



AGENCY FINANCIAL REPORT

FISCAL YEAR 2025

DEFENSE CONTRACT
MANAGEMENT AGENCY



DEFENSE CONTRACT MANAGEMENT AGENCY

BRIEF HISTORY

The Defense Contract Management Agency (DCMA) is, first and foremost, a product delivery organization. Our nation's warfighters expect our defense industry to produce and deliver the equipment they need to fight, survive and win. DCMA's integrated team of acquisition and support professionals makes this happen.

The agency provides contract administration services for the War Department (DoW), other federal organizations, and international partners, and is an essential part of the acquisition process from pre-award to sustainment. Just over 9,800 employees, mostly civilians, work at offices and contractor facilities around the world, divided among five operational commands, enabling offices, and the agency's Fort Lee, Virginia, headquarters.

Together, the agency manages more than 300,000 contracts, valued at more than \$8.5 trillion, and services more than 18,000 contractor locations worldwide. DCMA makes sure the DoW, other federal agencies, and partner nation customers get the equipment they need, delivered on time, at projected cost, and meeting all performance requirements. Every business day, DCMA receives nearly 1,000 new contracts and authorizes more than \$1 billion in payments to contractors. Most importantly, every day our team delivers more than a million and a half items, from fighter jets to fasteners, to our warfighters.



NASA's Space Launch System rocket carrying the Orion spacecraft launches on the Artemis I flight test, Wednesday, Nov. 16, 2022, from Launch Complex 39B at NASA's Kennedy Space Center in Florida. NASA's Artemis I mission is the first integrated flight test of the agency's deep space exploration systems: the Orion spacecraft, Space Launch System (SLS) rocket, and ground systems. SLS and Orion launched at 1:47 a.m. EST, from Launch Pad 39B at the Kennedy Space Center. Photo Credit: (NASA/Joel Kowsky)

TABLE OF CONTENTS

FISCAL YEAR 2025

DEFENSE CONTRACT MANAGEMENT AGENCY 2

BRIEF HISTORY 2

TABLE OF CONTENTS 3

MESSAGE FROM THE DIRECTOR 4

MANAGEMENT’S DISCUSSION & ANALYSIS 5

DCMA’S MISSION 5

KEY PERFORMANCE RESULTS & ASSOCIATED COSTS 6

ACCOMPLISHMENTS 8

MANAGEMENT’S ASSESSMENT 9

MESSAGE FROM THE CHIEF FINANCIAL OFFICER 11

PRINCIPAL STATEMENTS 12

ANALYSIS OF FINANCIAL STATEMENTS 17

NOTES TO THE PRINCIPAL STATEMENTS 18

REQUIRED SUPPLEMENTARY INFORMATION 38

OTHER INFORMATION 39

MESSAGE FROM THE DIRECTOR



Stephen R. Tedford
Vice Admiral, U.S. Navy
Director
Defense Contract Management Agency

It is my privilege to present the Defense Contract Management Agency's first Agency Financial Report (AFR), published as we commemorate our 25th anniversary. Together, these milestones mark a significant moment in DCMA's history: reflecting both our proud legacy and our continued commitment to accountability, transparency, and mission success.

Since our establishment in 2000, DCMA has served as the Department of Defense's independent contract management agency, ensuring the timely delivery of quality equipment and services to America's warfighters. In 2025, we oversaw more than 220,000 active contracts worldwide, valued at over \$3 trillion, providing confidence that taxpayer resources are protected and mission needs are met.

This inaugural AFR highlights not only our financial stewardship, but also our evolution as a modern acquisition enabler. Over the past 25 years, we have advanced data-driven oversight, strengthened our global presence, and adapted to the dynamic needs of the defense industrial base. Most importantly, we have remained steadfast in our support of the men and women in uniform, whose mission success depends on the work we do every day.

Our people are the heart of DCMA. The dedication of our civilian and military professionals has made these accomplishments possible, and their integrity and expertise remain the foundation for our future.

As we look ahead, DCMA will continue to innovate, strengthen transparency, and deliver results that matter — building on 25 years of achievement to ensure readiness and accountability for decades to come.

MANAGEMENT'S DISCUSSION & ANALYSIS

The Department of Defense (Department, DoD, Department of War, or DoW) includes the Office of the Secretary of Defense (OSD), Joint Chiefs of Staff (JCS), Office of the Inspector General (DODIG), Military Departments, Defense Agencies, DoW Field Activities, and Combatant Commands, which are considered, and may be referred to as, DoW Components. The Military Departments consist of the Departments of the Army, the Navy (of which the Marine Corps is a component), and the Air Force (of which the Space Force is a component). As a component of the DoW, DCMA does not receive a standalone financial statement audit and some of the assets and liabilities reported by the entity may be eliminated for the DoW's reporting because they are offset by assets and liabilities of another DoW entity. To fulfill its mission and meet [strategic plan](#) objectives, DCMA operates under the direction of the Under Secretary of War for Acquisition and Sustainment (OUSW A&S).

DCMA is pleased to present the Management Discussion and Analysis (MD&A) to accompany its fiscal year (FY) 2025 financial statements and footnotes. The key sections within this MD&A include:

- DCMA Mission
- Key Performance Results and Associated Costs
- Analysis of Financial Statements
- Management Assessment of Internal Controls and Summary of Compliance with Laws and Regulations Relevant to Financial Reporting

DCMA's Mission

We are the independent eyes and ears of DoD and its partners, enhancing warfighter lethality by ensuring timely delivery of quality products, and providing relevant acquisition insight supporting affordability and readiness.

The Defense Contract Management Agency is, first and foremost, a product delivery organization. Our nation's warfighters expect our defense industry to produce and deliver the equipment they need to fight, survive and win. DCMA integrated team of acquisition and support professionals makes this happen. The agency provides contract administration services for the DoW, other federal organizations and international partners, and is an essential part of the acquisition process from pre-award to sustainment. DCMA employs more than 9,000 personnel worldwide (direct and reimbursable), consisting of 94% civilians and 6% military members, organized across three continental U.S. commands, one international command, and several specialized offices.

The agency manages more than 301,000 contracts, valued at more than \$3.9 trillion, and services more than 17,000 contractor locations worldwide. DCMA makes sure the DoW, other federal agencies, and partner nation customers get the equipment they need, delivered on time, at projected cost, and meeting all performance requirements. Every business day, DCMA receives nearly 1,000 new contracts and authorizes more than \$1 billion in payments to Defense Industrial Base (DIB) contractors. Most importantly, every day our team delivers more than a million and a half items – from fighter jets to fasteners – to our warfighters.

Key Performance Results and Associated Costs

DCMA Director utilizes several formal and informal internal mechanisms to ensure Agency efforts align across Lines of Effort (LOEs). Leadership is fully accountable for meeting near-term performance metrics as well as progress toward long-term objectives.

The Agency holds regular functional/operational reviews to evaluate performance and leverage results to support management decisions and process improvement. Each Directorate has established a supplemental strategy in support of the Strategic Plan and/or has enabling initiatives in support of the LOEs.

The Annual Performance Plan (APP) identifies initiatives and communicates fiscal-year execution strategies for each LOE. Execution is crucial to strategic planning, and DCMA operational workforce and capability boards is vital to the successful execution of the Strategic Plan. The APP provides an apparatus for this participation, and a foundation for Agency and employee performance standards.

