



U.S. Department of Defense



EXCHANGE

ANNUAL REPORT

2024



MISSION-ESSENTIAL SUPPORT



PRESERVING THE BENEFIT

The hard-earned benefit the Army & Air Force Exchange Service provides for our Nation's military community thrived in 2024.

The Exchange is self-sustaining, recording \$8.5 billion in revenue with \$492 million in dividend-eligible earnings during 2024. 100% of these earnings go back to the military community. In 2024, the Exchange contributed \$295 million to critical Quality-of-Life programs. With roughly 956,000 active-duty troops—or 71%—living within 40 miles of an installation, the Exchange benefit makes a tangible difference to the military community's Quality of Life.

Team Exchange delivers more than \$1.5 billion in financial benefit annually.* The Exchange is mission-driven and results-focused, contributing to readiness, resiliency and lethality. Highlights from 2024 include:

- Supporting 50 military exercises at the tip of the spear.
- Launching a new MILITARY STAR card, reinforcing this unique financial readiness tool as the one card to use on military installations around the world. Through a collaboration with Discover Global Network, the card is now accepted by most merchants on military installations.
- Intensifying national brands, including bringing Bass Pro Shops camping and fishing gear, as well as apparel, to ShopMyExchange.com.
- Providing convenience by opening more than 200 self-serve stores for a total of more than 650 of these 24-hour stores at more than 90 installations.
- Installing nearly 15 cell towers and more than 65 small cells that augment cellular service, boosting cellular and internet access for military communities.
- Adding more than 80 restaurants, including the first Qdoba in the Pacific Region.
- Opening new Expresses and troop stores at Forts Irwin, Bragg and Eisenhower and Osan Air Base.
- Improving productivity and leveraging technology to reduce full-time equivalent staffing by 1,067 or 5%.

The hard-earned Exchange benefit is robust, maintaining our nearly 130-year legacy of service and support.

Tom Shull
Director/Chief Executive Officer

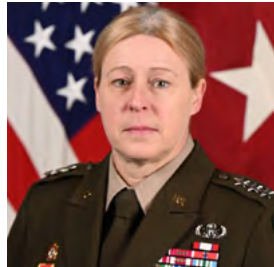
* \$384M+ in tax-free savings, \$400M+ in annual value through the MILITARY STAR card, \$400M+ in U.S. payroll and benefits for military spouses, Veterans and family members, \$370M+ average annual earnings, \$220M+ in dividends funding critical Quality-of-Life programs, \$150M+ to improve the customer experience and further strengthen hard-earned QoL benefits

2024 BOARD OF DIRECTORS

EXECUTIVE COMMITTEE



LT GEN CAROLINE M. MILLER, USAF
CHAIRMAN
Deputy Chief of Staff, Manpower,
Personnel & Services (HQ USAF/AI)



LTG HEIDI J. HOYLE, USA
VICE CHAIR
Deputy Chief of Staff, G-4, HQDA
(DALO-ZA)



MR. TOM SHULL, SES
DIRECTOR/CEO
Army & Air Force Exchange Service
(AAFES)

BOARD MEMBERS



LTG PAUL A. CHAMBERLAIN, USA
Military Deputy for Budget
(HQDA ASA FM)



LTG DAVID WILSON, USA
Deputy Chief of Staff, G-9,
HQDA DCS (DAIN-ZA)



SMA MICHAEL R. WEIMER, USA
Sergeant Major of the Army
(DACS/SM)



CMSAF DAVID A. FLOSI, USAF
Chief Master Sergeant
of the Air Force (AF/CCC)



MAJ GEN MICHAEL A. GREINER, USAF
Deputy Assistant Secretary of the
Air Force, Budget (SAF/FMB)



MG ROY J. MACARAEG, USA
Senior Military Advisor
(ASA-M&RA)



MG KELLY M. DICKERSON, USA
Commander, 84th Training Command
(FRTK-CG)



MR. HORACE L. "H.L." LARRY, SES
Director, Air Force Services
(HQ USAF/AIS)



MR. TODD L. REMINGTON, SES
Deputy Chief Human Capital Officer,
U.S. Space Force (HQ USSF/SI)



BRIG GEN TARA E. NOLAN, USAF
Mobilization Assistant to
the Commander, 12 AF
(AFSOUTH)/CC (MA)



MR. ANDREW K. WEAVER
Executive Secretary

Per Army Regulation 215-8/Department of the Air Force Instruction 34-110(I), the Secretary of the Army and the Secretary of the Air Force have oversight responsibility of the Army & Air Force Exchange Service Board of Directors and Exchange operations.

MILITARY COMMUNITY SUPPORT

VITAL NON-PAY BENEFIT

LARGEST

RETAILER IN THE
DEPARTMENT OF DEFENSE

SERVING THOSE WHO
SERVE SINCE

1895

30M

ELIGIBLE SHOPPERS

50TH ANNIVERSARY
VIETNAM WAR
**COMMEMORATIVE
PARTNER**



CEREMONIES TO HONOR
VIETNAM-ERA VETERANS ON
**NATIONAL VIETNAM
WAR VETERANS DAY**

SELF-SUSTAINING

THROUGH THE SALE OF
GOODS AND SERVICES

\$295M

DIVIDENDS

GIVEAWAYS, SWEEPSTAKES,
ACTIVITIES AND MORE
EVERY APRIL IN HONOR OF

**MONTH OF THE
MILITARY CHILD**

**TAX-FREE
SHOPPING**

**MILITARY-EXCLUSIVE
PRICING**

**LIFETIME
BENEFIT**

5M

ITEMS AT
SHOPMYEXCHANGE.COM

MISSION SUPPORT

640K

MILITARY UNIFORMS
OUTFITTED AT COST

49K

TROOPS SERVED IN
AUSTERE LOCATIONS

400+

FACILITIES IN
SOUTHWEST ASIA AND
EASTERN EUROPE

7

BAKERIES AND WATER PLANTS
FOR SAFE, QUALITY PRODUCTS
AT DOD AGENCIES

4.7M

BAKED GOODS
PRODUCED

3.4M

MEALS SERVED IN
DEPARTMENT OF DEFENSE
EDUCATION ACTIVITY SCHOOLS



VETERAN AND MILITARY SPOUSE EMPLOYMENT

45%

OF THE WORKFORCE REPRESENTS
VETERANS, MILITARY SPOUSES
OR DEPENDENTS

**13,808 VETERANS AND
50,985 MILITARY SPOUSES**

HIRED SINCE 2013

80%+

OF 25,000 ASSOCIATES
CONNECTED TO THE MILITARY

2,284

WOUNDED WARRIORS
HIRED SINCE 2010

RETAIL, RESTAURANTS AND SERVICES

ONLINE SHOPPING

INCLUDING PRIVILEGES FOR HONORABLY DISCHARGED VETERANS

30+

COUNTRIES AND NATIONWIDE

118

PXs AND BXs

163

MILITARY CLOTHING STORES

568

CONVENIENCE STORES (EXPRESSES, GAS STATIONS, TROOP STORES, SPECIALTY STORES, CLASS SIX)

369.4M

GALLONS OF FUEL DISPENSED

15M

SQUARE FEET OF RETAIL SPACE

4,376

MALL STORES AND KIOSKS, INCLUDING WELLNESS SERVICES LIKE DENTISTRY AND OPTOMETRY



EXCHANGE FOOD COURT — JOINT BASE LEWIS-MCCHORD

1,600+

RESTAURANTS

80+

RESTAURANTS OPENED IN 2024

81M

MEALS SERVED

212K

INTERNET SUBSCRIBERS SERVED DAILY

111K

SMARTPHONES ACTIVATED IN 2024

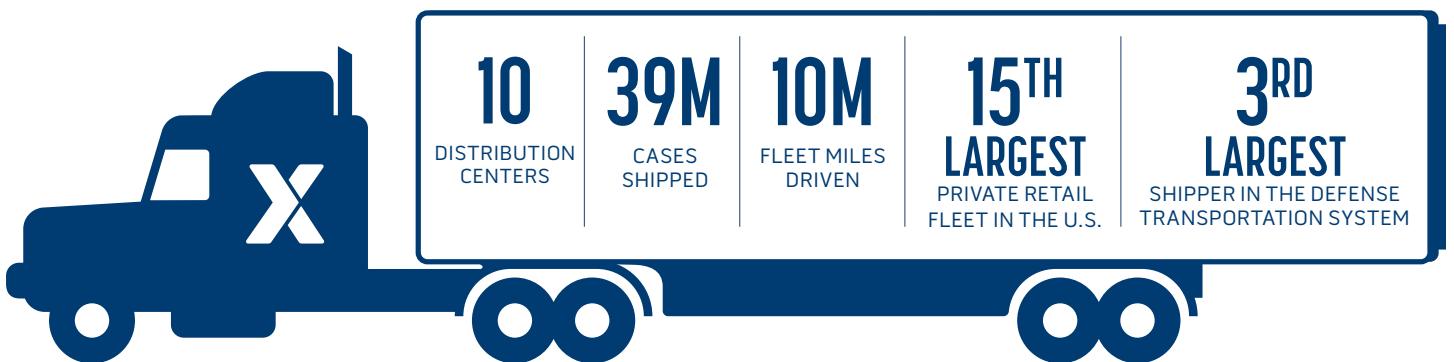
39

MOVIE THEATERS



MK AIR BASE — ROMANIA

WORLDWIDE LOGISTICS



TOTAL SUPPORT

100%

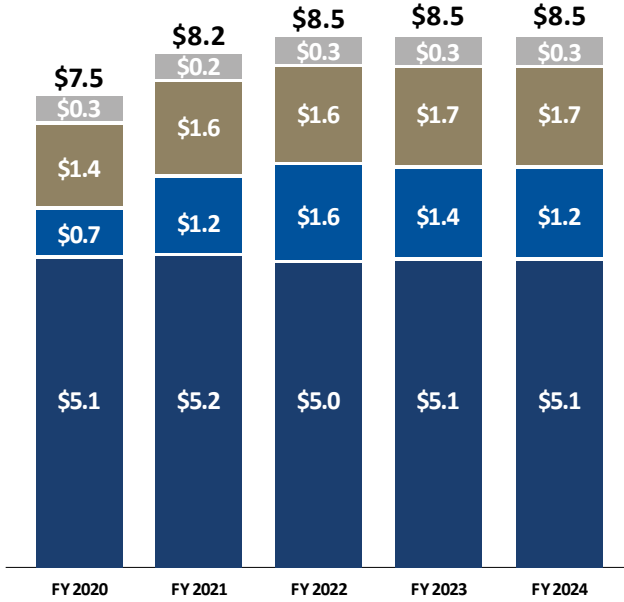
OF EARNINGS SUPPORT THE MILITARY COMMUNITY

\$15B+

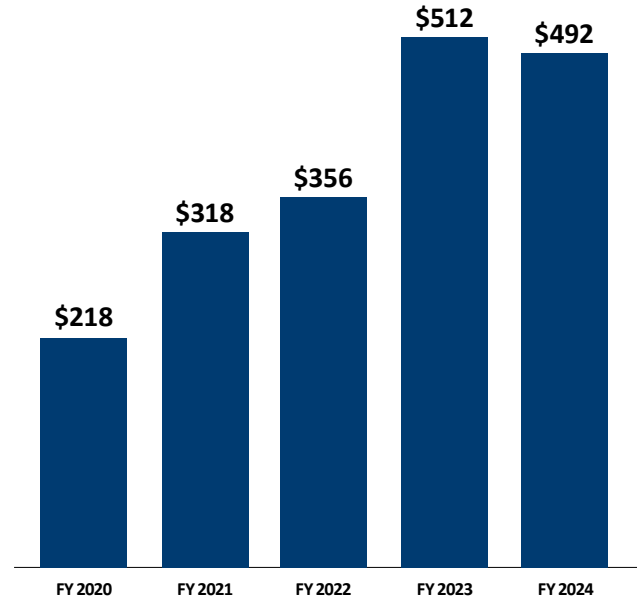
IN VALUE FOR THE MILITARY COMMUNITY IN THE LAST 10 YEARS

FINANCIAL HIGHLIGHTS

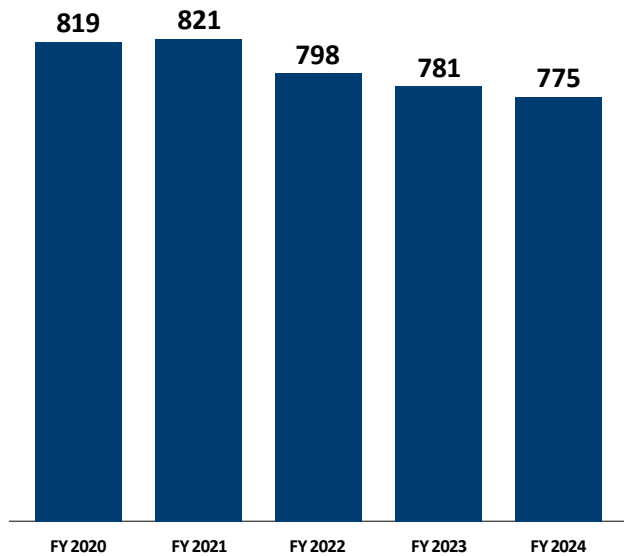
■ FINANCE REVENUE & OTHER INC.
■ CONCESSION SALES
■ GAS SALES
■ SALES EXCLUDING GAS



