



# Civil Air Patrol



2010 Financial Report

# 2010

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*This publication meets the Annual Report to Congress  
requirement listed in Title 36 of the United States Code.*

Cover photo courtesy of *Golden Isles Magazine*

A group of approximately 15 Civil Air Patrol members, including both young men and women, are standing in a line outdoors on a grassy field. They are all wearing matching camouflage uniforms, including short-sleeved shirts, cargo pants, and caps. Name tags are visible on their shirts, with names such as JACKSON, SCHULTZE, SALVE, and others. The background consists of tall trees and a clear sky. The text "Civil Air Patrol's Mission Statement" is overlaid in a large, red, serif font across the middle of the image.

# Civil Air Patrol's Mission Statement

Supporting America's communities with ● emergency response, ● diverse aviation and ground services,  
● youth development and ● promotion of air and space power.

In anticipation of its 70th anniversary in December 2011, Civil Air Patrol is celebrating its glorious past, when civilian volunteers chased enemy submarines from America's shores during World War II, and embracing its future in today's fast-paced, technologically driven world.

Despite a lean economy, CAP's membership continues to grow at a steady rate, now more than 61,000 members strong, an increase of 4.4 percent over last year and a 7.1 percent increase in the past decade. Like CAP's founding members, these are volunteers who put service above self and have chosen CAP as a way to help their communities and their nation.

Thanks to a combination of perseverance and technology, CAP is proud to announce its third consecutive unqualified audit this year, outlined in comprehensive detail in this report. This achievement not only signifies CAP's careful and competent handling of state, federal and donor dollars but also pays tribute to all who place their trust in this nonprofit organization.

While CAP remains committed to its original congressionally mandated missions to provide emergency services, cadet programs and aerospace education, the organization is increasingly taking on new challenges, including helping train military members before they deploy overseas to combat locations and providing even more community services. All of this further reflects CAP's commitment to remain relevant and necessary in an ever-changing world.





# Public

# Trust

Leaders in  
Air Force,  
Business,  
Education.

- CAP builds leaders. Members of the New York Wing received some leadership tips and a great photo opportunity with U.S. Secretary of State Hillary Clinton when she attended a small-town parade in upstate New York.

# Board of Governors

Leaders in Air Force, Business, Education, CAP

The work of Civil Air Patrol is directed by its 11-member Board of Governors. The board's distinguished members are leaders from across the nation, drawn from the ranks of CAP volunteers as well as U.S. Air Force senior officers and civilians working in the fields of education, aviation and emergency management. Board members meet periodically throughout the year to guide the organization by establishing strategic policies and long-range plans and programs.



● Lt. Gen. John D. Hopper Jr., USAF (Ret)

- Chairman**  
**Board affiliation:**
- U.S. Air Force
- CAP/Air Force/Aviation background:**
- USAF retired
  - Air Force Command Pilot with more than 4,000 flying hours
  - C-130 Pilot, Vietnam War
- Career:**
- CEO, Air Force Aid Society
- Education:**
- Master's degree, Logistics Management, Air Force Institute of Technology
  - Bachelor's degree, U.S. Air Force Academy



● Brig. Gen. Richard L. Anderson, CAP

- Vice Chairman**  
**Board affiliation:**
- Civil Air Patrol
- CAP/Air Force/Aviation background:**
- USAF retired
  - Former CAP National Commander (1993-1996)
  - Current Secretary, CAP National Advisory Council (former National Commanders)
  - Former National President, Spaatz Association
  - CAP Command Pilot with 2,100 flying hours
  - Federal Aviation Administration commercial pilot certificate
  - 30 years of Air Force service in Missile/Space Operations and Political-Military/International Affairs
- Career:**
- Representative, 51st House District, Virginia General Assembly; elected 2009
  - Colonel, U.S. Air Force; retired 2009
- Education:**
- Master's degree, Public Administration, Webster University
  - Bachelor's degree, Political Science, Virginia Polytechnic Institute
  - Graduate, Air War College (residence); Air Command and Staff College (residence); and Armed Forces Staff College (residence)



● Brig. Gen. Charles L. Carr Jr., CAP

- Board affiliation:**
- Civil Air Patrol
- CAP/Air Force/Aviation background:**
- USAF retired
  - CAP National Vice Commander, with previous service as Great Lakes Region Commander and Ohio Wing Commander
  - CAP Pilot with an instrument rating
  - Master rating in CAP's Personnel and Finance professional development specialty tracks
- Career:**
- Co-owner of ABC Academy Daycare Center in Columbus, Ohio
  - More than 16 years in retail sales and management
  - Master Sergeant, Superintendent of Security Police, U.S. Air Force; retired after 23 years of service
- Education:**
- Management courses, University of Maryland
  - Military training, including NCO Leadership School, Command NCO Academy, U.S. Air Force Senior NCO Academy, Military Police Investigations and U.S. Customs



● **Maj. Gen. Amy S. Courter, CAP**

**Board affiliation:**

- Civil Air Patrol

**CAP/Air Force/Aviation**

**background:**

- CAP National Commander, preceded by long list of previous CAP service, including Michigan Wing Commander; Chair of Cadet Programs, Professional Development and Infrastructure committees; and Co-Founder and Director of Civic Leadership Academy

**Career:**

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

**Education:**

- Bachelor's degree, Psychology and Education, Kalamazoo College
- Secondary school teaching certification in Psychology, Computer Science and Mathematics



● **Maj. Gen. Garry C. Dean, USAF**

**Board affiliation:**

- U.S. Air Force

**CAP/Air Force/Aviation**

**background:**

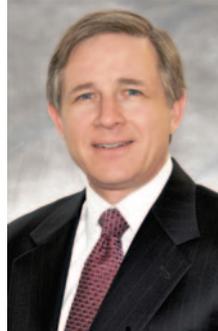
- Air Force Command Pilot with more than 4,000 flight hours in T-38 and F-15 aircraft

**Career:**

- Major General, U.S. Air Force, currently serving as Commander, 1st Air Force, and Commander, Continental U.S. North American Aerospace Defense Command Region, 1st Air Force and Air Forces Northern
- Previous service with Oregon Air National Guard's 142nd Fighter Wing; Georgia Air National Guard; and 12th Tactical Fighter Squadron at Kadena Air Force Base, Japan

**Education:**

- Bachelor's degree, Computer Science, U.S. Air Force Academy
- Air Command and Staff College, Air War College and Joint Task Force Commander's Course



● **Paul L. Graziani**

**Board affiliation:**

- Industry, Government, Education

**CAP/Air Force/Aviation**

**background:**

- Software Developer – analysis software for land, sea, air and space
- Board Director:
  - PASSUR Aerospace
  - U.S. Geospatial Intelligence Foundation
  - Federation of Galaxy Explorers
- Board of Governors member:
  - Civil Air Patrol
  - Aerospace Industries Association
- Associate Fellow, American Institute of Aeronautics and Astronautics
- Formerly served on Advisory Board for Penn State Great Valley
- Life Director, Space Foundation

**Career:**

- CEO and Co-Founder, Analytical Graphics Inc.

