Defense Commissary Agency



Agency Financial Report

Fiscal Year 2026

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Foreword

The Defense Commissary Agency (DeCA) is a reporting entity of the Department of Defense (DoD). The Office of Management and Budget (OMB), which implements the Chief Financial Officers (CFO) Act of 1990, accordingly requires the DoD to use DeCA's financial statement information to prepare the DoD Agency financial statements.

Under the CFO Act, OMB also requires DoD and other agencies to incorporate their Agency financial statements into a Performance and Accountability Report (PAR) or an alternative Agency Financial Report (AFR). Although DeCA is not required to prepare a separate PAR or AFR, this document, which is aligned to the statutory guidance framework, has been prepared to enhance the presentation of performance, management, financial information, and to demonstrate a higher standard of accountability. DeCA will post its FY2026 Agency Financial Report at www.commissaries.com by the end of the 1st Quarter, FY 2027.



FY 2026 Defense Commissary Agency (DeCA) Agency Financial Report (AFR)

Director's Message

As I begin my tenure as Director and Chief Executive Officer of the Defense Commissary Agency (DeCA), I am honored by the responsibility to safeguard and strengthen the commissary benefit for our service members, retirees, and their families. My primary role is simple: I am a steward of an earned benefit. That benefit is defined by the promise of real, tangible savings—delivered into the pockets of young enlisted families who count on every dollar to make ends meet. The taxpayer funds our operational backbone and our labor, and our patrons invest back into their own stores through a five percent surcharge. It is a sacred compact.

Our mission remains vital: to deliver reliable savings and modern grocery options that support the financial well-being, readiness, and quality of life of the military community worldwide. Modernization is not a bureaucratic exercise or an optional initiative; it is an absolute moral imperative. We must break out of the 1991 operating model in which DeCA was founded and build a modern enterprise worthy of the 21st-century military family and the communities they form on every installation.

DeCA once again obtained an unmodified audit opinion for FY 2026, making it 24 out of the last 25 years. This achievement is the culmination of the Agency's steadfast adherence to accountability standards and dedication to stewardship of public resources. This sustained financial integrity remains paramount for maintaining the confidence of Department of War leadership, Congress, and stakeholders.

In fiscal year 2026, we closed the year with solid progress in delivering savings, expanding access, advancing our supply chain transformation, and modernizing how we serve authorized patrons, even as we confronted headwinds in sales volumes and recycling performance. My leadership philosophy is rooted in deliberate assessment, deliberate planning, and deliberate action. Innovation cannot take root in denial. It requires radical transparency.

The agency generated $4.33 billion in sales through August 2026, a 2.4 percent decrease from the prior year, while maintaining patron savings of 24.3 percent in the third quarter. Unit volume fell 5.3 percent year to date, reflecting broader retail headwinds and changing shopping patterns. An independent review confirmed that our cost of goods on a sample of staple products exceeded the retail shelf prices of leading commercial discounters. We lack full visibility into the "black box" of trade allowances, drayage fees, and distribution costs that inflate our Cost of Goods Sold. Our backrooms remain burdened by excess inventory, and we carry a critical infrastructure backlog of $2.6 billion within an overall capital expenditure backlog exceeding $8 billion. These facts demand urgency, not denial.

We have all the ingredients to win: more than 11,000 energetic, mission-driven employees; a customer base that wants and deserves this benefit; and world-class industry partners. In my first 100 days we established clear priorities—baseline our current state, rebuild trust through transparency, master "Grocery 101," and protect the value of the benefit—and we advanced critical

initiatives in e-commerce, private-label offerings, health and wellness, supply chain resilience and transformation, and retail systems modernization that strengthen the benefit for the long term.

Advance Retail Technology Suite (ARTS).

A major step forward in modernization was the rollout of the Advanced Retail Technology Suite (ARTS) SAP Retail Solution. ARTS is an integrated, enterprise-level retail platform that uses SAP's retail and financial applications to streamline core business functions such as merchandising, pricing, inventory, point-of-sale data integration, financial management, and customer engagement.

By providing a single, standardized system of record, ARTS improves data accuracy, enhances decision-making, and positions DeCA to operate more like a modern commercial retailer while preserving the unique non-profit nature of the commissary benefit.

Already deployed and in use, the marketing and loyalty components of the ARTS SAP Retail Solution support more targeted promotions, improved digital coupons and offers, and enhanced loyalty and engagement tools that allow DeCA to better understand shopping behaviors and tailor value to patron needs. Early implementation has enabled more precise campaign planning and stronger alignment between in-store promotions, e-commerce initiatives, and social media messaging, laying the foundation for a cohesive, omnichannel experience.

The financial components of the ARTS SAP Retail Solution are scheduled for rollout early next year. This phase will modernize DeCA's core financial and retail accounting processes, including general ledger, accounts payable and receivable, cost and margin analysis, and real-time sales and inventory visibility across the enterprise. Once implemented, the financial suite will improve transparency, audit readiness, and forecasting, and will enable more accurate tracking of savings, surcharges, and operating costs.

Together, the marketing/loyalty and financial modules of ARTS will provide a fully integrated platform that supports better stewardship of taxpayer resources and more effective delivery of the commissary benefit.

E-Commerce and Digital Transformation.

E-commerce, including Commissary CLICK2GO® (CC2GO), continued to grow as a key convenience channel. Total e-commerce sales reached $65 million, with CC2GO accounting for $53.2 million and operating at 234 locations, or about 1.24 of total commissary sales. Delivery services expanded to 177 CONUS locations, representing nearly 4 percent of CC2GO sales and an average basket size of $63.55. Targeted incentives in June helped drive adoption. The agency also incorporated electronic benefit transfer (EBT)/Supplemental Nutrition Assistance Program (SNAP) payments online, with $378,000 in sales through 3,106 transactions.

DeCA Advances Brand Refresh, Digital Shopping, and Loyalty.

DeCA plans to issue a Commercial Solutions Opening to modernize online shopping - pickup, and delivery - complementing patron focus groups and a personalized digital loyalty program. We

have deployed patron focus groups directly into our stores to listen to what our active-duty service members and their spouses truly want. The integration of e-commerce data into ARTS will further support personalized offers, improved fulfillment planning, and better alignment between online and in-store assortments. We are rolling out a modern digital loyalty program to replace outdated promotional clutter with hyper-personalized value tailored to our distinct patron segments—from the single service member living in the barracks to young families living on base.

Commissary Store Brands and Product Expansion.

Store brands and focused promotions played an increasing role in value and margin. Commissary store brands recorded $185.9 million in sales through August, with units sold up 3.3 percent even as sales dollars dipped slightly. Gross profit for store brands climbed sharply, from $1.9 million to $10.3 million, and gross margin improved from 1.02 percent to 5.54 percent. The launch of Freedom's Choice Reserve, including chef-inspired ready-to-eat meals, and the expansion of Homebase and Freedom's Choice offerings supported this performance.

Promotions such as the "Yes!" program, Operation Baby Sale, Bigger Deal Days, and a highly successful beef rib roast holiday event delivered meaningful savings and strong lift in key categories. With the ARTS marketing and loyalty tools, DeCA is better positioned to measure the impact of these events, refine promotional strategies, and deliver more targeted value to patrons.

We also strengthened our connection to patrons on and off the installation. DeCA Outside the Walls generated $17 million in sales through August, representing 3.9 percent of participating store sales, with more than 267,000 orders and an average basket of $63.55. Social media outreach grew to 100,000 followers on Facebook, 13,500 on Instagram, and nearly 8,000 on X, supporting major campaigns such as seasonal grilling, back-to-school savings, Operation Baby Sale, and Bigger Deal Days. These efforts, coordinated with the new ARTS-driven marketing and loyalty capabilities, helped reinforce awareness of commissary value at a time when household budgets remain under pressure.

Health and wellness remained central to our mission readiness support. Dietitian-led programs such as the Dietitian Approved Thumb, Thinking Outside the Box recipes, and Fueling Stations helped patrons identify nutrient-dense foods and practical meal solutions aligned with Department of War guidance and Total Force Fitness. The agency also supported Army Culinary Outpost kiosks in food desert areas, ensured cold versions of hot foods were available for SNAP customers, and worked with installation health and wellness partners to increase use of WIC and SNAP benefits. These initiatives positioned the commissary as both a savings engine and a health resource for the force.

DeCA Strengthens Supply Chain Accountability.

DeCA awarded distribution contracts to Coastal Pacific Food Distributors for 75 commissaries and C&S Wholesale Grocers for 159, streamlining replenishment and supporting Pacific and European supply lines. The primary objective of both contracts is to streamline commissary replenishment and gain accountability and transparency throughout the supply chain by designating a single

distributor per location. By consolidating distribution under single-distributor accountability per region, we are cutting out localized guesswork, eliminating friction, and establishing a single, accountable pipeline from manufacturer to commissary shelf.

Integration with the ARTS SAP Retail Solution will further enhance end-to-end visibility from suppliers to shelves, supporting better inventory management, reduced out-of-stocks, and more agile response to demand shifts and disruptions.

Operationally, the supply chain demonstrated resilience while continuing to evolve through a deliberate transformation agenda. In-stock levels remained stable at 97.3 percent in August 2026, compared with 97.4 percent a year earlier, even as global supply chains remained volatile. The agency executed about 10,500 sealift containers in the first three quarters at an estimated cost of $45 million and supported overseas and remote locations with emergency and routine airlifts, including 10 emergency missions moving 144,000 pounds of product, to ensure that commissary shelves remained stocked for our forward-deployed and geographically isolated patrons.

DeCA Evaluates Non-appropriated Fund Instrumentality (NAFI) Model.

DeCA completed a three-day tabletop exercise and outlined a four-phase transition plan to explore greater flexibility in procurement, staffing, and capital investment. Our current Defense Working Capital Fund operating model limits the organization's ability to employ standard retail grocery business practices, creating critical inefficiencies in workforce management, procurement agility, and financial flexibility. In partnership with Department of War stakeholders and facilitated by Deloitte at Fort Lee on October 6–8, 2026, we mapped a path that preserves our essential congressional appropriation while granting the operational flexibility, commercial procurement agility, modern personnel systems, and capital-financing mechanisms needed to run an agile, competitive enterprise. The simulation demonstrated that a NAFI model enables DeCA to become a more resilient, agile, and customer-centered enterprise better able to deliver and preserve the patron benefit.

DeCA Targets 2 Percent Reduction in Supply Chain Margins.

DeCA is working with suppliers to remove unnecessary costs and refine product selection, pricing, and private-label offerings to increase patron savings. We are targeting a two-percent reduction in unwanted margin embedded in the cost structure. Instead of merely trimming slow-moving SKUs around the edges, we are starting with a clean-slate, category-by-category approach—building an intentional, high-velocity product assortment that reinforces our brand and satisfies our patrons. We are also re-evaluating pricing architecture to guarantee unassailable price leadership against commercial discounters.

DeCA Targets Operating Costs Running 11 Percent Above Industry Averages.

With labor accounting for 82 percent of store operating expenses, DeCA is automating inventory processes and improving ordering to reduce excess stock and free employees to serve patrons. Our store operating expenses currently run 11 percent higher than industry averages. We cannot afford manual, antiquated retail processes. By automating inventory tracking, eliminating backroom clerical burdens, and modernizing our tech stack, we free our people to spend their time where it matters: serving patrons on the sales floor. Simultaneously, we are diagnosing the

root causes of excess stock, cutting shrink, and fixing ordering algorithms so that product flows directly to the shelf rather than sitting on pallets—our War on Inventory.

DeCA Develops 10-Year Strategy to Address $8 Billion Capital Backlog.

DeCA is evaluating facility replacement, store sizing, and energy-efficient designs to modernize commissaries and address $2.6 billion in critical infrastructure needs. We cannot fix an $8-billion capital expenditure backlog by business-as-usual methods. We are building a comprehensive 10-year facility strategy built on value engineering: evaluating whether it is smarter to replace rather than repeatedly patch aging infrastructure; right-sizing store footprints to fit modern installation demographics; and designing the "Store of the Future"—a vibrant, energy-efficient, technologically fluid commissary environment that strengthens the sense of community and makes our patrons proud.

Environmental Management System.

We made measurable progress in sustainability and operations, even as some results fell short of our goals. As of September, 22 commissaries diverted more than 66.8 million pounds of material from landfills, achieving a 50.6 percent solid waste diversion rate even though total diverted tonnage was down by about 19.8 million pounds from the prior year. The decline was driven by lower cardboard recycling revenues, reduced fats and bones contracts, and gaps in store-level reporting. Cardboard recycling still generated $687,329 through September.

Food recovery remained a bright spot: 4.59 million pounds of edible but unsellable food was donated to 230 food banks and partners, with 10 new organizations added. An additional 197,000 pounds of food went to animal feed and 1.69 million pounds to composting and organics programs, keeping roughly 6.48 million pounds of food waste out of landfills.

Community Support.

Beyond retail operations, DeCA continued to contribute to the well-being and future of the military community through education support and everyday connection. The Scholarships for Military Children program, administered in partnership with the Fisher House Foundation and sponsored by manufacturers and suppliers whose products are sold in commissaries, provides academic scholarships to eligible sons and daughters of service members. During the most recent cycle, each selected student received a $2,000 scholarship, helping offset the rising cost of higher education. Since the program's inception, more than $20 million in scholarships has been awarded to thousands of military children worldwide.

These efforts underscore DeCA's role not only as a provider of everyday savings but as a pillar of the military community itself—supporting family readiness, educational opportunity, and the long-term strength of the force. Our commissaries are more than stores; they are gathering places where service members, spouses, children, and retirees connect, share resources, and reinforce the bonds that sustain military life.

Summary and Looking Forward.

We face clear headwinds: patron shopping patterns are evolving, competition from off-base retailers remains intense, and our recycling performance and unit volumes fell short of our expectations. We are accountable for these results, and we are acting with urgency to improve where performance did not meet our standards.

To guide DeCA into the future, we have aligned our enterprise behind four strategic goals:

Goal 1: Accelerate Eligible Patron Growth – Maximize eligible patron usage, shifting focus from revenue targets to the total number of eligible patrons served.

Goal 2: Elevate Patron Experience – Optimize the patron experience from the moment they arrive to the moment they leave, creating welcoming spaces that strengthen belonging and community.

Goal 3: Cultivate a Productive and Accountable Workforce – Empower our people, optimize workflows, hold the line on standards, and leverage technology to build a culture of high performance.

Goal 4: Build a Financial Model Where Increased Revenue Will Enhance the Benefit – Build an agile financial and operating model that captures efficiencies and reinvests margins directly back into our core mission of serving our active-duty military and their families.

Looking ahead, my priorities are to rebuild patron traffic and unit volume while protecting and clearly communicating the savings our patrons earn by shopping their commissary; complete and stabilize the ARTS rollout so that we fully realize the benefits of a modern retail and financial platform; restore momentum in recycling and sustainability, with better data quality and store-level execution; strengthen our role as a partner in family readiness through enhanced health, wellness, and education support; and undergird all of this with a more resilient, efficient supply chain, transparent cost structure, and modern operating model that reliably delivers the right products to the right places at the right time.

None of this is possible without the dedication of our DeCA workforce, our industry suppliers, and the service members, retirees, and families who form the military community we serve. When DeCA succeeds, that community is stronger—young families gain financial breathing room, spouses find practical support, children receive educational opportunity, and those who have served continue to feel the nation's gratitude in tangible ways. I am grateful for your commitment and partnership. As we build on fiscal 2026 accomplishments and address the gaps we have identified with courage, urgency, and shared determination, we will keep the commissary benefit strong, relevant, and sustainable—anchoring a vibrant military community for those who serve and their families today and for generations to come.

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William G. Fitzhugh
Director

DECA-AT-A-GLANCE

Established as a Provisional Organization:	May 15, 1990
Formally Established:	Nov. 9, 1990
Officially Activated:	Oct. 1, 1991
Headquarters:	1300 Eisenhower Avenue, Fort Lee, VA 23801-1800 www.commissaries.com www.facebook.com/YourCommissary www.twitter.com/TheCommissary www.youtube.com/DefenseCommissary
Fiscal 2026 sales:	$ 4.7 billion
Fiscal 2026 total revenue:	$ 5.0 billion
Fiscal 2026 operations cost:	$ 1.7 billion
Total employees:	11,833
Total authorized households:	Approximately 9.5 million
Customer transactions:	71 million
Global presence:	13 countries, 2 U.S. Territories
Commissaries as of 30 Sep 2026:	235

DeCA Mission

Deliver a vital benefit of the military compensation package that improves quality of life and readiness by providing grocery items at significant savings.



DeCA Vision

To be THE grocery provider of choice for our eligible patrons – delivering a vital benefit exclusively for our military community and their families.

DeCA Values

DeCA's values are defined by the concepts captured in the acronym "PASSION" and represent guiding principles intended to inspire us to take ownership of our performance and behavior, make the right decisions, and ultimately define our culture and work behaviors.

Section I

Management's Discussion and Analysis



Overview of DeCA

Organization and Mission:

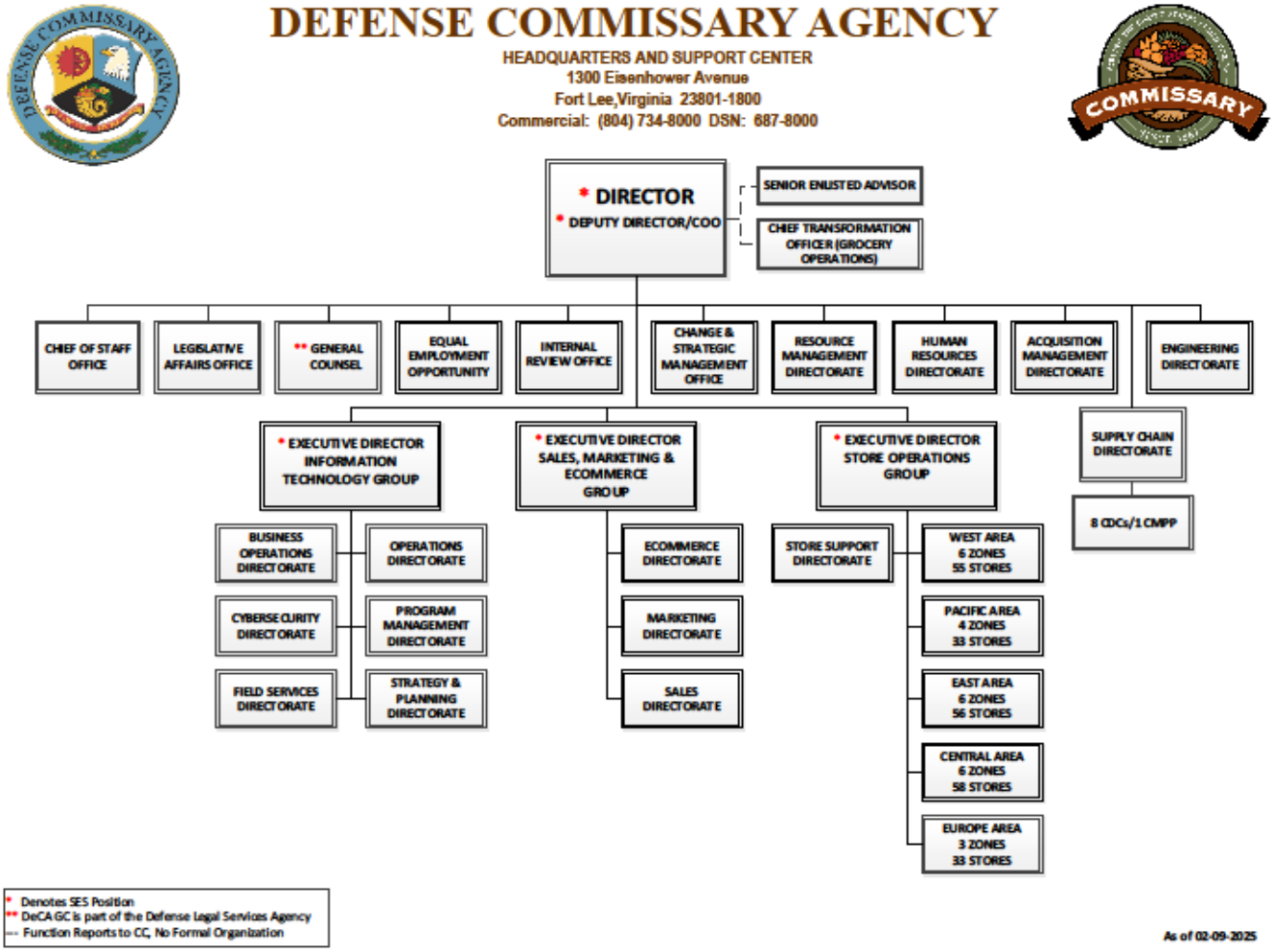
The Defense Commissary Agency (DeCA or the Agency) is a component of the DoD reporting to the Under Secretary of Defense for Personnel and Readiness. In 1989, the House Armed Services Committee appointed the Jones Commission to analyze the commissary systems (i.e., grocery stores or supermarkets) operated by the four military services. In order to provide better service to military patrons at a lower cost, the Commission recommended consolidation of the four separate commissary systems, which established DeCA on October 1, 1991.

