



Fiscal Year 2014
ARMED FORCES RETIREMENT HOME
Performance and Accountability Report

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General Winfield Scott was a revered leader who took reparations from the Mexican War and gave ample funds to his troops. The rest he gave to Congress with a petition to use the money to build a soldiers’ sanctuary for when they become old or disabled.

ABOUT THIS REPORT

The Armed Forces Retirement Home (AFRH) Performance and Accountability Report (PAR) provides programmatic and financial performance data for Fiscal Year (FY) 2014. Each year Federal agencies are required to report performance to Congress and the public. Such legislation includes:

- Accountability of Tax Dollars Act of 2002
- Chief Financial Officers Act of 1990
- Federal Financial Management Improvement Act of 1996
- Federal Managers' Financial Integrity Act of 1982
- Government Management Reform Act of 1994
- Government Performance and Results Modernization Act of 2010
- Improper Payments Information Act of 2002 (as amended)
- Office of Management and Budget Circulars A-11, A-123 and A-136
- Reports Consolidation Act of 2000

Through this report we share insight into the Home's rich heritage as well as our day-to-day activities while explaining the relationship between our objectives, costs and results. Further, to promote transparency and accountability we illustrate how we protect and manage the AFRH Trust Fund, the source of our funding, and demonstrate how those funds will continue to provide the best possible retirement home for eligible veteran Residents.

The FY2014 PAR is published by the AFRH, Office of the Chief Financial Officer (CFO). A version compliant with Section 508 of the Rehabilitation Act of 1973 is also available.

An electronic version is available at <https://www.afrh.gov/afrh/about/par/afrhentirepar14.pdf>.

Our retirement community not only provides somewhere to live but also the opportunity for eligible former military to continue to live full lives as they age.



AFRH-W is the original Old Soldiers' Home and site of President Lincoln's Cottage, an historic landmark.

Our slogan "***Time to Thrive***" repeats year after year to communicate that AFRH is a vibrant community dedicated to keeping our Residents as independent and viable as possible.

ABOUT THE COVER

Our exemplary healthcare services also assist in keeping the Residents healthy and dynamic. Many Residents volunteer to keep their Home in stellar condition. The AFRH Campus staff provides a full range of exercise, programs, travel and events that keep the Residents young in spirit and appeal to their varied interests.

Our cover highlights our Residents enjoying an active lifestyle through sports, intellectual activities and leisure opportunities. Living at AFRH truly means having a "***Time to Thrive***" for our Residents.





INTRODUCTION

This PAR covers events from October 1, 2013 – September 30, 2014 and has four Parts outlining how AFRH is succeeding and how our efforts benefit those who served America. Their dedicated sacrifices, combined with their payroll contributions to AFRH, have earned them a special place to call “home.” The Agency is delighted to report that we are providing our nation’s veterans with a superior retirement home.

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

Part 2—Performance: a detailed outline of AFRH Goals and Objectives. It showcases our achievements and our shortfalls.

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

Part 4—Other Information: a summary of the Financial Audit, the IG Statement, management challenges, improper payments, Freeze the Footprint and acronyms.

This report was prepared per Federal guidelines.

“All my time in the Army was worth it to come home to this.”

—John Sheppard (Army)

John served 23 years in the Army in transportation and tanks in Germany, Korea and Vietnam. Unfortunately, too many loud

explosions weakened his hearing but John still believes serving in the military gave him a home, an education and a new

life. “I wouldn’t trade anything for my time in the Army. It made my life what it is today.”



After retiring, John lived in Kentucky and then moved to the DC area to be near siblings. He discovered AFRH while driving a neighbor to VA hospital appointments. He visited AFRH-W and decided to move here in September 2013. John, a self-proclaimed “people person”, fit right in. “I have the best friends in the world here.”

John believes the bond of shared military experience sets the Home apart from other retirement communities. When not chatting with friends, John enjoys bowling, reading science fiction, exercising and walking. “I could not have a better life than I do now.”

AFRH MISSION

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

AFRH 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.

The Armed Forces Retirement Home (AFRH) is an independent agency in the Executive branch. AFRH provides residences and related services for certain retired and former members of the Armed Forces (24 U.S. Code 10, Subchapter 411). The Chief Operating Officer (COO) is the head of the Home and is subject to the authority, direction and control of the Secretary of Defense.

Established in the 19th century separately by the Navy and then the Army as “asylums” for aging former military, AFRH has evolved to a premier retirement community offering the latest in retirement home services and amenities for our current generation of military veterans. Today, AFRH has two locations in Gulfport, MS (AFRH-G) and Washington, DC (AFRH-W).



Ed Davis (Army, AFRH-W, Pearl Harbor Survivor) attends the annual observance at the World War II Memorial in Washington.

AFRH 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 U.S. 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.

MESSAGE FROM THE COO



**Armed Forces Retirement Home
Chief Operating Officer
3700 North Capitol Street, NW
Washington, DC 20011-8400**

The Armed Forces Retirement Home (AFRH) is a unique executive agency that provides retirement living for eligible former military service members. Fulfilling the 'promise' made in the 19th century by the Army and the Navy to care for their aging comrades, AFRH currently has two facilities (Gulfport, MS (AFRH-G) and Washington, DC (AFRH-W)) and is proud to have Residents from all branches of the military service (Army, Navy, Marines, Coast Guard & Air Force).



In fulfilling its duty to the people, the President, Congress and the Department of Defense (DoD); AFRH respectfully submits the Fiscal Year (FY) 2014 Performance and Accountability Report (PAR). We take pride in our comprehensive accounting for the funds managed by AFRH and the program financial results for the fiscal year. My perspective on the significant points detailed in our report is presented here.

AFRH reached a milestone in financial reporting as we earned our 10th consecutive 'unmodified' audit opinion on our financial statements. The financial and performance data in this report are reliable and complete in accordance with the Office of Management and Budget's guidance, and I have provided an unqualified statement of assurance regarding the agency's internal controls, as required by the Federal Managers' Financial Integrity Act.

AFRH has been steadily working towards a Person-centered Care environment to better serve our Residents. PCC is the ability to meet individual Resident needs, within budget constraints, in a home-like environment. AFRH embarked on the PCC approach to senior living in 2010 with the opening of our modern Gulfport facility and took another major step forward in 2013 when the Washington, DC new Scott Building opened. Both of these facilities are energy efficient and handicap accessible while providing updated amenities, state-of-the-art Wellness Clinics and small house concepts for our healthcare Residents. The opening of the DC Scott Building allowed us to reduce our footprint by mothballing our older healthcare facility and provided cost avoidance opportunities.

AFRH has achieved our vision of modern, energy efficient, enhanced facilities at both locations to meet the needs of current and future generations of veterans. With our major construction projects behind us, our FY2014 focus was on our operations: The Joint Commission accreditation, our AFRH-W Master Plan implementation, our partnerships and further energy saving opportunities. AFRH is working with the Department of Energy Federal Energy Savings Performance Contract (ESPC) program and has selected an ESPC contractor to assess areas for further energy initiatives in response to the President's Performance Contracting Challenge. AFRH, working with the ESPC contractor, has identified several areas for potential energy saving opportunities. I believe this program will assist AFRH in further reducing our utility costs particularly in our AFRH-W Sheridan Building.

KEY 2014 ACCOMPLISHMENTS

Maintaining High Resident Satisfaction: The 2014 Resident satisfaction survey shows overwhelmingly our Residents are satisfied living at AFRH. AFRH staff and contractors are committed to enhancing Residents' quality of life and addressing concerns. Resident input is gathered through Town Hall meetings, Focus Groups, Q&A Sessions and Resident Advisory Committee feedback.

The Joint Commission Accreditation: In 2014, AFRH sought TJC accreditation for the first time to supplement our current Commission on Accreditation of Rehabilitation Facilities (CARF). TJC accreditation surveys for ambulatory care and nursing care were completed in September 2014 with accreditation being awarded for both Campuses in early FY2015. This accomplishment was achieved because of our dedicated staff and ensures our Residents the highest level of care. In FY2015, we will focus on preparations for TJC Home Healthcare accreditation when our Independent Living Plus Pilot program becomes a permanent level of care.

Major Cost Savings: After years of planning and preparation, AFRH closed the AFRH-W Heating Plant in November 2013. Constructed in 1906, this handsome brick structure served as the main utility building for more than a century providing heat and hot water to the AFRH-W Campus. Modern advancements in energy systems, as well as the Home's ongoing efforts to reduce the AFRH-W operational footprint, eliminated the need for a central plant of its size. The functions of the Heating Plant have been replaced by a new, more efficient system resulting in significant cost savings.

Operations Streamlined: Having shaped our two Campuses into similar configurations for maximum efficiency and Resident populations, we are continuing to improve our processes and reduce costs. With the focus on financial streamlining and watchful management of our budgets, we are able to absorb the FY2015 6.5% budget reduction while maintaining quality service and care.

OPPORTUNITIES AND CHALLENGES

Trust Fund Solvency: Our most pressing challenge is to replenish the balance in our self-sustaining Trust Fund which has declined because of an unplanned reduction in our largest revenue source—Fines & Forfeitures. Our most promising opportunity to increase revenue is from the leasing of 77+ underutilized acres in Washington, DC which will assist in bringing our Trust Fund balance back to acceptable levels.

AFRH IG Challenges: The 2013 AFRH Inspector General challenges emphasized the need to promote economy, efficiency and effectiveness in the administration of our programs during 2014. Emphasis on identifying and implementing cost-saving initiatives and operating within mandated budget reductions was highlighted as a way to promote Trust Fund solvency. Added attention was recommended to enhance controls in our technology environment and in our healthcare delivery systems. Some of our IT challenges span years but annually we see incremental progress in every area.

AFRH is moving forward with our AFRH-W Master Plan to lease 77+ acres of underutilized land. The plan, originally approved in 2008, has been on hold until the local real estate market recovered. AFRH, working with the General Services Administration (GSA), is soliciting a ground lease which will provide an additional revenue source to support our Trust Fund. AFRH, working with GSA and United States Army Corps of Engineers (USACE), expects to gain maximum benefit from the development of our property. The Request for Proposal is scheduled to be released in December 2014.

FY2014 was a remarkable year for AFRH. Our dedicated staff enabled us to meet, and in many instances, exceed many of our milestones and targets. As AFRH has provided thousands of deserving veterans a retirement community for almost 200 years, AFRH is poised to continue our legacy of serving our current Residents as well as future generations of military veterans.

Sincerely,



Steven G. McManus, COO

November 17, 2014

2014 HIGHLIGHTS

CORPORATE

FY2014 Agency initiatives focused on greater efficiency and effectiveness including:

Managing the Government Furlough—

This major challenge was handled adeptly by AFRH staff with no impact on the health and welfare of AFRH Residents. The AFRH COO and managers carefully reviewed services and made appropriate adjustments to non-essential services and activities. For the first time in 56 years, the AFRH-W Antique Car Show was cancelled and AFRH-G did not participate in the Cruisin' the Coast Auto Show since both were scheduled during the furlough period.



AFRH-G Residents showed their appreciation for the return of government employees after the October 2013 shutdown.

Leadership Training—To improve staff cohesion and better team productivity AFRH Corporate and Campus managers participated in teambuilding workshops. These teambuilding workshops and activities improved management interaction, strengthened communication, addressed concerns and further opened discussion on interpersonal relationships. Managers rated the teambuilding workshops as highly successful.

Key Personnel Vacancies—The AFRH COO successfully filled key vacancies including the AFRH CFO, AFRH-W Administrator and several healthcare management positions. These Agency and Campus leaders brought a new spirit of innovation and creativity to the AFRH organization.



AFRH-W's Acting Chief Medical Officer Dr. Deborah Stein loves working with our Residents.

Employee Individual Performance Plans—

In FY2014, AFRH worked to link individual employee performance to AFRH strategic goals through annual employee Individual Performance Plans (IPP). This linkage strengthens employees' understanding of their responsibilities to support AFRH in meeting our strategic goals.

Leasing Underutilized Space—As a source of increasing Trust Fund Revenue, AFRH is working with our DoD leadership and the U.S. Army Corps of Engineers (USACE), to lease AFRH-W underutilized property. These efforts resulted in identifying and developing a lease with a DC charter school to occupy part of the Sherman Building. The school began designs for remodeling and will open in September 2015.

Information Technology—AFRH continued to improve communications and expand electronic data sharing. The use of Cloud technology, video teleconferencing and an upgraded Electronic Medical Record (EMR) system were all part of AFRH IT upgrades. Our new video teleconferencing capability supported enhanced participation at staff meetings and reduced travel to attend key meetings.

CAMPUS

Both AFRH Campuses continue to expand their reoccurring Resident activities. Some FY2014 noteworthy events are highlighted below:

The Joint Commission Accreditation—

Throughout FY2014, AFRH prepared for The Joint Commission (TJC) accreditation survey. TJC is an independent, not-for-profit organization that accredits and certifies more than 20,500 healthcare organizations and programs in the United States and is recognized nationwide as a symbol of quality reflecting an organization's commitment to meeting certain performance standards.

During September 2014, both AFRH facilities were surveyed by TJC and found to be compliant with TJC standards. AFRH-G received its accreditation in October 2014, and AFRH-W received its accreditation in November 2014, meeting one of our major performance metrics.



AFRH-W staff rejoices at the completion of their TJC Accreditation survey.

National Capital Region Honor Flight—

For many years World War II veterans from across the U.S. have been traveling to DC to visit the World War II Memorial. In April 2014, AFRH-W hosted the first Capital Region Honor Flight where 12 AFRH World War II veterans joined other local veterans to visit the World War II and other national memorials. This daylong event provided veterans with the unique opportunity to experience a day of honor and camaraderie.



AFRH Residents participate in the first National Capital Region Honor Flight for local World War II veterans.

At the Arlington Cemetery Tomb of the Unknown, veterans were honored with a special wreath-laying ceremony by Major General Jeffrey Buchanan, Commander of the Military District-Washington. More than 100 Residents, family members, active duty service members, Friends of the Soldiers' Home and staff members greeted them upon their return.

World War II Veterans Japan Visit—

In April 2014, AFRH Residents from both Campuses traveled to Japan as guests of a Japanese friendship organization. AFRH World War II veterans participated in a Japan / United States World War II veteran's friendship softball game and toured Japan. The softball game was held in a park adjacent to the 1945 nuclear bomb detonation, and in remembrance, participants wore white hats to symbolize peace. For some of our Residents, it was their first opportunity to visit Japan since their post-World War II tours of duty in the Pacific.



Japanese and American veterans play ball.

AFRH-W Power Plant Closure—After 107 years of continual operations providing hot water and heat for the AFRH-W Campus, the AFRH-W Power Plant ceased operations on October 4, 2013. Modern energy alternatives and cost efficiency necessitated this change and resulted in a significant utility savings.



The 'old' Power Plant stands the test of time.

Military Health Partnerships—AFRH-G renewed Secretary of the Air Force Designee Status for non-beneficiary AFRH veterans providing non-retired AFRH-G Residents the option to receive healthcare at Keesler Medical Centers. AFRH-W Residents also have the same privileges at Walter Reed National Military Medical Center (WRNMMC). The support of Kessler AFB and WRNMMC ensures AFRH Residents have access to specialty care.

Sergeant Major Battaglia's Christmas Message to the Troops—Sergeant Major Bryan Battaglia, Senior Enlisted Advisor to the Chairman of the Joint Chiefs of Staff, became the first Senior Enlisted Advisor to broadcast his annual military forces holiday message from AFRH-W. AFRH Residents were honored to be part of SMG Battaglia's annual holiday message and send holiday greetings to the troops.



SGM Battaglia meets with the COO during recent Advisory Council Meeting.

AFRH-W Time Capsule—During the earthquake repairs to the historic AFRH-W Sherman Building, a time capsule from 1898 was discovered in one of the Sherman towers. The time capsule was inspected, protected from further damage and sealed in its original tower location. This unknown piece of history sparked the imaginations of the Residents who decided to continue this tradition. The AFRH-W Residents created a time capsule representing their life at AFRH-W. The time capsule will be placed in the Scott Building.

Items selected by the Residents for inclusion:

- AFRH-W Director's Coin, 2012 Infantry Soldier Silver Dollar, Vietnam Veterans Memorial Fund Coin and \$2 Bill
- Colonel Paul R. Goode's book on the history of the Home
- 2012 Commemorative Presidential Campaign Photograph of President and First Lady Obama
- November 7, 2012 *Washington Post* Front page and March 3, 2013 *Washington Post Gazette* article on the Home
- Current photographs and aerial map of the AFRH-W Campus
- February 28, 2013 AFRH Communicator Newspaper, AFRH's *Mindful Care, Meaningful Living* published November 15, 2012, and AFRH-W November 23 – December 6, 2013 Calendar of Activities
- Residents List dated March 15, 2013



The AFRH time capsule has Colonel Goode's book on top.

New Putting Green Donated by Private Partner—Taco Bell, a new AFRH-G partner, provided a \$25,000 donation to install an outdoor putting green, new swings and a park bench to enhance our AFRH-G grounds. These improvements were identified by the Residents as their recreation priorities, and Taco Bell generously met the Residents’ needs.