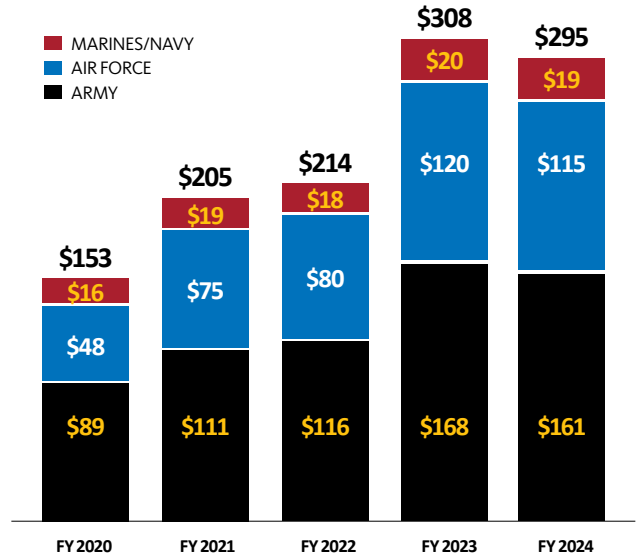
TOTAL REVENUE*
(\$ BILLIONS)



EARNINGS SUBJECT TO DIVIDENDS**
(\$ MILLIONS)



ACTIVE-DUTY ARMY, AIR FORCE & SPACE FORCE
(THOUSANDS)

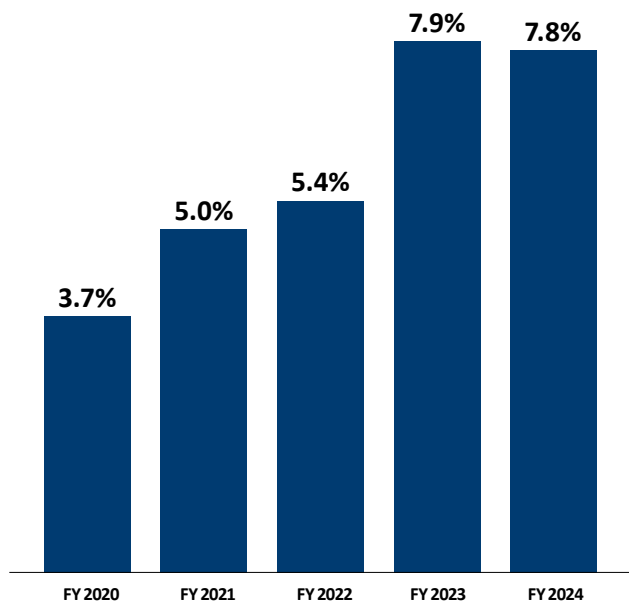


ARMY, AIR FORCE, MARINES/NAVY DIVIDENDS
(\$ MILLIONS)

* Total Revenue includes concession sales (non-GAAP measure).

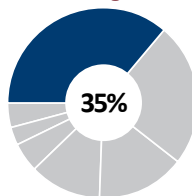
** Earnings Subject to Dividends and Earnings % of Sales reports show adjusted earnings pursuant to AAFES BoD dividend policy and exclude certain non-operating expenses

TOTAL 2024 REVENUE COMPOSITION

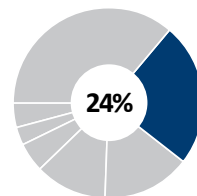


EARNINGS PERCENT OF SALES**

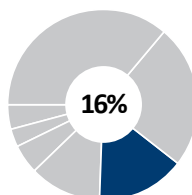
CONVENIENCE with gas



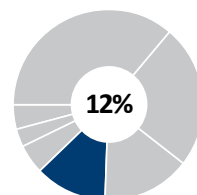
PX/BX



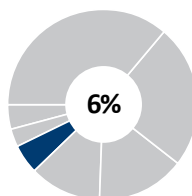
MALL



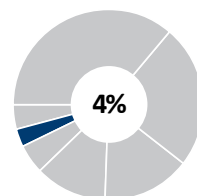
RESTAURANTS/FOOD (Direct and Concession)



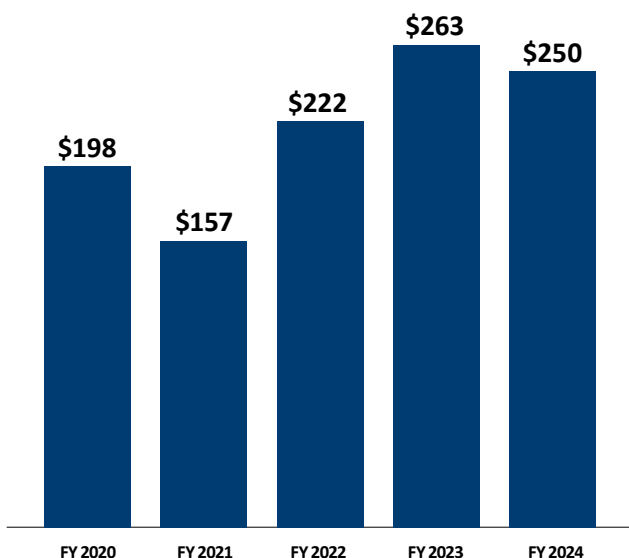
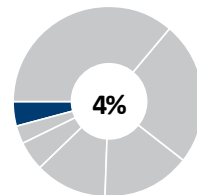
E-COMMERCE



MILITARY CLOTHING

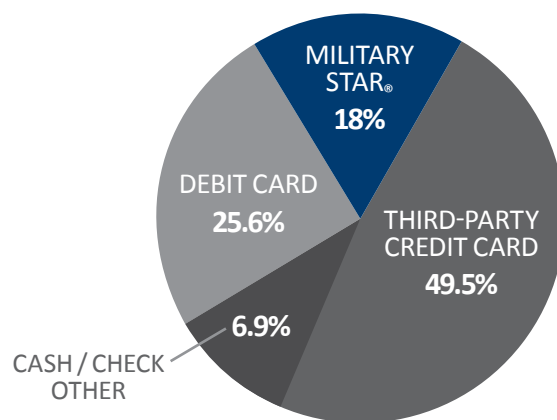


MILITARY STAR® Finance Revenue



**CAPITAL EXPENDITURES
(\$ MILLIONS)**

% SALES BY TENDER TYPE



CORPORATE RECOGNITIONS AND STANDINGS

**52ND
LARGEST**

U.S. RETAILER



**4-STAR
EMPLOYER**

2024

4TH STRAIGHT YEAR



AA- / A-1+

2024 RATING

LONG/SHORT TERM
WITH A STABLE OUTLOOK
COMPARABLE TO MAJOR RETAIL
STORES SUCH AS AMAZON,
COSTCO AND WALMART



BEST FOR VETS

EMPLOYER

11TH STRAIGHT YEAR



**NO. 1 MILITARY FRIENDLY[®]
SPOUSE EMPLOYER**

3RD STRAIGHT YEAR
12TH YEAR ON THE LIST

**MILITARY FRIENDLY[®]
EMPLOYER**

15TH YEAR



**NO. 1
VETERAN-FRIENDLY
COMPANY**

2024



72

**ASSOCIATE ENGAGEMENT
& JOB SATISFACTION RATING**

LEADING CIVILIAN RETAILERS ONCE AGAIN



**2024 CONTENT
MARKETING AWARDS**

WINNER

ANNUAL REPORT

HONORABLE MENTION

USE OF SOCIAL MEDIA



93

**CUSTOMER SATISFACTION
INDEX SCORE**

UP ONE POINT FROM 2023



SERVING AT THE TIP OF THE SPEAR

The Exchange lives its We Go Where You Go mission through mobile field Exchanges, small storefronts and imprest fund activities overseas.

EUROPE / NORTH AFRICA /
SOUTHWEST ASIA

16

EXERCISES

49K

TROOPS SUPPORTED

PACIFIC

34

EXERCISES

43K

TROOPS SUPPORTED

12

COUNTRIES
WITH
EXCHANGE-
SUPPORTED
EXERCISES



MOBILE FIELD EXCHANGE — BALTICS



ORIENT SHIELD — CAMP ZAMA, JAPAN

THE NEW MILITARY STAR CARD

A Mission-Essential Benefit



- \$330M** from APR savings vs. industry
- \$39M** given in rewards
- \$31M** avoided in merchant fees
- \$25M** cardmember late fees avoided
- \$24M** from 0% finance offers
- \$8M** saved from first-day discount
- \$8M** saved from everyday food, fuel, restaurant and shipping discounts
- \$7M** saved through interest-free Military Clothing plans
- \$1M** in value from the reduced-interest deployment policy

NEW CARD BENEFITS AND MILESTONES

- Tap-to-pay capability
- Secure EMV chip for simpler, safer checkout
- Mobile wallet options
- 1.5 million new cards issued before Veterans Day
- Acceptance across installations beyond exchanges and commissaries, including restaurants, concessionaires, Morale, Welfare and Recreation activities and more

IMPROVING THE CUSTOMER EXPERIENCE

The Exchange expanded its national-brand assortment in stores and online, including a collaboration with Bass Pro Shops to offer the outdoor company's proprietary camping and fishing gear, as well as apparel, at ShopMyExchange.com.

Nearly 300 direct-to-consumer suppliers were added to ShopMyExchange.com in 2024, with more than 6 million tax-free items.

The Exchange curates the assortment to more quickly respond to shoppers' needs and preferences.

2024 LAUNCHES



2024 EXPANSIONS



LAUNCHING IN 2025



To be named the official outdoor gear provider for the Army & Air Force Exchange Service makes this one of the proudest days in the history of our company.

JOHNNY MORRIS
BASS PRO SHOPS FOUNDER
AND NOTED CONSERVATIONIST

MISSION-ESSENTIAL INVESTMENTS IN THE SHOPPING EXPERIENCE

Exchange construction and projects improve the Quality of Life for the military community. In 2024, installation-level capital investments of \$164 million included more than 20 new and upgraded Express stores as well as PX, BX and shopping center projects.



FORT IRWIN MOJAVE EXPRESS



OSAN AIR BASE EXPRESS



FORT EISENHOWER TROOP STORE



FORT HUNTER LIGGETT TROOP STORE



FORT BRAGG GLIDER EXPRESS



SCHOFIELD BARRACKS



The fact that the Exchange continues to be with us, even when it's hard, is a testament to their commitment. When the Exchange says, 'We Go Where You Go,' they absolutely mean that and live that.

MAJ. GEN. CURTIS TAYLOR
FORT IRWIN COMMANDING GENERAL

EXPANDING 24/7 CONVENIENCE

The Exchange greatly expanded its number of self-serve stores in 2024. These fully automated stores offer convenience and flexibility, often to customers who are in a remote part of their installation or work second or third shifts. The stores offer salads, protein bars, fresh fruit, snacks, hot and cold beverages and more.

217

ADDED IN 2024

650+

OVERALL

50+

PLANNED FOR 2025



SEMBACH KASERNE — GERMANY



“ This will be a mutually beneficial relationship. For many years our heritage committees and individual shops have been responsible for providing snacks and food for our guys. It was an easy decision to partner with the Exchange when they have an innovative solution to provide those services. ”

LT. COL. SETH CONNELL

MAINTENANCE SQUADRON COMMANDER
189TH AIRLIFT WING — LITTLE ROCK AFB

BEST TASTES OF HOME

Nearly 40 name-brand restaurants opened in 2024, adding to a portfolio of more than 1,400 food court and stand-alone restaurants worldwide.

