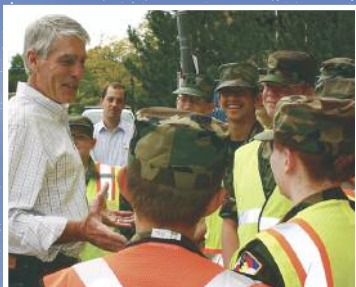




2013
FINANCIAL
REPORT

CIVIL AIR
PATROL



About

Civil Air Patrol has remained committed to service at the local, state and national levels throughout its 72-year history. In keeping with its congressional charter as the official auxiliary of the U.S. Air Force, CAP carries out emergency service missions when needed, promotes aviation and related fields through aerospace education and helps shape America's future leaders with an ambitious cadet program. The organization's 60,000 members, unpaid professionals all, selflessly devote their time, energy and expertise to contributing to the well-being of their communities and their nation.



Homeland Security

Aircrews flew **1,250** hours during air defense exercises helping prepare fighter units across the country. CAP also participates in intercept training requests related to selected national events.

High-Profile Missions

Signature missions in 2013 included aerial damage assessment photos following Oklahoma tornadoes, livestock devastation wrought by an early snowstorm in South Dakota and Colorado flooding. The search and rescue of a family of six in Nevada also resonated, generating headlines and news stories across America. CAP conducted **142** disaster relief missions and **85** percent of the Air Force's inland search and rescue missions. Members were credited with saving **44** lives.

Cadet Programs

Over **25,000** cadets annually learn the art of leadership and advance in rank. Some **1,200** annually participate in **30** National Cadet Special Activities to develop skills in a variety of specialties, including flying, engineering and civic leadership. Over **30,000** cadet orientation flights were conducted last year.



Photo by Kyle Green/Idaho Statesman



Technology

Many of CAP's **550** single-engine planes are equipped with glass cockpit technology. Other high-tech tools include cellphone and radar forensics, aerial photography equipment, infrared cameras and full-motion video. The Air Force Rescue Coordination Center has credited CAP's Cellular Forensics Team with over **30** lives saved.



Wreaths Across America

CAP helped obtain sponsorships for over **40,000** wreaths placed on veterans' gravestones at cemeteries across America and overseas. This is the organization's largest national community service project and is complemented by a long list of activities in which CAP units serve communities.



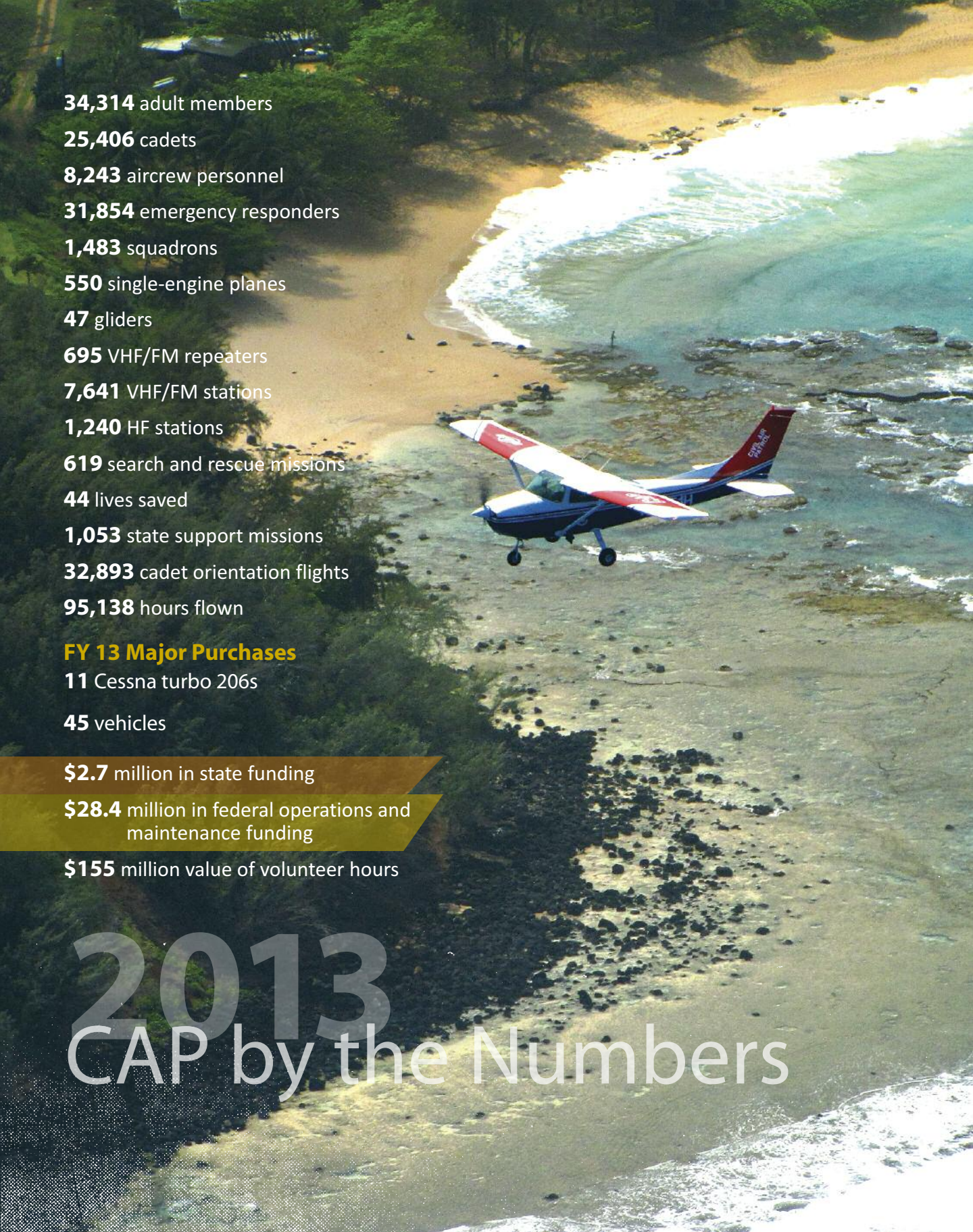


STEM

Approximately **275,000** cadets and youth nationwide are exposed to science, technology, engineering and math careers through CAP's aerospace education program, taught by over **3,000** teachers and **1,000** CAP aerospace education officers. In addition, academics, character development and physical fitness are taught by **600** educators to **16,000** K-6 students in 28 states.