From its headquarters at Fort Lee, Virginia, the Defense Commissary Agency (DeCA) operates a worldwide commissary system that provides quality grocery products at substantial savings to active-duty military personnel and retirees, members of the Reserve and National Guard, and their families. The agency employs nearly 12,000 people and its annual sales exceed $4.7 billion.

Five area offices provide localized management and support for the agency's commissaries. Three of these offices, East, Central, and West, manage stores in the continental United States (US) and Puerto Rico. The other two area offices, Europe and Pacific, manage stores in Europe, Africa and Asia. Within the operational areas, zone managers are responsible for 8 to 12 stores. Zone managers and assigned store directors jointly provide leadership and direction for their stores, building positive customer service in each commissary.

DeCA also operates central distribution centers (CDCs) in Europe and the Pacific. Field operating activities perform services for area operating elements and their commissaries, including centralized purchasing of national-brand sales items.

The organizational structure of DeCA for fiscal year (FY) 2026 is shown in the following chart:



2026 Highlights:

DeCA has maintained our unmodified opinion for FY2026. We were able to perform accountable inventories at all 235 of our commissaries both in CONUS and OCONUS (via contractors). We continue to improve cycle counts at store level to ensure our balance on hand is accurate.

DeCA is continually revising our Risk Management and Internal Control Program (RMIC) to align with the yearly changes in the DoD priorities, as well as our internal changes in business processes. Changes have been put into place in the areas of payroll accountability, property, plant and equipment, and imputed cost reconciliation. The continued review and revision of our internal controls allow DeCA to remain at the forefront of potential issues and sustaining an unmodified opinion.

DeCA conducted an internal control assessment of the effectiveness of our Internal Controls over Financial Reporting (ICOFR) for the following implementation areas: Budgetary Resources (Appropriations Received, Accounts Payable, Accounts Receivable and Civilian Pay); Critical

Assets (Inventory, Personal Property, Cash and other Monetary Assets); and Other Long-Term Liabilities (Federal Employee Compensation Act Liability and Foreign National Separation Pay Liability). The assessment of the implementation areas was conducted in strict compliance with the OMB Circular A-123, Appendix A, as directed by DoD guidance under the oversight of the DeCA Senior Assessment Team.

Sources of Funds:

Within DeCA's working capital fund (WCF), there are two activity groups - Commissary Resale Stocks and Commissary Operations. DoD defines these two activity groups as business areas for fund control purposes. Commissary Resale Stocks reflect the revenues from the sale of products by the commissary stores. Products offered include groceries, meat, produce, dairy, health and beauty aids, household products and pet supplies.

Commissary Operations finances the operating costs of commissaries, areas, and headquarters activities. The primary revenue source for this activity group is a direct appropriation to the Defense WCF, which in turn, is apportioned to the DeCA WCF. Specific costs include civilian and military labor, service contracts, travel, transportation of commissary goods overseas and other indirect support. DeCA received approximately $1.7 billion in appropriation transfers during FY 2026.

Commissary Operations also received limited additional revenues from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support.

DeCA's Surcharge Collections Trust Fund, which is part of the General Fund, is primarily funded from the five percent surcharge applied to patron sales at the checkout counter.

The Surcharge Collections Trust Fund resources are used for store information technology, maintenance and equipment, and the commissary construction program. The Fund does not receive a direct appropriation.

Strategic Planning Framework

DeCA develops and structures its planning and performance process using the framework provided in the Government Performance and Results Modernization Act (GPRAMA) (Public Law 111-352) and the associated guidance in OMB Circular No. A-11, Part 6.

DeCA's strategic planning process incorporates multiple planning tools such as Agency Strategic Direction, Performance Plans and Strengths, Weaknesses, Opportunities and Threats (SWOT) analyses. We conduct quarterly data calls and metric reviews for performance management that include an ongoing assessment of results of specific measures aligning to strategic goals and objectives.

DeCA's Strategic Plan lays out the roadmap for the Agency's validated vision and mission for the future. DeCA's Vision is **"To be THE grocery provider of choice for our eligible patrons – delivering a vital benefit exclusively for our military community and their families."** DeCA strives to fulfill its mission to **"Deliver a vital benefit of the military compensation package that improves quality of life and readiness by providing grocery items at significant savings."** The commissary benefit supports Service members and their families by providing a safe grocery shopping environment with significant savings compared to civilian supermarkets. The vision and mission are the driving forces behind our goals found in the Agency 2026-2030 Strategic Plan.

Strategic Planning:

DeCA established specific areas to create positive change, offer more opportunities for our eligible patrons, improve their experience, and make the benefit stronger. DeCA's approach supports the 2026 National Defense Strategy, particularly Line of Effort 1: Defend the U.S. Homeland and the Department of War Strategic Plan for Fiscal Years 2026-2030, especially Strategic Goal 3: Modernize Department Business Operations and Strategic Goal 5: Drive Improvement Through Digital-First Operations. In order to become "THE grocery provider of choice for our eligible patrons," the DeCA Strategic Plan for fiscal years 2026-2030 identifies five Strategic Goals, supported by Strategic Objectives with milestones, as the priority areas for improving the way we deliver the benefit.

Strategic Plan

Strategic Goal 1: Grow Sales

"Grow sales by building a stronger and more valued benefit."

To grow the benefit for the military community, our primary focus is to expand DeCA's customer base by attracting more of our eligible households and retaining their loyalty through modern marketing and high-value offerings. This will be achieved by implementing an advanced, data-driven strategy to optimize product assortments based on patron demand, with a special emphasis on winning in key fresh categories like produce, meat, and prepared foods through new pilot programs and pricing strategies. Key initiatives that underpin this goal include achieving and maintaining a 98% in-stock level, significantly growing the Commissary Click2Go online shopping service, and extending the commissary benefit beyond our walls through innovative partnerships like the Army Culinary Outpost program.

Strategic Goal 2: Develop People and Leaders

"Build leaders to run a patron delighting grocery business in the Department of War."

Our people are the indispensable force behind our mission. To build a resilient and expert workforce, we will invest in our team members by creating clear pathways for growth, cultivating a data-literate culture, and promoting leadership at every level. We are committed to fostering an environment that empowers our people, values their contributions, and supports their well-being.

Strategic Goal 3: Drive Accountability

"Hold ourselves, our suppliers, our distributors, and our contractors accountable for quantifiable measures of results."

To earn and keep the trust of our patrons and stakeholders, we will cultivate a culture of ownership and unwavering accountability across the enterprise. We are committed to the highest standards of performance, fiscal stewardship, and customer service. This will be achieved by holding ourselves responsible for minimizing loss, ensuring our partners meet their contractual obligations, and providing a consistently excellent shopping experience for every patron.

Strategic Goal 4: Lower Costs

"Improve our efficiency and effectiveness to reinvest in savings and the Patron experience."

To ensure the long-term financial health of the commissary benefit and maximize the value we deliver to patrons, we will aggressively pursue operational efficiencies and exercise rigorous fiscal discipline. Our goal is to reduce operating costs, not as an end in itself, but to reinvest in the strategic priorities that directly enhance the patron experience and modernize our business.

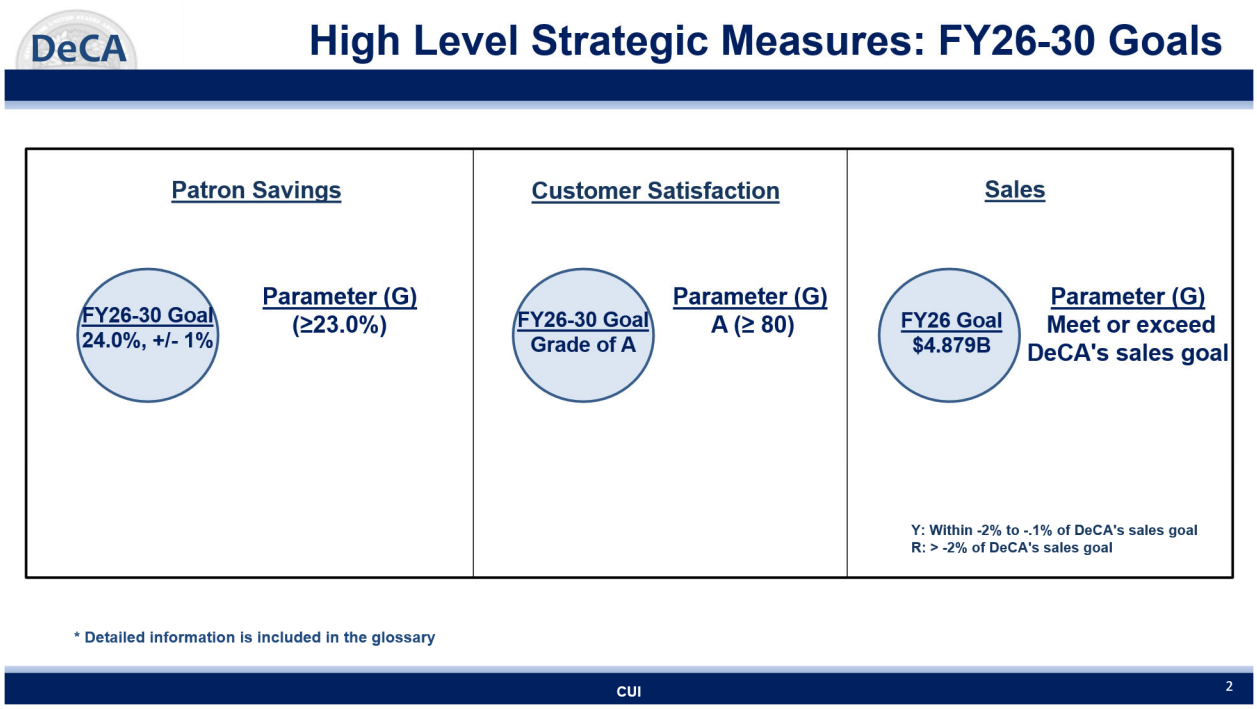
Strategic Goal 5: Modernize our Business

"Improve our business operations, enable digital growth, and revolutionize our Patron's shopping environment and accessibility by modernizing our facilities and infrastructure."

To meet the expectations of a modern shopper and operate with 21st-century efficiency, we will execute a comprehensive modernization of our business systems and technology. We are committed to upgrading our in-store IT infrastructure, building a powerful data and analytics environment, and fully implementing our new enterprise business system. This technological transformation is critical to lowering costs, improving decision-making, and delivering a seamless patron experience. We will execute a comprehensive, multi-year program to modernize our physical infrastructure. This involves not only updating our stores to create a contemporary atmosphere but also aggressively addressing our deferred maintenance backlog and shifting to a proactive lifecycle management strategy for all critical equipment. This foundational investment is essential for the long-term health and appeal of the commissary benefit.

Aligning Planning and Performance

DeCA's Strategic Plan communicates the Agency's overarching direction, while linking to the annual Agency Performance Plan to establish performance measures used to assess our progress. The FY 2026 Agency Performance Plan incorporates performance measures and targets across three key areas: Patron Savings, Customer Satisfaction, and Sales. The results of the Agency Performance Plan are monitored and assessed quarterly to enable data-based decision-making. The Agency quarterly reviews also allow for executive and senior leadership discussions, transparency of activities, and opportunities for course adjustments and improved outcomes. The chart below displays the FY 2026 Agency Performance Plan's three areas and associated goals.



The DeCA Performance Plan supports the Agency's 2026-2030 Director's Strategic Plan goals and outcomes and encompasses FY 2026's results. The performance goals and measures are provided for each performance element as follows:

- Patron Savings: The left metric depicts the percentage of patron savings achieved versus the goal of 24 percent savings, plus or minus 1 percent.

- Customer Satisfaction: The middle metric depicts DeCA's current annual Customer Satisfaction (CSAT) score based on Verint methodology; an "A" grade is any score above the goal of 80.

- Sales: The right metric depicts DeCA's current year sales results versus the FY 2026 goal.

Strategic Planning Risk Mitigation

The DeCA strategic planning process is designed to align its planning and performance management processes to ensure successful implementation of the goals and objectives of the commissary program. To mitigate risks in providing the commissary benefit to authorized patrons, DeCA uses a repetitive performance review process that measures achievement of Agency strategic goals and outcomes. The performance goals and measures are reviewed, progress assessed, and results reported quarterly and annually, including any adjustments as changes in direction occur.

DeCA continues to implement and refine programs aimed at bringing customers back to military resale and growing the basket dollar value of commissary customers. This effort uses revenue accelerators such as implementing delivery, increasing produce to 11% of sales, executing a flawless Key Value Item (KVI) pricing strategy, selling fresh seafood in all stores, entering categories that patrons expect to find in a grocery store, expanding seamless Click2Go, maintaining secure and well stocked stores, conducting thorough category performance reviews, and providing premier customer service.

Commissaries continue to face external risks and operational headwinds that must be actively mitigated moving forward. Like all retail grocers, DeCA confronts persistent grocery inflation, agricultural and supply chain volatility, escalating retail shrink, and a competitive labor market as we modernize store operations and omni-channel fulfillment. Despite these pressures, DeCA sustained vital patron savings through FY 2026 and will continue to deliver this essential benefit to the greatest extent possible. We remain steadfast in our mission to deliver meaningful, measurable savings to all eligible patrons and achieve our vision: "To be THE grocery provider of choice for our eligible patrons."

Financial Statement Summary

The Defense Commissary Agency (DeCA) Agency Financial Report provides a consolidated presentation of the Working Capital Fund (WCF) and General Fund (GF). The report showcases comprehensive financial and performance data that demonstrates accountability and transparency in the use of tax payer funds.

The financial statements were prepared to report the financial position and results of DeCA WCF and GF operations. The financial statements and notes have been prepared from the financial records of DeCA and following the guidance from the following applicable laws and regulations:

- Federal Managers' Financial Integrity Act (FMFIA) of 1982
- Chief Financial Officers (CFO) Act of 1990
- Government Management Reform Act (GMRA) of 1994
- Federal Financial Management Improvement Act (FFMIA) of 1996
- Reports Consolidation Act of 2000
- Government Performance and Results Act (GPRA) Modernization Act of 2010
- Payment Integrity Information Act (PIIA) of 2019
- Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements
- OMB Circular A-123, Management's responsibility for Enterprise Risk Management (ERM) and Internal Control
- OMB Circular A-11, Preparation, Submission, and Execution of the Budget

The Agency Financial Report consists of three sections:

- Management's Discussion and Analysis (MD&A)

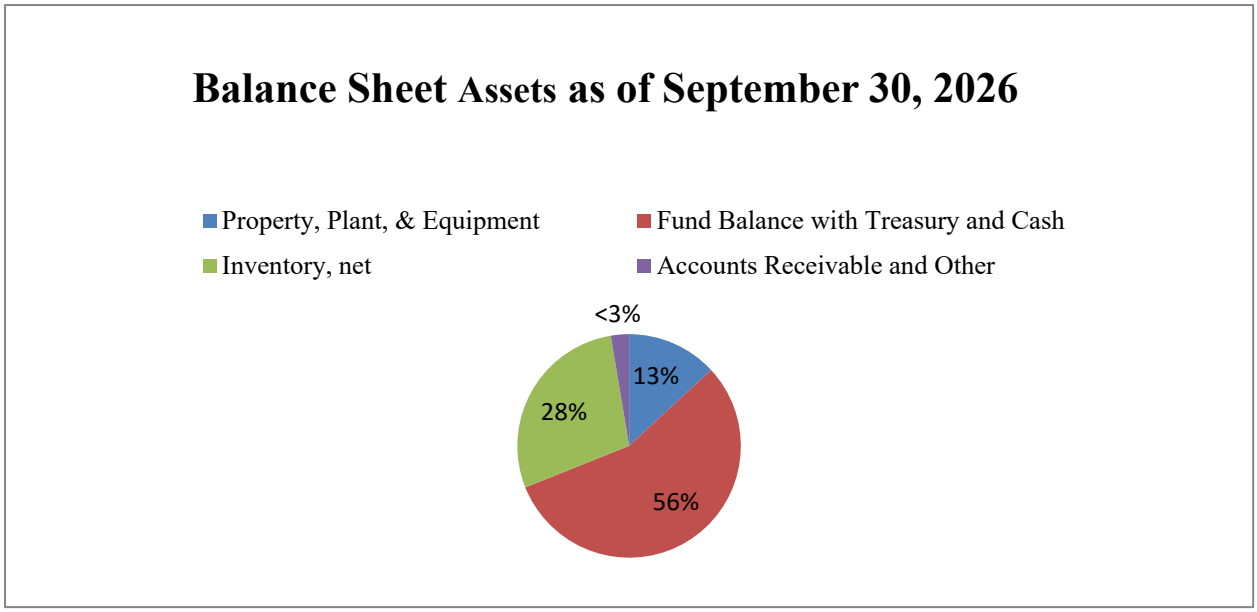
- The MD&A is a high-level overview of DeCA that includes DeCA's history, mission, and organizational strucuture. Additionally, it includes the strategic performance goals and objectives and results; financial analysis; management's assurance on controls; system analysis; and compliance with laws and regulations.
- Financial Section
- Other Information

DeCA's Balance Sheets, Statements of Net Cost, Changes in Net Position, and Combined Statements of Budgetary Resources (financial statements) have been prepared to report the financial position and results of operations for the entity, pursuant to the requirements of Title 31, United States Code (U.S.C.) 3515 (b). These financial statements have been prepared from DeCA's books and records in accordance with the formats prescribed by the OMB. These financial 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 financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. As such, some liabilities cannot be liquidated without legislation that provides resources to do so.

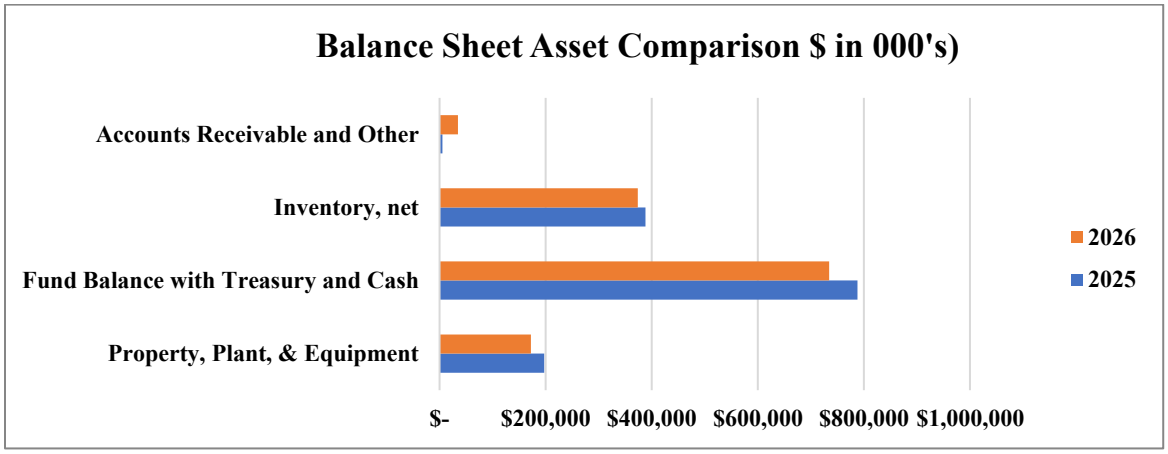
DeCA's financial statements are presented in a two-year comparative format consistent with OMB guidance. The following section provides a brief description of each financial statement along with relevant information that will aid the reader in understanding the financial components of DeCA.