AFRH-G Residents enjoy a tournament on the new putting green.

Nation of Patriot Tour Flag Transfer—The Harley Davidson Group (HOG) Nation of Patriot tour, organized in 2009, passes the very foundation of our country, an American Flag, through the 48 states in 100 days to pay tribute and honor America’s Armed Forces – Past, Present and Fallen. Each night the Flag “rests” at its location before being passed to the next rider for its next day journey by one of the HOG Nation of Patriot riders. In FY2014 the group, escorted by the Gulfport Police Department, visited AFRH-G as part of its Patriot Tour. After a Memorial Pool Flag Transfer Ceremony, the HOGs toured the facility and visited with Residents. AFRH-G Residents enjoyed the beautiful motorcycles and were honored to be recognized in this annual tour.



About 80 HOGs were present to transfer the 2014 Patriot Tour Flag to AFRH-G.

AFRH-G "Super Heroes"—The Ringling Bros. and Barnum & Bailey Circus came to town in July. On July 4th, during a special “Super Heroes” themed performance, AFRH veterans were introduced and recognized as "Super Heroes" for their service to our country. Wearing "Super Hero" capes, they enjoyed the circus from their front row seats.



AFRH-G Resident Bobby Harris has a wonderful time at the circus.

In addition to acknowledging that our AFRH-G Residents are “Super Heroes”, the Ringling Bros. and Barnum & Bailey Circus presented a unique homemade flag created with children from Keesler AFB and brought several performers to the Home, including the ringmaster, to meet and greet Residents and provide photo opportunities.



One of a kind quilt made by Keesler AFB children and Ringling Bros. and Barnum & Bailey Circus providers.

AFRH PARTNERS

To enhance and diversify services for Residents, AFRH expanded its community and business partnerships. With an eye toward improving care and increasing visibility, AFRH partnered with military groups, local businesses, government officials, volunteers, neighbors and civic leaders. Neighbors, associates and supporters have discovered AFRH and are engaging with its history and Residents. These liaisons strengthen the entire AFRH community, provide additional services and enhance our recreation activities.

Volunteers, providing more than 9,000 hours in FY2014, assist, enliven, entertain and support our Residents. Active duty military members as well as members of churches, schools, community groups, military organizations, Veteran Service Organizations, retail businesses, scouts, government organizations and the local community contribute to the vast number of AFRH volunteer hours and bring an extensive array of talents and skills.

THE MILITARY SERVICES



ARMY

Army volunteers actively participate at both facilities to support the Residents. At AFRH-G the 41st U.S. Army Band performed to the delight of Residents, and other Army units have participated in their service birthday activities. At AFRH-W, Army Capabilities Integration Center and Ft. Meade U.S. Army Signal School Detachment assist with Recreation Therapy as requested. Walter Reed National Military Medical Center in the Washington area is a staunch ally in providing quality healthcare to AFRH-W Residents.



**Guest Speaker
CSM Shawn Jones
celebrated the
Army birthday at
AFRH-W.**



NAVY

Navy active duty members participate on both Campuses and annually celebrate the Navy birthday. Former Navy personnel, like those who dedicated a memorial bench in Gulfport to the USS Indianapolis (CA-35) and the Navy Cruiser Sailors Association, eagerly donate their time and energy.

The Navy Seabees have a rich history with AFRH-G that dates back to its Naval Home days. Seabees provide an immeasurable amount of time lending a hand with moving, packing, building, encouraging and socializing with AFRH-G Residents. The Navy Seabees also support AFRH-G during hurricane operations ensuring the safety of AFRH Residents who cannot be evacuated.



Local area Seabees, always eager to lend a helping hand, completed the rebuild of a bridge on the AFRH-G property.

At AFRH-W, the Naval Air Facility Washington, Naval Sea Cadets - Mooberry Division, Navy Cyber Warfare Development Group - CPO 365, Navy Information Operation Command, Maryland and Defense Information School - Navy Detachment are among the many Navy volunteers who help with bowling tournaments, cookouts and intergenerational activities.



MARINES

From birthday celebrations to presentations and activities, the Marine Corps proudly provides assistance and support to AFRH Residents at both locations. At AFRH-G, the Mollie Marines, a women volunteer non-profit organization dedicated to upholding the Marine Corps tradition, assist the Residents with programs and activities. The Marine Corps Detachment at Keesler Air Force Base visits AFRH-G on a continual basis providing assistance wherever it's needed.

In Washington, MGYSGT William Mahoney was the guest speaker for the Marine Corps birthday celebration in November 2013, and for the second year in a row, the Headquarters Marine Corps interviewed the AFRH-W Marine Corps Residents including these interviews in the Commandant's birthday message.



The Keesler Air Force Base Marine Corps Detachment presents colors to open the Community Day activities on Veterans Day.



AIR FORCE

Keesler Air Force Base (KAFB), AFRH-G's closest Air Force neighbor, regularly supports activities and events at AFRH-G and provides healthcare services for AFRH-G Residents. Air Force volunteers generously give their time to assist with various programs at both Campuses. The 11th Wing - Andrews AFB, 1st Airlift Squadron Joint Base Andrews, Air Force Office of Special Investigations and Air Force Surgeon Generals Enlisted Voice are among the many Air Force units that lend a hand at AFRH-W. Air Force volunteers helped celebrate both Christmas and the 4th of July at the Home.



COAST GUARD

For the 10th year, over 50 Coasties spent a cold day in May cleaning, painting and interacting with Residents to prepare the AFRH-W Fishing Pond area. The Coast Guard AFRH-W Pond Project is essential to preparing this Resident area for the spring / summer and ensuring a safe, pleasant environment for the numerous Residents and guests who enjoy our Fishing Ponds and is just one of many examples of the Coast Guard's support at AFRH. At AFRH-G, active duty Coast Guard personnel participate in the service birthday parties and other special events.



Each year U.S. Coast Guard volunteers clean up the AFRH-W Fishing Ponds as one of their ongoing service projects.



Volunteers from Andrews Air Force Base spread holiday cheer to Residents of AFRH-W.

AFRH FRIENDS

The social network, Facebook, has seen its membership for the 55 and older population grow at an amazing 86% in the past year. Recognizing that Facebook is becoming the most popular social network for our target audience, AFRH launched its official Facebook page in March 2014. After only six months, AFRH had already gathered over 1,100 friends.



The AFRH Facebook page provides public releases about our Residents programs and allows interested eligible veterans to request information about becoming an AFRH Resident.

In addition to our local and nationwide partners, AFRH has strong partnerships with the government of South Korea, the Royal Military Asylum (Chelsea, Great Britain) and Japanese veteran friendship groups.

AFRH-W has two special groups who provide historical and community support: the Friends of the Soldiers' Home (FOSH) and President Lincoln's Cottage (PLC).



FOSH is a local neighborhood group formed solely to bring the local neighborhood and AFRH Residents together. This year FOSH marked its 100th AFRH-W volunteer event. In FY2014, 142 AFRH-

W neighbors volunteered at one of the FOSH sponsored events.

FOSH's vision of better connecting the Home with the surrounding community began with a handful of neighbors getting together informally in November 2011. Now the group hosts multiple community events with a wide variety of volunteers.



AFRH Residents Gwen Hendly, George Brewer and Charles Felder pose with Northrup descendants.

A Lincoln

PRESIDENT LINCOLN'S COTTAGE AT THE SOLDIERS' HOME



Designated as a National Landmark, President Lincoln's Cottage (PLC) is located at AFRH-W and operated by the National Trust for

Historic Preservation in the United States. PLC works in collaboration with AFRH-W hosting events and sharing its historic displays with our Residents. For the third straight year, PLC held the popular Family Day event that is enjoyed by Residents and the local community.

Through this partnering, AFRH-W enjoyed a special screening of **12 Years a Slave** and hosted three direct descendants of the author, Solomon Northrup, who provided a

spellbinding presentation about the author and his family.



AFRH SNAPSHOT

FEDERAL AUTHORITY:

AFRH Act of 1991, Public Law 101-510
(as amended)

HEADQUARTERS:

AFRH Corporate Headquarters
Sherman Building, Washington, DC

RESIDENT CAMPUS LOCATIONS:

Beach Drive, Gulfport, MS;
(approximately 40 acres)
N. Capitol Street NW, Washington, DC;
(272 acres)

AVERAGE RESIDENT AGE:

82 Years Old

FUNDING SOURCES:

Congressional and Executive Branches
Authorizations and Appropriations from a
Government Held Trust Fund fed by Resident Fees,
Active Enlisted Military Withheld Pay, Fines and
Forfeitures, Investment Income and Gifts & Estates

TRUST FUND BALANCE:

\$57 Million

GENERAL SERVICES:

Private Rooms & Showers
Medical, Dental, & Vision Care
Dining Facilities
Senior Activities & Programs
Recreational Activities
Shuttle & Public Transportation

CARE LEVELS:

Independent Living (IL)
Independent Living Plus Pilot Program (ILP)
Assisted Living (AL)
Memory Support (MS)
Long Term Care (LTC)

RESIDENT CAPACITY:

	IL/ILP	AL	MS	LTC	TOTAL
AFRH-G	522	18	24	24	588
AFRH-W	448	60	24	36	568
TOTAL	970	78	48	60	1156

MAJOR AMENITIES:

6-lane Bowling Centers
9-hole Golf Course (AFRH-W)
Community Activity Rooms
Computer Centers
Fish Pond (AFRH-W)
Fitness Centers
Full-service Libraries
Hobby Shops
LifeTrail® Course
Media Room
Direct beach access (AFRH-G)
Swimming Pools
Walking Trails





Part 1: MANAGEMENT'S DISCUSSION AND ANALYSIS

AFRH ORGANIZATION

LEGACY

Originally conceived in 1811 and then established in 1834, the U.S. Naval Asylum became the first shelter of its kind for enlisted men who had served their country. In 1851 the Military Asylum (later named the U.S. Soldiers' and Airmen's Home) was created for Army veterans. Since the 19th century both Homes have cared for thousands of eligible aging military veterans.

Although the Home has changed from its early days as an asylum, one constant remains—all Residents have served in the military for our country and share the common experiences of defending our freedoms, land and military heritage. Each Campus has a Hall of Honor celebrating our legacy, preserving our military history and honoring those who served.



Historic Biddle Hall, Philadelphia, PA, home of the U.S. Naval Home circa 1834.



Views of the Washington U.S. Soldiers' Home circa 1896.

The Naval Home in Philadelphia and the Old Soldiers' Home in Washington were self-sufficient in the 1800s. All 'inmates of the asylum' were expected to work and contribute to the daily operation of a large farm that supplied all their needs. Through the 1900s and after World War II, the asylums evolved into retirement homes. Today, the Homes are model retirement facilities offering top-notch programs and services parallel to what is offered in the private sector.

AFRH ORGANIZATIONAL STRUCTURE

Today, two Homes form AFRH which is an independent agency in the Federal Executive Branch (established under 24 U.S.C. Chapter 10). AFRH facilities are classified as Continuing Care Retirement Communities (CCRC), offering increased levels of care as our Residents' needs progress. Our facilities have residential amenities similar to many private retirement homes and provide Resident medical care services (medical, dental, psychiatry, and podiatry).

The AFRH mission is to fulfill our nation's commitment to its veterans by providing a premier retirement community with exceptional residential care and extensive support services. Since its inception, AFRH's hallmark has been to provide supportive care and shared camaraderie as well as an affordable, comfortable and secure retirement.

CORPORATE

AFRH Corporate, headed up by the Chief Operating Officer (COO), oversees the two facilities managed by Administrators. The COO and his experienced Corporate staff develop overarching policy / procedures and provide oversight of AFRH programs and services.

The Administrators, following direction from the Agency, independently manage the operations of the modern, full-service residential senior living facility. The Corporate staff implements strategic decisions that advance the organization as well as provides effective communications that keep Congress and constituents informed.

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 Undersecretary of Defense (Military Community and Family Policy).

CAMPUSES

Each Administrator operates a full-service retirement community, making tactical operational decisions, managing his or her facility and satisfying local Resident requirements. Administrators report directly to the COO. Campus staff members provide programs, activities, services, healthcare and support for residential living.



"I wanted a secure place where people have a common bond."
—Nancy Dickson (Army & Air Force)

At age 21, Nancy enlisted in the Woman's Army Corps (WAC). Later she joined the Women's Air Force where she spent a year in Thailand working in combat operations during the Vietnam War. "We had F-105 fighters flying missions out of there, and I never knew if the pilots were going to return or not. Fortunately they all made it back."

Nancy also spent several years stationed in Germany and was able to travel all around Europe and Turkey.



After retiring from the military in 1984, Nancy took advantage of the GI Bill and went back to college. She earned a master's degree in Human Resources and worked at various offices in Alabama. Her career came full-circle when she became a training instructor at Laughlin Air Force Base for the female squadrons and an Air Force recruiter for several years.

Nancy has lived at AFRH for three years and enjoys traveling on our Resident bus trips and attending ice cream socials.

EXTERNAL SUPPORT



AFRH Advisory Council—The AFRH Advisory Council provides guidance and recommendations to AFRH on the administration of the

Home and the quality of care provided to Residents. Membership on the Advisory Council is stipulated per Federal legislation and includes AFRH staff, DoD leadership, local Veterans' affairs representatives and former military. Advisory Council members attend two annual meetings and the Board prepares and posts an annual report, which is available at <https://www.afrh.gov/afrh/>.



Colonel John Spain, Chief of Staff, U.S. Army Walter Reed National Military Medical Center, leads the June 2014 Advisory Council meeting.



AFRH Medical Staff deliver Person-centered Care to all Residents.



Defense Health Agency (DHA) AFRH Senior Medical Advisor (SMA)—The

Deputy Director of Defense Health Agency (DHA) is the SMA for AFRH medical matters as required by 24 U.S.C. 10 and by Department of Defense Instruction (DoDI) 1000.28.

The DHA SMA supports AFRH in many healthcare areas by ensuring timely availability of care for Residents, compliance with accreditation standards, applicable healthcare requirements, assisting with interviews in key healthcare vacancies and visiting both facilities to review the medical facilities, medical operations and records.

The SMA reports findings and recommendations to the COO, the Advisory Council and the Under Secretary of Defense (USD) for Personnel and Readiness (P&R).

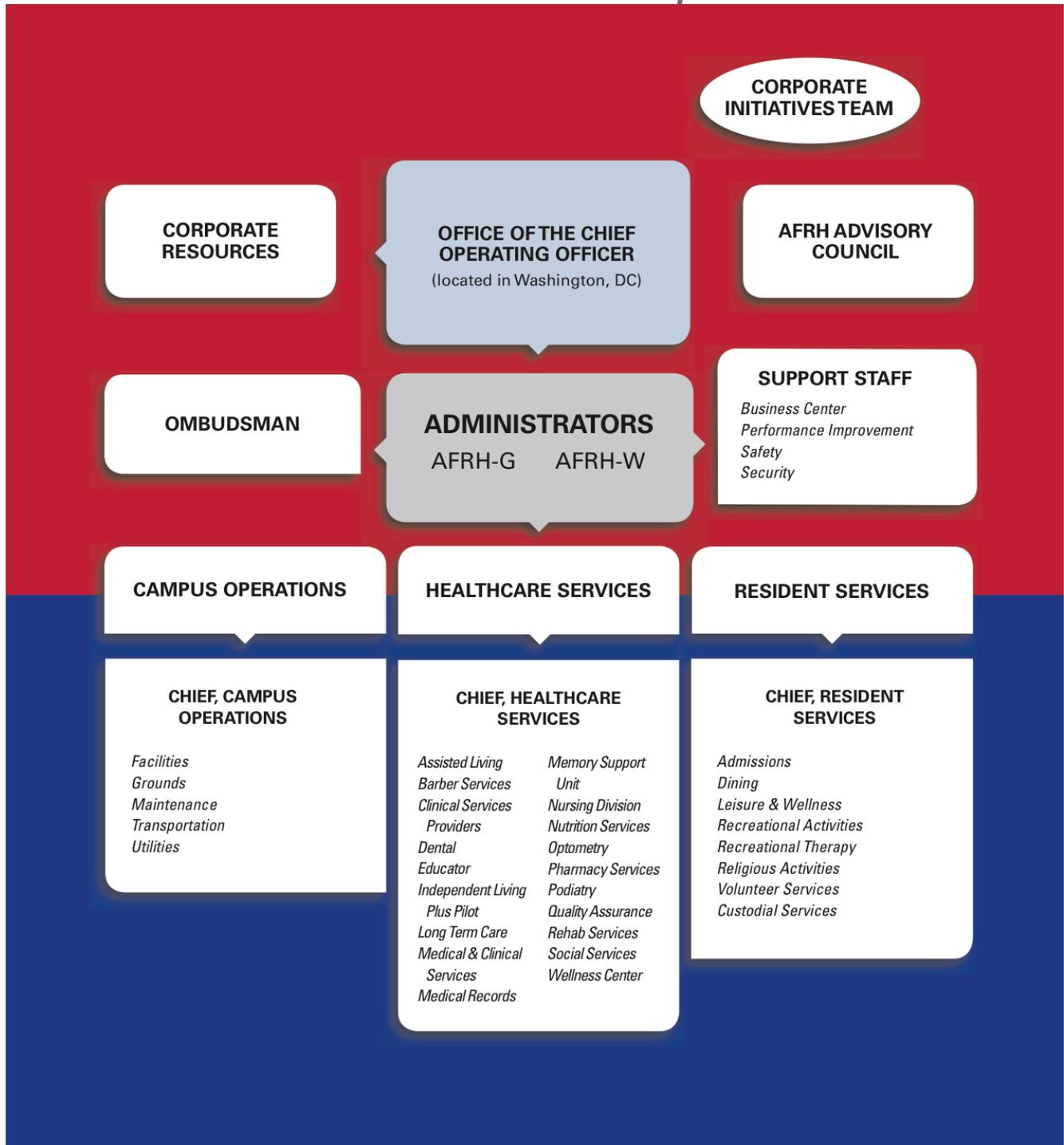


Mr. Allen Middleton, Deputy Director of DHA, and Major General Richard Thomas, Director of DHA Healthcare Operations Directorate, listen as Ms. Lynn Holt, AFRH-W Rehabilitation Services, explains the services that we provide to Residents.

