



# CAP is ...

INTEGRITY. PUBLIC TRUST. COST-SAVING SERVICES. TOP-NOTCH LEADERS. VOLUNTEER SERVICE. SEARCH AND RESCUE. DISASTER RELIEF. HOMELAND SECURITY. YOUTH LEADERSHIP TRAINING. AEROSPACE EDUCATION. CHAPLAIN CORPS. WAR ON DRUGS. EXCELLENCE. CUTTING-EDGE TECHNOLOGY. SAFETY-FIRST TRAINING. QUALITY PROFESSIONAL DEVELOPMENT. RESPECT. AN ASTRONAUT. A RHODES SCHOLAR. NATIONAL AWARD WINNERS. WREATHS ACROSS AMERICA.



# CAP

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COST-SAVING SERVICES  
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# MISSION STATEMENT.

TO SERVE AMERICA  
BY PERFORMING  
HOMELAND SECURITY  
AND HUMANITARIAN  
MISSIONS FOR OUR  
COMMUNITIES, STATES,  
AND NATION;  
DEVELOPING OUR  
COUNTRY'S YOUTH;  
AND EDUCATING  
OUR CITIZENS ON  
THE IMPORTANCE  
OF AIR AND SPACE  
POWER.



ANNUAL FINANCIAL REPORT



N638CP

CIVIL AIR  
PATROL

# CAP INTEGRITY.

BEHIND CIVIL AIR PATROL'S THOUSANDS OF VOLUNTEER MEMBERS STANDS A NONPROFIT ORGANIZATION, STRONG AND RELIABLE IN EVERY RESPECT. CAP IS GOVERNED BY A BOARD COMPRISED OF ROLE MODELS, ALL HIGH-CALIBER ACHIEVERS WITHIN CAP, THE U.S. AIR FORCE AND THE BUSINESS, GOVERNMENT AND EDUCATION SECTORS. CAP'S FISCAL ACCOUNTABILITY IS EVIDENT IN ITS FIRST UNQUALIFIED AUDIT OPINION AND THE STEPS IT HAS TAKEN TO ACHIEVE THAT. PROPER MANAGEMENT OF ITS PROPERTY AND EQUIPMENT, INCLUDING THE LARGEST SINGLE-ENGINE FLEET OF AIRCRAFT IN THE COUNTRY, ROUNDS OUT CAP'S APPROACH TO OPERATING ONE OF THE MOST HIGHLY RESPECTED SERVICE ORGANIZATIONS IN AMERICA.



## CAP:INTEGRITY

**PUBLIC TRUST.** As a nonprofit corporation that receives funding and support from the government, CAP is mindful of the public's trust and works hard to keep it.

CAP's fiscal responsibility is evidenced by its unqualified audit. Thanks to CAP's Wing Banker Program, there is a clear record of how money is spent that extends from the squadron level up the organizational chain to National Headquarters.

Also, CAP's Web Mission Information Reporting System, WMIRS,



CAP's service to the United States dates back to the organization's establishment in the 1940s, when Congress approved CAP as an auxiliary to the U.S. Air Force. CAP receives appropriated funds from both state and federal governments and reports annually on how those funds are spent.



CAP's Web Mission Information Reporting System is a computer-based tracking system that functions as a collection point for all CAP mission data, including photographs useful for damage assessment. The information stored in WMIRS can be viewed by the Air Force, the Department of Defense and other federal, state and local agencies. With CAP flying 60-80 percent of the sorties scheduled by 1st Air Force (AFNORTH), WMIRS reveals how vital CAP is. WMIRS data is also a useful tool for CAP's management of flight budgets, allowing wings to maximize their resources and ensure timely reimbursement.

documents CAP missions. All Department of Defense departments, the Air Force in particular, rely on this real-time information, which details authorizations, stores reconnaissance photos and provides budget availability data.

With costs controlled and property respectfully maintained, CAP lets the public it serves know that its records are open and honest.



A consolidated aircraft maintenance program standardizes and improves maintenance practices while ensuring CAP receives the best prices for parts and labor.

The Wing Banker Program was the brainchild of a CAP volunteer, Col. Warren Vest. Vest, a successful businessman, came up with this program that has revolutionized CAP's accounting procedures. Essentially, each of CAP's 52 wings serves as banker for the wing's squadrons; this gives squadrons control over how to spend their money while providing a clear and consistent means for recording and tracking revenues and expenditures throughout CAP. The Wing Banker Program is a major reason CAP has achieved its first unqualified audit opinion.



**COST-SAVING SERVICES.** CAP members are volunteers who work for the common good out of a sense of patriotism and commitment. Though unpaid, they are extensively trained and bring to CAP a wealth of knowledge from their own career fields, including aviation.

CAP aircraft are also cost-effective. Operating a CAP plane typically costs approximately \$130 per flying hour, compared with other Air Force assets which cost anywhere from \$1,700 to \$6,800 per flying hour. CAP's fleet of 550 aircraft — predominantly Cessna 172s and 182s — has the advantages of availability and agility — good qualities for CAP's typical missions of search and rescue and disaster relief. A CAP Cessna requires a relatively short runway to take off or land. And CAP aircraft typically fly low and slow, giving pilots a good look at terrain below and allowing for clear reconnaissance photos.

CAP's cost-effectiveness is recognized by Congress, which is considering expanding CAP's role in homeland security as one way to boost U.S. security interests against the backdrop of harsh economic realities.

U.S. Rep. Charles Dent, R-Pa., was one of the first in Congress to recognize CAP's potential to be a cost-effective natural for homeland security. Dent has introduced a bill to increase CAP's homeland security role, and a similar bill was introduced in the Senate. Both the House and Senate versions call on the Government Accountability Office to conduct a study to determine how CAP can help further support homeland security missions.



With 56,400 members nationwide — 22,000 of them cadets — CAP volunteers can offer expertise in many areas as well as strong backs. Dressed in their camouflage uniforms in the field, cadets and senior members constitute armies of workers already trained to address tough situations. With CAP's military command-style structure, their objectives remain clear and their work is focused, organized and efficient.

CAP planes are often the first on the scene in disaster areas, taking aerial photographs that are transmitted in real time so officials on the ground do not waste time or money in deploying the right services to places that need them. CAP aircraft are also used to fly officials, National Weather Service meteorologists and the media over hard-hit areas, paving the way for the possible release of government funds and allowing for accurate damage assessment. With a significantly lower cost per flying hour, Cessnas are the logical choice for aerial photography as well as search and rescue missions.



CAP is a no-cost boost to groups and agencies that need extra sets of eyes or hands for an extended time. Watching for wildfires, for instance, requires long-term reconnaissance over huge tracts of land. CAP's aerial fire spotters not only track and report actual fires but also locate areas where livestock can be moved for a better chance at survival. From Eglin Air Force Base in Florida, CAP's Cessna pilots spot fires almost year-round, saving the \$600 to \$1,100 per flying hour it would cost if the base hired a private company to fly helicopters. Not for emergencies only, CAP is always ready to serve, living up to its motto, "Semper Vigilans" — "ever vigilant."

# CAP:INTEGRITY



**Lt. Gen. John D. Hopper Jr., USAF retired**  
**Chairman**

**Board affiliation:**

- U.S. Air Force

**CAP/Air Force/Aviation background:**

- Air Force command pilot with more than 4,000 flying hours
- C-130 pilot, Vietnam War

**Career:**

- CEO, Air Force Aid Society
- Lieutenant General, U.S. Air Force, retired 2005

**Education:**

- Master's degree, logistics management, Air Force Institute of Technology
- Bachelor's degree, U.S. Air Force Academy



**Col. John E. Tilton, CAP Vice Chairman**

**Board affiliation:**

- Civil Air Patrol

**CAP/Air Force/Aviation background:**

- U.S. Army Reserve Master Aviator with more than 16,000 hours
- CAP National Safety Officer, CAP Southeast Region Commander and Alabama Wing Commander
- Experience flying Lear jets, turboprops and Sikorsky 76 helicopters
- Certified as flight and instrument instructor in airplanes and helicopters and as airframe and power plant mechanic
- Helicopter pilot, Vietnam

**Career:**

- Director of Operations, Magic Express Airlines
- Helicopter captain, Southern Company Services, retired
- Lieutenant Colonel, USAR, retired 1989

**Education:**

- Bachelor's degree, business administration, Georgia State University



**Maj. Gen. Amy S. Courter, CAP**  
**Board affiliation:**

- Civil Air Patrol

**CAP/Air Force/Aviation background:**

- CAP National Commander, preceded by a long list of previous CAP service, including Michigan Wing Commander; chair of CAP Cadet Programs, Professional Development and Infrastructure committees; and co-founder and director of CAP's Civic Leadership Academy

**Career:**

- Self-employed since 2005, management consulting
- Former Vice President, Information Technology and Telecommunications, Valassis

**Education:**

- Bachelor's degree, psychology, Kalamazoo College
- Secondary school teaching certification in psychology, computer science and mathematics



**TOP-NOTCH LEADERS.** The 11-member Board of Governors serves as the strategic policy-making and guidance body for Civil Air Patrol by reviewing and determining long-range plans and programs. This team of expert advisers features representation from CAP volunteers, the U.S. Air Force and civilians involved in education, aviation and emergency management. All are men and women with proven records in their careers and in service to their country.



