



ARMED FORCES RETIREMENT HOME

PERFORMANCE AND ACCOUNTABILITY REPORT
FOR FISCAL YEAR 2025

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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 2025. This annual report consolidates multiple federal reporting requirements along with AFRH-specific mandates into a single comprehensive document that captures our financial and operational performance, highlights key accomplishments, and outlines strategic priorities for fiscal year 2026. A critical component of this report is our independently audited financial statements, which reflect the integrity of our accounting practices and the reliability of our performance information. We are confident that the data presented herein is complete and accurate. While the agency has not identified any material weaknesses, we remain vigilant and steadfast in our responsibility to be good stewards of the resources entrusted to us.

FY 2025 was marked by tangible progress as we continued to implement our long-term strategy for financial sustainability, facility modernization, and resident-centered care. The first phases of critical improvements to the water, electrical, and HVAC infrastructure at the Washington campus were completed and we are advancing to the next stages. Our major project to renovate Washington's Sheridan Building will proceed to a second round of procurement by the General Services Administration after the first round yielded few bids due to market uncertainty at the time. This long-awaited project, made possible through congressional support and interagency collaboration, will mark a turning point in AFRH's infrastructure renewal. Once complete, the modernized Sheridan will offer significantly larger, more functional residential spaces with enhanced accessibility and efficiency features. We are eager to move the project forward.

Gulfport occupancy has recovered to the highest level since early 2018 and, at 87 percent in independent living, is closing in on our goal of 90 percent or better. Washington occupancy continues to trend downward, which we anticipated given our plan to begin renovations over the next year, and currently stands at 88 percent for units that will remain available during renovation.

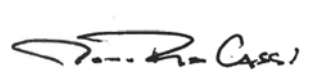
AFRH continues to balance rising operational costs against static or declining revenue sources such as fines and forfeitures. Although investment income helped boost the Trust Fund balance in recent years, we recognize this as a temporary benefit tied to favorable market conditions. Despite initiating legislative proposals to further stabilize our finances through expanded funding authorities and interagency reimbursement mechanisms, we must still rely on transfers from the General Fund to support expenses.

We continue to explore redevelopment potential for the underutilized portion of the Washington campus. These assets represent vital opportunities to generate sustainable revenue and offset AFRH's dependence on appropriations, provided that such efforts are consistent with our core mission and preserve the integrity of resident services and our historic trust. AFRH continues to engage with interested parties but, due to limitations with our interagency partners, we do not anticipate a competitive solicitation for redevelopment in the near term.

Throughout the year, our staff demonstrated unwavering dedication to resident care despite multiple challenges. We continue to improve resident healthcare coordination and electronic health record infrastructure to ensure seamless and responsive care delivery, working closely with our partners at the Federal Electronic Health Record Modernization Office and the Defense Health Agency to plan for AFRH's onboarding to the federal EHR.

Looking ahead to FY 2026, AFRH will remain focused on enhancing resident well-being, executing major organizational and capital improvements, and securing the financial future of the Trust Fund. We are deeply grateful for the trust placed in us by residents, military service members, Congress, and the American public. It is our honor to serve 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 2025, from October 1, 2024 through September 30, 2025, 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 2025 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

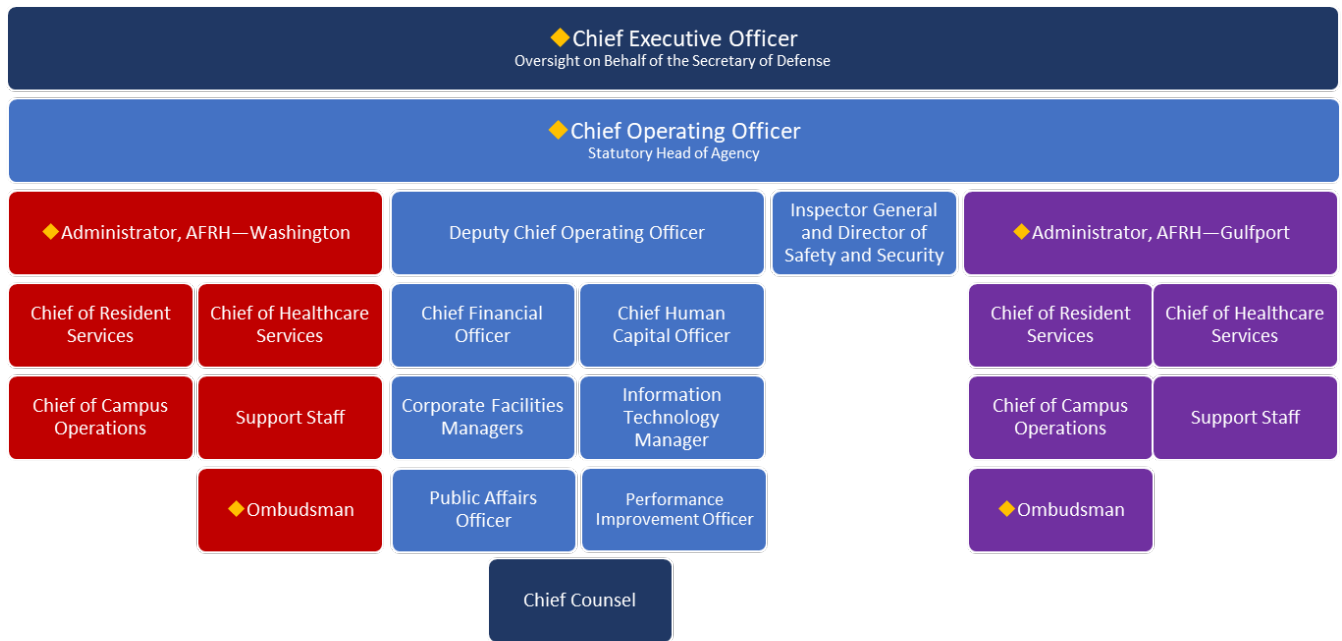
A retirement community committed to excellence, fostering independence, vitality and wellness for veterans, making it a vibrant place in which to live, work and thrive.

