



MINDFUL
CARE
MEANINGFUL
LIVING





ON THE COVER

THIS WOOD SCULPTURE IS FROM THE ORIGINAL US NAVAL HOME, PHILADELPHIA (EST. 1834). WHEN THE HOME MOVED TO GULFPORT IN 1976, THE EAGLE DID NOT MAKE THE JOURNEY. BY 2010 THE NEW AFRH-GULFPORT OPENED, AND THE EAGLE FOUND ITS WAY BACK HOME, RESTORED TO ITS ORIGINAL SPLENDOR. IT NOW STANDS IN THE LOBBY TO SERVE AS A CONSTANT REMINDER OF THE DEBT WE OWE OUR RETIRED MILITARY. THEY HAVE MADE SO MANY SACRIFICES TO DEFEND LIBERTY AND HELP MAKE AMERICA THE GREATEST NATION ON EARTH. AS SUCH, WE ARE BOUND TO SAFEGUARD OUR VETERANS AS WE PROMISED. ROBERT LETSKUS (ARMY), ALSO ON THE COVER, IS BUT ONE RESIDENT WHO RECEIVES SKILLED THERAPY AND MINDFUL CARE AT AFRH. 'PERSON-CENTERED CARE' IS HELPING ROBERT EXPERIENCE MEANINGFUL LIVING, SO HE MAY TRULY ENJOY THE FREEDOMS THAT HE HELPED FORGE. LIKE THE EAGLE SCULPTURE, ROBERT IS A PROUD LEGACY OF OUR NATION'S ENDURING FIGHT FOR FREEDOM.

VISION:

A retirement community committed to excellence, fostering independence, vitality and wellness for veterans, making it a vibrant place in which to live, work and thrive.

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:

Person-centered

'Person-centered Care' is defined as the careful manner in which resident needs are considered while developing responsive plans of care and delivering meaningful services.

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.

Integrity

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

One Vision / One Mission / One Organization

Success depends on our devotion to an unwavering vision and mission. Working together in different locations, under various managers and leaders, we maintain a distinct focus to serve our residents. We collaborate and respond in a unified and single voice.

Workforce Growth

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.

Honor Heritage

We honor the rich history of the US Armed Forces – from our Veterans to our victories. As such, our campus reflects that military heritage with memorabilia and tributes.

Inspire Excellence

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

*The FY12 Performance and Accountability Report (PAR) is published by the Armed Forces Retirement Home (AFRH), Office of the Chief Financial Officer (CFO). An electronic version is available online **PAR 12** at www.afrh.gov/afrh/about/par/afrhentirepar12.pdf.*

TABLE OF CONTENTS

INTRODUCTION

- The COO Message / **6-7**
- Strengthening Resident Relations / **8-9**
- A Caring Legacy / **10-13**
- Our Recent Evolution / **14-17**
- 2012 Agency Highpoints / **18-21**
- Our Fascinating People / **22-23**
- Managing Hurricane Isaac / **24-25**
- The AFRH Overview / **26-27**
- 2012 PAR Introduction / **28-29**

PART 1: MANAGEMENT'S DISCUSSION & ANALYSIS

- The AFRH Organization / **32-33**
- Two AFRH Locations / **34-35**
- Our Remarkable Residents / **36-39**
- Our Proficient Staff / **40-41**
- Our Dynamic Strategy / **42-43**
 - Compliance / **42**
 - Priority Goals / **43**
- AFRH Performance Summary / **44-47**
 - Performance Improvement / **44**
 - Achievement Measures / **45**
 - Resident Care Levels / **46-47**
- AFRH Financial Overview / **48-54**
 - Revenue Sources/Trends / **48-49**
 - Summaries of Statements / **50-54**
- Management Assurance Letter / **55**
- AFRH Management Controls / **56-65**
 - Agency Risk Management / **60-65**

PART 2: PERFORMANCE

- AFRH Performance Overview / **68-71**
- Evolving Performance Goals / **72-73**
- Results: Performance Goals / **74-81**
- Performance Budget Integration / **84-85**
- Key Performance Measures / **86-91**
- Human Capital Planning / **92-95**
- Verification & Validation / **96-97**

PART 3: FINANCIAL

- AFRH Financial Overview / **100-101**
- The CFO Message / **102-103**
- Independent Auditors Report / **104-107**
- AFRH Financial Statements / **108-113**
- Notes to Financial Statements / **114-127**
- Required Supplementary Information / **128-129**

PART 4: ACCOMPANYING INFO

- AFRH IG Perspective / **132-135**
- Management & Performance Challenges / **136-137**
- FY12 Improper Payments / **138-139**
- Summary of Financial Statement Audit / **140-141**
- List of Acronyms / **142-143**
- Many Special Thanks / **144-145**

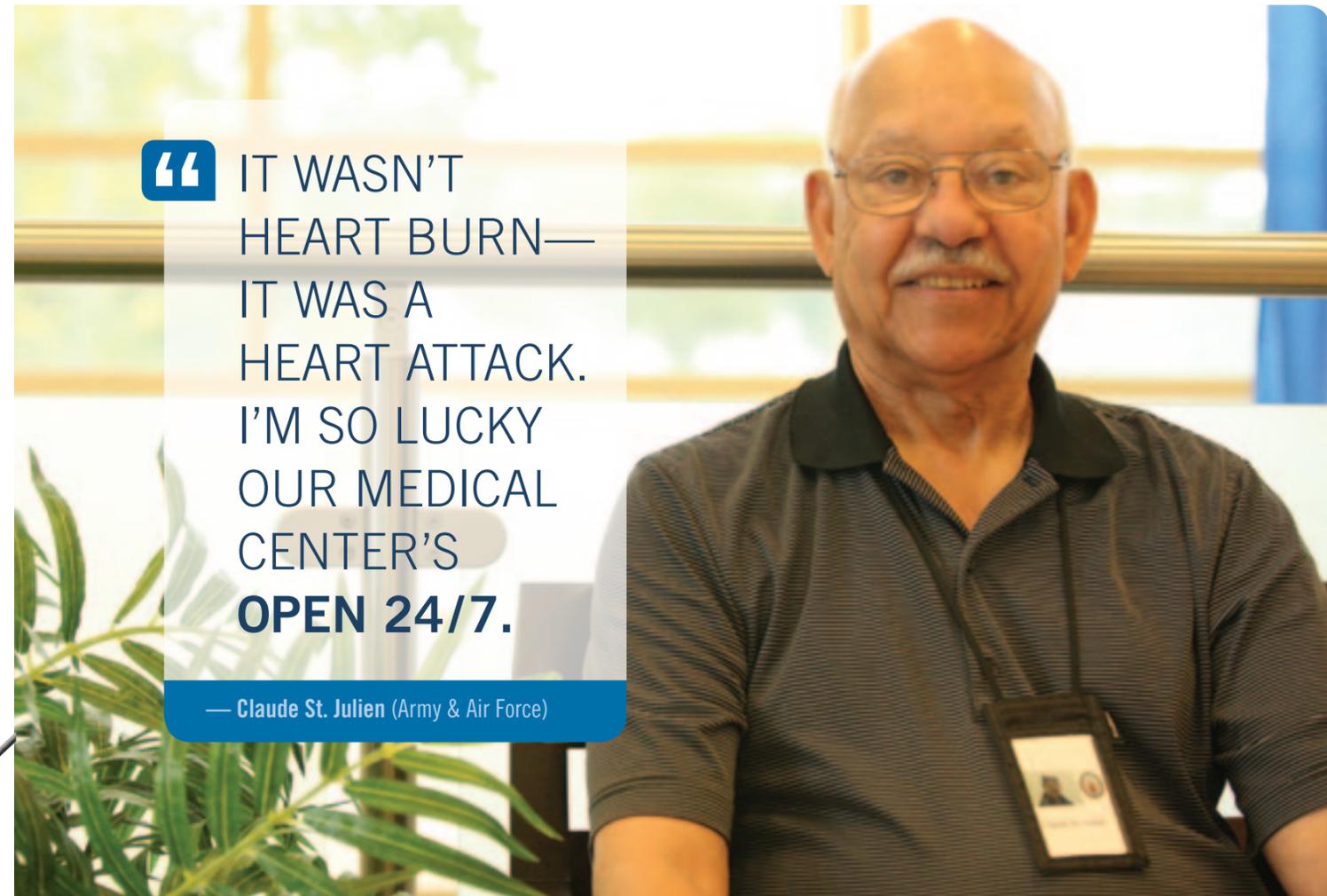
INTRODUCTION

- THE COO MESSAGE
- STRENGTHENING RESIDENT RELATIONS
- A CARING LEGACY
- OUR RECENT EVOLUTION
- 2012 AGENCY HIGHPOINTS
- OUR FASCINATING PEOPLE
- MANAGING HURRICANE ISAAC
- THE AFRH OVERVIEW
- 2012 PAR INTRODUCTION



“ IT WASN’T HEART BURN— IT WAS A HEART ATTACK. I’M SO LUCKY OUR MEDICAL CENTER’S **OPEN 24/7.** ”

— Claude St. Julien (Army & Air Force)



Claude grew up in Lafayette, LA in a military family. Fishing was king. He spent two years in the Army and 24 years in the Air Force. He came to AFRH in January, 2011.

A few months after arriving, Claude thought he had bad heartburn. However, the doctor at AFRH-G took an EKG and discovered he had actually just had a heart attack. He was immediately sent to Ocean Springs Hospital and had surgery the very next day. “The doctor at the Home reacted quickly and sent me to the right place.”

Now, Claude feels great, has more energy, walks a mile each morning, and still fishes. “This area is home to me and I can fish, which I love. It’s wonderful.”

He’s excited for his 80th birthday party in Louisiana next year. “My grandson’s bringing his jazz band.” Claude is so grateful to the Home’s wonderful medical staff for keeping him healthy so he can enjoy that milestone event.

DEVOTED ENDEAVORS

I AM HONORED TO REPORT THAT THE AFRH IS MAKING REMARKABLE PROGRESS ON A NUMBER OF FRONTS. THIS AGENCY IS EVOLVING INTO A CONTEMPORARY CENTER FOR RETIREMENT LIVING. WE ARE MAKING GREAT STRIDES ON NEW CONSTRUCTION IN WASHINGTON AND IMPROVEMENTS IN GULFPORT. PLUS, OUR STAFF IS HELPING THE HOME ACHIEVE TOP PERFORMANCE AND FINANCIAL GOALS. IN FACT, MANAGEMENT IS PROUD TO EARN ITS 8TH CONSECUTIVE 'UNQUALIFIED AUDIT OPINION' FOR FY12.

As always, the AFRH mission is to provide a premier retirement community with exceptional residential care and extensive support services. Now, more than ever, that mission is being fulfilled each and every day. Best of all, our team is always striving to reach higher.

ENTERING A NEW ERA

A top priority is modernizing the AFRH. We are now evolving into a 21st Century retirement home by embracing the new philosophy in senior living called Person-centered Care (PCC). Healthcare residences in both communities were designed to support this concept with 'small house' living areas. Also, Dining Services has undergone a transformation to a PCC delivery model.



The key to success: management has carefully educated the staff on what 'person-centered' means and how to provide it.

Also, staff and contractors are undergoing great culture change. Still, we have more good work to do.

BROADENING OUR ACHIEVEMENTS

When we launched the Strategic Plan for FY11-15, management focused on four priorities: Residents, Staff, Stewardship, and Stakeholders. In FY11, we made great strides on most objectives. For instance, the new AFRH-Gulfport (AFRH-G) welcomed its 500th resident. The Scott Project in Washington is halfway to completion and slated to open in February 2013. The landmark Sherman Building is being restored after serious earthquake damage thanks to emergency Congressional funding. Plus, we are improving our residences, sprucing the landscape, enhancing services, upgrading amenities, creating environmental efficiencies, and restoring landmarks.

The residents and staff are actively pursuing more community involvement, too. In the past, AFRH-Washington (AFRH-W) was open to the public as a park where friends and neighbors mingled alongside residents. But policy changes in the 1950s restricted access to our grounds. Today we're renewing efforts to strengthen relations with Washington's Petworth residents and Gulfport's townsfolk. Now hundreds of neighbors are coming to events on both campuses. We eagerly welcome neighbors, friends, and families to car shows, Veterans' Day festivities, 4th of July celebrations, and more.

Yet our efforts with staff were not as aggressive and fewer achievements were evident. So, in May 2012 we regrouped and pulled managers together to make the AFRH more staff-centered. We formed new teams and developed new actions to address the staff's needs—from personal education and skills training to flexible working schedules and increased personal recognition.

OVERCOMING NEW OBSTACLES

In FY12, we received CARF / CCAC¹ accreditation on both campuses: a first for AFRH-Gulfport (AFRH-G). At year's end, we underwent a DoD IG² inspection, another first for AFRH-G. Our seasoned AFRH-W staff generously lent their time and expertise to guide new AFRH-G staff through the inspection process. They were commended for their efforts. Now, recommendations from both inspections are helping us fine-tune all efforts.

Another obstacle arose: Hurricane Isaac blew through Gulfport in August. The last one (Katrina in 2005) destroyed AFRH-G and caused us to vacate it for five years. This year we held a complete hurricane preparedness exercise in June. By August, we were ready and able to handle Isaac. The residents and staff performed remarkably well, and this modern facility only sustained minor damage.

Moreover, we successfully fine-tuned our dining contracts, custodial services, maintenance staff, and grounds keeping. These areas were all assessed and enhanced to be more person-centered and to conform to our new operating model. We experienced some internal staff issues, but they were dealt with swiftly and effectively.

Other victories in FY12 include receiving the AFRH Advisory Council's first report on our activities and achieving LEED³ Gold status at AFRH-G. We are now pursuing LEED Gold certification for the new Scott Building at AFRH-W, which opens in early 2013.

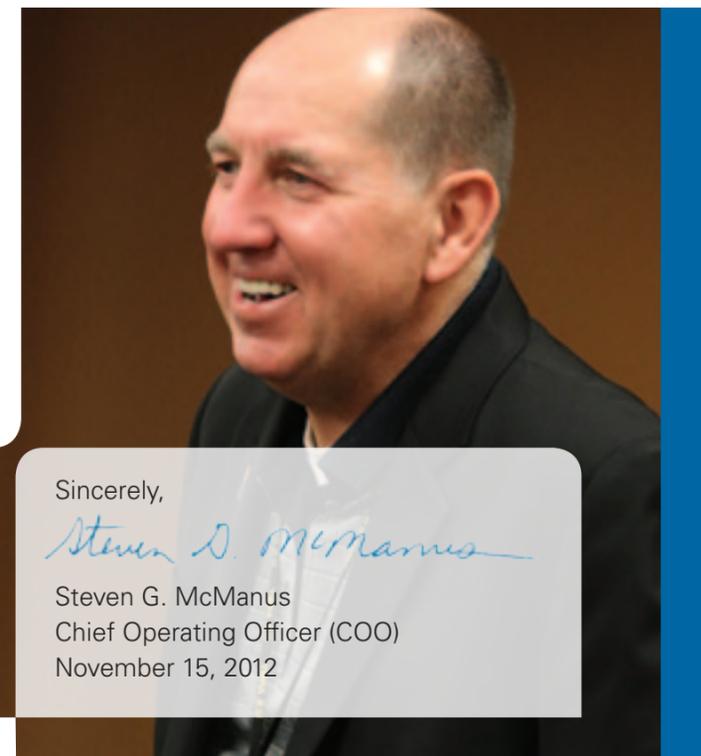
CONQUERING MAJOR CHALLENGES

Several entities such as CARF, DoD IG, and the AFRH IG identified key issues for us to spearhead. Overwhelmingly, all three have given us high marks. Yet the DoD IG recommended we focus on enhancing policy, credentialing, and safety. We are proud of AFRH-G for passing inspections and thriving during an emergency weather condition—all under the guidance of a new Administrator.

Despite these victories, we must remain vigilant. We must keep our sights set on Washington construction and renovations to ensure those projects stay on schedule and within budget. Also we must ensure the new Scott achieves and maintains LEED Gold. Finally, our plans to enhance staff experience must be carefully monitored to ensure that we make good progress.

SAFEGUARDING NEW GENERATIONS

The AFRH staff and I look forward to another exciting year of progress. Our transformation of AFRH-W is now becoming a reality, and the new AFRH-G has emerged as a vibrant and engaging home for veterans. In fact, it now stands as a model for all retirement homes to emulate. Simply put, the AFRH delivers *Mindful care, Meaningful living*.



Sincerely,

Steven G. McManus
Chief Operating Officer (COO)
November 15, 2012

¹ Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission

² Department of Defense Inspector General

³ Leadership in Energy and Environmental Design

ATTENTIVE DEEDS

RECENTLY AFRH MANAGEMENT IDENTIFIED SEVERAL NEW RETIREMENT TRENDS THAT HAVE SHAPED OUR NEW PHILOSOPHY OF PERSON-CENTERED CARE (PCC). HERE, THE STAFF WORKS HARD TO FULFILL EACH RESIDENT'S PERSONAL NEEDS IN A CAREFUL, SUPPORTIVE MANNER WHILE DEVELOPING A UNIQUE PLAN OF CARE. THIS APPROACH HELPS US DELIVER MEANINGFUL SERVICES THAT ARE TAILORED TO EACH INDIVIDUAL.

For PCC to be effective, everyone must identify and understand each resident's individual needs and listen carefully to their expressed wishes. Then, negotiation between the resident and staff will yield smart options. Realistic actions will be taken within the scope of our vast resources and capabilities. Ultimately, each resident actively charts and guides his or her own life.

The AFRH has made great strides in PCC via renovations and new construction. The 'small house' concept in the new Gulfport facility helps the staff provide more individual attention. Likewise, the new Scott Building in Washington will also share a similar design and philosophy.

In FY12, the AFRH expanded its capabilities in staff training and resident dining. The AFRH Chief Human Capital Officer (CHCO) launched a training program for each employee on PCC. Nearly every employee took part in exercises to explore his or her own resident-staff interactions and strategized

ways to make those relationships more person-centered. One staff member, after reflection, pointed out that participating in staff celebrations was very person-centered. Indeed.

After a long, in-depth study of Dining Services, the AFRH has decided to adopt a much more person-centered process in food service.



One resident who received his first breakfast custom-made to his specifications remarked that it was the best moment of his life so far at the AFRH. Such resident joy has bolstered staff enthusiasm. And it is proof positive that we are delivering PCC in meaningful ways.

PCC CORE VALUES:

CHOICE

DIGNITY

RESPECT

SELF-DETERMINATION

PURPOSEFUL LIVING



PERSON-CENTERED CARE (PCC) IS A JOURNEY. [GIVEN ITS] PREPARATION AND PLANNING, THE AFRH WILL BE A LEADER IN PCC.

— AFRH CARF / CCAC Accreditation Report (Fall 2011)



THE RESIDENT IS THE EXPERT REGARDING HIS OR HER LIFE. IT IS VERY EVIDENT THERE IS A STRONG RELATIONSHIP BETWEEN [AFRH] STAFF AND RESIDENTS.

FAITHFUL DEVOTION

IN THE PREAMBLE TO THE US CONSTITUTION, OUR FOUNDING FATHERS AGREED TO “PROVIDE FOR THE COMMON DEFENSE” AND “PROMOTE THE GENERAL WELFARE” OF THIS NEW NATION. THAT BOLD IDEA SPARKED OUR MILITARY LEADERS TO SAFEGUARD THEIR BATTLE-WEARY MEMBERS AT THE COMPLETION OF SERVICE. THEY ARGUED: THE RISK AND SACRIFICE OF SERVICE MERITED SHELTER AND CARE LATER ON IN LIFE.



We the People



The US Army also sought to shelter its aging warriors. By **1851** a consensus was built to fund a Soldiers' Home in Washington, DC by using reparations from the Mexican War. This Home began in a rustic countryside home, which is now President Lincoln's Cottage, a National Landmark.



In **1811** the US Navy convinced Congress to pass legislation to create a Home in Philadelphia “for destitute Navy sailors and Marines.” An interim Naval Hospital opened for three years until the permanent Naval Asylum could be completed and opened in **1834**. And a legacy was born.



US Naval Asylum

Both Homes provided the prevailing care of old-folks homes of the 19th Century. Occupants of both homes were called ‘inmates’. They were all required to wear a uniform. They were not permitted to leave the grounds. And they were expected to work to offset operational costs. As such, The Naval Home had light duty jobs in machine shops, and The Soldier's Home had a 300-acre farm so inmates could cultivate food and remain self-sufficient.



In **1900**, many administrators believed that large institutions were the most efficient way to care for the poor, sick, and elderly. This model bore an eerie resemblance to factories of the industrial age, which quartered thousands. Inmates slept in large dormitories where beds were neatly organized into rows. Reveille and chowtime were held at set hours. And meals were efficiently served at long tables in mess halls.

As the decades passed, there was a dramatic increase in longevity. From 1900 to 1930 the average life expectancy rose by 10 years. And from 1930 to 1990 it increased another 15 years. In turn, both Homes evolved not only to satisfy inmates' physical requirements but their spiritual, educational, and recreational pursuits as well.

The true 'age of leisure' in retirement was born after World War II. By **1950**, the Soldiers' Home sold its last herd of cattle and transformed its grazing pastures into a nine-hole golf course. Similarly, in **1976**, the Naval Home moved to Gulfport, MS and launched a retirement center with a range of senior activities along the beach.



THERE IS NO GREATER ACCOLADE THAN THE TITLE OF 'VETERAN'. IN WAR OR PEACE, THE LEGACY OF ONE'S SERVICE IS VALOR, DUTY, AND SACRIFICE.

— Steve McManus, COO

Our Recent Evolution

DUTIFUL PURSUITS

IN 1991, BOTH UNIQUE HOMES MERGED TO IMPROVE SERVICE AND UNITY. THE TWO ENTITIES BECAME ONE MODERN CONTINUING CARE RETIREMENT COMMUNITY (CCRC): THE AFRH. LARGE, DORM-STYLE ROOMS AND SHARED TOILETS WERE REPLACED WITH PRIVATE ROOMS AND PERSONAL BATHS. MOREOVER THE FACILITIES WERE UPGRADED WITH MODERN AMENITIES AND MORE RECREATIONAL PROGRAMS WERE INTRODUCED.

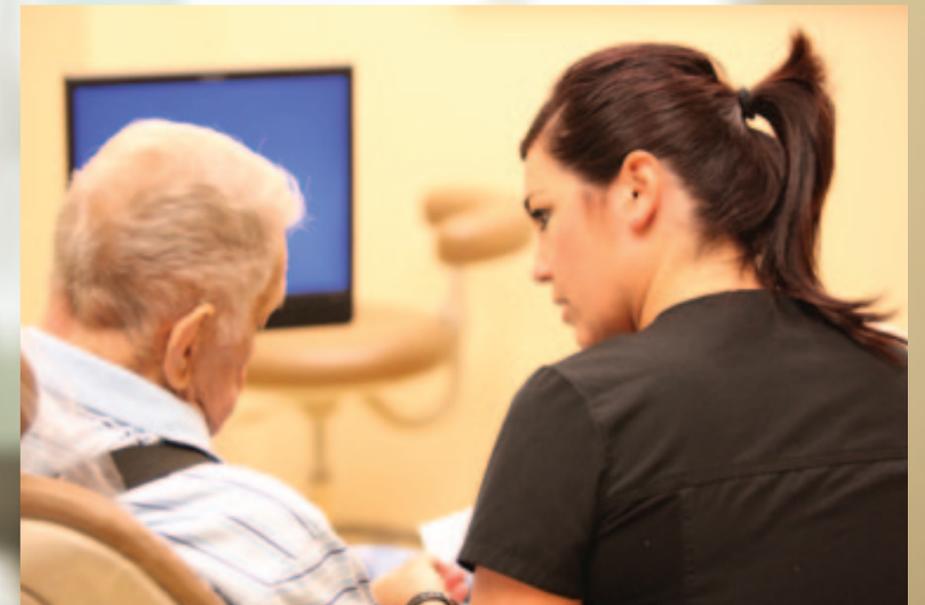
Yet, remnants of the 'good ole days' were still evident: dining was still held in large cafeterias, and strict schedules that catered to staff availability endured. Nonetheless, newfound longevity among seniors dictated better medical and long-term care—which in turn required larger operating budgets.

In the **21st Century**, the AFRH created the position of COO and adopted a modern business management model. The health and wellness philosophy of aging became the driving vision at the AFRH. Regimens were replaced with tailored activities, modern amenities, and dynamic care levels.

In **2005**, Hurricane Katrina destroyed the Gulfport building. Shortly after, Congress appropriated funds to build a new facility capable of withstanding the impacts of a Category 4 hurricane. This upgrade opened the door to construct a new building in Washington that will also feature intimate living spaces and modern long-term care services.

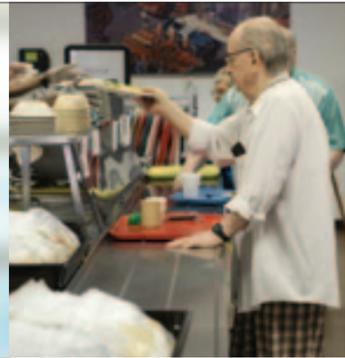


By **2013**, both Homes will offer veterans larger rooms, stimulating activities, and renewed pride.



THE EXERCISES ARE VERY EFFECTIVE.
I DO THEM TWICE A WEEK.

— Cecil Sherman (Air Force)



“

I LOVE NURTURING THE MANY TALENTED ARTISTS HERE.

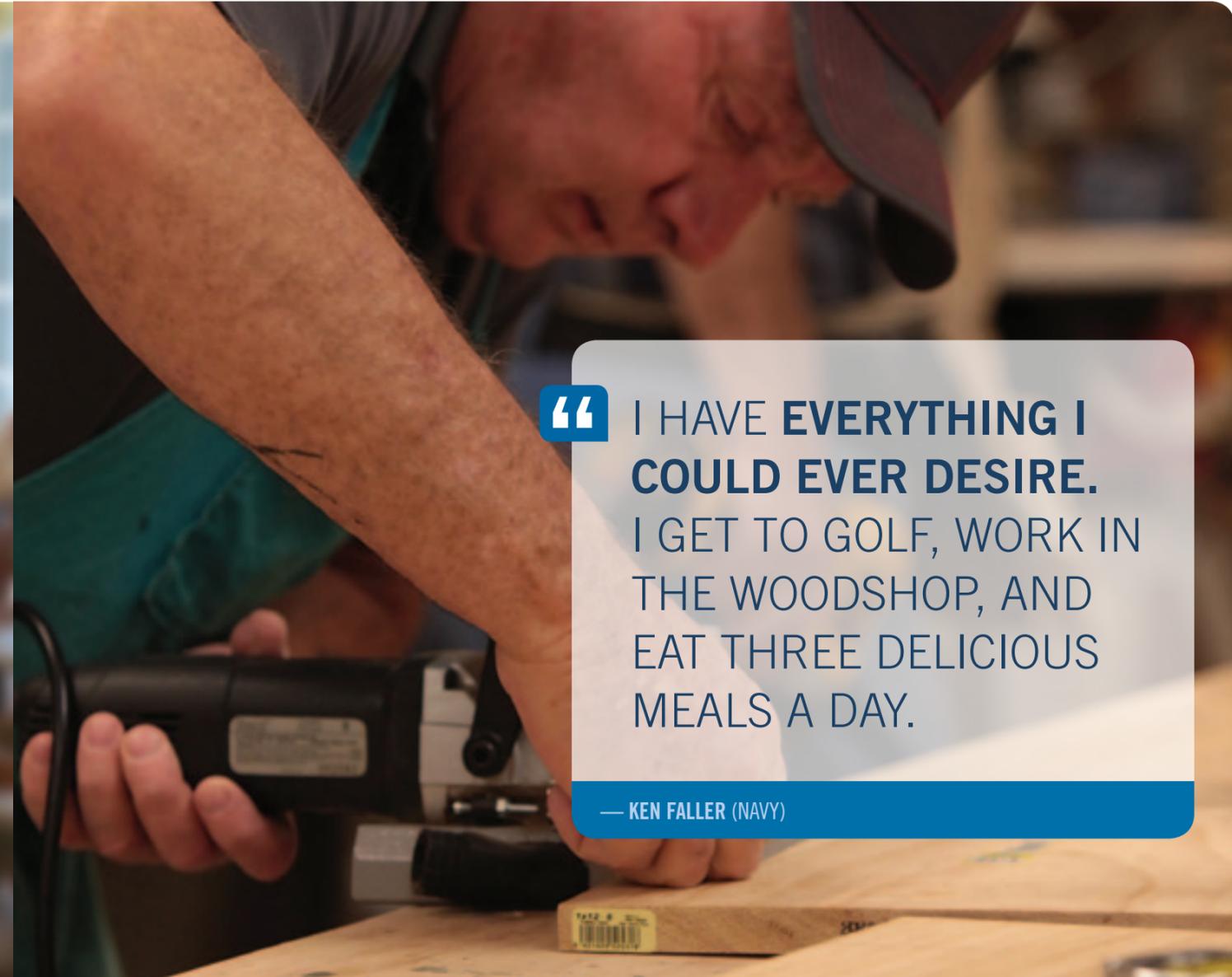
— Lori Thompson (Art Instructor)

To accurately reflect our evolving care, the AFRH recently shifted its agency accreditation to a more comprehensive body: CARF / CCAC. And, finally, management channeled new resources to create a more person-centered organization that is on par with the best CCRCs in America.

All told, both facilities have been the home of thousands of former military men and women. They all came to us in response to the *Promise* our early leaders made in 1811. **Today**, we strive for mindful care and meaningful living, and our service is much more personal. If our forefathers could see the Home today, they would certainly be amazed.



COO McManus and AFRH business partners break ground on the Scott Building Nov. 3rd.



“

I HAVE EVERYTHING I COULD EVER DESIRE. I GET TO GOLF, WORK IN THE WOODSHOP, AND EAT THREE DELICIOUS MEALS A DAY.

— KEN FALLER (NAVY)

Ken served 23 years in the Navy and spent 13 of them working on submarines in many different capacities. He had two tours in Vietnam and even taught submarine school. He came to AFRH-W in 2009: “I was born and raised here, so this atmosphere is right up my alley.”

Daily golfing is one of Ken’s favorite things here. He also devotes much time to managing the wood shop and is hand-carving signposts for the golf course. Ken began woodworking at

age 16, and he continued it throughout his Naval career and beyond. “I never dreamed I would have a woodshop to myself, but here it is.”

Ken helps residents in need by building trays for their walkers, bookshelves for their rooms, and nearly anything asked of him. He also assists fellow residents by driving them where they need to go. Kindness comes naturally to Ken, as he believes that someday it will come back to him. “What goes around comes around.”

ASTUTE TRIUMPHS



'Campaign to Conserve', an agency-wide green initiative, is launched in the spring.

AGENCY-WIDE

- » AFRH-G & AFRH-W earn 5-year CARF Accreditation
- » AFRH earns 8th consecutive "Unqualified Audit Opinion"
- » Dual campus "Room Swap" Program begins
- » Community outreach expands (volunteering, cookouts & military birthdays)
- » CIP is updated; Master Landscape & Strategic Sustainability Plans added
- » AFRH Advisory Council Report for 2011 is presented to management
- » AFRH Strategy is refocused to expand initiatives in Staff & Stewardship
- » Capital Improvement Projects advance according to the schedule
- » Renewable energy assessments are completed successfully



Work begins on buildings erected in three different centuries at AFRH-W: Sherman (19th century), Sheridan (20th century) & Scott (21st century).

GULFPORT COMMUNITY

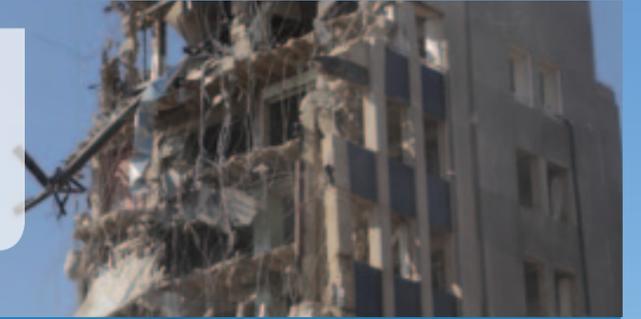
- » One-year anniversary of the new complex is celebrated
- » Our 500th AFRH-G resident is welcomed: Leslie Crawshaw (Marines)
- » 1st CARF inspection is conducted; 5-year Accreditation is earned
- » Prestigious 'LEED Gold Certification' for green buildings is awarded
- » Residents honor staff with 'A Family Affair' (a first in AFRH history)
- » CIP Key Projects are Completed:
 - Outdoor smoking shack
 - Fiddlers' Green entrance
 - Repeaters for cell phones
 - Business Center build out



New Scott: On time & within budget.

