with a cognitive deficiency are unable to perform activities of daily living and need a supervised environment to keep them safe. They receive 24/7 nursing coverage and dining and recreational activities are provided in their community areas. The majority of MS resident healthcare needs are met in their community area, and residents who need specialty care are escorted to outside medical appointments.

Resident Capacity			
Level of Care	**Gulfport**	**Washington**	**Total**
IL / ILP	496	155	651
AL	38	27	65
LTC	24	36	60
MS	24	24	48
Total	582	242	824

Resident Eligibility

Resident eligibility is governed by section 412 of title 24, United States Code. Persons eligible to become AFRH residents served as members of the Armed Forces, with at least half their service in enlisted, warrant officer, or limited-duty officer ranks and:

- Were discharged or released from service in the Armed Forces after 20 or more years of active-duty service;
- Are suffering from a service-connected disability incurred in the line of duty in the Armed Forces, under rules prescribed by the COO;
- Served in a war theater during a time of war declared by Congress, or were eligible for hostile fire special pay, and suffering from injuries, disease, or disability under rules prescribed by the COO;
- Served in a women's component of the Armed Forces before June 12, 1948 and are eligible for admission because of compelling personal circumstances under rules prescribed by the COO; or,
- Are guard or reserve retirees receiving VA or DOD health benefits or a qualifying health plan

Persons not eligible are those convicted of a felony; discharged or released from service in the Armed Forces under other than honorable conditions; or persons with substance abuse or mental health problems, with limited exceptions.

In late 2018, Congress adopted a statutory change requested by AFRH which allows a spouse to enter AFRH with their eligible veteran. Specific eligibility is determined by the COO.

RESIDENT PROFILE *AS OF SEPTEMBER 30, 2023*

Age of Residents	AFRH-G	AFRH-W	Overall
Average age	82	82	82
Oldest resident	101	104	104
Youngest resident	58	35	35
Longest residency	32	49	49

Eligibility	AFRH-G	AFRH-W	Total	%
Active Duty Retired	372	155	527	76%
Service-connected disability	29	22	51	7%
War theater	26	14	40	6%
Female served before 1948	3	2	5	1%
Reserve Retired	19	8	27	4%
Spouse	27	16	43	6%
Total	476	217	693	100%

Level of Care	AFRH-G	AFRH-W	Total	%
Independent Living	380	138	518	75%
Independent Living Plus	26	12	38	5%
Assisted Living	36	33	69	10%
Memory Support	20	10	30	4%
Long Term Care	14	24	38	5%
Total	476	217	693	100%

Gender	AFRH-G	AFRH-W	Total	%
Female	74	37	111	16%
Male	402	180	582	84%
Total	476	217	693	100%

Last Branch of Service	AFRH-G	AFRH-W	Total	%
Army	92	64	156	23%
Navy	155	53	208	30%
Marine Corps	26	10	36	5%
Coast Guard	5	4	9	1%
Air Force	155	63	218	32%
Guard or reserve component	16	7	23	3%
Not applicable (spouse)	27	16	43	6%
Total	476	217	693	100%

Years at AFRH	AFRH-G	AFRH-W	Total	%
0-5 Years	310	104	414	60%
6-15 Years	152	75	227	33%
16-25 Years	10	24	34	5%
26-35 Years	4	10	14	2%
36-45+ Years	0	4	4	1%
Total	476	217	693	100%

War Theaters of Service	AFRH-G	AFRH-W	Total
World War II	17	11	28
Korea	89	46	135
Vietnam	282	109	391
Grenada	21	9	30
Panama	11	6	17
Gulf War / Desert Storm	43	22	65
Iraq & Afghanistan	23	9	32
Other	3	3	6

This table not totaled due to individual variations in war theater service

Last Service Pay Grade	AFRH-G	AFRH-W	Total	%
E1	3	1	4	1%
E2	4	5	9	1%
E3	12	7	19	3%
E4	15	8	23	3%
E5	26	21	47	7%
E6	95	47	142	20%
E7	153	62	215	31%
E8	79	22	101	15%
E9	42	15	57	8%
W1	0	0	0	0%
W2	3	3	6	1%
W3	11	5	16	2%
W4	4	1	5	1%
W5	0	0	0	0%
O1	0	0	0	0%
O2	0	0	0	0%
O3	5	2	7	1%
O4	1	0	1	0%
O5	0	2	2	0%

O6	0	0	0	0%
O7	0	0	0	0%
O8	0	0	0	0%
O9	0	0	0	0%
Not applicable (spouse)	23	16	39	6%
Total	476	217	693	100%

Monthly Fees Paid	AFRH-G	AFRH-W	Overall
Average	$1,974	$2,016	$1,986
25th Percentile	1,552	1,473	1,538
Median	2,040	2,061	2,049
75th Percentile	2,363	2,363	2,363

Annual Gross Income	AFRH-G	AFRH-W	Overall
Average	$ 60,884	$ 58,495	$ 60,174
25th Percentile	41,556	38,452	40,740
Median	53,351	53,979	53,744
75th Percentile	74,511	68,999	72,969

Revenue Sources

Unlike most Federal agencies which rely on appropriated funds, AFRH is intended to be self-sustaining with a combination of revenue sources as well as earned income:

- Fines and Forfeitures AFRH receives the proceeds from fines and forfeitures charged to active duty enlisted service members resulting from disciplinary violations. This continues to represent AFRH's largest source of dedicated revenue, despite serious declines from highs of $40 plus million in the 2000's to $18 million in FY 2024, a decrease of $3 million from 2022.

- General Fund Transfers Since FY 2015, AFRH has relied on transfers from the General Fund to finance operations due to substantial declines in fines and forfeitures revenue and in resident fees, ancillary revenue, and trust fund interest due to the COVID-19 pandemic. AFRH received $25 million from the General Fund in FY 2023. Since FY 2018, AFRH leadership has worked to identify new sources for revenue and cost efficiencies, without cutting resident services as directed by Congress, and while absorbing salary increases in excess of 15 percent and other inflationary increases. These efforts, combined with Congressional support from the General Fund, are intended to help re-build the trust fund.

- Resident Fees AFRH charges residents a monthly fee for their level of care which is set at the lesser of a percentage of their gross income or a maximum amount. Revenue from resident fees realized a $2 million increase in FY 2024 for a total of $17 million. Expansion of eligibility and outreach is expected to support growth in fees through higher occupancy. Additionally, resident fees increase each year in line with cost of living adjustments to military retiree pay and Social Security.

- **ACTIVE DUTY WITHHOLDING** AFRH receives the proceeds of a monthly $0.50 pay deduction from each active duty enlisted service member, warrant officer, and limited duty officer across all branches of the Armed Forces. In 2024, AFRH collected $6 million from this source, a decrease of $1 million compared to the 10-plus-year historical average of $7 million. Section 1007 of title 37, United States Code, empowers the Secretary of Defense to adjust the amount, not to exceed $1.00, based on the financial needs of the retirement home. The amount has been set at $0.50 since 1977. Guard and Reserve members are excluded from this withholding despite becoming eligible for AFRH in FY 2021.

- **EARNED AND OTHER REVENUE** AFRH earns revenue from interest on its trust fund balance, rent from leased property, gifts and estate bequests, and ancillary fees for on-campus services. Due to economic conditions and multiple interest rate hikes in FY 2023, investment income from trust fund balances increased substantially from $1 million in FY 2022 to $10 million in FY 2024 for total interest revenue. FY 2024 revenue from leases, gifts and estates totaled $3 million.

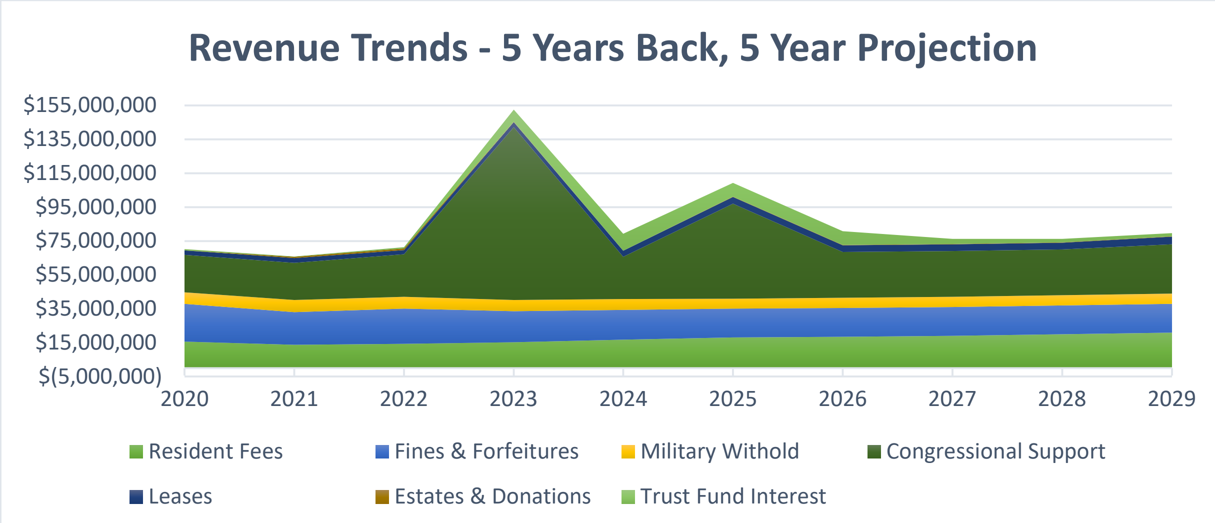
These sources of income are deposited into the AFRH Trust Fund held by the U.S. Treasury. Federal trust funds are different than private-sector trust funds, and are typically used for business-like operations or claims, with deposits automatically appropriated to fulfill their statutory purposes. Most Federal agencies operate under annual appropriations, though they may manage some trust funds for specific purposes. AFRH, however, is unique as the only Federal agency entirely funded by a trust fund. Consequently, Congress passed legislation (31 USC 1321(b)(2)) mandating that all AFRH expenses require annual appropriations approval. This exposes AFRH to the risks of continuing resolutions (CRs) and funding gaps, despite its operations being essential for life safety and some of its income having a business-like nature—residents pay fees for services, and military personnel have pay deductions specifically earmarked to support AFRH operations.

