



The *Stamina* to succeed

Management's Discussion and Analysis



“Suddenly the skylights in the Wellness Center blew out – and the front doors blew open! Lady Katrina was in the house ...”

A lady named Katrina

It was late Sunday evening, August 28. The rain was just beginning. Mary Kay Gominger, our Public Affairs Specialist, asked if I would do an interview on the national Weather Channel. Anchor Jim Cantore had a crew parked in back of the Home – and they were ready. I don't remember exactly what I said in that interview ... but I think I conveyed to the Nation that our hurricane plan at the Home was complete – and we were going to “ride out” the storm. Good thing our staff made a maximum effort to see to our safety and well-being. All I could think was: “Wow! What a great group.”

I was up early Monday, as Katrina began to make herself known. You could feel the howling winds. From my room on the 10th floor, I saw rain pounding down on the windows so heavy you couldn't see a thing outside. In between gusts, we could see the destruction. Debris was flying everywhere. But we couldn't see what was being ripped apart. Then, that monster we all heard about hit full force. The seawater surged up to the shore – 25-30 feet – capped by giant 21 foot waves. A clean parking lot swiftly flooded and cars were submerged. Soon cars began to move – tumbling, banging into one another like toys.

Suddenly the skylights in the Wellness Center blew out – and the front doors blew open! Lady Katrina was in the house. Rachel Hatten, Director of Dining Services, had her

crew in hip-deep water trying to save as much food as possible. And we saw another maximum effort to get Long Term Care patients to safety as the first floor completely flooded. From the second floor, we saw the guardhouse at the front gate blow by. Then the Cabana, Wood Shop. And Quarters A and B – all totally destroyed. Someone hollered, “The water tank's coming down!” Finally, she began to quiet down. But we had no power, no water – and we still had to use the toilets. Soon the stench was overpowering.

About 8 a.m. Tuesday, we got word to move outside. The sun was out and you could see destruction everywhere. All of a sudden we got word that buses would be coming to take us away, to AFRH-Washington. Everyone was allowed to go inside to pack one bag. Before we knew it, the buses arrived, twelve in all. And we quickly loaded up. When we got to Interstate 10, four police cruisers – with sirens blaring and lights flashing – passed us and dropped into position in front of the convoy. They stayed right there with us, till we were forced to detour around the causeway across the Pascagoula Delta. I think and hope those cruisers were Gulfport PD ... wishing us “Bon Voyage” as we headed to our new home in Washington.”

— Henry Pike, Gulfport resident



The *Compassion* to care

I am pleased to present the Armed Forces Retirement Home FY 2005 PAR – created to show Congress, the Administration and public how we provide superior shelter, sustenance and care for our nation's Veterans. With the help of our dedicated staff, the Home also provides quality healthcare, enjoyable activities and volunteer opportunities to former military enlisted personnel. All from two dynamic campus environments: Gulfport, Mississippi and Washington, DC.

Evolving to a Unified Agency

I earned the appointment of COO in September 2002. Back then AFRH had two distinct locations that lacked a sole set of standards, policies and procedures to operate as a unified agency. So I rapidly advocated the "One Model" approach – to enhance accountability and promote exceptional service to residents in a standard operating environment. This model was embraced and embodied in our strategic goals and objectives. Recently, we identified our "core competencies" and decided whether to build internal capacities or outsource various functions. Also, we integrated many systems to reduce errors, duplication of efforts and uneven workloads, agency-wide. Ultimately, we identified 2004 and 2005 as key transition years.

In FY 2005, we had outside inspectors test the progress of our one model. An Inspector General team from the US Air Force called on both campuses in the summer, giving favorable feedback. The Joint Commission on Accreditation of Healthcare Organizations (JCAHO) conducted a survey at Gulfport in March and awarded the Gold Seal of Approval. Plus, two on-the-spot surveys on each campus resulted in no change in our compliance. An independent audit of financial operations for FY 2005 gave us an unqualified audit opinion. These positive verifications affirmed the strength of the one model as a driving force to transform the Home. Truly, we have shown great progress and have stayed on track with our objectives through many changes.

Performing at a Higher Level

We began 2005 energized to continue progress and meet objectives in all strategic focus areas: financial, customer, internal business processes, learning and growth and culture. We mitigated financial risks and boosted revenues with a variety of cost-cutting measures. Our real estate Master Plan is now underway to revitalize our balance sheet as we develop our greatest asset – our vital location in Washington, DC. Our resident-focused activities rival private-sector retirement homes. Plus, every staff member relates their role to our vision and mission in AFRH operations. Now, our staff – in tandem with our outsourcing contractors – can focus on the Home's core competency: operating a thriving retirement community.

Weathering Many Storms

Our Home emerged from severe natural disasters on both campuses in 2005. Hurricane Katrina wrought havoc our Gulfport, MS campus on August 29 – forever changing the landscape, operations and resident composition. Thankfully, we took swift measures to evacuate every resident on campus 24 hours after the storm subsided. Our refugees were embraced with open arms by a virtual legion of volunteers and neighbors in the DC community. This sight was, in a word, heartwarming. This PAR was developed by our devoted staff and outside contractors who helped with editorial assistance and graphic design. We will discuss our proud accomplishments and lessons learned. Also, we must forecast how Katrina disrupted our achievements – and how we will refocus our energy to regain momentum.

