FINANCIAL

PARTNERING

A self-described, former "wise guy", Charles joined the Air Force at age 17 in the 1940s. Shortly after, he went AWOL for 10 days. "I came back shaking like a leaf and scared of the consequences. But, after that I grew up. Good old Uncle Sam!" He then served 22 years in flight traffic and fire / rescue.

Charles retired in 1968 and worked in civil aviation at a Michigan airport for six years. He then landed a golden opportunity to work at Central Wisconsin Airport as Chief of Operations overseeing everything including snow removal, which he says was tough.

During this time, Charles taught himself all about investing and the stock market at the library. He saved a lot, made investments, and even developed a scholarship fund. Charles donated $300,000 to the "Charles Vouaux Scholarship" at Embry Riddle Aeronautical University. "I couldn't have been so successful without the help of good people—so I like to pass it on."

"My life's been quite colorful."

—Charles Vouaux (Air Force, AFRH-W)

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STABILIZED

Here in Part 3, *FINANCIAL*, we will show our constituents and the US Congress how we used AFRH resources to meet our Objectives and achieve our Strategic Goals. We'll also summarize our plans to improve our financial position in the near future.

In general, the AFRH continued to keep its costs down, its services high, and its finances stable in FY 2013. The achievements that you read about in MD&A and PERFORMANCE were made possible by smart and effective financial stewardship.

Moreover, the recent financial investments that we have made in our facilities and programs will soon be reaping positive returns. These gains will be apparent in the form of greater resident wellness, stronger customer service, and long-term cost savings.

The independent accounting firm Brown & Company CPAs PLLC expressed an Unmodified[10] (clean) Opinion on our comparative FY 2013 and FY 2012 Financial Statements, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources. This opinion is testament to effective fiscal management at the AFRH.

[10] *Effective for FY 2013, US auditing standards call for the term "unmodified" opinion instead of "unqualified" opinion*

"I collect resident fees and manage campus purchases."

—Katie Lindsey (Budget Analyst, AFRH-G)

"My whole life was two years behind everyone else's."

—Stanley Sagara (Army, AFRH-G)

Stanley's parents emigrated from Japan to the US settling in central Washington. Stanley was born and grew up on the family farm with eight siblings. During WWII, Japanese-Americans were feared, so the entire family was sent into an interment camp. "They uprooted us and confined us to barracks." For two years Stanley worked within the camp for little money.

After being released his family no longer owned their farm. They had no real income. Then Stanley was drafted into the Army Airborne in 1944. He went to Europe and Germany and was paid $50 per parachute jump. "I sent my money home to my family because they needed it more."

After The War, Stanley served at McChord Air Force Base in Tacoma, WA. For the first seven years of retirement, he lived at the AFRH-W. Then he moved to Gulfport, swapping rooms with a resident who wanted to move to Washington. Today, he exercises everyday mostly swimming or bike riding.

CFO Message

SAFEGUARDED

I AM PLEASED TO REPORT OUR FINANCIAL POSITION FOR FY 2013 IS STABLE AND OUR FUTURE OUTLOOK IS POSITIVE. THIS YEAR HAS BEEN AN EXCITING YET CHALLENGING ONE IN MANY RESPECTS. EACH DAY, MANAGEMENT IS EVER MINDFUL THAT IT HAS BEEN ENTRUSTED TO SPEND AFRH RESOURCES WISELY. MOVING FORWARD, THE AFRH TEAM IS EAGER TO ACTIVELY RESHAPE ITS FINANCIAL FUTURE.

Our recent investments in AFRH programs, facilities, and service have lowered the Trust Fund balance. Also, we have seen reductions in various revenue sources. These two factors have bolstered our commitment to scrutinizing our spending, seeking new efficiencies, and cultivating new income.

CONTAINING COSTS

Of late, AFRH operating costs exceed sixty million dollars each year, and they increase each year due to inflation. We aim to contain rising costs through our High-priority Performance Goal "Maintain Exceptional Stewardship". We are also streamlining costs through altered contracts, resource conservation, and added efficiencies.

The Home's major cost driver is healthcare, and we are striving to constrain staffing. The Home's highly successful ILP pilot program is extending resident independence and postponing costly Long Term Care. This is reducing the staffing requirements for Long Term Care and streamlining the manner in which we enter contracts.

CONTRACT ADJUSTMENTS

During the first half of FY 2013, the sequestration and across-the-board reductions impacted the entire Federal Government. The AFRH initiated a hiring freeze (except for healthcare positions), modified contracts appropriately, suspended performance awards, and ceased travel and training opportunities.

With the appropriation that was enacted in March 2013, the sequestration was lifted and this allowed us to lift the hiring freeze, proceed with closing the aging Power Plant, and commence with water infrastructure renovations.