SERVING UP

\$973M

2024 SALES

81M

TRANSACTIONS

\$13M

DOORDASH SALES

600K

DOORDASH ORDERS

2024 EXPANSIONS



8

QDOBA

5

Panera
BREAD®

3



2

NEW IN 2024



BUFFALO WILD WINGS GO — FORT RILEY, KANSAS



CUPBOP KOREAN BBQ IN A CUP — HILL AIR FORCE BASE, UTAH

MISSION-ESSENTIAL CONVENIENCE

Food services expanded in Expresses, with 45 opening in 2024. The new locations saw more than \$7.3 million in orders for the year. These included the first Express Kitchen, intended for smaller Expresses. These options, which include Hunt Brothers Pizza, Chopz, Hot Stuff Kitchen and Paavos Pizza, brought in \$54 million in 2024—a 35% increase over the previous year.



PULASKI EXPRESS HOT STUFF KITCHEN — KAISERSLAUTERN, GERMANY

45

OUTLETS ADDED
IN 2024

197

TOTAL OPTIONS
AT EXPRESSES



HUNT BROTHERS PIZZA GRAND OPENING — CAMP FUJI, JAPAN

\$54M

2024 SALES

35%

INCREASE FROM
PREVIOUS YEAR

MISSION-ESSENTIAL CONNECTIVITY



The Exchange added 80 cellular towers at seven installations during 2024, as it aggressively works to increase its telecom presence and provide a significant Quality-of-Life enhancement for military communities.

212K+

INTERNET SUBSCRIBERS
SERVED DAILY

111K+

SMARTPHONES
ACTIVATED WORLDWIDE
IN 2024

14

CELL TOWERS
ADDED IN 2024

66

SMALL CELLS
ADDED IN 2024

20

CELL TOWERS
PLANNED FOR 2025

5

SMALL CELLS
PLANNED FOR 2025



“ This [cell tower groundbreaking] milestone is a significant step forward in enhancing Quality of Life for our Soldiers, DA civilians and their families, providing faster, more reliable connectivity across our installation. Together, we're building a stronger, more connected community for those who serve. ”

COL. LAKICIA STOKES
GARRISON COMMANDER
FORT CAVAZOS

EXPANDING HEALTHCARE SERVICES

The Exchange has nearly 300 health-and-wellness services, building on a 40-year legacy of healthcare services for active-duty troops, family members, retirees, and service-connected disabled Veterans and Department of Defense civilians.

HEALTH & WELLNESS AT A GLANCE



1.3M+

PATIENTS IN 2024



275

HEALTH AND WELLNESS LOCATIONS



133

OPTICAL AND OPTOMETRY CENTERS



34

DURABLE MEDICAL EQUIPMENT SHOPS



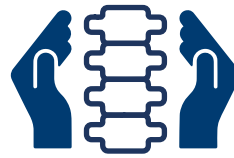
79

NUTRITION CENTERS



26

DENTAL OFFICES



2

CHIROPRACTIC CLINICS



1

CRYOTHERAPY CLINIC



U.S. ARMY GARRISON HUMPHREYS — SOUTH KOREA



FORT DRUM OPTICAL CENTER — NEW YORK

MISSION-ESSENTIAL STORM SUPPORT



MOBILE FIELD EXCHANGE — FORT EISENHOWER, GEORGIA

Exchange teams keep military communities prepared during hurricane season by strengthening the inventory of high-demand supplies and responding quickly when severe weather strikes. When Hurricanes Helene and Milton struck the southeast U.S. in late September and October, Exchanges at installations in Georgia and Florida moved fast to provide support.

FORT EISENHOWER

Hurricane Helene hit on a weekend. By Monday, Exchange food-trucks were serving customers. By Tuesday, a mobile field Exchange was onsite supporting nearly 5,000 Advanced Individual Training students and more than 7,000 family members without power or water.

MACDILL AFB

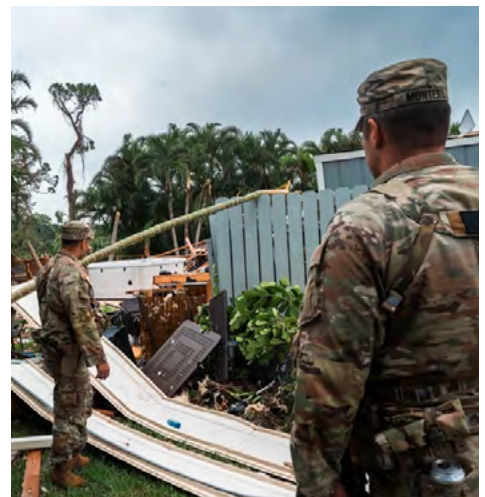
During Hurricane Milton, the Exchange delivered 34,000 gallons of unleaded gasoline to MacDill—when more than 75% of the gas stations in the Tampa-St. Petersburg area were without fuel.

MOODY AFB

During and after Hurricane Helene, many facilities endured power failures that led to food losses, as well as delivery delays because of poor road conditions. The Moody Express in Georgia opened using a generator, and for a time was the only store open on the installation.

PATRICK SFB

A waterspout spawned by Hurricane Milton damaged the roof of the Patrick Express, causing water damage inside the store. Customers, who were not allowed in the store, lined up outside. A store manager took orders and brought the products to the customers, who paid outside.



HURRICANE MILTON — FORT PIERCE, FLORIDA



MOBILE FIELD EXCHANGE — FORT EISENHOWER

HIRING VETERANS AND MILITARY SPOUSES



Since 2013, the Exchange has hired nearly 65,000 Veterans and military spouses, leveraging their valuable experience.

Providing career opportunities for military spouses supports military recruiting and retention. Exchange careers are portable, improving the Quality of Life for military families as associates build toward retirement.



“It’s all about our military lives and the civilians who share that life and everyone in between. Whether they’re customers or associates, we’re all together in this community.”

VANESSA GARZA
MILITARY SPOUSE
REPLENISHMENT/INVENTORY ANALYST
EXCHANGE HEADQUARTERS — DALLAS



“I love it when I can say that I work for the Exchange and that I’m a service member. When I walk into an Exchange, they’re serving me, and by the same token, I’m serving the military.”

JIOVANY GARZA
TEXAS NATIONAL GUARD
MANAGER
DISTRIBUTION CENTER — WACO, TEXAS



“The Exchange has absolutely changed my life. As a military spouse, I feel proud and valued working here. It’s truly a workplace that respects and appreciates my contributions.”

VERONICA KIM
SPOUSE OF ARMY RESERVIST
SENIOR GRAPHIC DESIGNER
EXCHANGE HEADQUARTERS — DALLAS



“The Exchange is more than just a workplace—it’s a mission with heart. For Veterans, it offers the opportunity to continue serving, stay connected to the military community and be part of something bigger than themselves. It’s a place where your experience matters, your purpose is renewed and your contributions make a lasting impact.”

MARCIA RHODES
AIR FORCE VETERAN
STRATEGIC MARKETING MANAGER
EXCHANGE HEADQUARTERS — DALLAS



“When I got out of the Army, I really wanted to keep serving in some capacity. This organization and my roles in it have always been about supporting the Warfighter.”

JOSH SAMUELS
ARMY VETERAN
VICE PRESIDENT, HARDLINES
EXCHANGE HEADQUARTERS — DALLAS

MISSION-ESSENTIAL STRATEGIC COLLABORATIONS

MILITARY RESALE JOINT BUYING ALLIANCE



\$117.4M

TOTAL COST OF
GOODS SOLD / MARGIN IMPACT
SINCE 2019

\$137.4M

TOTAL CUSTOMER SAVINGS
SINCE 2019

\$254.8M

TOTAL SAVINGS
SINCE 2019

Military exchanges and the Defense Commissary Agency (DeCA) entered the sixth year of the Military Resale Joint Buying Alliance, which leverages buying power and resale experience to benefit customers. The alliance looks for new ways of strengthening exchange and commissary benefits through exceptional value, exclusive pricing and more. The alliance is a unique strategic advantage only available to military resale. Each entity is substantively a subsidiary of a single owner, the Department of Defense, and can share cost, allowance, and terms information without violating antitrust laws.

COLLABORATIVE EVENTS

The exchanges and DeCA continued a tradition that began in 2020 with Veterans Day joint events. Other collaborations among the teams include National Vietnam War Veterans Day ceremonies in March, Month of the Military Child in April, the MILITARY STAR Your Holiday Bill is On Us sweepstakes and more.



SGT. MAJ. ASHLEY IKEGWONU, EXCHANGE EUROPE/SWA REGION SENIOR ENLISTED ADVISOR, HONORS RETIRED ARMY SFC JOHNNIE WOODS — KMCC



RETIRED STAFF SGT. JAMES MABRY HAD HIS BILL PAID OFF — FORT EISENHOWER

MILITARY RELIEF FUNDS



Since 2017, the Exchange has collaborated with Army Emergency Relief and the Air Force Assistance Fund to allow shoppers to donate at the register or online. The Exchange's partnership with the Navy-Marine Corps Relief Society allowed Pacific region shoppers to donate to the relief fund at PX, BX, Express registers and at ShopMyExchange.com. During June, the Exchange offered a special option in honor of the Army's 249th birthday, allowing shoppers to make a \$2.49 donation to Army Emergency Relief at the register.

\$2.7M

DONATED IN FY24

\$11.8M

DONATED SINCE 2017

SUPPORTING VETERANS AND MILITARY FAMILIES

The Exchange partners with organizations to increase employment opportunities for military spouses and Veterans, including Veteran Jobs Mission; Private Public Partnership; Veterati; Military Spouse Employment Partnership; Employer Support of the Guard and Reserve; Applied Development LLC; and Still Serving Veterans.



MILITARY ONESOURCE COLLABORATION



950K

RADIO ADS
AIRED

258K

VIEWS ACROSS
14 WEEKLY SALES FLYERS

30+

MILITARY ONESOURCE
SOCIAL MEDIA POSTS

The Exchange began collaborating with Military OneSource to share messaging via sales flyers, the in-store radio network and social media at no additional cost. Information shared is specific to Military OneSource's resources for PCS and navigating military life. Military OneSource also shared Exchange content related to PCS, the MILITARY STAR card and expanded shopping benefits for Common Access Card holders.

BENEFIT IN ACTION





8



9



10



11

1 Kadena BX joined Exchanges worldwide in celebrating the Exchange's 129th anniversary in July. 2 Beale AFB BX honored our Nation's youngest heroes during the Month of the Military Child in April. 3 Air Force Junior Reserve Officers' Training Corps students at Yokota Air Base got hands-on experience at the Yokota bakery during an Exchange immersion tour. 4 Veterans entered the Wiesbaden Exchange on Veterans Day, when Exchanges worldwide honored those who have served with a challenge coin giveaway. 5 Student workers ages 14-18 gained retail experience and a paycheck under the USAG Humphreys Exchange summer hire program. 6 For more than 20 years, the Exchange has delivered thousands of boxes of cookies to Europe, Japan and Korea to help the Girl Scouts, including at Camp Schwab in Japan. The Scouts improve troop morale with a taste of home. 7 Since 1955, the Exchange has provided nutritious school meals for Department of Defense Education Activity schools overseas, including Kaiserlautern High School in Germany. 8 During the annual BMT Extravaganza at the JBSA-Lackland AFB Exchange, trainees who usually can't leave their dorms were brought to the store for a day of holiday shopping. During the event, the Exchange social media team produced a Facebook Live that gave trainees the opportunity to send virtual greetings to loved ones. 9 Ana E. Avila, a fourth grader at Bayamon Military Academy in Puerto Rico, won first place in the Exchange's worldwide You Made the Grade sweepstakes. The program celebrates military students' academic achievements and resilience. 10 Space Force Tech Sgt. Chase Tamborello, with wife Myranda Faltyssek and Ramstein AB Exchange Main Store Manager Brian Smith, won a grand prize in the MILITARY STAR card's seventh-annual Home for the Holidays sweepstakes. The grand-prize winners—one from each military branch—each received \$5,000. 11 Exchanges worldwide, including the RAF Mildenhall BX, commemorated National POW/MIA Recognition Day on Sept. 20.

QUALITY-OF-LIFE FORCE MULTIPLIER



LTG (R) ARTHUR GREGG

During an on-field ceremony at the 125th Army-Navy Game, the Exchange honored the late Lt. Gen. Arthur Gregg with the fourth-annual Quality-of-Life Force Multiplier Award. Gregg's daughter Alicia Collier and granddaughter Avery Collier accepted the award, which honors those who have made significant contributions to Warfighters and their families.

