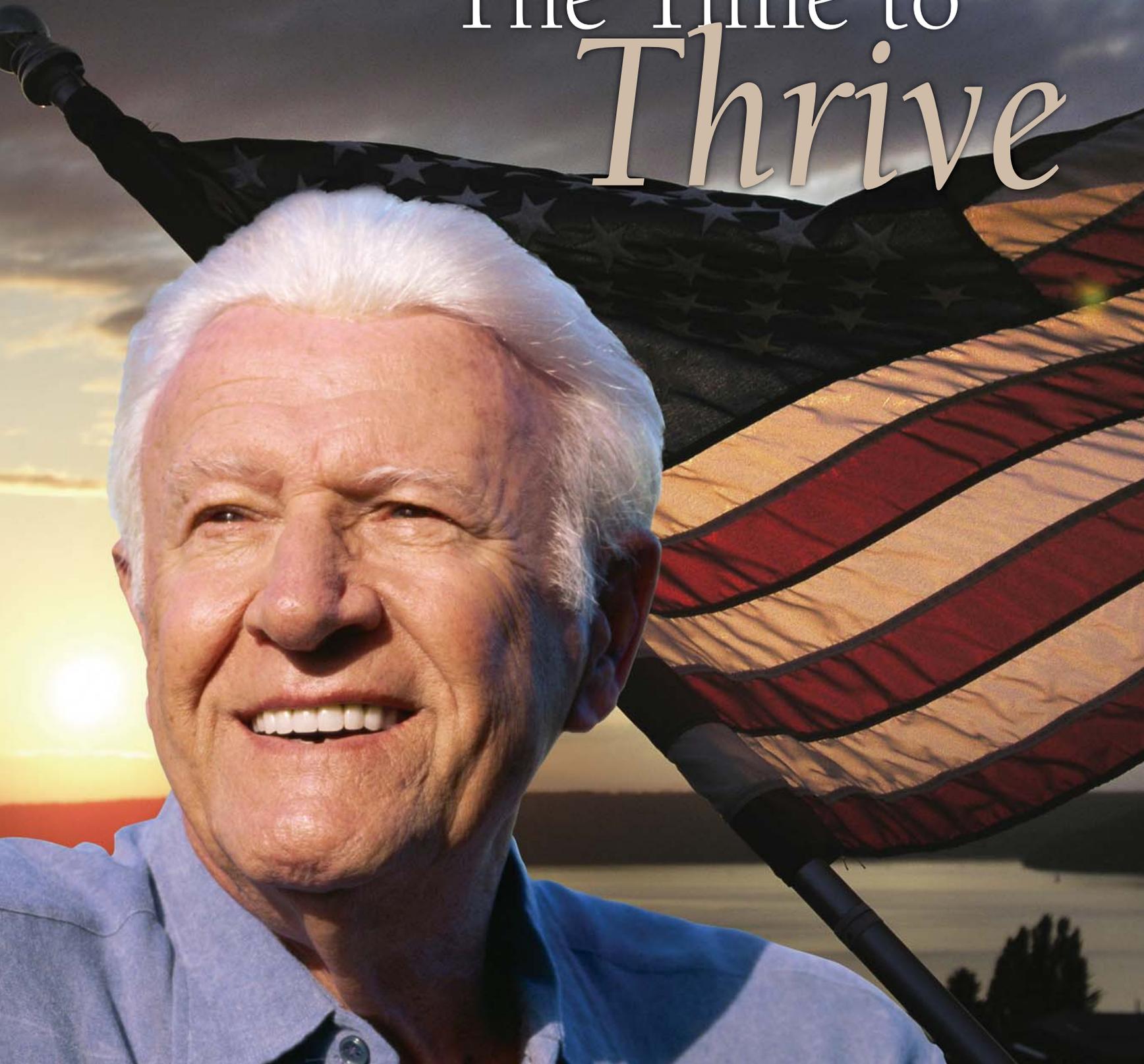


PAR Highlights FY06

The Time to *Thrive*



To actively nurture the Health and Wellness Philosophy of Aging while providing our nation's heroes with a continuum of Life Care Services in a community setting.

Guiding Principles

Establish Accountability

We expect our workforce to achieve what we promise to our residents, staff and service partners. To ensure success, we measure progress and provide feedback to our customers.

Inspire Excellence

We continuously work to improve our processes, services and delivery while striving for excellence in all we do. We expect excellence and reward it.

Maintain Integrity

We will strongly uphold the mission of AFRH. We are honest and ethical and deliver on our commitments. We recognize that good ethical decisions require individual responsibility enriched by collaborative efforts.

Honor Heritage

We honor the rich history of the US Armed Forces – from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.

Maximize Workforce

We strive to hire and retain the most qualified people. We maximize their success through training and development as well as maintaining and promoting open communication.

Serve Customers

Success depends on our devotion to consistently serve ever-changing customer preferences. Hence, we vow to be innovative and responsive – while offering exceptional products and services at competitive prices.

Mission

To fulfill our nation's Promise to its Veterans by providing a premier retirement community with exceptional residential care and extensive support services.

