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
We expect our workforce to achieve success, to measure progress and provide feedback to our customers.

Honor Heritage
We honor the rich history of the US Armed Forces – our residents, staff and service partners. Our campus reflects that military heritage with memorabilia and tributes.

Inspire Excellence
We continuously work to improve each process, service and its delivery, while striving for excellence in all we do. We expect excellence and reward it.

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

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

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

www.afrh.gov
I am pleased to present the AFRH PAR for FY07. For nearly 200 years, the mission of this Home has been to care for our nation’s former military service members. All of us here carry a strong sense of pride in serving them. This year, at last, we can take pride in our financial performance, too.

Today, we are forging a new foundation of financial success at AFRH. This renewal began in 2002, when Congress charged me to apply my CCRC2 expertise from the private sector to the concerns at AFRH. Ever since, we have been striving to develop it into a self-sufficient retirement home. In this year’s report, we will showcase that improved financial performance.

Restructuring our priorities

When I arrived in 2002, many believed that the Home was rapidly approaching financial insolvency, if not already there. So I pulled our team together and we drafted a strategic plan to unify our scattered forces and achieve new goals. Since then, we have focused on revitalizing our financial health via cost-cutting measures and renewing our aging infrastructure in DC. Our Master Plan has been the key to generating new sources of revenue and ultimately refurbishing the campus.

In short, we were building the foundations for Trust Fund solvency and financial growth when our entire configuration changed. So in FY07, we decided to conduct several studies to establish the best, most efficient way forward. We gained great insight. One study confirmed the Trust Fund is solvent. Another helped us develop a 10-year Financial Capital Plan. Along the way, we discovered our facility is in greater demand, given the legislation put forth by the Coast Guard to admit their veterans.

Modernizing the Home

Now, we are moving forward with many exciting developments – from the rebuild of Gulfport by 2010, to the renovation of the Scott building which comprises $81 million of our 10-year Financial Capital Plan. These much-needed renovations will make our entire facility more vibrant and functional.

At the same time, we must keep pace with changing trends in senior care, like complying with the American Disability Act requirements – which includes alterations to the Sheridan residence. Another major decision entailed moving to CARF/CCAC2 accreditation to cover all levels of care we provide as a CCRC. These changes will forge an even stronger foundation of care for the residents of today and tomorrow.

In May, we renewed our commitment to the AFRH Goals and Objectives at a successful management offsite. Moving forward, our business plan will be the blueprint for continued growth. Also, I challenged my staff to dig in and find ways to improve resident services. They responded by forming a variety of teams. One dramatically streamlined the work order process. Another focused on boosting staff retention. Yet another assessed ways to share data among the various levels of care. And another team surveyed ways to promote our military heritage. This synergy is creating a more efficient and dynamic AFRH.

Raising our Performance

Our Inspector General (IG) identified 3 major challenges for FY07:
1) - Implementing the Washington Master Plan
2) - Executing the Gulfport Master Plan to rebuild the facility
3) - Handling operational, financial & human capital strategies

Indeed, we made great progress. We signed a developer contract for our Washington Master Plan and completed the Memorandum of Agreement (MOA) with General Services Administration (GSA) to rebuild Gulfport. Reaching these major milestones gave us the launch pad we needed to move forward.

Further, we exceeded many of the strategic targets we set for FY07 performance. This demonstrates to Congress and our supporters that we are producing results. Further, it reaffirms the strategies in our business plan and the “One Model” for a unified agency.

We are still in the process of reaching the training goals in our health and wellness model, measuring the success of our acquisition strategy, completing our succession planning for all operations and management and evaluating our organizational climate.

Looking forward, our IG has advised me that we face various new challenges in FY08. They involve staying on course with renovations, the accreditation and implementation of patient goals and keeping our constituents informed of our progress.

Structuring Sound Finances

Our ongoing cost-cutting measures, coupled with our new financial strategy, are the building blocks for future success. In fact, for the third straight year, we received an “unqualified opinion” on our financial statements from an external, independent auditor. So, I am confident that the performance information and financial data included in this PAR are complete and reliable.

In closing, I am proud of our recent achievements – yet I’m even more proud of the veterans who call the AFRH home. Rest assured, we will continue to manage our resources responsibly. Likewise we will continue to enhance the lives of the men and women who defended our nation and preserved our freedom.

Timothy C. Cox
Chief Operating Officer (COO)
November 15, 2007

“*Our ongoing efforts, coupled with our new financial strategy, are the building blocks for success.*”

Continuing Care Retirement Community
Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission
As a girl, Barbara enlisted ‘for patriotism and travel.’ She served in the Army Signal Corps for six years. One Easter break, she took the train from Frankfurt to Paris. En route, she met a dashing soldier who would become her future husband: Harry Copare. “We knew right away. After our honeymoon in Switzerland, we lived in seven foreign countries, including Africa and Italy,” she said. Today, they still live together at AFRH. And Barbara loves reliving her adventurous life overseas. “In Naples, we had to fill our helmets with water and bathe outside. When a group of privates started watching, we had to wash up in the tent.”

We’re pleased to introduce you to AFRH - a special place for America’s veterans. In this Introduction, we establish the many recent developments that have shaped our fine organization. On behalf of our residents, thank you for your interest and support.
Back in 1811, our young nation made a Promise to care for its older and disabled veterans. This would be “repayment” for their sacrifices in defending liberty. So two homes were built: the US Naval Asylum in Philadelphia, PA (est. 1833). And the US Military Asylum in Washington, DC (est. 1851). Ultimately, the two joined forces in 1991 and evolved into a modern retirement home: The AFRH.

All along, we have provided eligible veterans with supportive care and shared camaraderie – much like they experienced in the service. Back then, they invested in the Home via small payroll deductions. So now, more than ever, we must deliver on that original Promise – and provide them with a safe, affordable and comfortable retirement.

Today, our staff is driven to nurture our nation’s heroes, while giving them the respect they deserve. Our foundation of care is getting stronger and our vision is getting sharper. This resurgence is driving us all to enhance our programs and services to keep our veterans happy and healthy. All so they can get the most out of their well-deserved retirement.

Our Rich Heritage...

INTRODUCTION
Marching forward, we are bound by law to uphold that original Promise, to preserve the heritage of the Home and to take care of our own. As such, our mission will be to provide veterans with a premier retirement community with exceptional residential care and extensive support services.

To achieve that, we must enhance our campus. Doing so will meet the needs of today’s retiring veterans – and the expectations of tomorrow’s future residents – our current military service members. Those brave young men and women stationed in Iraq, Afghanistan, Europe and beyond are the future of AFRH. And all of them are paying into its Trust Fund. Ultimately, they will be the benefactors of an even greater AFRH.

At this moment, our service men and women are making great sacrifices to promote democracy around the world and preserve our way of life. We are very proud of them. So we must work hard to ensure them a safe and enjoyable future, too. Indeed, the foundation we’re building today for current enlisted and warrant officers will truly safeguard their liberty in retirement.

“I wake at 3AM and run around the campus. Then I hit the gym for strength training. After breakfast, I play 18 holes of golf. And after lunch, I practice yoga and do ab work.”
– Curt Young (Air Force – Retired)

“Every morning, I climb up & down eight flights of stairs in Scott building. During the day, I like to walk 15-20 miles. Then I use the elliptical machine in the evening.”
– Susan Chubb (Army – Retired)
Our residents make new connections at a variety of special events throughout the year. Many thanks go out to our strong base of community partners, volunteers and supporters. They truly make a wonderful difference in the lives of our nation’s heroes.
Our veterans were front-and-center to meet Queen Elizabeth II for a wreath laying ceremony at the WWII memorial.

Mardi Gras celebration
Valentine’s Day ice cream social
First graduation of AFRH computer class
Women in Defense visit AFRH female residents
Poetry “in the Green”
Residents meet Queen Elizabeth II at the WWII Memorial

April 2007
May 2007
June 2007
July 2007
August 2007
September 2007

Pontiac FCU hosts the annual “Night of Heroes”
AFRH Senior Olympics
US Army birthday celebration
Congressional Golf and Crab Society annual benefit
AFRH residents are invited to Presidential Yacht
US Army birthday celebration

General Robert Magnus, Assistant Commandant of the Marine Corps, visits the Home
Stone Soup Contest judging is held in AFRH gardens
AFRH Luau Dance
Army Command Sergeant Major William J. Casey, Senior Enlisted advisor to the Chairman of the Joint Chiefs of Staff, visits
Navy Chief Selectees

2nd Annual Volunteer Day
2007 Residents’ Golf Championship
Air Force birthday celebration
Catholic University 3rd Annual Freshman Volunteer Day
Our standard operating environment was established after the COO was appointed in September 02. The COO, Mr. Cox, reports to the Secretary of Defense through the Under Secretary of Defense (Personnel & Readiness). With vast experience in private retirement communities, Mr. Cox immediately standardized our two campuses – with one set of policies and procedures. His “One Model” called for regular assessments of our core competencies, plus determinations on whether to build internal capacity or competitively outsource functions. The result: the AFRH 2003 Strategic Plan, which became our blueprint for recovery and growth.

Before long, we fused that Strategic Plan with The Washington Master Plan, designed to provide additional resources to replenish the Trust Fund. Then, we integrated this dynamic AFRH strategic platform with several Federal strategic mandates:

1. The Program Assessment Rating Tool (PART) to reduce the footprint & identify underutilized space
2. The Federal Activities Inventory Reform (FAIR) Act Of 1998 to identify functions of the Federal government that are not inherently governmental (see www.afrh.gov - About Us)
3. The President’s Management Agenda (PMA), through which we have identified & achieved remarkable gains

In 2004, all of these strategic tools coalesced. Since then, they’ve helped us form a solid platform for Trust Fund solvency and growth.

The Building Blocks of Success

Charting Our Development

Our standard operating environment was established after the COO was appointed in September 02. The COO, Mr. Cox, reports to the Secretary of Defense through the Under Secretary of Defense (Personnel & Readiness). With vast experience in private retirement communities, Mr. Cox immediately standardized our two campuses – with one set of policies and procedures. His “One Model” called for regular assessments of our core competencies, plus determinations on whether to build internal capacity or competitively outsource functions. The result: the AFRH 2003 Strategic Plan, which became our blueprint for recovery and growth.

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FY07 Highlights

In the past year, our integrated strategic platform has produced many exciting developments:

November 2006
AFRH earns an "unqualified opinion" from independent external auditors (2nd year)
The Gulfport campus officially closes its doors

December 2006
Memory Support Day Care opens in LaGarde Building

January 2007
UltraCare financial system is deployed to collect all resident fees electronically
MOA is signed between GSA and AFRH to rebuild Gulfport facility

February 2007
Channel 99, the AFRH in-house TV station for residents, is launched
Keys to Gulfport are turned over to GSA

March 2007
For the Washington Master Plan, AFRH selects Crescent Resources, LLC, a North Carolina-based builder, as its preferred developer for a 77-acre parcel of land.
GSA designates Jacobs Engineering as the Professional Engineering Services & Construction Manager to rebuild Gulfport

June 2007
"LifeTrail" total wellness course opens behind the Sheridan resident building
US Coast Guard adopts AFRH pond for routine maintenance

August 2007
AFRH begins transition from JCAHO to new accreditation with CARF/CCAC
Scott Canteen renovations are completed
Dining Kiosk in LaGarde opens
Gulfport demolition contract is awarded to raze outdated & damaged resident tower

September 2007
AFRH continues transition from JCAHO to new accreditation with CARF/CCAC
Yates Construction is awarded the Gulfport Design/Build contract

TODAY’S AFRH AT A GLANCE:

Federal Authority
AFRH Act of 1991,
Public Law 101-510 (amended 2002)

Current Locations
Gulfport, MS (49 acres)
Washington, DC (272 acres)

Resident Capacity
1,323 (as of Sep 07)
Gulfport, MS, 0 (closed)
Washington, DC, 1,125

Average Resident Age
79 Years

Trust Fund Balance
$159 Million

General Services
Private Rooms & Showers
Medical, Dental & Vision Care
Dining Facilities
Senior Activities & Programs
Recreational Activities
Shuttle & Public Transportation
Independent Living
Assisted Living
Memory Support Day Care
Long Term Care

Major Amenities
Fitness Center
Walking Trails
LifeTrail Course
600+ Seat Theater
9-hole Golf Course
6-Lane Bowling Center
Computer Center

*Joint Commission on Accreditation of Healthcare Organizations (now simply “Joint Commission”)*
This book is a chance to celebrate our rich heritage and share our recent progress with Congress. It helps us meet various reporting requirements for US government agencies. Plus, it’s an opportunity to tell all Americans about the latest developments at the Home.

In recent years, AFRH has evolved into a modern retirement community, rivaling those in the private sector. We have made great strides transforming this agency, operating it more like a business. And we have continually enhanced our programs and services to provide even greater care.

FY07 has been the year of “Forging New Foundations.” The strategic groundwork we laid out in 2002 has netted the positive gains we have been seeking. As a result of our recent business planning efforts, AFRH is finally showing concrete improvement in its financial performance.

Now we know the Trust Fund is solvent and the Home is financially sound. So, we’ve been developing a plan to renovate independent living, assisted living and long term care. Specifically, we’re developing more intimate and accessible living quarters by closing the distances between our buildings. Plus the Gulfport rebuild is under way and will rapidly accelerate in FY08.

Hence the foundation is set: one home in DC, one home in Gulfport – both with roughly the same resident capacity and economic cost. Add to it the Coast Guard’s demand for inclusion plus new veterans from Iraq and future campaigns – and the picture is clear: AFRH is forging a very strong base, on top of which we will build our future.

Along with our plans to develop the Washington campus, we have a new landscape management plan for campus beautification. Plus, we are crafting an active communication plan with the residents, in order to understand their ideas and needs for activities, dining and military heritage. Yet, every improvement of our physical “foundation” is geared to benefit our residents – who are forging their own new friendships, activities and lives here at the Home.

AFRH employees & contractors have prepared this report in accordance with Federal guidelines.

*The Accountability of Tax Dollars Act of 2002
*The Federal Financial Management Improvement Act of 1996
*The Government Performance and Results Act of 1993
*The Chief Financial Officers Act of 1990
*The Federal Managers Financial Integrity Act of 1982, and
*The Inspector General Act of 1978

Renato and George are former career Navy personnel. Today, they’re launching new creative projects in the AFRH Wood Shop. One is most inspiring: the new AFRH Chapel sign, which is replacing the original, deteriorated marker. “It’s nice here at AFRH...we just want to make it a little nicer,” said Renato. George chimed in, “And, we like to do things for other people.” Well, this project will help the residents and the CFO – because a quality, handcrafted sign like this would cost $1,500 or more, commercially.
Four parts form a composite of how we’re managing the resources entrusted to us.

Part 1
Management’s Discussion and Analysis (MD&A):
A summary of our performance and financial status, featuring achievements and challenges. The MD&A includes our compliance with the President’s Management Agenda (PMA) and key legal requirements.

Part 2
Performance:
A detailed outline of the AFRH Goals and Objectives. This section shows precisely where we were successful and where we fell short of our own expectations.

Part 3
Financial:
The audit opinion, financial statements, disclosures and notes regarding AFRH fiduciary activities over the past year.

Part 4
Other Accompanying Information:
IG Statement, management challenges, improper payments and Acronyms.

All told, we’re now poised to build “The AFRH of the Future.” For now, this Report features major events from FY07. It surveys the dynamic process that transformed AFRH, starting in 2002 with the creation of our Vision, Mission and Strategic Goals. Then it supplies an in-depth assessment of FY07 performance – including progress on goals and budget, plus detailed performance measures and financial statements. Finally, the PAR outlines management challenges and the plans to overcome them … as well as future opportunities and the plans to leverage them.

INTRODUCTION

We asked Robert & Jane, “How do you like living at AFRH?” They replied in unison: “I Love It!”

(Robert Cornell – Retired Air Force; Jane Cornell – Army)
Improved financial performance is the cornerstone of our strategy. And “Forging New Foundations” has been our battle cry, calling for steady progress on each campus. As you will see here in the MD&A, that progress has been rock solid.

“When the Army sent me somewhere, they didn’t ask me to check it out first.”

George Wellman (Army – Retired)
Today’s AFRH has sheltered and cared for tens of thousands of veterans spanning two centuries and nine major American conflicts. All along, the option to retire here has been one of the greatest benefits of military service. As our nation expands its military presence around the globe, we must recommit ourselves to preserving the Home’s resources – and ensuring those eligible a safe, comfortable retirement one day.