SCOTT PROJECT:

- Old building falls
- New facility rises



- » CIP Key Projects now in progress:
 - Scott Building Replacement
 - Sherman-Scott Sidewalk Realignment
 - Sheridan Exterior Renovations for Assisted Living (AL)
 - New Sheridan Building Elevators
 - Quarters Interior Renovations & Remodeling
 - Sherman Building Earthquake Recovery
 - Quarters Exterior Wood & Porch Repairs
 - Eagle Gate Renovation Engagement
 - Sheridan Interior Renovations for AL

WASHINGTON COMMUNITY

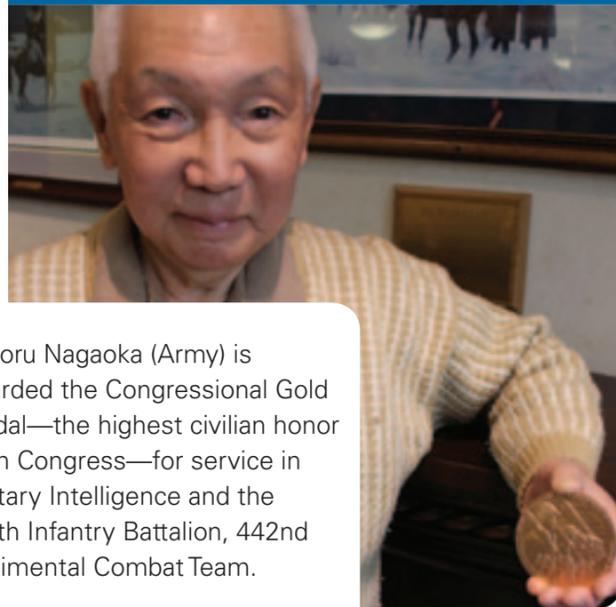
- » New 'Friends of the Soldiers' Home' (community partners) show support:
 - 400 neighbors volunteer on Veterans Day weekend
 - Hundreds show support at Memorial Day celebration
 - 1500 attend our festive July 4th celebration
- » Federal funding for 2011 earthquake damage is received
- » Construction begins to restore landmark 1857 Sherman Building
- » Management & staff earn coveted 5-year CARF Accreditation
- » Dining Study is conducted to enhance Person-centered Care
- » New Concept for Dining Operations is born from study



WONDERFUL FEATS



Pensioners from Royal Hospital Chelsea (our London counterparts) visit AFRH-W.



Minoru Nagaoka (Army) is awarded the Congressional Gold Medal—the highest civilian honor from Congress—for service in Military Intelligence and the 100th Infantry Battalion, 442nd Regimental Combat Team.

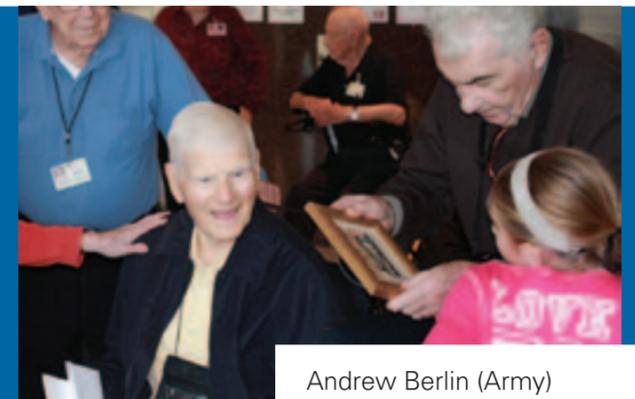


Christmas Bell Ringers perform with bells, a harp, and an Irish Tin Whistle. Laura Slack, Susan Bergman, Libby Murr, and Dr. Terri Thames planned this holiday concert for Valor Hall residents.



Rupert Maxwell (Air Force) writes his captivating life story, "Hey, I'm not dead yet." He was shot down over Germany in 1944, survived winter and hunger as a POW for seven months, and was freed by General Patton in 1945.

The AFRH honors Ed 'Walking Man' Crump (Air Force) for walking 38,000 miles over nine years. He has walked in nearly every state and took 8th place in the 1500 Meter Race Walk in the 2011 National Senior Olympics.



Andrew Berlin (Army) celebrates his 100th birthday with close family and fellow AFRH-W residents.

P.J. Johnson (Air Force) wins 3rd place in the national Creative Woodworking Competition for Veterans.



Thanks to conscientious residents and staff, AFRH-G has a successful recycling program. In July 2012 they recycled 1.5 tons of paper and 2.33 tons of cardboard that would have gone to a landfill.



Hugh Wingo (Navy) and Marvin Westcott (Navy) served in the South Pacific on December 7, 1941 (Hugh was age 23, Marvin age 18). Both lay a wreath in Gulfport to honor Pearl Harbor Day 2011.

WATCHFUL PREPARATIONS

THIS PAST SUMMER, HURRICANE ISAAC BLEW THROUGH AFRH-GULFPORT NEARLY SEVEN YEARS TO THE DAY AFTER HURRICANE KATRINA DESTROYED THE OLD AFRH-G BUILDING. ISAAC STRUCK THE GULF COAST ON THE EVENING OF AUGUST 28, 2012. THAT IS JUST ABOUT 12 HOURS SHY OF EXACTLY SEVEN YEARS SINCE HURRICANE KATRINA SLAMMED GULFPORT IN THE EARLY MORNING HOURS OF AUGUST 29, 2005.

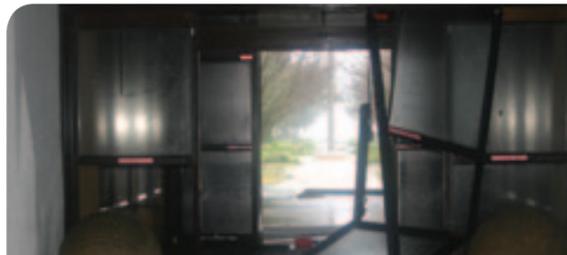


Staff, family, and pets were in lockdown so work and resident activities could continue.

This time around, we were much more prepared. The new AFRH emergency exercises and hurricane procedures helped the Gulfport community rally into action. In the end, Isaac gave the Gulfport staff and residents a great opportunity to test their mettle in disaster preparedness. Plus, it gave our new building a chance to showcase its abilities to withstand the effects of a major storm.



AFRH-G Administrator Chuck Dickerson explains resident hurricane procedures to the media.

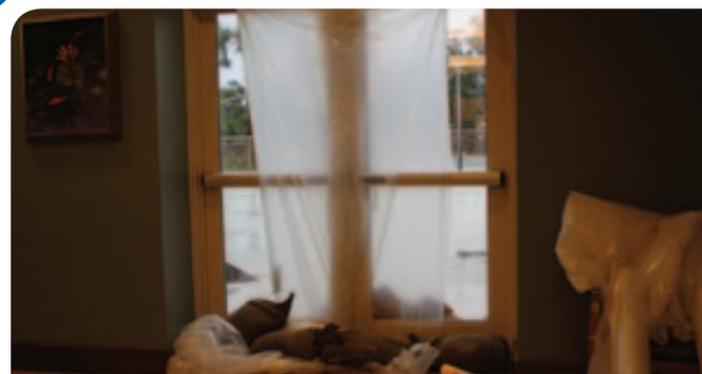


Flashback: August 30, 2005. Hurricane Katrina blasts the front door open.

“ WE WERE PREPARED. AFTER OUR JUNE EMERGENCY EXERCISE WE KNEW WHAT TO DO.

— **Chuck Dickerson** (AFRH-G Administrator)

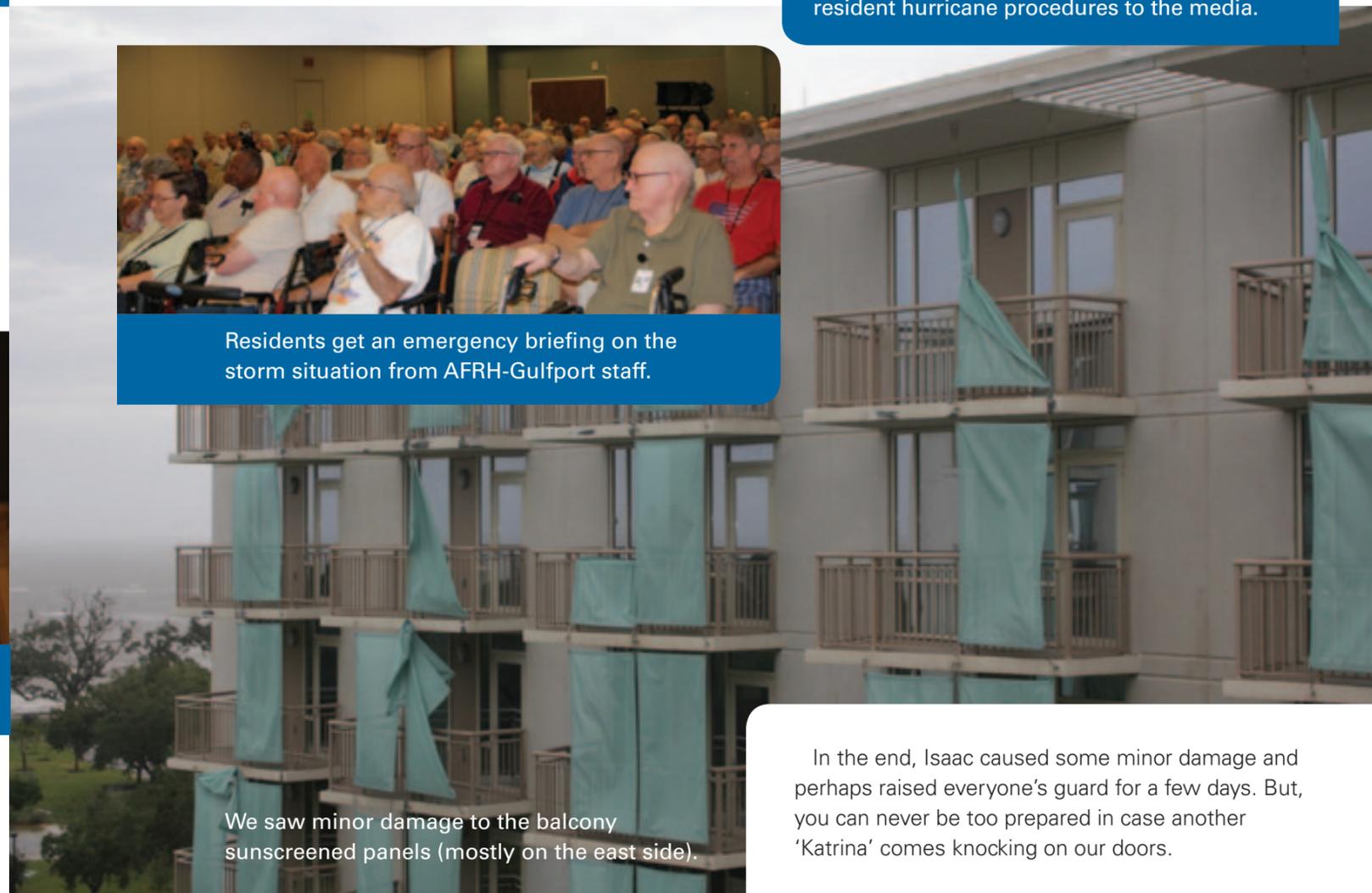
Isaac was a slow-moving tropical cyclone at first. But, it ultimately reached hurricane strength as a Category 1 storm. Katrina, in vivid contrast, made landfall as a Category 3 hurricane. That violent storm from 2005 caused the Gulfport facility to be evacuated, and left severe damage in its wake. This resulted in the closure of AFRH-G for almost five years.



Bracing for Hurricane Isaac called for sandbags to be placed around the doors.



Residents get an emergency briefing on the storm situation from AFRH-Gulfport staff.



We saw minor damage to the balcony sunscreened panels (mostly on the east side).

In the end, Isaac caused some minor damage and perhaps raised everyone's guard for a few days. But, you can never be too prepared in case another 'Katrina' comes knocking on our doors.

INSIGHTFUL CONSIDERATIONS

FEDERAL AUTHORITY:

AFRH Act of 1991, Public Law 101-510
(as amended in 1993, 2001, 2006, 2008, 2010, 2011)

CURRENT LOCATIONS:

Beach Drive, Gulfport, MS (47 acres)
N. Capitol Street NW, Washington, DC (272 acres)

ORGANIZATION:

AFRH Corporate Headquarters in Washington, DC manages
two AFRH Communities:
AFRH-Gulfport
AFRH-Washington

RESIDENT CAPACITY:

Gulfport, MS: 584
Washington, DC: 568

AVERAGE RESIDENT: 82 Years Old

MAIN FUNDING:

Congressional Authorizations from a Government-held Trust Fund
fed by Resident Fees, Active Enlisted Military Withheld Pay,
Fines & Forfeitures, and Investment Income

TRUST FUND BALANCE: \$115 Million

GENERAL SERVICES:

- » Private Rooms & Showers
- » Medical, Dental & Vision Care
- » Dining Facilities
- » Senior 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 & Biking Trails
- » Life Trail Course (AFRH-W)
- » 9-hole Golf Course (AFRH-W)
- » Fish Ponds (AFRH-W)
- » Swimming Pool (AFRH-G)
- » Waterfront Walkway (AFRH-G)
- » Bowling Centers
- » Hobby Shops
- » Computer Centers
- » Entertainment Theaters
- » Staffed Libraries

MINDFUL CARE MEANINGFUL LIVING

AT THE AFRH, EVERYTHING WE DO INVOLVES CAREFUL CONSIDERATION OF THE NEEDS OF THE RESIDENTS. EACH ACTION SHAPES THEIR WELLBEING—FROM STRATEGIC PLANNING AND PROGRAM DESIGN TO DAILY OPERATIONS AND PLANS OF CARE. EACH DETAIL NURTURES THE PHYSICAL, EMOTIONAL, AND SPIRITUAL LIFE OF AMERICA'S DEFENDERS. THE END RESULT: MEANINGFUL LIVING AND A REWARDING RETIREMENT.

In the inaugural year of the new AFRH Strategic Plan for FY11-15⁴ a strong emphasis was placed on personalizing resident care. All resident activities and services embraced our new philosophy of PCC. Likewise, staff training and capital improvement targets also support this movement. We even began to include External Stakeholders in our special events and service offerings to reinforce our new brand of personalized care. Realizing PCC depends upon staff buy-in and support. Fortunately the AFRH has positive employees who care to make a difference in the lives of those we now serve.

One early victory was evolving Dining Services so that residents could have more flexibility to eat what and when they choose (as opposed to set menus and times). In this new culture we are conforming to the residents' preferences. This culture shift is working in dining—and it can become a model for other services like scheduling health & wellness appointments, performing rehabilitation, and conducting recreation. We have just begun this bold new enterprise—which will make the AFRH more of a home and less of an institution.

Our goal is to expand our current vision of PCC Agency-wide. When the entire AFRH organization is motivated to revolve around the residents' needs, the residents in turn will feel nurtured and cared for as individuals. Then they will truly feel 'at home'

Specifically, our culture change aims to provide services and create environments that promote:

- » Enhanced Dignity
- » Improved Privacy
- » Personal Choice
- » Stronger Autonomy
- » Overall Wellbeing
- » Feelings of Control
- » Daily Pleasure, and
- » Quality of Life

Beyond great strides in our programs and service, we've also made progress in capital improvements. Ongoing projects on both campuses are coming along splendidly. All are on time and within budget. Recently we began actively engaging residents and staff to create 'action plans' for the new Scott Building transition in Washington since we plan to move into the new building in February 2013.

FY12 was certainly a year of new thinking and unique creativity for the residents and staff. Mindful Care from our staff and volunteers is truly producing Meaningful Living for the residents. As you read on you will see joy in people's faces and glean happiness from the resident stories in this book.

Each year US Federal agencies are required⁵ to report performance to Congress and the public in the PAR. We share insight into the Home's rich heritage and lively community while explaining the relationship between our objectives, the costs, and our results. Further, we illustrate how we protect and manage the AFRH Trust Fund. Finally, we demonstrate how those funds will continue to provide the best possible retirement for eligible residents.

This PAR covers events from Oct 1, 2011 – Sep 30, 2012. It has four parts that outline how the AFRH is succeeding and how our efforts benefit those who served America. Their dedicated sacrifices, combined with their payroll contributions to the AFRH, have earned them a special place to call 'home'.

The Agency is delighted to report that America's veterans are receiving a superior retirement.

THIS PAR HAS FOUR VITAL PARTS:

1

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A): a summary of the AFRH performance and financial status, achievements and challenges, plus compliance with essential legal requirements.

2

PERFORMANCE: a detailed outline of the AFRH Goals and Objectives. It cites our achievements and shortfalls, plus it outlines results from our second year of following Key Strategic Performance Goals.

3

FINANCIAL: summaries and details on all fiscal matters such as the financial statements, audit opinion, disclosures, and notes regarding AFRH fiduciary activities over the past fiscal year.

4

ACCOMPANYING INFO: a summary of the entire PAR that includes the IG Statement, management challenges, improper payments, acronyms, and management's special thanks.

AFRH employees & contractors prepared this report per Federal guidelines.

⁴ www.afrh.gov/afrh/about/strategic2011-2015.pdf

⁵ The Accountability of Tax Dollars Act of 2002

The Federal Management Information Security Act of 1998

The Federal Financial Management Improvement Act of 1996

The Government Management Reform Act of 1978

The Government Performance and Results Act of 1993

The Government Performance and Results Modernization Act of 2010

The Chief Financial Officers Act of 1990

The Federal Managers Financial Integrity Act of 1982, and

The Inspector General Act of 1978

MANAGEMENT'S DISCUSSION & ANALYSIS

THE AFRH ORGANIZATION

TWO AFRH LOCATIONS

OUR REMARKABLE RESIDENTS

OUR PROFICIENT STAFF

OUR DYNAMIC STRATEGY

- » COMPLIANCE
- » PRIORITY GOALS

AFRH PERFORMANCE SUMMARY

- » PERFORMANCE IMPROVEMENT
- » ACHIEVEMENT MEASURES
- » RESIDENT CARE LEVELS

AFRH FINANCIAL OVERVIEW

» REVENUE SOURCES / TRENDS

» SUMMARIES OF STATEMENTS

MANAGEMENT ASSURANCE LETTER

AFRH MANAGEMENT CONTROLS

» AGENCY RISK MANAGEMENT



“ I ENJOY THE CHALLENGE, AND IT KEEPS ME OUT OF TROUBLE!

— P.J. Johnson (Air Force)

From 1958 – 1978, P.J. served in Air Force telecommunications. Now, he expresses himself by hand carving land vehicles. He placed 3rd in the 2012 National Veterans Creative Arts competition with his WWII Jeep and trailer.

When he arrived at AFRH-G 10 years ago, he got interested in art and learned how to craft a train from wood. “Practice makes perfect. I spend 40 hours a week making mail trucks, clocks, watches, etc.” For his six nephews, he’s made smaller versions, including dump trucks, bulldozers, and golf carts.

P.J. finds great satisfaction in his hobby. He especially enjoys giving back to the community by donating many creations to Toys for Tots at Christmas via the Seabees. And, to show his appreciation for female AFRH staff, P.J. crafts wooden tulips for their offices and break rooms.

He’s even created a custom cabinet for his room. Other residents marvel at his talents, claiming they could never create such works of art. His response: “You’ll never know unless you try.”

SENSIBLE OVERSIGHT



ORGANIZATION

The AFRH is an independent establishment in the Federal Executive branch, established under 24 USC Chapter 10. It operates like most private retirement facilities. On the corporate level, the COO leads experienced staff who formulate organizational policy and procedures.

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 Principal Deputy Under Secretary of Defense (Military Community and Family Policy).

The Agency directs an Administrator at each community who manages independently all operations of resident life. Administrators make their own tactical operational decisions, manage their facilities, and respond to local resident requirements. Yet, Administrators all report directly back to the COO.

This business arrangement promotes smart, strategic decisions that help advance the overall organization, while it also fosters effective communications that keep Congress and AFRH constituents informed.

ADVISORY COUNCIL

The Advisory Council was reconfigured via Federal legislation. It is comprised of full-time Federal employees or members of the Armed Forces. The Council's role is to provide guidance and recommendations to AFRH on the administration of the Home and the quality of care that is provided to residents.

The Council's two annual meetings allow AFRH management to familiarize members with the AFRH goals, objectives, challenges, and opportunities. The Council met at AFRH-W in November 2011 and at AFRH-G in April, 2012. Its members lend their expertise and knowledge of military- and medical-related concerns for all aspects of resident life. The Council presents an Annual Report to the DoD featuring its observations and recommendations.

“THE AFRH HAS SUCCESSFULLY ADDRESSED ITEMS IN ONE YEAR THAT OTHER ORGANIZATIONS WERE NOT ABLE TO ACCOMPLISH IN FIVE YEARS.”

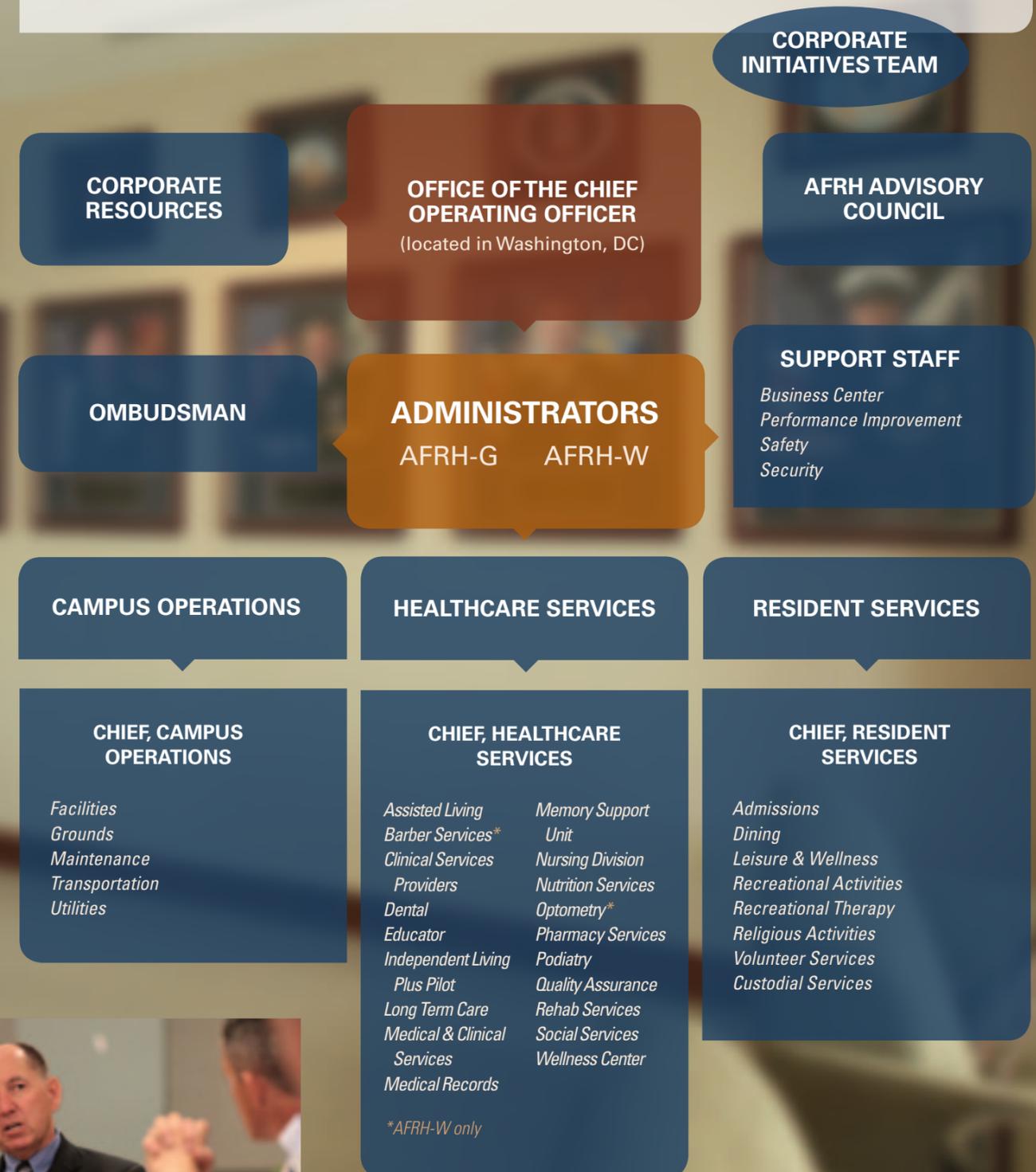
— CARF Survey, Nov. 2011
(cited in Advisory Council Annual Report)

AFRH Advisory Council Report
https://www.afrh.gov/afrh/about/par/AC/Annual_Report_to_DOD_Jun20_2012.pdf

STRUCTURE

The AFRH communities follow corporate guidance and operate under the 'One Model' of business operations at the local level. This Model stipulates that each community has the same type of staffing, policies, procedures, and standards of care.

Ultimately, this will ensure that both communities deliver a high level of care in a similar environment. So, if a resident wishes to transfer from one community to another, he or she will still receive the same excellent care.

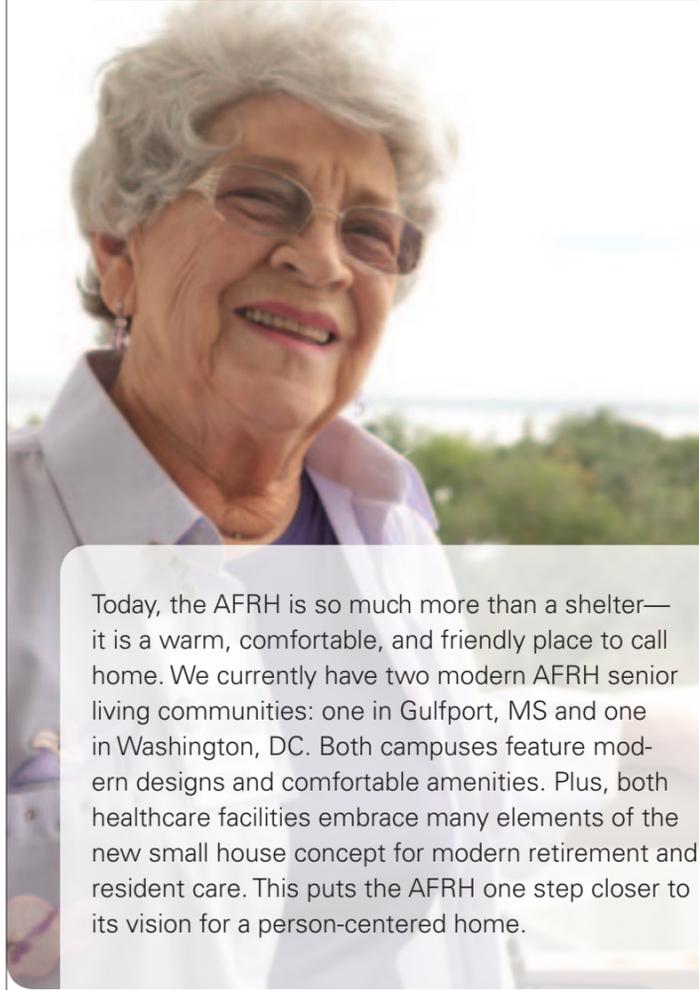


[From Public Law] – 24 USC 10, Section 411 Establishment of Armed Forces Retirement Home
(b) Purpose – The purpose of the Retirement Home is to provide, through the Armed Forces Retirement Home-Washington and the Armed Forces Retirement Home-Gulfport, residences and related services for certain retired and former members of the Armed Forces.

Two AFRH Locations

CHEERFUL SANCTUARIES

THE ORIGINAL NOTION OF AN 'ASYLUM' TO CARE FOR AMERICA'S FORMER MILITARY HAS EVOLVED OVER TIME—THE BUILDINGS AND ENVIRONMENTS HAVE CERTAINLY FOLLOWED SUIT. OVER THE DECADES, THE HOME'S CARETAKERS HAVE REPLACED LIGHT-DUTY WORKSHOPS AND WORKING FARMS WITH MANICURED GOLF COURSES AND SCENIC WALKING TRAILS. AND LARGE INSTITUTIONS AND CLOSED GATES WERE REPLACED WITH INTIMATE HOMES AND OPEN COMMUNITIES. OUR VETERANS TRULY DESERVE SUCH AMENITIES GIVEN THEIR MANY SACRIFICES IN DEFENDING AMERICA.



Today, the AFRH is so much more than a shelter—it is a warm, comfortable, and friendly place to call home. We currently have two modern AFRH senior living communities: one in Gulfport, MS and one in Washington, DC. Both campuses feature modern designs and comfortable amenities. Plus, both healthcare facilities embrace many elements of the new small house concept for modern retirement and resident care. This puts the AFRH one step closer to its vision for a person-centered home.

GULFPORT, MS Scenic Oceanfront Retreat

AFRH-G is located on 47 acres off the Gulf Coast in a relaxed southern setting. Sandy beaches, waterfront views, beautiful sunrises, and a charming town surround our Gulfport home. In a relaxed southern setting, this Home is situated right on the Mississippi Sound, a dynamic fishing and leisure spot.

Residents can drive or take public transport to great restaurants, exciting casinos, friendly neighborhoods, boutique shops, and more. They enjoy surf fishing, great shopping, beach walks, a dip in the pool, or relaxing on their private balcony overlooking the Gulf.

STATUS: This modern complex has been fully operational for two years. It was designed to be an energy-efficient building with modern conveniences. It was also constructed to withstand the effects of a Category 5 hurricane. And for good reason: AFRH-G had its first test in August 2012 when Hurricane Isaac (Category 1) hit the Gulf Coast region. The outcome: this new building proved to be most resilient.

Learn about AFRH-G enhancements to deliver PCC.
<https://www.afrh.gov/afrh/gulf/gulfcampus.htm>



WASHINGTON, DC Dynamic Urban Oasis

AFRH-W encompasses 272 scenic acres right in the heart of Northwest Washington, DC. Beautiful trees, majestic views, tranquil wildlife, and historic landmarks surround our Washington home. In a warm, country setting, it is nestled in the heart of our Nation's Capital, a vibrant metropolis. Venture off campus and you're just minutes from the Metro, bus line, White House, monuments, theaters, museums, pro sports teams, and more.

We take our residents on fascinating daytrips to the Smithsonian Museums, we catch exciting ball games at Nationals Park, and we tour the remarkable historic sites of Washington. We have special music performances on campus, and we see shows at the famous Kennedy Center. Plus, the residents enjoy following the Redskins, Wizards, and Capitals, too.

STATUS: This community is in a positive transition. Throughout 2012, AFRH-W entered the final phase of the Scott Project, which includes a brand new Scott Building and vital renovations to Sheridan Building. Plus, an exterior elevator is being added to the 1960 Sheridan Building to accommodate AL relocation.



“



YOU COULDN'T DRAG ME OUTTA HERE. I TEACH COMPUTERS, HELP RESIDENTS, CREATE VIDEOS, BIKE RIDE, AND SOCIALIZE DAILY.

— Neil Ferguson (Navy)

Learn about AFRH-W construction to deliver PCC.
<https://www.afrh.gov/afrh/wash/washcampus.htm>

Our Remarkable Residents

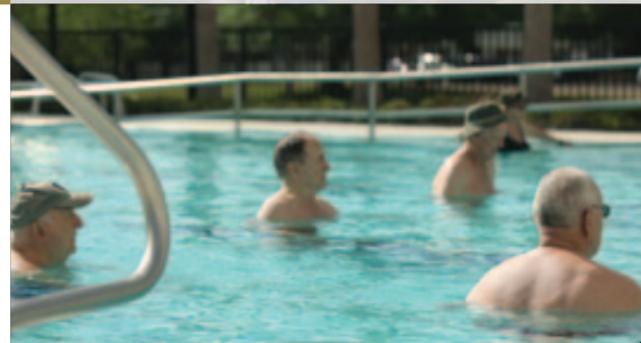
ZESTFUL INDIVIDUALS

THE AFRH RESIDENTS ARE AS UNIQUE AS THEY ARE ALIKE. MANY PASSIONATELY PURSUE AN AVID INTEREST OR HOBBY. MOST REVEL IN THE MILITARY CAMARADERIE AVAILABLE HERE AT THE HOME. AND ALL HAVE DUTIFULLY SERVED OUR COUNTRY IN MILITARY SERVICE—EITHER AS CAREER PROFESSIONALS OR BATTLEFIELD WARRIORS. ALL TOLD, THEY SHARE THE COMMON EXPERIENCE OF DEFENDING OUR FREEDOMS, TRAVELING THE WORLD, MAKING HISTORY, AND SERVING AS VITAL LIVING LEGACIES.



Active residents just love our bowling center, fitness center, golf tournaments, fishing derbies, Senior Olympics, softball games, and more. Creative types love making projects in our hobby shops, such as ceramics, leather, automotive, and woodworking. All the rest enjoy dances, movies, daytrips, and speakers. Naturally, there's always time for a refreshing walk, invigorating swim, card game, chess match, or game of pool.

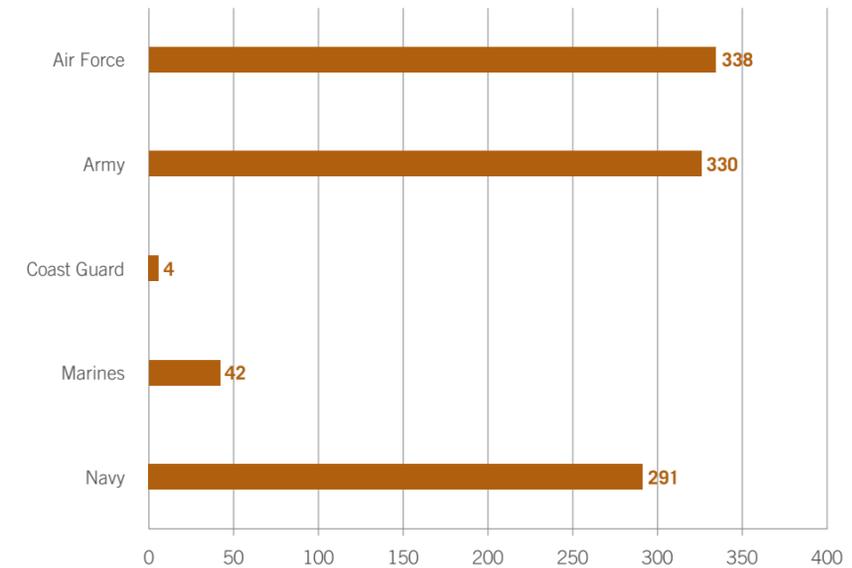
The AFRH provides residents with a wide range of events, programs, and activities that promote socialization as well as health and wellness. The aim of this progressive living environment is to promote vitality throughout the aging process. The result: many 90-year-old residents still travel, exercise, and join in a wide range of recreation.