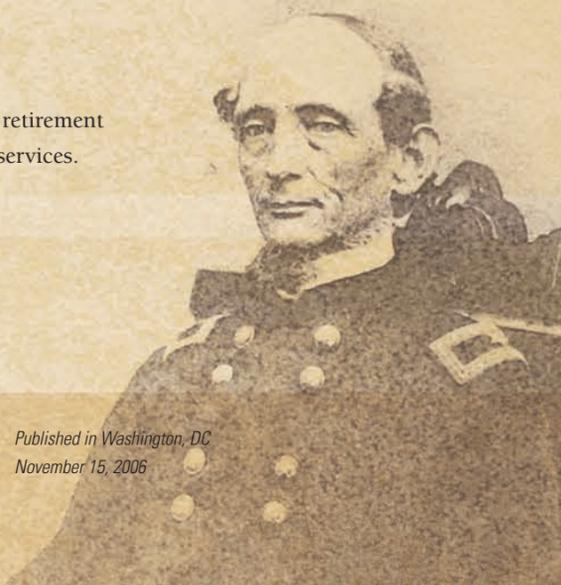
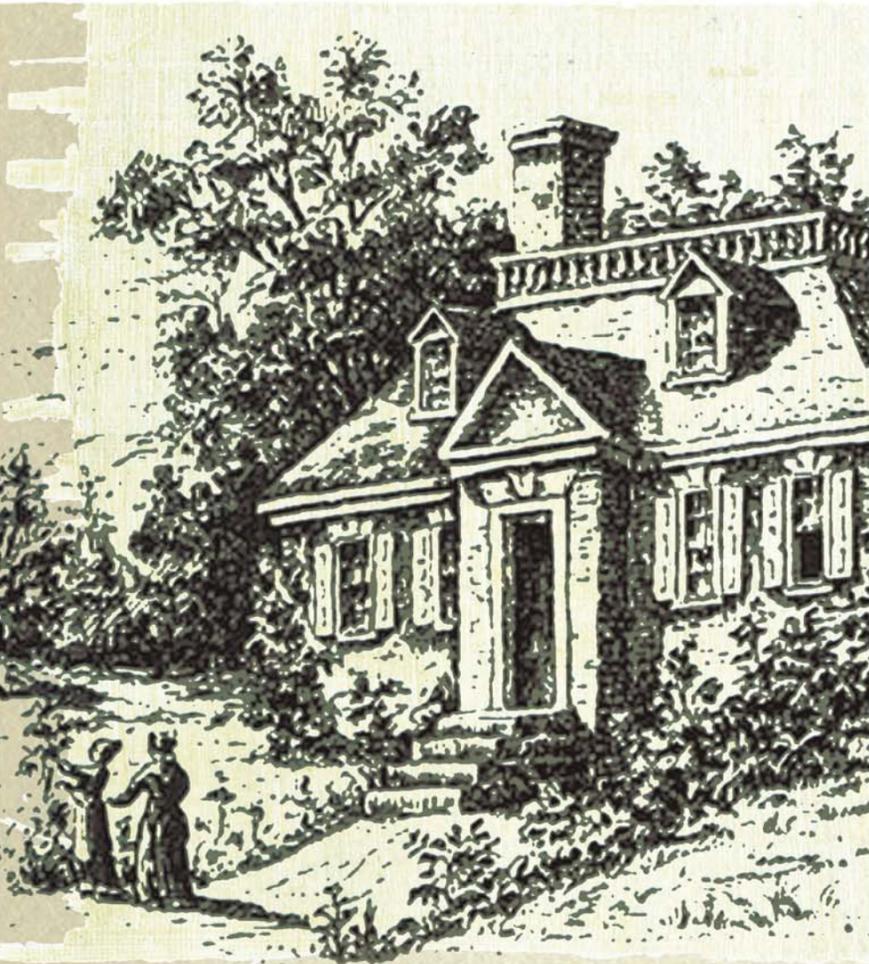


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The *Heritage* to Celebrate



This country home in PA served as a Naval hospital till the Asylum was constructed.

Back in 1811, the leaders of our young nation made a Promise to care for its old, sick and disabled Veterans. This care would be repayment for the sacrifices they made in defending liberty. So, two homes were built: the US Naval Asylum in Philadelphia, PA in 1833 and the US Military Asylum in Washington, DC in 1851. Ever since, we have provided eligible residents with supportive care and a shared camaraderie. And we've done it all with the Veterans' own money in the AFRH Trust Fund.

To this day, we are bound by law to uphold the original Promise ... to preserve the heritage of the Home ... and to take care of our own.

LAUNCHING A HOME IN PHILADELPHIA

The US Navy was the first Branch to care for retired military personnel. They mapped the concept after Britain's Royal Hospital Chelsea built in 1682. The Navy acquired a site known as "The Plantation" – the country mansion of the prominent Pemberton family in Philadelphia. The scenic farmland surrounding the summer home overlooked the Schuylkill River, the Baronial Castle of the State Penitentiary, as well as quaint Girard College. At first, the Pemberton home served as a Naval Hospital from 1826-1833, during the construction of the actual Asylum. Then in 1833, a three-building facility opened with the latest principles of hospital design and private rooms for 400 military pensioners. The new complex included a library with over 2,000 volumes, a lovely chapel, plus many common rooms for dining and smoking and reading. Cards, backgammon, and other games were furnished and "inmates were at liberty to smoke as much as desired." With the outbreak of Civil War in 1861, the need for additional hospital housing intensified when an influx of wounded strained the hospital wing's capacity. So in 1864 and 1865, Congress appropriated funds to build a new hospital on the grounds of the Asylum.

By 1889, the name was changed to the US Naval Home. In the ensuing decades, many residents would obtain a leave of absence for a few months, or even a year at a time, to ship off



Camaraderie was the universal compass for inmates at the US Naval Home, circa 1945.



Supper time was punctual at the US Naval Home in Philadelphia, 1938.

during the summer months on yachts or coasters. Some remained inmates and found light employment outside in the workshops, or inside the building making mats and hammocks. Others were employed by the Government as quartermasters, inside watchmen, gatekeepers or mail carriers. By 1971, the Naval Home was designated a National Historic Landmark. All told, this Home served our seamen well for 143 years. But in 1976, a parcel of oceanfront land in Gulfport, MS was chosen as the location for a new and larger Home. This facility would become a retirement community for all Branches of the military to enjoy. Ironically, the site was the former Gulf Coast Military Academy, a preparatory school for boys. This 49-acre campus featured an outdoor swimming pool, an overpass to the beach and an 11-story multi-use resident tower. For 30 years, the proud Gulfport residents properly dressed for meals and routinely engaged in the congenial formalities of the south.



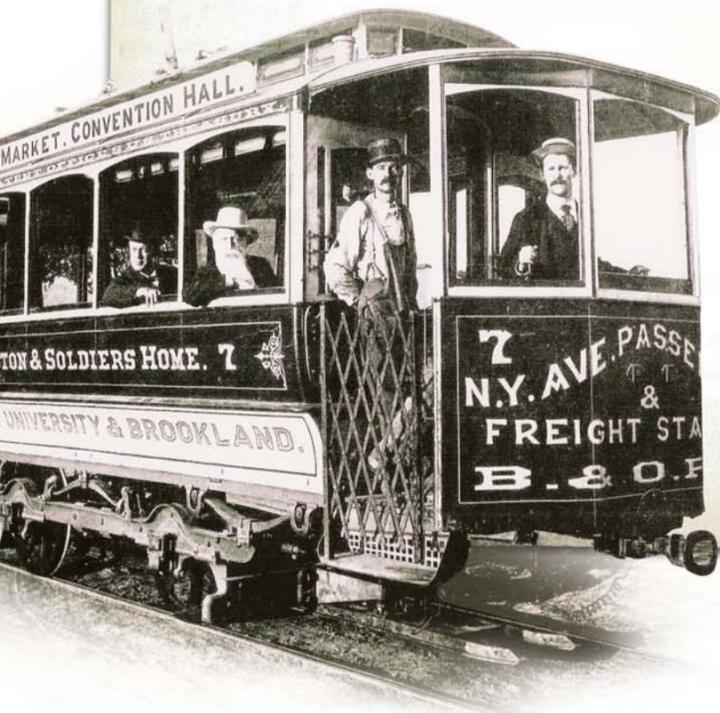
The Naval Asylum, beautifully situated on the Schuylkill River in Philadelphia. Watercolor, Augustus Köllner, 1847