This mission can only be achieved with sound financial performance. In truth, the Home was bordering on insolvency for decades – mainly from cost inefficiencies on its sprawling Washington campus. Conversely, the Gulfport campus was more condensed and had a waiting list of approved applicants – making it much more cost-effective.

When the Trust Fund balance began to decline in 1995, Congress requested further study. AFRH responded by facilitating and executing many in-depth assessments:

<table>
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<tr>
<th>AFRH STUDIES</th>
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</thead>
<tbody>
<tr>
<td>1995</td>
</tr>
<tr>
<td>Recommended a Most Favorable Use of existing AFRH real property</td>
</tr>
</tbody>
</table>

Conclusion: “The change in direction over the past year at AFRH has been impressive. These efforts add credibility to the potential of AFRH to serve as a model of compassionate care to some of this nation’s most deserving elderly.”

Altogether, these studies chart our strong efforts and swift response to reversing the trend of insolvency at AFRH. By 2002, the foundation for our future was laid. This report outlines our impressive progress over the past five years.

Corporate Philosophy:

Our Vision and Mission are strongly rooted in the Home’s heritage – yet they also incorporate modern philosophies in senior care. Plus our Guiding Principles were crafted to preserve the Home’s foundation – while also serving as a guide to achieve the Mission. Ultimately, these smart strategic tools will help us meet the needs of a new generation of veterans.

(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.
AFRH is a premier retirement community and CCRC for eligible US Armed Forces veterans. We proudly serve them with the same level of honor and commitment that they demonstrated in serving our country. To fulfill our Mission, we have defined Strategic Goals across five major areas. They serve as the pillars for specific performance objectives – which are connected to Initiatives in the President’s Management Agenda (PMA). Plus these Goals continually help us build upon our success for the future.

VISION

MISSION

STRATEGIC GOAL AREAS

- Culture of Integrity: Inspire commitment to AFRH Guiding Principles through mutual respect.
- Learning & Growth: Promote personal excellence and professional growth for all personnel.
- Improved Processes: Modernize operations to leverage and maximize resources across AFRH.
- Exceptional Service: Enhance the AFRH experience to enrich the quality of residents’ lives.

“Jerry Stahler didn’t have a choice when enlisting. “I was a pain-in-the-butt kid, always in trouble. I would’ve ended up in San Quentin – but my grandmother put me in the military. That straightened me out!” In the Air Force, Jerry had several tours as a boot camp instructor – teaching impressionable kids discipline. Ironic, eh? “Yeah, I used to get in their faces. Now I run into my recruits all over. A B-52 pilot from ‘Nam came up to me and said he was an Aircraft Commander and a successful Captain. Guess he wanted to get in my face!” Today 78-year old Jerry maintains discipline by exercising six days a week. “AFRH has a wonderful gym. Watch me bench 185 lbs.””
The Organization

The AFRH was originally conceived as an “asylum” for old and disabled sailors and soldiers. It started in Philadelphia as the Naval Asylum, in the former country mansion of the prominent Pemberton family on the Schuylkill River. And in Washington as the Soldiers’ Home, with a mere three residents in what is now the Lincoln Cottage on our main campus. For six generations thereafter, these Homes have been a beacon of security for America’s aging guardians of freedom. Today, that tradition endures. Yet, AFRH has truly developed into a progressive retirement home with sound business practices.

Our Management

The COO manages both campuses with a corporate staff located on the Washington campus. Using our successful “One Model” for operations, each Home has a Director who reports directly to the COO.

Our Locations

The AFRH has two facilities. Our main campus is located on 272 lush acres in the heart of Washington, DC. Our auxiliary campus is nestled on 49 acres of pristine beachfront property in historic Gulfport, MS. When Gulfport reopens in 2010, both will provide excellent services and amenities that rival those at private retirement homes. For eligible veterans, the AFRH monthly fees are very affordable – and there are no costly registration dues.

Mapping Our Structure

AFRH Organization

“Our 2002 goals included ‘re-visioning’ AFRH as a modern CCRC.”

CFO Steve McManus outlines our corporate strategy.

AFRH Organizational Chart

Chief Operating Officer

Corporate Resources

AFRH Washington

AFRH Gulfport

Individual Campus Director

Campus Operations

Healthcare Services

Campus Operations

Resident Services

Support Staff

Support Staff

Resident Services

Facility Maintenance

Transportation

Logistics

Grounds

Utilities

Custodial Services

Nursing

Social Services

Community Health

Dental

Optometry

Nutrition

Medical Records

Assisted Living

Long Term Care

Memory Support

Admissions

Recreational Services

Volunteer Coordination

Security

Dining Services

Religious Activities

Custodial Services

Support Staff

Safety Office

Both campuses have the same management structure.
The AFRH Residents

A few years ago, AFRH retained GSA and hired consultants to draft a Master Plan to develop our under-utilized land in Washington. This Plan will guide the long-term use and development of our property to generate revenue for repairs. Albeit, this development may take 10 or more years, depending upon market conditions.

Several analyses were conducted to guide development:

- 10-year Financial Capital Plan Development
- Contract Integration & Efficiencies Study
- Cost-effective Use & Modernization of Dorms
- Information Technology Assessment
- Medical Equipment Needs Assessment
- Trust Fund Solvency Analysis
- Wellness Center Study

The Home is a dynamic community of men and women who have served our country with steadfast devotion. Since the 1800s, tens of thousands of prior military service members have lived on these grounds. A stroll across our scenic Washington campus often winds up in a conversation with one of our engaging residents. Every patriot has a unique story – filled with vivid anecdotes and captivating battle tales. And many enjoy reliving their glory days while serving Uncle Sam.

Most of the residents seek a retirement filled with meaning and purpose. So, we strive to enrich their daily routines … to challenge their minds and bodies … and to provide companionship and camaraderie in a supportive community setting. We achieve this through a variety of social, recreational and occupational programs that foster health and wellness.

Residents & Staff

Our employees play a huge role in helping our residents build new lives. Many staff members routinely go the extra mile to create a new program, improve an existing service, or brighten a resident’s day. Truly, with the help of our great people, we have been successful.

In the 1990s, AFRH was mainly staffed with Federal employees and the resident population was much larger. As residency declined, so did our staff. Since 2002, one Goal has been to maximize our workforce through a blend of salaried professionals and contracted experts. To reduce costs, various functions were put up for competitive sourcing and were awarded to private firms that were more proficient and cost-effective. Regrettably, the temporary closure of Gulfport made additional staff reductions necessary. This year, AFRH has stabilized at 288 full time equivalents.
Management’s Discussion & Analysis

Goal - Financial Growth:
Create net growth and stability for the AFRH Trust Fund.

The formula to attain financial solvency is simple: increase revenue, reduce costs and improve financial performance. Hence, our vision is to provide the “best value” to our residents through maximum fiscal management.

Indeed, FY07 was a banner year for financial achievement. The Trust Fund balance rose to $159 million – from a low of $94 million in FY03. We made inroads on our Washington Master Plan and we’re close to eliminating more vacant space and reducing our infrastructure costs. And new studies on capital improvements, Trust Fund solvency and IT are revealing new ways to economize. Plus, our Internal Control program has been operating successfully for more than a year now.

In accounting, we received our third annual “unqualified opinion,” thanks to Bureau of Public Debt’s (BPD) strong financial management. Truly, our key to success has been to reach out to “centers of excellence” for additional expertise.

Goal - Improved Processes:
Modernize operations to leverage and maximize resources across AFRH.

To boost efficiency, we routinely assess and revamp our processes. So, in FY07, we aligned all strategies and processes with the corporate and campus level – yielding instant efficiencies. Also, we scrutinized our financial processes and in-house databases in concert with BPD. This, too, has resulted in better reporting and service to the residents.

Another focus in FY07 was to enhance communications by keeping technology current and available to the entire AFRH community. For instance, Channel 99/100 has been well received as a form of instant communication. The residents (and even staff) tune in for daily news, campus announcements, dining menus, videotaped group meetings, daily quotes and answers to popular questions.

Goal - Learning & Growth:
Promote personal excellence and professional growth for all personnel.

Preparing our staff to serve the residents is vital. It promotes Exceptional Service, plus it helps fulfill several Objectives. The AFRH has high standards for staff training. We require 100% participation in four training courses and provide more than 136 hours of health and wellness training. And we do have a formal plan to implement. Due to changes in our training calendar, our goals for 100% participation were not met. But our goal to train in health and wellness, albeit modest at 70%, was exceeded with more than 94% participation in most of our mandatory courses.

Further, we began pursuing a more fitting healthcare accreditation through CARF/CCAC, given our role as a CCRC. This will cover all levels of care that we currently provide.

Also, we completed a succession plan for all nursing staff ... yet we lack such a plan for other professions. And finally, our professional development marks fell short of their targets.

Goal - Culture of Integrity:
Inspire commitment to AFRH Guiding Principles through mutual respect.

Given the cultural diversity of our staff, we have focused on creating workplace harmony in recent years. Today, we are promoting activities for management and staff, both in- and outside the workplace. For two years, we have engaged in team building at various off sites. Plus, we typically have a high turnout at employee days, agency picnics and golf events with the residents.

One major achievement was completing 100% of all performance reviews and Performance Plans. This has allowed every staff member to connect to our Vision, Mission, Goals and Guiding Principles – and to see where they fit into our Performance Plan. Incidentally, the Objective to administer an “organizational climate” survey is in development, but will not yield results till early in FY08.

In FY07, we made solid progress on our Strategic Goals and met many of the performance measures that hold our staff to a high standard. In fact, we realized great success in the areas of financial improvement, performance management and customer service. We were less effective in areas that required in-depth analysis, such as acquisition. Likewise, our rather extensive training program is not complete. Still, we finished several key studies, which will serve us in the future as we strive for even greater efficiencies.
GOAL – Exceptional Service: 
Enhance the AFRH experience to enrich the quality of residents’ lives.

The residents are the main focus at AFRH. So, most of our budget is directed at programs, staffing and operations in their direct support. A key measure of satisfaction is feedback via surveys. Our Goal is to receive a “good” or “better” rating from 75% of respondents – and we have met that Goal.

This retirement home is unique, given our residents’ US military service. So we’ve made a concerted effort to promote military heritage on the Washington campus. Our aim was to facilitate and attend six military-related events a year – and we exceeded that target with a total of 10 in FY07.

Communicating with the residents is key. To keep them informed, we revamped the afrh.gov website, launched Channel 99/100 (our in-house TV station) and published news about the Gulfport rebuild and our Master Plan.

To reach prospective residents, we must stay highly visible at national veterans’ conventions, popular retiree activities and veterans’ service organizations. So, we created a vibrant marketing and outreach program to convey the benefits of life at AFRH. In fact, we produced a new marketing kit featuring beautiful imagery, inspiring copy and handy application information.

As a small Federal agency, AFRH has focused on one or two PMA initiatives each year:

- 2004: Competitive Sourcing
- 2005: Strategic Management of Human Capital & Improved Financial Performance
- 2006: Expanded Electronic Government
- 2007: Improved Financial Performance

For a detailed discussion, see PMA.

AFRH WINS GSA “CUSTOMER OF THE YEAR” AWARD FOR FY 2007

Since 2004, AFRH and GSA have been solid business partners. When the Home needed expert advice, we consulted with GSA’s National Capital Region (NCR). GSA managed our entire Master Plan package, providing help in strategic real estate planning, redevelopment planning, historic preservation, Environmental Impact Statement preparation, plus National Capitol Planning Commission (NCPC) approval.

The success of this initial work expanded into financial and human resources (HR) support, technical writing and Freedom of Information Act support. Together, we have enjoyed a mutually beneficial partnership for four years now. Today, we are excited and honored that GSA has selected the AFRH as its “Customer of the Year” for 2007.
Summary of Performance Measures

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Baseline FY07 Target</th>
<th>FY07 ACTUAL</th>
<th>Met/Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal: FINANCIAL GROWTH</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net growth to AFRH Trust Fund</td>
<td>Any gain over previous year $10M</td>
<td>+$13.6M</td>
<td>Met</td>
</tr>
<tr>
<td>Cost savings via Asset Management per year</td>
<td>$100K</td>
<td>Saved $100K by closing Pipes</td>
<td>Met</td>
</tr>
<tr>
<td>Accuracy of financial reporting</td>
<td>Unqualified audit opinion</td>
<td>Unqualified audit opinion</td>
<td>Met</td>
</tr>
<tr>
<td>% of staff salaries that are out of range</td>
<td>6%</td>
<td>Not measured</td>
<td>Met</td>
</tr>
<tr>
<td>Effectiveness of the acquisition strategy</td>
<td>5% or less</td>
<td>5% (1/2 of 1%)</td>
<td>Met</td>
</tr>
<tr>
<td>Percentage of inaccuracies found through internal controls</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Goal: IMPROVED PROCESSES | | | |
| Operational: Reengineered processes with automated enhancements per year | +2 | 3 | Met |
| Organizational: Communications enhancements between employees and residents per year | +1 | 1 | Met |

| Goal: LEARNING & GROWTH | | | |
| Evidence of measurable training goals | | | |
| Percentage of training within-in-employee performance plans | 100% participation in mandatory training classes for all staff | Less than 100% participation in mandatory training classes for all staff | Not Met |
| Evidence of a needs based succession plan | | | |

| Goal: CULTURE OF INTEGRITY | | | |
| Number of additional cultural/volunteer programs | +1 | 2 | Met |
| Percentage of completed employee performance reviews meeting expectations for all staff | 100% | 100% | Met |
| Percentage of employees meeting expectations for all staff | 100% | 100% | Met |
| Percentage of employees meeting expectations for all staff | +14% | +1% | Not Met |
| Number of new Independent Living residents | 5 per year | 5 | Met |
| Number of partnerships with external stakeholders | 75% | Not Met |

| Goal: EXCEPTIONAL SERVICE | | | |
| Percentage of Resident Service Survey responses at “Excellent” or “Very Good” | 75% | 75% | Met |
| Number of new Independent Living residents | +14% | +1% | Not Met |
| Number of staff trained in health and wellness model of retirement living | 5 per year | 5 | Met |
| Number of partnerships with external stakeholders | 75% | Not Met |

Grouped by Strategic Goals, we have several performance measures for our new baseline. FY07 is the first year we will record the results. In future years, we will compare all results to these baseline targets.

Our great success in finances and planning are a prelude to achieving additional goals in the future. (See Part 2 - Performance – for details.)
The PMA is a strategic tool to greatly improve the management and performance of the Federal government. This program was modeled after the President’s vision for the government to operate like a business – efficiently and effectively. The AFRH heeds the guidance in the PMA and continues to make significant progress in each of its five Initiatives. The Home has not officially submitted for evaluation, but every year since FY04, we have conducted a self-assessment as of September 30th.

**Special Focus on Improved Financial Performance**

**Background**

All spending at the Home comes straight from the AFRH Trust Fund. So, we must maintain a healthy balance between our revenues and expenditures to preserve the Fund’s vitality.

**Washington Master Plan**

This Plan strives for new revenue to support our resident-focused care. It will help grow the Trust Fund and give us more capital to improve the campus. The Plan seeks to attract development at a fair market value that is compatible with the AFRH Mission. In summer 05, an open dialogue with the residents and neighbors began. At the close of FY06, one major milestone was reached: we chose three potential developers for the first AFRH redevelopment project. Initial revenue is planned for 2012 and is forecast to be just over $1 million. Year 2013 should yield about $14 million. Years 2014-2016 should yield more than $24 million each year. Looking further out, our total predictions exceed $600 million.

**Gulfport Master Plan**

The cost to rebuild this campus was funded through a Congressional Hurricane Supplemental totaling approximately $236 million. The GSA, via legislation and an MOA, are managing the rebuild process in tandem with AFRH and NAVFAC.

**Progress**

At present, progress is “Green” and we are on track. Since FY04, we have been refining our Gulfport and Washington Master Plans. With the PMA as a guide, we literally transformed the way we do business. Only 43 percent of our budget is in labor. Fortunately, since 2003, our “One Model” for operations has eliminated duplicate functions at each campus. In Washington, we closed excess buildings and outsourced all services that were not resident-focused. The bottom line: we changed how we think and work.

As a result, the Trust Fund balance has grown dramatically – rising from its low of $94 million in 2003 to $159 million in 2007. Plus, the FY07 audit produced our third straight “unqualified opinion.”

“The recommendations we have targeted address the most apparent deficiencies where the opportunity to improve performance is the greatest.”