**Education:**

- Bachelor's degree, Biology, LaSalle College



● **Lt. Gen. Nicholas B. Kehoe, USAF (Ret)**

**Board affiliation:**

- U.S. Air Force

**CAP/Air Force/Aviation**

**background:**

- USAF retired
- Air Force Command Pilot with more than 3,600 flying hours in trainer and fighter aircraft
- F-4 pilot with 555th and 390th 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, Pentagon

**Education:**

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



● **Lt. Col. Edward (Ned) F. Lee, CAP**

**Board affiliation:**

- Civil Air Patrol

**CAP/Air Force/Aviation**

**background:**

- U.S. Army retired
- National Cadet Adviser, with long list of previous service, especially with Cadet Programs, including Director of Civic Leadership Academy, faculty member at Cadet Officer School and extensive work with Drug Demand Reduction Program
- Gen. Carl A. Spaatz Award, highest honor for cadets

**Career:**

- Supervising Judge, California Superior Court, Santa Clara County
- California Army National Guard, called to active duty after 9/11 attacks and performed service in Panama, Ukraine and Japan
- Former Police Detective

**Education:**

- Juris Doctorate, Hastings College of Law, University of California
- Bachelor's degree, University of California at Irvine
- Associate degree, Golden West College



● Maj. Gen. Susan Lewellyn Pamerleau, USAF (Ret)

**Board affiliation:**

Industry, Government, Education

**CAP/Air Force/Aviation**

**background:**

- USAF retired
- Director, Personnel Force Management, U.S. Air Force, Pentagon
- Commander, Air Force Personnel Center, Randolph AFB, Texas
- Commandant, Air Force ROTC, Maxwell AFB, Ala.
- Chief, Resource Allocation Division, U.S. Air Force, Pentagon
- Chief of Staff, Plans and Policy Division International Military Staff, NATO, Brussels, Belgium
- FAA private pilot license

**Career:**

- Director, Government Personnel Mutual Life Insurance Co.
- Previously in top leadership positions with United Services Automobile Association
- Service as Director/Trustee on various boards, including Air Force Aid Society, Arnold Air Society and Silver Wings, University of Wyoming Foundation Board, National Benevolent Association and National City Christian Church Foundation

**Education:**

- Bachelor's degree, Sociology, University of Wyoming
- Master's degree, Public Administration, Golden Gate University
- Honorary Doctorate, Phillips University
- Industrial College of the Armed Forces, National Defense University, Washington, D.C.
- Advanced Executive Programs – J.L. Kellogg School of Management, Northwestern University; JFK School of Government, Harvard University; Wharton School, University of Pennsylvania



● Brig. Gen. S. Sanford Schlitt, USAF (Ret)

**Board affiliation:**

Industry, Government, Education

**CAP/Air Force/Aviation**

**background:**

- Previous service as Air Force Association Chairman of Board for Aerospace Education and Chairman of Aerospace Education Council
- Founder of CyberPatriot, Air Force Association's national high school cyber defense competition

**Career:**

- Chairman of AFA Board of Directors
- Senior Managing Director of mortgage investment trust, with other private business ventures, including startups
- Prior service as member of Board of Directors of several nonprofits and for-profit entities, including NASDAQ-listed firm
- Chairman or member of executive committee and committees on governance, audit and finance for several for-profit and nonprofit entities
- Previous service as Senate staff member for U.S. Sens. Hubert H. Humphrey and Walter Mondale
- Candidate for U.S. Congress in 1980

**Education:**

- Bachelor's degree, American University
- Extensive professional development study



● Maj. Gen. John M. Spiegel, USAF (Ret)

**Board affiliation:**

U.S. Air Force

**CAP/Air Force/Aviation**

**background:**

- USAF retired
- 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; commanded at every level in Air Force, including service at 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



● Don R. Rowland

**Board affiliation:**

Executive Secretary  
Executive Director, Civil Air Patrol

**CAP/Air Force/Aviation**

**background:**

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

**Career:**

- Twenty-six 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 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.

# Emergency

# Services

that support  
search and rescue,  
disaster relief  
and homeland security  
efforts **nationwide.**

- Ever vigilant, always prepared, Civil Air Patrol's 61,000-plus members are there 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.



# High-Profile Missions

Gulf oil spill response  
Midwest flooding  
Air intercepts  
Counterdrug  
Fire patrols

Civil Air Patrol's role in the Gulf of Mexico oil spill response in 2010 — CAP's single largest mission since World War II — led the organization's 2010 emergency services missions in numbers, length and intensity. Involving 287 volunteers from 10 wings over 118 days, the mission confirmed CAP volunteers' ability to support a major, extended operation that included a record demand for thousands of aerial photos each day. The digital photos were used to help assess the spilled oil's potential effect on the coastline, barrier islands, wetlands, fishing industry, businesses and tourism.

2010 also saw CAP credited with saving 113 lives across the nation — the 10th-highest number of saves in the organization's 69-year history. Meanwhile, CAP provided disaster relief during very heavy spring flooding, from the upper Midwest to the Northeast. CAP aircrews' digital photography of the damage was used extensively to assist emergency responders on the ground.

Aircrews from numerous CAP wings assisted law enforcement agencies in seizing \$1.36 billion in illegal drugs and drug money, and various wings nationwide performed more than 150 critical homeland security missions by simulating hostile aircraft for U.S. Air Force and Air National Guard fighters.

Additionally, CAP members performed other critical missions for the Department of Defense, other federal agencies and state and local governments. CAP crews escorted naval vessels, performed fire patrols over DoD reservations and supported combat deployment preparation training.



- A triple boom line protects prime property of the Grand Hotel Marriott Resort at Point Clear, Ala., where the eastern shore of Mobile Bay meets the Gulf of Mexico. Civil Air Patrol's role in the Gulf oil spill response included documenting the integrity of booms along the coastlines of four Gulf states — Alabama, Florida, Louisiana and Mississippi. During the four-month mission, CAP aircrews launched more than 1,000 flights, logging nearly 2,500 hours in more than 50 of the organization's signature red, white and blue planes. In all, CAP volunteers put in more than 20,000 hours in support of the oil spill recovery mission. CAP's support of this mission saved the federal government millions of dollars.



- Using permanent facilities opened at Camp Atterbury, Ind., CAP provides year-round training to more than 900 members at the National Emergency Services Academy Center for Operations Excellence. Professional development is also offered annually at the wing and region levels, ensuring CAP's volunteers are prepared with the professional-quality skills and knowledge required to perform their missions.

- Many of Civil Air Patrol's 52 wings now have working partnerships in place with state emergency operations centers as well as other state and regional emergency responders. During a natural or manmade disaster, CAP's role in those partnerships often includes providing aerial reconnaissance for state environmental agencies. For example, during the Gulf oil spill response in 2010, the Mississippi Wing made daily flights for the state's Department of Marine Resources and Department of Environmental Quality, surveying the waters along Mississippi's coastline.



- Drug interdiction missions remain a top Civil Air Patrol priority. In 2010 nearly 11,000 hours were flown, which often resulted in drug finds like this one (in marked circle) near a Delaware neighborhood. CAP aircrews were involved in missions that helped locate \$1.36 billion in illicit drugs.



