

Required Supplementary Stewardship Information (Unaudited)

These materials are not audited.

1. Heritage Assets

Heritage assets are properties that possess one or more of the following characteristics: historical or natural significance; cultural; educational or aesthetic value; or significant architectural characteristics. The monetary value of heritage assets is often not estimable or relevant. By nature they are expected to be maintained in perpetuity. VA has properties at medical centers and national cemeteries that meet the criteria for a heritage asset. During the reporting period, all maintenance

expenses were recorded as incurred. Heritage assets are reported in terms of physical units. Generally, additions to VA's Heritage Asset inventory result from field station surveys, which identify items such as new collections or newly designated assets. Items are generally donated or existing VA assets are designated as heritage. Most are used for mission purpose and maintained in working order. Remaining items are mothballed.

Heritage Assets in Units

| As of September 30, | 2004 | 2003 |
|---------------------------------------|--------------|--------------|
| Art Collections | 33 | 30 |
| Buildings and Structures | 1,817 | 1,815 |
| Monuments/Historic Flag Poles | 724 | 969 |
| Other Non-Structure Items | 76 | 71 |
| Archaeological | 11 | 11 |
| Cemeteries | 157 | 157 |
| Total Heritage Assets in Units | 2,818 | 3,053 |

2. Non-Federal Physical Property

Annually, VA provides funding to state governments for the purchase, construction, or major renovation of physical property owned by the state. In most cases these grant programs involve matching funds from the states.

Grant Program Costs

| Years Ended September 30, | 2004 | 2003 |
|----------------------------------|---------------|---------------|
| State Extended Care Facilities | \$ 66 | \$ 121 |
| State Veterans Cemeteries | 34 | 30 |
| Total Grant Program Costs | \$ 100 | \$ 151 |

The Extended Care Facilities Grant Program assists states in acquiring facilities to provide domiciliary, nursing home, and other day health care for veterans, and to expand, remodel, or alter existing buildings to provide domiciliary, nursing home, hospital, and day health care for veterans in state homes. VA participates in two grant-in-aid programs for states. VA may participate in up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes. Over the last five fiscal years, the State Home Construction Grant Program

has awarded grants in excess of \$424 million. VA also provides per diem payment for the care of eligible veterans in state homes.

Since the cemetery program was established in 1980, VA has awarded grants totaling more than \$208.6 million to 33 states and the Commonwealths of Guam and the Northern Marianas. The program provides up to 100 percent of the cost to establish, expand, or improve state veterans' cemeteries. States provide the land and agree to operate the cemeteries.

3. Human Capital

Investment in human capital comprises those expenses for education and training programs for the general public that are intended to increase or maintain national economic productive capacity. It does not include expenses for internal Federal education and training of civilian employees.

Veterans and Dependents Education Years ended September 30,

Program Expenses

| | 2004 | 2003 |
|--|-----------------|-----------------|
| Education and Training-Dependents of Veterans | \$ 320 | \$ 266 |
| Vocational Rehabilitation and Education Assistance | 2,517 | 2,309 |
| Administrative Program Costs | 230 | 288 |
| Total Program Expenses | \$ 3,067 | \$ 2,863 |

Program Outputs (Participants)

| | | |
|-------------------------|---------|---------|
| Dependent Education | 67,420 | 64,582 |
| Veterans Rehabilitation | 75,409 | 71,549 |
| Veterans Education | 409,695 | 400,289 |

Program Outcomes

VA's education and training programs are intended to provide higher education to dependents who might not be able to participate otherwise. Veterans rehabilitation and employment programs are provided to service-disabled veterans; they are designed to improve employability and promote independence for the disabled. Educational programs for active duty personnel, reservists, and veterans provide higher education assistance to those who are eligible under the MGB and the Veterans Educational Assistance Program. Education and training assistance are

provided to dependents of veterans who died of service-connected disability or whose service-connected disability was rated permanent and total. The Vocational Rehabilitation and Employment program is open to veterans who have a 10 percent or greater service-connected disability rating and are found to have a serious employment handicap. The program provides evaluation services, counseling, and training necessary to assist them in becoming employable and maintaining employment to the extent possible. The Veterans Education program provides educational assistance to eligible servicemembers and veterans.

