

MANAGEMENT'S DISCUSSION & ANALYSIS

PARTNERING



John began gardening at seven years of age when he pulled weeds early in the morning with siblings before school. “We grew vegetables and fruits and kept them in jars as our food supply. We also raised hogs, cows, and chickens.”

Personal growth was also appealing, and the thrill of travel drove John to join the Navy in 1958. In a 20-year career, he journeyed to South America, Northern Europe, Africa, and Asia. He served as a Senior Chief Sonar Technician and taught electronics. Afterwards, he worked 20 years for a defense contractor.

At the AFRH-W, John drives people in golf carts to their gardens and mows the grass. He grows potatoes, onions, radishes, peas, and corn. “We cook them in the chapel kitchen and give leftovers to the homeless and the VA hospital.”

John relishes our partnership with garden volunteers from Friends of the Soldiers’ Home. With their dedicated support, more residents can fully reap the joys of gardening.

“Neighbors volunteer three hours per week in exchange for a garden plot.”

—John Russo (Navy, AFRH-W)

Garnett Hanly and sons join John Russo, Lori Thompson (Art Specialist), and Roger Pohemus (Army).



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YEARLY OVERVIEW

ELATED

It's been a banner year for the AFRH. During FY 2013, we achieved major capital improvement objectives at the AFRH-W, which have elevated this campus to vibrancy. And, at the AFRH-G, we admitted many new residents with high participation levels, which has invigorated that community, too. Add to that our business and community partners, who are contributing on all levels, and the AFRH is truly energized.

One realistic drawback to revitalization is the significant cost of the Scott Project, which has brought the AFRH Trust Fund balance to a low level that must be replenished. So, management is driving new efficiencies to build up the Trust Fund, while being ever mindful that we must maintain our excellent service, too.

One vital way to increase the Trust Fund is to revisit a strategy from a few years ago: to sell or lease excess property at the AFRH-W by 2017. This strategy was put on hold during the downturn of the real estate market, but today we are confident that commercial real estate in the DC area is on solid ground.

This MD&A, as required per Federal law, serves as a concise Agency overview. In this section management will summarize ongoing Agency efforts, explain our dynamic business approach, and recap our success in meeting the AFRH Strategic Goals. The MD&A is the most important part of this Report. On behalf of the AFRH residents and staff, thank you very much for your support and interest.



"You can't ask for anything more."

*—Barbara Dannaher
(Navy, AFRH-W)*



"It's fun being a military pin-up girl in your 90s!"

*—Dorothy "Gigi" Malone
(Navy, AFRH-G)*



PARTNERING



A gang of 14 bubbly gals from the AFRH-G took it all off to create a "pin-up girl" calendar in the name of charity. Check it out: people are paying good money to buy it.

"The Calendar Girls" are raising money for Feed my Sheep, which benefits hungry South Mississippi families. And, they're doing so in the most fun and flirty way they could imagine. They photographed, designed, and printed a calendar called "Women of the AFRH". It's been on sale for \$15 at local malls, grocery stores, sporting events, and the AFRH-G.



At last count, the girls have raised \$20,000, plenty of spirits, and a lot of eyebrows. Our male residents are certainly titillated, and the gals definitely had heaps of fun while doing plenty of good for a great cause.

Now, people are hungry for more. There are rumors floating around campus that the Calendar Girls are creating a bigger, better calendar for next year. You go, girls!



ORGANIZATION & MISSION

INVIGORATED

INTERNAL STRUCTURE

Dating back to 1834, the US Naval Home and the US Soldiers' and Airmen Home have cared for thousands of former military personnel. Both Homes have evolved distinctly over the past 200 years. Today the two are united as the AFRH, which is configured as an independent Agency in the Federal Executive branch (established under 24 USC Chapter 10).

The AFRH is classified as a CCRC, and it is operated just like many retirement homes. The COO and his experienced staff manage corporate affairs, and they are responsible for developing overall policy and procedures for the Agency and its two communities. Corporate makes strategic decisions that advance the Agency and provide effective communications to keep Congress and constituents informed.

The COO is subject to the authority, direction, and control of the Secretary of Defense, delegated to the Under Secretary of Defense (Personnel & Readiness) and the Assistant Secretary of Defense (Readiness and Force Management).

Both the AFRH-Gulfport and AFRH-Washington campuses are managed by an Administrator who reports to the AFRH COO. Administrators manage the day-to-day activities of their facilities, and respond to local resident needs. Our recent revitalization is testimony to the effectiveness of our visionary leadership.

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

[From Public Law] - 24 USC 10, 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.

EXTERNAL EXPERTISE

The AFRH Advisory Council provides smart guidance and key recommendations on how to administer quality care to our residents. Council membership criteria are specified per Federal legislation, and it entails selecting outside experts on military life, veterans affairs, and medical services. Council members are both civilian and military.



Two meetings are held annually (one at the AFRH-G, one at the AFRH-W). Managers and Council members share knowledge and opinions about Agency goals, objectives, challenges, and opportunities. The Council contributes military- and medical- related expertise to all aspects of senior living, and it produces an Annual Report to DoD with keen observations and recommendations.

UNIVERSAL CARE

Both AFRH communities operate under a standard business structure called the "One Model". This means we have the same policies, procedures, staffing, and standards at each community. So, both campuses provide comparable modern amenities and similar quality services. The One Model ensures that residents receive the same high level of care no matter which community they choose for retirement. And, if a resident chooses to transfer, they'll still get the same advanced care.



To save on travel, we held our May 2013 Council meeting via videoconference.



"AFRH Staff members truly operate under the Person-centered Care philosophy and are considered valued members of the management team."

—Advisory Council Annual Report



The AFRH One Model for Operations



“As the new RAC Chair, Ron is exploring issues and finding solutions.”

—Chuck Dickerson (AFRH-G Administrator) praises Ron Harding (Air Force, AFRH-G, Resident Advisory Committee [RAC] Chair)

Ron is now bolstering relationships among residents and facilitating new ones between the Home and Gulfport city. A few key 2013 achievements:

- Honor Guard: residents were trained in hospice to truly understand the death process. Now, if we have a terminal resident, and family is unavailable, Honor Guard creates a schedule of two- to four-hour shifts for volunteer companionship. No comrade shall ever be left alone.
- Humane Society: residents collect recycled paper, shred it, and donate it to the Society to line the animals' cages. In return, the Society brings animals each week so residents can walk and play with them. Pet therapy is proven to lift people's spirits—and our residents love animal rescue efforts.
- Garden Committee: Mississippi Southern University supports our rooftop gardens. And residents do serious farming on off-campus plots via the MS Renaissance Garden Foundation. Campus-wide: wildflowers and azaleas thrive, one resident donated crepe myrtles, and orchids don our garden room. Perfect for community open houses.



OUR STAFF

MOTIVATED

The AFRH is a high-performance agency thanks to its wonderful staff. Our recent culture change to Person-centered Care was a tremendous success thanks to their dedication and flexibility. This comes as no surprise to visitors or volunteers at the Home, who often remark that our staff members truly care about America's veterans and often go "all-out".

Now, our staff is coordinating and delivering excellent care right in the residents' homes—at their convenience. From mobility assistance and nutritional counseling to medical care and physical therapy, our staff is providing great service to America's veterans and fulfilling the AFRH mission.



Ebbie Simpson (Navy) dons her classic uniform again to pose with AFRH-G Nurses.

Most staff members work in healthcare services. Given the special needs of elderly residents, more staff is required in healthcare 24 / 7. Still, the AFRH also employs many specialists in recreation, security, facilities, and more. Ensuring smooth operations at the AFRH requires all hands to be active and engaged.



A blend of contract workers and Federal employees help manage other services such as transportation, maintenance, landscaping, healthcare, personnel, finance, food service, communications, and IT. Ultimately, true partnership is realized through a dynamic mix of contractors, staff, volunteers, and stakeholders working in unison.

During 2013, DoD administered an organizational climate survey developed by Defense Equal Opportunity Management Institute (DEOMI). Management and staff completed this survey, a useful tool that is helping managers assess factors that can boost effectiveness.

The survey offered several opportunities for respondents to enter personal comments. The feedback that we received has helped management pinpoint key issues to address. Action plans will be implemented starting in FY 2014 along with more team building.

AFRH-W staff got everyone revved up for the 55th Annual Antique Car Show—one of our biggest, most successful events. Family, friends, volunteers, and neighbors enjoy marveling at classics from across the DC Metropolitan region. When this Packard above was built, America was just entering WWII.