The Balance Sheet presents the amounts available for use by DeCA (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position).

Assets – On September 30, 2026, DeCA reported assets of $1.3 billion. Assets are the resources available to pay liabilities or satisfy future service needs of the Agency. DeCA's major categories of assets, as a percentage of total assets, are as follows:



The following charts present comparative data of major asset balances as of September 30, 2026 and September 30, 2025 along with discussions of significant fluctuations as needed.



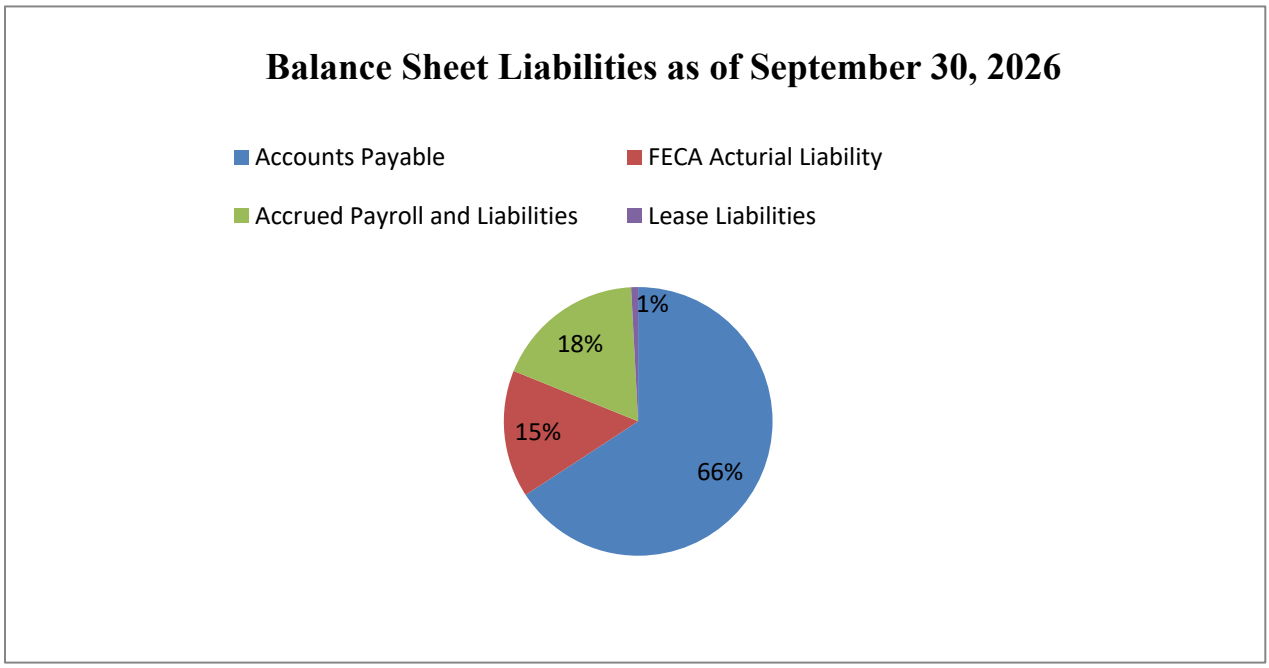
Accounts Receivable and Other comprises less than 3 percent of DeCA's current year assets. These represent amounts primarily due from DeCA customers. Accounts receivable and other balances are made up of WCF at 99 percent and GF with 1 percent. Accounts receivable and other increased by $29 million when compared to prior year balances.

Inventory, net represents 28 percent of DeCA's current year assets and is comprised of grocery, meat, and produce items held for resale to DeCA patrons. Inventory balances are made up by 100 percent WCF. Inventory decreased by $15 million when compared to prior year balances.

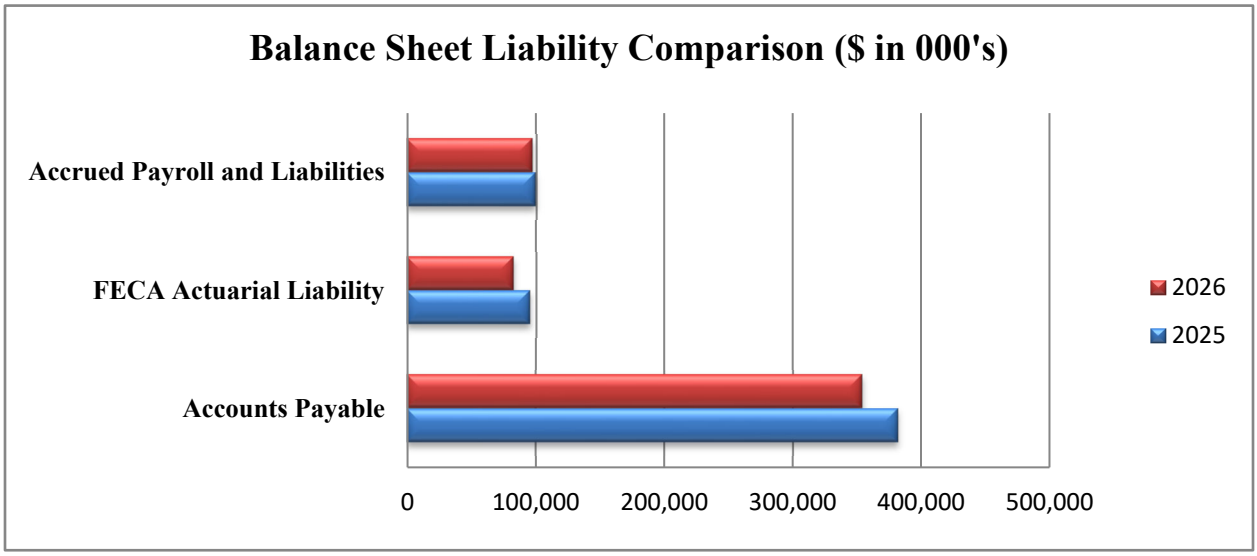
Fund Balance with Treasury (FBWT) and Cash represents 56 percent of DeCA's current year assets. Funding is primarily made available through the U.S. Department of the Treasury accounts from which DeCA makes expenditures to pay liabilities. FBWT also includes monies generated from sales at commissaries that have been deposited to an authorized financial institution. Cash consists of deposits that have been deposited in the authorized financial institution but not yet processed and sales that were not yet recorded in the accountable period due to end of month cutoffs in the accounting system. FBWT and Cash balances are split between the funds, WCF 43 percent and GF 57 percent respectively. FBWT and Cash decreased by $53 million when compared to prior year balances.

Property, Plant and Equipment (PP&E), net represents 13 percent of DeCA's current year assets, and is primarily comprised of capitalized real and personal property held to fulfill DeCA's mission of selling groceries to its patrons. PP&E is split between the funds, WCF 26 percent and GF 74 percent respectively. PP&E decreased by $25 million when compared to prior year balances.

Liabilities – On September 30, 2026, DeCA reported liabilities of $538 million. Liabilities are probable and measurable future outflows of resources arising from past transactions or events. The following chart displays DeCA's major categories of liabilities as a percentage of total liabilities.



The following chart presents comparative data of major liability balances as of September 30, 2026 and September 30, 2025 within DeCA's funds along with discussions of significant information as needed.



Accrued Payroll and Liabilities comprises 18 percent of DeCA's current year liabilities and includes liabilities for accrued payroll and benefits, foreign national separation pay and accrued leave. Accrued Payroll and Liabilities are 100 percent WCF. Accrued payroll and liabilities decreased $3 million when compared to prior year balances.

Federal Employees Compensation Act (FECA) Actuarial Liability comprises 15 percent of DeCA's current year liabilities and consists of DeCA's expected liability for death, disability, and medical costs for approved workers compensation cases as well as a component for incurred, but not reported claims. The Department of Labor (DOL) calculates the liability for the DoD, who in turn allocates a proportionate amount to DeCA based upon actual workers' compensation payments to DeCA employees over the preceding three years. Federal Employees Compensation Act (FECA) Actuarial Liability is 100 percent WCF. The actuarial liability decreased $13 million when compared to prior year balances.

Accounts Payable comprises 66 percent of DeCA's current year liabilities and consists of DeCA's liability for goods and services delivered or received but not paid prior to year-end. Accounts payable is split between the funds, WCF 93 percent and GF 7 percent respectively. Additionally, Accounts Payable consists of payments made to other government activities represent 17 percent and other than governmental activities 83 percent. Accounts payable decreased $28 million when compared to prior year balances.

Lease Liabilities comprises 1 percent of DeCA's current year liabilities and includes liabilities for right-to-use lease assets comprising of equipment and vehicles. Lease liabilities are 100 percent GF. Lease liabilities decreased $11 million when compared to prior year balances.

Statements of Net Costs

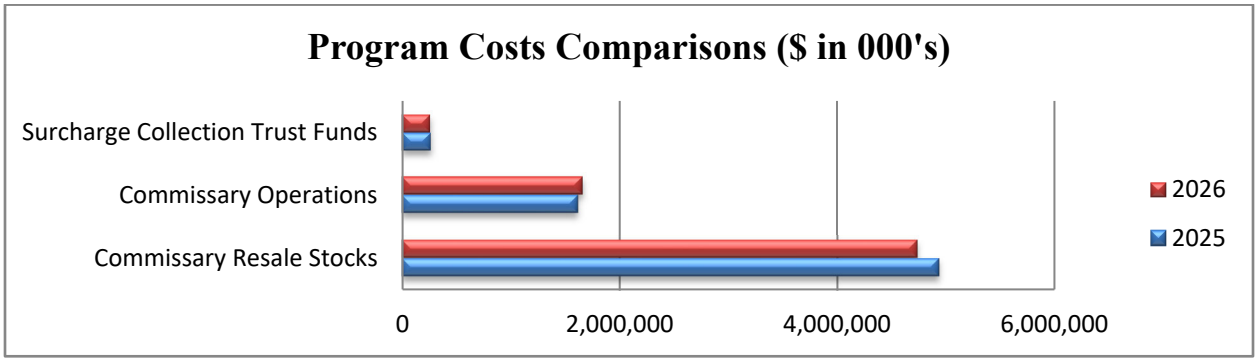
The Statement of Net Cost represents the annual cost of operating DeCA programs. The gross costs for DeCA less the earned revenue from grocery sales and other revenue sources are used to derive DeCA's net cost of operations. DeCA's gross costs are primarily accounted for in the three major activity groups of DeCA:

- *Surcharge Collections Trust Fund* includes the costs to construct and remodel commissary facilities and to purchase and maintain computer systems and equipment at the store level;

- *Commissary Operations* includes the associated payroll and operational costs necessary to operate the commissary system; and

- *Commissary Resale Stocks* includes the costs to purchase resale inventory.

The chart on the next page compares the gross costs between the three major DeCA activity groups.



Statements of Changes in Net Position

The Statements of Changes in Net Position represents those accounting transactions that caused the net position of the balance sheet to change from the beginning to the end of the reporting period. Various financing sources increase net position, including appropriations transfers and imputed financing from costs paid by other Federal Agencies. DeCA's net cost of operations serves to reduce net position. DeCA's net position decreased by $10 million, 1.22 percent as a result of net cost of operations.

Statements of Budgetary Resources

This statement provides information on the budgetary resources available to DeCA for fiscal years 2025 and 2026 and the status of budgetary resources at year-end. The outlays reported on this statement reflect the actual cash disbursed for the year by Treasury for DeCA's obligations. The budgetary resources remained relatively consistent when compared to prior year balances.

Limitations of the Financial Statements

DeCA prepared its financial statements to report its financial position and results of operations, pursuant to the requirements established by the DoD to comply with the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*.

While DeCA's financial statements have been prepared from its books and records in accordance with U.S. generally accepted accounting principles, the financial statements are, in addition to the financial reports, used to monitor and control budgetary resources, which are prepared from the same books and records.

These financial statements should be read with the understanding that they are for a component of the U.S. Government, a sovereign entity. The U.S. Congress cannot liquidate liabilities not covered by budgetary resources without the enactment of an appropriation, and the Federal Government, other than for contracts, can abrogate payment of all liabilities.

Analysis of Systems, Controls and Legal Compliance

DeCA utilizes four separate accounting systems: Accounting Information and Management System (AIMS), Defense Agencies Initiative (DAI), Standard Army Financial System (STANFINS), and Standard Automated Voucher Examination System (SAVES) deemed critical to financial reporting and financial control.

AIMS - AIMS serves as DeCA's primary store-level inventory management and point-of-sale integration system across all commissaries. The system maintains physical inventory valuations, records sales transactions, and maintains individual store inventory subsidiary ledgers. AIMS tracks all inventory valuation adjustments, transfers, and write-offs. It interfaces electronically with the core accounting system, STANFINS, to transmit transaction batches supporting contracting, inventory reconciliations, and financial reporting. In addition, AIMS exchanges transaction data with Defense Finance and Accounting Service (DFAS) disbursement and collection systems to facilitate vendor disbursements and revenue collections.

DAI – DAI is an enterprise resource planning (ERP) system deployed to modernize financial management, standardize end-to-end business processes, and achieve auditability across Department of Defense (DoD) Fourth Estate components. DeCA utilizes DAI to manage its operational and surcharge accounts (non-resale business). DAI delivers standardized business process capabilities across key end-to-end mission areas, including Budget-to-Report (B2R), Procure-to-Pay (P2P), Order-to-Cash (O2C), Cost Management (CM), Acquire-to-Retire (A2R), and Hire-to-Retire (H2R), incorporating time and attendance via Oracle Time and Labor (OTL).

STANFINS - STANFINS functions as DeCA's legacy general ledger and core transaction-processing engine for resale operations across both Continental United States (CONUS) and Outside the Continental United States (OCONUS) installations. Hosted within the Defense Information Systems Agency (DISA) computing environment, STANFINS records resale business transactions, produces trial balances, and compiles statutory financial and statistical reporting to support administrative control of funds. The system interfaces with DFAS to process accounting events and feed DoD-wide financial compilation reporting.

SAVES - SAVES supports DeCA's worldwide resale contracting and disbursement functions across 235 commissaries worldwide. Operating through interactive and batch processing, SAVES performs automated three-way matching among commissary receiving reports, vendor invoices, and contract terms to validate obligations and schedule disbursements. The system automates prompt payment discount calculations, interest penalties under the Prompt Payment Act, and vendor credit memo adjustments. Robust internal controls, including automated invoice staging, mandatory technician review, comprehensive audit logging, and reconciliations with DeCA's general ledger—mitigate the risk of improper payments**.**

Transformation efforts are underway for new system implementations and continue to be at the forefront of DeCA's financial management improvement strategy. These efforts will enhance the integration of business processes, systems, and financial reporting to eliminate errors and ensure financial data is secure and auditable.

OMB Circular A-123, Management's Responsibility for Internal Controls over Financial Reporting, Appendix A

OMB Circular A-123, Appendix A is fully implemented throughout DeCA. In FY 2026, 154 key controls were evaluated and assessed for effectiveness. Of those key controls, 81 percent were operating effectively, 11 percent of the controls were effective with exceptions, and 8 percent were determined ineffective. The key controls determined ineffective are under review to assess the risk and materiality to the agency before determining if any corrective actions are necessary. In addition to the 154 key controls, there were 74 Complementary User Entity Controls (CUECs) tested this year. The results found 63 CUEC controls operating effectively.

DEFENSE COMMISSARY AGENCY
HEADQUARTERS AND SUPPORT CENTER
1300 EISENHOWER AVENUE
FORT LEE, VIRGINIA 23801-1800

September 30, 2026

MEMORANDUM FOR OFFICE OF THE UNDERSECRETARY OF WAR,
(COMPTROLLER), DEPUTY CHIEF FINANCIAL OFFICER

FROM: William G. Fitzhugh, Director, Defense Commissary Agency

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act for Fiscal Year 2026

As Director of the Defense Commissary Agency (DeCA), DeCA is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. DeCA conducted its assessment of risk and internal control in accordance with the OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control", and the Green Book, GAO-25-107721, "Standards for Internal Control in the Federal Government." DeCA can provide assurance, except for the four "Significant Deficiencies (SDs), one of which is for noncompliance, reported in the "Significant Deficiencies and Material Weaknesses Template" that internal controls over operations reporting, and compliance are operating effectively as of September 30, 2026.

DeCA conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A123, the GAO Green Book, and the FMFIA. Based on the results of the assessment, DeCA can provide reasonable assurance that internal controls over operations and compliance are operating effectively as of September 30, 2026.

DeCA conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) IAW OMB Circular No. A-123, Appendix A. The "Internal Control Evaluation (Appendix C)" section, provides specific information on how DeCA conducted this assessment. Based on the results of the assessment, DeCA can provide assurance, except for the three SDs reported in the "Significant Deficiencies and Material Weaknesses Template" that internal controls over reporting (including internal and external reporting) and compliance are operating effectively as of September 30, 2026.

DeCA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. Based on the results of this assessment, DeCA can provide assurance, except for the one nonconformance reported in the "Significant Deficiencies and Material Weaknesses Template," that the internal controls over the financial systems are in compliance with the FMFIA, Section 4; FFMIA, Section 803; and OMB Circular No. A-123, Appendix D, as of September 30, 2026.

PROUD, COMMITTED AND MORE.

DeCA has conducted an assessment of entity-level controls including fraud controls in accordance with the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, DeCA can provide reasonable assurance that entity-level controls including fraud controls are operating effectively as of September 30, 2026.

DeCA is hereby reporting that no Anti-Deficiency Act (ADA) violations have been discovered or identified during assessments of the applicable processes.

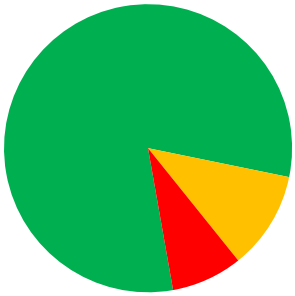
DeCA demonstrates commitment to upholding the prescribed guidelines, legal obligations, and business requirements when exercising the Presidential Drawdown Authority.

If there are any questions regarding this Statement of Assurance for FY 2026, my point of contact is Mrs. Rosie Leonard-Greer who can be reached at 804-734-8000, ext. 48622 or Rosie.Leonard-Greer@deca.mil.

William G. Fitzhugh
Director



FY 2026 Test Results



154 Test Performed **124 Effective (81%)**
17 w/ Exceptions (11%) **13 Ineffective (8%)**

Management Assurance

DeCA is committed to ensuring the integrity of their systems and controls as well as compliance with applicable laws and regulations. The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires federal agencies to evaluate and report on the effectiveness of the organization's internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. DeCA conducted its assessment of the effectiveness of internal controls over operations in accordance with OMB Circular No. A-123, the GAO Green Book, and the FMFIA. Based on the results of this assessment, DeCA can provide reasonable assurance that internal controls over operations and compliance are operating effectively as of September 30, 2026.

Additionally, DeCA conducted its assessment of the effectiveness of internal controls over reporting (including internal and external financial reporting) in accordance with OMB Circular No. A-123, Appendix A. Based on the results of the assessment, DeCA can provide assurance, except for the three Significant Deficiencies reported in the Significant Deficiencies and Material Weaknesses Template that internal controls over reporting (including internal and external reporting) and compliance are operating effectively as of September 30, 2026.