—George W. Bush

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<tbody>
<tr>
<td>Improved Financial Performance</td>
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<td>Competitive Sourcing</td>
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<td>Strategic Management of Human Capital</td>
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<td>Budget &amp; Program Integration</td>
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<tr>
<td>Expanded Electronic Government</td>
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*Inefficiencies arose from Hurricane Katrina*
07 STUDY  Contract Integration & Efficiency Study

Goal: to determine if any cost or time-savings could be applied to our contracts – while still maintaining effective campus operations. This study determined the best ways to manage, consolidate, administer or even re-procure contracted actions to maximize efficiency.

Washington Developments

We passed major milestones in our plan to draw revenue from surplus real estate. Crescent Resources LLC, a North Carolina-based builder, was selected as the preferred developer for a 77-acre parcel of land. We envision the stretch of land along North Capitol Street having a small hotel, supermarket, condominiums, market-rate rental apartments, 500 units of affordable housing, plus transitional facilities for veterans. Our briefing to the NCPC in August was well received. Now, we’re poised to continue on schedule with GSA as our development partner.

Gulfport Progress

In FY07, we enjoyed smooth sailing in our plans to rebuild Gulfport. Demolition of the resident tower is slated for October 07, with campus completion targeted for July 2010.

Trust Fund Solvency

A key study was conducted to test the solvency of the AFRH Trust Fund. To our delight, it showed that the Fund is solvent through FY18 – as measured by Net Cash Flow, annual Trust Fund balance and 2018 Trust Fund balance. This fiscal forecast is based on innovative strategic elements in the management plans that seek to:

- Reduce various operating expenses
- Improve operating efficiency via building renovation
- Optimize levels of care for residents
- Increase revenue via long-term lease of real estate

Naturally, if the plan cannot be realized, it would present a major risk. Therefore, we will develop action plans to stay on course, along with contingency plans just in case. Also, we will track and update our resident population data and monitor results of both Master Plans.

Status

AFRH has no chronic or significant Anti-Deficiency Act Violations, no material auditor-reported internal control weaknesses and no material non-compliance with laws or regulations. Plus our agency head has provided an unqualified statement of assurance in this Report.

Today, we are continuing to grow and evolve. We’re proud of our financial success, which has eluded AFRH in the past. With a change in thinking, a strong management team, and a clear vision, the Home is poised for continued success. Not without risks and challenges, mind you. Thus, AFRH has achieved a “Green” in Improved Financial Performance.

President’s Management Agenda (MD&A)

IMPROVED FINANCIAL PERFORMANCE – FY07

<table>
<thead>
<tr>
<th></th>
<th>Years 1-10</th>
<th>Years 11-20</th>
<th>Years 21-30</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$183,187,115</td>
<td>$140,099,102</td>
<td>$242,628,215</td>
<td>$606,835,532</td>
</tr>
<tr>
<td>Per SF-FAR (Years 10, 20, 30)</td>
<td>$8.80</td>
<td>6.88</td>
<td>9.25</td>
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</tr>
</tbody>
</table>
Competitive Sourcing & Human Capital

**Background**

AFRH has actively engaged in competitive sourcing by conducting seven various efficiency studies. Six were performed in FY04 and categorized as “Streamlined.” One was performed in FY05 and classified as “Standard.”

In FY06, our contracts expanded, due to the dramatic increase in residents from Gulfport. In fact, key changes were required in Transportation, Food Service, Custodial, Security, Garbage and Facilities Maintenance in Washington.

**Progress**

Our adage is: “Simplify operations to conserve dollars.” So in FY07, we searched for cost savings and identified excessive spending. Then, new studies were commissioned to evaluate overall contract integration and efficiency.

**Status**

AFRH has achieved “Yellow” in competitive sourcing. This year was spent commissioning various studies. Now with definitive findings, we’ll be ready to take action in FY08. As we move forward, several other areas are also targeted for extra cost savings.

**Information Technology Assessment**

Our office equipment (e.g., copiers and printers) is due for an overhaul to boost campus productivity. Working with DAPS6, we conducted a campus copier analysis and evaluated agency workflow. Plans defined our requirements for printers and copiers. Currently, DAPS is finalizing the assessment report to include lease or replacement options, as well as maintenance recommendations. The report is due by first quarter 08.

**Wellness Center Study**

We studied the on-campus Wellness Center to unearth potential cost savings in overall operations.

**Medical Equipment Needs Assessment**

A needs assessment had never been performed on medical equipment. Now, we are focusing on acquiring new equipment to satisfy the residents’ needs.

**Strategic Management of Human Capital**

**Background**

The goal of this Initiative is to build, sustain and effectively deploy a workforce that is skilled, knowledgeable and diverse. In the process, our agency strategies are aligned with the corporate Mission, Vision, Guiding Principles, Goals and Objectives – yielding an organization with a high-performance culture.

As in years past, we have fully aligned our actions with the Home’s Strategic and Goals again in FY07. We integrated competitive sourcing to reduce full-time equivalents (FTEs) and boost staff quality. Plus, we systematically measured performance on 100 percent of our staff’s performance appraisals.

**Progress**

In FY07, we successfully completed the first cycle of our Performance Plan. In January, we began the new cycle in accordance with our schedule. Meeting our goal, we have given 100% of our employees their Performance Plans – and each one cites our Guiding Principles, AFRH standards and the employee’s unique job standards.

**Status**

Last year, just one key PMA criteria was not addressed: succession strategies. This year, we completed one for our nursing staff, which is the largest component of our workforce. Our Learning & Growth Goal – which entails four mandatory training courses, 136 hours of health and wellness model training, as well as professional development – is not complete. While our mid-term goal of “70% of all staff trained” was met and exceeded, we still have room to improve. Since we changed our training records from calendar year to fiscal year, our numbers for FY07 appear to be lower. But next year, we’ll be able to demonstrate much better attendance. So, while our progress is “Green”, our status remains “Yellow.”
Background

The PMA requires all agencies to furnish a “modernization blueprint” for E-Gov. It should focus on IT investments in key functions and define how they’ll be measurably improved. The new AFRH enterprise platform is now aligned with our agency’s Mission and it is implemented enterprise-wide.

Progress

We’ve made great strides to fully conform to agency-wide E-Gov. We addressed key issues, many of which were identified during our last IG assessment. We greatly enhanced communications and reduced costs. Plus, we transformed our in-house managed systems to externally hosted resources – thus maximizing web-based technology.

Budget and Program Integration

Background

The AFRH Strategic plan has been revamped and a limited number of Goals and Objectives have become our performance indicators. Our performance appraisal plans for 100% of agency positions are linked to agency Mission, Goals and outcomes. Also, AFRH has at least one efficiency measure for each program. Yet, we have not been able to collect this data for more than two years in a row due to all the upheaval after Hurricane Katrina. So, this year is our baseline target.

Status

The performance link, from strategy to individual accomplishments, continues successfully – because operating expenses are now tagged to our Strategic Goals.

As expected, the majority of expenditures are on Excellent Service for the residents (47% here on our main campus. Through other PMA initiatives, we have lowered costs and maintained a high performance organization. At the Corporate level, our expenditures are more evenly distributed among Goals, with a slightly higher percentage in Improved Processes (37%). Now we have proof for our stakeholders that our budget aligns with performance.

Yet, simply aligning them is not sufficient. We must analyze them to ensure our results equate financially. Since we have more work to do, the status for Budget and Performance Integration remains “Yellow.”

Progress

Today, we are proud to demonstrate what portions of operating expenses are spent to achieve various Strategic Goals. (See pie chart below.) This is a giant step forward for AFRH and this endeavor has been planned for some time. With FY07 as a baseline, we will leverage this new data to readjust our priorities.

Further, we’ve been working hard on many levels to completely integrate our budget and performance.

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Further, we’ve been working hard on many levels to completely integrate our budget and performance.

Expanded Electronic Government (E-Gov)

Background

In FY06, we earned our official security Certification and Accreditation (C&A), as outlined by the National Institutes of Standards and Technology (NIST).

Status

In FY06, we highlighted E-Gov as the focus of our success. Today, we are studying copiers and printers for consolidation. We are also looking to move away from GSA’s FTS 20017 to other network solutions. Further, we’re looking at new opportunities in service consolidation and equipment disposal. We are exploring options for appropriate IT contract vehicles. Plus we’re continuing our strong campaign to comply with FISMA, the C&A and 508 requirements. In short, our E-Gov initiatives are on target, so the status is “Green.”

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WASHINGTON CAMPUS

Operating Expenses Per Strategic Goal - FY07 (IN MILLIONS OF $)

AFRH CORPORATE

Operating Expenses Per Strategic Goal - FY07 (IN MILLIONS OF $)

Financial Growth $0.4 (1%)

Exceptional Service $2.08 (23%)

Improved Processes $1.99 (22%)

Learning & Growth $0.85 (9%)

Culture of Integrity $0.9 (9%)

Exceptional Service $2.08 (23%)

Improved Processes $1.99 (22%)

Learning & Growth $0.85 (9%)

Culture of Integrity $0.9 (9%)

Financial Growth $0.9 (9%)

Operating Expenses Per Strategic Goal - FY07 (IN MILLIONS OF $)

Exceptional Service $2.08 (23%)

Improved Processes $1.99 (22%)

Learning & Growth $0.85 (9%)

Culture of Integrity $0.9 (9%)

Financial Growth $0.9 (9%)

Operating Expenses Per Strategic Goal - FY07 (IN MILLIONS OF $)
A permanent Trust Fund was established in the 1800s to maintain the Home — so it wouldn’t rely on taxpayer money. Ever since, active duty payroll deductions from enlisted and warrant officers (ranging from $.10 - $.50 per month) have funded operations.

The Trust Fund is also fed by fines and forfeitures from all Branches of the Services, monthly resident fees, the sale or lease of underutilized land and buildings, gifts and bequests, interest gained on the Trust Fund balance plus certain one-time situational gifts and appropriations from Congress.

### Trust Fund Balance

The true gauge of our success is the Trust Fund Balance. By 2003, operating costs greatly increased over previous years — eventually outpacing our revenue. Hence, the Trust Fund balance declined from $156 million in 1995 to $94 million in 2003. So renewing it became a critical mandate to retain the Home’s solvency. We concluded our operating model had to change. In swift fashion, we followed the Federal government’s lead for an integrated strategy – linking planning with budget and performance. By the end of FY07, we were back on solid ground and the Fund had topped $159 million.

### Appropriations:

Each year, AFRH submits a budget to Congress to withdraw funds from the Trust Fund through an annual appropriation. Although we only requested $55 million for FY07, we were given $57 million under the Continuing Resolution Act (CRA).

### Staffing

Streamlining the staff has been a Strategic Initiative for several years. The chart below (AFRH Staff) shows our anticipated needs for full time equivalent employees based on the best data available. For now, the Washington campus is the focus of all operations. The Gulfport campus hasn’t had any FTEs since early FY07, when the property was turned over to GSA. Yet, we will continue to plan for new staffing when Gulfport reopens in 2010.
For FY07, our Consolidated Balance Sheet reflects:

- **Total Assets:** $465,615,106
- **Total Liabilities:** $7,048,896

About 15 percent of our assets are property, plant, and equipment (PP&E), with a book value of $72,018,853. This PP&E is located on the Gulfport, MS campus and the Washington, DC campus.

**Limitations of the Principal Financial Statements**

These statements were prepared to report our financial position and operations results, pursuant to the requirements of 31 U.S.C. 3515(b). They were prepared following generally accepted accounting principles (as defined by The Chief Financial Officer’s Act of 1990 and OMB). These statements are in addition to financial reports prepared from the same books and records used to monitor and control budgetary resources. We are pleased to report AFRH is in compliance with all relevant laws, statutes and legislation.

We accept the responsibility of reporting performance and financial data accurately and reliably. So all data for this report was gathered and reported through systems of rigorous controls and quality checks. AFRH employs BPD-ARC to perform its financial management. BPD-ARC’s expertise is superb and it provides us with outstanding reporting services.

**Financial & Performance Results Integration**

Led by the Vision and Mission, our COO is ensuring that the Home’s carefully crafted Strategic Plan is directing staff to improve performance – as well as the bottom-line.

**Financial Statements Summary**

Brown and Company, PLLC is a firm of CPAs and Management Consultants. As independent auditors, they have given AFRH an “unqualified opinion” for FY07. They have also reported no material weaknesses.

**Assets:**

- Net changes between FY06 and FY07 equal $7,810,756.
- Investments and the Trust Fund Balance equal 84% of our assets.

**Liabilities:**

This represents the money AFRH will likely pay, as a result of transactions or services that have already occurred. No liability can be paid absent an apportionment. Total AFRH Liabilities at the end of FY07, as reported in the financial statements, were $7,048,896. Net changes between FY06 and FY07 equal $1,202,131.

**Net Cost by Strategic Goal**

The Home’s net cost of operations is $41,708,433 for FY07 – down $9,079,541 from FY06. The majority of costs incurred by AFRH go directly toward Exceptional Service. Costs associated with programs under the COO and the Corporate Resource Office support each campus and all five Strategic Goals.

In FY06, 87% of the net cost went toward operating residential facilities and programs, (including the closure of Gulfport). In FY07, 85% of all net cost was mostly for the Washington campus with minimal support for Gulfport. By Strategic Goal, the major net cost was 77% for Exceptional Service. These figures validate our strategy for resident-focused care.

**Statement of Net Cost by Strategic Goal – FY07**

<table>
<thead>
<tr>
<th>Strategic Goal</th>
<th>Net Cost (in dollars)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional Service</td>
<td>$32,348,465</td>
<td>77%</td>
</tr>
<tr>
<td>Culture of Integrity</td>
<td>$1,275,199</td>
<td>3%</td>
</tr>
<tr>
<td>Learning &amp; Growth</td>
<td>$1,251,219</td>
<td>3%</td>
</tr>
<tr>
<td>Improved Processes</td>
<td>$2,193,657</td>
<td>5%</td>
</tr>
<tr>
<td>Financial Growth</td>
<td>$2,069,385</td>
<td>5%</td>
</tr>
<tr>
<td>Corporate Resource Office</td>
<td>$4,006,087</td>
<td>11%</td>
</tr>
<tr>
<td>Gulfport, MS</td>
<td>$1,064,356</td>
<td>3%</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>$24,415,408</td>
<td>60%</td>
</tr>
</tbody>
</table>

**AFRH Statement Net Cost – FY07**

When it comes to Exceptional Service, AFRH is a cut above.
Management’s Discussion & Analysis

Management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the Federal Managers’ Financial Integrity Act (FMFIA), the Federal Financial Management Improvement Act (FFMIA) and the Federal Information Security Management Act (FISMA).

So, AFRH conducted its annual assessment of internal controls and compliance, per the Management’s Responsibility for Internal Control FY07 Assurance Statement (OMB A-123). Yet, our managers continually monitor activities, gain insight into proper reporting and make corrective actions.

In FY07, we achieved many key actions under the Strategic Goal of Financial Growth. This can be greatly attributed to our public-to-public transfer of integrated services (supporting our financial management system) to BPD-ARC and NFC in 2004 – which has produced three “unqualified opinions.”

An independent audit was performed on BPD’s financial management systems (i.e. the controls placed on the financial management systems and operating effectiveness from July 1, 2006 — June 30, 2007). This assurance via Standards Number 70 (SAS70) validates the integrity of AFRH management controls and our compliance with Federal financial systems standards.

In September 06, we sought and received security C&A for the AFRH IT Enterprise Network. That C&A will be renewed in FY08.

I can provide reasonable assurance that objectives have been achieved for FMFIA, FFMIA and FISMA.

I am very pleased with our accomplishments – and I am highly confident that our positive fiscal progress will continue in the future.