BIENNIAL REVIEW

According to **24 U.S. Code Chapter 10** and specifically **24 U.S.C. § 414**, the Armed Forces Retirement Home (AFRH) has the authority to establish charges for services and items of value provided to residents. Resident fees are set by the AFRH's COO, with approval from the Secretary of Defense, as a percentage of each resident's monthly income up to a monthly maximum, and are periodically reviewed to ensure they align with financial needs and residents' ability to pay. In accordance with the statute, maximum monthly amounts are increased each year by the percentage of the increase in military retired pay and retainer pay. For calendar year 2024, maximum fees were increased 3.2 percent in line with announced cost of living adjustments announced by the DOD and Social Security Administration.

In compliance with the **Chief Financial Officers Act of 1990** and **OMB Circular No. A-25**, AFRH conducts a biennial review of these fees to assess if adjustments are needed due to changes in costs or market values. During the FY 2024 review, AFRH found no need for fee adjustments to achieve partial-cost recovery. AFRH will continue to evaluate and analyze the fee structure in line with these guidelines, with any recommended adjustments to be reported in the AFRH PAR for FY 2025.

LOOKING FORWARD



	5-Year Look Back					5-Year Look Forward				
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Resident Fees	$15,590,513	$13,722,931	$14,272,002	$ 15,205,192	$16,793,815	$ 18,000,000	$18,500,000	$19,000,000	$20,000,000	$21,000,000
Fines & Forfeitures	$22,295,165	$19,333,916	$20,892,577	$ 18,413,165	$17,538,344	$ 17,000,000	$17,000,000	$17,000,000	$17,000,000	$17,000,000
Military Withold	$ 6,887,186	$ 7,026,921	$ 6,934,615	$ 6,605,463	$ 6,399,588	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000	$ 6,000,000
Congressional Support	$22,000,000	$22,000,000	$25,000,000	$102,000,000	$25,000,000	$ 56,000,000	$27,000,000	$27,000,000	$27,000,000	$29,000,000
Leases	$ 2,647,657	$ 2,763,065	$ 2,550,423	$ 3,005,123	$ 3,458,745	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ 4,000,000	$ 4,500,000
Estates & Donations	$ 92,058	$ 914,291	$ 976,705	$ 125,221	$ 53,955	$ 250,000	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Trust Fund Interest	$ 777,552	$ 47,914	$ 772,599	$ 7,188,728	$10,024,184	$ 8,000,000	$ 8,000,000	$ 3,000,000	$ 2,000,000	$ 2,000,000
Total Revenue	**$70,292,151**	**$65,811,059**	**$71,400,943**	**$152,544,915**	**$79,270,655**	**$109,250,000**	**$80,750,000**	**$76,250,000**	**$76,250,000**	**$79,750,000**

MANAGEMENT PERFORMANCE, CHALLENGES & INITIATIVES

Since FY 2018, the AFRH management team has been on a mission to sustain the organization for the long term through new and expanded sources of revenue along with investment in critical capital maintenance while always maintaining the highest quality of care for our residents.

IMPACTS OF THE COVID-19 PANDEMIC

AFRH largely returned to normal operations in FY 2024 as serious cases of the virus receded given widespread vaccination and the national emergency surrounding the pandemic was lifted. AFRH recorded 233 cases of the virus in FY 2024, against 1028 cases overall since the beginning of the pandemic, and we continue to modify our operations in response to new cases. Occupancy at the end of FY 2024 increased 4 percent from the end of FY 2023 and is now at the level as it was in March 2020 at the start of the pandemic. Revenue from resident fees, visitor meal purchases, and short-term rental accommodations have returned to pre-pandemic levels, which realized a decrease over 15 percent during FYs 2021 and 2022. Due to economic uncertainty and reduced interest rates, investment income from trust fund balances declined to negligible amounts, from an average $108,000 per month in the first half of FY 2020 to a low point of $591 in May 2021. The recent rise in interest rates combined with a larger trust fund balance have helped increase investment income levels to an average of $835,349 per month in FY 2024. Although we continue to experience issues with inflation and labor availability resulting higher costs, progress on capital maintenance projects increased in FY 2024.

Financial Constraints

AFRH continues to be constrained financially. The trust fund is replenished from revenue sources defined by current legislation, including active-duty withholding, fines and forfeitures, resident fees, lease or sale of property, investment interest, and gifts and donations. The last decade saw significant reductions to AFRH's largest revenue source, fines and forfeitures, which has stabilized in recent years but not rebounded to previous levels.

AFRH regularly revises our financial projections to recognize changing trends in income sources. Management initiatives target gains in efficiencies, improving performance, and identifying new revenue to build up the trust fund, while investing in our infrastructure. Trust fund gains can be measured through intragovernmental assets in the agency's annual financial statements and demonstrates management's efforts to increase sustainability through revenue and other initiatives.

Fiscal Year	Intergovernmental Assets (in millions)
2017	66.4
2018	78.2
2019	87.1
2020	100.5
2021	101.3
2022	107.2
2023	186.7
2024	190.6

Source: AFRH Performance and Accountability Reports

Inflation factors have diminished gains realized through our initiatives, particularly the mandatory payroll increases compounded over 21 percent since 2016 along with associated benefits costs, and inflationary costs to many of the goods and services we purchase. Since no budgetary headroom remained under a fixed level of appropriations for operations and maintenance since 2015, in FY 2022 the Administration and Congress worked together to increase AFRH's operating and maintenance authorization to $68 million and extended the period of availability to 2 years which provides continuity to handle emergency needs or lapses in funding.

Fiscal Year	Operation & Maintenance Budget		Mandatory Pay Increases	
	Amount	Compounded	Simple	Compounded
2015	$ 63,300,000	1.00%	1.00%	1.00%
2016	63,300,000	1.00%	1.00%	2.00%
2017	63,300,000	1.00%	1.00%	3.00%
2018	63,300,000	1.00%	1.40%	4.50%
2019	63,300,000	1.00%	1.90%	6.50%
2020	63,300,000	1.00%	2.60%	9.20%
2021	66,300,000	4.74%	1.00%	10.30%
2022	68,000,000	7.42%	2.70%	13.30%
2023	68,060,000	7.52%	4.60%	18.50%
2024	68,060,000	7.52%	5.20%	24.70%
		7.52% compounded	21.4% total	24.7% compounded

Infrastructure & Maintenance

Outdated and deteriorating facilities have a negative effect on AFRH's ability to attract and retain residents, and low occupancy exacerbates AFRH's financial problems by reducing fee income and driving higher fixed costs per resident. Without continued investment, this backlog will threaten our operations and force more expensive replacements in future years.

Between FY 2015 and FY 2019, AFRH operated with a $1 million annual budget for capital construction and renovation. The balance sheet acquisition value of our property, plant, and equipment was $399 million at the end of FY 2019, minus $94 million accumulated amortization/depreciation. This equated to a capital expenditure ratio of only 0.25% and $889 per available unit. By comparison, a 2021 senior living industry report showed nationwide average per unit capital expenditures of $6,243 for continuing care retirement communities. [1]

Congressional authorizations in FYs 2020 through 2024 totaled $46.2 million for capital expenditures, which has allowed AFRH to address mission-critical capital maintenance primarily on our Washington campus. Although the COVID-19 pandemic delayed progress, we are moving aggressively to execute these projects as procurement and supply chain disruptions have eased. We closed FY 2024 with elevator replacements complete and electrical, water and sewer, HVAC and chiller, generator, boiler, and keyless access system projects underway or in the process of procurement. Additionally, we received an FY 2023 special appropriation for $77 million to renovate the Sheridan Building on the Washington, D.C. campus, which is covered in more detail in the following section.

Strategic Goals and Initiatives

Since leadership changes in FY 2018, AFRH has continually assessed its strategic goals and metrics focusing on steps to achieve long-term solvency and sustainability, as directed by Congress. The following are key initiatives currently underway.

- Achieve an occupancy rate of 90 percent or better

Empty rooms are a wasted resource: missed opportunity to serve veterans in need, lost revenue, and a sunk cost to maintain unused facilities. Antiquated residences and deteriorating common areas are unacceptable for current residents and deter prospective residents. The team is focused on rebuilding its outreach and marketing. Stabilizing occupancy at 90 percent or more is expected to yield additional resident fee income upwards of $5 million annually based on current resident mix and average fees. The greatest opportunity for occupancy growth is with our independent living level of care, which is the entry level required for new residents and has less variable cost exposure than health care levels.

As discussed in the section on COVID-19 impacts, occupancy at the end of FY 2024 increased 4 percent from the end of FY 2023 and is now at the level as it was in March 2020 at the start of the pandemic. AFRH adjusted marketing efforts and focused on improving the admissions process to be more user-friendly for prospective applicants and less burdensome for staff, reducing the time from initial contact to an assigned admissions date from an average 90 days to less than 20. Additionally, we saw demographic shifts beginning to take shape in FY 2024 which we believe will increase occupancy and result in younger, healthier, more dynamic communities: independent living occupancy increased 4 percent, the number of couples increased from 31 to 43, reservists increased from 19 to 23, female residents increased from 95 to 111, and residents with Gulf War, Desert Storm, Iraq, or Afghanistan service increased from 79 to 97.

Long-term sustainability for AFRH must include evolving our facilities and services to meet the needs and desires of future generations of veterans. Our Gulfport campus continues to attract new residents with its modern facilities

[1] "Actual vs. Budgeted Capital Expenditures Per Available Unit by Community Type", *State of Seniors Housing 20219,* American Seniors Housing Association.

and amenities and beachfront location. Our Washington campus is significantly more challenging as over 80 percent of our residents live in the Sheridan Building which was originally constructed in the 1960s with the last significant facelift completed in the early 1990s. Rooms are designed for single occupants and are smaller than average rooms in the lowest quartile for retirement communities nationwide.