Marching Forward to 2006

Next year presents many challenges. We must renew the faith in our ability to remain financially independent. And continue to uphold The Promise to care for our war heroes. Also, we must quickly reevaluate our strategic direction in light of the events of 2005. The key to progress lies with the Master Plan in Washington, which offers the surrounding area some exciting changes. This Plan holds the promise to raise sufficient capital to meet the needs of the next generation of Veterans – those bold men and women who are fighting for freedom this moment in Iraq, Afghanistan and beyond. Given our dedicated staff and proficient management, their future is looking very promising, indeed.

If there were medals for bravery during natural disasters, they'd be given to our dedicated staff – in Gulfport and Washington. They worked long, hard hours during Katrina and the torrential summer storm in DC. Our staff rose above adversity to safeguard our Veterans – and in the process wrote heroic battle stories that ended in success. Their selfless efforts are the ultimate expression of The Promise to repay our Veterans ... and their actions are a bold reminder to us all that we are eternally in their debt.



Timothy Cox
Chief Operating Officer, AFRH

November 15, 2005

“We have extensive damage in Gulfport. But the immediate need for our Veterans is shelter, safety and security. So, we’re bringing them to DC.”

— Tim Cox, COO
(in the aftermath of Katrina)



The *Duty* to repay



What does it mean when we say we're "Protecting a Promise and Renewing a Trust?" It means we are defending The Promise America made two centuries ago to care for its Veterans. It also means preserving the Trust Fund that supports and operates our premier retirement community.

You see, our nation has a long and proud legacy of caring for its Veterans. The Promise dates back to the legislation of 1811, when Congress established a home for destitute Navy officers, sailors and Marines in Philadelphia. Some 40 years later, Congress created an asylum for "old and disabled soldiers" in Washington, DC.

Today's modern Armed Forces Retirement Home is a dynamic community. "A city within a city," if you will, it provides our Veterans with everything from residential and social amenities to cultural and health services. Rooted in a tradition that dates back nearly two centuries, our Home is the

living embodiment of The Promise to take care of our Veterans. All told, the AFRH is home to about 1,600 former soldiers, sailors, Marines and airmen who all share a passionate commitment to country.

AFRH is an independent establishment of the executive branch of the Federal Government – and is financially independent. A permanent Trust Fund was established over 150 years ago to support the Home. This Trust Fund continues to be fed by active duty enlisted and Warrant Officer monthly payroll deductions, fines and forfeitures from all branches of the Military, monthly resident fees, the sale or lease of underutilized land and buildings, gifts and bequeaths and interest gained on the Trust Fund balance. Moving forward, we relish the responsibility to manage the Trust Fund and keep it viable – so we may continue to support The Promise.

STRATEGIC GOALS

Financial:

Create financial net growth and stability for the AFRH Trust Fund.

Customer:

Deliver exceptional service and programs that attract residents and enrich their lives.

Internal Processes:

Design and sustain effective operations that maximize organizational resources.

Learning and Growth:

Promote professional development and personal excellence for all staff.

Culture:

Foster a dedication to service by creating an environment of mutual respect and integrity.

After Katrina, the residents were evacuated from the ravaged Gulfport campus. Meanwhile, the Gulfport staff and Seabees went to work immediately to minimize the environmental damage to the building. Truly, the courage of our staff has helped the entire Home regain the strength to endure.



VISION STATEMENT

The AFRH provides an environment that nurtures the Health and Wellness philosophy of aging and that provides a continuum of residential Life Care Services in a community setting for our Nation's Heroes.

MISSION STATEMENT

The mission of the AFRH is to fulfill our Nation's commitment to provide care through a comprehensive range of services for America's Armed Forces Veterans. 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.

STRATEGIC PLANNING

Our strategic plan stems from our Vision and Mission Statements. Together, all three permeate AFRH from the corporate level down to each individual performance plan. Likewise, all AFRH staff members share a commitment to be customer-focused, quality-driven and fiscally responsible. So, we have developed five strategic goals that drive our major operations – from financial health and cost effectiveness, to our daily actions and philosophy to nurture each resident.

Our weary Gulfport residents arrived in DC via bus on September 1st.



The *Structure* to succeed

The AFRH is driven to fulfill The Promise and renew The Trust. To effectively achieve this, our organization has developed a “One Model / One Process” framework for two very diverse homes – one in Gulfport, MS

and one in Washington, DC. The desired outcomes of the “One Model” approach are to maintain accountability, achieve results and provide superior service to our residents.



The COO is responsible for the overall direction, operation and management of both campuses.