Line of Effort 1: Improve warfighter capabilities by influencing timely delivery of quality and affordable products

Technical Directorate

DCMA's Line of Effort 1 focuses on improving the delivery of high-quality and affordable defense systems. Our team is enabled and empowered by tailored contract administration services and long-standing partnerships with the buying commands. As trusted partners in our national defense efforts, our people will deftly synchronize data-driven continuous surveillance improvements and a growing culture of collaboration. The resulting convergence of tech and teamwork will accelerate the enterprise toward DCMA Vision 2025.

This effort also recognizes the substantial role of innovation and information technology, and DCMA's responsibility to ensure contractors meet 21st century safety and cyber requirements.

Delivery means readiness. Our access to contractor facilities and knowledge of the defense industrial base lets us minimize and manage delays. We swiftly resolve issues, prioritize workload and reduce cycle time so warfighters get their equipment on time, every time.

Quality means confidence. Our modernized surveillance techniques are enabled by data-based risk analysis to ensure weapons, systems and gear are right before they enter the fight.

Affordability means capability. We leverage data to provide unique acquisition insight to the buying commands and influence the cost of weapon systems. Reducing system costs is key to providing maximum capability to the warfighter on a limited budget.

Line of Effort 2: Expand DoW Contract Administration capabilities to allow for flexibility and enhanced acquisition decision making.

Contracts Directorate

DCMA's Line of Effort 2 delivers enhanced Contract Administration Services (CAS) processes, tools and data. Equipped with these enhanced tools, our DCMA team will deliver critical goods and services to our warfighter on time, on budget and at the best value to the taxpayer. This will enable the Defense Department's post-award contract administration mission and help build a resilient defense ecosystem by:

Streamlining CAS processes and enable tailored CAS support based on program/contract risk and value to the Department.

Leveraging enterprise solutions to modernize CAS tools for use by all DoW components, putting the preponderance of post-award contract administration actions and information in one data lake, and integrating that data in ADVANA.

Facilitating accurate and timely contractor payment by utilizing streamlined CAS policies and modernized tools with a focus on stewardship and fiscal compliance, ensuring that DCMA will maintain an unqualified audit opinion as a major DoW service provider.

Engaging customers to ascertain what DCMA does that is most critical to each buying command, tailoring CAS to fit their needs, and delivering enriched training that will allow our workforce and the wider Department to execute post-award contract administration effectively, consistently and seamlessly.

Line of Effort 3: Drive enhanced value and affordability through modern, adaptive and responsive cost and pricing capabilities.

Cost and Pricing Command

DCMA's Line of Effort 3 delivers modernized, responsive and adaptive Cost & Pricing capabilities that leverage multi-functional integration, automation and the power of our team of trusted professionals. Disruptions in the global environment, from pandemics to threats to democracy, bring unprecedented challenges and create instability in our work and that of the defense industrial base. Trust in our professional workforce is paramount to innovation, which will improve the efficiency of tools and processes that drive costs for both industry and government. LOE 3 leverages the opportunities of an optimized virtual work environment, reducing infrastructure and making DCMA more attractive to a highly skilled workforce that is motivated to maximize the value of every dollar invested in our Agency. This effort: Emphasizes modernized, responsive and adaptive Cost & Pricing capabilities. Embraces multi-functional integration and highlights our trusted workforce. Demands a shift in strategic management, exploiting trade space between workload, risk, resources and customer needs. Leverages advantages, opportunities and challenges of an optimized virtual environment, reducing infrastructure, and decentralizing the organization.

Line of Effort 4: Innovate the Agency’s approaches to how and where we work to better adapt to the workplace of the future.

Office of the Chief of Staff

DCMA’s Line of Effort 4 reinvents how and where we conduct our work. By combining recent lessons learned, emerging trends, and mission innovations delivered through the Agency’s other Lines of Effort, DCMA has an unprecedented opportunity to shape a workplace that is better by most measures than what we had before the pandemic. Through measurable objectives, initiatives and tasks, we will take an integrated approach to adapt the relevant aspects of the future, agile workplace and organization structure within DCMA:

Talent. Transforming how we hire, develop and retain our team of trusted professionals equals long-term mission success. We’ll focus more on modern skills and less on traditional roles; and implement Back to Basics and Safer Federal Workplace Model principles.

Technology. Identifying opportunities to automate or eliminate certain tasks frees our workforce to focus on things where creativity and critical thinking add strategic value. Modernizing tools that enable mobility further strengthens our virtual capabilities.

Accomplishments

This past year, DCMA celebrated its 25th anniversary.

DCMA underwent the largest restructure in the Agency’s 25 year history, retiring three Regions and establishing Geographic and Systems Support (GSS) Command and Systems Command.

We integrated tools and set up dashboards to transform how DCMA manages and shares data.

DCMA workforce was recognized again and again for their dedication, excellence, and integrity.

Delivered millions of items to the warfighters and paid out billions of dollars to the DoW contractors to help keep our nation’s economy moving.

DCMA Contractor Effectiveness Capability Board updated the agency surveillance manual, also known as DCMA-MAN 2303-01, “Surveillance.”

The manual emphasizes a risk-based approach to contract surveillance, to align with Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement and other applicable regulations.

DCMA quality assurance, engineering, program integration, contracting, property management, plant clearance and earned value management teams worked with NASA to ensure America’s human space exploration efforts remain unparalleled, innovative and efficient.

They collaborate to oversee development and production of the Space Launch System Booster Obsolescence and Life Extension (SLS BOLE) and attended a full-scale ground test of the SLS BOLE.

Management's Assessment of Internal Controls and Summary of Compliance with Laws and Regulations Relevant to Financial Reporting

Assurance Standards

DCMA management is responsible for establishing, maintaining, and assessing internal controls to provide reasonable assurance that the objectives of OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management (ERM) and Internal Controls"; the Federal Managers Financial Integrity Act (FMFIA) of 1982 (31 U.S. Code (U.S.C.) 3512, Sections 2 and 4) and the Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. 104-208), as prescribed by U.S. Government Accountability Office (GAO) Green Book, "Standards for Internal Control in the Federal Government"; DoW Instruction 5010.40, "Managers' Internal Control Program Procedures"; the Payment Integrity Information Act of 2019; and the GAO Fraud Risk Management (FRM) Framework, are met. DCMA continues to design and implement internal control activities to improve the integration of business processes, systems, and financial reporting to eliminate errors of potential misstatement or noncompliance with laws and regulations.

DCMA performed its annual assessment of risks and internal controls per Office of Management and Budget (OMB) Circular Number (No.) A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, and the Government Accountability Office-14-704G, Standards for Internal Control in the Federal Government (the Green Book). Based on the results of this assessment, DCMA achieved the following management assurance levels as of September 30, 2025:

- Internal Controls over Reporting – reasonable assurance
- Internal Controls over Operations – reasonable assurance, except for one material weakness
- Internal Controls over Financial Systems – reasonable assurance, except for one nonconformance
- Entity Level Controls, including fraud – reasonable assurance, except for two material weaknesses

In addition, no Anti-Deficiency Act (ADA) violation was identified during our assessments of the applicable processes. DCMA demonstrates commitment to upholding the prescribed guidelines, legal obligations, and business requirements when exercising the Presidential Drawdown Authority (PDA).

FY 2025 Internal Controls Program Execution

As DCMA strives for excellence and integrity in all endeavors, it is important to reaffirm our commitment, as good stewards of taxpayer dollars, to the highest standards of ethical behavior and organizational values. It is our collective duty to maintain principles that support an environment of integrity, respect, and commitment to model and reinforce these values through our actions and decisions. We must remain vigilant of the laws and regulations that ensure compliance at all times.

