INTRODUCTION

GUIDING PRINCIPLES:

1. Honor Heritage
   - We honor the rich history of the US Armed Forces – from our Veterans to our victories.
   - Our campus reflects that military heritage with memorabilia and tributes.

2. 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.

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

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

5. 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.

6. Maintain Integrity
   - We will strongly uphold the mission of AFRH.
   - We are honest and ethical and deliver on our commitments.
   - Good ethical decisions require individual responsibility enriched by collaborative efforts.

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

---

Ruane, Michael E.
“Shipwreck survivor recalls how town altered his idea of race.”
The Washington Post
16 September 2010
B1, B12. Print.

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When the USS Truxtun hit the rocks in February 1942, Lanier Phillips was hurled from the top bunk. He scrambled up to the deck where thick snow and a fierce gale were raging. “You could hear steel cracking,” he said. Soon, the ship snapped, hemorrhaging fuel oil into the sea. Daybreak revealed icy cliffs and sailors overboard. Should he stay with the ship? Or board a raft and brave the storm and who-knew-what on land?

Phillips believed he was off the coast of Iceland where he heard blacks were forbidden. He decided to brave the raft, which capsized as it reached land. Wet, frozen, and exhausted, he collapsed. “Don’t lie there. You’ll surely die,” said a voice. Phillips could barely see through the oil in his eyes, but he knew from the accent it was a local. The man helped him up and walked him around a fire to warm up. Phillips was amazed. “I had never heard a kind word from a white man in my life,” he said, “and I had hatred for white men.”

The son of a sharecropper and great-grandson of a slave, Phillips grew up near Atlanta. He saw The Klan terrorize black families and burn down the black school. At 18, he enlisted and became an officers’ mess attendant, polishing shoes and serving meals. He slept in segregated quarters.

That night, women were washing oil off the survivors. “Everybody was black” with oil, he said. A woman gasped, “I can’t get it off.” Phillips replied, “It’s the color of my skin.” He feared the good treatment would end. Instead, she said, “I want him at my house.”

Violet Pike, a miner’s wife, took him home, fed him soup, and put him to bed. Phillips was in awe. “In Georgia, she oceanography, marched with the Rev. Martin Luther King Jr. in Alabama, and raised a family. Yet, he never forgot Pike, who rescued him. “Before that I had no value of life ... I can never repay them,” he said.

Still, Phillips made it his mission to tell this powerful story. Recently, he received a Navy Memorial “Lone Sailor Award” for veterans with distinguished civilian careers. Past recipients include presidents, admirals, and members of Congress. Unofficially, the award also goes to the people of St. Lawrence – notable stewards of progress.
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They have advanced liberty around the world. And their service has improved the lives of millions. So it is only fitting that we continue to advance their quality of life in return. As we reopen Gulfport and modernize Washington we will serve our residents in the joy of our many achievements. This year, we will serve our residents so they may live healthy, productive lives. That’s The Power of Progress.”

— Timothy C. Cox (COO)

MESSAGE FROM COO

The Command of Innovation

What a remarkable year 2010 was for AFRH. After faltering in the 1990s and starting fresh in 2002, we have been on an upward trajectory. Our consuming passion has been to build on the Home’s historic past and plan for a modern future. Fulfilling the needs of our residents is at the heart of it all. As you read on I know you will share in the joy of our many achievements. This year, we completed a modern building in Gulfport and designed one for Washington. We created a major pilot program in senior living, Independent Living Plus (ILP), which now has 46 residents. Plus, we realized many goals and objectives in the final year of our FY06-10 Strategic Plan. Now AFRH has become the vibrant and modern CCRC we envisioned in 2002.

Management is focused on fulfilling the AFRH Vision: “To actively nurture the Health and Wellness Philosophy of Aging.” So, we have been continually reshaping operations. The new Gulfport Home represents a 21st-century model for senior living with wellness programs, enjoyable activities, and energy efficiencies.

THE ESTABLISHMENT OF PRIORITIES

Through the Scott Project and the ILP pilot program in Washington, we have continued to develop services that are better matched to the residents’ needs and abilities. These services foster resident independence and mobility. Plus, strategic objectives were achieved in all resident-focused action plans. And finally, our “One Model” became reality as Washington managers worked diligently to replicate processes, contracts, and programs for a receptive new management team in Gulfport.

For the first time in the Home’s storied history, we have two campuses with business models that mirror one another. So, residents who move from one community to another will feel even more at home with the same care and service.

Fiscally, AFRH received its 6th annual “unqualified” audit opinion, and the Trust Fund balance continues to maintain high levels in 2010. We also transformed our information systems, partnering with National Business Center (NBC) to provide a hosted network that is compliant with the Federal Information Security Management Act of 2002 (FISMA). The assessments we underwent in 2010 offered suggestions and ideas, yet they culminated with praise for our resident care staff. We responded to the oversight of Office of Personnel Management (OPM), our Advisory Board, Department of Defense (DoD) Inspector General (IG), and CARF.

THE SPEARHEADING OF CHALLENGES

This year, the AFRH IG challenged us to deploy and manage the Scott Project, to advance the wellbeing of residents and staff, and to begin operations successfully at the new Gulfport facility. I am proud to say we succeeded in all three areas. For the Scott Project, an exciting design concept was approved, and we are on-track for 2011 construction. Also our new ILP program is growing and assisting more residents to remain independent. FY10 performance challenges centered on our Strategic Human Capital Plan, the succession plan, staffing models, military heritage, staff training, and cost containment. In “Performance” you will see just how successful we were in these areas.

The AFRH-G stand-up was our greatest success, as the AFRH community put its heart and soul into this project. Conceptual designs were agreed upon by staff, residents, and contractors. Ceremonies marked the demolition, groundbreaking, and final construction. And the entire community followed its progress from two-dimensional concept to reality over a two-year period. Meanwhile, website and newspaper coverage kept spirits high and stakeholders informed. And monthly focus groups gave insight to resident preferences and helped us create smart procedures to move them back “home”. All told, the confluence of ideas and efforts has energized AFRH as never before. In early October, joyous residents returned to the Gulf shores wide-eyed and amazed.

AFRH has always been the home of both recognized and unsung heroes who have defended our cherished freedoms. Still among us are veterans from World War II, living alongside patriots from nearly every US campaign since the 1940s. AFRH is their haven and we are driven to fortify it. Today, AFRH is rapidly becoming the vibrant and modern CCRC we envisioned in 2002. As you leaf through this colorful album, you will see the jubilant faces of residents and staff that affirm our success. With a resident-driven focus, we pledge to deliver the best care to the residents of today and tomorrow. While 2010 proved to be a year filled with The Power of Progress, our best days are still ahead.

Sincerely,

Timothy C. Cox
Chief Operating Officer (COO)

November 15, 2010

1Continuing Care Retirement Community
2Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission

THE REALIZATION OF PROGRESS

AFRH has always been the home of both recognized and unsung heroes who have defended our cherished freedoms. Still among us are veterans from World War II, living alongside patriots from nearly every US campaign since the 1940s. AFRH is their haven and we are driven to fortify it. Today, AFRH is rapidly becoming the vibrant and modern CCRC we envisioned in 2002. As you leaf through this colorful album, you will see the jubilant faces of residents and staff that affirm our success. With a resident-driven focus, we pledge to deliver the best care to the residents of today and tomorrow. While 2010 proved to be a year filled with The Power of Progress, our best days are still ahead.

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During the Berlin Air Lift, our servicemen fed people in Berlin and employed some 25,000 Germans to load and unload planes with supplies. Joe was in Germany during the final months maintaining C47s and C54s. “We’d strip ‘em down to the bare skin and rebuild them like new. We’d flee the runway when planes would swoop in with deliveries – then run back out and continue repairs.” Ultimately Joe spent 30 years with PPG Industries as a welder and fabrication supervisor. His favorite activities are sightseeing, walking, and exercise. “I’m a person who needs to stay busy. So I work in the woodshop and try to exercise seven days a week.” During family visits they walk all over DC to see the attractions. “I’ve really enjoyed living here, but I’m moving back to Gulfport to live near my daughter and grandkids.” Otherwise Joe has no complaints. “The staff does a terrific job of taking care of us. They really bend backwards.”

“One plane dropped a coal sack on a house – our first home delivery.”
— Joe Shuff (Air Force)
Nearly 200 years ago, the leaders of our young nation made a Promise to care for our former enlisted military personnel who were aging or infirm. This pledge would be the soldiers’ payback for risking their lives to preserve liberty. In 1811, Congress realized this pledge by passing legislation to build a home for destitute Navy officers, sailors, and Marines in Philadelphia. By 1833, the new Naval Asylum was complete and it housed more than 400 pensioners.

By 1851, momentum had built to fund a second home in Washington, DC using reparations from the Mexican-American War. At the behest of General Scott, our government bought the Riggs cottage and farm in the Washington countryside and established the Soldiers’ Home with just three “inmates”. A Trust Fund was formed to sustain the Home for future veterans.

Since then, two separate and distinct homes evolved to meet the needs of residents. The Naval Asylum moved to Gulfport, MS and the Soldiers’ Home became a “city within a city” with a working farm. In the 1950s, leisure and recreation took priority and new amenities were added. By 1991, both merged and began operating under one standard business model. Today they make up one thriving, modern retirement community: AFRH.

The Importance of Evolution

Charting the Home’s Progress:

<table>
<thead>
<tr>
<th>1833</th>
<th>1851</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THE NAVAL HOME</strong></td>
<td><strong>THE OLD SOLDIER(S) HOME</strong></td>
<td><strong>ARMED FORCES RETIREMENT HOME</strong> (Gulfport + Washington)</td>
</tr>
<tr>
<td>“Shipmates”</td>
<td>Old Soldier “Inmates”</td>
<td>“Residents”</td>
</tr>
<tr>
<td>All Male</td>
<td>All Male</td>
<td>Male &amp; Female</td>
</tr>
<tr>
<td>Biddle Hall in Philadelphia, PA</td>
<td>The Riggs Home in Washington, DC</td>
<td>3 Residences in Washington, DC</td>
</tr>
</tbody>
</table>

Handwritten Ledgers | Automated Record Keeping
Horses & Walking | Buses & Shuttles With HVAC
Farming & Machine Work | Leisure Activities & Golf
Nurturing Infirmities | Aging in Place

“A rich history spanning two centuries.”

“I worked in the Navy Code and Signal Laboratories in 1943. DC was full of WAVES and many international service members. I met my husband there at the end of The War. He was a pilot stationed at the Pentagon. We took over the Mt. Vernon Seminary for Girls. There were 4,000 of us and it was Top Secret. We broke a German code! Each of us worked out a certain part. If anyone asked questions, we’d say, ‘we’re screwing in light bulbs.’ They really treated service people wonderfully. At the movies, there were long lines, but ushers took us straight into the theater. In restaurants, we never could pay a bill. They’d say, ‘That family paid it.’ I never felt like I contributed much … but there were a lot of us doing a little bit – and all together it counted.”

— Mary Nelson McLeod (Navy)
When an organization has a strong future vision – and its people and resources are aligned towards a goal – progress is limitless. Since 2002, AFRH has been relentlessly pursuing a new course to improve the lives of its residents. Our charge: to transform an historic site into a modern facility with the best service and amenities.

While the journey has had ups and downs, the focus forward has been unwavering. We’ve made great progress revamping facilities and programs with Aging in Place, which provides more personalized care and broader support. Bolstered by modern business practices and capital improvements, AFRH has made great strides. All of which will keep America’s unsung heroes healthy and happy well into their golden years.

Step by step, management is achieving its strategy to create two premier facilities that are also cost-effective. After all, prudent management and fiscal discipline put us in the position to re-create AFRH in the first place. Soon, our aim to achieve greatness will be fully realized.

If you took a stroll around AFRH-W in September you would have seen enthusiasm in the residents’ faces. Returning Gulfport residents and Washington transfers were counting down the days until they moved in October. And Washington residents were wishing their friends the best before they left. Yet their home is undergoing big changes, too.

Concept designs are complete to revamp this historic site and residents are beginning to move from the soon-to-be demolished Scott residence.

AFRH has created a new way for residents to Age in Place in comfortable surroundings. This year we engaged 46 residents in a pilot program called Independent Living Plus (ILP) – a first for AFRH. Now residents can stay independent in cozy living rooms and we can avoid uprooting them to higher levels of care. Plus, home healthcare aides will provide extra help as needed.

The advances are endless: from automated resident payments, electronic health records, and expanded leisure activities… to stronger partnerships, increased stakeholder visibility, and the return to Gulfport. The progress is powerful, indeed.

Roger Davison (Air Force) on cloud nine at the ice cream social.
Doris took Tai Chi, Martial Arts, and our self-defense course for seniors: “Cane Fu”. That training gave her the confidence to thwart a purse-snatcher on the Metro. “I was sitting near the handicapped seats and this lady yells: ‘Stop that guy—he stole my bag!’ Suddenly a big man—6’2”, 200 pounds—ran by me headed toward the exit doors. So I put my cane out under his feet—and tripped him. I got right up on him and took a stance like they taught us—and WHOOOO!—struck him in the back.” Doris busted a few of his ribs and knocked his air out. Within minutes the police came and found Doris holding her heavy cane on him. “The officer said: ‘Ma’am, what possessed you?!’ I said: ‘I knew I could take him because I’m Army trained.’ That’s impressive for a woman of 5’2” who rides a three-wheeler. Some parting words of wisdom from Doris: “Every lady should take a self-defense class. You never know.”
In August 2005, Hurricane Katrina slammed the Gulf Coast and its wrath destroyed AFRH-Gulfport. Management swiftly transferred 351 residents to AFRH-Washington and deployed accommodations. Despite these traumatic events, and the loss of their beloved Home, our residents have remained strong and resolute.

By 2007, plans for a new community were approved with the support of Congress. Our team rapidly integrated new trends in environmental design, adopted the latest advances in Green technology, and implemented Aging in Place. Finally, this new Home was built to mitigate the effects of a Category 5 hurricane. Like our resilient residents, AFRH-Gulfport stands tall once again.

“A comfortable harbor will be secured, where he may safely moor and ride out the ebb of life, free from the cares and storms … “
- Commodore William Bainbridge
(NAVal Home cornerstone laying, April 3, 1827)
The Strength of Modernity

THE NEW AFRH-GULFPORT

A sparkling view of the Mississippi Sound from a resident’s balcony.

A refreshing pool graces the new building.

A “Hall of Honors” depicts the Home’s place in military history.

Many comfortable areas to rest, talk, and catch up.

The flag we lowered after Katrina flies again.

Washington Residents bid farewell to departing comrades.

Residents board a charter flight back to Mississippi.

Gulfport welcomed our residents home with a gauntlet of water.
Joyous residents return home.

On October 4, the first returning residents made their way back home by car and plane. They were classified Priority “1a and 1b” because they were evacuated from Gulfport in August 2005 to AFRH-W and have waited patiently to return. That ordeal earned them the privilege of first choice of rooms and an expense-paid move. So, they will occupy the building first.

AFRH chartered their flight, which arrived in Gulfport amidst tears of joy. As residents walked into the new community, “Oohs” and “Ahhhs” were plentiful as they meandered down the wide, pristine corridors. Radiant faces reflected an historic milestone in the rich, storied history of AFRH. Meanwhile friendly staff welcomed them with open arms. At last, our residents were “home”.

“Joyous residents return home.”

Retirement living at its best.

This new Home is a wonder in modern engineering and senior health and housing. It is the result of great talent, firm resolve, and keen patriotism. A comfortable retirement here is the ultimate payoff for the sacrifices our residents made in serving America. After all, we are bound by law to uphold that original Promise to care for eligible service members and to preserve the Home’s heritage.

“I think I’ve died and gone to heaven.”
– Barbara Folk (Navy)
The Dominion of Success

Positive change is evident in both communities. In Gulfport, a finished building stands where construction has progressed since 2007 and residents have begun moving in. In Washington, structural changes are modest but advancing. For instance, we made elevator improvements, fixed water fountains, repaired historic buildings, and made roof repairs. For the residents, we created even more programs, services, socials, dinners, tournaments, and performances.