Sincerely,

Timothy C. Cox
Chief Operating Officer, AFRH
November 15, 2007

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November 15, 2007

LIABILITIES FY07  FY06
Intragovernmental Accounts Payable $ 159,954 $772,159
Unfunded FECA Liability 1,815,645 $1,777,219
Payroll Taxes Payable 153,315 $350,028
Accounts Payable 3,242,755 $3,471,327
Accrued Funded Payroll 596,549 $790,436
Unfunded Annual Leave 1,051,722 $1,162,838
Other 28,956 $134,030
TOTAL  $ 7,048,896 $8,251,027

ASSETS FY07  FY06
Trust Fund Balance with Treasury $ 230,126,225 $ 239,123,692
Trust Fund Balance with Treasury $ 230,126,225 $ 239,123,692
Investments $ 159,041,366 $139,563,566
Intragovernmental Accounts Receivable 3,953,864 $2,687,343
Other Accounts Receivable $ 474,798 $554,056
General Property, Plant & Equipment $ 72,018,853 $75,875,693
TOTAL  $ 465,615,106 $ 457,804,350

"I can provide reasonable assurance that objectives have been achieved for FMFIA, FFMIA and FISMA."
Controls, Systems and Compliance

The Federal Manager’s Financial Integrity Act (FMFIA)

This Act requires an agency to report on the health and integrity of its financial, program and related activities. It ensures that resources are consistent with the overall Mission, that programs achieve their intended results, and that programs and resources are free of waste, fraud and mismanagement. Further, the agency head must see that laws and regulations are followed and financial management complies with Federal standards.“In January 2007, the AFRH Director and his corporate resources management team submitted a Strategic Implementation Plan to Congress, which included the financial plan for a new 10-year period. This plan is consistent with the overall Mission, that programs achieve their intended results, and that programs and resources are free of waste, fraud and mismanagement.”

2007 STATUS: No “material weaknesses” have been identified.

Internal Control

Since 2006, AFRH has conducted its own Internal Control Board using an AFRH Senior Assessment Team. Through the Home’s CFO, managers are given a questionnaire to evaluate their own internal control structure, define effective controls and institute improvements for deficiencies (e.g. a “Risk Assessment”). Each quarter, the Senior Assessment Team reviews the Home’s overall progress, then evaluates the Corporate Resource Office and Director.

DoD / JCAHO

This year, we responded to serious allegations aimed at our healthcare management, with oversight by an anonymous party. These claims were found to have no merit by the inspection teams dispatched by the Office of the Secretary of Defense. Still, we took extra measures to see that Laws and regulations are followed and financial management complies with Federal standards. “In January 2007, the AFRH Director and his corporate resources management team submitted a Strategic Implementation Plan to Congress, which included the financial plan for a new 10-year period. This plan is consistent with the overall Mission, that programs achieve their intended results, and that programs and resources are free of waste, fraud and mismanagement.”

AFRH submitted an update to the Air Force Triennial Inspector’s Report from April 06. Onsite inspections of both campuses were performed, along with assessments of agency level oversight. In August 07, Department of Defense (DoD) officially closed the inspection report, citing the completion of all recommended actions. A US Army Inspector will conduct the next inspection in FY08. And all completed actions will form the baseline for subsequent reviews.

Young Francis worked the family farm for 10¢ a day. “I could handle a horse like nobody’s business, ” he boasted. Sadly, his folks lost their Iowa farm in the Depression. So he joined the Civilian Conservation Corps to learn soil erosion and forestry. Then he never forgot his family’s farm debt. “I worked day and night till I paid off $65,000.” Well America certainly is in debt to Francis.
Federal Financial Management Improvement Act (FFMIA)

FFMIA is designed to improve Federal fiscal management by requiring that financial management systems provide reliable, consistent disclosure of data. This is in accordance with generally accepted accounting principles (GAAP) and standards. FFMIA requires the Home to maintain a system that substantially complies with:

- Federal requirements for integrated financial management
- Applicable Federal accounting standards
- US Standard General Ledger at the transaction level

2007 STATUS: AFRH is in substantial compliance with FFMIA requirements.

As we serve our veterans with advanced care, we strive to be as efficient as possible. We rely on BPD-ARC, which underwent an SAS70 audit8 in FY07 on its internal control activities, IT controls and related processes. An examination of the accounting process, along with general computer controls provided by BPD-ARC, provided reasonable assurance that our controls would achieve their objectives in conjunction with Customer Agencies’ internal controls.

The independent auditors’ AFRH report provides reasonable assurance that our financial statements are free of material misstatement. Further, The auditors’ reports confirm no material weaknesses in AFRH internal controls.

8A Statement on Auditing Standards (SAS No. 70, Service Organizations)

Federal Information Security Management Act (FISMA)

As reported above, the Home underwent its initial inspection and was awarded C&A in IT security (in accordance with FISMA). In FY07, it was maintained.

Financial Management Systems Framework

The Home benefits from the public-to-public relationship that transferred its financial management to BPD-ARC. We use the financial systems that BPD-ARC provides: Oracle Financials 11i, Oracle Assets, PRISM and WebTA. Payroll is through the NFC, which is integrated into the financial management systems.

BPD-ARC personnel operate and maintain the system, ensuring top-notch support. Plus, they have developed and implemented several interfaces into Oracle Federal Financials to integrate key activities – such as e-payroll, procurement, purchase card, e-travel, Federal investments and Intragovernmental Payment and Collection System (IPAC) transactions.

Since FY06, we have used Oracle Asset Manager as part of the Home’s integrated suite of tools. Ultimately, BDP-ARC is responsible for the financial security and integrity of the system.

Improper Payments Information Act (IPIA)

(See Part 4: Other Accompanying Information)

Resident Information System (RIS)

After the 2006 implementation of Monette – an integrated resident-focused software package – AFRH is proud to report successful usage in FY07.
Background

The National Defense Authorization Act of 2002 permitted us, through DoD, to sell, lease or otherwise dispose of underutilized buildings and property. So AFRH launched its Master Plan for Washington. This forms the basis of our risk management strategy. The desired outcome of the Master Plan is to provide additional resources to replenish the Trust Fund.

Washington Master Plan

Our agency-wide “One Model,” in compliance with PART and the FAIR Act, guided the development of our Washington Master Plan. This key endeavor helped us identify real property essential to the core Mission of AFRH. Likewise, it helped us identify non-critical facilities, target them for lease and establish a future revenue stream. This will enable us to renovate our aging buildings and replenish the AFRH Trust Fund. The current status and updates are available online at afrhdevelopment.com.

Master Plan Objectives

Preserve & improve the Home for the residents & staff
Provide revenue to support our Goal of resident-focused care
Replenish the partially depleted AFRH Trust Fund
Grow Trust Fund to meet residents’ needs, today & tomorrow
Attract development that’s compatible with our Mission, and
Ensure an open, inclusive process with residents & community
Recent Accomplishments

At the end of 2006, an RFP was issued to three developers, as reported in our FY06 PAR. A five-member panel of experts convened by GSA reviewed their proposals. The panel considered each firm’s design, financial bid, socio-economic benefits, environmental mitigation and ability to implement the proposal. At last, the panel made its recommendation. AFRH concurred, and in March 07, we selected Crescent Resources, LLC as the preferred developer for 4.3 million SF on the southeast corner of the Washington campus. (See map.)

Gulfport Master Plan

GSA is in the process of the design and construction of the new resident facility. Our progress in FY07 is on track and continues as defined at the beginning of the MD&A.

Gulfport Site Map

This dynamic, mixed-use project calls for the adaptive reuse of nine historic buildings and includes about 30 acres of open green space. The project will open portions of the AFRH campus to public enjoyment and recreation for the first time in more than 50 years.

Later in FY07, we consulted our residents, the NCPC, the DC State Historic Preservation Office and Office of Planning, the Advisory Council for Historic Preservation, the Commission of Fine Arts, plus area neighbors and locally elected officials. The NCPC will hopefully approve the plan in December 07.

Trust Fund Solvency

This study included an evaluation of risks associated with revenue and costs for existing and planned lines of business. Martin & Wall built a model to forecast a financial future – which identified annual Net Cash Flow and annual Trust Fund Balances through 2018 as the key performance measures. Their conclusion: the Trust Fund was solvent through 2018 based on management’s plan to transform operations.

Potential Risks to Trust Fund Solvency

An unforeseen event could disrupt our Master Plan, Capital Improvement Plan or even our Financial Plan. Also, a variety of adverse market conditions could arise. Even so, the Trust Fund Solvency study concluded that management could act to protect solvency with a) careful monitoring of risk conditions, b) maintaining contingencies and c) taking action to reconfigure operations if conditions change. We are confident that we have the resources, leadership and vision to execute and adjust our plans as necessary - regardless of any risk that may arise.
Few decorated soldiers receive five battle stars. Daniel fought the enemy and the bitter cold to earn them as an artillery mechanic — in all five battles for France. “I was shot at, bombed and mortared by the Germans. Damn lucky I never got injured.” The Battle of the Bulge was confusing: “We never had maps, just general directions. Finally we found maps that Renault printed for tourists!” he chuckled. One vivid memory is the liberation of Belgium. “Our division HQ was attacked in Wiltz and our band was there. The guys dropped their clarinets and picked up guns to fight back.” Last year, Belgium’s government invited Dan and numerous US veterans back for a 10-day visit and a special appreciation ceremony. “On day two, my stomach exploded from an aneurism — and I went to emergency surgery.” Dan quipped, “So…I survived Bastogne twice.”

“In this part, we showcase:
- Introduction to Performance
- Strategic Goals
- Targets & Results
- Survey Results
- Stakeholder Outreach
- Measurable & Procedures

We, too, have achieved many Goals in FY07. Plus we’ve outlined impressive financial gains. In Performance, we describe our organization and highlight our results for FY07 - which have been very concrete.

“The guys dropped their clarinets and picked up guns to fight back.”

Daniel Funk (Army – WWII)
For much of its existence, the Home has operated as a “city within a city” in Washington. In the late 1800s, it even featured a fully functional dairy farm. As the decades passed, the Home continued to be run with antiquated management practices. So the enormous task of transforming this dinosaur into a modern CCRC has been no small feat.

In FY03, the Home’s new management created a sweeping Strategic Plan, which included our newly envisioned Goals and Objectives. Ever since, we have remained steadfast in our efforts to achieve and maintain those strategic initiatives. And we have used them to actively drive our collective performance.

The essential building blocks – our Mission, Goals, Objectives, Plans and Actions – are helping us realize the AFRH 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.”

Each AFRH employee is helping us reach that Vision, too – because we’ve connected it to individual employee performance goals.

A Balanced Strategy
All along, management has sought a comfortable balance in its foundational strategy. In FY07, we renewed our commitment to this strategy, which centers on several basic organizational components: people, finances, operations and climate.

Specifically, two of our Strategic Goals – Culture of Integrity and Learning & Growth – focus on our staff, the people who serve our residents best. Meanwhile, two other Goals – Financial Growth and Improved Processes – center on operational and organizational efficiencies, providing the “best value” to all. Our remaining Goal, Exceptional Service, is dedicated to the residents, the sole reason we exist.

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.

In FY07, we met many of the performance measures that hold our managers and staff to a higher standard. We enjoyed success in the areas of performance management, financial improvements and customer service. Yet, we moved a bit slower in areas that required analysis and in-depth study.

Reaching Higher
In the previous two years, “successful completion” of many actions had eluded AFRH. It seemed as though our efforts and focus were literally blown away with the dramatic events of Hurricane Katrina. Granted, setting the baseline measures for each performance outcome has been a major achievement. Yet, completely meeting those results has not yet occurred.

We have several performance measures per goal for the baseline. FY07 is the first year we will record complete results. In coming years, we will compare new results to these baseline targets.

Results: 86% of Goals achieved.
Our great success in financial management and planning efforts is a solid foundation for other Goals we wish to accomplish in the future. As we forge ahead, we will seek to meet or exceed these results.

For the complete AFRH Strategic Plan, visit afrh.gov/afrh/about/strategic.pdf.
GOAL - Financial Growth:
Create net growth and stability for the AFRH Trust Fund

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Baseline FY07 Target</th>
<th>Baseline FY07 Actual</th>
<th>Met/Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal: FINANCIAL GROWTH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net growth to AFRH Trust Fund</td>
<td>Any amount over previous year</td>
<td>+$13 million</td>
<td>Met</td>
</tr>
<tr>
<td>Cost savings via Asset Management per year</td>
<td>$500K</td>
<td>Saved $707K by closing Pipes</td>
<td>Met</td>
</tr>
<tr>
<td>Accuracy of Financial reporting</td>
<td>Unqualified audit opinion</td>
<td>Unqualified audit opinion</td>
<td>Met</td>
</tr>
<tr>
<td>Solvency of AFRH Trust Fund</td>
<td>Even balance of resources versus obligations</td>
<td>Balanced</td>
<td>Met</td>
</tr>
<tr>
<td>Cost savings initiatives</td>
<td>4</td>
<td>6</td>
<td>Met</td>
</tr>
<tr>
<td>Effectiveness of the acquisition strategy</td>
<td>% of award dates that are met or bettered</td>
<td>Not measured</td>
<td>Not Met</td>
</tr>
<tr>
<td>Percentage of inaccuracies found through Internal Controls</td>
<td>5%</td>
<td>.5% (1/2 of 1%)</td>
<td>Met</td>
</tr>
</tbody>
</table>

Outcome

The fate of the Trust Fund is a top concern to those who paid - and to those who now contribute - because it ensures a comfortable retirement. So the Fund’s vitality is therefore the top priority of management. Moreover, the Fund is the main source of funding for AFRH, so its health must be continuously monitored. The essential outcome of the Financial Growth Goal is that America’s veterans are ensured a comfortable retirement - for today and tomorrow.

Our basic financial strategy to attain this outcome is to decrease expenditures, increase revenue, maximize resources and grow the Trust Fund. Meanwhile, we must maintain excellent service and improve our occupied facilities. To achieve all this, AFRH must look to the future for innovative ways to ensure financial stability.

Measures:

We continually measure how we manage the money entrusted to us in the AFRH Trust Fund. Doing so ensures our stakeholders the “best value.” Our measures include net growth of the Trust Fund balance, cost savings we realize from contracts or fiscal responsibility, plus the overall solvency of AFRH for the future. Lastly, we seek an “unqualified audit opinion” each year.

Results:

In FY07, we completed key studies to realize cost-savings and boost customer value. These studies include: Trust Fund Solvency Analysis, Contract Integration and Efficiencies Study, Wellness Center Study, Information Technology Assessment, Medical Equipment Needs Assessment, 10-year Financial Capital Plan and a Most Cost Effective Use Study to modernize resident dorms.

As a result, key performance measures were met:

Cost Savings

Our strategy to close unoccupied space involved the Pipes Building, which netted a savings of $700,000+, which is well above our annual target.

Accuracy in financial reporting

Management’s strategy to hire BPD and NFC to manage our financials has enhanced accuracy and produced three “unqualified audit” opinions.

Trust Fund solvency & growth

The recent Trust Fund Solvency study confirmed that, if we follow our strategic plan, the Fund will be solvent through 2018. And so will AFRH.

Looking forward to FY08, we must shore up our acquisition strategy and determine what added savings our contracts should yield. Also, we have not realized any income from our Washington Master Plan yet - but according to projections, we will receive funds from the developers in 2012.

“It’s a great place. The best part is the friendliness and how they look out for you.”
– Herbert Thompson (Navy – WWII)

“I have a pretty good life here. My quarters are good and so is the medical care.”
– Bill Sorince (Army – WWII)
**GOAL – Improved Processes:**
Modernize operations to leverage and maximize resources across AFRH.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Baseline FY07 Target</th>
<th>Baseline FY07 Actual</th>
<th>Met/Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATIONAL: Reengineered processes with automated enhancements per year</td>
<td>+2</td>
<td>3</td>
<td>Met</td>
</tr>
<tr>
<td>ORGANIZATIONAL: Communications enhancements between employees &amp; residents per year</td>
<td>+1</td>
<td>1</td>
<td>Met</td>
</tr>
</tbody>
</table>

**Outcome:**
The outcome of Improved Processes is much better service to the AFRH residents. Specifically, we can respond faster to their needs and help them get more out of retirement. So, we continually assess and improve our processes to facilitate communication, promote AFRH teamwork and bolster efficiency. This ongoing Goal provides more “best value” to our stakeholders, who demand we operate AFRH wisely.

**Measures:**
We regularly measure the number of processes we can reengineer that directly shape great customer service. This figure is a solid way to monitor our ongoing growth and improvement.

**Results:**

**Operations:**
Corporate controls and technology updates are key to operations. To validate our controls, we prepare the OMB IG annual report and undergo a DoD inspection triennially. To boost efficiency and accuracy, our automated data systems now perform routine functions like resident data, contracting and property accountability. In FY07, our three reengineered processes included the resident database (Ultracare), room turnover and our work order process.

**Organization:**
Staff communication processes are continually targeted to promote openness and improve performance. One goal is to provide 24/7 and remote computer system access - and enhancements to our web service and email are forthcoming. Meanwhile, successful reengineering came via upgrades to Channel 99/100, where staff and residents now get valuable news on activities and events.

