



FOCUS FORWARD

SUMMARY OF PERFORMANCE &
FINANCIAL INFORMATION FY09



VISION:

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

MISSION:

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

GUIDING PRINCIPLES:

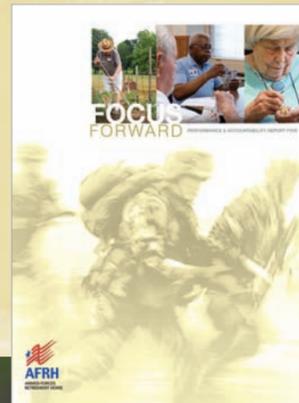
- Establish Accountability
- Honor Heritage
- Inspire Excellence
- Maintain Integrity
- Maximize Workforce
- Serve Customers

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ON THE COVER

AFRH is striving to meet the needs of today's residents and tomorrow's heroes. Soon we'll see a rapid increase in military retirees. So we're modernizing for the future with Aging in Place, new amenities and advanced business practices. All of which will truly promote better health and help us all *Focus Forward*.



FOCUS FORWARD

Report Introduction

Welcome to the AFRH Summary of Performance & Financial Information (SPFI) for 2009. This report is a simpler, more concise version of the annual Performance and Accountability Report (PAR). This friendlier format truly helps the public, Congress, and key constituencies understand our progress.

Here, we present our recent achievements to the community. We summarize the latest advances in senior care. Plus we outline the relationship between our performance goals and the costs to achieve them. As always, our actions are supporting the AFRH mission to provide exceptional care in a superb environment – all with great efficiency.

AFRH is dedicated to provide the best housing for those who defended our nation. We cherish our historic Washington home, which is about to be renovated – and our modern Gulfport haven, which is under construction. With these

endeavors, AFRH renews the original *Promise* made by our 19th century leaders to care for those who served.

In recent years, AFRH has rebounded from the impact of Hurricane Katrina and the economic instability of America. Gathering strength from adversity, we envisioned an even better environment for our heroes by “forging new foundations” in 2007. Then we sought to help residents age with dignity and vigor by “building vitality” in 2008. Now, AFRH is ready to “focus forward” and fulfill years of smart planning.

In FY09, we crystallized our grand vision and began to execute plans to build the new AFRH. We now have all the vital components in place: improved environments and facilities, enlightened management and staff, and viable programs and services. Plus, our sights are set to implement the new movement in senior care: Aging in Place.

ENVISION TOMORROW

Message from the COO

This has been an exciting year at AFRH. Our transformation from an historic "Soldiers' Home" to a modern CCRC¹ advanced in 2009. We conceived plans to promote Aging in Place and made advances in staffing, programming, and construction. We are also striving to ensure all actions meet the new administration's goals in healthcare, veteran care, and agency performance.

We also revitalized our military heritage in 2009. Our highly successful Freedom Day event on September 22 united old and new generations of military – linking the Soldiers' Home founder General Scott with President Lincoln on the 147th anniversary of the signing of the *Emancipation Proclamation*.

WITNESS ACHIEVEMENT

Another aim has been to improve services and the cost of performance. So we are upgrading our infrastructure, telephone service, wireless access, resident homing devices, and computer availability. Also, our partnership with Walter Reed to integrate veterans' medical records with existing electronic records is promising.

In its 2010 budget, Congress funded the AFRH Scott Project under "Strengthening Infrastructure for the 21st Century" to improve housing for

"I am pleased to present our 2009 SPFI, which details our successes and challenges."

– Timothy Cox
Chief Operating Officer
(COO)

retired veterans. AFRH is making great strides here, plus we're seeing rapid progress on our Gulfport rebuild. As such, our priorities have evolved as follows:

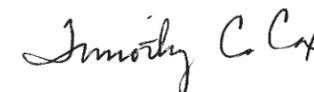
- Goal 1: Healthcare
(Resident Wellbeing)
- Goal 2: Housing
(Gulfport & Washington)
- Goal 3: Stewardship
(Corporate Effectiveness)

Financially, AFRH received its fifth annual "unqualified" audit opinion and the Trust Fund balance has reached an all-time high. Yet, we halted progress on our highly promising revenue generator, the Washington Master Plan, due in part to the economic downturn.

FOCUS FORWARD

2009 was another remarkable year. Now, we have our sights set on total operational transformation to showcase Aging in Place. A truly modern AFRH will reflect the needs of today's residents, and those of current active duty who will need us tomorrow.

Sincerely,



Timothy C. Cox
Chief Operating Officer
February 15, 2010

For Ann, military service is a tradition dating back to our country's formation. "My ancestry goes back to John Hart, who signed the *Declaration of Independence*. I'm a direct descendant of his daughter. Hart's son was a captain in the Revolutionary Army. Plus I had uncles who fought in WWI. Another uncle served the Navy in the 30s. And my brother served the Seabees in WWII.



I don't think it ever occurred to them NOT to serve. The educational benefits they received for their service were wonderful!" Ann served the Navy two years herself, from 1944-46, and married a sailor. Plus she has a long line of offspring following in her footsteps. "I had two sons in Vietnam and two in Germany. And I have seven grandchildren who all served simultaneously. Three were in Iraq at one time." All of whom received educational benefits. Undoubtedly, there will be many more patriots in Ann's lineage. And America will be forever grateful.

"I've had family members in the service since the Revolution."

– Ann Whittaker
(Navy)

¹Continuing Care Retirement Community

²Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission



BEHOLD LIBERTY

Freedom Day

AFRH continued its tradition of supporting America's veterans with "Freedom Day" on September 22, 2009. This day-long celebration honored the anniversary of President Lincoln's signing of the *Emancipation Proclamation*, the birthday of the Home's founder General Winfield Scott, and American military service.

Hundreds of active duty military took part, both as volunteers and as participants. This event was a perfect opportunity for AFRH veterans to swap stories and get to know the enlisted. Plus, it was a great venue for today's enlisted to get to know AFRH and the heroes who live here.

Freedom Day showcased a range of musical talent. On hand were the Joint Service Color Guard, the US Armed

Forces School of Music, a Fife and Drum Corps, the Pennsylvania Bucktails, and Comrades of the Civil War.

