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# Vitality - vi-tal-i-ty (noun)

1. exuberant physical strengt

or mental energy combined with a joyous approach to activities: a person of great vitality 2. great capacity for survival, or the continuation of a meaningful and purposeful existence: the vitality of an institution.

# VISION:

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

# MISSION:

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

# **GUIDING PRINCIPLES:**

- -Establish Accountability
- -Honor Heritage
- -Inspire Excellence.
- -Maintain Integrity
- -Maximize Workforce
- -Serve Customers

# REPORT INTRODUCTION

Welcome to the AFRH 2008 Citizens' Report. This is a forum to celebrate our rich heritage and share new exciting new developments with veterans and Americans alike.

Over the years, AFRH has cared for tens of thousands of veterans spanning two centuries and nine major American conflicts. As the US expands its global military presence, we must mod-

ernize to meet the greater expectations and dynamic longevity of tomorrow's residents.

Of late, the Home has evolved into a modern retirement community that rivals those in the private sector. We are passionately transforming our programs and services to provide greater care. This revolution calls for greater vitality and enhanced longevity.

2008 marks the beginning of "Building Vitality."The strategic groundwork we laid out in 2003

has netted positive gains in financial performance. Now, we're building on that solid foundation to realize our vision: "The AFRH of the Future."

This Report surveys the dynamic process that has transformed the Home
– starting in 2003 with the creation of our vision, mission and strategic
goals. Then it offers an assessment of AFRH in 2008 – including
our progress on resident care, new construction and
fiscal management.

# **Corporate Philosophy**

Our vision and mission
are strongly rooted in the
Home's heritage. Yet, they also
incorporate modern philosophies

in senior care. Further, our Guiding Principles were crafted to ensure delivery of the Home's services, while also guiding the success of our strategies. Ultimately, these tools will help us meet the needs of tomorrow's veterans.



n FY08, we focused on transitioning the AFRH from an outdated institution into a modern Continuing Care Retirement Community (CCRC)<sup>1</sup>. The centerpiece of this transformation is the adoption of the "aging in place" philosophy. Our progressive senior care now includes services to help residents maintain independence in their Home of choice - and remain connected, active members of the community.

# I am pleased to present our 2008 Citizens' Report, which highlights our great resident care.

#### **REVAMPING RESOURCES**

During 2008 we made a commitment to build on our recent financial success to meet the changing needs of current and future residents. In the President's Budget for 2009, the AFRH is highlighted as "Strengthening Infrastructure for the 21st Century" by improving housing for retired veterans. To truly achieve this, we have given top priority to four major projects:

- 1. Rebuilding the Gulfport Facility (MS)
- 2. Implementing the Scott Project (DC)
- 3. Earning CARF/CCAC<sup>2</sup> Accreditation (DC)
- 4. Advancing Resident Wellbeing (DC)

In 2008, we broke ground on a new resident Home in Gulfport. This modern facility will be ready for occupancy in late 2010. Also, we began developing concepts to revitalize the Washington community. A key victory was earning a more comprehensive accreditation from CARF/CCAC, the leading entity that certifies senior care facilities. This is just one example of our pledge to provide the best possible care and services to residents.

#### **PROPELLING FORWARD**

AFRH is rising above the challenges of operating a premier retirement home, such as: continuing our financial growth, managing our buildings/renewals, opening the new

Gulfport facility, orchestrating the residents' move back to Gulfport and maintaining CARF accreditation.

All told, our future is exciting. We are building vitality in our infrastructure, among residents, and across operations. I am pleased with our success and I am proud of the results of that success: residents are safe, happy and content. We will continue to manage their resources responsibly, and provide top-notch programs and services to the distinguished people who call AFRH "Home."

Sincerely,

Timothy C. Cox Chief Operating Officer (COO)

January 15, 2009



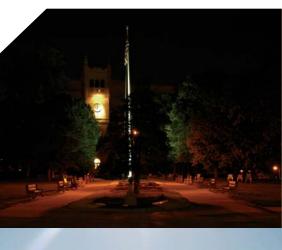
Terry Sawyer (Army) "On the outside, I tended to withdraw and be 'inner.' Here, I tend to be more 'outer.' " Terry was a medic in Vietnam. He got wounded himself, plus he was inside a helicopter that went down. So, he struggled with combat stress and social readjustment for decades. "After the war, I withdrew and life was pretty tough for 20 years. I was real depressed and had lots of anxiety. Time has a way of healing you. Plus the Home has really helped my quality of life. It's a special place with special people." Terry came here and started interacting much better with others. Now he goes to the gym in the mornings to exercise and plays golf nearly every day. "I walk the course and it's peaceful," he reflected. Years ago, I weighed 250 lbs. – now I'm 180."