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**GOAL – Learning & Growth:**
Promote personal excellence and professional growth for all personnel.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Baseline FY07 Target</th>
<th>Baseline FY07 Actual</th>
<th>Met/Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal: LEARNING &amp; GROWTH</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evidence of measurable training goals</td>
<td>100% participation in 4 mandatory training classes for all employees</td>
<td>Less than 100% participation in 4 mandatory training classes for all employees</td>
<td>Not Met</td>
</tr>
<tr>
<td>Percentage of training written into employee performance plans</td>
<td>100%</td>
<td>100%</td>
<td>Met</td>
</tr>
<tr>
<td>Evidence of a needs-based succession plan</td>
<td>Plan</td>
<td>Nursing Plan written</td>
<td>Met</td>
</tr>
</tbody>
</table>

**Outcome:**
As a service organization, we must continually improve our ability to serve – and professional development is one of the smartest ways. AFRH promotes excellence for all staff members by facilitating learning, honing skills, building competencies, developing proficiencies and supporting growth. In fact, we encourage staff to continually improve and expand their skills daily.

The outcome of Learning and Growth is that our employees enjoy more rewarding careers and get more personal satisfaction from serving our nation’s heroes. In turn, that yields a much more satisfying retirement for our veterans.

**Measures:**
Our success measures include evidence of training. This directly impacts our service – and boosts the percentage of staff with training tied to performance. Further, it indirectly helps us craft a needs-based succession plan.

Four mandatory training classes are now required for AFRH staff: Safety, Ethics, Information Security and EEO. Our goal is 100% training completion.

**Results:**
We fell short of 100% completion. Actual percentages completed are: Safety: 60%, Ethics: 71%, Information Security: 77%, EEO: 100% of new employees (not all current staff).

**Rationale:**
The overlap of record keeping (from calendar year to fiscal year) contributed to our shortfall. For the calendar year, Safety was 95%, Information Security 82% and in past years EEO was 100%.

With each new performance plan, managers are required to enter training plans, yet our official training plan is still in revision. At present, our succession planning only includes nurses. And we are yet to plan for Campus Operations, Information Technology, Resident Services and corporate support staff.

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**Performance Targets and Results, continued**
Outcome
The outcome of a Culture of Integrity is that our residents receive active support and are satisfied with their lives. So, we maintain a culture of service, quality and dedication to those who call AFRH home. In truth, many of our veterans suffered tremendous physical and emotional pain during and after their service to country. And working with them can, at times, be difficult. So we encourage our staff to work together in unison to meet the residents’ special needs.

The composition of our workforce resembles that of the United Nations, with staff originating from various countries around the world. Which means we have a greater diversity of language and cultural differences here. Our challenge is to blend that staff and produce outstanding results—in spite of different world-views and unique reactions to stress and miscommunication (which often result from diversity).

Measures:
We employ several measures to determine if we have reached our Staff Goal of a “high-performance, culturally diverse work environment.”

To boost diversity awareness, we form cultural and volunteer programs, as well as team-building opportunities to promote greater understanding among staff.

Further, we aim for 100% of our performance reviews to match AFRH Goals. This spells out the outcomes we seek for each individual’s work in the larger context of AFRH. Plus we measure staff opinion to gauge our overall organizational climate.

Results:
To ensure cultural training programs are carried out, AFRH moved its EEO program to a contract under GSA. In FY07 we held two management off sites as planned, plus events like our annual Employee Day and Picnic, Employee Recognition Day and Golfing with the Residents. Finally, we added an opportunity to volunteer at the DC Food Bank.

Also, we met our Objective of having 100% of all employees complete the annual performance review and began our new cycle as planned.

We did not complete our action to administer an organizational survey. However, we did develop the survey and will administer it in FY08.

GOAL – Culture of Integrity:
Inspire commitment to AFRH Guiding Principles through mutual respect.

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Baseline FY07 Target</th>
<th>Baseline FY07 Actual</th>
<th>Met/Not Met</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of additional cultural/volunteer programs</td>
<td>+1</td>
<td>+1</td>
<td>Met</td>
</tr>
<tr>
<td>Number of employee offsite activities</td>
<td>2</td>
<td>2</td>
<td>Met</td>
</tr>
<tr>
<td>Percentage of completed employee performance reviews</td>
<td>100%</td>
<td>100%</td>
<td>Met</td>
</tr>
<tr>
<td>Percentage of Employee Climate Survey responses of “Excellent” or “Very Good”</td>
<td>70%</td>
<td>--</td>
<td>Not Met</td>
</tr>
</tbody>
</table>

Baseline FY07 Actual

Alfred Giunta served in WWII, Korea and Vietnam. All his life, he wanted to be an artist. He began painting years ago, but had to quit to earn a living and focus on his family. While he never finished school at United Artists, Alfred never gave up his first love of painting. “Now, I have the time to really get back into it,” he beamed. Of late, he has painted everything from lighthouses and boats to Tony Bennett and a Toreador. In fact, Alfred’s most celebrated work is a 15x4 painting of the Battle of Midway, which proudly hangs in the AFRH Library.
Goal — Exceptional Service:

Enhance the AFRH experience to enrich the quality of residents’ lives.

Outcome

Our first responsibility is to ensure the well-being of the residents. Our second duty is to assure satisfaction of service partners and key stakeholders. So, the outcome of our Exceptional Service Goal is high customer satisfaction in both groups. To achieve this, we are sustaining our strategy to provide quality services and respond to customer needs. Likewise, we are continuing our positive public relations efforts.

In the end, our aim is to provide the best levels of resident care, while promoting vitality and independence as long as possible.

Measures:

To gauge success in Exceptional Service, we measure feedback from current, prospective and exiting residents. We also measure our ability to fill vacancies in the residence halls. The fill rate is dependent on the number of rooms that are readied and available, so we keep a close watch on numbers as they fluctuate.

Promoting military heritage is one of the most powerful and unique draws to living at AFRH. So we ensure a sufficient number of military themed events to enrich the lives of our residents.

Performance Measure | Baseline FY07 Target | Baseline FY07 Actual | Met/Not Met
--- | --- | --- | ---
**Goal: EXCEPTIONAL SERVICE** | | | |
Percentage of Resident Service Survey responses of “Excellent” or “Very Good” | 75% | 75+% | Met
Number of new Independent Living residents | +144* | +172 | Met
Number of military heritage related events per year | 6 | 10 | Met
Number of partnerships with external stakeholders | 5 per year | 5 | Met
Percentage of employees trained in health & wellness model of retirement living | 50% | 70+% | Met

*Number may fluctuate when Scott Building renovations start

Our residents have supplied feedback in many ways, which shows that we are succeeding (see charts — next spread). Plus they participate in a dining room committee, which meets monthly to offer advice to Dining Services.

The Home also thrives with external partnerships - because they expand our sphere of influence and help us reach prospective residents and their significant others. So, we strive to add new liaisons each year.

Lastly, we seek to keep employees constantly trained in our new wellness philosophy – in order move away from the image of an “Old Soldiers’ Home” to a modern CCRC.

Results:

Our residents have supplied feedback in many ways, which shows that we are succeeding (see charts — next spread). Plus they participate in a dining room committee, which meets monthly to offer advice to Dining Services.

Our major success was the launching of our in-house TV channel 99/100. Chock-full of wit, wisdom and news for residents, this station has been well received.

Through our budget integration process, we can now demonstrate that the majority of our funding is spent on this Strategic Goal of Exceptional Service (see PMA for details).

Hence, through innovative programs, outreach and training, we are now providing the best possible service to our residents.
Recreation

We offer an annual survey to residents to assess customer service and participation in recreation and leisure activities. In 2007, 311 residents participating in recreational activities completed our survey - as compared to 303 in 2006. As in past years, our library and the fitness center rank at the top.

The dynamic events we plan include celebrations, dances, tournaments, shows and outdoor activities. This year, our athletic competition, the AFRH Senior Olympics, drew many more participants than in 2006. Also we added our usual lineup of poetry reading “on the green,” swing dancing and extra bingo days. Clearly, the residents’ favorite event is the July 4th celebration, while trips and cookouts come in a close second.
**Customer Service**

We beat our target of 75 percent or better. In FY07, 79 percent of respondents graded staff service at “above average” or “outstanding.” This eclipses our 2006 grade of 65 percent. It should be noted that last year, more “above average” responses were logged – while this year many more “outstanding” marks were given.

**Healthcare**

In July, 222 residents who use our healthcare services completed the Healthcare Survey. It measured overall satisfaction in both services received and customer service in eight separate categories. Nearly every service garnered well over the 75% benchmark for “outstanding” or “very good” satisfaction. Furthermore, Medication Distribution and Rehabilitation Services received more than 90 percent satisfaction. We had one exception with Long Term Care, where only eight residents submitted approval ratings at 63% for services and 60% for customer service. At present, we are looking into ways to improve this area.

**Non-Resident Veterans**

As part of its marketing efforts, Public Affairs conducted a survey among prospective residents to see what veterans are really looking for in a retirement home. The top 10 desired services are ranked in the chart below: [Top Ten Desired Services].

**Exiting Residents**

We often survey residents who leave the Home, to gain insight on areas for improvement. In FY07, the main reasons for leaving AFRH were:

- To live near relatives
- To not live in a downtown metro area, and
- To avoid high DC taxes & licensing expenses

Currently, the only services that fall below our 75% benchmark are rooms, maintenance and medical. At present, we’re working hard to improve those areas, too.

**NOTE:** We do not count exiting residents’ results in meeting our Goals.

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“Most veterans were fit and healthy in the military. So they enjoy coming to Physical Therapy.”

— Lynn Holt (Director, PT/OT)
Military Heritage

AFRH managers have received their marching orders: take every opportunity to showcase military-related memorabilia, artifacts and themes. Doing so will reassure residents we are committed to celebrating military history – and their venerable service to the US Armed Forces.

To openly promote our rich heritage, a minimum of six military-related events is required on our campus each year. In FY07, we eclipsed this goal and offered participation in 10 such events:

1 – Let the Generations Meet (October)
2 – London’s Royal Hospital Chelsea Pensioners visit (November)
3 – Joint Chief of Staff Christmas Party (December)
4 – Women in Defense social (April)
5 – Queen Elizabeth visit at WWII Memorial (May)
6 – Coast Guard event to adopt AFRH Pond (June)
7 – Night of Heroes celebration (June)
8 – US Army Birthday party at the Pentagon (June)
9 – Asst. Commandant of the USMC General Magnus visit (July)
10  – CSM Army William Gainey visit (August)

Communications

We’ve made strong efforts to communicate with the residents - such as revamping the website afrh.gov, launching our campus TV station Channel 99/100, and initiating a web-cam to view the Gulfport rebuild. Further, AFRH stays visible among its constituents with regular attendance at national conferences, “Retired Activity Days,” various senior events and veterans service organizations. Lastly, our vibrant marketing and outreach program also keeps us top-of-mind.

Training

We strive to keep our staff current with advanced training. Although we exceeded our modest goal of 70 percent to be trained in health and wellness, this area is still evolving. Given the many mandatory courses required in nursing care, accreditation and safety, we now offer over 136 hours of training.

Stakeholder Outreach

We have established many external relationships in the greater Washington community. And these partnerships have produced great rewards for AFRH:

All told, these liaisons have greatly improved the quality of life for AFRH residents. Our latest target to add five new external partners will commence next year.

Partner
US Coast Guard
Armed Forces Foundation
Pentagon Federal Credit Union
Disabled American Veterans (DAV)
American Legion National HQ
Catholic University
Joint Chief of Staff (J-5)
All Branches retiree magazines
Defense Link
Retired Activities Offices (all Branches)

Endeavor
Adopted our pond
Congressional Golf & Crab Society benefit
Night of Heroes celebration
Mobile unit to aid residents with VA benefits
Queen Elizabeth & Ken Burns events
Volunteer Day
Annual Christmas Party
Army Echoes, Air Force Afterburner, Marine Corps Semper Fi & Navy Shift Colors
Home for Heroes (defenselink.com)
Boosting resident community participation

Our historic Gazebo was moved to make way for Lincoln Cottage restoration. Here, 23 volunteers from The US Coast Guard, Chief Warrant Officer’s Association and the Chief Petty Officer’s Association chip in (along with 10 AFRH residents). This saved the Home $2,000 on labor.

Sergeant Major of the Army Kenneth Preston and resident Mike Longwell (Army – Retired) mingle at the Pentagon FCU’s “Night of Heroes” gala.

With a base number of about 275 staff requiring training, we can account for 94 percent attendance in essential courses. Yet, in FY07, we made a change in record keeping, moving from the calendar year to the fiscal year. So the overlap between records does not tell the full story.
Each Federal agency is required to certify the completeness and reliability of its performance data and describe the means used to verify and validate it (per The Government Performance and Results Act of 1993 and the Reports Consolidation Act of 2000). To foster valid data, many of our performance areas have undergone independent reviews by the Air Force IG, OPM, BPD and JCAHO.

Financial Data
During the FY07 financial audit, various tests and reviews of our core accounting system were conducted and reported - as required by the Chief Financial Officers Act.

External Benchmarks
As a healthcare provider, AFRH is required to meet the standards developed by national organizations that accredit health facilities. In FY07, JCAHO made an unannounced inspection and results were favorable. In its annual inspection, JCAHO awarded its Gold Seal of Approval to AFRH-Washington in FY06 and to AFRH-Gulfport in FY05. Previous years have also yielded positive feedback during separate on-the-spot inspections at both campuses.

In FY07, we began a new process for accreditation by CARF/CCAC. We should have our first review in FY08.

Dining Services has a profound and positive affect on the residents’ health. As such, it must comply with JCAHO food and preparation quality standards – as well as the FDA’s Food Code. Plus, we also abide by sanitation standards enforced by the US Army during their sanitation inspections.

Finally, OPM conducted a routine inspection in September 06 and the findings were distributed in FY07. Points of discussion between OPM and AFRH included: our status as a small government agency; the impact of Hurricane Katrina on many HR functions; and the Home’s approach to human capital management as a CCRC. Indeed, these factors are complex and all contribute to our unique HR environment.

Computer Data
To validate each data report, we ensure that more than one person is responsible for compiling it. Likewise, we employ a chain of command review-and-approval to validate our policies and procedures – on everything from food and healthcare, to recreation and support services.

In FY06, the Home received its first IT security C&A, which was maintained in FY07.

In Closing:
All told, we are proud of our impressive gains in performance, especially Improved Finances. Achieving this key Goal is the basis of our growth strategy and future vitality. In FY08, we look forward to achieving an even greater percentage of our goals – and building a more vibrant AFRH.

We draw on many measures to assess achievement:

Business Measures:
- An increase in the Trust Fund value
- A rise in resident occupancy
- Savings through initiatives
- Reductions in space & land usage
- Donations from community partners, nonprofits & foundations

Customer Satisfaction:
- An increase in completed surveys
- Improvements in health & wellness
- Enhancements to the facilities
- Supplemental services

Employee Satisfaction:
- A boost in Performance Evaluations
- Integration of the Volunteer Program
- Updated policies & directives
So far, we’ve outlined just how we laid the foundation for success. Plus we’ve highlighted the recent developments in our financial health. This section exhibits our sound financial gains.

Hugh Wingo served on the USS Benham destroyer, one of the few ships that sank. “A kamikaze hit our secondary com, 50 feet from my post - killing 50 and injuring 200. I ducked down in the gunner’s hatch to safety.” Hugh survived to serve in Korea and Vietnam, too. That versatility endures. At age 90, Hugh is a member of the Lions Club, the Fleet Reserve Association, and Toastmasters, a leadership club.

He exercises daily and recently took up golf again. Plus he stays active in script plays at AFRH and enjoys reading the works of Louis L’Amour, a western writer. His next great adventure? Being a dossier at the restored Lincoln Cottage.
I have the distinct pleasure of assuring the President, Congress and the American people of our steadfast stewardship of the public funds entrusted to us. Moreover, AFRH is maintaining its focus on residents. A recent analysis of our spending on Strategic Goals now demonstrates that 86 percent of all expenditures are for the Goal of Exceptional Service. I am proud and pleased to report that FY07 is the year to tout the Home’s success in financial performance. In this PAR, AFRH is showcasing the results of its improved government financial management.

The Overarching Goal
Our objective in 2002 was to become financially efficient, with the goal of continuing optimal service to current and future residents. We were determined to achieve efficiency by leveraging our assets, using our property to its fullest potential, aligning workforce plans with employee standards and redesigning or renovating outdated facilities. Our 2002 goals also included “re-visioning” AFRH as a modern CCRC. Thus, we were committed to demonstrate best value by modernizing our facilities and equipment – as well as managing our resources to create better living conditions and services for the residents of today and tomorrow.