FACILITY UPGRADES

The new energy-efficient facility in Gulfport has shown savings, and the upgrades in Washington are already showing far-reaching efficiencies. Both Homes now boast LEED-certified buildings and modern amenities. The Scott Project allowed us to review and improve existing systems, facilities, and operations to advance our goals for energy efficiency and resident care. Part of the Project was to add individual heating / cooling units to buildings that were fueled by the Power Plant.

Further, we closed the LaGarde Building and the Power Plant and moved all Assisted Living, Memory Support, and Long Term Care residents to renovated space in Sheridan and the new Scott. This reduced our footprint by 421,050 square feet—which will yield significant energy savings and eliminate transportation contracts to shuttle residents and staff to the lower campus and back.

"For the 9th consecutive year, the AFRH earned an Unmodified Opinion on its Financial Statements with no audit weaknesses or compliance deficiencies."

—Steven G. McManus (AFRH CFO)

FUTURE REVENUE

At the end of FY 2013, AFRH total revenue was about $52 million—that is $8 million lower than in FY 2012. The greatest reason: much lower military Fines and Forfeitures, which is our largest revenue source, and just so happens to be out of our control.

Hence, we must aggressively secure new revenue. For starters, we are currently pursuing the sale / lease of an excess 77 acres on the AFRH-W property. We will only move forward, by FY 2017, if we can secure a fair market price. We also have an exciting opportunity to seek contributions from former military, veterans' organizations, resident family members, and other stakeholders. We will pursue contributions in FY 2014 by distributing a giving brochure as well as soliciting online donations.

POSITIVE OUTLOOK

In general, we can maintain the AFRH Trust Fund at acceptable levels by containing costs, monitoring Fines & Forfeitures, executing our Master Plan, and following our Strategic Plan. All the while, we must be vigilant to contain rising costs and increase new revenue. All of these efforts and more will support our residents with exceptional service and preserve the AFRH for future generations of retired military.

Sincerely,

Steven D. McManus

Steven G. McManus
Chief Financial Officer (CFO)

December 16, 2013

FY 2013 Audit Letters

BROWN & COMPANY CPAs, PLLC
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, DC

Report on the Financial Statements

We have audited the accompanying balance sheets of the Armed Forces Retirement Home (AFRH) as of September 30, 2013 and 2012, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFRH as of September 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis (MD&A), and Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AFRH's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AFRH's internal control. Accordingly, we do not express an opinion on the effectiveness of AFRH's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In our fiscal year 2013 audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AFRH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

AFRH's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control over financial reporting, (3) ensuring AFRH's financial management systems are in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) and applicable laws for which OMB Bulletin 14-02 requires testing, and (4) ensuring compliance with other applicable laws and regulations.

Auditor's Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to AFRH. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to AFRH's financial statements for the fiscal year ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of AFRH's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AFRH's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of AFRH, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
December 16, 2013

"I learned to garden from my mother at age 10."
—Roger Pohemus (Army, AFRH-W)

A retired member of the Army, 87-years-young Roger is an avid gardener at the AFRH-W. "I'm the only gardener at this campus who grows flowers." All the other residents plant vegetables and grass to keep the ground moist.

After Roger goes out to purchase flowers, he enlists the help of local landscaper, Carter Stallard. Carter tills the land, and then Roger digs the holes and plants the flowers. Some of the flowers he keeps in his new raised gardens include: yellow and orange azaleas, gladiola, dahlia, lavender, lilacs, and lilies.

Roger has also been a proud member of Potomac Lily Society for 23 years, which allows him to keep up on the latest gardening techniques and meet with fellow flower aficionados.

AFRH AUDITED FINANCIAL STATEMENTS

The AFRH management is responsible for the fair presentation of information contained in the principal Financial Statements. The independent accounting firm Brown & Co. CPAs PLLC audited the Financial Statements for FY 2013 presented here in this section.

The Statements and data presented here have been prepared from the Agency's accounting records in accordance with GAAP for Federal agencies—the standards prescribed by FASAB.

These Statements should be read with the understanding they are for a component of the US Government, a sovereign entity.

The NFC, in conjunction with BPD's Oracle platform, processed our payroll and time / attendance data entry transactions. These operations were managed under mutual agreements with the Department of Treasury and Agriculture. The AFRH relies on information received from BPD and NFC (plus audits and reviews) to execute its management controls.

In a public-to-public partnership, BPD ARC has administered all of our FY 2013 financial management activities including:

— Accounting
— Budget
— Payments
— Purchasing
— Travel

Richard Huether (Air Force, AFRH-W) raises his favorite beer stein from his service days in Germany.