Our residents find joy in fishing, cycling, dancing, bowling, sports, and art.



Resident branches: All branches of service are represented



Melvin Shoemaker (Army), a proud Vietnam veteran, mingles at our community picnic.

AFRH ELIGIBILITY

Persons eligible to be residents:

Persons who served as members of the Armed Forces, at least one-half of whose service was not active commissioned service (other than as a warrant officer or limited-duty officer), are eligible to become residents of the Retirement Home.

- » Persons who are 60 years of age or over; and were discharged or released from service in the Armed Forces under honorable conditions after 20 or more years of active service.
- » Persons who are determined under rules prescribed by the Chief Operating Officer to be incapable of earning a livelihood because of a service-connected disability incurred in the line of duty in the Armed Forces.
- » Persons who served in a war theater during a time of war declared by Congress or were eligible for hostile fire special pay and were discharged or released from service in the Armed Forces under honorable conditions; and are determined under rules prescribed by the Chief Operating Officer to be incapable of earning a livelihood because of injuries, disease, or disability.
- » Persons who served in a women's component of the Armed Forces before June 12, 1948; and are determined under rules prescribed by the Chief Operating Officer to be eligible for admission because of compelling personal circumstances.

Married couples are welcome, but both must be eligible in their own right.

Persons ineligible to be residents:

A person who has been convicted of a felony or is not free of drug, alcohol, or psychiatric problems shall be ineligible to become a resident of the Retirement Home.

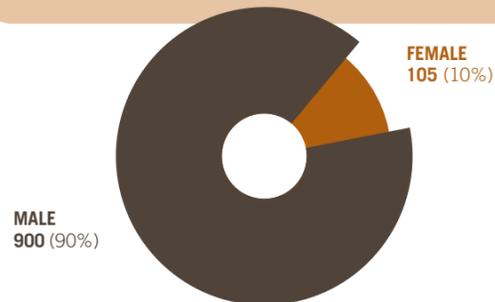
⁶ Per 24 USC 10, Section 412

PURPOSEFUL ENDEAVORS

THE AFRH RESIDENTS ARE PATRIOTS THROUGH AND THROUGH. AND THEY CONTINUE TO SERVE AMERICA BY HONORING THE RICH HERITAGE OF THE US ARMED FORCES. THEY RIDE IN MILITARY PARADES, LAY WREATHES ON NATIONAL DAYS OF MOURNING, AND REACH OUT IN THE COMMUNITY TO CONTINUE TO SERVE OTHERS IN MANY WAYS.

The residents' widespread patriotism greatly supports one key guiding principle at the AFRH: 'Honor Heritage'. For instance, Gulfport residents eagerly showcase their military careers and memorabilia in the AFRH-G Hall of Honor. Likewise, AFRH-W residents are making eager preparations for the new Scott Building's Hall of Honor. In planning dedicated museum space at both facilities, our residents can both contribute to, and reap great enjoyment from, the colorful sights and sounds of America's rich military past.

Resident Gender: most are single males



Resident war theaters: they have fought in conflicts since WWII.

BY WARTHEATER*

- World War II: 340 (25%)
- Korean War: 448 (34%)
- Vietnam: 523 (39%)
- Grenada: 10 (1%)
- Panama: 13 (1%)
- Gulf War: 5 (1%)

BY ELIGIBILITY**

- Retiree: 809 (81%)
- Service-connected Disability: 53 (5%)
- War Theater: 90 (9%)
- Female (served before 1948): 53 (5%)

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

*Some were in more than 1 war



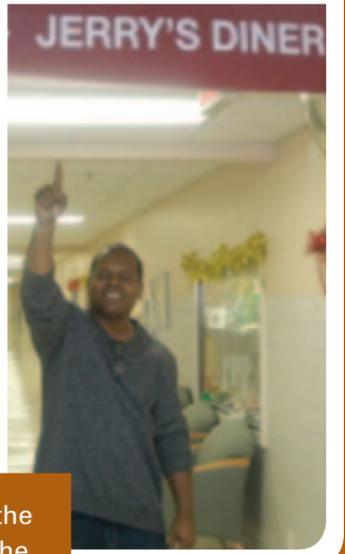
I MADE MY HAT OUT OF MOSS, GRAPEVINE LEAVES, AND FLOWERS.

— Sally Manning (Navy)



I SERVED ON THE USS MISSOURI WHEN PRESIDENT TRUMAN SENT US OVER TO KOREA. DURING THE MISSION MY DAUGHTER WAS BORN—AND I ONLY FOUND OUT BY TELEGRAPH TWO DAYS LATER.

— Jim Webster (Navy)



When the earthquake damaged the cafeteria, meals were served in the fitness center managed by Jerry Carter. So residents dubbed it ...

Our Proficient Staff

DEDICATED SUPPORT

“ AFRH STAFF MEMBERS LISTEN TO RESIDENTS AND ACTIVELY SEEK WAYS TO BETTER COMMUNICATE WITH THEM.

“ STAFF TRULY OPERATE UNDER PCC AND ARE CONSIDERED VALUED MEMBERS OF THE MANAGEMENT TEAM.

— Advisory Council (Annual Report)



MINDFUL CARE

The AFRH is a high-performance agency thanks to its wonderful staff. In fact, our culture change to PCC is a success thanks to their dedication and flexibility. This comes as no surprise to visitors of the Home, who often remark that our staff members truly care about America’s veterans. Moreover, staff success is most evident from the objective observations that are quoted on this spread:

“

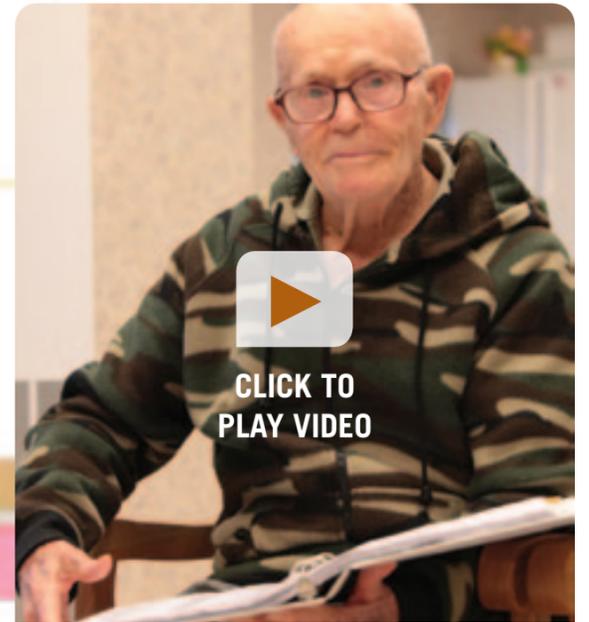
Staff members enjoy the work they do, are concerned about residents, and respect and listen to their desired choices. Employees at all levels were found to be dedicated and compassionate with a generous heart for serving (while being) open to innovation. This is truly a ‘learning organization’.

— CARF Survey (Nov. 2011)

Still, motivating the staff to make needed changes has always been an ongoing challenge. So, when managers met in 2011 to develop the AFRH Strategic Plan, they created a new goal: work closely with the staff. In the 2012 update, half of the session was devoted to expanding concepts to empower the staff. We adopted new actions to improve our working relations and created new opportunities for growth. Now AFRH employees are more dedicated than ever. They have found new meaning in their work and management has seen little turnover.

Some team members are not full-time employees but contractual staff. In reality, many of the resident services that are not deemed ‘core competencies’ are delivered via AFRH strategic partners. Those services include transportation, facility maintenance, landscaping, food service, healthcare, personnel, finance, strategic planning, marketing, and IT. Our consultants and part-time help work side-by-side with management to provide seamless service.

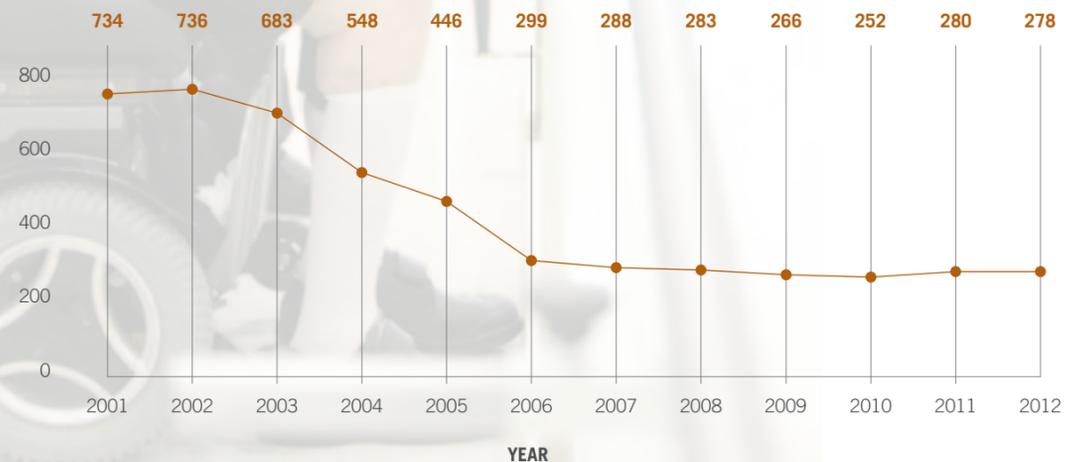
In the end, all who pass through the AFRH-Gulfport Beach Boulevard entrance or the AFRH-Washington Eagle Gate can’t help but feel a strong, heartfelt devotion to our patriots.



CLICK TO PLAY VIDEO

Discover the fascinating life of Fay Steele (Army / Air Force) in this 2012 Tribute Video.

AFRH Staff: fluctuations have mirrored resident resizing.



FULL-TIME EQUIVALENTS

2006: The significant reduction in FTE was a result of Hurricane Katrina and the closure of the Gulfport Facility.

2010: Slight growth began as the result of opening Gulfport.

“

TEAMWORK WAS EVIDENT (BETWEEN THE STAFF OF BOTH HOMES).

— CARF Survey (Nov. 2011)



CONSIDERATE PLANNING

SINCE 2002, AFRH MANAGEMENT HAS SUCCESSFULLY MAPPED A CLEAR AND STEADY COURSE FOR THE AGENCY'S GROWTH AND EVOLUTION. ORIGINALLY, THE COO & CFO CRAFTED OUR INITIAL STRATEGY INCLUDING THE AGENCY MISSION, VISION, AND GUIDING PRINCIPLES. SINCE THEN, THESE KEY DRIVERS HAVE UNDERGONE PERIODIC REFINEMENT TO HELP MAKE THE AFRH A MORE HIGH-PERFORMANCE ORGANIZATION.

The nearly 20-year-old Government Performance and Results Act (GPRA) required agencies to create multi-year strategic plans, performance plans, and an annual performance report. This Act has also undergone refinement. The new Government Performance Results Modernization Act (GPRMA) of 2010 updates the original law. It prescribes a new government-wide planning and reporting effort, plus it requires the plans, programs, and performance information to be linked.

The AFRH has been maintaining its strategy over the past nine years in this manner. In 2012, the AFRH stressed the expansion of its Performance Improvement program, which is a prominent aspect of the new legislation. Learn more about the GPRMA at: <http://purl.fdlp.gov/GPO/gpo4950>.



The Obama administration aims to achieve results.

We worked for a full year on the FY11-15 Strategic Plan, which embodies the Agency's new PCC vision. In FY12, we updated this Plan to hone objectives in two primary goals: Maintain Exceptional Stewardship and Promote a Staff-centered Environment.

AFRH VISION, MISSION & PRINCIPLES:

See Page 3 or <https://www.afrh.gov/afrh/about/about.htm>

SHIFTING TO PERSON-CENTERED

The field of senior care has experienced a very dramatic cultural shift in the past several years. A new movement now seeks to deliver services that revolve around each individual's unique needs. It is called Person-centered Care (PCC), and its advocates are dedicated to transforming institutional settings and dated modes of care into modern, home-like environments. Further, the voices of both seniors and their caregivers are honored and respected.

The AFRH has adopted the philosophy of PCC and its core values, which now guide all management and staff decisions. These values include: choice, dignity, respect, self-determination, and purposeful living. As the AFRH transforms into more home-like communities, PCC values play a vital role in steering the Agency's vision.

Learn more about [Person-centered Care](https://www.afrh.gov/afrh/about/AFRH%20Person-centered%20Care_May2011.pdf) at: https://www.afrh.gov/afrh/about/AFRH%20Person-centered%20Care_May2011.pdf

Residents offer input on diverse topics like landscaping and post office boxes.



WE TRY VERY HARD TO IMPLEMENT EVERY RESIDENT SUGGESTION FOR A TRIP OR ACTIVITY.

— AFRH Staff



I DROVE A RESIDENT'S PERSONAL ITEMS TO THE HOSPITAL TO REDUCE HIS AGITATION. I STAYED WITH HIM TILL HE WAS VERY CALM.

— AFRH Nurse

KEY STRATEGIC PERFORMANCE GOALS

Embrace Resident-centered Care

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

Maintain Exceptional Stewardship

Pursue and implement innovative ways to deflect, reduce, and manage costs by maximizing assets, resources, and programs to fulfill needs and wishes of current / future residents.

Promote a Staff-centered Environment

Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

Leverage External Stakeholders

Harness, cultivate, and focus our external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.

Learn more about the forward-thinking [AFRH Strategy](https://www.afrh.gov/afrh/about/strategic2011-2015.pdf) at: <https://www.afrh.gov/afrh/about/strategic2011-2015.pdf>



DELIGHTFUL RESULTS

AT THE AFRH, WE EMPHASIZE THE IMPORTANCE OF TOP PERFORMANCE RESULTS. WHILE WE'VE MADE GREAT STRIDES IN THE PAST DECADE, WE ARE ALWAYS ACTIVELY IMPROVING THE ORGANIZATION TO PROVIDE THE VERY BEST SERVICES TO AMERICA'S VETERANS. TO CONTINUE OUR GROWTH AND EVOLUTION, WE UTILIZE A NUMBER OF TOOLS AND RESOURCES TO ENSURE POSITIVE OUTCOMES, WHICH ARE LISTED BELOW.

STRATEGIC PLAN

The true measure of great performance is having it stem from, and tie back to, the AFRH Strategic Plan. So, from our Key Strategic Performance Goals we have developed Business Plans at the corporate level and for each community. These Business Plans yield action plans for each year. Then we follow monthly updates to ensure solid progress.

Staff performance reviews are another essential component to assessing yearly performance. Each review is linked back to Key Strategic Performance Goals to ensure that all members are fulfilling our vision. Further, each staff is trained annually about our performance management system so they can understand how their personal contribution fits into the larger AFRH strategy. In FY12, special emphasis was placed on clearly explaining the key concepts of PCC in our annual training.

On the corporate level, the AFRH has the Internal Control Board (ICB) to measure performance. High-risk areas are monitored and reported back to the ICB. On the campus level we have a Performance Improvement (PI) program to track progress, and it includes periodic reviews of performance indicators such as our Key Strategic Performance Goals.

Finally, the AFRH is inspected annually by outside accrediting bodies or the AFRH IG, and also by the Office of Personnel Management (OPM). The AFRH IG maintains documentation for Agency accreditation and manages issues, risks, and quality improvement derived from inspections. In FY12, the DoD IG had inspected both AFRH communities and the AFRH corporate office.

PERFORMANCE IMPROVEMENT PLANS

The Federal government, through Performance.gov, strives to improve the system to be more effective, efficient, innovative, and responsive. The Obama Administration is committed to investing in what works—and fixing or cutting what does not. These efforts are ongoing and they demand vigilance. Also, government leaders are accountable for achieving measurable results—from cutting the cost of program delivery to realizing progress on top priorities.

The AFRH has stepped up its commitment to performance improvement. In FY12, the AFRH formed a Corporate Performance Improvement Officer position per the GPRMA. Each campus has a Performance improvement (PI) group, and this year each group revamped its risk factors and formulated mitigation plans. Soon, these tools will improve performance.



I'M THE ONLY RESIDENT THAT PLAYS SENIOR SOFTBALL AT CATHOLIC UNIVERSITY.

— Phyllis Bradford (Marines)

Performance Measures for Key Strategic Performance Goals

	FY08	FY09	FY10	FY11	FY12
Goal: EMBRACE RESIDENT-CENTERED CARE					
Accreditation*	Met	Met	Met	Met	Met
% of resident satisfaction*	Met	Met	Met	Met	Met
% of resident assessment plans*	Met	N/A	Met	Met	Met
Goal: MAINTAIN EXCEPTIONAL STEWARDSHIP					
Trust Fund solvency	Met	Met	Met	Met	Met
Accuracy of financial reporting*	Met	Met	Met	Met	Met
Housing for veterans (Scott Project)	Met	Met	Met	Met	Met
Trust Fund growth**				Met	Met
Cost avoidance				Met	Met
Goal: PROMOTE A STAFF-CENTERED ENVIRONMENT					
Evidence of measurable training goals*	Met	Not Met	Met	Met	Met
% of Staff Climate Survey responses: 'Excellent or Very Good'	Met	Not Met	Not Met	Met	Met
Measurable evidence of growth beyond work activities				Met	Met
Achievable Person-centered Care				Met	Met
Goal: LEVERAGE EXTERNAL STAKEHOLDERS					
Congressional contacts				Met	Met
Annual community events				Met	Met

* Target set before Strategy FY11-15 ** Meeting Trust Fund targets for expected growth

ACHIEVEMENT MEASURES

As we did in past years, our financial management and resident satisfaction measures were successfully met. Now, our focus must shift to the Staff where we have not been as successful as we aimed to be.

FY12 Accomplishments:

- » Management updated the comprehensive 10-year CIP
- » We added a CIP Master Landscape & Strategic Sustainability Plan
- » The vital Scott Project was kept on time and within budget

HUMAN CAPITAL STRATEGIC PLAN

Part of our ongoing commitment to the staff includes following the AFRH Human Capital Strategic Plan (HCSP) for FY09-14. This key Plan fosters a summary of key human capital goals and actions. The annual Human Capital Management Report (HCMR) then chronicles our achievements and the enhancements that are planned each year.

For FY12, the AFRH was achieving its goals while increasing efficacy in all personnel matters. In fact, the AFRH was commended for 'Best Practices' by OPM in 2012 due to its strong link between strategy and human capital goals. OPM has encouraged the AFRH to assist other small agencies by sharing its successful practices and innovative tools.

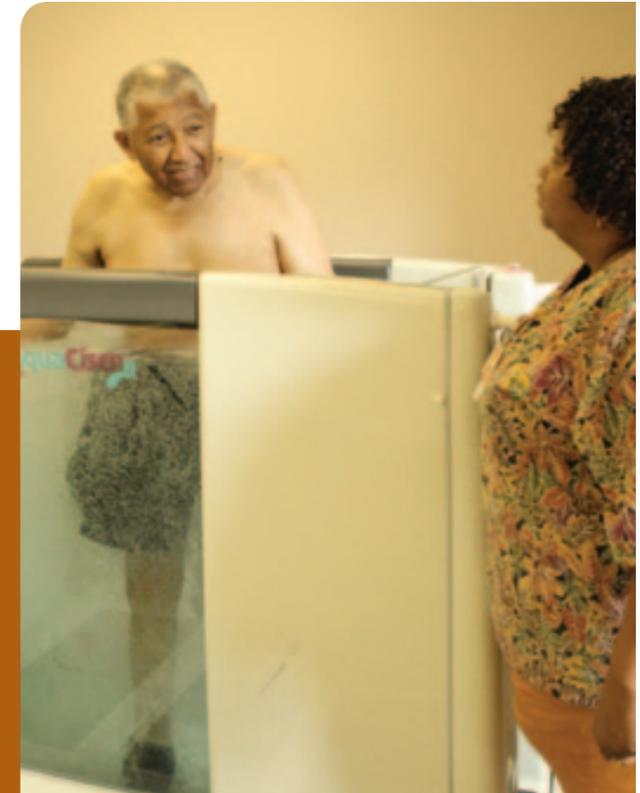
Resident Care Levels

SKILLFUL TREATMENT

THE AFRH OFFERS ITS DISTINGUISHED RESIDENTS FIVE UNIQUE LEVELS OF CAREFULLY PLANNED AND HIGHLY SKILLED CARE. EACH CARE LEVEL FEATURES A RANGE OF DYNAMIC PROGRAMS AND EXTENSIVE SERVICES TAILORED TO EACH RESIDENT'S NEEDS VIA PERSON-CENTERED CARE. THE FIVE DISTINCTIVE CARE LEVELS INCLUDE:



HOUSEKEEPING ALWAYS ARRIVES ON TIME AND WITH A SMILE. — Anonymous Resident to the COO Suggestion Box



ASSISTED LIVING

Here, residents can maintain as much independence as possible, while also receiving support care for certain daily functions and tasks. This may include help with bathing, dressing, eating, or even exercise.

INDEPENDENT LIVING

This is retirement living at its best. Residents are at liberty to roam on- and off-campus, as well as travel out of town at will. Or, they can simply enjoy the ample amenities and fun daily activities on campus.

LONG TERM CARE

This is a high level of care for residents who become disabled or infirm. It offers them full assistance with daily activities and carefully monitored nursing. Each AFRH resident is eligible—regardless of financial ability.

INDEPENDENT LIVING PLUS

Now our residents can thrive in a friendly, familiar environment and greatly enhance their quality of life. The residents may enjoy favorite activities, get vital support, and socialize with good friends—all in the safety and comfort of their home.

MEMORY SUPPORT

We offer specialty care for residents who contract memory problems, dementia, or Alzheimer's disease. Special attention is given to retaining cognitive skills and assisting residents with daily activities, as needed.



CAREFUL STEWARDSHIP

THE AFRH TRUST FUND WAS CREATED BACK IN 1851 TO SAFEGUARD OUR NATION'S DEFENDERS AFTER SERVICE. THIS TRUST FUND IS THE MAIN SOURCE OF FUNDING FOR THE AFRH OPERATIONS BUDGET AND CAPITAL IMPROVEMENTS. THE UNITED STATES CONGRESS APPROVES ALL WITHDRAWALS FROM THE AFRH TRUST FUND AND THE SUBSEQUENT EXPENDITURES. OUR TRUST FUND IS THE MAIN REASON THE AFRH IS SELF-SUFFICIENT AND DOES NOT RELY ON TAXPAYER MONEY FOR ITS OPERATIONS.

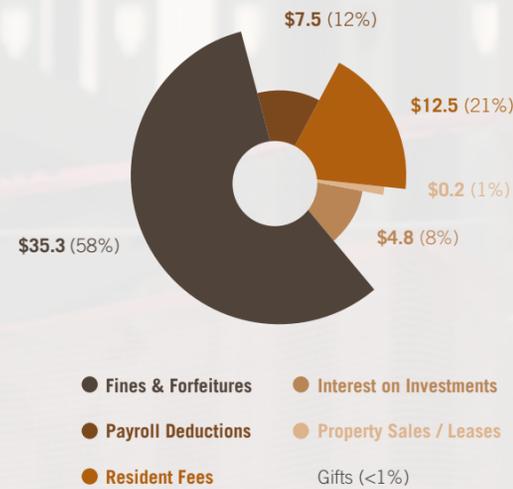
The Trust Fund is fed by constant revenue from:

- » AFRH resident fees
- » Trust Fund Interest
- » Active duty payroll deductions (each Warrant Officer & Enlisted pays \$.50 / mo.)
- » Fines & forfeitures: military personnel misconduct (58% of Trust Fund revenue)
- » Sale / Lease of property
- » Gifts (<1%)

Other revenue includes payments received from short-term leases of surplus buildings on the Washington campus that are not used by residents or the Agency as well as gifts (<1%). The Gulfport and Washington campuses also derive other income from room rentals and meals provided for visitors.

AFRH FY12 Revenue Sources

(In Millions of \$)

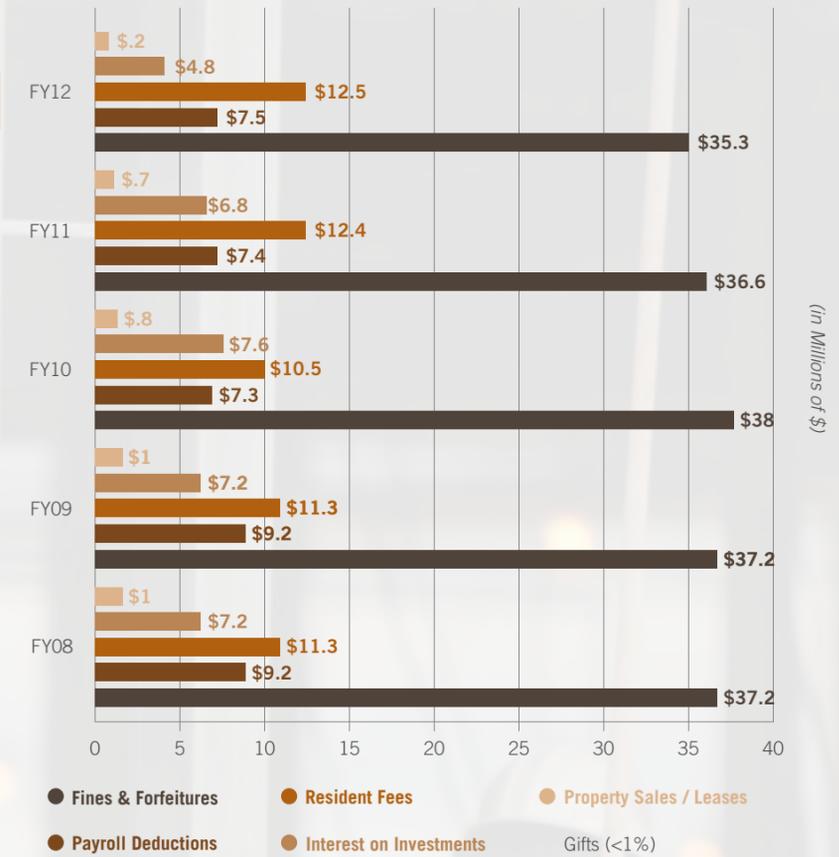


AFRH 5-year Revenue Trend

FY12 Budget: decreased from FY11

The Congressional Budget Request for FY12 totaled \$82.3 million (\$65.7 million in Operations & Management (O&M) and \$16.6M in Capital Improvements). Capital funding includes \$14.6M of supplemental money appropriated to repair damages at AFRH-W from the August 2011 earthquake.

FY11 marked the final year of growth in operating costs as the new Gulfport community began full operations on October 1, 2010. After two full years of successful service at AFRH-G, we have opened upper levels of care based on the needs of the population.



The FY12 Budget Request contained a decrease of \$3.4 million in O&M due to increased efficiencies and cost reductions. The AFRH did receive an extra \$14.6 million from Congress to renovate Sherman Building and repair other serious damages resulting from the August 2011 earthquake. This figure was in addition to the \$2 million annual budget line item for AFRH capital improvements.



ONCE CONSTRUCTION IS COMPLETE, WE'LL BE LIKE ONE BIG, HAPPY FAMILY.

— John Porter (Air Force)



AFRH TRUST FUND: SOLVENT

The 2012 Trust Fund Solvency analysis concludes that the Trust Fund is solvent (given several base case assumptions). Over this past decade, AFRH management has substantially reduced operating costs while taking on several major construction projects. This, too, has kept the AFRH Trust Fund in solvency.

Moving forward, one key assumption is that management will be successful in selling or even leasing land on the campus at AFRH-W. This action will provide a much-needed, substantial boost to the Agency's long-term fiscal solvency.



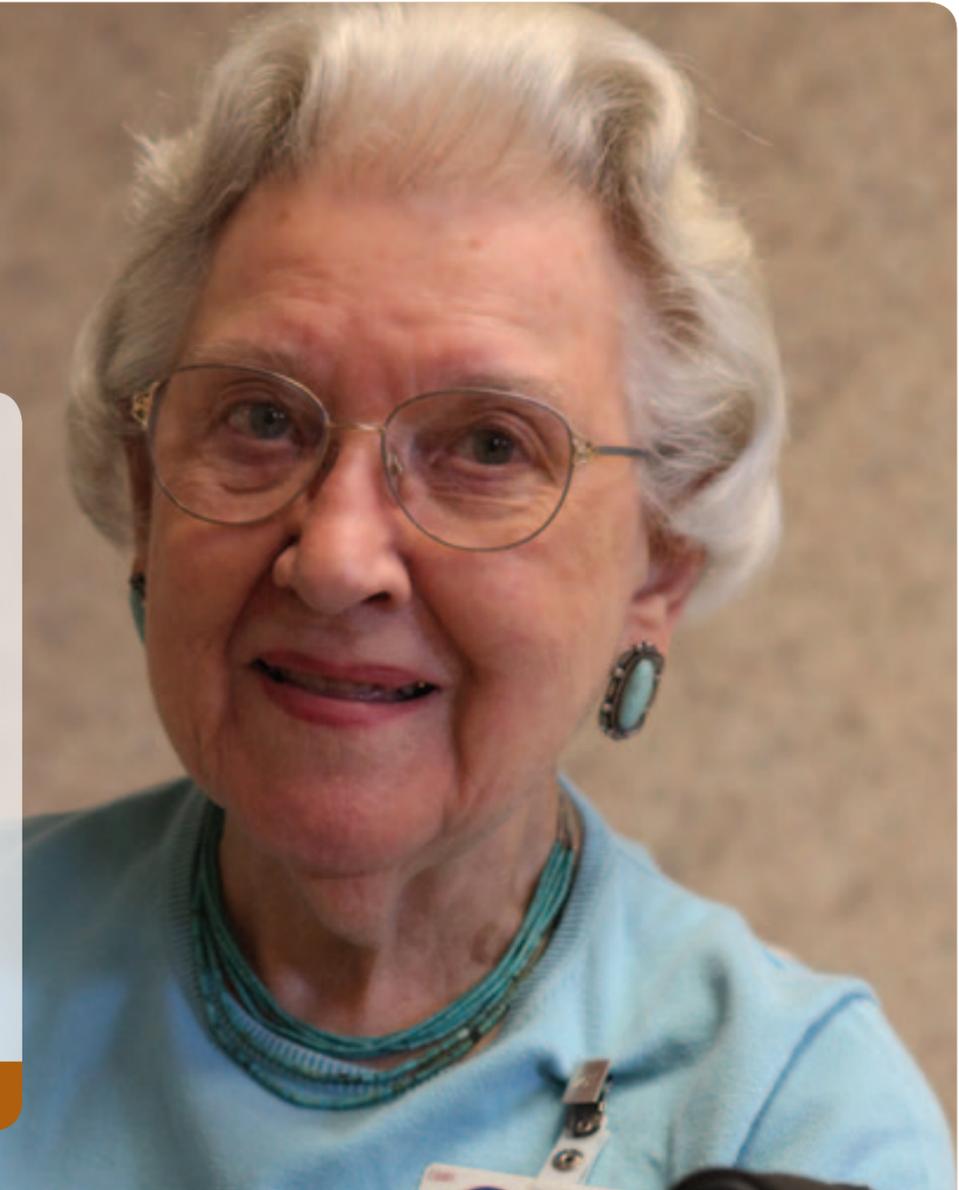
TRUST FUND BALANCE REFLECTS SCOTT PROJECT INVESTMENTS.

Ending Net Position: *Slight Decrease*



“ THE MOST CREATIVE ITEM I’VE SEWN IS A DRESS FOR MY GRAND-DAUGHTER AT AGE SIX.

— Jo Colvard (Army)



In 1943, Jo volunteered for the Women’s Auxiliary Army Corps because: “I wanted to do something worthwhile.” Afterwards, she met her husband, moved to San Diego, and adopted a son.

To save money, Jo sewed her husband and son’s clothes. In fact, she even took an adult education course to learn how to design her own clothing. “Now, I order clothes from a catalogue!” she jokes. That may be—but Jo still volunteers in the sewing room each Friday here at AFRH-W.

Jo also creates beautiful Christmas ornaments as well as decorative beaded flowers for her fellow residents. Plus, she always attends her weekly Women’s Group meetings to share jokes and philosophical quotes. Altogether, she and her husband have lived at AFRH-W for 20 years. In reflecting upon her 92 years, Jo says, “It’s been a great life! It couldn’t possibly have been better.”

DELIBERATE REPORTING

THE INDEPENDENT ACCOUNTING FIRM BROWN & COMPANY, CPAs, PLLC, EXPRESSED AN 'UNQUALIFIED OPINION' ON THE AFRH COMPARATIVE FY12 AND FY11 FINANCIAL STATEMENTS, BALANCE SHEET, STATEMENT OF NET COST, STATEMENT OF CHANGES IN NET POSITION, AND THE STATEMENT OF BUDGETARY RESOURCES. FURTHERMORE BROWN & COMPANY DID NOT REPORT ANY MATERIAL WEAKNESSES FOR AFRH IN FY12.

AFRH management, in partnership with BPD, is accountable for the integrity of all fiscal information presented in this Report. All financial statements and data have been prepared from the AFRH accounting records in conformity with the Generally Accepted Accounting Principles (GAAP) as defined by the CFO's Act of 1990 and OMB.