<sup>2</sup>Commission on Accreditation of Rehabilitation Facilities and the Continuing Care Accreditation Commission

# **SURROUNDS. RESIDENTS & STAFF**

AFRH is a vibrant community of active residents, devoted staff and lovely surroundings. New residents bring in physical vitality and a joy for life. All residents share a unique military bond and they often turn to each other for camaraderie. Yet, they often rely on our staff to fulfill many needs, like emotional support. To keep residents active, our staff also plans daily trips, events and celebrations.

# Assembling Components



# Surrounds:

# Washington, DC

- > 272 flourishing acres in Northwest DC
- > Extensive services & amenities
- > 9-hole golf course & driving range
- > Site of several historic landmarks
- > Co-located with President Lincoln's Cottage



- > 47 acres of pristine beachfront property
- > Location of other AFRH community (since 1976)
- > Former site of Gulf Coast Military Academy
- > A Modern facility will replace destroyed site

# Eligibility:

Any person may become an AFRH resident if their active duty military service was at least 50 percent enlisted, Warrant Officer or Limited Duty Officer (per US Code 24, Section 412 (24 USC.412). Further, a person must also:

- a) Have 20 or more years of active duty service and be at least 60 years old, or
- b) Be unable to earn a livelihood due to a service-connected disability, or
- c) Be unable to earn a livelihood due to a non service-connected disability, yet served in a war theater or received hostile fire pay, or
- d) Have served in a women's component of the Services before June 12, 1948

# Residents:

1065 total residents consisting of:

- > Retired career military personnel
- > War theater combatants
- > Those with service-related disabilities, and
- > Females in service prior to 1948



Integrity First
Selfless Service

Excellence in Everything

**R** Right Attitude

V**i**sionary Teamwork

# Staff:

- > Dedicated, compassionate & energetic
- > Salaried professionals & contracted experts
- > Broad mix of service & health personnel
- > A multicultural blend of dedicated workers

AFRH residents share a unique military bond and they often turn to each other for camaraderie. Yet, the residents often rely on our staff to fulfill many needs ... such as emotional support. After all, most residents are single

males with no immediate blood relatives. So many AFRH employees reach out and serve as extended family members.

This brand of devotion is simply required to work here.

Some staff members plan activities to keep residents active – such as trips, events and celebrations. Others provide maintenance and food service. Whatever the job, customer service is king here. This attitude inspired us to create a service standard doctrine for all staff called "I SERVE."