4. Health Professions Education

Health Professions Education

| Years Ended September 30, | 2004 | 2003 |
|--|---------------|---------------|
| Program Expenses | | |
| Physician Residents and Fellows | \$ 420 | \$ 404 |
| Associated Health Residents and Students | 62 | 60 |
| Instructional and Administrative Support | 401 | 367 |
| Total Program Expenses | \$ 883 | \$ 831 |
| Program Outputs | | |
| Health Professions Rotating Through VA: | | |
| Physician Residents and Fellows | 29,179 | 28,000 |
| Medical Students | 16,740 | 16,000 |
| Nursing Students | 20,275 | 17,000 |
| Associated Health Residents and Students | 16,921 | 15,000 |
| Total Program Outcomes | 83,115 | 76,000 |

Program Outcomes

VA's education mission contributes to high-quality health care for veterans by providing a climate of scientific inquiry between trainees and teachers; application of medical advances more readily through an academic setting; supervised trainees who provide clinical care; and educational programs that enable VA to recruit highly qualified health care professionals.

The Veterans Health Administration (VHA) conducts education and training programs to enhance the quality of care provided to veterans within the VA health care system. Building on the long-standing, close relationships among VA and the Nation's academic institutions, VA plays a leadership role in defining the

education of future health care professionals that helps meet the changing needs of the Nation's health care delivery system. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and those of the Nation. Through its partnerships with affiliated academic institutions, VA conducts the largest education and training effort for health professionals in the Nation. Each year, over 83,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions including 107 medical schools. Many have their health profession degrees and contribute substantially to VA's ability to deliver cost-effective and high-quality patient care during their advanced clinical training at the VA.

5. Research and Development

Investments in research and development comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other benefits.

| Program Expense Year ended September 30, | | | | | 2004 |
|---|-----------------|-----------------|--------------------|--------------|--------------|
| | Basic | Applied | Development | Total | |
| Medical Research Service | \$ 172.9 | \$ 81.8 | \$ - | \$ - | 254.7 |
| Rehabilitative Research and Development | 3.5 | 27.9 | 17.0 | | 48.4 |
| Health Services Research and Development | - | 61.8 | - | | 61.8 |
| Cooperative Studies Research Service | - | 27.7 | - | | 27.7 |
| Medical Research Support | - | 452.0 | - | | 452.0 |
| Prosthetic Research Support | - | 4.8 | - | | 4.8 |
| Total Program Expenses | \$ 176.4 | \$ 656.0 | \$ 17.0 | \$ - | 849.4 |

| Program Expense Year ended September 30, | | | | | 2003 |
|---|-----------------|-----------------|--------------------|--------------|--------------|
| | Basic | Applied | Development | Total | |
| Medical Research Service | \$ 141 | \$ 80.7 | \$ - | \$ - | 221.7 |
| Rehabilitative Research and Development | 3.1 | 27.5 | 20.3 | | 50.9 |
| Health Services Research and Development | - | 61.5 | - | | 61.5 |
| Cooperative Studies Research Service | - | 27.0 | - | | 27.0 |
| Medical Research Support | - | 402.9 | - | | 402.9 |
| Prosthetic Research Support | - | 4.7 | - | | 4.7 |
| Total Program Expenses | \$ 144.1 | \$ 604.3 | \$ 20.3 | \$ - | 768.7 |

In addition, VHA researchers received \$459 million in grants from the National Institutes of Health and \$252 million in other grants during FY 2004. These grants went directly to researchers and are not considered part of the VA entity. They are being disclosed here but are not accounted for in the financial statements.

Program Outcomes

For FY 2004, VA's R&D general goal for stewardship was to ensure that VA medical research programs met the needs of the veteran population and contributed to the Nation's knowledge about disease and disability. Target levels were established for the: (1) percent of funded research projects relevant to VA's health-care mission in designated

research areas and (2) number of research and development projects. Strategies were developed in order to ensure that performance targets would be achieved.

VA's Medical Research Program goal is to be the premier research organization, leading our Nation's efforts to discover knowledge and create innovations that promote and advance the health and care of veterans and the Nation. To achieve this goal, VA targets research projects that address special needs of veteran patients and balance research resources among basic and applied research, in order to ensure a complementary role between the discovery of new knowledge and the application of these discoveries to medical practice.

| Research and Development Measures-Actual Year ended September 30, | 2004 | 2003 |
|--|-------------|-------------|
| Percent of Funded Research Projects Relevant to VA's | | |
| Health-Care Mission | 97.1% | 95.6% |
| Number of Research and Development Projects | 2,165 | 2,075 |