FY 2013 Stats

State/Wing	Adults	Cadets	Aircraft	Vehicles	Search & Rescue Missions	State Support Missions	Total Hours Flown	Volunteer Service Value
AK	634	220	31	35	58	4	2,721	\$2.3M
AL	559	314	14	21	5	7	2,195	\$2.0M
AR	293	210	9	17	2	33	1,406	\$1.0M
AZ	731	540	14	22	17	18	2,474	\$3.2M
CA	1,844	1,646	32	35	54	38	5,511	\$10.6M
CO	977	943	16	28	26	22	2,115	\$5.2M
CT	356	364	6	16	5	22	1,531	\$2.5M
DC	236	178	4	15	3	27	1,150	\$1.7M
DE	272	173	6	15	5	24	1,064	\$1.3M
FL	2,005	1,925	30	39	81	71	5,434	\$9.1M
GA	1,058	925	16	38	26	32	3,140	\$5.1M
HI	353	294	11	10	4	21	1,230	\$1.5M
IA	185	120	5	14	2	3	651	\$666K
ID	209	208	8	25	5	12	698	\$833K
IL	663	573	12	17	11	50	2,225	\$3.5M
IN	650	681	9	20	9	19	1,818	\$3.0M
KS	254	178	4	19	5	7	484	\$975K
KY	379	247	10	22	9	11	1,911	\$1.4M
LA	370	126	9	19	12	26	1,290	\$1.2M
MA	455	348	6	16	6	31	1,027	\$2.7M
MD	783	789	11	38	10	34	2,329	\$4.4M
ME	215	117	6	15	5	15	824	\$709K
MI	755	585	11	23	9	21	2,413	\$3.4M
MN	799	614	19	23	12	10	3,145	\$3.8M
MO	729	438	9	21	12	8	1,155	\$2.7M
MS	387	156	8	20	3	31	1,149	\$1.1M
MT	139	144	6	11	10	2	496	\$552K
NC	855	681	12	18	15	7	2,738	\$3.6M
ND	164	67	6	10	3	5	938	\$566K
NE	273	264	6	18	2	13	730	\$1.1M
NH	289	337	5	17	5	17	1,148	\$1.7M
NJ	584	665	6	14	8	13	964	\$3.9M
NM	573	438	14	21	6	23	2,584	\$2.2M
NV	516	329	12	25	6	23	1,477	\$2.0M
NY	1,201	1,170	14	23	23	28	2,453	\$8.3M
OH	684	672	9	25	11	16	1,424	\$3.2M
OK	420	293	8	19	7	18	1,346	\$1.6M
OR	305	250	8	17	8	9	1,035	\$1.3M
PA	1,125	1,057	14	52	18	41	2,200	\$5.6M
PR	423	738	3	14	1	7	576	\$1.9M
RI	82	82	2	10	1	11	282	\$400K
SC	534	364	10	28	6	28	1,601	\$1.9M
SD	182	101	6	24	3	19	693	\$566K
TN	636	433	11	25	7	10	1,644	\$2.6M
TX	1,691	1,747	35	51	45	27	5,753	\$9.5M
UT	297	252	8	18	6	4	1,101	\$1.2M
VA	891	828	12	26	5	26	2,452	\$4.8M
VT	108	58	2	8	1	6	369	\$372K
WA	758	707	14	27	3	5	2,304	\$4.1M
WI	579	354	13	29	9	22	2,739	\$2.2M
WV	392	266	7	23	2	11	1,221	\$1.4M
WY	188	84	6	10	11	4	1,104	\$678K
NHQ & Regions	4,277	111	59	70	1	65	2,680	\$11.8M
TOTAL	34,314	25,406	597	972	619	1,053	95,138	\$155M

An aerial photograph of a tropical coastline. A small, white and red propeller plane is flying over the turquoise water, heading towards the left. The plane has "CAP" and "13" on its side. The coastline features a sandy beach, lush green vegetation, and a rocky reef area. The water is clear, showing the sandy bottom and some rocks.

34,314 adult members
25,406 cadets
8,243 aircrew personnel
31,854 emergency responders
1,483 squadrons
550 single-engine planes
47 gliders
695 VHF/FM repeaters
7,641 VHF/FM stations
1,240 HF stations
619 search and rescue missions
44 lives saved
1,053 state support missions
32,893 cadet orientation flights
95,138 hours flown

FY 13 Major Purchases

11 Cessna turbo 206s
45 vehicles

\$2.7 million in state funding

\$28.4 million in federal operations and
maintenance funding

\$155 million value of volunteer hours

2013 CAP by the Numbers



Mission Statement

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



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

Civil Air Patrol's emphasis on programs for youth dates back to the organization's early years. The first cadet squadrons were formed in 1942; six years later, when the U.S. Congress chartered the organization as the auxiliary of

the Air Force, a cadet program was specified as one of its three core missions. So was aerospace education, which has allowed CAP to shape the experiences and aspirations of youth both in and outside the cadet program.

Youth Programs







The opportunity to fly is the major attraction CAP offers youth through its cadet program. During 2013, CAP's highly qualified pilots provided cadets with 32,893 orientation flights, offering an unforgettable experience that begins before takeoff with a thorough preflight inspection of the plane they'll be riding in. More than \$300,000 in college and flight scholarships are available to CAP cadets, allowing many to solo and qualify for Federal Aviation Administration pilot certificates before they even get their driver's licenses.

Flying High



Career Exploration

Civil Air Patrol's award-winning aerospace education program promotes aviation, flight principles and careers. Cadets benefit from field trips to airports, military installations and aerospace companies. Many of the nation's astronauts, pilots, engineers and scientists first explored their careers in CAP.





Air Force Recruits

CAP cadets regularly account for 10 percent of enrollment each year at the Air Force Academy in Colorado Springs. Cadets who have completed various steps in the cadet program are able to enter the Air Force at a higher pay grade than those who haven't participated in CAP's cadet corps.



CyberPatriot Leaders

Civil Air Patrol is a leader in the Air Force Association's national high school CyberPatriot program. CAP cadets were named All Service Division national champions in 2011 and 2012, and in 2013 the South Dakota team finished first in competition to operate and secure a basic network. This year, a CAP team from California was crowned as the nation's first CyberPatriot middle school champion. The program, complemented by CAP's cyber security training materials, is grooming participants for cyber security careers.



Consisting of more than 30 science, technology, engineering and math (STEM) products, CAP's aerospace education program annually inspires over 25,000 cadets and about 250,000 K-12 students. Nearly 50,000 K-12 youth across the country are also exposed to career exploration programs associated with astronomy, flight simulation, model and remote-controlled aircraft, robotics and rocketry, thanks to STEM kits funded by the National Defense Education Program.

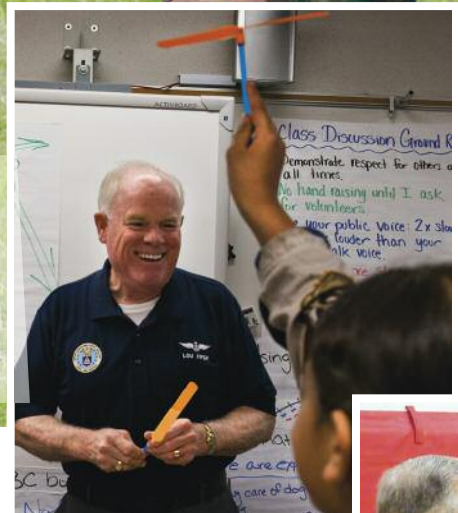


Photo by Autumn Payne/Sacramento Bee



ACE Kids

More than 16,000 youth in 28 states participated in CAP's K-6 Aerospace Connections in Education program. The program promotes academics, character education and physical fitness through an engaging grade-specific aerospace curriculum.



Core Values

CAP instills the organization's core values — respect, integrity, volunteer service and excellence — in its 25,000 cadets, placing them at the head of their class. Cadets also serve as drug-free role models in their communities and schools.



Leadership



Photo by Steve Donaldson/Harmonic Image Media Group




Cadet Special Activities

CAP annually offers more than 30 National Cadet Special Activities, ranging in focus from how to fly and marshal powered airplanes or gliders to mastery of emergency services skills and techniques and development of leadership, teamwork and problem-solving strategies and skills.



An aerial photograph showing a landscape severely impacted by a natural disaster, likely a volcanic eruption. A river flows through the scene, its water a milky, greyish-brown color, indicating it is carrying a heavy load of ash and sediment. The surrounding land is a mix of brown, ashy soil and patches of green vegetation. Numerous dead, skeletal trees are scattered across the terrain, some standing upright and others lying horizontally as debris. The overall scene conveys a sense of environmental devastation and the aftermath of a major geological event.