REINSTATING DIGNITY IN DC

Meanwhile in Washington, three persistent individuals spearheaded the Asylum for disabled Army soldiers: MS Senator Jefferson Davis (future President of the Confederacy in the Civil War), General Winfield Scott (celebrated war hero who was devoted to his troops) and Major Robert Anderson (son of a Revolutionary War hero and aide to Scott). All three envisioned a haven for old soldiers that would ensure their care – while restoring their dignity. Back then, old soldiers were cast adrift with a tiny pension or none at all. In fact, a soldier's pension was just \$5 a year in 1790. This led many to rely on charity just to survive. So Anderson took a keen interest in the welfare of old and disabled soldiers. For years, he wrote resolutions and letter campaigns to win support. After the Mexican War, Scott returned a hero, carrying \$150,000 that was paid to him by Mexico City, in lieu of ransacking. He quickly paid off his

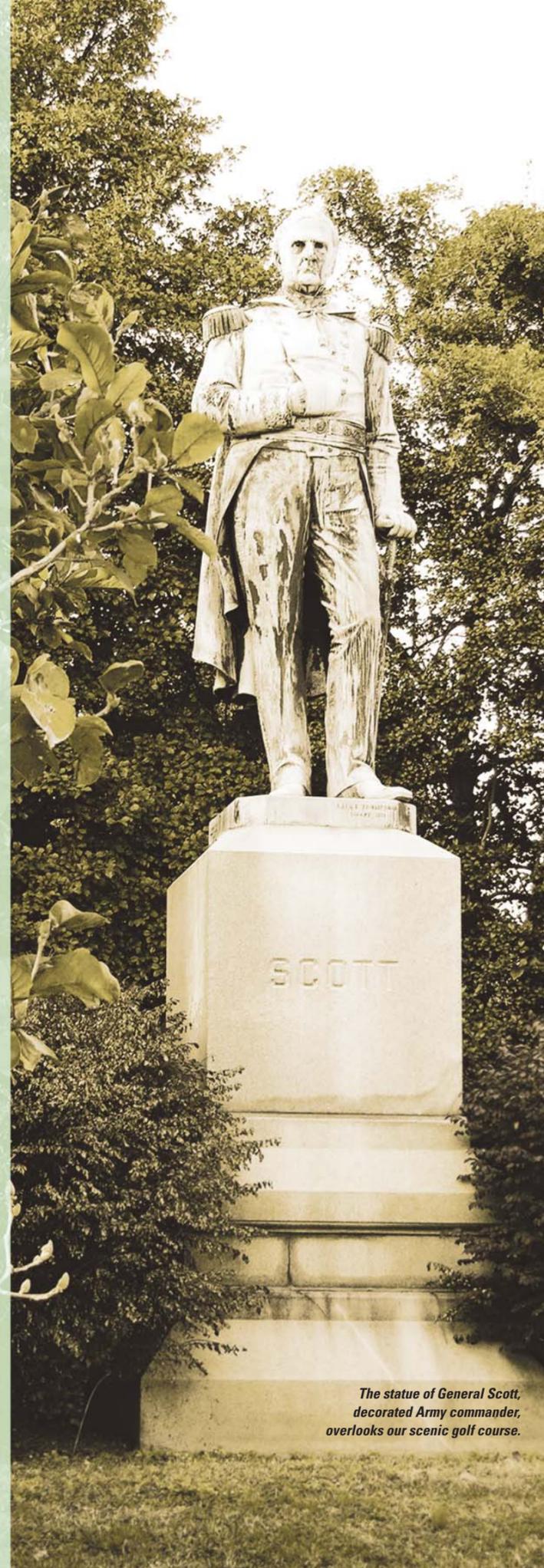
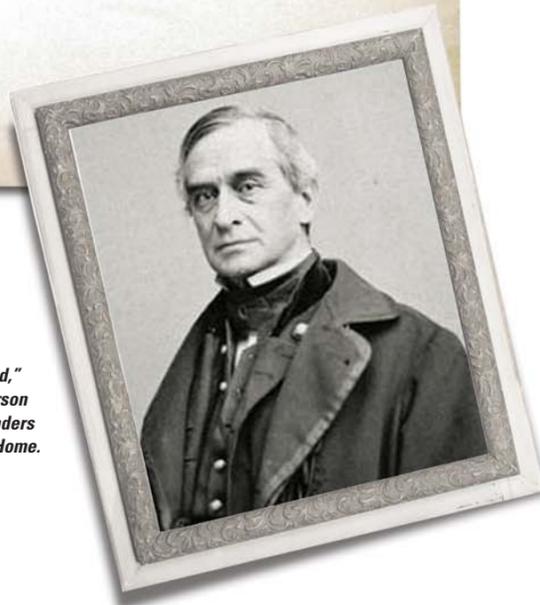
soldiers and gave the rest to Congress to create a Trust Fund for a Military Asylum. At last, in 1851, the Asylum was established in a small Washington farm cottage. Anderson lead the grand opening, starting with just three Veteran “inmates” – and it was duly named the Anderson Cottage.

The cottage and surrounding land was a dairy farm that the government bought from the Riggs family, founders of a prominent Washington bank. So inmates enjoyed ample supplies of fresh milk, eggs and poultry. By 1859, the Asylum was renamed The Soldiers' Home, as “asylum” conveyed “charity” – and after all, current enlisted soldiers were funding it. New Veterans were admitted and new buildings were erected, most notably the Scott building (later renamed Sherman). In the turbulent Civil War, Abraham Lincoln moved into the original cottage to escape the city's intense humidity and political pressures. It is believed he wrote the final draft of the “Emancipation Proclamation” there. And, ultimately, it became known as the Lincoln Cottage. In the ensuing decades, the Home operated much like a military base. Uniforms were issued, reveille was at 0500 hours and leaving the grounds was strictly monitored. Inmates promptly marched to supper at 1800 hours, stood retreat in uniform at sunset, and were in bed by 2100 hours – for lights out. By the late 1800s, the Home was totally “self-sustaining,” due to the dairy farm and a machine shop. But inmates were forbidden from working – a restriction known as “the curse of enforced idleness.” (How ironic, given our goal today: to nurture residents with physical and mental activity.)



Next stop: the US Soldiers' Home, out in the rural 'countryside' of Washington, DC – circa 1890s.

“The Soldiers' Friend,” Robert Anderson – one of the key founders of the Soldiers' Home.



The statue of General Scott, decorated Army commander, overlooks our scenic golf course.

“...The independence and dignity given is of great value in fostering the sense of honorable retirement. No restraint is put upon the liberty of the beneficiaries during reasonable hours, so long as the men behave themselves, and do not forfeit this privilege by bad conduct.”