**Brig. Gen. Reggie L. Chitwood, CAP**

**Board affiliation:**

- Civil Air Patrol

**CAP/Air Force/Aviation background:**

- CAP National Vice Commander, with service on the CAP National Finance, Constitution and By-Laws and Posse Comitatus committees; Southwest Region and Arkansas Wing Commander
- CAP mission pilot
- FAA aviation safety counselor

**Career:**

- Sergeant, Arkansas Highway Police, retired after 28 years

**Education:**

- Associate degree, criminal justice, Westark Community College (now University of Arkansas at Fort Smith)



**Brig. Gen. Richard L. Anderson, CAP**

**Board affiliation:**

- Civil Air Patrol

**CAP/Air Force/Aviation background:**

- Numerous CAP positions, including National Adviser for Strategic Missions, National Commander (1993-96) and National President, Spaatz Association
- CAP command pilot with 2,100 flying hours
- FAA commercial pilot certificate

**Career:**

- Colonel, U.S. Air Force, retired 2009

**Education:**

- Master's degree, public administration, Webster University
- Bachelor's degree, political science, Virginia Polytechnic Institute



**Paul L. Graziani,**  
**Board affiliation:**

- Industry, government, education

**CAP/Air Force/Aviation background:**

- Developer for Analytical Graphics Inc. (AGI) analysis software for land, sea, air and space
- Associate fellow, American Institute of Aeronautics and Astronautics
- Board member: Space Foundation, U.S. Geospatial Intelligence Foundation and Joint Military Intelligence College Foundation, among others

**Career:**

- CEO and co-founder, (AGI)

**Education:**

- Bachelor's degree, biology, LaSalle College



**Lt. Gen. Nicholas B. Kehoe,**  
USAF retired

**Board affiliation:**

- U.S. Air Force

**CAP/Air Force/Aviation  
background:**

- Air Force command pilot with more than 3,600 flying hours in trainer and fighter aircraft
- F-4 pilot with 555<sup>th</sup> and 390<sup>th</sup> Tactical Fighter Squadrons, Thailand and South Vietnam, respectively

**Career:**

- President, Congressional Medal of Honor Foundation
- Lieutenant General, U.S. Air Force, retired 2000, with most recent service as Inspector General, Office of the Secretary of the Air Force, the Pentagon

**Education:**

- Bachelor's degree, science, U.S. Air Force Academy
- Royal Air Force Air War College, England



**Maj. Gen. Henry C. Morrow,** USAF

**Board affiliation:**

- U.S. Air Force

**CAP/Air Force/Aviation  
background:**

- Air Force command pilot with more than 3,000 military hours and 7,500 civilian hours

**Career:**

- Major General, U.S. Air Force, currently serving as Commander, 1<sup>st</sup> Air Force, and Commander, Continental U.S. North American Aerospace Defense Command Region

**Education:**

- Master's degree, aeronautical science, Embry-Riddle Aeronautical University
- Bachelor's degree, administrative management, Clemson University



**Lt. Gen. Charles J. Searock,**  
USAF retired

**Board affiliation:**

- Industry, government, education

**CAP/Air Force/Aviation  
background:**

- Air Force command pilot with more than 7,000 flying hours
- B-52 combat missions, South Vietnam

**Career:**

- Director, Crystal Research Corp.
- President, Air Victory Museum
- Lieutenant General, U.S. Air Force, retired 1993, with most recent service as vice commander, Headquarters Air Force Materiel Command, Wright-Patterson AFB; service at the Pentagon and as Military Assistant to the President at the White House

**Education:**

- Master's degree, management, Central Michigan University
- Bachelor's degree, general education, University of Nebraska



**Maj. Gen. John M. Speigel,**  
USAF retired

**Board affiliation:**

- U.S. Air Force

**CAP/Air Force/Aviation background:**

- Numerous Air Force technical and command positions
- Air Force long-range planning, including Airlift Master Plan and Total Force Plan

**Career:**

- Lockheed Martin, Information Systems and Global Services
- Major General, U.S. Air Force, retired 2005, with most recent service as Director of Personnel Policy, Deputy Chief of Staff for Personnel, Headquarters U.S. Air Force; commands at every level in the Air Force, including service at the Pentagon and in South Korea

**Education:**

- Master's degree, journalism, Texas A&M at Commerce
- Master's degree, national security and strategic studies, Naval War College
- Bachelor's degree, business administration, Texas A&M at Commerce



**Bruce N. Whitman**

**Board affiliation:**

- Industry, government, education

**CAP/Air Force/Aviation background:**

- Pilot, navigator and bombardier ratings
- Assistant to the Commander, Homestead AFB, Strategic Air Command
- Board/trustee: Aerospace Industries Association, Congressional Medal of Honor Foundation, Falcon Foundation, General Aviation Manufacturers Association, Kent School, NATA Air Charter Safety Foundation, National World War II Museum, ORBIS International, PASSUR Aerospace, Smithsonian National Air and Space Museum and The Wings Club

**Career:**

- President and CEO, FlightSafety International
- Former senior executive, National Business Aviation Association

**Education:**

- Bachelor's degree, Trinity College
- Attended George Washington University Law School



**Don R. Rowland**

**Board affiliation:**

- Executive Secretary
- Executive Director, CAP

**CAP/Air Force/Aviation background:**

- Rated pilot with 3,400 flying hours
- Helicopter pilot in the Pacific
- Background in search and rescue and aircraft system acquisitions

**Career:**

- Twenty-four years at CAP National Headquarters, including service as Senior Director, Director of Plans and Requirements and Director of Strategic Communications and Plans
- U.S. Air Force, both as a pilot and in System Requirements for Special Operations at Scott AFB
- U.S. Coast Guard Exchange

**Education:**

- Master's degree, management, Webster University
- Bachelor's degree, biology, University of West Florida
- U.S. Coast Guard SAR School at Governors Island, N.Y.



# CAP VOLUNTEER SERVICE.

“ABOVE AND BEYOND” IS MORE THAN A MOTTO TO CIVIL AIR PATROL VOLUNTEERS BECAUSE THEY LIVE IT EVERY DAY. EVER VIGILANT, ALWAYS PREPARED, THEY ARE READY IN A HEARTBEAT TO HELP THEIR FELLOW CITIZENS. THEY WILLINGLY LEAVE HEARTH AND HOME TO BATTLE THE ELEMENTS IN TIMES OF NATURAL DISASTER, TO COURAGEOUSLY AND UNTIRINGLY SEARCH FOR THE LOST AND ALWAYS TO PROTECT AMERICA. THEY DEVOTE PRECIOUS TIME TO OUR YOUTH, TEACHING THEM SKILLS SO THEY CAN ONE DAY BE LEADERS. CAP VOLUNTEERS ARE PATRIOTS. THEY ARE TEACHERS. AND THEY ARE GOOD PEOPLE TO KNOW WHEN THE CHIPS ARE DOWN.



## CAP.VOLUNTEER SERVICE

**SEARCH AND RESCUE.** CAP routinely performs 90 percent of U.S. continental inland search and rescue missions. In 2008, more than 2,500 search and rescue missions directed by the Air Force were conducted, and CAP was credited with saving 91 lives. CAP flew more than 4,000 hours and devoted more than 40,000 man-hours in support of search and rescue operations during the year.

The subject of the search might be a toddler who wandered from home, the pilot of a small plane that did not arrive as scheduled or a family traveling by car and lost in a snowstorm. When the call comes in that someone is missing or overdue, CAP, in tandem with other agencies, goes to work.

Terrain and weather permitting, CAP offers a dual approach to searches. Its ground pounders — cadets and senior member volunteers — cover a grid over the countryside while its pilots and observers do the same from the air. Once search targets are found, CAP volunteers stay with them, administering first aid, if needed, until they can be extracted.



Having an eye in the sky is often the key to finding someone in need of rescue. Aided by radar analysis for missing aircraft, CAP planes fly a pattern over probable crash sites. CAP's Airborne Real-time Cueing Hyperspectral Enhanced Reconnaissance (ARCHER) technology can identify anomalies on the ground to detect complex and sophisticated targets, such as metal among trees or a person in a field. Once victims are located, the CAP plane stays overhead, giving comfort while calling in coordinates to ground teams.