This event was co-hosted by President Lincoln's Cottage – the original "Soldiers' Home" established in 1851 – and now an historic landmark that sits on the AFRH-W grounds. Lincoln wrote the Proclamation while living there in the summer. Since then thousands of veterans have lived at the Home.

All told, more than 1,400 people attended including Wounded Warriors patients from the VA Hospital, the press, and re-enactors who portrayed President Lincoln and General Scott.



RECOGNIZE NEEDS

Aligning With Aging in Place

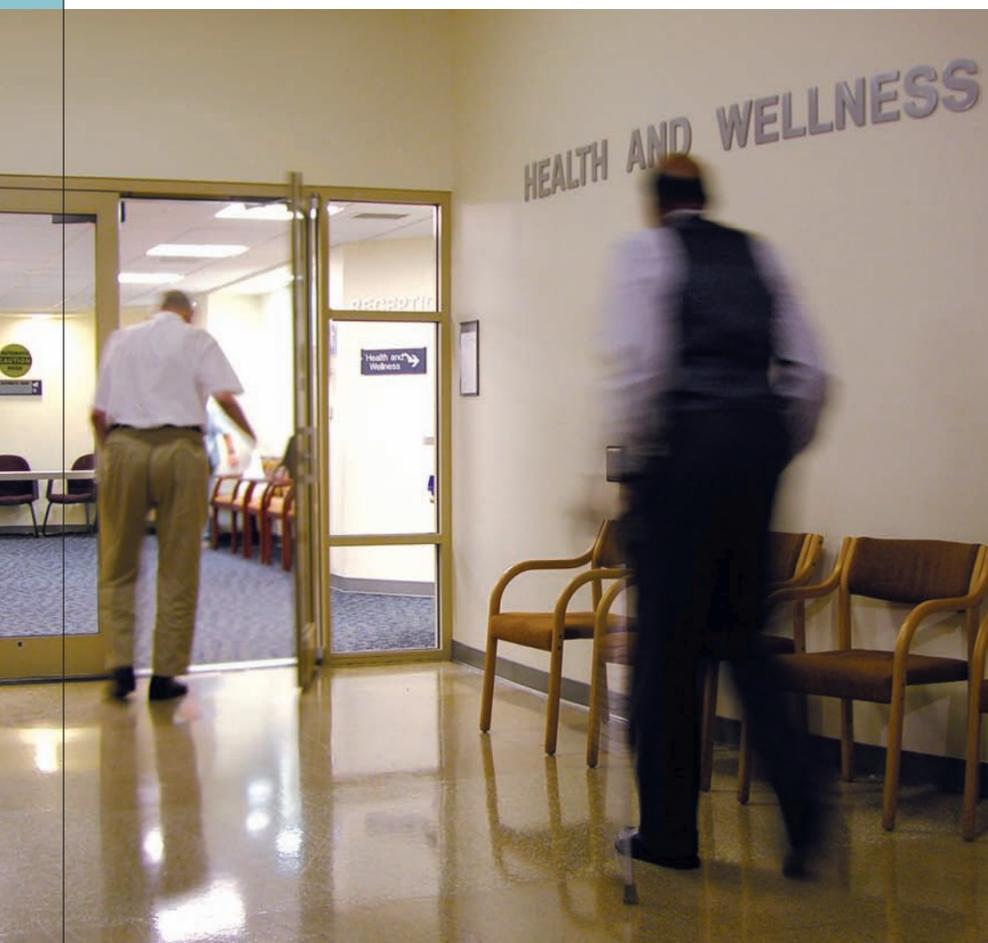
This new movement is defined as helping seniors live in their home of choice for as long as possible. The idea is to help seniors stay connected, active members of their community. AFRH is committed to this philosophy and to upholding the original *Promise* to care for our former service men and women.

We can safeguard our heroes by designing a proper environment and offering extensive support. So, AFRH is leveraging all resources to maximize services to Independent Living and Assisted Living residents so they may preserve their independence. The Home will only curtail services when demand exceeds available resources.

For performance details, see afrh.gov/afrh/about/par/performance_f.pdf

Advances for Washington:

1. Central dining & social areas in the new "Commons"
2. Canteen Lounge Improvements
3. New kilns for Ceramics Shop
4. Golf shack remodeling
5. Bowling center improvements



AIM INTENTLY

High-Priority Performance Goals

Our ultimate mission is to advance the lives of our residents. As such, we identified our "High-Priority Performance Goals" for the coming year, in tandem with our FY11 budget. This is our first step in meeting President Obama's agenda to build a high-performance government.

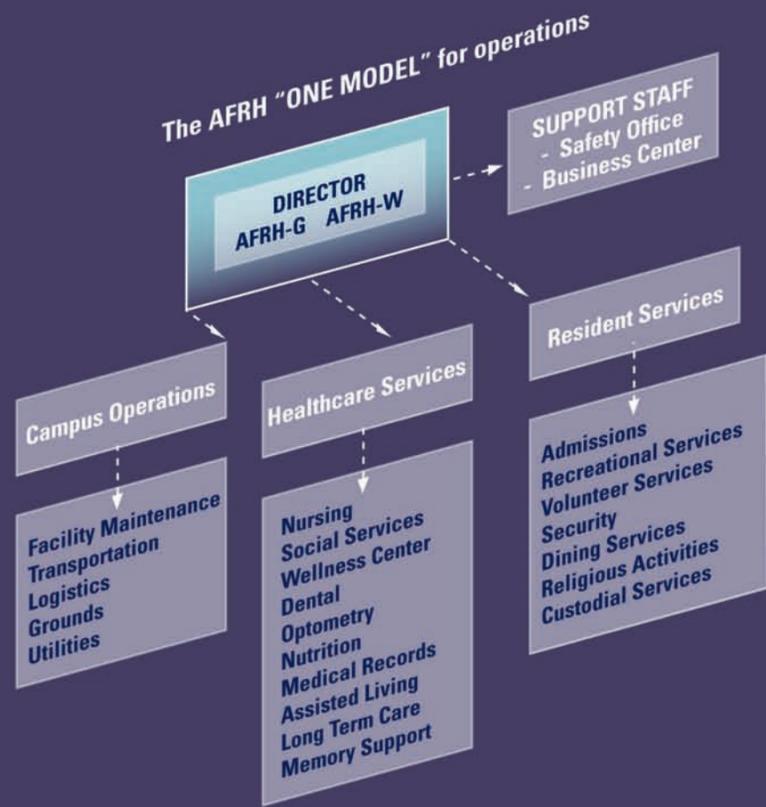
With help from the Office of Management and Budget (OMB), we have singled out our "significant challenges unlikely to be overcome without a concerted focus of agency resources." Below are the Goals that will help us achieve great success.