Accentuating Financial Performance
In 2002, Congress authorized AFRH to use its biggest asset, its land, to replenish our diminishing Trust Fund. We have been good stewards of that money: in four years, we have grown the Fund by $65 million and our FY07 end balance is $159 million. In fact, staff was spread across our numerous buildings with growing infrastructure costs.

Hence, we set out to develop a more efficient Master Plan for the Washington property. Working with the GSA, we built a plan that generated revenue for long-term use and development of our underused property. Through the PART, we began to redefine our “footprint” on the Washington campus.

Soon, our buildings began to serve multiple purposes: we vacated numerous ones, including those dedicated to administrative functions. The employees were co-located in our dormitories to enhance resident service and promote greater efficiency. In short, these actions resulted in unprecedented cost savings. As a result, in 2004 our PART was rated “moderately effective.”

Drawing on the PMA and FAIR Act
To gain added efficiencies, we leveraged the PMA and FAIR Act. Poorly performing functions and programs with significant cost overruns – or those facing capital investment costs – became targets for A-76 studies. In addition, workforce plans were aligned with Business Plans for accountability and performance objectives.

Public-to-public outsourcing allowed us to eliminate integration problems with our network servers and thereby gain efficiencies. We integrated critical functions (such as accounting, travel, payroll, time and attendance, government credit card, procurement and investments) using a system provided by BPD-ARC.

Measuring our Success
Although past measures for our Goals were not set, we have four years of data from our PMA self-assessments that show steady progress from 2004 to present. For our long-term Strategic Goals, we are using FY07 as the baseline, making concrete targets against which to measure year after year. Finally, we will collect standardized data for comparison and we have developed seven performance indicators especially for Financial Growth.

Shaping the Future
Our financial management successes are noteworthy. Through our efforts, we have posture the Home for continued growth and prosperity. Along with the achievements discussed here, we gained our third consecutive “unqualified” audit opinion. And our Trust Fund balance is healthy.

In accounting, our internal controls have yielded less than one-half of one percent errors. For FY08, we are poised to implement our cost-savings initiatives and continue with our asset management and acquisition strategy.

Undeniably, the future looks bright. Congress approved funds to rebuild Gulfport and the project is underway with a targeted completion date of 2010. Also our Washington Master Plan is on track. Through this Plan, we have selected a preferred developer and are negotiating an agreement to develop the southern end of the Washington campus, with financial returns to begin in 2012. We are also focusing efforts in Washington to create better living conditions for residents. Management has requested funds from the Trust Fund to renovate our oldest dormitory, the Scott Building, in FY10. To keep pace with our vision of a modern CCRC, we are expanding the size of the rooms from 180 to 600 plus square feet. This move will also reduce our resident capacity in the Washington campus.

In FY15, when we renovate the Sheridan dormitory, our capacity will be reduced to the size of Gulfport, creating the opportunity to build a new resident tower to meet demand. We expect operating costs for both the Washington and the Gulfport homes to be approximately $18-$21 million, for an aggregate cost of $36-$42 million. This compares favorably to Washington’s FY08 costs of $47 million. With expected revenue of more than $70 million, the Home will be positioned to create additional space to meet resident demand.

I have the distinct pleasure of assuring the President, Congress and the American people of our steadfast stewardship of the public funds entrusted to us. Moreover, AFRH is maintaining its focus on residents.

Message from the Chief Financial Officer

Steven G. McManus
Chief Financial Officer (CFO)

November 15, 2007
We are pleased to present the AFRH financial statements, which attest to the reliability and accuracy of our recent financial success.

The principal AFRH Financial Statements were carefully prepared to report our financial position and operational results. Independent accountants conducted in-depth statement audits, in accordance with government auditing standards. Our Statements should be read with an understanding they are for a component of the US Government, a sovereign entity.

The AFRH financial management activities in FY07 – including purchasing, payments, accounting, budget and travel service – were administered by BPD. The NFC processed our payroll and time/attendance data entry transactions, integrated with the BPD financial management system.

These operations were managed under mutual agreements with the Department of Treasury and Agriculture. The AFRH relies on information received from BPD and NFC (plus audits and reviews) to execute its management control.

INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS

U.S. Armed Forces Retirement Home
Washington, D.C.

We have audited the accompanying balance sheet of the U.S. Armed Forces Retirement Home (AFRH) as of September 30, 2007 and 2006, and the related statements of net cost, changes in net position, and budgetary resources and financing for the years then ended. These financial statements are the responsibility of AFRH’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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, Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirement for Federal Financial Statements. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AFRH as of September 30, 2007 and 2006, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued a report dated November 9, 2007 on our consideration of the AFRH’s internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in “Management’s Discussion & Analysis” is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised Financial Reporting Requirements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Largo, Maryland
November 9, 2007

"When I saw the great setup here, I said: ‘Man, I’ve got to get back into porcelains.’"  
– Paul Schlegel (Navy – Retired)
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL

U.S. Armed Forces Retirement Home
Washington, D.C.

We have audited the financial statements of the U.S. Armed Forces Retirement Home (AFRH) as of and for the year ended September 30, 2007 and have issued our report thereon dated November 9, 2007. 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 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. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. 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 a significant deficiency. 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 result 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 a significant deficiency or a material weakness as defined above.

In addition, with respect to internal control objectives related to the performance measures included in the “Management’s Discussion & Analysis,” we obtained an understanding of the design of internal controls relating to the existence and completeness assertions, and determined whether they have been placed in operation as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide an opinion on internal control over reported performance measures, and, accordingly, we do not express an opinion on such controls.

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 9, 2007

Albert Martin (Air Force – Retired) deserves a little extra Hershey's® Syrup – served by Laura Fogarty, Chief, Recreation Services – at the AFRH ice cream social.
In August 1945, plans to invade Japan were in place. Many generals and soldiers didn’t know about the A-bomb. So they were surprised when we dropped two. But, that saved a million US lives. My most vivid war memory was Japan’s surrender in Tokyo Bay on Sep. 02. I was a guard on board the USS Missouri, which was 18 stories tall – and 103 Admirals and Generals were present, including Nimitz, Wainwright and MacArthur. My ship got credit for shooting down 35 kamikaze planes. I remember, one landed aboard … and it was a sight. We still said, "Splash One Bogey!"
When Germany invaded Poland in 1939, Mrs. Proska feared her teenage son would be taken. So she sent him underground to the Romanian border. He and 180 boys secretly traveled to Yugoslavia, Greece and finally France, where they finished school. In 1942, they moved to the mountains. “We trained in the Grenoble: a anti-communist group like Boy Scouts,” he said. In 1944, they met up with the exiled Polish Army in England – then the war ended. Yet George was a political refugee and couldn’t go home. So he studied in France, joined the US Army and later worked for Marriott in America. “For 26 years, I did not know if family was alive,” he lamented. Now a US citizen, he was allowed re-entry to Poland. So he journeyed home and went to his old neighbors. “They said: ‘mother still alive!’ I said: ‘OK, please inform her that I am alive – and going to see her tomorrow.’” So I bought roses. I came to my home and knock on door … and my mother … mad like hell at me. She yelled: ‘How could you go see neighbor – in place of me!’ I said, ‘Mother, I was afraid you would see me and you’d die.’”
### STATEMENT OF NET COST

For the years ended September 30, 2007 and 2006 (In Dollars)

<table>
<thead>
<tr>
<th>Program Costs:</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chief Operations Office:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$1,685,561</td>
<td>$2,182,271</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>514,804</td>
<td>543,256</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>1,170,757</td>
<td>1,639,015</td>
</tr>
<tr>
<td><strong>Corporate Resource Office:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$6,718,250</td>
<td>$6,925,162</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>2,051,889</td>
<td>1,723,955</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>4,666,361</td>
<td>5,201,207</td>
</tr>
<tr>
<td><strong>Gulfport, MS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$1,571,591</td>
<td>$7,533,225</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>479,995</td>
<td>1,875,327</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>1,091,596</td>
<td>5,657,898</td>
</tr>
<tr>
<td><strong>Washington D.C.:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$50,008,976</td>
<td>$50,921,900</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>15,273,748</td>
<td>12,474,537</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>34,735,228</td>
<td>38,447,363</td>
</tr>
<tr>
<td><strong>Total Program Costs:</strong></td>
<td>41,663,942</td>
<td>50,743,483</td>
</tr>
<tr>
<td>Costs Not Assigned to Programs</td>
<td>44,491</td>
<td>44,491</td>
</tr>
<tr>
<td><strong>Net Cost of Operations:</strong></td>
<td>41,708,433</td>
<td>50,743,483</td>
</tr>
</tbody>
</table>

### STATEMENT OF CHANGES IN NET POSITION

For the years ended September 30, 2007 and 2006 (In Dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cumulative Results of Operations:</strong></td>
<td>$449,153,329</td>
<td>$449,953,329</td>
<td>$295,334,552</td>
<td>$295,334,552</td>
</tr>
<tr>
<td>Beginning Balances, as Adjusted</td>
<td>$449,153,329</td>
<td>$449,953,329</td>
<td>$295,334,552</td>
<td>$295,334,552</td>
</tr>
<tr>
<td><strong>Budgetary Financing Sources:</strong></td>
<td></td>
<td></td>
<td>$241,800,000</td>
<td>$241,800,000</td>
</tr>
<tr>
<td>Appropriations Used</td>
<td>$</td>
<td>$</td>
<td>$241,800,000</td>
<td>$241,800,000</td>
</tr>
<tr>
<td>Nonexchange Revenue</td>
<td>47,801,049</td>
<td>47,801,049</td>
<td>49,744,164</td>
<td>49,744,164</td>
</tr>
<tr>
<td>Donations and Forfeitures of Cash and Cash Equivalents</td>
<td>1,425,392</td>
<td>1,425,392</td>
<td>973,267</td>
<td>973,267</td>
</tr>
<tr>
<td>Transfers-in/out Without Reimbursement</td>
<td>-</td>
<td>-</td>
<td>800,000</td>
<td>800,000</td>
</tr>
<tr>
<td>Other</td>
<td>(44,491)</td>
<td>(44,491)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Non-Exchange):</strong></td>
<td>$1,494,879</td>
<td>$1,494,879</td>
<td>$294,218,771</td>
<td>$294,218,771</td>
</tr>
<tr>
<td>Imputed Financing Sources</td>
<td>$1,494,879</td>
<td>$1,494,879</td>
<td>$294,218,771</td>
<td>$294,218,771</td>
</tr>
<tr>
<td><strong>Total Financings Sources:</strong></td>
<td>$1,494,879</td>
<td>$1,494,879</td>
<td>$294,218,771</td>
<td>$294,218,771</td>
</tr>
<tr>
<td>Net Cost of Operations</td>
<td>$458,566,210</td>
<td>$458,566,210</td>
<td>$449,553,323</td>
<td>$449,553,323</td>
</tr>
<tr>
<td>Net Changes</td>
<td>$458,566,210</td>
<td>$458,566,210</td>
<td>$449,553,323</td>
<td>$449,553,323</td>
</tr>
<tr>
<td><strong>Cumulative Results of Operations:</strong></td>
<td>$458,566,210</td>
<td>$458,566,210</td>
<td>$449,553,323</td>
<td>$449,553,323</td>
</tr>
<tr>
<td>Budgetary Financing Sources</td>
<td></td>
<td></td>
<td>$241,800,000</td>
<td>$241,800,000</td>
</tr>
<tr>
<td>Appropriations Received</td>
<td></td>
<td></td>
<td>$241,800,000</td>
<td>$241,800,000</td>
</tr>
<tr>
<td>Appropriations Used</td>
<td>-</td>
<td>-</td>
<td>$241,800,000</td>
<td>$241,800,000</td>
</tr>
<tr>
<td><strong>Total Budgetary Financing Sources:</strong></td>
<td>-</td>
<td>-</td>
<td>$241,800,000</td>
<td>$241,800,000</td>
</tr>
<tr>
<td>Net Position</td>
<td>$458,566,210</td>
<td>$458,566,210</td>
<td>$449,553,323</td>
<td>$449,553,323</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.

Who can do the most sit-ups? Our money is on top AFRH athlete Curt Young (left) ... or maybe 90-year old Hugh Wingo (center).
### STATEMENT OF BUDGETARY RESOURCES

For the years ended September 30, 2007 and 2006 (In Dollars)

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary Resources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unobligated Balance Brought Forward, October 1</td>
<td>$271,474,561</td>
<td>$33,296,782</td>
</tr>
<tr>
<td>Recoveries of Prior Year Unpaid Obligations</td>
<td>1,506,786</td>
<td>2,887,893</td>
</tr>
<tr>
<td><strong>Budget Authority:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation</td>
<td>56,890,105</td>
<td>542,681,000</td>
</tr>
<tr>
<td>Temporarily Not Available Pursuant to Public Law</td>
<td>0</td>
<td>562,810</td>
</tr>
<tr>
<td><strong>Total Budgetary Resources:</strong></td>
<td>$329,671,452</td>
<td>$578,282,865</td>
</tr>
</tbody>
</table>

| **Status of Budgetary Resources:** |            |                    |
| Obligations Incurred          |            |                    |
| Direct                        | $277,163,359 | $306,808,304       |
| **Unobligated Balance:** |            |                    |
| Apportioned                   | 52,508,093  | 271,474,561        |
| **Total Status of Budgetary Resources:** | $329,671,452 | $578,282,865       |

### Change in Obligated Balance:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid Obligations, Brought Forward, October 1</td>
<td>$7,808,113</td>
<td>$9,508,924</td>
</tr>
<tr>
<td>Obligations Incurred</td>
<td>277,163,359</td>
<td>306,808,304</td>
</tr>
<tr>
<td><strong>Less: Gross Outlays:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations, Actual</td>
<td>1,506,786</td>
<td>2,887,893</td>
</tr>
<tr>
<td>Total, Unpaid Obligated Balance, Net, End of Period</td>
<td>$277,631,050</td>
<td>$7,808,113</td>
</tr>
</tbody>
</table>

### Change in Outlays:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Outlays:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Outlays:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>$21,070,371</td>
<td>$20,961,304</td>
</tr>
<tr>
<td>Defense</td>
<td>-5,038,159</td>
<td>-5,038,159</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td>$15,032,212</td>
<td>$15,923,145</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these statements.

### REQUIRED SUPPLEMENTARY INFORMATION

**INTRAGOVERNMENTAL TRANSACTIONS**

As of September 30, 2007

<table>
<thead>
<tr>
<th>Fund Balance with Treasury</th>
<th>Investments</th>
<th>Accounts Receivable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Air Force</strong></td>
<td>$391,593,775</td>
<td>$350,641,366</td>
<td>$385,167,550</td>
</tr>
<tr>
<td><strong>Army</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Army Corp of Engineers</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Navy</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Marines</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$391,593,775</td>
<td>$350,641,366</td>
<td>$385,167,550</td>
</tr>
</tbody>
</table>

**INTRAGOVERNMENTAL ASSETS**

|-------|---------------------|-----------------------|----------|---------------|------------------------------------------|----------------------------|-------------------|----------------------------------|----------------|----------------|----------------|

**INTRAGOVERNMENTAL LIABILITIES**

|-------|---------------------|-----------------------|----------|---------------|------------------------------------------|----------------------------|-------------------|----------------------------------|----------------|----------------|----------------|

**FINANCIAL**

Federal agencies are required to classify and report heritage assets, in accordance with the requirements of SFAS No. 8, “Supplementary Stewardship Reporting.” Heritage assets are property, plant, and equipment that possess one or more of the following characteristics: historical or natural significance; cultural, educational, or aesthetic value; or significant architectural characteristics.

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

The AFPH has four buildings and structures that are designated as National Historic Landmarks. In accordance with SFAS No. 8, heritage assets that are used in day-to-day government operations are considered “multi-use” heritage assets that are not used for heritage purposes. Such assets are accounted for as general property, plant, and equipment and are capitalized and depreciated in the same manner as other general property, plant, and equipment.

**ARMED FORCES RETIREMENT HOME REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006.**

Is he bluffing?" Here, "Woody" Williams (Navy - WWII) decides to double-down in a blackjack game-show activity.

Is he bluffing??
Our Strategic Goal of Financial Growth has always included the component of strong financial management. To strengthen it, we began a relationship with BPD in FY04 – and it has produced three “unqualified” audit opinions. This partnership has been one of the cornerstones of our recent financial success.