—Charles Stockton, Navy historian (1886)

A STRONGER FORCE

By the turn of the century, inmates were working the farm and maintaining the grounds of what became a thriving, “city within a city.” But many advances took place in agriculture, so the Soldiers' Home slowly shifted away from its roots as a farm – to focus on serving residents. And just in time. The turn of the century was a “golden age” for the Home, as nearly a thousand Civil War era Veterans were admitted from 1880–1910. Also, Americans were living longer, so the Home's purpose became even greater. By the 1950s and 60s, Americans young and old were enjoying the post-war prosperity that came out of WWII. Many retiring Vets were considering the Home alongside a growing number of private retirement communities. So, to meet changing tastes, the Home evolved again – by modernizing its campus and revamping resident services. Additional buildings were constructed and a variety of hobby shops were added.

In 1991, the US Soldiers' and Airmen's Home in DC would unite with the US Naval Home in Gulfport – and the two would become the Armed Forces Retirement Home (AFRH). In the 15 years since, this new entity would evolve into a modern organization with sound business practices. The Trust Fund grew, along with the Home and its residents. Today, the AFRH is providing even greater care to our esteemed Veterans, rivaling the care and amenities of private-sector homes. And so it should be. Many of the decorated Veterans now living here have defended freedom in several wars – risking their lives so our nation might live, while literally changing the face of human history. So it is vital that we afford them a nurturing and comfortable retirement. President Lincoln might even say: it is altogether fitting and proper that our nation cares for its retired military heroes.

Situation

This time last year, our evacuees from the Gulfport campus were barely settled in at Washington. Those 351 weary survivors of Hurricane Katrina couldn't help but feel uneasy. Their home on the Gulf Coast was badly damaged and its future was uncertain. To ensure a smooth transition, we've adjusted many DC services to accommodate the extra residents. Plus we've gone all-out to boost their spirits.

The Moment to Reflect

The Home at a Glance:

Federal Authority:	AFRH Act of 1991 (amended 2002)
Current Locations:	Gulfport, MS (49 acres) Washington, DC (272 acres)
Resident Capacity:	1,323 Gulfport, MS: 0 (closed) Washington, DC: 1,323
Average Resident:	78 years old
Trust Fund Balance:	\$146 million
Major Services:	Private Rooms & showers Medical & Dental Care 2 Dining Facilities Senior Activities & Programs Recreational Activities Shuttle & Public Transportation Independent Living Assisted Living Long Term Care
Major Amenities:	Fitness Center Walking trails 9-hole golf course 6-Lane Bowling Center Hobby Shops Fish Ponds Full-service Library Computer Center

Did you Know?

Gulfport, MS:	This charming southern campus is a former military academy and sits just 100 yards off the pristine US Gulf Coast
Washington, DC:	Four original buildings stand as National Historic Landmarks, including President Lincoln's summer cottage



Major Achievements FY06

Gulfport evacuees are assimilated into Washington campus Extensive post-Katrina cleanup continues on Gulfport campus The renovated <i>Health and Wellness Clinic</i> opens in Scott Building DC campus earns a 3-year accreditation from JCAHO DoD provides \$68 million in post-Hurricane Katrina relief 20 Gulfport employees join the DC staff DoD social workers assess Gulfport residents for trauma Gulfport memorabilia & equipment is stored at Naval Construction Battalion (Seabee) Center A "Donation Center" on the DC campus issues donated clothes & toiletries Gulfport Hurricane damage assessment is completed	October 2005
An enterprise Internet system is deployed for the staff Scott & Pipes building renovations are completed to house Gulfport residents Transportation systems are redesigned to serve added residents An Independent Auditor gives an "unqualified opinion" to AFRH financial statements	November 2005
MS Power ultimately restores electricity to Gulfport, making our offices operational Remnants of fallen water tower are removed from MS campus AFRH notifies Gulfport staff of a reduction in force, effective six months post-Katrina A temporary mobile dental clinic serves all the additional Gulfport residents	December 2005
\$680,000 of new furniture is given to Scott & Pipes buildings	January 2006
Congress provides \$65.8 million in Supplemental Appropriations: • \$45 million for Gulfport planning, design, renovation or construction • \$20.8 million for recovery expenses and DC Assisted Living & Memory Support AFRH submits Special Report to Congress, with plans for Gulfport + Supplementals A reduction in force takes effect for the majority of Gulfport employees	February 2006
All personal items left in residents' rooms during Katrina are prepared for packing Volunteers steam clean the tower ground floor & remove additional debris from Gulfport campus	March 2006
Information Technology (IT) Board is established at AFRH	April 2006
Management updates AFRH Vision, Mission and establishes Guiding Principles The AFRH Strategic and Corporate Business Plans are revised The Gulfport residents' personal items are packed for transport	May 2006
Three developers are chosen to submit redevelopment RFPs (per Washington Master Plan) To rebuild Gulfport, AFRH receives \$236 million from Katrina Supplementals 138 Tons of belongings are shipped to Gulfport residents and family members around the US 3,000 memorabilia items are cleaned/stored in humidity-controlled storage at Seabee base 143 vehicles totaled by Katrina are finally removed from Gulfport grounds AFRH local boards convene on DC campus for Local Advisory Board meeting	June 2006
Navy Seabees build a new fence around the Gulfport campus AFRH visits GSA SE region to discuss the Gulfport rebuild AFRH and GSA officials visit Gulfport to begin rebuild process Management launches first AFRH Internal Control Board for oversight of programs	July-August 2006
AFRH, Deputy Under Secretary, Military Community & Family Policy, GSA and NAVFAC meet in the Pentagon to discuss MOA to rebuild Gulfport Pipes Building is mothballed again in DC (1-year after reopening) AFRH earns Federal security certification & accreditation for its IT Enterprise Network AFRH goes to the Pentagon again to meet with Principal Deputy Under Secretary of Defense (Personnel & Readiness), GSA and NAVFAC to discuss MOA to rebuild Gulfport The Home launches a redesigned website: afrh.gov	September 2006

On the Cover:

For two centuries, millions of young Americans have devoted their lives to defending this country. All along, the Home has been there to repay their service ... to enrich their daily lives ... to challenge their minds and bodies ... and to provide supportive camaraderie. Now, the AFRH is on the brink of many breakthrough victories that will help provide even greater care to our heroes. For the Home and its residents, now truly is *The Time to Thrive*.

