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

To fulfill our nation’s Promise to its Veterans by providing a premier retirement community with exceptional residential care and extensive support services.

Guiding Principles

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

Inspire Excellence
We continuously work to improve our processes, services and delivery while striving for excellence in all we do. We expect excellence and reward it.

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

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.

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

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

Part 1: Introduction

Part 2: Management’s Discussion & Analysis

Message from the COO
The Mission to Promote
Vision, Mission & Principles
Strategic Goals
AFRH Structure
The Residents & Staff
2006 Performance Achievement Highlights
Performance Results
Performance Measurements
President’s Management Agenda
Special IT Feature
2006 Financial Summary
Letter of Assurance
Management Assurances
Controls, Systems & Compliance
Risk Management

Part 3: Performance

The Performance to Prosper
Strategic Goal 1: Financial Growth
Strategic Goal 2: Exceptional Service
Strategic Goal 3: Improved Processes
Strategic Goal 4: Learning & Growth
Strategic Goal 5: Culture of Integrity
The Volunteers to Praise

Part 4: Financial

Message from the CFO
Independent Auditors’ Report
Financial Statements
Notes
Supplementary Information

Part 5: Accompanying Information

Management Challenges
Inspector General’s Statement
Improper Payments
AFRH Community Service
Acronyms
Thank you

The Fiscal Year (FY) 2006 Performance and Accountability Report (PAR) is published by the Armed Forces Retirement Home (AFRH), Office of the Chief Financial Officer. For extra copies, an electronic version is available at: afrh.gov/files/pdf/afrhpar.pdf

Phone: 800.422.9988
Email: public.affairs@afrh.gov

Published in Washington, DC
November 15, 2006
Pete Carter was named the “Ageless Hero” for community service by the Mississippi Blue Cross/Blue Shield. At age 85, he shows no signs of slowing down. Pete lives life to the fullest – always cheerfully volunteering to help the residents and staff. “I am glad to report I don’t know what getting old is. I continue to feel like I am junior to the elderly,” he declared. Pete is a friend to Veterans, patriots and church-goes alike. He faithfully served America in WWII, in the Army’s 442nd anti-aircraft battalion – and again in the Korean War, as an Air Force Master Sergeant. Through it all, he’s won several medals, including the EAME Campaign Medal and a Presidential Unit Citation. His service to country didn’t end in retirement, either. Today, Pete’s an active member of 21 Veterans Service Organizations. Plus, he visits schools to teach kids the proper handling of the American flag and the importance of patriotism. The always-smiling Pete says: “To stay young, keep active. ‘My life is such a joy that it seems I’ll live forever. I cannot imagine otherwise.’”
Back in 1811, the leaders of our young nation made a Promise to care for its old, sick and disabled Veterans. This care would be repayment for the sacrifices they made in defending liberty. So, two homes were built: the US Naval Asylum in Philadelphia, PA in 1833 and the US Military Asylum in Washington, DC in 1851. Ever since, we have provided eligible residents with supportive care and a shared camaraderie. And we’ve done it all with the Veterans’ own money in the AFRH Trust Fund.

To this day, we are bound by law to uphold the original Promise … to preserve the heritage of the Home … and to take care of our own.

The Naval Asylum, beautifully situated on the Schuylkill River in Philadelphia. Watercolor: Augustus Köllner, 1847

Launching a Home in Philadelphia

The US Navy was the first Branch to care for retired military personnel. They mapped the concept after Britain’s Royal Hospital Chelsea built in 1662. The Navy acquired a site known as “The Plantation” – the country mansion of the prominent Pemberton family in Philadelphia. The scenic farmland surrounding the summer home overlooked the Schuylkill River, the Baronial Castle of the State Penitentiary, as well as quaint Girard College. At first, the Pemberton home served as a Naval Hospital from 1826-1833, during the construction of the actual Asylum. Then in 1833, a three-building facility opened with the latest principles of hospital design and private rooms for 400 military pensioners. The new complex included a library with over 2,000 volumes, a lovely chapel, plus many common rooms for dining and smoking and reading. Cards, backgammon, and other games were furnished and “inmates were at liberty to smoke as much as desired.” With the outbreak of Civil War in 1861, the need for additional hospital housing intensified when an influx of wounded strained the hospital wing’s capacity. So in 1864 and 1865, Congress appropriated funds to build a new hospital on the grounds of the Asylum.