BPD gave us the key ability to balance and account for all assets, liabilities and other financial elements. BPD’s management has helped us maintain and increase the balance of the AFRH Trust Fund – and pull all AFRH accounts together with sound accounting practices. AFRH did not have such in-house expertise. So, thanks to BPD’s financial wisdom, the Home is now in a highly stable position.

“Our staff spent many hours training us to use automated tools like Discoverer, Prism and Oracle Asset Management.”
—Stan Whitehead, AFRH IT Manager

“We had a smooth accounting transition to BPD. Their knowledge and experience in system conversions made a big difference.”
—Kelly Barnes, Former Business Center Chief
**NOTES TO THE FINANCIAL STATEMENTS**

**A. Reporting Entity**

The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 240 S.C. The AFRH is an indepen- dent agency of the executive branch of the Federal Government. The AFRH has two facilities. One is located in Washington, D.C. and the other is located in Philadelphia. The AFRH is mission to fulfill our nation’s Promise to its veterans by providing a premier retirement community with exceptional residen- tial care and supportive services. We support our residents’ independence, dignity, distinction, heritage, and future of continued life- long experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to pro- viding the best housing and support services possible and creating a true community of AFRH residents, a family free to explore their talents, pursue their interests, and follow their dreams.

An Advisory Board comprised of military and civilian experts with a broad range of expertise in nursing homes, geriatrics, public works, and aging assess the AFRH.

The 1991 Defense Authorization Act created an Armed Forces Retirement Home Trust Fund (Trust Fund). Governed by limitations determined annually by the U.S. Congress, the Trust Fund is used to finance operating expenses as well as capital expenditures of the AFRH on an annual and no year basis.

**B. Basis of Presentation**

The financial statements have been prepared to report the financial posi- tion, net cost of operations, changes in net position, and the status and availability of budgetary resources of the Armed Forces Retirement Home (AFRH). The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Accountability of Tax Dollars Act of 2002 and the Office of Governors Act of 1990, the Government Management Reform Act of 1994, the Government Management Reform Act of 1994, and the Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Financial Federal Statements. They have been prepared and are fully supported by the books and records of AFRH in accor- dance with the hierarchy of accounting principles generally accepted in the United States of America, standards approved by the principals of the American Institute of Certified Public Accountants’ Council designated as the Financial Accounting Standards Board (FASAB).

The AFRH’s financial statements are presented in accordance with the requirements of the Governmental Accounting Standards Board (GASB). The financial statements have been prepared on an accrual basis and a budgetary basis.

**C. Basis of Accounting**

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

To assure OMB in recommending and publishing comprehensive accounting standards and principles for agencies of the Federal Government, the Secretary of the Treasury, the Comptroller of the United States, the Director of OMB, and the Joint Financial Management Improvement Program established the Federal Accounting Standards Advisory Board (FASAB) in 1990. The American Institute of Certified Public Accountants Council designated FASAB as the accounting stan- dards authority for Federal government entities.

**D. Exchange Revenue, Non-Exchange Revenue, and other Financing Sources**

**Exchange Revenue**

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

The AFRH’s exchange revenue consists primarily of resident fees, rental income, subsistence for food service employees, custodial services, meal tickets, and interest earned on Treasury securities. Revenue from resident fees is recognized when services are provided and is invested for future funding requirements.

**Non-Exchange Revenue**

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

The AFRH’s non-exchange revenue consists of military fees and for- feitures, monthly payroll withholdings from enlisted military personnel, bequests, and donations. Non-exchange revenue is recognized when collected.

**Financing Sources**

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

The AFRH owns the land and buildings in which both homes operate. The majority of the property, plant, and equipment is used to provide resi- dential and health care to members and at valuation as of equipment. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to $25,000 per unit is capitalized. Routine maintenance is expensed; however, major repairs or renewals of property, plant, equipment, or improvements of construction-in-progress until the asset is completed and transferred to the appropriate property account. Depreciation expense is recognized on property, plant, and equipment with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the asset’s useful lives. Other equipment is expensed when purchased.

All employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the TSP, a TSP account is established by the Federal Government and the American Institute of Certified Accountants (AICPA) in 1986 at the request of Congress. The TSP account is subject to the retirement plans covering its employees. Reporting amounts to fund annual leave earned but not taken, fund- ing will be obtained from future financing sources. Sick leaves and other types of nonvested leaves are expensed at taken.

**L. Retirement Plans**

Most AFRH employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Pursuant to this law, FERS and Social Security are automatically enrolled in FERS makes a mandatory 1 percent contri- bution to this account. In addition, AFRH makes matching contribu- tions, ranging from 1 to 4 percent, for FERS eligible employees who partici- pate in their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employers. FERS employees and certain CSRS retirement employees are eligible to participate in the Social Security program after retirement. In these instances, AFRH remits the employer’s share of the required contribution. AFRH does not report in its financial statement information pertaining to the retirement plans covering its employees. Reporting amounts as such plans, accumulated plan benefits, and related unfunded lia- bilities, if any, in the responsibility of the Office of Personnel Management.

**M. Imputed Costs / Financing Sources**

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in full or in part by other entities. An impor- tant of financing sources is recognized by the receiving entity for costs that are paid by one entity. AFRH recognized incurred costs and financing sources in fiscal year 2007 and 2006 to the extent directed by the OMB.

**N. Use of Estimates**

Management has made certain estimates when reporting assets, liaabi- ties, revenue, expenses, and in the note disclosures. The prepara- tion of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
O. Commitments and Contingencies

Contingent liabilities are recognized when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. AFRH has no contingencies that require disclosure as of September 30, 2007 and 2006.

P. Federal Employment Compensation Act

The Federal Employees Compensation Act (FECA) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work related occupational disease, and beneficiaries of employees whose death is attributable to a job related injury or occupational disease. The total liability should consist of an actuarial and accrued portion.

Q. Reclassification

Certain fiscal year 2006 balances have been reclassified, restated, or combined with other financial statement line items for consistency with current year presentation. Under SFAS 7, OMB has reclassified the Statement of Financing to be presented in a note as Reconciliation of Net Cost of Operations to Budget.

NOTE 3. INVESTMENTS

Schedule of Investments as of September 30, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Amortization Method</th>
<th>Unamortized (Premium) Discount</th>
<th>Interest Receivable</th>
<th>Investments (Net)</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Marketable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market-Based</td>
<td>$ 157,610,000</td>
<td>Interest</td>
<td>$(503,092)</td>
<td>$ 1,934,458</td>
<td>$ 159,041,346</td>
<td>$ 160,463,904</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$ 157,610,000</td>
<td>$ (503,092)</td>
<td>$ 1,934,458</td>
<td>$ 159,041,346</td>
<td>$ 160,463,904</td>
<td></td>
</tr>
</tbody>
</table>

Schedule of Investments as of September 30, 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
<th>Amortization Method</th>
<th>Unamortized (Premium) Discount</th>
<th>Interest Receivable</th>
<th>Investments (Net)</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Marketable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market-Based</td>
<td>$ 138,568,000</td>
<td>Interest</td>
<td>$(938,103)</td>
<td>$ 1,933,669</td>
<td>$ 139,563,566</td>
<td>$ 137,586,368</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$ 138,568,000</td>
<td>$ (938,103)</td>
<td>$ 1,933,669</td>
<td>$ 139,563,566</td>
<td>$ 137,586,368</td>
<td></td>
</tr>
</tbody>
</table>

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Investment maturity dates for fiscal years 2007 and 2006 range from February 29, 2008 to May 15, 2016 and October 15, 2006 to June 30, 2007, respectively, and interest rates for the same fiscal years range from 4.500 percent to 5.625 percent and 3.625 percent to 6.500 percent, respectively.

NOTE 4. ACCOUNTS RECEIVABLE

Schedule of Accounts Receivable as of September 30

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Army Corps of Engineers</td>
<td>$ 49,476</td>
<td>$ -</td>
</tr>
<tr>
<td>US Air Force 4th Qtr. Fines</td>
<td>414,031</td>
<td>409,480</td>
</tr>
<tr>
<td>US Army 4th Qtr. Fines</td>
<td>1,530,287</td>
<td>1,376,893</td>
</tr>
<tr>
<td>US Marine 4th Qtr. Fines</td>
<td>895,938</td>
<td>846,970</td>
</tr>
<tr>
<td>US Navy 4th Qtr. Fines</td>
<td>1,067,473</td>
<td>-</td>
</tr>
<tr>
<td>Total Intragovernmental</td>
<td>3,953,864</td>
<td>2,687,345</td>
</tr>
<tr>
<td>Resident Fees Receivable</td>
<td>386,045</td>
<td>537,111</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>88,753</td>
<td>16,945</td>
</tr>
<tr>
<td>Total Accounts Receivable</td>
<td>$ 4,428,662</td>
<td>$ 3,243,399</td>
</tr>
</tbody>
</table>

The accrued FECA liability as of September 30, 2007 and 2006 represents claims incurred for benefits administered and paid by DOL to AFRH employees. The AFRH will reimburse DOL for these claims in future periods. See Note 6 for additional information.

The accrued FECA liability as of September 30, 2007 and 2006 represents claims incurred for benefits administered and paid by DOL to AFRH employees. The AFRH will reimburse DOL for these claims in future periods. See Note 6 for additional information.
NOTE 5. GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

Schedule of Property, Plant and Equipment as of September 30, 2007

<table>
<thead>
<tr>
<th>Description</th>
<th>Acquisition Cost (in Dollars)</th>
<th>Accumulated Depreciation (in Dollars)</th>
<th>Net Book Value (in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Improvements</td>
<td>$ 10,982,370</td>
<td>$ 9,772,837</td>
<td>$ 1,209,533</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>181,456,706</td>
<td>132,448,241</td>
<td>49,008,465</td>
</tr>
<tr>
<td>Equipment</td>
<td>3,293,482</td>
<td>2,369,639</td>
<td>919,843</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>20,881,012</td>
<td>-</td>
<td>20,881,012</td>
</tr>
<tr>
<td>Total</td>
<td>$ 216,609,570</td>
<td>$ 144,590,717</td>
<td>$ 72,018,853</td>
</tr>
</tbody>
</table>

Schedule of Property, Plant and Equipment as of September 30, 2006

<table>
<thead>
<tr>
<th>Description</th>
<th>Acquisition Cost (in Dollars)</th>
<th>Accumulated Depreciation (in Dollars)</th>
<th>Net Book Value (in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Improvements</td>
<td>$ 10,982,370</td>
<td>$ 9,539,375</td>
<td>$ 1,442,995</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>180,456,706</td>
<td>125,873,098</td>
<td>55,583,608</td>
</tr>
<tr>
<td>Equipment</td>
<td>3,464,626</td>
<td>2,249,210</td>
<td>1,215,416</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>17,633,674</td>
<td>-</td>
<td>17,633,674</td>
</tr>
<tr>
<td>Total</td>
<td>$ 213,537,376</td>
<td>$ 137,661,683</td>
<td>$ 75,875,693</td>
</tr>
</tbody>
</table>

NOTE 6. OTHER LIABILITIES

As of September 30, 2007

The accrued liabilities for the AFRH are comprised of program expense accruals, payroll accruals, unfunded annual leave earned by employees, and unfunded FECA liability owed to the Department of Labor. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid.

Schedule of Other Liabilities as of September 30

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Liabilities</td>
<td>10,733</td>
<td>115,855</td>
</tr>
<tr>
<td>Payroll Taxes Payable</td>
<td>18,223</td>
<td>18,175</td>
</tr>
<tr>
<td>Total Other Liabilities</td>
<td>$ 28,956</td>
<td>$ 134,030</td>
</tr>
</tbody>
</table>

NOTE 7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities on AFRH’s Balance Sheet as of September 30, 2007 and 2006 include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. Liabilities not covered by budgetary resources consist entirely of unfunded leave and unfunded FECA liability. Unfunded leave and FECA liability balances as of September 30, 2007 and 2006, respectively, are $2,367,367 and $2,940,057.

NOTE 8. OPERATING/PROGRAM COSTS

Costs by major budgetary object classification are as follows:

<table>
<thead>
<tr>
<th>Budgetary Object Classification</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel and Benefits</td>
<td>$ 23,860,413</td>
<td>$ 27,608,899</td>
</tr>
<tr>
<td>Travel and Transportation</td>
<td>100,242</td>
<td>769,990</td>
</tr>
<tr>
<td>Reels, Communication &amp; Utilities</td>
<td>4,733,696</td>
<td>5,557,587</td>
</tr>
<tr>
<td>Printing and Contractual Services</td>
<td>19,549,894</td>
<td>21,389,524</td>
</tr>
<tr>
<td>Supplies and Materials</td>
<td>4,615,570</td>
<td>4,834,801</td>
</tr>
<tr>
<td>Equipment</td>
<td>7,069,560</td>
<td>7,337,549</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>222</td>
<td>68,212</td>
</tr>
<tr>
<td>Total Cost</td>
<td>$ 59,984,378</td>
<td>$ 67,562,556</td>
</tr>
<tr>
<td>Less: Combined Earned Revenue</td>
<td>$ 18,223,436</td>
<td>$ 16,819,075</td>
</tr>
<tr>
<td>Total Net Program Costs</td>
<td>$ 41,760,942</td>
<td>$ 50,743,483</td>
</tr>
</tbody>
</table>

“I love it – they bring in bands, and I go out to dinner and dances. Where the girls are, I go!” — Daniel Funk (Army – WWII)
The Trust Fund is financed by military fines and forfeitures, monthly payroll deductions from enlisted military personnel, resident fees, interest earned on Treasury securities, and donations. Transactions are recorded on an accrual basis. The accrual method permits expenses to be recognized when incurred and revenues to be recognized when earned, without regard to receipt or payment of cash. Budgeting in the Trust Fund is intended to facilitate compliance with legal constraints and controls over use of Federal funds.

Schedule of Earmarked Funds as of September 30, 2007

<table>
<thead>
<tr>
<th>Fund</th>
<th>Capital Fund</th>
<th>Hurricane Katrina Fund</th>
<th>Operations &amp; Maintenance Fund</th>
<th>Total Earmarked Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance with Treasury</td>
<td>($1,249,323)</td>
<td>228,501,978</td>
<td>$2,873,570</td>
<td>$230,126,225</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>-</td>
<td>159,041,366</td>
<td>159,041,366</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>-</td>
<td>-</td>
<td>4,228,662</td>
<td>4,228,662</td>
</tr>
<tr>
<td>General Property, Plant and Equipment</td>
<td>67,960,260</td>
<td>4,058,580</td>
<td></td>
<td>72,018,853</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$66,710,937</td>
<td>$232,560,571</td>
<td>$166,343,998</td>
<td>$465,615,106</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>33,725</td>
<td>15,063</td>
<td></td>
<td>3,353,921</td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Position</strong></td>
<td>$66,710,937</td>
<td>$232,560,571</td>
<td>$166,343,998</td>
<td>$465,615,106</td>
</tr>
<tr>
<td><strong>Statement of Net Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Costs</td>
<td>7,047,912</td>
<td>45,541</td>
<td></td>
<td>52,890,925</td>
</tr>
<tr>
<td>Less: Earned Revenues</td>
<td>-</td>
<td>-</td>
<td></td>
<td>3,402,709</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>7,047,912</td>
<td>45,541</td>
<td></td>
<td>59,584,637</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>3,353,921</td>
<td>4,002,709</td>
</tr>
<tr>
<td><strong>Cumulative Results of operations</strong></td>
<td>66,710,937</td>
<td>$232,560,571</td>
<td>$166,343,998</td>
<td>$465,615,106</td>
</tr>
<tr>
<td><strong>Statement of Changes in Net Position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Position Beginning of Period</td>
<td>$73,769,615</td>
<td>232,591,049</td>
<td>$143,192,659</td>
<td>$465,553,322</td>
</tr>
<tr>
<td>Net Cost of Operations</td>
<td>7,092,403</td>
<td>45,541</td>
<td>$232,540,049</td>
<td>41,708,433</td>
</tr>
<tr>
<td>Taxes and Other Non-exchange Revenue</td>
<td>-</td>
<td>-</td>
<td>$47,801,049</td>
<td>41,708,433</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>-</td>
<td>-</td>
<td>$47,801,049</td>
<td>41,708,433</td>
</tr>
<tr>
<td><strong>Change in Net Position</strong></td>
<td>($7,092,403)</td>
<td>($45,541)</td>
<td>($163,933)</td>
<td>($82,228)</td>
</tr>
<tr>
<td>Net Position End of Period</td>
<td>$66,677,212</td>
<td>$232,545,508</td>
<td>$159,343,490</td>
<td>$458,506,210</td>
</tr>
</tbody>
</table>