During the 1970s, Gregg commanded the then-European Exchange System, greatly expanding the breadth of goods and services. Gregg finished his 35-year career as the Army's deputy chief of staff for logistics, overseeing support services around the world. He passed away in August in Richmond, Virginia.





EXCHANGE

**MISSION-ESSENTIAL
SUPPORT**

FINANCIAL STATEMENTS

Army and Air Force Exchange Service
Years Ended February 1, 2025 and February 3, 2024
With Report of Independent Auditors



The better the question.
The better the answer.
The better the world works.



Shape the future
with confidence

Army and Air Force Exchange Service

Financial Statements

Years Ended February 1, 2025 and February 3, 2024

Contents

Report of Independent Auditors.....1

Report of Independent Auditors on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*4

Financial Statements

Balance Sheets6

Statements of Earnings8

Statements of Comprehensive Income.....9

Statements of Changes in Net Assets.....10

Statements of Cash Flows.....11

Notes to Financial Statements.....12



Ernst & Young LLP
One Victory Park
Suite 2000
2323 Victory Avenue
Dallas, TX 75219

Tel: +1 214 969 8000
Fax: +1 214 969 8587
ey.com

**Shape the future
with confidence**

Report of Independent Auditors

The Board of Directors
Army and Air Force Exchange Service

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Army and Air Force Exchange Service (the Exchange), which comprise the balance sheets as of February 1, 2025 and February 3, 2024, and the related statements of earnings, comprehensive income, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Exchange at February 1, 2025 and February 3, 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards 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 the Exchange and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.



**Shape the future
with confidence**

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 the Exchange's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to 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 conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement 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 are considered 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 and *Government Auditing Standards*, 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 the 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 the Exchange's internal control. 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Exchange's ability to continue as a going concern for a reasonable period of time.



**Shape the future
with confidence**

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 audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2025 on our consideration of the Exchange's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over financial reporting and compliance.

Ernst + Young LLP

May 21, 2025



Ernst & Young LLP
One Victory Park
Suite 2000
2323 Victory Avenue
Dallas, TX 75219

Tel: +1 214 969 8000
Fax: +1 214 969 8587
ey.com

**Shape the future
with confidence**

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Management and Audit Committee
Army and Air Force Exchange Service

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Army and Air Force Exchange Service (the Exchange), which comprise the balance sheet as of February 1, 2025, and the related statements of earnings, comprehensive income, changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated May 21, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Exchange’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Exchange’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Exchange’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.



**Shape the future
with confidence**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Exchange's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

May 21, 2025

Army and Air Force Exchange Service

Balance Sheets

(Dollars in Thousands, Unless Otherwise Noted)

	February 1, 2025	February 3, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,814	\$ 115,572
Trade and other accounts receivable, less allowance for uncollectible accounts of \$36,231 and \$32,661 at February 1, 2025 and February 3, 2024, respectively	2,557,853	2,521,172
Merchandise inventories	1,089,294	1,235,092
Short-term investments	54,290	57,730
Supplies and other current assets	139,094	135,073
Total current assets	4,008,345	4,064,639
Property and equipment:		
Buildings and improvements	3,377,888	3,282,189
Fixtures and equipment	1,392,861	1,347,574
Construction-in-progress	158,024	165,947
Total property and equipment, gross	4,928,773	4,795,710
Less accumulated depreciation	(3,367,490)	(3,237,415)
Total property and equipment, net	1,561,283	1,558,295
Operating lease right-of-use assets	9,971	12,290
Other assets	599	871
Overfunded retirement plans	2,426,538	1,939,131
Long-term investments and supplemental plan assets	27,024	24,578
Total assets	\$ 8,033,760	\$ 7,599,804

	February 1, 2025	February 3, 2024
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 395,101	\$ 428,300
Commercial paper and current maturities of long-term debt	25,000	146,255
Accrued salaries and other employee benefits	140,576	188,767
Dividends payable	53,764	86,980
Operating lease liabilities	2,009	2,283
Other current liabilities	209,847	198,383
Total current liabilities	<u>826,297</u>	<u>1,050,968</u>
Long-term debt, less current portion	—	—
Noncurrent operating lease liabilities	7,962	10,007
Accrued pension and other benefits	27,876	31,057
Other noncurrent liabilities	55,955	71,465
Total liabilities	<u>918,090</u>	<u>1,163,497</u>
Net assets:		
Accumulated other comprehensive gain (loss):		
Pension and postretirement benefit liability	331,676	135,396
Derivative instruments	(1,911)	(715)
Total accumulated other comprehensive gain	<u>329,765</u>	<u>134,681</u>
Retained earnings	6,785,905	6,301,626
Total net assets	<u>7,115,670</u>	<u>6,436,307</u>
Total liabilities and net assets	<u>\$ 8,033,760</u>	<u>\$ 7,599,804</u>

See accompanying notes.

Army and Air Force Exchange Service

Statements of Earnings

(Dollars in Thousands, Unless Otherwise Noted)

	Year Ended	
	February 1, 2025	February 3, 2024
Net sales	\$ 6,239,037	\$ 6,446,116
Finance revenue	322,311	327,759
Concession revenue	245,319	229,362
Other revenue	43,070	37,168
Total revenue	6,849,737	7,040,405
Cost of sales and operating expenses:		
Cost of goods sold	4,703,686	4,861,762
Selling, general, and administrative:		
Employee compensation and benefits	998,453	962,784
Depreciation and amortization	239,453	247,264
Other	512,228	559,018
Total selling, general, and administrative expenses	1,750,134	1,769,066
Interest income	(7,332)	(2,939)
Bad debt expense	20,656	23,790
Total expenses	6,467,144	6,651,679
Operating income	382,593	388,726
Other income	17,377	15,239
Non-service pension and postretirement income	378,845	418,170
Net earnings	\$ 778,815	\$ 822,135

See accompanying notes.

Army and Air Force Exchange Service

Statements of Comprehensive Income (Dollars in Thousands, Unless Otherwise Noted)

	Year Ended	
	February 1, 2025	February 3, 2024
Net earnings	\$ 778,815	\$ 822,135
Other comprehensive income (loss):		
Reclassification of unrealized loss on derivative instruments to earnings	(1,196)	(3,146)
Pension and postretirement benefits adjustments:		
Actuarial gain arising during the period	110,813	19,302
Amortization of net loss	85,467	85,714
Other comprehensive income	195,084	101,870
Comprehensive income	\$ 973,899	\$ 924,005

See accompanying notes.

Army and Air Force Exchange Service

Statements of Changes in Net Assets (Dollars in Thousands, Unless Otherwise Noted)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Net Assets
Balance at January 28, 2023	\$ 5,787,078	\$ 32,811	\$ 5,819,889
Net earnings	822,135	–	822,135
Pension and postretirement benefits adjustments	–	105,016	105,016
Reclassification of unrealized loss on derivative instruments to earnings	–	(3,146)	(3,146)
Dividends to the Central Welfare Funds, Departments of the Army, the Air Force, the Navy, and the Marine Corps	<u>(307,587)</u>	–	<u>(307,587)</u>
Balance at February 3, 2024	6,301,626	134,681	6,436,307
Net earnings	778,815	–	778,815
Pension and postretirement benefits adjustments	–	196,281	196,281
Reclassification of unrealized loss on derivative instruments to earnings	–	(1,196)	(1,196)
Dividends to the Central Welfare Funds, Departments of the Army, the Air Force, the Navy, and the Marine Corps	<u>(294,537)</u>	–	<u>(294,537)</u>
Balance at February 1, 2025	<u>\$ 6,785,905</u>	<u>\$ 329,765</u>	<u>\$ 7,115,670</u>

See accompanying notes.

Army and Air Force Exchange Service

Statements of Cash Flows (Dollars in Thousands, Unless Otherwise Noted)

	Year Ended	
	February 1, 2025	February 3, 2024
Operating activities		
Net earnings	\$ 778,815	\$ 822,135
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	263,519	274,434
Loss on supplemental pension plan assets	2,930	2,636
Bad debt expense	20,656	23,790
Change in operating assets and liabilities:		
Accounts receivable	(57,337)	(71,374)
Merchandise inventories	145,798	(80,174)
Supplies and other assets	(1,430)	(27,234)
Pension assets and liabilities	(299,316)	(329,211)
Long-term investments and supplemental plan assets	(2,930)	(2,636)
Accounts payable	(34,096)	41,233
Accrued salaries and other employee benefits	(48,490)	14,173
Other liabilities	(1,354)	(15,104)
Net cash provided by operating activities	<u>766,765</u>	<u>652,668</u>
Investing activities		
Purchases of property and equipment	(266,510)	(272,533)
Proceeds from the sale of property and equipment	-	13,434
Purchases of investments	(48,740)	(98,869)
Proceeds from the disposition of investments	49,735	98,539
Net cash used in investing activities	<u>(265,515)</u>	<u>(259,429)</u>
Financing activities		
Proceeds from line-of-credit and commercial paper agreements	1,071,315	1,761,357
Payments from line-of-credit and commercial paper agreements	(1,186,315)	(1,871,357)
Payment of long-term debt	(6,255)	(7,987)
Payment of dividends	(327,753)	(289,155)
Net cash used in financing activities	<u>(449,008)</u>	<u>(407,142)</u>
Net increase (decrease) in cash and cash equivalents	52,242	(13,903)
Cash and cash equivalents at beginning of year	115,572	129,475
Cash and cash equivalents at end of year	<u>\$ 167,814</u>	<u>\$ 115,572</u>

See accompanying notes.

Army and Air Force Exchange Service

Notes to Financial Statements *(Dollars in Thousands, Unless Otherwise Noted)*

February 1, 2025

1. Description of Business and Summary of Significant Accounting Policies

General

The Army and Air Force Exchange Service (the Exchange) is a joint non-appropriated fund instrumentality of the United States (U.S.) organized under the Departments of the U.S. Army and the U.S. Air Force. The Exchange provides retail services (including e-commerce, food, fuel and other offerings) to soldiers, airmen, and their families through a network of stores located on U.S. government installations in the U.S., Europe, the Pacific Rim, and the Middle East. In addition to providing merchandise and services of necessity and convenience to authorized patrons at competitively low prices, the Exchange's mission is to generate reasonable earnings to supplement APF for the support of Army and Air Force morale, welfare, and recreation programs. The Exchange maintains custody of and control over its non-appropriated funds (NAFs). Funds that are not distributed as dividends are reinvested in the Exchange's operations. The Exchange is exempt from direct state taxation and from state regulatory laws. Such laws include licensing and price control statutes.

The Exchange utilizes accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to "for-profit" organizations because of the nature of its commercial-type operations. The Exchange's financial statements include the operations of all Exchange activities worldwide.

Fiscal Year

The Exchange's fiscal year-end is the Saturday nearest January 31. Fiscal year 2024 and fiscal year 2023 herein correspond to the fiscal years ended February 1, 2025 and February 3, 2024, respectively.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Net sales by geographic region are summarized below:

	Year Ended	
	February 1, 2025	February 3, 2024
Continental U.S., including Alaska	\$ 4,256,464	\$ 4,412,923
Europe, primarily Germany	907,875	661,902
Pacific Rim	630,004	938,784
Middle East	138,667	135,448
Other countries	306,026	297,059
Total net sales	\$ 6,239,037	\$ 6,446,116

Appropriated Funds

In accordance with applicable U.S. Army and Air Force regulations and other Department of Defense instructions, the Exchange is not required to pay rent for the use of properties owned by the U.S. government or utility costs associated with overseas exchanges and contiguous U.S. (CONUS) facilities; however, the Exchange will pay for CONUS utilities only when it has verified that appropriated funds (APF) are not available. Permanent structures that are constructed by the Exchange and paid for from Exchange funds become the property of the U.S. government. These structures cannot be used for purposes other than those of the Exchange purposes without prior approval by the Exchange Director/Chief Executive Officer and the appropriate department of the U.S. government. As such, the Exchange has included the cost of the structures on its balance sheets and depreciates them on a straight-line basis over their estimated useful lives. Services, such as ocean transportation of merchandise to certain locations on U.S. chartered vessels and performance of administrative and supervisory functions by military personnel, have been provided without charge to the Exchange.