The Liberty to Preserve

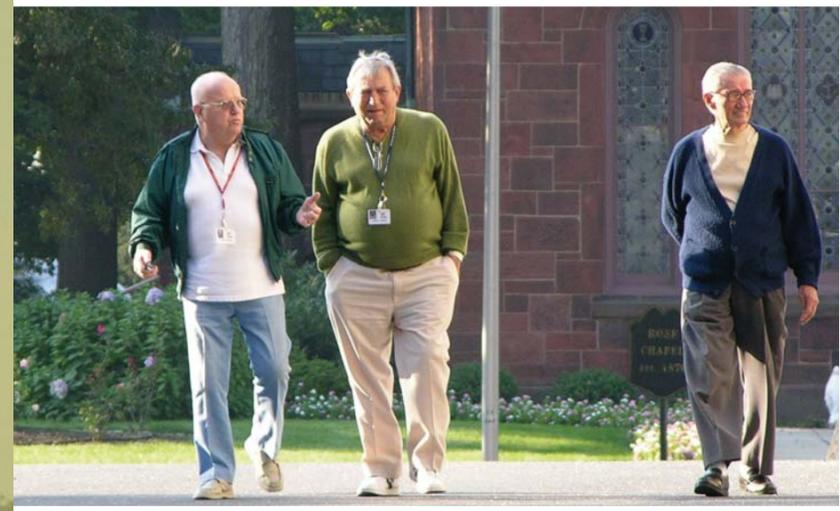
For more than two centuries, our nation has been a beacon of liberty for the civilized world. President Ronald Reagan even called America “a shining city on a hill.” Truly, our service men and women have played a vital role in keeping America a bright source of freedom around the globe. Through hundreds of campaigns and peacekeeping missions – not to mention in times of peace – our troops have been there to defend democracy.

Why, at this very moment, several military campaigns are promoting liberty abroad – creating a new generation of Veterans. All of which are paying into the AFRH Trust Fund via monthly payroll deductions, plus fines and forfeitures. This makes honoring the original Promise to care for our retired military especially vital. Because one day, our current enlisted may be calling on us to safeguard them.

Message from the Chief Operating Officer

The Will to Achieve

I am pleased to present the AFRH “Performance and Accountability Report” for FY06. It features our exciting developments and unique challenges over the past year. As fate would have it, Hurricane Katrina created both. When she forced us to evacuate our Gulfport home, we mobilized to survive. Soon, overcoming the challenges to endure shifted into seeking new ways to thrive. All of which has made the past year partly anxious, sometimes joyous and mostly fruitful.



From Surviving to Thriving

Throughout 2006, we demonstrated our resolve to uphold the Promise Congress made in 1811 to care for our retired Veterans. Recovering from the Gulfport closure and absorbing the uprooted residents in Washington was met with swift, decisive action. We provided them with shelter, necessities and security in the face of uncertainty. Plus our warm reception in DC was reassuring in the

midst of a major life disruption ... especially when you consider their advanced years. In the end, many Gulfport residents truly felt they had come “home.”

To accommodate the extra residents, we reopened a building for temporary housing, enhanced existing services, expanded transportation and added a mobile dental unit. For all those those in need of memory support, we created an Adult Day Care Center with Katrina Supplemental Funds. Then, we designed an Assisted Living area and Memory Support unit to be built soon. Given our dedicated staff and proficient management, these efforts literally stemmed the tide of disaster.

The Plans for Progress

Soon after, Congress requested a Gulfport action strategy. We outlined five viable options in a Special Report in February 2006. Also, we were asked to participate in an Options Review Committee to submit recommendations to Congress. This board included members of the VA and DoD, plus the President of the Resident Advisory Council (a former Gulfport resident). Then in May, management held an offsite to reflect on the strenuous pace of the prior year. This helped refocus our efforts on what was becoming a new configuration at AFRH. At last, we altered our course – and ever since, the Home has been at full steam ahead.

At year’s end, we saw great progress on our Strategic Goals and E-Gov. Also, we moved forward on our Washington Master Plan, which offers the campus vibrant change and promises to raise sufficient capital for future generations of Veterans. Thanks to the support of Congress and its Supplementals, we can look forward to deploying our Gulfport Master Plan and rebuilding the campus.

Achievements in 2006

This Report presents complete, reliable information that holds our programs and

finances to the highest standards of accountability. We are pleased to have earned JCAHO’s Gold Seal of Approval™. Further, we responded with positive actions to the Triennial Inspection by the Office of the Air Force Inspector General.

To build an AFRH of the Future, we focused on:

- 1) Recovering from the impact of Hurricane Katrina
- 2) Consolidating all services to the DC campus
- 3) Preparing for a brighter, bolder future, and
- 4) Modernizing to leverage the advantages of E-Gov and the Internet

Creating Resident Value

In all we do, we are mindful to manage the Veterans’ resources in a responsible and effective manner. This Report shows how we are giving them the best possible service for a prosperous life. Our well-rounded offerings satisfy their needs for stimulating activities and reliable healthcare. Meanwhile, our unique atmosphere of military camaraderie offers them tremendous support. Truly, our Veterans have found their peace – and now is their Time to Thrive.

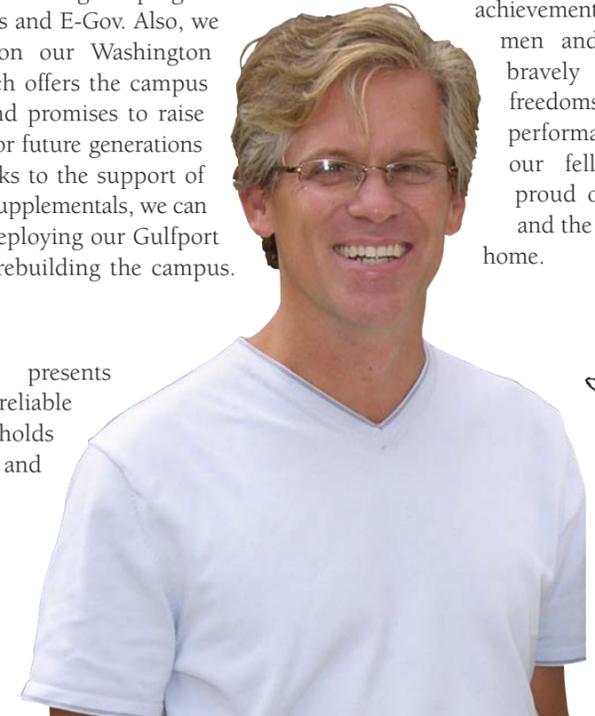
In closing, I am happy to report the AFRH is thriving, remains financially independent and faces the future with renewed vigor. We have an impressive record of achievement in safeguarding the men and women who so bravely defended our freedoms. I am proud of our performance – and I hope our fellow-Americans are proud of this organization and the Veterans who call it home.