Support Staff	Resident Services	Healthcare Services	Campus Operations
Public Affairs Office Business Center	Admissions Leisure and Wellness Volunteer Coordination Security Dining Services Religious Activities Custodial Services	Nursing Social Services Community Health Dental Clinic Optometry Clinic Nutrition Medical records Pharmacy Services Assisted Living Long Term Care Memory Support	Facility Maintenance Transportation Logistics Grounds Utilities



The *Locations* to live

SCENIC GULFPORT, MS

This attractive campus spans 47 acres of oceanfront property on the Gulf of Mexico. Our Home was originally established by legislation in 1811 as the Naval Home in Philadelphia, Pennsylvania – designated “to provide a permanent asylum for decrepit and disabled Naval Officers, Seamen and Marines.” Naval personnel who were “so injured or infirmed as to be unable to contribute materially to their own support” were allowed to live at the Home and were asked to labor as much as they were able toward its care. The Home was relocated over a century and a half later to its present site in historic Gulfport, Mississippi. Today, it remains the oldest Veteran retirement home in the country.

Together, a Safe Haven

Before Hurricane Katrina, The Washington campus was home to roughly 1,000 military Veterans, while Gulfport proudly cared for more than 550 Veterans. Both campuses featured a skilled staff and an array of amenities – such as private rooms, commercial banks, chapels, exchange services, mail rooms, laundry facilities, a barber-shops and beauty salon, dining rooms, fishing ponds and 24-hour security.

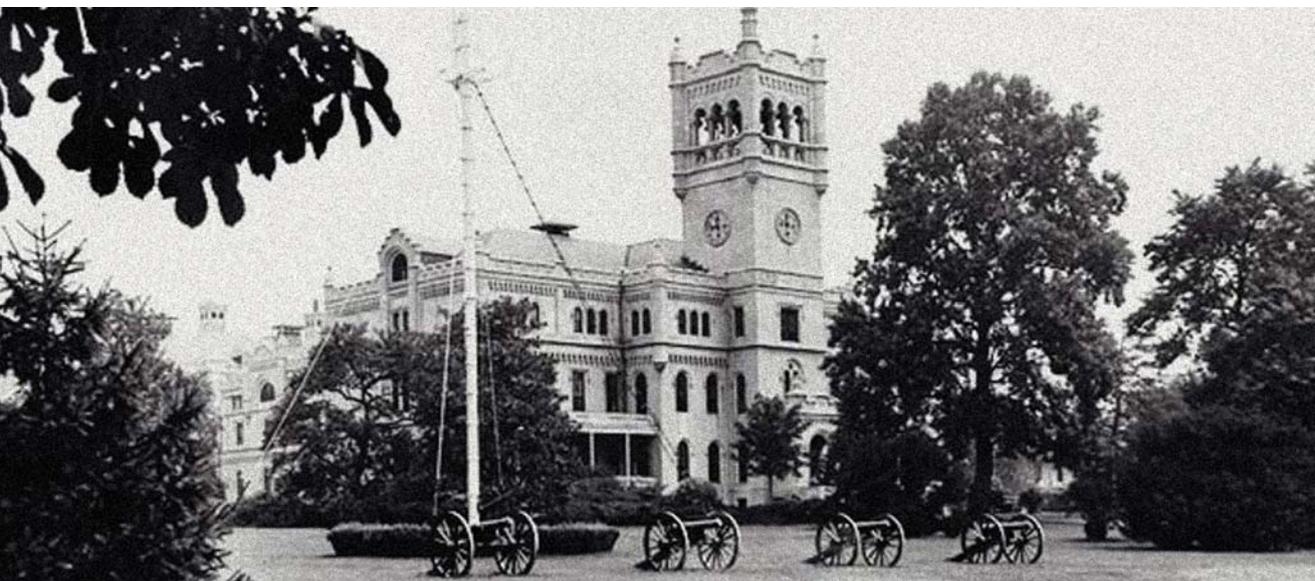
HISTORIC WASHINGTON, DC

The original 320-acre DC campus broke ground in 1851 as a Military Asylum. Back then, land was plentiful, so Congress helped create a home for Army Veterans in a secure, peaceful setting in Northwest Washington, DC. It was billed as “an asylum for old and disabled Veterans.” Four original buildings still stand – and they are listed as National Historic Landmarks. In fact, President Lincoln’s summer cottage is still a featured attraction. Today, AFRH now resides on 272 lush acres that host over 100 structures – namely the “National Landmark District” on the grounds of the AFRH. Currently, the AFRH is preparing a master plan to guide the wise future use of this valuable resource.

A unique perk at the Washington campus is the 9-hole golf course. Meanwhile, the Gulfport campus boasted a 50-meter covered swimming pool. Truly, the AFRH is the ultimate retirement experience.



The Sherman Building on our Washington, DC campus is a National Historic Landmark.



“There’s so much to do and see in DC. I love jazz night at the Westminster Presbyterian Church ... and my volunteer work keeps me busy.”

— Charlie Felder, DC resident



The *Courage* to carry on

The Resident Profile

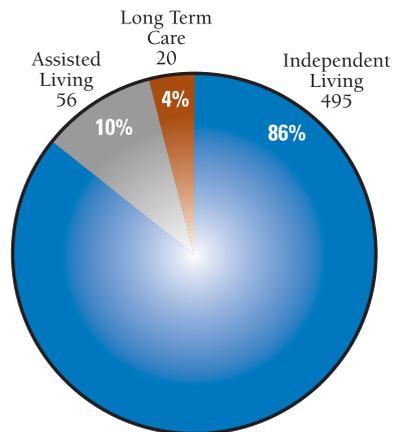
Our residents are a very dynamic group of individuals. All their lives, they have overcome adversity in their service to our nation. This year is no different. It has been a very emotionally challenging year for all our residents, as they have experienced great changes. And we salute them for their resiliency.