Average Unit Size of Continuing Care Retirement Communities Nationwide (in square feet)			
AFRH-W	**Lower Quartile**	**Median**	**Upper Quartile**
272	488	822	1,205

Source: Table 3.12, *The State of Seniors Housing, 2021*; American Seniors Housing Association

In FY 2020, AFRH began a redesign the Sheridan Building to modern standards and increase unit size. The proposed design would increase independent living room size to an average 561 square feet, with individual units ranging from 400 to 700 square feet, by incorporating exterior balconies as new interior space.

Congress fully funded the original pre-pandemic cost estimate of $77 million with a general fund transfer early in FY 2023. AFRH received an updated estimate which reflects substantially higher costs nationwide for construction labor and materials post-pandemic, as well as project management and inspection costs through the General Services Administration (GSA) which will handle procurement and project management. The updated estimate is broken down as follows:

Category	Phase 1 Estimate	Phase 2 Estimate	Total
Construction costs	$ 56,754,007	$ 33,331,719	$ 90,085,726
Contingency	4,318,981	2,536,544	6,855,525
Management & inspection	4,763,694	2,797,725	7,561,419
GSA project management	1,975,101	1,159,980	3,135,081
Total	**$ 67,811,783**	**$ 39,825,968**	**$ 107,637,751**

The additional $31 million for the project was requested as a general fund transfer in the FY 2025 budget request, which is currently pending congressional approval. AFRH and GSA approved the project budget, executed a memorandum of agreement for GSA to manage the project, and completed a project management contract award. The $77 million already appropriated will allow construction solicitation and the first phase of the project to proceed. We expect to issue the construction notice to proceed in March 2025, the second phase construction notice to proceed estimated September 2026, and to reach project completion in the summer of 2027.

The project will result in fully renovated interiors, modern energy efficient systems to improve appearance and energy use, and extend the life of the Sheridan Building for decades. AFRH considered alternatives including an economical option that would have been only a facelift of resident rooms rather than a full renovation and found the savings to be modest, and a replacement option since the Washington campus master plan permits construction of up three new buildings adjacent to North Capitol Street. AFRH commissioned a feasibility study for these new buildings as well as renovation of the historic Grant and Security buildings which have each been closed for over 20 years. The study estimated that the three new buildings, which would modernize the Home's residences and address aging infrastructure issues, would cost approximately $505 million and yield 479 units (similar to the Sheridan Building's current 469 units), with additional costs for equipment and furnishings and demolition of the Sheridan Building.

Due to the expense and extended timeframe for new construction and historic renovation, and given that the Sheridan Building would still require interim updates and eventual demolition once new construction is complete, AFRH leadership continues to believe extending the useful life of the Sheridan Building by at least two decades is the most prudent course of action.

- Reorganize healthcare services for optimum income potential

One-third of our operating expenses from the trust fund provide healthcare services at our two campuses. Although AFRH residents are eligible and entitled to Federal health-benefits from TRICARE, the Department of Veterans Affairs, Medicare and Medicaid, AFRH cannot currently obtain reimbursement from these programs. These expenses draw from the AFRH Trust Fund, which is funded through resident fees, military pay withholding, fines and forfeitures, and (in recent years) general fund appropriations. Congress directed DoD and the AFRH to present proposals that would replenish the trust fund without cutting services provided to AFRH residents. AFRH and DOD have proposed legislative changes to secure healthcare reimbursements from DOD and the VA, including a proposal for inclusion in the National Defense Authorization Act for Fiscal Year 2025, which Congress has not yet approved. This proposal would address in part the issue highlighted by the GAO in their recent report GAO-24-106171, "Armed Forces Retirement Home: Congress and Agency Management Should Take Actions to Improve Financial Sustainability." Despite AFRH's mandate for on-site services, most residents instead choose VA or DoD providers to access their benefits in order to receive better coordination of care and more comprehensive services, which increases demand on military and VA health facilities in Washington, D.C. and Gulfport, Mississippi. Residents have likewise expressed concerns that they must pay fees to the AFRH that include mandated health services, but cannot use their earned health benefits at the AFRH. Along with the health record integration initiatives that the AFRH is undertaking, this proposal would promote better coordination of care among the agencies and encourage residents to use AFRH services. By providing on-site medical services to our residents, AFRH reduces the number of patient visits to DOD and VA facilities as well as risks to our high-risk residents of traveling off-site for care.

AFRH recognizes the need to update and modernize its legacy electronic health record system to improve recordkeeping and reduce system-related workload on healthcare providers so they can focus on patient care. AFRH submitted a project proposal to the GSA-managed Technology Modernization Fund which would modernize the Home's electronic health record system, likely adopting the Federal system commonly to DOD and the VA to best integrate with military and veteran's health interagency partners. The fund board approved a $6.1 million investment for the project, with 25% to be repaid over 5 years. AFRH is working closely with the joint DOD-VA Federal Electronic Health Record Management Office to evaluate both agencies' version of the system, capability fit with AFRH requirements, potential costs and challenges. AFRH plans to make a decision during the first half of FY 2025.

- Manage assets productively

AFRH continues its efforts to leverage its assets and resources for the expansion of its revenue base. Plans to execute a master ground lease for a mixed-use development on 30 percent of its AFRH-Washington (AFRH-W) acreage have been in the making for nearly two decades. Although projections in 2018 proposals indicated that the near-5 million square foot development represented AFRH's best opportunity to generate a significant and enduring income stream, more recent projections which took into account significant changes in economic conditions since the original proposal occurred significantly decreased that outlook. As a result, in late October 2023, AFRH announced its decision to terminate the solicitation.

Despite these setbacks, several accomplishments will help with future land-use efforts. AFRH renegotiated a memorandum of understanding regarding land use, zoning, and entitlements with the National Capital Planning Commission (NCPC) and the District of Columbia's Office of Planning (DCOP), which in turn made possible the inclusion of the 80-acre portion of AFRH-W in DC's 2021 Comprehensive Plan revision. These significant achievements paved the way for shifting zoning, permitting, road transfer of jurisdiction, and public services to the district, thereby eliminating execution concerns previously raised by lenders and equity partners. In FYs 2021 and 2022, AFRH worked with NCPC, DCOP, and the provisionally selected developers to amend the master plan, addressing proposed variances, revised construction standards and market preferences, and other assumptions since the plan's original approval in 2008, and secured final and unconditional approval of the amendment by the NCPC in June 2022. Securing zoning remains the last critical-path activity for leasing and redevelopment to occur.

- EXPAND THE TRADITION OF ENLISTED SUPPORT TO THE HOME

AFRH's mission is to serve our Nation's veterans regardless of their ability to pay for the services they receive. AFRH leaders have concluded that increased resident fees are not a likely source of substantial additional revenue given our resident demographics and modest incomes. AFRH is proud that following recent eligibility expansions we are now able to admit retired members of the National Guard and Reserves as well as spouses along with their eligible veteran. These changes greatly expand the pool of eligible residents and make AFRH more attractive to potential applicants. There are two areas for additional revenue that would build on the legacy for AFRH to be supported principally by those eligible to reside there.

Section 1007(i) of title 37, United States Code, empowers the Secretary of Defense to adjust the amount, not to exceed $1.00, based on the financial needs of the retirement home. The amount has been set at $0.50 since 1977. The Bureau of Labor Statistics consumer price index inflation calculator indicates that $0.50 in late 1977 has the same buying power as $2.57 in late 2024.[2] AFRH leadership has engaged with DOD over the years but has been unable to secure a withholding increase, despite military pay increasing 59 percent between 2007 and 2023.[3] The Department has declined to increase the contribution amount despite AFRH financial solvency challenges, citing multiple concerns: (1) the AFRH's management and funding models; (2) the AFRH's limited capacity and geographic coverage compared to the overall population of servicemembers; and (3) directly taxing enlisted members—particularly those at lower ranks who are most burdened by cost of living while being least likely to eventually use the AFRH's services given that about 80 percent of AFRH residents left the military ranked E-6 and above. While these concerns are valid, the value of contributions has steadily eroded over time and affected the AFRH's ability to execute its mission and remain financially solvent successfully.

Moreover, the mandatory contribution has not expanded to include the entire population now eligible for residence at AFRH, further exacerbating its solvency challenges and creating inequities among beneficiaries. The National Defense Authorization Act for FY 2021 expanded eligibility to retired enlisted, warrant officer, and limited duty officer members of the National Guard and Reserve. However, because the Constitution requires bills for raising revenue to originate in the House of Representatives, extending the payroll deduction to reserve components would have first required the approval of both the House Committees on Ways and Means and Armed Services. As a result, although Guard and Reserve enlisted personnel are eligible for this benefit, they do not contribute to it financially as their active-duty counterparts do.

Section 1007 does permit differing amounts based on grade or length of service but does not apply automatic increases tied to pay inflation. AFRH estimates that a graduated amount based on grade could provide over $3 million additional funding to AFRH annually.

As an alternative approach, DOD sponsored on AFRH's behalf a legislative proposal for the FY 2025 NDAA which would authorize the Secretary of Defense to direct transfers into the AFRH Trust Fund, based on financial need, from the unobligated balances in expired military personnel accounts. Using prior appropriations would be budget neutral, allowing DoD and AFRH to address solvency concerns while maintaining appropriate oversight and controls by DoD, and it would create a mechanism to ensure amounts keep pace with inflation, all while reducing the AFRH's reliance on direct Treasury, General Fund transfers in accordance with congressional direction. Transfers would be capped at $30 million annually, with a *minimum* annual transfer of $15 million, which is the approximate amount currently authorized by the service member payroll deduction at the $1.00 level, excluding existing contributions at the $0.50 level, and expanded to include reserve components made eligible for AFRH by the National Defense Authorization Act for Fiscal Year 2021. Both the minimum and maximum amounts would be adjusted annually for inflation. Congress has not acted on the proposal as of the time of publication.