NOTE 9. EARMARKED FUNDS

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

NOTE 10. IMPUTED FINANCING SOURCES

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, the Office of Personnel Management (OPM). Amounts paid from the U.S. Treasury’s Judgment Fund in settlement of claims or court assessments against AFRH are also recognized as imputed financing. For the fiscal years ended September 30, 2007 and 2006, respectively, imputed financing was as follows:

<table>
<thead>
<tr>
<th>Source</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Personnel Management</td>
<td>$1,494,879</td>
<td>$1,644,823</td>
</tr>
<tr>
<td>Treasury Judgment Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Imputed Financing Sources</strong></td>
<td>$1,494,879</td>
<td>$1,644,823</td>
</tr>
</tbody>
</table>
NOTE 13. RECONCILIATION OF NET COST OF OPERATIONS (PROPRIETARY) TO BUDGET (FORMERLY THE STATEMENT OF FINANCING)

Budgetary and financial accounting information are complimentary, but both types of information and the timing of their recognition are different, causing differences in the basis of accounting. To better understand these differences, AFRH has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

Reconciliation of Net Cost of Operations to Budget as of September 30:

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Resources Used to Finance Activities</td>
<td>$277,151,452</td>
<td>$305,565,234</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary Resources Obligated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations Incurred</td>
<td>$277,163,359</td>
<td>$306,808,304</td>
</tr>
<tr>
<td>Less: Spending Authority From Offsetting Collections and Recoveries</td>
<td>$3,506,786</td>
<td>$2,887,893</td>
</tr>
<tr>
<td>Obligations Net of Offsetting Collections and Recoveries</td>
<td>$273,656,573</td>
<td>$279,920,411</td>
</tr>
<tr>
<td>Net Obligations</td>
<td>$275,656,573</td>
<td>$303,920,411</td>
</tr>
<tr>
<td>Other Resources</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imputed Financing From Costs Absorbed By Others</td>
<td>$2,894,879</td>
<td>$2,894,873</td>
</tr>
<tr>
<td>Net Other Resources Used to Finance Activities</td>
<td>$2,894,879</td>
<td>$2,894,873</td>
</tr>
<tr>
<td>Total Resources Used to Finance Activities</td>
<td>$277,151,452</td>
<td>$305,565,234</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Budgetary Resources Obligated For Goods, Services and Benefits Ordered But Not Yet Provided</td>
<td>$220,852,331</td>
<td>$(2,211,294)</td>
</tr>
<tr>
<td>Resources That Fund Expenses Recognized in Prior Periods</td>
<td>$111,116</td>
<td>$423,470</td>
</tr>
<tr>
<td>Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$15,534,325</td>
<td>$258,320,491</td>
</tr>
<tr>
<td>Resources That Finance the Acquisition of Assets</td>
<td>$3,202,362</td>
<td>$5,180,391</td>
</tr>
<tr>
<td>Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations</td>
<td></td>
<td>$800,000</td>
</tr>
<tr>
<td>Total Resources Used to Finance Items Not Part of the Net Cost of Operations</td>
<td>$239,700,134</td>
<td>$262,513,058</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Components of Net Cost of Operations That Will Require or Generate Resources</td>
<td>$41,708,433</td>
<td>$50,743,483</td>
</tr>
<tr>
<td>Components Not requiring or Generating Resources in the Current Period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>$(18,772,633)</td>
<td>$(17,727,457)</td>
</tr>
<tr>
<td>Other</td>
<td>$19,426</td>
<td>$16,557</td>
</tr>
<tr>
<td>Total Components of Net Cost of Operations That Will Not Require or Generate Resources</td>
<td>$23,163,393</td>
<td>$29,556,996</td>
</tr>
</tbody>
</table>

A wounded soldier from Walter Reed Army Medical Center participates in the 13th annual AFRH Fishing Rodeo.
We’re thankful you have taken the time to get to know AFRH and its wonderful residents. Truly, they are the greatest generation our country has ever known. This final chapter of the PAR, Accompanying Information, rounds out our FY07 activities and fulfills our reporting requirements.

ACCOMPANYING INFORMATION

Catharine Deitch traveled the world with the Army. Now her uniform, orders and war memorabilia are traveling the US – on loan from Florida State University’s WWII Institute. “Many students didn’t believe what happened in The War. So professor Oldson founded the Institute.” After WWII, she and her husband opened a B&B in Gettysburg. When he passed, her son found another souvenir. “Years ago, I wrote a note to my young kids on a document: ‘Remember, I’m eligible for the Soldiers’ Home!’” Even today at 87, she’s grateful to be at AFRH. “Life here is made to order. And they have wonderful activities. Thank you, Lord.”

“We’re thankful you have taken the time to get to know AFRH and its wonderful residents. Truly, they are the greatest generation our country has ever known. This final chapter of the PAR, Accompanying Information, rounds out our FY07 activities and fulfills our reporting requirements.

“Life here is made to order. And they have wonderful activities. Thank you, Lord.”

Catharine Deitch (Army WAACS – WWII)
To maintain momentum and solid performance, our IG has identified the major challenges now facing the Home. As we strive to overcome them, our workforce, partners and contractors will be accountable for AFRH Trust Fund dollars. Naturally, oversight and enforcement is needed to ensure progress and fiscal responsibility.

**Challenge 1:**
Implement & manage the Scott Building renovation:
Retaining residents and keeping them happy are essential to attaining our Goals of Financial Growth and Exceptional Service. Today the Scott Building in Washington is home to nearly half of our resident population. Yet, it has not been renovated in decades and desperately needs enhancements. In fact, living conditions must be updated soon, if we wish to attract new residents.

Repairs will cost about $81 million, which is the greatest portion of the capital improvement estimate of $134 million. So, this endeavor will require the hands-on guidance and supervision of management. Together we must focus our efforts, plan meticulously and coordinate with all stakeholders to finish on-time and on-budget.

**Challenge 2:**
Employ & monitor National Patient Safety Goals (NPSG):
AFRH currently has a Gold Seal of Approval™ in healthcare from JCAHO and on-site, unannounced visits are required to maintain accreditation. AFRH faces the challenge of keeping pace with ever-changing requirements in healthcare. Fortunately, the NPSGs from JCAHO help identify widespread problems – and outline evidence and expert-based solutions. So, AFRH must scrutinize its operations to adhere to these Goals.

**Challenge 3:**
Develop succession planning for operations & management
AFRH strives to meet the PMA’s "Strategic Management of Human Capital” Initiative and maintain best practices. To achieve this, the Home must develop a consolidated succession plan for all management positions. Nursing was completed in 07 – and now we must develop succession plans for campus operations, corporate support staff, IT and resident services.

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A construction crew begins to erect a new “military heritage” display in the Scott Residence Lobby.
Improper Payments Information Act (IPIA)

Through our partnership with BPD, each AFRH business program was reviewed to estimate the amount of potential improper and erroneous payments.

In FY07, we had a mere four erroneous payments out of a total of 2,923. This margin of error is little more than 1/10 of one percent. These four errors are outlined in the chart below:

<table>
<thead>
<tr>
<th>Item</th>
<th>Issue</th>
<th>Amount</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Stipend payment sent to wrong Resident</td>
<td>$120.00</td>
<td>Next stipend payment was withheld from Resident &amp; thereby repaid</td>
</tr>
<tr>
<td>2</td>
<td>Refund sent to wrong Resident</td>
<td>$1,376.00</td>
<td>Money collected from overpaid resident</td>
</tr>
<tr>
<td>3</td>
<td>Payment to Mississippi Power after contract expired</td>
<td>$1,202.00</td>
<td>GSA is working to get a refund, since it is paying MS Power for service on the Gulfport campus during the rebuild.</td>
</tr>
<tr>
<td>4</td>
<td>AFRH was billed &amp; paid for services used by another BPD customer</td>
<td>$1,313.00</td>
<td>Vendor is returning the payment to BPD</td>
</tr>
</tbody>
</table>

Challenge 4: Transition from JCAHO to CARF/CCAC

To cover all levels of care AFRH that provides as a CCRC, we must seek a more fitting accreditation from CARF/CCAC. In FY08 we will seek initial review – so training and preparations must be carefully monitored to ensure a successful outcome.

Challenge 5: Educate stakeholders on our Mission to serve a new generation of veterans

In recent years, both campuses have primarily served WWII veterans. So mental images of the “Old Soldiers’ Home” and the “Naval Home” still linger with most stakeholders. Sadly, this “greatest generation” is dying at a rate of nearly 1,000 a day. Thus, AFRH must address the needs of a new generation of war heroes – those eligible veterans from Korea and Vietnam to Afghanistan and Iraq.

As such, we must make major improvements such as larger rooms, more leisure activities and access to family and friends. Planning and executing the upgrades is a major challenge and calls for plenty of lead-time and a shared vision. Getting constituents and Congress to share our vision is vital – and clearly articulating our plans will take time. So AFRH must provide constant updates to keep constituents apprised of our direction. This way, if policy or funding changes are required, they'll understand why … and they'll likely be supportive.

“I’ve lived here nine years and it’s more than satisfactory. Please get the Coasties in here!”

– Reid Hawthorne (Navy – WWII; Coast Guard – Vietnam)
A new generation of eligible veterans and retired military is beginning to call the AFRH home. Below are the stories of several new and energetic residents who are changing the face of the AFRH. They are young at heart and generous in spirit – because they are giving back to the Home and the community as volunteers.

““When I retired, I relaxed a lot... and that got boring real fast! So I decided to keep busy by helping others.”

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**Resident Volunteers**

Gwen Hendley (Army - 20 yrs.)

Gwen is so young and vibrant, you’d think she was visiting a parent here. In her first year as a resident, she’s staying busy with a full lineup of volunteer work. “When I retired, I relaxed a lot...and that got boring real fast! So I decided to keep busy by helping others.” All told, Gwen volunteers at Walter Reed Medical Center, The Red Cross Blood Bank, the AFRH Chaplain’s Office and LaGarde Building Health Education. Maybe she gets her generous nature from being a nurse in the service, and a social worker in civilian life. “Seeing that you’ve helped someone, like a soldier and his family at Walter Reed, is very special.” So is Gwen Hendley.

Ann Whitaker (Navy – WWII)

Ann has a friendly spirit and quick smile. That’s vital when helping worried patients. “My major volunteer activity is escorting people to medical appointments and the hospital, like for cataract surgery. I support them through it all.” Ann goes back because she feels so grateful in life. “We Gulfport residents were the luckiest people in Mississippi – because we had a nice place to come to: Washington.” That may just pay off in the long run for Ann, as her mother lived to 101.

Frank Nelson (Navy - 3 yrs.)

As a former shipmate on the USS Foote, Frank has a surprisingly green thumb. Nowadays, he spends plenty of time in the AFRH garden, cultivating potential prizewinners for the residents to enjoy. You see, each year the Home has a garden competition - and a stone soup contest, which Frank won this year. “Oh, it’s great fun. And my buddies enjoy all the great veggies we grow in the garden.” So next time you visit the Home, bring your favorite salad dressing.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAFES</td>
<td>Army and Air Force Exchange Service</td>
</tr>
<tr>
<td>ARC</td>
<td>Administrative Resource Center</td>
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<tr>
<td>AFRH</td>
<td>Armed Forces Retirement Home</td>
</tr>
<tr>
<td>BPD</td>
<td>Bureau of Public Debt</td>
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<tr>
<td>CARF/CCAC</td>
<td>Commission on Accreditation of Rehabilitation Facilities and Continuing Care Accreditation Commission</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
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<tr>
<td>CDD</td>
<td>Chief Operating Officer</td>
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<tr>
<td>COTS</td>
<td>Commercial-Off-The-Shelf</td>
</tr>
<tr>
<td>CRA</td>
<td>Continuing Resolution Act</td>
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<tr>
<td>DAPS</td>
<td>Document Automation and Production Service</td>
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<tr>
<td>DAV</td>
<td>Disabled American Veterans</td>
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<td>DEOM</td>
<td>Defense Equal Opportunity Management Institute</td>
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<tr>
<td>DFAS</td>
<td>Defense Finance and Acquisition System</td>
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<tr>
<td>DoD</td>
<td>Department of Defense</td>
</tr>
<tr>
<td>EEO</td>
<td>Equal Employment Opportunity</td>
</tr>
<tr>
<td>FAIR</td>
<td>Federal Activities Inventory Reform</td>
</tr>
<tr>
<td>FAR</td>
<td>Federal Acquisition Regulation</td>
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<tr>
<td>FASAB</td>
<td>Federal Accounting Standards Advisory Board</td>
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<tr>
<td>FECA</td>
<td>Federal Employees Compensation Act</td>
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<tr>
<td>FEMA</td>
<td>Federal Emergency Management Agency</td>
</tr>
<tr>
<td>FEInvest</td>
<td>Federal Investment (software application)</td>
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<tr>
<td>FFMA</td>
<td>Federal Financial Management Improvement Act</td>
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<tr>
<td>FISMA</td>
<td>Federal Information Security Management Act</td>
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<td>FMFIA</td>
<td>Federal Managers Financial Integrity Act</td>
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<tr>
<td>FTE</td>
<td>Full-time Equivalents</td>
</tr>
<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<tr>
<td>GPRA</td>
<td>Government Performance and Results Act</td>
</tr>
<tr>
<td>SSA</td>
<td>General Services Administration</td>
</tr>
<tr>
<td>IPAC</td>
<td>Intragovernmental Payment and Collection System</td>
</tr>
<tr>
<td>IPIA</td>
<td>Improper Payments Information Act</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>IP</td>
<td>Internet Protocol</td>
</tr>
<tr>
<td>JCAHO</td>
<td>Joint Commission on Accreditation of Healthcare Organizations</td>
</tr>
<tr>
<td>JFMIP</td>
<td>Joint Financial Management Improvement Act</td>
</tr>
<tr>
<td>MCOC</td>
<td>Management Control Oversight Council</td>
</tr>
<tr>
<td>NFC</td>
<td>National Finance Center</td>
</tr>
<tr>
<td>NPSG</td>
<td>National Patient Safety Goals</td>
</tr>
<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
</tr>
<tr>
<td>OPM</td>
<td>Office of Personnel Management</td>
</tr>
<tr>
<td>OSD</td>
<td>Office of the Secretary of Defense</td>
</tr>
<tr>
<td>OSHA</td>
<td>Occupational Safety and Health Administration</td>
</tr>
<tr>
<td>PART</td>
<td>Program Asset Rating Tool</td>
</tr>
<tr>
<td>PPE</td>
<td>Property, Plant and Equipment</td>
</tr>
<tr>
<td>RIS</td>
<td>Resident Information System</td>
</tr>
<tr>
<td>SAS</td>
<td>Statement on Auditing Standards</td>
</tr>
<tr>
<td>Seabees</td>
<td>Naval Construction Battalion</td>
</tr>
<tr>
<td>SF</td>
<td>Square Feet</td>
</tr>
<tr>
<td>USSGL</td>
<td>US Standard General Ledger</td>
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<table>
<thead>
<tr>
<th>Acronym</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;R</td>
<td>Rest and Relaxation</td>
</tr>
</tbody>
</table>
General Winfield Scott was a celebrated war hero who was devoted to his troops. “Old Fuss and Feathers” envisioned a haven for old soldiers to ensure their care and restore their dignity. In 1848, he returned from the Mexican-American War a hero – with $150,000 paid to him by Mexico City, in lieu of ransacking. Scott quickly paid off his soldiers and gave the rest to Congress to form a Trust Fund for a military asylum. Today, the Home is being re-envisioned by a “new guard” of dedicated caretakers.

We'd like to hear from you—

Thank you for surveying our 2007 PAR. So what’s your assessment? How well did we present the information? What did you find helpful? And what can we improve for next year? We welcome your feedback.

Please send it to:

AFRH
3700 North Capitol Street, NW
Washington, DC 20011-8400
ATT: CFO, Box 1303
E-MAIL public.affairs@afrh.gov
PHONE 800.422.9988
FAX 202.730.3492

We'd like to thank you

The management and staff would like to express its sincere appreciation and heartfelt thanks to Congress, our many partners, and volunteers. Your dedicated support is helping us carry out our Mission to serve America’s veterans. Together we are... Forging New Foundations.