The AFRH provides great care and extensive services for eligible Veterans, as authorized by the Armed Forces Retirement Home Act of 1991. So, our residents expect The Promise to be upheld. Our Veterans may choose to live at either of our two distinct campuses (space permitting): AFRH-Gulfport and AFRH-Washington.

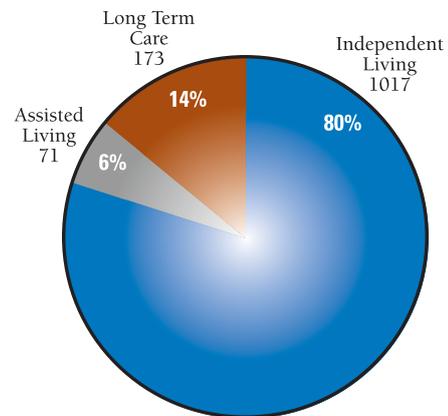
Veterans are eligible to become residents here if their active duty service in the military was at least 50 percent enlisted (Warrant Officer or limited duty officer). They are also eligible if they are:

- *60+ years of age, with 20 or more years of active duty service*
- *Unable to earn a livelihood due to a service-connected disability*
- *Unable to earn a livelihood due to non service-connected disability, yet served in a war theater or received hostile fire pay*
- *Female Veterans who served prior to 1948*
- *Deemed eligible for admission under rules of the COO due to compelling personal circumstances*

Gulfport Resident Capacity



Washington Resident Capacity



At full capacity, both Gulfport and Washington can comfortably house 1800+ Veterans. Both offer Independent Living, Assisted Living and Long Term Care.

Nearly a Paradise Lost

Thousands of fellow Americans living on the Gulf Coast were devastated by the Category 4 winds of Hurricane Katrina. Our Gulfport residents were no exception. They, too, nearly lost everything. In a mere 48 hours, this massive disaster created the most emotionally trying battle our Veterans would ever fight. When the storm subsided, the Veterans of Gulfport

suddenly became refugees – and were forced to relocate. But, as any Veteran can tell you, we are a resilient corps of people. Just as these Vets fought bravely in World War II, The Korean War and Vietnam, they have confronted this personal loss head on – and overcame it to enjoy the sweet taste of victory in their new home of Washington, DC.

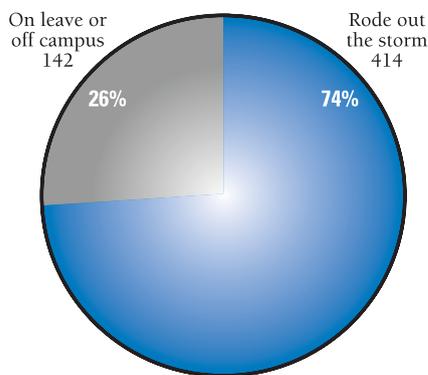
“The support and focus of our residents made a world of difference. As long as they knew what was going on, they were a force multiplier.”

—Steve McManus, CFO

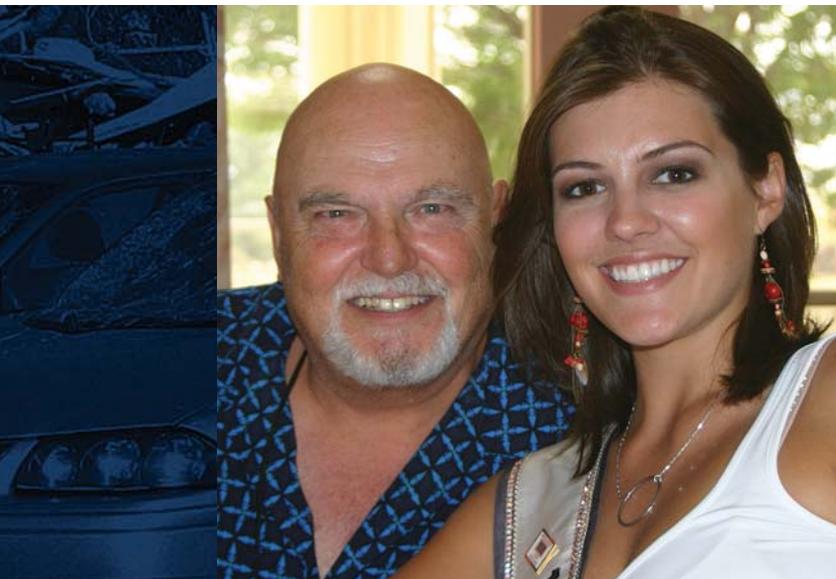
A Swift Evacuation

The damage from Hurricane Katrina left us with no choice but to evacuate our Gulfport residents. This process began with the 10 most fragile residents who were moved to a temporary nursing home in Mobile, Alabama – before final transport to AFRH-Washington. The second group of assisted living residents was bused to Maxwell Air Force base 908th Air Reserve Wing in Montgomery, Alabama and later airlifted to Andrews Air Force Base near Washington, DC. In a mere 24-hours, a full-scale evacuation was executed via bus, airlift and residents’ privately operated vehicles.