Goals to shape our Future:

Goal 1:	Goal 2:	Goal 3:
Healthcare (Resident Wellbeing)	Housing	Stewardship (Corporate Effectiveness)
Ensure exceptional resident care and extensive support.	a. Gulfport: Add Residents to a fully functional facility in FY11. b. Washington: "Right-size" facility and give it a facelift by 2013.	Maintain overall vitality via efficient management.

AFRH

Organization



Management

AFRH is organized in a contemporary business establishment, with a corporate office that manages independent functioning retirement communities in different locations. This arrangement allows corporate to make strategic decisions, as well as communicate with Congress and constituents.

Facilities

Using the successful "One Model" for all community operations, each Home has a Director who reports to the COO. Plus each community can make its own tactical operational decisions, manage its facilities and respond to local resident requirements. A Local Advisory Board helps provide expert experience and knowledge of military and medical-related concerns.

Our "One Model" is at work in each AFRH facility.



MG Carla Hawley-Bowland (Army), North Atlantic Regional Medical Command - Walter Reed, is Local Advisory Board Chair.



RADM Christine Hunter (Navy), Deputy Director TRICARE Management Activity, is Medical Advisor to AFRH (far right).

EXPLORE SURROUNDINGS

Locations



Gulfport, MS

AFRH-G was damaged in 2005 by Hurricane Katrina, and will reopen as a modern senior living facility in October 2010 on the same site it has occupied since 1976.

All amenities for dining, health-care and recreation are planned. The historic chapel is being successfully renovated after sustaining hurricane damage. And the century-old "Graduation Oak" tree still presides over this community.

A western view of the new Gulfport >



Washington, DC

Dating back to 1851, AFRH-W has many historic features and is adjacent to President Lincoln's Cottage and the Soldiers' Home National Cemetery. Yet, the infrastructure of AFRH-W is under-

going significant changes. The major change will begin in FY11, with the replacement of the Scott Building. The new facility will offer smaller, more accessible activity spaces for residents. Upgrades to the Home's main entrance and golf shack will begin in FY10, along with keyless entry to resident rooms.

AFRH-W is conveniently located near world-class medical centers and historic sites in Washington. It boasts a 9-hole golf course on its property along with many hobby shops, a fitness center and onsite medical services.

< Artist's rendering of the new Commons and Quadrangle



Eligibility

Anyone may become an AFRH resident if their active duty military service was at least 50 percent enlisted, Warrant Officer or Limited Duty Officer (per US Code 24, Section 412 (24 USC.412)). Further, a person must also:

- a) Have 20 or more years of active duty service and be at least 60 years old, OR
- b) Be unable to earn a livelihood due to a service-connected disability, OR
- c) Be unable to earn a livelihood due to a non service-connected disability, yet served in a war theater or received hostile fire pay, OR
- d) Have served in a women's component of the Services before June 12, 1948

RESIDENTS

- > Veterans by Gender
 - Male: 875 (90%)
 - Female: 102 (10%)
- > Veterans who served in War Theaters*:
 - World War II: 413 (31%)
 - Korean War: 460 (36%)
 - Vietnam: 440 (33%)
 - Grenada: 2 (< .01 %)
 - Panama: 4 (< .01 %)
 - Gulf War: 2 (< .01 %)
- * Figures exceed 100% as many have served in multiple wars
- > Current Resident Mix* (per Eligibility):
 - a) 20-year Military Retiree: 734 (76%)
 - b) Unable to earn a livelihood (service connected): 78 (8%)
 - c) Unable to earn a livelihood (war theater): 112 (11%)
 - d) Women serving before 1948: 53 (5%)

* Demographics fluctuate, yet are accurate as of Sep 30, 2009

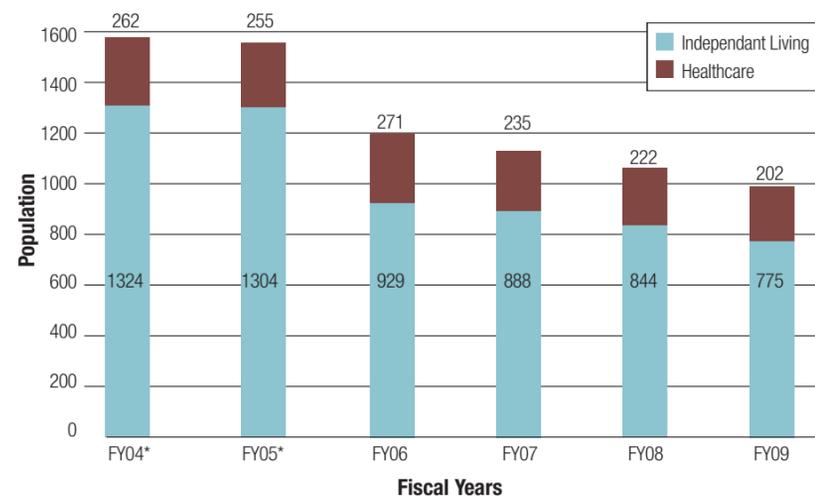
> Veterans by Branch of Service

- US Army: 403 (42%)
- US Air Force: 315 (32%)
- US Navy: 224 (23%)
- US Marine Corps: 30 (3%)
- US Coast Guard: 4 (< .01 %)
- Total: 977**

Trends

Over the years residency has fluctuated. Per the chart below, overall residency has declined (along with capacity). Buildings no longer serviceable have been mothballed as part of the strategic planning process. All residents now live at AFRH-W till AFRH-G reopens.