In 2025, DCMA focused on our Risk Management Internal Control (RMIC) Program. Our control environment addressed fraud risk management with a focus on audit readiness and robust internal controls. We annually assess controls for effectiveness and continue to mitigate risk by developing and refining internal controls for financial reporting and systems, compliance, and operational processes with an end-state to achieve and sustain an unmodified audit opinion. Pursuant to the National Defense Authorization Act for FY 2024 (Public Law 118-31, Section 1005), the Secretary of Defense is responsible for ensuring the DoW receives an unmodified opinion on the financial statements of the

Department by December 31, 2028. The entire DCMA workforce recognizes its crucial role to advance DCMA and DoW audit efforts.

Maintaining a robust risk-management organizational culture with effective internal controls are critical elements of DCMA audit readiness and remediation strategy. Our agency has sustained effective internal controls to minimize fraud occurrence, waste, and abuse of resources and continuously reviews controls to address new risks or changes.



F-35 Lightning II aircraft are assembled on critical timelines. DCMA quality assurance specialist Antonio Powell ensured proper manufacturing processes were adhered to, avoiding potential impacts to structural integrity and fleet availability. Photo Credit: (DCMA/Staci Reidinger)

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



Dr. Cherry L. Wilcoxon
Executive Director
Financial & Business Operations
Directorate/Comptroller
Defense Contract Management Agency

It is with great pride that I present the Defense Contract Management Agency's (DCMA) Fiscal Year 2025 Agency Financial Report. This report highlights our collective efforts in managing over \$1.56 billion in annual appropriations and \$300 million in reimbursable authority, reflecting our continued commitment to responsible financial stewardship.

Our accomplishments in financial management—from executing key legislation and Executive Orders, to strengthening our financial reporting, risk management, and internal controls—have been driven by the dedication of the entire DCMA workforce. I would like to extend my heartfelt appreciation to the Financial Business Operations and Comptroller (FB) team, as well as all employees across the agency, whose commitment to accountability and transparency has been central to our ongoing successes.

Fiscal Year 2025 was a year of significant change, opportunities to excel, and challenge. We navigated organizational shifts and faced several fiscal hurdles, including continuing resolutions (CR), multiple potential government shutdowns, and the Full-Year CR for FY 2025. Finance and Business Operations (FBB) also navigated executive orders, deferred resignation program workforce reduction, the DoW Comprehensive Reviews, hiring freezes, an 8% future resource reduction, and the critical mandate to achieve an unqualified audit opinion on the Department's financial statements by December 31, 2028.

Despite these challenges, we remained steadfast in our mission to enhance fiscal responsibility and transparency. As the independent sensor network on the factory floor, we continue to support warfighter readiness by providing critical production and supplier insight to facilitate timely delivery of quality products as contracted. Our FY 2025 financial execution demonstrates our progress in building a sustainable financial management business model to serve the agency for years to come.

Looking forward, we will continue to prioritize automation, process standardization, data accuracy and integrity, accessibility, transparency, and synchronization of agency enterprise tools and data to inform decisions. We have managed costs effectively while investing in key enterprise-wide tools to advance our mission and better support the DoW's manufacturing, end product production and supply demand signals.

I encourage the DCMA workforce to remain vigilant of opportunities for process improvements and increased operational efficiencies. By leveraging quantitative data, automation, and AI/ML technologies, we can reduce manual processes, improve internal controls, and advance auditability. As we move ahead, we will focus on enhancing digitalization, strengthening stakeholder partnerships and leverage enterprise tools, which are critical to good stewardship and future relevance. Together, we will continue to ensure our financial health remains strong and supports the vital mission of the DoW and DCMA.

Principal Statements

DCMA is a component of the DoW and does not undergo a standalone financial statement audit. For this reason, some of the assets and liabilities reported by DCMA may be eliminated for DoW-wide reporting because these assets and liabilities could be offset by another DoW entity.

DCMA's financial statements have been prepared to report the financial position, results of operations, net position, and budgetary resources pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990 (Public Law (P.L.) 101-576), Government Management Reform Act (GMRA) of 1994 (P.L. 103-356), and Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. The statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP), as outlined by the Federal Accounting Standards Advisory Board (FASAB). Since DCMA does not undergo a standalone audit, the financial statements have not been audited by an independent public accountant or the Office of Inspector General (DoDIG).

U.S. Marine Corps Pfc. Triston Gryniewski, left, a native of Minnesota and a low-altitude air-defense (LAAD) gunner, and Sgt. Colin Rowan, right, a native of Maryland and a LAAD gunner, both with 2nd LAAD Battalion, Marine Air Control Group 28, 2nd Marine Aircraft Wing, fire a stinger-launch simulator during a live-fire range in preparation for Exercise Nordic Response 24 at Setermoen, Norway, Feb. 29, 2024.

Exercise Nordic Response, formerly known as Cold Response, is a NATO training event conducted every two years to promote military competency in arctic environments and to foster interoperability between the U.S. Marine Corps and allied nations.

Photo Credit: (U.S. Marine Corps photo by Lance Cpl. Orlanys Diaz Figueroa)



Consolidated Balance Sheet*(in thousands)***As of September 30, 2025****Assets (Note 2)**

Intragovernmental:

Fund Balance with Treasury (Note 3)	\$264,774
Accounts Receivable, Net (Note 6)	3,363
Other Assets (Note 10)	1,295
Total Intragovernmental	\$269,432

Other than Intragovernmental:

Accounts Receivable, Net (Note 6)	366
General and Right-to-Use Property, Plant, and Equipment, Net (Note 9)	82,400
Advances and Prepayments (Note 10)	0
Total Other than Intragovernmental	\$82,766

Total Assets**\$352,198****Stewardship PP&E (Note 9)****Liabilities (Note 11)**

Intragovernmental:

Accounts Payable	\$18,255
Other Liabilities (Notes 13 and 15)	12,132
Total Intragovernmental	\$30,387

Other than Intragovernmental:

Accounts Payable	35,630
Federal Employee Salary, Leave, and Benefits Payable (Note 13)	152,316
Pensions, Other Post-Employment, and Veterans Benefits Payable (Note 13)	19,584
Other Liabilities (Notes 15, 16, and 17)	778
Total Other than Intragovernmental	\$208,308

Total Liabilities**\$238,695****Commitments and Contingencies (Note 17)****Net Position**

Unexpended Appropriations - Funds Other Than Dedicated Collections	\$181,141
Total Unexpended Appropriations (Consolidated)	\$181,141

Cumulative Results of Operations - Funds Other than Dedicated Collections	(\$67,638)
Total Cumulative Results of Operations (Consolidated)	(\$67,638)

Total Net Position	\$113,503
---------------------------	------------------

Total Liabilities and Net Position	\$352,198
---	------------------

Consolidated Statement of Net Cost
(in thousands)

**For the period ending
September 30, 2025**

Program Costs (Note 19)

Gross Costs	\$1,708,823
(Less: Earned Revenue)	(24,421)
	<hr/>
Net Program Costs before Losses (Gains) from Actuarial Assumption Changes for Military Retirement Benefits	\$1,684,402
Losses/(Gains) from Actuarial Assumption Changes for Military Retirement Benefits (Note 13)	-
Net Program Costs Including Assumption Changes	\$1,684,402
	<hr/>
Costs Not Assigned to Programs	-
(Less: Earned Revenue) Not Attributed to Programs	-
	<hr/>
Net Cost of Operations	\$1,684,402
	<hr/> <hr/>

Consolidated Statement of Changes in Net Position
(in thousands)

**For the period ending
September 30, 2025**

Unexpended Appropriations:

Beginning Balances	\$186,428
Prior Period Adjustments:	
Changes in accounting principles	-
Corrections of errors	-
Beginning Balances, as adjusted	<u>\$186,428</u>
Appropriations received	1,568,584
Appropriations transferred in/out	4,933
Other adjustments (+/-)	(8,969)
Appropriations Used	<u>(1,569,835)</u>
Net Change in Unexpended Appropriations	<u>(\$5,287)</u>
Total Unexpended Appropriations, Ending Balance	181,141

Beginning Balances	(110,261)
Prior Period Adjustments:	
Changes in Accounting Principles	-
Corrections of Errors	-
Beginning Balances, as adjusted	<u>(110,261)</u>

Cumulative Results of Operations:

Appropriations used	1,569,835
Non-exchange revenue (Note 20)	-
Imputed Financing	157,191
Other	(1)
Net Cost of Operations (+/-) (Includes Funds from Dedicated Collections - see Note 18)	<u>1,684,402</u>
Net Change in Cumulative Results of Operations	42,623
Cumulative Results of Operations, Ending	<u>(67,638)</u>
Net Position	<u><u>\$113,503</u></u>

Combined Statement of Budgetary Resources
(in thousands)

**For the period ending
September 30, 2025**

Budgetary Resources:

Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	\$157,198
Appropriations (discretionary and mandatory)	1,573,517
Spending Authority from Offsetting Collections (discretionary and mandatory)	20,423
Total Budgetary Resources	<u><u>\$1,751,138</u></u>

Status of Budgetary Resources:

New obligations and upward adjustments (total)	1,715,989
Unobligated balance, end of year:	
Apportioned, unexpired accounts	4,820
Exempt from apportionment, unexpired accounts	
Unapportioned, unexpired accounts	
Unexpired unobligated balance, end of year	4,820
Expired unobligated balance, end of year	30,330
Unobligated balance, end of year (total)	<u>35,150</u>
Total Budgetary Resources	<u><u>\$1,751,139</u></u>

Outlays, Net:

Outlays, net (total) (discretionary and mandatory)	<u>1,566,525</u>
Distributed Offsetting Receipts (-)	
Agency Outlays, net (discretionary and mandatory)	<u><u>\$1,566,525</u></u>

Analysis of Financial Statements

Per OMB Circular A-136, DCMA has summarized its purpose, source, and type of significant budgetary resources. DCMA receives appropriated general funds for the execution of its mission and subsequently report on resource usage. General funds are used for financial transactions funded by Congressional appropriations, including operation and maintenance, research and development, and procurement.

Key Measures

<i>(in thousands)</i>	FY 2025
Gross Program Costs	\$1,708,823
Less Earned Revenue	(24,421)
Net Cost of Operations	\$1,684,402
Assets	
Cash & Other Monetary Assets	\$0
Fund Balance with Treasury	264,774
Property, Plant, & Equipment, Net	82,400
Other	5,024
Total Assets	\$352,198
Liabilities	
Accounts Payable	\$53,885
Pension, Post-Employment, and Other Benefits Payable	171,900
Other	12,910
Total Liabilities	\$238,695
Net Position (Assets minus Liabilities)	\$113,503

Notes to the Principal Statements

Note 1. Significant Accounting Policies

1.A. Basis of Presentation

Financial statements are prepared to report the financial position and results of operations of the Defense Contract Management Agency (DCMA), as required by the Chief Financial Officers (CFO) Act of 1990, expanded by the Government Management Reform Act of 1994, and other appropriate legislation. The financial statements are prepared from the books and records of DCMA in accordance with, and to the extent possible of U.S. Generally Accepted Accounting Principles (USGAAP) promulgated by the Federal Accounting Standards Advisory Board (FASAB); the Office of Management and Budget (OMB) Circular No. A-136; Financial Reporting Requirements; and the Department of Defense Financial Management Regulation (DoDFMR). The accompanying financial statements account for all resources for which DCMA is responsible unless otherwise noted. DCMA also prepares financial reports pursuant to OMB directives to monitor and control the agency's use of budgetary resources. Information relative to classified assets, programs, and operations is reported but undistinguishable.

DCMA is unable to fully implement all elements of USGAAP and the OMB Circular No. A-136, due to limitations of the legacy financial and nonfinancial management processes and systems that support the financial statements. The legacy systems were not designed to collect and record financial information on the full accrual accounting basis as required by USGAAP. Most legacy systems were designed to report the status of Federal appropriations rather than preparing financial statements in accordance with USGAAP. DCMA continues to implement process and system improvements to mitigate limitations.

The DoW currently has 13 auditor-identified material weaknesses. Of these weaknesses, the following apply to DCMA: (1) Financial Management Systems, (2) Fund Balance with Treasury, (3) Accounts Receivables, (4) General Property, Plant, and Equipment, (5) Accounts Payable, (6) Statement of Net Cost, (7) Intragovernmental Eliminations, (8) Accounting Entries, and (9) Reconciliation of Net Cost of Operations to Budget.

1.B. Mission of DCMA

We are the independent eyes and ears of the DoD and its partners, enhancing warfighter lethality by ensuring timely delivery of quality products, and providing relevant acquisition insight supporting affordability and readiness.

1.C. Appropriations and Funds

DCMA receives congressional appropriations as general funds. DCMA uses these appropriations (operation and maintenance, research, development, test and evaluation and procurement) to execute mission, subsequently report on resource usage and financial transactions.

DCMA is a party to allocation transfers with other Federal agencies as a receiving (child) entity. All allocation transfers are an entity's legal delegation of authority to obligate budget authority and outlay funds on its behalf. DCMA has an interagency agreement in place with DSCA in which

DCMA has authority to outlay funds on behalf of DSCA. Generally, all financial activity related allocation transfers (e.g. budget authority, obligations, outlays) are reported in the financial statement of the parent entity. DCMA receives allocation transfers from the following agencies: Defense Acquisition University (DAU) and Defense Security Cooperation Agency (DSCA).

1.D. Basis of Accounting

DCMA financial statements and supporting trial balances are compiled from the underlying financial data and trial balances. The underlying data is largely derived from budgetary transactions, e.g. obligations, disbursements, and collections, from nonfinancial feeder systems, and accruals made for major items such as payroll expenses, accounts payable, and environmental liabilities. [At the consolidated DCMA Agency level, abnormal balances are in the applicable footnotes, but only to the extent that the normal balances are evident at the consolidated level.]

The DoW is determining the actions required to bring its financial and nonfinancial feeder systems and processes into compliance with USGAAP. One such action is the current revision of accounting systems to record transactions based on the U.S. Standard General Ledger (USSGL).

1.E. Revenues and Other Financing Sources

DCMA receives Congressional appropriations as financing sources for general funds that expire annually or on a multi-year basis. When authorized by legislation, these appropriations are supplemented by revenues generated by sales of goods or services. DCMA recognizes revenue because of costs incurred for goods and services provided to other Federal agencies and the public. Full cost pricing is DCMA's standard policy for services provided as required by OMB Circular A-25, "User Charges." DCMA recognizes revenue when earned within the constraints of its current system capabilities.

1. F. Recognition of Expenses

For financial reporting purposes, U.S. GAAP requires the recognition of operating expenses in the period incurred. Estimates are made for major items such as Payroll Expenses, accounts payable and unbilled revenue. Due to system limitations, in some instances expenditures for capital and other long-term assets may be recognized as operating expenses. DCMA continues to implement process and system improvements to address these limitations.