- When Civil Air Patrol ground teams arrived at the scene of this Navy helicopter crash in West Virginia, the chance of survivors looked bleak. Miraculously, all 17 on board were alive, though most were injured. CAP volunteers worked for 20 straight hours in snowstorm conditions, much of the time in darkness, on a remote mountainside to extract the victims and transport them to medical facilities. In Arizona, enduring similar weather, members saved 54 people stranded by a sudden snowstorm. CAP totaled fewer search and rescue flying hours but saved more lives in 2010, thanks in part to members' radar and cell phone forensics expertise, which helped reduce the search area size, allowing CAP to locate survivors more quickly.

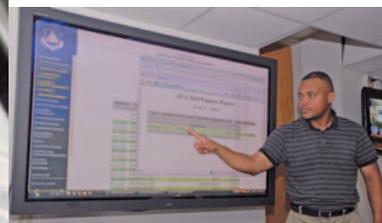


- Fire-watch patrols, like this one near Eglin Air Force Base, Fla., help protect property as well as warn businesses and homeowners of potential wildfire threats. Other community support missions provided by CAP include sundown patrols to search for stranded boaters along the nation's coastlines and over many of its inland lakes and waterways, as well as air escorts for ships along critical waterways.



- Like clockwork, spring 2010 brought flooding to much of the upper Midwest, Ohio Valley and Northeast. CAP members were on the scene, working from the air to take photographs used to make critical decisions about threats to lives and infrastructure. Thousands of photos taken by CAP aircrews were made readily available on digitized maps, providing near real-time assistance to emergency managers handling the disasters. On the ground, other CAP volunteers helped with sandbagging and delivering essential supplies.

- Some Civil Air Patrol wings use their planes as mock targets to train Air Force and Air National Guard fighters during practice intercept missions. The exercises were among CAP's 154 air defense missions in 2010, in which its citizen volunteers flew nearly 2,000 hours. An excellent example of these missions occurred in the Northeast when CAP units supported naval station security exercises by simulating hostile aircraft. Such exercises with CAP help ensure U.S. air defense units responsible for intercepting aircraft threats are prepared.



- CAP executed 100 percent of its federal budget for the fourth year in a row by using sound management practices as well as tools like the Web Mission Information Reporting System (WMIRS), an online system providing electronic mission approval and aircraft discrepancy reporting. WMIRS has increased safety and accountability and greatly reduced mission paperwork.

A close-up photograph of a Civil Air Patrol aircraft. The aircraft is painted in blue, white, and red stripes. On the side, there is a yellow-bordered shield-shaped logo with a red propeller and the text 'CIVIL AIR PATROL'. In the foreground, a black FLIR sensor is mounted on the aircraft's fuselage. The sensor has 'FLIR SYSTEMS' printed on its lower section. The background is a clear blue sky.

# Technology & Equipment

with cutting-  
edge tools  
to deliver top  
performance.

- With a versatile fleet of 550 aircraft and numerous ground assets, Civil Air Patrol's citizen volunteers perform real-world missions at a very attractive cost – only \$150 per flying hour. Members of the U.S. Air Force auxiliary are true patriots who volunteer to serve and professionally execute their duties with excellence every day, making CAP a true force multiplier in service to communities across the nation.

# High-Tech Tools

Full motion video  
Infrared cameras  
Narrowband radios  
ORMS  
Tsunami speakers  
Glass cockpit  
Safety training

Civil Air Patrol members fly and maintain a fleet of more than 550 aircraft, many equipped with sophisticated Garmin glass cockpit technology and the latest in digital radio equipment needed to communicate easily with ground teams at all times. Recently, two CAP planes were modified with special full motion in-flight video equipment used to help train U.S. military ground forces in remotely piloted aircraft operations before they deploy overseas.

High-tech tools used for emergency services include the latest in aerial photography equipment, as well as infrared cameras for nighttime searches. Other tools are more basic, yet vital to those who use them — like the loudspeakers affixed to all eight of the Hawaii Wing's airplanes that warn island residents of pending tsunami threats.

CAP's equipment is effectively and efficiently managed from acquisition to disposal through a national, Web-based property and accountability database. Members stay mission-ready by acquiring the knowledge, skills and expertise required to operate this equipment through participation in top-notch professional development training in their own units as well as at the wing, region and national levels. Others travel to train at various facilities, like the National Emergency Services Academy at Camp Atterbury, Ind.; CAP National Headquarters at Maxwell Air Force Base, Ala.; and the Cessna Aircraft Co. factory in Independence, Kan.

Members' safety in providing emergency services and disaster relief in their communities is a top priority, as reflected in CAP's consistently low accident and incident rates.



● After implementing a variety of safety initiatives, including new Web-based training programs, CAP reduced powered aircraft accidents by 50 percent in 2010. CAP's 1.78 accidents per 100,000 flying hour rate is almost four times better than general aviation's 15-year average. This is noteworthy, since CAP's flying is usually much more demanding than most of general aviation's.



● Geospatial Information Interoperability Exploitation Portable Go-Kits, now available to Civil Air Patrol, add state-of-the-art communications and full motion in-flight video to CAP's emergency services toolkit arsenal.



- Civil Air Patrol's modern-day fleet of aircraft received a boost when 12 new state-of-the-art Cessna 182Ts were added. Three of those planes are turbo-charged models that will be used by wings that operate in higher elevations. All are equipped with Garmin G1000 glass cockpit technology, recognized as the industry's best. The all-glass, jet-like cockpit with Garmin technology provides improved situational awareness for CAP pilots as well as a terrain avoidance system, which helps ensure safety.



- Civil Air Patrol's expertise in aerial photography got a workout in 2010, first with spring flooding over an extensive part of the Midwest and Northeast and then with the response to the oil spill in the Gulf of Mexico. CAP's aircraft provided the perfect vantage point for photos, geo-stamped with the date and GPS coordinates, for officials to use to assess damages and deploy assets. During the oil spill response, multiple CAP aircrews took thousands of photos along the Gulf's shoreline every day for months.



- Tsunami loudspeakers attached to Hawaii Wing aircraft were put to the test following earthquakes in Chile and, most recently, Japan. Aircrews flew predetermined routes around the remote shoreline areas of Hawaii, broadcasting a voice warning via a speaker system attached to the outside, lower portion of the fuselage.



- Civil Air Patrol added 99 vehicles — like this 12-passenger van — to its ground fleet, replacing a large number of vehicles identified as too costly to repair as well as vehicles from CAP's 100-oldest list. These additions improved the overall safety and reliability of the vehicle fleet. Safety is a top priority for CAP, and 2010 was one of the organization's safest years ever, with no injuries or fatalities.

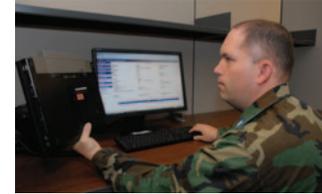
- A FLIR Ultra 8500 Infrared Camera system being tested by the North Dakota Wing will aid CAP in future search and rescue missions. This cutting-edge technology, accessible through a portable computer, allows aircrews to see and accurately measure heat patterns, dissipation, leakage and other temperature factors on the surface below, as seen in these images. FLIR should result in more effective aerial searches, especially at night, and decrease recovery times.



- More than 500 repeaters have been installed and brought online throughout the U.S. to facilitate CAP's narrowband radio transition. The transition is part of a recent multimillion-dollar communications upgrade that makes it easier for CAP's aircrews and ground teams to respond to emergencies. The digital repeater network is also available for Department of Defense use when required.