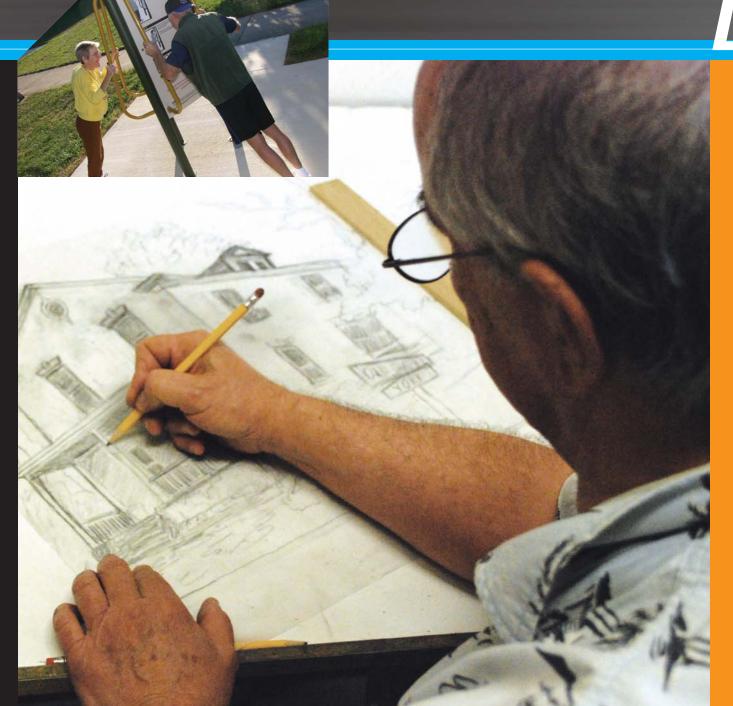


"It's great here. I think I've died and gone to heaven." Ron was diagnosed with Parkinson's and couldn't work anymore. He lived with his kids, but that didn't work either. Then he remembered he paid 50 cents from each paycheck to AFRH for 20 years. "I've been here three years now and it's great. I try not to let my Parkinson's hold me back. The prognosis is not good ... but so far it's been medically controlled, because I have great care at Walter Reed." Today, Ron is working again – nearly six days a week in the Chaplain's Office managing 10 volunteers. They all support four chaplains, two churches and hospital church services. "We help solve people's problems – usually within a few hours," he said. Ron also enjoys playing cards on the computer and goes to the gym and theatre, occasionally. "If you're unhappy here, you'll be unhappy everywhere!" he joked.



# Deserving Benefits

ike began painting at age 29 and has truly grown as an artist in recent years. "When I was younger and married, art was just a hobby." Then, after four years in the Navy, Mike worked in a few hospitals, went to college and taught school. "Then I lost my job – and at age 50, I was too old to get jobs. I almost became derelict and was about to live on the streets when they took me in here – because I was a Vietnam veteran," he said. When Mike became a resident, he started painting full-time. Within a mere two years, he developed a "signature" style: bold, bright colors mixed with impressionism. "People say, 'you always know a Martinez when you see one.'" Nowadays, churches and homes near DuPont Circle are a favorite subject. And so are Aztec spirits and Southwest pottery, as Mike was raised in New Mexico. "I'm one of the few artists here at AFRH who actively tries to get into the local galleries. I have to earn a living."



# WHAT OUR PATRIOTS DESERVE

As a CCRC, the Home has much to offer our nation's veterans and retired service members. Yet, we are now creating new and challenging programs so our residents can get even more out of their well-deserved retirement. The exciting changes we are now planning will modernize and improve upon this solid foundation:

### **PHYSICAL ACTIVITIES**

**Bowling Center** Fitness Center Gardening Area Golf Course Golf Driving Range LifeTrail Exercise Circuit

# HEALTH CARE

Dental Care Health & Wellness Center Physical Therapy

Prescriptions Satellite Located near VA & Walter Reed (military)

Near Washington Hospital & Providence Hospital (private)

# **ARTS & CRAFTS**

Artists' Colony Automotive Shop Ceramics Studio Woodworking Shop

# **SOCIAL ACTIVITIES**

Bingo & Card Games Birthday Dinners Dances Internet Cafe Military Celebrations DINING

Canteen

TRAVEL

Dining Hall

Vending Areas

Military Events

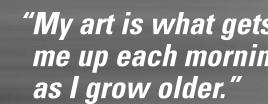
Sponsored Trips

Weekly Daytrips

# **CULTURAL**

Concerts & Performances Special Lectures Theatrical Shows Weekly Films

Pool Tournaments



- Mike Martinez (Navy)