Gulfport Residents During Hurricane Katrina



More than 74% of Gulfport residents were in the building during Katrina. Others were on leave, in a medical facility or visiting friends and relatives.



“Chelsea’s bright smile made all our troubles fade away.”

— Nelson Jamison, DC resident

Miss USA, Chelsea Cooley, poses with Nelson Jamison while on her tour to welcome Gulfport residents to Washington.

The *Grit* to overcome

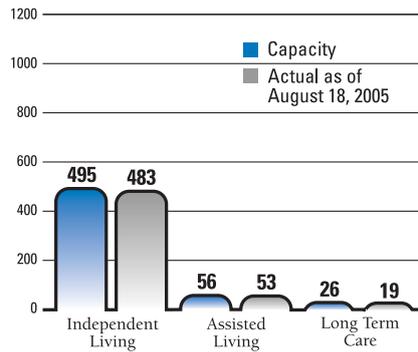
An Outstanding Effort

Naturally, resident occupancy in Washington expanded dramatically in September. Our resourceful staff met this challenge head on – and swiftly prepared for our new arrivals with amazing proficiency. In a mere two-days, supplies were gathered and a closed building was reopened. By September 1st, many of the Gulfport residents arrived in Washington. By September 30, a total of

351 Gulfport residents (or 62%) had relocated to Washington. The transfer of residents was in constant flux, with 38% changing their status at various times from “Resident” to “Discharged” “Delayed Reentry” or “On Leave.” Most likely, these numbers will continue to fluctuate throughout the next fiscal year.

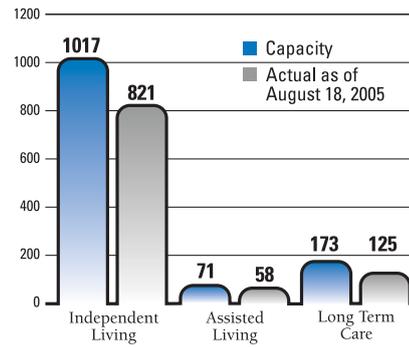
BEFORE KATRINA

Gulfport Almost at Capacity



Before Katrina, the resident capacity at AFRH-Washington was more than 79%.

Washington Under Capacity



Before Katrina, the resident capacity at AFRH-Gulfport was over 96%.

Once Again, a Paradise Found

The arrival in Washington was emotion-filled. After a two-day journey, the buses pulled into the front gate. Some 350 Gulfport refugees were greeted by a band of staff, neighbors, military and volunteers. As our Vets walked off the buses, the crowd formed a human gauntlet for them to walk through ... welcoming them to their new home. American flags were waving and our Vets

garnered hugs from every direction. A diverse mix of 220 volunteers showed up that day to help our Veterans settle in. Many stayed into the night and continue to help to this day. This show of support is a testimony to the American spirit and our country's sense of duty. One young lady summed it up best when she said: "We're helping them now, because they have helped us immensely."

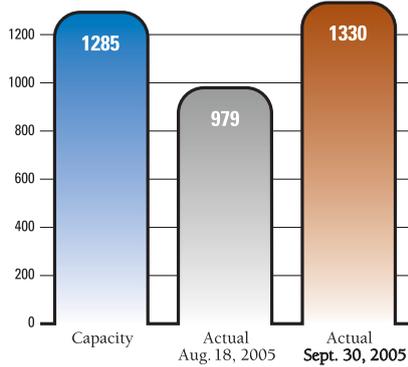


An Exceptional Staff

We pride ourselves on a generous resident / staff ratio. The personal attention we give to our retirees is what makes this the premier retirement home for Veterans. Yet, we also realize the need to be an efficient organization. A key component of the AFRH strategy is to have the right balance of staff or full-time equivalents (FTEs) to fulfill our mission. So, AFRH has made efforts over the past few years to carefully streamline its staff and use competitive sourcing for non-essential support activities. Today, all staff members focus strictly on their core competencies. We believe this has increased the quality of specialty care. FY 2004 saw the largest drop ever in the number of FTEs as we aligned our staff with our new strategies. This number continued to drop slightly in FY 2005, as we approached peak efficiency.

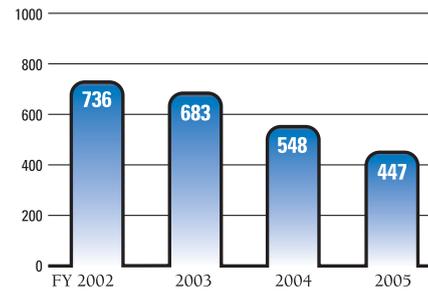
AFTER KATRINA

Washington Now Overcapacity



After Katrina, the actual number of residents exceeded official capacity at AFRH-Washington

Full Time Equivalent Employees



“It was like coming home to friends and family, although we didn’t even know them. They were wonderful and they even prayed for us. I am very touched.”