OBJECTIVE: RESULT:

Streamline Processes
Automate Record-keeping
Forge New Partnerships w/ Police & Coast Guard
Conduct Staff Security Training
Create Sharable SOPs²
Pass CARF-CCAC Inspection

SOPs:

>> 319 online & ready for sharing with Gulfport staff
>> 156 created solely for nurses, aides & practitioners

Activity Calendars:

2008: 2,393
2009: 2,085
2010: 3,112

We focused resources on 3 key goals:

1. Healthcare (Resident Wellbeing)
2. Housing for Veterans
   a. Gulfport
   b. Washington
3. Stewardship (Corporate Effectiveness)

1 2 3

PROGRESS

HIGH-PRIORITY PERFORMANCE GOALS

PROGRESS

1
Healthcare
(Resident Wellbeing)

2
Housing for Veterans
   a. Gulfport
   b. Washington

3
Stewardship
   (Corporate Effectiveness)

We focused resources on 3 key goals:

1. Healthcare (Resident Wellbeing)
2. Housing for Veterans
   a. Gulfport
   b. Washington
3. Stewardship (Corporate Effectiveness)

PROGRESS

1 2 3

Healthcare

(Resident Wellbeing)

Housing for Veterans

a. Gulfport
b. Washington

Stewardship

(Corporate Effectiveness)
Aging in Place Launched Jan 10
DoD IG Inspection Passed
ILP Pilot Program Deployed Feb 10
Resident Focus Groups Conducted Monthly
Resident Concerns* Addressed in Focus Groups
CARF-CCAC Inspection No Major Deficiencies

*Smoking, Linens, Dining, Supplies, Power Mobility Devices & Resident Security System

Goal 1: Healthcare (Resident Wellbeing)
Ensure exceptional residential care and extensive support.

Resident Applications:
2009: 6,565 // (w/ Medical Forms: 3,746)
(Functional Assessments: 2,769)
2010: 7,307 // (w/ Medical Forms: 3,550)
(w/ Functional Assessments: 3,433)

Dining Menus:
2008: 6,051
2009: 6,721
2010: 7,357

PROGRESS

All smiles at the mobile dental clinic.
Goal 2: Housing for Veterans

a. Gulfport

Add residents to a fully-functional facility in FY11.

**OBJECTIVE:**
- New Construction
- Occupancy
- Service Offerings
- Chapel Restoration
- Swimming Pool
- New Beach Bridge
- AFRH Building Keys
- Move-In

**RESULT:**
- Completed
- Growing
- Complete
- Refurbished
- Installed
- Built
- Acquired
- Ongoing

**Construction**
- 1,027 Days of Construction
- 44,000 Yards of Concrete
- 8 Stories (634,000 GSF)
- 400 Total Workers
- 100% On-schedule

**Facility**
- 582 Resident Units
- 450 Sq. Ft. of Living Space
- 1 Bath, Shower & Closet per Room
- 49 Waterfront Acres
- Cat 5 Hurricane Mitigation
- 15 Feet Above a 35-ft. Tidal Surge
- 100% LEED Silver with Green Roofs
- 4.5 mw Generator Back-up
- 535 Parking Spots

**Grounds**
- 1 Reflecting Pool
- 1 Resident Swimming Pool
- 1 Pedestrian Bridge to Beach
- 1 Restored Chapel (1912)
- 1 Full-perimeter Walking Path
- 1 Guard Booth

From construction to cheer.
Goal 2: Housing for Veterans

b. Washington

“Right-size” and give AFRH-Washington a facelift by 2013.

New design complements historic site.

**OBJECTIVE:**
- Commons Design
- Design / Build Contract
- IT Relocation Contract
- Chillers Relocation
- Cooling Towers Relocation
- Transition Period

**RESULT:**
- Approved by NCPC
- To be Awarded: Q1 FY11
- Designed & Awarded
- Designed & Awarded
- Designed & Awarded
- To Begin: FY11

*National Capital Planning Commission


Shorter resident travel routes for the new “Commons”:

- UNDERGROUND CONNECTOR: Designed: 91 FEET - Current: 91 FEET
- UN to COMMONS: Designed: 173 FEET - Current: 276 FEET
- DINING to MAILBOXES: Designed: 60 FEET - Current: 763 FEET
- IL to THEATER: Designed: 290 FEET - Current: 618 FEET
- IL to DINING: Designed: 310 FEET - Current: 498 FEET

Communication Plan:

2009: 9,027
2010: 22,024
Goal 3: Stewardship (Corporate Effectiveness)

Maintain overall vitality via efficient management.

“One Model” once again.

The “One Model” was created in 2002 under the leadership of COO Timothy Cox. It called for standardized processes and procedures at both locations. With the re-opening of AFRH-Gulfport, we mirrored the staffing, building design, budgets, and contracts of Washington to ensure a cohesive organization.

Agency PAR PDFs:

<table>
<thead>
<tr>
<th>Year</th>
<th>Downloads</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,986</td>
</tr>
<tr>
<td>2009</td>
<td>2,321</td>
</tr>
<tr>
<td>2010</td>
<td>9,028</td>
</tr>
</tbody>
</table>

We meet and exceed Federal standards.

AFTERH staff attends required training.

<table>
<thead>
<tr>
<th>OBJECTIVE:</th>
<th>RESULT:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified Audit Opinion</td>
<td>6th Consecutive</td>
</tr>
<tr>
<td>Public to Public IT Network</td>
<td>Implemented per Federal Standards</td>
</tr>
<tr>
<td>OPM Audit</td>
<td>Yielded Compliments in Focus Areas</td>
</tr>
<tr>
<td>Aging in Place Training</td>
<td>Developed &amp; Ready for Staff</td>
</tr>
<tr>
<td>Website Updates</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Communication Plan</td>
<td>Accurately Portrays our Modernization</td>
</tr>
</tbody>
</table>
AFRH PAR 2010

INTRODUCTION

Korean War (1950–1953):
a conflict between the Republic of Korea (South) vs. the Democratic People’s Republic of Korea (North) and the People’s Republic of China (with air support from the Soviet Union). The campaign was supported by the UN, and it was the first significant armed conflict in the Cold War era. Combat began 25 June 1950, and an armistice was signed 27 July 1953.

US Casualties:
6,516 dead (2,630 non-combat)
92,134 wounded
8,176 MIA
7,245 POW

The Republic of Korea saluted six fortunate AFRH Korean War veterans to honor American military service in the Korean War. Their government invited our “Seoul Seven” to visit the capitol of South Korea where they were treated to luncheons, banquets, sightseeing, and hospitality. Our residents were also showered with gifts, medals, and flags throughout the trip as a heartfelt show of gratitude for all they did.

Best of all, the entire trip was all-expense-paid. The most noteworthy event on the junket was a visit to the Demilitarized Zone (DMZ) where residents were given VIP treatment. Emotions ran high as the residents stood on North Korean soil. In the end, new friendships were forged and foreign relations were solidified.

KOREAN WAR: 60th ANNIVERSARY

The Act of Gratitude

“We were treated royally. The chance to come back touches our souls deeply.”
—“Kit” Kitson (Air Force)

From the Republic of Korea:

“The year 2010 marks the 60th anniversary of the outbreak of the Korean War. The peace, prosperity and liberties that we cherish today are built on our selfless sacrifices and contributions. Korea is forever indebted and we will continue to build the trust and friendship between our nations.”

“Bill” Miles (Navy) and Walter “Kit” Kitson (Air Force) accept a plaque of appreciation from Yang Kim (Republic of Korea).
AFRH At-a-Glance

Federal Authority:
AFRH Act of 1991, Public Law 101-510

Current Locations:
Beach Drive, Gulfport, MS (49 acres)
N. Capitol Street NW, Washington, DC (272 acres)

Organization:
AFRH Corporate Headquarters (Washington, DC)

2 AFRH Communities:
AFRH-Gulfport // AFRH-Washington

Resident Capacity:
(as of Sept. 2010) // Gulfport, MS: 582 // Washington, DC: 1,323

Average Resident:
82 Years Old

Funding:
Congressional Authorizations from a Government Held Trust Fund fed by Resident Fees, Active Duty Enlisted Military Withheld Pay, Fines and Forfeitures, and Investment Income

Trust Fund Balance:
$186 Million

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

Major Amenities:
Fitness Center
Walking Trails
Life Trail Course
9-hole Golf Course
6-lane Bowling Center
Hobby Shops
Fish Ponds
600+ Seat Theater
Full-service Library
Computer Center

The National Defense Authorization Act for FY 2002 permitted AFRH (via DoD) to sell, lease or otherwise dispose of underutilized buildings and property. So, AFRH launched its real estate Master Plan which forms the basis of our risk management strategy.

The focus of the Washington Master Plan is to preserve and improve the Home for the residents and the community. At the same time, the Plan aims to create an additional revenue stream for the AFRH Trust Fund, our main source of funding.

After six years of planning and design to develop 77 acres, we finally received approval from the NCPC to move forward with the Master Plan in 2008. We were poised to continue with GSA as our development partner. Although postured, AFRH never reached an agreement to proceed with the development on campus. While market conditions were deteriorating during the course of the discussions between AFRH and the preferred developer (Apr 2007 – Sep 2008), the cessation of negotiations was based on the inability of the respective organizations to reach agreement. The dispute centered on several fundamental transaction-related issues related primarily to the control structure of the transaction.

BOTTOM LINE:
AFRH shifted its focus from revenue generation to infrastructure improvements.

FY10 UPDATE:
Several interested parties have contacted AFRH about the possible development of areas in the zone near Irving Street. Discussions are ongoing, yet no final determinations have been made as of the publication of this PAR.

“This is it—because we have so many activities and amenities.”
— Helen Sadowski (Navy)
This year, we have successfully completed many objectives in the AFRH Strategic Plan (FY06-10). When we think back on our situation in 2005, when we drafted this document, we can truly see just how far we’ve come. While we still have a ways to go, FY11 will mark a new beginning on the Gulf Coast and a dynamic transformation in Washington.

This PAR is the culmination of our rebuilding years and the vision of our Strategic Plan. Moreover, it specifically covers agency events from Oct 1, 2009 – Sep 30, 2010. Now, more than ever, our best days are truly ahead. Each year, US Government agencies are required to report achievements to the public and Congress in the PAR. Here, we share glimpses into the Home’s rich heritage and lively community as well as clearly explain the relationship between our objectives, the costs, and our results. Plus, we show how we protect and manage the funds accumulated from those who have served – and how we ensure those funds will provide the best retirement for eligible residents.

This PAR has four parts that discuss in detail how AFRH has progressed and what those powerful achievements will do for those who served America. Their dedicated service combined with their payroll contributions have earned them a special place to call “Home”.

**Part 1. Management’s Discussion and Analysis (MD&A):** a summary of our performance and financial status, featuring accomplishments and challenges. The MD&A includes our compliance with essential legal requirements.

**Part 2. Performance:** a detailed outline of the AFRH Goals and Objectives. This section has our achievements and our shortfalls, continuing with our second year of High-priority Performance Goals.

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

**Part 4. Accompanying Information:** the IG Statement, management challenges, improper payments, and acronyms.

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

1. The Accountability of Tax Dollars Act of 2002
5. The Government Performance and Results Act of 1993
7. The Federal Managers Financial Integrity Act of 1982, and
8. The Inspector General Act of 1978
In 1956, “Lou” started a Doo-Wop band with his buddies while serving in Germany. “Everyone in my family plays or sings. But, once I got married, I eased off … because I had the Army and six kids.” Years later, at work, he reached behind a big door that closed – slamming his hand. For decades he couldn’t play. Then, his beloved wife died. “I lost interest in everything. I even thought about taking my life. But my children talked to me – that was my therapy.” When he came here, Lou needed to be active. He knew ceramics, carpentry, and leatherwork alright. Then he saw a guitar in the Chaplain’s office. “I could barely pick it up! But I used a squeezing tool to get those muscles to pay attention to my brain.” Now he practices daily in his own studio. “This is my sanctuary – 19 months ago I couldn’t do one-fifth of this …” Suddenly Lou burst into an upbeat Spanish song like he does in the hallways most evenings. “Ah, I love this place.”

“Playing the Guitar is my life. It means I can keep moving and be happy.”

— Louis Lopez (Army)
Early visionaries of 19th century America helped build a strong, viable nation. A select few also pictured a safe haven for our country’s former military to age gracefully with their comrades. Today AFRH and DoD are determined to provide service men and women with a vibrant community where they may thrive in their golden years. To achieve this, AFRH has steadily changed with the times.

Reinventing Retirement.

For two centuries, AFRH has evolved remarkably by responding to the unique needs of each generation. Today’s resident desires the latest amenities, human connections, and creature comforts. Year after year, we aspire to be a better, more responsive organization that meets and exceeds residents’ needs. With our sights set on modernization and wellness, we are cementing our reputation as a premier retirement community.

Ultimately, our great challenge is to preserve an enjoyable retirement in a fiscally prudent manner. We are pleased to report we are succeeding. Here in the MD&A, we showcase our many advances on the path to achieving our goals. We survey the AFRH organization, its strategic direction, our High-priority Performance Goals, and our financial status. All of which continually demonstrate the power of our progress.

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
Maintain Integrity
Honor Heritage
Maximize Workforce
Inspire Excellence
Serve Customers

Corporate Philosophy

Our vision and mission are strongly rooted in the Home’s heritage. Yet, they also incorporate modern philosophies in senior care. Further, our Guiding Principles were crafted to ensure delivery of the Home’s services, while also guiding the success of our strategies. Ultimately, these tools will help us meet the needs of tomorrow’s veterans.

AFRH STRATEGIC PLAN: afrh.gov/aboutus/stratplan.html

The Impact of Planning

Record snowfall blankets AFRH-W in February 2010.

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>RESULT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employing Aging in Place</td>
<td></td>
</tr>
<tr>
<td>Modernizing all Facilities</td>
<td></td>
</tr>
<tr>
<td>Raising Effectiveness</td>
<td></td>
</tr>
</tbody>
</table>

From Public Law – 24 US Code, Section 411
Establishment of Armed Forces Retirement Home
(c) 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 ORGANIZATION

The Force of Efficiency

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

Each AFRH facility operates under a Director, who reports to the COO. Each community may make its own tactical operational decisions, manage its facilities, and respond to local resident requirements.

The COO is subject to the authority, direction, and control of the Secretary of Defense, delegated to the Under Secretary of Defense (Personnel & Readiness) and the Deputy Under Secretary of Defense for Military Community & Family Policy. Plus an Advisory Board provides expertise and knowledge of all aspects of senior living.

Facilities:
At the end of FY10, the successful “One Model” for operations was fully replicated in Gulfport. With the completion of AFRH-G construction, this second community with its own Director became operational.

AFRH PAR 2010 MANAGEMENT’S DISCUSSION & ANALYSIS
Management:
AFRH is organized in a contemporary business establishment with a corporate office that manages independent functioning retirement communities in different locations. This arrangement allows corporate to make strategic decisions as well as communicate with Congress and constituents.

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Facilities:
At the end of FY10, the successful “One Model” for operations was fully replicated in Gulfport. With the completion of AFRH-G construction, this second community with its own Director became operational.

The AFRH “ONE MODEL” for operations:

AFRH organizational structure:
Back in 2004, both AFRH communities were flourishing residences. The agency was fiscally solvent and continued to evolve. Yet, Hurricane Katrina put many plans on hold. After that disastrous storm, AFRH-Washington became the sole provider of resident housing for AFRH, and many resources were shifted to care for our newly transferred residents from Gulfport.

Modernizing & Right-sizing.
Since 2005 residency has declined, partly due to our strategic initiative to modernize and right-size AFRH-W. Residences that are outdated are now being replaced. And buildings that no longer meet 21st century Federal guidelines have been mothballed. Our modernization coincides ideally with many residents’ return to Gulfport.

The Pillar of Improvement

Gulfport, MS: Open for Residency.