- Civil Air Patrol contributes to national defense through the use of specially outfitted CAP aircraft. These aircraft participate in exercises that provide U.S. combat forces the precise training they need to work in overseas locations. Using this cutting-edge 21st century technology is just one way CAP is playing an active role in homeland security.



- In January 2010, Civil Air Patrol deployed the new Operational Resource Management System, a national Web-based property management and accountability database. ORMS allows CAP to more easily manage and control the organization's assets throughout their life cycles, from acquisition to disposal. It also automates virtually all of CAP's property administration processes, producing a near-paperless approach to management of CAP resources and helping cultivate a culture of accountability that extends throughout the organization.





# Youth

# Programs

that mentor  
CAP cadets  
and promote  
aerospace education.

- Civil Air Patrol inspires youth through its programs for cadets and aerospace education. Against a backdrop that emphasizes the importance of maintaining our nation's strong air and space capabilities, CAP guides young people in exploring careers, learning how to lead and discovering joy in serving others.

# Youth Programs

Cadet programs  
Leadership skills  
Pilot training  
Aerospace education

Civil Air Patrol's programs for youth are No. 1 in the nation — literally! Six Florida Wing cadets took top honors in the All Services Division in the Air Force Association's CyberPatriot III competition, beating 480 teams in the nation's largest high school cyber defense competition. Also, Col. Eric Boe, perhaps CAP's most famous former cadet, piloted his second NASA mission to the International Space Station, inspiring aerospace career aspirations for youth across America.

Student interest in careers in science, technology, engineering and math was further inspired by CAP's Aerospace Education Members, teachers nationwide who are provided textbooks, lesson plans, learning aids and hands-on activities designed to nurture the skills of Boe's protégés.

CAP's Cadet Program annually grooms the leadership skills of thousands of cadets who command the respect and success associated with a global learning environment. The Cadet Program molds the next generation of citizens by providing K-12 youth with top-notch, year-round instruction that emphasizes patriotism and service. Guided by CAP's *Learn to Lead* texts, cadets choose from among more than 30 special activities, including clinics on how to pilot an airplane, programs for travel abroad and a variety of camps that teach everything from business to engineering to civic career choices.

Judging by the Cadet Program's growth — up 9.5 percent from the past year to a total of 26,157 cadets in 2010 — young people and their parents find the program to be very attractive.

A variety of partnerships, such as the one CAP enjoys with the Air Force Association, annually recognize CAP's outstanding cadets with various awards and other types of motivational support.

● In self-paced study, CAP cadets learn the art of leadership and advance in rank. Formal classroom instruction is augmented by hands-on experiences where cadets can apply leadership principles to real-world challenges. First learning how to follow and then leading small groups, cadets ultimately experience command and executive-level leadership.



● Cadets in CAP can choose from many special activities — opportunities that are not always available to other youth. These cadets were part of CAP's 2010 International Air Cadet Exchange, where participants experienced other cultures, often making lifelong friends. Another premier special activity is CAP's Civic Leadership Academy, held each spring in Washington, D.C.; participating cadets are invited to the State Department, FBI, CIA and other top government agencies. With a curriculum that emphasizes persuasive leadership, they practice skills needed to be consensus-builders in their communities.



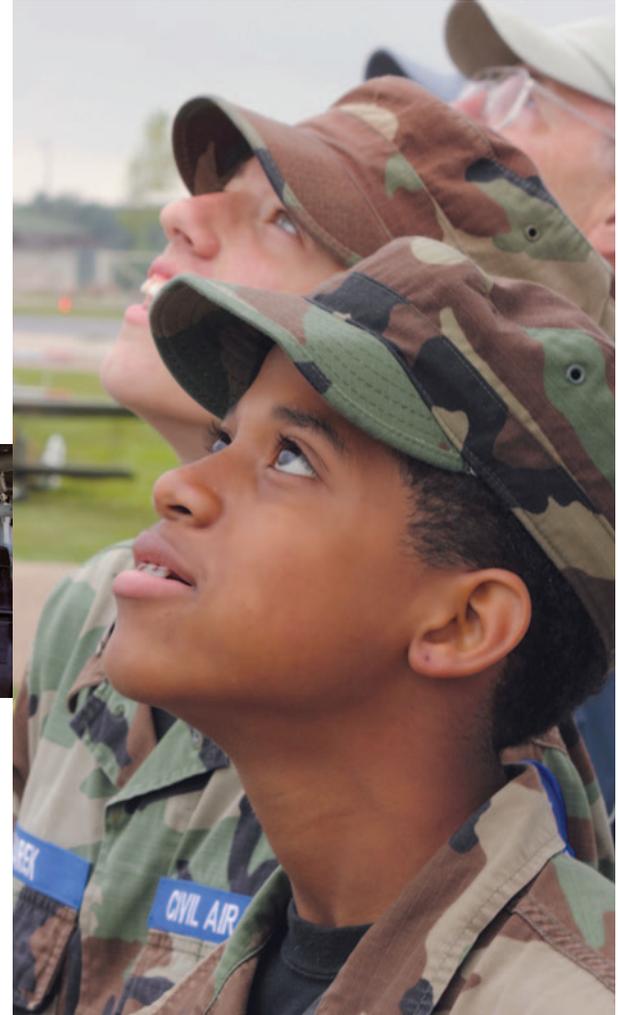
- Cadets particularly enjoy learning how to fly. Flight academies, held annually in eight locations across the country, allow participants to solo, an important step in obtaining a pilot's certificate. Cadets fly in powered and glider aircraft — even hot-air balloons — and, in the process, develop a love of aviation at no cost to themselves. CAP flew more than 28,000 cadet orientation flights in 2010.



- In addition to what they learn from texts and in the field, CAP cadets are immersed in a culture of respect, patriotism and service. Look for CAP cadets, like these from the Maryland Wing, to advance to leadership positions in business and industry, government and the military.



- When CAP visits their classrooms, younger students, accompanied here by Cappy, the Civil Air Patrol mascot, are introduced to the wonders of flight and the importance of air supremacy to our nation. The Aerospace Connections in Education Program reaches almost 11,000 students in 27 states. A second program, the Aerospace Education Excellence Award Program, grows with K-12 students as they advance in grade level. Reaching 44,000 students at 840 schools and 483 CAP squadrons in 2010, the program focuses on the dynamics of aerospace and lights the way for students to consider careers in STEM – science, technology, engineering and math – fields.



- Nothing quite captures the imagination like the wonder of flight. These Wisconsin Wing cadets are transfixed by scale model planes flying overhead. Curricula in both Cadet Programs and Aerospace Education teach the principles of flight, often through the use of model planes and rockets.



● Civil Air Patrol's Team Wilson was awarded the Commander-in-Chief's Cup during the Air Force Association's CyberPatriot III competition. The Central Florida-based team defeated four Junior ROTC units from across America to win the first-place award in CyberPatriot's All Service Division. The six members of Team Wilson are, front row, from left, Cadet 2nd Lt. Shawn Wilson, Cadet 1st Lt. Josh Dovi and Cadet Senior Airman Reid Ferguson; back row, Cadet Tech. Sgt. Michael Hudson, Cadet Chief Master Sgt. Evan Hamrick and Cadet 1st Lt. Isaac Harding. This year's two-track CyberPatriot competition also included public-, private- and home-school students competing in a new Open Division. More than 660 teams nationwide registered for the competition.