Armed Forces Retirement Home
BALANCE SHEET
as of September 30, 2013 AND 2012
(In Dollars)

	2013	2012
ASSETS:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	$ 3,541,350	$ 17,836,404
Investments (Note 2, 3)	66,296,115	112,674,756
Accounts Receivable (Note 4)	1,453,563	1,520,495
Total Intragovernmental	71,291,028	132,031,655
Accounts Receivable, Net (Note 4)	508,656	249,362
Property, Equipment, and Software, Net (Note 5)	364,827,269	339,774,479
Total Assets	**$ 436,626,953**	**$ 472,055,496**
LIABILITIES:		
Intragovernmental		
Accounts Payable	$ -	$ 282,173
Other (Note 8)	1,577,420	1,907,034
Total Intragovernmental	1,577,420	2,189,207
Accounts Payable	1,342,906	16,835,098
Federal Employee and Veterans' Benefits (Note 6,7)	7,943,494	8,453,239
Other (Note 8)	1,621,000	2,330,946
Total Liabilities (Note 6)	$ 12,484,820	$ 29,808,490
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections	$ 424,142,133	$ 442,247,006
Total Net Position (Note 10)	424,142,133	442,247,006
Total Liabilities and Net Position	**$ 436,626,953**	**$ 472,055,496**

The accompanying footnotes are an integral part of these financial statements

Armed Forces Retirement Home
STATEMENT OF NET COST
For the Fiscal Years Ended September 30, 2013 AND 2012
(In Dollars)

		2013		2012
PROGRAM COSTS:				
Program: Embrace Resident-centered Care				
Gross Costs	$	54,204,183	$	57,030,276
Less: Earned Revenue		(11,278,617)		(11,456,608)
Net Program Costs	**$**	**42,925,566**	**$**	**45,573,668**
Program: Maintain Exceptional Stewardship				
Gross Costs	$	14,250,151	$	14,993,124
Less: Earned Revenue		(2,965,122)		(3,011,915)
Net Program Costs	**$**	**11,285,029**	**$**	**11,981,209**
Program: Promote Staff-centered Environment				
Gross Costs	$	2,224,096	$	2,340,055
Less: Earned Revenue		(462,782)		(470,085)
Net Program Costs	**$**	**1,761,314**	**$**	**1,869,970**
Program: Leverage External Stakeholders				
Gross Costs	$	1,767,685	$	1,859,849
Less: Earned Revenue		(367,814)		(373,618)
Net Program Costs	**$**	**1,399,871**	**$**	**1,486,231**
NET COST OF OPERATIONS	**$**	**57,371,780**	**$**	**60,911,078**

The accompanying footnotes are an integral part of these financial statements

Armed Forces Retirement Home
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2013 AND 2012
(In Dollars)

		2013		2012
Cumulative Results of Operations:				
Beginning Balances	$	442,247,006	$	445,018,579
Budgetary Financing Sources:				
Appropriations Used		-		14,630,000
Nonexchange Revenue		37,319,255		41,802,249
Donations and Forfeitures of Cash and Cash Equivalents		15,830		45,876
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Property		341,968		-
Imputed Financing Sources (Note 12, 16)		1,589,854		1,661,380
Other		-		-
Total Financing Sources		39,266,907		58,139,505
Net Cost of Operations		(57,371,780)		(60,911,078)
Net Change		(18,104,873)		(2,771,573)
Cumulative Results of Operations	**$**	**424,142,133**	**$**	**442,247,006**
Unexpended Appropriations:				
Appropriations Received		-		14,630,000
Appropriations Used		-		(14,630,000)
Total Budgetary Financing Sources		-		-
Total Unexpended Appropriations	**$**	**-**	**$**	**-**
Net Position	**$**	**424,142,133**	**$**	**442,247,006**

Residents and staff harvest an abundance of fresh, healthy vegetables at AFRH-G.

The accompanying footnotes are an integral part of these financial statements

Armed Forces Retirement Home
STATEMENT OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2013 AND 2012
(In Dollars)

		2013		2012
Budgetary Resources:				
Unobligated Balance Brought Forward, October 1	$	33,800,963	$	29,089,054
Recoveries of Prior Year Unpaid Obligations		3,964,294		7,187,512
Unobligated balance from prior year budget authority, net		37,765,257		36,276,566
Appropriations		46,387,126		96,960,000
Spending authority from offsetting collections		5,511		471
Total Budgetary Resources	**$**	**84,157,894**	**$**	**133,237,037**
Status of Budgetary Resources:				
Obligations Incurred	$	67,021,317	$	99,436,074
Unobligated balance, end of year:				
Apportioned		13,148,375		32,832,056
Unapportioned		3,988,202		968,907
Total unobligated balance, end of year (Note 2)		17,136,577		33,800,963
Total Budgetary Resources	**$**	**84,157,894**	**$**	**133,237,037**
Change in Obligated Balance				
Unexpended Obligations:				
Unpaid Obligations, Brought Forward, October 1	$	66,531,621	$	96,995,229
Obligations Incurred (Note 14, 16)		67,021,317		99,436,074
Outlays (gross)		(113,220,494)		(122,712,170)
Recoveries of Prior Year Unpaid Obligations (Note 16)		(3,964,294)		(7,187,512)
Obligated Balance, End of Year (Note 2)	**$**	**16,368,150**	**$**	**66,531,621**
Budget Authority and Outlays, Net:				
Budget authority, gross	$	46,392,637	$	96,960,471
Actual offsetting collections		(5,511)		(471)
Budget Authority, net	**$**	**46,387,126**	**$**	**96,960,000**
Outlays, gross	$	113,220,494	$	122,712,170
Actual offsetting collections		(5,511)		(471)
Outlays, net		113,214,983		122,711,699
Distributed Offsetting Receipts		16,642,628		(27,330,935)
Agency outlays, net	**$**	**129,857,611**	**$**	**95,380,764**