[2] https://www.bls.gov/data/inflation_calculator.htm

[3] Annual Pay Adjustments, https://militarypay.defense.gov/Pay/Basic-Pay/AnnualPayRaise/

- BUILD ON THE IMPORTANCE FOR MAINTAINING AND SUSTAINING CAPITAL INFRASTRUCTURE

AFRH made progress on capital investment projects in FY 2024. The following table provides the current status of projects budgeted from the $44.6 million in capital authority provided in FYs 2020 to 2024.

FY 2020-2024 PRIORITY CAPITAL MAINTENANCE PROJECTS			
Campus	**Project Description**	**Funding Thru FY24**	**Status As of September 30, 2024**
Washington	Replace 1950s-1960s electrical infrastructure	$ 8,300,000	Project is ongoing. Major equipment has arrived. After discovering an unforeseen condition under the main substation, a redesign is required. Completion anticipated FY2026
Washington	HVAC system - chiller and water pump replacement	1,448,159	Project is ongoing. Major equipment has arrived late. Completion FY2025
Washington	HVAC system – modernization and energy efficiency	2,850,000	Project is ongoing. Major equipment has arrived, but archeology discoveries on the historic campus have delayed completion until FY2025
Washington	Replace 1920s-1960s water and sewer infrastructure	7,500,000	Phase 1 of 3 pipe installation is almost complete. Anticipated completion of all Phases by FY2026
Washington	Replace 1950s-1970s elevators (Sheridan, Stanley, Quarters 1)	2,776,331	Completed
Gulfport	Replace primary and backup generators impacted by lightning, hurricane, and saltwater damage	6,000,000	Designs complete. Generator manufacturing and shipping has lead time of 1 year. Installation anticipation in FY2025
Gulfport	Replace boilers due to salt corrosion	500,000	Project procurement underway. Anticipated contract award February 2025. Equipment installation completion in FY2025
Both	Replace outdated and malfunctioning emergency alert system	1,750,000	Project procurement underway. Anticipated equipment installation completion in FY2026 after the GSA Sheridan Building Renovation equipment has been selected
Washington	Repair and replace slate roofs on historic buildings	600,000	Project procurement underway. Partial Repairs and Replacements completed in FY2024. Additional work in FY2025
Washington	Repair masonry on historic buildings causing water infiltration and energy loss	400,000	Project procurement underway. Partial Repairs and Replacements completed in FY2024. Additional work in FY2025
Washington	Replace original 1960 Sheridan Building roof and quarters building roofs	1,754,000	Completed
Gulfport	Replace chiller due to reduced useful life, salt corrosion	1,600,000	New Technology requiring different chiller equipment creating delays for design.

Washington	Repair buildings housing electrical converter and substation	1,850,000	Abandoning existing building and moving equipment to another adjacent building to solve multiple underground and unforeseen building issues.
Both	Computer and network systems upgrades and replacements	300,000	Project procurement underway. Anticipated equipment purchase & installation completion in FY2024
Washington	Replace 1950s-1970s fire pump and sprinkler systems to meet current volume and pressure standards	$2,000,000	Procurement of Design is underway. Anticipated design completion by June 2025.
Washington	Address emergency egress, ADA accessibility, lighting, plumbing, and mechanical systems of historic Rose and Stanley chapels	$2,400,000	Pending enactment of FY24 appropriation
Both	Replace aging and problematic Gulfport keyless access system, integrate Washington onto same system	$2,000,000	New Solicitation on the market in November
Washington	National Monument Quarters 1 and 2 phase 1 repairs (roof, waterproofing, masonry, plaster, replace deteriorated components, remediate hazardous material, accessibility, HVAC, fire alarm system)	$700,000	Procurement package is being processed
Washington	National Monument Quarters 1 and 2 phase 2 repairs (stonework, basement plaster, fireplaces, tile, kitchen rehab, security system)	$1,640,000	Procurement package is being processed
TOTAL		**$46,368,490**	

SECTION 2
FINANCIAL INFORMATION

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, D.C.

In our audits of the fiscal years 2024 and 2023 financial statements of the Armed Forces Retirement Home (AFRH), we found:

- AFRH's financial statements as of and for the fiscal years ended September 30, 2024, and 2023, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes a section on required supplementary information (RSI)[1] and a section on other information included with the financial statements[2]; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited AFRH's financial statements. AFRH's financial statements comprise the balance sheets as of September 30, 2024, and 2023; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, AFRH's financial statements present fairly, in all material respects, AFRH's financial position as of September 30, 2024, and 2023, and its net costs of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AFRH and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

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[1] The RSI consists of Management's Discussion and Analysis and the Statement of Budgetary Resources, which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for:

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;

- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;

- preparing and presenting other information included in AFRH's Performance and Accountability Report (PAR) and ensuring the consistency of that information with the audited financial statements and the RSI; and

- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AFRH's internal control over financial reporting. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

AFRH's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in AFRH's PAR. The other information comprises the following sections: a detailed statement of management assurances and other information that is applicable in the annual report. Other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of AFRH's financial statements, we considered AFRH's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[3] or to express an opinion on the effectiveness of AFRH's internal control over financial reporting. Given these limitations, during our 2024 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to AFRH's internal control over financial reporting in accordance with government auditing standards and Office of Management and Budget audit guidance.

Responsibilities of Management for Internal Control over Financial Reporting

AFRH's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of AFRH's financial statements as of and for the fiscal year ended September 30, 2024, in accordance with U.S. generally accepted government auditing standards, we considered AFRH's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHRC's internal control over financial reporting. Accordingly, we do not express an opinion on AFRH's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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[3] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to prove reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of AFRH's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of AFRH's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of AFRH's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2024 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to AFRH. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

AFRH management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to AFRH.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to AFRH that have a direct effect on the determination of material amounts and disclosures in AFRH's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to AFRH. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Brown & Company

Greenbelt, Maryland
November 8, 2024

PRINCIPAL FINANCIAL STATEMENTS

The Principal Financial Statements (Statements) have been prepared to report the financial position and results of operations of the AFRH. The AFRH management is responsible for the fair presentation of information contained in the principal financial statements. The independent accounting firm, Brown & Company CPAs and Management Consultants, PLLC, is the auditor for the AFRH FY 2023 financial statements. The Statements have been prepared from the books and records of the Agency in accordance with formats prescribed by the Office of Management and Budget (OMB) in OMB Circular A-136, Financial Reporting Requirements, revised. The Statements are in addition to financial reports prepared by the Agency in accordance with OMB and U.S. Department of the Treasury (Treasury) directives to monitor and control the status and use of budgetary resources, which are prepared from the same books and records. Shared service providers, U.S. Treasury Bureau of the Fiscal Service (BFS) and U.S. Department of Agriculture National Financial Center (NFC), processed payroll and financial transactions under Interagency Agreements, and AFRH relies on information received from these partners (along with audits and reviews) to execute management controls.

The Statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The Agency has no authority to pay liabilities not covered by budgetary resources. Liquidation of such liabilities requires enactment of an appropriation. Comparative data for 2022 are included.

The Balance Sheet provides information on assets, liabilities, and net position similar to balance sheets reported in the private sector. Intra-departmental balances have been eliminated from the amounts presented.

The Statement of Net Cost reports the components of the net costs of the Agency's operations for the period. The net cost of operations consists of the gross cost incurred by the Agency less any exchange (i.e., earned) revenue from our activities. Intra-departmental balances have been eliminated from the amounts presented.

The Statement of Changes in Net Position reports the beginning net position, the transactions that affect net position for the period, and the ending net position. Intra-departmental transactions have been eliminated from the amounts presented.

The Statement of Budgetary Resources provides information on how budgetary resources were made available and their status at the end of the year. Information in this statement is reported on the budgetary basis of accounting. Intra-departmental transactions have not been eliminated from the amounts presented.

Required Supplementary Information contains a Combining Statement of Budgetary Resources, the condition of assets held by the Agency, and information on deferred maintenance and repairs. The Combining Statement of Budgetary Resources provides additional information on amounts presented in the Combined Statement of Budgetary Resources.

Notes to the Financial Statements describe significant accounting policies as well as detailed information on select statement lines.

Balance Sheet

ARMED FORCES RETIREMENT HOME
BALANCE SHEET
AS OF SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Assets		
Intragovernmental Assets		
Fund Balance with Treasury	$ 9,051,853	$ 8,235,418
Investments, Net (Note 3)	181,117,682	178,475,579
Federal Investments		178,448,812
Interest Receivable - Investments		26,767
Accounts Receivable, Net (Note 4)	455,097	-
Total Intragovernmental Assets	190,624,632	186,710,997
Other than Intragovernmental Assets		
Accounts Receivable, Net (Note 4)	2,079,906	1,758,918
Property, Plant, and Equipment, Net (Note 5)	272,711,908	278,156,807
Total Other than Intragovernmental Assets	274,791,814	279,915,725
Total Assets	**$ 465,416,446**	**$ 466,626,722**
Liabilities (Note 6)		
Intragovernmental Liabilities		
Accounts Payable	$ 30,010	$ 110,435
Other Liabilities (Note 8)	990,711	1,295,719
Total Intragovernmental Liabilities	1,020,721	1,406,154
Other than Intragovernmental Liabilities		
Accounts Payable	1,484,192	1,597,127
Federal Employee Salary, Leave, and Benefits Payable (Note 6)	1,885,755	2,546,381
Pension, Post-Employment, and Veterans Benefits Payable (Note 6)	4,731,157	5,367,705
Advances from Others and Deferred Revenue	1,999,415	1,759,615
Other Liabilities (Note 8)	487,725	(601)
Total Other than Intragovernmental Liabilities	10,588,244	11,270,227
Total Liabilities	**$ 11,608,965**	**$ 12,676,381**
Net Position		
Funds From Dedicated Collections	245,182,204	255,392,703
Funds from Other than Dedicated Collections	208,625,277	198,557,638
Total Cumulative Results of Operations (Consolidated)	453,807,481	453,950,341
Total Net Position	**$ 453,807,481**	**$ 453,950,341**
Total Liabilities and Net Position	**$ 465,416,446**	**$ 466,626,722**

The accompanying notes are an integral part of these financial statements.