● The Connecticut Wing's Rachel Manzer, CAP's 2010 Aerospace Education Teacher of the Year, is one of 1,600 CAP Aerospace Education Members. The program provides teachers across America with CAP lesson plans and materials, professional development and orientation flights. These flights provide firsthand knowledge of the applicability of STEM instruction as it relates to flight and motion, motivating participants to share their newfound knowledge with their students. In 2010, more than 350 teachers were flown, ultimately touching the lives of over 21,000 students.

● CAP members strive to be role models for our country's youth, and no one does a better job of that than CAP senior member, NASA astronaut and U.S. Air Force Col. Eric Boe, who began his exploration of aviation as a CAP cadet. Boe served as pilot for the final space voyage of the shuttle Discovery, which was launched in February to service the International Space Station.





# Community

## Service

that honors America's  
veterans and  
provides assistance  
to those in need.

- The work of Civil Air Patrol's volunteers is never done, as evidenced by the ways in which members touch the lives of the citizens of their communities each and every day, well beyond their legislative missions of emergency services, cadet programs and aerospace education. These everyday heroes are America's next-door neighbors and friends, citizen volunteers who are always there to provide civic and humanitarian support and assistance.

# Community Service

Service projects  
Chaplain Corps  
DDR

By far, CAP's largest national community service project is Wreaths Across America, in which participants lay remembrance wreaths on veterans' graves each December. Since CAP's initial involvement in 2006, the number of wreaths placed by various organizations has blossomed from a few thousand to more than 219,000, with ceremonies — often featuring CAP color and honor guards — now conducted at more than 500 locations in the United States and another 24 abroad. CAP helped obtain sponsorships for more than 39,000 wreaths in 2010.

Civil Air Patrol members also meet the needs of the communities they serve in numerous other ways. From simple gestures that have a profound effect, such as collecting and disseminating care packages to veterans, supporting local civic events or providing disaster relief support for Japan — CAP members can always be counted on to provide assistance.

Such service is nurtured by CAP's Chaplain Corps, the largest chaplaincy in the world, with more than 500 chaplains and 300 character development instructors. In the past six months alone, the Chaplain Corps performed 13,856 activities encompassing 63,171 hours, 429,133 miles driven and \$268,827 in out-of-pocket expenses.

CAP also has a long history as an active leader in the War on Drugs. Besides a zero-tolerance policy for both its cadets and senior members, CAP takes its Drug Demand Reduction Program into America's schools and is an active participant in the Just Say No program.

Civil Air Patrol's partnerships with other civic-minded organizations continue to grow as a result of the exceptional service provided by CAP's 61,000-plus members, many of whom are annually recognized with prestigious national awards. Recognition is further generated each year on Legislative Day when wing commanders carry the phenomenal story of CAP's service to Capitol Hill.



● For a sixth year members of CAP's Ohio Wing participated in a Flag Day ceremony where more than 1,700 flags were honorably retired. This is just one example of the myriad of patriotic projects CAP members routinely take on in communities across America. CAP honor guards with the Alaska Wing, for example, often fly great distances to attend veterans' funerals, and CAP color guards and cadets are frequent participants in local holiday parades and at civic functions.



● The good works of CAP members do not go unnoticed. The expertise of Capt. Justin Ogden, center, of CAP's Virginia Wing was recognized last fall by the National Aeronautic Association with the Public Benefit Flying Distinguished Volunteer Award. By studying cell phone forensics, Ogden can pinpoint the location of the phone — and often its missing user — within a matter of yards. This important skill/technology has helped save numerous lives over the past several years. CAP's Maine Wing was also recognized recently when the U.S. Navy bestowed its Aegis Excellence Award on the wing for its role in safely escorting the newly constructed USS Jason Dunham on a final test of the destroyer's equipment. Also, members of a West Virginia Wing search and rescue ground team were honored by both the Navy and CAP for their heroic actions in saving the lives of 17 military personnel whose helicopter crashed in unforgiving terrain and extremely adverse winter weather conditions.

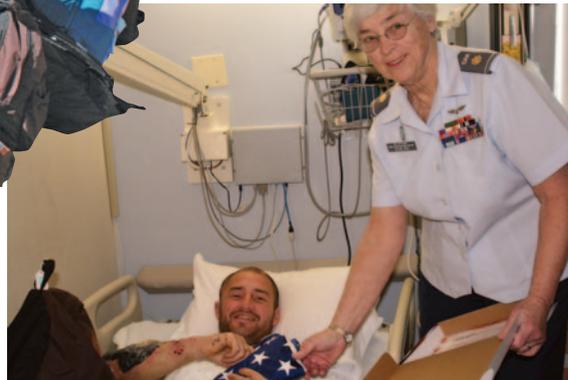
- CAP Chaplain Lt. Col. Marcus Taylor, right, served as welcome relief for U.S. Coast Guard Chaplain Lt. Joseph Johnson, who, before Taylor's arrival, was singlehandedly working the Coast Guard's Deepwater Horizon Mobile Sector Incident Command Center. Taylor set up his "office" at a table in a corner of a breakroom at the Incident Command Post, where more than 1,500 people, mostly Coast Guard and BP employees, worked to contain and control the oil spill. Chaplains assigned to the Gulf mission conducted regular worship services, including communion, and made themselves available at work sites for impromptu counseling.



- At the unit level, members of the Puerto Rico Wing's Lajas High School Cadet Squadron pitched in to help refugees of the Haitian earthquake with a food drive. Whether within the borders of the U.S. or not, CAP members can be counted on to draw on their emergency services training to provide relief efforts.



- Spearheaded by members of Emerald City Cadet Squadron, the South Carolina Wing collected donations to purchase everyday supplies, which were loaded into backpacks and then personally delivered to veterans recovering at Walter Reed Army Medical Center in Washington, D.C., and Bethesda Naval Hospital in Maryland.



- CAP has worked diligently to develop partnerships with other aviation and patriotic organizations. At CAP's 2011 Winter National Board meeting, CAP National Commander Maj. Gen. Amy S. Courter formalized an agreement with the Armed Forces Benefit Association — represented by retired Air Force Gen. Ralph E. Eberhart, the association's chairman and president — to offer CAP members and their spouses term life insurance with no aviation exclusions. Here, Courter presents Eberhart with *From Maine to Mexico*, which chronicles CAP's World War II service. Another recent agreement was signed with the Academy of Model Aeronautics, opening up the AMA's model airplane programs to CAP.



- Following the magnitude 9.0 earthquake and tsunami in Japan, cadets and seniors from Yokota Cadet Squadron, in addition to putting in 12-14 hour days at their military duties, volunteered to help evacuate Department of Defense dependents, feed and shelter more than 600 passengers from airlines unable to land in Tokyo and assist the Red Cross in canteen duties, serving food and carrying in supplies. Here, Cadet Master Sgt. Michael Visnyei, cadet commander, provides Red Cross assistance.



- As part of CAP's annual Legislative Day visits to Capitol Hill, a contingent from the South Carolina Wing visited the office of U.S. Rep. Joe Wilson, R-S.C., to present him a CAP coin, which he holds, and a newsletter highlighting the wing's accomplishments over the past year.