"My art is what gets me up each morning

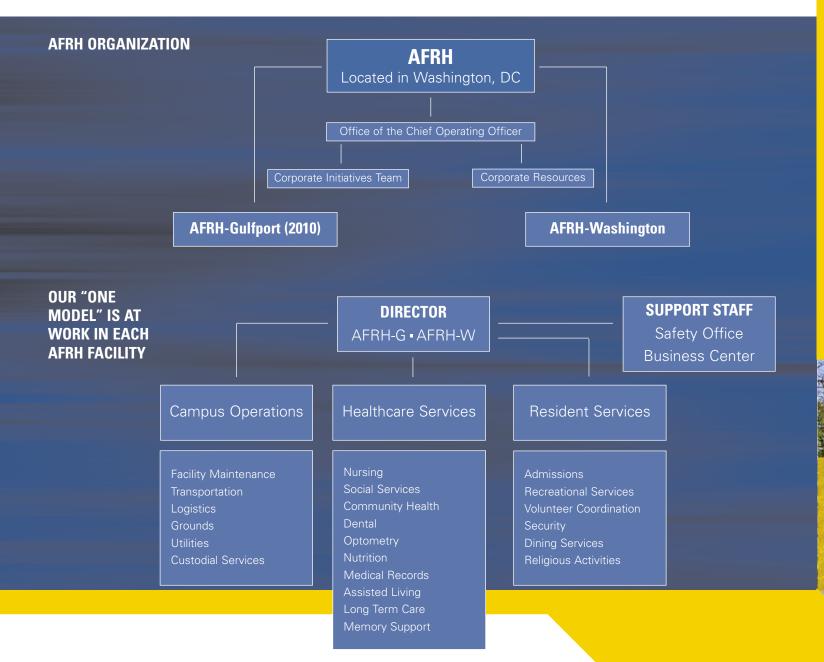
# **AFRH ORGANIZATION**

For six generations, the Soldiers' Home in Washington and the Naval Home in Gulfport were beacons of security for America's military heroes. Today, their historic military tradition endures at AFRH. Yet, the Home has developed into a modern retirement community.

While Hurricane Katrina destroyed Gulfport and forced its closure, there was still a great demand for it among

eligible veterans. So, Congress agreed to help rebuild it for re-occupancy in late 2010.

AFRH is organized as a modern business, with a corporate office that manages independent retirement communities, makes strategic decisions and communicates with Congress and constituents. Below is our organizational structure:



# STRATEGIC GOALS & FOCUS AREAS

Our goals have helped enhance operations to satisfy the residents – the sole reason for our existence. Our goals help improve finances, operations and staff. Plus, they serve as pillars for detailed performance objectives. In 2008, we established four "Focus Areas" to command our attention. Each Area stems from – and supports – a strategic goal.

# AFRH Strategic Goals (est. 2003) FY08 FOCUS AREAS **Financial Growth:** >1,2,4 Create net growth and stability for the AFRH Trust Fund. **Exceptional Service:** >1,2,3,4 Enhance the AFRH experience to enrich the quality of residents' lives. **Improved Processes:** >1,2,3,4 Modernize operations to leverage and maximize resources across AFRH. **Learning & Growth:** >3,4 Promote personal excellence and professional growth for all personnel. **Culture of Integrity:** >3,4 Inspire commitment to AFRH Guiding Principles through mutual respect.

# FY08 Focus Areas:

- Rebuilding the Gulfport Facility (MS)
- Implementing the Scott Project (DC)
- Earning
  CARF/CCAC
  Accreditation (DC)
- Advancing
  Resident
  Wellbeing (DC)

The AFRH Strategic Plan is available at www.afrh.gov/afrh/about/strategic.pdf.



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FOCUS 1: Rebuilding the Gulfport Facility (MS)

# Creating Renewal

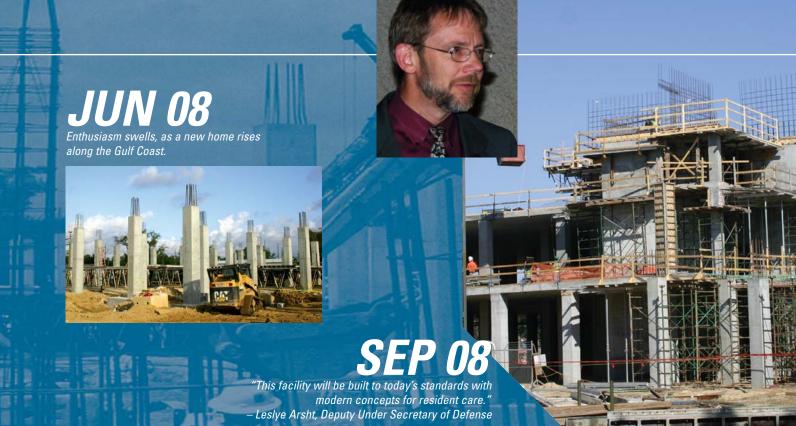
To achieve our vision of "aging in place" and to infuse vitality into AFRH, we've given top priority to four major initiatives. Together, they will create great synergy for the Home. With generous support from Congress, the rebuild of our Gulfport community was ensured. From the implosion of the damaged building, to breaking ground and beyond, our new oceanfront property has made amazing progress in 2008:



NAR 08
Members of Congress and GSA, the Gulfport Mayor, several residents and Mr. Cox break new ground.