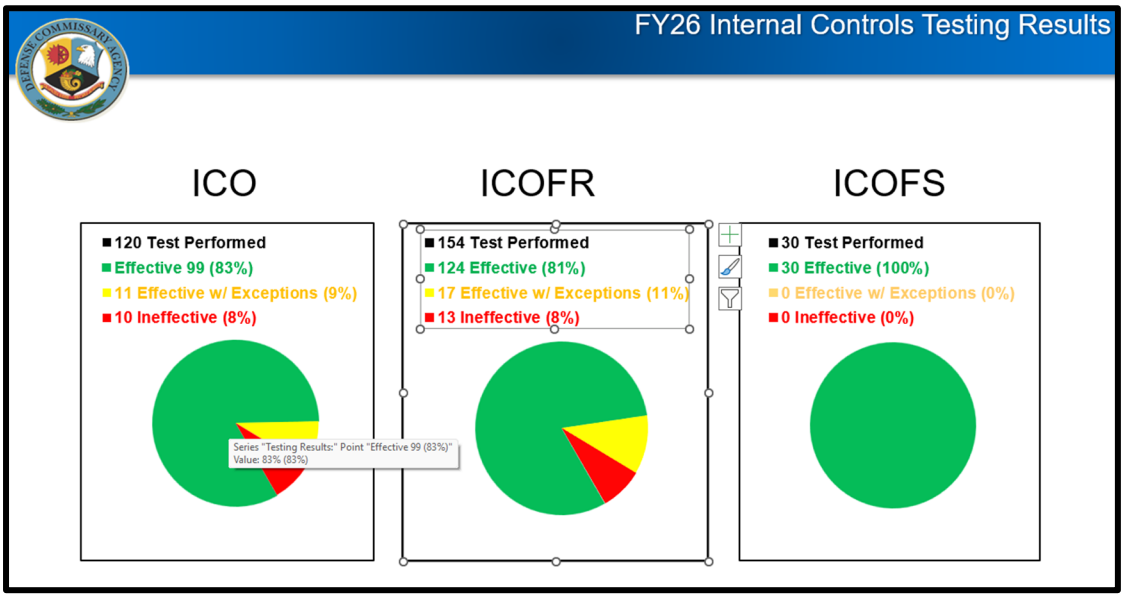
DeCA also conducted an internal review of the effectiveness of the internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular No. A-123, Appendix D. Based on the results of this assessment, DeCA can provide assurance, except for the one nonconformance reported in the Significant Deficiencies and Material Weaknesses

Template that the internal controls over the financial systems are in compliance with the FMFIA, Section 4; FFMIA, Section 803; and OMB Circular No. A-123, Appendix D, as of September 30, 2026.

DeCA conducted assessments of entity-level controls including fraud controls IAW the Green Book, OMB Circular No. A-123, the Payment Integrity Information Act of 2019, and GAO Fraud Risk Management Framework. Based on the results of the assessment, DeCA can provide reasonable assurance that entity-level controls, including fraud controls, are operating effectively as of September 30, 2026.

FFMIA requires the Department of Defense (DoD or Department) to implement and maintain systems that comply substantially with Federal financial management system requirements, applicable Federal accounting standards, and the United States Standard General Ledger (USSGL) at the transaction level. DeCA's legacy financial systems are not compliant with federal financial management system requirements and the USSGL at the transaction level. To meet these requirements, DeCA, jointly with the DoD, is actively working on improving the system-wide architecture to ensure compliance with FFMIA. These remediation activities are underway as DeCA is in the process of implementing a new system allowing for future migration to a fully transparent and integrated financial business resale system. DeCA will be on two end-to-end business enterprise system that provides the ability to report within the USSGL and Standard Financial Information Structure (SFIS) compliance requirements.

The chart on the following page illustrates the results of the FY 2026 Risk Management and Internal Control (RMIC) program. Testing results outline the three areas of internal controls (1) Internal Controls over Operations (ICO); (2) Internal Controls over Financial Reporting (ICOFR); and (3) Internal Controls over Financial Systems (ICOFS):



Legal Compliance

The Anti-Deficiency Act (ADA), which is codified in *31 U.S.C. §§1341(a) (1)*, *1342,* and *1517(a)*, stipulates that federal agencies may not obligate or expend funds in excess of the amount available in an appropriation, or fund, or in advance of appropriations; accept voluntary services on behalf of the Federal Government or employ personal services in excess of that authorized by law, except as it may be necessary in emergencies involving the safety of human life or the protection of property; or obligate, authorize, or expend funds that exceed an apportionment or amount permitted by a regulation prescribed for the administrative control of an appropriation.

An ADA violation is a serious matter as it represents a violation of a federal statute. A federal employee who violates the ADA may be subject to administrative sanctions (such as suspension from duty without pay or removal from office) and/or penal sanctions (such as fines or imprisonment). Confirmed ADA violations are reported to the President of the United States through the Director of the OMB, Congress, and the Comptroller General of the United States.

During FY 2026, DeCA had no Anti-Deficiency Act violations discovered/identified during our assessments of the applicable processes.

Performance Management Results

DeCA uses an Agency performance process that measures achievement of the Agency's high-level strategic goals and targeted outcomes. This approach brings together key management, financial, and nonfinancial performance measures that allow DeCA to clarify Agency vision and strategic direction. We conduct quarterly data calls and metric reviews that assess the progress toward achieving the goals, objectives, and initiatives of our Strategic Plan. The Agency's overall performance for FY 2026 is summarized below.

Performance Element	FY 2026 Goal	FY 2026 Actual
Customer Savings (Global Average)	24.0%, +/- 1%	24.5%
Customer Satisfaction (CSAT) Score	≥ 80	88.0
Projected Sales	$4.879B	$4.706B
Projected Transactions	74,000,000	71,077,708

Customer Savings: The projected percentage of patron savings was revised to 24.0, +/- 1 percent savings in FY 2026. The Customer Savings results were rebase-lined for FY 2023 and beyond,

using a revised methodology to measure patron savings which builds on DeCA's prior approach by incorporating a market basket component of items with local competitor comparisons of the items. The FY 2026 annual global savings result is 24.5 percent, which met the baseline goal of 24.0 percent, +/- 1 percent.

Customer Satisfaction (CSAT) Score: Customer Experience Purchaser Surveys provide real-time customer service feedback through the use of the ForeSee survey platform and scoring methodology. The ForeSee framework modeling analysis uses a structural equation algorithm to evaluate customers' post-experience thought processes to examine how well the experience fulfilled the user's needs or desires; met the user's expectations; and compares to a hypothetical ideal experience for the user. This modeling analysis is used to derive an overall customer satisfaction score (CSAT) and replaced the former annual Commissary Customer Service Survey (CCSS) after FY 2023. The CSAT results for FY 2026 are 88.0, which is above the target of > 80.

Projected Sales and Transactions: These measures compare the Agency's projected sales and transactions goals to results. DeCA continues to implement and refine programs aimed at bringing customers back to military resale and growing the basket dollar value of Commissary customers. This effort uses revenue accelerators such as implementing delivery, increasing produce to 11% of sales, executing a flawless Key Value Item (KVI) pricing strategy, selling fresh seafood in all stores, entering categories that patrons expect to find in a grocery store, expanding seamless Click2Go, maintaining secure and well stocked stores, conducting thorough category performance reviews, and providing premier customer service. FY 2026 sales results are $4.706B, a decrease of 2.6% from last year's sales figures and below the target goal of $4.879B. FY 2026 customer transaction results are 71,077,708, 3.2% below the prior year results of 73,411,909. This negative trend was caused by persistent grocery inflation, agricultural and supply chain volatility, escalating retail shrink, and a competitive labor market.

Summary

DeCA values its role in providing a benefit that enhances the quality of life and readiness of our military community. Embedded in our goals is the focus on building sales and offering savings. We continue to step up our technology capabilities to ensure we have the right products at the right price at the right time on well-stocked shelves. As a good steward of this core readiness support element and valued part of the military benefit, it is essential to strengthen a performance-driven, results-focused, agile, and accountable Agency. Efforts to continually refine our processes and culture will translate to improved results and continued relevance for our stakeholders. We are focused on offering the best savings possible to all our authorized customers and maintaining the relevance of the commissary benefit for years to come.

Section II

Financial Section



Message from the Chief Financial Officer

It is my pleasure to present the Fiscal Year (FY) 2026 Agency Financial Report (AFR) with accompanying Financial Statements and Footnotes for the Defense Commissary Agency (DeCA). This report reflects the accountability and transparency associated with prudent financial and fiscal stewardship. Throughout it all, we diligently focused on delivering the critical benefit to our military families and other authorized patrons as we remain laser focused on our vision, "To be THE grocery provider of choice for our eligible Patrons – delivering a vital benefit exclusively for our military community and their families."

During FY 2026, our team has showcased exceptional agility, consistently providing the necessary expertise and resources to uphold our unmodified opinion. The DeCA Resource Management (RM) team remains steadfast in fostering a culture of efficiency, always through a patron-focused lens as we prepare for the upcoming fiscal year.

Key accomplishments for the RM team this fiscal year include:

- Directed the delivery of $7.6M in FY26 WIC Overseas benefits across 37 global locations, partnering with DHA to transition 208K+ transactions from paper to Electronic Benefits Transfer (EBT), which streamlined operations and strengthened financial accountability.

- Successfully transitioned to G-Invoicing, strengthening financial accountability, enhancing transparency, and streamlining interagency transactions with our service partners. This transition enabled greater automation of document and performance acceptance. With multiple overarching General Terms and Conditions (GT&C) agreements in place, nearly all locations are expected to be operating in G-Invoicing in FY 2027. The Budget Division worked closely with service partners to identify and address execution bottlenecks, resolve implementation challenges, and support a successful transition across the Department of Defense.

- Transitioned to a new financial audit firm and experienced a delayed start because of contracting issues. Through the hard work and dedication of DeCA personnel, financial auditors, and DeCA partners, the audit team was quickly oriented to DeCA's unique processes, resulting in an unmodified audit opinion.

- Streamlined the OCONUS Vendor Price Reduction Agreement (VPRA) process, slashing approval cycles to accelerate operational velocity, and maximize immediate cost savings for patrons.

Our valued patrons, dedicated employees, visionary leadership, and committed stakeholders remain at the heart of sustaining the long-standing commissary benefit. We are devoted to ensuring the continuation and enhancement of this benefit by employing robust financial management practices and delivering high-quality financial data to inform strategic decisions. As we look ahead, our team's exceptional dedication and efforts make me immensely proud to serve as DeCA's Chief Financial Officer. Moving forward, we are unwavering in our commitment to provide unparalleled support, ensuring our deserving patrons can continue to enjoy their commissary benefit.

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Rosie Leonard-Greer
Chief Financial Officer

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
BALANCE SHEETS
As of September 30, 2026 and 2025
(amounts in thousands)

Assets	9/30/2026	9/30/2025
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	$ 668,438	$ 707,319
Accounts Receivable, Net (Note 5)	3,804	5,850
Other Assets (Note 8)	122	-
Total Intragovernmental Assets	672,364	713,169
Other than Intragovernmental Assets		
Cash (Note 4)	66,153	80,672
Accounts Receivable, Net (Note 5)	30,740	-
Inventory and Related Property, Net (Note 6)	373,797	388,391
Property, Plant, and Equipment, Net (Note 7)	172,396	197,402
Advances and Prepayments	148	-
Other Assets (Note 8)	-	(410)
Total Other than Intragovernmental Assets	643,234	666,055
Total Assets	$ 1,315,598	$ 1,379,224
Liabilities (Note 9)		
Intragovernmental Liabilities		
Accounts Payable	$ 59,608	$ 59,915
Other Liabilities (Note 9)	24,008	24,486
Total Intragovernmental Liabilities	83,616	84,401
Other than Intragovernmental Liabilities		
Accounts Payable	294,527	321,992
Federal Employee Salary, Leave and Benefits Payable	73,023	75,104
Pension, Post-Employment, and Veterans Benefits Payable	82,674	95,352
Other Liabilities (Note 9)	4,514	15,514
Total Other than Intragovernmental Liabilities	454,738	507,962
Total Liabilities	$ 538,354	$ 592,363
Commitments and Contingencies (Note 12)		
Net Position		
Unexpended Appropriations		
Funds from Other Dedicated Collections	$ 290,830	$ 368,124
Total Unexpended Appropriations (Consolidated)	$ 290,830	$ 368,124
Cumulative Results of Operations		
Funds from Dedicated Collections (Note 13)	520,287	510,933
Funds from Other than Dedicated Collections	(33,873)	(92,196)
Total Cumulative Results of Operations (Consolidated)	486,414	418,737
Total Net Position	$ 777,244	$ 786,861
Total Liabilities and Net Position	$ 1,315,598	$ 1,379,224

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
STATEMENTS OF NET COST
For the Fiscal Years Ended September 30, 2026 and 2025
(amounts in thousands)

Gross Program Costs:	**9/30/2026**	**9/30/2025**
Gross Costs	$ 6,640,057	$ 6,804,767
(Less: Earned Revenue)	(4,986,021)	(5,095,687)
Net Cost of Operations (Note 14)	$ 1,654,036	$ 1,709,080

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
STATEMENTS OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2026 and 2025
(amounts in thousands)

	9/30/2026			9/30/2025		
	Dedicated Collections	**All Other Funds**	**Consolidated Total**	**Dedicated Collections**	**All Other Funds**	**Consolidated Total**
Unexpended Appropriations:						
Beginning Balances	$ -	$ 368,124	$ 368,124	$ -	$ 302,368	$ 302,368
Appropriations Transfer In (Out)	-	1,527,817	1,527,817	-	1,570,187	1,570,187
Appropriations Used	-	(1,605,111)	(1,605,111)	-	(1,504,431)	(1,504,431)
Net Change in Unexpended Appropriations:		$ (77,294)	$ (77,294)	$ -	$ 65,756	$ 65,756
Total Unexpended Appropriations: Ending		$ 290,830	$ 290,830	$ -	$ 368,124	$ 368,124
Cumulative Results of Operations:						
Beginning Balances	$ 510,933	$ (92,196)	$ 418,737	$ 500,989	$ (7,911)	$ 493,078
Financing Sources:						
Appropriations Used	-	1,605,111	1,605,111	-	1,504,431	1,504,431
Non-Exchange Revenue (Note 1)	-	14,977	14,977	-	15,829	15,829
Transfers In (Out) without Reimbursement	(509)	(463)	(972)	17	(91)	(74)
Imputed Financing	23,212	79,385	102,597	23,208	91,345	114,553
Total Financing Sources	22,703	1,699,010	1,721,713	23,225	1,611,514	1,634,739
Net Cost of Operations	13,349	1,640,687	1,654,036	13,281	1,695,799	1,709,080
Net Change in Cumulative Results Operations	9,355	58,323	67,677	9,944	(84,285)	(74,341)
Total Cumulative Results of Operations: (Note 14)	$ 520,287	$ (33,873)	$ 486,414	$ 510,933	$ (92,196)	$ 418,737
Net Position (Note 9)	$ 520,287	$ 256,957	$ 777,244	$ 510,933	$ 275,928	$ 786,861

The accompanying notes are an integral part of the financial statements.

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
COMBINED STATEMENTS OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2026 and 2025
(amounts in thousands)

	9/30/2026	9/30/2025
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 11)	$ 276,402	$ 317,309
Appropriations (Discretionary and Mandatory)	1,527,817	1,570,187
Contract Authority (Discretionary and Mandatory)	4,745,946	4,917,889
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	240,427	251,359
Total Budgetary Resources	$ 6,790,592	$ 7,056,744
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	$ 6,635,178	$ 6,808,034
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	182,739	248,713
Unapportioned, Unexpired Accounts	(27,325)	-
Unexpired Unobligated Balance, End of Year	155,414	248,713
Unobligated Balance, End of Year (Total)	155,414	248,713
Total Budgetary Resources	$ 6,790,592	$ 7,056,747
Outlays, Net:		
Outlays, Net (Total) (Discretionary and Mandatory)	$ 1,566,698	$ 1,562,703
Agency Outlays, Net (Discretionary and Mandatory)	$ 1,566,698	$ 1,562,703

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Defense Commissary Agency (DeCA) is a component of the Department of Defense (DoD) reporting to the Under Secretary of Defense for Personnel and Readiness. The DeCA is headquartered at Fort Lee, Virginia and operates a worldwide system of 235 commissaries. Additionally, the DeCA operates 8 central distribution centers (CDCs), 1 central meat processing plant (CMPP) and 4 Navy Exchange Marts (Nexmarts) in Europe and the Overseas Pacific. Six area offices provide localized management and support for the agency's commissaries. Four of these offices, East, Central, Pacific and West, manage stores in the continental United States (US) and Puerto Rico. The other two area offices, Europe and the Overseas Pacific, manage stores in Europe, Africa and Asia. DeCA also operates central distribution centers (CDCs) in Europe and the Overseas Pacific. DeCA operations are financed primarily by a Working Capital Fund (WCF) and Surcharge Collections Trust Fund.

In 1989, the House Armed Services Committee appointed the Jones Commission to analyze the commissary systems (i.e., grocery stores or supermarkets) operated by the four military services. In order to provide better service to military patrons at a lower cost, the Commission recommended consolidation of the four separate commissary systems, which established DeCA on October 1, 1991.

The DeCA's mission is to deliver a vital benefit of the military pay system that sells grocery items at cost while enhancing quality of life and readiness. Enhancing readiness enables troops to focus on mission while deployed. Also, improving retention by providing a "sense of community" for military personnel and their families; providing a safe, secure shopping environment, both in overseas and stateside locations; and providing American products worldwide while ensuring food safety.

The DeCA is a component of the U.S Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

As an agency of the federal government, the DeCA is exempt from all income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government.

DeCA's WCF is considered part of the DoD's defense-wide WCF, which includes the financial activities of several defense agencies. Within DeCA's WCF, there are two activity groups, Commissary Resale Stocks and Commissary Operations. DoD defines these two activity groups as business areas for funds control purposes. Commissary Resale stocks finance the purchase of grocery, meat, and produce items for resale to authorized patrons. The primary revenue source for this activity group is the sale of inventory to commissary patrons. Commissary Operations finances the operating cost of retail stores, agency and region headquarters, field operating activities, and support services. The primary revenue source for this activity group is a direct appropriation from Congress to the defense WCF, which in turn transfers the funds to the DeCA WCF Commissary

Operations also receive additional revenues from manufacturers' coupon redemption fees, handling fees for tobacco products, and reimbursements for other support. DeCA receives an annual operating budget from DoD that establishes limitations for annual cost authority and annual capital expenditures for the two business areas.

The Surcharge Collections Trust Fund is part of DeCA's general funds (GF). DeCA's Surcharge Collections Trust Fund is funded primarily by a five percent surcharge applied to each sale. This fund, established by law as the repository for the surcharge collected on the cost of commissary goods paid for by authorized patrons, primarily finances DeCA's store-level information management equipment and support, and construction programs. As the use of resources associated with the Surcharge Collections Trust Fund is limited by public law, this fund has been identified as a fund from dedicated collections.

Note 13 – "Funds from Dedicated Collections" provides detailed information.

B. Basis of Presentation and Accounting

These financial statements have been prepared to report the financial position, financial condition, and results of DeCA operations, as required by the *Chief Financial Officers Act of 1990*, as amended and expanded by the *Government Management Reform Act of 1994* and other applicable legislation. The financial statements account for all resources for which the DeCA is responsible, unless otherwise noted. Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent disclosure of classified information.

The DeCA financial statements and supporting trial balances are compiled from the underlying financial data and trial balances of the consolidation entities. The underlying data is largely derived from budgetary transactions (e.g., obligations, disbursements, and collections) from non-financial feeder systems and accruals made for major items such as payroll expenses, accounts payable, and environmental liabilities.