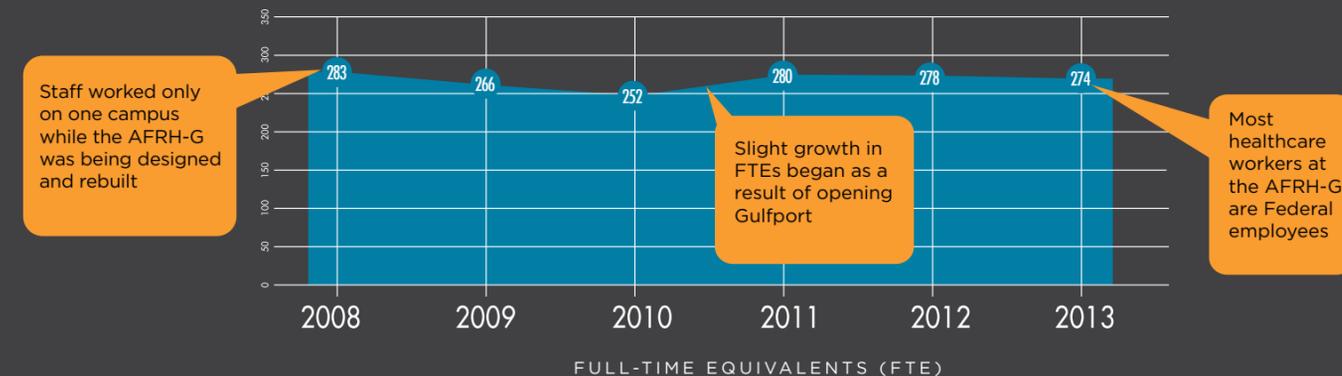


The AFRH-G is the host of "Cruisin' the Coast" featuring hundreds of classics on I-90.



Support staff play a vital role in the everyday life, health, and wellbeing of residents.

AFRH Staff | 2008-2013



OUR LOCATIONS

BEAUTIFIED

This year, we finally achieved our grand vision to have modern buildings with equal amenities at both locations. Now, both buildings are highly energy-efficient. Plus, both feature a small house concept

in the healthcare residences, which has empowered the staff to deliver Person-centered Care. Now, the AFRH is no longer a regimented institution—but rather a true home—comfortable and accessible.

The most wonderful part is that many residents actively contribute to the beautification of our facilities through volunteering and the RAC. Now, we are proud to say that the AFRH is the new standard in senior care.

Gulfport, MS

Scenic Oceanfront Retreat

The AFRH-G is located on 47 acres on the Mississippi Sound in a relaxed southern setting. Sandy beaches, waterfront views, beautiful sunrises, and a charming town surround our Gulfport home. The old building, which was destroyed by Hurricane Katrina in 2005, was replaced with an energy-efficient facility with modern conveniences.

We opened this advanced senior living facility in October 2010. The building was designed to withstand Category 5 hurricane force winds, and it was tested in August 2012 during Hurricane Isaac. As expected, damage was very minor as a few outside shades were torn.

Since the Grand Opening, residency has swelled to near capacity. We have expanded our staff to meet the needs of this growing population. Our Gulf Coasters are lively and energetic, and they have put a stamp on their home with new gardens, trees, flags, and memorabilia.

“It’s like a 5 star hotel. We’ve got all the amenities.”

—Richard Clinton
(Navy, AFRH-G)



Washington, DC

Dynamic Urban Haven

The AFRH-W sits on 272 acres featuring beautiful trees, majestic views, tranquil wildlife, and historic landmarks. In a warm country setting, this Home is nestled in the heart of our Nation’s Capital, a vibrant metropolis. Venture off campus and you’re just minutes from public transportation, the White House, monuments, theaters, museums, and more.

The Scott Project is complete at the AFRH-W. We replaced the outdated and inefficient 1950’s dormitory with the modern Scott Building for healthcare, recreation, and dining. Its modern design is now empowering our staff to deliver Person-centered Care—where services and resources revolve around the residents’ needs.

In FY 2013, the 1850s-era Sherman Building and historic Quarters were renovated (after incurring damage from the August 2011 earthquake). The historic Eagle Gate was redesigned, and the Sheridan residences were renovated to offer Assisted Living. Now this community is welcoming more visitors and volunteers than ever before.

“I think this home is the cat’s meow.”

—Leonard Lehman
(Navy, AFRH-W)



Discover the AFRH-Gulfport <https://www.afrh.gov/afrh/gulf/gulfcampus.htm>

Explore the AFRH-Washington <https://www.afrh.gov/afrh/wash/washcampus.htm>

OUR RESIDENTS

REVERED

To help fund the AFRH, \$50 / month is deducted from the pay of Enlisted and Warrant Officer active duty service members.

Our residents are a diverse group of men and women with one common bond: devoted service to country. They all feel very fortunate to live at the AFRH, yet in truth they have earned it. All AFRH residents have served America either as a 20-year service member or by fighting in a war theater.

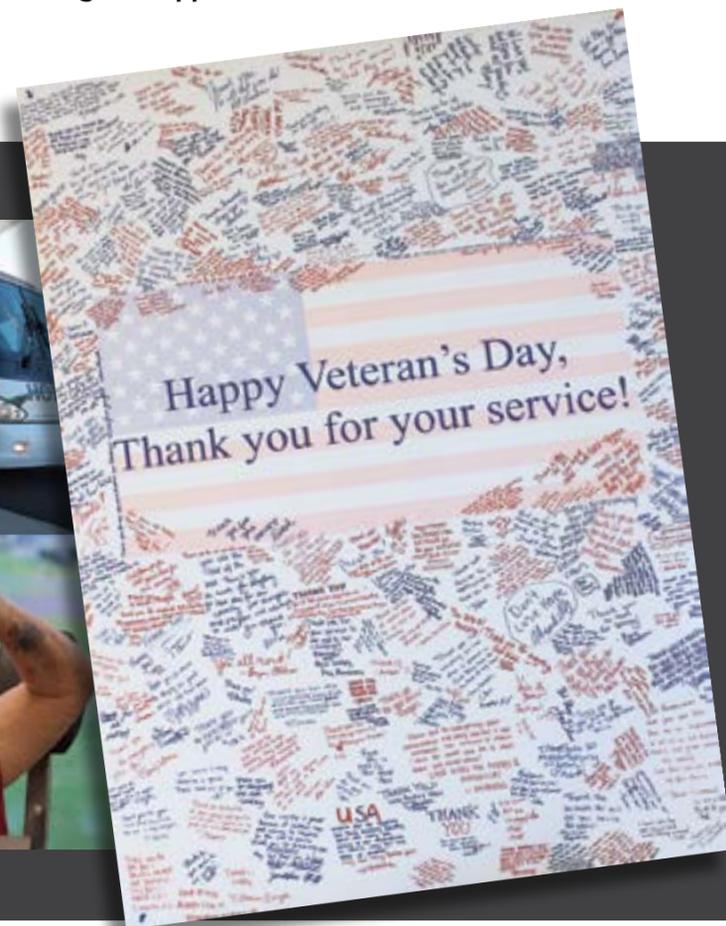
Many residents continue to serve by volunteering inside the Home—and others give back outside the home in the local community. Some create crafts, compete athletically, and perform artistically, while others organize committees, run events, or manage programs.

The AFRH residents maintain vitality in a variety of interesting ways. Many participate in activities and

events, while others volunteer alongside partners to improve campus life. From cultivating gardens and playing music to building shelves or repairing bikes, our residents are a thriving bunch.

Meanwhile, our staff provides the residents with a full range of exercise programs, travel opportunities, and special events to keep them engaged and young in spirit. Finally, our world-class healthcare keeps the residents going strong through it all.

Volunteer school children from the DC Metro area show great support for our veterans.



AFRH ELIGIBILITY

Persons eligible to be residents: persons who served as members of the US Armed Forces, at least one-half of whose service was not active commissioned service (other than as a Warrant Officer or Limited-duty Officer), are eligible to become residents of the Retirement Home.

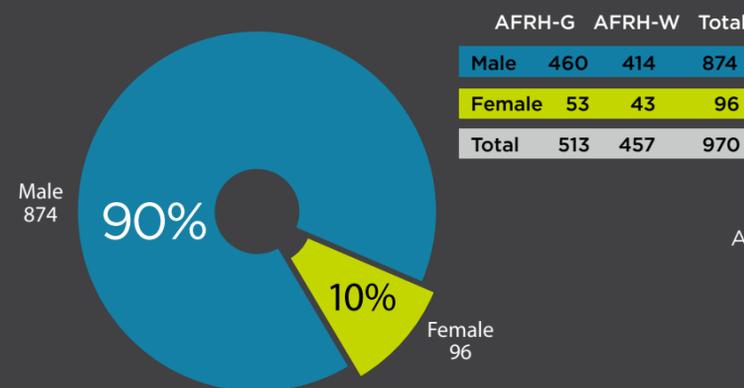
- Persons who are 60 years of age or over; and were discharged or released from service in the Armed Forces under honorable conditions after 20 or more years of active service.
- Persons who are determined under rules prescribed by the Chief Operating Officer to be incapable of earning a livelihood because of a service-connected disability incurred in the line of duty in the Armed Forces.

- Persons who served in a war theater during a time of war declared by Congress or were eligible for hostile fire special pay and were discharged or released from service in the Armed Forces under honorable conditions; and are determined under rules prescribed by the Chief Operating Officer to be incapable of earning a livelihood because of injuries, disease, or disability.
- Persons who served in a women's component of the Armed Forces before June 12, 1948; and are determined under rules prescribed by the Chief Operating Officer to be eligible for admission because of compelling personal circumstances.