8TH CONSECUTIVE UNQUALIFIED OPINION

Modern Audit Results:

FY12	Unqualified
FY11	Unqualified
FY10	Unqualified
FY09	Unqualified
FY08	Unqualified
FY07	Unqualified
FY06	Unqualified
FY05	Unqualified
FY04	(N/A)

Limitations of the Principal Financial Statements

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

BALANCE SHEET

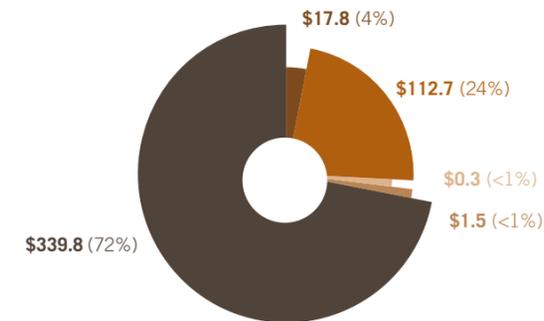
Assets & Liabilities Changing

Net Position is the current value of the Agency's assets less liabilities. Our Net Position at the end of FY12 (per the Balance Sheet) was \$442 million: a \$3 million decrease from the last fiscal year. This decrease reflects investments for the ongoing Scott Project that came out of the AFRH Trust Fund. The increase in Liabilities is due, in part, to accounts payable for the construction projects at AFRH-W.

Assets:			
FY12	FY11	Net changes:	% Change
\$ 472,055,496	\$ 462,654,637	\$ 9,400,859	+2%
Liabilities:			
FY12	FY11	Net changes:	% Change
\$ 29,808,490	\$ 17,636,058	\$ 12,172, 432	+69%

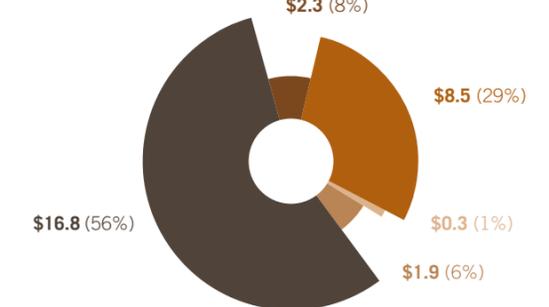
AFRH Assets for FY12

(In Millions of \$)



AFRH Liabilities for FY12

(In Millions of \$)



- Property, Equipment, & Software, Net
- Accounts Receivable, Net
- Federal Employee & Veterans' Benefits
- Intragovernmental Other Note 8
- Fund Balance with Treasury
- Accounts Receivable
- Other Note 8
- Intragovernmental Accounts Payable
- Investments
- Accounts Payable

STATEMENT OF NET COST

Aligning Costs with Strategic Goals

Since FY09, the AFRH has tracked all expenditures back to its Strategic Goals via its accounting system. In FY11, we consolidated and evolved our Strategic Goals into Key Strategic Performance Goals. Albeit, our accounting system does not reflect this change, as of yet. (NOTE: Past trend data in this chart reflects past AFRH Strategic Goals).



Historically, we invest the most in Exceptional Service. (In Millions of \$)

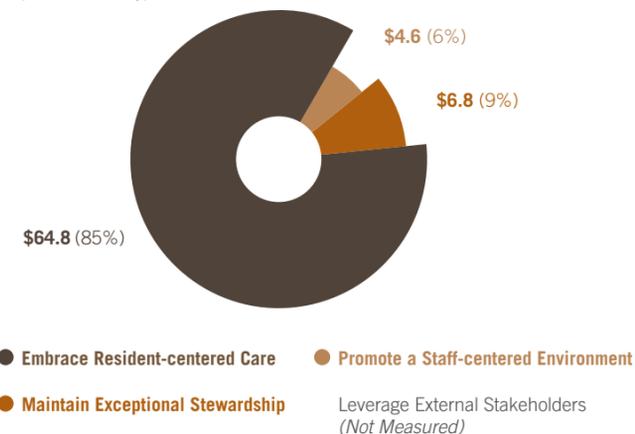
PAST STRATEGIC GOALS	FY09	FY10	FY11
Culture of Integrity	\$1.5	\$2.8	\$3.6
Exceptional Service	\$50.6	\$48.5	\$49.8
Financial Growth	\$0.0	\$0.3	\$0.2
Improved Processes	\$8.0	\$8.4	\$9.7
Learning and Growth	\$0.0	\$0.2	\$0.9

Today, we follow 4 Key Strategic Performance Goals:

- 1** Embrace Resident-centered Care
- 2** Maintain Exceptional Stewardship
- 3** Promote a Staff-centered Environment
- 4** Leverage External Stakeholders

AFRH FY12 Net Costs by new Strategic Goals

(In Millions of \$)



We derive the amount spent by mapping old strategic goals to the new Key Strategic Performance Goals. Yet, in FY12, the new goal Leverage External Stakeholders was not measured.

Statement of Changes in Net Position

This Statement points out the items that changed our net position (from the beginning of FY12 to the end). AFRH income actually increased because we received an unexpected budget appropriation to pay for earthquake damage to the historic Sherman Building and other earthquake-related damages.

Statement of Budgetary Resources

This Statement presents the budgetary resources as of September 30, 2012 and September 30, 2011, along with their status. The AFRH reported total budgetary authority of \$133.2 million on September 30, 2012 as compared to \$175.4 million on September 30, 2011.

“THE STAFF HERE JUST OVER-INDULGES US.”

— Ray Eckert (Air Force)

Art is just one of many engaging activities available to residents at AFRH. Ray only began painting eight years ago. Now, he loves his art classes and attends twice a week. Moreover, his talent has truly flourished. Weekly assignments are required for each class. Plus, Ray works on side projects in the studio a few hours a day.

For Ray, art is recreational but also thought-provoking: “Painting gets you away from it all. It’s a real challenge: you visualize it, you think about it, and then you paint it.” He appreciates the instructor, Milton, for constantly developing each student’s individual talents.

“

AFRH CAN PROVIDE REASONABLE ASSURANCE THAT FMFIA OBJECTIVES ARE MET. — Steven G. McManus (COO)

MANAGEMENT LETTER OF ASSURANCE

The AFRH is in full compliance with all applicable requirements 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. AFRH managers, along with our partners BPD and the National Finance Center (NFC), actively participate in all Internal Controls (ICs).

Based on our annual analysis, the AFRH can provide reasonable assurance FMFIA objectives are met. Also, no material weaknesses have been reported in our ICs 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 ICs are effective for both the financial reporting through our partner BPD and for our campus operations through our corporate ICs 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
- » AFRH performance reporting is reliable. Performance measures are properly recorded, processed, and summarized to permit information preparation per criteria established by AFRH management

Further, CARF inspectors have verified that several financial ratios are above the median, which indicates that the AFRH is a healthy, strong organization that is embracing industry standards.

Steven G. McManus

AFRH COO
November 15, 2012

RESPONSIVE SAFEGUARDS

THE AFRH STRATEGY INCLUDES A GOAL TO MAINTAIN EXCEPTIONAL STEWARDSHIP SO THAT WE MAY CAREFULLY PRESERVE ALL OF THE RESOURCES ENTRUSTED TO US. MANAGEMENT AIMS TO BE AS COST EFFECTIVE AND EFFICIENT AS IT POSSIBLY CAN BY USING A VARIETY OF METHODS IN COMPLIANCE WITH FEDERAL REGULATIONS. CITED BELOW ARE A VARIETY OF WAYS THAT WE PROACTIVELY MANAGE STEWARDSHIP.

INTERNAL CONTROLS (ICs)

Rigorous measures 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 ICs program since 2006. Each manager on this Team reports his or her controls through an annual survey. The AFRH can provide qualified assurance that ICs over financial reporting were operating effectively as of Sep 30, 2012.

CATEGORIES OF ICs (required by law):

- 1 Control Environment:** maintaining a strong organizational structure & culture
- 2 Risk Assessment:** identifying risk factors that may hinder objectives
- 3 Control Activities:** creating proactive policies, procedures & mechanisms
- 4 Information & Communications:** maintaining an effective flow of information
- 5 Periodic Monitoring:** holding regular assessments of all controls on an ongoing basis

FEDERAL MANAGER'S FINANCIAL INTEGRITY ACT (FMFIA)

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

Further, the Agency COO must ensure that laws and regulations are followed and that fiscal management complies with Federal standards. FMFIA sets requirements for ICs and requests yearly evaluation of agency control and financial systems to protect their integrity. The AFRH performs these evaluations annually and is pleased to report no 'material weaknesses' have been detected in FY12.

An independent audit was performed on BPD's financial management systems (i.e., the controls placed on the financial management systems). This assurance via Statement of Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, validates the integrity of AFRH management controls and our compliance with Federal financial systems standards.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

Federal agencies are required to provide reliable, consistent disclosure of data per GAAP. For FY12, the AFRH is in substantial compliance of FFMIA. BPD-ARC established our accounting process; it is also in compliance and exercises internal controls. Based on Agency assessment and the audit opinion, the AFRH is in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board, and the US Standard General Ledger (USSGL) at the transaction level.

THE AFRH IS FFMIA COMPLIANT AT AGENCY & AUDITOR LEVELS VIA:

- | | |
|---|-------------------------------------|
| 1 Overall substantial compliance | 3 Accounting standards |
| 2 System requirements | 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. The AFRH has worked tirelessly to transition to a FISMA-compliant environment starting in FY09.

Department of Interior (DOI) NBC, through a Memorandum of Understanding, provides FISMA-compliant desktop support and hosting services consolidation for all IT services. In FY10, the AFRH-W campus became operational, and in FY11 AFRH-G came online.

NBC's SUPPORT INCLUDES:

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

The AFRH had a Certification & Accreditation conducted on its IT Infrastructure. It was granted full Authority to Operate (ATO) in FY12 after successfully completing this process.

FINANCIAL MANAGEMENT SYSTEMS

The AFRH uses financial systems via its partner BPD-ARC (Oracle financials 11i, Oracle Assets, PRISM, and WebTA). ARC personnel operate and maintain this system, ensuring top-notch support. Plus ARC staff provide value-added services that interface with Oracle Federal Financials (such as procurement, e-payroll, purchase card, e-travel, Federal investment, and IPAC transactions). ARC is responsible for the financial integrity and security of this system. Yet, NFC handles payroll transactions, and these are integrated with the above-mentioned systems.

COMPLIANCE

With the National Defense Authorization Act of FY09, the AFRH was required to secure and maintain accreditation by a nationally recognized civilian entity for every aspect of each facility (including medical and dental care, pharmacy, IL, AL, and nursing care). The AFRH maintains a national accreditation and must be inspected annually. In the years the accrediting entity does not inspect, the DoD IG assesses the Agency. AFRH-G was inspected for the first time both by CARF and the DoD IG with very positive outcomes.

DOD IG INSPECTION:

FY12 was the year that CARF did not inspect. So, the DoD IG inspection team reviewed corporate as well as both campuses in August and September 2012. Results were not available at the close of this fiscal year and will be reported in the FY13 PAR.

The AFRH is also under an inspection schedule by OPM for its human capital goals and progress. Also, the AFRH Advisory Council has an annual assessment. Both entities gave us positive comments and recommendations.

CARF / CCAC ACCREDITATION:
(Valid 2008–2013)

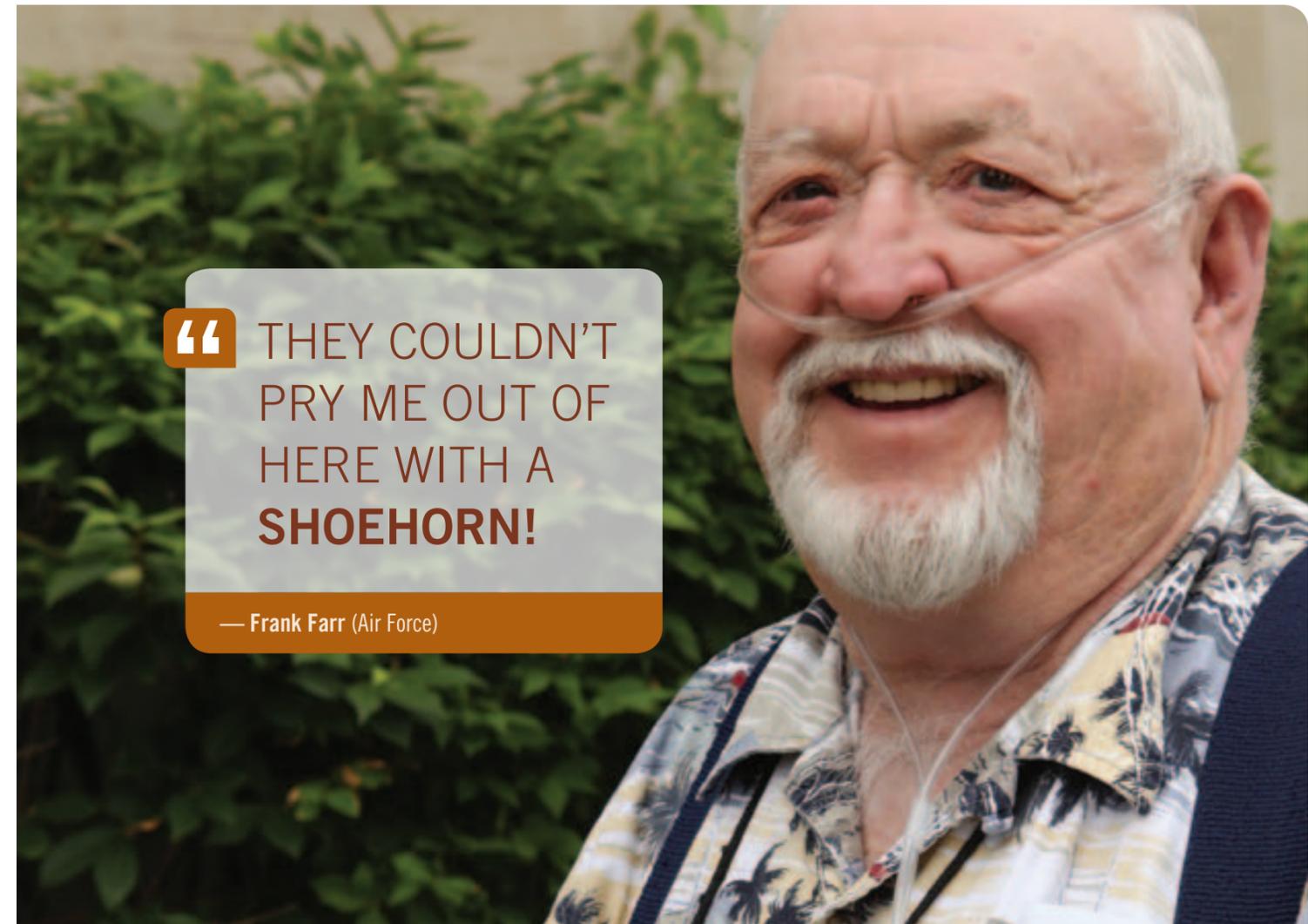
CARF is the premier accrediting body for CCRCs. CARF helps ensure that retirement homes fulfill their promise of quality care to seniors. The AFRH achieved this accreditation in September, 2008 for a 5-year period ending in 2013. CARF performed inspections (corporate and campus) in September, 2010 for AFRH-W and for both AFRH-G and AFRH-W in 2011. Although there were no findings, written recommendations emphasized PCC, safety, breaking down silos, and more definitive guidelines for resident transitions.



“ WE’RE GETTING SO MANY RESIDENTS INVOLVED IN GARDENING.

— Charlie Jenkins (Navy)

Charlie nurtures the Gulfport garden project. Residents have planted geraniums, pansies, and tulips all over campus. Now, the group is planting pecan, pear, apple, and fig trees. “We call it our orchard,” Charlie says proudly. Eventually the Gulfport residents hope to have all of the fruits and vegetables that they harvest from their trees and gardens served at meals.



“ THEY COULDN’T PRY ME OUT OF HERE WITH A SHOEHORN!

— Frank Farr (Air Force)

Frank served 21 years in the Air Force as a tail-gunner on B66s and B52s. His love of powerful airplanes and flying into the wild blue yonder has certainly carried over into his life at AFRH-W.

“One day I was in the hobby shop and started playing around with this remote controlled airplane.” One test flight outside and Frank was hooked. So, he found a flyers club in Laurel, MD and drives up three times a week for meetings and to fly his sleek remote controlled plane in an open field.

Frank also enjoys exercise classes and water aerobics, and he’s looking forward to the new swimming pool once the Scott Building opens. Frank suffers from emphysema and gets out of breath quickly. So, he’s hoping to get a new heart valve soon...waiting on a wing and a prayer you might say. “After a swift recovery, I plan to get back to my normal routine.”



Agency Risk Management

VIGILANT PURSUITS

ANOTHER KEY CONTROL IS THE AFRH RISK MANAGEMENT PROGRAM. IT IS DESIGNED TO MINIMIZE RISK AND MAXIMIZE FINANCIAL STABILITY. AFRH IS A UNIQUE AGENCY IN THAT IT MUST CONTINUALLY SATISFY THE ONGOING DEMANDS OF TWO PROPERTIES, MANY REGULATORS, AND THOUSANDS OF RESIDENTS. SO, OUR RISK MANAGEMENT PROGRAM INCLUDES THREE KEY CATEGORIES (A-C BELOW) TO HELP MITIGATE THE MANY RISKS THAT NATURALLY ARISE IN THIS PARTICULAR BUSINESS ENVIRONMENT.



1 THE SCOTT PROJECT

A. Stewardship Endeavors

- » Reducing our footprint & related infrastructure
- » Revitalizing our valuable resident communities
- » Enriching staff knowledge & expertise
- » Right-sizing our population for better service
- » Seeking greater energy efficiencies, and
- » Streamlining our contracts' scope & needs

With these strategies as a guide, we have kept our construction projects on schedule and within budget. Plus, we have seen cost-savings in our dining contract, healthcare services, and campus operations.

B. Trust Fund Strategies

The AFRH Long Range Financial Plan (LRFP) keeps a watch on the solvency of the AFRH Trust Fund. This Report cited that Fines & Forfeitures (more than 50% of AFRH revenue) have decreased since FY10. This is a significant risk, and therefore our risk analysis considers the long-term impact of this reduced revenue source on AFRH solvency.

The most vital source of AFRH Revenue under 'Sale / Lease / Other' is the projected sale of land at the Washington community before the end of 2015. Our forecast model assumes that such revenue will be available for investment in the year 2016.

STATUS: The updated 2012 LRFP verifies, with these assumptions, that **the Trust Fund is solvent.**

All along, the goal of the Scott Project has been to drive down exploding maintenance costs on the Washington campus. Repairing the aging infrastructure of the old Scott Building would simply cost too much, and it would not maintain AFRH Trust Fund solvency.

New cost savings will come from:

- ✓ Closing an old dining facility & its operations
- ✓ Decreasing custodial requirements
- ✓ Reducing facility maintenance
- ✓ Lowering the cost of all utilities
 - » Eliminating unneeded on-campus transport
 - » Reducing nursing staff by nearly 50%
 - » Closing the older LaGarde Building

The Scott Project meets the objective of a reduced footprint by eliminating 421,050 sq. ft. Further this Project propels AFRH towards several positive desired outcomes:

- ✓ Reduced Population at AFRH-W
- ✓ Revamped Contracts Strategy:
 - » Reduce the scope of services
 - » Set similar costs on each campus
- ✓ Refined AFRH-W Contracts:

» Facility maintenance	» Custodial
» Grounds maintenance	» Transportation
» Dining Services	» Nurse staffing
» Pharmacy & medical supplies	» Utilities
- ✓ Revitalized savings via ILP:
 - » Minimize growth of AL (AFRH-G)
 - » Reduce growth of AL (AFRH-W)

C. Major New Projects

At the Corporate Level, the AFRH monitors expansive, long-term plans aimed at reducing risk and enhancing resident wellbeing. These plans include:

- | | |
|--|--|
| <p>1 The Scott Project</p> <p>2 The AFRH CIP</p> | <p>3 The Washington Master Plan</p> <p>4 Environmental Initiatives</p> |
|--|--|



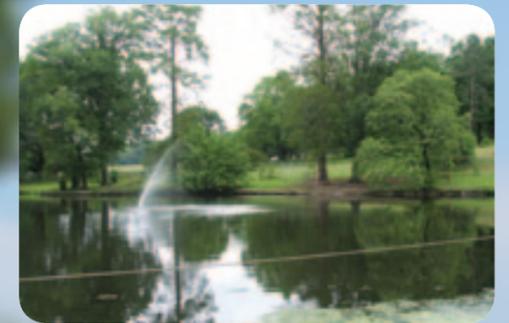
Scott Project End Game:

- » Postures AFRH operations for positive Trust Fund Growth
- » Creates similar capacity & service between AFRH-G & -W
- » Finalizes the closure of 77 acres for future development
- » Lays a foundation to close the aging AFRH Heating Plant
- » Enhances wellness, which will reduce healthcare costs

AFRH LANDSCAPE GUIDELINES



BOTH HOMES ARE READY FOR THE NEW LANDSCAPE PLANS



2 THE AFRH CIP

A focal point of our risk management strategy is to reduce our footprint and optimize our infrastructure. The AFRH Capital Improvement Plan (CIP) supports this strategy by outlining 10 years of vital upgrades for both communities.

Positive outcomes include a smaller footprint in Washington, reduced environmental impacts, plus enhanced PCC and Aging in Place. The AFRH is truly committed to PCC. Yet, some of the AFRH buildings and services lag behind this vision and must be modified to produce a successful culture change.

While the AFRH has created a Long Range Financial Plan (LRFP) to keep track of changing economic forecasts to ensure Trust Fund solvency, management now has specific plans for each campus to achieve this vision.

In FY11, we created a comprehensive 10-year CIP featuring four Volumes. Volume I is an Agency overview of the needs, timelines, and priorities. Volumes II and III are the individual community projects. And finally, Volume IV is the LRFP.

Originally, we developed the CIP by working with each community to develop a vision of its unique needs. Each CIP Volume includes a compilation of various development projects with detailed descriptions, dependencies, compliance requirements, and estimated costs. These Plans align with the LRFP and its capital improvement budget forecasts.

In FY12, an Update to the CIP's four Volumes was completed. Elements from a Master Landscape Plan and a Strategic Sustainability Plan were added to each community's Volume. Our residents assisted local experts in landscaping and environmental efficiencies to develop these Plans. Landscape projects for trails, gardens, and water usage are now classified under Outdoor Programming in each Volume. Furthermore, Environmental Initiatives are also programmed.

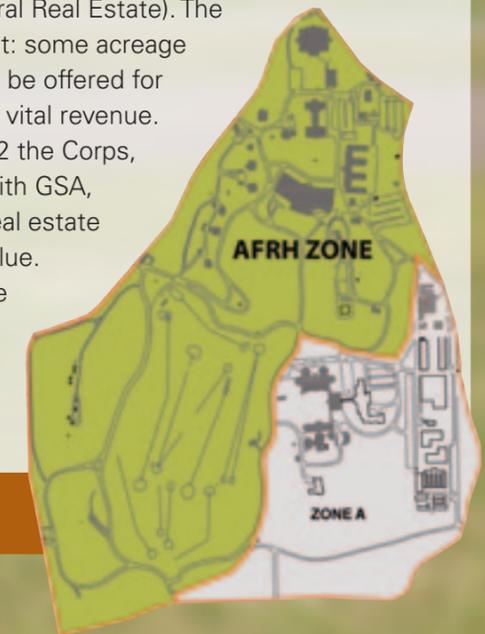
The Updated LRFP considers detailed forecasts of efforts to reduce operating costs and improve resident wellness. The Update also recalculates the Trust Fund balance projection using a variety of future economic scenarios such as inflation, interest rates, and revenue reduction (from active duty personnel).

3 WASHINGTON MASTER PLAN

The National Defense Authorization Act for FY02 (as modified by Public Law 111-084) permitted the AFRH, via DoD, to sell, lease, or otherwise dispose of under utilized buildings and property. So, we launched the Washington Master Plan as the basis of the AFRH risk management strategy. The focus of this Plan is to preserve and improve the Home for residents as well as to generate additional revenue for the Trust Fund.

Given the changing economic conditions beginning in 2008, we had to shift our focus from revenue generation to infrastructure improvements. We mothballed facilities within the 77-acre development area (Zone A), and we closed buildings that were not effectively serving residents. Plus, we initiated the shutdown of the Power Plant, the remapping of utility grids, and the revitalization of key historic buildings.

During FY11, the Army Corps of Engineers was engaged to evaluate the designated Zone A (per the June 2010 Presidential Memorandum: Disposing of Unneeded Federal Real Estate). The next assessment: some acreage could potentially be offered for sale to generate vital revenue. Throughout FY12 the Corps, in partnership with GSA, appraised this real estate for its market value. Per our LRFP, we expect to sell or lease the property by 2015.



Zone A: Set for redevelopment income.

4

ENVIRONMENTAL INITIATIVES

This year, the AFRH has made tremendous strides incorporating sustainability into many aspects of Agency operations. These efforts address Federal energy and sustainability mandates, plus they help us reduce energy, water, and waste. Moreover, sustainability also reinforces our commitment to PCC.

In the coming year, the AFRH will continue to implement sustainability practices in its core Agency operations. Under Federal mandates (Executive Orders 13514 and 13423), the AFRH completed its first comprehensive evaluation of energy usage and greenhouse emissions in FY12.

AFRH-G received certification for LEED Silver in 2011. This year we are pleased to report AFRH-G has earned the distinction of LEED Gold. Now, an AFRH-W construction goal under the Scott Project is to earn LEED Gold certification for the new Scott Building and Golf Clubhouse.

The AFRH Senior Sustainability Officer (SSO) is responsible for compiling the Strategic Sustainability Performance Plan (SSPP) and then reporting back

under Executive Orders 13514 and 13423. The SSO's duties include supervising facilities, operations, and maintenance of both communities, plus the rollout of any energy and water-efficiency measures. The SSO also coordinates the implementation of the SSPP along with any Agency environmental initiatives.

The Agency has many sustainability initiatives in progress, and we are now assessing where these activities correspond to Federal Greenhouse Gas and sustainability requirements. All AFRH environmental initiatives are recorded and tracked in the CIP.

In FY11, an investment-grade audit was performed on three buildings at AFRH-W—the Sherman, the Sheridan, and Quarters 2. New projects arose from this audit, and they are now incorporated into the CIP Update. Finally, The AFRH submitted its inaugural Strategic Sustainability Report in FY12. Altogether, our new energy-saving efforts, combined with a reduced footprint at AFRH-W, will help the AFRH preserve resources AND reap maximum savings.

AFRH KEY ENERGY GOALS:

- » 30% reduction in energy intensity by 2015 (2003 baseline)
- » 26% reduction in water intensity by 2020 (2007 baseline)
- » 22% annual reduction of petroleum product usage by vehicle fleets thru 2020 (2005 baseline)
- » Reduce waste generation & increase recycling
- » Reduce toxic & electronic waste
- » Increase renewable energy usage



“OUR PLAN FOR GULFPORT IS TO PUT IN BLOOMING GARDENS AND TREES.”

— Bill Parker (Air Force, AFRH-G RAC Chair)



Bill is both a nature lover and a charming socialite. Born on the Bayou, Bill is well connected—like any strong tree with deep roots. He explained how the greening of AFRH-G takes some nurturing.

“Well, The Mississippi Renaissance Garden Foundation has a mission to put gardens all across the Gulf Coast—and we got involved, too,” explains Bill. “Moreover, The Mississippi State Extension Service helped us start rooftop gardens, which help the environment and keep the heat out.”

Soon, residents will have a forest featuring memorial and fruit trees alongside their garden of organic fruits and vegetables. They've even connected with someone who makes certified organic compost. “It's a big plan and starts with irrigating the water,” says Bill.

This garden project is another creative and physical outlet for residents who have a green thumb, want to learn gardening, or simply want to go green. “We have many residents involved. It's about them—keeping them busy. Gardening is good therapy.”

PERFORMANCE

- AFRH PERFORMANCE OVERVIEW
- EVOLVING PERFORMANCE GOALS
- RESULTS: PERFORMANCE GOALS
- PERFORMANCE BUDGET INTEGRATION
- KEY PERFORMANCE MEASURES
- HUMAN CAPITAL PLANNING
- VERIFICATION & VALIDATION



“NOT HAVING TOO MUCH EDUCATION, I DID DAMN GOOD IN THE ARMY: E8!

— Stephen Husak (Army)

In 1944, Stephen left Ukraine at age 14. “They put my step-sister into slave labor, and I went into German concentration camp,” he mused in a colorful accent. “One soldier ran us up and down a field of rocks on all fours. Our skin was ripped.”

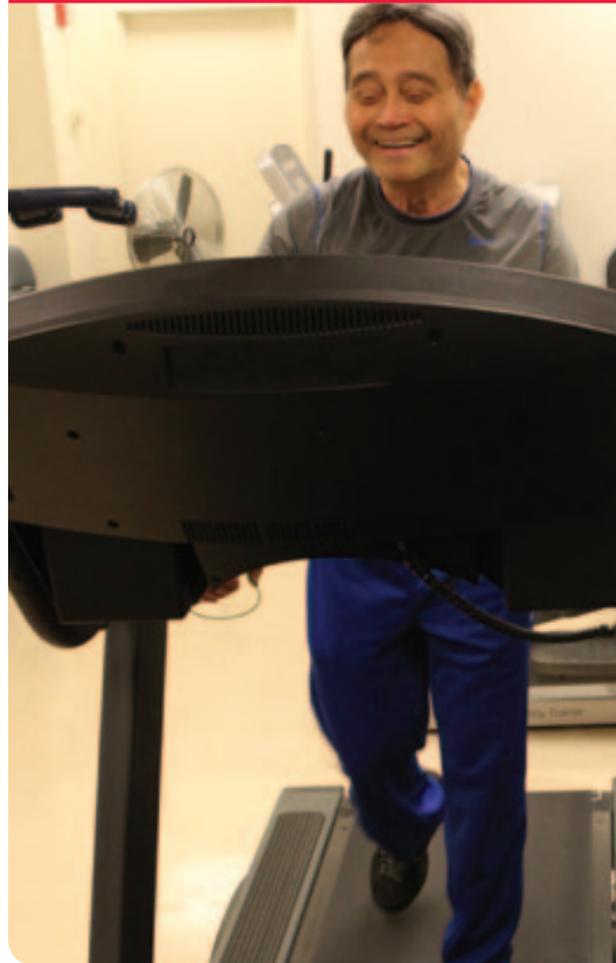
After WWII, the Russians sent 200 boxcars for refugees to come work in their motherland. “A professor friend said: ‘Nuh-uhhh!’—so we crawled behind the Kaserne to the train tracks. When the train slowed, we jumped on.” Stephen got off in Munich and went to school for the first time at age 16.

“After school, I go register for US Army. I served in Korea: in the 7th Infantry Division.” Stephen made 1st Sergeant, volunteered for Vietnam, and served 20 years. His career high-point: teaching future instructors at Fort Benning Infantry School.

Stephen’s life philosophy is: “You have to work to get ahead.” On the AFRH: “It’s Great! Very nice and clean—I dance and chase women!”

CONSIDERABLE ACCOMPLISHMENTS

THE AFRH HAS MADE GREAT STRIDES IN ITS PERFORMANCE MANAGEMENT FOR FY12. PROGRESS WAS HIGHLY VISIBLE AT BOTH COMMUNITIES. ON ANY GIVEN DAY, YOU COULD SEE ADVANCES IN CONSTRUCTION, EXCITING CAPITAL IMPROVEMENTS, INCREASED STAFF INVOLVEMENT, GREATER PERSONALIZED CARE, EXPANDED COMMUNITY PARTNERSHIPS, AND OVERALL RENEWED ENERGY. THESE SUCCESSES ALL DIRECTLY STEM FROM THE AGENCY STRATEGY—WHICH CONTINUES TO GUIDE GREAT STAFF PERFORMANCE AND TOP-NOTCH RESIDENT SERVICE. ALL TOLD, WE'RE PROUD.



Specifically, the Agency is scoring high marks in resident and staff input via formal surveys. One key reason: we continue to invest the majority of funds in 'Exceptional Service' to residents. And, this year, our success measures shed new light on just how we're improving customer service.

Also, the AFRH has made advances in its staff training, we've realized very positive progress in Stewardship, plus we've improved our Human Capital Strategic Plans. Altogether, it has been a banner year in performance.

STRATEGIC GOALS

For a decade, the AFRH Strategic Goals had established targets to gauge our success in meeting the Agency's vision and mission. Per Federal direction to focus on measurable goals with high impact, we now track four Key Strategic Performance Goals with 14 associated performance measures.

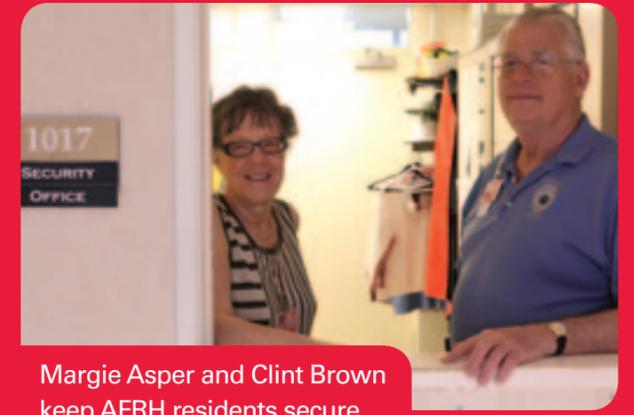
In this section, the AFRH will demonstrate how it manages Agency performance, plus we will present the FY12 performance results.

Performance Management

The AFRH performance management program aligns human capital efforts with the Agency mission, goals, and objectives. A few of the strategies to achieve this include the analysis, planning, measurement, management, and investment of the performance of each and every staff member. This program was initiated in 2004, updated in 2010, and is scheduled for review in FY13.

The processes outlined in this program create a results-oriented, high-performance culture. The AFRH system effectively plans, monitors, develops, rates, and rewards great employee performance. It even differentiates between high and low performance levels and effectively links individual (and unit) performance to organizational goals and desired results.