—Mary McLeod Nelson, Gulfport resident (on the DC welcome)

The *Ideals* to improve

2004: Good Progress All-around

One of our biggest challenges in recent years has been managing change – and ensuring that our care and services meet or exceed those in private sector retirement homes. As reported in the FY 2004 Performance and Accountability Report (PAR), we made significant improvements in all strategic goals. FY 2005 was our scheduled year to continue moving ahead.

2005: Ongoing Goals and Objectives

Our facility has five main strategic goals that drive the organization (see next page). These goals are comprised of 12 performance objectives. Likewise, within those 12 performance objectives are 27 specific key actions. Detailed action plans have been developed for all 27 key actions – for both campuses – resulting in a total of 54 key actions for the entire Home. We are pleased to report that good progress was made in all of these actions before Hurricane Katrina. In fact, we only failed to make significant progress in less than one percent of our key actions.

September 05: the Katrina Setback

As a result of the chaos caused by Katrina, we regret no progress was made at Gulfport in September and all actions are Off Track. In Washington, all strategic goals now have barriers and new issues to resolve – given the sudden transfer of 351 Gulfport residents. So, our strategic goals will now be reviewed and revised as a first order of business in FY 2006. The chart to the right outlines our progress in FY 2005.

Summary: AFRH Performance Highlights

As you can see, solid progress was made with a “moderately successful” status on most efforts throughout FY 2005. At the Gulfport campus, 93% of key actions were on track with about 44% still having barriers to total success. Meanwhile, at the Washington campus, only one key action (“Admissions for Residency.”) was showing unsatisfactory progress before the Hurricane. Overall, Washington has 67% satisfactory progress – despite the fact that over 93% of our key actions had barriers and issues keeping them from satisfactory progress.



William Abernathy, 92, completes his glory march in June – after walking 10,000 miles in only four years. “Abby” is a member of the AFRH-Washington walking program and a Master Sergeant Retired - US Marine Corps.

For details, please see the "Performance Section."

Key Actions	August 2005				September 2005	
	Gulfport Progress	Gulfport Status	Washington Progress	Washington Status	Gulfport Status	Washington Status
Overall	93%	44%	67%	3.5%	100%	100%
Financial Create financial net growth and stability for the trust fund.						
F1 Increase revenue resulting in a net increase.	■	■	■	■	■	■
F2 Reduce costs resulting in a net increase.	■	■	■	■	■	■
Customer Deliver exceptional service and programs in an environment that attracts residents and enriches the quality of their lives.						
C1 Increase customer satisfaction through superior execution of the mission.	■	■	■	■	■	■
C2 Increase resident retention and outreach through positive public relations.	■	■	■	■	■	■
C3 Assess transitions between levels of care.	■	■	■	■	■	■
Internal Business Processes Design and sustain effective and efficient internal operations that maximize and leverage resources across the entire organization.						
IB1 Increase effectiveness and efficiency of service delivery to our residents.	■	■	■	■	■	■
IB2 Increase timeliness and satisfaction with internal communications.	■	■	■	■	■	■
Learning and Growth Promote professional development and personal excellence for all personnel.						
LG1 Provide a comprehensive employee training program tied to performance, competencies and accountability in compliance with OSHA, JCAHO, and Agency requirements.	■	■	■	■	■	■
LG2 Inform key AFRH stakeholders of value added programs and initiatives.	■	■	■	■	■	■
Culture Foster a commitment to service and quality and an environment of mutual respect and integrity.						
CL1 Increase teamwork and cooperation among employees and residents.	■	■	■	■	■	■
CL2 Maintain an accurate cross-campus health and wellness model.	■	■	■	■	■	■
CL3 Attract, develop, and maintain a high-performing workforce.	■	■	■	■	■	■

■ The initiative is on track. ■ The initiative has barriers and/or issues. ■ The initiative is off track.

STRATEGIC GOALS

1. FINANCIAL

Create financial net growth and stability for the Trust Fund.

FINANCIAL MANAGEMENT:

The outsourcing of financial management system to the Bureau of Public Debt (BPD) was fully operational throughout FY 2005. This gave managers online access to their accounts and kept AFRH compliant with regulations.

COMPETITIVE SOURCING:

In FY 2005, management monitored contractual savings as the results of seven competitive awards made in the previous year, FY 2004. A contract for Dining Services was awarded in October 2004. And a new maintenance award for the DC campus was made in the summer of 2005.

THE MASTER PLAN:

The Home held public meetings to review a proposed real estate Master Plan for the DC campus. This plan will guide the long-term use and development of the site by AFRH and others.

"ONE MODEL" OPERATIONS:

In FY 2005, the One Model alignment of both campuses involved creating and updating directives that apply to both campuses. Such alignment includes obtaining a single Dining Services vendor for both campuses, centralizing the admissions process at our DC headquarters and developing a cohesive and targeted marketing campaign.

2. CUSTOMER

Deliver exceptional service and programs in an environment that attracts residents and enriches their lives.