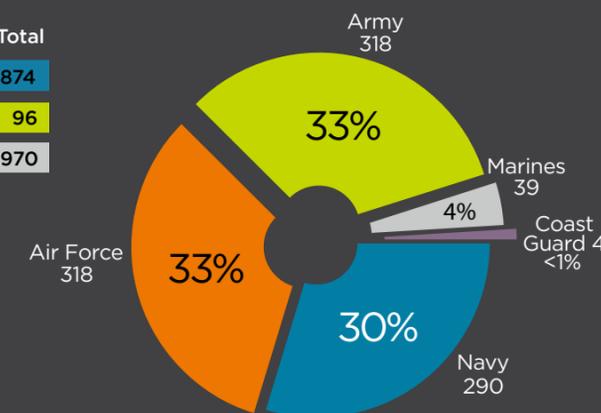
Married couples: both must be individually eligible.

Persons ineligible to be residents: a person who has been convicted of a felony or is not free of drug, alcohol, or psychiatric problems shall be ineligible to become a resident of the Retirement Home. [Per 24 USC 10, Section 412]

Resident Profile



Most of the AFRH residents are single males



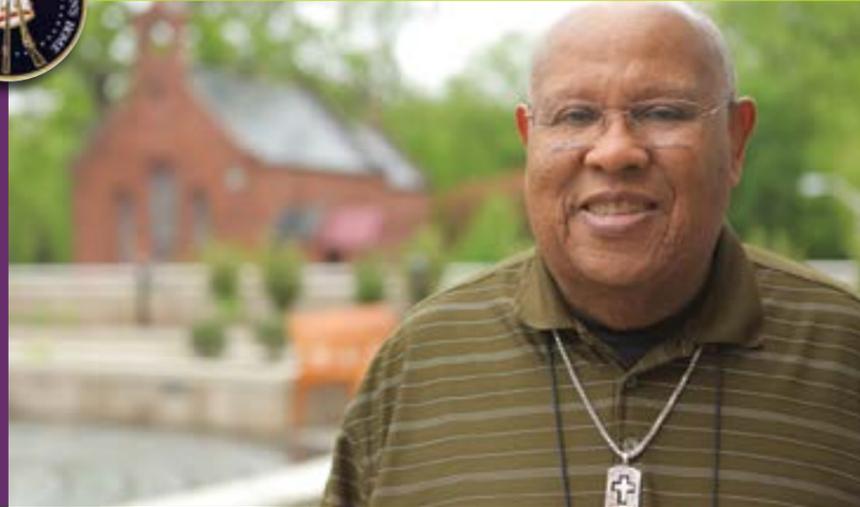
Residents come from all of the Armed Forces





“I’m where I’m supposed to be at this point in my life.”

—Pete Hudson
(Air Force, AFRH-W)



Pete served 20 rewarding years in the Air Force’s Medical Administration and travelled all around the world. “I had R & R in Hong Kong, skied in Austria, and saw the Berlin Wall.” Pete later earned college degrees in Political Science and Public Administration and worked at Andrews Air Force Base.

An avid bowler and certified instructor, Pete moved to Vegas: “the bowling capital of the world”. He also volunteered at the Vegas VA Medical Center. At the AFRH-W since 2009, Pete was the bowling coach and rolls in the Boling Air Force Base league. He also participates in the annual Military Championship Tournament in Vegas.

At the Home, Pete makes time for fitness classes three times a week and volunteers in the chaplain’s office and chapel. “We have everything on campus that we need. It’s the ideal place for a retiree.” When reflecting on the 80 years he’s lived so far he says, “God has been good to me.”



Our residents have served in conflicts since 1941.

WAR THEATER*	#	%
World War II	340	25%
Korean War	448	34%
Vietnam	523	39%
Grenada	10	1%
Panama	13	1%
Gulf War	5	<1%

**Some were in more than 1 war*

ELIGIBILITY**	#	%
Retiree	870	82%
Service-connected Disability	49	5%
War Theater	89	8%
Female (serving before 1948)	51	5%

*** About 1/4 retirees also have service-connected disabilities*



“What branch? You name one— I served in it.”

—Delbert Brown (AFRH-W)

PERFORMANCE HIGHLIGHTS

INSPIRED

At the heart of our corporate strategy is a passionate drive to improve Agency performance. So, the AFRH Strategic Goals and objectives are written to push managers and staff to achieve greater results. Also, our corporate strategy links our Goals to the actions of specific communities and individuals.

The AFRH performance results demonstrate how we have achieved success—and how much money we spent on each Goal. In this section, we will discuss how we validate performance and address the many challenges we face in managing a dynamic organization with a unique mission.

STRATEGIC PLANNING

The development of the AFRH multi-year Strategic Plan, performance plans, and this annual PAR are guided by two key Federal laws: The Government Performance and Results Act (GPRA) of 1993 and its recent update the Government Performance Results Modernization Act (GPRMA) of 2010. [Learn more about the GPRMA.](#)

The FY 2011-15 Strategic Plan, which includes our Goal to achieve Person-centered Care, propelled the AFRH over the past two years. During FY 2013, we completed a major objective under the Goal “Maintain Exceptional Stewardship”: the completion of the Scott Project.

Most staff members shared a strong desire to create flexible working hours. This request was realized in FY 2013. A Strategic Goal “Leverage External Stakeholders” has been enriched by the overwhelming participation of outside volunteers and community members seeking to support our resolute residents.

We expect even more measurable achievements to be forthcoming now that we have filled the position of Performance Improvement Integrator at the corporate level. This person will help manage all performance targets and measures.



Performance is a focus of the Obama administration.

See *Inside Front Cover* or [AFRH Strategy](#)

See the full [AFRH Strategic Plan](#)

Learn more about [Person Centered Care](#)



“I would have done anything to earn a medal in the military.”

—Barbara Copare
(Army, AFRH-W)

“I’m overwhelmed with pride to know Barbara Copare. I sat next to her during the Army Birthday ceremony and she quickly noticed my military medals (which I normally don’t wear). She was so intrigued looking at them that, when the program began, I had to quiet her down.

Barbara explained, ‘When I was in the military, women couldn’t get medals.’ I said: ‘I was able to earn these medals because of you. I’m grateful to you and the other women that paved the way.’

Well, at the close of the ceremony Barbara was presented with an AFRH medal—and there are no words to describe her joy.

Generations after she left the military, here at the AFRH, she exclaimed, ‘I finally got a medal!’. Barbara immediately put it on...and I think she’s still wearing it. This was one of the most important days of my military life. I wonder if anyone really knows how important this was for Barbara.”

—Gwen Hendly
(Army, AFRH-W)



STRATEGIC PLATFORM

VISUALIZED

Embrace Resident-centered Care:

Each person will understand each resident's individual needs and take realistic action to fulfill them within AFRH resources and capabilities.

COST: \$42.9 million

1. Improve communication and seek resident / staff input.
2. Deploy comprehensive training for staff, contractors & volunteers.
3. Encourage activities for resident health and wellness.

Maintain Exceptional Stewardship:

Deploy innovative ways to reduce, manage, and deflect costs by maximizing assets, resources, and programs to fulfill resident needs.

COST: \$11.3 million

1. Continue to lower costs via partners and efficiency.
2. Stabilize finances via Agency plans and technology.
3. Make metrics a top priority to aid financial objectives.
4. Raise new potential revenue streams.
5. Improve resident-centered service and implement it Agency-wide.
6. Optimize the use of technology solutions.
7. Maintain and improve overall operations.

Promote Staff-centered Environment:

Expand staff knowledge that directly impacts Agency accountability and efficiency. This will empower all employees to be very proactive.

COST: \$1.8 million

1. Educate staff on accreditation, inspections & regulations.
2. Encourage responsible initiative to achieve accountability.
3. Link staff performance to the AFRH Strategy.
4. Encourage workforce growth activities beyond training.
5. Comply with Federal initiatives for best practices.

Leverage External Stakeholders:

Cultivate, harness, and focus stakeholders to be more active participants who are engaged in operations in the next five years.

COST: \$1.4 million

1. Explore and endorse Advisory Council members to ensure diversity, local input, and guidance.
2. Partner with High Profile Drivers to enact positive changes in law, policy, finance, healthcare, and resident initiatives.
3. Share information from our known and suspected silos.

“The residents enjoy having a voice and some independence.”

*—Stephanie Jenkins
(Dietician, AFRH-G)*

Stephanie took the initiative to implement new dining procedures in the AFRH-G Long Term Care and Memory Support units that are highly person-centered. Now, residents can eat afterhours from a “To-Order” menu.

Residents can also choose what they want for each meal. “They can sleep in and eat breakfast at 2 PM. This is their restaurant!” We have finger foods for people that cannot use utensils, and a picture menu allows those with eyesight issues to point to items.

Stephanie taught a session to nurses, CNAs, recreation, and housekeeping explaining the procedures. She stressed that food allergies or possible drug interactions must be strictly monitored. “I got everybody involved, because we all serve the residents.”