ORGANIZATIONAL CHART

The AFRH Corporate level (red on the chart) guides the entire agency under an equivalent structure known as the "One Model". The "One Model" translates to having the same staffing, policies, procedures and standards of care at each site (blue on the chart). Both Campuses provide comparable state-of-the-art amenities and similar staff configuration. Each facility delivers the same high levels of care in two comparable environments while recognizing the unique needs of its Resident population.

The AFRH One Model for Operations



LOCATIONS

AFRH has two locations, one in Gulfport, MS (AFRH-G) and one in Washington, DC (AFRH-W). Both AFRH Homes have evolved from institutions into comfortable and accessible homes for today's retired veterans. Each community has its own character reflecting the input of its Residents. Both Homes have modern facilities, offering full services and a small house concept in upper levels of care. The small house concept in upper levels of care contributes to AFRH's person-centered vision by meeting individual Resident needs in a home-like setting.



AFRH-G is on the Mississippi Sound with unobstructed views of the beach from all rooms.



GULFPORT, MS

The AFRH-G facility is located on approximately 40 acres of prime waterfront land on the Mississippi Sound. The resort towns of Gulfport and Biloxi as well as Keesler Air Force Base

and other government facilities are in close proximity. The Gulfport community has been home to former enlisted, limited duty and warrant officer service members since 1976 when the Naval Home relocated to Gulfport from Philadelphia, PA.

A new energy-efficient and modern facility opened in 2010 after the original building was severely damaged by Hurricane Katrina in 2005. The new building was designed to withstand Category 5 hurricane-force winds and was tested in August 2012 during Hurricane Isaac with damage being limited to some outside shades.

The new building features a multi-tower complex with all five levels of care under one roof. Full amenities include dining, social, recreational and therapeutic activities. AFRH-G Campus amenities include a swimming pool, hobby shops, a wellness center with general practice medicine and basic dental and eye care, a bank, a barber / beauty shop, a putting green, bowling areas, a community room / movie theater, a computer room, a library and a private walkway to the beach.

The AFRH-G Residents are energetic and have put their stamp on the home with military memorabilia and beautification projects. They enjoy close relationships with military, government, civilian and business associates in the area.

During 2014, AFRH-G Residents completed several key landscaping improvements on the property. Gardeners and plant enthusiasts heartily engaged in planting new trees, wild flowers, flowerbeds and adding flower boxes. As in past years, the Residents' vegetable gardens flourished.

See more about AFRH-Gulfport online at <https://www.afrh.gov/afrh/gulf/gulfcampus.htm>.



Andy Lemstra (Army, AFRH-G) enjoys spending time growing many vegetables such as tomatoes and habanero peppers.



WASHINGTON, DC

The AFRH-W is located atop a hill on 272 acres in the heart of our nation's capital. The AFRH-W Campus has been home to thousands of former enlisted, warrant officer and limited duty officer service members since 1851. AFRH-W has many historic buildings including President Lincoln's Cottage, the Sherman Building (which served as one of the original dormitories), former military leaders' quarters, and the stately Grant Building. In the 19th century Residents wandered through cow pastures; today, those same fields are now our golf course. Residents have a breathtaking view of the U.S. Capitol and the Washington Monument from the Scott Building.

The AFRH-W has full amenities including an indoor swimming pool, hobby shops, a wellness center with medical care, a credit union, barber / beauty shop, a bowling center, a community room / movie theater, computer rooms, a library, and a 9-hole golf course / driving range.

AFRH-W Residents are active in ensuring the Washington facility reflects their heritage and personality. They have contributed their military memorabilia, and their artistic creations fill the halls of several buildings with paintings depicting military events and campaigns created by Residents.



On Family Day in September 2014, Civil War reenactors set up an encampment in front of President Lincoln's Cottage.

In 2014, several major landscaping projects were completed including newly planted trees, shrubs and flowers which blossomed into a comfortable and inviting space for Residents to enjoy. Residents gather on a daily basis, and a sense of calm and tranquility has been created. This newly established historic quadrangle is used for many public events and celebrations.



In summer, AFRH-W's historic quadrangle blooms in front of the Scott Building.

The Residents Landscape Committee designed a backyard recreation area to provide additional outdoor space for the Residents complete with a bocce court, shuffleboard, a basketball hoop, a horseshoe pit, a barbecue grill and picnic tables. This area was completed in time for the Residents to enjoy during the fall and is a popular area for Residents and their guests.

The "Lady Sheridan" Residents, working with the AFRH-W Recreation staff, have also been busy creating a more home-like entrance to the Sheridan Building. These Residents established and maintain a new flower area in the main lobby creating an inviting entrance for our Residents and their guests.

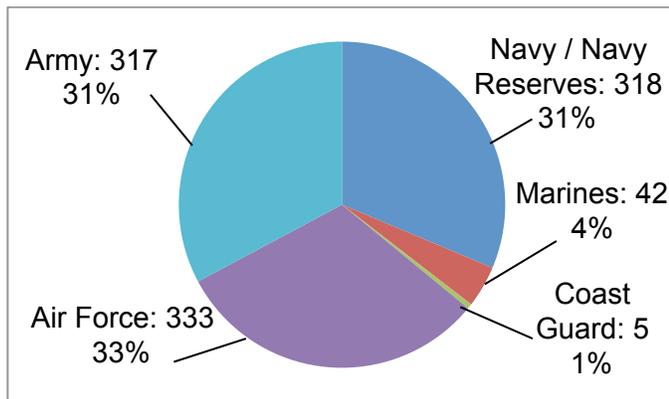
See more about AFRH-Washington online at <https://afrh.gov/afrh/wash/washcampus.htm>.

RESIDENT PROFILE

AFRH Residents hail from all over the United States and share common military experiences. Most Residents are returning to a military community for the first time since leaving service. As is true for active duty military communities, each Campus has an Ombudsman who works closely with Residents to ease their transition. Both facilities have a Resident Advisory Committee (RAC) which provides ideas and feedback from the Residents to the Administrator. The RAC is key to our guiding principal—Person-centered Care (PCC).

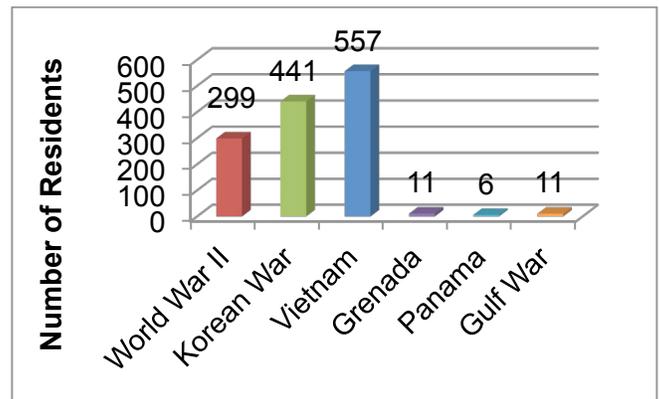
RESIDENT BRANCH OF SERVICE

The Army, Navy and Air Force are almost equally represented among AFRH Residents, which is the same division of services as in 2013. In 2012, AFRH welcomed our initial Coast Guard Residents who became eligible for entry into the Home for the first time.



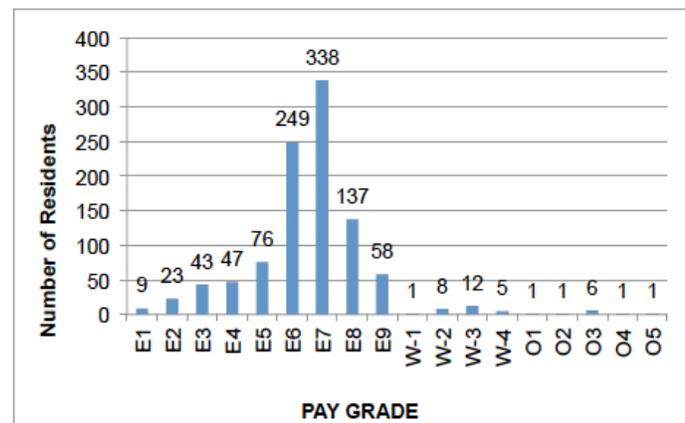
RESIDENT WAR THEATRE SERVICE

AFRH Residents have served in all U.S. military campaigns since World War II with the Vietnam Conflict representing our largest number of current Residents. Since many Residents have served in more than one conflict, where applicable, the chart below shows Residents in multiple categories.



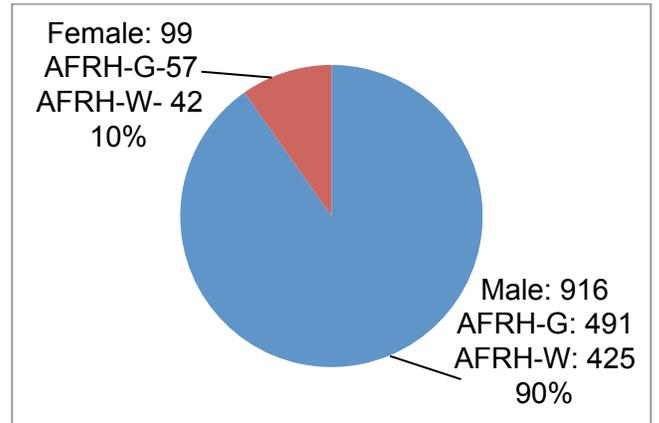
RESIDENT PAY GRADE

To live at AFRH, Residents must have served at least half of their military service as either enlisted, Warrant Officer or Limited Duty Officer. The majority of our Residents attained the rank of E-7 (343) during their military career.



RESIDENT GENDER

Since the establishment of both Homes, the majority of Residents have been male; however, the percentage of female Residents has been slowly growing.



RESIDENT ELIGIBILITY

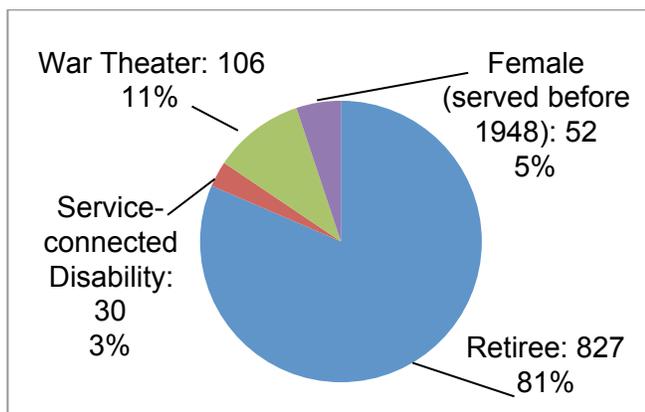
Persons are eligible to become residents of AFRH who served as members of the Armed Forces, at least one-half of whose service was not active commissioned service (other than as a warrant officer or limited-duty officer), and:

- 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 COO to be incapable of earning a livelihood because of a service-connected disability incurred in the line of duty in the Armed Forces.
- Served in a war theater during a time of war declared by Congress or were eligible for hostile fire special pay were discharged or released from service in the Armed Forces under honorable conditions; and are determined under rules prescribed by the COO to be incapable of earning a livelihood because of injuries, disease, or disability.
- 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.

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 an AFRH resident.

The majority (81%) of AFRH Residents are military retirees. There has been little change in the past three years in this distribution.

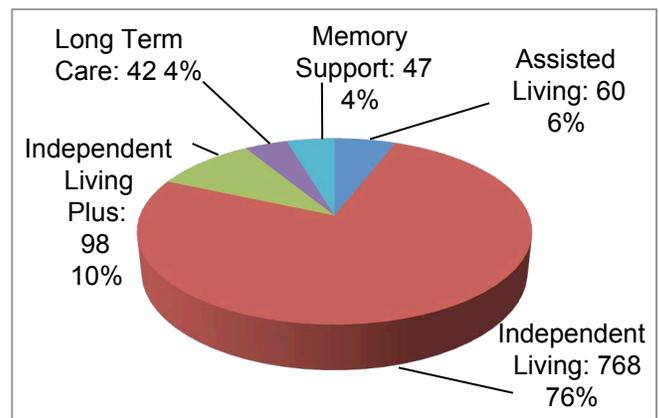


A Virginia golf pro congratulates Mimi Rivkin (Army Air Corps) for her fine performance in the annual AFRH-W Golf Tournament.

RESIDENT LEVEL OF CARE

To enter AFRH each person must meet the eligibility requirements and be physically / mentally competent to live on his or her own independently. AFRH upper levels of care are reserved for AFRH Residents to ensure each Resident can "Age in Place".

The majority of AFRH Residents (76%) live in our Independent Living apartments. To allow our Residents to remain in their own apartment as long as possible, AFRH established an Independent Living Plus Pilot program (ILP) in FY2013. This Program provides Residents assistance with basic living needs (i.e. medicine management, grooming, room cleaning). In 2014, the ILP Pilot Program allowed approximately 100 Residents to continue living independently. Because of the success of this program, AFRH is seeking approval from DoD to establish ILP as a permanent level of care.



AFRH STRATEGIC GOALS AND OBJECTIVES

The AFRH Strategic Plan for FY2013-2016 is aligned with the performance objectives of this Administration. Objectives have been set for all goals. These objectives promote serving and supporting an aging population, putting the needs of Residents first, exceptional stewardship of our resources and open dialogue with our external stakeholders. See the AFRH Strategic Plan: <https://www.afrh.gov/afrh/about/strategic2013-2016.pdf>.

STRATEGIC GOALS	OBJECTIVES
<p>EMBRACE RESIDENT-CENTERED CARE:</p> <p>Each person will understand each Resident’s individual needs and take realistic action to fulfill them within AFRH resources and capabilities.</p>	<p>Enhance and increase communication with direct input from Residents and staff.</p> <p>Develop and offer comprehensive training for staff, and require parallel training for contractors and volunteers related to Resident-centered care – which is in turn tied to performance, competencies and accountability.</p> <p>Encourage activities for Residents’ Health and Wellness.</p>
<p>MAINTAIN EXCEPTIONAL STEWARDSHIP:</p> <p>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.</p>	<p>Utilize outside resources to lower costs (Medicare, Tricare, Historic Preservation Society, grants and fundraising).</p> <p>Establish annual net revenue by 2013 and maintain “in the black” status.</p> <p>Establish metrics as a high priority to enhance financial objectives.</p> <p>Explore new revenue streams.</p> <p>Develop and deliver a Resident-centered vision for AFRH property and services.</p> <p>Optimize use of technology solutions.</p> <p>Maintain and improve operations.</p>
<p>PROMOTE STAFF-CENTERED ENVIRONMENTS:</p> <p>Expand staff knowledge that directly impacts the accountability and efficiency of the Agency, which will in turn empower all employees to be proactive.</p>	<p>Educate staff on accreditation, inspection and regulatory standards (annually).</p> <p>Encourage responsible displays of individual initiative to achieve organizational Goals and staff accountability (daily).</p> <p>Link performance to results (semi-annually).</p> <p>Encourage activities that promote workforce growth beyond training.</p> <p>Demonstrate leadership in complying with Federally-mandated initiatives.</p>
<p>LEVERAGE EXTERNAL STAKEHOLDERS:</p> <p>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.</p>	<p>Explore and recommend Advisory Council membership to ensure diversity, local campus representation and functional guidance based on membership’s expertise.</p> <p>Partner with High Profile Drivers (HPDs) to successfully effect recommended changes in law, policy, finance, healthcare and Resident initiatives that impact AFRH.</p> <p>Plus up opportunities to cross-flow information from our known and suspected silos.</p>

PERFORMANCE HIGHLIGHTS

AFRH is committed, through its strategy and vision, to create an environment that fulfills the mission of the health and wellness philosophy of aging. Resident services and healthcare are designed to promote Aging-in-Place. AFRH’s day-to-day operations and physical plant have been carefully designed according to Person-centered Care principles.

The Strategic Plan for FY2013-2016 based on our vision and mission to ensure the organization is a high performing, efficient, and caring residential community. This AFRH Strategic Plan will guide us until we reexamine our direction when the next President takes office in 2016.