Missions



As the official auxiliary of the U.S. Air Force, Civil Air Patrol saves lives, finds the lost, helps Americans in times of disaster and works to keep the homeland safe. CAP is truly a cost-effective force multiplier

— not only for the Air Force but also for other branches of the armed forces as well as national, state and local agencies throughout the country. CAP's 60,000 members are true patriots, dedicated to any mission for America.



Search & Rescue

Civil Air Patrol conducts about 85 percent of inland search and rescue missions in the continental U.S. as tasked by the Air Force Rescue Coordination Center and other agencies. The AFRCC credits CAP with an annual average of 70 lives saved. Most recently, CAP aircrews from Washington state took to the skies following a devastating mudslide.

AP Photo/Ted S. Warren

High-Profile Missions

Four missions conducted by Civil Air Patrol in 2013 defined the organization and showcased its capabilities. CAP ground teams photographed 13,000 property sites after deadly tornadoes touched down in Oklahoma. Aircrews flew 112 sorties and devoted 2,763 man-hours to capture 10,061 images for FEMA following historic flooding in Colorado. In South Dakota, 440 geotagged CAP photos documented 15,000-30,000 livestock that died in a blizzard. And CAP rescued a family of six stranded in snowy, subzero weather.

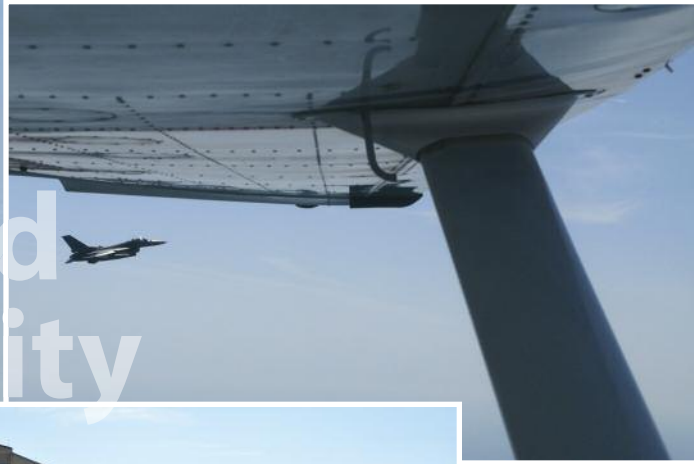




Disaster Relief



Homeland Security



Force Multiplier

CAP aircrews flew 1,250 hours during air defense exercises last year. Participation in air intercept training prepared fighter units across the country as part of CAP's evolving profile of homeland security missions.

Military Exercises



Members from CAP's Arizona and New Mexico wings supported Angel Thunder, an Air Force-led disaster exercise simulating earthquakes and tremors in the Southwest. Members in Colorado and North Carolina provided Shadow Escort support to U.S. Army unmanned aerial vehicles. Also, Green Flag exercises continued in Louisiana and Nevada, providing pre-deployment training to U.S. troops involved in air-to-ground operations.



State Missions

When the National Boy Scout Jamboree (opposite page) was held in West Virginia, CAP aircrews helped monitor the proceedings from above. Other state-supported missions included a devastating mudslide in Washington state and a dangerous sinkhole in Louisiana, as well as a severe weather warning in Hawaii as Tropical Storm Flossie threatened. In addition, members provided stateside assistance prior to the Super Bowl in New Jersey and the Presidential Inauguration in Washington, D.C.





Training



During the past year, 31,854 qualified personnel trained to federal standards completed 142 disaster relief missions for federal, state and local agencies. These members hone their skills at region and wing professional development seminars and training exercises and at larger events like the National Emergency Services Academy, or NESA, founded and operated by CAP.



Planning & Technology



With its versatile fleet of aircraft and sophisticated ground assets, Civil Air Patrol performs real-world missions at a very attractive cost. CAP services, performed by volunteers, cost only \$120 to \$160 per flying hour, saving millions

of dollars over other aviation options. CAP members professionally execute their duties every day, making them a valuable resource to communities across the nation.



Digital electronic direction finders, infrared cameras that register heat signatures, real-time full-motion video, in-flight chat capabilities (Geospatial Information Interoperability Exploitation-Portable) and electronic locator transmitters enhance CAP's response capabilities.

Resources



Fo



Cellphone / Radar Forensics

Civil Air Patrol's groundbreaking cellphone and radar analysis teams are saving lives. The Air Force Rescue Coordination Center has credited these two CAP teams with 30-plus saves, including a Nevada family of six rescued in 2013.



Sophisticated Aircraft

Civil Air Patrol's 550 single-engine airplanes make it one of the largest fleets of single-engine piston aircraft in the world. Many of the planes are equipped with glass cockpits, which enhance aircrew efficiency and safety. Aircrews are in constant contact with each other, as well as with members on the ground, through CAP's multi-million-dollar communications network, which includes high-frequency digital radios and mobile radio stations.





Gliders

CAP's air fleet also includes over 40 gliders, which are used to introduce youth across America to flight. Flight academies held nationwide each summer provide many CAP cadets with the opportunity to earn pilot's certificates.

With aerial photography now CAP's No. 1 emergency services' mission, nearly 80 percent of its aircraft are equipped with digital cameras capable of storing the pictures' geo coordinates. These missions are easily managed through CAP's Web Mission Information Reporting System, or WMIRS.



Aerial Photography



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Community Service



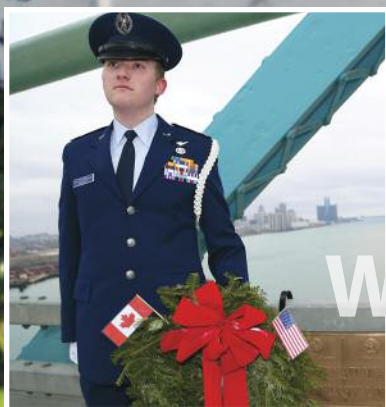
CAP's 60,000 members serve their more than 1,500 communities in a wide variety of ways, including collecting and distributing food and clothing to the needy, carrying out cleanup campaigns, meeting

logistical needs for aviation-related events like air shows and special school activities and helping Boy and Girl Scout troops qualify for aviation-related merit badges.

Helping Hands

A South Carolina Wing cadet is the head of her own nonprofit, Hands for Soldiers, which she established to provide U.S. service members overseas with latex gloves stuffed with such hard-to-obtain items as toiletries, candy and telephone calling cards. In Virginia, cadets in the Monticello Composite Squadron annually help unload and sort food gathered for the needy through the National Association of Letter Carriers' Stamp Out Hunger campaign.





Wreaths Across America

Every December, in all 52 wings and even overseas, cadets and adult members participate in Wreaths Across America observances to honor the nation's fallen. CAP participants present the colors, deliver orations and place remembrance wreaths on veterans' graves in national cemeteries and at war memorials.