Statement of Net Cost

ARMED FORCES RETIREMENT HOME
STATEMENTS OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Program Costs:		
Program: Quality Care First and Always		
Gross Costs	$ 72,036,948	$ 67,743,402
Less: Earned Revenue	(25,694,877)	(23,380,678)
Net Program Costs	**$ 46,342,071**	**$ 44,362,724**
Program: Stewardship at Our Core		
Gross Costs	$ 9,195,330	$ 9,053,470
Less: Earned Revenue	(3,279,885)	(3,124,677)
Net Program Costs	**$ 5,915,445**	**$ 5,928,793**
Program: Constantly Evolving		
Gross Costs	$ 3,759,801	$ 1,910,606
Less: Earned Revenue	(1,341,084)	(659,419)
Net Program Costs	**$ 2,418,717**	**$ 1,251,187**
Net Cost of Operations	**$ 54,676,233**	**$ 51,542,704**

The accompanying notes are an integral part of these financial statements.

ARMED FORCES RETIREMENT HOME
STATEMENTS OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Unexpended Appropriations		
Appropriations Received	$ 25,000,000	$ 102,000,000
Appropriations Used	(25,000,000)	(102,000,000)
Total Unexpended Appropriations	**$ -**	**$ -**
Cumulative Results of Operations		
Beginning Balance	$ 453,950,341	$ 375,800,955
Beginning Balance, as Adjusted	$ 453,950,341	$ 375,800,955
Appropriations Used	25,000,000	102,000,000
Donations and Forfeitures of Cash and Cash Equivalents	54,419	125,221
Transfers-In/(Out) without Reimbursement	1,950,000	-
Imputed Financing (Note 11)	3,129,821	2,538,168
Other	24,399,133	25,028,701
Net Cost of Operations	(54,676,233)	(51,542,704)
Net Change in Cumulative Results of Operations	(142,860)	78,149,386
Total Cumulative Results of Operations	**$ 453,807,481**	**$ 453,950,341**
Net Position	**$ 453,807,481**	**$ 453,950,341**

The accompanying notes are an integral part of these financial statements.

Statement of Budgetary Resources

ARMED FORCES RETIREMENT HOME
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(In Dollars)

	2024	2023
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net (Note 13)	$ 108,733,197	$ 34,729,404
Appropriations	102,000,000	254,360,000
Spending Authority from Offsetting Collections	1,950,000	-
Total Budgetary Resources	**$ 212,683,197**	**$ 289,089,404**
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total)	$ 98,099,078	$ 172,396,323
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	107,237,116	98,229,158
Unapportioned, Unexpired Accounts	734,883	8,022,160
Unexpired Unobligated Balance, End of Year	107,971,999	106,251,318
Expired Unobligated Balance, End of Year	6,612,120	10,441,763
Unobligated Balance, End of Year (Total)	114,584,119	116,693,081
Total Budgetary Resources	**$ 212,683,197**	**$ 289,089,404**
Outlays, Net and Disbursements, Net		
Outlays, Net (Total)	$ 100,783,327	$ 175,046,100
Distributed Offsetting Receipts	(20,306,515)	(18,335,536)
Agency Outlays, Net	**$ 80,476,812**	**$ 156,710,564**

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 24 U.S.C. The AFRH is an independent Agency in the Executive branch of the Federal Government. The AFRH has two facilities. One is located in Gulfport, MS and the other is located in Washington, D.C.

The AFRH's mission is to fulfill our nation's promise to its veterans by providing a premier retirement community with exceptional residential care and extensive support services. We support our residents' independence, dignity, distinction, heritage and future of continued life-enriching experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to providing the best housing and support services possible and creating a true community of accomplished, independent residents, who are free to explore their talents, pursue their interests and follow their dreams.

The 1991 Defense Authorization Act created an AFRH Trust Fund (Trust Fund). Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis.

General Funds are accounts used to record financial transactions arising under Congressional appropriations or other authorizations to spend general revenues. AFRH manages Operations and Facilities, Engineering and Development General Fund accounts.

General Fund Miscellaneous Receipts are accounts established for receipts of non-recurring activity, such as fines, penalties, fees and other miscellaneous receipts for services and benefits.

AFRH receives custodial collections and holds custodial receivables that are non-entity assets and are transferred to Treasury at the fiscal year-end.

AFRH has rights and ownership of all assets reported in these financial statements. AFRH does not possess any non-entity assets.

B. BASIS OF PRESENTATION

The financial statements have been prepared to report the financial position and results of operations of the AFRH. The Balance Sheet presents the financial position of the agency. The Statement of Net Cost presents the agency's operating results; the Statement of Changes in Net Position displays the changes in the agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the agency's resources and follows the rules for the Budget of the United States Government.

The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the AFRH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, as amended, and the AFRH's accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to monitor and control the AFRH's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates the control and monitoring of federal funds as well as the compliance with legal requirements on the use of those funds.

D. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the AFRH's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The AFRH does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the Agency on demand.

E. Investment in U.S. Government Securities

The AFRH has the authority to invest in U.S. Government securities. The securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. It is expected that investments will be held until maturity; therefore, they are classified as investment securities held to maturity and are carried at historical cost, adjusted for amortization of premiums and discounts. The amortization of premiums and discounts are recognized as adjustments to interest income using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest on investments is accrued as it is earned.

F. Accounts Receivable

Accounts receivable consists of amounts owed to the AFRH by other federal agencies and the general public. Amounts due from federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

G. Property and Equipment

The AFRH owns the land and buildings in which it operates. The majority of the property, equipment and software is used to provide residential and health care to members and is valued at cost. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to $50,000 per unit is capitalized. Routine maintenance is expensed as incurred. Construction costs are capitalized as construction-in-progress until the asset is completed then transferred to the appropriate property account. Depreciation expense is recognized on property, equipment, and software with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the assets' useful lives. Other equipment is expensed when purchased. Most AFRH heritage assets are multi-use facilities and are classified as general property, equipment and software. Applicable standard Governmental guidelines regulate the disposal and convertibility of Agency property, equipment, and software. The useful lives used when recording depreciation on property, equipment, and software are as follows:

Description	Useful Life (years)
Improvements to Land	10-20
Buildings and Improvements	20-50
Equipment	5-10

Heritage Assets are defined by SSFAS No. 29 as: “Property, plant and equipment (PP&E) that are unique for one or more of the following reasons: historical or natural significance; cultural educational, or artistic (e.g., aesthetic) importance; or significant architectural characteristics.” SSFAS 29 stipulates that Heritage Assets can be classified as Collection-Type Heritage Assets and Non-Collection Type Heritage Assets. AFRH-W maintains Collection-Type Heritage Assets which include buildings, structures, objects, etc. Federal agencies are not required to assign a cost on the Balance Sheet for heritage assets. Heritage assets are not included on the Balance Sheet since no financial, nor replacement, value can be assigned to them. These items support the Agency’s mission by demonstrating historical significance, excellence and innovation.

H. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.

I. Liabilities

Liabilities represent the amount of funds likely to be paid by the AFRH as a result of transactions or events that have already occurred.

The AFRH reports its liabilities under two categories, Intragovernmental and Other than Intragovernmental. Intragovernmental liabilities represent funds owed to another government agency. Liabilities other than intragovernmental represent funds owed to any entity or person that is not a federal agency, including private sector firms and federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave, deferred lease liabilities, actuarial FECA, and the amounts due to Treasury for collection and accounts receivable of civil penalties and FOIA request fees.

J. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to the Office of Personnel Management (OPM) upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees.

K. Accrued and Actuarial Workers' Compensation

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the AFRH's employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the AFRH terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL and (2) the unreimbursed cost paid by DOL for compensation to recipients under the FECA.

L. Retirement Plans

The AFRH's employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of the AFRH's matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund.

Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and the AFRH matches any employee contribution up to an additional four percent of pay. For FERS participants, the AFRH also contributes the employer's matching share of Social Security.

FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, the AFRH remits the employer's share of the required contribution.

The AFRH recognizes the imputed cost of pension and other retirement benefits during the employees' active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to the AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. The AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

The AFRH does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM, as the administrator.

M. Other Post-Employment Benefits

The AFRH's employees eligible to participate in the Federal Employees' Health Benefits Plan (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) may continue to participate in these programs after their retirement. The OPM has provided the AFRH with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The AFRH recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the AFRH through the recognition of an imputed financing source.

N. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

O. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The AFRH recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. The AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

P. Reclassification

Certain fiscal year 2023 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

Q. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury account balances as of September 30, 2024 and 2023, were as follows:

	2024	2023
Status of Fund Balance With Treasury		
Unobligated Balance		
Available	$ 107,237,117	$ 98,255,925
Unavailable	61,888,355	59,098,140
Obligated Balance Not Yet Disbursed	21,044,063	29,356,932
Total	**$ 190,169,535**	**$ 186,710,997**

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

The available unobligated fund balances represent the current-period amount available for obligation or commitment. At the start of the next fiscal year, this amount will become part of the unavailable balance as described in the following paragraph.

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand.

NOTE 3. INVESTMENTS, NET

Investments as of September 30, 2024 and 2023 consist of the following:

	Cost/ Acquisition Value	Amortization Method	Interest Receivable	Net Investments	Market Value
2024 Intragovernmental Investments:					
Marketable	$ 181,117,682	Interest	$ -	$ 181,117,682	$ 181,117,682
Total Intragovernmental Investments	**$ 181,117,682**		**$ -**	**$ 181,117,682**	**$ 181,117,682**
2023 Intragovernmental Investments:					
Marketable	$ 178,448,812	Interest	$ 26,767	$ 178,475,579	$ 178,448,812
Total Intragovernmental Investments	**$ 178,448,812**		**$ 26,767**	**$ 178,475,579**	**$ 178,448,812**

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms.