"The building is designed to mitigate the effects of a CAT 5 hurricane." – Steve Smith, Project Manager, GSA



FOCUS 2: Implementing the Scott Project (DC)

# **MODERNIZING FOR TOMORROW**

AFRH must evolve to meet the needs of the next generation of military veterans. They expect more choices and independence, plus more amenities. And they will live much longer, so they need better care and support. As such, we aim to upgrade the Scott residence with modern amenities. In 2008, we developed conceptual plans for improvements and funds have been programmed to begin the Scott Project in 2010.



Victory:

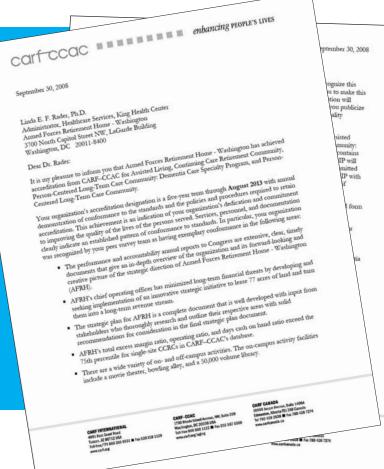
Accreditation Achieved (Valid Through 2013).

FOCUS 3: Earning CARF/CCAC Accreditation (DC)



# A MORE FITTING ACCREDITATION

CARF helps ensure that retirement communities fulfill their promise of quality, lifetime care to seniors. Their broad quality control covers everything from rehab service, daily nutrition and physical activity – to process improvement, strategic planning and financial health. AFRH had to provide specific training to its workforce in order to be in full conformance – and ultimately earn this prestigious accreditation.



FOCUS 4: Advancing Resident Wellbeing (DC)

# **KEEPING RESIDENTS ACTIVE**

Action is what counts in delivering great service. So, our staff vows to stay positive, anticipate needs, listen attentively, take responsibility and give personal attention. To ensure resident health and wellbeing, AFRH management will continue to modernize its facilities, improve outlets for activity, expand social networks, enhance military camaraderie and keep folks connected. To further promote exceptional service, our staff crafted a "Resident/Staff Covenant" to outline resident rights and staff expectations. Along with our "ISERVE" customer standards, both will ensure a high level of care.



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# FINANCIAL SUMMARY & HIGHLIGHTS

In 2008, we continued successful fiscal management with our financial partner, Bureau of Public Debt (BPD). Our recent victories are numerous, including an \$8 million rise in the Trust Fund and a positive, upward trend on our balance sheet – with assets increasing in value and liabilities decreasing.

# Victory:

FY08 is the fourth consecutive year AFRH has received unqualified audit opinions.

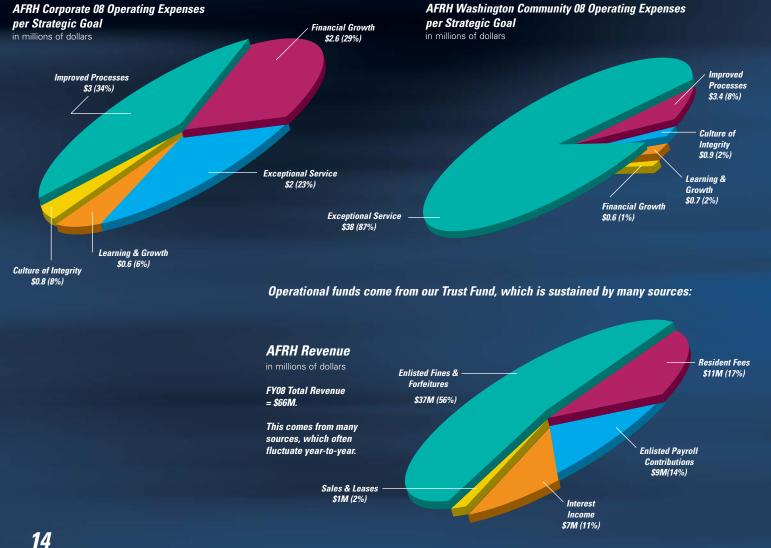
# Victory:

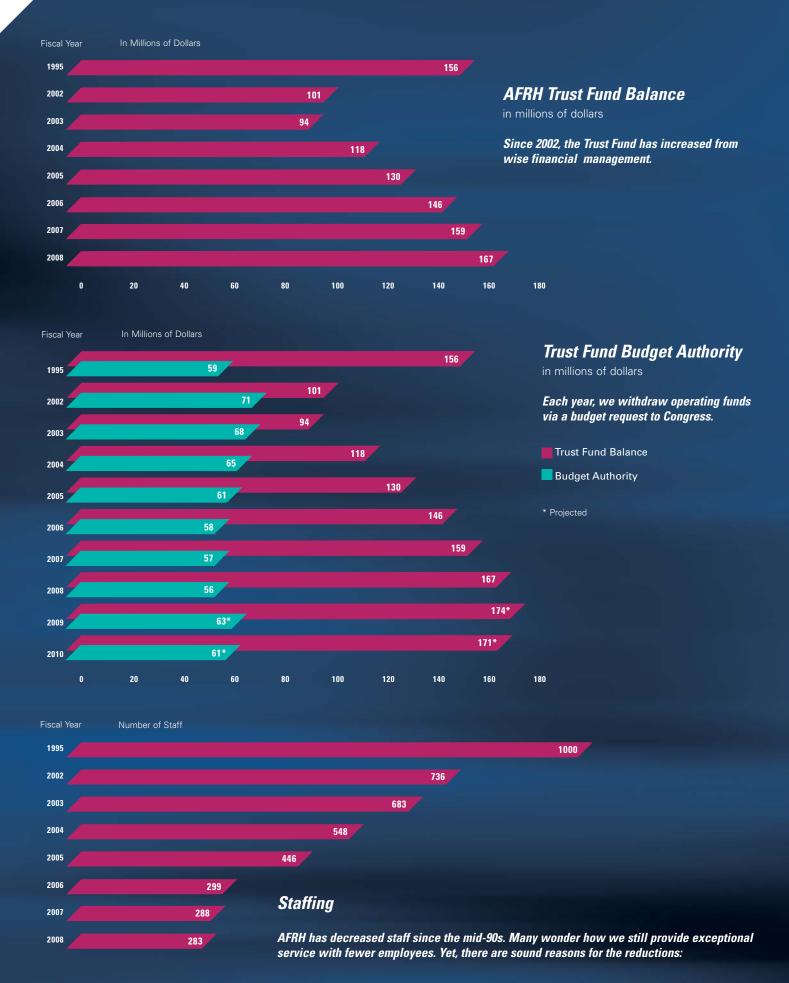
AFRH continues to spend most of its budget on exceptional service (see charts).

# Victory:

AFRH is in compliance with all relevant laws, statues and legislation.

Assets:		
FY08	FY07	Net changes:
\$469,867,888	<i>\$465,615,106</i>	\$4,252,782
Liabilities:		
FY08	FY07	Net changes:
\$14,939,341	\$7,048,896	\$7,890,445





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# **MANAGEMENT ASSURANCES**

# **Compliance with Legal and Regulatory Requirements**

AFRH managers participate in all internal controls, as do our partners BPD and the National Finance Center (NFC). We have assessed the effectiveness of our internal controls, in accordance with the Federal Managers' Financial Integrity Act (FMFIA) (PL No. 97-255) Section 2 and OMB Circular A-123, Management's Responsibility for Internal Control. Based on our assessment, AFRH can provide reasonable assurance that objectives have been achieved. No material weaknesses have been reported in our internal controls or financial reporting.

Given our comprehensive management controls, I am pleased to certify with reasonable assurance that:

- AFRH financial reporting is reliable.
  - -Transactions are properly recorded, processed and summarized to permit preparation of financial statements in accordance with generally accepted US accounting principles. Assets are safeguarded against loss from unauthorized acquisition, use or disposition.
- AFRH is in compliance with all applicable laws and regulations like FMFIA, FFMIA and FISMA.
  - Our financial and business exchanges are executed in accordance with laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.
- AFRH performance reporting is reliable.
  - Performance measures are properly recorded, processed and summarized to permit information preparation per criteria established by AFRH management.



"I can provide reasonable assurance that AFRH is in compliance ."
—Timothy Cox, COO

# Surveying Happiness

Resident Services:

OUTSTANDING

81% say customer service is Outstanding or Above Average.