Using direction-finding equipment, CAP responded to more than 1,800 distress signals from emergency locator transmitters last year. Most beacon signals are not triggered by distress situations. Just the same, it is important to clear these from the airwaves so real emergencies will not be overlooked.





It is the ground teams that usually make first physical contact with victims. They are a welcome sight for those needing first aid, food and water and other supplies, such as blankets. In cases where immediate extractions are not possible, CAP members have been known to wait with victims for hours and in extreme conditions until the rescue can be completed. With more than 4,600 qualified ground team members and 1,800 qualified ground team leaders, CAP volunteers are well prepared to respond to the needs of their communities.

CAP also listens for and responds to signals emanating from emergency locator transmitters, or ELTs. Aircraft are required to carry ELTs, and personal beacons are often used by sports enthusiasts and emergency personnel. It is common for ELTs to be accidentally triggered, but CAP never assumes the signal is anything but a distress call.

Weather conditions contribute to many mishaps, resulting in the need for search and rescue missions. CAP members are equipped with extraction tools and survival gear appropriate to the terrain and climate.



## CAP.VOLUNTEER SERVICE

**DISASTER RELIEF.** Hurricanes. Ice storms. Floods. Tornadoes. Wildfires. These disasters wreak havoc on people as well as property. Along with other agencies, CAP volunteers move in to help provide relief. On the ground, they fill sandbags, deliver water and food, move victims to safety, check on households and even transport blood. From their planes, CAP members conduct search and rescue missions and take aerial photographs to help assess damage and plan future tactics.

While natural disasters can occur in an instant, the aftermath can last for weeks or more. Undeterred, CAP volunteers leave the comfort of their homes to serve their fellow citizens — above and beyond the call of duty.



CAP volunteers assisted with aerial photography and damage assessment after dozens of tornadoes ravaged 16 states last year. They also went door-to-door to check on residents still in their homes to deliver water, hot coffee and food. They even did laundry — washing splinters, glass and insulation out of the clothes of those who had lost everything else.

It doesn't take devastating weather to attract CAP's attention for those in need. In Alaska, residents in remote areas cannot always access or even afford basic food supplies during the long winter months. CAP flies in food from area food banks to these isolated villages.



CAP's ground teams helped in 14 flood-stricken states filling sandbags and transporting victims to higher ground, among other assignments, in 2008. Meanwhile, CAP pilots and observers were overhead, taking aerial photographs and flying officials so they could see the damage for themselves.



Hurricane damage can be widespread and require help from numerous agencies, including CAP. For 2008's Hurricane Ike alone, hundreds of CAP members worked more than 18,700 man-hours on the ground and in the air. Aircrews took more than 40,000 high-definition photographs during 350 flights to document more than \$5 billion in damage wrought by the east Texas storm.

## CAP.VOLUNTEER SERVICE

**HOMELAND SECURITY.** In a back-to-the-future scenario, CAP is taking on an increasing role in homeland security. Echoing its roots as a group of volunteers protecting the homeland during World War II, today's CAP helps with protection exercises and terrorism preparedness.

CAP's planes serve as "bait" in training exercises that help Air Force fighter jets practice how to intercept unwelcome small aircraft. In 2008 over Washington, D.C., CAP aircraft simulated potential threats during Falcon Virgo missions; National Capital Wing and Congressional Squadron Cessna 182s flew more than 150 hours acting as targets to support training for the ground and air defense forces that protect the capital, including tests of the Air Force's Visual Warning System that signals aviators who fly into Washington's "no-fly" zones. As mock enemies, the CAP planes are intercepted by F-16 fighters and escorted out of the area or forced to land. Similar training, including missions to intercept shipments of illegal drugs, is conducted across the country by 25 of CAP's wings.

To protect America's coastal and inland waterways, CAP aircraft also act as escorts for ships, look for boaters in distress and monitor infrastructure along the shores.

CAP can trace its roots to the World War II era, when CAP subchasers pitted their planes against Nazi U-boats. Decades later, CAP planes patrolled the skies over Manhattan in the days following the Sept. 11, 2001, attacks that brought down the World Trade Center twin towers. In current uncertain times, Congress is again looking to CAP as a cost-effective way to augment our forces in this country's battle against terrorism. Already CAP helps the Air Force train against threats, including airspace incursions. Dual bills in the House and Senate could further increase CAP's homeland security roles.





As an auxiliary to the U.S. Air Force, CAP is the perfect choice as an intercept mission practice partner for the Air Force's fighter jets. CAP's smaller planes serve as targets that must be located and forced to land. Scenarios for practice missions might include intercepting a small plane smuggling illicit drugs into the country, a plane with terrorist designs or simply a plane that wanders into U.S. airspace by mistake. In 2008, the Air Force marked its millionth sortie in support of the Global War on Terror with a CAP aircrew near Washington, D.C.; the Air Force began flying the sorties on Sept. 14, 2001.

Accompanying U.S. Navy ships as they sailed between Bath Iron Works in Bath, Maine, and the Atlantic Ocean was a regular mission for CAP aircrews in 2008. The CAP aircraft escort kept unknown vessels outside the ships' security zones and ensured safe passage for U.S. interests.



CAP was included in the District of Columbia's Homeland Security and Emergency Management Agency plan to oversee security for the presidential inauguration on Jan. 20, 2009. CAP's desk at the Emergency Operations Center included access to incident software and various communications modes.



## CAP:VOLUNTEER SERVICE

**YOUTH LEADERSHIP TRAINING.** America needs leaders – energetic, bold and visionary. Through the Civil Air Patrol Cadet Program, youth across the nation have the unparalleled opportunity to gain the leadership and teambuilding skills that will mold them into creative problem-solvers prepared to face the challenges of the 21st century.

More than 22,000 young men and women, ages 12 through 20, are enriched by the program. They benefit from character education and aerospace education and are encouraged to explore career opportunities and to pursue healthy lifestyles. Through such activities as cadet encampments, leadership schools and career exploration courses, cadets gain the maturity and experience to make their dreams come true. CAP cadets go on to make a difference in the world, taking on civic, military and business leadership roles as well as aerospace careers.



One of the most popular activities available to cadets, encampments offered at regional and local levels give participants a taste of life away from home as they learn about citizenship, aerospace subjects, military courtesies and teamwork. Encampments provide a variety of experiences to strengthen the mind, body and spirit of youth.





The Cadet Program provides youth with a variety of opportunities to learn new skills. For example, as part of the annual Civic Leadership Academy, 24 cadets representing CAP's eight regions travel to Washington, D.C., to learn more about leadership, teamwork, government, American heritage and careers in public service. This exciting activity gives cadets a behind-the-scenes look at the inner workings of the nation's capital. Their on-site investigations are complemented by lectures, seminars and assigned readings from historic and modern sources.

More than 1,000 youth participate in CAP's 30 National Cadet Special Activities at locations across the nation, where they strengthen their skills in search and rescue, aviation, emergency services, science, leadership fundamentals and more. Participation also helps these young people take their first steps toward identifying promising careers. Courses include National Cadet Competition for color guards and drill teams, National Blue Beret, International Air Cadet Exchange, National Emergency Services Academy, Honor Guard Academy and Hawk Mountain Ranger Training School.



As cadets progress, they earn awards named after aerospace and CAP pioneers. The highest award for cadets who complete all phases of the CAP Cadet Program is the Gen. Carl A. Spaatz Award. These cadets are often honored by their U.S. congressmen and, in the case of Cadet Col. David F. Hill IV, the President of the United States.

## CAP.VOLUNTEER SERVICE

**AEROSPACE EDUCATION.** A congressionally mandated CAP mission, the Aerospace Education Program ignites the boundless imagination of America’s future leaders and educates the public about the important role of aerospace in our past, present and future.

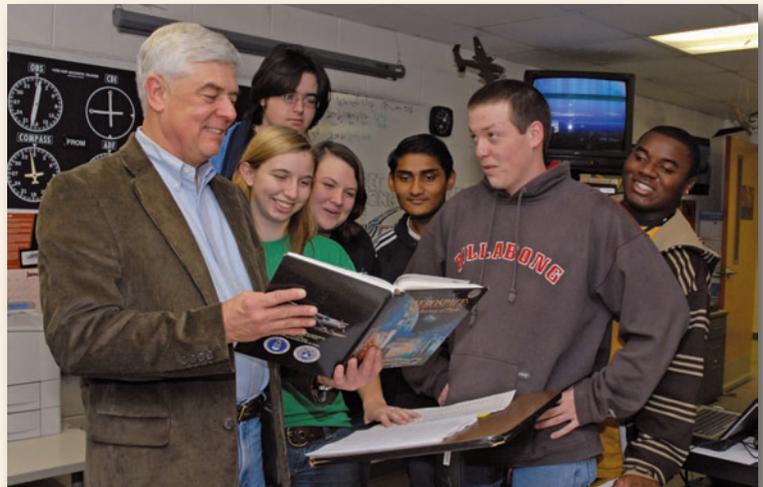
Orientation flights, experiments and rocketry are among the activities that fuel the dreams of those who reach for the stars, and all are learning adventures CAP cadets experience. Many astronauts, pilots, engineers and scientists first explored their careers in CAP.