Management has estimated the value of transportation costs paid by the U.S. government for Exchange materials shipped to and from overseas Exchange facilities (excluding the Middle East) to be approximately \$89,205 and \$96,609 for fiscal years 2024 and 2023, respectively. In addition, Middle East transportation costs of \$6,186 and \$8,767 were paid by the U.S. government for fiscal years 2024 and 2023, respectively.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

The Exchange receives reimbursements from the U.S. government for certain incremental costs incurred in providing support to operations within the United States Central Command (CENTCOM) area of responsibility. APF reimbursements are recorded when an incremental cost that qualifies for reimbursement has been incurred and reimbursement by responsible agency is probable. APF reimbursement receivables are classified as trade and other accounts receivable on the accompanying balance sheets and are recorded as offsets to the related expenses (as described below) on the statement of earnings. In fiscal years 2024 and 2023, the Exchange recorded APF reimbursements of \$14,944 and \$14,605, respectively. These amounts include incremental costs-related to inventory markdowns and shortages, personnel costs, in-theater transportation, and other expenses.

In compliance with the Biden Administration's Executive Order 14003, "Protecting the Federal Workforce," which directed the Office of Personnel Management was directed, under, all special salary and wage rate authorities in title 5, to implement a \$15 minimum wage for all federal employees, effective January 31, 2022. Since implementation, the Exchange has worked in close coordination with the Under Secretary of Defense for Personnel and Readiness, as well as the Office of the Comptroller's office, to secure APF support. In fiscal year 2024, the Exchange recognized \$90,544 in APF support, which is included in accrued salaries and other employee benefits on the balance sheet. The APFs received have no associated commitments or contingencies.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and notes. Key estimates made by Exchange management include the level of allowance needed for potentially uncollectible accounts receivable, discount rates, long-term rate of return on assets, health care trend assumptions, and mortality assumptions used to determine obligations associated with pension plans and postretirement benefit plans.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

In pension accounting, the most significant actuarial assumptions are the discount rate, the long-term rate of return on plan assets, health care trend assumptions, and mortality rates. In determining the long-term rate of return on plan assets, the Exchange considers the nature of the plans' investments, an expectation of the plans' investment strategies, and the expected rate of return. Pension assets include investments in limited partnerships; real estate properties; and private equity, timber, agriculture, and debt, which do not have readily available market values. These investments are valued based on amounts reported to management by the respective general partners, investment managers, or appraisers, using net asset value as a practical expedient for fair value or an equivalent measure. See Note 5 for additional information about benefit plans.

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents represent cash on hand in stores, deposits in banks, and third-party credit card receivables, which generally are collected within a week. Cash and cash equivalents are carried at cost, which approximates fair value.

The Exchange's short-term investment portfolio consists of U.S. Treasury Bill and US Treasury Note classified as available-for-sale, with unrealized gains and losses reported in other comprehensive income. Investments reported on the balance sheet are measured at fair value.

Accounts Receivable, Finance Revenue, and Allowance for Credit Losses

As of February 1, 2025 and February 3, 2024, \$2,167,545 and \$2,148,854, respectively, of the Exchange's accounts receivable balance represents amounts due from cardholders under its in-house credit program, the MILITARY STAR[®] Card. The MILITARY STAR[®] Card program extends credit to eligible Exchange customers for the purchase of retail goods and services at Exchange activities worldwide.

Minimum payments are calculated based on 1% of the unpaid balance plus accrued interest charges based on the unpaid balance as of the closing date for the billing cycle. These payments are applied in accordance with the Credit CARD Act of 2009.

Concentrations of credit risk, related to customer accounts receivable, are limited due to the large and geographically dispersed customer base associated with the MILITARY STAR[®] Card program. The Exchange believes the carrying amount of existing customer receivables approximated its fair value due to the short-term nature of those receivables.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The Exchange's trade and accounts receivable balance also includes \$139,310 and \$138,100 in receivables from the Marine Exchange for outstanding Marine MILITARY STAR[®] Card balances and related processing fees as of February 1, 2025 and February 3, 2024, respectively.

Finance revenue is calculated based upon the customer's outstanding account balance during the period after the applicable grace period, typically 30 days following the billing date. The finance rate charged is a variable interest rate calculated based on a fixed rate above the U.S. prime rate reported in *The Wall Street Journal*. The standard annual percentage rate for retail purchases was 14.49% and 15.49% as of February 1, 2025 and February 3, 2024, respectively. Beginning at 90 days past due, the delinquency rate of 22.49% applies. Finance revenue is recorded unless an account balance has been without any activities on individual accounts for an extended period of time, generally 150 days. Customer receivables past due 90 days or more and still accruing interest were approximately \$36,592 and \$39,624 as of February 1, 2025 and February 3, 2024, respectively.

Accounts past due for 30 days or more are considered delinquent. Accounts delinquent for 150 days are placed on nonaccrual status whereby finance income is no longer accrued or submitted to the Exchange's collection department. The Exchange utilizes various means to collect past-due accounts, as well as nonaccrual status accounts, including some methods not available to other commercial credit card financial institutions. The Exchange has agreements with other U.S. government entities that allow the Exchange to garnish wages of service personnel, as well as claim the debtors' future payments from such U.S. government entities, including U.S. Treasury income tax refunds. Personal contact, external collection agencies, and letters to service personnel superiors are also used to pursue delinquent accounts. The outstanding receivables related to accounts previously charged off (previously submitted to the collection department) were \$147,626 and \$136,771 at February 1, 2025 and February 3, 2024, respectively. These accounts are at least 150 days past due and are generally outstanding for one to five years.

The Exchange's credit card portfolio consists of smaller-balance, homogeneous loans. Due to the homogeneous nature of the credit card portfolios, a provision for credit loss is recorded related to the Exchange's current credit card portfolio based on a percentage of total projected charge-offs that are considered uncollectible.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

The Exchange periodically evaluates the adequacy of the allowance using such factors as prior account loss experience, changes in the volume of the account portfolio, changes in the estimates of anticipated recoveries on delinquent or written-off balances, and changes in credit policy. Effective January 29, 2023, the adoption of the new credit loss accounting standard requires the Exchange to incorporate current and future economic conditions as well as external qualitative factors, which might increase or decrease the reserves for credit losses on the account portfolio.

These factors were considered in establishing the Exchange's allowance for credit losses, and the net receivable related to accounts previously written off as of February 1, 2025 and February 3, 2024. It is reasonably possible that the amounts the Exchange will ultimately recover on delinquent balances could differ materially in the near term from the amounts assumed in arriving at the allowance for credit losses and net receivable related to accounts previously written off. Bad debt expense of \$20,656 recorded in fiscal year 2024 is primarily related to the Exchange's current credit card portfolio. This is compared with \$23,790 in bad debt expense recorded in fiscal year 2023.

With respect to accounts previously written off, the Exchange records and evaluates collectability of a net receivable using a portfolio approach pooled by year based on estimated probable recoveries. Finance income and cash collections are applied to outstanding balances until 100% of the net receivables from each portfolio year have been collected. Subsequent cash collections in excess of amounts previously charged off are recorded as finance revenue upon collection. Collections on accounts previously written off and submitted to U.S. government entities totaled approximately \$109,657 and \$98,699 in fiscal years 2024 and 2023, respectively. Finance revenue recognized in fiscal year 2024 related to nonaccrual accounts totaled approximately \$21,796 compared with approximately \$23,962 in fiscal year 2023.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The following table sets forth the age of the Exchange's credit card receivables that have not yet been submitted to U.S. government entities for collection:

	February 1, 2025		February 3, 2024	
	Amount	Percentage of Receivables	Amount	Percentage of Receivables
	<i>(In Millions)</i>		<i>(In Millions)</i>	
Current	\$ 1,984	86.3%	\$ 1,943	85.2%
1–29 days past due	160	7.0	172	7.5
30–59 days past due	77	3.3	82	3.6
60–89 days past due	43	1.9	44	1.9
90+ days past due	36	1.6	40	1.8
Period-end gross credit card receivables	\$ 2,300	100%	\$ 2,281	100%

Generally, an account is considered past due if payment due is not received by the billing statement due date. The following table sets forth the provision for possible credit loss related to the Exchange's current credit card portfolio and does not include the net receivable related to accounts submitted to U.S. government entities for collection. In addition, this table does not include the allowance for credit losses for other trade accounts receivable that are unrelated to the Exchange's credit card portfolio.

	2024		2023	
	<i>(In Millions)</i>			
Allowance at beginning of period	\$ 27		\$ 26	
Provision for bad debt	21		24	
Net write-offs	(22)		(26)	
Allowance at end of period	\$ 26		\$ 24	

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

The following table sets forth the credit scores of the Exchange's credit card portfolio that have not yet been submitted to U.S. government entities for collection as reported by the Fair Isaac Corporation (FICO).

	February 1, 2025	February 3, 2024
	<i>(In Millions)</i>	
Nondelinquent accounts (current and 1–29 days past due):		
FICO score of 700 or above	\$ 860	\$ 734
FICO score of 600 to 699	952	1,044
FICO score below 600	331	337
Total nondelinquent accounts	2,143	2,115
Delinquent accounts (30+ days past due)	157	166
Period-end gross credit card receivables	\$ 2,300	\$ 2,281

Merchandise Inventories

The Exchange's inventories are valued at the lower of cost or net realizable value, as determined by the retail inventory method of accounting (RIM). Certain warehousing and distribution expense costs are included in the cost of inventory, which amounted to \$9,903 and \$20,841 at February 1, 2025 and February 3, 2024, respectively.

Inherent in the RIM calculation are certain management judgments and estimates, including, among others, merchandise mark-ons, markups, markdowns, and shrinkage, which significantly impact the ending inventory valuation at cost, as well as resulting gross margins. The methodologies utilized by the Exchange in the application of the RIM calculation are consistent for all periods presented. Such methodologies include the development of the cost-to-retail ratios, the groupings of homogenous classes of merchandise, the development of shrinkage and obsolescence reserves, and the accounting for price changes.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

Buildings and Improvements

Buildings and improvements primarily represent permanent structures constructed and paid for by the Exchange and owned by the U.S. government. These assets are recorded by the Exchange at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets. The useful lives are governed, to a large extent, by the deployment of Army and Air Force personnel and, to some extent, by the requirements of the Departments of the Army and the Air Force with respect to space occupied by the Exchange. Buildings are generally depreciated over 30 years, and improvements are depreciated over periods from 7 to 15 years. The Exchange loses its rights to buildings and improvements in the event of base closures and accelerates depreciation of its assets when such closures are probable.

The carrying value of long-lived assets, including property and equipment, is evaluated annually or whenever events or changes in circumstances indicate that a potential impairment has occurred relative to a given asset or asset group. Factors that could result in an impairment review include, but are not limited to, a current period cash flow loss combined with a history of cash flow losses or a projection that demonstrates continuing losses associated with the use of a long-lived asset, significant changes in the manner of use of the assets, or significant changes in business strategies. An impairment loss is recognized when the estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset (if any) are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated fair value. The Exchange has not recorded any long-lived asset impairment charges during fiscal years 2024 or 2023.

Leases

The Exchange determines whether an arrangement is a lease at inception and leases primarily consist of real estate and information technology leases for use in operations. For the purposes of measurement and amortization of the right-to-use asset and associated lease liabilities over the terms of the leases, the Exchange uses the date it takes possession of the asset based on the terms of the contract. As most leases do not provide an implicit rate, the Exchange uses an incremental borrowing rate based on current financial information available at the commencement date in determining the present value of lease payments. Additionally, the Exchange leases certain equipment under short-term leases with initial terms of less than 12 months. These short-term leases are not recorded on the balance sheet.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Fixtures and Equipment

Fixtures and equipment are carried at cost with depreciation provided using the straight-line method over the estimated useful lives of the assets. Motor vehicles are depreciated over periods from 5 to 10 years, and equipment is depreciated over periods from 2 to 15 years.

Self-Insurance

The Exchange self-insures for property, automobile, public liability, workers' compensation, comprehensive casualty losses, ocean marine, and other casualty losses. However, the Exchange has commercial property insurance covering the buildings, contents, and inventories at certain locations. The reserve for certain self-insurance losses is based on calculations performed by the Exchange's independent actuarial consultants using loss development factors to estimate ultimate loss. The Exchange's self-insurance reserves were \$48,291 and \$51,349 as of February 1, 2025 and February 3, 2024, respectively.

Reserves were discounted at the following weighted average rates:

	February 1, 2025	February 3, 2024
Workers' compensation	5.63%	5.26%
Property liability	4.66	5.03
Public liability	4.72	5.15
General liability	4.69	5.08

Separation Pay and Vacation Leave Accruals

Separation pay and vacation leave for local national employees in foreign countries are accrued as earned based upon the labor laws of host countries and upon agreements between the U.S. and foreign governments. In order to estimate this liability, the Exchange and its actuaries make certain assumptions, including the amounts considered recoverable from foreign governments under existing agreement terms. Actual results may vary from these assumptions. Additionally, the liability for vacation leave earned by U.S. citizens is accrued as earned.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

Advertising Costs

Advertising costs are expensed when the advertisement first occurs. Advertising expenses were \$30,957 and \$28,517 for the years ended February 1, 2025 and February 3, 2024, respectively, and are included in selling, general, and administrative expenses. The Exchange's cooperative advertising allowances are accounted for as a reduction in the purchase price of inventory.