“
I’m happy to report the AFRH is thriving, remains financially independent and faces the future with renewed vigor.
”

—Timothy C. Cox, COO

Sincerely,

Timothy C. Cox
Chief Operating Officer (COO)
November 15, 2006



The Mission to Promote

Today, we continue to provide shelter and care for eligible residents, as they grow old. This demonstrates to today's soldiers – and tomorrow's Veterans – that their service and sacrifices won't be forgotten. Just as our brave young men and women helped save the world from fascism in the 20th Century, today's active duty can fight for and preserve our way of life – knowing their country will repay them for their dedicated service.

And for good reason. Currently, the pool of eligible residents is growing fast. Many Korean and Vietnam War Veterans are rapidly approaching retirement age. Yet, this new generation has much different needs than those of a generation ago. So it is essential that we map out a viable business plan to fund those changing needs. Then, we'll truly fulfill the Promise Congress made nearly two centuries ago. And we will go from an organization that's merely surviving...to one that's truly thriving.

Now, more than ever, the AFRH and Congress are bound to honor that Promise, the Home's heritage and the fine tradition of the US military. Our ultimate goal is to build upon that legacy – and provide even greater service to our nation's heroes in the future. This includes enhanced technology, improved healthcare and modern amenities that rival those of private retirement homes.

Corporate Philosophy

Over the years, the original Promise has been embodied in new ways. Our current Vision and Mission are strongly rooted in the Home's heritage – yet they also incorporate modern philosophies in senior care. What's more, the AFRH Guiding Principles were crafted to preserve the Home's roots, while also serving as a guide to help us achieve the Mission. Ultimately, these smart strategic tools will help us meet the needs of a new generation of Veterans.

Vision

To actively nurture the Health and Wellness Philosophy of Aging while providing our nation's heroes with a continuum of Life Care Services in a community setting.

Mission

To fulfill our nation's Promise to its Veterans by providing a premier retirement community with exceptional residential care and extensive support services.

Guiding Principles

- Establish Accountability
- Inspire Excellence
- Maintain Integrity
- Honor Heritage
- Maximize Workforce
- Serve Customers



Strategic Plan

The Armed Forces Retirement Home is a premier retirement community and continuing care provider for eligible US Armed Forces Veterans. We proudly serve them with the same level of honor and commitment that they demonstrated in serving our country. To fulfill our mission, we have defined our Strategic Goals across five major areas:

Strategic Goals

Financial Growth	Exceptional Service	Improved Processes	Learning & Growth	Culture of Integrity
Create financial net growth & stability for the AFRH Trust Fund.	Enhance the overall AFRH experience to enrich the quality of residents' lives.	Modernize internal operations to maximize & leverage resources across AFRH.	Promote personal excellence & professional growth for all personnel.	Inspire commitment to the AFRH Guiding Principles through mutual respect

The AFRH Strategic Plan was updated in 2006 to reflect our renewed dedication to the AFRH Guiding Principles. And it is available online at www.afrh.gov. Our five Strategic Goals help us chart a course to a successful future. They also serve as the foundation for specific performance objectives – which are connected to initiatives in the President's Management Agenda (PMA).

The AFRH heeds the guidance in the PMA and we continue to make significant progress on each of these five Goals. The Home has not officially submitted for evaluation. However, every year since FY 2004, we have conducted a self-assessment as of September 30th.

As a small Federal agency, AFRH has focused on one initiative per year:

- 2004: we worked diligently on Competitive Sourcing
- 2005: we spearheaded Strategic Management of Human Capital & Improved Financial Performance
- 2006: we focused on Expanded Electronic Government

In the Performance Section, we discuss Strategic Goals in detail.

[From Public Law] –
24 US Code, Section 411
Establishment of Armed Forces Retirement Home

(b) Purpose – The purpose of the Retirement Home is to provide, through the Armed Forces Retirement Home-Washington and the Armed Forces Retirement Home-Gulfport, residences and related services for certain retired and former members of the Armed Forces.



"Life here is beautiful. The living conditions are great and everything is at our disposal. Even the PX here."

—Maurice Taylor
(Ret. Army Sergeant, 20 years)

The Structure to Succeed

The AFRH is an independent establishment of the Executive Branch of the Federal government. Ours is a unique Federal agency that closely resembles a private sector Continuing Care Retirement Community (CCRC). We serve enlisted and Warrant Officer retirees, plus eligible Veterans.

The Home is financially independent and wholly funded from the AFRH Trust Fund. Our COO is subject to the authority, direction and control of the Secretary of Defense, to the Under Secretary of Defense (Personnel & Readiness).

Our core business is to operate a premier retirement community with exceptional

Operational Background

In 1992, the Armed Services deemed that operating retirement communities was not “mission-critical.” So, the two Homes were realigned through the Armed Forces Retirement Home Act (Public Law 101-510). This Act combined the US Soldiers’ and Airmen’s Home with the US Naval Home under one Federal agency, while retaining two distinct locations.

In September 2002, the DoD hired a COO with private industry experience to facilitate our evolution. At the time, AFRH had two distinct campuses that lacked a single set of standards,

The Ability to Focus

The “One Model” was embodied in the AFRH strategic goals and objectives. In recent years, we’ve identified our “core competencies.” They have helped us decide whether or not to build internal capacities or to seek competitive sourcing for certain functions. Also, AFRH has integrated new systems to reduce duplication of effort, error and uneven workload agency-wide. The transition years for these systems were 2004 and 2005.

The new “One Model” was put to the test by multiple outside examiners who verified our progress in FY05. The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) conducted a survey of Gulfport in March 2005 and of Washington in October 2005 – and awarded both campuses its Gold Seal of Approval.

Forward Progress

Positive outside verifications have also affirmed the strength of the “One Model” as a driving force in evolving the Home. Ever since its inception, we have shown great progress – staying on track with objectives through many recent changes. The most dramatic change came in August 2005, when Hurricane Katrina forced the closing of our Gulfport campus. Even in the whirlwind of this cataclysmic event, the “One Model” provided us with a clear path in consolidating our services.

During the cleanup of Gulfport, The “One Model” helped us consolidate resident services in DC and continue to forge ahead.

The “One Model” approach serves both campuses:

Both campuses have the same management structure:



The COO is responsible for the overall direction, operation and management of both campuses

resident quarters, advanced healthcare, and essential social services. The Home provides a host of recreational, entertainment and creative programs rooted in the health and wellness philosophy. For our residents, it all means an enjoyable, well-rounded retirement.

policies and procedures to operate as a unified agency. Therefore, the new COO proposed a “One Model” standard operating environment. Since its inception, this new “One Model” has enhanced accountability and promoted the highest quality service to our residents.