The program was so successful that Stephanie went to the AFRH-W to help implement it. She and the staff are happy to improve the dining experience—and residents are appreciative. According to one resident: “I can get breakfast anytime? What an upgrade to my life!”.



PERFORMANCE RESULTS

ACHIEVED

Management is pleased to report great progress on all of our Strategic Goals. In fact we made tremendous gains on objectives that directly impact resident care and living spaces.

Today our beautiful, modern, and energy-efficient environments are boosting resident happiness while promoting a person-centered environment. Below are the Home's specific FY 2013 achievements.

GOAL 1

Embrace Resident-centered Care

Healthcare "small houses" give residents a friendly, home-like community.



GOAL 2

Maintain Exceptional Stewardship

The Scott Project vision becomes reality at our open house to the public.



GOAL 3

Promote Staff-centered Environment

Our full-time staff are grateful for the new flexible work schedules that are now available.



GOAL 4

Leverage External Stakeholders

Seabees build projects in Gulfport, and neighbors enjoy our grounds in DC.



"I enjoyed the Air Force. They were good to me, and I was good to them."

—Emil Krudys
(Air Force, AFRH-W)



Larry Colbruno (Air Force, AFRH-G) creates signs for the garden project.



HUMAN CAPITAL

The AFRH Human Capital Strategic Plan (HCSP) for FY 2009-14 is yet another extension of our commitment to staff. It provides a clear summary of Human Capital Goals and key actions. The Human Capital Management Report (HCMR) recounts our achieved results each year with planned enhancements.

In addition to the survey from DEOMI, the AFRH administers the annual Employee Satisfaction Survey developed by Office of Personal Management (OPM). These tools are encouraging staff to air concerns, and management is listening.

PRESENT STATUS

People at every level of the AFRH are advancing our strategic performance efforts. Specific measures and targets stemming from the AFRH strategy are written into individual staff performance plans. Our corporate Internal Control Board and campus-level performance improvement programs both identify and monitor high risks. Plus, the AFRH is inspected annually by external entities.

Moreover, in FY 2013, DoD Personnel and Readiness (P&R) exercised their oversight duties by reviewing operations and making recommendations for improvement. The chart, to the right, summarizes measures that are reported in detail in *PERFORMANCE*.



Our Pearl Harbor Survivors:

AFRH-G: 2
AFRH-W: 6



High-priority Performance Goals FY 2013	Baseline Performance Targets	FY11	FY12	FY13
EMBRACE RESIDENT-CENTERED CARE				
Accreditation	In good standing	—	—	—
Percentage of resident satisfaction	70%	—	—	—
Percentage of resident assessment plans	95%	—	—	—
MAINTAIN EXCEPTIONAL STEWARDSHIP				
Trust Fund solvency	Even balance of resources versus obligations	—	—	—
Accuracy of Financial reporting	Unqualified/Unmodified opinion	—	—	—
Housing for Veterans (Scott Project)	On schedule and within budget	—	—	—
Trust Fund Growth	Positive result of Washington Master Plan	—	—	—
Cost avoidance	1 per year	—	—	—
PROMOTE STAFF-CENTERED ENVIRONMENT				
Evidence of measurable training goods	80% participation in 4 mandatory training classes for all staff	—	—	—
Percentage of Employee Climate Survey responses of "Excellent" or "Very Good"	70%	—	—	—
Measurable evidence of growth beyond work activities	Development Plan	—	—	—
Achievable Person-centered Care	2 initiatives per year	—	—	—
LEVERAGE EXTERNAL STAKEHOLDERS				
Congressional contacts	Quarterly	—	—	—
Annual community events	2 per community per year	—	—	—

— MET — NOT MET

FINANCIAL HIGHLIGHTS

STABILIZED

All budget allocations that are approved by Congress are funded completely by the AFRH Trust Fund. The income that feeds the Trust Fund comes from a variety of sources, some of which are unfortunately declining.

FY 2013 BUDGET: \$65.7 MILLION

This Congressional budget request for FY 2013 includes \$63.8 million in O&M and \$1.9 million in Capital Improvements. Recently, operating costs have increased each year due to inflation while revenues are in decline. There are several reasons for this ongoing trend:

REVENUE IMPEDIMENTS

#1) Our largest source of revenue, Fines & Forfeitures, fluctuates yearly, has declined recently, and is beyond our control, ultimately. At the end of FY 2013, revenue was \$8 million lower than in it was FY 2010 and \$5 million lower than in FY 2012. This revenue source peaked at \$45 million (in FY 2005 and FY 2006) but has not been nearly this low since 2001 (\$32 million). So, we must continue to seek creative ways to contain costs and raise new revenue.

#2) In FY 2013 the sequestration and across-the-board (ATB) reductions impacted the Federal Government. These cuts⁶ required the AFRH to modify contracts, freeze hiring (except vital healthcare), cease travel and training opportunities, and suspend AFRH performance awards. Capital improvements, however, were unaffected.

Bottom line: we must enact even tighter financial stewardship.

REVENUE STRATEGIES

#1) New Facility Savings: management is addressing its fiscal challenges through one AFRH Strategic Goal "Maintain Exceptional Stewardship". The AFRH-G has already demonstrated significant savings, and the new AFRH-W Scott Building is expected to produce far-reaching efficiencies. Meanwhile our wellness and Aging in Place philosophies are staving off expensive Long Term Care so even more savings will be realized.

#2) Trust Fund Solvency: this is the leading measure of effectiveness under our Goal "Maintain Exceptional Stewardship". The 2012 Trust Fund solvency analysis assured solvency from FY 2012-22 assuming base case assumptions. Management has substantially reduced operating costs and completed major construction projects with Trust Fund dollars. So, cultivating new revenue is a priority.

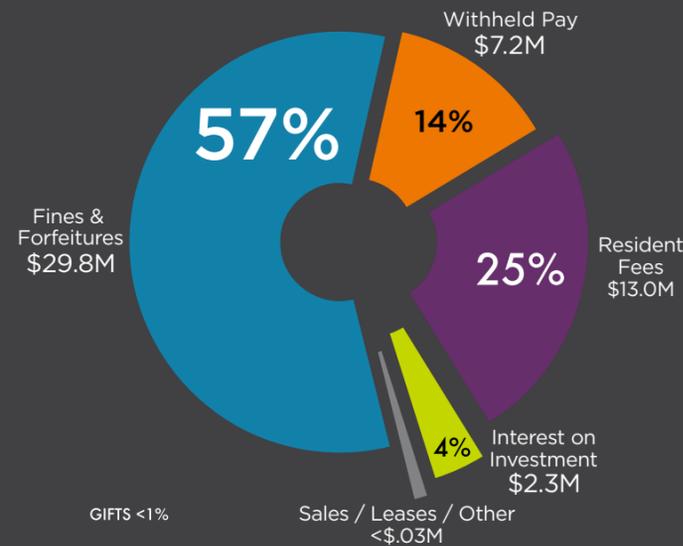
End Net Position: Decreased (reflects Scott Project investments)

Revenue Sources

- Military Fines & Forfeitures [In Decline]
- Interest earned on the AFRH Trust Fund Balance
- Resident fees (based on individual income)
- Withheld pay (\$6 / year from Warrant Officers & Enlisted)
- Sale / Lease / Other (underutilized buildings)
- Contributions from veterans, supporters and organizations