The DeCA presents the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position on a consolidated basis, which is the summation of the DoD Components less the eliminations of intradepartmental activity. The Statement of Budgetary Resources is presented on a combined basis, which is the summation of the consolidation entities therefore; intradepartmental activity has not been eliminated. DoD financial transactions are recorded on both a proprietary accrual basis and a budgetary basis of accounting. Under the proprietary accrual basis, revenues are recognized when earned and expenses are recognized when incurred, without regard to the timing of receipt or payment of cash. Under the budgetary basis, the legal commitment or obligation of funds is recognized in advance of the proprietary accruals and in compliance with legal requirements and controls over the use of federal funds.

C. Non-Entity Assets

The DeCA has stewardship accountability and reporting responsibility for non-entity assets.

Note 2 – "Non-Entity Assets" provides detailed information.

D. Fund Balance with Treasury (FBWT)

The FBWT represents the aggregate amount of the DeCA's available budget spending authority available to pay current liabilities and finance future authorized purchases. The DeCA's monetary resources of collections and disbursements are maintained in Department of the Treasury (Treasury) accounts. The disbursing offices of the Defense Finance and Accounting Service (DFAS), the Military Departments, the U.S. Army Corps of Engineers (USACE), and the Department of State's financial service centers process the majority of the DeCA's cash collections, disbursements, and adjustments worldwide. Monthly, each disbursing station reports to the Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits. The model of using DoD's disbursing systems instead of Treasury's system is recognized by Treasury as Non-Treasury Disbursing Office (NTDO). DoD is actively migrating NTDO transactions to TDO under the TDO Enterprise Strategy effort. TDO is DoD's target end state of executing payments and collections directly between DoD and Treasury using Treasury's systems and Treasury as the Service Provider. This posture will allow DoD to achieve FBWT accountability and traceability through daily reconciliation and reporting directly with Treasury.

FBWT is an asset of the Department and a liability of the General Fund. Similarly, investments in Federal Government securities held by dedicated collections accounts are assets of the DeCA and liabilities of the U.S. Government General Fund. In both

cases, the amounts represent commitments by the U.S. Government to provide resources for particular programs, but they do not represent net assets to the Government as a whole.

When the DeCA seeks to use FBWT or investments in Government securities to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public, if in cases of a budget deficit.

In addition, the DeCA reports to the Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The Treasury records these transactions to the applicable FBWT account.

Note 3 – "Fund Balance with Treasury" provides detailed information.

E. Cash and Other Monetary Assets

Cash is the total of cash resources under the control of The DeCA, including coins, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of both foreign currencies exchanged for U.S. dollars and foreign currency received as payment for goods or services. Foreign currency is valued using the Treasury prevailing rate of exchange. The TFM Volume I, Part 2, Chapter 3200, provides guidance for accounting and reporting foreign currency.

Note 4 – "Cash and Other Monetary Assets" provides detailed information

F. Accounts Receivable

Accounts receivable from other federal entities or the public include reimbursements receivable, and refunds receivable. Allowances for doubtful accounts (estimated uncollectible amounts) due from the public are based upon factors such as aging of accounts receivable, debtor's ability to pay, and payment history.

Note 5 – "Accounts Receivable, Net" provides detailed information

G. Inventory and Related Property

Inventory is restricted, consists of grocery, meat, and produce items and does not have excess, obsolete, or unserviceable inventory, or expected net realizable value. The DeCA purchases inventory for resale to Commissary patrons at the lowest possible cost, it then sells that inventory at retail cost which is inclusive of cost-plus variable pricing.

Currently, Inventory is valued at latest acquisition cost with an allowance account established for holding gains and losses. Holding gains and losses are recognized monthly and the unrealized holding gains and losses are included in the ending inventory value.

Inventory balances for each store are adjusted based on aggregate purchases and sales, transfers, and other adjustments. Store managers are expected to maintain and update EBS inventory operating system product level balances on hand for accuracy. Proper balances ensure efficient and timely balances for ordering that is in alignment with sales expectations. In addition, these balances are used as a part of the deviation assessment when analyzing store inventory valuations on the financial records to the form inventories performed. In FY 2026, DeCA was able to complete 234 formal inventories.

Upon adjustment for the unrealized holding gains and losses, the latest acquisition cost results in an approximation of historical cost. The percentage of holding gains and losses that are recognized each month is the ratio of sales to beginning inventory plus purchases. This percentage is usually about 90%. The DeCA does not maintain excess, obsolete, or unserviceable inventory. Note 6 – "Inventory and Related Property" provides detailed information.

H. Property, Plant, and Equipment (PP&E), Net

PP&E consists of software, equipment, and construction-in-progress. PP&E is stated at acquisition cost, less accumulated depreciation/ amortization. DoD establishes capitalization and depreciation policies for PP&E.

PP&E acquisitions are capitalized if they have an estimated useful life of two or more years, are not intended for sale in the ordinary course of operations, are acquired or constructed with the intention of being used or being available for use by the entity and meet the capitalization threshold of $250 thousand. This capitalization threshold applies to asset acquisitions and modifications/ improvements placed into service after September 30, 2013. PP&E acquired prior to October 1, 2013, were capitalized at prior threshold levels ($100 thousand for equipment).

Depreciation is recognized on all PP&E, except construction-in-progress, on the straight-line basis over the estimated useful life of the asset. The useful lives are currently five to ten years for software and equipment. The month available for service method is used for all capital assets.

At September 30, 2020, DeCA transferred all buildings and improvements to the military service lines and in FY 2023 began recording imputed financing costs related to depreciation and use of buildings in DeCA's operations. Depreciation related imputed financing cost is described in Note 1L.

Note 7 "General Property, Plant and Equipment, Net" provides detailed information.

I. Leases

Lease payments for the rental of equipment, internal use software, and operating facilities are classified as either intragovernmental, short term or right to use lease asset. When a lease substantially transfers all the benefits and risks of ownership to the DeCA, the DeCA records the applicable asset as though purchased, with an offsetting liability, and records depreciation on the asset. The DeCA records the asset and liability at the present value of the rental and other minimum lease payments during the lease term (excluding portions representing executory costs paid to the lessor). The discount rate for the present value calculation is either the lessor's implicit interest rate or the government's incremental borrowing rate at the inception of the lease. The DeCA, as the lessee, receives the use and possession of leased property (e.g., real estate or equipment) from a lessor in exchange for payments of funds.

An intragovernmental lease is a contract or agreement occurring within a consolidation entity or between two or more consolidation entities as defined in SFFAS 47, Reporting Entity whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.

A right to use lease asset deemed "operating leases" for budgetary treatment does not substantially transfer all the benefits and risks of ownership to the DeCA. Payments for right to use lease asset deemed operating leases are expensed over the lease term. Office space leases entered into by the DeCA are the largest component of leases.

Note 10 – "Leases" provides detailed information

J. Accrued Payroll and Liabilities

Accrued payroll and liabilities consist of payments DeCA owes to the Department of Labor (DOL) for workers' compensation paid under Federal Employees Compensation Act (FECA), accrued payroll and benefits (including employer contributions and payroll taxes), foreign national separation pay, and accrued leave.

Workers' Compensation. FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. DOL is responsible for administering the program and making payments for claims from eligible individuals. Subsequently, DOL bills the respective Federal agencies for those claims. The actuarially determined liability related to workers' compensation is described in Note 1.K.

Accrued Payroll and Benefits. Accrued payroll and benefits includes the portion of employee compensation earned, but not paid, at the end of the reporting period along with DeCA's share of associated taxes, benefits, and retirement plan contributions.

Foreign National Separation Pay. DeCA operates in numerous foreign countries. These countries establish tariff agreements that outline certain employment terms and conditions related to its citizens. Under these tariff agreements, citizens for certain countries are entitled to special pay in the event their employment is terminated.

Accrued Leave. Federal employees' annual leave is accrued as it is earned. The accrual is reduced annually for actual leave taken and increased for leave earned. Each year, the accrued annual leave balance is also adjusted to reflect the latest pay rates. To the extent current or prior year appropriations are not available to fund accrued leave earned, but not taken, funding will be obtained from future financing sources.

Note 9 – "Liabilities" provides specific detailed information.

K. Actuarial Liability

In addition to the liabilities discussed above, DeCA records an actuarial liability for its workers' compensation benefits. This liability, which is developed by DOL and provided to DoD after the end of each fiscal year, includes the expected future costs associated with death, disability, medical, and miscellaneous items for approved compensation cases. DOL determines the liability using a method that employs historical benefit payment patterns to predict the ultimate payments. The projected annual benefit payments are then discounted to the present value using the OMB's economic assumptions for 10-year U.S. Treasury notes and bonds. DoD uses a three-year moving average to distribute the actuarial liability to the various DoD agencies based on actual costs incurred by the respective DoD components.

L. Imputed Financing and Costs

DeCA recognizes imputed financing related to Federal retirement plans, health benefits, and life insurance, and buildings and improvements used in operations. The DeCA applies SFFAS 33, Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates, in selecting the discount rate and valuation date used in estimating Military Retirement Benefit actuarial liabilities. In addition, gains and losses from changes in long-term assumptions used to estimate the actuarial liability are presented separately on the Statement of Net Cost.

Refer to Note 9, Federal Employee Benefits Payable for additional information.

Retirement Plans. There are two primary retirement systems for Federal employees. Employees hired before January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security.

Employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which DeCA automatically contributes one percent of pay and matches any employee contribution up to an additional four percent of pay.

DeCA does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of U.S. Office of Personnel Management (OPM). DeCA recognizes an imputed financing source for the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by the OPM.

Health Benefits and Life Insurance. The majority of DeCA employees are authorized to participate in the Federal Employees' Health Benefit (FEHB) program and the Federal Employees Group Life Insurance (FEGLI) program, which are administered by OPM. DeCA recognizes an imputed financing source and a program expense for these benefits.

Use of Buildings Owned by Other Military Services. The imputed financing costs are based on a 45-year useful life for buildings, structures, and facilities. The actual commencement of depreciation was based on the mid-year convention method for buildings. Under the mid-year convention method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life

regardless of the actual month an asset was placed in or removed from service. Imputed financing costs for depreciation of buildings and improvements used by DeCA in operations are calculated based on DeCA's property records for property transferred to the Military Departments. The military departments were provided the imputed cost for buildings and improvements located on their specific installations at the end of FY 2022.

M. Environmental and Disposal Liabilities

The DeCA has clean up requirements for commissaries within the Continental United States (CONUS) and outside the OCONUS. Clean up cost are based on potentially affected areas and the probability of Asbestos Containing Material (ACM) and /or Lead Base Paint (LBP) contaminants being present. All clean-up efforts are performed in coordination with regulatory agencies, other responsible parties, and current property owners.

In March 2022, an update was made to Financial Management Regulation Volume 4, Chapter 13, which updated the reporting of environmental liabilities. Federal Accounting Standards Advisory Board (FASAB) Interpretation 9 clarifies that during the assets useful life, the reporting entity that owns the asset must continue to recognize inter-period operating costs on its Statement of Net Cost and accrue the liability for PP&E on its Balance Sheet until the general PP&E and the associated liability are transferred to the entity designated responsible by law, statute, or policy for cleanup. At that time, the general PP&E and the liability should be de-recognized by the component reporting entity that recognized them during the general PP&E's useful life and recognized by the component reporting entity that will liquidate the liability. De-recognition and recognition of the general PP&E and environmental liability was performed between DeCA and the military departments as of May 30, 2022.

According to updates to DoD 7000.14.R Financial Management Regulation (FMR) Volume 4 Chapter 13 Environmental and Disposal Liabilities authorized the DeCA to discontinue reporting estimates of asbestos and lead base paint on the financial reports. The military departments validated they were reporting the necessary cost on their financials.

N. Other Liabilities

Other liabilities also arise as a result of anticipated disposal costs for The DeCA's assets. Consistent with SFFAS No. 6, "Accounting for Property, Plant and Equipment," recognition of an anticipated environmental disposal liability begins when the asset is placed into service. Based on DoD's policy, which is consistent with SFFAS No. 5, non-environmental disposal liabilities are recognized when management decides to dispose of an asset.

Note 9 – "Other Liabilities" provides specific detailed information

O. Net Position

Net position is the residual difference between assets and liabilities and comprises unexpended appropriations and cumulative results of operations.

Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unexpended appropriations are reduced for appropriations used and adjusted for other changes in budgetary resources, such as transfers and rescissions.

Cumulative results of operations represent the difference between revenues over expenses and transfers to Treasury in the WCF and GF since inception.

P. Nonexchange Revenue

DeCA recognizes nonexchange revenue for the labor received at no cost for local nationals working in the country of Japan. The Government of Japan pays the salaries for local national employees up to a specified annual ceiling amount. Payroll over this ceiling is charged to DeCA.

As a component of the Government-wide reporting entity, the DeCA is subject to the federal budget process, which involves appropriations provided annually and on a permanent basis. The financial transactions that are supported by budgetary resources, which includes appropriations, are generally the same transactions reflected in the DeCA and Government-wide financial reports.

The DeCA's budgetary resources reflect past congressional action and enable the DeCA to incur budgetary obligations, but do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits). After budgetary obligations are incurred, Treasury will make disbursements to liquidate the

budgetary obligations and finance those disbursements in the same way it finances all disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

The DeCA receives congressional appropriations as financing sources for the DeCA WCFs. These funds are no year funds and do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. The DeCA recognizes revenue as a result of costs incurred for goods and services provided to other federal agencies and the public. Full-cost pricing is the DeCA's standard policy for services provided as required by OMB Circular A-25, "User Charges". In some instances, revenue is recognized when bills are issued.

The Resale Stock revenues are primarily generated from the sale of inventory items to authorized commissary patrons. Commissaries are authorized to accept payment for the sale of inventory in the form of cash, credit/debit card, electronic benefits transfer (EBT), checks, commissary gift cards, or charge sale basis. The inventory consists of grocery, meat, and produce items. The Commissary Operations revenues are generated from coupon and tobacco handling fees and from other miscellaneous services provided for authorized customers in addition to a direct appropriation.

In accordance with SFFAS 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, the DeCA recognizes nonexchange revenue when there is a specifically identifiable, legally enforceable claim to the cash or other assets of another party that will not directly receive value in return.

Deferred revenue is recorded when the DeCA receives payment for goods or services which have not been fully rendered. Deferred revenue is reported as a liability on the Balance Sheet until earned.

The DeCA does not include non-monetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost. The U.S. has cost sharing
agreements with countries, through mutual or reciprocal defense agreements, where U.S. troops are stationed, or where the U.S. Fleet is in a port.

Q. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates, and the difference will be adjusted for and included in the financial statements in the year such differences are

determined. Significant estimates include payroll expenses, accounts payable, unbilled revenue, year-end accruals of accounts payable, and actuarial liabilities related to workers' compensation.

R. Commitments and Contingencies

The DeCA recognizes contingent liabilities on the Balance Sheet for legal actions where management considers an adverse decision to be probable and the loss amount is reasonably estimable. These legal actions are estimated and disclosed in Note 12, *Commitments and Contingencies*. However, there are cases where amounts have not been accrued or disclosed because the likelihood of an adverse decision is considered remote or the amount of potential loss cannot be estimated.

DeCA does not have Environmental Contingencies. The environmental contingencies are discussed in Note 1M, *Environmental and Disposal Liabilities*. The legal environmental cases are recorded as legal contingencies.

S. Revenues and Other Financing Sources

The DeCA receives congressional appropriations as financing sources for general funds, and on occasion, will also receive congressional appropriations for WCFs. These funds either expire annually, some on a multi-year basis, or do not expire. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. The DeCA recognizes revenue as a result of costs incurred for goods and services provided to other federal agencies and the public. Full-cost pricing is the DeCA's standard policy for services provided as required by OMB Circular A-25, "User Charges". In some instances, revenue is recognized when bills are issued.

Trust funds contain receipts and expenditures of funds held in trust by the government for use in carrying out specific purposes or programs in accordance with the terms of the donor, trust agreement, or statute. Special fund accounts are used to record government receipts reserved for a specific purpose and the expenditure of these receipts. Certain trust and special funds may be designated as Funds from Dedicated Collections. Funds from Dedicated Collections are financed by specifically identified revenues; are required by statute to be used for designated activities, benefits, or purposes; and remain available over time. In accordance with SFFAS 27, Identifying and Reporting Funds from Dedicated Collections, as amended by SFFAS 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, the DeCA separately accounts for and reports on the receipt, use, and retention of revenues and other financing sources for Funds from Dedicated Collections in Note 18, Funds from Dedicated Collections.

The Surcharge Collections Trust Fund revenue is generated primarily from the five percent surcharge applied to each sale. The Military Construction and Procurement Fund revenue is generated from a direct appropriation.

The Resale Stock revenues are primarily generated from the sale of inventory items to authorized commissary patrons. Commissaries are authorized to accept payment for the sale of inventory in the form of cash, credit/debit card, electronic benefits transfer (EBT), checks, commissary gift cards, or charge sale basis. The inventory consists of grocery, meat, and produce items.

The Commissary Operations revenues are generated from coupon and tobacco handling fees and from other miscellaneous services provided for authorized customers in addition to a direct appropriation.

The DeCA does not include non-monetary support provided by U.S. allies for common defense and mutual security in amounts reported in the Statement of Net Cost. The U.S. has cost sharing agreements with countries having a mutual or reciprocal defense agreement, where U.S. troops are stationed, or where the U.S. Fleet is in a port.

T. Budgetary Terms

The purpose of Federal budgetary accounting is to control, monitor, and report on funds made available to Federal agencies by law and help ensure compliance with the law. The following budget terms are commonly used:

Appropriation is a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. Usually, but not always, an appropriation provides budget authority.

Budgetary Resources is the amount available to incur obligations in a given year. Budgetary resources consist of new budget authority and unobligated balances of budget authority provided in previous years.

Offsetting Collections are payments to the Government that, by law, are credited directly to expenditure accounts and deducted from gross budget authority and outlays of the expenditure account, rather than added to receipts. Usually, they are authorized to be spent for the purposes of the account without further action by Congress. They usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government and from intragovernmental transactions with other Government accounts. The authority to spend offsetting collections is a form of budget authority.

Offsetting Receipts are payments to the Government that are credited to offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Usually, they are deducted at the level of the agency and subfunction, but in some cases they are deducted at the level of the government as a whole. They are not authorized to be credited to expenditure accounts. The legislation that authorizes the offsetting receipts may earmark them for a specific purpose and either appropriate them for expenditure for that purpose or require them to be appropriated in annual appropriations acts before they can be spent. Like offsetting collections, they usually result from business-like transactions with the public, including payments from the public in exchange for goods and services, reimbursements for damages, and gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

Obligations are a binding agreement that will result in outlays, immediately or in the future. Budgetary resources must be available before obligations can be incurred legally.

Outlays are payments to liquidate an obligation (other than the repayment of debt principal or other disbursements that are "means of financing" transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are the measure of Government spending.

Gross Outlays is the total of all payments made to liquidate obligations.

Net Outlays is the subtraction of all offsetting collections (unexpired and expired) from gross outlays.

For further information about budget terms and concepts, see the “Budget Concepts” chapter of the Analytical Perspectives volume of the President’s Budget.

U. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified inform.

NOTE 2 – NON-ENTITY ASSETS

The DeCA has stewardship accountability and reporting responsibility for non-entity assets and does not have assets held by other entities. The DeCA's assets are entity assets and the DeCA maintains authority for their use in operations. The following table shows the non-entity assets as of September 30, 2026 and 2025.

	9/30/2026	9/30/2025
Total Non-Entity Assets	$ -	$ -
Total Entity Assets	$ 1,315,598	$ 1,379,224
Total Assets	$ 1,315,598	$ 1,379,224

Non-federal Assets are Accounts Receivables which consist of interest, penalties, and administrative fees.

NOTE 3 - FUND BALANCE WITH TREASURY

FBWT consists of three types of funds – appropriated funds, revolving funds, and trust funds. The appropriated funds include commissary operations; the revolving fund relates to DeCA’s commissary resale stocks fund; and the trust fund relates to the Surcharge Collections Trust Fund.