Part 2: Performance provides a detailed analysis of each goal and the performance results.



Resident Robert Barsumian (Navy, AFRH-G) poses with volunteer SSgt Kurt Rodriguez, wife Katie, and sons Logan and Landon.

PERFORMANCE PROCESS

AFRH has established performance metrics for assessing program performance against strategic goals and objectives. In this framework are 14 “key” performance metrics that demonstrate and monitor progress towards our strategic objectives. For each performance metric, management has established a performance target.

AFRH Strategic Goal	Strategic Objectives	Performance Metrics
Resident-Centered Care	3	3
Stewardship	7	5
Staff-Centered Environment	5	4
External Stakeholders	3	2
TOTAL	18	14

PERFORMANCE METRICS

In FY2014, AFRH met 79% of its performance metrics. Goal leaders, identified for each Strategic Goal, set measurements, collected data, established corrective actions where needed and assessed the performance results.

AFRH Strategic Goal	Targets Met	Targets Not Met
Resident-Centered Care	2	1
Stewardship	4	1
Staff-Centered Environment	3	1
External Stakeholders	2	0
TOTAL	11	3

FY2013–2016 PERFORMANCE METRICS	FY2013-2016 PERFORMANCE TARGETS	FY2013 RESULTS	FY2014 RESULTS
EMBRACE RESIDENT-CENTERED CARE			
Accreditation achieved	In good standing	CARF accreditation in good standing	CARF accreditation in good standing; TJC survey completed
Percentage of Resident satisfaction	Average 70%	Averaged 86% in all areas	Averaged 91% in all areas
Percentage of IL Resident Assessment Plans	95%	95%	63%
MAINTAIN EXCEPTIONAL STEWARDSHIP			
Trust Fund solvency	Even balance of resources versus obligations	Resources available to meet obligation	Resources available to meet obligation
Accuracy of Financial reporting	Unmodified audit opinion	Unmodified audit opinion; No material weaknesses	Unmodified audit opinion; No material weaknesses
Environmental Initiatives (New in 2014)	Annual Goals met	Met annual goals and on track to meet long-range goals	Met annual goals and on track to meet long-range goals
Trust Fund Growth	Positive result of Washington Master Plan	No growth	No growth
Cost avoidance	1 per year	AFRH-W LaGarde Building Closed	AFRH-W Power Plant closed
PROMOTE STAFF-CENTERED ENVIRONMENTS			
Evidence of measurable training goals	80% participation in 4 mandatory training classes for all staff	85%	98%
“Excellent” or “Very Good” Employee Climate Survey responses	70%	83%	Low employee response
Measureable evidence of growth beyond work activities	Development Plan	Development plans well underway	Development plans implemented
Achievable Person-centered Care	2 initiatives per year	2 initiatives per year surpassed	2 initiatives
LEVERAGE EXTERNAL STAKEHOLDERS			
Contributions Increase (New in 2014)	Positive Growth	N / A	Contributions increased slightly over previous year
Annual community events	2 per community per year	> 2 community events at each Campus	> 2 community events at each Campus

MANAGEMENT ASSURANCES LETTER



**Armed Forces Retirement Home
Chief Operating Officer
3700 North Capitol Street, NW
Washington, DC 20011-8400**

COO Letter Regarding Management Assurances

Federal Managers' Financial Integrity Act Assurance Statement Fiscal Year 2014

The AFRH's management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In accordance with the requirements of Office of Management and Budget (OMB) Circular A-123 – *Management's Responsibility for Internal Control*, AFRH conducted its annual assessment of:

- the effectiveness of the organization's internal controls to support effective and efficient programmatic operations;
- reliable financial reporting and compliance with applicable laws and regulations; and,
- conformance of the financial management system to applicable financial systems requirements.

Based on our annual analysis, AFRH provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations as of September 30, 2014, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls. Some areas for improvement were identified which are being addressed internally and are not of a material nature.

Further, based on our assessment, we determined that the financial management system provided by our shared service provider, U.S. Treasury Bureau of Fiscal Services, conforms to applicable financial system requirements.

Sincerely,

A handwritten signature in black ink that reads "Steven G. McManus". The signature is written in a cursive style.

Steven G. McManus
AFRH COO
November 17, 2014

MANAGEMENT ASSURANCES AND COMPLIANCES

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

AFRH management establishes and maintains the implementation of the Federal Managers' Financial Integrity Act (FMFIA) with Internal Controls, Financial Systems, and compliance with Laws and Regulations. AFRH holds its managers accountable for efficiently and effectively performing their duties in compliance with applicable laws and regulations and for maintaining the integrity of their activities through the use of internal controls. In addition, AFRH also partners with the U.S. Treasury Bureau of Fiscal Services (BFS) and Department of Agriculture National Finance (NFC) through shared services for payroll (NFC) and human resources, procurement, finance and travel (BFS). These shared service systems and services provide additional internal controls to support AFRH financial reporting integrity.

Following guidelines in *OMB Circular A-123 Management's Responsibility for Internal Control* and *AFRH Directive 1-11A*, AFRH COO created the AFRH Internal Control Board to oversee the Internal Control program. The Internal Control Board members provide oversight for their individual area of responsibility reporting issues and concerns through quarterly meetings. Key processes in the program include performing risk assessments, addressing any material weaknesses / significant deficiencies and implementing corrective actions. In FY2014, the Internal Control Board focused on healthcare and facilities to prepare for The Joint Commission accreditation survey.

To gain input on the effectiveness of the Internal Control process, AFRH staff participates annually in an Internal Control Assessment Survey. The results of the self-assessment identify areas for potential improvements. In FY2014, the annual self-assessment results improvement areas were supervisory guidance and improved communication. AFRH has implemented several initiatives to improve these areas.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT (FFMIA)

FFMIA requires all agencies to provide reliable, consistent disclosure of data per GAAP. For FY2014, AFRH and U.S. Treasury Bureau of the Fiscal Service (BFS), our financial shared service provider, are in compliance with Federal financial management systems requirements, the Federal Accounting Standards Advisory Board and the US Standard General Ledger (USSGL) at the transaction level. AFRH's compliance is validated by an independent auditor opinion.

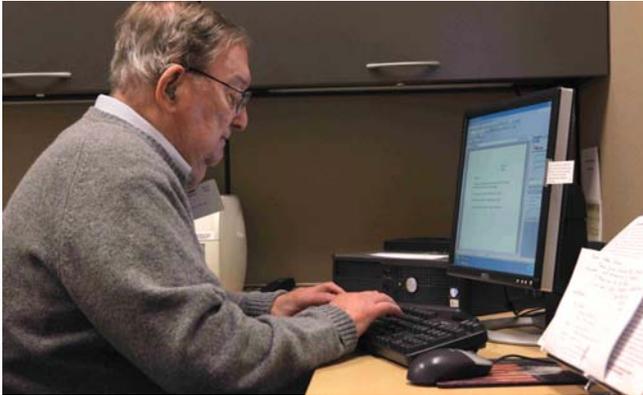
The AFRH is FFMIA compliant at the Agency and auditor levels via:

- Overall substantial compliance
- System requirements
- Accounting standards
- USSGL at Transaction Level

SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCE

Material Weaknesses Summary—A material weakness is defined as 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. As noted in the COO's FMFIA Statement of Assurance, AFRH has no material weaknesses or nonconformance to report for FY2014 nor were there any existing unresolved weaknesses requiring corrective action.

Deficiencies Summary—A significant deficiency is defined as a deficiency or 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. AFRH did not have any significant deficiencies resulting from its annual audit nor were there any existing unresolved deficiencies requiring corrective actions.



Robert Lavender (Air Force, AFRH-W) spends time at the Resident computer lab.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

NIST SP 800-37 "Guide for the Security Certification and Accreditation of Federal Information Systems" sets operating standards for information security systems. 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 been FISMA compliant since 2006.



Since FY2010, the Department of Interior's (DOI) Interior Business Center

(IBC), through an Inter-Agency Agreement, provides FISMA-compliant desktop support and hosting services consolidation for AFRH Information Technology (IT). AFRH's Authority to Operate (ATO) is valid until 2015.

As hardware is replaced and software is added / upgraded, AFRH assesses and maintains FISMA compliance. FY2014 IT upgrades included deploying 100 new computers, implementing Microsoft 365 / SharePoint cloud applications and enhancing the functionality and reporting ability for the agency's cloud-based Electronic Medical Record system.

DEBT COLLECTION IMPROVEMENT ACT

The Debt Collection Improvement Act of 1996 prescribes standards for the administrative collection, compromise, suspension and

termination of federal agency collection actions and referrals to the proper agency for litigation. AFRH monitors, administers and collects on debts. AFRH ensures Residents with debts more than 180 days delinquent are making payments to satisfy their outstanding debts and refers prior Resident debts that are more than 180 days delinquent to the U.S. Treasury for collection action as required by the Federal Debt Collection Improvement Act. AFRH had no eligible, nonexempt debts more than 180 days old not referred to U.S. Treasury for collection. In addition, recurring Resident Fees are collected by Electronic Fund Transfer (EFT) in accordance with the EFT provisions of the Debt Collection Act.

PROMPT PAYMENT ACT

The Prompt Payment Act requires federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments and to pay for services using electronic funds transfer (EFT).

In FY2014, AFRH approved 2,933 invoices subject to the Prompt Payment Act totaling \$33.8 million. Of these invoices, 92.2% were paid on time. During FY2014, AFRH paid a total of \$1,769 in interest, less <.01% of the total dollar amount invoiced. In addition, AFRH paid >97% of their invoice payments and 100% of travel payments via EFT.

FINANCIAL MANAGEMENT SYSTEMS STRATEGY

BFS personnel operate and maintain the AFRH financial management system using Oracle Federal Financials as well as the Professional Resources in Information Systems Management (PRISM) for procurement transactions. Oracle Federal Financials interfaces with other systems providing procurement, e-payroll, purchase card, e-travel, Federal investment and Intragovernmental Payment and Collection (IPAC) transactions. BFS is responsible for the financial integrity and security of the Oracle Federal Financials.

AFRH's personnel time and reporting system, Web Time and Attendance (WebTA), is operated by the

U.S. Department of Agriculture National Finance Center to process employees' time and attendance. AFRH supervisory personnel certify and submit payroll records via the WebTA system.

The CFO's office, and BFS on behalf of AFRH, conducts random systematic transaction sampling to check operational compliance. The CFO requires the Business Center, Contract Officer Representative (COR) staff, Purchase Card Holders, and Time and Attendance Administrators to validate that all billing, collections, and payments are reported per guidance set by Federal regulations.

HEALTHCARE ACCREDITATION

AFRH has been accredited through various national organizations in the past few decades. Starting in 2008, AFRH sought and secured accreditation that applies to the majority of its Residents, Independent Living through the Commission on Accreditation of Rehabilitation Facilities (CARF).

However, The National Defense Authorization Act of FY2009 prescribed mandatory accreditation by a nationally recognized civilian entity for each AFRH level of care.



AFRH-G Upper Level Care Residents receive excellent healthcare services, as noted during the accreditation survey.

Seeking accreditation for AFRH's other levels of care (Assisted Living, Memory Support and Long Term Care), AFRH engaged with The Joint

Commission (TJC) to complete a survey at both Campuses in 2014 for accreditation in ambulatory and nursing care. TJC is a nonprofit tax-exempt 501 organization that accredits more than 20,000 healthcare organizations and programs in the United States.

TJC's Gold Seal of Approval communicates that an organization continually improves the safety and quality of care and provides good risk management in delivery of services.

The DoD IG assesses the Agency tri-annually with the last inspection occurring in 2012. AFRH received the 2012 DoD IG draft report in 2014 and has been working to complete recommendations. The next DoD IG assessment will occur in 2015.

ACCREDITATION THROUGH THE COMMISSION ON ACCREDITATION OF REHABILITATION FACILITIES (CARF) / CONTINUING CARE ACCREDITATION COMMISSION (CCAC)

CARF is one of the national accrediting bodies for Continuing Care Retirement Communities (CCRC). CARF helps ensure that retirement homes fulfill their promise of quality, residential care to seniors. AFRH has been CARF accredited since 2008, and our current accreditation is valid until 2016.



Since CARF's last inspections in 2011, CARF and AFRH maintain a Quality Improvement Plan implementing recommendations that emphasize Person-centered Care, improve safety, break down silos and streamline guidelines for Resident transitions. Recommendation milestones are updated annually and reviewed by CARF.

THE JOINT COMMISSION (TJC) ACCREDITATION

Because our CARF accreditation doesn't cover ambulatory and nursing care, AFRH sought an organization to accredit these program areas and identified TJC as the "gold standard" for these types of care. Starting in October 2013, AFRH



began preparing for TJC accreditation survey by working

with the Joint Commission Resource, Inc. (JCRINC) consultants. JCRINC performed a mock survey, assisted AFRH in identifying areas where improvements were needed and trained staff in understanding TJC standards. In September 2014, TJC completed its accreditation survey at both Campuses. The surveys for TJC accreditation were successful with TJC noting fewer recommendations than normally found for their initial surveys. Both Campuses received their TJC accreditation in both ambulatory and nursing care in October (AFRH-G) and November (AFRH-W) 2014.



Aquatic therapy in the new pool at AFRH-W keeps Residents limber and flexible.

FINANCIAL HIGHLIGHTS

TRENDS

AFRH's financial performance for the fiscal year ended September 30, 2014 reflects positive financial management while meeting our mission to provide an outstanding program of housing and services to our Residents. Financial controls and reporting are in order, and AFRH earned an unmodified opinion on its Financial Statements with no audit weaknesses or compliance deficiencies.

AFRH's current financial status shows the result of reduced revenue from an unexpected reduction in AFRH's largest revenue stream—Fines and Forfeitures. AFRH is working closely with its Office of Management & Budget (OMB) and our DoD Leadership to address revenue concerns. Despite cost containment, AFRH's financial status is not

strong and requires measures to ensure its stability in the next few years.

Trust Fund solvency is AFRH's main concern. AFRH's funding source is distinctive among Federal agencies. The 1991 Defense Authorization Act, Public Law 101-510, created an AFRH Trust Fund to finance the Gulfport and Washington Homes. The Trust Fund status is an integral part of the financial picture. With the fluctuations we are now facing in Fines and Forfeitures, we may be unable to maintain a balance of spending against income.

FINANCIAL MANAGEMENT PARTNERS

Department of the Treasury, Bureau of the Fiscal Service (BFS) has been providing financial management services for AFRH since 2004. BFS's business model, performance record and progressive technological accomplishments have enhanced AFRH's financial controls earning AFRH ten consecutive unmodified financial audit opinions (previously referred to as unqualified audit opinion).

BFS shared service provider model supports AFRH's financial integrity by providing timely and useful financial management data, meeting external reporting due dates, practicing sound cash management, providing investment expertise, serving as audit liaison and providing knowledgeable accounting experts.

FINANCIAL PROCESSES

The financial processes that begin within the various components at AFRH are detailed through operating procedures and overseen for internal compliance. During 2014, all financial processes have been rigorously reviewed for improvements, accuracy and timeliness. As a result of this review, efficiencies were identified and implemented to produce accurate reporting and tracking.

Because of AFRH's strong internal controls, Improper Payments, non-EFT payment, and delinquent debt interest have been kept to a minimum. Details are found in the Financial and Other Information sections.

VERIFICATION

The financial highlights presented in this section are an analysis of the information that appears in AFRH's FY2014 financial statements as audited by an independent accounting firm. AFRH management is responsible for the fair presentation of information contained in these principal financial statements. In addition to the annual Trust Fund financial audit, AFRH undergoes an annual audit of its Non-Appropriated Funds Instrumentality (NAFI) and financial operations are also reviewed during our triennial DoD IG surveys.

TRUST FUND

The AFRH Trust Fund is held by the U.S. Treasury and is supported by several revenue sources:

- Fines and forfeitures charged to military personnel for misconduct (54%)
- Resident Fees (26%)
- 50 cent monthly payroll withholding from active duty military personnel (14%)
- Interest on the AFRH Trust Fund (4%)
- Estates and gifts (1%) and
- Sale / Lease of property (1%)

While AFRH has successfully identified and implemented numerous cost saving initiatives, the AFRH Trust Fund balance is at an all-time low and current annual outlays outpace annual revenue by approximately \$8 million. The deficit is caused by the unanticipated reduction in Fines & Forfeitures which peaked in FY2009 at \$40M and have steadily declined to \$28M in FY2014.

Although AFRH carefully tracks and projects fluctuations in Fines & Forfeitures through the use of historical trends and plans for fluctuations in this revenue stream, AFRH has never experienced a reduction of this magnitude. Unfortunately, this reduction is anticipated to continue as the active-duty military force strength continues to decline.

