DEPARTMENT OF DEFENSE AT A GLANCE

BRIEF HISTORY

The Army, Navy, and Marine Corps were established in 1775, in concurrence with the American Revolution. The War Department was established in 1789, and was the precursor to what is now the Department of Defense. The Coast Guard (part of the Department of Homeland Security during peace time) was established in 1790. The Department of the Navy was established in 1798. The National Security Act of 1947 renamed the Department of War as the Department of the Army, created the Department of the Air Force, and unified command of the Military Departments under the “National Military Establishment” headed by a Secretary of Defense. The Department of Defense Reorganization Act of 1958 established the Combatant Commands.

HEADQUARTERS

The Department of Defense is headquartered at the Pentagon, located in Arlington, Virginia. The Pentagon is one of the world’s largest office buildings – it has 17.5 miles of hallways, three times the floor space of the Empire State Building, and houses about 26,000 employees. For Pentagon Tour information, click here.

MISSION

To provide the military forces needed to deter war and protect the security of our country.

EMPLOYEES

The Department of Defense is the country’s largest employer, with more than 2.1 million Military Service members and over 770 thousand civilian employees. For information on the armed forces, click here.

Connect with Us

Facebook
www.facebook.com/DeptofDefense

Twitter
www.twitter.com/DeptofDefense

Instagram
www.instagram.com/deptofdefense

LinkedIn
www.linkedin.com/company/deptofdefense

Service members of the Joint Honor Guard participate in a Presidential Armed Forces Full Honors Wreath-Laying Ceremony at the Tomb of the Unknown Soldier at Arlington National Cemetery, Arlington, Va., November 11, 2019. PHOTO CREDIT: Staff Sgt. Vanessa Atchley
The United States Department of Defense (DoD) Agency Financial Report (AFR) for Fiscal Year (FY) 2020 provides an overview of the Department's financial information as well as preliminary summary-level performance results. The AFR demonstrates to the Congress, the President, and the public the Department's commitment to its mission and to accountability and stewardship over the resources entrusted to it. This report satisfies the reporting requirements contained in the following legislation:

- **Federal Managers’ Financial Integrity Act (FMFIA) of 1982** – requires ongoing evaluations and reports of the adequacy of internal accounting and administrative controls, and whether financial management systems comply with federal financial management systems requirements;

- **Chief Financial Officers (CFO) Act of 1990**, as amended – established the position of Chief Financial Officer and requires audited financial statements for each major executive agency;

- **Government Management Reform Act (GMRA) of 1994** – delegates authority to the Director of the Office of Management and Budget to prescribe the form and content of the financial statements and to identify the components of executive agencies that will be required to have audited financial statements;

- **Federal Financial Management Improvement Act (FFMIA) of 1996** – requires financial statement audits to assess the compliance of an agency’s financial management systems with Federal requirements, Federal accounting standards, and the United States Government General Ledger;

- **Reports Consolidation Act of 2000** – permits agencies to consolidate any statutorily required reports into a single annual report and requires certain information to be contained in the consolidated report; and

- **Payment Integrity Information Act (PIIA) of 2019** - requires agencies to improve their efforts to identify and reduce government-wide improper payments.


- An AFR, published in November 2020, which focuses primarily on financial results and a high-level discussion of performance results, and
- An Annual Performance Report (APR), published in February 2021, which details DoD strategic goals and performance measures and results.

The estimated cost of this report or study for the Department of Defense is approximately $368,000 in Fiscal Years 2020 – 2021. This includes $163,300 in expenses and $204,700 in DoD labor.
FACES OF DEFENSE

Each section cover of this report features a picture and story about Military Service members

Click this icon on each picture to read their stories
# TABLE OF CONTENTS

## PREFACE
- Department of the Army Overview ........................................... 6
- Department of the Navy Overview ........................................... 7
- Department of the Air Force Overview ..................................... 8
- Message from the Deputy Secretary of Defense .................... 9

## MANAGEMENT’S DISCUSSION & ANALYSIS
The Management’s Discussion and Analysis (MD&A) section provides a high-level overview of the Department’s programmatic and financial performance. This section includes a summary of the Department’s mission and structure, the current status of financial management systems, compliance with laws and regulations, and management assurances regarding internal controls.

- Mission Overview .................................................................. 13
- Organizational Structure ...................................................... 14
- Resources ............................................................................ 21
- Performance Overview ......................................................... 27
- Forward-Looking Information .............................................. 40
- Financial Highlights and Analysis ......................................... 45
- Audit Overview ..................................................................... 54
- Statement of Assurance ....................................................... 58
- Management Assurances ..................................................... 59
- Systems Compliance and Strategy ......................................... 62
- Legal Compliance ............................................................... 67

## FINANCIAL SECTION
This section provides a detailed look at the financial statements for the Department of Defense containing overall and financial statement notes.

- Message from the Under Secretary of Defense (Comptroller)/Chief Financial Officer ..................................................... 73
- Independent Auditor’s Report ................................................ 75
- Principal Financial Statement .................................................. 101
- Notes to the Financial Statements .......................................... 107
- Required Supplementary Information ...................................... 214

## OTHER INFORMATION
This section contains reports of financial and non-financial information required by various laws and regulations to be included in the Agency Financial Report.