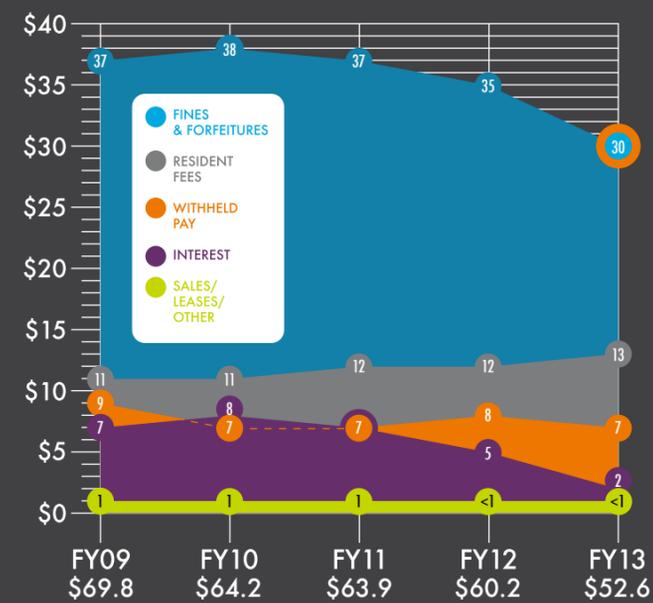
AFRH FY 2013 Revenue <53M

IN MILLIONS OF DOLLARS



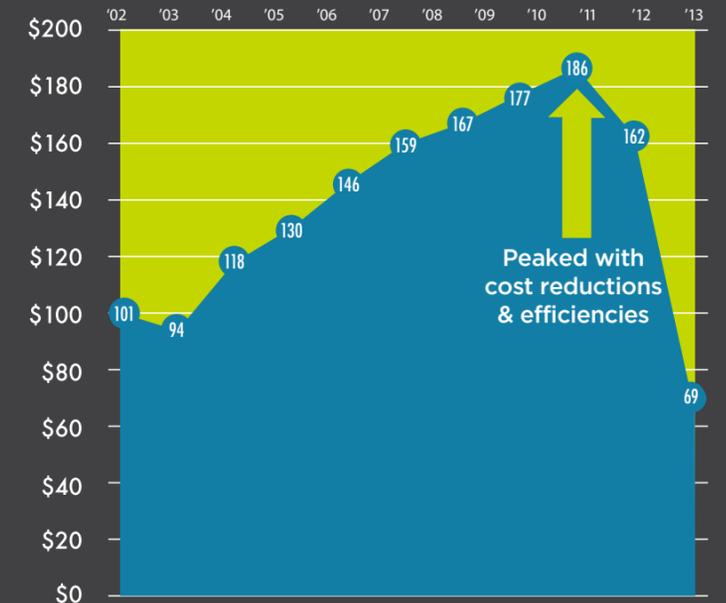
5-year Trend in AFRH Revenue

IN MILLIONS OF DOLLARS



AFRH FY 2013 Trust Fund Balance

IN MILLIONS OF DOLLARS



⁶With the Federal appropriation enacted in March 2013, sequestration was lifted, and management eased its hiring freeze, prepared to close the Power Plant, and began water infrastructure renovations.

STATEMENT SUMMARIES

ENLIGHTENED

Below is an analysis of the data in the AFRH FY 2013 financial statements, which appear in *FINANCIAL*. The independent accounting firm Brown & Company CPAs PLLC audited the AFRH statements. Brown assessed comparatively our FY 2013 and FY 2012 Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Statements of Budgetary Resources.

In accordance with the Chief Financial Officer's Act of 1990 and OMB Circular A-136, the financial statements and information that is presented below have been prepared from the Agency's accounting records using

Generally Accepted Accounting Principles (GAAP), which are prescribed by the Federal Accounting Standards Advisory Board (FASAB).

For the ninth straight year, the AFRH is proud to have received an "Unmodified / Unqualified" (clean) opinion on its audited financial statements. Further, Brown & Company CPAs PLLC did not report any material weaknesses. Agency management, in partnership with BPD, is accountable for the integrity of the financial information presented in this Report.

LIMITATIONS OF THE FINANCIAL STATEMENTS

Our statements report the financial position and operating results of the AFRH pursuant to the requirements of 31 U.S. 315(b). These statements are in addition to financial reports prepared from the same books and records used to monitor and control budgetary resources. These statements should be read with the understanding they are for a component of the US Government, a sovereign entity.

9TH CONSECUTIVE UNMODIFIED / UNQUALIFIED⁷ OPINION
MODERN AUDIT RESULTS:

FY 2013	Unmodified
FY 2012	Unqualified
FY 2011	Unqualified
FY 2010	Unqualified
FY 2009	Unqualified
FY 2008	Unqualified
FY 2007	Unqualified
FY 2006	Unqualified
FY 2005	Unqualified
FY 2004	(N / A)

⁷Effective for FY 2013, US auditing standards call for the term "unmodified" opinion instead of "unqualified" opinion



They treat us like kings and queens!
—Frank Haney (Army, Air Force, AFRH-G)

ASSETS & LIABILITIES: CHANGING

Net Position is the current value of the Agency's assets minus liabilities. Our Net Position at the end of FY 2013 (per the Balance Sheet) was \$436.6 million, which reflects a \$35.4 million decrease from the last fiscal year. This decrease reflects spending from the Trust Fund for the completed Scott Project.

ASSETS:

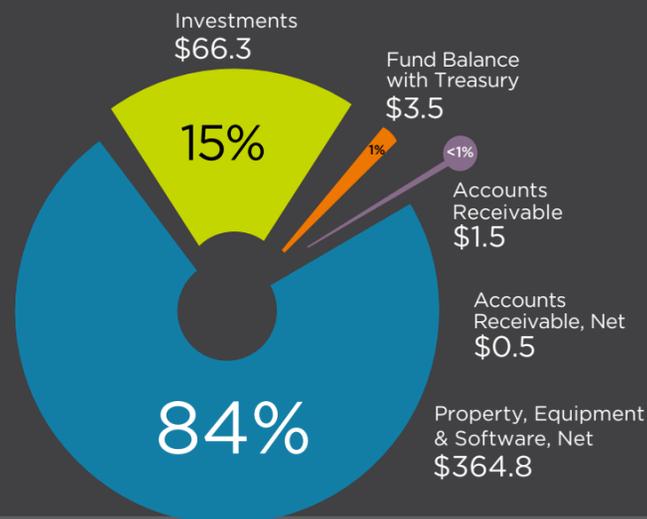
FY13	FY12	Net Changes	% Change
\$436,626,953	\$ 472,055,496	-\$35,428,543	-8%

LIABILITIES:

FY13	FY12	Net Changes	% Change
\$12,484,820	\$ 29,808,490	-\$ 17,323,670	-58%

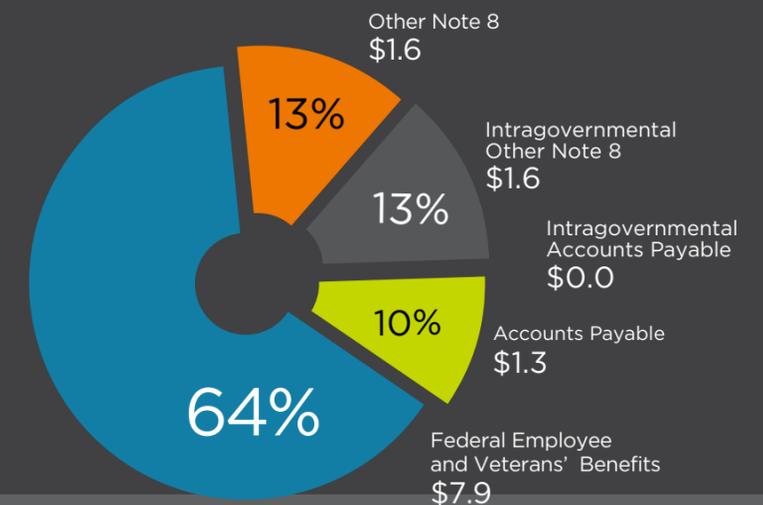
AFRH Assets FY13: Stable

IN MILLIONS OF DOLLARS



AFRH Liabilities FY13: Steady

IN MILLIONS OF DOLLARS



MOST SPENDING IS ON RESIDENT-CENTERED CARE

In FY 2009, management began tracking all expenditures to Strategic Goals via our accounting system. In FY 2011, with the start of our new Strategic Plan, the AFRH accounting system did not reflect Strategic Goal name changes until FY 2013.

Trending data reflects our former Goals, and a chart mapping old Goals to the new ones is included below. The distribution of expenses over all years tracked clearly shows a clear majority of expenditures fund Strategic Goal 1 “Embrace Resident-centered Care”.

AFRH SPENDING PER OLD STRATEGIC GOALS

	FY09	FY10	FY11	FY12
Culture of Integrity	\$1.5	\$2.8	\$3.6	\$3.6
Exceptional Service	\$50.6	\$48.5	\$49.8	\$49.8
Financial Growth	\$0.0	\$0.3	\$0.2	\$0.2
Improved Processes	\$8.0	\$8.4	\$9.7	\$9.7
Learning & Growth	\$0.0	\$0.2	\$0.9	\$0.9

THE AFRH OLD STRATEGIC GOALS HAVE EVOLVED

(FY 2009-2011 Strategic Goals)	are now	FY 2012-2013 High-priority Performance Goals
Exceptional Service	is now	1) Embrace Resident-centered Care
Financial Growth + Improved Processes	is now	2) Maintain Exceptional Stewardship
Culture of Integrity + Learning & Growth	is now	3) Promote Staff-centered Environment
N / A		4) Leverage External Stakeholders



Camaraderie: the most powerful force at the Armed Forces Retirement Home.

STATEMENT OF CHANGES IN NET POSITION

This statement outlines the accounting items that caused net position to change from the beginning of the fiscal year to the end. AFRH income decreased due to changes in the US military, a reduction in collected fines and forfeitures, plus fewer sales and gifts.



“It’s the finest home in the whole world.”