PERFORMANCE MANAGEMENT PLAN:

Each employee received a performance plan in January 2005 under a pilot program to link performance with strategy. 100 percent of our employees were evaluated on generic standards that included customer service responsiveness and expectations for resident-focused performance.

RESPONSE TO HURRICANE KATRINA:

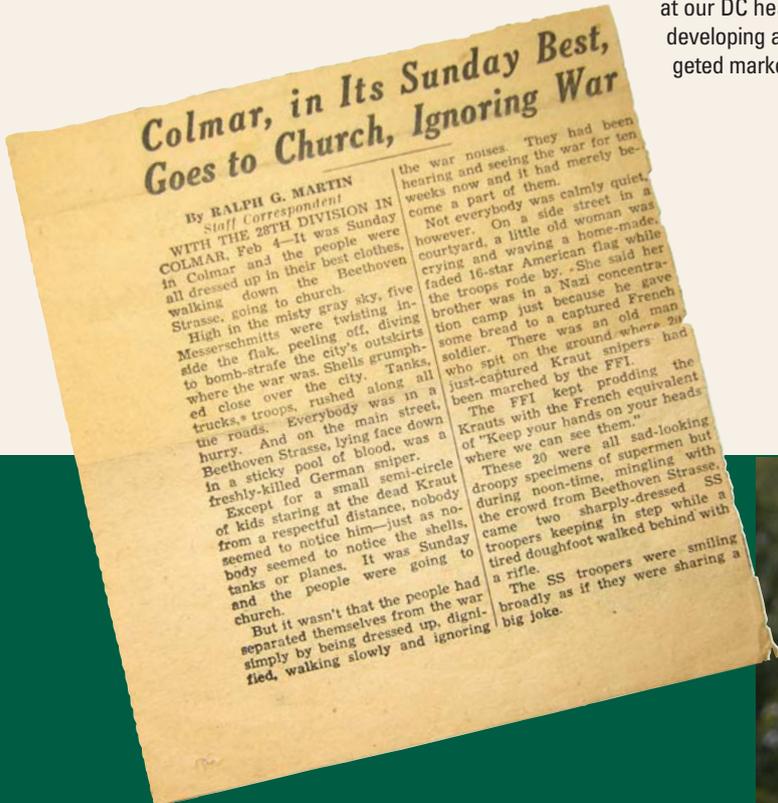
We are very pleased to report that no lives were lost as a result of a Category 4 hurricane striking the Gulfport, Mississippi campus on August 29, 2005. The analysis of the overall impact to our operations in Washington is now underway. At present, our entire infrastructure is being affected, contracts are being changed, employees are being shifted around and the "One Model" is being tested.

3. INTERNAL BUSINESS PROCESSES

Design and sustain effective internal operations that maximize and leverage resources across the organization.

PROTECTING RESIDENTS DURING FACILITY IMPROVEMENTS:

Our extensive, careful planning helped ease residents through a major renovation in Washington—which involved moving many of the residents to another building. Renovations were successfully completed in June 2005 for a new Dental Clinic and the Community Health unit. Concurrently, the Pipes Building was mothballed in anticipation of being leased under the Master Plan.





Also, plans were being developed to protect residents while a new space for Assisted Living was being constructed in Gulfport.

AFTERMATH OF HURRICANE KATRINA:

Pipes was reopened DC within 72 hours after the storm to house over 100 independent Living residents evacuated from Gulfport.

The Gulfport facility is not accessible to residents until further notice.

4. LEARNING AND GROWTH

Promote professional development and personal excellence for all staff.

JOINT COMMISSION ACCREDITATION OF HEALTHCARE ORGANIZATIONS (JCAHO):

During FY 2005, AFRH-Gulfport underwent a full review of its healthcare facilities and received its accreditation in March 2005. Two unannounced, on-the-spot surveys were conducted in June and July at both Gulfport and Washington. Both unannounced surveys were conducted with no deficiencies reported.

KEY STAKEHOLDERS:

The flow of information to key AFRH stakeholders via publications and group activities was a significant key action. Both campuses easily exceeded the minimum requirements of one initiative during the year and one article for publication. Further, numerous activities and articles also appeared to publicize campus events.

AFTERMATH OF HURRICANE KATRINA:

The public outpouring of support for AFRH has been overwhelming. Donations of clothes and personal items have flowed in so fast and in such great quantities that

a Mini-Mall for clothing was created. Warehouse 77, previously mothballed, has been reopened to handle this large amount of donations.

5. CULTURE

Foster a commitment to service and quality in an environment of mutual respect and integrity.

PERFORMANCE-BASED MANAGEMENT:

Part of our strategic planning process entails identifying the Performance Management Plan. This Plan was developed and implemented during FY 2005. Subsequently, a pilot of the new system was launched in January 2005, while preliminary results were reported in July 2005.

VOLUNTEERS:

Our Gulfport and Washington campuses have been very successful with resident volunteer programs. Both campuses have dynamic volunteer coordinators and dedicated residents that have logged countless hours helping others. All of which has contributed to AFRH being a dynamic and active retirement community.