With top-notch construction management, advanced engineering, and efficient scheduling, a modern facility with new amenities is complete. Staffing began with hiring of the Director Richard Heath in February 2010. All year AFRH-W staff planned diligently for the Gulfport opening. Stellar work in developing Gulfport service contracts, as well as moving Gulfport residents and their household goods from DC, made the stand-up a success. Chuck Dickerson (Chief, Resident Services) and his team made outstanding contributions to all service contracts, resident packing, and charter airplane transportation. Justin Seffens (Chief, Campus Operations) and his team performed admirably on all contractor consultations, punch lists, maintenance contracts, and ground transportation. Plus, Al Mori (Ombudsman) and resident Robert Leftiwitz were of great help in transporting residents’ private vehicles. Lastly, Gulfport staff was hired over the summer and mentored by AFRH-W staff to prepare for the first occupants.


The historic stone buildings on the quadrangle and majestic trees surrounding us could tell some tall tales — if they could speak. From war stories to buddy shenanigans, they’ve seen tens of thousands of former soldiers, sailors, Marines, coasties, and airmen rest, work, and thrive here for 160 years. Most of our inhabitants have come and passed. A few buildings have disappeared as well. Yet the spirit of military heritage and keen love of country lingers here like an old, familiar friend.

High on a hill overlooking Washington, DC, the AFRH has been home to many of the unsung heroes of necessary and just wars in America’s defense of freedom. As our residents have aged so have the buildings and infrastructure around them. Now it’s time for these things to change, too. Soon, a modern facility with the latest amenities — one that respects our rich history — will adorn these grounds. “The Scott Project” is underway and design concepts were finalized in FY10. Completion is slated for FY13.
Our Residents

The Capacity of Endurance

Experience Living History.

Many of our residents are walking history books. Their stories are rich with human emotion – from the heights of wartime victories to the depths of personal sorrow. We are fortunate to have cared for several recipients of the Bronze Star, the Silver Star, the Congressional Medal of Honor, and of late, the Lone Sailor Award.

Beyond military tales and commendations our population also includes talented and accomplished painters, sculptors, writers, musicians, historians, photographers, and more. Come by for a visit and talk with one of our own. You never know what you may learn.

Eligibility:

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

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

Update:

“Coast Guard & Maritime Transportation Authorization Act of 2010” (Sec 205) amends Section 1502 of the Armed Forces Retirement Home Act of 1991 (24 U.S.C. 401) to allow Coast Guard participation in AFRH.

Residents flocking to the Gulf:

<table>
<thead>
<tr>
<th>Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Former AFRH-G residents</td>
<td>135</td>
</tr>
<tr>
<td>Current AFRH-W residents</td>
<td>110</td>
</tr>
<tr>
<td>Total Moving to Gulfport</td>
<td>245</td>
</tr>
</tbody>
</table>

Residents by Branch:

<table>
<thead>
<tr>
<th>Branch</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army</td>
<td>347 (40%)</td>
</tr>
<tr>
<td>Air Force</td>
<td>280 (32%)</td>
</tr>
<tr>
<td>Navy</td>
<td>204 (24%)</td>
</tr>
<tr>
<td>Marine Corps</td>
<td>33 (4%)</td>
</tr>
<tr>
<td>Coast Guard</td>
<td>3 (&lt;1%)</td>
</tr>
</tbody>
</table>

Resident Profile 2010:

<table>
<thead>
<tr>
<th>Gender</th>
<th>War Theater</th>
<th>Eligibility Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>World War II 368 (31%)</td>
<td>Retiree 657 (78%)</td>
</tr>
<tr>
<td>Female</td>
<td>Korean War 414 (35%)</td>
<td>Service-connected Disability 67 (8%)</td>
</tr>
<tr>
<td></td>
<td>Vietnam 394 (34%)</td>
<td>War Theater 96 (11%)</td>
</tr>
<tr>
<td></td>
<td>Grenada 3 (&lt;1%)</td>
<td>Female (service before 1948) 47 (5%)</td>
</tr>
<tr>
<td></td>
<td>Panama 0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gulf War 0</td>
<td></td>
</tr>
</tbody>
</table>

*Some were in more than 1 war.
In 2004, our vision was to become much more effective, operationally. The Home has evolved and strengthened since then through a highly diverse blend of staffing. With a core group of Federal employees at the helm, we also engage the expertise of independent consultants and service providers in fields vital to delivering great service.

Further, AFRH partners with others for transportation, facility maintenance, landscaping, food service, healthcare, personnel, finance, strategic planning, marketing, and IT. By adhering to the “One Model” for operations, AFRH has made great strides in replicating similar operations at both facilities – for maximum efficiency.

Pam Young (DON) was commended by CARF and went all-out to help residents move to Gulfport.

“ILP helps residents with daily tasks so they can be more independent.”

— Omobola Akinkuowo (ILP Nurse)
The US government seeks greater efficiencies under the direction of the Chief Performance Officer and Office of Management and Budget (OMB). As such, agencies are required to focus on outcomes and set clear and measurable goals—and then use that data to reinforce priorities, motivate action, and guide improvement. This approach has proved effective.

In 2003, AFRH transformed the way it conducted business. We articulated our Mission, honed our Vision, and crafted Strategic Goals essential to success. Then we mapped our Strategic Plan, which underwent multiple revisions over two years until we finalized a winning strategy.

Today, our High-priority Performance Goals stem from, and reinforce, our overarching AFRH Strategic Goals. Ultimately, these Goals are helping to direct our resources more efficiently. Plus, they are shaping a brighter future for AFRH.

**High-priority Performance Goals**

<table>
<thead>
<tr>
<th></th>
<th>Healthcare</th>
<th>Exceptional Service</th>
<th>Improved Processes</th>
<th>Learning &amp; Growth</th>
<th>Culture of Integrity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Housing a. Gulfport b. Washington</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Stewardship</td>
<td>(Corporate Effectiveness)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Ongoing Evolution.**

AFRH is now successfully completing many key actions in its Strategic Plan for 2006-2010. This has truly helped propel progress. Next year, we will assess many factors on the horizon that impact operations, and we will craft the next five-year Plan beginning in FY11.

Our Mission is solid. Our Vision is clear. And our Strategic Goals are constant. Yet, the emphasis and annual targets of those Goals will continue to evolve.
AFRH PAR 2010 MANAGEMENT’S DISCUSSION & ANALYSIS

We manage performance in many ways. Internally, we use community Business Plans featuring action plans for the year, quarterly feedback meetings, and performance publications. Externally, AFRH is inspected annually by accrediting bodies or the Inspector General (IG), plus Office of Personnel Management (OPM).

Further, staff performance reviews are linked to our Strategic Goals, and then the effectiveness of each employee is measured. The AFRH IG maintains documentation for agency accreditation and also manages issues, risks, and quality improvement derived from inspections.

**PERFORMANCE HIGHLIGHTS**

The Realm of Achievement

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**IG Identified Challenges**

**2010 MANAGEMENT CHALLENGE**

**PROGRESS**
- Initiate Gulfport Stand-up
  - Facility accepted July 2010
  - Residents return
- Implement, manage & monitor Washington Scott Project
  - Awaiting awards for Design/Build
  - Concept design completed
- Educate, train & promote Wellness to staff & residents
  - Trained 75% staff in Aging in Place concepts
  - Distributed brochures to residents & families

**PERFORMANCE CHALLENGE**

**PROGRESS**
- Deploy Human Capital Management Plan
  - OPM approved our Plan in Nov 09
  - Plan published in Dec 09
- Execute Human Capital Succession Plan
  - AFRH has drafted the plan
  - Gulfport reopening & staffing efforts have delayed completion
- Define Gulfport & Washington Staffing Models
  - Goal: Parity Staffing Models at all facilities
  - Models were created with regular updates
- Increase visibility of military heritage
  - Military "Hall of Honors" planned as focal point of new buildings at both Homes
  - Gulfport Hall of Honors opens in October
  - Scott Project Hall of Honors is designed
  - More historical artifacts have been installed at AFRH-W
- Adhere to timelines & participate in annual mandatory training
  - Tighter scrutiny of staff participation in mandatory training yielded better results
- Manage operating costs & expenditures
  - Analysis of economic conditions & possible scenarios helped shape forecasts & budgets
  - All contracts reviewed and updated

---

**ANALYSIS: High-priority Performance Goals**

<table>
<thead>
<tr>
<th>Relationship to AFRH Strategic Goals</th>
<th>Goals &amp; Objectives</th>
<th>Baseline Performance Measure FY07 Target</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal: HEALTHCARE (Resident Wellbeing)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ES IP</td>
<td>Accreditation</td>
<td>In good standing</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
</tr>
<tr>
<td>ES IP</td>
<td>% of resident satisfaction</td>
<td>70%</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
</tr>
<tr>
<td>ES IP</td>
<td>% of resident assessment plans</td>
<td>95%</td>
<td>NA</td>
<td>NA</td>
<td>Met</td>
<td>NA</td>
</tr>
</tbody>
</table>

| **Goal: HOUSING FOR VETERANS** | | | | | | |
| GULFPORT | Construction | Within budget and on-schedule | Met | Met | Met | Met |
| WASHINGTON | Operational plans | Plan | NA | Met | Met | Met |

| **Goal: STEWARDSHIP (Corporate Effectiveness)** | | | | | | |
| FG IP | Trust Fund solvency | Even balance of resources vs. obligations | Met | Met | Met | Met |
| FG IP | Accuracy of financial reporting | Unqualified audit opinion | Met | Met | Met | Met |
| LG | Evidence of measurable training goals | 80% participation in 4 mandatory training classes for all staff | Met | Met | Not Met | Met |

| **CI** | % of Employee Climate Survey responses of “Excellent” or “Very Good” | 70% | NA | Met | Not Met | Not Met |

AFRH Strategic Goals

- FG - Financial Growth
- CI - Culture of Integrity
- IP - Improved Processes
- ES - Exceptional Service
- LG - Learning & Growth
6TH CONSECUTIVE Unqualified Opinion.

The independent accounting firm Brown & Company expressed an Unqualified Opinion on our comparative FY10 and FY09 Financial Statements, the Consolidated Statements of Net Cost, Balance Sheets, Statements of Changes in Net Position, and Statement of Budgetary Resources. Also, Brown & Company did not report any material weaknesses. Agency management, in partnership with BPD, is accountable for the integrity of the financial information presented in this report. All financial statements and data have been prepared from the AFRH accounting records in conformity with Generally Accepted Accounting Principles (GAAP) as defined by the CFO’s Act of 1990 and OMB.

AFRH Trust Fund: Solvent.

AFRH is unique: all funding comes from its Trust Fund as allocated by Congress. TRENDS: The Fund Balance has fluctuated throughout its history, reaching dramatically low levels in the early 2000s. Through efficiencies and economies, management has raised that balance to an all-time high of $186 million in FY10. Soon, AFRH will spend a portion of these funds for the Scott Project as an investment for future generations of residents. This will thereby reduce the Trust Fund levels. However, we forecast that the balance will begin to increase again by FY15.

AFRH Trust Fund Balance FY95-10:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance (in millions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>156</td>
</tr>
<tr>
<td>2000</td>
<td>101</td>
</tr>
<tr>
<td>2003</td>
<td>94</td>
</tr>
<tr>
<td>2004</td>
<td>118</td>
</tr>
<tr>
<td>2005</td>
<td>130</td>
</tr>
<tr>
<td>2006</td>
<td>146</td>
</tr>
<tr>
<td>2007</td>
<td>158</td>
</tr>
<tr>
<td>2008</td>
<td>147</td>
</tr>
<tr>
<td>2009</td>
<td>172</td>
</tr>
<tr>
<td>2010</td>
<td>180</td>
</tr>
</tbody>
</table>

Limitations of the Principal Financial Statements.

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

Assets & Liabilities: Small Rise.

<table>
<thead>
<tr>
<th>FY10</th>
<th>FY09</th>
<th>Net changes</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$478,932,570</td>
<td>$477,345,938</td>
<td>$1,586,632</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$16,776,584</td>
<td>$16,329,453</td>
<td>$447,131</td>
</tr>
</tbody>
</table>
Ending net position: Increase.

Net Position is the current value of the Agency’s assets less liabilities. Our Net Position at the end of FY10 (per the Consolidating Balance Sheet and the Consolidating Statement of Changes in Net Position) was $462 million: a $1 million increase from the prior fiscal year. Net Position is the sum of the Unexpended Appropriations and Cumulative Results of Operations.

Revenue: Steady.

The AFRH Trust Fund, established by Congress in the 1980s, is the source of funding for all operations and capital expenditures. The revenue comes from automatic deductions from active duty enlisted, Warrant Officer, and Limited Duty Officer (currently 50 cents per month, per person, for the duration of service), as well as from Enlisted Fines & Forfeitures from all branches of military service, Interest Income (on Treasury Notes), Sales/Leases, and Resident Fees.

The Congressional budget request for FY10 equaled $134 million with $62 million in O&M and $72 million in Capital Improvements. This entailed a $7 million growth to begin the start-up of Gulfport. (Anticipated revenue was $69 million in FY10, but actual was just $61 million.) FY10 produced $62 million in revenue.

Expenditures: Prudent.

AFRH has gathered information on its spending by strategic goal for the past 2 years. AFRH has spent significant funds on the goal of Exceptional Service (supporting Healthcare and Improved Housing). The largest other expenditures go to improving our Stewardship, staff and equipment improvements, as well as modernization.

AFRH FY10 Revenue Sources:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Fees</td>
<td>$0.9</td>
<td>1%</td>
</tr>
<tr>
<td>Fines</td>
<td>$6.6</td>
<td>10%</td>
</tr>
<tr>
<td>Payroll</td>
<td>$37.2</td>
<td>60%</td>
</tr>
<tr>
<td>Sales</td>
<td>$10.4</td>
<td>17%</td>
</tr>
<tr>
<td>Interest</td>
<td>$7.3</td>
<td>12%</td>
</tr>
</tbody>
</table>

AFRH FY10 Overall Net Costs by Strategic Goal:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture of Integrity</td>
<td>$2.8</td>
<td>5%</td>
</tr>
<tr>
<td>Improved Processes</td>
<td>$0.2</td>
<td>&gt;1%*</td>
</tr>
<tr>
<td>Exceptional Service</td>
<td>$8.4</td>
<td>14%</td>
</tr>
<tr>
<td>Learning &amp; Growth*</td>
<td>$0.3</td>
<td>&gt;1%**</td>
</tr>
<tr>
<td>Financial Growth**</td>
<td>$8.0</td>
<td>69%</td>
</tr>
<tr>
<td>Education</td>
<td>$0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>$0.5</td>
<td>4%</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>$2.8</td>
<td>24%</td>
</tr>
<tr>
<td>O&amp;M FY10</td>
<td>$10.4</td>
<td>17%</td>
</tr>
<tr>
<td>O&amp;M FY09</td>
<td>$40.0</td>
<td>81%</td>
</tr>
<tr>
<td>Resident Fees</td>
<td>$7.3</td>
<td>12%</td>
</tr>
<tr>
<td>Exceptional Service</td>
<td>$6.6</td>
<td>10%</td>
</tr>
<tr>
<td>Improved Processes</td>
<td>$0.9</td>
<td>1%</td>
</tr>
<tr>
<td>Culture of Integrity</td>
<td>$0.2</td>
<td>2%</td>
</tr>
<tr>
<td>Learning &amp; Growth*</td>
<td>$2.8</td>
<td>&gt;1%*</td>
</tr>
</tbody>
</table>

AFRH FY10 Corporate Net Costs by Strategic Goal:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture of Integrity</td>
<td>$4.0</td>
<td>20%</td>
</tr>
<tr>
<td>Improved Processes</td>
<td>$1.0</td>
<td>5%</td>
</tr>
<tr>
<td>Exceptional Service</td>
<td>$0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Learning &amp; Growth*</td>
<td>$0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Financial Growth**</td>
<td>$0.1</td>
<td>1%</td>
</tr>
</tbody>
</table>

AFRH FY10 Campus Net Costs by Strategic Goal:

<table>
<thead>
<tr>
<th>Goal</th>
<th>Amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture of Integrity</td>
<td>$1.5</td>
<td>7%</td>
</tr>
<tr>
<td>Improved Processes</td>
<td>$1.0</td>
<td>5%</td>
</tr>
<tr>
<td>Exceptional Service</td>
<td>$0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Learning &amp; Growth*</td>
<td>$0.1</td>
<td>1%</td>
</tr>
<tr>
<td>Financial Growth**</td>
<td>$0.1</td>
<td>1%</td>
</tr>
<tr>
<td>O&amp;M FY10</td>
<td>$47.0</td>
<td>81%</td>
</tr>
<tr>
<td>O&amp;M FY09</td>
<td>$10.4</td>
<td>20%</td>
</tr>
<tr>
<td>Resident Fees</td>
<td>$7.3</td>
<td>12%</td>
</tr>
<tr>
<td>Exceptional Service</td>
<td>$6.6</td>
<td>10%</td>
</tr>
<tr>
<td>Improved Processes</td>
<td>$0.9</td>
<td>1%</td>
</tr>
<tr>
<td>Culture of Integrity</td>
<td>$0.2</td>
<td>2%</td>
</tr>
<tr>
<td>Learning &amp; Growth*</td>
<td>$2.8</td>
<td>&gt;1%*</td>
</tr>
</tbody>
</table>

“Trends in AFRH – Net Costs by Strategic Goal: (in millions of dollars)"
AFRH has envisioned a synergy of great efficiency and modern communities. At the forefront of our planning were some key questions: “What will the costs be?” and “How will they impact the Trust Fund?” So, AFRH engaged experts to analyze Fund solvency through 2020. In FY10, this analysis was repeated under prevailing assumptions. We assessed expected cash flows and associated risks against revenue and costs for existing and planned activities. Based on the study, experts concluded the Trust Fund will remain solvent using the standard assumptions for economic conditions during the forecast period. Since standard assumptions may not be realized, sensitivity analysis on the major assumptions was performed including cost inflation and a reduction in revenue from fines and forfeitures paid by active duty military personnel.