Public Service

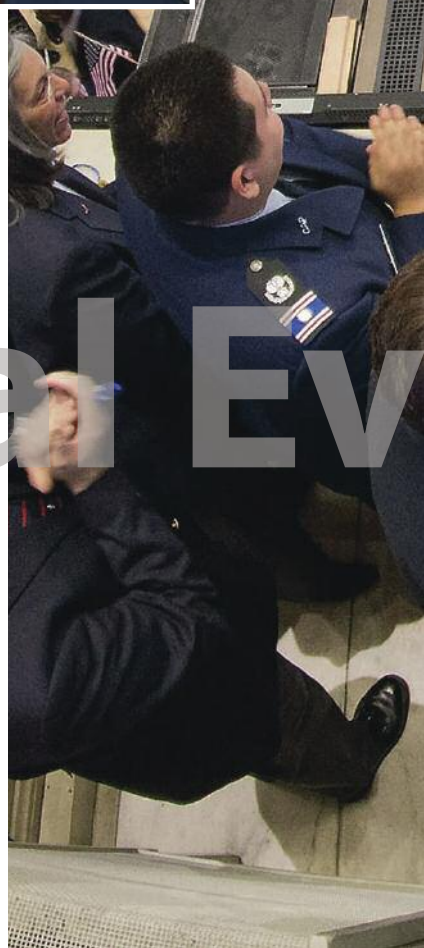


CAP members play an integral role in patriotic events and activities, such as Memorial Day or Veterans Day parades, presenting the colors at sporting events and activities demonstrating respect for the flag and love of country. Below, cadets and senior members also honor true aviation pioneers, like Tuskegee Airmen, while benefiting from their life lessons.



Awards & Recognitions

CAP members serve their communities for the good of all, rather than out of any desire for personal recognition or reward. Even so, honors are often forthcoming. The National Aeronautic Association presented the organization with the Public Benefit Flying Award for its performance in the aftermath of Hurricane Sandy, and longtime member Col. Mary Feik received the Katherine Wright Trophy, reserved for women who have made major contributions to aviation. CAP inducted the commander of its Congressional Squadron, U.S. Sen. Tom Harkin, D-Iowa, into the CAP Hall of Honor. In addition, the Air Force Association honored CAP's aerospace education program with its Chairman's Award for aerospace education achievement.



National Ev

CAP took a particularly high-profile turn on the public stage when top officials and cadets gathered at the New York Stock Exchange for the traditional bell-ringing marking the start of that day's trading. Broadcast on television, the ceremony exposed millions of viewers worldwide to CAP.




ents

Photo by Dario Cantatore/NYSE Euronext



Governance



The Civil Air Patrol Board of Governors is the organization's governing body. The board's 11 distinguished members are leaders in their own right, drawn from the ranks of CAP volunteers who have careers in a cross-section of America's workforce, along with U.S. Air Force officers and civilians involved in the fields of

education, aviation and emergency management. Board members move the organization forward through collaborative decision-making that generates strategic policies, plans and programs designed to guide CAP now and in the future. They are assisted by the national commander and chief executive officer, as well as the organization's chief operating officer.



Maj. Gen. John M. Speigel, USAF (Ret)
Chairman

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:

- Partner, Strategy and Analytics, IBM
- Director, DoD Human Capital Deloitte Consulting, Washington, D.C.
- Major General, U.S. Air Force, with most recent service as Director of Personnel Policy, Deputy Chief of Staff for Personnel, Headquarters U.S. Air Force. Commanded at every level of Air Force, including service at Pentagon and in South Korea

Air Force-Appointed Members



**William A. Davidson Jr.,
USAF (Ret)**

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

- 22 years of Air Force service, primarily as officer in security and investigative programs
- 21 years as member of Senior

Executive Service, working as Air Force's senior career Civilian Adviser to Secretary of Air Force

Career:

- Administrative Assistant to Secretary of Air Force, Headquarters U.S. Air Force, Washington, D.C.
- Former Deputy Administrative Assistant, Headquarters U.S. Air Force.
- Former Air Force Officer with service as Air Force Office of Special Investigations Agent and Chief of Air Force Polygraph Program
- Colonel, U.S. Air Force, with service as Deputy for Security and Investigative Programs, Headquarters U.S. Air Force

**Lt. Gen. William H. Etter,
USAF
Commander, 1st Air Force**

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

- Numerous Air Force command positions
- Air Force Command Pilot with more than 3,500 flight hours in T-37, T-38 and F-16 aircraft, including service in various operational and staff assignments as F-16 pilot

Career:

- Lieutenant General, U.S. Air Force, currently serving as three-star Commander of Continental U.S. North American Aerospace Defense Command Region-1st Air Force (Air Forces Northern) at Tyndall Air Force Base, Fla.
- Previous service includes Assistant to Chairman, Joint Chiefs of Staff for National Guard Matters at Pentagon in Washington, D.C., as well as

assignments as Director of Strategic Plans and Policy; Acting Director, Domestic Operations/Force Development; Director, Domestic Operations; Director for Strategic Plans and Policy at National Guard Bureau in Arlington, Va.; and Assistant Adjutant General-Air and Director of Operations for the Vermont Air National Guard



**Brig. Gen. Leon A.
Johnson, USAF (Ret)
National President,
Tuskegee Airmen Inc.**

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

- Numerous Air Force technical and command positions
- Air Force Command Pilot with more than 3,500 hours of military flight time in T-37 trainer and A-37 and A-10 fighter aircraft, including missions over Bosnia in support of Operation Deny Flight
- More than 3,500 hours of flight time as Commercial Pilot
- Former CAP Cadet Colonel in California Wing; selected for International Air Cadet Exchange program

Career:

- Retired from United Parcel Service after nearly 20 years of service as Flight Operations Employment Manager, Administrative Chief Pilot, Asia Chief Pilot, Flight Operations Employee Relations Manager, A300 Training Manager and Manager of Airline Manuals
- Former Trans World Airlines Line Pilot and Pilot Hiring Manager
- Brigadier General, U.S. Air Force, with most recent service as Mobilization Assistant to Assistant Secretary of Air Force for Manpower and Reserve Affairs and Mobilization Assistant to AETC Director of Operations

Civil Air Patrol-Appointed Members



Lt. Col. Edward (Ned) F. Lee, CAP Vice Chairman

CAP/Air Force/Aviation background:

- Major, Army National Guard (Ret)
- National Cadet Advisor, with long list of previous CAP service,

especially with Cadet Programs, including Director of Civic Leadership Academy, Cadet Officer School Faculty Member 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 Sept. 11 attacks and served in Panama, Ukraine and Japan
- Former Police Detective

Brig. Gen. Richard L. Anderson, CAP Member-at-Large



CAP/Air Force/Aviation background:

- Secretary, CAP National Advisory Council
- Former CAP National Commander (1993-1996)
- 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 (Ret)

Lt. Col. Jayson Altieri, CAP Member-at-Large



CAP/Army/Aviation background:

- 30 years of U.S. Army service, including numerous Army staff and command positions
- Master Army Aviator with more than 2,800 flying hours, rated in OH-58, UH-1, UH-60 and TH-67 helicopters
- 35 years of service in Civil Air Patrol; CAP Command Pilot
- Federal Aviation Administration commercial pilot certificate

Career:

- Colonel, U.S. Army, Commander of 110th Aviation Brigade, Fort Rucker, Ala.
- Previous service with the NATO Standardization Agency in Brussels, Belgium, in addition to assignments as Deputy Chief of Staff for Strategic Plans, NATO Regional Command (East), Bagram, Afghanistan; Commander, 2nd Battalion (Airborne), 82nd Combat Aviation Brigade, Kandahar, Afghanistan; and Executive Assistant to Deputy Director of National Geospatial Intelligence Agency, Bethesda, Md.