1.G. Accounting for Intragovernmental Activities

Accounting standards require that an entity eliminates intra-entity activity and balances from consolidated financial statements in order to prevent overstatement for business with itself. Generally, seller entities within the DoW provide summary seller-side balances for revenue, accounts receivable, and unearned revenue to the buyer-side internal DoW accounting offices. In most cases, the buyer-side records are adjusted to agree with the DoW seller-side balances and are then eliminated. The DoW is implementing replacement systems and a standard financial information structure that will incorporate the necessary elements that will enable the DoW to correctly report, reconcile, and eliminate intragovernmental balances. Intragovernmental costs and exchange revenue represent transactions made between two reporting entities within the federal government.

The Treasury Financial Manual, Part 2, Chapter 4700, “Agency Reporting Requirements for the Financial Report of the United States Government,” provides guidance for reporting and reconciling intragovernmental balances. While DCMA is unable to fully reconcile intragovernmental transactions with all Federal agencies, DCMA is able to reconcile balances pertaining to Federal Employees’ Compensation Act transactions with the Department of Labor, and benefit program transactions with the Office of Personnel Management.

The DoW’s proportionate share of public debt and related expenses of the Federal Government is not included. The Federal Government does not apportion debt and its related costs to Federal agencies. The DoW’s financial statements do not report any public debt, interest, or source of public financing whether from issuance of debt or tax revenues.

1.H. Transactions with Foreign Governments and International Organizations

Each year, DCMA sells services to foreign governments and international organizations under the provisions of the “Arms Export Control Act of 1976.” Under the provisions of the Act, the DoW has authority to sell defense articles and services to foreign countries and international organizations generally at no profit or loss to the Federal Government. Payment in U.S. dollars is required in advance.

1.I. Funds with the U.S. Treasury

DCMA’s monetary resources are maintained in U.S. 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 DCMA’s cash collections, disbursements, and adjustments worldwide. Each disbursing station prepares monthly reports to the U.S. Treasury on checks issued, electronic fund transfers, interagency transfers, and deposits.

In addition, the DFAS sites and the USACE Finance Center submit reports to the U.S. Treasury by appropriation on interagency transfers, collections received, and disbursements issued. The U.S. Treasury records these transactions to the applicable Fund Balance with Treasury (FBWT) account. On a monthly basis, DCMA’s FBWT is reviewed and adjusted, as required, to agree with the U.S. Treasury accounts.

1.J. Cash and Foreign Currency

Not Applicable to DCMA.

1.K. Accounts Receivable

Accounts receivable from other Federal entities or the public include accounts receivable, claims receivable, and refunds receivable. Allowances for uncollectible accounts due from the public are based upon analysis of collection experience. The DoW does not recognize an allowance for estimated uncollectible amounts from other Federal agencies as receivables from other agencies are considered to be inherently collectible. Claims for accounts receivable from other Federal agencies are resolved between the agencies in accordance with the intragovernmental Business Rules published in the Treasury Financial Manual.

1.L. Direct Loans and Loan Guarantees

Not applicable to DCMA.

1.M. Inventories and Related Property

Not applicable to DCMA.

1.N. Investments in U.S. Treasury Securities

Not applicable to DCMA.

1.O. General Property, Plant, and Equipment

DoW's General Property, Plant, and Equipment (PP&E) capitalization threshold is \$250 thousand. The capitalization threshold applies to 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 threshold levels (\$100 thousand for equipment) and are carried at the remaining net book value.

General PP&E assets are capitalized at historical acquisition cost when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds DoW's capitalization threshold. The DoW capitalizes improvements to existing General PP&E assets if the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. The DoW depreciates all General PP&E, other than land, on a straight-line basis.

1.P. Advances and Prepayments

When advances are permitted by law, legislative action, or Presidential authorization, the DoW's policy is to record advances or prepayments in accordance with USGAAP. As such, payments made in advance of the receipt of goods and services should be reported as an asset on the Balance Sheet. DoW's policy is to expense and/or properly classify assets when the related goods and services are received. DCMA has implemented this policy.

1.G. Leases

Lease payments for the rental of equipment and operating facilities are classified as either capital or operating leases. When a lease is essentially equivalent to an installment purchase of property (a capital lease), and the value equals or exceeds the current capitalization threshold, DCMA records the applicable asset as though purchased, with an offsetting liability, and depreciates it. DCMA records the asset and liability at the lesser of the present value of the rental and other 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. DCMA, as the lessee, receives the use and possession of leased property, for example real estate or equipment, from a lessor in exchange for a payment of funds. An operating lease does not substantially transfer all the benefits and risk of ownership. DCMA's lease payments are for operating facilities and are classified as operating leases. DCMA does not have any leases for the rental of equipment. Payments for operating leases are expensed over the lease term as they become payable.

Office space and leases entered into by DCMA are the largest component of operating leases and are based on costs gathered from existing leases, General Services Administration (GSA) bills, and interservice support agreements. Future year projections use the Consumer Price Index.

1.H. Other Assets

Other assets include those assets, such as civil service employee pay advances, travel advances, and Federal Employee Health Benefits (FEHB) advances and certain contract financial payments not reported elsewhere on DCMA's Balance Sheet.

1.I. Contingencies and Other Liabilities

The SFFAS No. 5, "Accounting for Liabilities of the Federal Government," as amended by SFFAS No. 12, "Recognition of Contingent Liabilities Arising from Litigation," defines a contingency as an existing condition, situation, or set of circumstances that involves an uncertainty as to possible gain or loss. The uncertainty will be resolved when one or more future events occur or fail to occur. DCMA recognizes contingent liabilities when past events or exchange transactions occur, a future loss is probable, and the loss amount can be reasonably estimated.

Financial statement reporting is limited to disclosure when conditions for liability recognition do not exist but there is at least a reasonable possibility of incurring a loss or additional losses. DCMA's risk of loss and resultant contingent liabilities arise from pending or threatened litigation or claims and assessments due to events such as vehicle accidents, property damages, and contract disputes.

1.J. Accrued Leave

DCMA reports liabilities for accrued compensatory and annual leave for civilians. Sick leave for civilians is expensed as taken. The liabilities are based on current pay rates.

1.K. Net Position

Net position consists of unexpended appropriations and cumulative results of operations.

Unexpended appropriations represent the amounts of budget authority that are unobligated and have not been rescinded or withdrawn. Unexpended appropriations also represent amounts obligated for which legal liabilities for payments have not been incurred.

Cumulative Results of Operations represent the net difference between expenses and losses, and financing sources (including appropriations, revenue, and gains), since inception. The cumulative results of operations also include transfers in and out of assets that were not reimbursed.

1.L. Treaties for Use of Foreign Bases

Not applicable to DCMA.

1.M. Undistributed Disbursements and Collections

Undistributed disbursements and collections represent the difference between disbursements and collections matched at the transaction level to specific obligations, payables, or receivables in the source systems and those reported by the U.S. Treasury. Supported disbursements and collections have corroborating documentation for summary level adjustments made to accounts payable and receivable. Unsupported disbursements and collections do not have supporting documentation for the transaction and most likely would not meet audit scrutiny. However, both supported and unsupported adjustments may have been made to the accounts payable and receivable trial balances prior to validating underlying transactions.

Due to noted material weaknesses in current accounting and financial feeder systems, the DoW generally cannot determine whether undistributed disbursements and collections should be applied to Federal or non-Federal accounts payable and accounts receivable. Unsupported undistributed disbursement and collections are also applied to reduce accounts payable and receivable accordingly.

The DoW policy is to allocate supported undistributed disbursements and collections between Federal and non-Federal categories based on the percentage of distributed Federal and non-Federal accounts payable and accounts receivable.

1.N. Fiduciary Activities

Not applicable to DCMA.