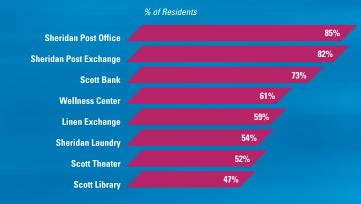
2005 - 311 Responded

# of Residents

Each year, we conduct surveys on resident satisfaction – from services and facilities to dining and interests:

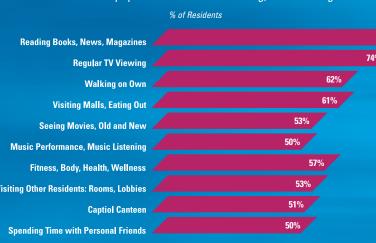
# Most Used Facilities:

This input helped us create a residence Program of Requirements.



# Personal Pursuits:

The most popular activities are reading, TV watching and walking.



# **DINING SERVICES – 2008 SURVEY RESULTS** (VS. 2005 RESULTS: THE LAST YEAR CONDUCTED):

**Scott Dining Hall Customer Service:** 85% said it was Excellent or Good. **Food Quality:** 72% graded it Excellent or Good.



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# BROWN & COMPANY CPAs, PLLC

### CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

#### INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Armed Forces Retirement Home Washington, D.C.

We have audited the accompanying balance sheet of the Armed Forces Retirement Home (AFRH) as of September 30, 2008 and 2007, and the related statements of net cost, changes in net position, and budgetary resources, for the years then ended (collectively referred to as the financial statements). These financial statements are the responsibility of AFRH's management. Our responsibility is to express an opinion on these financial statements based on our 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 U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AFRH as of September 30, 2008 and 2007 and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with U.S. Government Auditing Standards and OMB Bulletin No. 07-04, we have also issued a report dated November 7, 2008 on our consideration of the AFRH internal control over financial reporting and its compliance with provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The information in "Management's Discussion & Analysis" (MD&A) is presented for the purpose of additional analysis and is required by OMB Circular No. A-136, revised *Financial Reporting Requirements*. The AFRH's MD&A contains a wide range of information, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with AFRH officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

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

Largo, Maryland

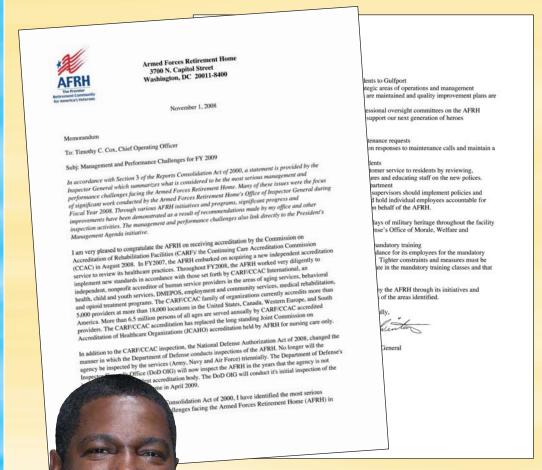
November 7, 2008 9200 BASIL COURT, SUITE 400 LARGO, MD 20774 (240) 492-1400 • FAX: (301) 636-6013 mail@brownco-cpas.com

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# Forging Ahead

# **IG CHALLENGES**

To continue building vitality, the AFRH Inspector General has summarized our most serious management and performance challenge. In turn, we spearheaded those challenges in 2008, using our focus areas as a guide.



### **ANSWERING THE CALL**

As discussed by our COO in his opening letter, AFRH has aggressively spearheaded the challenges presented by our IG for FY08. With our focus areas as a guide, we engaged contractor support to review the feasibility of reshaping the Washington community in light of emerging national concerns (like rising utility costs, economic factors and the US military posture).

Further, our achievements in health-care have earned us the prestigious CARF Accreditation. With the approval of the Washington Master Plan and the permission to move forward with our development plans, AFRH has realized great progress in educating constituents.

Maurice Swinton, AFRH IG

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# **RISK MANAGEMENT**

The AFRHTrust Fund has funded our operation since 1851. Our greatest risk is a shrinking balance. So, we seek to maintain and grow its balance with three risk management strategies:

# 1) Washington Master Plan

Congress gave AFRH the authority to sell or lease portions of its valuable real estate. Our Plan calls for private, mixed-use development and leasing on portions of ZONE A (see map). The Plan keeps our community intact, protects resident vitality and preserves our historic grounds.

# 2) Gulfport Master Plan

Rebuilding Gulfport is another key risk management strategy. The temperate weather and oceanfront views make Gulfport in high demand for potential residents. Plus, more resident capacity fulfills the AFRH mission and strengthens the *Promise* to care for our nation's heroes.