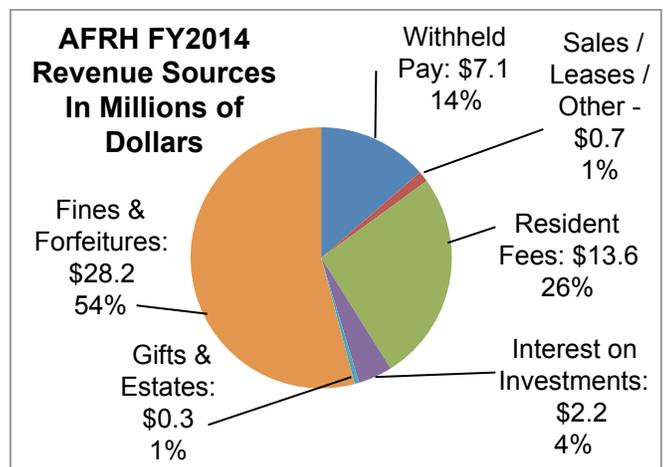
AFRH is working with OMB and its DoD Leadership to develop the best strategy to rectify the situation and ensure long-term Trust Fund

solvency. In FY2015, AFRH will update its Long Range Financial Plan to include the recent changes in Fines & Forfeitures revenue; this analysis is a high priority activity for FY2015.

TRUST FUND BALANCE

In FY2010 AFRH received appropriated funds to rebuild our Gulfport facility after Hurricane Katrina and repair the historic Sherman Building after the Washington, DC Earthquake. The other major capital improvement project, the replacement of the aging AFRH-W Scott Building, was funded from FY2007 – FY2013 withdrawing from the Trust Fund causing the Trust Fund balance to decrease significantly. The new state-of-the-art Scott Building is energy efficient, provides improved dining, recreation and healthcare accessibility, reduces our footprint, eliminates excessive maintenance of an aging infrastructure and reduces transportation costs to move Residents from different areas of the expansive AFRH-W Campus.

AFRH's current Long Range Financial Plan projected the Trust Fund balance would begin to recover in FY2014 once the Scott Building capital improvement project outlays were disbursed; however, due to significant decreases in Fines & Forfeitures no recovery has occurred and the balance continues to fall. Without taking steps to increase revenue and identify new revenue streams, the Trust Fund balance is not expected to recover.



FY2014 Revenue = \$52M

FINANCIAL STATEMENTS

The independent accounting firm, Brown & Company CPAs, PLLC audited AFRH statements for FY2014. Brown completed a comparative assessment of our FY2014 and FY2013 Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

For the tenth straight year, the auditors have given AFRH an unmodified (clean) audit.

LIMITATIONS OF THE PRINCIPAL FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Balance Sheet:

The Balance Sheet reflects AFRH's Assets and Liabilities. AFRH's assets include Trust Fund balance with Treasury, Accounts Receivable, Property, Equipment, Software and Investments. AFRH liabilities include accounts payable and federal employee benefits / payroll taxes.

Statement of Net Cost:

The net cost of operations at AFRH has been decreasing as efficiencies and cost savings measures continue to be implemented. AFRH captures expenditures by Strategic Goals and consistently expends the majority of its funding on Strategic Goal 1—Resident-centered Care. Total costs for FY2014 and FY2013 respectively were \$62,087,443 and \$57,371,780.



The eagle statue at the front gate of AFRH-W.

Statement of Changes in Net Position:

The cumulative cost of operations between FY2014 and FY2013 was \$398,319,605. Unexpended authorizations under the careful watch of financial managers have yielded \$25,822,528 in savings.

Statement of Budgetary Resources:

The Statement of Budgetary Resources provides information on budgetary resources made available to the agency and the status of these resources at the end of the fiscal year. New budgetary authority (total budgetary resources excluding unobligated balances brought forward and prior year recoveries) was \$67.8M in FY2014, an increase of \$2M million (3%) above the FY2013 budget authorization of \$65.8 million.

ASSETS:			
FY14	FY13	Net changes:	% Change
\$ 414,565,769	\$ 436,626,953	\$(22,061,184)	-5%
LIABILITIES:			
\$ 16,246,164	\$ 12,484,820	\$3,761,344	30%



Part 2: PERFORMANCE

PERFORMANCE OVERVIEW

The Performance Section presents, by goals and objectives, detailed information on the performance results of AFRH.

This section also includes a discussion of strategies and factors affecting performance, a summary of methods used to verify and validate performance data, performance metrics and resource utilization data for AFRH Strategic Goals.

AFRH is committed, through its strategic vision, to create and maintain an environment that fulfills the mission of the health and wellness philosophy of aging with services and care designed to promote Aging-in-Place. AFRH's day-to-day operations and physical plant allow our Residents to age in place.

The Strategic Plan for FY2013-2016 follows our FY2011-2015 Strategic Plan which focused on the annual performance goals (APG) that will ultimately fulfill our vision and mission.

Our action plans shifted from an FY2013 focus on infrastructure improvement projects to an FY2014 focus of sustaining the Trust Fund and operating more efficiently. AFRH is committed to continuing our legacy of serving the nation's veterans with a premier retirement community.

“This home is such a wonderful place.”
–Elizabeth “Little Bit” Lloyd (Army)

In 1944, Elizabeth longed to join the Army, but at 4'10" and less than 100 lbs., she was afraid they might refuse her. “So I ate pounds of bananas and hung from the doorframe the week before my physical.” Luckily, she was



accepted and became the only woman working in the finance office. There she acquired her nickname “Little Bit”.

A few years later, she became a Platoon Sergeant for the first female Army Company in Basic Training. “I was tough—but I didn't require anything of them that I didn't require of myself.” Elizabeth retired from the Army after 26 years.

She came to AFRH-W in September 2013 and enjoys playing card games and Bingo. She recently celebrated her 90th birthday, walks the campus daily, and attends the annual Women's Army Auxiliary Corps convention in Arizona. “Little Bit” is so happy here that she plans to dedicate a bench on campus “to the Home from the women who served”.



Dr. Karen Tillman-McCombs, Corporate Performance Improvement Officer, discusses reports with Bill Striegel who works on AFRH-W Performance Improvement.

GOAL LEADERS

Key Agency personnel serve as Goal Leaders for each AFRH Strategic Goal developing employee performance plan standards, reporting requirements and tracking progress:

Goal 1: Resident-centered Care	Lead--Performance Improvement Officer (PIO), <i>Medical Director (MD)</i>
Goal 2: Stewardship	Lead--Chief Financial Officer (CFO), <i>Chief Information Officer (CIO), Corporate Facilities Manager (CFM), Inspector General (IG)</i>
Goal 3: Staff-centered Environment	Lead--Chief Human Capital Officer (CHCO)
Goal 4: External Stakeholders	Lead--Public Affairs Officer (PAO), <i>Executive Support Services Officer (ESSO)</i>

PERFORMANCE METRICS

AFRH annually reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful outcome metrics to show effectiveness, efficiency and results. AFRH has developed performance metrics for all of its Strategic Goals.

VERIFICATION AND VALIDATION

AFRH uses objective data to drive its performance management. The *Government Performance and Results Act (GPR)*, *Modernization Act of 2010*, and *OMB Circular A-136* require an identification of the means used to verify and validate the measured values and the source for the data reported in each Strategic Goal.

For several years, AFRH has used a variety of internal tools to gather feedback on effectiveness. Improvements have been made based on the data we received from our measures, Residents, employees and surveys.

To assess Agency progress, AFRH also gathers feedback from our oversight organizations including the AFRH Advisory Council, DoD, OPM, and the AFRH IG. External organizations perform audits on our financial status, and we receive audit letters verifying the accuracy of our reporting.

Data and reports are presented to DoD, DHA, and the Advisory Council via meetings, presentations, and special information sessions. Validation of this data is the responsibility of each program manager and verified by Goal Leaders.

In preparation for TJC accreditation in FY2014, processes were validated, measures were reassessed and directives / policies updated. To ensure staff was aware of AFRH's directives, changes and TJC standards, additional training was provided at all levels.

STRATEGIC HUMAN CAPITAL MANAGEMENT

AFRH developed a Strategic Human Capital Plan (SHCP) in 2010 to address key human capital challenges. Those strategies are linked to the AFRH Strategic Goals and reflect the spirit of the AFRH Guiding Principles.



The goals of the AFRH Strategic Human Capital Plan include:

- maintaining a strategic human capital framework;
- cultivating a leadership culture that fosters organizational excellence and mission accomplishment;
- ensuring a culture of Person-centered Care excellence that also emphasizes employee accountability; and
- recruiting, developing, and retaining a capable workforce.

HUMAN CAPITAL HIGHLIGHTS

Throughout FY2014, AFRH under the guidance of the Chief Human Capital Officer (CHCO), strengthened the link between the AFRH Strategic Plan and annual staff performance appraisals. Starting in late FY2013, AFRH rolled out a multi-step approach for assignment and oversight of employee work standards, reporting results based on standards and evaluating individual performance.

Specific process improvements included recurring, timely employee performance evaluation / counseling, improving workflow processes, rating cycle realignment, limiting the number of Individual Performance Plan critical elements, and linking IPP critical elements to AFRH Strategic Goals.

Throughout the year, Strategic Goal Leaders prepared detailed, measurable IPP critical elements to standard performance measures specific to employee responsibilities. This fresh approach provides a better understanding of how an employee’s individual responsibilities impact the Agency’s ability to meet its Performance Metrics. Throughout FY2015 Goal Leaders and AFRH managers will be evaluating the effectiveness of reaching performance goals.



Donna Smith, Chief Human Capital Officer, discusses nurse staffing with AFRH-W Clinical Nurse Supervisor Sophia Georges.

Specific Human Capital Initiatives Included:

- quarterly employee breakfasts;
- employee town halls with Administrators and the COO;
- Employee of the Quarter and Year awards;
- quarterly newsletter;
- federal service, retirement and new employee recognition;
- additional dining options; and
- combined Resident / staff activities.

FY2014 PERFORMANCE RESULTS

STRATEGIC 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.

FY2014 RESIDENT-CENTERED CARE	
Net Cost (in millions)	\$48.9
Percentage of Total Cost	79%

Annual Performance Metric: Accreditation

Performance Target: Accreditation in Good Standing

RESULTS: Commission on Accreditation of Rehabilitation Facilities (CARF) Accreditation Maintained / valid through FY2016

The Joint Commission (TJC) Survey completed; AFRH-G Accreditation awarded in October 2014; AFRH-W awarded in November 2014

In accordance with 24 U.S.C. 411 (2012), the AFRH COO is required to “secure and maintain accreditation by a nationally recognized civilian accrediting organization for each aspect of the Retirement Home, including medical and dental care, pharmacy, Independent Living (IL), Assisted Living (AL), and nursing care.” There is no single civilian accrediting organization in existence which covers all of the AFRH levels of care and services, so to meet this requirement AFRH utilizes two accreditation organizations.

Since 2008 AFRH has maintained CARF accreditation which accredits Independent Living (IL) and our current CARF accreditation is valid through 2016.

To supplement our current CARF accreditation and ensure accreditation for our Ambulatory and Nursing Care, an AFRH FY2014 priority for this strategic goal was to seek TJC accreditation for ambulatory and nursing care. Both AFRH-W and AFRH-G completed their TJC accreditation surveys in September 2014. AFRH-G received TJC accreditation in Ambulatory and Nursing Care in October 2014; AFRH-W received theirs in November 2014.

Annual Performance Metric: Percentage of Resident satisfaction

Performance Target: 70% of Residents rate AFRH programs and services as Excellent or Very Good during the annual Resident survey

RESULTS: 91% of Residents rated AFRH services received as Excellent / Very Good in the FY2014 survey

For FY2014, AFRH consolidated multiple Resident service surveys into one annual survey which evaluated key service areas including recreation facilities / programs, customer service,

housekeeping, healthcare, dining, facility maintenance, grounds, transportation, security, safety, community events and local military and Veterans Administration (VA) medical facilities. Residents had the opportunity to complete the survey either electronically or on paper with the assistance of our dedicated volunteers who entered paper surveys into the electronic system for timely, accurate results.

Over 55% of AFRH Residents completed the survey (559 of 1,015 Residents). The average satisfaction rate in all six customer-service areas exceeded our goal of 70%. Top rated recreation amenities included the Bike / Walking Trail, Community Center, Fitness Center and Library. Bus trips, recreational outings, fitness activities, movies and picnics were the top rated recreational activities. The lowest rated recreation amenities included those activities which don't appeal to all Residents including the AFRH-G amateur radio club, AFRH-W auto hobby shop and the AFRH-W fishing pond.

In addition to the annual survey, AFRH management receives valuable Resident and employee feedback via focus groups, town halls, the AFRH Resident Advisory Committee (RAC), suggestion boxes and Resident work groups.

Annual Performance Metric: Percentage of IL Resident assessment plans

Performance Target: 95% of IL Residents offered Resident Assessments annually

RESULT: IL Resident Assessments completed or offered to 63% of IL Residents

For Independent Living (IL) Residents, AFRH completes an initial Healthcare Assessment upon admission to the Home, annually during the individual's birth month and when level of care changes occur. An AFRH Healthcare Assessment is a comprehensive assessment which includes, but is not limited to, medical history, physical examination, psychosocial assessment, medication reconciliation, risk assessment in association with existing co-morbid conditions and lifestyle such as obesity, smoking, alcohol and drug abuse.

AFRH’s goal is to offer IL Residents an annual health care assessment, however, recognizing their independent status and use of outside health care providers, IL Residents have the option to accept or decline. During FY2014, AFRH did not meet this goal due to health care provider vacancies at both Campuses. To ensure AFRH successfully reaches this goal in FY2015, we have identified the barriers, implemented a plan of action, set monthly milestones and established monthly reporting requirements.



The AFRH-G Wellness Center is a valued amenity for Independent Living Residents.

STRATEGIC GOAL 2

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.

AFRH continues to identify and implement cost containment activities keeping operations efficient and ensuring accurate financial reporting. AFRH staff finds innovative ways to reduce costs while maintaining quality service and facilities for our Residents. A key means AFRH maintains exceptional stewardship is by leveraging our partnerships with the U.S. Treasury Bureau of Fiscal Services and Department of Agriculture National Finance Center. Working with these administrative shared service providers ensures segregation of duties, regular transaction auditing, improved efficiencies and measurement of key financial indicators.

FY2014 STEWARDSHIP	
Net Cost (in millions)	\$9.7
Percentage of Total Cost	16%

Annual Performance Metric: Trust Fund Solvency

Performance Target: Even balance of resources versus obligations

RESULT: Revenues and Trust Fund balance adequate to support FY2014 obligations / expenditures

AFRH is self-sufficient, operating from the AFRH Trust Fund and annual revenue streams. The FY2014 budget authorization of \$67.8 million (\$66.8 Operations & Maintenance and \$1 million Capital Improvement) is supported by the AFRH Trust Fund, not from the U.S. Treasury General Fund. Expenditures above annual revenue are withdrawn from the available Trust Fund balance.

Because of an unanticipated reduction in our largest revenue stream—Fines & Forfeitures—a larger than expected withdrawal occurred from the Trust Fund balance to support FY2014 obligations and expenditures. To reverse this trend, AFRH continues to scrutinize spending, seek efficiencies, implement cost reductions to preserve resources and identify opportunities to increase revenue.

Annual Performance Metric: Accuracy of Financial Reporting

Performance Target: Unmodified Audit Opinion

RESULT: FY2014 Clean (Unmodified) Audit Opinion

AFRH received its 10th clean (‘unmodified’) audit opinion under the watchful direction of the CFO and its partnership with BFS. Financial reporting is timely and accurate. A full discussion of the Financial Management strategy is found in the MD&A section.

Annual Performance Metric: Environmental Initiatives

Performance Target: Annual goals met

RESULT: Completed milestones towards meeting FY2015, FY2017 and FY2020 Energy and Water Requirements

In compliance with Executive Order 13423 “Strengthening Federal Environmental, Energy, and Transportation Management” (January 2007) and Executive Order 13514 “Federal Leadership in Environmental, Energy, and Economic Performance” (October 2009), AFRH initiated its environmental reporting in 2012 and created performance goals in 2013 and 2014 to emphasize the importance of environmental factors in efficient operations.

AFRH environmental cost drivers include certain operational activities, improvement projects for equipment upgrades, assessments, taxes and fees required for environmental safety and regulatory levies on properties and operations. In addition to the executive order requirements, maintaining proper environmental conditions for seniors has become critical for retaining our CARF accreditation and our TJC accreditation survey as required by law.



AFRH-W volunteer plants cherry trees donated by Macy's.

Per OMB and Council on Environment Quality (CEQ) guidance, AFRH tracks, reports and reduces energy consumption, water use and waste generation along with developing inventories of Greenhouse Gas (GHG) emissions every year. AFRH established a reduction target for FY2020 from our FY2008 baseline and submitted the required updated Strategic Sustainability Performance Plan (SSPP) on time. The SSPP outlines AFRH policies, programs and mitigation

strategies to meet our environmental targets. Key sustainability focus areas for FY2014 included:

- improving and streamlining data collection;
- improving waste data tracking (generation and diversion);
- conducting an employee commuting survey;
 - collecting sustainable contracts and procurement data;
 - sub-metering and analyzing individual buildings data;
 - promoting recycling and reducing waste;
 - evaluating annual progress and revisiting goals; and,
- developing Notice of Opportunity packages of Energy Saving Procurement Contracts (ESPC).