The accompanying footnotes are an integral part of these financial statements

NOTES TO THE AUDITED 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 24U.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 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.

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

B. Basis of Presentation

The financial statements were prepared to report the financial position and results of operations at 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 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 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 compliance with legal requirements on the use of Federal funds.

D. Revenues & Other Financing Sources

Exchange Revenue
Exchange Revenues are inflows of resources to a government entity that the entity has earned. Exchange revenue is derived from the rendering of services, the sale of resources, and the use by others of entity assets yielding interest or dividends.

The AFRH's exchange revenue consists primarily of resident fees, rental income, leases and sales, meal tickets, and interest earned on Treasury securities. Revenue from resident fees is recognized when services are provided and is invested for future funding requirements.

Non-Exchange Revenue
Non-Exchange revenues are inflows of resources the government demands or receives by donation. Such revenue is recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that the collection is probable and the amount is reasonably estimated.

The AFRH's non-exchange revenue consists of military fines and forfeitures, monthly payroll withholdings from enlisted military personnel, bequests, and donations. Non-exchange revenue is recognized when collected.

Financing Sources
The AFRH receives the majority of funding needed to support operations and capital expenditures from the Trust Fund. The Trust Fund is financed by military fines and forfeitures, monthly payroll deductions from eligible enlisted military personnel and Warrant Officers, resident fees, sales and leases, interest earned on Treasury securities, and donations.

Congress enacts annual, multi-year, and no-year appropriations to be used, within statutory limits, for operating, capital and grant expenditures. Additional amounts are obtained from service fees and reimbursements from other government entities and the public.

Appropriations are recognized as a financing source when expended. Revenues from service fees associated with reimbursable agreements are recognized concurrently with the recognition of accrued expenditures for performing the services.

The AFRH recognizes as an imputed financing source the amount of accrued pension and post-retirement benefit expenses for current employees paid on our behalf by the Office of Personnel Management (OPM).

E. Fund Balance with Treasury

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

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

F. Investment in U.S. Government Securities

Trust Fund balances may only be invested in interest bearing debt securities issued by the Bureau of the Fiscal Service. These securities are market based Treasury securities issued without statutorily determined interest rates and consist of Treasury bills and notes.

The AFRH classifies these investments as held-to-maturity at the time of purchase. The investments are stated at acquisition cost plus or minus any premium or discount. Premiums and discounts are amortized over the life of the Treasury security using the interest method. The AFRH's intent is to hold the investments to maturity, unless securities are needed to sustain operations. No provision is made for realized gains or losses on these securities due to the fact that they are held-to-maturity. Interest is received semi-annually on the held-to-maturity investments. This interest is accrued monthly until it is received.

The AFRH may, from time to time, hold an investment in a one-day certificate issued by the Bureau of the Fiscal Service. The interest earned on the certificate is reinvested in the certificate on a daily basis. These investments are classified as trading securities. See Note 3 for additional information.

G. 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.

H. Property, Equipment, and Software

The AFRH owns the land and buildings in which both homes operate. 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 when 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. The useful lives used when recording depreciation on property, equipment and software are as follows:

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

I. 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.

J. 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 With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities with the Public 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 and actuarial FECA.

K. 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 effective at 50% beginning FY 2012 and 100% in 2014.

L. 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 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.

M. Retirement Plans

The AFRH employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of AFRH matching contributions, 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 entity or person that is not 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 AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM.

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.

N. Other Post-Employment Benefits

AFRH 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.

O. 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.

P. Imputed Costs / Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. AFRH recognized imputed costs and financing sources in fiscal years 2013 and 2012 to the extent directed by accounting standards.

Q. Reclassification

Certain fiscal year 2012 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2013 and 2012 were as follows:

	2013	2012
FUND BALANCES:		
Trust Funds	$ 3,541,350	$ 17,836,404
Investments	66,296,115	112,674,756
Less: Accrued Interest and Unamortized	(963,986)	(1,042,279)
Total	**$ 68,873,479**	**$ 129,468,881**
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 17,136,577	$ 33,800,963
Unavailable	35,368,752	29,136,297
Obligated Balance Not Yet Disbursed	16,368,150	66,531,621
Total	**$ 68,873,479**	**$ 129,468,881**

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

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

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

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the fund balance on hand. (Also see Note 15.)