CAP’s aerospace education programs and products meet national academic standards and are employed by hundreds of teachers in school systems across the country. Special emphasis is placed on the enhancement of “STEM” subjects (Science, Technology, Engineering and Math) to ensure America remains a global leader in these areas of critical importance to our nation’s future.



A variety of flight, academic and aerospace education scholarships are available to cadets, senior members, educators and squadrons through the generosity of more than 30 organizations.

More than 1,500 CAP aerospace education members take their love of aviation and space into the classroom, reaching more than 45,000 students each year. The backbone of CAP’s AE program — “Making Aerospace Real for Students” — consists of curricula, classroom materials, online resources, grants and training, as well as mentorship for educators at aerospace education workshops throughout the country. The program is complemented by such top-notch texts as the newly released second edition of ‘Aerospace: The Journey of Flight.’ Other resources include the Aerospace Excellence Award program. Free to members, the program features five volumes of full-color activity books with more than 20 national standards-based hands-on aerospace activities in each volume.



CAP's educator-members can soar, thanks to the Fly-A-Teacher program. Educators are given orientation flights in CAP Cessnas, opening up thrilling educational possibilities as they share their aerospace experiences with their students. In 2008, CAP pilots flew approximately 150 hours in support of the Fly-A-Teacher program, and more than 250 teachers took to the skies.



Aerospace Connections in Education, a prototype enrichment program for children in kindergarten through sixth grade, motivates young students through aerospace lessons, character development and physical fitness. This program is designed to inspire the next generation's aerospace workforce. More than 300 aerospace education members and 7,000 students at 29 sites across the nation are participating in this dynamic education program.



CAP's model rocketry achievement program fuels the ambition of cadets interested in the science, technology and flight of model rockets, putting a real-world spin on math and science concepts. The program features an instruction guide that begins with simple models, progressing to more difficult designs.

## CAP.VOLUNTEER SERVICE

**CHAPLAIN CORPS.** In times of loss, CAP recognizes the need to take care of both body and soul.

Representing a broad range of faiths, CAP has the largest volunteer chaplaincy in the U.S., with 605 chaplains and 360 character development instructors who support the needs of victims and their families while also ministering to CAP members, active duty military, the National Guard and reserves.

They offer counseling, officiate at weddings and military funerals, visit hospitals, conduct chapel services and support soldiers, sailors and airmen through prayer and drives for supplies to send to deployed troops.



Whether getting supplies to hurricane victims or to overseas troops or conducting services in the field, CAP chaplains pitch in wherever and however needed.

A chaplain's service to others could be no greater than the sacrifice made by four World War II chaplains aboard the USAT Dorchester. When the Dorchester was torpedoed in 1942, chaplains of four different faiths gave up their life jackets to others aboard the doomed ship. CAP's Maj. Edward Patrick Rohan, left, recently received the prestigious Four Chaplains Legion of Honor Award to



note his own service to others. He helped at least six World War II veterans receive medals they had waited on for decades, supported those awaiting organ transplants, participated in CAP search and rescue missions, counseled alcoholics, helped veterans and the elderly with their taxes and gave communion to hospital patients.



The father of a son critically injured in Iraq, Chaplain Maj. David Lefavor knows how important support is to injured soldiers. He works full-time as a Veterans Affairs chaplain in addition to his chaplain services for CAP. In some respects, he is also the chaplain's chaplain as he works extensively with Project Gratitude, which provides R&R for chaplains returning home from deployment and their families.

CAP Chaplain Lt. Col. Samuel Dauer saved the day by marrying Kandace Weston and Pfc. Derik Oshio at the Army National Guard's Fort Harrison in Montana. The regular Army chaplain had been sent to Iraq.



## CAP.VOLUNTEER SERVICE

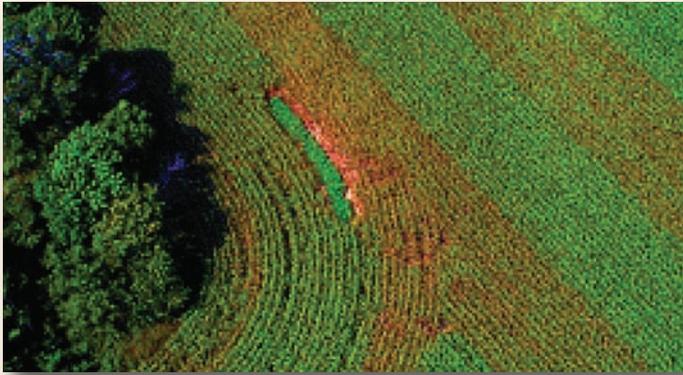
**WAR ON DRUGS.** CAP ensured more than \$1 billion in illegal drugs did not reach U.S. streets last year. To fight illegal drugs, CAP programs target both intervention and prevention.

To disrupt drug trafficking, CAP planes augment the efforts of other U.S. agencies. Last year CAP flew more than 250 counterdrug missions, including aerial searches for outdoor marijuana patches and other indications of illegal drug activity.



Belonging to CAP gives young people the support of their fellow cadets in the campaign to resist drugs. More than 7,800 cadets participated in Drug Demand Reduction program activities in 2008. In one such exercise, cadets try to navigate a simple route while blindfolded or wearing “fatal vision” goggles designed to impair their vision in a manner similar to alcohol’s effects.





CAP takes the War on Drugs to the marijuana fields. CAP planes are tasked to fly over suspected fields, take reconnaissance photographs and report their findings to law enforcement.

CAP's Drug Demand Reduction program warns of the impact of illegal drugs, alcohol and tobacco, as well as the abuse of prescription and over-the-counter drugs. In 2008, in addition to its counterdrug flights, 500 DDR officers and 456 squadrons helped fight the War on Drugs.

In addition, CAP participates in National Red Ribbon Week, distributing thousands of red ribbons to be worn in support of a drug-free lifestyle. CAP replaces the promised high from illegal drugs with the real high that comes from accomplishment and leadership.



CAP has participated in the Red Ribbon Week campaign for nearly 20 years. A clear way to show support for a drug-free world, the program assists the National Family Partnership and includes all branches of the military, as well as schools and churches across America.



# CAP EXCELLENCE.

CIVIL AIR PATROL'S 56,400 MEMBERS MAY BE VOLUNTEERS BUT THEY ARE PROFESSIONALS. THEY COME TO CAP WITH DIVERSE SKILLS HONED IN THEIR DAY JOBS AS DOCTORS, BUSINESSMEN, PILOTS, WRITERS, STUDENTS AND MECHANICS. CAP ADDS SPECIALIZED SKILLS, SUCH AS FIRST AID, COMMUNICATIONS AND FAMILIARITY WITH PERTINENT EQUIPMENT, FROM THE SIMPLISTIC TO HIGH TECH — ALL DONE UNDER AN UMBRELLA OF CAP'S SAFETY-FIRST ATTITUDE.



**CUTTING-EDGE TECHNOLOGY.** Civil Air Patrol members fly and maintain a versatile fleet of more than 550 aircraft, many equipped with sophisticated Garmin glass cockpit technology and the Airborne Real-time Cueing Hyperspectral Enhanced Reconnaissance (ARCHER) system.

Many CAP aircraft are also equipped with digital emergency locator transmitters and the latest in radio equipment needed to communicate easily with ground teams at all times, especially when disasters strike.

Texas Wing aircrews made CAP history in 2008 with automatic GPS labeling of more than 40,000 digital photographs taken after Hurricane Ike made landfall in September. First responders used the high-definition photos to conduct search and rescue, to know where damage occurred and to assess the challenges they faced in getting to storm-ravaged areas.

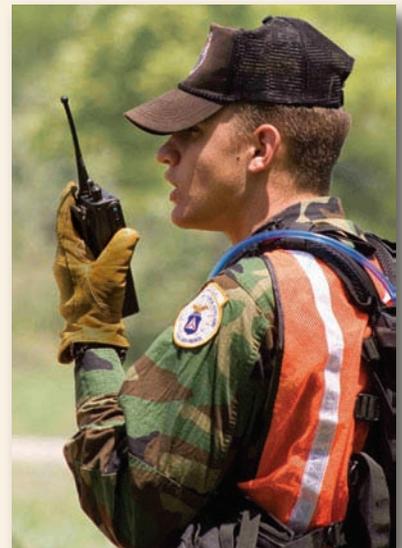


With 118 glass cockpit Cessna 182 Skylanes now in CAP's fleet, more and more CAP aircrews are benefiting from Cessna's state-of-the-art Garmin G1000 flight equipment. The all-glass, jet-like cockpit with Garmin technology provides more situational awareness for CAP pilots as well as a collision avoidance system, which helps ensure their safety.