1.O. Military Retirement and Other Federal Employment Benefits

DCMA's Federal Employment Benefits consist of Federal Employees' Compensation Act transactions with the Department of Labor, and benefit program transactions with the Office of Personnel Management.

1.P. Significant Events

Not applicable for DCMA.

Note 2. Non-Entity Assets

As of September 30,	2025
<i>(in thousands)</i>	
Intragovernmental Assets	
Fund Balance with Treasury	\$0
Accounts Receivable	0
Other Assets	0
Total Intragovernmental Assets	\$0
Non-Federal Assets	
Cash and Other Monetary Assets	\$0
Accounts Receivable	0
Other Assets	0
Total Non-Federal Assets	\$0
Total Non-Entity Assets	\$0
Total Entity Assets	\$352,198
Total Assets	\$352,198

Note 3. Fund Balance with Treasury (FBWT)

The Treasury records cash receipts and disbursements on behalf of DCMA and are available only for the purposes for which the funds were appropriated. DCMA balances with Treasury consist of appropriation accounts.

The status of FBWT, as presented below, reflects the reconciliation between the budgetary resources supporting FBWT (largely consisting of unobligated balance and obligated balance not yet disbursed) and those resources provided by other means, such as revenue and receivables. The total FBWT reported on the balance sheet reflect budgetary authority remaining for disbursements against current or future obligations.

Unobligated balance is classified as available or unavailable and represents the cumulative amount of budgetary authority set aside to cover future obligations. The available balance consists primarily of the unexpired, unobligated balance apportioned and available for new obligations. The unavailable unobligated balance consists of budgetary authority that has not been obligated and is no longer available for new obligations. Certain unobligated balances are restricted for future use and are not apportioned for current use.

Obligated balance not yet disbursed represents funds obligated (a binding agreement that will result in an out-of-pocket expense (outlay) immediately or in the future) for goods and services but not paid. Non-budgetary FBWT includes accounts without budgetary authority, such as clearing accounts.

Non-FBWT budgetary accounts create budget authority and unobligated balances, but do not record to FBWT as there has been no receipt of cash or direct budget authority, such as appropriations. DCMA non-FBWT budgetary accounts are primarily composed of unfilled orders without advance from customers and receivables.

Unfilled customer orders without advance – receivables provide budgetary resources when recorded. The FBWT is only increased when reimbursements are collected, not when orders are accepted or have been earned. Revenue is not increased because the customer order has not yet been filled.

<i>(in thousands)</i>	2025
Unobligated Balance	\$35,149
Obligated Balance not yet Disbursed	\$239,717
Non-FBWT Budgetary Accounts:	
Unfilled Customer Orders without Advance	(\$6,729)
Receivables and Other	(3,363)
Total Non-FBWT Budgetary Accounts	(\$10,091)
Total FBWT	\$264,774

Note 4. Cash and Other Monetary Assets

Not applicable to DCMA.

Note 5. Investments, Net

Not applicable to DCMA.

Note 6. Accounts Receivable, Net

DCMA accounts receivable represents claim for payment from other entities. Claims with other federal agencies are executed in accordance with Appendix 5 of Treasury Financial Manual, Volume I, Part 2, Chapter 4700. Allowances for uncollectible accounts due from the public are based on an estimation methodology using three years of historical collection data and is calculated on consolidated receivable balances.

2025 <i>(in thousands)</i>	Gross Amount Due	Allowance for Estimated Uncollectibles	Accounts Receivable, Net
Intragovernmental Receivables	\$3,363	-	\$3,363
Non-Federal Receivables (From the Public)	376	(10)	366
Total Accounts Receivable	\$3,739	(\$10)	\$3,729

Note 7. Loans Receivable, Net and Loan Guarantee Liabilities

Not applicable to DCMA.

Note 8. Inventory and Related Property, Net

Not applicable to DCMA.

Note 9. Major General and Right-to-Use Property, Plant, and Equipment, Net

DCMA general and right-to-use Property, Plant and Equipment (PP&E) is composed primarily of internal use software. General PP&E assets are capitalized at historical acquisition cost when an asset has a useful life of two or more years and when the acquisition cost equals or exceeds the DoW's capitalization threshold of \$250 thousand. DCMA capitalizes improvements to existing General PP&E assets if the improvements equal or exceed the capitalization threshold and extend the useful life or increase the size, efficiency, or capacity of the asset. DCMA depreciates all General PP&E, other than land, on a straight-line basis.

The following table provides a summary of the activity for the current fiscal year.

<i>(in thousands)</i>	2025
General and Right-to-use PP&E, Net beginning of year, unadjusted	\$51,974
Effects of implementation of SFFAS 54	0
Balance beginning of year, adjusted	\$51,974
Capitalized Acquisitions	30,426
Right-to-use lease assets, CY activity	
CY Amortization of right-to-use lease assets	
Dispositions	
Transfers in/(out) without reimbursement	
Revaluations (+/-)	
Depreciation Expense	
Other	
Balance at end of year	\$82,400

The table below provides General and Right-to-Use PP&E, Net depreciation method, service life, acquisition value, depreciation, and net book value for the different categories.

2025					
<i>(amounts in thousands)</i>	Depreciation/ Amortization Method	Service Life	Acquisition Value	(Accumulated Depreciation/ Amortization)	Net Book Value
Major Asset Classes					
Software	S/L	2-5 or 10	\$94,510	(\$42,763)	\$51,747
General Equipment	S/L	Various*	4,715	(4,488)	227
Total General and Right- to-Use PP&E			\$99,225	(\$47,251)	\$51,974

Note 10. Other Assets

As of September 30,

2025

(in thousands)

Intragovernmental

Advances and Prepayments	\$1,295
Other Assets	0
Total Intragovernmental	\$1,295

Other than Intragovernmental

Outstanding Contract Financing Payments	\$0
Advances and Prepayments	0
Other Assets	0
Subtotal	0
Less: "Outstanding Contract Financing Payments" and "Advance and Prepayments" totaled and presented on the Balance Sheet as "Advances and Prepayments"	0
Net Other than Intragovernmental	\$0
Total Other Assets	\$1,295

Note 11. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. 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 some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit).

Other than intragovernmental liabilities consist of civilian employee benefits payable. Refer to the Current and Former Employee and Veterans Benefits Payable note, for additional details.

As of September 30, <i>(in thousands)</i>	2025
Intragovernmental Liabilities	
Other	\$4,473
Total Intragovernmental Liabilities	\$4,473
Other than Intragovernmental Liabilities	
Accounts Payable	\$3,629
Federal employee and veteran benefits payable	118,215
Other Liabilities	778
Total Other than Intragovernmental Liabilities	\$145,007
Total Liabilities Not Covered by Budgetary Resources	\$149,480
Total Liabilities Covered by Budgetary Resources	\$89,215
Total Liabilities	\$238,695

Note 12. Debt

Not applicable to DCMA.

Note 13. Current and Former Federal Employee and Veterans Benefits Payable

Expense Components and Other Benefits

For FY 2025, the only expense component pertaining to other actuarial benefits for DCMA is the FECA expense. The Department of Labor (DOL) provides the expense data to DCMA.

Changes in Actuarial Liability

Fluctuations in the total liability amount charged to DCMA by the DOL will cause changes in FECA liability. The other actuarial benefits, FECA liability for DCMA, (increased/decreased) due to a decrease in COLA and CPI-M inflation factors that in turn increased the actuarial liability estimate provided by DOL.

Other Benefits

The DoW's military services pay for the veterans' benefits of those eligible participants. DCMA incurs liabilities and expenses for civilian Federal employee benefits.