Support Staff	Resident Services	Healthcare Services	Campus Operations
*Public Affairs Office	Admissions	Nursing	Facility Maintenance
*Business Center	Leisure and Wellness	Social Services	Transportation
Safety Office	Volunteer Coordination	Community Health	Logistics
	Security	Dental Clinic	Grounds
	Dining Services	Optometry Clinic	Utilities
	Religious Activities	Nutrition	Custodial Services
		Medical records	
		Pharmacy	
		Assisted Living	
		Long Term Care	
		Memory Support	

**These functions were realigned to Agency level during FY06.*



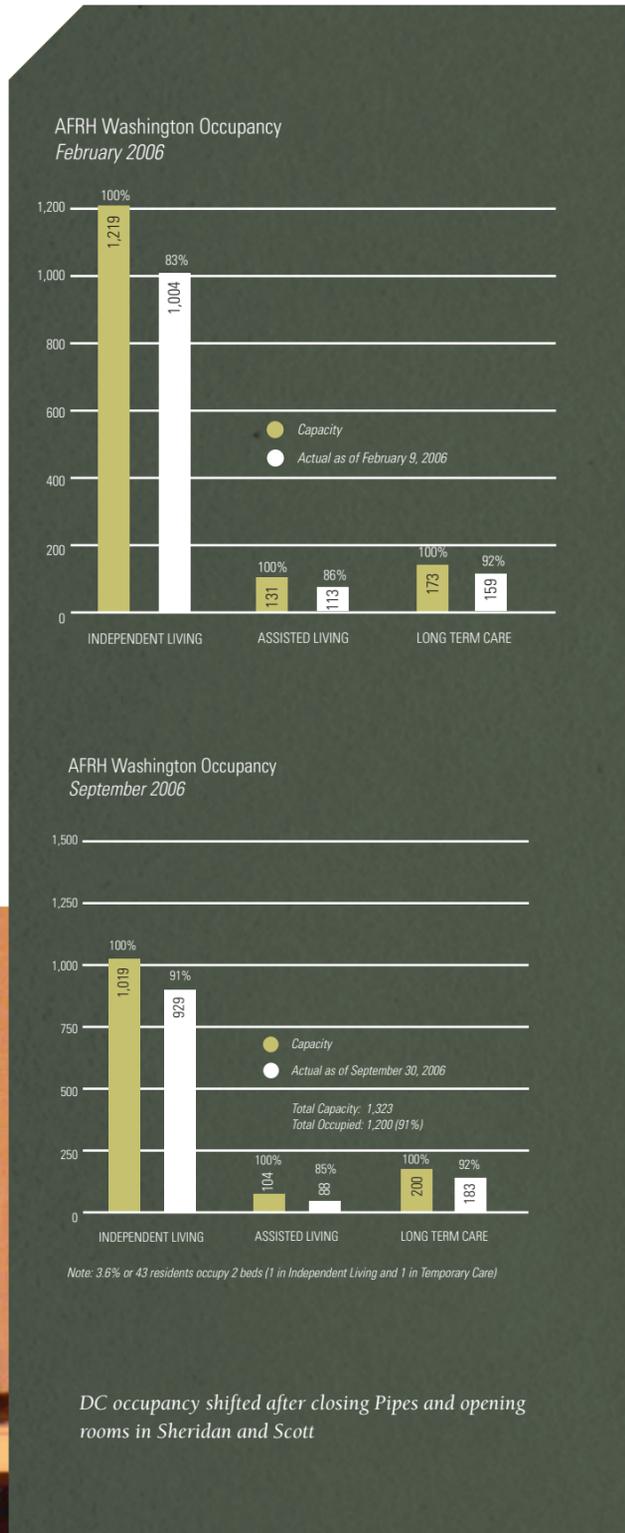
The Hurricane to Overcome

Katrina Impact

With little warning, Hurricane Katrina slammed the US Gulf Coast in August 2005 – causing the evacuation and temporary closure of our Gulfport campus. Since then, hundreds of volunteers and government workers have aided the massive clean-up effort. This includes the good people at FEMA, the Seabees and our staff, plus Gulfport volunteers, clubs and agencies. Together, we removed the debris from the campus grounds. What remains are the damaged buildings, grounds and fixtures.

The hurricane forced us to shift our attention from enhancing the overall organization, to preparing the Washington campus for an influx of evacuees. This exhausting ordeal tested the limits of our staff and residents. And it forced us to retool our strategy, so we could maintain the ground we've recently gained. But, to truly thrive, the AFRH had to change and adapt again, just as it has done over the past two centuries.

Katrina even decimated our historic Gulfport chapel. Yet, miraculously, all 10 custom stained-glass windows survived. All were designed by the renowned Willet Stained Glass Studio in Philadelphia for \$140,000.



The Staff to Sustain

Our dedicated workforce is a big reason why the residents thrive. Our staff will routinely go the extra mile to create a new program, improve an existing service, or simply offer a kind word to brighten a resident's day. With the help of our great people, we have been successful. After Hurricane Katrina and the closure of Gulfport, we transferred some of our Gulfport staff to Washington. Many of those fearless employees were a great help during the transfer and transition.

All told, we kept our entire Gulfport staff on administrative leave for six months after Katrina struck. This helped them all maintain an income in a totally devastated region. We further helped by providing training and workforce transition for those unable to continue in their field. We even supplied onsite training and support to the distressed Gulfport area.

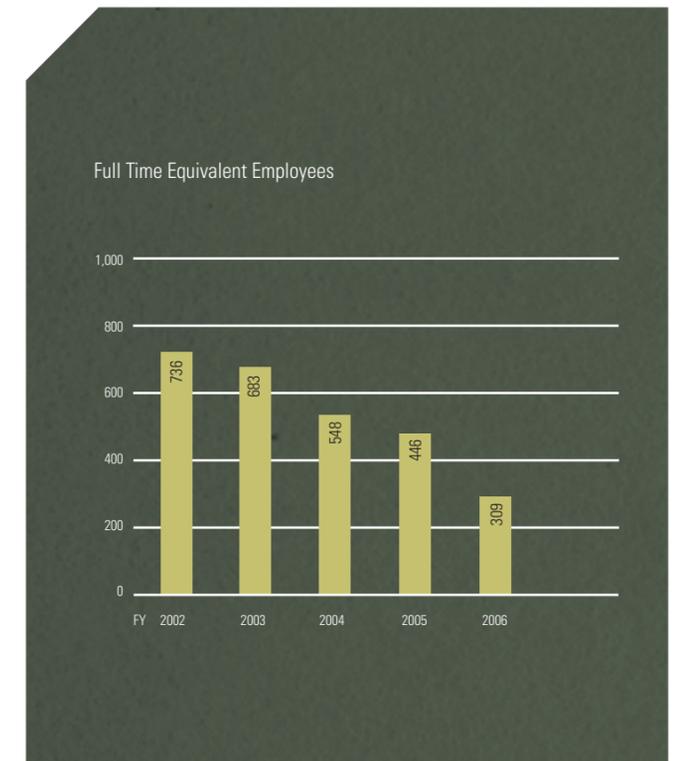
Staying Solvent

Alas, we could not sustain the added staff in Washington for the long haul. We soon realized the Gulfport campus would remain closed until reconstruction is finished – perhaps in a few years. So, we underwent one reduction in force of the Gulfport personnel.