A Civil Air Patrol pilot cleans the quartz glass portal of an ARCHER-equipped Gippssland Airvan before a mission. ARCHER is an aerial imaging system aboard all 16 of CAP's Gippssland Airvans that produces ground images far more detailed than plain sight or ordinary aerial photography. Aircrews use ARCHER for many of CAP's search and rescue, counterdrug, disaster relief and homeland security missions.

More than 275 of Civil Air Patrol's 550 aircraft are now equipped with 406 MHz emergency locator transmitters, or ELTs, like this. Unlike older versions, the new beacons transmit a stronger, more accurate and verifiable digital signal that can be detected quickly.



Propelled by a federal mandate in 1994 to switch all radios to a new frequency standard, CAP has received more than \$42 million in Air Force funding to upgrade its entire inventory of communications equipment. The change to a corporate, long-range radio system means CAP can respond on short notice to emergencies in any part of the country with modern interoperable and standardized equipment.

**SAFETY-FIRST TRAINING.** With just 2.84 accidents per 100,000 flying hours, Civil Air Patrol's accident rate is 60 percent lower than that of general aviation across America. This safety record is particularly impressive when considering CAP missions are typically flown only 1,000 feet above the ground, leaving little time to react in an emergency situation.

One of the reasons the accident rate is so low is that CAP members have successfully used operational risk management — a technique developed by the Air Force safety community and eagerly adopted by CAP.



1st Lt. Bryan Holland checks the fuel of a National Capital Wing Cessna 172 Skyhawk during a compliance inspection while Lt. Col. Bruce Heinlein observes the preflight inspection. Such assessments of Civil Air Patrol's 52 wings are conducted once every four years by active duty Air Force personnel working in partnership with CAP's national inspector general. Records, assets and equipment are reviewed by a joint inspection team to ensure compliance with CAP rules and regulations, as well as governing directives of the Department of Defense, the Federal Aviation Administration and other government agencies.

Civil Air Patrol's commanders and safety officers as well as CAP National Headquarters receive electronic notification of all mishaps, and safety mishap and investigation reports are electronically tracked and submitted as part of a new online reporting system. Here, National Safety Officer Col. Lyle Letteer takes a look at the system, which streamlines the reporting process and provides CAP and NHO safety leaders with a new tool for identifying mishap trends and developing accident prevention measures.





Current and future CAP leaders participating in National Staff College listen attentively to a presentation on leadership trends. The course at Maxwell Air Force Base, Ala., is one of many provided at the national level. Others include the Wing Commanders Course and CAP's annual conference, in which 700 members take advantage of more than 50 learning labs.



California Wing 2nd Lt. Elsie Lam grins proudly after wrapping up her first flight as a scanner trainee. Professional development at the squadron, wing and region levels is an important aspect of CAP membership as the organization constantly evolves to meet the needs of 21st century America.

**QUALITY PROFESSIONAL DEVELOPMENT.** CAP's top-notch equipment and technology require professional development programs to be vast and multifaceted, allowing members to increase their knowledge, skills and expertise while providing optimum service to their communities.

Members receive training in their own units as well as at the wing, region and national levels to stay mission-ready. Others travel to national-level colleges or seek job-performance support from the CAP Knowledgebase, an online Q&A resource.



# CAP RESPECT.

CIVIL AIR PATROL GIVES AND EARNS RESPECT. WREATHS ACROSS AMERICA, A PROGRAM THAT PLACES WREATHS ON VETERANS' GRAVES DURING THE HOLIDAY SEASON, IS ONE WAY CAP HONORS OUR COUNTRY'S PATRIOTS. MEANWHILE, CAP CELEBRATES THE ACHIEVEMENTS OF TODAY'S MEMBERS, INCLUDING CAP'S FIRST RHODES SCHOLAR, FIRST U.S. ASTRONAUT AND AN IMPRESSIVE ARRAY OF OTHER HIGH-CALIBER AWARD WINNERS. WITH A SALUTE TO THOSE WHO HAVE PRESERVED OUR COUNTRY AND THOSE WHO PROPEL US FORWARD, CAP TAKES ITS RIGHTFUL PLACE AMONG AMERICA'S ORGANIZATIONS WITH A LEGACY OF DEDICATED SERVICE.



**AN ASTRONAUT.** Air Force Col. Eric Boe is not only the first Civil Air Patrol member to travel in space as a U.S. astronaut, he is also the first to pilot a U.S. spacecraft. Boe was at the controls last November when Space Shuttle Endeavour lifted off from Kennedy Space Center for a rendezvous with the International Space Station. A current member of CAP's Florida Wing and a former Georgia Wing cadet, Boe was pilot and second in command for STS-126.

**A RHODES SCHOLAR.** Former Civil Air Patrol Cadet Col. and now Air Force 2nd Lt. Hila Levy is the first CAP cadet to be awarded a Rhodes scholarship. Levy, once a high-achieving cadet in the Puerto Rico Wing and the 2004 National Cadet of the Year, is using her 2008 Rhodes scholarship to pursue an advanced research (Ph.D.-equivalent) degree in public health. Her ultimate goal is to become a career Air Force physician specializing in tropical medicine and infectious disease.

**NATIONAL AWARD WINNERS.** CAP's roster is rich with other celebrated members. From Maj. Gen. Richard L. Bowling and Col. Mary Feik, who recently rose to the CAP Hall of Honor and CAP Life Member status, respectively, to Air Force Col. and former CAP cadet Nicole Malachowski, who was inducted into the Women in Aviation International's Pioneer Hall of Fame, the organization boasts a wide array of notable members.



The crew of Space Shuttle Endeavour, Mission STS-126, walks out of the Operations and Checkout Building and heads for the Astrovan that will take them to Launch Pad 39A. Air Force Col. and current Civil Air Patrol Sr. Mbr. Eric Boe is shown on the left, front row, before his first space flight — a spectacular night liftoff from the Kennedy Space Center in Florida. Boe carried the Gen. Carl A. Spaatz Award commemorative coin he earned as a CAP cadet on his 16-day flight into space. The coin will be permanently displayed at CAP National Headquarters at Maxwell Air Force Base, Ala.

## WREATHS ACROSS AMERICA.

Many CAP members annually salute U.S. veterans by taking part in Wreaths Across America wreath-laying ceremonies sponsored by Worcester Wreath Co. of Harrington, Maine. In December the wreaths were laid at Arlington National Cemetery, the Women in Military Service for America Memorial and nearly 400 veterans' cemeteries and memorials nationwide and abroad.



Maine Wing cadets Eric Madore, front, and Chris Slininger place wreaths next to gravestones as part of Wreaths Across America ceremonies at Arlington National Cemetery. Ten thousand wreaths donated by Worcester Wreath Co. of Harrington, Maine, were placed at Arlington in 2008 and approximately 100,000 more were laid at veterans' gravesites and memorials around the world. Nearly 240 Civil Air Patrol squadrons sold 15,300 wreaths and participated in Wreaths Across America ceremonies. As a result, CAP is becoming more widely appreciated for this worthwhile endeavor, much the same as the Marines are known for Toys for Tots.



CAP Lt. Col. Paul Salos of Texas Wing's Plano Mustangs Composite Squadron performs on "America's Got Talent," a popular NBC competition showcasing the nation's top entertainers. Salos, a Frank Sinatra impersonator, was one of 3 million people who applied for the TV show and one of 300,000 who auditioned. He advanced to the Top 10, finishing sixth and earning the admiration of millions of the show's fans.



Then-President George W. Bush congratulates newly graduated 2nd Lt. Hila Levy during the U.S. Air Force Academy Class of 2008 graduation ceremony in May 2008. The 50th Academy class consisted of 1,012 cadets who entered the Air Force as second lieutenants. Levy was the class' top graduate — the second former CAP cadet to earn top graduating honors at the academy.



# CAP FINANCIAL STATEMENTS.

FOR FISCAL YEAR 2008, CIVIL AIR PATROL IS PROUD TO HAVE AN UNQUALIFIED AUDIT, THE FIRST IN ITS HISTORY. CAP HAS WORKED FOR THREE YEARS TO ACHIEVE THIS GOAL. THE PROCESS BEGAN IN 2006 WITH THE WING BANKER PROGRAM DEvised BY A CAP MEMBER. THE PROGRAM WAS SO SUCCESSFUL IN ENSURING ACCURATE ACCOUNTING AND REPORTING THAT IT SPREAD THROUGH THE ENTIRE NATIONAL CAP ORGANIZATION. NUMEROUS DEDICATED VOLUNTEERS, INCLUDING THE REGION DIRECTORS OF FINANCE, SHOWN AT LEFT, HELPED TURN THIS GOAL INTO CAP'S NEW STANDARD.