# Financial Statements

that reflect  
**accountability**  
and **fiscal**  
**integrity.**

● Civil Air Patrol celebrated its third consecutive unqualified audit opinion in 2010, a testament to the organization's financial accountability and its emphasis on fiscal integrity and responsibility.

# CAP Financial Statements

Accountable  
Unqualified  
Transparent

## INDEPENDENT AUDITORS' REPORT

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, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of 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, 2010, 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 June 1, 2011, on our consideration of 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.

*Wilson, Price, Bancroft, Blankenship & Bullingale, P.C.*

Montgomery, Alabama

June 1, 2011

# CIVIL AIR PATROL

## STATEMENT OF FINANCIAL POSITION SEPTEMBER 30, 2010

### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 13,258,278
Short-term investments	4,282,402
Accounts, grants and loans receivable	4,099,541
Inventories	205,560
Prepaid expenses	372,186
	<hr/>
Total current assets	22,217,967
	<hr/>

#### NONCURRENT ASSETS

Cash - restricted	2,069,027
Long-term investments	382,885
Unconditional promises to give	7,882,753
Property and equipment, net of accumulated depreciation	81,178,438
	<hr/>
Total noncurrent assets	91,513,103
	<hr/>

<b>TOTAL ASSETS</b>	<b>\$ 113,731,070</b>
	<hr/> <hr/>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 3,414,920
Current maturities of long-term debt	5,729
Deferred revenue	398,787
	<hr/>
Total current liabilities	3,819,436

**NONCURRENT LIABILITIES**

Noncurrent maturities of long-term debt	<hr/>
	27,217

**TOTAL LIABILITIES**

<hr/>	3,846,653
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**NET ASSETS**

Unrestricted:	
Undesignated	20,317,819
Board designated	4,457,845
	<hr/>
	24,775,664
Temporarily restricted	85,015,727
Permanently restricted	93,026
	<hr/>
Total net assets	109,884,417

**TOTAL LIABILITIES AND NET ASSETS**

<hr/>	\$ 113,731,070
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**CIVIL AIR PATROL**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING REVENUES AND OTHER SUPPORT</b>				
Governmental appropriations and grants	\$ 26,623,557	\$ 8,792	\$ -	\$ 26,632,349
Other program revenue	3,133,717	522,213	-	3,655,930
Membership dues	3,041,094	-	-	3,041,094
Governmental contributions	5,929,755	14,999,616	-	20,929,371
Contributions	1,706,944	149,225	-	1,856,169
Fundraising	1,093,084	-	-	1,093,084
Registration fees and events	770,154	-	-	770,154
Publications and advertising	24,940	-	-	24,940
Sale of materials, supplies and surplus property	138,402	-	-	138,402
Interest income	77,371	288	96	77,755
Investment income	252,781	7,285	949	261,015
Other	826,001	7,700	-	833,701
Net assets released from restrictions	14,342,018	(14,342,018)	-	-
<b>Total operating revenues and other support</b>	<u>57,959,818</u>	<u>1,353,101</u>	<u>1,045</u>	<u>59,313,964</u>
<b>OPERATING EXPENSES</b>				
Program services:				
Aerospace education and training	3,358,862	-	-	3,358,862
Cadet programs	6,685,661	-	-	6,685,661
Communication maintenance	1,649,241	-	-	1,649,241
Counterdrug	669,892	-	-	669,892
Drug demand reduction	677,243	-	-	677,243
Emergency services	22,855,925	-	-	22,855,925
<b>Total program services</b>	<u>35,896,824</u>	<u>-</u>	<u>-</u>	<u>35,896,824</u>

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>OPERATING EXPENSES (Continued)</b>				
Supporting services:				
Fundraising	\$ 306,819	\$ -	\$ -	\$ 306,819
Management and general	16,503,098	-	-	16,503,098
Membership development	3,075,519	-	-	3,075,519
Strategic communications	183,309	-	-	183,309
Total supporting services	<u>20,068,745</u>	<u>-</u>	<u>-</u>	<u>20,068,745</u>
Total operating expenses	<u>55,965,569</u>	<u>-</u>	<u>-</u>	<u>55,965,569</u>
Change in net assets from operations	<u>1,994,249</u>	<u>1,353,101</u>	<u>1,045</u>	<u>3,348,395</u>
<b>NONOPERATING GAINS AND LOSSES</b>				
Gain (loss) on disposition of property and equipment	284,874	(85,352)	-	199,522
Net unrealized and realized gain on investments	263,207	11,930	3,885	279,022
Total nonoperating gains and losses	<u>548,081</u>	<u>(73,422)</u>	<u>3,885</u>	<u>478,544</u>
<b>CHANGE IN NET ASSETS BEFORE PRIOR PERIOD ADJUSTMENTS</b>	2,542,330	1,279,679	4,930	3,826,939
<b>PRIOR PERIOD ADJUSTMENTS</b>	<u>39,341</u>	<u>(57,586)</u>	<u>(250,897)</u>	<u>(269,142)</u>
<b>CHANGE IN NET ASSETS</b>	2,581,671	1,222,093	(245,967)	3,557,797
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>22,193,993</u>	<u>83,793,634</u>	<u>338,993</u>	<u>106,326,620</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 24,775,664</u>	<u>\$ 85,015,727</u>	<u>\$ 93,026</u>	<u>\$ 109,884,417</u>

See independent auditors' report and notes to financial statements.

# CIVIL AIR PATROL

## STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2010

### Program Services

	<b>Aerospace Education and Training</b>	<b>Cadet Programs</b>	<b>Communication Maintenance</b>	<b>Counterdrug</b>	<b>Drug Demand Reduction</b>	<b>Emergency Services</b>
Advertising	\$ 1,815	\$ 2,418	\$ 363	\$ 606	\$ 242	\$ 3,629
Aircraft maintenance	47,860	199,235	-	97,227	-	4,994,654
Awards	93,274	122,248	-	-	-	-
Bad debts	-	-	-	-	-	-
Bank and credit card expense	-	2,611	-	-	-	-
Cadet activities	-	2,413,547	-	-	39,433	158,270
Conference	99,784	172,383	19,763	32,937	13,209	226,306
Contingency	-	-	-	-	-	-
Cost of goods sold	34,915	139,659	-	-	-	-
Depreciation	43,973	58,628	11,051	14,658	5,863	6,572,296
Equipment maintenance	53,714	71,621	132,874	17,904	7,161	125,800
Facility maintenance	1,070,920	1,399,521	204,793	341,320	136,528	2,267,485
Fundraising events	-	-	-	-	-	-
Insurance	8,650	11,535	1,729	2,884	1,152	17,301
Interest expense	-	-	-	-	-	-
Legal and accounting	3,945	5,260	789	1,315	526	7,890
Lobbying	-	-	-	-	-	-
Maintenance and equipment rental	51,302	-	271,410	-	-	4,583
Miscellaneous	1,934	2,578	385	645	257	75,169
Mission support	-	-	-	15,268	-	5,646,236
Payroll taxes and benefits	156,202	86,032	62,435	4,907	15,196	239,901
Professional services	154,590	34,899	114,361	-	31,181	209,745
Professional development	88,157	9,694	-	-	3,194	6,305
Postage	10,867	77,596	36,965	3,622	1,499	21,833
Printing and publications	4,704	6,274	941	1,568	628	9,412
Salaries	866,788	463,187	267,626	26,887	104,050	1,071,225
Senior activities	155,487	-	-	-	-	361
Supplies	157,984	786,854	472,407	36,467	259,704	551,769
Telephone	69,721	91,962	13,795	22,991	9,196	146,736
Travel	102,221	421,178	20,218	22,000	37,550	331,974
Vehicle maintenance	80,055	106,741	17,336	26,686	10,674	167,045
	<u>\$ 3,358,862</u>	<u>\$ 6,685,661</u>	<u>\$ 1,649,241</u>	<u>\$ 669,892</u>	<u>\$ 677,243</u>	<u>\$ 22,855,925</u>