—Lois Hogan (Navy, AFRH-G)

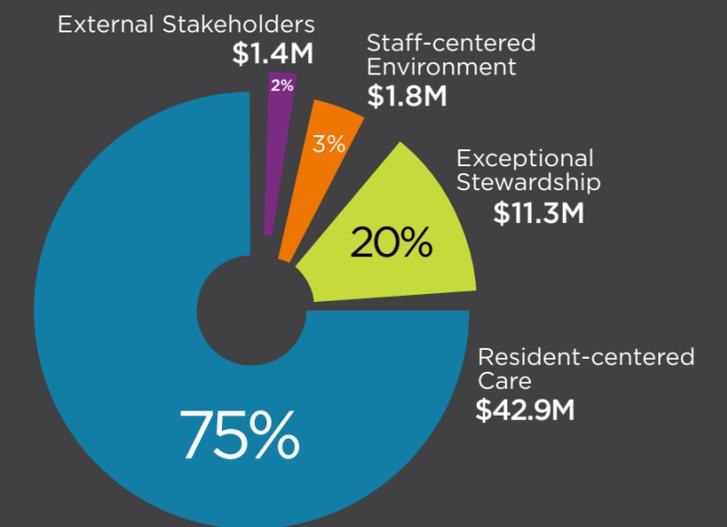


In 1943, Lois joined the Navy and worked in intelligence as a Cryptologist. Her main duty was decoding enemy messages. She and her unit broke the Japanese code right before the Battle of Midway during WWII. “Life would have been quite different if they had won the war.”

Lois has lived happily at the AFRH-G since 2008. She loves the Gulf Coast and thinks the Home is just beautiful. Lois plays quite a bit of shuffleboard, takes enjoyable walks, and regularly attends bingo. Painting and crafts are also hobbies that she enjoys.

There’s never a dull moment here, according to Lois. “They take good care of us and are always throwing parties for us. And, the food is just great.”

AFRH FY 2013 SPENDING PER STRATEGIC GOAL



STATEMENT OF BUDGETARY RESOURCES

This statement presents what budgetary resources were available as of September 30, 2013 and September 30, 2012 as well as their status. The AFRH reported total budgetary authority of \$84.2 million on September 30, 2013 as compared to \$133.2 million on September 30, 2012.

MANAGEMENT ASSURANCES

REINFORCED



“AFRH can provide reasonable assurance FMFIA objectives have been met.”

—Steven G. McManus (AFRH COO)

The AFRH implements the Federal Managers' Financial Integrity Act (FMFIA) via its own Internal Controls and Financial Systems as well as through compliance with laws and Regulations. Rigorous controls are integrated into our financial reporting system through our partners BPD and National Finance Center (NFC).

Our Strategic Goal, "Maintain Exceptional Stewardship", targets what must be achieved to keep operations at the AFRH cost effective. It also helps us envision our financial direction for the future.

An AFRH Senior Assessment Team, established by the CFO, has maintained oversight of our Internal Control (IC) program since 2006. Each manager on this Team oversees an area of responsibility and reports issues and concerns at quarterly meetings where risks are assessed and action plans are created. An annual IC survey is administered to all AFRH employees to check the viability of AFRH controls.

The AFRH can provide qualified assurance that controls on financial reporting were operating effectively as of Sep 30, 2013.

AFRH Internal Controls (required by law):

- 1) Control Environment: Agency structure & culture
- 2) Risk Assessment: I.D. factors that hinder objectives
- 3) Control Activities: policies, procedures & mechanisms
- 4) Information & Communications: effective flow of info
- 5) Monitoring: regular periodic assessments

To prepare for the AFRH annual Statement of Assurance, we request staff to respond to an annual survey, which includes detailed questions about their ICs. This information, along with input from financial managers, performance improvement managers, and the Agency Internal Control Board (ICB), help give the COO a clear picture of the Agency's financial integrity.

Assurance Letter

Management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 and OMB Circular A-123 - Management's Responsibility for Internal Control (IC).

AFRH managers, along with our partners BFS (formerly BPD) and the NFC, actively participate in all IC. The AFRH is in full compliance with applicable regulations.

Based on our annual analysis, the AFRH provides reasonable assurance FMFIA objectives have been met. Also, no material weaknesses have been reported in our IC or financial reporting. Given our comprehensive management controls, I am pleased to certify with reasonable assurance that:

- The AFRH financial reporting is reliable. Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with GAAP. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- The AFRH ICs are effective for both the financial reporting through our partner BPD and for our campus operations through our corporate IC Board.
- The AFRH is in compliance with all applicable laws and regulations under FMFIA, FFMIA, and FISMA. Financial and business exchanges are executed in accordance with laws governing the use of budget authority as well as laws and regulations that could have a direct and material effect on the financial statements.
- The AFRH performance reporting is reliable. Performance measures are properly recorded, processed and summarized to permit information preparation per criteria established by AFRH management.

Additionally, during our 2011 CARF accreditation, the surveyors verified that several financial ratios are above the median, which indicates that the AFRH adheres to industry standards. This is welcome news.

Sincerely,

Steven G. McManus
Chief Operating Officer (COO)
December 16, 2013



A new time capsule is secured inside an ornate stone in the historic Sherman Building.

Federally Mandated Controls

Federal Manager's Financial Integrity Act (FMFIA)

This Act requires each agency to report the health and integrity of its financial, program, and related activities. It ensures that resources are consistent with the overall mission, that programs achieve intended results, and that both are free of waste, fraud, and mismanagement.

Further, the Agency COO must ensure that laws and regulations are followed and that fiscal management complies with Federal standards. FMFIA sets requirements for internal controls as well as requests yearly evaluation of the control and financial systems to protect their integrity. The AFRH performs these evaluations annually and is pleased to report no "material weaknesses" have been found in FY 2013.

An independent audit was performed on BPD's financial management systems (i.e., the controls placed on the financial management systems). This assurance via Type 2 SSAE 16 validates the integrity of AFRH management controls and our compliance with Federal financial systems standards.

Federal Financial Management Improvement Act (FFMIA)

This Act requires all Federal agencies to provide reliable, consistent disclosure of data per GAAP. For FY 2013, the AFRH is in substantial compliance. BPD-ARC established our accounting process, and they are also in compliance and exercise internal controls.

Based on Agency assessment and the unmodified opinion (*formerly the "unqualified audit opinion"*), the AFRH is in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board, and the US Standard General Ledger (USSGL) at the transaction level.

The AFRH is FFMIA compliant at the Agency & auditor levels via:

- Overall substantial compliance
- System requirements
- Accounting standards
- USSGL at Transaction Level

Federal Information Security Management Act (FISMA)

This Law requires a competence review of information security and privacy policies, procedures, and practices. One of its primary objectives is to ensure the effectiveness of information security controls. The AFRH has worked since FY 2006 to achieve a FISMA-compliant environment.

Currently, Department of Interior (DOI) Interior Business Center (IBC), through a Memorandum of Understanding, provides FISMA-compliant desktop support and hosting services consolidation for AFRH Information Technology (IT). The AFRH has been FISMA compliant since 2006. In FY 2010, under IBC as the network provider, the AFRH-W campus became operational. In FY 2011, the AFRH-G campus came online.

IBC's steadfast support includes:

- Applying relevant updates or patches
- Configuring servers and user accounts securely
- Installing / operating firewalls & network monitoring
- Providing virus defense & incident response
- Offering periodic vulnerability assessments, and
- Ensuring a complete Network Interconnect Agreement

The AFRH had a Certification and Accreditation conducted on its IT Infrastructure and was granted a full Authority to Operate in FY 2012 after successfully completing the process.

Agency Control Measures

Email / File Storage / Desktop Applications

In FY 2013, the AFRH moved away from a client based email system and acquired a new suite of office applications that will enhance staff productivity. After evaluating several products on the market that are available to Federal agencies, Microsoft Office 365 was selected as the office application that would provide the best features, functionality, and value for the AFRH.

Office 365 is part of the Microsoft's Software Plus Services strategy, combining the advantages of cloud-based remote computing software options with the company's traditional base of on-premises software offerings. The AFRH staff will have full access to these applications from any computer anywhere (office, home, library, etc.).

Office 365 also provides end-users with desktop videoconferencing and instant messaging. These features allow end-users to establish videoconferences with, or send instant messages to, other AFRH staff or resource partners that are using the Office 365. The AFRH staff will also store, share, and access files within the cloud through the use of SharePoint.

This exciting new addition to the AFRH IT infrastructure will help our Agency move to a more cloud-based environment, which allows more flexibility for staff to telework, while remaining compliant to FISMA requirements.