## CAP.FINANCIAL STATEMENTS

To the Board of Governors  
Civil Air Patrol  
Maxwell Air Force Base, Alabama

We have audited the accompanying statement of financial position of Civil Air Patrol (a nonprofit organization) as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Civil Air Patrol's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Civil Air Patrol as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated May 22, 2009, on our consideration of the Civil Air Patrol'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

*Nelson, Price, Bannock, Blankenship & Bellingrey, P.C.*

May 22, 2009

# CAP.FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2008

## ASSETS

### CURRENT ASSETS

Cash and cash equivalents	\$ 11,719,321
Short-term investments	3,802,934
Accounts, grants and loans receivable, net of allowance for doubtful accounts of \$37,506	4,204,779
Inventories	152,471
Prepaid expenses	205,061
	<hr/>
Total current assets	20,084,566

### NONCURRENT ASSETS

Cash-restricted	5,085,772
Long-term investments	497,217
Unconditional promises to give	2,943,300
Property and equipment, net of accumulated depreciation	76,434,010
	<hr/>
Total noncurrent assets	84,960,299

### TOTAL ASSETS

\$105,044,865



## LIABILITIES AND NET ASSETS

### CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 4,407,866
Current maturities of long-term debt	5,621
Deferred revenue	262,636
	<hr/>
Total current liabilities	4,676,123
	<hr/>

### NONCURRENT LIABILITIES

Noncurrent maturities of long-term debt	38,147
	<hr/>
Total liabilities	4,714,270
	<hr/>

### NET ASSETS

Unrestricted:	
Undesignated	17,382,512
Board designated	3,704,793
	<hr/>
Temporarily restricted	21,087,305
Permanently restricted	78,917,708
	<hr/>
Total net assets	100,330,595
	<hr/>

### TOTAL LIABILITIES AND NET ASSETS

\$105,044,865



# CAP. FINANCIAL STATEMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Governmental appropriations and grants	\$ 22,345,262	\$ 74,602	\$ -	\$ 22,419,864
Other program revenue	3,275,917	255,644	-	3,531,561
Membership dues	2,608,942	-	-	2,608,942
Governmental contributions	5,176,333	15,493,638	-	20,669,971
Contributions	2,735,522	379,591	-	3,115,113
Fundraising	991,835	-	-	991,835
Registration fees and events	691,498	-	-	691,498
Publications and advertising	41,548	-	-	41,548
Sale of materials, supplies and surplus property	110,993	-	-	110,993
Interest income	256,056	-	722	256,778
Investment income	290,211	27,311	16,504	334,026
Other	794,063	-	-	794,063
Net assets released from restrictions	17,215,683	(17,215,683)	-	-
<b>Total operating revenues and other support</b>	<b>56,533,863</b>	<b>(984,897)</b>	<b>17,226</b>	<b>55,566,192</b>
<b>OPERATING EXPENSES</b>				
Program services:				
Aerospace education and training	3,259,417	-	-	3,259,417
Cadet programs	6,599,128	-	-	6,599,128
Communication maintenance	3,672,866	-	-	3,672,866
Counterdrug	878,987	-	-	878,987
Drug demand reduction	623,665	-	-	623,665
Emergency services	20,354,744	-	-	20,354,744
<b>Total program services</b>	<b>35,388,807</b>	<b>-</b>	<b>-</b>	<b>35,388,807</b>
Supporting services:				
Fundraising	285,418	-	-	285,418
Management and general	16,520,770	-	-	16,520,770
Membership development	2,888,903	-	-	2,888,903
Strategic communications	321,507	-	-	321,507
<b>Total supporting services</b>	<b>20,016,598</b>	<b>-</b>	<b>-</b>	<b>20,016,598</b>
<b>Total operating expenses</b>	<b>55,405,405</b>	<b>-</b>	<b>-</b>	<b>55,405,405</b>
<b>Change in net assets from operations</b>	<b>1,128,458</b>	<b>(984,897)</b>	<b>17,226</b>	<b>160,787</b>

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>NONOPERATING GAINS AND LOSSES</b>				
Gain on disposition of property and equipment	\$ 11,485	\$ 560,428	\$ -	\$ 571,913
Net unrealized and realized loss on investments	(1,021,376)	(55,906)	(71,637)	(1,148,919)
Total nonoperating gains and losses	(1,009,891)	504,522	(71,637)	(577,006)
<b>CHANGE IN NET ASSETS BEFORE PRIOR PERIOD ADJUSTMENTS</b>				
	118,567	(480,375)	(54,411)	(416,219)
<b>PRIOR PERIOD ADJUSTMENTS</b>				
	611,101	17,450	-	628,551
<b>CHANGE IN NET ASSETS</b>				
	729,668	(462,925)	(54,411)	212,332
<b>NET ASSETS AT BEGINNING OF YEAR</b>				
	20,357,637	79,380,633	379,993	100,118,263
<b>NET ASSETS AT END OF YEAR</b>				
	\$21,087,305	\$78,917,708	\$325,582	\$100,330,595



# CAP FINANCIAL STATEMENTS

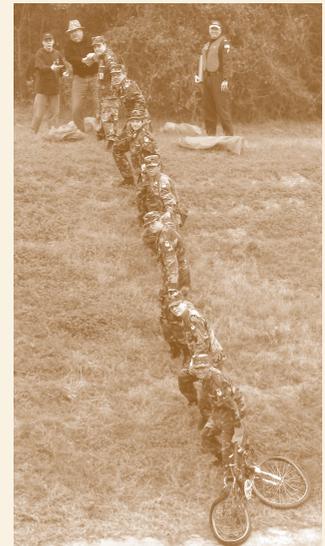
STATEMENT OF FINANCIAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

## PROGRAM SERVICES

	Aerospace Education and Training	Cadet Programs	Communication Maintenance	Counterdrug	Drug Demand Reduction	Emergency Services
Advertising	\$ 2,244	\$ 2,992	\$ 447	\$ 748	\$ 299	\$ 4,489
Aircraft maintenance	197,618	509,190	-	296,427	-	4,182,386
Awards	90,564	130,179	-	-	-	-
Bad debts	-	-	-	-	-	-
Bank and credit card expense	-	-	-	-	-	-
Cadet activities	-	2,287,239	-	-	6,580	132,601
Conference	101,751	134,946	20,149	33,581	15,122	204,619
Contingency	-	-	-	-	-	-
Cost of goods sold	16,536	66,147	-	-	-	-
Depreciation	42,828	57,105	49,607	14,275	5,711	5,964,016
Equipment maintenance	61,209	81,611	1,727,623	20,404	8,160	382,050
Facility maintenance	1,073,288	1,407,544	202,934	338,222	135,289	2,104,690
Fundraising events	-	-	-	-	-	-
Insurance	14,910	19,879	2,982	4,971	1,988	29,819
Interest expense	-	-	-	-	-	-
Legal and accounting	704	938	141	235	94	1,408
Lobbying	-	-	-	-	-	-
Maintenance and equipment rental	-	-	-	-	-	27,076
Miscellaneous	13,001	17,333	2,601	4,334	1,733	40,249
Mission support	3,820	-	-	18,056	-	4,858,975
Payroll taxes and benefits	112,949	57,226	43,948	2,112	14,138	187,515
Professional services	74,300	15,190	2,528	-	38,840	82,687
Professional development	97,553	50,847	-	-	2,500	8,530
Postage	13,422	67,486	28,657	4,474	1,789	27,017
Printing and publications	6,221	8,293	1,244	2,074	831	12,442
Procurement	-	-	1,197,945	-	-	105,571
Salaries	656,215	430,108	223,418	32,556	103,680	988,356
Senior activities	273,528	-	-	-	-	4,875
Supplies	166,341	665,633	111,287	35,429	233,841	299,770
Telephone	69,544	92,727	13,908	23,181	9,273	174,799
Travel	99,507	401,362	26,130	24,120	34,281	346,063
Vehicle maintenance	71,364	95,153	17,317	23,788	9,516	184,741
	<u>\$3,259,417</u>	<u>\$6,599,128</u>	<u>\$3,672,866</u>	<u>\$878,987</u>	<u>\$623,665</u>	<u>\$20,354,744</u>