**RESULTS:** AFRH Trust Fund remains solvent for two severe risk scenarios between FY10 through FY20.

**Looking ahead:**

**2011 - 2020.**

The greatest risk to the Trust Fund will occur in the transition years (2011 - 2013) as we stand-up operations in Gulfport and reduce our footprint in Washington. While we recognize negative growth will occur in these years as we expense the Scott Project, we expect positive growth to continue after 2013. In fact, many of the infrastructure and facility changes will have a long-term positive and direct impact on Trust Fund solvency.

We are also reviewing our fee structure to meet the growing demands in the transition years. As we move toward our vision of a vibrant, efficient operation at both communities, we continue to use funds wisely in the best interest of stakeholders.

**Focused actions:**

**healthcare.**

We are working on multiple initiatives to reduce costs. Our primary efforts are Tricare coverage for all AFRH residents and an “Independent Living Plus” program to assist residents with Aging in Place. We believe both efforts will reduce Trust Fund costs up to $4 million per year while enhancing resident care and wellbeing.

**Added endeavors:**

**contracts & energy.**

AFRH completed a study by Stover to analyze contract costs, especially for food services. All contracts were reviewed, matched with Gulfport requirements, and FY11 marks the first year of efficiencies. AFRH-G is in the process of certification under LEED Silver energy efficiency. The AFRH-W construction goal is focused on LEED Silver. Under new administration mandates (Executive Order 13514), AFRH will undergo evaluation of its energy usage. Annual awards to service managers will continue for extra savings. Our energy-saving efforts, combined with a reduced AFRH-W footprint, will maximize the most significant savings.

**LONG RANGE FINANCIAL PLAN**

The Facility of Foresight

Remembering our fallen comrades at the memorial bell.

AFRH PAR 2010 MANAGEMENT’S DISCUSSION & ANALYSIS
Statement of Assurance

This fiscal year, our Internal Control (IC) focused on risk management and mitigation – ensuring that our facilities were well-prepared to minimize risks to residents and staff. I am pleased to report AFRH compliance with all applicable requirements, as well as progress in expanded action planning to previously identified risk areas.

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

Based on our analysis, AFRH can provide reasonable assurance that objectives have been achieved. Also no material weaknesses have been reported in our IC or financial reporting.

Given our comprehensive management controls, I am pleased to certify with reasonable assurance that:

• AFRH financial reporting is reliable. Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with GAAP. Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

• AFRH internal controls are effective for both the financial reporting through our partner BPD and for our campus operations through our Corporate IC Board.

• AFRH is in compliance with all applicable laws and regulations under FMFIA, FFMIA, and FISMA. Financial and business exchanges are executed in accordance with laws governing the use of budget authority, as well as laws and regulations that could have a direct and material effect on the financial statements, and

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

Sincerely,

Timothy C. Cox
Chief Operating Officer (COO)

November 15, 2010
Washington Master Plan

The National Defense Authorization Act for FY 2002 (as modified by Public Law 111-084, The National Defense Authorization Act for FY10) permitted AFRH via DoD to sell, lease, or otherwise dispose of underutilized buildings and property. So, AFRH launched its Washington Master Plan as the basis of its risk management strategy. The focus of this Plan is to preserve and improve the Home for the residents and the community, as well as to create additional revenue for the Trust Fund.

Given the changing economic conditions beginning in 2008, we had to shift our focus from revenue generation to improving infrastructure. We mothballed facilities within the 77 acre development zone and closed buildings not serving the current population. We initiated the shut down of the Power Plant, the remapping of utility grids, and the revitalization of key historic buildings.

Risk Management.

Facility Level:
Throughout 2010, we managed and reported risks at Performance Improvement (PI) meetings. The Director of AFRH-W monitored the High Risks (resident falls, street light repairs, fire hydrant malfunctions) and worked on mitigating their effects. Repairs to 101 streetlights, 25 fire hydrants, and four main domestic underground water pipe breaks were all successfully made (meeting 100% of requirement).

Gulfport Project Complete

New construction of the Gulfport facility was finished in FY10 within budget and on-schedule. The pedestrian walkway and Chapel restoration were additional projects and were almost complete by the close of FY10. GSA turned over the facility keys to AFRH on July 28, 2010. On October 4, many former Gulfport residents returned to their home on the Mississippi Sound.

The LRFP

The infrastructure of AFRH is moving towards the Home’s evolving operational requirements. The savings at AFRH-W from maintaining less operational square footage – along with changing IT processes, energy generation, and an energy-efficient Gulfport facility – are part of our strategy. These initiatives, combined with compliance with Executive Orders on energy efficiencies, will move AFRH toward optimal operational effectiveness.

Gulfport Stand-up Cost Savings:
- No LTC costs for several years
- Reduced dining services & subsistence
- Minimal maintenance costs
- Lower regional cost of living

Risks in Transition Years:
- Achieving reduced population targets
- Rescaling contracts effectively
- Realizing savings from Aging in Place philosophy

Scott Project

The Trust Fund expenditures for the Scott Project of $5.6 million in FY09 and $70 million in FY10 will provide a strong Return on Investment (ROI). The budget forecast shows that AFRH-W operating costs will reduce from $45.9 million in 2009 to $38.3 million in 2013. Further, if left unchecked, the 2009 cost (inflated @ 2.1%) becomes $49.9 million in 2013. This savings will provide an annual ROI of 29% (on the $76 million construction investment) from new facilities and operating processes. Cost reductions will reach 14% in FY11. Plus the Scott Project will generate savings in all major cost drivers by FY14.

The Scott Project empowers us to:
- Close the remote LaGarde Facility
- Relocate AL, MS, and LTC from LaGarde to Sheridan/Scott
- Reduce footprint by about 421,000 sq. ft.
- Position Operations for positive Trust Fund Growth
- Deploy parallel service models at AFRH-G & AFRH-W

Corporate Level:

1. Washington Master Plan
2. The LRFP
3. Scott Project
Internal Controls:

Rigorous controls are integrated into our financial reporting system, via BPD and NFC. An AFRH Senior Assessment Team, established by the CFO, has maintained oversight of our IC program since 2006. Each manager on this Team reports controls through an annual survey. AFRH can provide qualified assurance that controls over financial reporting were operating effectively as of Sep 30, 2010.

Our IC categories (required by law):

1) Control Environment: organizational structure & culture
2) Risk Assessment: identifying factors that may hinder objectives
3) Control Activities: policies, procedures & mechanisms
4) Information & Communications: flow of information
5) Monitoring: periodic assessments

Federal Manager’s Financial Integrity Act (FFMIA):

This Act requires each agency to report the health and integrity of its financial program and related activities. It ensures that resources are consistent with the overall mission, that programs achieve intended results, and that both are free of waste, fraud, and mismanagement. Further, the agency head must see that laws and regulations are followed and that fiscal management complies with Federal standards. FFMIA sets requirements for internal controls and requests yearly evaluations of the control and financial systems to protect their integrity. AFRH performs these evaluations annually and is pleased to report no “material weaknesses” have been found in FY10.

Federal Financial Management Improvement Act (FFMIA):

FFMIA requires all agencies to provide reliable, consistent disclosure of data per GAAP. For FY10, AFRH is in substantial compliance. BPD-ARC established our accounting process, and they are also in compliance and exercise internal controls. Based on agency assessment and the audit opinion, AFRH is in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board, and the US Standard General Ledger (USSGL) at the transaction level.

AFRH is FFMIA compliant at the agency and auditor levels. This is achieved via:

1) Overall substantial compliance
2) System requirements
3) Accounting standards
4) USSGL at transaction level

Federal Information Security Management Act (FISMA):

FISMA requires a competence review of information security and privacy policies, procedures, and practices. One of its primary objectives is to ensure the effectiveness of information security controls. An IG inspection found that too many AFRH applications were running on outside sources, which were not security controls. An IG inspection found that too many AFRH applications were running on outside sources, which were not FISMA compliant. Those cited included the email system and the medical record/business operations software.

New network security systems:

In FY09 we agreed to a new Memorandum of Understanding with Department of Interior (DOI) National Business Center (NBC) to provide FISMA compliant desktop support and hosting services consolidation for all IT. RESULT: successful transition and deployment at Washington. The Gulfport IT system is still in transition. In FY10 OMB issued guidelines with new, outcome-focused metrics to advance the security posture of agencies. With operations now provided by NBC, our IT Department has access to many security monitoring tools through NBC’s hosted environment. NBC’s IT Division (ITD) provides Data Network Services as a part of their Infrastructure and Application Hosting Services. The NBC’s ITD Information Office Security Division provides a range of support to ensure that systems and networks are provisioned and managed in a secure manner to meet all government requirements.

An independent audit was performed on BPD’s financial management systems (i.e., the controls placed on the financial management systems). This assurance via Standard Number 70 (SAS70) validates the integrity of AFRH management controls and our compliance with Federal financial systems standards.
Compliance
With the National Defense Authorization Act of FY08 (PL 110-181), AFRH was required to secure and maintain accreditation by a nationally recognized civilian entity for every aspect of each facility of the Home (including medical and dental care, pharmacy, independent living, assisted living, and nursing care). AFRH maintains a national accreditation with CARF and must be inspected annually. In the years the accrediting entity does not inspect, the DoD IG assesses AFRH. In FY09, the DoD IG performed a comprehensive inspection on all aspects listed above, plus financial and contracting records, the Advisory Board, and the Resident Advisory Committee.

DoD IG: FY09
The DoD IG completed his first comprehensive inspection on all aspects of AFRH in Sep 2009. PL 110-181 eliminated the previous requirement for a triennial alternating military service IG inspection of AFRH. Due to the rebuild of AFRH-G following Hurricane Katrina, this inspection was limited to the management and facilities associated with AFRH-W.

Report No. IE-2010-2 was forwarded to AFRH and to Congress in Feb 2010. In the section “What We Found”, inspectors stated: “In general, we found AFRH to be well managed, and the residents as well as the staff pleased to be affiliated with AFRH-W.”

The IG presented AFRH with 14 findings and five recommendations. During FY10, five of those findings were remedied and closed. The remainder are on target to be closed in FY11 because they required policy-making. All five of the recommendations were implemented and also closed during FY10.

CARF-CCAC Accreditation (Valid 2008–2013):
CARF is the accrediting body for CCRCs and others in aging services. CARF helps ensure that retirement homes fulfill their promise of quality, lifetime care to seniors. AFRH achieved this accreditation in September 2008 for a 5-year period ending in 2013.

All CARF requirements will be implemented at AFRH-G and we will ensure CARF compliance for six months (April - September 2011). Then AFRH-G will be inspected for the first time in 2012.

CARF performed an inspection at AFRH (corporate and campus) from September 13-15, 2010. Preliminary results were positive, but written recommendations will be forthcoming.

CARF inspection highlights at AFRH:
- The staff demonstrates a strong sense of caring & family
- Fiscal responsibility throughout the organization is top-notch
- Wonderful leadership by Pam Young, Director of Nursing (DON)
- Strong policies/procedures, but implementation occurs in silos
- Need improved checks and balances to track outcomes
- Staff beyond leadership team need to better understand how to implement resident-centered care

If you don’t have a heart, you cannot be a geriatrician.”
— Dr. Sissay Awoke (AFRH-W Medical Director)

Al Mori (Ombudsman) wishes Gulfport-bound residents a safe trip.

Dr. Awoke has been an AFRH physician for 26 years. You could say it’s personal. “I absolutely get attached to all the residents. These people are history books. Everybody is interesting to be honest—and they deserve our respect.” He explained how service today has been tethered to focus on residents’ personal needs. “The new Wellness Center is a great plan—and Aging in Place is wonderful! It includes everything: medical, social, physical, spiritual … everything a human needs.” He recalled one patient who wore a silver cross on his neck. “I asked where he got it and he said, ‘Ethiopia’. I’m from Ethiopia! So, it all comes full circle.”

Personal indeed. Dr. Awoke, who walks with a cane, says you see the whole spectrum of your own mortality here. “I tell my students, ‘you have to love old people. If you have grandparents, this will be easy for you.'”
When he came to AFRH, Billy attended many resident events: cookouts, ice cream socials, poetry readings, and birthday celebrations. "And I’m thinking: they’ve got all this stuff … but where is the music?!?" he exclaimed. As a lifelong music-lover, he couldn’t stand the serenity. So he volunteered as campus DJ. "My family has been in the music business since I was a little-bitty son. In the 50s I grew up with lots of incredible music — so many great artists it’s unreal. I don’t care if it’s blues, gospel, classical, or jazz — if it’s good music I’m playing it.”

One of our youngest residents, Billy still knows what older folks love. "When I was crawling on the floor shooting marbles I was paying attention to what was on the radio. So when I pull up Sinatra, Martin, and Armstrong, people are shocked." Billy believes music prolongs your life. And, when he calls “last song”, residents beg him to keep on playing.

“It’s amazing to see the joy on their faces when I play a favorite.”

— Billy White (Navy)
Planning propels us forward.

The great success AFRH has enjoyed stems directly from its sharp vision, unwavering mission, and its sound strategy. This strategic framework was originally outlined in 2002. However, it was later shaped by natural catastrophic and economic events from 2005-2009.

Through it all, the AFRH strategy has propelled this agency along a path of achievement. Each individual has played a part with an understanding of our strategy — and each staff member’s performance has, in turn, been linked back to our Strategic Plan.

**HIGH-PRIORITY PERFORMANCE GOALS:**

Following OMB guidance, AFRH has effectively corralled its resources to resolve “significant challenges” in FY10. Indeed, over the past few years we have demonstrated steady progress. Our High-priority Performance Goals stem directly from the AFRH strategy, ultimately strengthening the integrity of our overall Strategic Plan.

Today, AFRH has two years of data on how resources are being spent by Strategic Goal. Overall, the Goal of Exceptional Service to the residents receives the most resources — and it is in alignment with the Performance Goal of Resident Wellbeing.

**Goal 1: Healthcare (Resident Wellbeing)**

Ensure exceptional residential care and extensive support.

**MILESTONE MET:**

Aging in Place launched.

As part of the health and wellness philosophy of aging, AFRH searched for a way to have residents live independently and comfortably, for as long as possible, while remaining an active member of the community.

In January, a total of 10 IL residents were placed in the ILP pilot program under the supervision of a home healthcare nurse and two home healthcare aides.