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 and further to the Director, Washington Headquarters Services (WHS). Day-to-day oversight is exercised by the AFRH Chief Executive Officer (CEO) who reports to the WHS Director. 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 facilities. 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 AS OF SEPTEMBER 30, 2025

Lakesia Campbell Performance Improvement Officer
Patrick Cavanagh Director of Safety and Security and Inspector General
Travis Cook Chief Financial Officer
Maurice Swinton 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
Jeyaharan Sivapalarasah Corporate Facilities Manager
Donna Smith Chief Human Capital Officer
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 offering a range of providers during business hours and nursing coverage and on-call providers after hours. The wellness centers feature primary medical, 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 including Independent Living Plus, Assisted Living, Long-Term Care, and Memory Support.
- **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 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, 2025

Age of Residents	AFRH-G	AFRH-W	Overall
Average age	82	82	82
Oldest resident	101	102	102
Youngest resident	57	36	36
Longest residency	33	52	52

Eligibility	AFRH-G	AFRH-W	Total	%
Active Duty Retired	367	142	509	73
Service-connected disability	40	25	65	9
War theater	23	13	36	5
Female served before 1948	0	1	1	1
Reserve Retired	28	9	37	5
Spouse	35	13	48	7
Total	493	203	696	100

Level of Care	AFRH-G	AFRH-W	Total	%
Independent Living	400	127	527	76
Independent Living Plus	23	10	33	5
Assisted Living	36	22	58	8
Memory Support	15	12	27	4
Long Term Care	19	32	51	7
Total	493	203	696	100

Gender	AFRH-G	AFRH-W	Total	%
Female	85	34	119	17
Male	408	169	577	83
Total	493	203	696	100

Last Branch of Service	AFRH-G	AFRH-W	Total	%
Army	97	59	156	22
Navy	152	53	205	30
Marine Corps	27	11	38	6
Coast Guard	8	2	10	1
Air Force	154	57	211	30
Guard or reserve component	20	8	28	4
Spouse	35	13	48	7
Total	493	203	696	100

Years at AFRH	AFRH-G	AFRH-W	Total	%
0-5 Years	333	98	431	62
6-15 Years	150	69	219	31
16-25 Years	6	22	28	4
26-35 Years	4	9	13	2
36+ Years	0	5	5	1
Total	493	203	696	100

War Theaters of Service	AFRH-G	AFRH-W	Total
World War II	10	8	18
Korea	76	40	116
Vietnam	268	105	373
Grenada	22	8	30
Panama	9	6	15
Gulf War / Desert Storm	46	22	68
Iraq / Afghanistan	25	9	34
Other	19	3	22

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

Last Service Pay Grade	AFRH-G	AFRH-W	Total	%
E1	1	1	2	0
E2	3	4	7	1
E3	13	8	21	3
E4	16	9	25	4
E5	32	20	52	7
E6	95	41	136	20
E7	147	59	206	30
E8	80	21	101	15
E9	47	16	63	9
W1	0	0	0	-
W2	4	3	7	1
W3	11	4	15	2
W4	5	1	6	1
W5	0	0	0	-
O1	0	0	0	-
O2	0	0	0	-
O3	6	2	8	1
O4	1	0	1	0
O5	0	0	0	-

O6	0	0	0	-
O7	0	0	0	-
O8	0	0	0	-
O9	0	0	0	-
Spouse	32	13	45	6
Total	493	203	696	100

Monthly Fees Paid	AFRH-G	AFRH-W	Overall
Average	\$ 2,302	\$ 2,046	\$ 2,118
25th Percentile	1,712	1,675	1,677
Median	2,357	2,232	2,256
75th Percentile	2,422	2,422	2,422

Annual Gross Income	AFRH-G	AFRH-W	Overall
Average	\$ 67,455	\$ 63,369	\$ 66,314
25th Percentile	44,281	44,087	44,156
Median	58,509	58,641	58,558
75th Percentile	82,548	77,103	80,459

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 substantial and ongoing declines from highs of over \$40 million in the 2000's, to \$21 million in 2022, and \$16 million in FY 2025.
- **GENERAL FUND TRANSFERS** AFRH received \$25 million from the General Fund in FY 2025. 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. 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** Revenue from resident fees realized a \$2 million increase in FY 2025 for a total of \$19 million. 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. 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. Residents pay the lesser of the percentage of income or the maximum fee for their level of care.