AFRH Resident Trend Data



*Note: FY04 + 05 included AFRH-Gulfport operational

*Note: FY04 + 05 included AFRH-Gulfport operational



SURVEY SUCCESS

Performance Summary & Highlights

AFRH has directed many resources to meet our challenges and execute our strategy. And many FY09 achievements are documented here. Results are positive.

While some staffing challenges disrupted our performance rating cycles, they never inhibited Excellent Service or impeded progress on major performance goals.

With the emergence of our three High-Priority Performance Goals in FY09, these new measures along with our former measures form a complete picture of how AFRH is doing.

Challenges

Each year the AFRH IG identifies and reports on management's challenges as well as performance challenges facing the Home. Throughout FY09, our IG tracked the collective challenges identified in FY08 for this year.



COO Timothy Cox explains the Home's benefits to visiting enlisted.

STATUS	MANAGEMENT CHALLENGE	RESULTS
Progress +++	Scott Project	– GSA initiated project – Bridging Architect & Construction Manager awarded
Progress +++	Gulfport residents' return	– Priority waiting list established – Ongoing Focus Groups study Q&As
Progress +++	Succession Planning	– Plan developed within Human Capital Strategic Plan
Progress +++	CARF/CCAC Accreditation	– CARF/CCAC inspection yielded accreditation thru 2013 – Monthly monitoring continues
Progress +++	Constituent & Congressional oversight committee education	– LRFP completed & updated – Local Advisory Board stays active – NCPC approved Scott Project

STATUS	PERFORMANCE CHALLENGES	RESULTS
Progress +++	Resident maintenance requests	– Automated system set up with great results
Progress +++	Customer service improvements	– "I SERVE" badge buddy issued to all staff – Survey of activities show 70+% satisfaction
Progress +++	Accountability of funds	– Unqualified audit opinion
Progress +++	Visibility of the Home's military heritage	– 1st annual Freedom Day gala held (September 22) – Halls of Honor designed into program of requirements for both Homes
Progress +++	Timelines & participation in mandatory training	– Added Performance Management as mandatory class

High-Priority Performance Goals

These Goals were established in FY09 (per OMB requirements), and closely match our four Focus Areas from last year. Those Areas were a key part of the AFRH Strategic Plan and their measures can be followed over several years. For FY09, our new High-Priority Performance Goals are prominent strategies that will help us focus our resources even better.

- AFRH Strategic Goals**
FG - Financial Growth
ES - Exceptional Service
IP - Improved Processes
LG - Learning & Growth
CI - Culture of Integrity

High-Priority Performance Goals Analysis

Relationship to AFRH Strategic Goals	High-Priority Performance Goal	Baseline Performance Measure FY07 Target	FY07	FY08	FY09	FY09 Actual
Goal: HEALTHCARE (Resident Wellbeing)						
ES, IP	Accreditation	In good standing	Met	Met	Met	CARF/CCAC through 2013 for AFRH-W
ES, IP	% of resident satisfaction	70%	Met	Met	Met	74%
ES, IP	% of resident assessment plans	95%	NA	NA	Met	99%
Goal: HOUSING FOR VETERANS (Gulfport & Washington)						
GULFPORT						
FG, ES, IP	Construction	Within Budget and on schedule	Met	Met	Met	On Plan
FG, ES, IP	Operational Plans	Plan	N/A	Met	Met	On Plan
WASHINGTON						
	Construction	Within budget and on schedule	NA	NA	Met	On Plan
FG, ES, IP	Operational Plans	Plan	Met	Met	Met	On Plan
Goal: STEWARDSHIP (Corporate Effectiveness)						
FG	Trust Fund solvency	Even balance of resources versus obligations	Met	Met	Met	Long Range Financial Plan reported solvency through 2018
FG, IP	Accuracy of Financial reporting	Unqualified audit opinion	Met	Met	Met	Unqualified audit opinion
LG	Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	Met	Met	Not Met	98% for Safety, EEO, and Ethics, IT Security not completed
CI	% of Employee Climate Survey responses of "Excellent" or "Very Good"	70%	N/A	Met	Not Met	63% of all responses were in the top 2 positive choices. While 77% are satisfied overall, there are some problems with pay levels.

Performance Measures Trend

All Measures stem from the AFRH Strategic Goals and Objectives – starting in FY07 as a baseline. As always, our managers review staff performance using the Business Plan and its corresponding action plans. Likewise, integrating our budget and Goals is carefully monitored. And now, so is the mapping of our Strategic Goals to our new High-Priority Performance Goals.

Our New Performance Goals support Most Strategic Goals

AFRH STRATEGIC GOALS	H-P GOAL 1 WELLBEING	H-P GOAL 2 HOUSING	H-P GOAL 3 STEWARDSHIP
Financial Growth	•	•	•
Exceptional Service	•	•	•
Improved Processes	•	•	•
Learning & Growth	•		•
Culture of Integrity	•		•

Mike Longwell and Richard Robinson (Army) salute the Tomb of the Unknown.



For performance details, see afrh.gov/afrh/about/par/performance_f.pdf

WITNESS PROGRESS

Financial Statements Analysis & Summary

5th Consecutive Unqualified Audit Opinion:

The independent accounting firm Brown & Company expressed an unqualified opinion on our comparative FY09 and FY08 financial statements, the Consolidated Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, and Statement of Budgetary Resources. Also, Brown & Company 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. All financial statements and data have been prepared from the AFRH accounting records in conformity with generally accepted accounting principles (GAAP) as defined by the CFO's Act of 1990 and OMB.

Limitations of the Principal Financial Statements

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

OVERVIEW: AFRH FINANCES

AFRH Trust Fund: our financing source since 1851.

Our Trust Fund balance was at \$156 million in 1995 and dramatically dropped to \$101 million in 2002. This serious decline led Congress to seek new leadership and direction for AFRH. Ever since, the balance has been steadily rising through better management and cost efficiencies.

*The Trust Fund rose to \$167 million at the end of FY08 and reached \$177 million in FY09. Yet, the impending Scott Project will be fully funded from the Trust Fund. As we expense the Scott Project, the balance in the Trust Fund will decline from FY10 through FY13.

Budget Authority: investing in veteran housing.