**Col. Tim Verrett, CAP
Member-at-Large**

CAP/Air Force/Aviation background:

- 26 years with Civil Air Patrol, including service as Chairman of the CAP Governance Committee
- Completed Level IV of CAP's professional development program
- Master Rating in CAP's Legal Officer specialty track

Career:

- Longtime Anchorage, Alaska, Attorney
- Owner, Law Offices of Timothy C. Verrett
- Over 30 years of corporate legal experience representing for-profit, nonprofit and municipal corporations
- Serves on Alaska Bar Association Mediation Panel
- Previous CAP service as Vice Commander and Legal Officer of Pacific Region, as well as Legal Officer for Alaska Wing; also served on numerous national-level committees

Industry, Government & Education-Appointed Members



**Paul L. Graziani
Chief Executive Officer,
Analytical Graphics Inc.
(AGI)**

**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; Life Director, Space Foundation
- Former member of Board of Governors, Aerospace Industries Association; Associate Fellow, American Institute of Aeronautics and Astronautics
- Former Member, Penn State Great Valley Advisory Board

Career:

- CEO and Co-Founder, Analytical Graphics Inc.

**Maj. Gen. Teresa Marné
Peterson, USAF (Ret)
Board of Directors,
National Order of Daedalians**



CAP/Air Force/Aviation background:

- 34 years of Air Force service, including numerous technical and command positions
- Air Force Command Pilot, with more than 2,600 flying hours in KC-10, C-141, T-37 and T-38 aircraft (one of first Air Force women to complete undergraduate pilot training)

Career:

- Major General, U.S. Air Force, with most recent service as Commandant of National War College, Fort McNair, Va.
- Previous service included Director of Operations & Training, Deputy Chief of Staff for Air and Space Operations, Headquarters U.S. Air Force Base, Washington, D.C.; Commander, 305th Air Mobility Wing, McGuire AFB, N.J.; Director of Transportation, Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force; and Commander, 14th Flying Training Wing, Columbus AFB, Miss.
- First woman to command Air Force flying squadron when she became Commander of 42nd Flying Training Squadron at Columbus AFB in 1990

Brig. Gen. S. Sanford Schlitt, USAF (Ret)
Board of Directors, Air Force Association



CAP/Air Force/Aviation background:

- Founder of CyberPatriot, Air Force Association's national high school cyber defense competition
- Former Air Force Association Vice Chairman of Board for Aerospace Education and Chairman of Aerospace Education Council
- Chairman of Air Force Association Board of Directors

Career:

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



Advisor to Board of Governors
Maj. Gen. Charles L. (Chuck) Carr Jr., CAP National Commander and Chief Executive Officer

CAP/Air Force/Aviation background:

- National Commander and CEO of Civil Air Patrol, with previous service as National Vice Commander, Great Lakes Region Commander and Ohio Wing Commander, as well as Group Commander and Squadron Commander
- CAP Pilot with instrument rating
- Master rating in CAP's Personnel and Finance professional development specialty tracks

Career:

- Owner of ABC Academy Daycare Center in Columbus, Ohio
- More than 18 years in retail sales and management
- Master Sergeant, Superintendent of Security Police, U.S. Air Force (Ret)

Executive Secretary
Don R. Rowland
Chief Operating Officer, Civil Air Patrol



CAP/Air Force/Aviation background:

- Lieutenant Colonel, U.S. Air Force (Ret)
- Rated pilot with 3,400 flying hours
- Helicopter pilot in Pacific
- Background in search and rescue and aircraft system acquisitions

Career:

- 29 years at CAP National Headquarters, including service as Executive Director, CAP-USAF IG, Senior Director, Director of Plans and Requirements and Director of Strategic Communications and Plans
- U.S. Air Force, both as pilot and with System Requirements for Special Operations at Scott AFB, Ill.
- U.S. Coast Guard Exchange

Advisor to Board of Governors
Col. Paul D. Gloyd II, USAF
Commander, CAP-USAF



CAP/Air Force/Aviation background:

- Numerous Air Force technical and command positions
- Air Force Command Pilot with more than 3,200 flight hours in airlift and training aircraft

Career:

- Colonel, U.S. Air Force, serving as commander, Civil Air Patrol-U.S. Air Force, Maxwell Air Force Base, Ala.
- Previously Vice Commander of CAP-USAF
- Former service includes command of 37th Operations Support Squadron at Lackland Air Force Base, Texas
- Operational and staff assignments include tours as Deputy Group Commander, Squadron Director of Operations, Staff Senior Operations Officer and Executive Assistant for two J-3 Deputy Directors on Joint Staff



Financial Statements





Independent Auditors' Report

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

We have audited the accompanying financial statements of Civil Air Patrol (the Organization), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

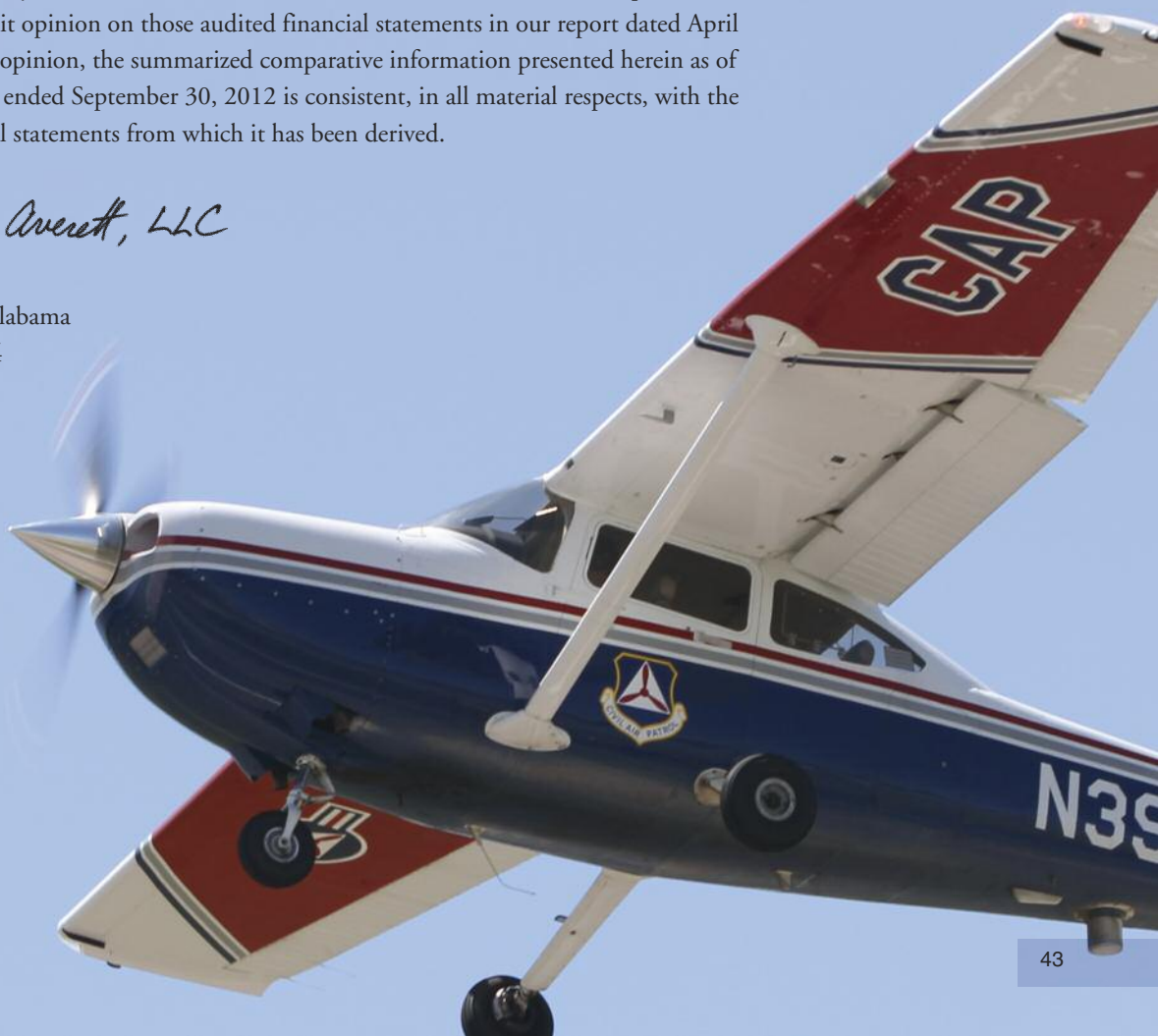
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Civil Air Patrol as of September 30, 2013, and the changes in their net assets, their functional expenses and cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited Civil Air Patrol's 2012 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated April 3, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Warren Averett, LLC