NOTE 3. INVESTMENTS

Investments as of September 30, 2013 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	$ 65,338,335	Interest	$ 119,501	$ 838,279	$ 66,296,115	$ 70,443,619
Total	**$ 65,338,335**		**$ 119,501**	**$ 838,279**	**$ 66,296,115**	**$ 70,443,619**

Investments as of September 30, 2012 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	$ 111,638,684	Interest	$ 197,605	$ 838,467	$ 112,674,756	$ 118,868,218
Total	**$ 111,638,684**		**$ 197,605**	**$ 838,467**	**$ 112,674,756**	**$ 118,868,218**

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. Investment maturity dates for fiscal years 2013 and 2012 range from July 1, 2013 and May 15, 2014 to May 15, 2016 respectively, and interest rates for the same fiscal years range from .020 percent and 4.750 percent to 5.125 percent, respectively.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with dedicated collections. The cash receipts collected from the public for a dedicated collection fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Agency name as evidence of its receipts. Treasury securities are an asset to the Agency name and a liability to the U.S. Treasury. Because the Agency name and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Agency name with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Agency name requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Government finances all other expenditures.

"We partner with area programs to showcase our veterans' amazing art."

—Lori Thompson (Art Specialist, AFRH-W)

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2013 and 2012 were as follows:

		2013		2012
Intragovernmental:				
Accounts Receivable	$	1,453,563	$	1,520,495
Total Intragovernmental Accounts Receivable	**$**	**1,453,563**	**$**	**1,520,495**
With the Public:				
Accounts Receivable	$	508,656	$	249,362
Total Public Accounts Receivable	**$**	508,656	**$**	**249,362**
Total Accounts Receivable	$	1,962,219	$	1,769,857

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force, Navy, Marine Corps, and 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, 2013 and 2012.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2013

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Building	$	481,470,134	$	149,006,221	$	332,463,913
Land and Improvements		11,006,566		10,523,845		482,721
Furniture & Equipment		11,664,813		5,532,011		6,132,802
Construction-in-Progress		25,747,833		-		25,747,833
Total	**$**	**529,889,346**	**$**	**165,062,077**	**$**	**364,827,269**

Schedule of Property, Equipment, and Software as of September 30, 2012

Major Class		Acquisition Cost		Accumulated Amortization/ Depreciation		Net Book Value
Building	$	390,168,413	$	139,525,552	$	250,642,861
Land and Improvements		11,006,567		10,481,142		525,425
Furniture & Equipment		11,664,814		4,567,148		7,097,666
Construction-in-Progress		81,508,527		-		81,508,527
Total	**$**	**494,348,321**	**$**	**154,573,842**	**$**	**339,774,479**

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2013 and 2012 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.

		2013		2012
Intragovernmental – FECA	$	1,460,526	$	1,636,446
Unfunded Leave		1,212,690	$	1,319.304
Actuarial FECA		7,943,494		8,453,239
Total Liabilities Not Covered by Budgetary Resources	$	10,616,710	$	11,408,989
Total Liabilities Covered by Budgetary Resources		1,868,110	$	18,399,501
Total Liabilities	**$**	**12,484,820**	**$**	**29,808,490**

FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on AFRH behalf and payable to the DOL. 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 AFRH employees are administered by the DOL and ultimately paid by AFRH when funding becomes available.

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, AFRH's liability as of June 30, 2013 and 2012, was $7.9 million and $8.4 million, respectively.

Wildlife abounds all across our wooded Washington campus, as captured here on film by one resident, Marvin E. Miles.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2013 were as follows:

		Current		Non Current		Total
Intragovernmental:						
FECA Liability	$	159,670	$	1,300,856	$	1,460,526
Payroll Taxes Payable		116,894		-		116,894
Total Intragovernmental Other Liabilities	**$**	**276,564**		**1,300,856**		**1,577,420**
With the Public:						
Payroll Taxes Payable	$	16,232	$	-	$	16,232
Accrued Funded Payroll and Leave		369,534		-		369,534
Unfunded Leave		1,212,690		-		1,212,690
Other		22,544		-		22,544
Total Public Other Liabilities	**$**	**1,621,000**	**$**	**-**	**$**	**1,621,000**

Other liabilities account balances as of September 30, 2012 were as follows:

		Current		Non Current		Total
Intragovernmental:						
FECA Liability	$	118,036	$	1,518,410	$	1,636,446
Payroll Taxes Payable		270,588		-		270,588
Total Intragovernmental Other Liabilities	**$**	**388,624**		**1,518,410**		**1,907,034**
With the Public:						
Payroll Taxes Payable	$	42,201	$		$	42,201
Accrued Funded Payroll and Leave		931,460		-		931,460
Unfunded Leave		1,319,304		-		1,319,304
Custodial Liability		37,981		-		37,981
Total Public Other Liabilities	**$**	**2,330,946**	**$**	**-**	**$**	**2,330,946**
				-		