2025 MONTHLY RESIDENT FEES

Level of Care	Percentage of Income	Maximum Fee
Independent Living	46.7%	\$2,422
Independent Living Plus	50%	\$2,761
Assisted Living	63%	\$5,758
Long Term Care	70%	\$8,088
Memory Support	70%	\$8,173

- Dual-eligible veteran spouses pay fees based on their individual incomes according to the table above, minus a 15% discount if they opt to share a unit.
- Beneficiary spouses pay fees based on their individual incomes according to the table above, but with a minimum fee of \$500 per month for Independent Living or Independent Living Plus, and \$2,000 per month for Assisted Living, Long Term Care, or Memory Support. There is no discount since beneficiary couples must share an independent living apartment.
- **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. AFRH maintained its historical \$7 million collection from this source in FY 2025. 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 generates revenue from multiple sources, including interest earned on trust fund balances, rental income from leased properties, gifts and estate bequests, and ancillary service fees from on-campus operations. Reflecting broader economic trends and the cumulative impact of multiple interest rate increases in FY 2023, investment income rose sharply—from \$1 million in FY 2022 to \$10 million in FY 2024—before moderating slightly in FY 2025 to \$9 million. Revenue from leases, gifts, and estates also experienced growth in FY 2025, increasing by \$1 million to a total of \$4 million.

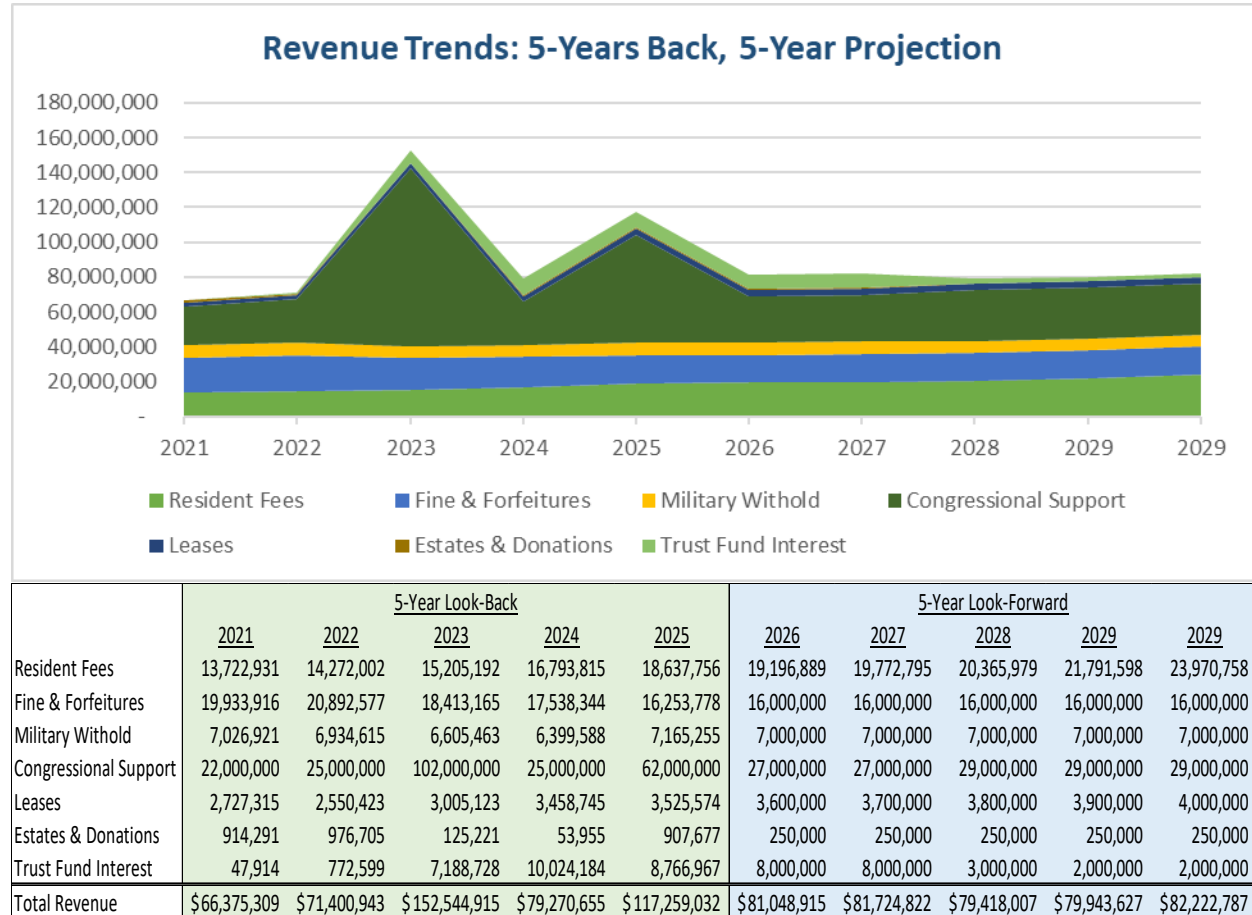
These sources of income are deposited into the AFRH Trust Fund held by the U.S. Treasury. Federal trust funds are different from private-sector trust funds, and are typically used for business-like operations or claims, with deposits automatically appropriated to fulfill their statutory purposes. Most Federal agencies operate under annual appropriations, though they may manage some trust funds for specific purposes. AFRH 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 and lapses (“shutdowns”), despite our operations being essential for life safety and some 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 USC 414, the AFRH has the authority to establish charges for services and items of value provided to residents. Resident fees are set by the 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 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 future Performance and Accountability Reports.

LOOKING BACK AND FORWARD



MANAGEMENT PERFORMANCE, CHALLENGES & INITIATIVES

FINANCIAL CONSTRAINTS

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.