GOALS AND RESULTS

Energy: In FY2013, AFRH experienced a temporary spike in energy consumption as a result of construction to replace the old Scott building. In FY2014, with the completion of the energy efficient new Scott building, AFRH resumed its downward energy consumption trend. AFRH has selected an Energy Savings Performance Contract (ESPC) to assess areas for further energy initiatives in response to the President's Performance Contracting Challenge.

Fleet: AFRH operates a fleet of less than 20 vehicles, and therefore, is exempt from federal petroleum reduction and alternative fuel requirements; however, AFRH evaluated fleet usage to identify energy efficient opportunities and has reduced its fleet by 20% since the 2008 baseline.

GHG Emissions: Energy is the primary source of AFRH's GHG emissions; more energy efficient operations are assisting AFRH in meeting this reduction goal.

Sustainable Building: By 2015, two of AFRH's facilities must be compliant with the *Guiding Principles for Leadership in High Performance and Sustainable Buildings*.

In FY2013, AFRH conducted assessments of the AFRH-W Scott Building and the AFRH-G primary building determining both buildings currently meet over 50% of the *Guiding Principles* with improvements underway to meet an additional 20-25% by the end of FY2015.

Waste: AFRH has taken numerous steps to increase recycling. The AFRH-W one-line recycling contract which requires the contractor to separate recyclables has significantly increased diversion of waste.

Water: Water use intensity has been reduced by 50% since the FY2007 baseline was established. This reduction has been accomplished through water conservation measures, leak detection / repair and reduced landscaping water use.

Annual Performance Metric: Fund Growth

Performance Target: Positive result of Washington, DC Master Plan

RESULT: No growth has occurred since FY2010

As predicted, the Trust Fund diminished significantly while supporting the AFRH-W Scott Building. However, with the unexpected decline in our largest revenue source (Fines & Forfeitures) the Trust Fund balance is lower than forecasted in our AFRH Long Range Financial Plan.

The most viable way to generate Trust Fund revenue is through implementing the Washington Master Plan, increasing Resident Fees and a new revenue source. The Washington Master Plan was approved in 2008 to allow development of 77 acres in our southeast corner. The development of this underutilized property will generate revenue and reduce costs to maintain the property.

Moving forward with the original plan to cultivate new income through the Washington Master Plan, AFRH partnered with General Services Administration (GSA) and the U.S. Army Corps of Engineers (USACE) to develop lease options for underutilized buildings and property on the Washington campus.

AFRH is working closely with our DoD Leadership to implement a strategy to increase Trust Fund

revenue by FY2017, providing adequate time for the AFRH-W Master Plan to be fully implemented. AFRH has set a strategic course with milestones to closely monitor our Trust Fund balance.

Annual Performance Metric: Cost avoidance

Performance Target: One (1) cost avoidance project implemented per year

RESULT: Closing of the AFRH-W Power Plant resulted in significant cost avoidance

Each year AFRH identifies and implements one cost avoidance initiative. For FY2014, AFRH closed the AFRH-W steam generating Power Plant. The AFRH-W Power Plant has been continuously generating heat and hot water for over 100 years. Modern energy efficient alternatives and the substantial reduction in the AFRH-W footprint necessitated the closing of the Power Plant.

The closure provided savings in personnel, infrastructure maintenance / repairs and regulatory compliance resulting in a significant cost reduction in AFRH-W utility costs.

STRATEGIC GOAL 3

PROMOTE 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.

AFRH values its workforce and their dedication to providing Person-centered Care for our Residents. Expenditures for this goal include employee initiatives, proper training, personnel reporting and staff to manage the workforce.

FY2014 STAFF-CENTERED	
Net Cost (in millions)	\$1.9
Percentage of Total Cost	3%

Annual Performance Metric: Evidence of measurable training goals

Performance Target: 80% staff participation in four mandatory training classes

RESULT: 98% of staff participation in at least four mandatory training classes

As part of the staff-centered focus, AFRH has increased its employee training opportunities and placed more emphasis on mandatory training requirements to assist employees in meeting our mission / vision. With management's recognition of the importance of increasing efficiencies in operations and maintaining accreditation, training classes have been designated as mandatory to ensure AFRH staff have the background and knowledge to contribute to AFRH's goals in a meaningful way.

FY2014 mandatory classes (depending on responsibilities) included: Ethics, HIPAA, Safety, IT Security Awareness, Equal Employment Opportunity Act, No Fear Act, Workers' Compensation, Performance Management / Person-centered Care, Resident Rights, Suicide Prevention and Contract Officer Representative (COR). In FY2015, AFRH will be including web-based training opportunities for select mandatory classes.

Additional FY2014 training opportunities included:

- understanding AFRH Internal Controls;
- linking Individual Performance to Strategic Goals;
- purchase Cardholder Responsibilities;
- convenience Check Usage;
- TJC Accreditation Standards and Measures; and
- various Directive Training specific to individual responsibilities.

Annual Performance Metric: Percentage of Employee Viewpoint Survey responses of "Excellent" or "Very Good"

Performance Target: 70% Employee Climate Survey responses of "Excellent" or "Very Good"

RESULT: Not met due to low employee response

Each year AFRH staff completes the annual OPM Employee Viewpoint Survey to assess AFRH employee satisfaction. This survey provides AFRH management with valuable information identifying areas for improvement.

Compared to previous years, the number of employees who completed surveys was far less. Due to the low number of employee responses, AFRH management is unable to clearly identify areas for improvement. The low employee response rate is attributed to the timing of the survey which occurred during TJC accreditation preparation, a peak operational period. In FY2015, we will develop a plan to emphasize the importance of the survey and increase employee response. In addition, we will use an electronic survey format to encourage greater participation and quicker results.

In addition to the annual OPM Employee Viewpoint Survey, AFRH annually administers DoD's Defense Equal Opportunity Management Institute (DEOMI) survey. This survey is an additional tool to help managers assess factors that can boost employee effectiveness and pinpoint key issues through employee comments. The DEOMI results prompted AFRH managers to engage in team building at the Agency and Campus level as a corrective action to some organizational issues raised by staff members in the FY2013 DEOMI Survey. Using 360 surveys and team workshops, managers benefited from the expanded communication the team building activities provided.

Annual Performance Metric: Measureable evidence of growth beyond work activities

Performance Target: Seek and implement employee recommendations

RESULT: Four (4) employee recommendations implemented in FY2014

In FY2014 an Employee Committee from both Campuses requested employee initiatives in education and training, wellness activities, communications and staff specific dining options. During 2014, AFRH established a quarterly employee newsletter, The AFRH Times, to assist in keeping employees up to date on AFRH, OPM and work-life issues.

At the request of employees, AFRH added a “soup and salad” dining option. This initiative reduced meal costs, offered healthier choices and provided the ability for employees to dine outside the Resident Dining Hall. This initiative has been successfully implemented at both Campuses.

Our education and training initiative included increased mandatory and non-mandatory training opportunities and a staff-centered brochure outlining staff opportunities and benefits of working at AFRH. Copies were distributed to all employees to enhance understanding of the expanded opportunities.

To promote wellness, for the second year in a row the entire workforce participated in a walking competition to see which Campus would be the first to log the distance between Gulfport and Washington--more than 1,000 miles. Facility staff, contractors, and Agency personnel reported their personal mileage throughout June. AFRH-W won for the second consecutive year. With the establishment of lunchtime walking groups, this competition improved communications, health, and camaraderie.

Annual Performance Metric: Achievable Person-centered Care

Performance Target: Implement two PCC initiatives per year

RESULT: Two (2) successful initiatives completed

For several years, AFRH has been moving towards Person-centered Care. 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 within budget constraints. In FY2014, AFRH PCC initiatives included

improving AFRH environments for both Residents and staff validating our high standards of care through adhering to The Joint Commission Accreditation standards. AFRH continued to improve on the delivery of Residents services and to validate services provided were meeting the expectations and needs of our Residents. Because of AFRH’s multiple levels of care (IL, ILP, AL, LTC and MS), meeting the needs of our varied population is no small feat.

Both Campuses initiated beautification projects for their outdoor spaces. AFRH-G made significant improvements by planting trees, gardens, flower boxes and wildflowers. Both employees and Residents benefit from the more home-like environment.

AFRH-W Residents and staff have been working on their Landscape Master Plan to improve walking trails, provide historic markers and identify species of trees. AFRH-W volunteers planted more than 20 Japanese cherry trees—a symbol of our nation’s capital—donated by Macy’s to line the main road into the facility. The historic quadrangle is filled with year-round blooming flowers, grass and bushes.

Being accredited both by CARF and TJC has been the goal for many years. To achieve both is a prized accomplishment that demonstrates the commitment by staff to providing the highest levels of care for AFRH Residents. The results of the September 2014 TJC accreditation surveys validated AFRH’s ability to meet the high standards for ambulatory and nursing care.

STRATEGIC 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.

FY2014 EXTERNAL STAKEHOLDERS	
Net Cost (in millions)	\$1.5
Percentage of Total Cost	2%

**Annual Performance Metric:
Contributions Increase**

Performance Target: Positive Growth

RESULT: Contributions Increased

This performance target was new for FY2014 in recognition of our need to increase revenue to support outlays. Although Legislation forbids AFRH from soliciting, AFRH is improving our marketing to ensure veterans and potential contributors are aware of AFRH and its services. AFRH is using Facebook, retired military publications and veteran organizations to enhance our marketing efforts. Gifts to AFRH are tax-exempt and used for the direct support of our Residents through medical care, physical therapy, recreation, fitness and daytrips.

**Annual Performance Metric: Annual
Community Events**

Performance Target: Two (2) community events held at each Campus

**RESULT: > Two (2) community events held at
each Campus**

AFRH created its annual community events requirement as a primary outreach to external stakeholders, and each facility tailors community events to the local community drawing supporters, families and friends to celebrate special events, military recognitions, and fun-filled activities.

AFRH-G COMMUNITY EVENTS INCLUDED:



• **Annual Veterans Day Open House & Community Day:** Veterans, active duty and the community join AFRH-G to commemorate Veterans Day.

• **Annual Mardi Gras Celebration:** The King and Queen of AFRH-G are crowned and we hold a traditional parade.



• **May Garden Day and Open House:** Residents shared their new gardening and landscape upgrades with neighbors.

• **Celebration of the new putting green and swings:** These amenities were generously donated by Taco Bell.

AFRH-W COMMUNITY EVENTS INCLUDED:

• **Black History Month:** President Lincoln's Cottage hosted descendants of Solomon Northrup, author of *12 Years a Slave*, as part of this annual event.



• **4th of July Community Event:** AFRH-W's 4th of July celebration draws active duty military & their families to enjoy the national fireworks with our Residents.

• **Annual Holiday Tree Lighting and Dance:** FOSH singers entertain AFRH-W Residents.



• **Memorial Day:** Active-duty members from the USS Abraham Lincoln, join our Residents to lay a wreath.



Part 3: FINANCIAL

FISCAL OVERVIEW

Year after year AFRH keeps a watchful eye on its spending implementing initiatives to reduce costs. In FY2014, AFRH continued to maintain excellent services while seeking ways to increase revenue.

The achievements in this PAR are the result of effective financial stewardship. Funds were spent to ensure greater Resident wellness, stronger customer service and long-term cost savings.

The independent accounting firm, Brown & Company CPAs, PLLC, expressed an Unmodified (clean) Audit Opinion on our comparative FY2014 and FY2013 Financial Statements, Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position and Statement of Budgetary Resources.

No material weaknesses or significant deficiencies were found. This opinion is a testament to effective fiscal management at AFRH.



Christina Hicks, AFRH-G Business Center Senior Financial Analyst, manages AFRH-G budget and expenditures.

“I tell my friends here things that I’ve never told anyone.”

–Ronald Washington (Army, Navy)

Growing up in Chicago, Ronald always knew that he wanted to serve in the military. He joined the Army in 1968, completed basic training, and then served 18 months in Vietnam as a combat soldier.

After returning from Vietnam and separating from the Army, Ronald worked at a funeral home, studying to be a mortician. “But my mind kept returning to the military so I decided to join the Navy.” He was a torpedo man for 18 years and had the opportunity to travel around the world.



A few years ago, Ronald saw pictures of AFRH online and liked what he saw. So he

journeyed to Gulfport in June 2011. He enjoys the on-campus concerts, movies, parties, and chatting with friends.

Ronald began painting with the help and encouragement of our Art Instructor. “I haven’t slept well since the Vietnam War. So I paint to relax and be distracted.” Now, he has a wonderful new hobby and both AFRH communities have the added beauty of his artwork.

In a majority of areas, AFRH achieved significant cost reductions as the result of strong management and diligent follow-through by staff. One area incurred a cost increase, as expected: Personnel. However, all other areas realized noteworthy cost decreases. Moving forward, we will continue to seek new ways to realize even more savings.

PERSONNEL: Cost increase

- Yearly increase in salary and benefit levels
- Additional Healthcare staff to efficiently meet Health and Human Services (HHS) Center for Medicare Services recommendation (4.1 / hrs daily per Upper Level Care Resident)
- Contract Positions converted from contractor to Federal providing cost avoidance

DINING: Cost decrease

- Identified primary cost drivers and implemented savings initiatives



John Cage, AFRH-G Campus Operations, joins contractor Fred Hornsby, Dining Services Administrator.

FACILITIES MAINTENANCE / HOUSEKEEPING: Cost decrease

- Separated AFRH-W grounds into different zones reducing the area requiring highest maintenance costs
- Reduced area being maintained at AFRH-W

UTILITIES: Cost decrease

- Closed AFRH-W Power Plant
- LEED Certified buildings at both AFRH-G and AFRH-W

NURSING STAFF: Cost decrease

- Continued converting permanent position from contract staff to Federal employees



Our modern physical therapy programs help Residents recover from injury or hospitalization.

TRANSPORTATION: Cost decrease

- Renegotiated contract
- AFRH-W Scott Project Opening reduced on-campus transportation requirements



AFRH provides transportation to military and civilian area hospitals.

The AFRH team is poised to continue its excellent financial reporting and to pursue strategies to keep the Trust Fund balance viable.

MESSAGE FROM THE CFO



**Armed Forces Retirement Home
3700 North Capitol Street, NW
Washington, DC 20011-8400**

As required by the Accountability Act of 2002, I am pleased to present the FY2014 Armed Forces Retirement Home (AFRH) financial results which present an unmodified (clean) audit opinion on the FY2014 AFRH Financial Statements. For the 10th consecutive year AFRH has received an unmodified (previously referred to as unqualified) opinion.



AFRH contracted with the independent certified public accounting firm of Brown & Company CPAs, PLLC to audit the AFRH financial statements as of September 30, 2014. The contract requires the audit be performed in accordance with U.S. Generally Accepted Government Auditing Standards and Office of Management and Budget bulletin, *Audit Requirements for Federal Financial Statements*.

Our commitment to sound financial management and to upholding high standards of accountability and transparency in FY2014 also included several key accomplishments:

- Substantially exceeding the Small Business Administration's Government-wide goal to ensure small businesses get their fair share of work with the federal government by awarding over 35% of "eligible dollars" to small businesses.
- Continuing our record of no material weaknesses, significant control deficiencies, or noncomformances with the Federal Managers' Financial Integrity Act and other applicable laws and regulations.
- Continuing to implement key cost containment activities including the closing of our AFRH-Washington, DC Power Plant resulting in significant utility cost savings.
- Placing an emphasis on hiring additional healthcare employees to ensure AFRH efficiently adheres to the Center for Medicare Services recommendation of a 4.1 daily hour ratio for each Resident in our Memory Support and Long Term Care areas.
- Ensuring the health and safety of our Residents while effectively weathering budget cuts and the FY2014 Government furlough.
- Implementing our AFRH-W Master plan which not only reduces our footprint but will also provide additional revenue for the AFRH Trust Fund.

Our annual PAR is the primary means to communicate with our key stakeholders, Congress and the American public, regarding our accountability of the funds entrusted to us. As my first year as AFRH's Chief Financial Officer ends, I have set a vision for the coming fiscal year to preserve our Trust Fund and continue providing exemplary financial management by:

1. Ensuring full compliance with Federal regulations.
2. Maintaining our stellar performance in financial metrics with a focus on maintaining our successes in debt collection, improper payments, interest payments, and compliance with requirements for EFT.
3. Securing Trust Fund solvency by working with our COO, DoD partners and Advisory Council to increase revenue.
4. Operating responsibly under budget reductions to ensure quality services and care for our Residents.
5. Updating the AFRH Long Range Financial plan to accurately forecast out year Trust Fund Balances with the revenue changes we are currently experiencing.

As we plan for the future, we will be fiscally responsible and improve our financial management and strategies to ensure sound stewardship and build upon our legacy of caring for our veterans.

Sincerely,



Vicki Marrs
AFRH CFO
November 17, 2014

FY2014 AUDIT LETTER



INDEPENDENT AUDITOR'S REPORT

Armed Forces Retirement Home
Washington, DC

Report on the Financial Statements

We have audited the accompanying balance sheets of the Armed Forces Retirement Home (AFRH) as of September 30, 2014 and 2013, 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), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AFRH as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the information in the Management’s Discussion and Analysis (MD&A), and Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who 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.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the AFRH’s internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AFRH’s internal control. Accordingly, we do not express an opinion on the effectiveness of AFRH’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *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, 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether AFRH’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management’s Responsibility for Internal Control and Compliance

AFRH’s management is responsible for (1) evaluating effectiveness of internal control based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, (3) ensuring AFRH’s financial management systems are in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) and applicable laws for which OMB Bulletin 14-02 requires testing, and (4) ensuring compliance with other applicable laws and regulations.