The key to our success is to translate our Agency strategy to managers and staff via AFRH Business Plans. This effort is ongoing, and the ultimate goal is to have everyone aligned toward the same goals.



Margie Asper and Clint Brown keep AFRH residents secure.



AFRH staff enlists military aid during hurricane lock down.

AFRH STRATEGY

All Plans flow from, and link back to, the AFRH Strategy.

STRATEGIC PLAN

INDIVIDUAL PERFORMANCE PLANS

BUSINESS PLANS



5 FACTORS FOR PEAK AGENCY PERFORMANCE:

COMMUNICATION

RESOURCES

ACCOUNTABILITY

LEADERSHIP

INVOLVEMENT



Washington Residents get a souvenir piece of the old Scott Building.

5 FORCES FOR WINNING BUSINESS PLANS:

CORPORATE LEADERSHIP

- » Support staff visibly & consistently
- » Prioritize initiatives & programs
- » Enforce expectations & accountability

MANAGEMENT INVOLVEMENT

- » Integrate corporate & community efforts
- » Interact with workforce on all levels
- » Support residents in clear, measurable ways

COMMUNICATION PROGRAM

- » Speak with one voice to constituencies
- » Publish info inside & outside the AFRH
- » Treat residents as individuals

RESOURCE MANAGEMENT

- » Link actions to business & resident needs
- » Evaluate the size & scope of all assets
- » Deploy resource tracking system

ACCOUNTABILITY CULTURE

- » Promote performance management
- » Monitor all resources & expenditures
- » Track behavior & reward efficiencies

“ I HAVE THE BEST JOB: I GET TO SERVE THOSE WHO HAVE SERVED.

— Master Chief Ron Kartz, Ombudsman

In 2001, Ron became the Maintenance Chief of AFRH-Gulfport. Hurricane Katrina ended his job and many more. But, when AFRH-G finally reopened, he volunteered to help get the residents settled. Ron found the experience of helping residents very rewarding—and being back on campus was like going home.

His genuine benevolence did not go unnoticed. In September, 2011, Ron was hired as AFRH-G Ombudsman. “The residents are my troops. I’m their advocate. I help resolve issues, and I help establish or change policies.” Ron also main-

tains military heritage in the Home by acquiring memorabilia.

Another joy of his job: securing tables for the residents at formal service balls on the regional military bases. “I’ll bring a busload of residents,” he chuckled. “They love it. Everybody dresses up in uniforms, and they’re treated as special guests.”

Ron is so happy to advocate for our retired service members: “I’ve always wanted to work for the Home because of the residents. It’s very humbling.”

WILLFUL ENDEAVORS



A resident education program begins for Agency sustainability

THE AFRH CORPORATE STRATEGY IS GUIDING THE EVOLUTION OF OPERATIONS AND NURTURING THE STAFF TO A PERSON-CENTERED ENVIRONMENT. MOREOVER, OUR KEY STRATEGIC PERFORMANCE GOALS ARE DRIVING SOLID STAFF PERFORMANCE. IN KEEPING WITH PERFORMANCE.GOV, MANAGEMENT HAS CONDENSED ALL OF THE TARGETS UNDERNEATH EACH KEY GOAL INTO ONES THAT ARE THE MOST ESSENTIAL.

M MINDFUL CARE

In 2011, the AFRH FY11-15 Strategic Plan was created and launched. By FY12, the need to expand objectives under the goal 'Promote a Staff-centered Environment' was recognized and achieved.



Part of the CIP is to upgrade the historic Eagle Gate at AFRH-W.

TODAY, WE FOLLOW KEY STRATEGIC PERFORMANCE GOALS.

- 1 Embrace Resident-centered Care
- 2 Maintain Exceptional Stewardship
- 3 Promote Staff-centered Environment
- 4 Leverage External Stakeholders



“ THIS IS THE GREATEST MILITARY RETIREMENT HOME YOU COULD FIND.

— Don Egolf (Army)

Don was married with two children when he joined the Army in 1944. Within a year of enlisting, he found himself in combat. In a book called *Who We Were: True Stories from the Veterans Living at the Armed Forces Retirement Home*, Don's story "Remembrance" recounts when his unit crossed Roer River at Roerdorf, Germany in 1945. Below is a short summary:

Don served for 20 more years. During 1958, he visited that German town with his family. The memories flooded back to him and are forever seared in his mind and commemorated in his book. In 10 years at AFRH-W, Don has spoken to many students about his combat experience. Don's courage endures.

“ *In the darkness, lit only by distant flames from an artillery attack on a village, it was difficult to recognize who was friend or foe among the dark silhouettes. Don fired a few warning shots. Unfortunately, one skimmed the neck of a man from his unit. Thankfully, the man was not harmed.*

RESULTS: Performance Goals

STRATEGIC SUCCESS

GOAL 1

EMBRACE RESIDENT-CENTERED CARE

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

FOCUSED TARGETS:

Communication

- » Promote person-centered ideals
- » Expand AFRH safety awareness
- » Broaden communication capabilities (web, bulletins, publicTVs, in-house broadcasting, newspaper)

Staff Training

- » Widen Person-centered acumen & skills

Health & Wellness Activities

- » Maintain optimum resident health
 - Shrink footprint to reduce travel
 - Build new pro-health amenities
- » Promote independence through ILP Pilot
- » Educate Residents about PCC

AFRH is achieving positive results in all three measures for "Embrace Resident-centered Care". This demonstrates to stakeholders that we are proactively caring for the residents.

MEASURES

CARF Accreditation

This is a highly coveted recognition. Providers that meet CARF standards demonstrate a commitment to excellence.

Resident Surveys (70% Approval)

We got feedback on facilities, recreation activities & customer service. Gulfport added dining & hurricane feedback surveys. Corporate added surveys on leadership.

Health Assessments (95% Complete)

Understanding the residents' health is vital to success. So, we follow a strict process to ensure all assessments are updated constantly.

RESULTS

Valid thru FY15

- ✓ Corporate
- ✓ AFRH-G &
- ✓ AFRH-W

72% Approve

100% (ILP, AL, LTC & MS)

ACHIEVEMENTS

AFRH-G

- » CARF Accreditation
- » Opened AL & MS units
- » ILP Pilot has 43 residents
- » Residents 'very satisfied' after 2 years
- » Launched PCC dining in LTC / MS & AL

ACHIEVEMENTS

AFRH-W

- » CARF Accreditation
- » Finished study to deploy PCC dining
- » ILP Pilot has 46 residents
- » Scott Project is in midst of PCC transition
 - 1950s Scott dorm demolished
 - Broke ground for the new Scott
 - Residents adjust to activity relocation

GOAL 2

MAINTAIN EXCEPTIONAL STEWARDSHIP

Pursue and implement innovative ways to deflect, reduce, and manage costs by maximizing assets, programs, and resources to fulfill needs and wishes of current / future residents.

FOCUSED TARGETS:

- » Reduce costs via outside resources
- » Achieve 'In the black' status
- » Establish metrics for financial objectives
- » Create new revenue streams
- » Have person-centered services & grounds



THIS FALL, WE'LL HARVEST SQUASH, WATERMELON, AND TOMATOES FROM OUR GARDEN. — Jesse James (Army)



We achieved positive results in all measures for the goal 'Maintain Exceptional Stewardship'. This assures DoD we are responsibly managing the resources entrusted to us.

ACHIEVEMENTS

- » Updated CIP with expenditures & long-range financials
- » Reported carbon footprint & energy usage via environmental EOs
- » Created Strategic Sustainability & Master Landscape Plans
- » Achieved LEED Gold for AFRH-G
- » Made plans to seek LEED Platinum for AFRH-W Scott
- » Broke ground and started building the new Scott
- » Completed Food Sustenance Study to reduce food costs
- » Achieved FISMA compliance
- » Completed independent power design at AFRH-W
 - North converter for Admission Building & Quarters
 - Sheridan, and
 - Power plant designed in new Scott
- » Evaluated property at AFRH-W for potential sale
- » Began renovation of 19th Century Sherman Building
- » Overhauled SOPs and directives Agency-wide

MEASURES

Trust Fund Solvency

The key is to maintain a healthy Trust Fund balance while maintaining operations & facilities.

Financial Reporting Accuracy

For eight straight years the AFRH has maintained outstanding financial reporting.

New Housing for Veterans (Scott Project)

We continue to develop our properties to provide the best resident service. The Scott Project is on schedule & within budget featuring Green technology and PCC amenities. Opening: Spring 2013.

Trust Fund Growth (Continuous)

Balance increases were not achieved given the planned withdrawals for construction. However, we are aligned with our projections and meeting our growth goals.

Cost Avoidance (One Project)

A key concern is closing our outdated Heating Plant to reduce costs. The project is underway & on schedule to close in FY13.

RESULTS

Solvent Through 2022

Unqualified Audit Opinion

On Budget & Schedule

Meeting Scott Project Objectives

Power Plant Plan on Target



The Advisory Council reacts favorably to managers' reports (Nov. 2011)

GOAL 3

PROMOTE STAFF-CENTERED ENVIRONMENTS

Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.

FOCUSED TARGETS:

- » Push personal initiative & accountability
- » Link staff performance to results
- » Cultivate workforce beyond training
- » Adhere to Federal initiatives

Management is pleased to achieve positive results in all four measures for 'Promote Staff-centered Environments'. This assures our staff (and residents) that we are devoting energy and resources into the growth of our employees.

MEASURES

RESULTS

Mandatory Training (80%)

Each employee takes required annual basic training on PCC, performance management, EEO, IT security, and health- & safety-related skills. Great success is evident again this year.*

90% Participation

Employee Satisfaction (70%)

The annual survey asks: "How satisfied are you with your job?" AFRH-G staff responded favorably (81%). AFRH-W responded slightly lower (68% due to staff concerns over rightsizing and the transition)

72% Approve

Workforce Growth (Development Plan)

More headway was needed. So part of the June 2012 annual offsite was devoted to staff issues (e.g., education, flex hours & dining). Committees made recommendations. One ongoing success: COO Brown Bag Lunches where staff can discuss anything with the 'boss'.

Staff Action Teams

Achieve Person-centered Care (2 Initiatives / Year)

Praising employees at staff / resident events (picnics, parties, community outings) has been a success. More endeavors in staff-centered objectives were created in FY12 to rectify concerns.

2 Initiatives / Year

**Training is by the calendar year so this reflects Jan 2011 - Dec 2011.*

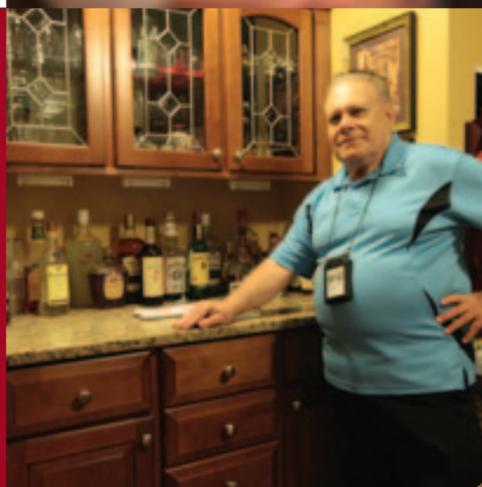


These results reflect our renewed emphasis on progressive training, rewarding employment, and general satisfaction with being a member of the AFRH community.



I CUSTOM DESIGNED THIS BAR. IT'S NICE TO HAVE FRIENDS OVER FOR DRINKS.

— Richard Ranzo "Gunny"



Our devoted staff makes dining delightful during the transition.

ACHIEVEMENTS

- » CARF's inspectors noted more PCC-like behaviors due to increased attention & training
- » We initiated more staff / workforce involvement in pursuing their interests
- » OPM lauded the AFRH for "Best practices in performance management for a small agency"
- » PCC training expands Agency-wide
- » Small house preparations & training for new Scott are in full gear

GOAL 4

LEVERAGE EXTERNAL STAKEHOLDERS

Harness, cultivate, and focus our external stakeholders to become increasingly active participants who are engaged in AFRH operations in each of the next five years.



These results are part of a concerted outreach beyond our campus to neighbors and friends who care for Veterans and are interested in military heritage.

FOCUSED TARGETS:

- » Amplify engagement with AFRH Advisory Council
- » Embrace community partners
- » Expand neighborhood presence

ACHIEVEMENTS

Congressional contacts:

- » COO briefings with staffers and committees
- » Congressional Reps for Mississippi
- » Made the case for earthquake damage repairs
- » Received \$14.6 million to repair Sherman

Community events (AFRH-G):

- » Cruisin' the Coast event (Oct. 2011)
- » Veterans Day Community event (Nov. 2011)
- » Community Open House Memorial Day (June 2012)

Community events (AFRH-W):

- » Friends of the Soldiers' Home volunteer in LaGarde for Bingo (Ongoing)
- » Annual Antique Auto Show (Oct. 2011)
- » Groundbreaking for the new Scott (Nov. 2011)
- » Joint Friends & AFRH-W Tree Lighting (Dec. 2011)
- » 4th of July Community Day (July 2012)
- » Volunteer Community Appreciation Picnic (Aug. 2012)
- » AFRH and President Lincoln's Cottage co-hosted 150th Anniversary of Lincoln's 1st summer at the Cottage, (Sep. 2012)



Seabee Volunteers rebuild a footbridge over an AFRH-G water drainage area.

MEASURES

More Congressional contacts (Quarterly)

The COO has attended committee hearings and is in frequent contact with Hill staff. He has elevated interest within DoD about redeeming monetary value from Washington property.

Community Events, Each Facility (2 / Year)

There is excitement to open the Homes to the community with two or more events per campus. AFRH-G has a community day that draws hundreds of neighbors. And AFRH-W has a new partner, Friends of the Soldiers' Home, which participated in activities such as 4th of July.

RESULTS

Quarterly

2 / Year

Special Annual Festivities

DEDICATED EVENTS



Folks from all over see the AFRH-W 55th annual antique car show (Oct. 2011).



AFRH-W has a longstanding partnership with England's Royal Hospital Chelsea.



The annual AFRH-W Senior Olympics challenge the body and soul.



Ombudsman Ron Kartz meets Rear Admiral Jon White (Navy) on AFRH-G Community Day.



Gulfport residents enjoy the annual Cruisin' the Coast car extravaganza (Oct. 2011).



The Recreation staff adopts new identities for the Easter celebration.



Carol Mitchell and staff dance with residents at the annual Holiday party.

General Jung-Seung Jo, Chairman, Joint Chiefs of Staff, Republic of Korea visits AFRH-W and meets Patrick Goldsworthy (Air Force).



Dallas Jones (Navy) wins 1st Place in the 'Stone Soup' garden competition. Presenting is AFRH-W Administrator David Watkins.

Performance Budget Integration

Remembering those lost on Memorial Day at AFRH-G.

HEEDFUL VIGILANCE

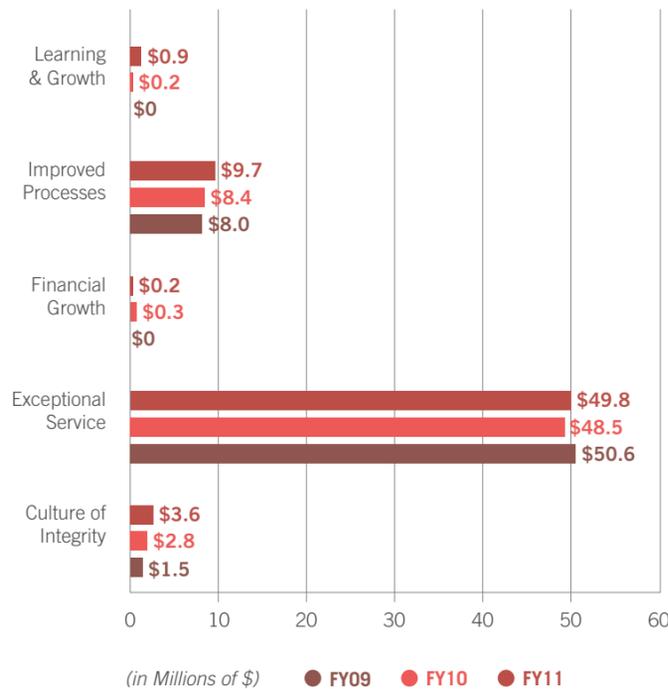
SINCE FY09, THE AGENCY HAS BEEN TRACKING ITS NET COSTS PER STRATEGIC GOAL. THIS PRACTICE HELPS US SEE EXACTLY WHERE OUR RESOURCES ARE BEING SPENT, SO WE MAY ADJUST ACCORDINGLY (I.E., 'PERFORMANCE BUDGET INTEGRATION WITH GOALS'). WE KEEP TRACK OF SPENDING VIA A MODERN FINANCIAL TREND ANALYSIS.

Expenditures for FY11-15 goals are shown in MD&A, pg. 56. In FY12, the AFRH spent the most on the new Key Strategic Performance Goal: Embrace Resident-centered Care.

The chart below shows Agency fiscal trends based on the old AFRH Strategic Goals for FY06-10.

Trend: AFRH consistently spends the most on resident service.

* Measure based on FY06-10 Strategic Goals



M MINDFUL CARE

Spending on Exceptional Service is above 80% of all expenditures. Also, management has increased spending on staff development over the last three years.



A focus group works on a Landscaping Master Plan to enhance paths and scenery.

NEW GOALS

FY11-15 Key Strategic Performance Goals

- 1) Embrace Resident-centered Care
- 2) Maintain Exceptional Stewardship
- 3) Promote Staff-centered Environments
- 4) Leverage External Stakeholders*

(OLD GOALS)

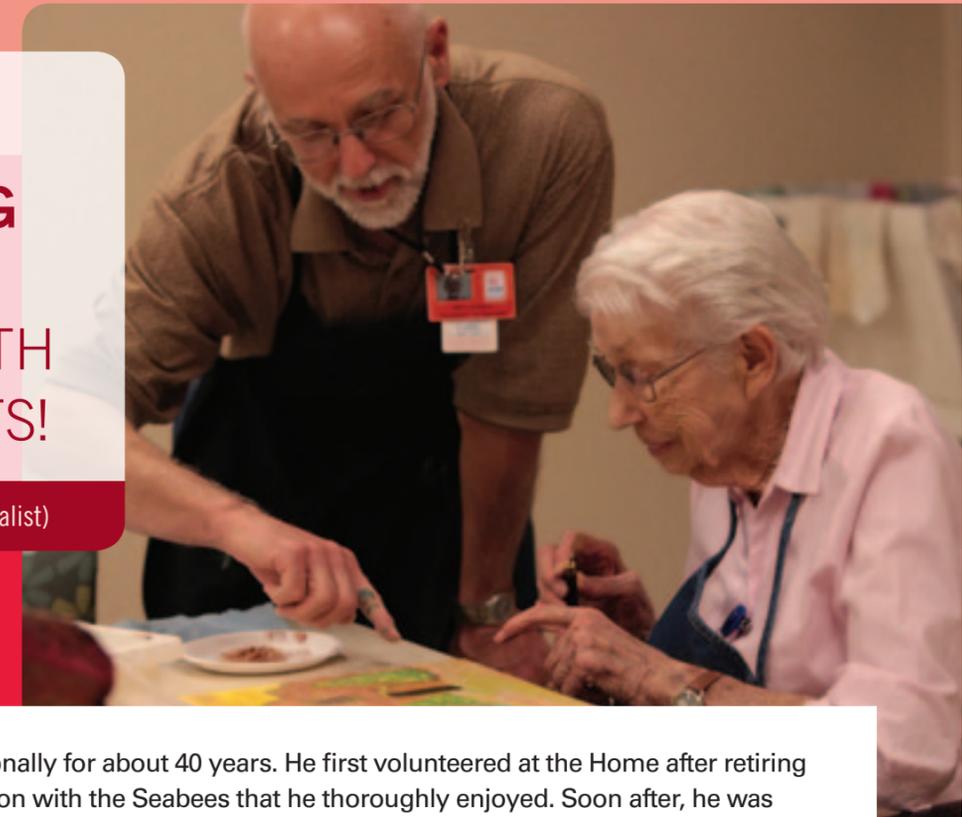
(FY06-10 Strategic Goals)

- Exceptional Service
- Financial Growth; Improved Processes
- Culture of Integrity; Learning & Growth
- N/A

*Note: Goal 4 is new as of FY11, so spending has not been tracked.

“WHAT A BLESSING IT IS TO WORK WITH RESIDENTS!”

— Milton Williams (Art Specialist)



Milton has painted professionally for about 40 years. He first volunteered at the Home after retiring from a graphic design position with the Seabees that he thoroughly enjoyed. Soon after, he was hired as Gulfport’s full-time art teacher.

Milton sparks the residents’ imagination with novel projects and hones their art skills. Yet, he encourages them to use their own inspiration, too. One innovative idea was when Gerry Gorsky traced a photo of a submarine that’s hanging in the home. She then painted a beautiful rendition of it. “That’s going into the Veterans’ Art Competition,” Milton declared.

Another way Milton makes his classes person-centered is through assisting those with needs. He works with contrasts—light and dark colors—for those with vision issues. And, for those who have trouble hearing: “I learn which ear works best and speak into it.”

Serving the residents’ personal needs requires building relationships and staff teamwork, which Milton enjoys. “To seek the best interest of others...that’s right out of God’s word.”

SENSIBLE GUIDES

IN RECENT YEARS, AFRH MANAGEMENT HAS INSTITUTED SEVERAL SMART FEEDBACK MECHANISMS TO INFORM US HOW WELL WE ARE DOING. LIKEWISE, THESE FORMS OF FEEDBACK SHOW US HOW MUCH IMPROVEMENT, IF ANY, WE MAY NEED TO MAKE IN CERTAIN AREAS. OUTLINED BELOW ARE THOSE VITAL PERFORMANCE MEASURES:

Performance Measures:

- 1 Performance Measures of Strategic Goals
- 2 IG Challenges
- 3 Resident Input
- 4 Employee Input

1 PERFORMANCE MEASURES OF KEY STRATEGIC PERFORMANCE GOALS

For the past five years we have surged well past 80% achievement in our performance measures. In FY11 and FY12 (under our new goals), we focused on key areas to ensure improved resident health and wellness. The new AFRH-G was opened and AFRH-W is in the midst of extensive vital capital improvements. However, we always have room to advance and grow.

Performance Measures for Key Strategic Performance Goals

	FY11	FY12
Goal: EMBRACE RESIDENT-CENTERED CARE		
Accreditation	Met	Met
% of resident satisfaction	Met	Met
% of resident assessment plans	Met	Met
Goal: MAINTAIN EXCEPTIONAL STEWARDSHIP		
Trust Fund solvency	Met	Met
Accuracy of financial reporting	Met	Met
Housing for veterans (Scott Project)	Met	Met
Trust Fund growth		
Cost avoidance	Met	Met
Goal: PROMOTE A STAFF-CENTERED ENVIRONMENT		
Evidence of measurable training goals	Met	Met
% of Staff Climate Survey responses: 'Excellent or Very Good'	Met	Met
Measureable evidence of growth beyond work activities	Met	Met
Achievable Person-centered Care	Met	Met
Goal: LEVERAGE EXTERNAL STAKEHOLDERS		
Congressional contacts	Met	Met
Annual community events	Met	Met

SPECIAL THANKS TO OUR MANAGEMENT AND LEADERSHIP STAFF, WHO SPENT MANY HOURS DURING HURRICANE ISAAC KEEPING US SAFE, INFORMED AND ENTERTAINED!!



— Bill Parker, Resident Advisory Chair, AFRH-G

2 IG CHALLENGES

We cover the AFRH IG challenges in depth in ACCOMPANYING INFO.

3 RESIDENT INPUT

Management acquires valuable resident feedback via focus groups, town halls, the AFRH Resident Action Committee, a suggestion box, work groups, official surveys, and unofficial conversation.

Each year we survey our residents for their opinions and to see how effectively we are serving them. The results for Gulfport were absent from FY05 – 09. Input started again in FY10.

FY12 Resident Surveys:

- » Dining: AFRH-G
- » Hurricane Response: AFRH-G
- » Facilities, Activities, and Customer Service: AFRH-G & -W
- » Communicator Leadership Message: AFRH-G & -W

Dining Survey: Gulfport

AFRH-G Dining Survey included all levels of care: 193 / 481 residents responded (40%)

	Target	Result
Overall Dining Experience: "Excellent" or "Good"	70%	85%

Hurricane Response Survey: Gulfport

Hurricane Isaac brought heavy rain and torrential winds to Gulfport. Isaac made landfall just 12 hours prior to anniversary of Hurricane Katrina in 2005. Fortunately, AFRH-G suffered minimal damage with ripped sunscreens and water leaks in a few areas. The Resident Services team asked for feedback on how we served residents during the storm.

Since the facility was under emergency lockdown, all activities and staff were contained within the building during the storm. The survey asked about dining, maintenance, activities, and healthcare.

Hurricane Survey: Gulfport:

Please rate the communication provided about the storm and the AFRH storm plans through town hall meetings and flyers.

Excellent: 110 Good: 53 Fair: 14 Poor: 6
Result: 'Excellent or Good' Service 163 / 179 residents agreed (91%)

Details:
Dining: 80%
Recreation: 72%
Healthcare: 94%

SURVEY: Facilities, Activities & Customer Service

» Facilities and Activities (all favorites received 100+ votes)

RESIDENT FAVORITES IN FY12

Gulfport Facilities:

The Library
Fitness Center / Exercise
Community Center
Walking Trails

Gulfport Activities:

Birthday Celebrations
Ice Cream Socials
Cookouts
Day Trips

Gulfport Customer Service:

211 / 427 residents responded (49%)

	Target	Result
'Outstanding or Above Average'	70%	87%



Washington Facilities:

The Library
Fitness Center
Library Internet Access
Bowling Center

Washington Activities:

Cookouts
July 4 Celebration
Ice Cream Socials
Birthday Celebrations

Washington Customer Service:

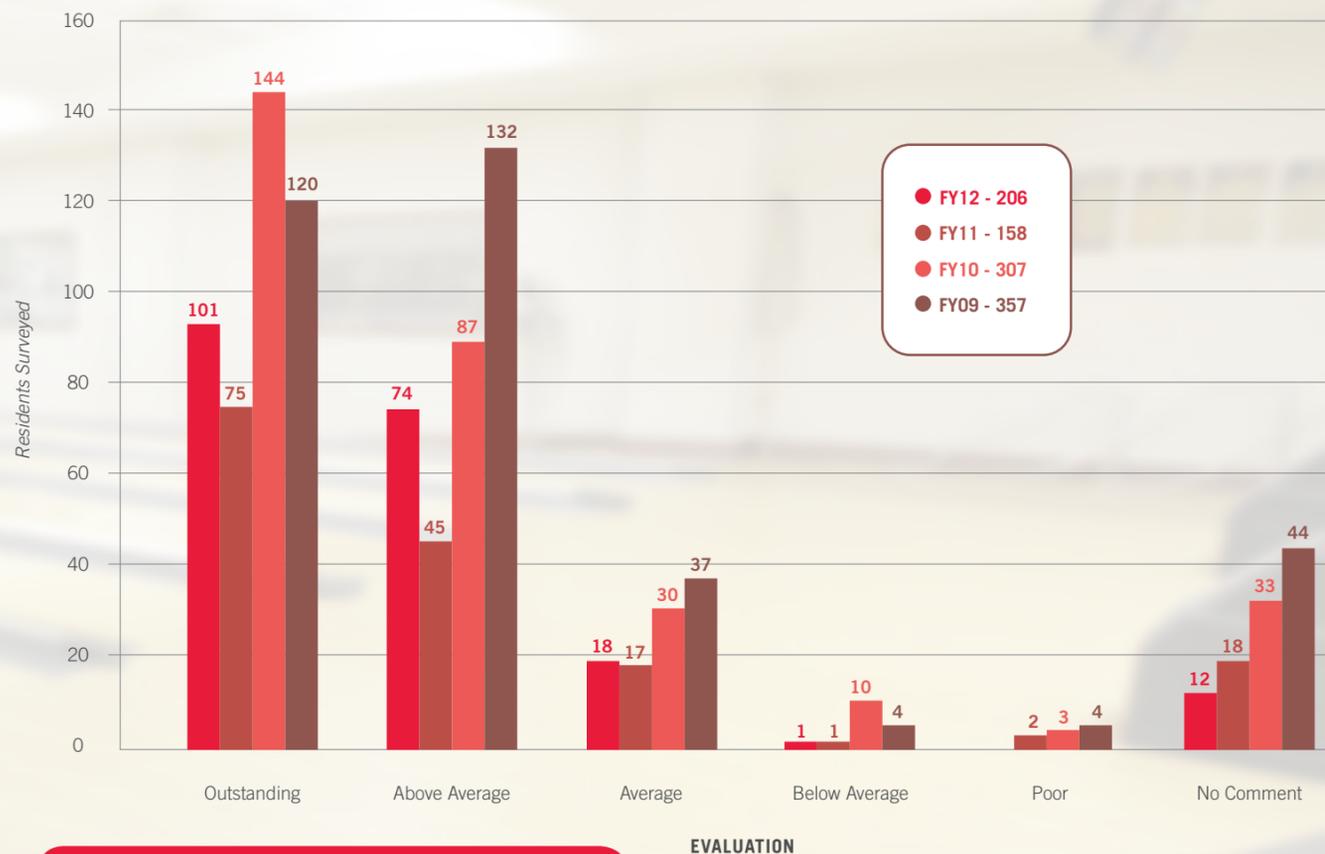
206 / 511 responded (40%)

	Target	Result
'Outstanding or Above Average'	70%	85%

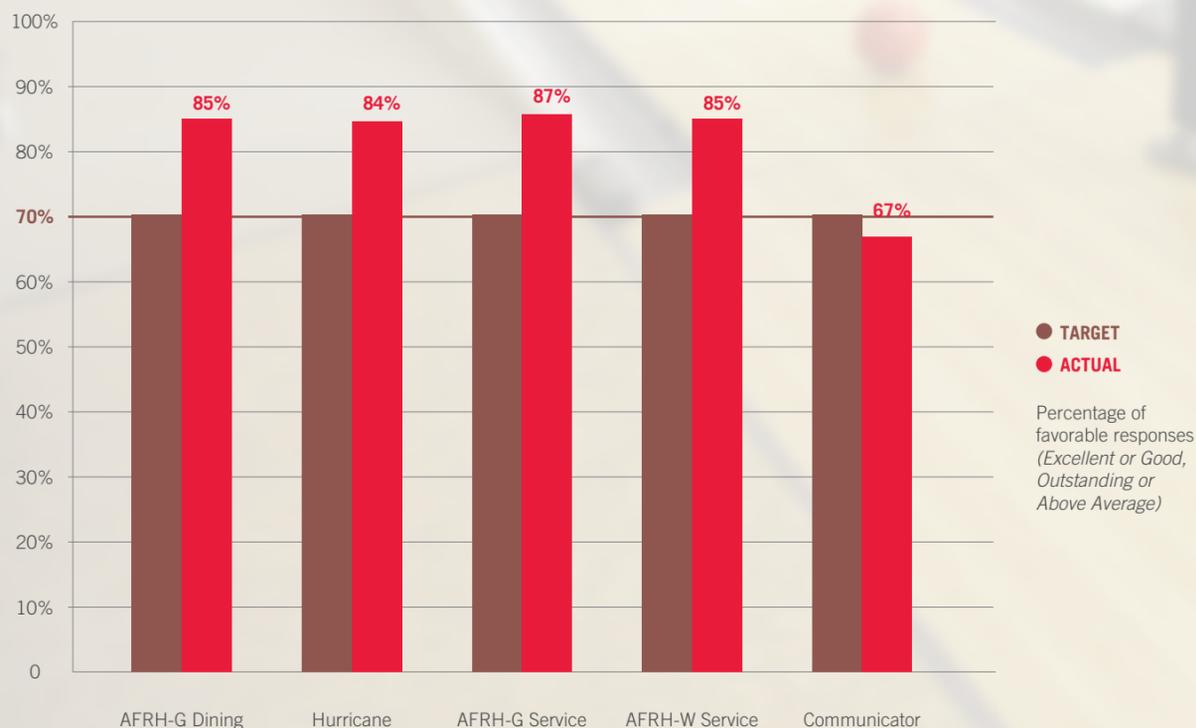
TREND ANALYSIS: Customer Service

Historically, the AFRH scores high in Customer Service. AFRH-G now has two years of data that show a positive trend based on resident opinions. While AFRH-W residents have changed over the years, our resounding positive feedback in customer service has not. In fact, in the last two years, its population has changed size and composition due to the Scott Project transition. Still, Customer Service is still tops.

Result: Most responses are 'Outstanding or Above Average' across all years.



Once again, all survey targets were exceeded with high marks.



Communicator Leadership Message Survey

Our goal is to ensure we're meeting the residents' expectations in our leadership columns in the AFRH Communicator (the monthly newspaper). Here, the COO and the Administrators of each community relate important events, accomplishments, and special visits. Plus we address various concerns. We recently added a set of Q & As collected from suggestion boxes in resident hallways. Our residents completed a short survey on the COO, plus the AFRH-G and AFRH-W Administrator columns.

Result:

67% of all residents agreed the COO monthly article Always or Most of the Time "has information that is of interest and is beneficial to me"

AFRH-G: 67% agreed the Administrator's monthly article Always or Most of the Time "has information that is of interest and is beneficial to me"

AFRH-W: 42% of residents reported that the Administrator's monthly article Always or Most of the Time "has information that is of interest and is beneficial to me"

This feedback was the first time the columns' authors were able to see their impact. Now they can work on improvements.