## SUPPORTING SERVICES

<u>Fundraising</u>	<u>Management and General</u>	<u>Membership Development</u>	<u>Strategic Communications</u>	<u>Total</u>
\$ -	\$ 16,922	\$ 60,256	\$ 33,208	\$ 121,605
-	-	-	-	5,185,621
4,070	17,402	15,313	-	257,528
-	14,069	1,509	-	15,578
-	20,222	-	-	20,222
-	2,147	-	-	2,428,567
-	257,274	278,934	-	1,046,376
-	14,113	-	-	14,113
-	-	-	-	82,683
-	1,556,300	14,275	-	7,704,117
-	91,616	20,404	-	2,393,077
-	1,828,249	547,993	-	7,638,209
260,042	-	-	-	260,042
-	1,698,661	4,971	-	1,778,181
-	10,147	-	-	10,147
-	415,487	235	-	419,242
9,306	34	-	-	9,340
-	253,097	-	-	280,173
-	113,119	14,707	-	207,077
-	338	-	-	4,881,189
-	1,097,487	255,189	122	1,770,686
12,000	447,693	210,429	11,232	894,899
-	66,538	12,418	-	238,386
-	103,144	19,857	-	265,846
-	8,373	2,074	255,773	297,325
-	-	-	-	1,303,516
-	5,711,368	1,210,683	-	9,356,384
-	8,354	-	-	286,757
-	340,926	87,810	-	1,941,037
-	1,552,211	24,068	-	1,959,711
-	763,655	83,990	21,172	1,800,280
-	111,824	23,788	-	537,491
<u>\$285,418</u>	<u>\$16,520,770</u>	<u>\$2,888,903</u>	<u>\$321,507</u>	<u>\$55,405,405</u>



# CAP.FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

### INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

#### CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 212,332
Prior period adjustment	(628,551)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,704,117
Net unrealized and realized loss on investments	1,148,919
Gain on disposition of property and equipment	(571,913)
Changes in operating assets and liabilities:	
Receivables	(1,157,661)
Prepaid expenses	194,816
Inventories	(49,084)
Unconditional promises to give	8,523,712
Accounts payable and accrued expenses	1,052,314
Deferred revenue	(33,227)
Assets restricted for long-term purposes	2,570,449

Net cash provided by operating activities 18,966,223

#### CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property and equipment	1,075,495
Purchase of property and equipment	(19,204,204)
Proceeds from sale of investments	874,506
Purchase of investments	(2,007,670)

Net cash used by investing activities (19,261,873)

#### CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from borrowings	1,228,970
Payment of borrowings	(1,250,056)

Net cash used by financing activities (21,086)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** (316,736)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (RESTATED)** 12,036,057

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$11,719,321



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

Civil Air Patrol (the "Organization" or "CAP"), a civilian auxiliary of the United States Air Force (USAF), is a private nonprofit corporation chartered July 1, 1946, under federal law. Civil Air Patrol's principal activities are to provide voluntary contributions of private citizens, and adequate facilities to assist in meeting local and national emergencies, to promote aerospace education and training, and to provide a cadet training and motivation program. The Organization's activities are supported primarily by governmental appropriations, contributions and grants, membership dues, and program fees.

CAP is organized into eight geographic regions. These regions are subdivided into Wings by the states falling within their boundaries. Additionally, the District of Columbia and Commonwealth of Puerto Rico have CAP Wings. These 52 Wings are then subdivided into groups depending upon size.

### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis, and include the accounts and financial transactions of the National Headquarters and the Regions, Wings and Units below Wing level of Civil Air Patrol. All material transactions between the divisions of the Organization have been eliminated.

### Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, whereby contributions are recorded at their fair value in the period received.

### Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates in these statements include useful lives for depreciation, contributed facilities and allocation of expenses by function. Actual results could differ from those estimates.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Advertising

Advertising costs are expensed as incurred. Total advertising costs expensed for the year ended September 30, 2008, were \$121,605.

### Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude temporarily and permanently restricted cash and cash equivalents.

### Investments

The Organization has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized and realized gains and losses are included in the change in net assets in the statement of activities as nonoperating gains and losses. Investment income reported as operating revenues consists of interest and dividend income from investments. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

### Accounts, Grants and Loans Receivable

Accounts, grants and loans receivable consist primarily of amounts due from members, CAP organizations and governmental agencies, related to exchange transactions with those parties.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific receivables.

### Inventories

Inventories for use and sale are stated at the lower of cost or market, with cost determined by the first-in, first-out method.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property and Equipment

Property and equipment are recorded at cost or, if contributed, at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. It is the Organization's policy to capitalize property and equipment with a fair value or cost over \$5,000.

### Compensated Absences

Employees of the Organization earn and accrue annual leave. The cumulative amount of unused annual leave is included in accounts payable and accrued expenses in the statement of financial position.

### Deferred Revenue

Deferred revenues include advance payments of membership dues and fees. Dues are considered exchange transactions and recorded as revenues in the applicable membership period.

### Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

### Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period the contribution is received, the Organization reports the support as unrestricted.

Contributions of utilities and use of long-lived assets are recorded at fair rental value, and contributed materials for use are recorded at fair value.

### Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Fair Values of Financial Instruments

The Organization's financial instruments consist of cash, investments, accounts receivable, unconditional promises to give and accounts payable. Investments are recorded at their fair values. All other financial instruments are stated at cost which approximates fair value.



# CAP FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

## 2. CASH

Cash which has been either restricted by the donor or designated by the governing board of the Organization is presented below:

### Contractually restricted by the USAF for:

Future aircraft maintenance, modernization and procurement	\$ 4,202,102
Administrative and other operational expenses	27,823
Counterdrug administration	21,472

### Restricted by donors for:

Cadet scholarships and activities	96,045
Other activities	738,330

Total restricted cash 5,085,772

### Designated by the governing board for:

Cadet scholarships and activities	151,605
Other activities	37,342

Total designated cash 188,947

### Cash unrestricted and not designated:

11,530,374

Total cash \$ 16,805,093

### Statement of financial position presentation:

Cash and cash equivalents	\$ 11,719,321
Cash – restricted	5,085,772

Total \$ 16,805,093

## 3. INVESTMENTS

Investments are presented at fair market value. Below is a summary of investments by major types:

Annuities	\$ 17,987
Common stock	441,775
Corporate bonds	756,792
Mutual funds	3,083,597

Total \$ 4,300,151

### 3. INVESTMENTS (continued)

The composition of the return on investments is as follows:

Investment income	\$ 334,026
Net unrealized and realized loss on investments	<u>(1,148,919)</u>
Total	<u>\$ (814,893)</u>

Investments which have been either restricted by the donor or designated by the governing board of the Organization are presented below:

<u>Description</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
<b>Restricted by donors:</b>			
Clara Livingston Fund	\$ 172,415	\$ (29,182)	\$ 143,233
Historical Fund	2,005	(339)	1,666
Jack Sorenson Aerospace Education Fund	7,804	(2,007)	5,797
Wing and Region investments restricted for cadet scholarships and aerospace education	406,122	(59,601)	346,521
	<u>588,346</u>	<u>(91,129)</u>	<u>497,217</u>
<b>Designated by the governing board:</b>			
Reserve investments	3,482,646	(838,268)	2,644,378
Scholarship Fund	1,076,246	(256,675)	819,571
	<u>4,558,892</u>	<u>(1,094,943)</u>	<u>3,463,949</u>
<b>Investments unrestricted and undesignated:</b>	<u>346,964</u>	<u>(7,979)</u>	<u>338,985</u>
Total	<u>\$ 5,494,202</u>	<u>\$(1,194,051)</u>	<u>\$ 4,300,151</u>
<b>Statement of financial position presentation:</b>			
Short-term investments			\$ 3,802,934
Long-term investments			<u>497,217</u>
Total			<u>\$ 4,300,151</u>

# CAP.FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

## 3. INVESTMENTS (continued)

Investments have been restricted for the following specific purposes:

*Clara Livingston Fund* – Investments restricted for the Cadet Program.

*Historical Fund* – Investments restricted to defray costs of the historical committee.

*Jack Sorenson Aerospace Education Fund* – Investments restricted for aerospace education.

The governing board has designated unrestricted investments for the following specific purposes:

*Reserve Investments* – Reserve investments are intended for use only in cases of extreme emergency and only when approved by a resolution of three-fourths of the National Executive Committee.

*Scholarship Fund* – Investments designated in a quasi-endowment sense to provide cadet scholarships.

Subsequent to the financial statement date, there has been significant market volatility. During this time period, there have been declines in major indexes such as the Dow Jones Industrial Average and the NASDAQ composite. As the Organization's assets are diversified and consist of various types of investments, they are subject to these changes due to market volatility.