**Advances.**

- ILP now has:
  - 46 residents
  - 2 nurses
  - 2 aides

Residents are now being assisted with Activities of Daily Living (ADL) including medication assistance, light housekeeping, and personal grooming.

- All AFRH-W residents on the Gulfport waiting list will have household goods shipped two days prior and receive transportation on October 25
- 110 AFRH-W residents are taking advantage of this benefit
- New Fact Sheet 21 presents ways residents are included in overall AFRH decision-making
MILESTONE MET: AFRH-G finished & occupied.

The demolition of the damaged AFRH-G and the construction of a new residence came in on-time and within budget - thanks to careful management by GSA.

PROGRESS
- AFRH-W conducted monthly focus groups on the Gulfport Stand-up & Scott Project to answer questions, allay concerns, and prepare residents for change.
- AFRH-W staff worked diligently and efficiently in both communities coaching, mentoring, developing contracts, packing, and moving Gulfport-bound residents.

Advances:
Yates Construction (under the management of Jacobs Engineering, contracted by GSA), completed its many assignments in record time, in a style befitting the Gulf Coast and the former military who will occupy it.

Update:
Right after the close of FY10, returning Gulfport residents moved in to their Mississippi Home and began their new lives. Final preparations for the official grand opening on November 9, "Glory on the Gulf", are being made.

Gulfport Quarters:

<table>
<thead>
<tr>
<th>Resident Class</th>
<th>IL</th>
<th>AL</th>
<th>MS</th>
<th>LTC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Rooms</td>
<td>474</td>
<td>60</td>
<td>24</td>
<td>24</td>
<td>582</td>
</tr>
</tbody>
</table>

MILESTONE MET: A design has emerged.
AFRH-W modernization is underway. The new "Commons" will replace the aging Scott Building with a new structure featuring more amenities with less maintenance. This will help our Washington facility keep pace with the new Gulfport community and bring greater health and wellness to residents. All plans are rooted in the Aging in Place philosophy and are financed from the AFRH Trust Fund. Under GSA’s project management, the Scott Project will produce:

- Design to relocate AFRH IT hub completed June 2010
- Design & Contractor awards completed Q4 FY10
- HVAC chillers & cooling towers to move behind Sheridan residence
- Plans finalized & on-schedule to move services & residents

Advances:
Bridging architects engaged by GSA worked steadily to create exactly what the staff and residents believe will yield an ideal environment. The new "Commons" and Healthcare building was carefully planned to maximize the historic setting and meet all requirements for Aging in Place.

Update:
Great progress was made on preparations for the key transition years at AFRH-W (from demolition of the existing Scott Building to completion of a new structure).

WASHINGTON QUARTERS:

<table>
<thead>
<tr>
<th>Resident Class</th>
<th>IL</th>
<th>AL</th>
<th>MS</th>
<th>LTC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Rooms</td>
<td>450</td>
<td>58</td>
<td>24</td>
<td>36</td>
<td>568</td>
</tr>
</tbody>
</table>

Goal 2: Housing for Veterans
a. Gulfport
Add residents to a fully-functional facility in FY11.

b. Washington
Right-size and give AFRH-Washington a facelift by 2013.
**MILESTONE MET:**
High fiduciary standards upheld.

In FY10, we examined and fine-tuned Trust Fund Solvency, Internal Controls, Risk Management, the Long-Range Financial Plan, and Accreditation.

Also, we made a concerted effort to focus on staff development. Training participation increased and Aging in Place training was launched. The first staff focus group was held to answer questions about our modernization projects.

**Goal 3:**
Stewardship (Corporate Effectiveness)

Maintain overall vitality via more efficient management.

**Advances:**
- CARF inspection results & recommendations are positive
- AFRH is fully accredited & in good standing
- We earned our 6th consecutive unqualified audit opinion
- The Trust Fund balance is at an all-time high
- New Commons bridging design is complete

---

**AFRH PAR 2010 PERFORMANCE**

**AFRH PAR 2010 STAND-UP TIMELINE**

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2007</td>
<td>Memorandum of Agreement Signed</td>
</tr>
<tr>
<td>Mar 2007</td>
<td>Engineering Services &amp; CM (a) Services Awarded</td>
</tr>
<tr>
<td>June 2007</td>
<td>Prime Contract Solicited (Design/Build Procurement (RFP/RFQ)</td>
</tr>
<tr>
<td>Sep 2007</td>
<td>Prime Contract Awarded (Main Building: Yates Construction)</td>
</tr>
<tr>
<td>Oct 2007</td>
<td>Old Damaged Building Imploded</td>
</tr>
<tr>
<td>Jan 2008</td>
<td>Construction Began / Notice To Proceed</td>
</tr>
<tr>
<td>Oct 2008</td>
<td>Design Completed</td>
</tr>
<tr>
<td>July 28, 2010</td>
<td>Substantial Completion (Post-Award Construction)</td>
</tr>
<tr>
<td>Oct 4, 2010</td>
<td>Occupancy Commenced</td>
</tr>
<tr>
<td>Nov 2010</td>
<td>Project Close-out Phase to Begin</td>
</tr>
<tr>
<td>Dec 2011</td>
<td>Full Occupancy Projection</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug 2008</td>
<td>GSA Memorandum of Agreement Signed</td>
</tr>
<tr>
<td>Mar 2009</td>
<td>Scott Project Feasibility Study Conducted</td>
</tr>
<tr>
<td>June 2009 - Apr 2013</td>
<td>Construction Manager (CM) Awarded</td>
</tr>
<tr>
<td>June 2009 - May 2010</td>
<td>Design Bridging (A/E) Awarded</td>
</tr>
<tr>
<td>Feb 2011</td>
<td>Design/Build to be Awarded</td>
</tr>
<tr>
<td>Apr 2011</td>
<td>Demolition of Scott Building</td>
</tr>
<tr>
<td>Sep 2010 - Dec 2012</td>
<td>Construction of Scott Building</td>
</tr>
<tr>
<td>Jan 2013</td>
<td>Residents Move into new “Commons”</td>
</tr>
<tr>
<td>Jan 2011</td>
<td>Renovate Sheridan 2nd and 3rd Floors for AL</td>
</tr>
<tr>
<td>Feb 2013</td>
<td>Residents Move into Sheridan Main Floor</td>
</tr>
</tbody>
</table>
Laura Fogarty (Chief, Recreational Services) plans the next resident daytrip.

AFRH actively tracks how it spends money per Strategic Goal. This ensures that we are directing the bulk of our resources to fulfill our mission to provide: “…a premier retirement community with exceptional residential care and extensive support services.” Two years of data are now available since we began this analysis, as illustrated in the MDA section. AFRH Corporate is more focused on Improved Processes. And Campus Operations is centered on Exceptional Service.

**SPENDING PER STRATEGIC GOAL**

**The Guidance of Assets**

<table>
<thead>
<tr>
<th>Strategic Goal</th>
<th>Spending</th>
<th>Percentage of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional Service &amp; Improved Processes:</td>
<td>$42 million</td>
<td>98%</td>
</tr>
<tr>
<td>Culture of Integrity, Financial Growth, and Learning &amp; Growth:</td>
<td>$2 million</td>
<td>2%</td>
</tr>
</tbody>
</table>

We asked Matt what he likes most about managing the AFRH-W golf course. “The whole atmosphere. It’s a fun golf course with lots of character. And there are a few characters all around here,” he chuckled. Matt is the caretaker of our 9-hole course, plus he holds a small golf clinic for residents twice a month. When asked if he sees improvement, Matt chipped in: “Of course!” He explained how it’s a short course with no sand bunkers, which makes it easier for everyone. Matt has seen his share of war heroes, as well as Congressional officials, in the past seven years. “A few congressmen are members. They’re anonymous in their golf shirts … they just want to get away from the Capitol. And President Clinton came to play golf with WWII veteran residents and staff.” Yet, Matt drove home the point that this isn’t a country club. “It’s blue collar,” he said.

“I love my job. It’s my little paradise in the middle of the city.”

– Matt Kayson (AFRH Golf Course Manager & PGA Golf Pro)
The Demonstration of Deeds

Prior to FY10, we conducted a pilot performance management program for four years—linking strategy to goals via extensive business and performance planning. Now it has been one full year since we fully instituted the AFRH Performance Management Program (PMP). We are pleased to report smooth sailing.

The FY10 performance cycle started Jan 1 with a six-month mandatory progress review.

RESULTS: 100% received performance reviews. Management focused on training staff.

RESULTS: Well over the 80% measure of all staff (including Gulfport) was successfully trained.

The Employee Satisfaction Survey was administered in Sep 10.

CONCLUSION: most employees agree working at AFRH is “very good” or “good.” (Actual: 88% – slightly below our 70% target.)

ANALYSIS: Results of the Sep 2009 OPM audit yielded high marks in nearly all aspects of human resources. Yet, OPM noted and advised fixes for the shortened rating period in FY09 (due to organizational disruptions in supervision). Further, OPM suggested a limited definition of the succession planning process. Both areas were rectified.

A recent addition to the PMP is the requirement to inform all staff of our strategic planning initiatives—and how their work relates to it.

2010 Targets:
- Reopen & staff the new AFRH-Gulfport
- Implement succession management strategies
- Employ leadership development strategies
- Ensure our system IDs high & low performers
- Obtain CAPF-CCAC accreditation renewal
- Advance “needs-based” employee training
- Promote professional development for staff
- Recruit & hire suitable staff to fulfill our Mission
The Development of Talent

**GOAL 1: Strategic alignment**
Promote Mission-focused human capital planning.

**YEARLY PROGRESS:**
- Completed workforce analyses & planning, human capital goals, strategies, tactics, milestones & measures
- Designed all Goals and Strategies to link AFRH staff & mission

**STRATEGIC GOAL SUPPORT:**
- Improved Processes
- Financial Growth
- Exceptional Service

**GOAL 2: Leadership & knowledge management**
Forge a leadership culture for organizational excellence.

**YEARLY PROGRESS:**
- Surveyed positive employee satisfaction with leadership, communication, and workforce cultural mix
- Improved information sharing, motivation, and commitment from our managers

**STRATEGIC GOAL SUPPORT:**
- Culture of Integrity
- Exceptional Service

**GOAL 3: Results-driven performance culture**
Ensure a widespread culture of service excellence.

**YEARLY PROGRESS:**
- Developed “Employee Checklist” to ensure basic data is given to new hires
- Achieved timely ratings for the 2010-11 AFRH Performance Cycle
- Adopted annual Training Needs Assessment (due to limited training funds)

**STRATEGIC GOAL SUPPORT:**
- Culture of Integrity
- Exceptional Service

**GOAL 4: Talent management**
Recruit & develop a workforce committed to Veterans.

**YEARLY PROGRESS:**
- Tested the resolve of our workforce during the Gulfport reopening

**STRATEGIC GOAL SUPPORT:**
- Culture of Integrity
- Exceptional Service
- Learning & Growth

**GOAL 5: Accountability**
Promote human capital accountability.

**YEARLY PROGRESS:**
- Drafted Accountability Program:
  - Will track / report goals, achievements & improvements
  - To be finalized after Leadership Succession Management Plan

**STRATEGIC GOAL SUPPORT:**
- Culture of Integrity
- Exceptional Service

Our human capital goals align with the five human capital systems in OPM’s “Human Capital Assessment and Accountability Framework” (HCAAF). Each human capital goal supports the AFRH Strategic Goals as noted.
The Advance of Excellence

Management Challenges
- Initiate Gulfport Stand-up
- Gulfport facility turned over to AFRH July 2010
- Former Gulfport residents returned as the first occupants in the new building

Implement, manage & monitor
- Project on time and within budget
- Designs from the conceptual architect were completed and approved by historical and local DC planning councils
- Transition period milestones are set and work is underway
- Aging in Place pilot program and staff training were launched

Educate, train & promote
- Informational brochure was published
- Focus groups generated questions and answers about improvements and AFRH philosophy

Wellness to staff & residents

AFRH IG Challenge Results

Performance Challenges
- Gulfport facility turned over to AFRH July 2010
- Former Gulfport residents returned as the first occupants in the new building
- Project on time and within budget
- Designs from the conceptual architect were completed and approved by historical and local DC planning councils
- Transition period milestones are set and work is underway
- Aging in Place pilot program and staff training were launched
- Informational brochure was published
- Focus groups generated questions and answers about improvements and AFRH philosophy

FY10 RESULTS
- SCP for FY09-14 was distributed in February 2010
- Draft Succession Plan was completed
- Much work was done on staffing models to reach parity between the 2 campuses
- Hiring at Gulfport began in March 2010 and is ongoing
- Hall of Honors was opened at AFRH-G with military artifacts
- AFRH-W installed an anchor & military-themed tree carvings
- We met training Goal of 80+ % in 4 mandatory training requirements
- Managers revamped all contracts for Washington and the emerging requirements in Gulfport
- Contracts set to yield 20% savings in 4 years
- AFRH-G: 100% EEO, 100% Ethics, 100% Performance Management
- AFRH-W: 80% Safety, 80% EEO, 93% Ethics, 85% Performance Management, 85% IT Security Awareness
- Only 68% of all responses were in the top 2 positive choices

AFRH Analysis of Performance Goals

Goal: HEALTHCARE (Resident Wellbeing)
- Accreditation: In good standing
- % of resident satisfaction: 70%
- % of resident assessment plans: 95%
- NA

Goal: HOUSING FOR VETERANS
- Construction: Within budget and on schedule
- Operational Plans: Plan on schedule

Goal: STEWARDSHIP (Corporate Effectiveness)
- Trust Fund solvency: Even balance of resources vs. obligations
- Accuracy of financial reporting: Unqualified audit opinion
- Evidence of measurable training goals: 86% participation in 4 mandatory training classes for all staff
- % of Employee Climate Survey responses of "Very Good" or "Good": 76%

AFRH Strategic Goals
- Financial Growth
- Culture of Integrity
- Improved Processes
- Exceptional Service
- Learning & Growth

Resident Satisfaction Gauges:
- Formal Measures in Strategic Goals & Performance Goals
- Informal Queries on Resident Activities (by Resident Services)
- Meal Satisfaction Survey in LaGarde Dining (for LTC & AL)
- Biennial Dining Survey (for all Other Food Services)
- Qualitative Resident Interviews by CARF, DoD IG & Staff

Each year, we meet the majority of performance measures mapped out in our strategy. FY10 was no exception. We were quite successful at reaching established measures and advancing excellence at AFRH.

Moreover, we effectively responded to the IG’s challenges and made headway in every indicated area. We are pleased to demonstrate the results in the charts below.

PERFORMANCE MEASURES
While we have survey data from 2007-2009, the rating categories were altered this year from "Greatly Exceeds" and "Exceeds" to "Excellent" and "Good". Past years had lower participation of 94 (2007), 75 (2008) and 81 (2009) resident respondents. This year, we saw a marked increase of respondents (158) eating in Nursing Units, via LaGarde Dining Room Table Service and through the Kiosk Line. Thus, we believe we now have a true picture of what residents think about the food.

RESULTS:
- Major progress in all categories
- Most residents favor the new menu

Comparative Class Survey 2007-2010:

LaGarde Meal Survey FY10:

LaGarde Meal Satisfaction (Overall Service = "Excellent" or "Good")

- Excellent: 158 respondents
- Good: 158 respondents
- Fair: 158 respondents
- Poor: 158 respondents
- No Response: 158 respondents

Results: 80% Target: 70%

While we have survey data from 2007-2009, the rating categories were altered this year from "Greatly Exceeds" and "Exceeds" to "Excellent" and "Good". Past years had lower participation of 94 (2007), 75 (2008) and 81 (2009) resident respondents. This year, we saw a marked increase of respondents (158) eating in Nursing Units, via LaGarde Dining Room Table Service and through the Kiosk Line. Thus, we believe we now have a true picture of what residents think about the food.

SURVEY RESULTS

The Say of Residents

Comparative Customer Service Evaluation 2007-2010:

The trends for "Customer Service" responses show some variations. Yet, every year, Service typically rates above our target of 70% for "Outstanding" or "Above Average."
Federal agencies are required to certify completeness and reliability of performance data. That data must be verified and validated—so AFRH has several means of external, independent reviews (e.g., OPM, BPD, CARF-CCAC, and the DoD IG).