Auditor’s Responsibilities

We are responsible for: (1) obtaining a sufficient understanding of internal controls to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 14-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to AFRH. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 14-02 that we deemed applicable to AFRH’s financial statements for the fiscal year ended September 30, 2014. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of AFRH’s internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AFRH’s internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of 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 6, 2014

PRINCIPAL FINANCIAL STATEMENTS

The AFRH management is responsible for the fair presentation of information contained in the principal financial statements. The independent accounting firm, Brown & Co. CPAs, PLLC, audited these FY2014 financial statements.



These statements should be read with the understanding they are for a component of the U.S. Government, a sovereign entity. Our shared service providers, U.S. Treasury

Bureau of Fiscal Services and U.S. Department of Agriculture National Financial Center, processed our payroll and financial transactions under Interagency Agreements, and AFRH relies on information received from these



partners (along with audits and reviews) to execute management controls.



Lamont Burton, our Business Center Senior Financial Analyst, manages financial accounts and Resident fee assessments.

FINANCIAL STATEMENT DESCRIPTIONS

AFRH is pleased to present the following four principal financial statements and notes:

Balance Sheet—presents combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities), and the difference between the two (net position).

Statement of Net Cost—provides the annual cost of agency operations; the gross cost less any offsetting revenue is used to determine the net cost.

Statement of Changes in Net Position—reports the accounting activities that caused the change in net position during the reporting period.

Statement of Budgetary Resources—reports available budgetary resources and the state of those resources at fiscal year end.

Accompanying Notes—the accompanying notes to the financial statements describe significant accounting policies as well as detailed information on select statement lines.



AFRH Corporate Resources staff members Sarah Tobey and Lindsey Watts support Campus Business Centers to ensure strong internal controls.

**ARMED FORCES RETIREMENT HOME
BALANCE SHEET
AS OF SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Assets:		
Intragovernmental		
Fund Balance With Treasury (Note 2)	\$ 1,723,065	\$ 3,541,350
Investments (Note 3)	56,415,628	66,296,115
Accounts Receivable (Note 4)	-	1,453,563
Total Intragovernmental	58,138,693	71,291,028
Accounts Receivable, Net (Note 4)	132,311	508,656
Property, Equipment, and Software, Net (Note 5)	356,294,765	364,827,269
Total Assets	\$ 414,565,769	\$ 436,626,953
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 333,135	\$ -
Other (Note 8)	1,522,928	1,577,420
Total Intragovernmental	1,856,063	1,577,420
Accounts Payable	5,047,059	1,342,906
Federal Employee and Veterans' Benefits (Note 6)	7,520,542	7,943,494
Other (Note 8)	1,822,500	1,621,000
Total Liabilities (Note 6)	\$ 16,246,164	\$ 12,484,820
Net Position:		
Cumulative Results of Operations - Funds from Dedicated Collections (Note 9)	\$ 398,319,605	\$ 424,142,133
Total Net Position	\$ 398,319,605	\$ 424,142,133
Total Liabilities and Net Position	\$ 414,565,769	\$ 436,626,953

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

**ARMED FORCES RETIREMENT HOME
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Program Costs:		
Program: Embrace Resident-Centered Care		
Gross Costs	\$ 61,139,630	\$ 54,204,183
Less: Earned Revenue	(12,202,308)	(11,278,617)
Net Program Costs	\$ 48,937,322	\$ 42,925,566
Program: Maintain Exceptional Stewardship		
Gross Costs	\$ 12,155,012	\$ 14,250,151
Less: Earned Revenue	(2,425,909)	(2,965,122)
Net Program Costs	\$ 9,729,103	\$ 11,285,029
Program: Promote Staff-Centered Stewardship		
Gross Costs	\$ 2,381,358	\$ 2,224,096
Less: Earned Revenue	(475,274)	(462,782)
Net Program Costs	\$ 1,906,084	\$ 1,761,314
Program: Leverage External Stakeholders		
Gross Costs	\$ 1,892,676	\$ 1,767,685
Less: Earned Revenue	(377,742)	(367,814)
Net Program Costs	\$ 1,514,934	\$ 1,399,871
Net Cost of Operations	\$ 62,087,443	\$ 57,371,780

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

**ARMED FORCES RETIREMENT HOME
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Cumulative Results of Operations:		
Beginning Balances	\$ 424,142,133	\$ 442,247,006
Budgetary Financing Sources:		
Nonexchange Revenue	34,329,973	37,319,255
Donations and Forfeitures of Cash and Cash Equivalents	307,836	15,830
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	-	341,968
Imputed Financing Sources (Note 11)	1,627,106	1,589,854
Total Financing Sources	36,264,915	39,266,907
Net Cost of Operations	(62,087,443)	(57,371,780)
Net Change	(25,822,528)	(18,104,873)
Cumulative Results of Operations	\$ 398,319,605	\$ 424,142,133
Net Position	\$ 398,319,605	\$ 424,142,133

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

**ARMED FORCES RETIREMENT HOME
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Budgetary Resources:		
Unobligated Balance Brought Forward, October 1	\$ 17,136,577	\$ 33,800,963
Recoveries of Prior Year Unpaid Obligations	4,418,593	3,964,294
Unobligated balance from prior year budget authority, net	21,555,170	37,765,257
Appropriations	65,575,726	46,387,126
Spending authority from offsetting collections	3,361	5,511
Total Budgetary Resources	\$ 87,134,257	\$ 84,157,894
Status of Budgetary Resources:		
Obligations Incurred	\$ 59,490,099	\$ 67,021,317
Unobligated balance, end of year:		
Apportioned	19,716,585	13,148,375
Unapportioned	7,927,573	3,988,202
Total unobligated balance, end of year	27,644,158	17,136,577
Total Budgetary Resources	\$ 87,134,257	\$ 84,157,894
Change in Obligated Balance		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 16,368,150	\$ 66,531,621
Obligations Incurred (Note 13)	59,490,099	67,021,317
Outlays (gross)	(63,698,056)	(113,220,494)
Recoveries of Prior Year Unpaid Obligations	(4,418,593)	(3,964,294)
Unpaid Obligations, End of Year (Gross)	7,741,600	16,368,150
Obligated Balance, Start of Year	\$ 16,368,150	\$ 66,531,621
Obligated Balance, End of Year	\$ 7,741,600	\$ 16,368,150
Budget Authority and Outlays, Net:		
Budget authority, gross	\$ 65,579,087	\$ 46,392,637
Actual offsetting collections	(3,361)	(5,511)
Budget Authority, net, (total)	\$ 65,575,726	\$ 46,387,126
Outlays, gross	\$ 63,698,056	\$ 113,220,494
Actual offsetting collections	(3,361)	(5,511)
Outlays, net, (total)	63,694,695	113,214,983
Distributed Offsetting Receipts	(14,561,775)	16,642,628
Agency outlays, net	\$ 49,132,920	\$ 129,857,611

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



ARMED FORCES RETIREMENT HOME NOTES TO THE 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 24 U.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 results of operations of 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 follows 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 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), Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended, and 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. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the AFRH's funds with Treasury in expenditure, receipt, and deposit fund accounts. Appropriated funds recorded in expenditure accounts are available to pay current liabilities and finance authorized purchases.

The AFRH does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand.

E. Investment in U.S. Government Securities

AFRH has the authority to invest in U.S. Government securities. The securities include marketable Treasury securities and/or nonmarketable, market-based securities issued by the Bureau of the Fiscal Service. Market-based securities are Treasury securities that are not traded on any securities exchange but mirror the prices of marketable securities with similar terms. It is expected that investments will be held until maturity; therefore, they are classified as investment securities held to maturity and are carried at historical cost, adjusted for amortization of premiums and discounts. The amortization of premiums and discounts are recognized as adjustments to interest income using the level-yield, scientific method of effective interest amortization over the term of the respective issues. Interest on investments is accrued as it is earned.

F. Accounts Receivable

Accounts receivable consists of amounts owed to 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.

G. 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:

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

H. 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.

I. Liabilities

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

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 Federal Employees’ Compensation Act benefits.

J. 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 the Office of Personnel Management (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 FY 2012 and 100% in 2014.

K. Accrued and Actuarial Workers' Compensation

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

L. 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. Both CSRS and FERS employees may participate in the federal Thrift Savings Plan (TSP). FERS employees receive an automatic agency contribution equal to one percent of pay and AFRH 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, as the administrator.

M. 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 (FEGSIP) 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.

N. 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.

O. 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 2014 and 2013 to the extent directed by accounting standards.

P. Contingencies

Liabilities are deemed contingent when the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. AFRH recognizes contingent liabilities in the accompanying balance sheet and statement of net cost, when it is both probable and can be reasonably estimated. AFRH discloses contingent liabilities in the notes to the financial statements when the conditions for liability recognition are not met or when a loss from the outcome of future events is more than remote.

Q. Reclassification

Certain fiscal year 2013 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, 2014 and 2013, were as follows:

	2014	2013
Fund Balances:		
Trust Funds	\$ 1,723,065	\$ 3,541,350
Investments	56,415,628	66,296,115
Less: Accrued Interest and Unamortized Premium	(867,867)	(963,986)
Total	\$ 57,270,826	\$ 68,873,479
 Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	\$ 19,716,585	\$ 13,148,375
Unavailable	29,812,641	39,356,953
Obligated Balance Not Yet Disbursed	7,741,600	16,368,151
Total	\$ 57,270,826	\$ 68,873,479

No discrepancies exist between the Fund Balance reflected on the Balance Sheet and the balances in the Treasury accounts.

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 fund balance on hand.

NOTE 3. INVESTMENTS

Investments as of September 30, 2014 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	\$ 55,553,968	Interest	\$ 56,990	\$ 804,670	\$ 56,415,628	\$ 58,746,480
Total	\$ 55,553,968		\$ 56,990	\$ 804,670	\$ 56,415,628	\$ 58,746,480

Investments as of September 30, 2013 consist of the following:

	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investments Net	Market Value Disclosure
Intragovernmental Securities:						
Marketable	\$ 65,338,335	Interest	\$ 119,501	\$ 838,279	\$ 66,296,115	\$ 70,443,619
Total	\$ 65,338,335		\$ 119,501	\$ 838,279	\$ 66,296,115	\$ 70,443,619

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. The investment maturity date for fiscal years 2014 and 2013 is May 15, 2016, with an interest rate of 5.125 percent.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with dedicated collection funds. The cash receipts collected from the public for a dedicated collection fund are deposited in the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Armed Forces Retirement Home as evidence of its receipts. Treasury securities are an asset to the Armed Forces Retirement Home and a liability to the U.S. Treasury. Because the Armed Forces Retirement Home 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 Armed Forces Retirement Home with authority to draw upon the U.S. Treasury to make future benefit payments or other expenditures. When the Armed Forces Retirement Home 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

	2014	2013
Intragovernmental		
Armed Forces Fine & Forfeiture Receivable	\$ -	\$ 1,453,563
Total Intragovernmental Accounts Receivable	\$ -	\$ 1,453,563
With the Public		
Resident Fee & Employee Receivable	\$ 132,311	\$ 508,656
Total Public Accounts Receivable	\$ 132,311	\$ 508,656
Total Accounts Receivable	\$ 132,311	\$ 1,962,219

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, 2014 and 2013.

NOTE 5. PROPERTY, EQUIPMENT, AND SOFTWARE

Schedule of Property, Equipment, and Software as of September 30, 2014

Major Class	Acquisition Cost	Accumulated Amortization/ Depreciation	Net Book Value
Building	\$ 481,470,134	\$149,006,221	\$332,463,913
Land and Improvements	11,006,566	10,523,845	482,721
Furniture & Equipment	11,664,813	5,532,011	6,132,802
Construction-in-Progress	25,747,833	-	25,747,833
Total	\$ 529,889,346	\$165,062,077	\$364,827,269

NOTE 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The liabilities for AFRH as of September 30, 2014 and 2013, 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.

	2014	2013
Intragovernmental – FECA	\$ 1,371,325	\$ 1,460,526
Unfunded Leave	1,152,810	1,212,690
Actuarial FECA	7,520,542	7,943,494
Total Liabilities Not Covered by Budgetary Resources	\$ 10,044,677	\$ 10,616,710
Total Liabilities Covered by Budgetary Resources	6,201,487	1,868,110
Total Liabilities	\$16,246,164	\$12,484,820

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. AFRH also records an actuarial liability for future workers compensation claims based on the liability to benefits paid (LBP) ratio provided by DOL and multiplied by the average of benefits paid over three years.

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 beneficiaries 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 DOL method of determining the liability uses historical benefits payment patterns for a specific incurred period to predict the ultimate payments for the period. Based on the information provided by the DOL, AFRH's liability as of September 30, 2014 and 2013, was \$7.5 million and \$7.9 million, respectively.

NOTE 8. OTHER LIABILITIES

Other liabilities account balances as of September 30, 2014 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 168,709	\$ 1,202,616	\$ 1,371,325
Unemployment Insurance Liability	15,122	-	15,122
Payroll Taxes Payable	136,481	-	136,481
Total Intragovernmental Other Liabilities	\$ 320,312	\$ 1,202,616	\$ 1,522,928

With the Public

Payroll Taxes Payable	\$ 18,099	\$ -	\$ 18,099
Accrued Funded Payroll and Leave	601,006	-	601,006
Unfunded Leave	1,152,810	-	1,152,810
Custodial Liability - Public	50,585	-	50,585
Total Public Other Liabilities	\$ 1,822,500	\$ -	\$ 1,822,500

Other liabilities account balances as of September 30, 2013 were as follows:

	Current	Non Current	Total
Intragovernmental			
FECA Liability	\$ 159,670	\$ 1,300,856	\$ 1,460,526
Unemployment Insurance Liability	-	-	-
Payroll Taxes Payable	116,894	-	116,894
Total Intragovernmental Other Liabilities	\$ 276,564	\$ 1,300,856	\$ 1,577,420

With the Public

Payroll Taxes Payable	\$ 16,232	\$ -	\$ 16,232
Accrued Funded Payroll and Leave	369,534	-	369,534
Unfunded Leave	1,212,690	-	1,212,690
Custodial Liability - Public	22,544	-	22,544
Total Public Other Liabilities	\$ 1,621,000	\$ -	\$ 1,621,000

NOTE 9. DEDICATED COLLECTIONS

AFRH has dedicated collections that fall into the following categories: Capital Fund, Hurricane Katrina Fund, Earthquake 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 and Earthquake

monies were appropriated on an emergency basis to cover necessary expenses related to the consequences of these two events 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.