## 4. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

Accounts, grants and loans receivable are due from the following:

USAF	\$ 3,578,530
Others	663,755
Less allowance for doubtful accounts	<u>(37,506)</u>
Total	<u>\$ 4,204,779</u>

## 5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are due in less than one year and consist of the following:

### Restricted unconditional promises to give:

Restricted for the purchase of aircraft	<u>\$ 2,943,300</u>
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As of September 30, 2008, the Organization received from the USAF conditional promises to give of \$602,628 that are not recognized as assets in the statement of financial position. The promises are conditioned upon the Organization entering into legally binding USAF approved purchase orders for equipment.



## 6. INVENTORIES

Inventories for use and sale consist of the following:

Educational materials	\$ 152,471
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## 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 219,236
Building and improvements	5,552,958
Aircraft	106,970,152
Computers	3,425,518
Vehicles	18,718,875
Office furniture and equipment	106,024
Communication equipment	9,573,387
Building under capital lease	253,148
Office equipment under capital lease	44,802
Other equipment	9,617,270
Construction in progress	663,658
Deposits on aircraft	240,000
	<u>155,385,028</u>
Accumulated depreciation	78,951,018
	<u>\$ 76,434,010</u>
<b>Net property and equipment</b>	<b>\$ 76,434,010</b>

As of September 30, 2008, improvements with a book value of \$277,214 have been made to leased facilities. These improvements are located at the Virginia Wing and North Carolina Wing in the amounts of \$129,929 and \$147,286, respectively.

Depreciation expense for the period ending September 30, 2008	\$ 7,704,117
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Property and equipment donated directly or indirectly by the Department of Defense (DOD) can only be used for mission accomplishment, must be kept a minimum of one year before disposal action, and must be returned to the donor unless a waiver is granted, or unless the equipment is classified by the donor as nonreturnable.

Property and equipment purchased with funding from the DOD is restricted for mission support. Disposition of these assets requires approval and instructions from CAP USAF. As of September 30, 2008, property and equipment restricted for specific purposes amounted to \$136,471,142, less accumulated depreciation of \$73,523,217, resulting in a balance of \$62,947,925.

# CAP.FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2008

## 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are scheduled as follows:

Accrued payroll and payroll taxes	\$ 959,265
Vendor payables	<u>3,448,601</u>
Total	<u>\$ 4,407,866</u>

## 9. DEFERRED REVENUE

Deferred revenue is detailed as follows:

Prepaid membership dues	\$ 231,064
Other	<u>31,572</u>
Total	<u>\$ 262,636</u>

## 10. NOTE PAYABLE

The Organization has a note payable secured by a building with a book value of \$496,147. The mortgage, with an interest rate of 7% and monthly payments of \$688, matures July 1, 2010.

Total obligations	\$ 43,768
Less current maturities of long-term debt	<u>5,621</u>
Noncurrent maturities of long-term debt	<u>\$ 38,147</u>

The future scheduled maturities of long-term debt are as follows:

Years ending September 30:	
2009	\$ 5,621
2010	<u>38,147</u>
Total	<u>\$ 43,768</u>

Total interest expense included in the statement of activities is \$10,147. Of this amount, \$4,203 was related to the above note and the remaining \$5,944, was related to a line of credit.

## 11. NET ASSETS

### Unrestricted Net Assets - Designated

The governing board has designated unrestricted net assets for:

Reserve funds	\$ 2,719,063
Scholarships	848,679
Other	137,051
	<hr/>
Total	\$ 3,704,793
	<hr/> <hr/>

### Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Cadet program activities:	
Scholarships	\$ 7,857
Other	5,996
Emergency services	10,209
Cadet program activities:	
Scholarships	182,700
Other	101,212
Other general activities:	
Subsequent years' use of property, equipment and inventories	76,718,385
Support, maintenance and modernization of aircraft fleet	1,058,865
Other	832,484
	<hr/>
Total	\$ 78,917,708
	<hr/> <hr/>

### Permanently Restricted Net Assets

Permanently restricted net assets are restricted for:

Scholarships	\$ 310,681
Other	14,901
	<hr/>
Total	\$ 325,582
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# CAP FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

## 12. PRIOR PERIOD ADJUSTMENTS

Net assets at the beginning of 2008 have been adjusted for the following classification errors relating to the prior year. The following corrections have no effect on the results of the current year's activity.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Correction of assets at national headquarters	\$ 143,223	\$ 17,450	\$ -	\$ 160,673
Correction of assets at Wing locations	35,392	-	-	35,392
Subordinate Units not reported in prior years	<u>432,486</u>	<u>-</u>	<u>-</u>	<u>432,486</u>
	<u>\$ 611,101</u>	<u>\$ 17,450</u>	<u>\$ -</u>	<u>\$ 628,551</u>

In prior years subordinate Units below Wing level were not included in the financial statements of CAP. In 2006, the Organization initiated a program to include the accounts of the subordinate Units below Wing level. This program contained a two-year phase in period with the ultimate resolution of all subordinate Units being included in their respective Wing's financial reporting. Beginning net assets have been adjusted by \$432,486 to reflect the addition of Units in 2008.

## 13. DESCRIPTION OF LEASING ARRANGEMENTS

The Organization conducts a portion of its activities from leased facilities. Land, storage, office and hangar space is leased under operating leases ranging from month-to-month periodic leases to fifty (50) year term leases, expiring at various dates up to 2027. Many of these operating leases require no rental payments, or payments at less than fair rental value. Some of these leases have options to renew with automatic increases in rental payments, while other leases may be canceled during the lease term. Also, a facility is leased from a governmental municipality with a lease term (including automatic renewals) expiring in 2044. The Organization also leases various other equipment which is classified as operating leases. The majority of the leases require the Organization to pay taxes, insurance, and repairs and maintenance. In most cases, management expects that, in the normal course of activities, leases will be renewed or replaced by other leases.

## 14. OPERATING LEASES

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2008:

Years ending September 30:	
2009	\$ 2,369
2010	2,369
2011	<u>1,777</u>
Total	<u>\$ 6,515</u>

Total rental expense for all operating leases is \$4,010 for the year ended September 30, 2008.

## 15. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions are summarized as follows:

Satisfaction of purpose restrictions	\$ 9,851,996
Expiration of time restrictions	7,362,713
Other	974
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Total	\$ 17,215,683
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## 16. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 401(k) and defined contribution plan for the benefit of its employees, substantially all of whom are eligible to participate after meeting minimum qualifying standards. Under the plan, employees may elect to defer a portion of their salary, subject to Internal Revenue Code limits. The Organization may contribute a discretionary amount to the plan with immediate vesting. Organization contributions to the plan were \$350,000 for the year ended September 30, 2008, and are included in payroll taxes and benefits in the statement of functional expense.

## 17. RELATED PARTY TRANSACTIONS

Civil Air Patrol is an auxiliary of the USAF. The USAF can significantly influence the management and operating policies of the Organization by the restrictions on its contributions and contractual restrictions placed on exchange transactions. Accordingly, the USAF is a party related to the Organization. The Organization conducts emergency missions authorized by the USAF and receives reimbursement as an exchange transaction. Additionally, the Organization receives contributions of property, equipment, and use of facilities and utilities at no charge from the USAF to enable the Organization to continue programs and activities.

A description of significant related party transactions with amounts is presented below:

### Transactions Providing Revenue:

From the USAF for:	
Governmental appropriations	\$ 27,812,492
Contributions for:	
Use of facilities and utilities	1,619,301
Property, equipment and inventories	15,493,638
	<hr/>
Total	\$ 44,925,431
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### Transactions Incurring Expenses:

Expenses with the USAF for:	
Facilities	\$ 1,101,922
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# CAP. FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008

## 18. CONTINGENCIES AND COMMITMENTS

### Legal Proceedings

There were legal proceedings against the Organization that arose in the normal course of business. While it is not feasible to predict or determine the outcome of these cases, the majority of these potential legal damages are adequately covered by insurance or by adequate defenses. It is the opinion of management that the outcome will not have a material adverse effect on the financial position of the Organization.

### Self-Insured Accident Benefits

The Organization has established self-insured accident coverage for its senior and cadet members which provides benefits in the event of injuries or death incurred on authorized CAP activities. The benefits have been set at \$10,000 for accidental death, and \$8,000 per accident for medical expenses. Management has not arrived at an estimate of this risk retention exposure. Accordingly, no provision for liability has been established in the accompanying financial statements. Management believes exposure not to be significant at September 30, 2008.

## 19. CONCENTRATIONS

### Concentration of Support

The Organization receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Organization's programs and activities.

### Concentration of Credit Risk

The Organization maintains its cash in bank accounts, which at various times during the fiscal year exceed the federally insured limits.

As of September 30, 2008, the Organization's uninsured cash balances totaled \$12,347,017.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 raised the Federal Deposit Insurance Corporation (FDIC) limit from \$100,000 to \$250,000 per financial institution.





N636FP



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