SUCCESS MEASURES:

Business Measures:
- Solvency of the Trust Fund
- Stability in Resident Occupancy
- Cost Savings via Initiatives
- Reductions in Land & Space (“right-sizing”)
- Donations & Volunteering

Customer Satisfaction:
- Improved Survey Results
- Advances in Health & Wellness
- Enhancements to Facilities
- Supplemental Services

Employee Satisfaction:
- Boost in Performance Evaluations
- Positive Staff Climate Survey Results
- Updated Policies & Directives in FY10
- Policy statements = 5
  - Notices = 11
  - Directives = 11

Financial Data:
- Annual Reviews of Fiscal Status & Reporting (BPD & external auditor)
- Published a Financial Management Notice and COTR Manual

External Benchmarks:
- Maintenance of CARF-CCAC Accreditation
- DoD IG in Sep 2009
- CARF Inspection in Sep 2010

For the Government Performance and Results Act of 1993 and the Reports Consolidation Act of 2000

This soldier has seen some wicked shots in life. In 1943 Mike went to the front lines in Kissing, Germany six weeks into the service. That experience with guns led to working with MPs and weapons for the Air Force. Later he married, had four kids in Florida, and took a hankering to drivers over rifles. “I play golf every day for exercise. In the tournament, I won everything: closest to the pin, low score, and best score,” said 89-year-old Mike. “You gotta keep exercising. I was involved in sports most of my life.” A widower, Mike has lived at AFRH 10 years. “I love it here. They’re great to me. This place has everything I want.” He also travels to Florida four to five months in the winter to visit his kids. “Listen, the Lord is good to me and I hand everything to Him. And that’s my life!”

Mike Haddad (Army)

VERIFICATION & VALIDATION

The Veracity of Data

Today’s residents learn more and stay independent.
Everyone will wonder what you have been up to.

— Victoria Landon (Army)

Victoria is “a people person.” She’s traveled and worked all around the world: in Guam, Tokyo, Europe, Iceland, Scotland … you name it. She worked two jobs in college earning a degree in art and another in anthropology. Plus, she spent three years in a Master’s divinity program. “Soon, I’m going on a humanitarian mission, taking 7,000 pairs of eyeglasses to the needy in Cameroon, West Africa. On the return trip we’re spending a week in France.” Besides all that this former Caribbean import-export rep enjoys resident bus tours, shopping sprees, campus walks, and even wants to take up golf again. Maybe her adventurous spirit and outgoing nature is why Victoria has made more friends at AFRH than she has in her entire lifetime. “What I like about this place is: it’s a shelter but it’s not confining. You can come and go as you please.” In short, life is grand. “I tell people: I’m well-educated, well-traveled, and hopefully well-read.”
MESSAGE FROM THE DCOO / CFO

The Direction of Resources

I am pleased to present the AFRH financial results for FY10. This year we earned our 8th consecutive unqualified audit opinion from external auditors. In fact, our Statements have had no material weaknesses since FY05, thanks to our BPD partnership. Also, the AFRH Trust Fund balance reached an all-time high of $186 million – a remarkable achievement of which we are proud.

Further, we demonstrated noteworthy progress on our Performance Goals in FY10. In February we launched our pilot ILP program, fulfilling our vision for a health and wellness philosophy of aging. In July GSA turned over the keys to the new Gulfport home and occupancy began in October. And all year long we saw our ambitious plans to modernize AFRH-W leap forward.

THE BOLSTERING OF CONTRACTS

This past year we focused diligently to make AFRH operations even more cost-effective. Our service chiefs worked tirelessly to modify existing food service, maintenance, and security contracts in Washington for the future rightsizing of the population. These new vehicles will serve us well in our Washington Transition Period and prepare us for a new beginning when the Commons is completed. Plus, we used those smart ideas to draft contracts for Gulfport.

THE VITALITY OF RENEWAL

The Scott Project to modernize our historic AFRH-W site moved from ideas to actions. At the end of FY09 and through FY10, bridging architects worked closely with staff to bring Aging in Place to life. The designers of the new “Commons” explored and designed new ways to help daily activities revolve around the residents’ lives. The goal: to embody “small house” concepts for LTC and MS – replacing the institutional style of double-loaded corridors with a warm, home-like atmosphere.

Modern construction will replace the outdated Scott dormitory (built in the 1960s). It will meet LEED certification and be in compliance with recent Executive Orders to reduce energy, water, and fuel intensity at Federal agencies. To achieve these objectives, AFRH has initiated plans to close its steam plant and mothball facilities as well as close, sell, or lease the LaGarde healthcare facility by 2013 once it is vacated.

Transition Period actions entail moving key utility and equipment from the Scott Building. The HVAC chillers are being moved into a renovated space behind Sheridan. Also, the IT hub will be relocated to the ground floor of the Sherman. The design and construction contracts are complete and work has already begun. Interim dining facilities are designed for the Sherman Building main floor. And a passageway is now under construction for safe travel from Sheridan in inclement weather.

The Scott Project for centralized care and amenities will boost customer service. Plus, it will yield far-reaching economies, efficiencies, and tangible gains. It will:
- Provide about 150,000 sq. ft. of new program space
- Reduce roughly 421,000 sq. ft. requiring maintenance
- Eliminate resident transport costs ($144,000 annually)
- Offer all residents living space that is newly renovated
- Co-locate AL residents near their comrades in IL
- Afford us to remodel the resident Bowling Center
- Move Facility Maintenance right next to the residents
- Upgrade the IT and phone system for the entire facility
- Stand-up the Sheridan on its own HVAC system
- Initiate steps to close the Power Plant

THE EMPOWERMENT OF RESIDENTS

Our goal is to totally transform our operational model to promote Aging in Place. A truly modern AFRH will reflect the needs of today’s residents – as well as those of current active duty who may need our care tomorrow. So, our Vitality Plans are in place to assess the daily living activities of residents and help them maintain independence.

With our pilot ILP program going from 0 to 46 residents in one year, we’re ready to advance this key component of Aging in Place in FY11.

THE PLEDGE OF COMMUNICATION

This year, we spent more time than ever talking with, and really listening to, our residents. In Focus Groups, we walked them through the concepts, plans, and implementation of the move to Gulfport. Plus, we held many Focus Groups on the Scott Project to help our residents better understand and offer input on the new Commons, AL relocation to renovated Sheridan space, services in transition years, LaGarde’s closing in 2013, and our chiller and IT Hub relocation from Scott.

In the end, 2010 was a year of great progress for everyone at AFRH. I applaud our hardworking staff members who worked tirelessly to make FY10 our most successful year ever. And I salute our residents, who have inspired us to care more, strive more, and deliver more to every defender of liberty in America and beyond.

Sincerely,

Steven G. McManus
Deputy Chief Operating Officer / Chief Financial Officer

November 15, 2010
AFRH consistently produces accurate and timely financial information. In turn, management uses that data to drive decision-making and produce results in key operational areas. Our sixth consecutive unqualified audit, plus no material weaknesses on our internal controls, equaled a solid victory. Beyond these achievements, management continues to evaluate key findings and risk determinations uncovered in our internal control assessments. A recent forecast through 2020, based on risk analysis of the AFRH Trust Fund, states that the Trust Fund is indeed solvent.

TheFeat of Financing

AFRH Trust Fund: Solvent

FINANCIAL STATEMENTS

We are also pleased to present our Financial Statements for FY10 on the following pages after the Audit Letters. These Statements should be read with the understanding they are for a component of the US Government, a sovereign entity. In a public-to-public partnership, BPD ARC has administered all of our FY10 financial management activities including:

- Accounting - Purchasing
- Budget - Travel
- Payments

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

FY09 winner Chuck Dickerson (Chief, AFRH-W Resident Services) passes the “CFO Stretch Award” to FY10 winner Justin Seffens (Chief, AFRH-W Campus Operations), whose savings exceeded $1 million.
INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Armed Forces Retirement Home
Washington, D.C.

We have audited the financial statements of the Armed Forces Retirement Home (AFRH) as of and for
the year ended September 30, 2010 and have issued our report thereon dated November 13, 2010. We
conducted our audit in accordance with auditing standards generally accepted in the United States of
America, 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 as amended, 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 as amended. 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 material weakness or significant
deficiency. Under standards issued by the American Institute of Certified Public Accountants and OMB
Bulletin No. 07-04 as amended, a material weakness is a deficiency, or combination of deficiencies, in
internal control, such that there is a reasonable possibility that a material misstatement of the entity's
financial statements will not be prevented, or detected and corrected on a timely basis. A significant
deficiency is a deficiency in internal control, or a combination of deficiencies, in internal control that is
less severe than a material weakness, yet important enough to merit attention by those charged with
 governance. 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 material weakness as defined above.

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

Largé, Maryland
November 13, 2010

LARGÉ
1101 BERCKSTONE LANE, SUITE 112
(240) 998-1234 • FAX: (240) 998-1234
mail@brownco.com

RICHMOND
3000 SANTA ROSA ROAD, SUITE 107
(908) 555-6666 • FAX: (908) 555-6666
mail@brownco.com
**ARMED FORCES RETIREMENT HOME**  
**BALANCE SHEET AS OF SEPTEMBER 30, 2010 AND 2009**  
(In Dollars)

<table>
<thead>
<tr>
<th>Assets:</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fund Balance With Treasury (Note 2)</td>
<td>$13,824,429</td>
<td>$76,282,883</td>
</tr>
<tr>
<td>Investments (Note 3)</td>
<td>183,736,984</td>
<td>176,358,831</td>
</tr>
<tr>
<td>Accounts Receivable (Note 4)</td>
<td>2,669,387</td>
<td>2,941,339</td>
</tr>
<tr>
<td><strong>Total Intragovernmental</strong></td>
<td><strong>200,230,800</strong></td>
<td><strong>255,583,053</strong></td>
</tr>
<tr>
<td>Accounts Receivable, Net (Note 4)</td>
<td>473,055</td>
<td>658,004</td>
</tr>
<tr>
<td>Property, Equipment, and Software, Net (Note 5)</td>
<td>278,228,715</td>
<td>221,104,881</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$478,932,570</strong></td>
<td><strong>$477,345,938</strong></td>
</tr>
</tbody>
</table>

| Liabilities: | | |
| Intragovernmental | | |
| Accounts Payable | $67,467 | $33,044 |
| Other (Note 8) | 2,180,671 | 2,133,577 |
| **Total Intragovernmental** | **2,248,138** | **2,166,621** |
| Accounts Payable | 3,698,622 | 3,397,200 |
| Federal Employee and Veterans’ Benefits (Note 6,7) | 8,888,145 | 8,886,860 |
| Other (Note 8) | 2,040,679 | 1,878,722 |
| **Total Liabilities** | **$16,776,584** | **$16,329,453** |

| Net Position: | | |
| Cumulative Results of Operations – Earmarked Funds (Note 10) | $462,155,986 | $461,016,485 |
| **Total Net Position** | **$462,155,986** | **$461,016,485** |
| **Total Liabilities and Net Position** | **$478,932,570** | **$477,345,938** |

The accompanying notes are an integral part of these financial statements.

---

**Statement of Net Cost for the Fiscal Years Ended September 30, 2010 and 2009**  
(In Dollars)

<table>
<thead>
<tr>
<th>Program Costs: (Note 10)</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program: Culture of Integrity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$2,872,565</td>
<td>$1,621,341</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>(606,944)</td>
<td>(440,821)</td>
</tr>
<tr>
<td><strong>Net Program Cost</strong></td>
<td><strong>$2,265,621</strong></td>
<td><strong>$1,180,520</strong></td>
</tr>
<tr>
<td>Program: Exceptional Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$48,948,516</td>
<td>$51,218,520</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>(11,739,609)</td>
<td>(13,925,628)</td>
</tr>
<tr>
<td><strong>Net Program Cost</strong></td>
<td><strong>$37,208,907</strong></td>
<td><strong>$37,292,892</strong></td>
</tr>
<tr>
<td>Program: Financial Growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$181,425</td>
<td>$121,905</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>(43,512)</td>
<td>(33,144)</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
<td><strong>$137,913</strong></td>
<td><strong>$88,761</strong></td>
</tr>
<tr>
<td>Program: Improved Processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$8,321,369</td>
<td>$7,808,036</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>(1,995,762)</td>
<td>(2,122,900)</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
<td><strong>$6,325,607</strong></td>
<td><strong>$5,685,136</strong></td>
</tr>
<tr>
<td>Program: Learning and Growth</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Costs</td>
<td>$151,188</td>
<td>$182,958</td>
</tr>
<tr>
<td>Less: Earned Revenue</td>
<td>(36,260)</td>
<td>(49,717)</td>
</tr>
<tr>
<td><strong>Net Program Costs</strong></td>
<td><strong>$114,928</strong></td>
<td><strong>$133,141</strong></td>
</tr>
<tr>
<td><strong>Net Cost of Operations</strong></td>
<td><strong>$45,970,976</strong></td>
<td><strong>$44,380,450</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Statement of Changes in Net Position

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cumulative Results of Operations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Balances</td>
<td>$461,016,485</td>
<td>$454,928,547</td>
</tr>
<tr>
<td><strong>Budgetary Financing Sources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonexchange Revenue</td>
<td>45,253,554</td>
<td>48,017,967</td>
</tr>
<tr>
<td>Donations and Forfeitures of Cash and Cash Equivalents</td>
<td>53,190</td>
<td>937,347</td>
</tr>
<tr>
<td>Other Financing Sources (Non-Exchange):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imputed Financing Sources (Note12)</td>
<td>1,803,733</td>
<td>1,513,074</td>
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<tr>
<td><strong>Total Financing Sources</strong></td>
<td>$47,110,477</td>
<td>$50,468,388</td>
</tr>
<tr>
<td>Net Cost of Operations</td>
<td>(45,970,976)</td>
<td>(44,380,450)</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>1,139,501</td>
<td>6,087,938</td>
</tr>
<tr>
<td><strong>Cumulative Results of Operations</strong></td>
<td>$462,155,986</td>
<td>$461,016,485</td>
</tr>
<tr>
<td><strong>Net Position</strong></td>
<td>$462,155,986</td>
<td>$461,016,485</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.