Increased spending is the result of greatly enhancing veteran housing – specifically, startup operations to rebuild Gulfport and capital funding for the Washington Scott Project. Hence, the Budget Authority for FY10 and FY11 will show increases in spending and decreases in the Trust Fund.

ENDING NET POSITION:

AFRH's Net Position at the end of FY09 (per the Consolidated Balance Sheet and the Consolidated Statement of Changes in Net Position) was \$461 million: a \$6 million increase – or 1.32 percent – from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

Balance Sheet: Assets and Liabilities rose in FY09 (from FY08):

Assets:

FY09	FY08	Net changes:
\$477,345,938	\$469,867,888	\$7,478,050

Liabilities:

FY09	FY08	Net changes:
\$16,329,453	\$14,939,341	\$1,390,112



SEE
WHAT'S
NEW

Aging in Place
will offer new
resources for
residents.

FINANCIAL SUMMARY (cont.)

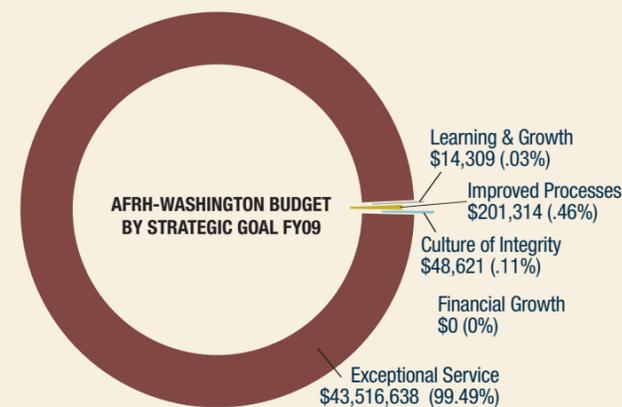
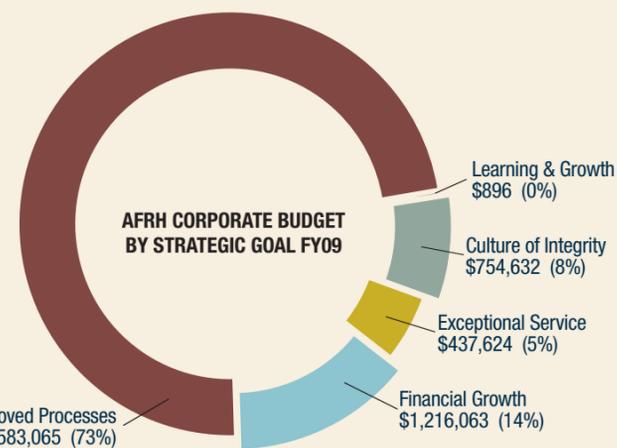
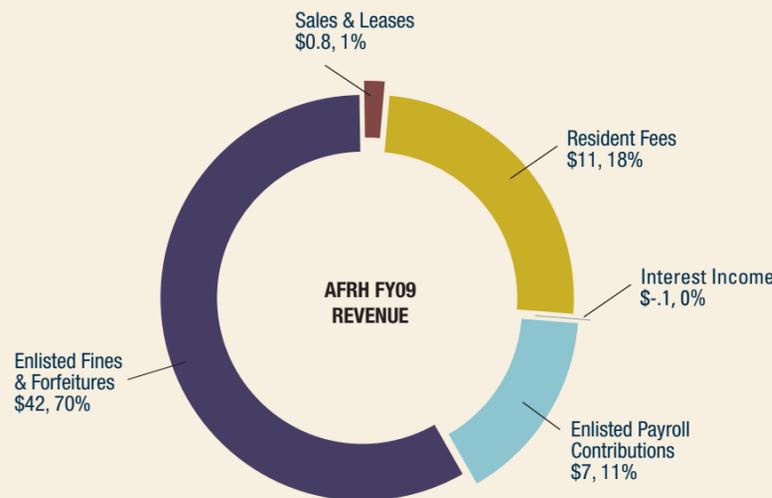
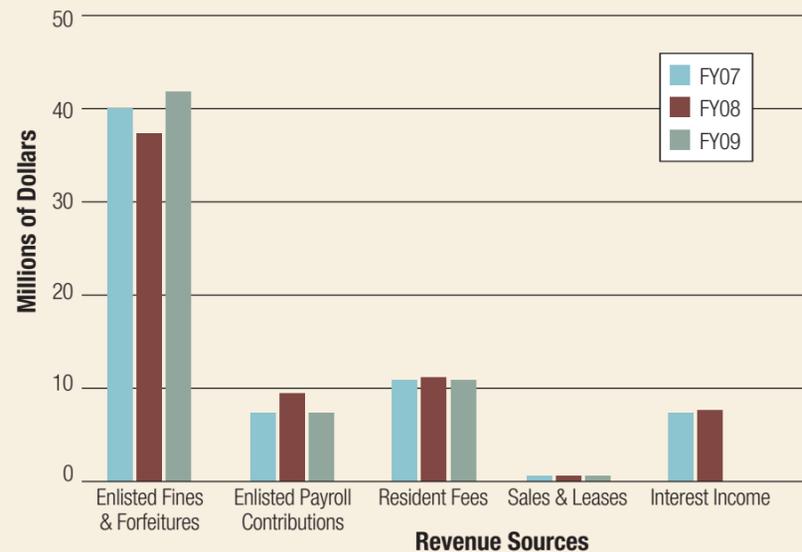
Budgetary Concerns:

In the past decade, the needs of the Washington community and the facilities to support them have shifted dramatically – requiring swift action over the coming decade to accommodate both. Plus, the new administration has charged agencies to leverage Government purchasing power to achieve savings. Hence, we have developed and are now executing plans to manage our financial issues.