NOTE 4. ACCOUNTS RECEIVABLE, NET

Accounts receivable balances as of September 30, 2024 and 2023, were as follows:

	2024	**2023**
Intragovernmental		
Accounts Receivable	$ 455,097	$ 26,767
Total Intragovernmental Accounts Receivable	$ 455,097	$ 26,767
Other than Intragovernmental		
Accounts Receivable	$ 2,079,906	$ 1,758,918
Total Other than Intragovernmental Accounts Receivable	$ 2,079,906	$ 1,758,918
Total Accounts Receivable	**$ 2,535,003**	**$ 1,758,918**

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2024 and 2023.

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT, NET

Schedule of General Property, Plant, and Equipment, Net as of September 30, 2024 and 2023:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2024			
Major Class:			
Buildings	$ 368,499,925	$ 111,777,201	$ 256,722,724
Land	331,463	-	331,463
Improvements to Land	3,075,623	1,060,926	2,014,697
Furniture and Equipment	3,180,136	1,078,152	2,101,984
Construction In Progress	11,541,040	-	11,541,040
Total	**$ 386,628,187**	**$ 113,916,279**	**$ 272,711,908**
2023			
Major Class:			
Buildings	$ 394,228,291	$ 129,839,987	$ 264,388,304
Land	331,463	-	331,463
Improvements to Land	4,952,643	2,762,347	2,190,296
Furniture and Equipment	3,331,230	1,474,609	1,856,621
Construction In Progress	9,390,123	-	9,390,123
Total	**$ 412,233,750**	**$ 134,076,943**	**$ 278,156,807**

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the AFRH as of September 30, 2024 and 2023, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

	2024	2023
Intragovernmental-FECA	$ 808,766	$ 876,364
Unfunded Leave	1,321,132	1,256,010
Actuarial FECA	4,731,157	5,367,705
Deferred Lease Liability	487,500	1,718,365
Total Liabilities Not Covered by Budgetary Resources	$ 7,348,555	$ 9,218,444
Total Liabilities Covered by Bugetary Resources	4,257,855	3,455,768
Liabilities Not Requiring Budgetary Resources	2,555	2,169
Total Liabilities	**$ 11,608,965**	**$ 12,676,381**

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on the AFRH's behalf and payable to the DOL. The AFRH also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

NOTE 7. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for the AFRH employees are administered by the DOL and ultimately paid by the AFRH when funding becomes available.

The AFRH bases its estimate for FECA actuarial liability on the DOL's FECA model. The DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, the AFRH's liability as of September 30, 2024 and 2023, was $4.7 million and $5.4 million, respectively.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2024 and 2023, were as follows:

	Current	Total
2024		
Intragovernmental:		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 39,770	$ 39,770
Custodial Liability (to the general fund)	2,555	2,555
Employer Contributions and Payroll Taxes Payable	139,619	139,619
Other Post Employment Benefits Due and Payable	1	1
Unfunded FECA Liability	808,766	808,766
Total Intragovernmental	$ 990,711	$ 990,711
Other than Intragovernmental:		
Other Liabilities w/o Related Budgetary Obligations	$ 487,500	$ 487,500
Other Liabilities w/Related Budgetary Obligations	225	225
Total Other than Intragovernmental	$ 487,725	$ 487,725
Total Other Liabilities	**$ 1,478,436**	**$ 1,478,436**
2023		
Intragovernmental:		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	$ 89,308	$ 89,308
Custodial Liability (to the general fund)	2,169	2,169
Employer Contributions and Payroll Taxes Payable	327,878	327,878
Unfunded FECA Liability	876,364	876,364
Total Intragovernmental	$ 1,295,719	$ 1,295,719
Other than Intragovernmental:		

Other Liabilities w/Related Budgetary Obligations	$	(601)	$	(601)
Total Other than Intragovernmental	$	(601)	$	(601)
Total Other Liabilities	**$**	**1,295,118**	**$**	**1,295,118**

NOTE 9. DEFERRED REVENUE

In FY 2015, the Armed Forces Retirement Home entered into a lease agreement with Creative Minds International Public Charter School as the lessee with occupancy beginning on August 1, 2015. The lessee continues to occupy the Sherman Building North and Annex sections with initial lease square footage of 32,050 and the square footage has increased throughout the years. Since leasing to the School, the AFRH has added property lease arrangements for residential quarters and parking spaces to generate revenue on underutilized property.

These leases are reviewed annually to ensure they align with AFRH's current strategy and operational needs. The annual review process allows AFRH to activate cancellation clauses or renew the leases based on the evolving needs of the organization.

NOTE 10. FUNDS FROM DEDICATED COLLECTIONS

The AFRH has funds from dedicated collections that fall into the following categories: Capital Fund, Hurricane Katrina Fund and the Operations & Maintenance Fund. Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis, while the Hurricane Katrina monies were appropriated on an emergency basis to cover necessary expenses related to the consequences of Hurricane Katrina until expended.

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting measures the appropriations and consumption of budget authority and other budgetary resources and facilitates compliance with legal constraints and controls over use of Federal funds. Schedule of Earmarked Funds as of September 30, 2024 and 2023:

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Care Fund	Sheridan Building Renovation	Technology Modernization	Total Funds From Dedicated Collections
2024							
BALANCE SHEET							
Assets:							
Intragovernmental							
Fund Balance with Treasury	$ (29,486,439)	$ 1	$ 70,740	$ 530,319	$ (206,263)	$ 1,627,831	$ (27,463,811)
Accounts Receivable, Net	-	-	-	531,000	-	-	531,000
Total Intragovernmental	$ (29,486,439)	$ 1	$ 70,740	$ 1,061,319	$ (206,263)	$ 1,627,831	$ (26,932,811)
With The Public							
Accounts Receivable, Net	-	-	-	190	-	-	190
General Property, Plant, and Equipment, Net	107,666,374	11,410,833	153,411,089	-	223,613	-	272,711,909
Total With The Public	$ 107,666,374	$ 11,410,833	$153,411,089	$ 190	$ 223,613	$ -	$ 272,712,099
Total Assets	**$ 78,179,935**	**$ 11,410,834**	**$153,481,829**	**$ 1,061,509**	**$ 17,350**	**$ 1,627,831**	**$ 245,779,288**
Liabilities:							
With The Public							
Accounts Payable	$ 87,748	$ -	$ -	$ -	$ 17,350	$ 4,486	$ 109,584
Other Liabilities	-	-	-	-	-	487,500	487,500
Total With The Public	$ 87,748	$ -	$ -	$ -	$ 17,350	$ 491,986	$ 597,084

Total Liabilities	**$ 87,748**	**$ -**	**$ -**	**$ -**	**$ 17,350**	**$ 491,986**	**$ 597,084**
Net Position:							
Cumulative Results of Operations	78,092,187	11,410,834	153,481,829	1,061,509	-	1,135,845	245,182,204
Total Net Position	$ 78,092,187	$ 11,410,834	$153,481,829	$1,061,509	$ -	$1,135,845	$245,182,204
Total Liabilities and Net Position	**$ 78,179,935**	**$ 11,410,834**	**$153,481,829**	**$1,061,509**	**$ 17,350**	**$1,627,831**	**$245,779,288**
STATEMENT OF NET COST							
Program Costs	$ 6,470,361	$ 293,940	$ 4,582,043	$ -	$ -	$ 814,155	$ 12,160,499
Net Program Costs	$ 6,470,361	$ 293,940	$ 4,582,043	$ -	$ -	$ 814,155	$ 12,160,499
Net Program Costs Including Assumption Changes	**$ 6,470,361**	**$ 293,940**	**$ 4,582,043**	**$ -**	**$ -**	**$ 814,155**	**$ 12,160,499**
Net Cost of Operations	**$ 6,470,361**	**$ 293,940**	**$ 4,582,043**	**$ -**	**$ -**	**$ 814,155**	**$ 12,160,499**
STATEMENT OF CHANGES IN NET POSITION							
Net Position Beginning of Period	$ 84,562,548	$ 11,704,774	$158,063,872	$1,061,509	$ -	$ -	$ 255,392,703
Transfers in/out Without Reimbursement	-	-	-	-	-	1,950,000	1,950,000
Net Cost of Operations	(6,470,361)	(293,940)	(4,582,043)	-	-	(814,155)	(12,160,499)
Change in Net Position	$ (6,470,361)	$ (293,940)	$ (4,582,043)	$ -	$ -	$1,135,845	$(10,210,499)
Net Position End of Period	**$ 78,092,187**	**$ 11,410,834**	**$153,481,829**	**$ 1,061,509**	**$ -**	**$1,135,845**	**$ 245,182,204**
2023							
BALANCE SHEET							
Asset:							
Intragovernmental							
Fund Balance with Treasury	$ (23,527,691)	$ 1	$ 70,740	$ 530,319	$ -	$ -	$(22,926,631)
Accounts Receivable	-	-	-	531,000	-	-	531,000
Total Intragovernmental	$ (23,527,691)	$ 1	$ 70,740	$ 1,061,319	$ -	$ -	$(22,395,631)
With The Public							
Accounts Receivable, Net	-	-	-	190	-	-	190
Property, Equipment, and Software	108,458,902	11,704,773	157,993,132	-	-	-	278,156,807
Total With The Public	$ 108,458,902	$ 11,704,773	$157,993,132	$ 190	$ -	$ -	$278,156,997
Total Assets	**$ 84,931,211**	**$ 11,704,774**	**$158,063,872**	**$ 1,061,509**	**$ -**	**$ -**	**$255,761,366**