Montgomery, Alabama
March 27, 2014





CIVIL AIR PATROL
STATEMENT OF FINANCIAL POSITION
September 30, 2013
(with comparative information as of September 30, 2012)

ASSETS	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,057,021	\$ 14,229,424
Short-term investments	6,156,972	5,566,598
Accounts, grants and loans receivable	2,836,172	2,483,215
Inventories	118,141	202,953
Prepaid expenses	408,110	348,625
Total current assets	<u>23,576,416</u>	<u>22,830,815</u>
NONCURRENT ASSETS		
Cash – restricted	2,871,001	1,721,703
Long-term investments	531,668	302,398
Unconditional promises to give	1,229,568	7,299,658
Property and equipment, net of accumulated depreciation	<u>86,171,040</u>	<u>85,038,682</u>
Total noncurrent assets	<u>90,803,277</u>	<u>94,362,441</u>
TOTAL ASSETS	<u><u>\$114,379,693</u></u>	<u><u>\$117,193,256</u></u>

LIABILITIES AND NET ASSETS	2013	2012
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 3,161,657	\$ 2,635,257
Current maturities of long-term debt	7,035	6,580
Deferred revenue	948,260	801,460
Total current liabilities	4,116,952	3,443,297
NONCURRENT LIABILITIES		
Noncurrent maturities of long-term debt	7,549	14,503
TOTAL LIABILITIES	4,124,501	3,457,800
NET ASSETS		
Unrestricted:		
Undesignated	21,423,060	21,002,041
Board designated	5,820,727	5,299,590
	27,243,787	26,301,631
Temporarily restricted	82,874,475	87,300,252
Permanently restricted	136,930	133,573
Total net assets	110,255,192	113,735,456
TOTAL LIABILITIES AND NET ASSETS	\$114,379,693	\$117,193,256

See independent auditors' report and notes to financial statements.



CIVIL AIR PATROL
STATEMENT OF ACTIVITIES
for the year ended September 30, 2013
(with summarized information for the year ended September 30, 2012)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS	
				2013	2012
OPERATING REVENUES AND OTHER SUPPORT					
Governmental appropriations and grants	\$32,393,048	\$ -	\$ -	\$32,393,048	\$30,120,242
Other program revenue	1,641,640	1,635,628	-	3,277,268	3,246,888
Membership dues	2,733,804	-	-	2,733,804	2,488,609
Governmental contributions	4,101,545	4,382,412	-	8,483,957	19,354,578
Contributions	2,352,435	139,396	-	2,491,831	1,794,469
Fundraising	1,156,808	-	-	1,156,808	1,237,574
Registration fees and events	981,872	305	-	982,177	927,217
Publications and advertising	24,863	-	-	24,863	40,186
Sale of materials, supplies and surplus property	177,599	-	-	177,599	153,800
Interest income	6,293	37	-	6,330	57,207
Investment income	153,681	21,250	1,949	176,880	249,413
Other	843,511	-	-	843,511	960,152
Net assets released from restrictions	10,847,666	(10,837,520)	(10,146)	-	-
Total operating revenues and other support	57,414,765	(4,658,492)	(8,197)	52,748,076	60,630,335
OPERATING EXPENSES					
Program services:					
Aerospace education and training	3,351,624	-	-	3,351,624	3,413,957
Cadet programs	7,892,321	-	-	7,892,321	7,156,681
Communication maintenance	1,047,878	-	-	1,047,878	960,826
Counterdrug	662,572	-	-	662,572	588,572
Drug demand reduction	350,999	-	-	350,999	630,204
Emergency services	23,262,118	-	-	23,262,118	23,958,716
Total program services	36,567,512	-	-	36,567,512	36,708,956
Supporting services:					
Fundraising	497,728	-	-	497,728	452,511
Management and general	14,369,462	-	-	14,369,462	13,948,928
Membership development	5,463,997	-	-	5,463,997	5,899,744
Strategic communications	116,605	-	-	116,605	180,049
Total supporting services	20,447,792	-	-	20,447,792	20,481,232
Total operating expenses	57,015,304	-	-	57,015,304	57,190,188
Change in net assets from operations	399,461	(4,658,492)	(8,197)	(4,267,228)	3,440,147

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS	
				2013	2012
NONOPERATING GAINS AND LOSSES					
Gain on disposition of property and equipment	\$ 23,346	\$ 231,623	\$ -	\$ 254,969	\$ 326,814
Net unrealized and realized gain on investments	519,349	1,092	11,554	531,995	487,306
Total nonoperating gains	542,695	232,715	11,554	786,964	814,120
CHANGE IN NET ASSETS	942,156	(4,425,777)	3,357	(3,480,264)	4,254,267
NET ASSETS AT BEGINNING OF YEAR	26,301,631	87,300,252	133,573	113,735,456	109,481,189
NET ASSETS AT END OF YEAR	\$27,243,787	\$82,874,475	\$136,930	\$110,255,192	\$113,735,456





CIVIL AIR PATROL
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended September 30, 2013
(with summarized information for the year ended September 30, 2012)

	Program Services					
	Aerospace Education and Training	Cadet Programs	Communication Maintenance	Counterdrug	Drug Demand Reduction	Emergency Services
Advertising	\$ 1,199	\$ 1,597	\$ 240	\$ 402	\$ 157	\$ 2,402
Aircraft maintenance	21,044	170,392	-	31,569	-	5,654,745
Awards	113,905	147,899	-	-	-	1,520
Bad debts	-	-	-	-	-	-
Bank and credit card expense	-	-	-	-	-	-
Cadet activities	-	3,534,132	-	-	3,273	123,176
Conference	112,339	159,314	21,942	36,570	14,625	219,631
Contingency	-	-	-	-	-	-
Cost of goods sold	31,195	124,769	-	-	-	-
Depreciation	46,245	61,660	11,330	15,416	6,169	7,493,906
Equipment maintenance	55,407	73,878	276,213	18,468	7,390	126,956
Facility maintenance	1,260,490	1,622,251	317,590	395,981	158,390	2,700,872
Fundraising events	-	-	-	-	-	-
Insurance	10,418	14,840	2,085	3,473	1,388	20,845
Interest expense	-	-	-	-	-	-
IT expense	4,487	5,984	896	1,497	600	8,983
Legal and accounting	-	-	-	-	-	-
Lobbying	-	-	-	-	-	-
Maintenance and equipment rental	-	-	-	-	-	15,583
Miscellaneous	1,282	1,812	255	430	169	4,576
Mission support	-	-	-	26,450	-	4,162,685
Payroll taxes and benefits	147,310	69,755	65,359	3,753	8,737	177,889
Professional services	95,716	10,783	7,199	-	-	292,094
Professional development	88,037	20,533	-	-	-	5,057
Postage	9,163	65,501	28,868	3,056	5,405	18,368
Printing and publications	3,623	4,829	729	1,207	483	7,242
Procurement	-	-	-	-	-	2,967
Salaries	674,515	391,492	244,166	22,145	24,802	950,386
Senior activities	149,919	-	-	-	-	16,035
Supplies	323,002	834,721	29,079	34,599	91,747	339,143
Telephone	66,544	88,724	13,309	22,181	8,875	204,943
Travel	65,880	394,250	14,027	22,072	9,468	549,320
Vehicle maintenance	69,904	93,205	14,591	23,303	9,321	162,794
	<u>\$3,351,624</u>	<u>\$7,892,321</u>	<u>\$1,047,878</u>	<u>\$662,572</u>	<u>\$350,999</u>	<u>\$23,262,118</u>