AFRH continues to be constrained financially. The trust fund is replenished from revenue sources defined by legislation, including active-duty withholding, fines and forfeitures, resident fees, lease or sale of property, investment interest, and gifts and donations. The last decade-plus saw significant reductions to AFRH's largest revenue source, fines and forfeitures, which has continued to decline after increasing briefly in 2022.

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)
2018	\$ 78.2
2019	87.1
2020	100.5
2021	101.3
2022	107.2
2023	186.7
2024	190.6
2025	TBD

Source: AFRH Performance and Accountability Reports

Inflation factors have diminished gains, particularly the mandatory payroll increases compounded over 24 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 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
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%
2025	68,060,000	7.52%	0%	24.70%
		7.52% compounded	24.70% total	7.52% 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 0.2% and \$889 per available unit. By comparison, a 2019 senior living industry report showed nationwide average per unit capital expenditures of \$8,465 for continuing care retirement communities.¹ Congressional authorizations in FY 2020 through 2025 totaled \$53.5 million for capital expenditures, allowing AFRH to address mission-critical maintenance. The average \$8.9 million authorized per year (\$10,800 per 824 units) during that period compares favorably to current industry averages of \$8,805 per available unit, particularly considering the age of the Washington campus and maintenance backlog.² We closed FY 2025 with several key infrastructure project phases complete and numerous projects underway or pending procurement. Additionally, we received special appropriations in FY 2023 and FY 2025 totaling \$108 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.

Occupancy at the end of FY 2025 held steady from the end of FY 2024 across both independent living and upper levels agency-wide. Demographic shifts continued this year with continued increases in female residents, eligibility categories other than 20-year retirees, and service in more recent conflicts. We continue to believe these shifts, together with modernized facilities as discussed in previous reports, will increase occupancy and result in younger, healthier, more dynamic communities.

Congress fully funded AFRH's estimate of \$108 million to renovate the Washington campus's outdated Sheridan Building. As AFRH's procurement agent and project manager, the General Services Administration (GSA) solicited bids from general contractors in spring 2025. Due to multiple uncertainties in the market at the time of bidding, GSA is planning to re-solicit the project in early 2026 with the goal of beginning construction in summer 2026.

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 provided 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.

¹ "Actual vs. Budgeted Capital Expenditures Per Available Unit by Community Type", *State of Seniors Housing 2019*, American Seniors Housing Association.

² "Actual vs. Budgeted Capital Expenditures Per Available Unit by Community Type", *State of Seniors Housing 2024*, American Seniors Housing Association

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 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 was ultimately not approved by Congress but resulted in a briefing requirement from DoD on barriers to payments. 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. 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 and the Defense Health Agency to build an onboarding plan for AFRH to join the DoD instance of the federal EHR, possibly as soon as late 2026. DoD’s instance would only cover AFRH’s ambulatory care programs, not its long-term nursing care units. Coverage of the nursing units would need to be obtained through partnership with the Department of Veterans Affairs or other contracting actions.

- **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. AFRH continues to engage with the Government of the District of Columbia and with various public and private entities which have expressed interest in presenting proposals for redevelopment. Due to limitations with our federal real estate interagency partner, GSA, AFRH does not anticipate soliciting for competitive proposals in the near term.

- **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 September 1977 has the same buying power as \$2.64 in September 2025.³ AFRH leadership has engaged with DoD over the years but has been unable to secure an increase, despite military pay increasing 63 percent between 2007 and 2025.⁴ The Department has declined to increase the 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 veterans nationwide; 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, further exacerbating AFRH's 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, the Constitution requires bills for raising revenue to originate in the House of Representatives, and the House has not passed a revenue provision to accompany the eligibility expansion. As a result, although Guard and Reserve enlisted personnel are eligible for this benefit, they do not contribute to it financially as do their active-duty counterparts.

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 did not act on the proposal in the FY 2025 NDAA.

- **BUILD ON THE IMPORTANCE FOR MAINTAINING AND SUSTAINING CAPITAL INFRASTRUCTURE**

AFRH made progress on capital investment projects in FY 2025. The following table provides the current status of projects budgeted from the \$53.5 million in capital authority provided in FYs 2020 to 2025.

³ https://www.bls.gov/data/inflation_calculator.htm

⁴ Annual Pay Adjustments, <https://militarypay.defense.gov/Pay/Basic-Pay/AnnualPayRaise/>

FY 2020-2025 PRIORITY CAPITAL MAINTENANCE PROJECTS			
Campus	Project Description	Funding Thru FY25	Status As of September 30, 2025
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	Complete
Washington	HVAC system – modernization and energy efficiency	3,100,000	Project is ongoing. Major equipment has arrived, but archeology discoveries on the historic campus have delayed completion. Original Contractor unable to complete with new scope requirements. New contractor solicitation in-progress. Anticipated completion FY2026.
Washington	Replace 1920s-1960s water and sewer infrastructure	7,500,000	Phase 2 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	Proposals have been received, but unlikely to proceed as AFRH is transitioning with new contracting service provider. New solicitation will be issued through new contracting provider.
Gulfport	Replace boilers due to salt corrosion	1,800,000	Installation underway anticipation in FY2026.
Both	Replace outdated and malfunctioning emergency alert system	2,100,000	Due to GSA Sheridan Building Renovation delay and their selection of system, AFRH procurement delayed in order to purchase a compatible system.
Washington	Repair and replace slate roofs on historic buildings	600,000	Partial Repairs and Replacements completed in FY2025. Additional work in FY2026.
Washington	Repair masonry on historic buildings causing water infiltration and energy loss	1,050,000	Partial Repairs and Replacements completed in FY2025. Additional work in FY2026.
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	Construction Drawing in development.
Washington	Repair buildings housing electrical converter and substation	2,600,000	Abandoning existing building and moving equipment to another adjacent building to solve multiple