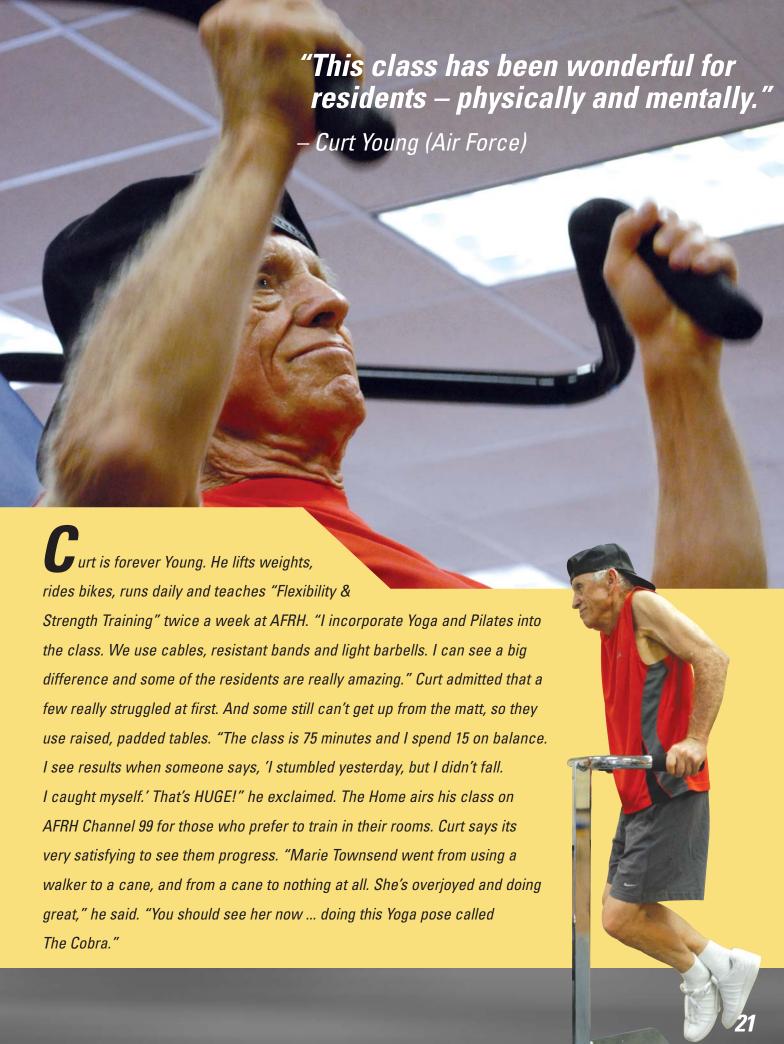
We will develop "ZONE A" along N. Capitol St.

# 3) AFRH Long Range Financial Plan

We conducted two studies to bolster our strategy:
a 10 Year Financial Capital Plan, and a Trust Fund
Solvency study. Also, Congress asked us to verify
that our long-term course would maintain Trust Fund
solvency. Our resulting plan was the Long Range
Financial Plan.

These strategies seek to ensure the Promise to care for our nation's veterans and retired military. And we are pleased all three have forged great results in 2008.

# Securing Stability





Federal Authority:

**Current Locations:** 

Organization:

Now managing 2 Communities:

Resident Capacity: (as of Sep 08)

Funding:

**Trust Fund Balance:** 

**Major Services:** 

**Major Amenities** 

AFRH Act of 1991, Public Law 101-510 (amended 2002)

Beach Drive - Gulfport, MS (47 acres) North Capitol Street - Washington, DC (272 acres)

AFRH Corporate Headquarters (Washington, DC)

AFRH-Gulfport AFRH-Washington

Gulfport, MS: 0 (now under construction; when it reopens: 582)

Washington, DC: 1,323

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

\$167 Million

Private Rooms & Showers
Medical, Dental & Vision Care
Dining Facilities
Senior Activities & Programs
Recreational Activities
Shuttle & Public Transportation
Independent Living
Assisted Living
Memory Support Day Care
Long Term Care

Fitness Center
Walking Trails
LifeTrail Course
9-hole Golf Course
6-Lane Bowling Center
Hobby Shops
Fish Ponds
600+ Seat Theater
Full-service Library
Computer Center

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