4 EMPLOYEE INPUT

The annual staff survey was conducted in August 2012. Response rate: 281 / 174 employees: (62%).

“Working at AFRH is ‘Very good or Better’: 72%

Gulfport Survey:

45 / 65 responded (90%)

Target	Result
70%	81%

Washington Survey:

128 / 206 responded (55%)

Target	Result
70%	68%

Results: The OPM Employee Viewpoints survey measures four indices:

- » Results-oriented performance culture
- » Talent management
- » Job satisfaction, and
- » Leadership / Knowledge management

In all areas (except job satisfaction) AFRH employees scored above the Federal average. The highest index was Job Satisfaction (72%). All indices besides Leadership / Knowledge management received an increase in scores over last year.

Talent Management increased (+6%) and both Job Satisfaction and Results Oriented Performance Culture increased slightly (+2%).

Seeking Staff Input

Besides the annual survey, management conducts employee focus groups, brown bag lunches, and staff-centered action committees. Also, the COO hosts quarterly employee meetings at both campuses and gladly answers questions on the spot.

Designated committees are working on staff-centered action plans to resolve concerns in:

- » Training
- » Education
- » Staff wellness
- » Staff dining
- » Awards and recognition
- » Energy conservation
- » Flexible work hours



WE COME DOWN HERE TO DIE—BUT THEY TREAT US SO GOOD WE KEEP ON LIVING! — James Iozzo

RESPECTFUL NURTURING

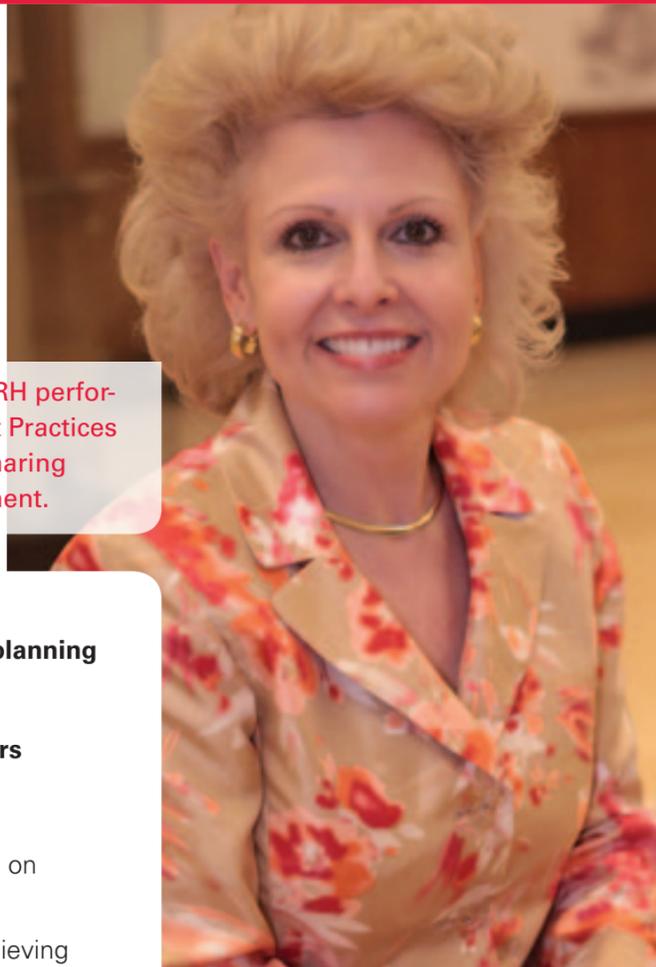
THE AFRH STRATEGIC HUMAN CAPITAL PLAN (SHCP) IDENTIFIES KEY STRATEGIES TO ADDRESS PERFORMANCE CHALLENGES. THOSE STRATEGIES ARE LINKED TO THE AFRH STRATEGIC GOALS AND REFLECT THE SPIRIT OF THE AGENCY'S ESTABLISHED GUIDING PRINCIPLES. THE SHCP, WHICH WE FINALIZED IN FY10, STRESSES THE VITAL IMPORTANCE OF 'MISSION ACHIEVEMENT' TO OUR ENTIRE DEDICATED WORKFORCE.

OPM regularly evaluates Federal agencies to gather trends and best practices. OPM reviewed our first Human Capital Management Report (HCMR) in FY11 with a positive response. That was reported in the FY11 PAR.



MINDFUL CARE

In a review, OPM recognized AFRH performance management for its 'Best Practices for a Small Agency' worthy of sharing throughout the Federal government.



Human Capital Officer Donna Smith ensures staff growth.

SHCP GOALS

GOAL 1: Foster mission-focused human capital planning

- » Maintain a strategic human capital framework

GOAL 2: Cultivate a leadership culture that fosters organizational excellence and mission accomplishment

- » Design a succession management plan focused on leadership development
- » Promote a standard of integrity centered on achieving the AFRH mission

GOAL 3: Ensure a culture of Person-centered Care excellence

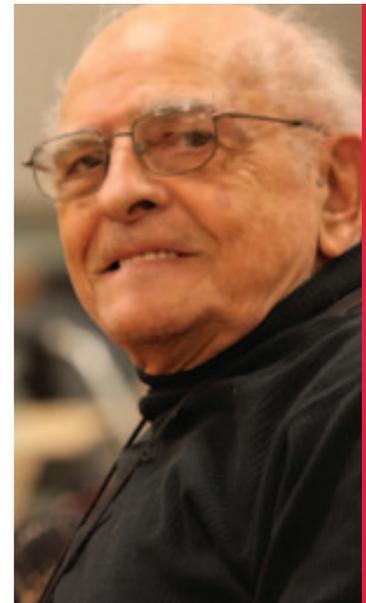
- » Implement, monitor, and enhance a clear, concise, and measurable performance management system aligned with the AFRH mission
- » Emphasize employee accountability Agency-wide

GOAL 4: Recruit, develop, and retain a capable workforce committed to caring for eligible Veterans

- » Recruit and hire employees with the skills required for mission achievement
- » Link employee professional development to AFRH mission needs
- » Retain valuable employees with a strong performance history

GOAL 5: Promote Human Capital Accountability

- » Implement an Accountability Plan to track human capital achievements



I LOVE BINGO AND KARAOKE. I GO BY "LARRY". I NEVER TOOK TO ANGELO—I'M NO ANGEL!

— Angelo "Larry" Papale (Air Force)

Gulfport

In FY11, the AFRH transitioned from contractors to staff in healthcare. This continued through FY12. Also, great effort went to fully training all Gulfport staff in the full suite of HR training: new employee orientation, initial supervisory training, diversity / EEO training, No Fear Act training, communications training, Person-centered Care training, performance appraisal program training, and employee relations training.

A final push centered on fostering a corporate culture at AFRH-G. This includes: town hall meetings, an off-site management meeting, weekly management conference calls, and routine visits from Corporate level officials offering guidance and assistance.

Staffing activities

With the opening of the new Scott Building and the closing of the Heating Plant, planning and preparation for appropriate staffing began. Careful attention is being given to minimizing or eliminating any possible RIFs (Reduction in Forces) and effectively utilizing existing staff skills.

Corporate staff changes include the addition of an Agency Medical Officer, Medical Directors at each facility (in addition to the Chief of Healthcare Services), an Agency Facility Manager, an Agency Performance Integrator, and an Agency Ombudsman. Also, a review was undertaken on the AFRH management structure as a whole.

Promoting Staff-centered Environments

The drive to maximize the strategic goal, Promote Staff-Centered Environments, was expanded with staff committees (see Employee Input above).

Employee Focus Groups

Following up on the FY11 staff survey results, the AFRH held a series of targeted employee focus groups to better understand the issues facing the AFRH workforce. Particular emphasis was given to the new facility in Gulfport.

Review of Authorized Positions / Grades

AFRH explored the possibility of revising the current staffing model in order to reflect the dynamic nature of the AFRH. This would possibly include the rebuilding of Scott, the closing of LaGarde, and the closing of the Heating Plant.



I ENJOY THE CAMARADERIE OF THE PEOPLE IN MY ART CLASS THE MOST.

— Clara Miahelic (Navy)



Military families help residents with short-term projects at AFRH-W.

RECAP: AFRH HUMAN CAPITAL MANAGEMENT

As reported by Roger M. Knadle, Agency and Veterans Services, Employee Services, OPM:

Overall Standing:

- » AFRH HCMR stands out as a 'Best Practice' for other small agencies
- » The HCMR effectively describes results, if targets are met, and future actions
- » Agency shows strong strategic alignment with a current five-year AFRH Strategic Plan & AFRH HCSP, both of which encourage partnership on all levels
- » The AFRH has successfully identified Human Capital as a top agency priority
- » All Government-wide initiatives have been fully met:
 - Hiring Reform
 - Veterans Employment
 - AFRH has notified all staff of the extension of benefits to same-sex domestic partners

Challenges:

- » A task force is deploying the strategic goal: 'Promote Staff-Centered Environments'
- » Must develop a knowledge management strategy & leadership development plan
- » Developing revamped training for new and current supervisors is the next focus



WE MAKE A POSITIVE DIFFERENCE IN PEOPLE'S LIVES **EVERY DAY.**

— Harriet Joachim Leckich

Harriet teaches yoga at AFRH-G and at Mississippi Gulf Coast Community College. She began teaching yoga in 1970 but was hit by a drunk driver in 1980. That ordeal sidelined her for a while. Still, she continued to be active, and stayed positive while practicing and teaching yoga.

At AFRH, she teaches Hatha—or breathing—yoga where residents practice in a chair and standing up. Breathing exercises, stress relief, and regular relaxation are all part of the class.

Harriet believes people of all ages can greatly benefit from yoga because it focuses on simply "being present".

Residents enjoy stretching and relaxing, and Harriet's positive attitude is quite contagious. "Life is full of experiences that are burdensome, but there are also blessings. The trick is to braid them together." With Harriet's yoga classes, the residents are refreshing both the mind and the body. And that's what wellness is all about.

PRUDENT BACKING

FEDERAL AGENCIES ARE REQUIRED TO CERTIFY COMPLETENESS AND RELIABILITY OF PERFORMANCE DATA. THAT DATA MUST BE VERIFIED AND VALIDATED—SO THAT THE AFRH HAS SEVERAL MEANS OF EXTERNAL, INDEPENDENT REVIEWS (E.G., OPM, BPD, CARF / CCAC, AND THE DOD IG). BELOW ARE MEASURES TO PROMOTE SUCCESS.

SUCCESS MEASURES

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 FY12
 - Policy statements = 0
 - Notices = 11
 - Directives = 18
 - Fact Sheets = 3

Business Measures:

- » Solvency of the Trust Fund
- » Stability in Resident Occupancy
- » Cost Savings via Initiatives
- » Reductions in Land & Space ('right-sizing')
- » Donations & Volunteering

Financial Data:

- » Annual Reviews of Fiscal Status & Reporting Devices (BPD & external auditor)
- » Published a Financial Management Notice and Draft Financial Directive

External Benchmarks:

- » Maintenance of CARF / CCAC Accreditation
- » DoD IG (no results by PAR deadline) last inspection (Aug. - Sep. 2012)
- » CARF last inspection (Sep. 2011)



Northrop Grumman gives the AFRH-W bowling club a nice donation.



“ THE NAVY WOULDN'T LET WOMEN PARACHUTERS JUMP THEN, BUT I SAID 'SOMEDAY I'M GONNA JUMP.' ”

— Marian Powers (Navy)

Marian was the first female chief parachute rigger in the Navy. She met her husband, also in the Navy, in Kingsville, TX. They were the first two chiefs to get married on active duty. They raised two children, travelled extensively, and worked as editors of the AFRH-G newsletter a few years back.

For her 80th and 83rd birthdays, Marian got her lifelong wish to jump from a plane. She loved skydiving so much that she plans to jump again for her 90th birthday.

While she's here on the ground, at the Home, Marian enjoys bowling, plus she participated in a recent tournament where she “beat all the men”.

Marian anticipates many more years here in Gulfport: “I've got good genes. I think I'll make it to age 100.”

FINANCIAL

AFRH FINANCIAL OVERVIEW

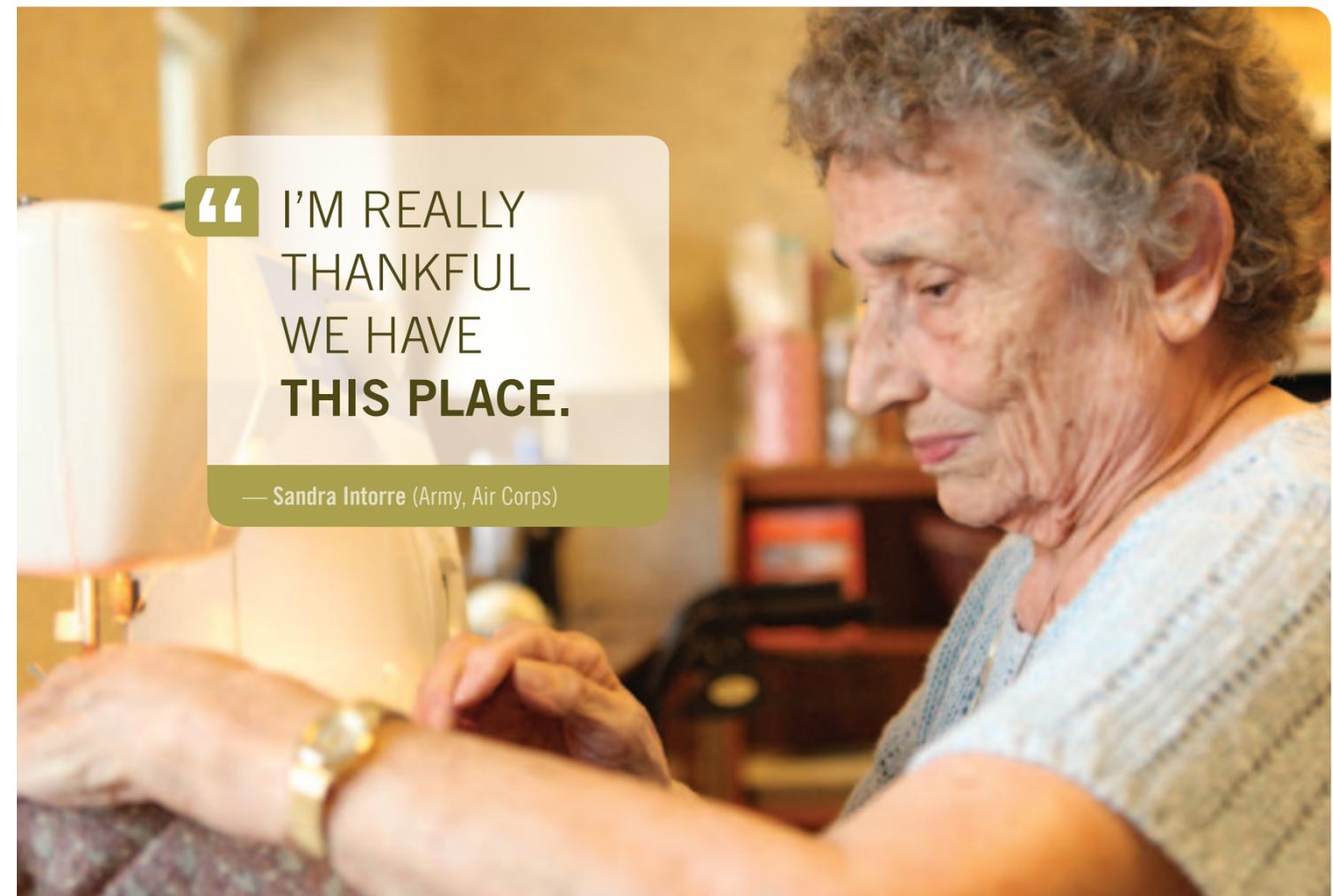
THE CFO MESSAGE

INDEPENDENT AUDITOR'S REPORT

AFRH FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION



“ I’M REALLY
THANKFUL
WE HAVE
THIS PLACE.

— Sandra Intorre (Army, Air Corps)

Sandra spent 23 years in the Army and Army Air Corps. In WWII, she transcribed interrogations of POWs in Japan. While there, she sponsored a local Japanese orphanage in her off-duty time.

Sandra’s unit collected money on the pay line, determined what was needed, and purchased the items: “One gal was an interpreter, and she helped with the shopping. We bought those kids playground equipment, food, and medication.” Sandra even invited the children to her base’s Christmas party where they were given toys.

Later, Sandra was promoted to first sergeant. One assignment was in Hawaii working in Communications during the night shift. “That was one of my best assignments. During the day I was on the beach swimming and getting a nice suntan.”

Today, at AFRH-W, Sandra enjoys sewing—a hobby that began when she was very young and had to sew her own clothes during the Great Depression. Cooking, reading, and crocheting are also on her list of enjoyable pastimes.

THOUGHTFUL GUIDANCE

THE BRAVE VETERANS AND RETIRED MILITARY WHO CHOOSE TO LIVE AT THE AFRH EXPECT MANAGEMENT TO PROTECT THIS AGENCY'S RESOURCES MOST RESPONSIBLY. WE CERTAINLY HAVE DONE SO. FOR THE 8TH STRAIGHT YEAR, WE ARE PROUD TO HAVE EARNED AN 'UNQUALIFIED OPINION' (CLEAN REVIEW) ON ALL AFRH FINANCIAL STATEMENTS BY THE INDEPENDENT ACCOUNTING FIRM BROWN & COMPANY, LLP. ALSO BROWN & COMPANY CITED NO MATERIAL WEAKNESSES ON OUR INTERNAL CONTROLS.

Our Unqualified Opinion spans a comprehensive review of the AFRH comparative FY12 and FY11 financial statements, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources.

In this section you will learn about our 2012 financial achievements, which include keeping costs at low levels of manageability and services at high levels of satisfaction. We are able to do this because all of our

managers are mindful of their fiscal responsibilities. They understand the duty we have to safeguard the money of our former military who all paid into the AFRH Trust Fund month after month dating back to the 1800s.

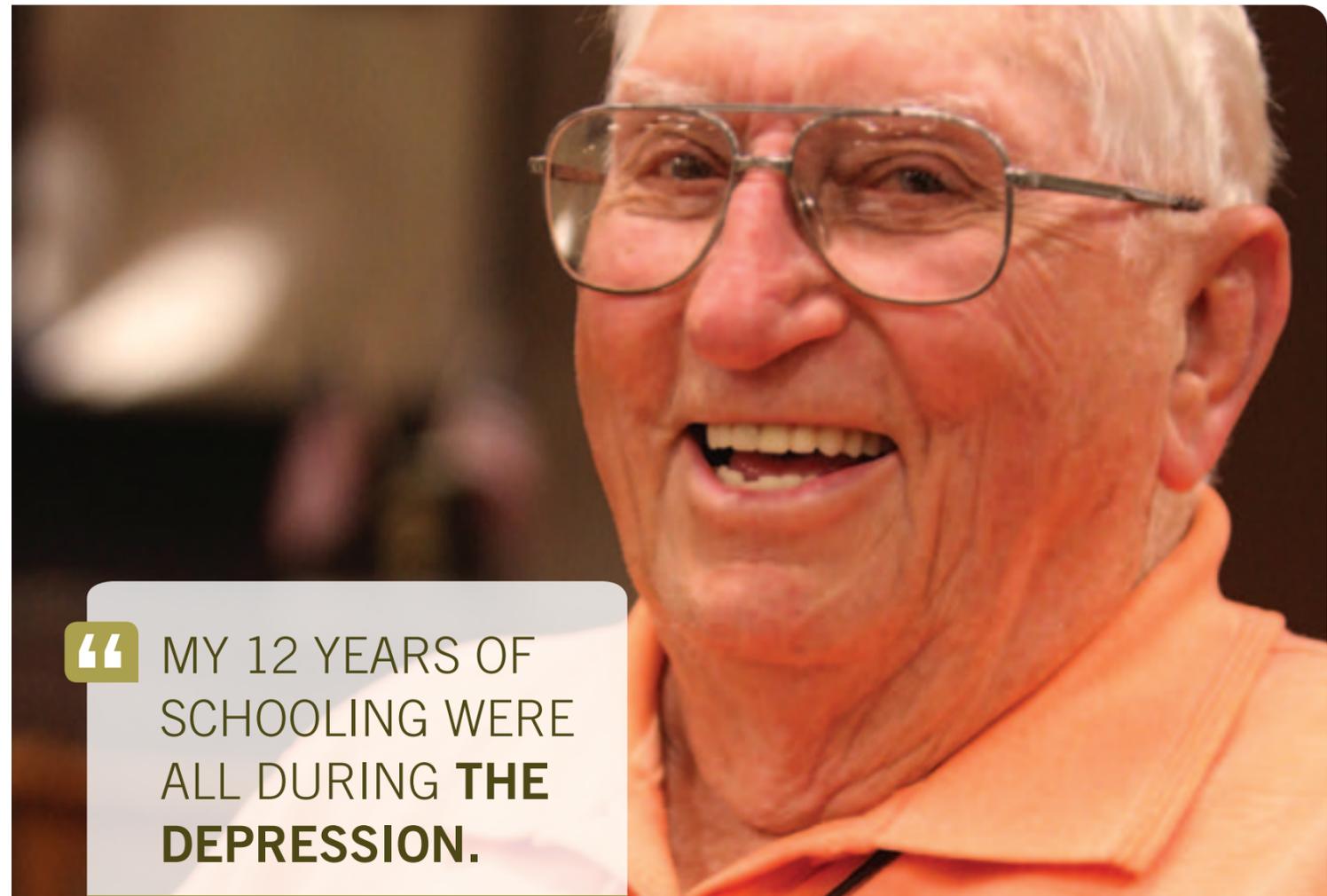
That longstanding Trust Fund, and our strong oversight of it, ensures that our doors stay open and the services keep flowing.



WE HAVE A CLEAR PLAN TO ENSURE THAT BOTH HOMES WILL HAVE RESOURCES TO CONTINUE GREAT SERVICE FOR MANY YEARS.



— Steve McManus (COO)



MY 12 YEARS OF SCHOOLING WERE ALL DURING **THE DEPRESSION.**

— Raymond Terry (Navy)



Unlike many kids, young Ray's family could afford shoes for him. Ray's father owned the only boat fuel station in Biloxi. Still, every day Ray would hide his shoes by the train tracks on his way to school.

"I'd go barefoot so that I would be like the other kids. Their families didn't have money for shoes." After school, he'd retrieve his shoes and head home.

At age 18, Ray joined the Navy and was sent to Boston for service training. At a YMCA social he met a girl who asked him to dance. He told her he didn't know how to dance—so she invited him back to her house to learn how from her twin sisters. "I talked to them both for five minutes and picked me out one. I brought her to Biloxi, and she became one of us. Then, I married her. And we had a great life together."

PRUDENT STABILITY

I AM PLEASED TO REPORT THAT THE AFRH IS THRIVING. FY12 WAS ECONOMICALLY CHALLENGING FOR MANY BUSINESSES AND FEDERAL AGENCIES. THROUGH IT ALL, AFRH MANAGEMENT HAS BEEN WISE IN ITS EXPENDITURES AND CONSIDERATE IN ITS INVESTMENTS. ALSO, WE HAVE BEEN CONTINUALLY MANAGING EXPENSES, TOO. IN FY13, THE BUDGET WILL REQUIRE MORE BELT-TIGHTENING TO ENSURE STABILITY.

Today, we have a clear plan to ensure that both homes will have resources to continue great service for many years—as it has done for two centuries.

The AFRH Trust Fund is the main source for paying bills in the event that expenses increase suddenly or revenue falls unexpectedly. Our duty is to preserve the assets in the Trust Fund while taking withdrawals with great prudence.

AFRH operations also require strong fiscal management. Of late, operating costs have exceeded sixty million dollars every year—and they increase each year due to inflation. We aim to contain costs through our Key Strategic Performance Goal: Maintain Exceptional Stewardship.

Moreover, fines and forfeitures—our largest revenue source—are volatile. So, we must constantly monitor revenue and seek creative ways to contain costs. Fortunately, revenue from all sources is projected to slightly exceed operating costs for the next 10 years. This positive cash flow is vital.

Ultimately, our plan to sell or lease land at the Washington community is crucial to our long-term financial stability.



SAFEGUARDING THE FUTURE

In recent years, AFRH management has substantially reduced operating costs and taken on several major construction projects. We are confident that our main source of funding, the AFRH Trust Fund, will rebound from this year's withdrawals for capital improvements.

The Trust Fund is forecast to positively grow with monies received from leasing or selling portions of this land. So, we are currently working with the Army Corps of Engineers and GSA to determine the true value of certain land segments at AFRH-W.

Our solvency analysis includes stress tests to provide management with a better understanding of risks. The analysis shows the Trust Fund remains solvent for a 10-year decrease in fines & forfeitures revenue by two standard deviations, and for a three percent increase in cost inflation above the base case assumptions. STATUS: Long-term Solvency.

We also updated the CIP and created an 'investments timeline' to effectively meet our top priorities. We plan to update this timeline as we fulfill commitments to keep the grounds and facilities in optimal shape.

DOWN TO BUSINESS

Of late, our focus has been restricting cost growth while advancing AFRH savings. We are achieving this through a couple of key initiatives:

1) Each year, we showcase one AFRH service area that produces the greatest savings and present those managers with the 'CFO Stretch Award'. This year, Healthcare Services at AFRH-W is the winner. This is the second consecutive year that AFRH-W Healthcare has won the Award. The reason: this team delivered strong savings in labor. It set goals and tracked employee performance and staffing ratios. As a result, labor costs went down for a total savings of \$475,831.13. Honorable mention goes to AFRH-G, which was competitive, yet that campus is still building its budget.

2) At our annual offsite, AFRH managers and BPD-ARC partners brainstormed new actions to fulfill our Key Strategic Performance Goal: Maintain Exceptional Stewardship. We added new action teams on Energy and Nursing Staffing. Also, we identified how AFRH-W can reduce electricity consumption via awareness and resident education. (AFRH-G, which is now certified LEED Gold, is operating efficiently.) Lastly, a team was formed to determine the most cost-effective way to staff our higher levels of resident care, and an action plan is forthcoming.

EYE ON TOMORROW

As we approach the next fiscal year and build our budget, we must continue to rein in operational and capital costs and use our resources wisely.

Concurrently, we must continue to provide top-notch care and services to residents. Our fiscal picture will solidify over the next few years—but we must be vigilant to ensure the AFRH will continue to be here when our veterans need us most.

I am delighted about this Agency's positive financial status and solid staff performance. Yet, as always, I am most proud of the residents that we serve each day. Their loyal service and honorable patriotism to America is truly the greatest performance we have ever seen.



Sincerely,

Steven G. McManus
Chief Financial Officer (CFO)
November 15, 2012



Pam Young and Dee Dee Foster (AFRH-W Healthcare) earn the annual CFO Stretch Award for savings as BPD partners Nancy Smith (Human Resources) and Jason Isaacs (Procurement) look on.



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

**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, 2012 and have issued our report thereon dated November 8, 2012. 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, *Audit Requirements for Federal Financial Statements*, as amended.

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 these specified parties.

Brown & Company
 Largo, Maryland
 November 8, 2012



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

**INDEPENDENT AUDITOR'S REPORT ON
 COMPLIANCE WITH LAWS AND REGULATIONS**

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, 2012 and have issued our report thereon dated November 8, 2012. 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, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the AFRH is responsible for complying with laws and regulations applicable to the AFRH. As part of obtaining reasonable assurance about whether the AFRH's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the AFRH.

The results of our tests of compliance with laws and regulations disclosed no material noncompliance with laws and regulations discussed in the preceding paragraph that are required to be reported under *U.S. Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion. However, we noted no noncompliance with laws and regulations, which could have a direct and material effect on the determination of financial statement amounts.

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

Brown & Company
 Largo, Maryland
 November 8, 2012



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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Armed Forces Retirement Home
 Washington, D.C.

We have audited the accompanying balance sheet of the Armed Forces Retirement Home (AFRH) as of September 30, 2012 and 2011 and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of AFRH's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *U.S. Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AFRH as of September 30, 2012 and 2011 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *U.S. Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued our reports dated November 8, 2012 on our consideration of the AFRH internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with *U.S. Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, as revised, that considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

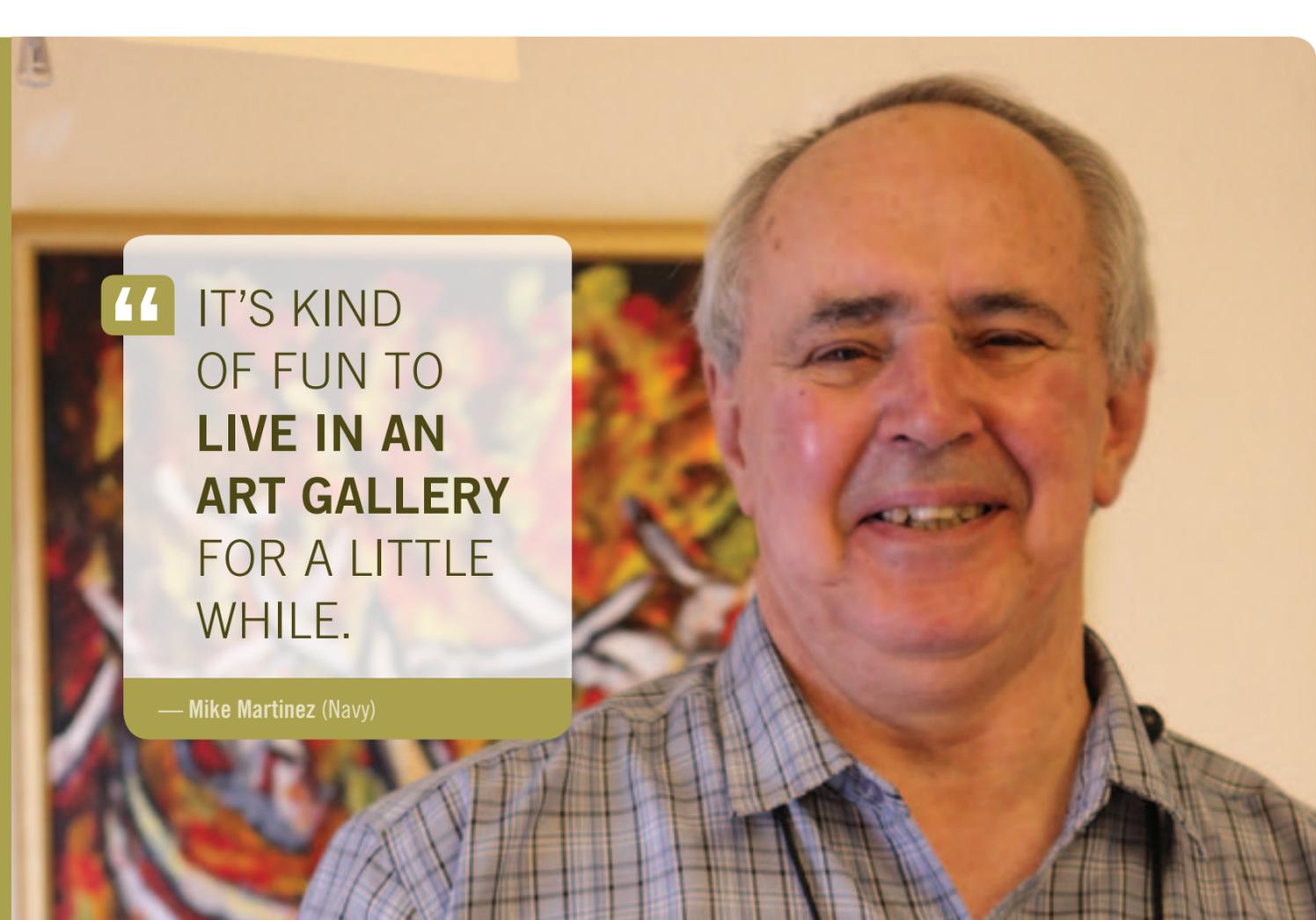
This report is intended solely for the information and use of the management of the AFRH, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Largo, Maryland
 November 8, 2012

1101 MERCANTILE LANE, SUITE 122* LARGO, MD 20774
 PHONE: (240) 770-4900 * FAX: (301) 773-2090 * mail@brownco-cpas.com * www.brownco-cpas.com

“ IT'S KIND OF FUN TO LIVE IN AN ART GALLERY FOR A LITTLE WHILE.

— Mike Martinez (Navy)



Mike began painting as a child and dabbled as a young man, but he didn't paint professionally until he came to AFRH-W in 2003. One subject matter is scenery from southwest America where he grew up—which he paints from memory. Another is DC, mainly the DuPont Circle area.

He'll go to a location, take a photo, sketch it, and then paint from memory. Mike's been very fortunate to sell many paintings over the years, and a DC restaurant even used one as a backdrop for their menu.

Sadly, the earthquake that shook DC in 2011 destroyed the Sherman Building art studio. Suddenly, Mike had to store his paintings in his room. "I sold them for \$10 a piece to get them off my walls and into people's homes!" Today, he paints in his room.

While Mike somewhat enjoys living inside his "art gallery", he looks forward to having a new studio in which to paint and store his artwork. Soon.