			underground and unforeseen building issues. Total design and installation anticipated completion FY2027.
Both	Computer and network systems upgrades and replacements	300,000	Fully complete FY2026
Washington	Replace 1950s-1970s fire pump and sprinkler systems to meet current volume and pressure standards	2,250,000	Design is underway. Once complete, procurement of installation will begin.
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	Installation underway.
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	Assessments and designs complete. Repair work begins FY2026. It will carry over into FY2027.
Washington	National Monument Quarters 1 and 2 phase 2 repairs (stonework, basement plaster, fireplaces, tile, kitchen rehab, security system)	1,640,000	Assessments and designs complete. Repair work begins FY2026. It will carry over into FY2027.
Washington	Structural study of Sherman Building masonry foundation	450,000	In scope development
Gulfport	Waterproofing A, B & C Tower roof and exterior wall elevations	3,150,000	Engineer performing evaluation
Gulfport	Replace Dishwasher and Tray Conveyor	450,000	Design development in progress
Both	Install new security cameras and repair existing	350,000	Security profile and risk assessment to determine new camera placement in progress
Both	Recommission Scott Building and Gulfport main building HVAC systems	190,000	In scope development
TOTAL		\$54,508,490	

SECTION 2

FINANCIAL INFORMATION

INDEPENDENT AUDITOR'S REPORT



BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, D.C.

In our audit of the fiscal year 2025 financial statements of the Armed Forces Retirement Home (AFRH), we found:

- AFRH's financial statements as of and for the fiscal year ended September 30, 2025 are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures¹ we performed; and
- no reportable noncompliance for fiscal year 2025 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)² and a section on other information included with the financial statements³; (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 U.S. generally accepted government auditing standards we have audited the AFRH's financial statements. AFRH's financial statements comprise the balance sheet as of September 30, 2025, the related statements of net cost, changes in net position, and budgetary resources for the fiscal year 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, 2025, and its net costs of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

¹ 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 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.

² The RSI consists of "Management's Discussion and Analysis" and the "Statement of Budgetary Resources", which are included with the financial statements.

³ Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

Basis for Opinion

We conducted our audit 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. 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 under standards issued 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 our 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 performance and accountability report. The other information comprises the following sections: a detailed statement of management assurances and other information as applicable. 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 deficiencies⁴ or to express an opinion on the effectiveness of AFRH's internal control over financial reporting. Given these limitations, during our 2025 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 U.S. generally accepted 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 the Consideration of 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, 2025, 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 AFRH'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.

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 provide 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

⁴ 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.

- 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 2025 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

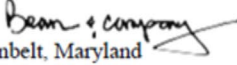
AFRH management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to AFRH.

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.


Greenbelt, Maryland
December 16, 2025

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 SHEETS
AS OF SEPTEMBER 30, 2025
(In Dollars)

	2025
Assets	
Intragovernmental Assets	
Fund Balance with Treasury	\$ 8,988,179
Investments, Net (Note 3)	219,558,097
Accounts Receivable, Net (Note 4)	455,098
Total Intragovernmental Assets	229,001,374
Other than Intragovernmental Assets	
Accounts Receivable, Net (Note 4)	2,017,765
Property, Plant, and Equipment, Net (Note 5)	266,135,380
Total Other than Intragovernmental Assets	268,153,145
Total Assets	\$ 497,154,519
Liabilities (Note 6)	
Intragovernmental Liabilities	
Other Liabilities (Note 8)	\$ 1,019,941
Total Intragovernmental Liabilities	1,019,941
Other than Intragovernmental Liabilities	
Accounts Payable	854,461
Federal Employee Salary, Leave, and Benefits Payable	2,172,070
Pension, Post-Employment, and Veterans Benefits Payable (Note 6)	4,558,980
Advances from Others and Deferred Revenue	1,945,236
Other Liabilities (Note 8)	960,225
Total Other than Intragovernmental Liabilities	10,490,972
Total Liabilities	\$ 11,510,913
Net Position	
Cumulative Results of Operations	
Funds From Dedicated Collections	\$ 236,863,950
Funds from Other than Dedicated Collections	248,779,656
Total Cumulative Results of Operations (Consolidated)	485,643,606
Total Net Position	\$ 485,643,606
Total Liabilities and Net Position	\$ 497,154,519

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 YEAR ENDED SEPTEMBER 30, 2025 (In Dollars)

	2025
Program Costs:	
Program: Quality Care First and Always	
Gross Costs	\$ 76,119,052
Less: Earned Revenue	(26,470,766)
Net Program Costs	\$ 48,648,286
Program: Stewardship at Our Core	
Gross Costs	\$ 10,198,760
Less: Earned Revenue	(3,546,668)
Net Program Costs	\$ 6,652,092
Program: Constantly Evolving	
Gross Costs	\$ 2,692,929
Less: Earned Revenue	(936,479)
Net Program Costs	\$ 1,756,450
Net Cost of Operations	\$ 58,056,828