Electronic Resident Information System

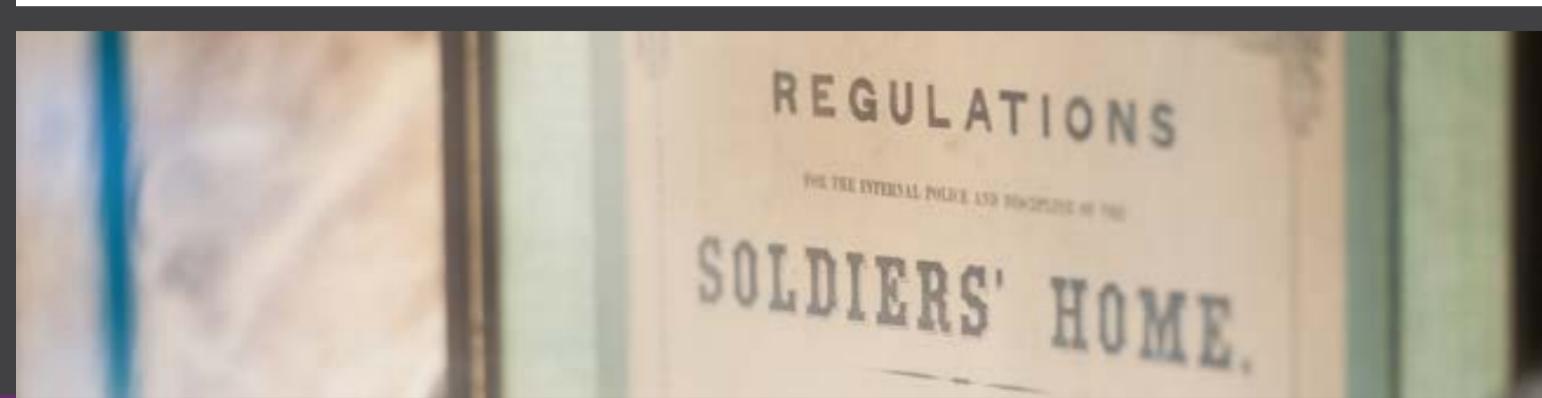
During FY 2012, the AFRH evaluated the proposals of four Electronic Health Records System (EHRS) vendors. In FY 2013, the AFRH selected the Dr. Cloud EHRS based upon the system's flexibility and the vendor's ability to modify their existing software to meet AFRH requirements. Dr. Cloud is a cloud-based application that offers diverse functionality (Healthcare, Billing, Admissions, Safety, Therapy, Public Affairs, and Security) that interlinks all AFRH programs and offices.

Staff training occurred at the Washington, DC and Gulfport, MS facilities in August 2013. The Dr. Cloud system was deployed on September 16, 2013. The AFRH will continue to operate its legacy-based system, Ultra Care, during the transition phase and will shut down this system about 60 days after deploying Dr. Cloud, which meets and is compliant with FISMA requirements.

Financial Management Systems

The AFRH uses financial systems via its partner BPD-ARC (Oracle financials 12, Oracle Assets, PRISM, and WebTA). ARC personnel operate and maintain the system, ensuring top-notch support. Plus they provide value-added services that interface with Oracle Federal Financials (e-payroll, procurement, purchase card, e-travel, Federal investment, and IPAC transactions).

All told, ARC is responsible for the financial integrity and security of this system. However, NFC handles payroll transactions, and they are integrated with the above-mentioned systems.



External Healthcare Controls

With the National Defense Authorization Act of FY 2009, the AFRH was required to secure and maintain accreditation by a nationally recognized civilian entity for every aspect of each facility of the Home (including medical and dental care, pharmacy, Independent Living, Assisted Living, and nursing care).

The AFRH maintains a national accreditation and must be inspected annually. In the years the accrediting body does not inspect, the DoD IG assesses the Agency. After its opening in 2010, AFRH-G was inspected both by CARF and the DoD IG with very positive outcomes.

CARF Accreditation: Valid through 2016

CARF is one of the national accrediting bodies for CCRCs. CARF helps ensure that retirement homes fulfill their promise of quality, residential care to seniors. The AFRH initially achieved this accreditation in September 2008 for a five-year period ending in 2013.

CARF performed inspections (corporate and campus) in September 2010 for AFRH-W and for both AFRH-G and AFRH-W in 2011. Although there were no findings, written recommendations emphasized Person-centered Care, safety, breaking down silos, and more definitive guidelines for resident transitions.

DoD IG Inspection: In Progress

FY 2012 was the year that CARF did not inspect. The IG inspection team reviewed corporate and both campuses in August and September 2012. Results were not available at the end of this fiscal year.

Added Oversight: In Progress

DoD: In FY 2013, DoD P&R conducted a series of oversight activities of AFRH operations to supplement the nationally accredited retirement living inspections. Their recommendations were reviewed. Then action plans were created and implemented in 3rd and 4th quarters. P&R is monitoring the progress of these improvements as they were made. Oversight will continue in FY 2014.

OPM: The AFRH is also under an inspection schedule by OPM for its Human Capital Goals and progress.

AFRH Advisory Council: This body develops and publishes an annual assessment. In FY 2013 the Council provided positive comments and recommendations in its [FY 2012 Annual Report](#).

Accreditation for Ambulatory Care: in October 2013, we will work with the Joint Commission Resources, Inc. (JCRINC) to ensure accreditation as well as healthcare operational performance success. Legislation requires the ARFH to be accredited in all levels of care including ambulatory services.

Both Homes will be assessed by the JCRINC in preparation for an accreditation survey that will be conducted by The Joint Commission (TJC) in September 2014. To ensure the integrity of both operations there is a firewall between the services provided by JCRINC and TJC.



“To become a Navy Seal, you really have to earn it.”

—Louis DiCroce Jr.
(Navy Seal, AFRH-W)



The Navy Seals put Louis through the mill to make the team with months of training and treacherous obstacle courses. In nine years in the Navy, Louis performed 150 missions with the Seal team. “We’d go out for hours in South Vietnam to ambush the bad guys.”

Louis even earned two silver stars for carrying sick, dead, and wounded soldiers out of battle, into a boat, and then home. “We were being fired at. It was tough with them on my shoulders, but we made it.”

In 1971 he was shot and retired. Though he must use canes and crutches to walk he gets around the Scott Building fairly well in a scooter thanks to its person-centered construction and layout.



RISK MANAGEMENT

SHIELDED

The AFRH actively works on the challenges associated with predicting, understanding, and managing potential risks to resident service. One Goal, “Maintain Exceptional Stewardship”, creates innovative ways to deflect, reduce, and manage external risk. Ultimately, managers work to maximize assets, resources, and programs in order to fulfill needs, wants, and desires of current and future residents.

Some of the risks facing the AFRH: potential disruptions of service due to weather, fluctuations in revenues, changes in the economy, and internal issues regarding the care of aging residents in frail health.

The corporate ICB is responsible for managing risk. At each campus, Process Improvement (PI) committees oversee high, medium, and low risks. In FY 2013 the only risks deemed to be high (and now monitored at the corporate level) are those in the healthcare arena.

Our Stewardship objectives aim to minimize risk and increase financial stability. The Long Range Financial Plan spearheaded by the CFO sets forth a solid strategy to keep the AFRH Trust Fund stable so it can continue to provide financial resources.

Original objectives to contain costs:

- Reduce our footprint & infrastructure
- Revitalize our two facilities
- Enrich staff knowledge & skills
- Right-size our population
- Seek energy efficiencies, and
- Streamline contract scope / requirements

“I’m on cloud nine!”

—James Berotti
(Army Air Corps, AFRH-W)



Eight Risk Management Strategies

#1) The AFRH Trust Fund

In FY 2013, investments to revitalize property and buildings significantly lowered the Trust Fund Balance. Our past history of revenue helped forecast the viability of this approach. Yet, Fines & Forfeitures (consistently over 50% of AFRH revenue) have varied substantially and declined overall.

A reduction in this revenue source is a significant risk, so our risk analysis considers the impact of reduced revenue to determine what is required to maintain Trust Fund solvency. All of our risk strategies below are intended to maintain a healthy balance in the Trust Fund.

#2) Capital Improvement Plan

A focal point of our risk management strategy is to reduce our footprint and optimize our infrastructure. At the corporate level, the AFRH monitors expansive, long-term plans aimed at reducing risk.

The AFRH Capital Improvement Plan (CIP) contains improvement tactics for both campuses over a 10-year period. The focus is to create a smaller footprint in Washington, reduce environmental impacts, and enhance our successful programs in Person-centered Care and Aging in Place.

#3) Long Range Financial Plan (LRFP)

The LRFP includes a Master Landscape Plan and a Strategic Sustainability Plan. Landscape projects such as trails, gardens, and water usage are now under Outdoor Programming, and ideas are continually vetted with residents. The environmental initiatives to meet Executive Orders 13423 and 13514 are tracked.

The LRFP considers detailed forecasts of planned efforts to reduce operating costs and improve resident wellness. The update also recalculates the Trust Fund balance projection using a variety of future economic scenarios such as inflation, interest rates, and reductions in revenue from active duty. The most significant achievement of FY 2013 has been the completion of the Scott Project.

#4) The Scott Project

This dynamic endeavor will lower costs via:

- Eliminating on-campus transportation
- Lowering custodial requirements
- Reducing facility maintenance
- Closing one dining facility & its operations
- Shrinking subsistence costs
- Lowering inefficient utilities costs
- Right-sizing nursing staff by nearly 50%
- Closing the LaGarde Building
- Shutting the aging Power Plant



The Scott Project: progress

Breakfast is the first meal served to many excited residents in February.



LaGarde Building served residents in higher care levels over two decades.



Assisted Living residents move from LaGarde to Sheridan in March 2013.



Christine Baldwin (AFRH-W Librarian) receives books stored for three years.

Risk Management continued

#5) Aging-in-Place Initiative

Healthcare is a major cost driver at the AFRH. One recent initiative, Aging-in-Place (AIP), is keeping high costs at bay. AIP means that custom care and support come to the residents—so they can remain in their own comfortable living environment for as long as possible.