Liabilities:							
Intragovernmental							
Accounts Payable	392	-	-	-	-	-	392
Total Intragovernmental	$ 392	$ -	$ -	$ -	$ -	$ -	$ 392
With The Public							
Accounts Payable	368,271	-	-	-	-	-	368,271
Total With The Public	$ 368,271	$ -	$ -	$ -	$ -	$ -	$ 368,271
Total Liabilities	**$ 368,663**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 368,663**
Net Position:							
Cumulative Results of Operations	84,562,548	11,704,774	158,063,872	1,061,509	-	-	255,392,703
Total Net Position	$ 84,562,548	$ 11,704,774	$158,063,872	$1,061,509	$ -	$ -	$255,392,703
Total Liabilities and Net Position	**$ 84,931,211**	**$ 11,704,774**	**$158,063,872**	**$1,061,509**	**$ -**	**$ -**	**$255,761,366**
STATEMENT OF NET COST							
Program Costs	$ 5,755,945	$ 293,940	$ 4,582,043	$ -	$ -	$ -	$ 10,631,928
Net Program Costs	$ 5,755,945	$ 293,940	$ 4,582,043	$ -	$ -	$ -	$ 10,631,928
Net Program Costs Including Assumption Changes	**$ 5,755,945**	**$ 293,940**	**$ 4,582,043**	**$ -**	**$ -**	**$ -**	**$ 10,631,928**
Net Cost of Operations	**$ 5,755,945**	**$ 293,940**	**$ 4,582,043**	**$ -**	**$ -**	**$ -**	**$ 10,631,928**
STATEMENT OF CHANGES IN NET POSITION							
Net Position Beginning of Period	$ 90,272,774	$ 11,998,714	$162,645,915	$1,061,509	$ -	$ -	$265,978,912
Appropriations Used	-	-	-	-	77,000,000	-	77,000,000
Transfers in/out Without Reimbursement	45,720	-	-	-	(77,000,000)	-	(76,954,280)
Net Cost of Operations	(5,755,946)	(293,940)	(4,582,043)	-	-	-	(10,631,929)
Change in Net Position	$ (5,710,226)	$ (293,940)	$ (4,582,043)	$ -	$ -	$ -	$(10,586,209)
Net Position End of Period	**$ 84,562,548**	**$ 11,704,774**	**$158,063,872**	**$1,061,509**	**$ -**	**$ -**	**$ 255,392,703**

NOTE 11. INTER-ENTITY COSTS

AFRH recognizes certain inter-entity costs for goods and services that are received from other federal entities at no cost or at a cost less than the full cost. Certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to employee benefits and claims to be settled by the Treasury Judgement Fund. AFRH recognizes as inter-entity costs the amount of accrued pension and post-retirement benefit expenses for current employees.

The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2024 and 2023, respectively, inter-entity costs were as follows:

		2024		2023
Office of Personnel Management	$	3,129,821	$	2,533,168
Treasury Judgement Fund		-		5,000
Total Imputed Financing Sources	**$**	**3,129,821**	**$**	**2,538,168**

NOTE 12. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

The President's Budget that will include fiscal year 2024 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2025 and can be found at the OMB website: http://www.whitehouse.gov/omb/. The Fiscal Year 2025 Budget of the United States Government, with the "Actual" column completed for 2023, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

		Budgetary Resources		New Obligations & Upward Adjustments (Total)		Distributed Offsetting Receipts		Net Outlays
Combined Statement of Budgetary Resources	$	289	$	172	$	(18)	$	175
Unobligated Balance Not Available		10		-		-		-
Difference Due to Rounding		(1)		-		-		-
Budget of the U.S. Government	**$**	**278**	**$**	**172**	**$**	**(18)**	**$**	**175**

NOTE 13. NET ADJUSTMENTS TO UNOBLIGATED BALANCE, BROUGHT FORWARD, OCTOBER 1

The Unobligated Balance Brought Forward from the prior fiscal year has been adjusted for recoveries of prior year paid and unpaid obligations and other changes such as canceled authority. The Adjustments to Unobligated Balance Brought Forward, October 1, as of September 30, 2024 and 2023, consisted of the following:

		2024		2023
Unobligated Balance Brought Forward from Prior Year, October 1	$	116,693,081	$	31,527,500
Recoveries of Prior Year Obligations		3,678,619		3,285,799
Other Changes in Unobligated Balances		(11,638,503)		(83,895)
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	**$**	**108,733,197**	**$**	**34,729,404**

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2024 and 2023 were as follows:

		Intragovernmental		Other than Intragovernmental		Total
2024						
Unpaid Undelivered Orders	$	1,302,252	$	17,483,371	$	18,785,623
Total Undelivered Orders	**$**	**1,302,252**	**$**	**17,483,371**	**$**	**18,785,623**
2023						
Unpaid Undelivered Orders	$	780,213	$	25,162,201	$	25,942,414
Total Undelivered Orders	**$**	**780,213**	**$**	**25,162,201**	**$**	**25,942,414**

NOTE 15. CUSTODIAL REVENUES

The AFRH’s custodial collection primarily consists of Freedom of Information Act requests. While these collections are considered custodial, they are neither primary to the mission of the AFRH nor material to the overall financial statements. The AFRH total custodial collections are $1,209 and $1,109 for the years ended September 30, 2024 and 2023, respectively.

NOTE 16. RECONCILIATION OF NET OPERATING COST & NET BUDGETARY OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The reconciliation of Net Cost to Net Outlays as of September 30, 2024:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 7,681,327**	**$ 46,994,906**	**$ 54,676,233**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(9,953,762)	(9,953,762)
Property, Plant, and Equipment Disposals and Revaluations	-	(1,392,584)	(1,392,584)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	455,097	320,602	775,699
Securities and Investments	(26,767)	-	(26,767)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	80,425	112,935	193,360
Federal Employee Salary, Leave, and Benefits Payable	-	660,626	660,626
Pension, Other Post-Employment, and Veterans Benefits Payable	-	636,548	636,548
Advances from Others and Deferred Revenue	-	(239,799)	(239,799)
Other Liabilities	305,394	(488,326)	(182,932)
Financing Sources:			
Imputed Cost	(3,129,821)	-	(3,129,821)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (2,315,672)**	**$ (10,343,760)**	**$ (12,659,432)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	206,461	5,694,986	5,901,447
Financing Sources:			
Donated Revenue	-	(54,419)	(54,419)
Transfers Out (In) Without Reimbursements	(1,950,000)	-	(1,950,000)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ (1,743,539)**	**$ 5,640,567**	**$ 3,897,028**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(20,306,515)	(20,306,515)
Custodial/Non-Exchange Revenue	(24,391,434)	(7,700)	(24,399,134)
Appropriated Receipts for Trust/Special Funds	33,962,117	45,306,515	79,268,632
Total Other Reconciling Items	**$ 9,570,683**	**$ 24,992,300**	**$ 34,562,983**
Total Net Outlays (Calculated Total)	**$ 13,192,799**	**$ 63,106,269**	**$ 80,476,812**
Budgetary Agency Outlays, net			**$ 80,476,812**

The reconciliation of Net Cost to Net Outlays as of September 30, 2023:

	Intragovern-mental	Other than Intragovern-mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	**$ 8,057,489**	**$ 43,485,215**	**$ 51,542,704**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(10,631,929)	(10,631,929)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	1,037,869	1,037,869
Securities and Investments	26,767	-	26,767
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	(45,560)	1,521,550	1,475,990
Federal Employee Salary, Leave, and Benefits Payable	-	183,402	183,402
Advances from Others and Deferred Revenue	-	650,116	650,116
Other Liabilities	(16,872)	(90,853)	(107,725)
Financing Sources:			
Imputed Cost	(2,538,168)	-	(2,538,168)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	**$ (2,573,833)**	**$ (7,329,845)**	**$ (9,903,678)**
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	$ 263,757	$ 5,754,347	$ 6,018,104
Financing Sources:			
Donated Revenue	-	(125,221)	(125,221)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	**$ 263,757**	**$ 5,629,126**	**$ 5,892,883**
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(18,335,536)	(18,335,536)
Custodial/Non-Exchange Revenue	(25,018,919)	(9,782)	(25,028,701)
Appropriated Receipts for Trust/Special Funds	32,209,356	120,333,536	152,542,892
Total Other Reconciling Items	**$ 7,190,437**	**$ 101,988,218**	**$ 109,178,655**
Total Net Outlays (Calculated Total)	**$ 12,937,850**	**$ 143,772,714**	**$ 156,710,564**
Budgetary Agency Outlays, net			**$ 156,710,564**

SECTION 3
OTHER INFORMATION

Office of the Inspector General:

October 24, 2024

Office of Inspector General
AFRH's Top Management & Performance Challenge for 2023

In accordance with the Reports Consolidation Act of 2000, the Performance and Accountability Report (PAR) must include as an Other Information (OI), a statement by the Agency's Inspector General (IG) summarizing the challenges facing the Armed Forces Retirement Home (AFRH) organization. The question of Resident Admissions, Occupancy and Infrastructure Upgrades continues to be a challenge to the Agency.

Rebuilding Occupancy Rate

The Chief Operating Officer (COO) is focused on achieving an Independent Living Resident occupancy rate of 90% percent. Stabilizing AFRH's Resident occupancy at or above 90 percent is expected to yield additional income annually. AFRH now permits couples, with a spouse who has been married to a military retiree during the retiree's military service. AFRH has lowered the age for entry. We are now able to accept retired members of the Reserve and National Guard. Renovation of the Sheridan Building on the Washington campus will temporarily reduce the number of available units since the building will remain open during renovation.

Streamlining the Admissions Process

The COO directed the Admissions team to review the entire admissions process to reduce the applicant on-boarding timeline. In past years many cases took one to four months from the date of application submission to the move-in date as a new resident.

This year following completion of the review of the process; the Admissions team has shown a marked improvement in processing time, improved tracking, and increased communication between staff and applicants. The team made adjustments to the documentation requirements which have reduced confusion, time spent, and frustration among applicants. This has decreased the processing time for applications greatly and improved the satisfaction of our applicants overall. The average application processing time is now 20 days, down from approximately 30 days.

The Gulfport Campus increased Independent Living occupancy from 78% to 84%. The Washington DC Campus is 96%, partially due to upcoming renovations to the Sheridan building. Construction is now scheduled for Spring 2025.

The integration of applicant documentation in the resident electronic information system has improved every level of the admission process. By storing information in a central location, all team members now have greater access to information about each applicant and their place in the review process.