	Supporting Services				Totals	
	Fundraising	Management and General	Member Services	Strategic Communications	2013	2012
Advertising	\$ -	\$ 11,586	\$ 13,333	\$ 6,548	\$ 37,464	\$ 47,690
Aircraft maintenance	-	4,899	-	-	5,882,649	5,495,506
Awards	-	9,073	12,953	-	285,350	259,449
Bad debts	-	4,061	2,111	-	6,172	46,839
Bank and credit card expense	-	40,066	-	-	40,066	30,475
Cadet activities	-	22,054	-	-	3,682,635	2,941,395
Conference	-	285,612	236,120	324	1,086,477	1,087,715
Contingency	-	18,964	-	-	18,964	1,211
Cost of goods sold	-	-	-	-	155,964	213,082
Depreciation	-	2,489,249	15,416	-	10,139,391	9,802,649
Equipment maintenance	-	133,662	18,468	-	710,442	686,424
Facility maintenance	5,611	2,090,577	582,570	-	9,134,332	7,760,729
Fundraising events	319,866	-	-	-	319,866	290,514
Insurance	-	1,744,170	3,473	-	1,800,692	1,771,691
Interest expense	-	9,672	-	-	9,672	2,428
IT expense	-	5,984	1,497	-	29,928	9,256
Legal and accounting	-	266,348	-	-	266,348	287,800
Lobbying	7,996	10,376	-	-	18,372	6,810
Maintenance and equipment rental	-	178,093	-	-	193,676	249,130
Miscellaneous	-	161,332	6,429	-	176,285	167,382
Mission support	-	-	-	-	4,189,135	5,376,072
Payroll taxes and benefits	21,151	799,731	761,975	-	2,055,660	2,237,401
Professional services	12,959	637,990	201,600	-	1,258,341	1,340,440
Professional development	1,578	97,364	6,025	-	218,594	218,777
Postage	9,007	159,255	13,414	-	312,037	281,704
Printing and publications	-	6,098	1,207	109,038	134,456	210,654
Procurement	-	-	-	-	2,967	2,434
Salaries	107,801	3,621,699	3,026,609	-	9,063,615	9,631,968
Senior activities	-	23,009	-	-	188,963	225,603
Supplies	1,000	341,640	52,785	-	2,047,716	3,039,214
Telephone	-	354,956	441,775	-	1,201,307	975,419
Travel	10,759	726,573	42,934	695	1,835,978	1,902,604
Vehicle maintenance	-	115,369	23,303	-	511,790	589,723
	<u>\$497,728</u>	<u>\$14,369,462</u>	<u>\$5,463,997</u>	<u>\$116,605</u>	<u>\$57,015,304</u>	<u>\$57,190,188</u>

See independent auditors' report and notes to financial statements.



CIVIL AIR PATROL
STATEMENT OF CASH FLOWS
for the year ended September 30, 2013
(with comparative information for the year ended September 30, 2012)

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(3,480,264)	\$4,254,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,139,391	9,802,649
Net unrealized and realized gain on investments	(531,995)	(487,306)
Gain on disposition of property and equipment	(254,969)	(326,814)
Contributed property and equipment	(519,239)	(16,363)
Changes in operating assets and liabilities:		
Accounts, grants and loans receivable	(352,957)	1,852,708
Prepaid expenses	(59,485)	2,856
Inventories	84,812	(42,961)
Unconditional promises to give	6,070,090	(2,559,690)
Accounts payable and accrued expenses	526,400	(317,377)
Deferred revenue	146,800	493,182
Net cash provided by operating activities	<u>11,768,584</u>	<u>12,655,151</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	361,275	396,313
Purchase of property and equipment	(10,858,816)	(11,741,682)
Proceeds from sale of investments	361,358	2,535,470
Purchase of investments	(649,007)	(2,708,114)
Net cash used by investing activities	<u>(10,785,190)</u>	<u>(11,518,013)</u>

See independent auditors' report and notes to financial statements.

	2013	2012
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of borrowings	\$ (6,499)	\$ (6,134)
Borrowing under line of credit	1,742,302	-
Repayment of borrowing under line of credit	(1,742,302)	-
Change in contractually restricted cash	(1,149,298)	261,977
Net cash provided (used) by financing activities	(1,155,797)	255,843
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(172,403)	1,392,981
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,229,424	12,836,443
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$14,057,021</u>	<u>\$14,229,424</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 9,672</u>	<u>\$ 2,428</u>





CIVIL AIR PATROL

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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.

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2012, from which the summarized information was derived.

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 esti-

mates 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, 2013, were \$37,464.

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.

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.



CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

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.

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 revenue includes 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 2013 unrelated business income in the amount of \$11,552.

As of September 30, 2013, 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, 2012. The tax returns of the Organization for years ended September 30, 2009, and thereafter are subject to audit by the taxing authorities.

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 Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, 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.



CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

Fair Value Measurement (continued)

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.

Subsequent Events

Management has evaluated subsequent events through March 27, 2014, 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	\$ 2,601,594
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Restricted by donors for:

Cadet scholarships and activities	211,207
Aerospace scholarships and activities	9,548
Construction of facility	5,279
Other activities	<u>34,678</u>
Total restricted cash	<u>2,862,306</u>

Designated by the governing board for:

Cadet scholarships and activities	48,592
Facility maintenance	183,175
Reserve	<u>259,343</u>
Total designated cash	<u>491,110</u>

Cash unrestricted and not designated

	13,574,606
Total cash	<u>\$ 16,928,022</u>

Statement of financial position presentation:

Cash and cash equivalents	\$ 14,057,021
Cash – restricted	<u>2,871,001</u>
Total	<u>\$ 16,928,022</u>

3. INVESTMENTS

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

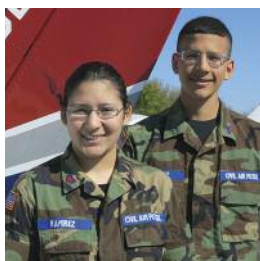
Annuities	\$ 78,454
Corporate bonds	80,239
Mutual funds	6,446,356
Real estate investment trusts	<u>83,591</u>
Total	<u>\$ 6,688,640</u>

The composition of the return on investments is as follows:

Investment income	\$ 176,880
Net unrealized and realized gain on investments	<u>531,995</u>
Total	<u>\$ 708,875</u>
Investment advisory fees	<u>\$ 50,614</u>