DUTIFUL CONDUCTS

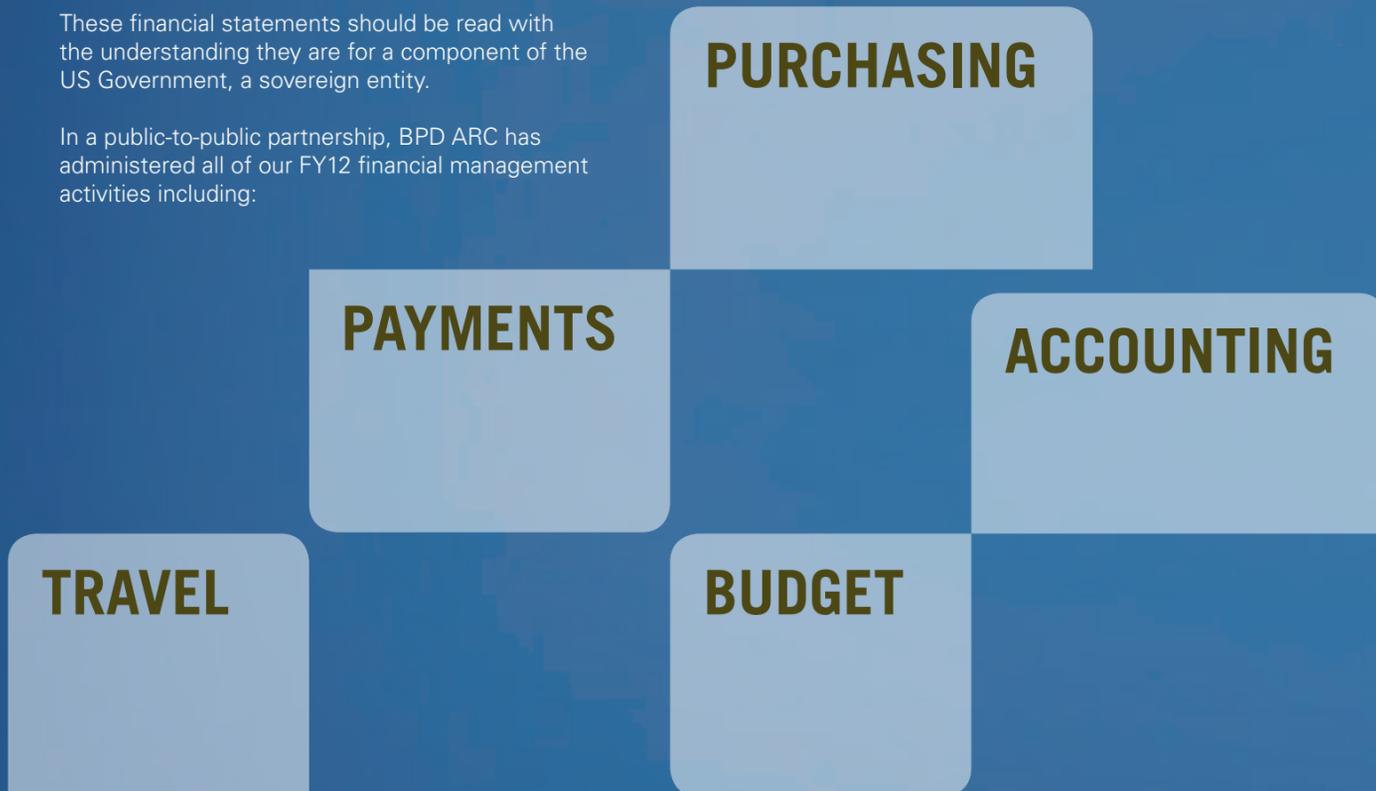
AFRH MANAGEMENT IS RESPONSIBLE FOR THE FAIR PRESENTATION OF INFORMATION CONTAINED IN THE PRINCIPAL FINANCIAL STATEMENTS. THE INDEPENDENT ACCOUNTING FIRM OF BROWN & CO., LLP HAS AUDITED THESE FINANCIAL STATEMENTS FOR FY12. THE STATEMENTS AND DATA PRESENTED HERE HAVE BEEN PREPARED FROM THE AGENCY'S ACCOUNTING RECORDS IN ACCORDANCE WITH GAAP—THE STANDARD PRESCRIBED BY THE FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB).



While renovating the Sherman clock tower, workers found a time capsule in a stone containing an 1887 penny, newspaper, 1889 Eiffel Tower coin, rusted tobacco tin, and a broken bottle.

These financial 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 FY12 financial management activities including:



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

**ARMED FORCES RETIREMENT HOME
BALANCE SHEET
AS OF SEPTEMBER 30, 2012 AND 2011
(In Dollars)**

ASSETS:	2012	2011
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$17,836,404	\$4,814,306
Investments (Note 2, 3)	112,674,756	160,706,811
Accounts Receivable (Note 4)	1,520,495	2,854,923
Total Intragovernmental	132,031,655	168,376,040
Accounts Receivable, Net (Note 4)	249,362	219,510
Property, Equipment, and Software, Net (Note 5)	339,774,479	294,059,087
Total Assets	\$472,055,496	\$462,654,637
LIABILITIES:		
Intragovernmental		
Accounts Payable	\$282,173	\$76,104
Other (Note 8)	1,907,034	2,007,140
Total Intragovernmental	2,189,207	2,083,244
Accounts Payable	16,835,098	4,244,190
Federal Employee and Veterans' Benefits (Note 6,7)	8,453,239	9,124,954
Other (Note 8)	2,330,946	2,183,670
Total Liabilities	\$29,808,490	\$17,636,058
NET POSITION:		
Cumulative Results of Operations - Earmarked Funds	\$442,247,006	\$445,018,579
Total Net Position	\$442,247,006	\$445,018,579
Total Liabilities and Net Position	\$472,055,496	\$462,654,637

The accompanying notes are an integral part of these financial statements

**ARMED FORCES RETIREMENT HOME
STATEMENT OF NET COST
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)**

PROGRAM COSTS: (NOTE 11)	2012	2011
Program Culture of Integrity:		
Gross Costs	\$3,384,313	\$4,436,869
Less: Earned Revenue	(679,863)	(876,670)
Net Program Costs	\$2,704,450	\$3,560,199
Program Culture of Exceptional Service:		
Gross Costs	\$64,797,431	\$62,084,122
Less: Earned Revenue	(13,016,923)	(12,267,046)
Net Program Costs	\$51,780,508	\$49,817,076
Program Culture of Financial Growth:		
Gross Costs	\$15,245	\$248,272
Less: Earned Revenue	(3,062)	(49,056)
Net Program Costs	\$12,183	\$199,216
Program Culture of Improved Processes:		
Gross Costs	\$6,791,496	\$12,141,322
Less: Earned Revenue	(1,364,319)	(2,398,973)
Net Program Costs	\$5,427,177	\$9,742,349
Program Culture of Learning and Growth:		
Gross Costs	\$1,234,818	\$1,177,292
Less: Earned Revenue	(248,058)	(232,618)
Net Program Costs	\$986,760	\$944,674
NET PROGRAM COSTS	60,911,078	64,263,514

The accompanying notes are an integral part of these financial statements

**ARMED FORCES RETIREMENT HOME
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)**

CONSOLIDATED TOTAL:	2012	2011
Cumulative Results of Operations:		
Beginning Balances	\$445,018,579	\$462,155,986
Budgetary Financing Sources:		
Appropriations Used	14,630,000	-
Nonexchange Revenue	41,802,249	45,018,827
Donations and Forfeitures of Cash and Cash Equivalents	45,876	279,926
Other Financing Sources (Non-Exchange):		
Imputed Financing Sources (Note 12)	1,661,380	1,827,354
Total Financing Sources	58,139,505	47,126,107
Net Cost of Operations	(60,911,078)	(64,263,514)
Net Change	(2,771,573)	(17,137,407)
Cumulative Results of Operations	\$442,247,006	\$445,018,579
Budgetary Financing Sources:		
Appropriations Received	14,630,000	-
Appropriations Used	(14,630,000)	-
Total Budgetary Financing Sources	-	-
Net Position	\$442,247,006	\$445,018,579

The accompanying notes are an integral part of these financial statements

**ARMED FORCES RETIREMENT HOME
STATEMENT OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011
(In Dollars)**

BUDGETARY RESOURCES:	2012	2011
Unobligated Balance Brought Forward, October 1	\$29,089,054	\$102,830,308
Recoveries of Prior Year Unpaid Obligations	7,187,512	1,474,323
Unobligated Balance from Prior Year Budget Authority, Net	36,276,566	104,304,631
Appropriations	96,960,000	71,057,600
Spending Authority from Offsetting Collections	471	-
Total Budgetary Resources	\$133,237,037	\$175,362,231
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred	\$99,436,074	\$146,273,177
Unobligated Balance, End of Year:		
Apportioned	32,832,056	29,089,054
Unapportioned	968,907	-
Total Unobligated Balance, End of Year (Note 2)	33,800,963	29,089,054
Total Budgetary Resources	\$133,237,037	\$175,362,231
CHANGE IN OBLIGATED BALANCE:		
Unpaid Obligations, Brought Forward, October 1	\$96,995,229	\$45,315,435
Obligations Incurred (Note 14, 16)	99,436,074	146,273,177
Outlays (gross)	(122,712,170)	(93,119,060)
Recoveries of Prior Year Unpaid (Note 16)	(7,187,512)	(1,474,323)
Obligated Balance, End of Year		
Unpaid Obligations, End of Year (Note 2)	66,531,621	96,995,229
Obligated Balance, End of Year	\$66,531,621	\$96,995,229
BUDGET AUTHORITY AND OUTLAYS, NET:		
Budget Authority, Gross	\$96,960,471	\$71,057,600
Actual Offsetting Collections	(471)	-
Budget Authority, Net	\$96,960,000	\$71,057,600
Outlays, Gross	\$122,712,170	\$93,119,060
Actual Offsetting Collections	(471)	-
Outlays, Net	\$122,711,699	\$93,119,060
Distributed Offsetting Receipts	(27,330,935)	(12,669,471)
Agency Outlays, Net	\$95,380,764	\$80,449,589

The accompanying notes are an integral part of these financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

The Armed Forces Retirement Home (AFRH) was incorporated on November 1, 1991, by section 411(a) of 24U.S.C. The AFRH is an independent agency in the executive branch of the Federal Government. The AFRH has two facilities. One is located in Gulfport, MS and the other is located in Washington, D.C.

The AFRH's mission is to fulfill our nation's promise to its veterans by providing a premier retirement community with exceptional residential care and extensive support services. We support our residents' independence, dignity, distinction, heritage and future of continued life-enriching experiences. Together, the AFRH family of residents and staff create a place of caring and continual learning. We are committed to providing the best housing and support services possible and creating a true community of accomplished, independent residents, who are free to explore their talents, pursue their interests and follow their dreams.

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

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

B. Basis of Presentation

The financial statements have been prepared to report the financial position and net cost of operations of the AFRH. The Balance Sheet presents the financial position of the Agency. The Statement of Net Cost presents the Agency's operating results; the Statement of Changes in Net Position displays the changes in the Agency's equity accounts. The Statement of Budgetary Resources presents the sources, status, and uses of the Agency's resources and follow the rules for the Budget of the United States Government. The statements are a requirement of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994 and the Accountability of Tax Dollars Act of 2002. They have been prepared from, and are fully supported by, the books and records of the AFRH in accordance with the hierarchy of accounting principles generally accepted in the United States of America, standards issued by the Federal Accounting Standards Advisory Board (FASAB), OMB Circular A-136, Financial Reporting Requirements and the AFRH accounting policies which are summarized in this note. These statements, with the exception of the Statement of Budgetary Resources, are different from financial management reports, which are also prepared pursuant to OMB directives that are used to

monitor and control AFRH's use of budgetary resources. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in dollars.

C. Basis of Accounting

Transactions are recorded on both an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal requirements on the use of Federal funds.

D. Revenues & Other Financing Sources**Exchange Revenue**

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

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

Non-Exchange Revenue

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

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

Financing Sources

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

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

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

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

E. Fund Balance with Treasury

The U.S. Treasury processes cash receipts and disbursements. Funds held at the Treasury are available to pay Agency liabilities. The AFRH does not maintain cash in commercial bank accounts or foreign currency balances.

F. Investment in U.S. Government Securities

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

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

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

G. Accounts Receivable

Accounts receivable consists of amounts owed to the AFRH by other Federal agencies and the general public. Amounts due from Federal agencies are considered fully collectible. Accounts receivable from the public include reimbursements from employees. An allowance for uncollectible accounts receivable from the public is established when, based upon a review of outstanding accounts and the failure of all collection efforts, management determines that collection is unlikely to occur considering the debtor's ability to pay.

H. Property, Equipment, and Software

The AFRH owns the land and buildings in which both homes operate. The majority of the property, equipment and software is used to provide residential and health care

to members and is valued at cost. Equipment purchased, transferred, or donated with an acquisition cost greater than or equal to \$50,000 per unit is capitalized. Routine maintenance is expensed when incurred. Construction costs are capitalized as construction-in-progress until the asset is completed then transferred to the appropriate property account. Depreciation expense is recognized on property, equipment and software with the exception of construction-in-progress. Depreciation is recognized using the straight-line method over the assets' useful lives. Other equipment is expensed when purchased. Most AFRH heritage assets are multi-use facilities and are classified as general property, equipment and software. The useful lives used when recording depreciation on property, equipment and software are as follows:

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

I. Advances and Prepaid Charges

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

J. Liabilities

Liabilities represent the amount of monies or other resources likely to be paid by the AFRH as a result of transactions or events that have already occurred.

The AFRH reports its liabilities under two categories, Intragovernmental and With the Public. Intragovernmental liabilities represent funds owed to another government agency. Liabilities With the Public represent funds owed to any entity or person that is not a Federal agency, including private sector firms and Federal employees. Each of these categories may include liabilities that are covered by budgetary resources and liabilities not covered by budgetary resources.

Liabilities covered by budgetary resources are liabilities funded by a current appropriation or other funding source. These consist of accounts payable and accrued payroll and benefits. Accounts payable represent amounts owed to another entity for goods ordered and received and for services rendered except for employees. Accrued payroll and benefits represent payroll costs earned by employees during the fiscal year which are not paid until the next fiscal year.

Liabilities not covered by budgetary resources are liabilities that are not funded by any current appropriation or other funding source. These liabilities consist of accrued annual leave and actuarial FECA.

K. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. The balance in the accrued leave account is adjusted to reflect current pay rates. Liabilities associated with other types of vested leave, including compensatory, restored leave, and sick leave in certain circumstances, are accrued at year-end, based on latest pay rates and unused hours of leave. Funding will be obtained from future financing sources to the extent that current or prior year appropriations are not available to fund annual and other types of vested leave earned but not taken. Nonvested leave is expensed when used. Any liability for sick leave that is accrued but not taken by a Civil Service Retirement System (CSRS)-covered employee is transferred to 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.

L. Accrued and Actuarial Workers' Compensation

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

M. 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, 1986, employees had the option of remaining under CSRS or joining FERS and Social Security. Employees hired as of January 1, 1987 are automatically covered by the FERS program. 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.

N. Other Post-Employment Benefits

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

O. Use of Estimates

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

P. Imputed Costs / Financing Sources

Federal Government entities often receive goods and services from other Federal Government entities without reimbursing the providing entity for all the related costs. In addition, Federal Government entities also incur costs that are paid in total or in part by other entities. An imputed financing source is recognized by the receiving entity for costs that are paid by other entities. AFRH recognized imputed costs and financing sources in fiscal years 2011 and 2010 to the extent directed by OMB.

Q. Contingencies

The AFRH recognizes contingent liabilities when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. 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.

R. Reclassification

Certain fiscal year 2011 balances have been reclassified, retitled, or combined with other financial statement line items for consistency with the current year presentation.

NOTE 2. FUND BALANCE WITH TREASURY

Fund balance with Treasury account balances as of September 30, 2012 and 2011 were as follows:

FUND BALANCES:	2012	2011
Trust Funds	\$17,836,404	\$4,814,306
Investments	112,674,756	160,706,811
Less: Accrued Interest and Unamortized Premium	(1,042,279)	(2,859,045)
Total	\$129,468,881	\$162,662,072
STATUS OF FUND BALANCE WITH TREASURY:		
Unobligated Balance		
Available	\$33,800,963	\$29,089,055
Unavailable	29,136,297	36,577,788
Obligated Balance Not Yet Disbursed	66,531,621	96,995,229
Total	\$129,468,881	\$162,662,072

NOTE 2. FUND BALANCE WITH TREASURY (continued)

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

The unavailable unobligated fund balances represent the amount of appropriations for which the period of availability for obligation has expired. These balances are available

for upward adjustments of obligations incurred only during the period for which the appropriation was available for obligation or for paying claims attributable to the appropriations.

The obligated balance not yet disbursed includes accounts payable, accrued expenses, and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand.

NOTE 3. INVESTMENTS

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

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

Investments as of September 30, 2011 consist of the following:

	Cost	Amortization Method	Unamortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities						
Non-Marketable						
Market-Based	\$158,297,575	Interest	\$842,171	\$1,567,065	\$160,706,811	\$167,881,408
Total	\$158,297,575		\$842,171	\$1,567,065	\$160,706,811	\$167,881,408

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 the fiscal years ended September 30, 2012 and 2011 range from December 31, 2011 to May 15, 2016 and May 15, 2015 to May 15, 2016, respectively, and interest rates for the same fiscal years range from 4.750 percent to 5.125 percent and 4.500 percent to 5.125 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, 2012 and 2011, were as follows:

	2012	2011
INTRAGOVERNMENTAL:		
Accounts Receivable	\$1,520,495	\$2,854,923
Total Intragovernmental Accounts Receivable	\$1,520,495	\$2,854,923
WITH THE PUBLIC:		
Accounts Receivable	\$249,362	\$219,510
Total Public Account Receivable	\$249,362	\$219,510
Total Accounts Receivable	\$1,769,857	\$3,074,433

The Intragovernmental accounts receivable is primarily made up of fines and forfeitures from the Army, Air Force, Navy, Marine Corps and the Coast Guard. Accounts receivable from the public is primarily made up of resident fees due from residents of the home.

Historical experience has indicated that the majority of the receivables are collectible. There are no material uncollectible accounts as of September 30, 2012 and 2011.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

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

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$390,168,413	\$139,525,552	\$250,642,861
Land and Improvements	11,066,567	10,481,142	525,425
Furniture and Equipment	11,664,814	4,567,148	7,097,666
Construction-in-Progress	81,508,527	-	81,508,527
Total	\$494,348,321	\$154,573,842	\$339,774,479

Schedule of Property, Equipment, and Software as of September 30, 2011

Major Class	Acquisition Cost	Accumulated Amortization/Depreciation	Net Book Value
Building	\$390,168,413	\$129,970,497	\$260,197,916
Land and Improvements	11,006,567	10,434,665	571,902
Furniture and Equipment	11,664,814	3,602,283	8,062,531
Construction-in-Progress	25,266,738	-	25,266,738
Total	\$438,066,532	\$144,007,445	\$294,059,087

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2012 and 2011 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.

	2012	2011
Intragovernmental - FECA	\$1,636,446	\$1,750,357
Intragovernmental - Unemployment Insurance	-	643
Unfunded Leave	1,319,304	1,189,638
Actuarial FECA	8,453,239	9,124,954
Total Liabilities Not Covered by Budgetary Resources	\$11,408,989	\$12,065,592
Total Liabilities Covered by Budgetary Resources	18,399,501	5,570,466
Total Liabilities	\$29,808,490	\$17,636,058

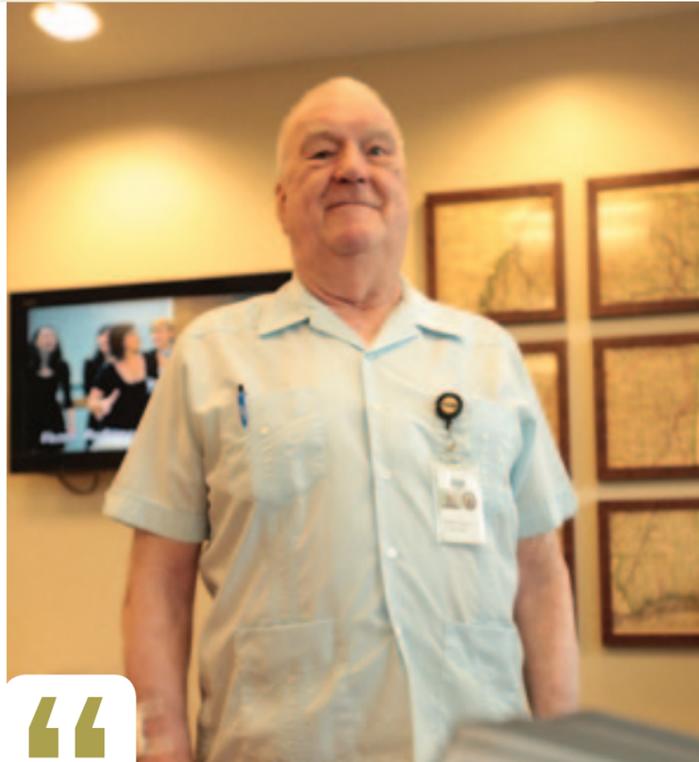
FECA and the Unemployment Insurance liabilities represent the unfunded liability for actual workers compensation claims and unemployment benefits paid on AFRH behalf and payable to the DOL.

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, 2012 and 2011, AFRH uses the overall average percentages of the LBP ratios to calculate the \$8.5 million and \$9.1 million FECA actuarial liabilities for those years, respectively.



I WAKE UP AND SAY:
‘WHAT A BEAUTIFUL
DAY!’ I PUT A SMILE ON
AND KEEP IT ALL DAY.

— Robert “Little Guy” Harvey (Navy)

NOTE 8. OTHER LIABILITIES

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

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

Other liabilities account balances as of September 30, 2011 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$624,338	\$1,126,019	\$1,750,357
Unemployment Insurance Liability	643	-	643
Payroll Taxes Payable	256,141	-	256,141
Total Intragovernmental Other Liabilities	\$881,122	\$1,126,019	\$2,007,141
With the Public			
Payroll Taxes Payable	\$30,583	\$-	\$30,583
Accrued Funded Payroll and Leave	906,078	-	906,078
Unfunded Leave	1,189,638	-	1,189,638
Other	57,371	-	57,371
Total Public Other Liabilities	\$2,183,670	\$-	\$2,183,670

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 run on a year-to-year. Future receipts due:

Fiscal Year	
2013	\$75,477
Total Future Payments	\$75,477

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 to cover necessary expenses related to the consequences of Hurricane Katrina until expended.

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

NOTE 10. EARMARKED FUNDS (continued)

Schedule of Earmarked Funds as of September 30, 2012:

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$(43,217,085)	\$13,323,316	\$726,795	\$47,003,378	\$17,836,404
Investments	-	-	-	112,674,756	112,674,756
Accounts Receivable	-	-	-	1,769,857	1,769,857
Property, Equipment, and Software	105,874,019	13,000,000	-	220,900,460	339,774,479
Total Assets	\$62,656,934	\$26,323,316	\$726,795	\$382,348,451	\$472,055,496
LIABILITIES AND NET POSITION					
Accounts Payable	\$502,594	\$11,693,316	\$-	\$4,921,361	\$17,117,271
Other	-	-	-	12,691,219	12,691,219
Cumulative Results of Operations	62,154,340	14,630,000	726,795	364,735,871	442,247,006
Total Liabilities and Net Position	\$62,656,934	\$26,323,316	\$726,795	\$382,348,451	\$472,055,496
Statement of Net Cost					
Program Costs	\$5,074,389	\$14,630,000	-	\$56,518,914	\$76,223,303
Less: Earned Revenues	-	-	-	(15,312,225)	(15,312,225)
Net Program Costs	5,074,389	14,630,000	-	41,206,689	60,911,078
Net Cost of Operations	\$5,074,389	\$14,630,000	\$-	\$41,206,689	\$60,911,078
Statement of Changes in Net Position					
Net Position Beginning of Period	\$67,228,729	\$-	\$227,190,014	\$150,599,836	\$445,018,579
Net Cost of Operations	(5,074,389)	(14,630,000)	-	(41,206,689)	(60,911,078)
Taxes and Other Nonexchange Revenue	-	-	-	56,478,125	56,478,125
Other Revenue	-	-	-	1,661,380	1,661,380
Change in Net Position	(5,074,389)	(14,630,000)	-	16,932,816	(2,771,573)
Net Position End of Period	\$62,154,340	\$(14,630,000)	\$227,190,014	\$167,532,652	\$442,247,006

NOTE 10. EARMARKED FUNDS (continued)

Schedule of Earmarked Funds as of September 30, 2011:

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Earmarked Funds
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$(23,939,680)	\$-	\$797,536	\$27,956,450	\$4,814,306
Investments	-	-	-	160,706,811	160,706,811
Accounts Receivable	-	-	-	3,074,433	3,074,433
Property, Equipment, and Software	67,666,074	-	226,393,013	-	294,059,087
Total Assets	\$43,726,394	\$-	\$227,190,549	\$191,737,694	\$462,654,637
LIABILITIES AND NET POSITION					
Accounts Payable	\$437,345	\$-	\$534	\$3,822,415	4,320,294
Other	-	-	-	13,315,764	13,315,764
Cumulative Results of Operations	43,289,049	-	227,190,015	174,539,515	445,018,579
Total Liabilities and Net Position	\$43,726,394	\$-	\$227,190,549	\$191,737,694	\$462,654,637
Statement of Net Cost					
Program Costs	\$8,474,650	\$-	\$5,319,849	\$66,293,378	\$80,087,877
Less: Earned Revenues	-	-	-	(15,824,363)	(15,824,363)
Net Program Costs	8,474,650	-	5,319,849	50,469,015	64,263,514
Net Cost of Operations	\$8,474,650	\$-	\$5,319,849	\$50,469,015	\$64,263,514
Statement of Changes in Net Position					
Net Position Beginning of Period	\$51,763,699	\$-	\$232,509,863	\$177,882,424	\$462,155,986
Net Cost of Operations	(8,474,650)	-	(5,319,849)	(50,469,015)	(64,263,514)
Taxes and Other Nonexchange Revenue	-	-	-	45,298,753	45,298,753
Other Revenue	-	-	-	1,827,354	1,827,354
Change in Net Position	(8,474,650)	-	(5,319,849)	(3,342,908)	(17,137,407)
Net Position End of Period	\$43,289,049	\$-	\$227,190,014	\$174,539,516	\$445,018,579

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and intragovernmental exchange revenue represent goods and services exchange transactions 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:

PROGRAM: CULTURE OF INTEGRITY	2012	2011
Intragovernmental Costs	\$535,792	\$707,149
Public Costs	2,848,521	3,729,720
Total Program Costs	3,384,313	4,436,869
Intragovernmental Earned Revenue	(130,322)	(217,765)
Public Earned Revenue	(549,541)	(658,905)
Net Program Costs	2,704,450	3,560,199
PROGRAM: EXCEPTIONAL SERVICE		
Intragovernmental Costs	10,258,482	9,894,982
Public Costs	54,538,949	52,189,140
Total Program Costs	64,797,431	62,084,122
Intragovernmental Earned Revenue	(2,495,201)	(3,047,132)
Public Earned Revenue	(10,521,722)	(9,219,914)
Net Program Costs	51,780,508	49,817,076
PROGRAM: FINANCIAL GROWTH		
Intragovernmental Costs	2,413	39,570
Public Costs	12,832	208,702
Total Program Costs	15,245	248,272
Intragovernmental Earned Revenue	(587)	(12,185)
Public Earned Revenue	(2,475)	(36,871)
Net Program Costs	12,183	199,216
PROGRAM: IMPROVED PROCESSES		
Intragovernmental Costs	1,075,203	1,935,087
Public Costs	5,716,293	10,206,235
Total Program Costs	6,791,496	12,141,322
Total Intragovernmental Earned Revenue	(261,525)	(595,905)
Total Public Earned Revenue	(1,102,794)	(1,803,068)
Net Program Costs	5,427,177	9,742,349
PROGRAM: LEARNING AND GROWTH		
Intragovernmental Costs	195,492	187,637
Public Costs	1,039,326	989,655
Total Program Costs	1,234,818	1,177,292
Intragovernmental Earned Revenue	(47,550)	(57,782)
Public Earned Revenue	(200,508)	(174,836)

NOTE 11. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE (continued)

Net Program Costs	986,760	944,674
Total Intragovernmental Costs	12,067,382	12,764,425
Total Public Costs	64,155,921	67,323,452
Total Costs	76,223,303	80,087,877
Total Intragovernmental Earned Revenue	(2,935,185)	(3,930,769)
Total Public Earned Revenue	(12,377,040)	(11,893,594)
Total Net Cost	\$60,911,078	\$64,263,514

NOTE 12. IMPUTED FINANCING SOURCES

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current staff. Assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal years ended September 30, 2012 and 2011, respectively, imputed financing was as follows: The President's Budget that will include FY12 actual budgetary execution information has not yet been

	2012	2011
Office of Personnel Management	\$1,661,380	\$1,827,354
Total Imputed Financing Sources	\$1,661,380	\$1,827,354

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

published. The President's Budget is scheduled for publication in February 2013 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>.

The 2013 Budget of the United States Government, with the "Actual" column completed for 2011, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 14. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2011 and 2010 consisted of:

	2012	2011
Direct Obligations, Category A	\$65,444,019	\$68,560,187
Direct Obligations, Category B	19,362,055	77,712,990
Direct Obligations, Category C	14,630,000	-
Total Obligations Incurred	\$99,436,074	\$146,273,177

Category A apportionments distribute budgetary resources by fiscal quarters.

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

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

NOTE 15. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the fiscal years ended September 30, 2012 and 2011, undelivered orders amounted to \$48,170,100 and \$91,482,133 respectively.

NOTE 16. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

**ARMED FORCES RETIREMENT HOME
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

RESOURCES USED TO FINANCE ACTIVITIES:	2012	2011
Budgetary Resources Obligated		
Obligations Incurred	\$99,436,074	\$146,273,177
Spending Authority From Offsetting Collections and Recoveries	(7,187,512)	(1,474,323)
Offsetting Receipts	(27,330,935)	(12,669,471)
Net Obligations	64,917,627	132,129,383
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,661,380	1,827,354
Net Other Resources Used to Finance Activities	1,661,380	1,827,354
Total Resources Used to Finance Activities	66,579,007	133,956,737
Resources Used to Finance Items Not Part of the Net Cost of Operations	(16,792,302)	(82,059,335)
Total Resources Used to Finance the Net Cost of Operations	49,786,705	51,897,402
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	11,124,373	12,366,112
Net Cost of Operations	\$60,911,078	\$64,263,514



I LIED ABOUT MY AGE AND JOINED THE NAVY AT 17. MY DAD SIGNED THE PAPERS AND I WAS IN.

— Marion Wolke (Navy)



ARMED FORCES RETIREMENT HOME REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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

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

Since the cost of heritage assets is usually not determinable, the 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 SFFAS No. 29, heritage assets that are used in day-to-day government operations are considered 'multi-use' heritage assets that are not used for heritage purposes. Such assets are accounted for as general property, plant, and equipment and are capitalized and depreciated in the same manner as other general property, plant, and equipment. The AFRH has three buildings and structures that are considered to be 'multi-use' heritage assets.

**ARMED FORCES RETIREMENT HOME
REQUIRED SUPPLEMENTARY INFORMATION INTRAGOVERNMENTAL TRANSACTIONS
AS OF SEPTEMBER 30, 2012**

Agency	Fund Balance With Treasury	Investments	Accounts Receivable	Total
Treasury	\$17,836,404	\$112,674,756	\$-	\$130,511,160
Air Force	-	-	341,837	341,837
Army	-	-	1,160,943	1,160,943
Marines	-	-	-	-
United States Coast Guard	-	-	17,715	17,715
Total	\$17,836,404	\$112,674,756	\$1,520,495	\$132,031,655

Agency	Accounts Payable and Accruals	Payroll Taxes	Other	Total
Treasury General Fund	\$-	\$67,115	-	\$67,115
Federal Prison Industries	10,858	-	-	10,858
General Services Administration	235,703	-	-	235,703
DFAS Denver	35,612	-	-	35,612
Department of Labor	-	-	1,636,446	1,636,446
Personnel Management	-	203,473	-	203,473
Total	\$282,173	\$270,588	\$1,636,446	\$2,189,207

“BY LIVING HERE, I’LL NEVER BE A BURDEN ON MY KIDS. THAT’S WORTH A LOT TO ME.”

— Woolf Kiessler (Navy)

A member of the Texas Woodcarvers' Guild, Woolf has been woodworking since 1994. He carved the big sign that hangs above the bar in the Fiddler's Green pub at AFRH-Gulfport. Plus he created a piece on display there that is dedicated to the memory of Master Chief Jim Fairbanks.

Besides woodcarving, Woolf utilizes the gym and camps locally. He has a real affinity for the staff, too: "They are highly personal and treat you as an individual rather than just part of a group. They're always asking how things can be improved."

Woolf is also fond of the food and thinks the healthcare is top-notch. "From a financial standpoint this is the greatest bargain in the country." For him, the Home provides a great value—while allowing him to live a valuable and enriched life.