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

STATEMENT OF CHANGES IN NET POSITION

ARMED FORCES RETIREMENT HOME STATEMENTS OF CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025 (In Dollars)

	2025
Unexpended Appropriations	
Appropriations Received	\$ 62,000,000
Appropriations Used	(62,000,000)
Total Unexpended Appropriations	\$ -
Cumulative Results of Operations	
Beginning Balance	\$ 453,807,481
Beginning Balance, as Adjusted	453,807,481
Appropriations Used	62,000,000
Donations and Forfeitures of Cash and Cash Equivalents	907,677
Transfers In/(Out) without Reimbursement	3,100,000
Imputed Financing (Note 11)	3,848,458
Other	20,036,818
Net Cost of Operations	(58,056,828)
Net Change in Cumulative Results of Operations	31,836,125
Total Cumulative Results of Operations	\$ 485,643,606
Net Position	\$ 485,643,606

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 YEAR ENDED SEPTEMBER 30, 2025 (In Dollars)

	2025
Budgetary Resources	
Unobligated Balance From Prior Year Budget Authority, Net (Note 13)	\$ 114,625,991
Appropriations	176,000,000
Spending Authority From Offsetting Collections	3,100,000
Total Budgetary Resources	\$ 293,725,991
Status of Budgetary Resources	
New Obligations and Upward Adjustments (Total)	\$ 142,878,765
Unobligated Balance, End of Year	
Apportioned, Unexpired Accounts	145,415,521
Unapportioned, Unexpired Accounts	755,423
Unexpired, Unobligated Balance, End of Year	146,170,944
Expired, Unobligated Balance, End of Year	4,676,282
Unobligated Balance, End of Year (Total)	150,847,226
Total Budgetary Resources	\$ 293,725,991
Outlays, Net and Disbursements, Net	
Outlays, Net (Total)	\$ 137,498,051
Distributed Offsetting Receipts	(23,071,007)
Agency Outlays, Net	\$ 114,427,044

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 an asset of a reporting entity and a liability of the General Fund. It is the aggregate amount of the AFRH's funds with Treasury in expenditure, receipt, revolving, 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. When the reporting entity seeks to use Fund Balance with Treasury or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). Funds are disbursed 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, Equipment, and Software

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:

<u>Description</u>	<u>Useful Life (years)</u>
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 rent 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. 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, 2025 were as follows:

	2025
Status of Fund Balance With Treasury	
Unobligated Balance	\$ 208,650,586
Obligated Balance Not Yet Disbursed	19,895,690
Total Fund Balance With Treasury	\$ 228,546,276

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts. Unobligated balances may include amounts that are not available for current use and are restricted to future use.

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, 2025 consist of the following:

	Cost/Acquisition Value	Amortization Method	Net Investments	Market Value
2025				
Intragovernmental Investments:				
Marketable	\$ 219,558,097	Interest	\$ 219,558,097	\$ 219,558,097
Total Intragovernmental Investments	\$ 219,558,097		\$ 219,558,097	\$ 219,558,097

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, 2025 were as follows:

	2025
Intragovernmental	
Accounts Receivable	\$ 455,098
Total Intragovernmental Accounts Receivable	\$ 455,098
Other than Intragovernmental	
Accounts Receivable	\$ 2,017,765
Total Other than Intragovernmental Accounts Receivable	\$ 2,017,765
Total Accounts Receivable	\$ 2,472,863

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force, Navy, Marine Corps and the Coast Guard. Accounts receivable from the public is primarily made up of resident fees due from residents of the Home.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2025.

NOTE 5. PROPERTY, PLANT, AND EQUIPMENT, NET

Schedule of General Property, Plant, and Equipment, Net as of September 30, 2025:

	Acquisition Cost	Accumulated Depreciation and Amortization	Net Book Value
2025			
Major Class:			
Buildings	\$ 361,886,133	\$ 115,488,858	\$ 246,397,275
Land	331,463	-	331,463
Improvements to Land	3,171,931	1,029,655	2,142,276
Furniture and Equipment	5,533,502	749,479	4,784,023
Construction In Progress	12,480,343	-	12,480,343
Total	\$ 383,403,372	\$ 117,267,992	\$ 266,135,380

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for the AFRH as of September 30, 2025 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.

	2025
Intragovernmental-FECA	\$ 772,149
Intragovernmental-Unemployment Insurance	17,989
Unfunded Leave	1,291,547
Actuarial FECA	4,558,980
Deferred Lease Liabilities	960,000
Total Liabilities Not Covered by Budgetary Resources	\$ 7,600,665
Total Liabilities Covered by Budgetary Resources	3,906,465
Liabilities Not Requiring Budgetary Resources	3,783
Total Liabilities	\$ 11,510,913

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, 2025, was \$4.6 million.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2025, were as follows:

	Current	Total
2025		
Intragovernmental Other Liabilities		
Employer Contributions and Payroll Taxes Payable (without reciprocals)	\$ 59,915	\$ 59,915
Custodial Liability (to the general fund)	3,783	3,783
Employer Contributions and Payroll Taxes Payable	166,105	166,105
Unfunded FECA Liability	772,149	772,149
Other Unfunded Employment Related Liability	17,989	17,989
Total Intragovernmental Other Liabilities	\$ 1,019,941	\$ 1,019,941
Other than Intragovernmental Other Liabilities		
Other Liabilities w/o Related Budgetary Obligations	\$ 960,000	\$ 960,000
Other Liabilities w/Related Budgetary Obligations	225	225
Total Other than Intragovernmental Other Liabilities	\$ 960,225	\$ 960,225
Total Other Liabilities	\$ 1,980,166	\$ 1,980,166

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.