The DeCA's total Fund Balance with Treasury is fully supported by balances recorded in the general ledger and is represented by both unobligated and obligated amounts. The unobligated balance reflects resources that remain available for future obligations without restrictions due to the nature of the funds. The obligated balance not yet disbursed represents amounts already committed through legally binding agreements but not yet liquidated as of the reporting date. The DeCA also reports non-budgetary FBWT, which includes contract authority that does not affect FBWT.

The following table shows the balance for each type of fund as of September 30, 2026 and 2025.

Fund Balances:	**9/30/2026**	**9/30/2025**
Appropriated Funds		
Working Capital Fund	$ 456,212	$ 471,680
Total	456,212	471,680
Revolving Funds		
Working Capital Fund	(206,904)	(188,777)
Total	(206,904)	(188,777)
Trust Fund	419,130	424,416
Total	$ 668,438	$ 707,319

The following table shows the status of the fund balances as of September 30, 2026 and 2025.

			9/30/2026
Status of Fund Balances with Treasury:	**WCF**	**GF**	**Total**
Total Unobligated Balance	$ 69,876	$ 104,404	$ 174,280
Obligated Balance Not Yet Disbursed	649,430	314,726	964,156
Non-Budgetary FBWT			
Unfilled Customer Orders without Advance	(3,020)	-	(3,020)
Contract Authority	(463,174)	-	(463,174)
Receivables and Other	(3,804)	-	(3,804)
Total Non-FBWT Budgetary Accounts	(469,998)	-	(469,998)
Total Fund Balance with Treasury	$ 249,308	$ 419,130	$ 668,438

			9/30/2025
Status of Fund Balances with Treasury:	**WCF**	**GF**	**Total**
Total Unobligated Balance	$ 139,084	$ 30,338	$ 269,422
Obligated Balance Not Yet Disbursed	643,585	294,079	937,664
Non-Budgetary FBWT			
Unfilled Customer Orders without Advance	(6,352)	-	(6,352)
Contract Authority	(487,565)	-	(487,565)
Receivables and Other	(5,850)	-	(5,850)
Total Non-FBWT Budgetary Accounts	(499,767)	-	(499,767)
Total Fund Balance with Treasury	$ 282,902	$ 424,417	$ 707,319

The Treasury records cash receipts and disbursements on the DeCA's behalf and are available only for the purposes for which the funds were appropriated. The DeCA's fund balances with treasury consist of appropriation accounts, revolving funds, trust accounts, special funds and other fund types.

The Status of FBWT reflects the budgetary resources to support FBWT and is a reconciliation between budgetary and proprietary accounts. It primarily consists of unobligated and obligated balances. The balances reflect the budgetary authority remaining for disbursement against current or future obligations.

Unobligated Balance is classified as available and represents the cumulative amount of budgetary authority that is available to cover existing obligations. Obligated Balance not yet disbursed represents funds obligated for goods and services but not paid.

The FBWT reported in the financial statements has been adjusted to reflect the DeCA balance as reported by Treasury. The difference between FBWT in the DeCA general ledgers and FBWT reflected in the Treasury accounts is attributable to transactions that have not been posted to the individual detailed accounts in the DeCA general ledger as a result of timing differences or the inability to obtain valid accounting information prior to the issuance of the financial statements. When research is completed, these transactions will be recorded in the appropriate individual detailed accounts in the DeCA general ledger accounts.

NOTE 4 – CASH AND OTHER MONETARY ASSETS

The following table summarizes the amount of cash for September 30, 2026 and 2025:

	9/30/2026	9/30/2025
Cash	$ 66,153	$ 80,672
Total Cash	$ 66,153	$ 80,672

Cash is the total of cash resources under the control of the U.S. Department of the Treasury (“Treasury”), including coins, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions. Foreign currency consists of the total U.S. dollar equivalent of foreign currencies exchanged for U.S. dollars and foreign currency received as payment for goods or services. Foreign currency is valued using the Treasury prevailing rate of exchange. The TFM Volume I, Part 2, Chapter 3200, provides guidance for accounting and reporting foreign currency.

Cash is the total of cash resources under the control of the Department, including coins, paper currency, negotiable instruments, and amounts held for deposit in banks and other financial institutions.

Cash and other monetary assets reflect uncollected deposits of $55.4 million and additional sales transactions of $7.6 million recorded as cash on hand.

Cash and other monetary assets reflect uncollected Surcharge deposits of $3.2 million recorded as cash on hand. Due to the timing difference between actual deposits and processing by U.S. Treasury, these deposits are not reflected in the Defense Commissary Agency's accounting records. A manual journal voucher is prepared to account for these uncollected deposits during the preparation of the financial statements.

There are no restrictions on cash or the use or conversion of foreign currencies.

NOTE 5 – ACCOUNTS RECEIVABLE, NET

	9/30/2026		
	Gross Amount Due	Allowance for Doubtful accounts	Accounts Receivable, Net
Intragovernmental	$ 3,804	$ -	$ 3,804
Othan than Intragovernmental	$ 46,757	$ (16,017)	$ 30,740
Totals	$ 50,561	$ (16,017)	$ 34,544

	9/30/2025		
	Gross Amount Due	Allowance for Doubtful accounts	Accounts Receivable, Net
Intragovernmental	$ 5,850	$ -	$ 5,850
Totals	$ 5,850	$ -	$ 5,850

Gross receivables, including federal receivables, must be reduced to net realizable value by an allowance for doubtful accounts (estimated uncollectible amounts) in accordance with SFFAS 1 and Technical Bulletin 2020-1, Loss Allowance for Intragovernmental Receivables. Loss allowance recognition for intragovernmental receivables does not alter the statutory requirements for the debtor agency to make the payment or for the collecting agency to seek and obtain payment.

Accounts receivable from other federal entities or the public includes accounts receivable, claims receivable, and refunds receivable. Allowances for uncollectible accounts due are based upon factors such as aging of accounts receivable, debtor's ability to pay, and payment history. The DeCA uses a percentage based receivable method to determine the allowance. This method applies an upward sliding percentage based on the overdue days for each account. The days and percentages are as follows:

Date Rate	Percentage
1 - 30 days	2%
31 - 60 days	5%
61 - 90 days	15%
91 - 180 days	20%
181 - 365 days	50%
1 - 6 years	80%
Over 6 years	90%

Accounts receivable represent the DeCA's claim for payment from other entities; claims with other federal agencies are resolved in accordance with the business rules published in Appendix 10 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700.

NOTE 6 – INVENTORY AND RELATED PROPERTY, NET

The following table summarizes net inventory for September 30, 2026, and 2025:

	9/30/2026
Inventory Purchased for Resale	$ 374,221
Inventory – Allowance for Loss	(424)
Total	$ 373,797

	9/30/2025
Inventory Purchased for Resale	$ 388,574
Inventory – Allowance for Loss	(183)
Inventory, Net	$ 388,391

The DeCA purchases inventory for resale to Commissary patrons at the lowest possible cost, it then sells that inventory at retail cost which is inclusive of cost-plus variable pricing. Currently, inventory is valued at latest acquisition cost with an allowance account established for holding gains and losses. Holding gains and losses are recognized monthly and the unrealized holding gains and losses are included in the ending inventory value.

The Holding gains and losses are represented by store inventory balances are adjusted monthly based on aggregate purchases, sales, transfers, cycle counts and other adjustments. The DeCA completed 234 accountable inventories (via contractors) as of quarter end. The completed inventories provide reasonable assurance that the DeCA's inventory value is properly reported.

Upon adjustment for the unrealized holding gains and losses, the latest acquisition cost results in an approximation of historical cost. The percentage of holding gains and losses that are recognized each month is the ratio of sales to beginning inventory plus purchases. This percentage is usually about 90%. The DeCA does not maintain excess, obsolete, or unserviceable inventory.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT, NET

Property, Plant, and Equipment (PP&E) as of September 30, 2026 and 2025 are summarized as follows:

			9/30/2026		
PP&E Category	**Depreciation Method**	**Service Life (Years)**	**Acquisition Value**	**Accumulated Depreciation**	**Net**
Building, Structures, and Facilities	Mid-Year Convention	Various	-	-	-
Software	Straight Line	2 to 5	52,537	(32,262)	20,275
General Equipment	Straight Line	Various	227,923	(125,521)	102,402
Right-to-Use Lease Asset	Straight Line	Lease Term	5,389	(1,078)	4,311
Construction-in-Progress			45,408	N/A	45,408
Totals			$ 331,257	$ (158,861)	$ 172,396

			9/30/2025		
PP&E Category	**Depreciation Method**	**Service Life (Years)**	**Acquisition Value**	**Accumulated Depreciation**	**Net**
Building, Structures, and Facilities	Mid-Year Convention	Various	6,703	-	6,703
Software	Straight Line	2 to 5	34,774	(16,700)	18,074
Equipment and Other Assets	Straight Line	Various	154,023	(128,968)	25,055
Construction-in-Progress			147,570	-	147,570
Totals			$ 343,070	$ (145,668)	$ 197,402

The following table summarizes the activity of net PP&E for September 30, 2026 and 2025:

	9/30/2026	**9/30/2025**
Balance Beginning of Year	$ 197,402	$ 175,268
Capitalized Acquisitions	12,873	14,120
Right-to-Use Lease Assets	(11,000)	15,514
Amortization of right-to-use lease assets	(1,078)	-
Dispositions	(1,051)	(30)
Transfers In/(Out) Without Reimbursement	(972)	(20)
Depreciation Expense	(23,778)	(7,450)
Balance at End of Year	$ 172,396	$ 197,402

General and Right-to-Use PP&E assets are capitalized when an asset has a useful life of two or more years and the acquisition cost equals or exceeds the relevant capitalization threshold. The costs of modifications/improvements to existing PP&E assets are capitalized if they (1) extend the asset's useful life by two or more years, or increases the assets capability, or increases its capacity or size, and (2) equals or exceeds the relevant capitalization threshold. The capitalization threshold for PP&E assets is $250 thousand for construction in progress and general equipment:

DoD Entity	Capitalization Threshold
Department of the Navy General Fund (General Equipment and Real Property)	$1 million
Department of the Air Force General Fund (General Equipment)	$1 million
Office of the Director of National Intelligence (ODNI) DoD Members only	$1 million
USACE Civil Works General PP&E assets, other than buildings and structures related to hydropower projects	$25 thousand
USACE Civil Works buildings and structures related to hydropower projects	Capitalized regardless of cost

Except for those related to USACE Civil Works and ODNI, these capitalization thresholds apply to PP&E asset acquisitions and modifications/improvements placed into service after September 30, 2013; PP&E assets acquired prior to October 1, 2013 were capitalized at prior thresholds ($100 thousand for general equipment and $20 thousand for real property). However, in the years leading up the DoD entities making unreserved assertions under SFFAS 50, each DoD Entity may apply the applicable capitalization threshold to its entire population of PP&E retroactively, irrespective of the capitalization thresholds in effect for the years prior to October 1, 2013. The Departments depreciate all PP&E assets, other than land, on a straight-line basis.

The DeCA uses the straight-line method of depreciation on all capital assets. The actual commencement of depreciation is based on the mid-year convention method for buildings. Under the midyear convention method, six months of depreciation is computed and expensed in the first and last year of an asset's useful life regardless of the actual month an asset was placed in or removed from service. The month available for service method is used for all other capital assets.

Restrictions on the use of convertibility of General PP&E: The DoD has the use of land, buildings, and other overseas facilities that are obtained through various international treaties and agreements negotiated by the Department of State. The DeCA purchases capital assets overseas; however, the host country retains title to the land and capital improvements. Treaty terms generally allow DeCA continued use of these properties until the treaties expire. In the event treaties or other agreements are terminated, the right of use of the foreign bases is likewise coming to an end and losses are recorded for the value of any non-retrievable capital assets. The settlement due to the U.S. or host nation is negotiated and takes into account the residual value of capital investments and may be offset by the cost of environmental cleanup.

Effective October 1, 2019, Office of the Under Secretary of Defense (OUSD) implemented policy to assign assets to component reporting entities. Title 10 of the US Code§ 2682 states "a real property facility under the jurisdiction of the Department of Defense which is used by an activity or agency of Department of Defense (other than a military department) shall be under the jurisdiction of a military department designated by the Secretary of Defense." The DoD has determined that because the entities with jurisdiction over real property assets have existing requirements to manage the asset related data required for financial reporting, it is rational and consistent that those same entities carry the financial reporting responsibility for those assets. As of September 30, 2020 the DeCA transferred financial responsibility of real property and the associated capital improvements to the following military services USMC, USAF, DON, and Army.

The DeCA recognized imputed finance cost as related to depreciation of WCF and GF buildings. The Office of the Under Secretary of Defense (Comptroller), Office of the Deputy Chief Financial Officer, in collaboration with the Office of the Deputy Comptroller for Program and Budget, revised policy for reporting imputed cost for real property associated with the Defense Working Capital Fund (DWCF) and other DoD revolving fund accounts. The DWCF Accounting Report (Monthly) 1307 was revised to include new and modified line items and their corresponding definitions. Additionally, detailed procedures are provided in the "Imputed Costs for Real Property Related to DoD Revolving Fund Activities Implementation Guide". The DeCA reported imputed cost related to building depreciation in the amount of $690 thousand in FY2026.

NOTE 8 – OTHER ASSETS

The following table summarizes total other assets as of September 30, 2026 and 2025:

Intragovernmental Other Assets:	**9/30/2026**	**9/30/2025**
Advances and Prepayments	$ 122	$ -
Total Intragovernmental Other Assets	**122**	**-**
Other than Intragovernmental Other Asset:		
Accounts Receivable, Net	$ -	$ (587)
Advances and Prepayments	$ -	$ 177
Total Other than Intragovernmental Other Assets	**-**	**(410)**
Total Other Assets	**$ 122**	**$ (410)**

The DeCA conducts business with commercial contractors under two primary types of contracts – fixed price and cost reimbursable. The DeCA may provide financing payments to contractors to alleviate the potential financial burden from

long-term contracts. Contract financing payments are defined in the Federal Acquisition Regulation (FAR), Part 32, as authorized disbursements to a contractor prior to acceptance of supplies or services by the Government. Contract financing payment clauses are incorporated in the contract terms and conditions and may include advance payments, performance-based payments, commercial advances and interim payments, progress payments based on cost, and interim payments under certain cost-reimbursement contracts.

The Defense Federal Acquisition Regulation Supplement (DFARS) authorizes progress payments based on a percentage or stage of completion only for construction of real property, shipbuilding and ship conversion, alteration, or repair. Progress payments based on percentage or stage of completion are reported as Construction in Progress. Contract financing payments do not include invoice payments, payments for partial deliveries, lease and rental payments, or progress payments based on a percentage or stage of completion. Other than Intragovernmental Advances and Prepayments consist of Federal Health Benefits, travel and other advances.

NOTE 9 - LIABILITIES

The following table summarizes total liabilities covered and not covered by budgetary resources as of September 30, 2026 and 2025:

	9/30/2026	9/30/2025
Intragovernmental Liabilities:		
Other Liabilities	$ 19,242	$ 20,249
Total Intragovernmental Liabilities	19,242	20,249
Other than Intragovernmental Liabilities		
Federal Employee Salary, Leave and Benefits Payable	-	9,029
Pension, Post-Employment, and Veterans Benefits Payable	82,674	95,352
Total Other than Intragovernmental Liabilities	82,674	104,381
Total Liabilities Not Covered by Budgetary Resources	101,916	124,630
Total Liabilities Covered by Budgetary Resources	436,437	467,733
Totals	$ 538,353	$ 592,363

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional actions. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using the combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Liabilities represent the probable future outflow or other sacrifice of resources as a result of past transactions or events. However, no liability can be paid by the DeCA absent proper budget authority. Liabilities covered by budgetary resources are appropriated funds for which funding is otherwise available to pay amounts due. Budgetary resources include new budget authority, unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year, spending authority from offsetting collections, and recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are classified as not covered by budgetary resources when congressional action is needed before they can be paid.

Material amounts not covered by budgetary resources include future funded liabilities such as Federal Employment Compensation Act (FECA) and Federal employee and veteran benefits payable. The FECA liability is for actuarial cost projections submitted by the Department of Labor.

Federal employee and veteran benefits payable consist of various employee actuarial liabilities not due and payable during the current fiscal year. These liabilities primarily consist of actuarial benefit liabilities for FECA in the amount of approximately $82.7 million.

The following table summarizes intragovernmental and non-intragovernmental other liabilities as of September 30, 2026 and 2025:

	9/30/2026		
Intragovernmental Other Liabilities	Current Liability	Non-Current Liability	Total
Employer Contributions and Payroll Taxes Payable - Health Benefits	$ 1,607	$ -	$ 1,607
Employer Contributions and Payroll Taxes Payable - Life Insurance	38	-	38
Employer Contributions and Payroll Taxes Payable - Retirement	3,120	-	3,120
Unfunded FECA Liability	8,571	10,672	19,243
Total Intragovernmental Other Liabilities	$ 13,336	$ 10,672	$ 24,008
Other than Intragovernmental Other Liabilities			
Lease Liability	$ 4,514	$ -	$ 4,514
Total Other Liabilities	$ 17,850	$ 10,672	$ 28,522

	9/30/2025		
Intragovernmental Other Liabilities	Current Liability	Non-Current Liability	Total
Employer Contributions and Payroll Taxes Payable - Health Benefits	$ 1,359	$ -	$ 1,359
Employer Contributions and Payroll Taxes Payable - Life Insurance	34	-	34
Employer Contributions and Payroll Taxes Payable - Retirement	2,844	-	2,844
Unfunded FECA Liability	9,292	10,957	20,249
Total Intragovernmental Other Liabilities	$ 13,529	$ 10,957	$ 24,486
Other than Intragovernmental Other Liabilities			
Lease Liability	$ 15,514	$ -	$ 15,514
Total Other Liabilities	$ 29,043	$ 10,957	$ 40,000

The DeCA is a party in various administrative proceedings and legal actions related to claims for environmental damage, equal opportunity matters, and contractual bid protests. See Commitments and Contingencies Note 12.

DeCA currently leases multi-functional devices (print/copy/scan/fax) from the Defense Logistics Agency for various locations at an estimated annual cost of $555,146. DeCA also leases vehicles from General Services Administration at an estimated annual cost of $1.4 million. Both are funded with Defense Working Capital Fund. See Leases Note 10.

The following table summarizes federal employee benefits payable as of September 30, 2026 and 2025:

	2026		
	Liabilities	**Assets Available to Pay Benefits**	**Unfunded Liabilities**
Other Benefits			
FECA	$ 82,674	$ -	$ 82,674
Total Other than Intragovernmental Liabilities	$ 82,674	$ -	$ 82,674
Pensions and Other Post-Employment Benefits Payable (presented separately on the Balance Sheet)	82,674	-	82,674
Federal Employee Salary, Leave and Benefits Payable	73,023	(73,023)	-
Other Benefit-Related Payable Included in the Intragovernmental Other Liabilities on the Balance Sheet	24,008	(4,766)	19,242
Total Federal Employee Benefits Payable	$ 179,705	$ (77,789)	$ 101,916

DOL selected the Cost-of-Living-Adjustment (COLA) factors, Consumer Price Index for Medical Care (CPI-M) factors, and discount rates by averaging the COLA rates, CPI-M rates, and interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year.

The FYs 2026 and 2025 methodologies for averaging the COLA rates used OMB-provided rates. The FY 2026 methodology for averaging the CPI-M rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI.