ACCOMPANYING INFO

AFRH IG PERSPECTIVE

MANAGEMENT & PERFORMANCE CHALLENGES

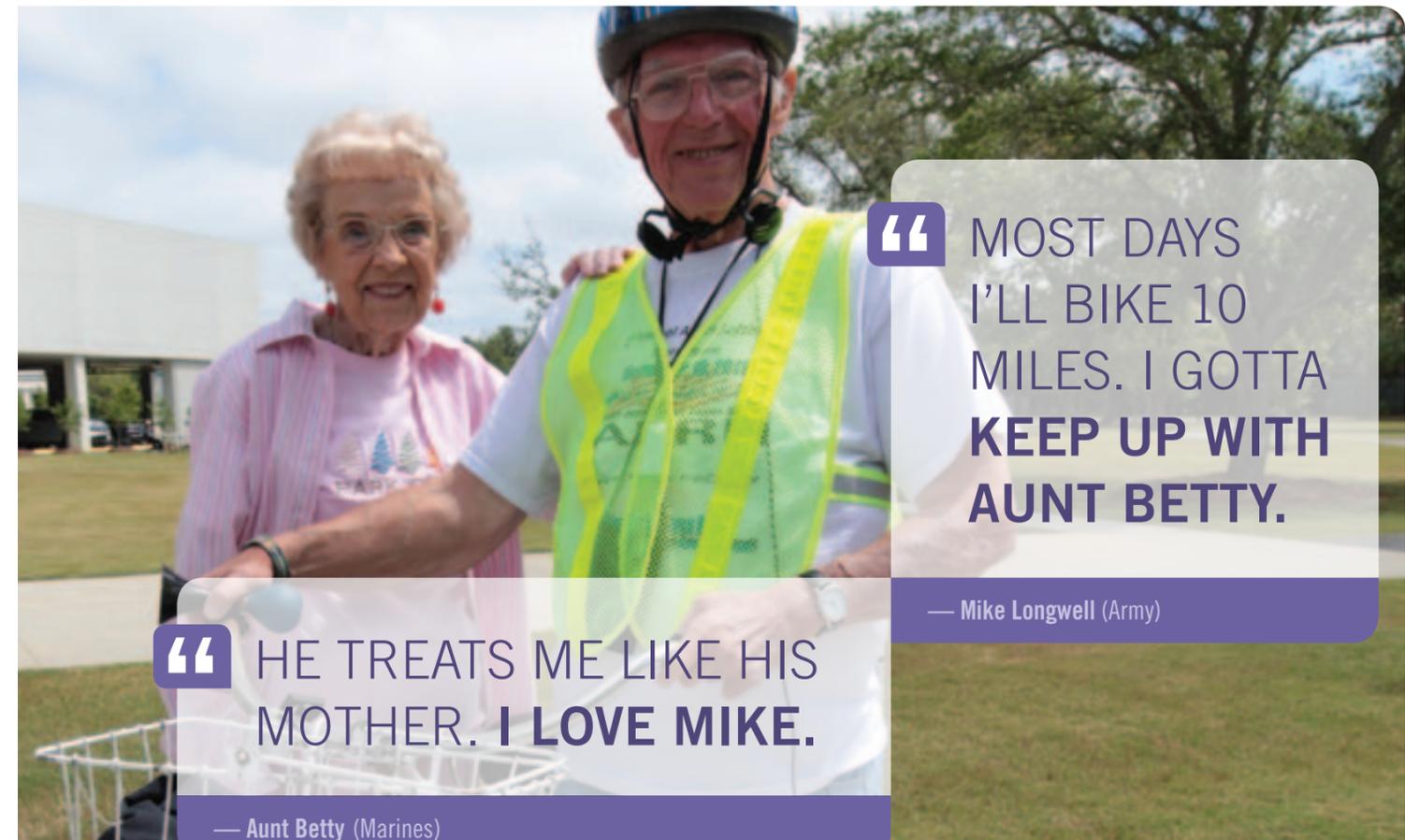
AFRH MANAGEMENT RESPONSE

FY12 IMPROPER PAYMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT

LIST OF ACRONYMS

MANY SPECIAL THANKS



“ MOST DAYS I’LL BIKE 10 MILES. I GOTTA KEEP UP WITH AUNT BETTY.”

— Mike Longwell (Army)

“ HE TREATS ME LIKE HIS MOTHER. I LOVE MIKE.”

— Aunt Betty (Marines)

Mike retired in 1985 after 20 years in the Army. Now, he thoroughly enjoys life at AFRH-G. Since arriving, he’s lost a lot of weight by eating less and bike riding.

Mike purposely bought a one-speed so it would be harder to pedal. “When you’re going against the wind it’s tough. I’ve fallen a few times, but I wear my helmet and safety vest.”

Besides on-campus biking, Mike rides three miles round-trip to Wendy’s each day for a modest meal: “a baked potato, chili, and senior Diet Coke. I love it! And I’m not tired of it!”.

Mike enjoys the Home’s great diet options, too. And he manages diabetes with regular checkups at the Wellness Center, which helps him reach his health goals. “Above all, I’ve got Aunt Betty here to keep me in line!”

Betty was an accomplished Sergeant in WWII from 1943–1945. While she never crossed paths with her childhood friend and fellow Marine, after the war they married.

In 2008, Betty saw how happy her nephew Mike was living at AFRH—so she decided to move in. “It’s peaceful here, and I can do anything I want. I have independence.” She flies to California to see her siblings and to Alabama and North Carolina to visit her children. Last year, all her siblings came down to celebrate her 90th birthday.

Betty also volunteers in our art room. She loves to walk three miles a day and attends exercise class twice a week. “I’m in great health. The doctors can never find a thing wrong with me!” Surely, having a loving nephew is an excellent health benefit.

ATTENTIVE INSPECTION

THE AFRH INSPECTOR GENERAL PLAYS A KEY ROLE IN PROTECTING THE AGENCY FROM WASTE, FRAUD, AND ABUSE BY CONDUCTING OBJECTIVE AND INDEPENDENT AUDITS. THE IG RECOMMENDS POLICIES THAT PROMOTE ECONOMIES AND EFFICIENCIES IN THE ADMINISTRATION OF PROGRAMS AND OPERATIONS. ABOVE ALL ELSE, THE IG KEEPS THE COO INFORMED ABOUT PROBLEMS AND DEFICIENCIES, THE NEED FOR CORRECTIVE ACTIONS, AND THE PROGRESS THAT MAY RESULT FROM THOSE ACTIONS.

Altogether, the AFRH IG provides essential leadership that helps this organization grow effectively and fulfill its mission. In 2012, Sheila Abarr was selected as the new AFRH IG in tandem with her responsibilities as Public Affairs Officer.

The Reports Consolidation Act of 2000 requires each Federal agency IG to identify and report each year on the most serious management and performance challenges. The IG also reports what steps have been taken for the mitigation and correction of those challenges.

“ I WILL CAREFULLY OBSERVE, RECOMMEND, AND SUPPORT OUR RESIDENTS AND STAFF.

— Sheila Abarr (New AFRH IG)



Office of the AFRH Inspector General (IG)
Armed Forces Retirement Home
3700 N. Capitol Street
Washington, DC 20011-8400

DATE: November 2, 2012
TO: Steven G. McManus, COO
SUBJECT: IG Statement on FY13 Challenges

In accordance with Section 3 of the Reports Consolidation Act of 2000, each Federal agency IG must provide a statement outlining the most serious challenges facing the organization. Per the new Government Performance and Results Modernization Act, these challenges link directly to the President’s initiative to improve performance via AFRH Key Strategic Performance Goals.

In the past decade, the AFRH has undergone significant changes. Management deployed a long-range strategy to move towards Person-centered Care, which will increase service and quality of life and decrease health-related costs. This new movement created the need to change the physical surroundings, Agency programs, resident activities, living spaces, and dining services. The IG’s responsibility is to ensure objective oversight with evaluations and audits, as needed. This job has been, and continues to be, one of advising and monitoring as the AFRH achieves its program objectives.

The ultimate AFRH vision is to transform the Agency from a regimented ‘institution’ to a person-centered ‘home’. Starting in the early 2000s, we repeatedly set key milestones to achieve this vision. The Challenges outlined here are the ‘next steps’ in a long line of actions that will propel us towards our ultimate goal.

I am very proud of everything that we have achieved so far in such a short period of time. Yet, as we face these next steps, I will carefully observe, recommend, and support our staff in my capacity as their IG.



Respectfully,

Sheila Abarr
Inspector General
Armed Forces Retirement Home

For safety, the AFRH-G walking path is routed away from the driveway.

2013 Management Challenges as identified by the IG:

MANAGEMENT CHALLENGES

RECOMMENDED ACTIONS

Transitioning to and operating the new AFRH-W Scott Building

- » Maintain oversight of schedule & construction budget
- » Work with all staff to enhance the understanding of floor plans before move-in
- » Clarify to staff all operational changes dependent on new designs once building opens

Optimizing strategy for the Washington Master Plan revival

- » Work with Corps of Engineers on updates to property appraisal and partner with DoD to secure investors and funding as forecast in financial analyses

PERFORMANCE CHALLENGES

RECOMMENDED ACTIONS

Continuing progress in PCC operations & enhancing its service delivery

- » Empower staff by expanding PCC knowledge & skills
- » Achieve acceptable performance & alter services as needed

Continuing the expansion of Aging-in-Place

- » Reduce higher levels of care and related costs via right-sizing AFRH-W
- » Promote independence via ILP on both campuses
- » Finalize construction of the 'new' living spaces
- » Move in and operate in the new model

Advancing IT throughout all of the AFRH

- » Deploy Electronic Health Record System (EHRS)
- » Move to Cloud technology for email & files
- » Enhance networking / videoconferencing & reduce IT costs
- » Create / implement an overall IT strategy and process to implement electronic records, networking & videoconferencing

Maintaining optimum financial management

- » Ensure Trust Fund solvency, keep expenses down & create revenue via the Washington Master Plan
- » Continue to put added emphasis on Internal Controls
- » Develop procedures & measures that will arm us with vital data to make ongoing process improvements



“ AS A BLUE ANGEL I WAS ASKED TO WAVE THE FLAG AT THE AFRH. SO, I ALWAYS HAD IT IN MIND I'D COME HERE.

— Les Crawshaw (Marines)

Young Les joined the Marine Corps “going wherever Uncle Sam sent me”. In 1971, he made flight engineer, and in 1978 he interviewed with the Blue Angels. “I never heard anything, and then I went overseas.



I returned in 1981, and the Angels finally called saying, ‘We need you. Can you come now?’. So I did!” During his years of flying, Les toured 57 countries and clocked 13,000 miles.

Les arrived at Gulfport in 2011 as the 500th resident. He’s a huge travel buff and keeps his RV in the parking lot. He’s traveled extensively through America, Canada, and Mexico—with an old marked-up map to prove it. Les captured his great travel moments in over 5,000 photos, which he has turned into a slide show on his computer screen.

HEEDFUL ACTIONS

ALL THROUGHOUT THE AFRH, OUR MANAGERS WERE MONITORING COSTS, CONTROLLING SPENDING, AND IMPROVING SERVICES. SIGNIFICANT GAINS WERE REALIZED, ALBEIT THE TECHNOLOGY THAT WE HOPED TO DEPLOY WAS REGRETTABLY DELAYED. WE REGROUPED AND FOUND A SMART SOLUTION FOR FY13.

At the Washington community, FY12 was literally a year of rebuilding all across campus. There, we took on construction projects in three of the main buildings of campus activity. Progress is abundant and morale is high.

Meanwhile, Gulfport managers were adjusting operations and striving to reach full capacity by welcoming new residents. This relatively new team was enhanced with the appointment of a new Administrator.

On the next page we've outlined the management responses to the FY12 Challenges, as laid out by our former IG.

2012 MANAGEMENT CHALLENGES

Rehabbing Sherman Building: repairing, reconstructing, funding & reinstating corporate staff

Maintaining Financial Solvency: keeping costs down and ensuring Trust Fund solvency as Trust Fund is expended for the Scott Project

Enhancing Resident Services: establishing baseline contracts to support resident needs (for medical supplies, dental services, pharmacy, optometry, and rehab at both AFRH-W & -G); and implementing EHRS on both campuses

RESPONSE AND PROGRESS

With Congressional funding, the contract to repair earthquake damage began in mid-summer 2012. Work will continue to Nov. 2012. Corporate staff cannot return until repairs are complete in FY13. STATUS: On Schedule

Via an update to the LRFP, analysis has shown Trust Fund withdrawals for the Scott Project will not affect Fund solvency if a conservative spending pattern is maintained and revenue is realized from the Washington Master Plan. STATUS: On Track

Adjusting all contracts for PCC & environmental changes at both Homes has been a priority. Contracts were adjusted for new configurations at AFRH-W & -G. The software chosen in FY11 was ready to be deployed. Yet, we discovered it did not have the functionality AFRH required. So, managers selected new software in FY12 that is more fitting. Staff training, records conversion, and overall rollout will begin in FY13. STATUS: On Track

2012 PERFORMANCE CHALLENGES

Evolving Resident- & Staff-centered Care: cultivating this cornerstone philosophy at the Agency and continuing training for all staff and residents

Advancing Professional Development: providing and encouraging staff to take advantage of growth training from no-cost or fee-based sources

Developing Aging in Place: reducing upper levels of care, thereby reducing costs through rightsizing AFRH-W as well as ILP expansion on both campuses

RESPONSE AND PROGRESS

PCC education has been ongoing as a module in all required training. At the annual offsite, expanded concepts in PCC were presented. The dining survey enhanced the concept of PCC food services and delivery. We are preparing for the shift to a 'small house concept' in the new Scott. A renewed emphasis on staff roles in PCC has yielded action committees to address staff concerns.

A committee was formed to explore how staff can obtain education & training while expanding personal growth. This stems from the Key Strategic Performance Goal: Create a Staff-Centered Environment.

The expansion of ILP has yielded fewer residents entering healthcare units. At AFRH-G, 43 ILP residents are cared for; at AFRH-W, the number is 46. The new Scott Building is near complete, and its small house concept for healthcare will lower LTC entry.



VIGILANT UPKEEP

THE IMPROPER PAYMENTS INFORMATION ACT (IPIA) OF 2002 (PUBLIC LAW 107-300), AS AMENDED BY THE IMPROPER PAYMENTS ELIMINATION & RECOVERY ACT (IPERA) OF 2010, WAS ENACTED TO SOLICIT ESTIMATES AND REPORTS OF IMPROPER PAYMENTS MADE BY FEDERAL AGENCIES TO VENDORS, SERVICE PROVIDERS, AND CONTRACTORS.

The Act requires that Federal agencies estimate improper payments and report on actions to reduce them. An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Each year, our partner BPD reviews each AFRH business program for improper and erroneous payments. Effective in November 2011, the AFRH transitioned to the Internet Payment Platform that eliminated manual processes and greatly reduce inefficiencies in the approval process.

The process flows from BPD when they catch erroneous payments and correct them. Then, BPD notifies the AFRH Business Office, Contracting Officer's Representatives (CORs), and technicians. In FY12 our efforts in improved processes proved successful with no improper payments for the first time.

RESULT: NO IP FOR FY12

AFRH IP Trends:

- FY05: 1
- FY06: 30
- FY07: 4
- FY08: 4
- FY09: 179*
- FY10: 2
- FY11: 4

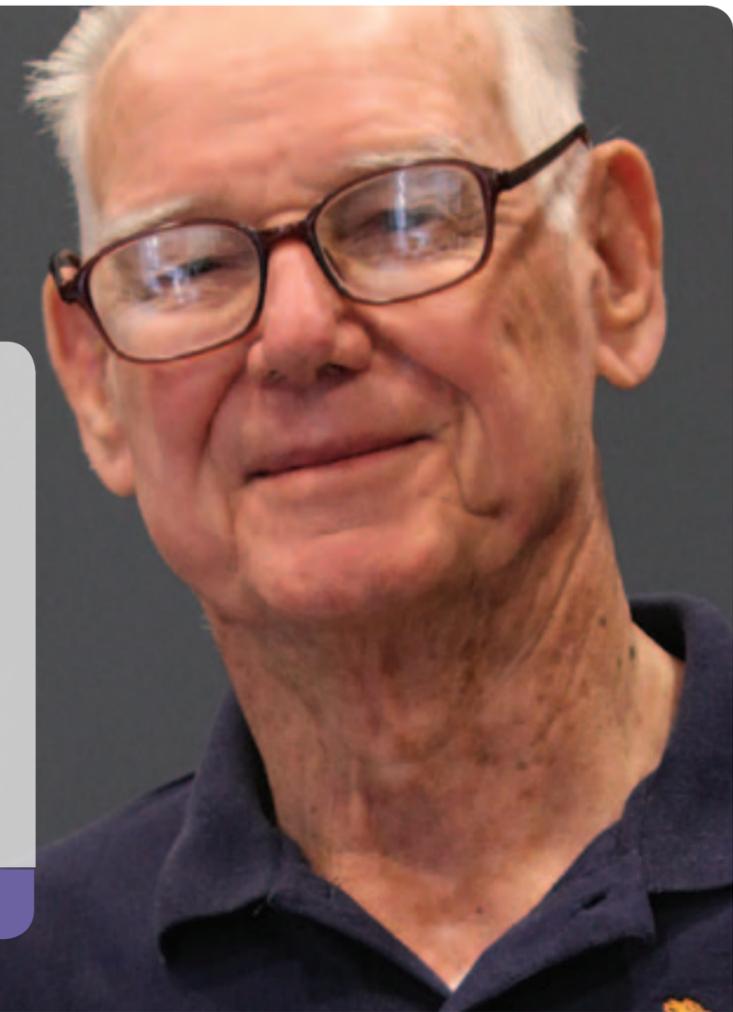
FY12: 0

**172 by McKesson over 2 fiscal years (just detected in FY09)*

'Submarine Alley' at AFRH-G features US subs and honors sailors who died serving America.

“ WHEN WE REALIZED OUR PLANE WAS HIJACKED, I WROTE EVERYTHING DOWN THAT HAPPENED AND WAS SAID.

— Hugh Wingo (Navy)



In his 94 years, Hugh's led an exciting life. As a sailor for 20+ years, he was involved in the Battle of Midway. Another significant life experience occurred when Hugh and his wife were returning from visiting their daughter overseas in 1971.

Two men hijacked their plane: "They said we weren't landing in New York. They took our passports searching for anyone who was from an enemy country of the PFLU – Palestine Free Liberation Unit." Suddenly, the plane made a

U-turn and landed in Cairo, Egypt. The hijackers told the passengers they were blowing up the plane and they had three minutes to deplane. Thankfully, all escaped the plane in time and no one was killed.

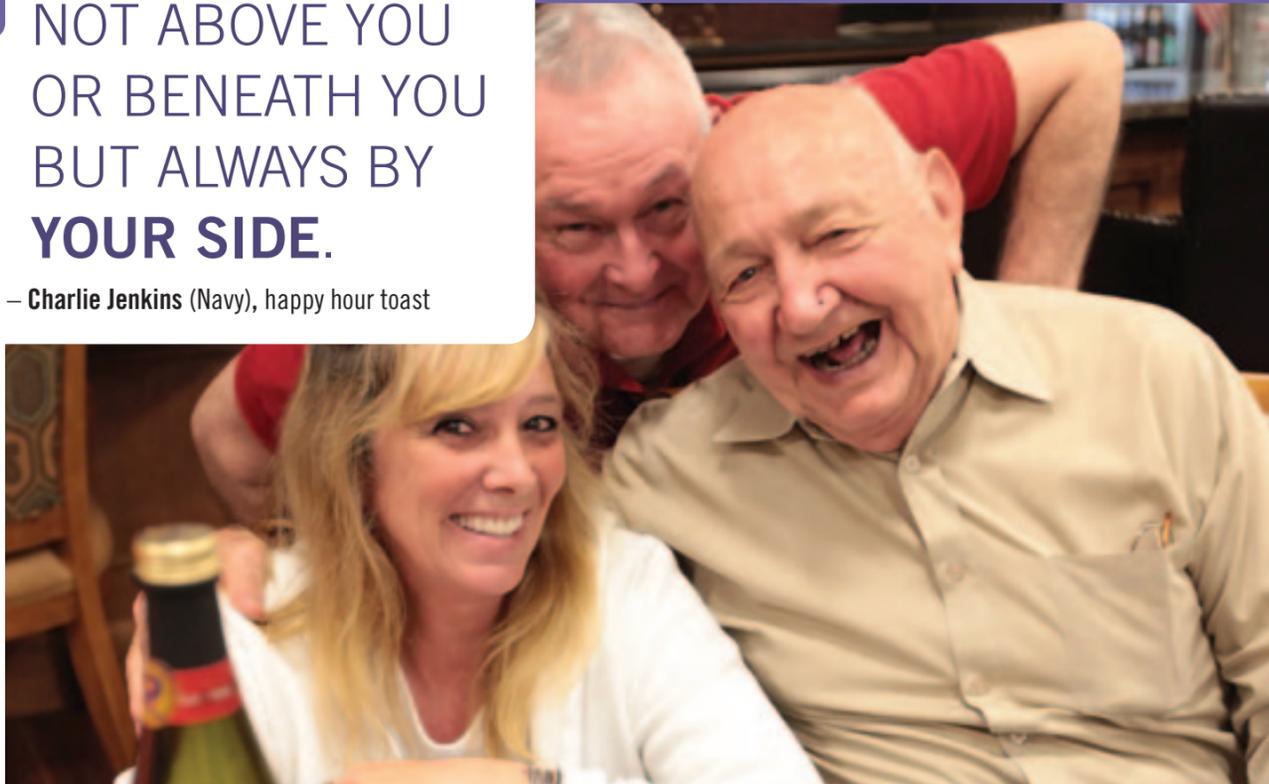
Once the hijacking began, Hugh started writing everything down on whatever paper he could find. Later, the pilot asked for a copy of it for their report. Now, at AFRH-G, Hugh partakes in less dangerous activities such as water aerobics, line dancing, and art.

TACTFUL MANNERS

PRESENTING THE AFRH SUMMARY OF FINANCIAL STATEMENT AUDIT FOR FY 2012: IN ACCORDANCE WITH OMB CIRCULAR NO. A-136, FINANCIAL REPORTING REQUIREMENTS, SECTION II.5.7, ALL FEDERAL AGENCIES ARE REQUIRED TO PRESENT AND DISCUSS EACH MATERIAL WEAKNESS, NON-CONFORMANCE, AND NON-COMPLIANCE. THE AUDITORS FOUND NO MATERIAL WEAKNESSES. MANAGEMENT ASSURANCES FOR FMFIA ARE PRESENTED IN MANAGEMENT'S DISCUSSION & ANALYSIS. THE COO IS PLEASED TO REPORT NEITHER NON-COMPLIANCE NOR NON-CONFORMITY IS PRESENT.

“NOT ABOVE YOU OR BENEATH YOU BUT ALWAYS BY YOUR SIDE.”

— Charlie Jenkins (Navy), happy hour toast



Presenting the PAR to residents is an annual tradition for the COO.



“WE HAVE A LOT OF BEAUTIFUL RESIDENTS HERE.”

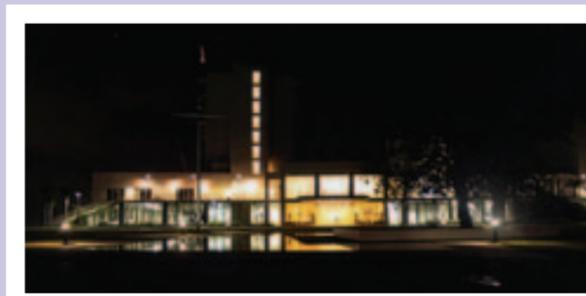
— Richard “Gunny” Ranzo (Marines)

“Gunny” spent 20 years in the Marine Corps as a Gunnery Sergeant, winning medals in Vietnam. Yet, afterwards, he lived on the streets for many months: “I had post traumatic stress disorder. But, I recovered through treatment and I’m happier than ever.”

He then worked in the restaurant business and

for Lockheed Aircraft Company. In 2009, he came to AFRH-Gulfport. One day, Gunny found a fishing rod in the lake at Keesler Air Force Base while learning to fish with a fellow resident. He was hooked.

Puppy drums and trout are what Gunny fishes for most nowadays. He and his buddies use their catches to throw ‘fish fries’ a couple times a month. Gunny is thrilled the kitchen is open to all residents and that the Home provides safety training. Fish on!



Gunny traded his gun for a camera. Now, he shoots a range of photography like this scenic of AFRH-G.

Acronym	Meaning	Acronym	Meaning
AAFES	Army and Air Force Exchange Service	IL	Independent Living
ADA	Americans with Disabilities Act	ILP	Independent Living Plus Pilot
AL	Assisted Living	IPAC	Intragovernmental Payment and Collection System
ARC	Administrative Resource Center	IPERA	Improper Payments Elimination and Recovery Act 2010
AFRH	Armed Forces Retirement Home	IPIA	Improper Payments Information Act 2002
BPD	Bureau of Public Debt	IT	Information Technology
C&A	Certification and Accreditation	IP	Internet Protocol
CARF/CCAC	Commission on Accreditation of Rehabilitation Facilities and Continuing Care Accreditation Commission	JFMIP	Joint Financial Management Improvement Act
CCRC	Continuing Care Retirement Community	KHC	King Health Center
CFO	Chief Financial Officer	LEED	Leadership in Energy and Environmental Design
CHCO	Chief Human Capital Officer	LPN	Licenses Practical Nurse
CMMS	Computerized Maintenance Management System	LRFP	Long Range Financial Plan
CNA	Certified Nursing Assistant	LTC	Long Term Care
COO	Chief Operating Officer	MCOC	Management Control Oversight Council
COR	Contracting Officer's Representative	MEO	More Efficient Organization
COTS	Commercial-Off-The-Shelf	MS	Memory Support
CRA	Continuing Resolution Act	NBC	National Business Center
CWOA	Chief Warrant & Warrant Officers Association	NCPC	National Capital Planning Commission
DAPS	Document Automation and Production Service	NAVFAC	Naval Facilities
DAV	Disabled American Veterans	NCOA	Non Commissioned Officer Association
DCOO	Deputy Chief Operating Officer	NDAA	National Defense Authorization Act
DEIS	Draft Environmental Impact Statement	NFC	National Finance Center
DEOMI	Defense Equal Opportunity Management Institute	NLT	No Later Than
DFAS	Defense Finance and Acquisition System	NPSG	National Patient Safety Goals
DoD	Department of Defense	OMB	Office of Management and Budget
DOI	Department of Interior	OPM	Office of Personnel Management
DRMS	Defense Reutilization and Marketing Services	OSD	Office of the Secretary of Defense
EEO	Equal Employment Opportunity	OSHA	Occupational Safety and Health Administration
EFT	Electronic Funds Transfer	PART	Program Asset Rating Tool
EHRS	Electronic Health Records System	PC	Personal Computer
FAIR	Federal Activities Inventory Reform	PI	Performance Improvement
FAR	Federal Acquisition Regulation	PMD	Power Mobility Device
FASAB	Federal Accounting Standards Advisory Board	PPE	Property, Plant, and Equipment
FECA	Federal Employees Compensation Act	QIP	Quality Improvement Plan
FEMA	Federal Emergency Management Agency	RADM	Rear Admiral
FEDInvest	Federal Investment (software application)	RFP	Request for Proposal
FFMIA	Federal Financial Management Improvement Act	RFQ	Request of Qualification
FISMA	Federal Information Security Management Act	RIS	Resident Information System
FMFIA	Federal Managers Financial Integrity Act	RN	Registered Nurse
FTE	Full-time Equivalents	SAS	Statement on Auditing Standards
FY	Fiscal Year	Seabees	Naval Construction Battalion
GAAP	Generally accepted accounting principles	SHCP	Strategic Human Capital Plan
GPRA	Government Performance and Results Act	SF	Square Feet
GPRMA	Government Performance and Results Modernization Act	SME	Subject Matter Experts
GSA	General Services Administration	SOP	Standard Operating Procedure
HCMR	Human Capital Management Report	SSAE	Statement on Standards for Attestation Engagements
HCSF	Human Capital Strategic Plan	SSG	Service Study Group
HSPD-12 PIV	Homeland Security Presidential Directive 12 – Personal Identification Verification	STAR	Systems Time and Attendance Report
ICB	Internal Control Board	TeamSTEPPS	Team Strategies and Tools to Enhance Performance and Patient Safety
IG	Inspector General	TREA	The Retired Enlisted Association
		USC	United States Code
		USSGL	US Standard General Ledger
		VSO	Veteran Service Organization
		WG	Washington Gas



“ WE ARE THE LUCKIEST WOMEN IN THE WORLD BECAUSE WE LIVE IN THE AFRH!

— Mary Allen (Army)

Pure Patriotism drove Mary, a Mississippi speech teacher, to join the Women’s Army Auxiliary Corps in 1942. Years later, her grandson asked why she joined. “We were losing that war! Didn’t you learn that in school?” she declared. “If Japan had sent another wave after Pearl Harbor they’d have had us.”

After enlisting, Mary capitalized on her speech skills to recruit and speak on behalf of Army women. “There was great opposition to women in uniform.” Through her speeches, Mary dispelled

stereotypes and encouraged parents to let their daughters serve. Beyond mere words, Mary led by example as a strong service woman.

She later worked in radio and television and even owned a medical transcription business. Now, Mary manages AFRH volunteers and their timesheets. She says she’s embarrassed when asked about her service “with all the real heroes here”. Given her passionate patriotism and brave endorsement of Army women, Mary shouldn’t be so modest. She’s a true heroine in anyone’s eyes.

Many Special Thanks

HEARTFELT APPRECIATION

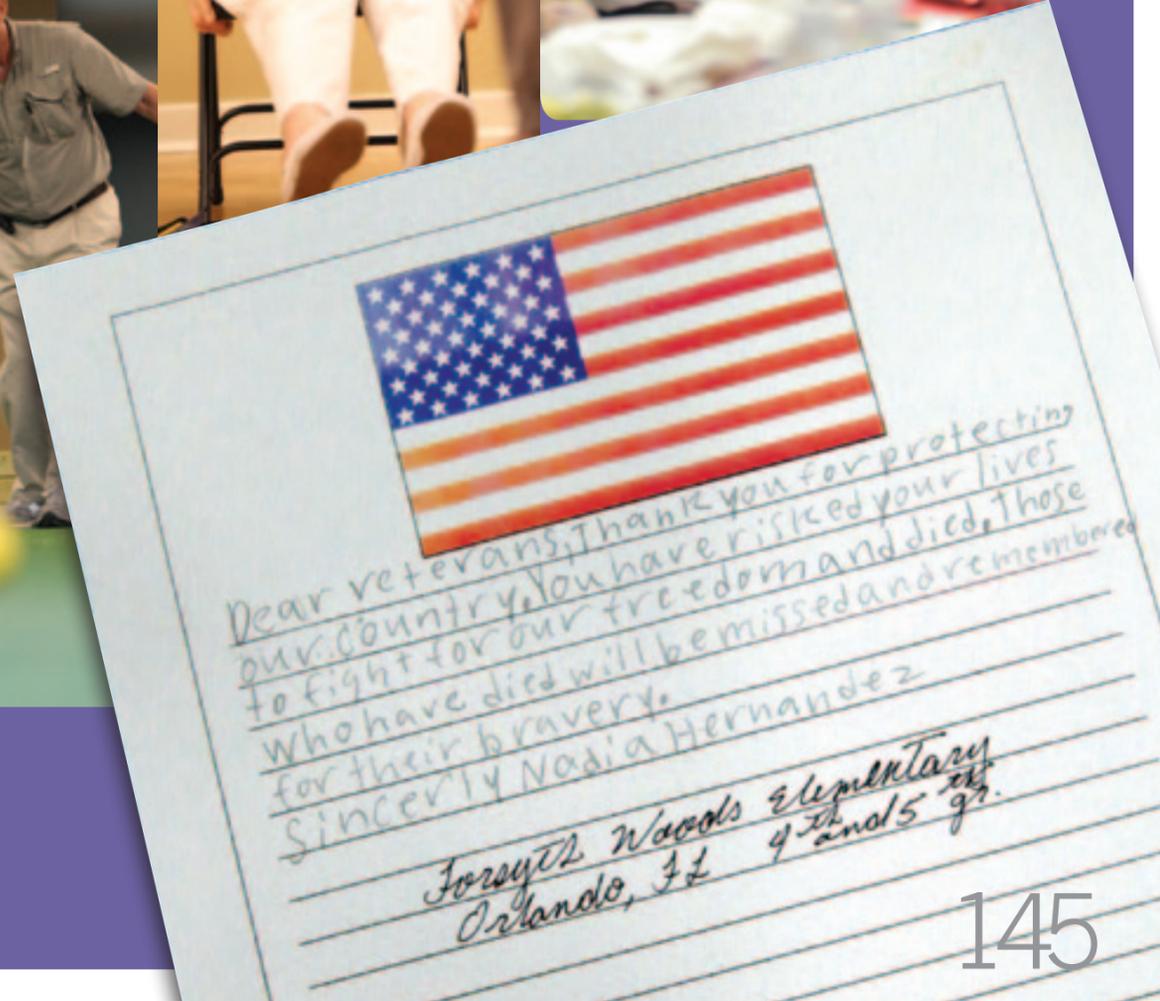
TO OUR WONDERFUL STAFF, SUPPORTERS, VISITORS, VOLUNTEERS, AND RESIDENTS: THANK YOU SO MUCH FOR YOUR ONGOING SUPPORT OF OUR PLANS, EFFORTS, AND ACHIEVEMENTS. WE COULD NEVER SUCCEED AND THRIVE WITHOUT YOUR SUPPORT. TO THOSE WHO GENEROUSLY GIVE THEIR TIME AND INTERACT WITH THE AFRH DAILY: YOU ARE TRULY HELPING US ALL TO DELIVER: **MINDFUL CARE, MEANINGFUL LIVING.**



Also, thank you for taking the time to learn about the exciting AFRH transformation, as summarized in this 2012 Annual Report. Our innovative changes will help enrich the lives of everyone associated with both Homes. We welcome your input on how we may improve this Report. Simply contact us:



Armed Forces Retirement Home
3700 N. Capitol Street NW
Washington, DC 20011
ATTN: PAO #1305



Email: public.affairs@afrh.gov
Phone: 800.422.9988
Fax: 202-541-7519

AFRH GULFPORT

1800 BEACH DRIVE
GULFPORT, MS 39507

AFRH WASHINGTON

3700 N. CAPITOL STREET, NW
WASHINGTON, DC 20011



P: 800.422.9988

F: 202.541.7519

W: AFRH.GOV