## Statement of Budgetary Resources

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgetary Resources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unobligated Balance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unobligated Balance Brought Forward, October 1</td>
<td>$44,406,117</td>
<td>$49,991,393</td>
</tr>
<tr>
<td>Recoveries of Prior Year Unpaid Obligations</td>
<td>1,270,988</td>
<td>1,308,146</td>
</tr>
<tr>
<td>Budget Authority</td>
<td>134,000,000</td>
<td>63,010,000</td>
</tr>
<tr>
<td><strong>Total Budgetary Resources</strong></td>
<td>$179,676,685</td>
<td>$114,309,539</td>
</tr>
<tr>
<td><strong>Status of Budgetary Resources:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations Incurred</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct</td>
<td>$76,846,377</td>
<td>$69,903,422</td>
</tr>
<tr>
<td>Apportioned</td>
<td>102,830,308</td>
<td>44,406,117</td>
</tr>
<tr>
<td><strong>Total Status of Budgetary Resources</strong></td>
<td>$179,676,685</td>
<td>$114,309,539</td>
</tr>
<tr>
<td><strong>Change in Obligated Balance:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligated Balance, Net</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unpaid Obligations, Brought Forward, October 1</td>
<td>$84,863,613</td>
<td>$172,767,646</td>
</tr>
<tr>
<td>Obligations Incurred Net (Note 14)</td>
<td>76,846,377</td>
<td>69,903,422</td>
</tr>
<tr>
<td>Gross Outlays</td>
<td>(115,123,987)</td>
<td>(156,499,309)</td>
</tr>
<tr>
<td>Recoveries of Prior Year Unpaid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations, Actual (1,270,988)</td>
<td>(1,308,146)</td>
<td></td>
</tr>
<tr>
<td><strong>Total, Unpaid Obligated Balance, Net, End of Period</strong></td>
<td>$45,315,435</td>
<td>$84,863,613</td>
</tr>
<tr>
<td><strong>Net Outlays:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Outlays</td>
<td>$115,123,987</td>
<td>$156,499,309</td>
</tr>
<tr>
<td>Distributed Offsetting Receipts</td>
<td>62,428,632</td>
<td>60,751,627</td>
</tr>
<tr>
<td><strong>Net Outlays</strong></td>
<td>$179,676,685</td>
<td>$114,309,539</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1. Description Useful Life (years)

<table>
<thead>
<tr>
<th>Description</th>
<th>Useful Life (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and Improvements</td>
<td>10-20</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>20-40</td>
</tr>
<tr>
<td>Equipment</td>
<td>5-10</td>
</tr>
</tbody>
</table>

K. Advances and Prepaid Charges

Advance payments are generally prohibited by law. There are some exceptions, such as reimbursable agreements, subscriptions and payments to contractors and employees. Payments made in advance of the receipt of goods and services are recorded as advances or prepaid charges at the time of prepayment and recognized as expenses when the related goods and services are received.
Fund Balances:

Fund balance with Treasury account balances as of September 30, 2010 and 2009 were as follows:

NOTE 2. FUND BALANCE WITH TREASURY

Fund Balance with Treasury:

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust Funds</td>
<td>$13,624,429</td>
</tr>
<tr>
<td>Investments</td>
<td>183,736,984</td>
</tr>
<tr>
<td>Less: Accrued Interest and Unamortized Premium</td>
<td>(5,759,736)</td>
</tr>
<tr>
<td>Total</td>
<td>$191,801,677</td>
</tr>
</tbody>
</table>

L. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the AFRH as a result of transactions or events that have already occurred. No liability can be paid, however, absent an appropriation or other funding. Liabilities for which an appropriation has not been enacted or other funds received are, therefore, classified as not covered by budgetary resources. There is no certainty that the appropriation will be enacted. Additionally, the Government, acting in its sovereign capacity, can abrogate liabilities. Liabilities not covered by budgetary resources on the Balance Sheet are equivalent to amounts reported as components requiring or generating resources on the Reconciliation of Net Cost to Budget.

M. Accounts Payable

Accounts payable consists primarily of amounts owed to other Federal agencies and the public for contracts for goods or services, such as leases, utilities, telecommunications and consulting and support services.

N. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual leave earned but not taken. Sick leave and other types of non-vested leave are expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to OPM upon the retirement of that individual. Credit is given for sick leave balances in the computation of annuities upon the retirement of Federal Employees Retirement System (FERS)-covered employees effective at 50% beginning FY2010 and 100% in 2014.

O. Accrued and Actuarial Workers’ Compensation

The Federal Employees’ Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) addresses all claims brought by the AFRH employees for on-the-job injuries. The DOL bills each agency annually as its claims are paid, but payment of these bills is deferred for two years to allow for funding through the budget process. Similarly, employees that the AFRH terminates without cause may receive unemployment compensation benefits under the unemployment insurance program also administered by the DOL, which bills each agency quarterly for paid claims. Future appropriations will be used for the reimbursement to DOL. The liability consists of (1) the net present value of estimated future payments calculated by the DOL, and (2) the unremitted cost paid by DOL for compensation to recipients under the FECA.

P. Retirement Plans

AFRH employees participate in either the CSRS or the FERS. The employees who participate in CSRS are beneficiaries of AFRH matching contribution, equal to seven percent of pay, distributed to their annuity account in the Civil Service Retirement and Disability Fund. Prior to December 31, 1983, all employees were covered under the CSRS program. From January 1, 1984 through December 31, 1988, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. FERS offers a savings plan to which AFRH automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay. For FERS participants, AFRH also contributes the employer’s matching share of Social Security. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, AFRH remits the employer’s share of the required contribution.

AFRH recognizes the imputed cost of pension and other retirement benefits during the employees’ active years of service. OPM actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to AFRH for current period expense reporting. OPM also provides information regarding the full cost of health and life insurance benefits. AFRH recognized the offsetting revenue as imputed financing sources to the extent these expenses will be paid by OPM. AFRH does not report on its financial statements information pertaining to the retirement plans covering its employees. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of the OPM.

Q. Other Post-Employment Benefits

AFRH employees eligible to participate in the Federal Employees’ Health Benefits Plan (FEHBP) and the Federal Employees’ Group Life Insurance Program (FEGI) may continue to participate in these programs after their retirement. The OPM has provided the AFRH with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The AFRH recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee’s services are rendered. The ORB expense is financed by OPM, and offset by the AFRH through the recognition of an imputed financing source.

R. Use of Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

S. Imputed Costs/Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. AFRH recognized imputed costs and financing sources in fiscal years 2010 and 2009 to the extent directed by OMB.

T. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. AFRH recognizes contingent liabilities, in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote. In some cases, once losses are certain, payments may be made from the Judgment Fund maintained by the U.S. Treasury rather than from the amounts appropriated to AFRH for agency operations. Payments from the Judgment Fund are recorded as an “Other Financing Source” when made.

U. Reclassification

Certain fiscal year 2009 balances have been reclassified, restated, or combined with other financial statement line items for consistency with current year presentation.
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 2010 and 2009 range from February 15, 2011 to May 15, 2016 and November 15, 2009 to May 15, 2016, respectively, and interest rates for the same fiscal years range from 4.500 percent to 5.125 percent and 4.500 percent to 6.500 percent, respectively.

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

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

## NOTE 3. INVESTMENTS

### Investments as of September 30, 2010 consist of the following:

<table>
<thead>
<tr>
<th>Cost Method</th>
<th>Unamortized (Premium)</th>
<th>Interest Receivable</th>
<th>Investments Net</th>
<th>Market Value Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Marketable</td>
<td>Treasury Notes</td>
<td>140,013,562</td>
<td>3,048,879</td>
<td>2,263,047</td>
</tr>
<tr>
<td>One-Day Certificate</td>
<td>Treasury Bills</td>
<td>38,413,496</td>
<td>38,413,496</td>
<td>19,083,287</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$178,427,058</td>
<td>$3,048,879</td>
<td>$2,263,047</td>
</tr>
</tbody>
</table>

### Investments as of September 30, 2009 consist of the following:

<table>
<thead>
<tr>
<th>Cost Method</th>
<th>Unamortized (Premium)</th>
<th>Interest Receivable</th>
<th>Investments Net</th>
<th>Market Value Disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Marketable</td>
<td>Non-Marketable Treasury Notes</td>
<td>103,999,737</td>
<td>5,513,497</td>
<td>2,181,251</td>
</tr>
<tr>
<td>One-Day Certificate</td>
<td>One-Day Certificate Treasury Notes</td>
<td>4,664,346</td>
<td>4,664,346</td>
<td>4,664,346</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$168,664,083</td>
<td>$5,513,497</td>
<td>$2,181,251</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 2010 and 2009 range from February 15, 2011 to May 15, 2016 and November 15, 2009 to May 15, 2016, respectively, and interest rates for the same fiscal years range from 4.500 percent to 5.125 percent and 4.500 percent to 6.500 percent, respectively.

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

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

## NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable balances as of September 30, 2010 and 2009 were as follows:

### With the Public

- Resident Fees Receivable: $255,936, $467,509
- Miscellaneous: $217,119, $190,495
- Subtotal, With the Public: $473,055, $658,004
- Total Accounts Receivable: $3,142,442, $3,599,343

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force and Marine Corp. Accounts receivable from the public is primarily made up of resident fees due from residents of AFRH. Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2010 and 2009.

## NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

### Schedule of Property, Equipment, and Software as of September 30, 2010

<table>
<thead>
<tr>
<th>Major Class</th>
<th>Acquisition Cost</th>
<th>Accumulated Amortization/Depreciation</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>$181,456,706</td>
<td>$151,293,558</td>
<td>$30,163,148</td>
</tr>
<tr>
<td>Land and Improvements</td>
<td>11,006,567</td>
<td>10,369,414</td>
<td>637,153</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>3,269,462</td>
<td>2,859,386</td>
<td>430,096</td>
</tr>
<tr>
<td>Construction-in-Progress</td>
<td>246,998,318</td>
<td>N/A</td>
<td>246,998,318</td>
</tr>
<tr>
<td>Total</td>
<td>$442,751,073</td>
<td>$164,522,358</td>
<td>$278,228,715</td>
</tr>
</tbody>
</table>

### Schedule of Property, Equipment, and Software as of September 30, 2009

<table>
<thead>
<tr>
<th>Major Class</th>
<th>Acquisition Cost</th>
<th>Accumulated Amortization/Depreciation</th>
<th>Net Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>$181,456,706</td>
<td>$145,535,038</td>
<td>$35,921,668</td>
</tr>
<tr>
<td>Land and Improvements</td>
<td>10,982,370</td>
<td>10,216,187</td>
<td>766,183</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>3,269,462</td>
<td>2,728,126</td>
<td>561,356</td>
</tr>
<tr>
<td>Construction-in-Progress</td>
<td>183,855,674</td>
<td>N/A</td>
<td>183,855,674</td>
</tr>
<tr>
<td>Total</td>
<td>$379,664,232</td>
<td>$158,479,351</td>
<td>$221,104,881</td>
</tr>
</tbody>
</table>
The liabilities for AFRH as of September 30, 2010 and 2009, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

### NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2010 and 2009, include liabilities not covered by budgetary resources. Congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental – FECA</td>
<td>$1,946,681</td>
<td>$1,932,719</td>
</tr>
<tr>
<td>Unfunded Leave</td>
<td>1,125,272</td>
<td>1,051,933</td>
</tr>
<tr>
<td>Actuarial FECA</td>
<td>8,888,145</td>
<td>8,886,860</td>
</tr>
<tr>
<td>Total Liabilities Not Covered by Budgetary Resources</td>
<td>$11,960,098</td>
<td>$11,871,512</td>
</tr>
<tr>
<td>Total Liabilities Covered by Budgetary Resources</td>
<td>4,816,486</td>
<td>4,457,941</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$16,776,584</td>
<td>$16,329,453</td>
</tr>
</tbody>
</table>

Federal Employee's Compensation Act (FECA) liability represents the unfunded liability for actual workers compensation claims paid on AFRH's behalf and payable to the DOL.

Unfunded leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

### NOTE 7. ACTUARIAL FECA LIABILITY

FECA provides income and medical cost protection to covered federal civilian employees harmed on the job or who have contracted an occupational disease, and dependents of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits under FECA for AFRH's employees are administered by the DOL and ultimately paid by AFRH when funding becomes available.

AFRH bases its estimate for FECA actuarial liability on the DOL's FECA model. The model considers the average amount of benefit payments incurred by AFRH for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid (LBP) ratio for the whole FECA program. For the fiscal years ending September 30, 2010 and 2009, AFRH uses the overall average percentages of the LBP ratios to calculate the $8.9 million FECA actuarial liabilities for those years.

### NOTE 8. OTHER LIABILITIES

All other liabilities are considered current liabilities.

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FECA Liability</td>
<td>$1,946,681</td>
<td>$1,932,719</td>
</tr>
<tr>
<td>Payroll Taxes Payable</td>
<td>222,787</td>
<td>199,054</td>
</tr>
<tr>
<td>Other</td>
<td>11,203</td>
<td>1,804</td>
</tr>
<tr>
<td>Total Intragovernmental Liabilities</td>
<td>$2,180,671</td>
<td>$2,133,577</td>
</tr>
<tr>
<td>With the Public</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll Taxes Payable</td>
<td>$28,376</td>
<td>$25,285</td>
</tr>
<tr>
<td>Accrued Funded Payroll and Leave</td>
<td>833,269</td>
<td>749,631</td>
</tr>
<tr>
<td>Unfunded Leave</td>
<td>1,125,272</td>
<td>1,051,933</td>
</tr>
<tr>
<td>Other</td>
<td>49,771</td>
<td>51,923</td>
</tr>
<tr>
<td>Total Public Liabilities</td>
<td>$2,040,679</td>
<td>$1,878,772</td>
</tr>
</tbody>
</table>

### NOTE 9. LEASES

AFRH leases several of its buildings for use as office space as well as parking areas associated with those buildings. Most of the leases expire annually with the exception of one lease that should expire in 2049. Future receipts are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$547,858</td>
</tr>
<tr>
<td>2012</td>
<td>71,267</td>
</tr>
<tr>
<td>2013</td>
<td>71,267</td>
</tr>
<tr>
<td>2014</td>
<td>71,267</td>
</tr>
<tr>
<td>2015</td>
<td>71,267</td>
</tr>
<tr>
<td>Thereafter</td>
<td>2,633,514</td>
</tr>
<tr>
<td>Total Future Receipts</td>
<td>$3,490,440</td>
</tr>
</tbody>
</table>
NOTE 10. 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 (until expended) to cover necessary expenses related to the consequences of Hurricane Katrina.

Schedule of Earmarked Funds as of September 30, 2010

<table>
<thead>
<tr>
<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>Fund Balance with Treasury</td>
<td>$(1,100,475)</td>
<td>$6,118,186</td>
<td>$8,806,718</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>183,736,984</td>
<td>183,736,984</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>-</td>
<td>3,142,442</td>
<td>3,142,442</td>
</tr>
<tr>
<td>Property, Equipment, and Software</td>
<td>51,836,504</td>
<td>226,392,211</td>
<td>278,228,715</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$50,736,029</td>
<td>$232,510,397</td>
<td>$195,686,144</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET POSITION

| Accounts Payable | $72,805 | $534 | $3,593,750 | $3,667,089 |
| Other | - | 3,142,442 | 3,142,442 | 3,142,442 |
| Property, Equipment, and Software | 51,836,504 | 226,392,211 | 278,228,715 | 278,228,715 |
| Total Liabilities and Net Position | $50,736,029 | $232,510,397 | $195,686,144 | $478,932,570 |

Statement of Net Cost

Program Costs | $6,897,632 | $11,880 | $37,470,938 | $44,380,450 |
Less: Earned Revenues | - | - | - | - |
Net Cost of Operations | $6,897,632 | $11,880 | $37,470,938 | $44,380,450 |

Statement of Changes in Net Position

Net Position Beginning of Period | $50,682,224 | $232,509,863 | $178,982,899 | $461,166,985 |
Net Cost of Operations | (6,031,124) | (11,882) | (39,927,970) | (46,987,976) |
Other Nonexchange Revenue | - | 47,110,477 | 47,110,477 | 47,110,477 |
Change in Net Position | (6,031,124) | (11,882) | 7,182,507 | 1,139,501 |
Net Position End of Period | $50,682,224 | $232,509,863 | $178,982,899 | $461,166,985 |

Schedule of Earmarked Funds as of September 30, 2009

<table>
<thead>
<tr>
<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>Fund Balance with Treasury</td>
<td>$(1,150,769)</td>
<td>$68,137,374</td>
<td>$8,296,278</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>-</td>
<td>176,358,831</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>35,658</td>
<td>-</td>
<td>3,563,685</td>
</tr>
<tr>
<td>Property, Equipment, and Software</td>
<td>56,719,976</td>
<td>164,384,905</td>
<td>221,104,881</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$55,604,865</td>
<td>$232,522,279</td>
<td>$172,948,161</td>
</tr>
</tbody>
</table>

LIABILITIES AND NET POSITION

| Accounts Payable | $58,238 | $534 | $3,371,424 | $3,430,244 |
| Other | - | - | 12,899,209 | 12,899,209 |
| Cumulative Results of Operations | 55,546,579 | 232,521,745 | 172,948,161 | 461,016,485 |
| Total Liabilities and Net Position | $55,604,865 | $232,522,279 | $172,948,161 | $461,016,485 |

Statement of Net Cost

Program Costs | $8,897,632 | $11,880 | $37,470,938 | $44,380,450 |
Less: Earned Revenues | - | - | (16,572,210) | (16,572,210) |
Net Program Costs | $8,897,632 | $11,880 | 37,470,938 | 44,380,450 |