Schedule of Dedicated Collections as of September 30, 2014

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Dedicated Collections
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (4,210,246)	\$ 1	\$ 70,740	\$ 5,862,570	\$ 1,723,065
Investments	-	-	-	56,415,628	56,415,628
Accounts Receivable	-	-	-	132,311	132,311
Property, Equipment and Software	132,026,782	14,351,560	209,916,423	-	356,294,765
Total Assets	\$127,816,536	\$ 14,351,561	\$ 209,987,163	\$ 62,410,509	\$ 414,565,769
LIABILITIES AND NET POSITION					
Accounts Payable	\$ 103,879	\$ -	\$ -	\$,276,315	\$ 5,380,194
Other	-	-	-	3,345,428	3,345,428
Employee and Veteran Benefits	-	-	-	7,520,542	7,520,542
Cumulative Results of Operations	127,712,657	14,351,561	209,987,163	46,268,224	398,319,605
Total Liabilities and Net Position	\$ 127,816,536	\$ 14,351,561	\$ 209,987,163	\$ 62,410,509	\$ 414,565,769
Statement of Net Cost					
Program Costs	\$ 7,122,950	\$ 282,604	\$ 5,492,018	\$ 64,671,104	\$ 77,568,676
Less: Earned Revenues	-	-	-	(15,481,233)	(15,481,233)
Net Program Costs	7,122,950	282,604	5,492,018	49,189,871	62,087,443
Less: Earned Revenues Not Attributable to Programs	-	-	-	-	-
Net Cost of Operations	\$ 7,122,950	\$ 282,604	\$ 5,492,018	\$ 49,189,871	\$ 62,087,443
Statement of Changes in Net Position					
Net Position Beginning of Period	\$ 100,474,189	\$ 14,706,659	\$ 215,479,181	\$ 93,482,104	\$ 424,142,133
Net Cost of Operations	(7,122,950)	(282,604)	(5,492,018)	(49,189,871)	(62,087,443)
Taxes and Other Nonexchange Revenue	-	-	-	34,637,809	34,637,809
Other Revenue	-	-	-	1,627,106	1,627,106
Change in Net Position	(7,122,950)	(282,604)	(5,492,018)	(12,924,956)	(25,822,528)
Net Position End of Period	\$ 93,351,239	\$ 14,424,055	\$ 209,987,163	\$ 80,557,148	\$ 398,319,605

Schedule of Dedicated Collections as of September 30, 2013

	Capital Fund	Earthquake Fund	Hurricane Katrina Fund	Operations & Maintenance Fund	Total Dedicated Collections
Balance Sheet					
ASSETS					
Fund Balance with Treasury	\$ (34,464,564)	\$ 138,764	\$ 70,740	\$ 37,796,410	\$ 3,541,350
Investments	-	-	-	66,296,115	66,296,115
Accounts Receivable	-	-	-	1,962,219	1,962,219
Property, Equipment and Software	134,921,352	14,497,476	215,408,441	-	364,827,269
Total Assets	\$ 100,456,789	\$ 14,636,240	\$ 215,479,181	\$ 106,054,743	\$ 436,626,953
LIABILITIES AND NET POSITION					
Accounts Payable	\$ (17,400)	\$ (70,419)	\$ -	\$ 1,430,725	\$ 1,342,906
Other	-	-	-	11,141,914	11,141,914
Cumulative Results of Operations	100,474,189	14,706,659	215,479,181	93,482,104	424,142,133
Total Liabilities and Net Position	\$ 100,456,789	\$ 14,636,240	\$ 215,479,181	\$ 106,054,743	\$ 436,626,953
Statement of Net Cost					
Program Costs	\$ 3,784,557	\$ -	\$,119,014	\$ 64,542,544	\$ 72,446,115
Less: Earned Revenues	-	-	-	(15,074,335)	(15,074,335)
Net Cost of Operations	\$ 3,784,557	\$ -	\$ 4,119,014	\$ 49,468,209	\$ 57,371,780
Statement of Changes in Net Position					
Net Position Beginning of Period	104,258,746	14,706,659	219,598,195	106,683,406	442,247,006
Net Cost of Operations	(3,784,557)	-	(4,119,014)	(49,468,209)	(57,371,780)
Taxes and Other Nonexchange Revenue	-	-	-	37,677,053	37,677,053
Other Revenue	-	-	-	1,589,854	1,589,854
Change in Net Position	(3,784,557)	-	(4,119,014)	(10,201,302)	(18,104,873)
Net Position End of Period	\$ 100,474,189	\$ 14,706,659	\$ 215,479,181	\$ 93,482,104	\$ 424,142,133

NOTE 10. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Intragovernmental costs and revenue represent exchange transactions between AFRH and other federal government entities, and are in contrast to those with non-federal entities (the public). Such costs and revenue are summarized as follows:

	2014	2013
Program: Embrace Resident-Centered Care		
Intragovernmental Costs	\$ 8,258,810	\$ 8,901,546
Public Costs	52,880,820	45,302,637
Total Program Costs	61,139,630	54,204,183
Intragovernmental Earned Revenue	(1,691,446)	(1,634,914)
Public Earned Revenue	(10,510,862)	(9,643,703)
Net Program Costs	\$ 48,937,322	42,925,566
Program: Maintain Exceptional Stewardship		
Intragovernmental Costs	\$ 1,641,913	\$ 2,340,196
Public Costs	10,513,099	11,909,955
Total Program Costs	12,155,012	14,250,151
Intragovernmental Earned Revenue	(336,272)	(429,815)
Public Earned Revenue	(2,089,637)	(2,535,307)
Net Program Costs	\$ 9,729,103	11,285,029
Program: Promote Staff-Centered Stewardship		
Intragovernmental Costs	\$ 321,676	\$ 365,247
Public Costs	2,059,682	1,858,849
Total Program Costs	2,381,358	2,224,096
Intragovernmental Earned Revenue	(65,881)	(67,083)
Public Earned Revenue	(409,393)	(395,699)
Net Program Costs	\$ 1,906,084	1,761,314
Program: Leverage External Stakeholders		
Intragovernmental Costs	\$ 255,665	\$ 290,293
Public Costs	1,637,011	1,477,392
Total Program Costs	1,892,676	1,767,685
Intragovernmental Earned Revenue	(52,361)	(53,317)
Public Earned Revenue	(325,381)	(314,497)
Net Program Costs	\$ 1,514,934	1,399,871
Total Intragovernmental costs	\$ 10,478,064	\$ 11,897,281
Total Public costs	67,090,611	60,548,834
Total Costs	77,568,675	72,446,115
Total Intragovernmental Earned Revenue	(2,145,960)	(2,185,129)
Total Public Earned Revenue	(13,335,273)	(12,889,205)
Total Net Cost	\$ 62,087,442	\$ 57,371,780

NOTE 11. IMPUTED FINANCING SOURCES

AFRH recognizes as imputed financing the amount of accrued pension and post-retirement benefit expenses for current employees. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the years ended September 30, 2014 and 2013, respectively, imputed financing was as follows:

	2014	2013
Office of Personnel Management	\$ 1,627,106	\$ 1,589,854
Total Imputed Financing Sources	\$ 1,627,106	\$ 1,589,854

NOTE 12. BUDGETARY RESOURCE COMPARISONS TO THE BUDGET OF THE UNITED STATES GOVERNMENT

The President’s Budget that will include fiscal year 2014 actual budgetary execution information has not yet been published. The President’s Budget is scheduled for publication in February 2015 and can be found at the OMB Web site: <http://www.whitehouse.gov/omb/>. The 2014 Budget of the United States Government, with the "Actual" column completed for 2013, has been reconciled to the Statement of Budgetary Resources and there were no material differences.

NOTE 13. APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

Obligations incurred and reported in the Statement of Budgetary Resources in 2014 and 2013 consisted of the following:

	2014	2013
Direct Obligations, Category A	\$ 58,784,422	\$ 62,531,720
Direct Obligations, Category B	705,677	4,489,597
Total Obligations Incurred	\$ 59,490,099	\$ 67,021,317

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.

NOTE 14. UNDELIVERED ORDERS AT THE END OF THE PERIOD

For the years ended September 30, 2014 and 2013, budgetary resources obligated for undelivered orders amounted to \$1,605,820 and \$14,522,586 respectively.

NOTE 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

**ARMED FORCES RETIREMENT HOME
RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Dollars)**

	2014	2013
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	\$ 59,490,099	\$ 67,021,317
Spending Authority From Offsetting Collections and Recoveries	(4,421,955)	(3,964,294)
Offsetting Receipts	(14,561,775)	(16,642,628)
Net Obligations	40,506,369	46,414,395
Other Resources		
Imputed Financing From Costs Absorbed By Others	1,627,106	1,589,854
Other Resources	-	341,968
Net Other Resources Used to Finance Activities	1,627,106	1,931,822
Total Resources Used to Finance Activities	42,133,475	48,346,217
Resources Used to Finance Items Not Part of the Net Cost of Operations	5,375,995	(1,690,572)
Total Resources Used to Finance the Net Cost of Operations	47,509,470	46,655,645
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
	14,577,973	10,716,135
Net Cost of Operations	\$ 62,087,443	\$ 57,371,780



Part 4: OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT

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 noncompliance. This year, the auditors found no material weaknesses.

Management Assurances for FMFIA are presented in the MD&A. The COO is pleased to report that neither noncompliance nor non-conformity is present at the AFRH.



Resident Pete Marmen counts on AFRH-G Librarian Lori Kearns for assistance, support and a smile.

“Morale is good here. It’s easy to make new friends.”

–Charles Setzer (Marine Corps)

The day after Pearl Harbor was bombed, young Charles and friends decided on the school bus that they were going to enlist. He joined the Marine Corps, went to boot camp and shipped off to Okinawa, Japan in 1945. After The War, he became a Mess Sergeant and fed 1,500 Marines three times a day.



Charles retired in 1964 and went back to school in North Carolina. He worked at a small local college in various positions for 21 years. He started an apple orchard as a retirement project with 200 trees and sold tractors for five years.

At AFRH-W, Charles likes to stay active by exercising and walking the AFRH-W trails. He enjoys the bus trips to the Space Museum, Kennedy Center and Mount Vernon. Charles returned to Japan with other AFRH Residents on the Japan “Friendship Tour” to help promote peace and camaraderie with Japanese veterans.

AFRH INSPECTOR GENERAL LETTER



**Armed Forces Retirement Home
3700 North Capitol Street, NW
Washington, DC 20011-8400**

DATE: November 17, 2014
TO: Steven G. McManus, COO
SUBJECT: IG Statement on FY15 Challenges



In accordance with the Reports Consolidation Act of 2000, I have assessed and am providing a statement outlining the most serious challenges facing the organization. The overall analysis is based on specific information from oversight organizations as well as my general knowledge of AFRH's programs and operations gathered from careful observation.

What follows is the current assessment of AFRH programs and / or activities that pose significant risks, including those that are particularly vulnerable to fraud, waste, error, mismanagement or inefficiencies. The challenges are not presented in order of priority since all are critical management or performance issues. The table includes old and new challenges, progress made during FY2014 and what remains to be done. Within each challenge, there are a series of "recommended actions" to resolve the challenge.

The IG challenges include Financial, Information Technology, Accreditation, Person-centered Care, Staff-centered Environment and Aging-in-Place where attention is recommended.

My responsibility is to provide objective oversight, advice and monitoring as the AFRH moves forward to achieve its ultimate vision. It is important that AFRH press forward with a renewed sense of dedication to mitigate the associated risks.

In my capacity as their IG, I will carefully observe, recommend and support our staff to grow and succeed.

Sincerely,

A handwritten signature in black ink, appearing to be "Sheila Abarr". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sheila Abarr
AFRH Inspector General
November 17, 2014

INSPECTOR GENERAL FY2015 MANAGEMENT CHALLENGES

To guard against fraud, waste, and abuse, the AFRH IG has identified the following challenges for FY2015. The IG has provided recommended actions to mitigate any risks in these areas.

MANAGEMENT CHALLENGES	RECOMMENDED ACTIONS
Financial Ensure Trust Fund solvency and work within mandated budget reductions	-- Maintain cost containment activities implemented in previous years
	-- Implement Internal Controls and recommendations from audit inspections and accreditation
	-- Work with DoD to develop alternative strategies and gain approval for increasing revenue streams
	-- Implement the Washington Master Plan
Accreditation Maintain CARF and secure Joint Commission accreditation	-- Adhere to reporting requirements. Implement and maintain any recommendations from CARF Quality Improvement Plans
	-- Implement recommendations from The Joint Commission accreditation survey
	-- Secure the Home Healthcare accreditation in 2015
Information Technology Establish and maintain an optimal technology operating environment within budget constraints	-- Implement EHRS billing module and continue improving EHRS for better, more accurate Resident record management
	-- Deploy knowledge management through SharePoint and provide staff training
	-- Improve productivity in using new IT with new processes versus old equipment and its processes
	-- Show results of IT strategic objectives
Person-centered Care (PCC) Continue progress in PCC operations to enhance service delivery	-- Refine metrics for better results in PCC
	-- Empower staff by expanding PCC knowledge and skills
	-- Achieve acceptable performance and alter services as needed
Staff-centered Environment Address staff issues and concerns to improve working environment	-- Retain subject matter expertise in key AFRH positions by reducing turnover
	-- Implement Individual Performance Plans for all employees which link staff responsibilities to Strategic Goals / Objectives
Aging-in-Place Continue expansion and improvement of Aging in Place initiative	-- Ensure more accountability between the transitions from one care level to another
	-- Validate costs by level of care and determine staff time usage in all levels
	-- Staff levels of care in accordance with Center for Medicare Services (CMS) standards

IMPROPER PAYMENTS

The Improper Payments Information Act (IPIA) of 2002 (PL 107-300), as amended by the Improper Payments Elimination & Recovery Act (IPERA) of 2010, was enacted to elicit estimates and reports of improper payments by Federal agencies. 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 month our financial shared service provider, U.S. Treasury BFS, reviews AFRH business program for improper and erroneous payments. During FY2014, AFRH had one improper payment. This payment has been resolved, cause identified and additional training provided for invoice approvers.

AFRH's excellent record for the past 3 years:

FY2014: 1
 FY2013: 0
 FY2012: 0



COO Steve McManus works with Corporate Facilities Manager Justin Seffens on a variety of facilities initiatives.

FREEZE THE FOOTPRINT

Starting in 2014, OMB Circular A-136, Section II.5.10 requires CFO Act agencies to report square footage and costs for the initiative Freeze the Footprint initiative. Consistent with Section 3 of the OMB Memorandum-12-12, Promoting Efficient Spending to Support Agency Operations and OMB Management Procedures Memorandum 13-02, the "Freeze the Footprint" policy implementing guidance, all agencies shall not increase the total

square footage of their domestic office and warehouse inventory compared to the FY2012 baseline.

Although AFRH is not a CFO Act agency and required to report per OMB Circular A-136, AFRH recognizes the importance of reducing our footprint to support cost containment.

AFRH has been reducing its footprint for over a decade by mothballing underutilized buildings and centrally locating program operations to one area of our sprawling AFRH-W grounds (272 acres).

With the replacement of the old AFRH-W Scott Building with a modern, smaller facility which opened in March 2013, AFRH reduced its overall square footage by almost 8%. In FY2015, AFRH expects to further reduce our footprint by an additional 3% (57,600 sq. ft.) by leasing underutilized portions of the historic AFRH-W Sherman Building to a DC Charter School. These reductions provide cost avoidance opportunities in utility, maintenance, housekeeping and ground maintenance.

	FY2012 Baseline	2014 (CY)	Change FY2014 Baseline-2012 ¹
Total Square Footage	2,384,188	2,201,108	-183,080

¹ Square footage reported includes office, warehouse, Resident housing, recreation, medical and recreation



AFRH-G Administrator Chuck Dickerson receives the Patriotic Award for being a highly supportive supervisor, presented by General Gardner and retired AF Major Bremenkamp.

ACRONYMS

ACRONYM	MEANING
AFRH	Armed Forces Retirement Home
AIP	Aging in Place
AL	Assisted Living
APG	Annual Performance Goal
ARC	Administrative Resources Center
ATO	Authority to Operate
BFS	Bureau of the Fiscal Service
CARF	Commission on Accreditation of Rehabilitation Facilities
CB	(Seabee) United States Navy Construction Battalion
CCAC	Continuing Care Accreditation Commission
CCRC	Continuing Care Retirement Community
CFO	Chief Financial Officer
CHCO	Chief, Human Capital Officer
CIO	Chief Information Officer
CIP	Capital Improvement Plan
COO	Chief Operating Officer
COR	Contracting Officer's Representative
DEOMI	Defense Equal Opportunity Management Institute
DHA	Defense Health Agency
DoD	Department of Defense
EFT	Electronic Files Transfer
ESSO	Executive Support Services Officer
FEVS	Federal Employee Viewpoint Survey
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Management Act
FM	Facilities Manager
FMFIA	Federal Managers' Financial Integrity Act of 1982
FY	Fiscal Year
GAAP	Generally accepted accounting principles
GHG	Greenhouse Gas
GPRA	Government Performance and Results Act
IG	Inspector General
IPAC	Intra-Governmental Payment and Collection
IL	Independent Living
ILP	Independent Living Plus
IPP	Individual Performance Plan
IT	Information Technology
JCRINC	Joint Commission Resources, Inc.
KAFB	Keesler Air Force Base
LRFP	Long Range Financial Plan
LTC	Long Term Care
MD	Medical Director
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PAO	Public Affairs Officer
PAR	Performance and Accountability Report
PCC	Person-centered Care
PIO	Performance Improvement Officer
PRISM	Professional Resources in Information Systems Management
RAC	Resident Advisory Committee
SEABEEs	United States Navy Construction Battalion
SMA	Senior Medical Advisor
SSPP	Strategic Sustainability Performance Plan
TJC	The Joint Commission
USSGL	US Standard General Ledger
VA	Veterans Administration
WebTA	Web Time and Attendance

ACKNOWLEDGEMENTS

AFRH relies on its dedicated partners who donate their time, goods and services, materials for construct and repairs and talents. AFRH gratefully acknowledges our individuals, active duty service members, military retirees, school children, churches, clubs, commercial retailers, large corporations and military service organizations who provide support, lend a hand and spend numerous hours with us—they are truly part of the AFRH community.



The FY2014 Performance and Accountability Report was produced with the energies and talents of the AFRH staff. To our dedicated staff, we give our sincere thanks.

Thank you for your interest in the Armed Forces Retirement Home and its Fiscal Year 2014 Performance and Accountability Report.

Copies of this report are available on our Web site:
<https://www.afrh.gov/afrh/about/par/afrhentirepar14.pdf>.

To learn more about AFRH and ways to support its programs, please contact:

Armed Forces Retirement Home
3700 N. Capitol Street NW
Washington, DC 20011
ATTN: PAO #584

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

PAR Suggestions or comments may be submitted to:

AFRH CFO
Sherman Building, Room 114
3700 N. Capitol Street, NW
Washington DC 20011

Wood sculpture artist Mark Colp of Lakeport, CA volunteered to create this magnificent “Eagle in Flight” to honor the U.S. Armed Forces. It greets every visitor to AFRH-W at the entrance of our new Scott Building. The inscription on the base reads: “A Grateful Country to her defenders.” Like precious liberty, this masterpiece will last a lifetime with proper care and treatment.