NOTE 10. FUNDS FROM DEDICATED COLLECTIONS

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, 2025:

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Care Fund	Sheridan Building Renovation	Technology Modernization	Total Funds From Dedicated Collections
2025							
BALANCE SHEET							
Assets:							
Intragovernmental							
Fund Balance with Treasury	\$(32,055,405)	\$ 1	\$ 70,740	\$ 530,319	\$ (1,455,953)	\$ 4,559,470	\$ (28,350,828)
Accounts Receivable, Net	-	-	-	531,000	-	-	531,000
Total Intragovernmental	\$(32,055,405)	\$ 1	\$ 70,740	\$ 1,061,319	\$ (1,455,953)	\$ 4,559,470	\$ (27,819,828)
With The Public							
Accounts Receivable, Net	-	-	-	190	-	-	190
General Property, Plant, and Equipment, Net	105,983,560	11,116,891	147,577,035	-	1,457,894	-	266,135,380
Total With The Public	\$105,983,560	\$ 11,116,891	\$147,577,035	\$ 190	\$ 1,457,894	\$ -	\$ 266,135,570
Total Assets	\$ 73,928,155	\$ 11,116,892	\$147,647,775	\$ 1,061,509	\$ 1,941	\$ 4,559,470	\$ 238,315,742
Liabilities:							
With The Public							
Accounts Payable	\$ 459,773	\$ -	\$ -	\$ -	\$ 1,941	\$ 30,078	\$ 491,792
Other Liabilities	-	-	-	-	-	960,000	960,000
Total With The Public	\$ 459,773	\$ -	\$ -	\$ -	\$ 1,941	\$ 990,078	\$ 1,451,792
Total Liabilities	\$ 459,773	\$ -	\$ -	\$ -	\$ 1,941	\$ 990,078	\$ 1,451,792
Net Position:							
Cumulative Results of Operations	\$ 73,468,382	\$ 11,116,892	\$147,647,775	\$ 1,061,509	\$ -	\$ 3,569,392	\$236,863,950
Total Net Position	\$ 73,468,382	\$ 11,116,892	\$147,647,775	\$ 1,061,509	\$ -	\$ 3,569,392	\$236,863,950
Total Liabilities and Net Position	\$ 73,928,155	\$ 11,116,892	\$147,647,775	\$ 1,061,509	\$ 1,941	\$ 4,559,470	\$238,315,742
STATEMENT OF NET COST							
Program Costs	\$ 4,654,341	\$ 293,940	\$5,833,519	\$ -	\$ -	\$ 666,453	\$ 11,448,253
Net Program Costs	\$ 4,654,341	\$ 293,940	\$5,833,519	\$ -	\$ -	\$ 666,453	\$ 11,448,253
Net Program Costs Including Assumption Changes	\$ 4,654,341	\$ 293,940	\$5,833,519	\$ -	\$ -	\$ 666,453	\$ 11,448,253

Net Cost of Operations	\$ 4,654,341	\$ 293,940	\$5,833,519	\$ -	\$ -	\$ 666,453	\$ 11,448,253
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STATEMENT OF CHANGES IN NET POSITION

Net Position Beginning of Period	\$ 78,092,187	\$ 11,410,834	\$153,481,829	\$ 1,061,509	\$ -	\$ 1,135,845	\$245,182,204
Transfers in/out Without Reimbursement	30,536	(1)	(534)	-	-	3,100,000	3,130,001
Net Cost of Operations	(4,654,341)	(293,941)	(5,833,520)	-	-	(666,453)	(11,448,255)
Change in Net Position	\$ (4,623,805)	\$ (293,942)	\$(5,834,054)	\$ -	\$ -	\$ 2,433,547	\$ 8,318,254)
Net Position End of Period	\$ 73,468,382	\$ 11,116,892	\$147,647,775	\$ 1,061,509	\$ -	\$ 3,569,392	\$236,863,950

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.

NOTE 11. INTER-ENTITY COSTS

The 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. The 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 year ending September 30, 2025 inter-entity costs were as follows:

	2025
Office of Personnel Management	\$ 3,848,458
Total Imputed Financing Sources	\$ 3,848,458

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 2025 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2026 and can be found at the OMB website: <http://www.whitehouse.gov/omb/>. The Fiscal Year 2026 Budget of the United States Government, with the "Actual" column completed for 2024, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

(In Millions)

	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	\$ 213	\$ 98	\$ (20)	\$ 101
Unobligated Balance Not Available	(7)	-	-	-
Rounding	-	-	3	-
Budget of the U.S. Government	\$ 206	\$ 98	\$ (17)	\$ 101

NOTE 13. UNOBLIGATED BALANCE FROM PRIOR YEAR BUDGET AUTHORITY, NET

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, 2025, consisted of the following:

	2025
Unobligated Balance Brought Forward from Prior Year, October 1	\$ 114,584,119
Recoveries of Prior Year Obligations	3,429,088
Other Changes in Unobligated Balances	(3,387,216)
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 114,625,991

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Budgetary resources obligated for undelivered orders as of September 30, 2025 were as follows:

	Intragovernmental	Other than Intragovernmental	Total
2025			
Unpaid Undelivered Orders	\$ 1,806,466	\$ 16,127,995	\$ 17,934,461
Total Undelivered Orders	\$ 1,806,466	\$ 16,127,995	\$ 17,934,461

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 \$902 the year ended September 30, 2025.