NOTE 9. LEASES

AFRH leases several of its buildings for use as office space as well as parking areas associated with those buildings. All leases as of September 30, 2013 are month to month.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

NOTE 10. DEDICATED COLLECTIONS

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

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

Schedule of Dedicated Collections as of September 30, 2013

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Dedicated Collections
Balance Sheet					
Assets					
Fund Balance with Treasury	$ (34,464,564)	$ 138,764	$ 70,740	$ 37,796,410	$ 3,541,350
Investments	-	-	-	66,296,115	66,296,115
Accounts Receivable	-	-	-	1,962,219	1,962,219
Property, Equipment, and Software	134,921,352	14,497,476	215,408,441	-	364,827,269
Total Assets	**$ 100,456,789**	**$ 14,636,240**	**$ 215,479,181**	**$ 106,054,743**	**$436,626,953**
LIABILITIES AND NET POSITION					
Accounts Payable	$ (17,400)	$ (70,419)	$ -	$ 1,430,725	$ 1,342,906
Other	-	-	-	11,141,914	11,141,914
Cumulative Results of Operations	100,474,189	14,706,659	215,479,181	93,482,104	424,142,133
Total Liabilities and Net Position	**$ 100,456,789**	**$ 14,636,240**	**$ 215,479,181**	**$ 106,054,743**	**$436,626,953**
Statement of Net Cost					
Program Costs	$ 3,784,557	$ -	$ 4,119,014	$ 64,542,544	$ 72,446,115
Less: Earned Revenues	-	-	-	(15,074,335)	(15,074,335)
Net Program Costs	3,784,557	-	4,119,014	49,468,209	57,371,780
Net Cost of Operations	**$ 3,784,557**	**$ -**	**$ 4,119,014**	**$ 49,468,209**	**$ 57,371,780**
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 18,937,255	$ (14,630,000)	$ 227,190,014	$ 210,749,737	$ 442,247,006
Net Cost of Operations	(3,784,557)	-	(4,119,014)	(49,468,209)	(57,371,780)
Taxes and Other Nonexchange Revenue	-	-	-	37,677,053	37,677,053
Other Revenue	-	-	-	1,589,854	1,589,854
Changes in Net Position	(3,784,557)	-	(4,119,014)	(10,201,301)	(18,104,873)
Net Position End of Period	**$ 15,152,698**	**$ (14,630,000)**	**$ 223,071,000**	**$200,548,436**	**$ 424,142,133**

NOTE 10. DEDICATED COLLECTIONS

Schedule of Dedicated Collections as of September 30, 2012

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Dedicated Collections
Balance Sheet					
Assets					
Fund Balance with Treasury	$ (43,217,085)	$ 13,323,316	$ 726,795	$ 47,003,378	$ 17,836,404
Investments	-	-	-	112,674,756	112,674,756
Accounts Receivable	-	-	-	1,769,857	1,769,857
Property, Equipment, and Software	105,874,019	13,000,000	-	220,900,460	339,774,479
Total Assets	**$ 62,656,934**	**$ 26,323,316**	**$ 726,795**	**$382,348,451**	**$472,055,496**
LIABILITIES AND NET POSITION					
Accounts Payable	$ 502,594	$ 11,693,316	$ -	$ 4,921,361	$ 17,117,271
Other	-	-	-	12,691,219	12,691,219
Cumulative Results of Operations	62,154,340	14,630,000	726,795	364,735,871	442,247,006
Total Liabilities and Net Position	**$ 62,656,934**	**$ 26,323,316**	**$ 726,795**	**$382,348,451**	**$472,055,496**
Statement of Net Cost					
Program Costs	$ 5,074,389	$ 14,630,000	$ -	$ 56,518,912	$ 76,223,303
Less: Earned Revenues	-	-	-	(15,312,225)	(15,312,225)
Net Program Costs	5,074,389	14,630,000	-	41,206,687	60,911,078
Net Cost of Operations	**$ 5,074,389**	**$ 14,630,000**	**$ -**	**$ 41,206,687**	**$ 60,911,078**
Statement of Changes in Net Position					
Net Position Beginning of Period	$ 67,228,729	$ -	$ 227,190,014	$150,599,836	$ 445,018,579
Net Cost of Operations	(5,074,389)	(14,630,000)	-	(41,206,687)	(60,911,078)
Taxes and Other Nonexchange Revenue	-	-	-	56,478,125	56,478,125
Other Revenue	-	-	-	1,661,380	1,661,380
Changes in Net Position	(5,074,389)	(14,630,000)	-	16,932,818	(2,771,573)
Net Position End of Period	**$ 62,154,340**	**$ (14,630,000)**	**$ 227,190,014**	**$167,532,654**	**$442,247,006**