By 1889, the name was changed to the US Naval Home. In the ensuing decades, many residents would obtain a leave of absence for a few months, or even a year at a time, to ship off during the summer months on yachts or coasters. Some remained inmates and found light employment outside in the workshops, or inside the building making mats and hammocks. Others were employed by the Government as quartermasters, inside watchmen, gatekeepers or mail carriers. By 1971, the Naval Home was designated a National Historic Landmark. All told, this Home served our seamen well for 143 years. But in 1976, a parcel of oceanfront land in Gulfport, MS was chosen as the location for a new and larger Home. This facility would become a retirement community for all Branches of the military to enjoy. Ironically, the site was the former Gulf Coast Military Academy, a preparatory school for boys. This 49-acre campus featured an outdoor swimming pool, an overpass to the beach and an 11-story multi-use resident tower. For 30 years, the proud Gulfport residents properly dressed for meals and routinely engaged in the congenial formalities of the south.
REINSTATING DIGNITY IN DC

Meanwhile in Washington, three persistent individuals spearheaded the Asylum for disabled Army soldiers: MS Senator Jefferson Davis (future President of the Confederacy in the Civil War), General Winfield Scott (celebrated war hero who was devoted to his troops) and Major Robert Anderson (son of a Revolutionary War hero and aide to Scott). All three envisioned a haven for old soldiers that would ensure their care – while restoring their dignity. But then, old soldiers were cast adrift with a tiny pension or none at all. In fact, a soldier’s pension was just $1 a year in 1790. This led many to rely on charity just to survive. So Anderson took a keen interest in the welfare of old and disabled soldiers. For years, he wrote resolutions and letter campaigns in lieu of ransacking. He quickly paid off his soldiers and hero, carrying $150,000 that was paid to him by Mexico City, to win support. After the Mexican War, Scott returned a winner, carrying $150,000 that was paid to him by Mexico City, to win support. After the Mexican War, Scott returned a hero who was devoted to his troops) and Major Robert Anderson (son of a Revolutionary War hero and aide to Scott). All three envisioned a haven for old soldiers that...
This time last year, our evacuees from the Gulfport campus were barely settled in at Washington. Those 351 weary survivors of Hurricane Katrina couldn’t help but feel uneasy. Their home on the Gulf Coast was badly damaged and its future was uncertain. To ensure a smooth transition, we’ve adjusted many DC services to accommodate the extra residents. Plus we’ve gone all-out to boost their spirits.

The Moment to Reflect

The Home at a Glance:

Location:
- Gulfport, MS (49 acres)
- Washington, DC (272 acres)
Trust Fund Balance: $146 million
Average Resident: 78 years old

Did you Know?

Major Amenities:
- Fitness Center
- Private Rooms & Showers
- Computer Center
- Full-Service Library
- Medical & Dental Care
- Free Hair cuts
- Walking trails
- 9-hole golf course
- Fish Ponds
- Hobby Shops
- 143 vehicles totaled by Katrina are finally removed from Gulfport grounds
- Three developers are chosen to submit redevelopment RFPs (per Washington Master Plan)
- The Gulfport residents’ personal items are packed for transport
- The AFRH Strategic and Corporate Business Plans are revised
- Information Technology (IT) Board is established at AFRH
- The renovated Health and Wellness Clinic opens in Scott Building
- DoD provides $89 million in post-Hurricane Katrina relief
- 20 Gulfport employees join the DC staff
- AFRH earns Federal security certification & accreditation for its IT Enterprise Network
- DoD social workers assess Gulfport residents for trauma
- Gulfport memorabilia & equipment is stored at Naval Construction Battalion (Seabee) Center
- DoD provides $45 million for Gulfport planning, design, renovation or construction
- The Home launches a redesigned website: afrh.gov
- Afghans, congressmen and others meet in the Pentagon to discuss MOA to rebuild Gulfport
- AFRH Strategic and Corporate Business Plans are revised
- Contractors are told to meet the MOA to rebuild Gulfport
- Volunteers clean the tower ground floor & remove additional debris from Gulfport campus
- AFRH and GSA officials visit Gulfport to begin rebuild process
- July-August 2006

Major Achievements FY06

- Gulfport evacuees are assimilated into Washington campus
- Extensive post-Katrina cleanup continues on Gulfport campus
- The renovated Health and Wellness Clinic opens in Scott Building
- DoD provides $91 million in post-Hurricane Katrina relief
- DoD and GSA officials visit Gulfport to begin rebuild process
- A reduction in force takes effect for the majority of Gulfport employees
- Public Services
- An enterprise Internet system is deployed for the staff
- DoD social workers assess Gulfport residents for trauma
- Transportation systems are redesigned to serve added residents
- An Indepedent Auditor gives an “unqualified opinion” to AFRH financial statements
- MS Power ultimately restores electricity to Gulfport, making our offices operational
- Repairs to fallen water tower are removed from MS campus
- AFRH notifies Gulfport staff of a reduction in force, effective six months post-Katrina
- A temporary mobile dental clinic serves all the additional Gulfport residents
- AFRH Strategic and Corporate Business Plans are revised
- AFRH and GSA officials visit Gulfport to begin rebuild process
- AFRH visits GSA SE region to discuss the Gulfport rebuild
- Navy Seabees build a new fence around the Gulfport campus
- Extensive post-Katrina cleanup continues on Gulfport campus
- AFRH submits Special Report to Congress, with plans for Gulfport + Supplementals
- Congress provides $65.8 million in Supplemental Appropriations:
  - $2.8 million for recovery expenses and DC-Assisted Living & Memory Support
  - $680,000 of new furniture is given to Scott & Pipes buildings
  - A temporary mobile dental clinic serves all the additional Gulfport residents
  - All personal items left in residents’ rooms during Katrina are prepared for packing
  - Volunteers steam clean the tower ground floor & remove additional debris from Gulfport campus
  - AFRH Strategic and Corporate Business Plans are revised
  - Contractors are told to meet the MOA to rebuild Gulfport