Additionally, AFRH as a continuing care retirement facility, requires verification of an applicant's medical status prior to admission. AFRH has implemented a telemedicine approach for some applicants when appropriate, which eliminates the need for an onsite medical evaluation to determine the level of care that is needed. This reduces the cost of an in-person visit for applicants who may be financially unable to travel to either campus. Our applicants have voiced appreciation for our efforts to improve their overall admission experience.

Infrastructure Upgrades

Both campuses, Washington and Gulfport, are undergoing modernization and repair. The Gulfport facility although relatively new; is approaching fifteen years in operation and is in need of service and repair of key systems.

The Washington DC campus is undertaking critical infrastructure repair and modernization projects (roofing, water system, electrical system, HVAC and elevators), as some systems are a century old. Additionally, the COO anticipates the Sheridan building renovations to begin in 2025 to update its systems and make living accommodations more attractive to residents.

To meet these challenges, the COO developed an aggressive modernization effort through a multimillion dollar, multi-phased renovation of the Sheridan building, the main independent living building in Washington, via the U.S. General Services Administration Construction Management Service.

Patrick Cavanagh, Sr.
Inspector General

DEFERRED MAINTENANCE

Starting in FY 2015, OMB required agencies to disclose their deferred maintenance procedures to identify, categorize and prioritize maintenance and repairs. AFRH manages its capital improvement budget through an Investment Review Board (IRB) that manages capital improvement projects, reviews requests, prioritizes projects and approves funding for AFRH's capital investments and major acquisitions. AFRH Capital Investments include capital assets such as land, structures, equipment and intellectual property (e.g., software) that have an estimated dollar value or cost of at least $50,000 and a useful life of at least two years. The cost of a capital asset includes both its purchase price and all other costs incurred to prepare for its intended use and location.

ANALYSIS OF ENTITY'S SYSTEMS, CONTROLS AND LEGAL COMPLIANCE

DATE: September 30, 2024

FROM: Chief Operating Officer

SUBJ: ANNUAL STATEMENT OF ASSURANCE REQUIRED UNDER THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) FOR FISCAL YEAR 2024

As Chief Operating Officer of the Armed Forces Retirement Home (AFRH), I recognize the Agency is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the FMFIA of 1982. AFRH conducted its assessment of risk and internal controls in according with the OMB Circular No. A123, "Management's Responsibility for Enterprise Risk Management and Internal Control"*;* and the Green Book, GAO-14-704G, "Standards for Internal Control in the Federal Government*.*" Based on the results of the assessment, and particularly the findings under DODIG-2018-077, dated February 2018, AFRH can provide reasonable assurance, except for the material weakness(es) noted in these reports on the effectiveness of internal controls over operations, reporting, and compliance of September 30, 2024.

A new management and leadership team was established as a result of the audit conducted by the Office of the Inspector General and is responsible for directly attending the concerns raised in the report. Given the significance of these findings, we suspect these findings likely translate or otherwise impact the effectiveness of AFRH controls and its management through operations, reporting and compliance. We continue to monitor, evaluate, and correct all deficiencies discovered during the year.

AFRH conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. The *"Internal Control Assessment (Appendix C)"* section provides specific information on how the AFRH conducted this assessment. Based on the results of the assessment, and particularly the findings under DODIG-2018-077, dated February 2018, AFRH can provide reasonable assurance, except for the material weakness(es) noted in these reports, that internal controls over operations and compliance are operating effectively as of September 30, 2024.

The AFRH conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. The *"Internal Control Assessment (Appendix C)"* section provides specific information on how the AFRH conducted this assessment. Based on the results of the assessment, and particularly the findings under DODIG-2018-077, dated February 2018, AFRH can provide reasonable assurance, except for the material weakness(es) noted in these reports, that internal controls over reporting (including internal and external financial reporting), and compliance are operating effectively as of September 30, 2024.

The AFRH conducted its assessment of the effectiveness of internal controls over integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. The *"Internal Control Assessment (Appendix C)"* section provides specific information on how the AFRH conducted this assessment. Based on the results of the assessment, and particularly the findings under DODIG-2018-077, dated February 2018, AFRH can provide reasonable assurance, except for the material weakness(es) noted in these reports, that internal controls over financial management systems are in compliance with FMFIA, Section 4; FFMIA, Section 803; and OMB Circular No. A-123, Appendix D, effectively as of September 30, 2024.

The AFRH has conducted an assessment of entity-level controls including fraud controls in accordance with the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, and particularly the findings under DODIG-2018-077, dated February 2018, AFRH can provide reasonable assurance, except for the material weakness(es) noted in these reports, that entity-level controls including fraud controls are operating effectively as of September 30, 2024.

The AFRH is hereby reporting that no Anti-Deficiency Act (ADA) violation has been discovered/identified during our assessments of the applicable processes.

If there are any questions regarding this Statement of Assurance for FY 2024, my point of contact is Travis Cook and can be reached at (202) 541-7556 or travis.cook@afrh.gov.

JOHN RISCASSI
Chief Operating Officer

DATE: September 30, 2024

FROM: Chief Operating Officer

SUBJ: INTERNAL CONTROLS ASSESSMENT

The Armed Forces Retirement Home's (AFRH) mission is to fulfill our nation's commitment to its veterans by providing a premier retirement community with exceptional residential care and extensive support services.

The AFRH is an independent agency in the Executive branch of the US Government. The AFRH provides residences and related services through two campus communities in Gulfport, MS (AFRH-G) and Washington, D.C. (AFRH-W), with a corporate headquarters (HQ) component in Washington, D.C. that oversees both, and serving certain retired and former members of the US Armed Forces (title 24, U.S. Code, chapter 10). The Chief Operating Officer (COO) is the head of the agency and is under the authority, direction, and control of the Secretary of Defense. AFRH corporate HQ management evaluated the system of internal control in effect during the fiscal year as of the date of this memorandum, according to the guidance in OMB Circular No. A123 and the GAO Green Book. Included is our evaluation of whether the system of internal control for AFRH is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal control of AFRH are to provide reasonable assurance of:

- Effectiveness and efficiency of operations;
- Reliability of financial and non-financial reporting;
- Compliance with applicable laws and regulations; and
- Financial information system s compliance with the FMFIA.

The evaluation of internal controls extends to every responsibility and activity undertaken by AFRH and applies to program, administrative, and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of internal controls should not exceed the benefits expected to be derived, and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to the risk that procedures may be inadequate because of changes in conditions; or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

INTERNAL CONTROL EVALUATION-MANAGEMENT CONTROL TESTING

AFRH management evaluated the system of internal control in accordance with the guidelines identified above. 111e results indicate that the system of internal control of AFRH, in effect as of the date of this memorandum, taken as a whole, complies with the requirement to provide reasonable assurance that the above-mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding section.

CONCLUSION ON OVERALL ASSESSMENT OF INTERNAL CONTROL

A new management and leadership team was established as a result of a 2018 audit conducted by the DoD Office of the Inspector General and is responsible for directly attending the concerns raised in the report. Given the significance of these findings, we suspect these findings likely translate or otherwise impact the effectiveness of AFRH controls and its management through operations, reporting and compliance. We continue to monitor, evaluate, and correct all deficiencies discovered during the year.

It is important to note that there exist many underlying strengths within the AFRH through policy, practice and people and that supports an effective internal control framework, historically well controlled, and with outcomes generally effective in most areas. New performance expectations, organizational structures, process and management activities will continue to strengthen the organization.

JOHN RISCASSI
Chief Operating Officer

Fraud Risk Management

AFRH is committed at the highest level to combating fraud and protecting Trust Fund resources. Under the Fraud Reduction and Data Analytics Act of 2015 (Pub. L. 114-186, 31 USC 3321 note), AFRH herein makes its report. AFRH evaluated an Internal Control Checklist, conducted a Risk and Control Assessment and Developed a Fraud Risk Profile and is managing in accordance with these assessments and their outcomes.

Risk management and internal controls management is a perpetual requirement in which the entity must annually evaluate systems, environmental, and other challenges that could potentially result in new risks. And, whereas, the Agency generally has low and no transactional risks in certain areas (very limited travel, no grants, a structured payroll, limited volume and type of payments), the risks are generally low overall for AFRH.

Inherent Risk Total (Maximum of 45)	**19**
General Control Environment Total (Maximum of 35)	**15**
Combined Assessment (Maximum of 85)	**37**

MIC Combined Assessment Score and Management's Assessment Rank		
	Low	(1-38)
	Moderate	(39-64)
	High	(65 - 85)

Results

Based on manager's assessment as noted above, select the appropriate line below and provide details as necessary (i.e. estimated dates for corrective actions if required)

Risk based on control environment and combined assessment are low or moderate - develop corrective actions for any noted control gaps and plan implementation for correction.

Provide a brief description of any noted control gaps and an estimated time line for correction.

Turnover is leadership and staff turnover has delayed the process of assessing and making revisions to the agency's Enterise Risk Management Program. The objective is to gain increased efficiency/effectiveness of operations, and financial reporting by continuing to identify and mitigate risk through internal controls.

Acknowledgments

Thank you for your interest in AFRH. This annual report was produced with the energies and talents of the AFRH staff. To the dedicated staff of the AFRH, our sincere thanks.

To achieve its mission, AFRH relies on dedicated partners who donate their time, talents, goods and services as well as materials for construction and repairs. Management is grateful to so many people for their support: the AFRH Residents, the AFRH staff, America's active-duty service members and military retirees, area school children, local churches, associations, clubs, commercial retailers, major corporations and military service organizations. These fine organizations provide vital support, invest numerous hours at AFRH and always lend a hand. This extended community is a wonderful part of the AFRH.

A PDF of this report is available on the AFRH Website:

https://www.afrh.gov/archives

Submit Suggestions and Comments to:

AFRH Chief Financial Officer
Sherman Building
3700 N. Capitol Street, NW
Washington, DC 20011

Learn How to Support AFRH Programs:

Armed Forces Retirement Home
ATTN: Public Affairs Officer #584
3700 North Capitol Street NW
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