Statement of Changes in Net Position

Net Position Beginning of Period | $56,694,348 | $232,522,279 | $189,218,794 | $477,345,938 |
Net Cost of Operations | (6,031,124) | (11,882) | (39,927,970) | (46,987,976) |
Other Nonexchange Revenue | - | 50,468,388 | 50,468,388 | 50,468,388 |
Change in Net Position | (6,031,124) | (11,882) | 7,182,507 | 1,139,501 |
Net Position End of Period | $50,682,224 | $232,509,863 | $178,982,899 | $461,166,985 |
### NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent an exchange of goods and services made between two reporting entities within the Federal Government, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

<table>
<thead>
<tr>
<th>Program: Culture of Integrity</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Costs</td>
<td>$549,719</td>
<td>$265,433</td>
</tr>
<tr>
<td>Public Costs</td>
<td>2,322,846</td>
<td>1,955,908</td>
</tr>
<tr>
<td>Total Program Costs</td>
<td>2,872,565</td>
<td>1,621,341</td>
</tr>
<tr>
<td>Less: Intragovernmental Earned Revenue</td>
<td>198,594</td>
<td>143,415</td>
</tr>
<tr>
<td>Less: Public Earned Revenue</td>
<td>490,350</td>
<td>297,406</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>$2,183,621</td>
<td>$1,180,520</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program: Exceptional Service</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Costs</td>
<td>$9,367,206</td>
<td>$8,385,083</td>
</tr>
<tr>
<td>Public Costs</td>
<td>39,581,310</td>
<td>42,833,437</td>
</tr>
<tr>
<td>Total Program Costs</td>
<td>48,948,516</td>
<td>51,218,520</td>
</tr>
<tr>
<td>Less: Intragovernmental Earned Revenue</td>
<td>3,384,053</td>
<td>4,530,490</td>
</tr>
<tr>
<td>Less: Public Earned Revenue</td>
<td>8,355,556</td>
<td>9,995,138</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>$37,208,907</td>
<td>$37,292,892</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program: Financial Growth</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Costs</td>
<td>$34,719</td>
<td>$19,957</td>
</tr>
<tr>
<td>Public Costs</td>
<td>146,706</td>
<td>101,948</td>
</tr>
<tr>
<td>Total Program Costs</td>
<td>181,425</td>
<td>121,905</td>
</tr>
<tr>
<td>Less: Intragovernmental Earned Revenue</td>
<td>12,543</td>
<td>10,783</td>
</tr>
<tr>
<td>Less: Public Earned Revenue</td>
<td>30,969</td>
<td>22,361</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>$137,913</td>
<td>$88,761</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program: Improved Processes</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intragovernmental Costs</td>
<td>$1,592,448</td>
<td>$1,278,269</td>
</tr>
<tr>
<td>Public Costs</td>
<td>6,278,921</td>
<td>5,529,767</td>
</tr>
<tr>
<td>Total Program Costs</td>
<td>8,321,369</td>
<td>7,008,086</td>
</tr>
<tr>
<td>Less: Intragovernmental Earned Revenue</td>
<td>575,297</td>
<td>660,653</td>
</tr>
<tr>
<td>Less: Public Earned Revenue</td>
<td>1,420,465</td>
<td>1,432,247</td>
</tr>
<tr>
<td>Net Program Costs</td>
<td>$6,325,607</td>
<td>$5,685,136</td>
</tr>
</tbody>
</table>

### NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE (Continued)

The President’s Budget that will include FY10 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: [http://www.whitehouse.gov/omb/](http://www.whitehouse.gov/omb/). The 2011 Budget of the United States Government, with the “Actual” column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

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

The President’s Budget that will include FY10 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: [http://www.whitehouse.gov/omb/](http://www.whitehouse.gov/omb/). The 2011 Budget of the United States Government, with the “Actual” column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

### NOTE 12. 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, OPM. For the fiscal years ended September 30, 2010 and 2009, respectively, imputed financing was as follows:

<table>
<thead>
<tr>
<th>Office of Personnel Management</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,803,733</td>
<td>$1,513,074</td>
</tr>
</tbody>
</table>

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

The President’s Budget that will include FY10 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2011 and can be found at the OMB Web site: [http://www.whitehouse.gov/omb/](http://www.whitehouse.gov/omb/). The 2011 Budget of the United States Government, with the “Actual” column completed for 2009, has been reconciled to the Statement of Budgetary Resources and there were no material differences.
F I N A N C I A L

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the year ended September 30, 2010 and 2009, undelivered orders amounted to $40,559,922 and $43,872,931, respectively.

NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

Statement of Federal Financial Accounting Standards No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, states that the amount of budgetary resources obligated for undelivered orders at the end of the period should be disclosed. For the year ended September 30, 2010 and 2009, undelivered orders amounted to $40,559,922 and $43,872,931, respectively.

NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Fund Balance with Treasury</th>
<th>Investments</th>
<th>Accounts Receivable</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>$13,824,429</td>
<td>$83,736,984</td>
<td>-</td>
<td>$197,561,413</td>
</tr>
<tr>
<td>Smithsonian Institution</td>
<td>72,235</td>
<td>438,335</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Force</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Army</td>
<td>-</td>
<td>1,122,474</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Army Corp of Engineers</td>
<td>-</td>
<td>39,188</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marines</td>
<td>-</td>
<td>997,155</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$13,824,429</td>
<td>$83,736,984</td>
<td>-</td>
<td>$200,230,800</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Agency</th>
<th>Accounts Payable and Accruals</th>
<th>Payroll Taxes</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury General Fund</td>
<td>-</td>
<td>$58,668</td>
<td>-</td>
<td>$58,668</td>
</tr>
<tr>
<td>Program Support Center</td>
<td>23,467</td>
<td>-</td>
<td>-</td>
<td>23,467</td>
</tr>
<tr>
<td>General Services Administration</td>
<td>14,000</td>
<td>-</td>
<td>-</td>
<td>14,000</td>
</tr>
<tr>
<td>Federal Tech Service Office</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>15,000</td>
</tr>
<tr>
<td>DRMS</td>
<td>15,000</td>
<td>-</td>
<td>-</td>
<td>15,000</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>-</td>
<td>11,203</td>
<td>-</td>
<td>11,203</td>
</tr>
<tr>
<td>Labor</td>
<td>-</td>
<td>1,946,681</td>
<td>-</td>
<td>1,946,681</td>
</tr>
<tr>
<td>Personnel Management</td>
<td>-</td>
<td>184,119</td>
<td>-</td>
<td>184,119</td>
</tr>
<tr>
<td>Total</td>
<td>$67,467</td>
<td>$233,990</td>
<td>1,946,681</td>
<td>$2,248,138</td>
</tr>
</tbody>
</table>

Armed Forces Retirement Home Required Supplementary Information

Armed Forces Retirement Home Required Supplementary Information for the Years Ended September 30, 2010 and 2009

Federal agencies are required to classify and report heritage assets, in accordance with the requirements of SFAS No. 29, “Heritage Assets and Stewardship Land.” Heritage assets are property, plant, and equipment that possess one or more of the following characteristics: historical or natural significance; cultural, educational, or aesthetic value; or significant architectural characteristics. Since the cost of heritage assets is usually not determinable, AFRH does not place a value on them or establish minimum value thresholds for designation of property, plant, and equipment as heritage assets. Additionally, the useful lives of heritage assets are not reasonably estimable for depreciable purposes. Since the most relevant information about heritage assets is their existence, they are qualified in terms of physical units.

The AFRH has four buildings and structures that are designated as National Historic Landmarks. In accordance with SFAS No. 29, heritage assets that are used in day-to-day government operations are considered “multi-use” heritage assets that are not used for heritage purposes. Such assets are accounted for as general property, plant, and equipment and are capitalized and depreciated in the same manner as other general property, plant, and equipment. The AFRH has three buildings and structures that are considered to be “multi-use” heritage assets.
Teeing off: Roy Wheeler (Marine Corps) and Frank McCabe (Army).

Roy: I’ve been here five years.
Frank: It’s good living here.
Roy: His golf game’s another story.
Frank: I usually do 18 holes.
Roy: He goes around the 9-hole twice.
Frank: Practice makes Perfect. I shot 100.
Roy: Then you played the second hole.
Frank: Yep, that ruined my score.
Roy: At least the greens are in good shape.
Frank: Hey, I work out every day.
Roy: This isn’t exercise. This is fun.
Frank: My pleasure.
Roy: You want exercise you go to the gym.
Frank: Speak for yourself.
Roy: We ride in the cart anyhow.
Frank: The main thing is staying active.
Roy: Yeah it keeps you thinking.
Frank: Mentally sharp.
Roy: You’ve got to think all the time.
Frank: Better than looking out the window.
Roy: That’s no good.
Frank: We’re much better off.
Roy: There’s only 25 of us who golf.
Frank: Not many of us left.
Roy: I’ve made my complaints to the IG.
The Appraisal of Advances

AFRH to secure all of its applications under a FISMA compliant environment and includes backup data center support to ensure a quick recovery in the event of a natural disaster. The migration was completed in the 4th quarter of Fiscal Year 2010.

In accordance with the Reports Consolidation Act of 2000, I have identified the most serious management and performance challenges facing the Armed Forces Retirement Home (AFRH) in FY2011.

Management Challenges
- Return residents to Gulfport and initiate programs and services
- Implement, manage and monitor Washington Scott Project Plan
- Continue to educate, define, train and promote Resident well-being to the Resident community and staff

Performance Challenges
- Implement Scott Project Plan Construction
  - Manage the supporting construction efforts and the relocation of programs and services to ensure that residents do not experience in degradation of services during the construction for the Scott Project.
- Implement Independent Living Plus Program
  - AFRH must implement the ILP program at both facilities (Gulfport & Washington) while educating staff on the new policies and residents on the program’s benefits.
- Implement Human Capital Succession Plan
  - AFRH must complete the development of the plan and implement the procedures while educating staff on the new policies.
- Implement e-Records/e-Health Records Systems
  - AFRH must research, select and secure electronic Records/Health Records system(s) to support both facilities (Gulfport & Washington).
- Implement NBC Hosted Information Technology System
  - AFRH should ensure that staff is trained on the NBC network policies and procedures, as well as the access protocols for the hosted applications at both facilities.
- Expand visibility of military heritage
  - AFRH should ensure that displays of military heritage are implemented throughout the Gulfport facility.
- Adhere to timelines and participate in annual mandatory training
  - AFRH management must continue to enforce attendance for its employees for the mandatory training classes outlined by the agency. Tighter constraints and measures must be taken to ensure that employees participate in the mandatory training classes and that participation is timely.
- Financial Management of operating costs and expenditures
  - AFRH management must continue to streamline costs at the Washington campus and seek to bring spending parity between the two campuses (Gulfport & Washington). In as much as possible, to ensure that long-range financial goals are met.

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

Respectfully,

Maurice Swinton
Inspector General
A F R H P A R 2 0 1 0

RESULTS: FY10 CHALLENGES

The Will of Responsiveness

Meanwhile, monthly Focus Groups were held to answer questions and present concepts and designs. Postings on afrh.gov also provided easily accessible information.

3) Educate, Train & Promote Wellness to Residents & Staff

A major milestone was met: implement an ILP pilot program. Next, AFRH advanced its plan to transform operations so residents can maintain independence. Staff training reached about 75% in health-care. And brochures were made available to all stakeholders and presented to every resident. At the annual Management Offsite, emphasis was placed on this progressive new model. Pairing Washington and Gulfport staff in these meetings reduced the learning curve for new Gulfport staff – and cemented management’s operational approach for all.

Hugh Wingo (Navy) and Catharine Deitch (Army) are crowned the King and Queen of Mardi Gras.

5) Adhere to Timelines & Participate in Annual Mandatory Training

Much emphasis was placed on mandatory training in FY10. Results were above the stated goal of 70%. Performance Management and Network Security were closely monitored to ensure compliance. Plus 100% of AFRH-G staff received training before the opening of the new Home.

6) Manage Operating Costs & Expenditures

Throughout FY10, financial concerns were top of mind for management. Contracts were renegotiated to yield savings. Scrutiny over spending and savings was increased. Plus the LRFP was reviewed and analysis was performed to ensure Trust Fund solvency through 2020.

RESULTS: FY10 Performance Challenges

1) Deploy Human Capital Management Plan

Our Strategic Human Capital Plan (SHCP) was successfully updated in Feb 10.

2) Execute Human Capital Succession Plan

This vital Succession Plan is its final draft phase and is awaiting approval.

3) Define Washington & Gulfport Staffing Models

Staffing models are being updated continually by the CFO through the LRFP and by Healthcare Services. With Gulfport residents being more independent, their model has evolved with slight differences than the one used for Washington.

4) Increase Visibility of Military Heritage

We opened stored memorabilia saved from Katrina and displayed it proudly in the new AFRH-G Hall of Honors. Washington managers began planning their own Hall of Honors in the new Commons, plus we added an anchor and new cannons in the quadrangle. Year-round celebrations continue to honor military birthdays and key service events.

Hugh Wingo (Navy) and Catharine Deitch (Army) are crowned the King and Queen of Mardi Gras.
The Skill of Detection

The Retired Enlisted Association (TREA)

Improper Payments Information Act (IPIA)

Each year, our partner BPD reviews each AFRH business program for improper and erroneous payments. We’re pleased to report only two improper payments during FY10 – truly outstanding results.

Erroneous Payments FY10: 2

Total amount of Payments: $90.90

1) A number reversal in a stipend payment:
The payment showed $210.00, but it should have been $120.00. When $210.00 was paid, that action created a $90.00 improper payment. This was corrected by deducting $90.00 of the next month’s stipend payment.

IP Details:
BPD catches erroneous payments and makes the needed corrections. Then, BPD notifies the AFRH Business Office, Contracting Officer’s Technical Representatives (COTRs), and technicians. Fortunately these IPs did not affect our audit outcome.

AFRH IP History:
FY05: 1 FY07: 4 FY09: 179* FY10: 2
FY08: 30 FY09: 4 FY10: 2

*172 were by McKesson over 2 fiscal years (and only detected in FY09)

2) Confusion over Washington Gas accounts:
This IP involved multiple accounts and the resulting confusion about payments from those accounts. AFRH created the error by making a payment late and thereby owing a late penalty.

IP Details:
BPD catches erroneous payments and makes the needed corrections. Then, BPD notifies the AFRH Business Office, Contracting Officer’s Technical Representatives (COTRs), and technicians. Fortunately these IPs did not affect our audit outcome.

AFRH IP History:
FY05: 1 FY07: 4 FY09: 179* FY10: 2
FY08: 30 FY09: 4 FY10: 2

*172 were by McKesson over 2 fiscal years (and only detected in FY09)
In recent years, we’ve experienced natural disasters and economic challenges. In the end, AFRH has reemerged as a stronger agency. And our residents and staff have been revitalized. Each success and challenge presented here is for your enjoyment and enlightenment – and we welcome your feedback. Feel free to write or call us:

AFRH
3700 N. Capitol Street, NW
Washington, DC 20011-8400

E: Public.Affairs@afrh.gov
T: 800-422-9988
F: 202-730-3492

Words can hardly express our heartfelt gratitude for the many volunteers, families, and stakeholders who help the Home in countless ways. Special thanks also go to the Mayor and City of Gulfport, MS for welcoming back our residents with open arms. Together, you are advancing the care of those who defended our cherished freedoms. This, truly is, The Power of Progress.

He is the epitome of wellness. At age 78 Curt runs, bikes, golfs, lifts, and swims. In April he competed in the Cherry Blossom 10-miler. “I finished fourth in my age group 75 and up at 1:56. I’m happy I ran because I needed something to challenge my speed. He started out doing triathlons. “In Charlottesville I did a 1.25-mile lake swim, a 40-mile bike ride, and a 10K run. They had an unusual cold spell and the water temperature dipped. That was my last tri,” he quipped.

Curt teaches “Flexibility & Strength Training” at AFRH-W. His favorite time of year is spring and fall in DC. And he says DC has the friendliest biking scene he’s ever known. Even so, Curt has transferred to AFRH-Gulfport. “It wasn’t an easy decision. The biggest selling points are warmer weather and the ocean. Though I’ll miss entertaining my children, grandchildren, and friends in DC because there’s so much to do,” Godspeed, Curt.

The Expression of Gratitude

The Power of Progress.