Situation

For two centuries, millions of young Americans have devoted their lives to defending this country. All along, the Home has been there to repay their service … to enrich their daily lives … to challenge their minds and bodies … and to provide supportive camaraderie. Now, the AFRH is on the brink of many breakthrough victories that will help provide even greater care to our heroes. For the Home and its residents, now truly is The Time to Thrive.
Back in 1924, eight-year-old Fay Steel won second place in a grade school potato race in Sommerville, TN. Little did he know that, 82 years later, he’d still be running races. But on Oct. 8th of this year, Fay competed in the Army Ten Miler. It drew 24,000 runners from around the world and Fay finished in 2:34.

“What about aches and pains? “Of course I have aches and pains. Been having them for the last 50 years! But that doesn’t stop me. I put one foot in front of the other and press on,” he said. Maybe he gets that perseverance from his 20-year career as a combat photographer. Steel joined the Army Air Corps in 1937 and served 10 years. Then, he moved over to the Air Force and served another 10.

“I shot still and motion pictures for the Army,” he said. “In World War II, I flew in 78 combat missions, mostly in B25s. In 65 separate missions, our plane was hit by enemy fire 30 times. Only once did anyone get injured,” he beamed. All told, Fay has set 19 world records, including the Tennessee state record for marathoners he ran at age 72, 73 and 77. Yet, Fay humbly acknowledged, All records are set to be broken.

Steel has lived at AFRH for 10 years. While the snow and chill of winter is just around the corner, it never stops him from getting in a run. “I don’t use treadmills, ever. I do all my running outdoors. And if it’s snowing, I plow right through it.”

What’s next for 90-year-old Fay Steel? The IRONMAN World Championship? “Well, I plan on being in next year’s Army Ten Miler, for sure. And if I find a race between now and then, I’ll enter,” he said.

Welcome to the AFRH. Since 1811, America’s Veterans have found safe haven here in retirement. Back then, the leaders of America made a Promise to safeguard our old and disabled soldiers. So, the leaders of this agency are vigilant in preserving that Promise – and the original Trust Fund that ensures the residents an affordable retirement.

Over the years, the Home has evolved into a modern retirement community, rivalling those in the private sector. We have made great strides transforming this agency, operating it more like a business. Plus, we have continually enhanced our programs and services to provide even greater care. Today, our staff is driven to nurture our country’s war heroes, providing them with enjoyable and stimulating programs. Because, after all, now is their time to thrive. This Report is a vehicle to celebrate our rich heritage and share our recent progress with the community. It also helps us meet various reporting requirements for US Government agencies. Best of all, this Report is an opportunity to tell the American people about the exciting changes that will soon be taking place at our fine facility.

At present, the AFRH is poised to prosper. Over the past year, we safely transferred 351 Gulfport residents to Washington in the wake of Hurricane Katrina. We boosted our DC services accordingly, while also drastically cutting costs. Plus, we made prudent investment decisions for the AFRH Trust Fund, which have greatly boosted its balance. And, with the fate of Gulfport hanging in the balance, Congress recently approved $236 million in Supplemental Funding for its rebuild.

Indeed, our recent success has put us in a very formidable position. Now is indeed the time to thrive – for this agency as well as its honored residents. So, now we march forward with a renewed resolve – eager to rebuild Gulfport and explore options for growth and expansion of the Home. Our ultimate goal is to create a dynamic, mixed-use network of military Homes. In short, “The AFRH of the Future.”

For now, this Report highlights major events from the last Fiscal Year (Oct 1, 2005 – Sep 30, 2006). Yet, it also examines the ongoing dynamic process that has transformed the AFRH. This all began in 2002 with the creation of our Vision, Mission, and Strategic Goals. These key drivers are reviewed annually and refined regularly. Our process continues with program planning, budget formulation, Congressional presentation and budget execution. Then, it all culminates each year here in the PAR.

In these pages, we will provide a detailed summary of our performance in FY05. We’ll outline our progress on goals, management and budget – while including detailed performance measures and financial statements. Further, we’ll feature our management’s challenges and the plans to overcome them – as well as future opportunities and the plans to leverage them. From all of us at AFRH, thank you for your support.

Part 2: Management’s Discussion & Analysis
This section is a broad overview of our performance featuring achievements, initiatives and resources. Plus it outlines our response to challenges, high-risk areas identified by staff and outside entities as well as our PMA progress.

Part 3: Performance
Here, we provide detailed progress toward the goals and objectives in our Strategic Plan and Performance Management Plan. Also, we describe actions the Home will take to meet the goals that have not yet been achieved.

Part 4: Financial
This part includes all AFRH financial statements to verify fiscal responsibility. Plus, we feature an in-depth audit of these statements by independent accountants (in accordance with government auditing standards).

Part 5: Accompanying Information
Finally, we will feature extra information to help round out this thorough report. This includes the Inspector General’s Statement, management Challenges, Improper Payments and a Glossary of Acronyms.