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, 2025:

	Intragovern- mental	Other than Intragovern- mental	Total
Net Operating Cost (Revenue) Reported on Statement of Net Cost	\$ 9,795,232	\$ 48,261,596	\$ 58,056,828
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(9,171,509)	(9,171,509)
Property, Plant, and Equipment Disposals and Revaluations	-	(1,610,292)	(1,610,292)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	-	(33,369)	(33,369)
(Increase)/Decrease in Liabilities Not Affecting Budgetary Outlays:			
Accounts Payable	30,010	629,731	659,741
Federal Employee Salary, Leave, and Benefits Payable	-	(286,316)	(286,316)
Pension, Other Post-Employment, and Veterans Benefits Payable	-	172,177	172,177
Advances from Others and Deferred Revenue	-	54,179	54,179
Other Liabilities	(28,002)	(472,500)	(500,502)
Financing Sources:			
Imputed Cost	(3,848,458)	-	(3,848,458)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	\$ (3,846,450)	\$ (10,717,899)	\$ (14,564,349)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Acquisition of Capital Assets	1,030,372	3,144,901	4,175,273
Financing Sources:			
Donated Revenue	-	(907,676)	(907,676)
Transfers Out (In) Without Reimbursements	(3,100,000)	-	(3,100,000)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	\$ (2,069,628)	\$ 2,237,225	\$ 167,597
Misc Items			
Distributed Offsetting Receipts (SBR 4200)	-	(23,071,007)	(23,071,007)
Custodial/Non-Exchange Revenue	(23,421,904)	(2,130)	(23,424,034)
Appropriated Receipts for Trust/Special Funds	32,191,002	85,071,007	117,262,009
Total Other Reconciling Items	\$ 8,769,098	\$ 61,997,870	\$ 70,766,968
Total Net Outlays (Calculated Total)	\$ 12,648,252	\$ 101,778,792	\$ 114,427,044
Budgetary Agency Outlays, net			\$ 114,427,044

SECTION 3

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit

Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Effectiveness of Internal Controls over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Controls over Operations (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA Section 4)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of substantial compliance noted			No lack of substantial compliance noted		
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted			No lack of substantial compliance noted		
3. United States Standard General Ledger at Transaction Level	No lack of substantial compliance noted			No lack of substantial compliance noted		

OFFICE OF THE INSPECTOR GENERAL:



ARMED FORCES RETIREMENT HOME OFFICE OF INSPECTOR GENERAL 3700 North Capitol Street, N.W. Washington, D.C. 20011

October 28, 2025

Office of Inspector General **AFRH's Top Management & Performance Challenges for 2025**

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.

A. 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 permits couples, with a spouse who has been married to a military retiree during the retiree's military service. AFRH 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 temporarily reduce the number of available units since the building will remain open during renovation.

B. Streamlining the Admissions Process

The COO directed the Admissions team to ensure the admissions process continues 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.

The Admissions team continues to show a marked improvement in processing time, tracking, and increased communication between staff and applicants. The teams adjustments to the documentation requirements reduced confusion, time spent, and frustration among applicants. This decreased the processing time for applications greatly and improved the satisfaction of our applicants overall.

The Gulfport Campus increased occupancy from 82.7% to 84%. The Washington DC Campus maintained their occupancy levels due to the upcoming renovations to the Sheridan building.

The integration of applicant documentation in the resident electronic information system 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 implemented a telemedicine approach for some applicants when appropriate, which eliminates the need for an onsite medical evaluation to determine the appropriate 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 voiced appreciation for our efforts to improve their overall admission experience.

C. Infrastructure Upgrades

Both campuses, Washington and Gulfport, are undergoing modernization and repair. The Gulfport facility is approaching sixteen 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 2026 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 P. 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, 2025

FROM: Chief Operating Officer

SUBJ: ANNUAL STATEMENT OF ASSURANCE REQUIRED UNDER THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA) FOR FISCAL YEAR 2025

- 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 accordance with the OMB Circular No. A-123, "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, 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, 2025.

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, 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, 2025.
- 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, 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, 2025.

- 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, 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, 2025.
- 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, 2025.
- 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 2025, 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, 2025

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

Government efficiency efforts and hiring freezes have resulted in significant attrition of skilled and seasoned personnel without backfill support. As a result, we suspect a risk for impact to 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)		19
Combined Assessment (Maximum of 85)		41
AIC 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.		
<p>* Turnover in leadership and staff turnover has delayed the process of assessing and making revisions to the agency's Enterprise Risk Management Program. The objective is to gain increased efficiency/effectiveness o operations, and financial reporting by continuing to identify and mitigate risk through internal controls.</p> <p>* AFRH identified that an Unauthorized Commitment had occurred in FY24 as a result of a lapse in contrac period between the expiration of one period of performance and the beginning of the next contract's period of performance. AFRH is reviewing procurement policy and procedures for opportunities of improvement and mitigation strategies.</p>		

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
Washington, DC 20011

Email: public.affairs@afrh.gov
Phone: 800.422.9988
Fax: 202.541.7519
Web: www.afrh.gov
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