At the AFRH, the AIP movement has been branded as Independent Living Plus (ILP). This program helps our residents live as independently as possible with the help of smart environmental design, tailored support services, advanced medical technology, and much more.

Such custom care improves health, lowers costs, and ultimately reduces Agency risk. So far, ILP has proven to be very effective. ILP is enabling our residents to age gracefully without disrupting the lifestyles to which they have grown accustomed.

Further, ILP has shown positive impacts to the staffing requirements for Long Term Care. Now, higher levels of care are required less often, thus offsetting the need for additional staffing.

End Game: At the end of FY 2013, the Scott Project made capacity and service between AFRH-G and AFRH-W similar. With modern designs, both facilities are enhancing wellness, which in the long run will reduce the cost of healthcare.



"I got great people taking care of me."

—George Freburger
(Air Force, AFRH-W)



George was an Airborne Radio Operator in the Air Force for just over 20 years. He flew airplanes, worked with Morse code and radar, and eventually made first sergeant. "I never had a bad assignment. Very few people can say that." After retiring, he worked for the Baltimore Sun newspaper for several years and moved to the AFRH-W in March '13.

Following the advice of the Home's Optometry Center, he received new lenses at Walter Reed hospital. "It's a bright, new world after this operation." The eye clinic has plenty of new equipment. Tests that residents used to have to receive off-campus now are done here. And, the equipment is connected to electronic records so results are automatically loaded into patients' records.

With his vision improved, George is looking forward to getting involved in volunteering and activities. He's already made some friends and is getting used to relaxing: "I get my meals prepared, and I don't have to do dishes!"



#6) PLANT CLOSURE

MODERNIZED

“The Plant was the heart and pulse of the institution.”

—A Soldiers’ Home Official (circa 1951)

Evolving energy

Since 1907, the AFRH Power Plant has supplied heat and electricity to America’s veterans, the Home’s governors, and the organization’s devoted staff.

In a bold move to cut energy costs and modernize our infrastructure, we built a new power generation system and closed this aging relic. It was the last remaining above ground industrial element in the Home’s vast physical plant and infrastructure.

The plant was isolated from the AFRH-W community and historic landmarks, plus it was subjected to recent inappropriate additions. Ultimately, it symbolized an old, outdated mode of service to America’s veterans. Our strategy to create a self-contained community within a modern facility called for two new critical networks: energy and transportation.

Eliminating risk

The old heating system relied on an aging, fragile infrastructure. It was inefficient, resulting in high annual heating costs, and it required extensive and costly maintenance. Also, there was no system redundancy, which constituted a major safety risk for operations. In fact, service disruptions were an ongoing concern.

Moreover, aging and inconsistent power presents a big risk to serving elderly or infirm residents, where reliable power is essential.

Further, the AFRH must comply with DC Title V to maintain a large central heating system. Compliance required personnel to be on-site at all times. Plus, there were related costs and extensive paperwork for annual certification.

Today, maintaining proper environmental conditions for seniors is critical for earning the CARF accreditation.

After much research, we concluded that installing a distributed boiler system would improve fuel combustion efficiency, reduce system failure, and lower overall natural gas consumption. Such a system would also reduce energy consumption and greenhouse gas emissions while meeting new targets under Executive Orders 13423 and 13514.

What’s more, the installation of a brand new boiler would eliminate the requirements to maintain Title V certification—saving the Agency even more in fees and administration.

Energizing Efficiency

Before decommissioning the old plant, we first had to install the new boiler system. Five new boilers were installed in Sheridan Building to service that residence.

Then, two more boilers were installed in the North Converter Room to service Sherman Building, Sherman Annex, Sherman North, Quarters 1-6, Quarters 8-9, Quarters 21, and Stanley Chapel.

The Old Security Building was removed from the system and existing pipes delivered heat to it from the North Converter Room. Then, the heating for Rose Chapel, Quarters 40, Quarters 41, and Quarters 45 was also changed (as heat is now pushed from Sheridan).

With new equipment in place, the associated converters were removed and plant operations were terminated. Now, all creativity and innovation at the AFRH is being powered by a modern system.

Historic heating

In handwritten minutes of the Old Soldiers’ Home (April 1887), authority was granted to explore creation of a Power Plant. The structure was eventually built in 1907 to generate heat, light, and power for the Home and its working farm. Later, the plant would process laundry for an expanding population.

Designed by Captain John Stephens Sewell of the Army Corps of Engineers, its location parallel to North Capitol Street established a precedent for more utilitarian buildings on this site. Machinery was obtained from the US Naval Academy.

The ornate brick plant was designed in the Romanesque Revival style, with parapeted gables, oculus windows, a pedimented entry bay, and stone water table. It was altered in 1948 and again in 1951 to accommodate a dry cleaning service.

All told, this plant fueled modern farming practices and powered America’s veteran care movement for 105 years. Its service to our nation’s heroes is admirable.



The official Power Plant closing was bittersweet, as 15 dedicated AFRH staff worked virtually their entire careers in the plant. Through placement and attrition, those employees now work in other parts of the Home or visit occasionally. Above is a photo of the remaining plant crew that still work at the AFRH.

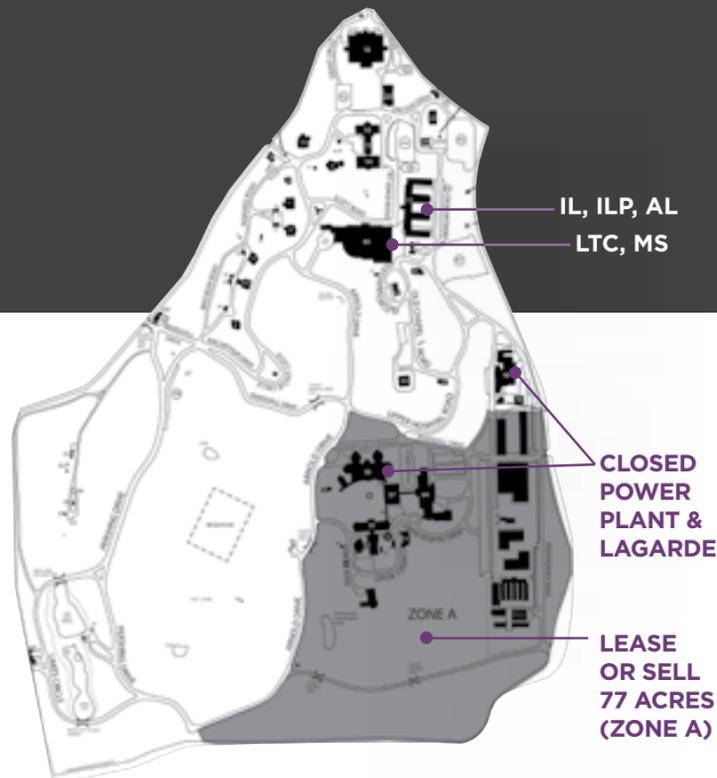
Risk Management *continued*

#7) Washington Master Plan

The National Defense Authorization Act for FY 2002 (as modified by Public Law 111-084) permitted the AFRH, via DoD, to sell, lease, or otherwise dispose of underutilized buildings and property. Therefore, we launched the Washington Master Plan as the basis of the AFRH risk management strategy.

The goal of this Plan is to preserve and improve the AFRH for residents and to generate new revenue for the Trust Fund. Per our LRF, we expect to sell or lease excess property by 2015.

The AFRH-W New Operational Footprint



AFRH Conservation is promoted at the open house.

FUTURE OUTLOOK

In conclusion, the AFRH must advance its new, two-tiered strategy to maintain solvency. First: cut costs and improve efficiencies. Second: generate new revenue to replace diminished sources and preserve the Trust Fund.

For efficiency, management predicted a cost reduction of 23% at the AFRH-W, and we have achieved this goal. We realized a 24% reduction between the 2009 and 2013 O&M budgets.

Regarding growth, two tactics will generate additional income. 1) determine the best course to sell / lease an excess 77 acres at the AFRH-W. And 2) work closely with our partners to increase private contributions and gifts.

We are excited about the prospects of both strategies to continue the revitalization of the Agency. Thank you for your support of our comprehensive plans to create a dynamic and more efficient AFRH.

#8) Environmental Initiatives

The AFRH is committed to sustainability in core operations. Per Federal mandates (Executive Orders 13514 and 13423), the Agency completed its second evaluation of energy usage and greenhouse emissions this year.

The new AFRH-W Scott Building is now certified LEED Gold—as is the AFRH-G facility. Further, the Agency has a number of sustainability initiatives now in progress and all are recorded and tracked in the CIP. The Agency submitted its second Strategic Sustainability Report in FY 2013. Our new energy efforts, combined with a reduced AFRH-W footprint, are already producing great savings.

Our next big challenge: divert 50 percent of total waste from landfills on an annual basis, by the year 2015. To this end, the AFRH has begun a resident education program to increase recycling. Community awareness is another strategy to reach our conservation goals, so an AFRH “green logo” was developed and training has begun.

The AFRH Campaign to Conserve is a rallying cry for sustainability.