Revenue Recognition

The Exchange recognizes revenue when control of the merchandise is transferred to customers in an amount that reflects the consideration received in exchange for such merchandise. For sales at the retail locations, control is transferred at the point at which the customer receives and pays for the merchandise at the register. For e-commerce sales, control is transferred when merchandise is tendered to a third-party carrier for delivery to the customer. Cash is typically received on the day of or, in the case of credit or debit card transactions, within several days of the related sales. Finance revenue includes finance charges and administrative fees on credit sales. Concession income includes fees charged to concessionaires based on a percentage of their sales and is recognized at the time of sale.

Income Taxes

The Exchange is a non-appropriated fund instrumentality of the U.S. and, as such, is not subject to the payment of income taxes, to include federal, state, local, and foreign taxes.

401(k) Plan

The Exchange has a 401(k) voluntary savings and investment plan open to regular full- and part-time employees who meet certain minimum requirements. New hire associates are automatically enrolled in the 401(k) savings plan after a 30-day waiting period during which they may opt out. The employees can make voluntary contributions to the plan not to exceed the lesser of 99% of eligible participant compensation or the applicable 401(k) maximum deferral contribution limit for the year.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

1. Description of Business and Summary of Significant Accounting Policies (continued)

Foreign Currency Hedging

As part of an overall risk management strategy, the Exchange uses foreign currency exchange contracts to hedge exposures to changes in foreign currency rates on the Exchange's payroll and foreign vendor obligations denominated in foreign currencies. These derivative instruments are recognized in the accompanying financial statements and measured at fair value. Derivatives that are not hedges must be adjusted to fair value through earnings. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in net assets until the hedged item is recognized in earnings. Hedged items are reclassified from accumulated other comprehensive income (loss) and into earnings using the specific identification method. The Exchange's policy is that it does not speculate in hedging activities. The maximum length of time over which the Exchange is hedging its exposure to the variability of future cash flows for forecasted transactions is one year.

As of February 1, 2025, the Exchange had various foreign exchange contracts (option collars) outstanding related to its forecasted payroll and inventory purchase liabilities. Unrealized gains and losses on foreign exchange hedges that are included in accumulated other comprehensive loss are recognized into earnings as the related payroll expenses are paid or the related inventory is sold through. As of February 1, 2025 and February 3, 2024, total derivatives designated as hedging instruments recorded on the accompanying balance sheets were \$1,911 and \$715, respectively. The Exchange has recognized approximately \$(22) in loss on foreign currency hedge transactions settled during fiscal year 2024, compared with \$(1,344) in loss during fiscal year 2023.

Benefit Plans

Liabilities and expenses related to the Exchange's benefit plans are determined based on a number of actuarial assumptions, which are reviewed and determined on an annual basis. These assumptions include discount rates, health care cost trend rates, compensation increase rate, benefits earned, mortality rates, number of participants, certain demographics, and other factors. Actual results that differ from assumptions are accumulated and amortized to expense over future periods and, therefore, generally affect recognized expense in future periods. The projected benefit obligation is recognized on the accompanying balance sheets. Actuarial gains and losses are recognized as components of accumulated other comprehensive loss in net assets until amortized as a component of net periodic benefit cost.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

1. Description of Business and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Under Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition under ASC 820 focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability vs. an entry price, which would be the price paid to acquire an asset or received to assume a liability. See Note 2 for additional information regarding fair value measurements.

Financial instruments that potentially subject the Exchange to concentrations of credit risk consist principally of investments held by a noncontributory supplement deferred compensation plan (Supplemental Plan) and derivative financial instruments. The Exchange uses high-credit-quality counterparties when executing derivative transactions.

Recent Accounting Pronouncements

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. ASU 2023-01 provides a practical expedient for private companies and not-for-profit entities that are not conduit bond obligors to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. Further, the ASU requires entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. The amendments in this update are effective for fiscal years beginning after December 15, 2023.

2. Fair Value Measurements

ASC 820 establishes a framework for measuring fair value. The inputs used to measure fair value are prioritized based on a three-level hierarchy as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities. The Exchange uses the unadjusted quoted prices in active markets for identical assets or liabilities to which the Exchange has access. An active market for the asset or liability is one in which transactions for the asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

2. Fair Value Measurements (continued)

- Level 2 – Observable inputs other than quoted prices in Level 1. The Exchange determines the value of the investment holding by evaluating its pro rata share of investments where it does not own the underlying securities but rather a proportional share of the fund, such as mutual fund and common collective trusts. Significant inputs, other than quoted market prices included in Level 1 that are observable, impact either directly or indirectly the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk, and default rates.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Inputs are unobservable for the assets or liabilities. The Exchange invests only with managers that provide financial statements that are independently audited at least once a year. The financial statements are accompanied by a report from the independent audit firm, which discloses the accounting basis as well as an opinion regarding the reliability of the financial statements. In addition to the audited financial statements, the fund managers have provided the type of investments as well as the methods used to value and appraise all investments in the fund's portfolio. The Exchange's benefit plan Level 3 assets and liabilities are measured at fair value on a recurring basis.

Cash and cash equivalents, accounts payable, and accrued liabilities are reflected on the accompanying balance sheets at cost, which approximates fair value due to the short-term nature of these instruments. Trade and other accounts receivable are reflected on the accompanying balance sheets at cost less an allowance for credit losses, which approximates fair value due either to the short-term nature of the instruments or the variable market rate of interest that is charged on outstanding credit card balances. The Exchange's short-term investment portfolio consists of U.S. Treasury Bill and U.S. Treasury Note categorized as Level 2 within the fair value hierarchy. The fair value of the Exchange's debt is disclosed in Note 3.

Army and Air Force Exchange Service

Notes to Financial Statements (continued)

(Dollars in Thousands, Unless Otherwise Noted)

2. Fair Value Measurements (continued)

The Exchange holds investments related to the Supplemental Plan totaling \$27,283 and \$24,902 at February 1, 2025 and February 3, 2024, respectively, which are included in long-term investments and supplemental plan assets on the accompanying balance sheets. Supplemental Plan assets are classified as trading securities since gains and losses from these investments are intended to offset the cost of the Supplemental Plan. Earnings on trading securities were \$2,930 and \$2,636 in fiscal years 2024 and 2023, respectively. The cost of securities sold is determined primarily on a specific identification method. Refer to Note 5 for further discussion of the supplemental plan and refer to Note 4 for further discussion of the Exchange's derivative positions.

3. Indebtedness

Lines of Credit

The Exchange maintains three lines of credit aggregating to \$1,500,000. The first is a committed unsecured revolving line of credit that is facilitated by a nine-bank syndicate led by Wells Fargo Bank, N.A. aggregating to \$750,000 that was entered into on May 19, 2022, and expires on May 19, 2027. As a part of the accordion agreement, the Exchange can request up to an additional \$250,000 but approval for any request is not guaranteed. As of February 1, 2025, there is a zero balance outstanding and there were no borrowings under this line of credit during fiscal year 2024.

In addition, the Exchange has a committed line of credit for \$500,000 with Installation Management Command G9 (IMCOM G9). This agreement was renewed on December 5, 2023, for a five-year term. Borrowings under the IMCOM G9 line of credit had interest rates of 4.50% and 5.50% during fiscal years 2024 and 2023, respectively. Renewal reviews will take place 24 months prior to expiration in order to have the renewal of future agreements in place prior to the one-year expiration time frame. During fiscal year 2024, daily borrowings were generally due within 30 to 260 days. As of February 1, 2025, there is a \$25,000 balance outstanding under the IMCOM G9 line of credit. Subsequent to the balance sheet date, the Exchange repaid the outstanding balance of this line of credit on March 18, 2025. As of the date of issuance, there is no outstanding debt on this line of credit.

The third line of credit is an uncommitted Master Note Facility with New York Life for \$250,000 that was entered into on October 15, 2020, and renewed on June 13, 2023, for a five-year term. As of February 1, 2025, there is a zero balance outstanding and there were no borrowings under this facility during fiscal year 2024.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

3. Indebtedness (continued)

Commercial Paper

In June 2013, the Exchange implemented a commercial paper program. As of February 1, 2025 and February 3, 2024, the outstanding commercial paper obligations, inclusive of original issue discount, were \$0 and \$115,000, respectively. The commercial paper program is an open-ended agreement; however, outstanding balances as of February 1, 2025, have maturity dates that range from 1 to 270 days and, as such, were classified as current. Borrowings under the commercial paper program had interest rates ranging from 4.33% to 5.50% during fiscal year 2024, and 1.40% to 5.60% during fiscal year 2023.

Senior Notes

In October 2009, the Exchange completed a private placement debt offering of \$90,000 of 4.95% senior notes due in 2024 (the senior notes), which comprise a 15-year amortization of principal. The final payment was recorded on October 15, 2024, in the amount of \$709. As of February 1, 2025, the senior notes have a remaining outstanding obligation of \$0.

The average interest rates for all indebtedness, including lines of credit (both committed and uncommitted), commercial paper, senior notes, and term loans, were 4.50% and 5.34% for the years ended February 1, 2025 and February 3, 2024, respectively.

Outstanding debt obligations consisted of the following:

	February 1, 2025	February 3, 2024
Outstanding debt principal balances:		
IMCOM G9 committed line of credit	\$ 25,000	\$ 25,000
New York Life		
Senior notes	–	6,255
Commercial paper – JP Morgan Chase	–	75,000
Commercial paper – Wells Fargo	–	20,000
Commercial paper – Citibank	–	20,000
Total debt obligations	25,000	146,255
Current maturities	(25,000)	(146,255)
Total long-term debt obligations	\$ –	\$ –

Army and Air Force Exchange Service

Notes to Financial Statements (continued)

(Dollars in Thousands, Unless Otherwise Noted)

3. Indebtedness (continued)

The Exchange believes that the carrying values of amounts outstanding under its commercial paper and term loan agreements approximate fair value given the term of the debt and floating interest rates. Fair value is calculated using a discounted cash flow analysis (Level 2), with estimated interest rates offered for notes with similar terms and maturities.

Cash paid for interest for fiscal years 2024 and 2023 was approximately \$2,329 and \$5,975, respectively. The Exchange has complied with all financial and nonfinancial covenants per loan agreements as of February 1, 2025, and expects to comply through the period ending January 31, 2026.

Principal maturities of debt obligations as of February 1, 2025, are as follows:

2025	\$	25,000
2026		—
2027		—
2028		—
2029		—
	\$	<u>25,000</u>

4. Leases and Rental Obligations

The Exchange's operating lease and rental commitments primarily include real estate and information technology leases. The Exchange recorded rent expense of \$12,089 and \$6,488 for the fiscal years ended February 1, 2025 and February 3, 2024, respectively. The Exchange does not have finance leases. The Exchange expects operating lease and rental expenses of \$3,456 in 2025 and \$12,433 over the next five years (2025–2029).

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans

The Exchange has a defined benefit pension plan, the Retirement Annuity Plan (the Basic Plan), covering regular full-time civilian employees of the Exchange who are citizens or residents of the U.S. In addition, the Supplemental Plan provides for selected benefits to employees in the Executive Management Program. The Exchange's policy is to annually fund actuarially determined postretirement expense unless the respective plan is fully funded or unless an asset-liability model has shown the respective plan will likely become fully funded even in the absence of future contributions. The benefits are based on years of service and the employees' highest three-year average compensation. Assets of the plans consist primarily of marketable debt and equity securities.

In addition to the Exchange's benefit plans discussed above, certain medical and dental (health care) and life insurance benefits are also provided to retired employees through the Postretirement Medical/Dental and Life Insurance (Postretirement) plans for employees of the Exchange. All regular full-time U.S. civilian employees who are paid on the U.S. dollar payroll may become eligible for these benefits if they satisfy eligibility requirements during their working lives. The Exchange's policy is to annually fund actuarially determined postretirement expense unless the respective plan is fully funded or unless an asset-liability model has shown the respective plan will likely become fully funded, even in the absence of future contributions.