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between AFRH and other Federal government entities and are in contrast to those with non-Federal entities (the public). Such costs and revenue are summarized as follows:

	2013	2012
Program: Embrace Resident-centered Care		
Intragovernmental Costs	$ 8,901,546	$ 9,028,815
Public Costs	45,302,637	48,001,461
Total Program Costs	54,204,183	57,030,276
Intragovernmental Earned Revenue	(1,634,914)	(2,196,106)
Public Earned Revenue	(9,643,703)	(9,260,502)
Net Program Costs	**42,925,566**	**45,573,668**
Program: Maintain Exceptional Stewardship		
Intragovernmental Costs	2,340,196	2,373,654
Public Costs	11,909,955	12,619,470
Total Program Costs	14,250,151	14,993,124
Intragovernmental Earned Revenue	(429,815)	(577,351)
Public Earned Revenue	(2,535,307)	(2,434,564)
Net Program Costs	**11,285,029**	**11,981,209**
Program: Promote Staff-centered Environment		
Intragovernmental Costs	365,247	370,468
Public Costs	1,858,849	1,969,587
Total Program Costs	2,224,096	2,340,055
Intragovernmental Earned Revenue	(67,083)	(90,110)
Public Earned Revenue	(395,699)	(379,975)
Net Program Costs	**1,761,314**	**1,869,970**
Program: Leverage External Stakeholders		
Intragovernmental Costs	290,293	294,444
Public Costs	1,477,392	1,565,405
Total Program Costs	1,767,685	1,859,849
Intragovernmental Earned Revenue	(53,317)	(71,618)
Public Earned Revenue	(314,497)	(302,000)
Net Program Costs	**1,399,871**	**1,486,231**
Total Intragovernmental Costs	11,897,281	12,067,381
Total Public Costs	60,548,834	64,155,923
Total Costs	72,446,115	76,223,304
Total Intragovernmental Earned Revenue	(2,185,129)	(2,935,184)
Total Public Earned Revenue	(12,889,205)	(12,377,041)
Total Net Costs	**$ 57,371,780**	**$ 60,911,078**

NOTE 12. IMPUTED FINANCING SOURCES

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current staff. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the nine months ended September 30, 2013 and 2012, respectively, imputed financing was as follows:

		2013		2012
Office of Personnel Management	$	1,589,854	$	1,661,380
Total Imputed Financing Sources	**$**	**1,589,854**	**$**	**1,661,380**

NOTE 13. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President's Budget that will include fiscal year 2013 actual budgetary execution information has not yet been published. The President's Budget is scheduled for publication in February 2014 and can be found at the Web site: http://www.whitehouse.gov/omb/. The 2013 Budget of the United States Government, with the "Actual" column completed for 2012, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2013 and 2012 consisted of the following:

		2013		2012
Direct Obligations, Category A	$	62,531,720	$	65,444,019
Direct Obligations, Category B		4,489,597		19,362,055
Direct Obligations, Category C		-		14,630,000
Total Obligations Incurred	**$**	**67,021,317**	**$**	**99,436,074**

Category A apportionments distribute budgetary resources by fiscal quarters.

Category B apportionments typically distribute budgetary resources by activities, projects, objects or a combination of these categories.

Category C apportionments may be used to apportion funds into future fiscal years.

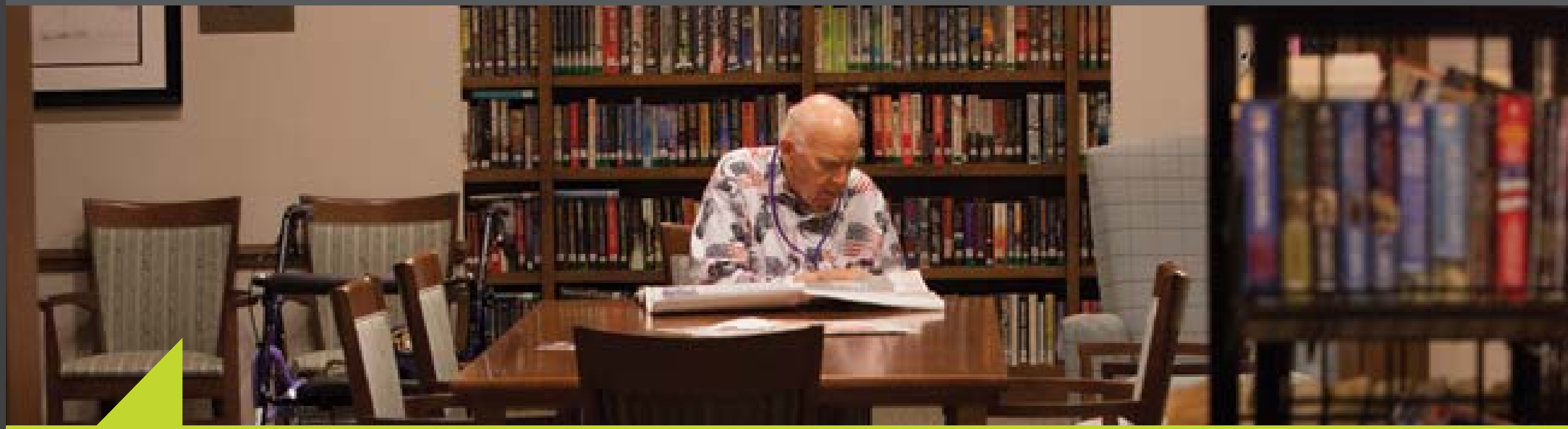
NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2013 and 2012, budgetary resources obligated for undelivered orders amounted to $14,522,586 and $48,170,100, respectively.

NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

AFRH has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

		2013		2012
RESOURCES USED TO FINANCE ACTIVITIES:				
Budgetary Resources Obligated				
Obligations Incurred	$	67,021,317	$	99,436,074
Spending Authority From Offsetting Collections and Recoveries		(3,964,294)		(7,187,512)
Offsetting Receipts		16,642,628		(27,330,935)
Net Obligations		79,699,651		64,917,627
Other Resources				
Imputed Financing From Costs Absorbed By Others		1,589,854		1,661,380
Other Resources		341,968		-
Net Other Resources Used to Finance Activities		1,931,822		1,661,380
Total Resources Used to Finance Activities		81,631,473		66,579,007
Resources Used to Finance Items Not Part of the Net Cost of Operations		(34,975,828)		(16,792,302)
Total Resources Used to Finance the Net Cost of Operations		46,655,645		49,786,705
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		10,716,135		11,124,373
Net Cost of Operations	**$**	**57,371,780**	**$**	**60,911,078**



James Pulliam (Navy, AFRH-G) catches up on American history and current events in the Library.

Armed Forces Retirement Home
REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION
For the Years Ended September 30, 2013 AND 2012

Federal agencies are required to classify and report heritage assets in accordance with the requirements of SFFAS No. 29, "Heritage Assets and Stewardship Land."

Heritage assets are property, plant, and equipment that possess one or more of the following characteristics: historical or natural significance; cultural, educational, or aesthetic value; or significant architectural characteristics.

Since the cost of heritage assets is usually not determinable, AFRH does not place a value on them or establish minimum value thresholds for designation of property, plant, and equipment as heritage assets. Additionally, the useful lives of heritage assets are not reasonably estimable for depreciable purposes. The most relevant information about heritage assets is their existence, so they are qualified in terms of physical units.

The AFRH has four buildings and structures that are designated as National Historic Landmarks.

In accordance with SFFAS No. 29, heritage assets that are used in day-to-day government operations are considered "multi-use" heritage assets that are not used for heritage purposes. Such assets are accounted for as general property, plant, and equipment and are capitalized and depreciated in the same manner as other general property, plant, and equipment. The AFRH has three buildings and structures that are considered to be "multi-use" heritage assets.

Armed Forces Retirement Home Required Supplementary Information Intragovernmental Transactions As of September 30, 2013

Intragovernmental Assets

Agency	Fund Balance with Treasury	Investments	Accounts Receivable	Total
Treasury	$ 3,541,350	$ 66,296,115	$ -	$ 69,837,465
Air Force	-	-	472,183	472,183
Army	-	-	954,221	954,221
United States Coast Guard	-	-	27,159	27,159
Total	**$ 3,541,350**	**$ 66,296,115**	**$ 1,453,563**	**$ 71,291,028**

Intragovernmental Liabilities

Agency	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Treasury General Fund	$ -	$ 116,893	$ -	$ 116,893
Department of Labor	-	-	1,460,527	1,460,527
Total	**$ -**	**$ 116,893**	**$ 1,460,527**	**$ 1,577,420**

"Time flies when you have fun. And we have fun here."
—Andy Lemstra (Army, AFRH-G)

PARTNERING

Andy was born and raised in Holland when it was German-occupied from 1940 to 1945. In 1957, he came to the US, and within six months he was required to register for the draft. He ultimately served 20 years in the Army and later worked for Greyhound.

At the AFRH-G, Andy enjoys gardening in the raised plots that residents take turns using through a lottery system. "Our partner, the Mississippi Renaissance Garden Foundation, helps us a great deal with the beautification of our gardens." Andy has planted broccoli, tomatoes, and habanera peppers. He eats his vegetables raw in his room where he makes a light ranch dipping sauce.

Volunteering in the library is another pastime of Andy's. He also enjoys watching Holland soccer games on the computer and TV. "I have a subscription to get every game that's played in the league." Andy further honors his Dutch heritage with visits to Holland to see family once or twice a year.