SFFAS 5, Accounting for Liabilities of the Federal Government, is not applicable to DCMA as it is not an administrative entity.

As of September 30, 2025			
<i>(Amounts in thousands)</i>	Liabilities	(Assets Available to Pay Benefits)	Unfunded Liabilities
Pension and Health Benefits			
Military Retirement Pensions	\$0	\$0	\$0
Military Pre Medicare-Eligible Retiree Health Benefits	0	0	0
Military Medicare-Eligible Retiree Health Benefits	0	0	0
Total Pension and Health Benefits	0	0	0
Other Benefits			
FECA	22,385	0	22,385
Voluntary Separation Incentive Programs	0	0	0
DoW Education Benefits Fund	0	0	0
Other	(2,800)	2,800	0
Total Other Benefits	19,585	2,800	22,385
Pensions, other Post-employment, and Veteran Benefits Payable (presented separately on the Balance Sheet)	19,585	2,800	22,385
Federal Employee Salary, Leave, and Benefits Payable	152,316	(34,101)	118,215
Other benefit-related payables included in Intragovernmental Other Liabilities on the Balance Sheet	12,131	(7,658)	4,473
Total Federal Employee and Veteran Benefits Payable	\$184,032	(\$35,959)	\$145,073

Actuarial Cost Method Used for Pension and Health Benefits: Aggregate Entry-Age Normal Method
Market Value of Investments in Non-Marketable, Market Based Securities included in Assets Available to pay benefits: N/A

Reconciliation of Beginning and Ending Liability Balances for Federal Employee Benefits

As of September 30, 2025		
<i>(Amounts in thousands)</i>	Federal Employee Benefits	Total
Beginning Actuarial Liability	\$0	\$0
Plus Expenses:		
Normal Cost	0	0
Interest Cost	0	0
Plan Amendments	0	0
Experience Losses	0	0
(Gains)	0	0
Other factors	0	0
Subtotal: Expenses Before Losses (Gains) from Actuarial Assumption Changes	0	0
Actuarial Losses (Gains) due to:		
Changes in Trend Assumptions	0	0
Changes in Assumptions Other Than Trend	0	0
Losses (Gains) from Actuarial Assumption Changes	0	0
Total Expenses	0	0
Less: Benefit Outlays	0	0
Total Changes in Actuarial Liability	0	0
Ending Actuarial Liability	\$0	\$0

Note 14. Environmental and Disposal Liabilities

Not applicable to DCMA.

Note 15. Other Liabilities

DCMA reports liabilities for accrued compensatory and annual leave for civilians. The liabilities are based on current pay rates.

DCMA's life and other insurance programs covering civilian employees are provided through the U.S. Office of Personnel Management (OPM). DCMA does not negotiate the insurance contracts and incurs no liabilities directly to the insurance companies. Employee payroll withholdings related to the insurance and employer matches are submitted to the OPM.

2025 <i>(in thousands)</i>	Current Liability	Non-Current Liability	Total
Intragovernmental			
Other Liabilities reported on <i>Federal Employee and Veterans Benefits Payable Note</i>	\$9,775	\$2,356	\$12,131
Total Intragovernmental	\$9,775	\$2,356	\$12,131
Other than Intragovernmental			
Contingent Liabilities		778	778
Total Other than Intragovernmental		778	778
Total Other Liabilities	\$9,775	\$3,314	\$12,909

Note 16. Leases

DCMA does not currently have any intragovernmental or any non-federal lessor arrangements.

Note 17. Commitments and Contingencies

DCMA is a party in various administrative proceedings, legal actions, and other claims awaiting adjudication which may result in settlements or decisions adverse to the Federal government. These matters arise in the normal course of operations, generally relate to equal opportunity and contractual matters, and their ultimate disposition is unknown. In the event of an unfavorable judgment against the Government, some of the settlements are expected to be paid from the Treasury Judgment Fund. In most cases, DCMA does not have to reimburse the Judgment Fund; reimbursement is only required when the case comes under either the Contracts Disputes Act or the No FEAR Act.

In accordance with SFFAS No. 5, Accounting for Liabilities of the Federal Government, as amended by SFFAS No. 12, Recognition of Contingent Liabilities Arising from Litigation, an assessment is made as to whether the likelihood of an unfavorable outcome is considered probable, reasonably possible, or remote. For material contingencies where an unfavorable outcome is considered probable and the amount of potential loss is measurable, an accrual would be made to report a liability on the balance sheet. The estimated liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, that amount is recognized, and the range is disclosed. If no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized and the range and a description of the nature of the contingency should be disclosed. For contingencies where the likelihood of an unfavorable outcome is less than probable, an accrual is not required. If an amount is accrued for legal contingent liabilities, it is included within the contingent liabilities amount reported in Note 8, Other Liabilities.

As of September 30, 2025, DCMA had \$778 thousand of losses that were reasonably possible.

Note 18. Funds from Dedicated Collections

Not applicable to DCMA.

Note 19. Disclosures Related to the Statement of Net Cost

The Statement of Net Cost (SNC) represents the net cost of programs and organizations of DCMA supported by appropriations or other means. The intent of the SNC is to provide gross and net cost information related to the amount of output or outcome for a given program or organization administered by a responsible reporting entity. The DoW’s current processes and systems capture costs based on appropriations groups as presented in the schedule below. The DoW is in the process of reviewing available data and developing a cost reporting methodology required by the SFFAS 4, “Managerial Cost Accounting Concepts and Standards for the Federal Government,” as amended by SSFAS No. 55, “Amending Inter- Entity Cost Provisions.”

The DoW implemented SFFAS 55 in FY 2018, which rescinded SFFAS 30, “Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts and Interpretation 6, Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS 4.”

Intragovernmental costs and revenue are related to transactions between two reporting entities within the federal government. Public costs and revenue are exchange transactions made between DCMA and a non-federal entity.

DCMA reports exchange revenues for inflows of earned resources. They arise from exchange transactions, which occur when each party to the transaction sacrifices value and receives value in return. Exchange revenues arise when DCMA provides something of value to the public or another government entity at a price. Pricing policy for exchange revenues are derived by recovering costs.

DCMA employs a trading partner reconciliation throughout the year to validate buyer-side and seller-side balances and collaborates with its major DoW partners to identify and resolve material differences. Generally, in accordance with the DoDFMR Volume 6B, Chapter 13, paragraph 13201, the internal DoW buyer-side balances are adjusted to agree with internal seller-side balances for revenue. For variances that remain unreconciled at the end of the period, DCMA expenses are adjusted by reclassifying amounts between federal and non-federal expenses or by accruing additional accounts payable and expenses.

Costs and Exchange Revenue by Major Program

<i>(in thousands)</i>	2025
Operations, Readiness & Support	
Gross Cost	\$1,706,770
Less: Earned Revenue	<u>(24,421)</u>
Net Program Costs	<u>\$1,682,349</u>
Procurement	
Gross Cost	\$0
Less: Earned Revenue	<u>0</u>
Net Program Costs	<u>\$0</u>
Research, Development, Test, and Evaluation (RDT&E)	
Gross Cost	\$2,053
Less: Earned Revenue	<u>0</u>
Net Program Costs	<u>\$2,053</u>
Consolidated	
Gross Cost	\$1,708,823
Less Earned Revenue	<u>(24,421)</u>
Total Net Cost	<u><u>\$1,684,402</u></u>

Note 20. Disclosures Related to the Statement of Changes in Net Position
 Not applicable to DCMA.