The Exchange also provides certain life insurance and other disability benefits for active employees. Benefits are paid from a Voluntary Employee Beneficiary Association plan maintained by the Exchange and to which the Exchange contributes each year. As of February 1, 2025, the Exchange recorded a net asset of approximately \$66,202, which represents trust assets of \$80,578 net of an estimated liability of \$14,376. As of February 3, 2024, the Exchange recorded a net asset of approximately \$54,335, which represents trust assets of \$69,181 net of an estimated liability of \$14,846.

In addition, the Exchange provides a noncontributory defined benefit pension plan to its employees in the United Kingdom (UK Plan). With the UK Plan, the Exchange also provides postemployment benefits (e.g., separation pay) through its Local National benefit plans to employees in Germany, Japan, Okinawa, Azores, Italy, and Turkey (collectively, referred to as Foreign Plans).

The Exchange measures the cost of its pension plans and other postretirement benefit plans in accordance with ASC 715, *Compensation – Retirement Benefits*. As the Exchange's fiscal year-end does not coincide with a month-end, the Exchange has elected to measure plan assets and

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

benefit obligations using the month-end that is closest to the Exchange's fiscal year-end. The assets of the Supplemental Plan are not effectively restricted from being used by the Exchange for other purposes. Therefore, these assets do not qualify as plan assets as defined in ASC 715 and, as a result, are accounted for in accordance with ASC 320, *Investments – Debt Securities*.

The following table provides a reconciliation of the changes in the plans' benefit obligations and fair value of assets for fiscal years 2024 and 2023. Amounts are stated in millions.

	Pension Benefits				Other Benefits			
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans	
	2024	2023	2024	2023	2024	2023	2024	2023
Change in projected benefit obligations (PBO)								
PBO at prior measurement date	\$ 4,346	\$ 4,514	15	\$ 26	\$ 1,087	\$ 1,203	\$ 55	\$ 56
Service cost	73	77	1	1	12	14	1	1
Interest cost	229	222	1	1	57	56	2	2
Plan participants' contributions	4	4	–	–	–	–	–	–
Actuarial gain	(92)	(131)	(3)	(12)	(35)	(96)	(4)	(1)
Foreign exchange impact	–	–	–	–	–	–	(2)	–
Benefits paid	(302)	(320)	(1)	(1)	(68)	(82)	(3)	(2)
Administrative expenses paid	(17)	(20)	–	–	–	(8)	(2)	(1)
Settlements	–	–	–	–	–	–	(1)	–
PBO at current measurement date	4,241	4,346	13	15	1,053	1,087	46	55
Change in plan assets								
Fair value of assets at prior measurement date	5,312	5,243	–	–	2,061	1,990	40	41
Actual return on assets	530	404	–	–	196	160	–	(2)
Employer contributions	–	–	1	1	–	–	3	2
Plan participants' contributions	4	4	–	–	–	–	–	–
Benefits paid	(302)	(320)	(1)	(1)	(68)	(82)	(3)	(2)
Foreign exchange impact	–	–	–	–	–	–	(1)	2
Settlements	–	–	–	–	–	–	(1)	–
Administrative expenses paid	(17)	(20)	–	–	–	(8)	–	(1)
Fair value of assets at current measurement date	5,527	5,311	–	–	2,189	2,060	39	40
Over/(under)-funded status at fiscal year-end	\$ 1,286	\$ 965	\$ (13)	\$ (15)	\$ 1,136	\$ 973	\$ (9)	\$ (15)

Supplemental Plan assets do not qualify as plan assets as discussed above.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

The following table reflects amounts recognized on the balance sheets as of fiscal years 2024 and 2023. Amounts are stated in millions.

	Pension Benefits				Other Benefits					
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans			
	2024	2023	2024	2023	2024	2023	2024	2023		
Amounts recognized on the balance sheets										
Other current liabilities	\$	-	\$	-	\$	-	\$	(2)	\$	3
Net accrued pension and other benefits asset (liability)	1,286	965	(13)	(15)	1,136	973	(9)	(15)		
Accumulated other comprehensive gain (loss)	291	492	(10)	(9)	(624)	(633)	9	12		

A summary of the components of net periodic benefit (income) cost for the benefit plans is as follows for fiscal years 2024 and 2023. Amounts are stated in millions.

	Pension Benefits				Other Benefits											
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans									
	2024	2023	2024	2023	2024	2023	2024	2023								
Net periodic benefit (income) cost																
Service cost	\$	73	\$	77	\$	1	\$	1	\$	13	\$	14	\$	1	\$	1
Interest cost	229	222	1	1	57	56	2	2								
Expected return on assets	(422)	(447)	-	-	(158)	(163)	(3)	(3)								
Other adjustments	-	-	-	-	(84)	(84)	-	-								
Net loss amortization	-	-	(1)	(1)	-	-	-	-								
Net periodic benefit (income) cost	\$ (120)	\$ (148)	\$ 1	\$ 1	\$ (172)	\$ (178)	\$ -	\$ -								

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

Information for benefit plans with an accumulated benefit obligation in excess of plan assets is as follows for fiscal years 2024 and 2023. Amounts stated in millions.

	The Basic Plan				Supplemental Plan			
	The Basic Plan		Supplemental Plan		Postretirement		Foreign Plans	
	2024	2023	2024	2023	2024	2023	2024	2023
Projected benefit	\$ 4,241	\$ 4,346	\$ 13	\$ 15	\$ 1,053	\$ 1,087	\$ 48	\$ 54
Accumulated benefit obligation	4,077	4,176	6	6	1,053	1,087	45	51
Fair value of plan assets	5,527	5,311	–	–	2,189	2,061	39	40

Amounts included in accumulated other comprehensive loss for all plans as of February 1, 2025, consist of a net actuarial gain of \$334,876. Amortization of this amount expected to be recognized in fiscal year 2025 is \$83,114.

Actuarial Assumptions

Actuarial weighted average assumptions used in determining plan obligations and the related expense are as follows for fiscal years 2024 and 2023:

	Pension Benefits				Other Benefits	
	The Basic Plan		Supplemental Plan		Postretirement	
	2024	2023	2024	2023	2024	2023
Assumptions used to determine expense and liabilities:						
Discount rate	5.35%	5.13%	5.35%	5.13%	5.37%	5.16%
Long-term rate of return on assets	7.85	8.55	–	–	7.91	8.63
Compensation increase rate	4.24	4.31	10.24	10.08	–	–
Assumptions used at disclosure:						
Discount rate	5.73	5.35	5.73	5.35	5.75	5.37
Compensation increase rate	4.24	4.31	10.38	10.17	–	–

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

Assumed Health Care Cost Trend Rates at Fiscal Year-End

	2024	2023
Pre-65 current health care cost trend rate	6.50%	6.50%
Post-65 current health care cost trend rate assumed beginning for next year	6.25%	5.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate):		
Pre-65	4.50%	4.50%
Post-65	4.50%	5.00%
Year that the rate reaches the ultimate trend rate	2033	2024

	Other Pension Benefits		Other Pension Benefits	
	UK Plan		Local National Plan	
	2024	2023	2024	2023
Assumptions used to determine expense:				
Discount rate	4.80%	4.50%	2.62%	2.23%
Long-term rate of return on assets	5.10	5.00	—	—
Compensation increase rate	2.80	2.80	2.29	2.30
Assumptions used at disclosure:				
Discount rate	5.40	4.80	2.36	2.28
Compensation rate increase	2.90	2.80	2.29	2.30

Actuarial assumptions are based on management's best estimates and judgment. The Exchange reassesses its benefit plan assumptions on a regular basis. The expected rate of return for the plan assets represents the average rate of return to be earned on the plan assets over the period that the benefits included in the benefit obligation are to be paid. In developing the expected rate of return, the Exchange considers the impact of long-term compound annualized returns on the plan assets.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

Pension Plan Assets

The Exchange's investment objectives for the benefit plans are designed to generate asset returns that will enable the plans to meet their future benefit obligations. The precise amount for which these obligations will be settled depends on future events, including interest rates, salary increases, and the life expectancy of the plans' members. The obligations are estimated using actuarial assumptions, based on the current economic environment. The benefit plans seek to achieve total returns sufficient to meet expected future obligations, as well as returns greater than their policy benchmark reflecting the target weights of the asset classes used in their targeted strategic asset allocation. The plans' targeted strategic allocation to each asset class was determined through an asset-liability modeling study. The benefit plans conducted an asset-liability study in 2024. The benefit plans began transitioning to the new target allocation in 2024 using a phased approach.

The following table sets forth the target allocations of plan assets for fiscal years 2024 and 2023:

	Pension Benefits		Other Benefits			
	The Basic Plan		Postretirement Plan		UK Plan	
	2024	2023	2024	2023	2024	2023
Domestic equity securities	10%	14%	8%	15%	–%	–%
International equity securities	7	10	5	10	20	20
Emerging market equity securities	2	3	2	4	–	–
Low-volatility global equity	6	9	5	10	–	–
Investment-grade fixed income	38	25	45	25	80	80
High-yield fixed income	5	4	5	–	–	–
Treasury inflation protected securities (TIPS)	–	3	–	3	–	–
Real estate – private	3	4	3	4	–	–
Real estate – public	1	1	1	1	–	–
Private equity	8	9	7	10	–	–
Commodities	3	3	3	3	–	–
Alternative debt	8	5	7	5	–	–
Global listed infrastructure	3	–	3	–	–	–
Master limited partnerships (MLPs)	3	5	3	5	–	–
Timber/farmland	3	5	3	5	–	–
Total	100%	100%	100%	100%	100%	100%

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

The Exchange's benefit plan actual asset allocations at February 1, 2025 and February 3, 2024, by asset class category, are as follows:

	Pension Benefits		Other Benefits			
	The Basic Plan		Postretirement Plan		UK Plan	
	2024	2023	2024	2023	2024	2023
Domestic equity securities	10%	14%	8%	15%	–%	–%
International equity securities	7	10	5	10	20	20
Emerging market equity securities	2	4	2	4	–	–
Low-volatility global equity	7	9	5	10	–	–
Investment-grade fixed income	38	24	42	22	80	80
High-yield fixed income	4	4	1	–	–	–
TIPS	–	3	–	3	–	–
Real estate – private	3	3	3	3	–	–
Real estate – public	1	1	1	1	–	–
Private equity	11	11	13	13	–	–
Commodities	3	2	3	2	–	–
Alternate debt	7	7	8	8	–	–
MLPs	4	5	5	5	–	–
Timber/farmland	3	3	4	4	–	–
Total	100%	100%	100%	100%	100%	100%

The Exchange uses the fair value hierarchy discussed in Note 2 to measure the fair value of assets held by pension and postretirement benefit plans.

Equity securities are diversified across various industries and comprise common and preferred stocks of U.S. and international companies and equity positions in privately held companies controlled through limited partnerships. Common and preferred stocks are based on market quotations and are classified as Level 1 in the fair value hierarchy. The fair values of the investments in the collective investment funds represent the net asset values of the shares or units of such funds as determined by the issuer. Limited partnerships are valued based on net asset value as determined by the general partners and represent the plans' proportionate share of the estimated fair value of the underlying net assets limited partnership. The limited partnerships are valued based on purchase price when recently acquired; valuation models, such as discounted cash flows or market multiples; financial measures, such as free cash flow or earnings before interest, taxes, depreciation, and amortization or Level 3 investments. Foreign obligations are foreign equities traded on U.S. exchanges as American Depositary Receipts or Level 1 investments.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

5. Benefit Plans (continued)

Debt securities comprise corporate bonds, government securities, and asset-backed or collective investment funds and limited partnerships with underlying debt securities. U.S. government obligations are valued at the closing price reported on the active market on which the individual securities are traded. U.S. government obligations are classified as Level 1 investments. U.S. government agency securities are usually traded in active markets; however, they may not trade with sufficient frequency to rely on a single price of the same security. As such, broker quotes may be used based on similar assets in active markets with these assets classified as Level 2.

Corporate bonds are usually traded in active markets; however, they may not trade with sufficient frequency to rely on a single price of the same security. As such, broker quotes may be used based on similar assets in active markets. Asset-backed securities are publicly traded securities with coupon payments based on the performance of the underlying assets and are usually traded in active markets; however, they may not trade with sufficient frequency to rely on a single price of the same security. As such, broker quotes may be used based on similar assets in active markets. Corporate bonds and asset-backed securities are classified as Level 2 investments.