## Supporting Services

Fundraising	Management and General	Membership Development	Strategic Communications	Total
\$ -	\$ 18,313	\$ 40,523	\$ 22,104	\$ 90,013
-	1,377	-	-	5,340,353
-	2,701	12,713	-	230,936
-	17,849	4,216	-	22,065
-	34,115	-	-	36,726
-	-	29,235	-	2,640,485
-	237,243	276,545	-	1,078,170
-	15,015	-	-	15,015
-	-	-	-	174,574
-	2,815,016	14,667	-	9,536,152
-	74,295	17,904	-	501,273
-	1,667,079	529,975	-	7,617,621
254,232	-	-	-	254,232
-	1,078,021	2,884	-	1,124,156
-	3,104	-	-	3,104
-	316,016	1,315	-	337,056
6,090	12,000	-	-	18,090
-	169,257	-	-	496,552
-	44,304	5,307	-	130,579
-	1,609	-	-	5,663,113
10,651	1,249,117	326,896	-	2,151,337
-	531,185	318,613	-	1,394,574
-	106,377	8,541	-	222,268
-	86,297	20,539	-	259,218
-	6,630	1,568	160,418	192,143
35,846	5,624,163	1,288,115	-	9,747,887
-	17,206	-	-	173,054
-	948,470	70,806	74	3,284,535
-	581,547	23,753	-	959,701
-	716,310	54,718	713	1,706,882
-	128,482	26,686	-	563,705
<u>\$ 306,819</u>	<u>\$ 16,503,098</u>	<u>\$ 3,075,519</u>	<u>\$ 183,309</u>	<u>\$ 55,965,569</u>

See independent auditors' report and notes to financial statements.

**CIVIL AIR PATROL**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 3,557,797
Prior period adjustments	269,142
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,536,152
Net unrealized and realized gain on investments	(279,022)
Gain on disposition of property and equipment	(199,522)
Changes in operating assets and liabilities:	
Receivables	(2,047,805)
Prepaid expenses	(117,817)
Inventories	(173,897)
Unconditional promises to give	(1,868,300)
Accounts payable and accrued expenses	(2,960,705)
Deferred revenue	111,238
	<hr/>
Net cash provided by operating activities	5,827,261

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of property and equipment	328,046
Purchase of property and equipment	(9,509,581)
Proceeds from sale of investments	1,033,359
Purchase of investments	(870,121)
	<hr/>
Net cash used by investing activities	(9,018,297)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Payment of borrowings \$ (5,201)  
Release of contractually restricted cash 4,275,499

Net cash provided by financing activities 4,270,298

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 1,079,262

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 12,179,016

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 13,258,278

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for interest \$ 3,104

Cash paid for income taxes - unrelated business income \$ 12,160

# **CIVIL AIR PATROL**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2010**

### **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*

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 recorded at their fair value in the period received.

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

### *Advertising*

Advertising costs are expensed as incurred. Total advertising costs expensed for the year ended September 30, 2010, was \$90,013.

### *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*

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.

# CIVIL AIR PATROL

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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

#### *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.

#### *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.

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

### *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 are recorded as revenues in the applicable membership period.

### *Income Tax Status*

CAP has received notification from the Internal Revenue Service recognizing it as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, certain types of income may be subject to tax from unrelated business income as defined by the tax code. The accompanying financial statements include a provision for estimated taxes on 2010 unrelated business income in the amount of \$14,898.

On October 1, 2009, CAP adopted new guidance pertaining to accounting for uncertainty in income taxes. There was no effect on net assets as a result of the implementation. As of September 30, 2010, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements and no interest and penalties related to income taxes. CAP has filed its tax returns through September 30, 2009. The tax returns of Civil Air Patrol for years ended September 30, 2007, and thereafter are subject to audit by the taxing authorities.

# CIVIL AIR PATROL

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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

#### *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.

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

### *Fair Value Measurements*

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

# CIVIL AIR PATROL

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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

#### *Subsequent Events*

Management has evaluated subsequent events through June 1, 2011, which is the date the financial statements were available to be issued.

### 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	\$ 1,082,724
Administrative and other operational expenses	43,591
Counterdrug administration	15,971

#### **Restricted by donors for:**

Cadet scholarships and activities	147,061
Aerospace scholarships and activities	15,302
Construction of facility	590,415
Other activities	173,963

Total restricted cash	2,069,027
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#### **Designated by the governing board for:**

Cadet scholarships and activities	74,953
Facility maintenance	74,943
Other activities	319,434

Total designated cash	469,330
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**2. CASH (Continued)**

<b>Cash unrestricted and not designated</b>	<u>\$ 12,788,948</u>
Total cash	<u><u>\$ 15,327,305</u></u>
 <b>Statement of financial position presentation:</b>	
Cash and cash equivalents	\$ 13,258,278
Cash – restricted	<u>2,069,027</u>
Total	<u><u>\$ 15,327,305</u></u>

**3. INVESTMENTS**

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

Annuities	\$ 71,119
Common stock	961,489
Corporate bonds	177,582
Municipal bonds	253,054
Mutual funds	2,707,026
Real estate investment trusts	<u>495,017</u>
Total	<u><u>\$ 4,665,287</u></u>

## CIVIL AIR PATROL

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

### 3. INVESTMENTS (Continued)

The composition of the return on investments is as follows:

Investment income	\$ 261,015
Net unrealized and realized gain on investments	<u>279,022</u>
<b>Total</b>	<b><u>\$ 540,037</u></b>

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	\$ 174,609	\$ (9,698)	\$ 164,911
Historical Fund	2,220	(122)	2,098
Wirtschaftler	10,122	(561)	9,561
Wing and Region investments restricted for cadet scholarships and aerospace education	<u>216,713</u>	<u>(10,398)</u>	<u>206,315</u>
	<u>403,664</u>	<u>(20,779)</u>	<u>382,885</u>
<b>Designated by the governing board:</b>			
Reserve investments	3,634,055	(403,698)	3,230,357
Scholarship Fund	<u>852,923</u>	<u>(94,765)</u>	<u>758,158</u>
	<u>4,486,978</u>	<u>(498,463)</u>	<u>3,988,515</u>

**3. INVESTMENTS (Continued)**

<u>Description</u>	<u>Cost</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
<b>Investments unrestricted and undesignated</b>	\$ 303,046	\$ (9,159)	\$ 293,887
Total	<u>\$ 5,193,688</u>	<u>\$ (528,401)</u>	<u>\$ 4,665,287</u>
<b>Statement of financial position presentation:</b>			
Short-term investments			\$ 4,282,402
Long-term investments			<u>382,885</u>
Total			<u>\$ 4,665,287</u>

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.
- Wirtschaftler Fund* – Investments restricted for cadet scholarships.