Fiscal Concerns:

- Higher Gulfport operational sq. ft. costs (almost double in new facility)
- Ongoing Washington high infrastructure costs (managing 272 acres)
- Exploding healthcare & energy costs which have outpaced inflation
- Inefficient costly contracts that do not meet the needs of AFRH

AFRH FY09 Revenue Trends



For financial details, see afrh.gov/afrh/about/par/financial_f.pdf

After retiring from the Army, Henry worked for his hometown of Carbon Hill, Alabama for 26 years. First with the police. Then in city hall as a Clerk, Magistrate, Council Member and ultimately Mayor. “We had the same ol’ complaints as they do in DC: transportation, police, fire departments, and ... how ya gonna control all the dang dogs!?!” Henry once appropriated \$19 million to rebuild the school, repave highways and replace sidewalks. That planning experience was an asset when it came to Gulfport’s redevelopment. So Henry was made Chair of the Gulfport Startup Committee. “In 2006, Mr. Cox and I attended five meetings with Congress to present five distinct options for Gulfport. Our committee had people from the VA and DoD. Plus we worked with architects and contractors to determine the best way forward.” Today Henry gives the residents routine updates.



And he posts new construction photos on his door. You could say he’s ‘Mayor’ of the new Gulfport.

“I work with Gulfport public affairs to keep residents informed.”

— Henry Pike
(Army)

GATHER CONFIDENCE

LEGAL & REGULATORY COMPLIANCE

Management Affirmation

AFRH made great strides in strengthening its management practices and internal controls (IC) in FY09. Our FY09 audit contained no material weaknesses. In addition, the Home emphasized IC risk management for each service area through the year.

Statement of Assurance

I am pleased to report AFRH compliance with all applicable requirements, and progress in expanding action planning to previously identified risk areas.

AFRH managers, along with our partners BPD and the National Finance Center (NFC), participate in all IC. We have assessed their effectiveness, in accordance with the Federal Managers' Financial Integrity Act (FMFIA), (PL No. 97-255) Section 2 and OMB Circular A-123, Management's Responsibility for Internal Control.

Based on our analysis, AFRH can provide reasonable assurance that objectives have been achieved. 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:

> 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.

> AFRH is in compliance with all applicable laws and regulations under FMFIA, FFMA 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.

> AFRH performance reporting is reliable. Performance measures are properly recorded, processed and summarized to permit information preparation per criteria established by AFRH management.

Timothy C. Cox



Chief Operating Officer
February 15, 2010



"AFRH can provide reasonable assurance that objectives have been achieved."

—Timothy C. Cox (COO)

2009 Risk Management Programs:

1) Washington Master Plan

Goal: generate new revenue from underutilized land. Objective: construct a lease with a developer(s), where AFRH retains land ownership and receives monthly payments for mix-use development of 77 acres. UPDATE: in late 2008, the selected developer declared bankruptcy, thus we unable to reach a suitable agreement. The credit crisis made progress impractical, so negotiations ended. Yet, we are positioned to proceed when real estate improves.

2) Gulfport Master Plan

The rebuild of the Gulfport facility is within budget and on schedule, and we're on-track to reopen in October 2010. This will be a force multiplier in risk management. Early in 2009, we ramped up planning efforts. We began resident focus groups to answer questions and provide information on living arrangements, building layout, and IT. In 2010, we'll prepare the building for occupancy and solidify plans to move former Gulfport residents back in.

3) Long Range Financial Plan

The original 2008 draft surveyed plans to upgrade facilities, operations, and budgets. Plus, it projected our financial status over a 10-year span. To offset the decrease in revenue from key capital improvements, we are adopting a smaller footprint and infrastructure. Plus, we will contain facility costs and seek new ways to boost revenue. Our first "LRFP" revision (summer 2009) reflected more accurate data. And still, the Trust Fund remains solvent in the coming decade.

4) Scott Project

Extensive master planning was performed in Washington. We determined the Scott Residence was at risk due to its aging infrastructure and massive repair cost of \$81 million. In the LRFP, the Home decided to tear down Scott and build a healthcare / multi-purpose facility in its place. This will enhance the lives of veterans and manage the financial risks inherent with keeping the Washington facility open.

FY09 Programs:

1
Washington
Master Plan

2
Gulfport
Master Plan

3
The AFRH
LRFP

4
Scott Project

IDENTIFY INTERESTS

Resident Surveys

To assess resident satisfaction, AFRH has several measures – both in Strategic Goals – and now in High-Priority Performance Goals.

First off, we have a customer service survey. Next, we took a thorough annual survey on activities. Further, a meal satisfaction survey was taken in LaGarde (for Long Term Care and Assisted Living residents) and it was compared to last year's survey.

Overall, we conduct these surveys to clarify resident preferences, so we can ultimately meet and exceed their expectations.