Real estate and commodities comprise investments whose underlying value is based on real estate or commodities. Publicly traded securities are equity shares in real estate investment trusts (REITs) or MLPs and are valued based on market quotations. Collective investment funds with underlying investments in exchange-traded positions are classified as Level 2 investments. The net asset values of collective investment funds and limited partnerships with underlying investments in real estate are based on the selling price of the property, income the property is expected to generate, and the market values of any commodities currently on the land.

Other investments consist primarily of investment contracts and are valued at the quoted price as determined by the issuer. Such contracts are classified as Level 2 investments.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

The following table sets forth, by level within the fair value hierarchy, the Exchange's benefit plan assets and liabilities that are measured at fair value as of February 1, 2025:

	Benefit Plans			
	Total	Level 1	Level 2	Level 3
Assets				
Temporary investments ^(a)	\$ 358	\$ 358	\$ -	\$ -
Equity securities:				
Common and preferred stock ^(b)	593,708	593,708	-	-
Debt securities:				
Common and preferred stock ^(b)	5,858	5,858	-	-
Corporate bonds ^(c)	666,109	-	666,109	-
U.S. government obligations ^(d)	39,436	39,436	-	-
Asset-backed securities ^(e)	-	-	-	-
Real estate and commodities:				
Common and preferred stock ^(b)	346,218	346,218	-	-
Other investments ^(l)	6,527	-	6,527	-
Total investments at fair value	<u>1,658,214</u>	<u>\$ 985,578</u>	<u>\$ 672,636</u>	<u>\$ -</u>
Investments measured at net asset value:				
Collective investment funds:				
Equity securities ^(f)	2,210,446			
Debt securities ^(g)	1,279,960			
Real estate and commodities ^(h)	982,830			
Short-term investment funds ⁽ⁱ⁾	94,555			
Limited partnerships:				
Equity securities ^(j)	872,822			
Debt securities ^(j)	553,663			
Real estate and commodities ^(j)	104,563			
Total investments measured at net asset value	<u>6,098,839</u>			
Plan assets not measured at fair value or net asset value ^(k)	<u>(1,373)</u>			
Total assets	<u>\$ 7,755,680</u>			

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

The following table sets forth, by level within the fair value hierarchy, the Exchange's benefit plan assets and liabilities that are measured at fair value as of February 3, 2024:

	Benefit Plans			
	Total	Level 1	Level 2	Level 3
Assets				
Temporary investments ^(a)	\$ 871	\$ 871	\$ –	\$ –
Equity securities:				
Common and preferred stock ^(b)	798,907	798,907	–	–
Debt securities:				
Common and preferred stock ^(b)	5,236	5,236	–	–
Corporate bonds ^(c)	569,011	–	569,011	–
U.S. government obligations ^(d)	239,429	239,429	–	–
Asset-backed securities ^(e)	9	–	9	–
Real estate and commodities:				
Common and preferred stock ^(b)	356,560	356,560	–	–
Other investments ^(l)	7,645	–	7,645	–
Total investments at fair value	1,977,668	\$ 1,401,003	\$ 576,665	\$ –
Investments measured at net asset value:				
Collective investment funds:				
Equity securities ^(f)	2,140,338			
Debt securities ^(g)	1,130,386			
Real estate and commodities ^(h)	598,506			
Short-term investment funds ⁽ⁱ⁾	74,044			
Limited partnerships:				
Equity securities ⁽ⁱ⁾	833,071			
Debt securities ⁽ⁱ⁾	557,950			
Real estate and commodities ⁽ⁱ⁾	93,745			
Total investments measured at net asset value	5,428,040			
Plan assets not measured at fair value or net asset value ^(k)	1,289			
Total assets	\$ 7,406,997			

Army and Air Force Exchange Service

Notes to Financial Statements (continued) *(Dollars in Thousands, Unless Otherwise Noted)*

5. Benefit Plans (continued)

- (a) Primarily consist of cash held in foreign currencies.
- (b) 2024: Holdings are diversified as a percentage of total equity as follows: Domestic Markets (84%) and Developed International Markets (16%). Domestic Markets are diversified by Large Cap (21%), Small Cap (4%), Public Real Estate – REIT (11%), low-volatility investments (20%), and MLPs (44%). There are no significant concentrations of holdings by the Exchange.
- 2023: Holdings are diversified as a percentage of total equity as follows: Domestic Markets (80%) and Developed International Markets (20%). Domestic Markets are diversified by Large Cap (25%), Small Cap (4%), Public Real Estate – REIT (8%), low-volatility investments (24%), and MLPs (39%). There are no significant concentrations of holdings by the Exchange.
- (c) 2024: Includes 88% and 12% of investments in corporate high-yield debt with a Standard and Poor's (S&P) rating of B- and below as of February 1, 2025. The remaining investments are in investment-grade corporate bonds.
- 2023: Includes 87% and 13% of investments in corporate high-yield debt with S&P rating of B- and below as of February 3, 2024. The remaining investments are in investment-grade corporate bonds.
- (d) Includes fixed-income treasury securities backed by the full faith and credit of the U.S. government. There are no significant foreign currency risks within this segment.
- (e) Holdings consist primarily of publicly traded fixed-income securities whose payments are based on the performance of an underlying asset.
- (f) 2024: 57% of holdings consist of BlackRock index funds, which are passive in nature and employ a strategy of investing in securities that provide beta (market) exposure to a specific index, including the S&P 500 and MSCI EAFE. The remaining 43% consists of international, small cap, and low-volatility investments in the form of mutual funds. The collective investment funds consist of Domestic (56%) and International (44%). Investments have a required notice of three days for any sales or liquidation. The fund's management may impose restrictions on cash redemptions in the fund outside the normal course of business. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. There are no restrictions on withdrawals.
- 2023: 58% of holdings consist of BlackRock index funds, which are passive in nature and employ a strategy of investing in securities that provide beta (market) exposure to a specific index, including the S&P 500 and MSCI EAFE. The remaining 42% consists of international, small cap, and low-volatility investments in the form of mutual funds. The collective investment funds consist of Domestic (47%) and International (53%). Investments have a required notice of three days for any sales or liquidation. The fund's management may impose restrictions on cash redemptions in the fund outside the normal course of business. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. There are no restrictions on withdrawals.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

- (g) 2024: 88% of the holdings consist of two core fixed-income index funds, which both employ a strategy that seeks to match the performance of the Barclays Long Credit Index, and a Loomis Sayles high yield fund (12%), which employs a strategy that seeks to match the performance of the CS High Yield Index. Issuances and redemptions are made on each business day. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. The BlackRock funds have a required notice of three days for any sales or liquidation.

2023: 87% of the holdings consist of two core fixed-income index funds, which both employ a strategy that seeks to match the performance of the Barclays Long Credit Index, and a Loomis Sayles high yield fund (13%), which employs a strategy that seeks to match the performance of the CS High Yield Index. Issuances and redemptions are made on each business day. Distributions may be made in cash or in kind or partly in cash or partly in kind at the sole discretion of the fund's trustee. The BlackRock funds have a required notice of three days for any sales or liquidation.

- (h) 2024: Investments include both commodities and real estate, which provide diversified returns relative to stocks and bonds. The underlying commodity investments are actively traded futures, which have full pricing transparency and daily liquidity and are reported at net asset value. Real estate holdings include direct real estate investments in properties that are valued by appraisal and reported as Level 3. The investments are diversified by core 17% and value-added or opportunistic 44% investments. Commodity investments include farmland and timber, which represent 39% of the allocation. There is quarterly redemption available for the real estate investments with a 60-day notice.

2023: Investments include both commodities and real estate, which provide diversified returns relative to stocks and bonds. The underlying commodity investments are actively traded futures, which have full pricing transparency and daily liquidity and are reported at net asset value. Real estate holdings include direct real estate investments in properties that are valued by appraisal and reported as Level 3. The investments are diversified by core 29% and value-added or opportunistic 10% investments. Commodity investments include farmland and timber, which represent 61% of the allocation. There is quarterly redemption available for the real estate investments with a 60-day notice.

- (i) The Northern Trust Bank Short-Term Investment Fund employs a strategy to provide safety of principal, daily liquidity, and a competitive yield by investing in high-quality money market instruments. Issuances and redemptions are made on each business day. The fund's management may impose restrictions on cash redemptions in the fund outside the normal course of business. Distributions may be made in cash or in kind or partly in cash or partly in kind at the discretion of the fund's trustee.
- (j) Includes limited partnerships that invest primarily in U.S. buyout opportunities, as well as opportunistic debt of a range of privately held companies. The fund does not have to redeem its limited partnership investment at its net asset value. Instead, the fund receives distributions as the underlying assets of the fund are liquidated.
- (k) Holdings consist of net amounts due to or from brokers for the sale of securities as of the balance sheet date.
- (l) Includes two immediate participation guarantee contracts at contract value.

Army and Air Force Exchange Service

Notes to Financial Statements (continued) (Dollars in Thousands, Unless Otherwise Noted)

5. Benefit Plans (continued)

At February 1, 2025, the Exchange had commitments to fund limited partnerships held by the Exchange's benefit plans of \$617,630.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Fiscal Years	Basic Plan	Supplemental Plan	Postretirement	Foreign Plans
2026	\$ 301,543	\$ 500	\$ 69,476	\$ 4,223
2027	302,487	502	70,736	4,008
2028	303,398	503	71,921	3,850
2029	304,688	502	72,347	3,981
2030	306,175	501	72,630	3,887
2031–2035	1,549,730	2,534	371,261	17,620

6. Dividends

The Exchange is required, under various agreements, to distribute a portion of each year's net earnings before performance bonuses in the form of dividend payments to the Central Welfare Funds, Departments of the Army, the Air Force, the Navy, and the Marine Corps.

Under the current dividend policy, noncash pension expenses, noncash pension income, and employee benefit plan expenses are excluded from net earnings subject to dividends. The Exchange Board of Directors is responsible for establishing dividend policy.

The Exchange's policy is to annually fund actuarially determined postretirement expense unless the plan is fully funded or unless an asset-liability model has shown the plan will likely become fully funded, even in the absence of future contributions. Therefore, each year, pension expense generally reduces the net earnings subject to dividends to the extent cash contributions have actually been made.

Army and Air Force Exchange Service

Notes to Financial Statements (continued)

(Dollars in Thousands, Unless Otherwise Noted)

7. Commitments and Contingencies

The Exchange is a defendant in various lawsuits and claims. In the opinion of management, the amounts, if any, which might ultimately be paid in connection with settlement of the litigation would not have a material effect on the financial condition, results of operations, or cash flows of the Exchange.

8. Middle East, United States Central Command

The Exchange's presence in Iraq, Qatar, Saudi Arabia, UAE, Jordan, and Kuwait was supported by 25 and 26 stores as of February 1, 2025 and February 3, 2024, respectively. Approximately \$138,348 and \$135,050 (2%) of the Exchange's net revenues in the fiscal years 2024 and 2023, respectively, were derived from sales to U.S. troops stationed in the Middle East. The Exchange's inventory balance in this region, at cost, was \$23,361 and \$17,681 at February 1, 2025 and February 3, 2024, respectively. In the event the U.S. must quickly exit a country, any related loss on inventory would adversely affect the Exchange's results; however, such losses are eligible for reimbursement appropriations that are reasonably assured of collection.

9. Subsequent Events

The Exchange has evaluated subsequent events through May 21, 2025, the date at which the accompanying financial statements were available to be issued, and determined that no additional disclosures to those presented were necessary.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2025 Ernst & Young LLP.
All Rights Reserved.

ey.com



2024 BY THE NUMBERS

\$8.5B

REVENUE

\$492M

EARNINGS

\$295M

DIVIDENDS

\$250M

CAPITAL INVESTMENTS

168.2M

TOTAL TRANSACTIONS

640K

COMBAT UNIFORMS
OUTFITTED AT COST

1,600+

RESTAURANTS

81M

MEALS SERVED AT
EXCHANGE RESTAURANTS

3.4M

SCHOOL MEALS SERVED

7

PLANTS PROVIDING WATER
AND BAKED GOODS OVERSEAS

4.7M

BAKERY ITEMS
PRODUCED OVERSEAS

4.1M

GALLONS OF
WATER BOTTLED

4.9M

HAIRCUTS PROVIDED

369.4M

GALLONS OF
FUEL DISPENSED

10

DISTRIBUTION CENTERS

10M

FLEET MILES DRIVEN

80%+

ASSOCIATES CONNECTED
TO THE MILITARY

64,793

VETERANS/SPOUSES
HIRED SINCE 2013

4,997

ASSOCIATES DEPLOYED
SINCE 9/11

2,284

WOUNDED WARRIORS
HIRED SINCE 2010