The compensation COLAs and CPI-Ms used in the projections on a charge back year (CBY) basis were as follows:

	2025		
	Liabilities	Assets Available to Pay Benefits	Unfunded Liabilities
Other Benefits			
FECA	$ 95,352	$ -	$ 95,352
Total Other than Intragovernmental Liabilities	$ 95,352	$ -	$ 95,352
Pensions and Other Post-Employment Benefits Payable (presented separately on the Balance Sheet)			
Federal Employee Salary, Leave and Benefits Payable	75,104	(66,075)	9,029
Other Benefit-Related Payable Included in the Intragovernmental Other Liabilities on the Balance Sheet	24,486	(4,238)	20,248
Total Federal Employee Benefits Payable	$ 194,942	$ (70,313)	$ 124,629

CBY	COLA	CPI-M
2026	n/a	n/a
2027	4.23%	2.78%
2028	3.31%	2.92%
2029	2.71%	3.52%
2030	2.52%	3.71%
2031	2.41%	3.88%
2032	2.31%	3.86%
2033	2.21%	3.86%
2034	2.20%	3.86%
2035	2.20%	3.86%
2036	2.20%	3.86%

Discount Rates
For wage benefits: 3.857% in year 1 and years thereafter
For medical benefits: 3.578% in year 1 and years thereafter

To test the reliability of the model, comparisons were made between projected payments in the last year to actual amounts, by agency. Changes in the liability from last year's analysis to this year's analysis were also examined by agency, with any significant differences by agency inspected in greater detail. The model has been stable and has projected the actual payments by agency reasonably well.

NOTE 10 – LEASES

SFFAS No. 54, Leases, as amended by SFFAS No. 60, Omnibus Leases-Related Topics, replaces proprietary lease accounting and disclosure standards for general purpose federal financial reports. This Statement applies to federal entities that present general purpose federal financial reports (GPFFR), including the consolidated financial report of the U.S. Government, in conformance with generally accepted accounting principles (GAAP), as defined by paragraphs 5 through 8 of Statement of Federal Financial Accounting Standards (SFFAS) 34, The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board. 2. The requirements of this Statement are effective for reporting periods beginning after September 30, 2023.

An intragovernmental lease is a contract or agreement occurring within a consolidation entity (or between two or more consolidation entities) as defined in SFFAS No. 47, Reporting Entity. Intragovernmental leases are recognized as expenses/revenues based on the payment provisions of the IGT agreement and payables/receivables standards. Reporting entities do not recognize lease liabilities or lease assets for IGT leases.

DeCA records the asset and liability at the lesser of the present value of the rental and other minimum lease payments during the lease term (excluding portions representing executory costs paid to the lessor) or the asset's fair market value. The discount rate for the present value calculation is either the lessor's implicit interest rate or the government's incremental borrowing rate at the inception of the lease. DeCA, as the lessee, receives the use and possession of leased property (e.g., real estate or equipment) from a lessor in exchange for payments of funds. DeCA does not recognize a prepaid asset if payments are made in advance of the reporting period to which they relate.

The following table summarizes the future payments due for Non-Cancelable Operating Leases as of September 30, 2026.

Lessee (Principal Only)			
	2026		
	Principal		
Fiscal Year:	**Buildings**	**Equipment**	**Total**
2027	1,078	-	1,078
2028	1,078	-	1,078
2029	1,078	-	1,078
2030	1,078	-	1,078
2031	653	-	653
Total	$ 4,965	$ -	$ 4,965

The DeCA currently leases multi-functional devices (print/copy/scan/fax) from the Defense Logistics Agency for various locations at an estimated annual cost of $555,146. DeCA also leases vehicles from General Services Administration at an estimated annual cost of $1.4 million. Both are funded with Defense Working Capital Fund and are considered intragovernmental leases. An intragovernmental lease is a contract or agreement occurring within a consolidation entity (or between two or more consolidation entities) as defined in SFFAS No. 47, Reporting Entity. Intragovernmental leases are recognized as expenses/revenues based on the payment provisions of the IGT agreement and payables/receivables standards. Reporting entities do not recognize lease liabilities or lease assets for IGT leases.

Lease occupancy/rent payments, along with lease-related operating costs paid from the lessee directly to the lessor (such as maintenance, utilities, taxes, etc.) should be accounted for as expenses/revenues in the appropriate accounting period, based on terms of the lease contract (SFFAS 54, Pars. 27-27). The DeCA currently has two commercial leases in the United Kingdom at an estimated annual cost $40 thousand. The amount is less than DeCA's capitalized threshold of $250,000, therefore the amount is not capitalized and remains as an operating expense for the life of the lease.

The DeCA leases space at U.S. Navy Support Site Naples at annual cost in FY 2026 of $1,077,791.

NOTE 11 – DISCLOSURE RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES (SBR)

Undelivered orders at the end of the period were $532.5 million. The SBR includes intra-entity transaction because the statements are presented as combined. There are no legal arrangements affecting the use of unobligated balances.

The unobligated balance brought forward as of September 30, 2026 and 2025 is summarized below:

	9/30/2026	9/30/2025
Unobligated balance brought forward, October 1	$ 248,713	$ 263,484
Adjustment to unobligated balance brought forward, October 1	(27,325)	-
Recoveries of prior year unpaid obligations	55,018	54,700
Unobligated balance of contract authority withdrawn	(4)	(875)
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 276,402	$ 317,309

NOTE 12 – COMMITMENTS AND CONTINGENCIES

DeCA is a party in various administrative proceeding and legal actions related to contractual claims and protests. To date, DeCA has not accrued or disclosed any amounts for contingent liabilities as potential losses have not been determined to be probable or reasonably possible.

The followings summarizes contingencies loss as of September 30, 2026 and 2025:

	2026		
		Estimated Range of Loss	
Legal Contingencies	**Accrued Liabilities**	**Lower End**	**Upper End**
Reasonably Possible	$ -	$ -	$ -

	2025		
		Estimated Range of Loss	
Legal Contingencies	**Accrued Liabilities**	**Lower End**	**Upper End**
Reasonably Possible	$ -	$ 5,000	$ 6,000

The DeCA recognizes contingent liabilities on the Balance Sheet for legal actions where management considers an adverse decision to be probable and the loss amount is reasonably estimable. However, there are cases where amounts have not been accrued or disclosed because the likelihood of an adverse decision is considered remote or the amount of potential loss cannot be estimated.

The DeCA executes project agreements pursuant to the framework cooperative agreement with foreign governments. All of these agreements give rise to obligations reported in the DeCA financial statements, pursuant to legal authority, appropriated funds, and none are contingent. The DeCA does not enter into treaties and other international agreements that create contingent liabilities.

The DeCA does not have environmental contingencies. The legal environmental cases are recorded as legal contingencies.

NOTE 13 – FUNDS FROM DEDICATED COLLECTIONS

The following table presents condensed data relating to DeCA's Dedicated Collections, the Surcharge Collections Trust Fund, as of and for the years ended September 30, 2026 and 2025:

Balance Sheet	**9/30/2026**	**9/30/2025**
Assets	**Total Funds from Dedicated Collections**	
Intragovernmental assets:		
Fund Balance with Treasury	$ 419,130	$ 424,416
Total Intragovernmental Assets	419,130	424,416
Other than Intragovernmental Assets:		
Cash	3,150	3,842
Accounts Receivable, Net	36	33
Property, Plant, and Equipment	127,297	129,355
Total Other than Intragovernmental Assets	130,483	133,230
Total Assets	549,613	557,646
Liabilities		
Intragovernmental Liabilities		
Accounts Payable	18,624	13,330
Total Intragovernmental Liabilities	18,624	13,330
Other than Intragovernmental Liabilities		
Accounts Payable	6,188	26,680
Other Liabilities	4,514	6,703
Total Other than Intragovernmental Liabilities	10,702	33,383
Total Liabilities	29,326	46,713
Cumulative Results of Operation	520,287	510,933
Total Liabilities and Net Position	$ 549,613	$ 557,646

Statement of Net Cost		
Program Costs	$ 252,023	$ 258,730
Less: Earned Revenue	(238,674)	(245,499)
Net Cost of Operations	$ 13,349	$ 13,281

Statement of Changes in Net Position	9/30/2026	9/30/2025
Cumulative Results of Operations		
Beginning Balance	$ 510,933	$ 500,988
Transfers-In/Out Without Reimbursement	(509)	17
Imputed Financing	23,212	23,208
Net Cost of Operations	(13,349)	(13,281)
Net Change in Cumulative Results	9,355	9,944
Net Position, End of Period	$ 520,287	$ 510,932

The DeCA's funds from dedicated collections are financed by specifically identified revenues and other financing sources, provided to the government by non-Federal sources, required by statute to be used for designated activities, benefits or purposes that must be accounted for separately from the DeCA's general revenues.

Statute of United States Code 10, Subtitle A, Part IV, Chapter 159, Section 2685 authorizes and clearly defines the use of DeCA's surcharge revenue. The Surcharge Collections Trust Fund was established as the repository for surcharge revenue, which is generated when commissary goods are sold to authorized patrons. The revenue is used to finance certain operating expenses and capital purchases for the commissary system, which are precluded by law from being paid with appropriated funds. The major part of the surcharge public revenue is generated by the five percent surcharge applied to each sale. These funds may be used to pay for: (1) commissary information technology investments, (2) commissary equipment, (3) advance design modifications to prior year projects, (4) minor and major construction projects, and (5) maintenance and repair of commissary facilities and equipment. It also allows for obligations, based on anticipated proceeds, without regard to fiscal year limitations, if needed, to carry out the uses of the revenue as identified.

Standard Form 133 (Report on Budget Execution and Budgetary Resources) is prepared and submitted to the Office of Management and Budget (OMB) on a monthly basis. The report provides a status on revenue, obligations, collections, and disbursements for the Surcharge Fund. Additionally, a copy of the Surcharge Spend Plan, which outlines execution of the funds, is also submitted to OMB on a yearly basis and updated as needed.

NOTE 14 - RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The following table presents DeCA's reconciliation of net cost of operations to net outlays as of and for the year ended September 30, 2026 and 2025:

	9/30/2026		
	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 553,157	$ 1,100,879	$ 1,654,036
Components of Net Cost that are not part of Net Outlays:			
Property, Plant, and Equipment Depreciation	-	(23,778)	(23,778)
Property, plant, and equipment Disposals & Revaluations	-	(2,024)	(2,024)
Lessee Lease Amortization	-	(1,078)	(1,078)
Cost of goods sold	-	(4,753,231)	(4,753,231)
Applied Overhead/Cost Capitalization Offset:			
Increase/(Decrease) in Assets not affecting Budgetary Outlays:			
Accounts receivable, net	(2,046)	31,325	29,279
Advances and Prepayments	122	(28)	94
Other Assets	-	(14,519)	(14,519)
(Increase)/Decrease in Liabilities not affecting Budgetary Outlays:			
Accounts Payable	308	27,466	27,774
Federal Employee Salary, Leave, and Benefits Payable	-	2,081	2,081
Veterans, Pensions, and Post Employment-Related Benefits	-	12,678	12,678
Other liabilities	479	-	479
Other Financing Sources:			
Imputed Cost	(102,597)	-	(102,597)
Total Components of Net Cost that are not Part of Net Outlays	**(103,734)**	**(4,721,108)**	**(4,824,842)**
Components of the Net Outlays that are not part of Net Operating Cost:			
Acquisition of Capital Assets	285	12,588	12,873
Acquisition of Inventory and Related Property	2,322	4,736,314	4,783,636
Financing Sources:			
Transfers Out (In) Without Reimbursements	972	-	972
Total Components of the Net Outlays that are not part of Net Operating Cost:	3,579	4,748,902	4,752,481
Miscellaneous:			
Custodial/Non-Exchange Revenue	-	(14,977)	(14,977)
Total Net Outlays	$ 453,002	$ 1,113,696	$ 1,566,698
Agency Outlays, Net, Statement of Budgetary Resources			$ 1,566,698
Unreconciled Difference			$ -

	9/30/2025		
	Intragovernmental	With the Public	Total
Net Cost of Operations	$ 533,170	$ 1,175,910	$ 1,709,080
Components of Net Cost that are not part of Net Outlays:			
Property, Plant, and Equipment Depreciation	-	(7,450)	(7,450)
Property, plant, and equipment Disposals & Revaluations	-	(50)	(50)
Cost of goods sold	-	(4,916,722)	(4,916,722)
Applied Overhead/Cost Capitalization Offset:			
Increase/(Decrease) in Assets not affecting Budgetary Outlays:			
Accounts receivable, net	(540)	(22,025)	(22,565)
Advances and Prepayments	-	(8)	(8)
Other Assets	-	(6,415)	(6,415)
(Increase)/Decrease in Liabilities not affecting Budgetary Outlays:			
Accounts Payable	11,899	(1,733)	10,166
Federal Employee Salary, Leave, and Benefits Payable	-	(3,964)	(3,964)
Veterans, Pensions, and Post Employment-Related Benefits	-	14,824	14,824
Other liabilities	192	-	192
Other Financing Sources:			
Imputed Cost	(114,553)	-	(114,553)
Total Components of Net Cost that are not Part of Net Outlays	**(103,002)**	**(4,943,543)**	**(5,046,545)**
Components of the Net Outlays that are not part of Net Operating Cost:			
Acquisition of Capital Assets	6,662	7,459	14,121
Acquisition of Inventory and Related Property	527	4,901,275	4,901,802
Financing Sources:			
Transfers Out (In) Without Reimbursements	74	-	74
Total Components of the Net Outlays that are not part of Net Operating Cost:	7,263	4,908,734	4,915,997
Miscellaneous:	-		
Custodial/Non-Exchange Revenue	-	(15,829)	(15,829)
Total Net Outlays	$ 437,431	$ 1,125,272	$ 1,562,703
Agency Outlays, Net, Statement of Budgetary Resources			$ 1,562,703
Unreconciled Difference			$ -

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
COMBINING STATEMENT OF BUDGETARY RESOURCES
For the Years Ended September 30, 2026 and 2025
(amounts in thousands)

	9/30/2026			
	Defense Working Capital Funds		General Funds	
Budgetary Resources	**Operations**	**Resale**	**Surcharge**	**Combined**
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 11)	$ 162,548	$ -	$ 113,854	$ 276,402
Appropriations (discretionary and mandatory) (Note 11)	1,527,817	-	-	1,527,817
Contract authority (discretionary and mandatory) (Note 11)	8,487	4,737,459	-	4,745,946
Spending authority from offsetting collections (discretionary and mandatory)	(666)	-	241,092	240,427
Total Budgetary Resources	$ 1,699,519	$ 4,737,459	$ 354,956	$ 6,790,592
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 1,628,311	$ 4,737,459	$ 269,408	$ 6,635,178
Unobligated balances, end of year:				
Apportioned, unexpired accounts	97,201	-	85,538	182,739
Unexpired unobligated balance, end of year	(27,325)	-	-	(27,325)
Unobligated balance, end of year (total)	69,876	-	85,538	155,414
Total Status of Budgetary Resources	1,698,187	4,737,459	354,946	6,790,592
Outlays, Net:				
Outlays, net (total) (discretionary and mandatory)	$ 1,543,286	$ 18,126	$ 5,286	$ 1,566,698
Agency, outlays, net (discretionary and mandatory)	$ 1,543,286	$ 18,126	$ 5,286	$ 1,566,698

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
DEFERRED MAINTENANCE AND REPAIRS
For the Years Ended September 30, 2026 and 2025
(amounts in thousands)

	9/30/2025			
	Defense Working Capital Funds		General Fund	
	Operations	Resale	Surcharge	Combined
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 11)	$ 201,166	$ -	$ 116,142	$ 317,308
Appropriations (discretionary and mandatory) (Note 11)	1,570,187	-	-	1,570,187
Contract authority (discretionary and mandatory) (Note 11)	15,417	4,902,473	-	4,917,890
Spending authority from offsetting collections (discretionary and mandatory)	8,016	-	243,343	251,359
Total Budgetary Resources	$ 1,794,786	$ 4,902,473	$ 359,485	$ 7,056,744
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	$ 1,655,701	$ 4,902,473	$ 249,857	$ 6,808,031
Unobligated balances, end of year:				
Apportioned, unexpired accounts	139,085	-	109,628	248,713
Unexpired unobligated balance, end of year	139,085	-	109,628	248,713
Unobligated balance, end of year (total)	139,085	-	109,628	248,713
Total Status of Budgetary Resources	1,794,786	4,902,473	359,485	7,056,744
Outlays, Net:				
Outlays, net (total) (discretionary and mandatory)	$ 1,524,051	$ 57,604	$ (18,952)	$ 1,562,703
Agency, outlays, net (discretionary and mandatory)	$ 1,524,051	$ 57,604	$ (18,952)	$ 1,562,703

DEPARTMENT OF DEFENSE
DEFENSE COMMISSARY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
DEFERRED MAINTENANCE AND REPAIRS
For the Years Ended September 30, 2026 and 2025
(amounts in thousands)

DeCA's PP&E is under various forms of maintenance contracts. DeCA has an equipment replacement plan that schedules replacement of equipment based on its useful life. The flexibility in the Surcharge program allows DeCA to address any out of cycle maintenance or repair. DeCA engineers use a variety of tools to constantly assess facility conditions and plan for replacement or repair of any component in a facility that may be approaching the end of its useful life. Due to the nature of DeCA's maintenance cycles and funding, DeCA does not have differed maintenance.

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Independent Auditor's Report

To the Director and Chief Executive Officer and the Chair of the Financial Advisory Committee of the Defense Commissary Agency

In our audit of the fiscal year 2026 financial statements of the Defense Commissary Agency (DeCA), we found:

- DeCA's financial statements as of and for the fiscal year ended September 30, 2026, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2026 with provisions of applicable laws, regulations, and contracts we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes a section on required supplementary information (RSI)[1] and a section on other information included with the financial statements;[2] (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, and contracts.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Defense Commissary Agency (DeCA), which comprise the balance sheet as of September 30, 2026, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended, and the related notes to the financial statements. In our opinion, DeCA's financial statements present fairly, in all material respects, DeCA's financial position as of September 30, 2026, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

The DeCA financial statements as of September 30, 2025, which comprise the balance sheet as of September 30, 2025, the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended, and the related notes to those financial statements, were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated December 10, 2025.

[1] The RSI consists of Management's Discussion and Analysis and Combining Statement of Budgetary Resources by Major Budget Accounts, which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DeCA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in DeCA's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and the RSI; and,
- designing, implementing, and maintaining effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DeCA's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to our audit 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 DeCA's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about DeCA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the financial statement audit.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with GAAS. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

DeCA's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in DeCA's AFR. Other information does not include the financial

statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In connection with our audit of DeCA's financial statements, we considered DeCA's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting
Our consideration of internal control was for the limited purpose described below, and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of DeCA's internal control over financial reporting. Given these limitations, during our 2026 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

During our 2026 audit, we identified four deficiencies in internal control over financial reporting that we consider to be significant deficiencies, described in Appendix A.

During our 2026 audit, we identified deficiencies in DeCA's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant DeCA management's attention. We have communicated these matters to DeCA management and, where appropriate, will report on them separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting
We performed our procedures related to DeCA's internal control over financial reporting in accordance with *Government Auditing Standards* and OMB Bulletin No. 24-02.

Responsibilities of Management for Internal Control over Financial Reporting
DeCA's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Consideration of Internal Control over Financial Reporting
In planning and performing our audit of DeCA's financial statements as of and for the fiscal year ended September 30, 2026, in accordance with *Government Auditing Standards*, we considered

DeCA's internal control relevant to the financial statement audit 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 DeCA's internal control over financial reporting. Accordingly, we do not express an opinion on DeCA's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting
An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting
The purpose of this report is solely to describe the scope of our consideration of DeCA's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of DeCA's internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance and Other Matters

In connection with our audit of DeCA's financial statements, we tested compliance with selected provisions of applicable laws, including certain provisions referred to in Section 803(a) of the Federal Financial Management Improvement Act of 1996 (FFMIA), regulations, and contracts, consistent with our auditor's responsibilities discussed below. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, and contracts applicable to DeCA. Accordingly, we do not express such an opinion.

Results of Our Tests for Compliance with Laws, Regulations, and Contracts
Our tests of compliance with selected provisions of applicable laws, regulations, and contracts disclosed one instance of noncompliance for fiscal year 2026 that would be reportable under *Government Auditing Standards* and OMB Bulletin No. 24-02. Specifically, we noted

noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), which is a repeat finding from the fiscal year 2025 compliance report issued by other auditors.