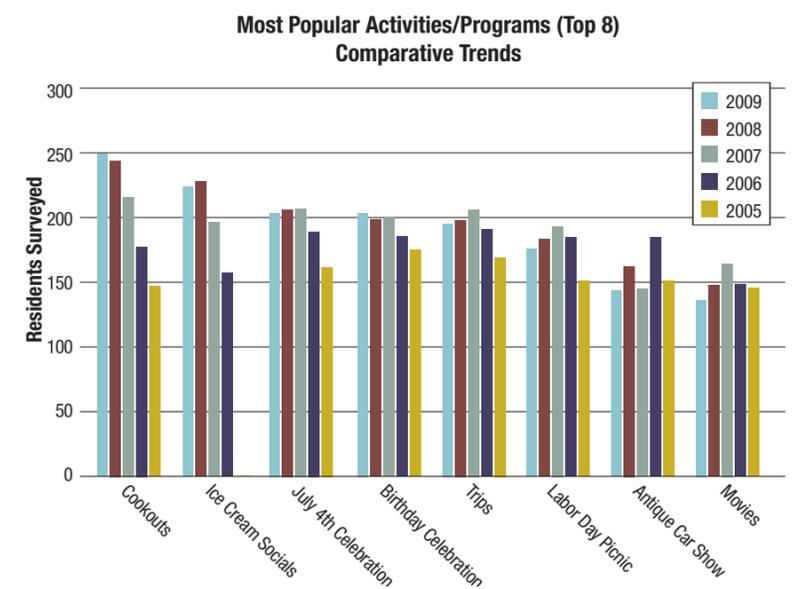
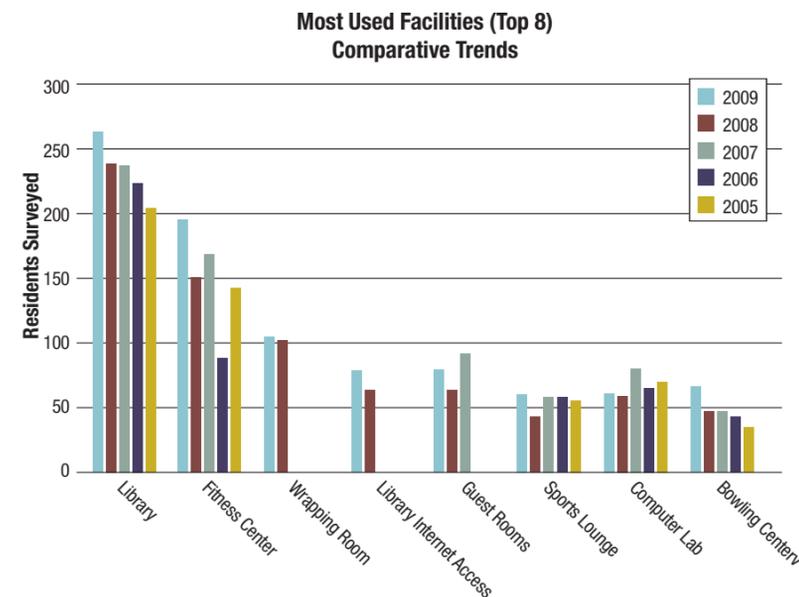
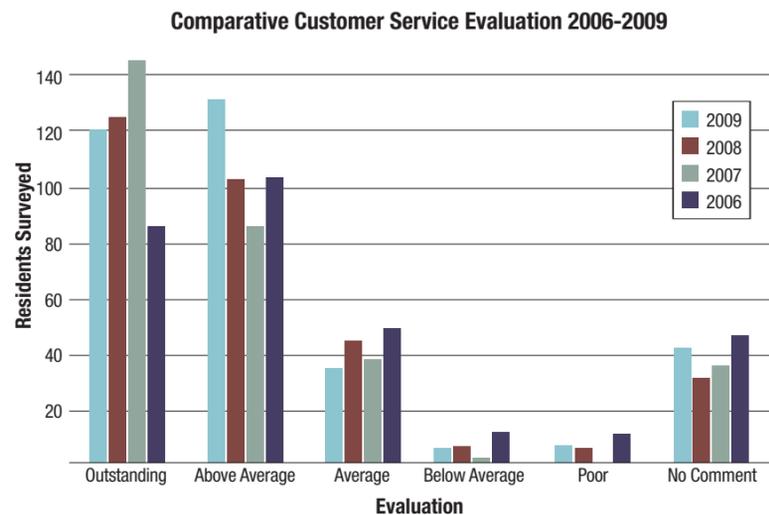
“We try to stay very active,” she said.

“Exercise class – twice a week!” he said.

– Buron & Helen Noel (Air Force & Navy Wave)

Customer Service

	Result	Target
(“Outstanding” or “Above Average”)	74%	70%.



Henri is passionate about cars. During our interview, he broke away to help a resident change his oil. “When I retired from the Army, I sold Hondas for 20 years. When it was raining and few customers were around, I’d go ask the mechanics questions to keep from getting bored. I learned quick.” Today Henri shows residents where the tools are and offers guidance. Plus he tinkers with his own car. “When I arrived, I noticed a few abandoned vehicles taking up parking spots, including a handicapped space. And I’ve been pushing to get notices on those cars to be moved. I’m pretty vocal. So someone volunteered me for the RAC, and Scott Project committee,” he chuckled. Henri also likes golfing, bowling, and volunteering. Plus he goes downtown and has been to lots of museums. “I’m very happy. The only thing I’d change is adding some evening activities.” Maybe, someday, Henri will run an auto maintenance demo for residents?



“I volunteer in the auto shop and help steer residents in the right direction.”
– Henri Gibson (Army)



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**INDEPENDENT AUDITOR'S REPORT
 ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Armed Forces Retirement Home
 Washington, D.C.

We have audited the financial statements of the Armed Forces Retirement Home (AFRH) as of and for the year ended September 30, 2009 and have issued our report thereon dated November 12, 2009. 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 *U.S. Government Auditing Standards* issued by the Comptroller General of the United States, and in Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered the AFRH's internal control over financial reporting by obtaining an understanding of the AFRH's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. The objective of our audit was not to provide an opinion on internal control and therefore, we do not express an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants and OMB Bulletin No. 07-04, a significant deficiency is a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Because of inherent limitations in internal controls, misstatements, losses, or non-compliance may nevertheless occur and not be detected. However, we noted no matters involving the internal control and its operation that we considered to be significant deficiencies or material weaknesses as defined above.

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

Largo, Maryland
 November 12, 2009

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ASSESS PROGRESS

IG Perspective

Annually, the AFRH IG identifies the most serious management and performance challenges facing the agency (per Circular A-136 Financial Reporting Requirements). The IG tracks the Home's progress to ensure high-visibility concerns are addressed, and to inspire successful actions.

Throughout FY09 AFRH concentrated on its four High-Priority Performance Goals, which address matters that require immediate attention. Staff members track their own progress through updates to the Business Plan and reports to management.

November 16, 2009

Memorandum

To: Timothy C. Cox, Chief Operating Officer

Subject: Management and Performance Challenges for FY 2010

In accordance with Section 3 of the Reports Consolidation Act of 2000, a statement is provided by the Inspector General which summarizes what is considered to be the most serious management and performance challenges facing the Armed Forces Retirement Home. As in the past, the Inspector General at the AFRH focused on the primary challenges facing the Agency during the Fiscal Year. Given the numerous AFRH initiatives and programs being conducted and managed, measurable progress and improvements have been demonstrated as a result of recommendations made by my office and other inspection and audit activities. The management and performance challenges also link directly to the President's initiatives.

I am pleased to congratulate the AFRH on the development of its Long Range Financial Plan, Gulfport Stand-up Plan and Washington Scott Project Plan. Each of these plans demonstrates the AFRH strategy to develop, manage and implement the initiatives and processes required to sustain the operations at each campus and the solvency of the Trust Fund to ensure that the next generation of veterans will continue to enjoy the lifestyle and benefits that the Home has to offer.