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.

## CIVIL AIR PATROL

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

#### 4. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

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

USAF	\$ 3,369,548
Others	<u>729,993</u>
Total	<u>\$ 4,099,541</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 and vehicles	<u>\$ 7,882,753</u>
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As of September 30, 2010, the Organization received from the USAF conditional promises to give of \$827,670 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	<u>\$ 205,560</u>
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## 7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 566,571
Building and improvements	5,971,330
Aircraft	120,145,337
Computers	2,902,334
Vehicles	19,719,751
Office furniture and equipment	229,980
Building under capital lease	253,148
Office equipment under capital lease	9,995
Communication and other equipment	19,487,295
Construction in progress	562,592
Deposits on aircraft	480,000
Equipment not placed into service	1,882,249
	<u>172,210,582</u>
Accumulated depreciation	<u>91,032,144</u>
<b>Net property and equipment</b>	<b><u>\$ 81,178,438</u></b>

As of September 30, 2010, improvements with a book value of \$235,819 have been made to leased facilities. These improvements are located at the Virginia Wing and North Carolina Wing in the amounts of \$111,404 and \$124,415, respectively.

**Depreciation expense for the period ending September 30, 2010** \$ 9,536,152

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, 2010, property and equipment restricted for specific purposes amounted to \$161,714,138, less accumulated depreciation of \$86,815,310, resulting in a balance of \$74,898,828.

## CIVIL AIR PATROL

### NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

#### 8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are scheduled as follows:

Accrued payroll and payroll taxes	\$ 1,181,544
Vendor payables	2,233,376
	<hr/>
Total	\$ 3,414,920
	<hr/> <hr/>

#### 9. DEFERRED REVENUE

Deferred revenue is detailed as follows:

Prepaid membership dues	\$ 256,252
Other	142,535
	<hr/>
Total	\$ 398,787
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#### 10. NOTE PAYABLE

The Organization has a note payable secured by a building with a book value of \$461,382. The note has an interest rate of 6.95% with monthly payments of \$653, and matures on September 30, 2015.

Total obligations	\$ 32,946
Less current maturities of long-term debt	5,729
	<hr/>
Noncurrent maturities of long-term debt	\$ 27,217
	<hr/> <hr/>

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

Years ending September 30:	
2011	\$ 5,728
2012	6,135
2013	6,580
2014	7,052
2015	7,451
	<hr/>
Total	\$ 32,946
	<hr/> <hr/>

Total interest expense related to the above note is \$3,104 for the year ended September 30, 2010.

## 11. NET ASSETS

### *Unrestricted Net Assets - Designated*

The governing board has designated unrestricted net assets for:

Reserve funds	\$	3,549,791
Scholarships		833,111
Other		74,943
		<hr/>
Total	\$	<u>4,457,845</u>

### *Temporarily Restricted Net Assets*

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

Aerospace education activities:		
Scholarships	\$	14,580
Other		14,552
		<hr/>
Cadet program activities:		
Scholarships		317,227
Other		119,071
		<hr/>
Other general activities:		
Subsequent years' use of property, equipment and inventories		78,457,872
Support, maintenance and modernization of aircraft fleet		5,171,866
Other		920,559
		<hr/>
Total	\$	<u>85,015,727</u>

### *Permanently Restricted Net Assets*

Permanently restricted net assets are restricted for:

Scholarships	\$	78,103
Other		14,923
		<hr/>
Total	\$	<u>93,026</u>

**CIVIL AIR PATROL**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**12. OPERATING LEASES**

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.

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, 2010:

Years ending September 30:	
2011	\$ 181,738
2012	112,050
2013	109,803
2014	108,000
2015	72,000
	<u>583,591</u>
	\$ <u>583,591</u>

Total rental expense for all operating leases is \$114,678 for the year ended September 30, 2010.

**13. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions are summarized as follows:

Satisfaction of purpose restrictions	\$ 5,462,480
Expiration of time restrictions	<u>8,879,538</u>
Total	\$ <u>14,342,018</u>

## 14. 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 \$367,004 for the year ended September 30, 2010, and are included in payroll taxes and benefits in the statement of functional expenses.

## 15. 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	\$ 22,051,336
Contributions for:	
Use of facilities and utilities	2,009,416
Property, equipment and inventories	<u>14,966,060</u>
Total	<u>\$ 39,026,812</u>

### Transactions Incurring Expenses:

Expenses with the USAF for:	
Facilities	<u>\$ 2,009,416</u>

**CIVIL AIR PATROL**  
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**16. 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, 2010.

**17. FAIR VALUE MEASUREMENTS**

The level of an asset or liability within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table presents the financial instruments subject to fair value measurement by valuation hierarchy level as of September 30, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Annuities	\$ 71,119	\$ -	\$ -	\$ 71,119
Common stock	961,489	-	-	961,489
Corporate bonds	177,582	-	-	177,582
Municipal bonds	253,054	-	-	253,054
Mutual funds	2,707,026	-	-	2,707,026
Real estate investment trusts	-	-	495,017	495,017
	<u>\$ 4,170,270</u>	<u>\$ -</u>	<u>\$ 495,017</u>	<u>\$ 4,665,287</u>

## 17. FAIR VALUE MEASUREMENTS (Continued)

The Organization's Level 3 investments consist of investments in real estate investment trusts (REIT). These investments are valued at estimated fair value, based upon the Organization's interest, as determined in good faith and reported by the REIT.

The following table presents a roll forward of the amounts for the year ended September 30, 2010, for Level 3 inputs:

	<u>Beginning Balance</u>	<u>Net Acquisitions (Dispositions)</u>	<u>Net Gains (Losses)</u>	<u>Ending Balance</u>
Real estate investment trusts	\$ 482,838	\$ 32,101	\$ (19,922)	\$ 495,017

## 18. 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, 2010, the Organization's uninsured cash balances totaled \$7,695,194.

**CIVIL AIR PATROL**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2010**

**19. PRIOR PERIOD ADJUSTMENTS**

The accompanying financial statements reflect adjustments resulting from a restatement of beginning net assets as of September 30, 2010, as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Correction of investments at national headquarters	\$ -	\$ (6,008)	\$ -	\$ (6,008)
Correction of investments at Wing locations	<u>39,341</u>	<u>(51,578)</u>	<u>(250,897)</u>	<u>(263,134)</u>
	<u>\$ 39,341</u>	<u>\$ (57,586)</u>	<u>\$ (250,897)</u>	<u>\$ (269,142)</u>

The above adjustments have no effect on the results of the current year's activity.

**20. SUBSEQUENT EVENTS**

Subsequent to September 30, 2010, CAP received notification that a portion of its 2012 Federal funding would be reduced by \$4,449,000. CAP is optimistic this funding will be restored. However, the 2012 appropriated budget has been prepared and approved considering the anticipated reduction.





**Citizens Serving Communities**

**Civil Air Patrol National Headquarters**

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