Note 21. Disclosures Related to the Statement of Budgetary Resources

DCMA operates primarily with funding derived from direct appropriations subject to cancellation by the time-period in which funds may be used. An additional funding source is reimbursable authority obtained from customer orders for services provided. The amount of obligations incurred by DCMA may not be directly compared to the amounts reported in the Budget of the United States Government because DCMA funding is received and reported as a component of the “Other Defense Funds” program. The “Other Defense Funds” is combined with the service components and other DoW elements and then compared to the Budget of the United States government at the DoW level.

Net Adjustments to Unobligated Balance Brought Forward, October 1

<i>(in thousands)</i>	For the Year Ended September 30, 2025
Unobligated balance brought forward, October 1	\$20,467
Recoveries of prior year unpaid obligations	139,020
Other balances withdrawn to Treasury	(8,970)
Recoveries of prior year paid obligations	6,681
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$157,198
Non-Federal:	
Unpaid	90,931
Prepaid/Advanced	0
Total Non-Federal	\$90,931
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$151,797

Budgetary Resources Obligated for Undelivered Orders at the End of the Period

<i>(in thousands)</i>	For the Year Ended September 30, 2025
Intragovernmental:	
Unpaid	\$59,571
Prepaid/Advanced	1,295
Total Intragovernmental	\$60,866
Non-Federal:	
Unpaid	90,931
Prepaid/Advanced	0
Total Non-Federal	\$90,931
Total Budgetary Resources Obligated for Undelivered Orders at the End of the Period	\$151,797

Note 22. Disclosures Related to Incidental Custodial Collections
 Not applicable to DCMA.

Note 23. Fiduciary Activities
 Not applicable to DCMA.

Note 24. Reconciliation of Net Cost to Net Budgetary Outlays

The reconciliation of net cost to net outlays demonstrates the relationship between DCMA's net cost of operations, reported on an accrual basis on the SNC, and net outlays, reported on a budgetary basis on the SBR. While budgetary and financial (proprietary) accounting is complementary, the reconciliation explains the inherent differences in timing and in the types of information between the two during the reporting period. The accrual basis of financial accounting is intended to provide a picture of DCMA's operations and financial position, including information about costs arising from the consumption of assets and the incurrence of liabilities. Budgetary accounting reports on the management of resources and the use and receipt of cash by DCMA. Outlays are payments to liquidate an obligation, excluding the repayment to the Treasury of debt principal.

Reconciliation of the Net Cost of Operations to Net Outlays

2025	Intragov.	Public	Total
<i>(in thousands)</i>			
Net Cost of Operations (SNC)	\$590,103	\$1,094,299	\$1,684,402
Components of Net Cost That Are Not Part of Net Outlays:			
Property, plant, and equipment depreciation expense			
Property, plant and equipment disposals and revaluations			
Lessee Lease Amortization			
<i>Applied overhead/cost capitalization offset:</i>			
Property, plant, and equipment			
<i>Increase/(Decrease) in Assets:</i>			
Accounts receivable, net	(4,332)	(243)	(4,575)
Advances and prepayments	(159)	(2)	(161)
<i>(Increase)/Decrease in Liabilities:</i>			
Accounts payable, net	(4,082)	6,045	1,963
Federal employee salary, leave, and benefits payable		1,790	1,790
Veterans, pensions, and post-employment-related benefits		10,335	10,335
Advances from others and deferred revenue			
Other liabilities	(451)	(13)	(464)
<i>Financing Sources:</i>			
Imputed cost	(157,191)	0	(157,191)
Total Components of Net Operating Cost Not Part of Net Outlays	<u>(166,215)</u>	<u>17,912</u>	<u>(148,303)</u>
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost:			
Acquisition of capital assets	18,244	12,182	30,426
<i>Financing Sources:</i>			
Transfers (in)/out without reimbursements			
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	<u>18,244</u>	<u>12,182</u>	<u>30,426</u>
Total Net Outlays	<u>\$442,132</u>	<u>\$1,124,393</u>	<u>\$1,566,525</u>
Budgetary Agency Outlays, Net (SBR)			<u>\$1,566,525</u>
Unreconciled difference			<u>(\$0)</u>

Note 25. Public-Private Partnerships

Not applicable to DCMA.

Note 26. Disclosure Entities and Related Parties

Pursuant to SFFAS 47 reporting disclosure requirements, related parties are considered related if: (1) one party to an established relationship, has the ability to exercise significant influence over the other party in making policy decisions and (2) the relationship is of such significance that it would be misleading to exclude information about it. After review of SFFAS 47, appendix B and the associated criteria, it was determined DCMA does not have consolidated entities, disclosure entities nor related parties.

Note 27. Restatements

Not applicable to DCMA.

Note 28. Subsequent Events

Not applicable to DCMA.

Note 29. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

Not applicable to DCMA.



U.S. Marines with India Battery, 2nd Battalion, 5th Marine Regiment (Reinforced), Marine Rotational Force – Darwin 24.3, and Australian Army Soldiers with 102 Battery, 8th/12th Regiment, Royal Australian Artillery, fire an M777A2 medium towed 155 mm howitzer during Exercise Thunder Walk 24 at Mount Bunday Training Area, NT, Australia, June 5, 2024. U.S. Marines with India Battery, 2nd Battalion, 5th Marine Regiment (Reinforced), Marine Rotational Force – Darwin 24.3 and their Australian Allies rehearsed delivering precision artillery fire, integrating the fire direction center, and enhancing the joint combat space. Photo Credit: (U.S. Marine Corps photo by Cpl. Migel A. Reynosa)

Required Supplementary Information

Deferred Maintenance and Repairs Disclosures

Not applicable to DCMA.

Combining Statement of Budgetary Resources

For the period ending September 30	2025			
<i>(in thousands)</i>	O&M	Procurement	RDT&E	Total DCMA
Budgetary Resources:				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 21)	\$145,069	\$505	\$3,836	\$149,410
Appropriations (discretionary and mandatory)	863,078	-	2,741	865,819
Borrowing Authority (discretionary and mandatory)	-	-	-	-
Contract Authority (discretionary and mandatory)	-	-	-	-
Spending Authority from Offsetting Collections (discretionary and mandatory)	43,258	-	-	43,258
Total Budgetary Resources	\$1,051,405	\$505	\$6,577	\$1,058,487
Status of Budgetary Resources:				
New obligations and upward adjustments (total)	\$867,456	\$0	\$2,461	\$869,917
<i>Unobligated balance, end of year:</i>				
Apportioned, unexpired accounts	135,208	-	3,892	139,100
Exempt from apportionment, unexpired accounts	-	-	-	-
Unapportioned, unexpired accounts	-	-	-	-
Unexpired unobligated balance, end of year	\$135,208	\$0	\$3,892	\$139,100
Expired unobligated balance, end of year	48,741	505	224	49,470
Unobligated balance, end of year (total)	183,949	505	4,116	188,570
Total Budgetary Resources	\$1,051,405	\$505	\$6,577	\$1,058,487
Outlays, Net:				
Outlays, net (total) (discretionary and mandatory)	\$781,910	(\$649)	\$141	\$781,402
Distributed Offsetting Receipts (-)	-	-	-	-
Agency Outlays, net (discretionary and mandatory)	\$781,910	(\$649)	\$141	\$781,402

Other Information

Management Challenges

Not applicable to DCMA.



A quality assurance specialist with Defense Contract Management Agency Naval Special Emphasis Operations contract management office, completed the qualification of a new dry film lubricant used in critical nuclear components, which will strengthen America's Navy and potentially save millions in taxpayer dollars. Photo Credit: (U.S. Navy Photo/mass communication specialist Petty Officer 3rd Class Justin R. Blake)