Long Range Financial Plan:

The LRFP presents an overall vision for the future for AFRH. Inherent in that vision is how to maintain Trust Fund solvency while completing building transformations at both campuses. The resulting building project at AFRH-W approved and funded is the Scott Project. Within the Scott Project are many major elements: the movement of Assisted Living (AL) residents from the Scott Building to LaGarde and Sheridan as well as to Gulfport, demolition of the Scott Building, construction of a new facility to house common functions and a new Healthcare center, and moves into the new facility, closure of LaGarde, and eventually the renovation of AL rooms and Independent Living (IL) rooms in Sheridan.



AFRH IG
 Maurice Swinton

They met in a playground where they grew up in Northeast Philly. "I played soccer and she played baseball. We were teenage sweethearts," said Paul. Eva chimed in, "We went dancing, swimming in Atlantic City, and learned to sail." Then Paul enlisted in the Marines in 1938, and Eva became a WAVE after WWII started. After the war, they married, and it's been smooth sailing ever since. "We were retired eight years, and in our 40s, when I said: 'let's give this up – we're going sailing!' So we sold the house, bought a sailboat and set sail for the Caribbean," relayed Paul. Eva added, "We lived on the boat six months of the year and became scuba divers and ham radio operators. He learned first. And I said, 'anything he can do I can do better,'"



she quipped. In January 2010, they'll be married 65 years. "We have four children, nine grandchildren and four great-grandchildren," recounted Paul. "We've lived a good life."

"We're sailors ... so we've got our sights set on Gulfport."
 – Paul & Eva Downs
 (Marine Corps & Navy)

Gulfport Stand-up:

Through two public Laws (PL 109-62 and 109-148) Congress has authorized approximately \$240 million for the rebuild of the Gulfport home. With General Services Administration (GSA) leading the task to rebuild the Gulfport Home, AFRH has been working with them in tandem throughout the entire process. The construction began in January 2008 and is on track for completion in the last quarter of Fiscal Year 2010.

Washington Scott Project:

In the President's Budget for Fiscal Year 2009, AFRH is highlighted under "Strengthening Infrastructure for the 21st Century" by improving housing for retired veterans and design funding for our Scott Project.

In accordance with the Reports Consolidation Act of 2000, I have identified the most serious management and performance challenges facing the AFRH in FY10.

Management Challenges:

- Initiate Gulfport stand-up
- Implement, manage and monitor Washington Scott Project
- Continue to educate, define, train and promote resident wellbeing to the resident community and staff

Performance Challenges:

- Implement Human Capital Management Plan:
- AFRH must complete the development of the plan and implement it agency-wide while educating staff on the new polices.
- Implement Human Capital Succession Plan:
- AFRH must complete the development of the plan and implement the procedures while educating staff on the new polices.

- Define Washington & Gulfport staffing models:
- AFRH must ensure adequate staffing levels are provided and that parity exists between the staffing models at its two campuses.
- Increase visibility of military heritage:
- AFRH should continue to exhibit displays of military heritage throughout the facility and work with the DoD's Office of Morale, Welfare and Recreation to enhance these displays.
- Adhere to timelines and participate in annual mandatory training:
- AFRH management must continue to enforce attendance for its employees for the mandatory training classes outlined by the agency. Tighter constraints and measures must be taken to ensure that employees participate in the mandatory training classes and that participation is timely.
- Financial management of operating costs and expenditures:
- AFRH management must work to streamline costs at the Washington campus and seek to bring spending parity between the two campuses (Gulfport & Washington) as much as possible to ensure that long-range financial goals are met.

Sustaining the progress that has been made by the AFRH through its initiatives and programs is imperative; the AFRH IG will continue to monitor the outcomes of the areas identified.

Respectfully,

Maurice Swinton
 Inspector General

We responded successfully to the three management challenges

- 1) Initiate Gulfport Standup
- 2) Deploy & manage Scott Project, and
- 3) Advance wellbeing to residents & staff

We spearheaded effectively the six Performance Challenges:

- | | |
|--|--------------------------------|
| 1) Deploy Strategic Human Capital Plan | 4) Promote Military Heritage |
| 2) Use "SHCP" Succession Plan | 5) Follow timelines & training |
| 3) Define Staffing Models | 6) Manage cost & expenses |

Night of Heroes: the year's most radiant event.

Each spring, the residents and military's finest get to shine at the "Night of Heroes" – a black tie gala sponsored by the Pentagon Federal Credit Union Foundation. This year's ball was the most successful ever – as \$406 thousand dollars was raised. All proceeds go to support programs for wounded soldiers and their families. Emcee Bob Schieffer from CBS News presided. And General Barry McCaffrey (ret.) presented the American Hero award to Bob Feller, decorated WWII Navy veteran and Hall of Fame pitcher. More than 600 people attended on June 4th at the Ritz-Carlton in Tysons Corner, VA. Patients from Walter Reed Army Medical Center and Bethesda National Naval Medical Center were special guests. Honored attendees included corporate supporters, members of Congress, representatives from all branches of the Armed Forces, and those working to support the military. Thanks to our devoted service members, America continues to be a shining city upon a hill ... whose beacon light guides freedom-loving people everywhere.



AFRH at a Glance

Federal Authority:	AFRH Act of 1991, Public Law 101-510 (amended 2002)
Current Locations:	Beach Drive, Gulfport, MS (49 acres) North Capitol Street, Washington, DC (272 acres)
Organization:	AFRH Corporate (Washington, DC) manages 2 communities:
Resident Capacity: (as of Sept. 2009)	Gulfport, MS: 0 (now under construction; when reopened: 584) Washington, DC: 1,323
Average Resident:	81 Years Old
Funding:	Congressional Authorizations from a Government-Held Trust Fund fed by Resident Fees, Enlisted Pay Withholdings, Fines & Forfeitures and Investment Income
Trust Fund Balance:	\$177 Million
Major Services:	Private Rooms & Showers Medical, Dental & Vision Care Dining Facilities Senior Activities & Programs Recreational Activities
Major Amenities:	Fitness Center Walking Trails LifeTrail Course 9-hole Golf Course 6-lane Bowling Center