A total of 231 policy directives from Gulfport have been cancelled. AFRH directives are being coordinated and published – and will apply to Gulfport and/or other campuses should they be opened.

The resident surge in DC caused various inefficiencies. We were constantly modifying our contracts and were shorthanded with specialized staff. So, we will need to put our workforce back to acceptable levels.

The chart below shows our anticipated staffing based on the best information available as of this writing. Fortunately, we will be planning to add staff members when Gulfport reopens in the future. But, for now, the Washington campus is the focus of all AFRH operations.



AFRH Medical Director Dr. Sissy, (right) cuts it up at the close of a productive offsite meeting. CFO Steve McManus and the AFRH staff look on.

The Performance to Propel

The Home realized solid progress in FY06, despite many distractions. Our ultimate hope is to continue to make even greater advances – so that our Veterans will be just as proud of this organization as we are of them. With that in mind, we march forward with steadfast determination to meet and exceed our Strategic Goals.

During FY06, we pursued our Strategic Goals, which are squarely in line with our

Mission. These Goals are linked to the Performance Plan for all staff members – via unique campus objectives, initiatives and agency leadership roles. Further, we created the AFRH Corporate Business Plan for both campuses – which will guide our staff to ultimately fulfill the Mission.

KEY ACTIONS: **35% Achieved (34)** **36% In Progress (35)** **29% Started (28)**

Strategic Initiatives

In line with the AFRH Strategic Plan for 2006-2010, we have refined our corporate Strategic Goals. Each goal has specific and measurable objectives – with corresponding Key Actions to ensure our steady progress.

Regrettably, the impact of Hurricane Katrina and the ensuing recovery affected our progress in FY06. Our steady advances quickly slowed when we were forced to relocate the Gulfport residents. Then we refocused our efforts and gained momentum on our Strategic Goals as we reached the end of the fiscal year. At this time, staff members became consumed with achieving them.

Results Summary

The Home strives for great results through its five Strategic Goals, 41 Objectives and 97 Key Actions. Yet, 2006 was a year filled with emergencies and uncertainty. Given the surprises we endured in the wake of Hurricane Katrina, the Home has shown remarkable flexibility and achievement toward its Goals.

Success Areas

Two areas of progress were in Financial Growth and in Exceptional Service. In fact, we improved fiscal management, plus we achieved our IT security certification and accreditation. This success story is highlighted in the PMA section below, under Expanded Electronic Government (E-Gov). As you will see, it shows the link between AFRH strategy and the PMA.

At a key management offsite, we addressed many corporate initiatives. Together, we initiated our AFRH Guiding Principles and formed action teams for resident service. In general, this offsite helped the staff re-energized its efforts to focus on residents' needs. In fact, our Memory Support Day Care is almost completed.

Resident Feedback

Our teams generated surveys to gather resident data. One survey garnered more than 200 responses, noting satisfaction in most areas. Concerns entailed transportation and living accommodations. While neighborhood location, dining services, and healthcare were cited as not meeting expectations. Further, a recreation survey is taken each year. Once again, the Library is the #1 preferred service on campus. Now, exit surveys are routinely given to residents as they leave, so we can make further enhancements. Also, one-on-one personal exit interviews were initiated.

We've taken bold steps to provide better service in all areas of concern – from process improvements and new dining menu items – to added transportation routes and familiarizing residents with Washington, DC. A service pilot program began in the Health and Wellness Center to assess wait times and service perceptions. Data collection over 30 days revealed smooth appointments for health problems, but delays waiting for the checkups required to renew prescriptions. So, our staff is now focusing on those areas for improvement.

"I just love the dances they throw here. They give me a chance to brush up on my Jitterbug, Cha-cha and Swing."

— Frank Migala (Ret. Army)



The Seabees were true lifesavers in the aftermath of Katrina. They helped clean up the campus and salvage our valuables.



After Hurricane Katrina, various appropriated funds were authorized to AFRH to support our transferred Gulfport residents.

In FY06, these funds were used to:

- Establish a Mobile Dental Clinic
- Increase the number of nurses on contract
- Recondition resident rooms in the Pipes Building (formerly mothballed)
- Store the residents' personal belongings
- Purchase resident database software
- Acquire additional furniture and air conditioning units
- Pack and ship Gulfport residents' personal items to DC and elsewhere
- Make extra Assisted Living and Long Term Care renovations
- Augment local transportation services

Supplemental Funds

\$6 M initially given to move residents

\$65.5 M
 \$45 M to plan and design Gulfport
 \$20.8 M to house displaced residents in DC

\$176 M to rebuild the Gulfport complex

To accommodate the surge of residents in DC, \$10.8 million of Katrina funds are being used to develop a Memory Support unit, improve Assisted Living facilities and more. Katrina funds were also used to help transfer personal items to Washington and other locations in the US, where former Gulfport residents now reside. Thankfully, many volunteers helped boost these efforts.

Future Planning

Congress requested that we create strategies for the future of the Gulfport campus. So, in a Special Report to Congress, dated February 28, 2006, (per House Report 109-359) to provide options for the future of AFRH) one option was to construct a brand new campus. Fortunately for the AFRH, Congress has appropriated funds to rebuild the Gulfport facility in May 2006 (per Public Law 109-234). And our residents and staff are forever grateful.

Moving forward, GSA is the agent for the construction and has already begun work with AFRH. So far, GSA has appointed a program manager and, with AFRH managers, has visited the Gulfport site three times since the above law was enacted. The next step is the appointment of a GSA onsite project manager. A Memorandum of Agreement (MOA) between GSA, AFRH and NAVFAC is being negotiated along with the requirements for the building.

The Wisdom to Manage

The President's Management Agenda (PMA) is a strategic tool to improve the management and performance of the Federal government. Since 2001, five government-wide Initiatives have been the standard against which agencies develop and implement action plans. (See below.)

The AFRH heeds the guidance in the PMA – and we continue to make significant progress in each of the five initiatives. The Home has not officially submitted for evaluation, but every year since FY 2004, we have conducted a self-assessment as of September 30th.

In 2006 we focused on:

Expanded Electronic Government



"There are few items more urgent than ensuring that the Federal government is well run and results-oriented."

— George W. Bush

PMA Initiatives for AFRH

Initiative	Progress	Status
Strategic Management of Human Capital	●	●
Competitive Sourcing	●	●
Improved Financial Performance	●	●
Budget and Program Integration	●	●
Expanded Electronic Government	●	●