- Management Challenges ...................................................... 223
- Summary of Financial Statement Audit and Management Assurances .......................................................... 230
- Payment Integrity Information Act Reporting ....................... 253
- Real Property ...................................................................... 281
- Civil Monetary Penalty Adjustment for Inflation ..................... 282
- Biennial Review of User Fees ............................................... 284
- Grant Programs ................................................................... 285

## APPENDICES
- Appendix A: Reporting Entity .................................................. A-1
- Appendix B: Acronyms and Abbreviations ............................ B-1
- Appendix C: Glossary of Terms .............................................. C-1
- Appendix D: SAA Financial Statements & Notes .................... D-1

### MISSION
To deploy, fight and win our nation's wars by providing ready, prompt and sustained land dominance by Army forces across the full spectrum of conflict as part of the joint force.

### FY 2020 NET COST OF OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>($ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Army General Fund</td>
<td>171,332,077</td>
</tr>
<tr>
<td>Army Working Capital Fund</td>
<td>$(332,375)</td>
</tr>
<tr>
<td>Army Corps of Engineers (Civil Works)</td>
<td>$8,782,219</td>
</tr>
</tbody>
</table>

### PERSONNEL

- Active: 486,329
- Guard: 334,828
- Reserve: 188,964
- Civilian: 297,776

### EQUIPMENT

- Tanks: 17,609
- Helicopters: 793
- Other Combat Vehicles: 17,943

### VALUE THE TAXPAYER RECEIVED FOR THE ARMY’S TOTAL NET COST

- Through multiple conflicts across a broad spectrum of operations in various locations around the world, the United States Army has proven to be the most capable ground combat force in history, defending the Nation and serving the American people for more than 244 years. The Army will be ready to deploy, fight, and win decisively against any near-peer adversary within this ever-threatening environment, while concurrently deterring others and maintaining its ability to conduct irregular warfare where needed.

- In response to the COVID-19 epidemic, the Army called up 45,000 active-duty, National Guard, and Reserve Soldiers to support a government-led effort. The Army processed testing for more than 9.3 million American people and distributed roughly 400 million personal protective equipment items for those in need.

- The Army National Guard swiftly responded to airlift 214 civilians from an area engulfed in flames during the tragic wildfires that swept through California. The National Guard also provided aviation support that dropped nearly 900,000 gallons of water.
DEPARTMENT OF THE NAVY

MISSION
To protect America from attack and preserve America’s strategic influence in key regions of the world. To deter aggression and enable peaceful resolution of crises on terms acceptable to the United States and our allies and partners. If deterrence fails, naval forces will conduct decisive combat operations to defeat any enemy.

FY 2020 NET COST OF OPERATIONS

<table>
<thead>
<tr>
<th></th>
<th>($ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Navy General Fund</td>
<td>$145,422,738*</td>
</tr>
<tr>
<td>Navy Working Capital Fund</td>
<td>$2,340,047*</td>
</tr>
<tr>
<td>Marine Corps</td>
<td>$27,968,359</td>
</tr>
</tbody>
</table>

PERSONNEL

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Active</td>
<td>532,000</td>
</tr>
<tr>
<td>Reserve</td>
<td>97,300</td>
</tr>
<tr>
<td>Civilian</td>
<td>220,901</td>
</tr>
</tbody>
</table>

EQUIPMENT

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Battle Force Inventory (including 71 Submarines)</td>
<td>306</td>
</tr>
<tr>
<td>Aircraft</td>
<td>4,075</td>
</tr>
</tbody>
</table>

VALUE THE TAXPAYER RECEIVED FOR THE NAVY’S TOTAL NET COST

- The Navy and Marine Corps provided forward postured sea-based forces providing security and stability around the globe with 54,000 Sailors and 36,000 Marines deployed or underway on 108 ships at any time, which includes three Carrier Strike Groups and two Expeditionary Strike Groups. Ninety percent of international trade travels by sea and US Naval forces ensure freedom of navigation for commercial trade vital to our national security.

- The inherent flexibility of Naval forces, in responding to Defense Support of Civil Authorities missions, was demonstrated when both Fleet Hospital ships, United States Naval Ship (USNS) Mercy and USNS Comfort executed short notice sorties to provide additional medical capability in Los Angeles and New York during the early months of the Coronavirus response. Sailors and Marines applied their training to a new mission set in responding to an unprecedented domestic emergency.

- Department of the Navy’s commitment to remain an engaged, postured and ready force alongside our North Atlantic Treaty Organization partners is exemplified by numerous, multinational engagements in the Sixth Fleet area of responsibility. For instance, U.S. Marines Fighter Attack Squadron (VMFA) 211 “The Wake Island Avengers” and the United Kingdom’s Lightning 617 Squadron are embarked onboard HMS Queen Elizabeth off the coast of the United Kingdom. VMFA-211 joined 617 Squadron onboard the 65,000-ton carrier as she sailed for exercises with NATO allies in the North Sea, forming the largest 5th generation Carrier Air Group in the world.