ACTIVITIES BETWEEN RESIDENTS AND EMPLOYEES:

The goals for activities among residents and employees have been exceeded for both campuses.

AFTERMATH OF HURRICANE KATRINA:

Our staff successfully protected the Gulfport residents and each other during this horrific storm – and ensured their safe transport to DC. Some staff members are scheduled to relocate to Washington in FY 2006 to augment operations on what has become a densely populated campus.



I've been here over three years. I shoulda been here 10 years ago! It's great."

— Daniel Funk, DC resident

The *Targets* to aim for

2005 PERFORMANCE MEASURES

BUSINESS MEASURES

- An increase in the Trust Fund value
- Growth of the resident population
- Savings through competitive outsourcing
- Reductions in space & land usage
- Donations from community partnerships, nonprofits & foundations

CUSTOMER SATISFACTION

- Improvements in health & wellness
- Enhancements to the facilities
- Supplements to our services

EMPLOYEE SATISFACTION

- An increase in completed Surveys
- A boost in Performance Evaluations
- Integration of Volunteer Program
- Updated policies & directives

Achieving the performance measures to the left is critical for the success of the organization. The actual quantitative measurement of our performance is determined by data that comes from a variety of sources:

Our Financial Data

In FY 2004, AFRH transferred or converted many financial functions to ensure consistent and correct accounting. The following functions were transferred to the Bureau of Public Debt in Parkersburg, West Virginia:

- Financial Management Service (Accounting, Travel and Investments)
- Property Management
- Contract/Procurement Management
- Purchase Cards

Further, AFRH transferred its Payroll, to the National Finance Center (formerly in New Orleans, Louisiana – now working out of a disaster recovery center in Philadelphia with business operations in Dallas).

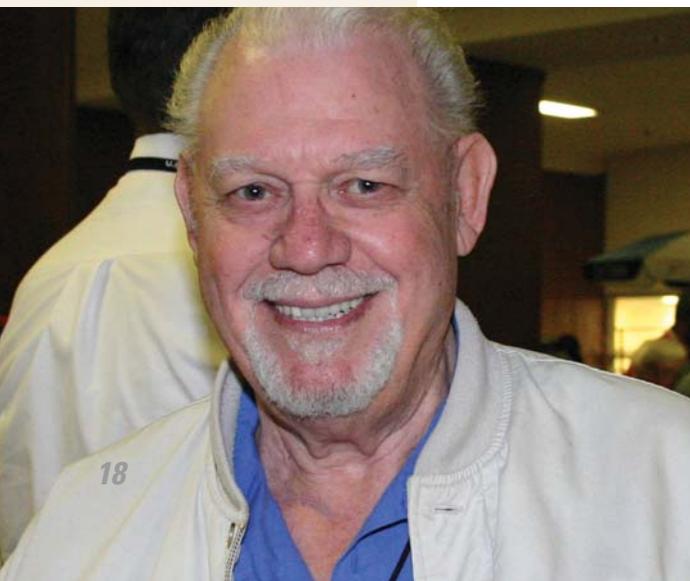
External Benchmarks

As a healthcare provider, AFRH is required to meet the standards developed by national organizations that accredit health facilities. AFRH has received a Gold Seal of Approval from JCAHO at AFRH-Gulfport – and received positive feedback during two separate on-the-spot inspections at AFRH-Gulfport and AFRH-Washington.

Lastly, our Dining Services division has a profound and positive affect on the health of our residents. As such, this division must comply with JCAHO standards for quality of food and preparation – as well as the Food and Drug Administration Food Code. Dining Services also abides by local sanitation manuals that were written based on the Food Code.

Our Computer Data

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



“I find it exciting to live here, where President Lincoln spent his summer months. I am completely at peace with my surroundings – and myself.”

—John Bowery, DC resident

The *Resolve* to lead

True Progress

The AFRH is pleased to report it has made significant progress in each of the five initiatives under the President's Management Agenda (PMA). The Home has not officially entered its deliverables as part of the PMA, as of this writing. However, we did conduct a self-assessment as of August 30, 2005. A comparison of our Status between FY 2004 and FY 2005 shows improvement in two areas and no improvement in a third area.

Due to the impact of Hurricane Katrina, all initiatives must be reworked. The following pages provide a brief description of each initiative, the current status of the management

program and explanations of our progress to "Get to Green." AFRH is implementing the PMA with the ultimate goal of improving performance and providing superior service.

Proper Methodology

The PMA measures the Government's progress toward these goals through the use of the Executive Branch Management Scorecard. Under each of the five standards, an agency is "green" if it meets all of the standards for success, "yellow" if it has achieved some but not all of the criteria and "red" if it has but one of a number of serious flaws.



“What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises.”

—President George W. Bush

AFRH Self-Assessed Status & Progress

Initiative	Status		Progress FY 2005
	FY 2004	FY 2005	
Human Capital	■	■	■
Competitive Sourcing	■	■	■
Financial Performance	■	■	■
E-Government	■	■	■
Budget and Performance Integration	■	■	■

■ The initiative is on track. ■ The initiative has barriers and/or issues. ■ The initiative is off track.