We tested DeCA's compliance with FFMIA by testing whether the DeCA financial management systems substantially complied with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level. During fiscal year 2026, we identified instances in which the DeCA financial management systems did not substantially comply with each of the three elements required by FFMIA Section 803(a).

Basis for Results of Our Tests for Compliance with Laws, Regulations, and Contracts
We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Compliance with Laws, Regulations, and Contracts
DeCA management is responsible for complying with laws, including certain provisions referred to in Section 803(a) of FFMIA, regulations, and contracts applicable to DeCA.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, and Contracts
Our responsibility is to test compliance with selected provisions of laws, including certain provisions referred to in Section 803(a) of FFMIA, regulations, and contracts applicable to DeCA that have a direct effect on the determination of material amounts and disclosures in DeCA's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, and contracts applicable to DeCA. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose for Report on Compliance with Laws, Regulations, and Contracts
The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering compliance. Accordingly, this report on compliance with laws, regulations, and contracts is not suitable for any other purpose.

Castro & Company, LLC

Alexandria, VA
November 6, 2026

APPENDIX A: SIGNIFICANT DEFICIENCIES

I. PROPERTY, PLANT, AND EQUIPMENT – CONSTRUCTION IN PROGRESS (*NEW*)

As of September 30, 2026, the Defense Commissary Agency (DeCA) reported $172.4 million in Property, Plant and Equipment (PP&E), net of accumulated depreciation, of which $45.4 million, or approximately 26 percent, was reported as Construction in Progress (CIP). However, DeCA did not maintain effective controls to support the completeness, accuracy, and classification of its CIP and equipment balances throughout the fiscal year.

During fiscal year (FY) 2026, DeCA identified discrepancies through its reconciliation process between the Enterprise Logistics Management System (ELMS) and the Defense Agencies Initiative (DAI). Management determined that certain transactions had not been appropriately recorded or classified due to historical migration and interface issues associated with the transition from the Defense Property Accountability System (DPAS) to ELMS. In addition, DeCA identified transactions that were recorded in CIP due to incorrect project and task coding, although the underlying costs should have been recorded as operating expenses. Management also identified transactions that should have been transferred from CIP to equipment but had not been timely reclassified. These issues were identified through DeCA's ongoing reconciliation and research efforts. However, since DeCA was unable to provide a complete and supportable CIP and equipment population as of June 30, 2026, we were unable to perform interim audit testing related to these balances, requiring substantive PP&E testing to be deferred to year-end and increasing the risk that material errors or misclassifications would not be identified and corrected timely.

Throughout FY 2026, DeCA performed extensive research and cleanup activities to analyze and correct CIP and equipment balances. However, as of August 31, 2026, management had not completed its analysis of all affected transactions and was still researching items with incomplete supporting information, including transactions without identifiable document numbers or transactions requiring further classification review. Management recorded correcting journal vouchers (JVs) as part of the September 30, 2026 financial reporting process and indicated that additional subsidiary-system corrections would be completed after the start of the subsequent fiscal year. As a result, the CIP balance was not fully supported for the majority of FY 2026.

DeCA did not consistently execute controls to validate migrated PP&E data, monitor and resolve ELMS-to-DAI interface issues, maintain complete CIP records, and timely classify and reconcile CIP and equipment balances throughout the fiscal year. As a result, transactions were improperly recorded, misclassified, or not timely transferred between CIP, equipment, and expense accounts, and management's reconciliation efforts did not identify and resolve all discrepancies before interim financial reporting periods, including June 30, 2026.

Department of War (DoW) Financial Management Regulation (FMR) Volume 4, Chapter 7 – *General and Right-to-Use Property, Plant, and Equipment (GPP&E)* section 7.2.4.8 CIP states:

> Funding DoW Components must report and record constructed general equipment in the CIP account (when expected to meet capitalization criteria of the component that will own

> the asset) until they complete and place it in service, at which time they must transfer the balance to the general equipment USSGL account. The CIP account accumulates costs of new construction of general PP&E and capital improvements while the asset is under construction. CIP accounts include all costs incurred in construction (i.e., direct labor, direct materials, supervision, inspection, and overhead).

Statement of Federal Financial Accounting Standards (SFFAS) No. 6 – *Accounting for Property, Plant, and Equipment* states:

> 34. PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed PP&E, the PP&E shall be recorded as construction work in process until it is placed in service, at which time the balance shall be transferred to general PP&E.

United States Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book) – Principle 10 Design Control Activities, *Control activities over complete, accurate, and timely recording of valid transactions,* states:

> 10.4 Management establishes control activities so that valid transactions are completely and accurately recorded on a timely basis. Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event, from its initiation and authorization through its final classification in summary records.

GAO (Green Book) – Principle 12 Implement Control Activities, *Periodic Review of Control Activities,* states:

> 12.05 Management reviews policies, procedures, and related control activities on a periodic and ongoing basis for continued relevance and effectiveness in achieving the entity's objectives or mitigating related risks. If there is a significant change in an entity's process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately. Changes may occur in personnel, business processes, or information technology…Management considers these changes in its periodic and ongoing reviews. Management also considers the results of its monitoring activities to determine whether control activities are designed and implemented effectively.

GAO (Green Book) – Principle 13, Use Quality Information, *Data Processed into Quality Information,* states:

> 13.07 Management evaluates the processed information to determine whether it is quality information. Quality information meets the identified information requirements when relevant data from reliable sources are used. Quality information is appropriate, current, complete, accurate, accessible, verifiable, retained as appropriate, and provided on a timely basis. Management considers these characteristics and the information processing and

information security objectives in evaluating processed information, and makes revisions when necessary, so that the information is quality information. Management uses the quality information to make informed decisions and evaluate the entity's performance in achieving key objectives, addressing risks, and fulfilling internal control responsibilities.

The lack of complete and supportable CIP and equipment populations increased the risk of misstatements within PP&E, depreciation expense, accumulated depreciation, and operating expenses. Because the CIP balance was not fully supported for the majority of FY 2026, DeCA was unable to provide a complete and supportable population for interim audit testing, requiring substantive PP&E testing to be deferred to year-end and increasing the risk that material errors or misclassifications would not be identified and corrected timely.

Recommendations:

We recommend that DeCA management:

1. Implement and document formal reconciliation procedures between ELMS, DAI, and supporting PP&E records to ensure transactions are completely and accurately recorded, classified, and reported on a timely basis throughout the fiscal year.
2. Perform periodic reviews of CIP activity and aging balances to identify projects that should be expensed, capitalized, transferred, or otherwise adjusted, and ensure corrections are recorded timely in both the financial records and supporting property systems.
3. Develop procedures to maintain complete supporting detail for all CIP and equipment balances, including the identification of document numbers, source transactions, and project-level support necessary to reconcile subsidiary records to the general ledger.

II. FUND BALANCE WITH TREASURY (*REPEAT*)

The prior DeCA auditor reported a significant deficiency in the FY 2025 internal control report surrounding Fund Balance with Treasury (FBWT) related to control deficiencies around DeCA's collections and disbursements, suspense accounts, and statements of differences. Specifically, during the review of DeCA's FBWT reconciliation, it was noted that there were a significant number of unmatched collections and disbursements that were older than 60 days, as well as a lack of documented policies and procedures over FBWT. Based on our testing, the prior year's significant deficiency recommendations were not corrected and the significant deficiency will be repeated for FY 2026; therefore, no new recommendations will be reported.

III. OBLIGATIONS (*UPDATED*)

The prior DeCA auditor reported a significant deficiency in the FY 2025 internal control report surrounding obligations related to control deficiencies around DeCA not having implemented sufficiently designed internal controls to help ensure the accuracy of obligated balances. Based on our testing, the prior year's significant deficiency recommendations were not corrected and the significant deficiency will be repeated for FY 2026; therefore, no new recommendations related to the monitoring of obligations will be reported.

However, we are issuing an updated obligations significant deficiency for FY 2026 surrounding DeCA's controls over the reporting of accruals. During our testing, we noted that DeCA did not consistently review open obligations throughout the fiscal year to identify goods and services received but not yet invoiced or paid. DeCA also did not consistently record accruals on a quarterly basis or maintain a documented and detailed methodology to support the estimated accrual amounts for applicable open obligations throughout the fiscal year. As a result, certain goods and services received prior to fiscal year-end were not accrued in the appropriate reporting period.

Statement of Federal Financial Accounting Standards (SFFAS) No. 1, *Accounting for Selected Assets and Liabilities,* paragraphs 74 and 76-77, states,

> Accounts payable are amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities…Amounts owed for goods or services received from federal entities represent intragovernmental transactions and should be reported separately from amounts owed to the public. When an entity accepts title to goods, whether the goods are delivered or in transit, the entity should recognize a liability for the unpaid amount of the goods. If invoices for those goods are not available when financial statements are prepared, the amounts owed should be estimated.

GAO (Green Book) – Principle 10 Design General Control Activities, *Design of Appropriate Types of Control Activities*, states,

> 10.04 Control activities over complete, accurate, and timely recording of valid transactions - Management establishes control activities so that valid transactions are completely and accurately recorded on a timely basis. Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records…Management clearly documents the performance of control activities and all transactions and other significant events that occur in a manner that allows the documentation to be readily available for examination. Documentation and records are properly managed and maintained.

Recommendations:

We recommend that DeCA management:

4. Establish and implement policies for performing quarterly open obligation reviews to identify goods and services received but not yet invoiced or paid, including documented quality control procedures and approvals over the reviews.
5. Establish and implement a documented accrual methodology to identify and estimate liabilities for goods and services received but not yet invoiced or paid, at least quarterly and at fiscal year-end. Accrual calculations should be supported by documented assumptions, source data, and calculation methodologies; reviewed and approved by the appropriate program office; and subject to documented quality control review and approval by DeCA's Compliance and Reporting Branch.

IV. INFORMATION TECHNOLOGY (*NEW*)

DeCA relies on information systems to initiate, authorize, record, process, and report financial transactions. Logical access controls are intended to limit access to these systems to authorized users. They include authorizing new access (provisioning), periodically recertifying existing access, and removing access when it is no longer required. During FY 2026, we evaluated access controls over six systems relevant to financial reporting:

- Three agency-managed systems that supported store operations, merchandising, and inventory management; and
- Three systems operated by Department of War shared service providers that supported civilian payroll, departmental financial reporting, and core accounting. DeCA is responsible for certain complementary user entity controls (CUECs) over its users' access to these systems.

During our FY 2026 testing of information technology general controls, we identified deficiencies at each stage of the user account lifecycle, as follows:

User provisioning

- For one agency-managed system, DeCA was unable to generate a complete and accurate system-generated listing of users provisioned during the audit period. As a result, management could not independently validate that new access was authorized.

Periodic access reviews

- DeCA did not conduct periodic access reviews for users of two agency-managed systems.
- For one agency-managed system from a sample of 25 users selected from the April 2026 periodic user access review, we noted that one user with a store operations role was identified for access removal during the review, but the user's access was not removed. The user last logged into the system on August 13, 2026.
- For one shared service system, DeCA's periodic user access review did not include an independent validation of the access privileges of the individuals responsible for reviewing user access.

Removal of access

- For two shared service systems, DeCA did not maintain listings of terminated DeCA personnel with access. As a result, management could not verify that those employees' access was removed in a timely manner.

DeCA management did not design and consistently implement an agency-wide account management process covering provisioning, periodic recertification, and timely removal of access for agency-managed systems. Additionally, management did not establish procedures to perform and monitor the CUECs for which DeCA was responsible for its shared service providers.

GAO (Green Book) – Principle 11 Design General Control Activities Over Information Technology, states:

> 11.01 Management should design general control activities over information technology to mitigate risks to achieving the entity's objectives to acceptable levels.

GAO (Green Book) – Principle 11 Design General Control Activities Over Information Technology, *Design of Appropriate Types of General Control Activities*, states:

> 11.09 General control activities may be applied at the entity, system, and business process levels. General control activities include the following:
>
> Logical and physical access – Control activities that restrict access to information technology to authorized users.
>
> 11.11 Logical and physical access control activities include restricting access or detecting inappropriate access to information and information technology. They protect information technology resources against unauthorized access, use, disclosure, disruption, modification, or destruction, whether from malicious intent or error. Logical access control activities require users to authenticate themselves and restrict them to the applications or functions commensurate with their assigned responsibilities, supporting an appropriate segregation of duties. Management may grant different permissions to employees and end users, including the rights to create, read, edit, or delete a file; execute a program; and retrieve or update information in a database. Management designs other control activities to promptly update access rights when employees change job functions or leave the entity.

DeCA Manual 35-31.01, *Cybersecurity*, states:

> Section 5.7 Account Management – K. PMs/SMs [Program Managers/System Managers] will provide an active user listing to each functional system owner for their review twice a year. The system owner will have 30 days to work with supervisors to verify appropriate user access. Any required modifications will be provided back to the PM/SM who will have 30 days to update the user account information.
>
> Section 5.8 Account Removal – Request to remove DeCA systems accounts should be initiated by completing DeCA standard SAR form in Remedy.

NIST Special Publication 800-53 Revision 5, *Security and Privacy Controls for Information Systems and Organizations*, states:

> AC-2 Account Management – (f) Create, enable, modify, disable, and remove accounts in accordance with [Assignment: organization-defined policy, procedures, prerequisites, and criteria];
> AC-2 Account Management – (j) Review, account for compliance with account management requirements [Assignment: organization-defined frequency].

Ineffective access controls increase the risk that unauthorized individuals, including separated personnel and users whose access is no longer required, may gain or retain access to DeCA's financial systems. Such users could initiate, approve, or modify transactions or data without detection. This could affect the completeness, accuracy, and validity of financial data and the reliability of system-generated information used to prepare DeCA's financial statements.

Recommendations:

We recommend that DeCA management:

6. Develop, document, and implement agency-wide account management policies and procedures covering provisioning, periodic recertification, and timely removal of access for all financially relevant systems, including the CUECs for which DeCA is responsible at its shared service providers.
7. Perform periodic access reviews for all financially relevant systems at the frequency required by DeCA policy and require independent validation of the access held by individuals who perform access reviews.
8. Establish a process to track access changes identified during periodic reviews through completion, verify that access was removed, and retain evidence of removal.
9. Obtain periodic listings of separated personnel, reconcile them to user listings for financially relevant systems, and submit timely removal requests to shared service providers.
10. Implement the capability to generate complete and accurate system-generated listings of provisioned users for agency-managed systems and periodically compare new accounts to approved access requests.

DEFENSE COMMISSARY AGENCY
HEADQUARTERS AND SUPPORT CENTER
1300 EISENHOWER AVENUE
FORT LEE, VIRGINIA 23801-1800

CCR

November 10, 2026

Wayne Ference, Partner
Castro & Company, LLC
1635 King Street
Alexandria, VA 22314

Dear Mr. Ference:

In response to the Independent Auditors' Report November 2026, of Fiscal Years (FY) 2026, financial statements of the Defense Commissary Agency (DeCA), management generally agrees with all the findings in this report. Specifically, DeCA generally agrees with identified significant deficiencies as noted in the areas of property, plant, and equipment-construction in progress, fund balance with treasury, obligations, and information technology (Appendix A), and the identified non-compliance related to Federal Financial Systems Requirements.

Over the next reporting period, DeCA anticipates greater work on establishing our Advanced Retail Technology Suite (ARTS) for our Resale business. This includes integration of general ledger data into the designated Department of Defense (DoD) accounting system, Defense Agency Initiative (DAI). Ultimately, with the migration to ARTS and its integration to DAI for our resale business, we expect to eliminate the non-compliance with the Federal Financial Management System requirement.

I can be reached at (804) 734-8000, Extension 48622, Rosie.Leonard-Greer@deca.mil

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Date: 2026.11.12 12:26:17 -08'00'

Rosie Leonard-Greer
Chief Financial Officer

Proud, Committed and More.

Section III

Other Information



Summary of Financial Statement Audit and Management Assurances

Table 1: Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NONE	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

Audit Opinion	Unmodified				
Significant Deficiencies	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Item 1 Inventory	1	0	1	0	0
Item 2 Fund Balance With Treasury	1	0	0	0	1
Item 3 Obligations	1	0	0	0	1
Item 4 PP&E/CIP	0	1	0	0	1
Item 5 Information Technology	0	1	0	0	1
Total Significant Deficiencies	3	2	1	0	4

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
NONE	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA 4)						
Statement of Assurance	Federal Systems conform, except for DeCA's Resale Accounting system does not comply with the Federal Financial Management Improvement Act of 1996.					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Item 1	1	0	0	0	0	1
Total Material Weaknesses	1	0	0	0	0	1

Management Challenges

In FY 2026 the DoD Office of the Inspector General issued the following top DoD Management and Performance Challenges:

1. Increasing Military Readiness
2. Strengthening the Capabilities and Capacities of Allies and Partners
3. Protecting Defense Critical Infrastructure
4. Improving Financial Management
5. Improving Quality of Life for Military Families
6. Building the Future Force

DeCA does not have a statutory Inspector General's office.

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) (Pub. L. 116-117), requires Agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments (IPS), estimate the annual amount of IPS, and submit those estimates to Congress. In accordance with DoD 7000.14-R FMR, Volume 4, Chapter 14, Improper Payments, DoD components that entitle (i.e. process or compute) payments conduct risk assessments of their payment processes and random post-payment reviews to estimate IPS.

The OUSD(C) Accounting & Finance Policy Directorate (A&FP) compiles the Department-wide results annually as part of DoD's AFR. As DeCA's Service Provider, DFAS entitles payments and provides the results of post-payment reviews to OUSD(C) A&FP on behalf of its customers. OMB Circular A-123. Appendix C defines an IP as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes duplicate payments, and any payments made to an ineligible recipient, and payment for an ineligible good or service, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit of applicable discounts.

Glossary of Acronyms

ADA	–	Anti-Deficiency Act
AFR	–	Agency Financial Report
ARTS	–	Advance Retail Technology Suites
CCSS	–	Commissary Customer Service Survey
CDC	–	Central Distribution Center
CEO	–	Chief Executive Officer
CFO	–	Chief Financial Officer
CMO	–	Change Management Office
CONUS	–	Continental United States
CPI	–	Continuous Process Improvement
CSAT	–	Customer Satisfaction Survey
CSRS	–	Civilian Service Retirement System
CUEC	–	Complementary User Entity Controls
DAI	–	Defense Agencies Initiative
DeCA	–	Defense Commissary Agency
DFAS	–	Defense Finance & Accounting Service
DHA	–	Defense Health Agency
DoD	–	Department of Defense
DOL	–	Department of Labor
DSD	–	Direct Store Delivery
ELA	–	Enterprise Level Agreement
FBWT	–	Fund Balance with Treasury
FASAB	–	Federal Accounting Standards Advisory Board
FECA	–	Federal Employees Compensation Act
FEGLI	–	Federal Employees Group Life Insurance
FEHB	–	Federal Employee Health Benefits
FERS	–	Federal Employees Retirement System
FFMIA	–	Federal Financial Management Improvement Act of 1996
FY	–	Fiscal Year

GAO	–	Government Accountability Office
GF	–	General Funds
GPRAMA	–	Government Performance and Results Modernization Act
ICOFR	–	Internal Controls over Financial Reporting
ICOFS	–	Internal Controls over Financial Systems
JV	–	Journal Voucher
KVI	–	Key Value Item
OMB	–	Office of Management and Budget
OPM	–	Office of Personnel Management
OUSD	–	Office of the Under Secretary of Defense
PIIA	–	Payment Integrity Information Act
PP&E	–	Property, Plant & Equipment
RMIC	–	Risk Management and Internal Control Program
RSI	–	Required Supplemental Information
SBR	–	Statement of Budgetary Resources
SFIS	–	Standard Financial Information Structure
SFFAS	–	Statements of Federal Financial Accounting Standards
SWOT	–	Strengths, Weaknesses, Opportunities and Threats
Treasury	–	United States Department of the Treasury
US	–	United States
U.S.C.	–	United States Code
USAF	–	United States Air Force
USMC	–	United States Marine Corps
USSGL	–	United States Standard General Ledger
WCF	–	Working Capital Fund