*The Navy General Fund and Working Capital Fund costs will be finalized in December 2020.*
### FY 2020 NET COST OF OPERATIONS

<table>
<thead>
<tr>
<th>Source</th>
<th>Net Cost ($ in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air Force General Fund</td>
<td>$174,572,355</td>
</tr>
<tr>
<td>Air Force Working Capital Fund</td>
<td>$2,348,910</td>
</tr>
</tbody>
</table>

### PERSONNEL

- Active: 332,800
- Guard/Reserve: 177,800
- Civilian: 178,400

### EQUIPMENT

- Aircraft: 6,352
- Intercontinental Ballistic Missiles: 397
- Mine-Resistant Ambush Protected vehicles: 894

### VALUE THE TAXPAYER RECEIVED FOR THE AIR FORCE’S TOTAL NET COST

- The Air Force is prepared to establish air superiority anywhere on the globe and in space to ensure that other Air Force missions (such as surveillance and reconnaissance) and the capabilities of sister services are available to combatant commanders to establish dominance anywhere. It includes the ability to control the air so that U.S. military forces are not concerned about being attacked from the air, while ensuring that joint forces have the freedom to attack in the air, on the ground, and at sea.

- The Air Force’s nuclear and conventional precision strike forces can deter, credibly threaten, and effectively conduct global strikes by holding any target on the planet at risk and, if necessary, disabling or destroying it promptly—even from bases within the continental United States. These forces possess the unique ability to achieve tactical, operational, and strategic effects all in a single combat mission. Global strike missions include a wide range of crisis response and escalation-control options, such as providing close air support to troops at risk, interdicting enemy forces, inserting special operations forces, or targeting an adversary’s vital centers. Whether employed from forward bases or enabled by in-flight refueling, a global strike derives from a wide range of systems that include bombers, missiles, special operations platforms, fighters, and other Air Force aircraft.

- The United States Space Force (USSF) was established as the newest branch of the Armed Forces, tasked with protecting U.S. interests and superiority in space and outpacing future threats. In the next decade, USSF will pursue three objectives under the Defense Space Strategy: Maintain Space Superiority; Provide Space support to National, Joint, and Combined Operations; and Ensure Space Stability.
MESSAGE FROM THE DEPUTY SECRETARY OF DEFENSE

November 16, 2020

On behalf of our Nation’s military uniformed personnel serving at home and around the world, I am honored to present the Department of Defense Agency Financial Report for Fiscal Year 2020. This report provides the President, Congress, and the American people with information on the taxpayer resources entrusted to the Department in fiscal year 2020, as well as the means to assess our management of those resources, our accomplishments, challenges, and vision for the future.

This year, the United States – and the world – faced unprecedented challenges caused by the coronavirus pandemic. From the early days of the outbreak, the Department has prioritized taking care of our people, maintaining our readiness, and supporting the whole-of-nation response and recovery effort. This included repatriating and housing 2,000 American evacuees from China in January, deploying uniformed medical personnel to provide relief to hotspots around the country, maximizing the use of telework across our workforce, implementing a plan for testing and monitoring our forces worldwide, and working to expedite the delivery of a vaccine at scale to the American people. Overall, more than 60,000 DoD personnel – including more than 47,000 National Guard members and roughly 4,200 medical personnel – have participated in response efforts across all 50 states, territories, and the District of Columbia, often risking their own health and safety to help their fellow Americans.

I personally thank each member of the DoD workforce, uniformed and civilian, for remaining steadfast during this difficult time and continuing to execute the Department’s mission. You are our greatest resource, and your hard work at home and abroad keeps our Nation safe and secure.

Through these difficult times, the Department has remained agile, flexible, and committed to continuing its annual financial statement audit regimen. Though the audit resulted in a Disclaimer of Opinion and identified material weaknesses, these were expected steps in our ongoing journey toward achieving full auditability and an unmodified audit opinion. The auditor findings and recommendations continue to provide us with invaluable information that help us target and prioritize corrective actions as we strive to improve the quality of our financial reporting process and data. The Management's Discussion and Analysis section of this report provides our Statement of Assurance, which outlines the Department’s assessment of material weaknesses and compliance with relevant laws and regulations. The Financial Section provides the Independent Auditor’s Report, which details the results of this year’s audit.

Audit remediation is one of the major components of the National Defense Strategy's (NDS) line of effort focused on reforming our business processes for greater efficiency and effectiveness. Modernizing and reforming these practices will enhance our stewardship of taxpayer resources, as we continue to identify opportunities that improve our support to the warfighter and free up time, money, and manpower for reallocation to higher NDS priorities. The Department of Defense is grateful to the Congress for its support and investment in our mission, which has allowed us to continue our vital work to protect the American people and U.S. interests. We remain committed to demonstrating efficient and accountable management of our resources, and are confident that this report will impart an improved understanding and appreciation for the great strides we have made toward stronger fiscal transparency and performance.