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

Description	Cost	Unrealized Appreciation (Depreciation)	Fair Value
Restricted by donors:			
Clara Livingston Fund	\$ 159,422	\$ 18,987	\$ 178,409
Historical Fund	2,108	310	2,418
Wirtschafter	9,929	1,123	11,052
Wing and Region investments restricted for cadet scholarships and aerospace education	<u>317,191</u>	<u>22,598</u>	<u>339,789</u>
	488,650	43,018	531,668
Designated by the governing board:			
Reserve investments	3,871,841	616,762	4,488,603
Scholarship Fund	<u>827,729</u>	<u>13,285</u>	<u>841,014</u>
	4,699,570	630,047	5,329,617
Investments unrestricted and undesignated			
	<u>741,995</u>	<u>85,360</u>	<u>827,355</u>
Total	<u>\$ 5,930,215</u>	<u>\$ 758,425</u>	<u>\$ 6,688,640</u>



CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

3. INVESTMENTS (continued)

Statement of financial position presentation:

Short-term investments	\$ 6,156,972
Long-term investments	<u>531,668</u>
Total	<u>\$ 6,688,640</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 the Board of Governors.

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

4. ACCOUNTS, GRANTS AND LOANS RECEIVABLE

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

USAF	\$ 2,370,873
Others	<u>465,299</u>
Total	<u>\$ 2,836,172</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>\$ 1,229,568</u>
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As of September 30, 2013, the Organization received from the USAF conditional promises to give of \$8,652,558 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	\$ 118,141
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7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Land	\$ 90,400
Building and improvements	8,139,573
Aircraft	137,756,678
Computers	2,357,143
Vehicles	23,688,563
Office furniture and equipment	140,998
Building under capital lease	253,148
Communication and other equipment	20,049,968
Construction in progress	60,556
Deposits on aircraft	40,000
Equipment not placed into service	<u>2,998,663</u>
	195,575,690
Accumulated depreciation	<u>109,404,650</u>
Net property and equipment	<u>\$ 86,171,040</u>

As of September 30, 2013, improvements with a book value of \$193,593 have been made to leased facilities. These improvements are located at the Virginia Wing and North Carolina Wing in the amounts of \$87,791 and \$105,802, respectively.

Depreciation expense for the period ending September 30, 2013	<u>\$ 10,139,391</u>
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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, 2013, property and equipment restricted for specific purposes amounted to \$181,502,842, less accumulated depreciation of \$102,962,272, resulting in a balance of \$78,540,570.



CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

8. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are scheduled as follows:

Accrued payroll and payroll taxes	\$ 1,201,948
Vendor payables	<u>1,959,709</u>
Total	<u>\$ 3,161,657</u>

9. DEFERRED REVENUE

Deferred revenue is detailed as follows:

Prepaid membership dues	\$ 831,627
Other	<u>116,633</u>
Total	<u>\$ 948,260</u>

10. NOTE PAYABLE

The Organization has a note payable secured by a building with a book value of \$409,235. The note has an interest rate of 6.95% with monthly payments of \$653, and matures on September 30, 2015.

Total obligations	\$ 14,584
Less current maturities of long-term debt	<u>7,035</u>
Noncurrent maturities of long-term debt	<u>\$ 7,549</u>

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

Years ending September 30:	
2014	\$ 7,035
2015	<u>7,549</u>
Total	<u>\$ 14,584</u>

Total interest expense related to the above note is \$1,351 for the year ended September 30, 2013.

The Organization maintains a revolving line of credit with a local bank in the amount of \$2,000,000. The term of this line of credit is for the period August 1, 2012 through August 1, 2014, with interest computed utilizing a variable interest rate. During the 2013 fiscal year, \$1,742,302 was advanced under the line of credit. All advances were repaid by year end. Total interest expense related to this note amounted to \$2,710 for the year ended September 30, 2013.

11. NET ASSETS

Unrestricted Net Assets - Designated

The governing board has designated unrestricted net assets for:

Reserve funds	\$ 4,747,946
Scholarships	889,606
Other	<u>183,175</u>
Total	<u>\$ 5,820,727</u>

Temporarily Restricted Net Assets

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

Aerospace education activities:

Scholarships	\$ 22,176
Other	2,974

Cadet program activities:

Scholarships	350,132
Other	<u>152,243</u>

Other general activities:

Subsequent years' use of property, equipment and inventories	75,100,548
Support, maintenance and modernization of aircraft fleet	7,137,675
Other	<u>108,727</u>
Total	<u>\$ 82,874,475</u>

Permanently Restricted Net Assets

Permanently restricted net assets are restricted for:

Scholarships	\$ 113,070
Other	<u>23,860</u>
Total	<u>\$ 136,930</u>

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.



CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

12. OPERATING LEASES (continued)

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, 2013:

Years ending September 30:

2014	\$ 305,727
2015	182,909
2016	110,789
	<u>\$ 599,425</u>

Total rental expense for all operating leases is \$227,043 for the year ended September 30, 2013.

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions are summarized as follows:

Satisfaction of purpose restrictions	\$ 335,197
Expiration of time restrictions	<u>10,512,469</u>
Total	<u>\$10,847,666</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 \$356,123 for the year ended September 30, 2013, 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	\$29,645,238
Contributions for:	
Use of facilities and utilities	1,898,226
Property, equipment and inventories	<u>1,842,095</u>
Total	<u>\$33,385,559</u>

Transactions Incurring Expenses:

Expenses with the USAF for:

Facilities	<u>\$ 1,898,226</u>
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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, 2013.

17. FAIR VALUE MEASUREMENTS

The Organization's assets measured at fair value are based on one or more of three valuation techniques, which include the following:

Market approach — prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach — amount that would be required to replace the service capacity of an asset (that is, replacement cost).



CIVIL AIR PATROL

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

17. FAIR VALUE MEASUREMENTS *(continued)*

Income approach — techniques to convert future amounts to a single, present amount based on market expectations (including present value techniques, option-pricing models and lattice models).

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 preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used as of September 30, 2013.

The following fair value hierarchy table presents information about the Organization's investments measured at fair value on a recurring basis as of September 30, 2013.

	Level 1	Level 2	Level 3	Total
Annuities	\$ 78,454	\$ -	\$ -	\$ 78,454
Corporate bonds	80,239	-	-	80,239
Mutual funds	6,446,356	-	-	6,446,356
Real estate investment trusts	-	-	83,591	83,591
	<u>\$6,605,049</u>	<u>\$ -</u>	<u>\$ 83,591</u>	<u>\$ 6,688,640</u>

The following table presents a roll forward of the amounts for the year ended September 30, 2013, for Level 3 inputs:

	Beginning Balance	Net Acquisitions (Dispositions)	Net Gains (Losses)	Ending Balance
Real estate investment trusts	<u>\$ 387,635</u>	<u>\$ (300,547)</u>	<u>\$ (3,497)</u>	<u>\$ 83,591</u>

The net gains (losses) in the above tables are reported as unrealized and realized gains (losses) on investments, net, in the accompanying statement of activities and changes in net assets for the year ended September 30, 2013.

As a measure of liquidity, the frequencies that investments may be redeemed or liquidated are noted in the following tables, along with the number of days' notice required to liquidate investments at September 30, 2013.

Description	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Domestic equities	\$2,847,421	\$ -	Daily, monthly	3 – 10 days
International equities	1,306,965	-	Daily, monthly	3 – 10 days
Domestic fixed income	2,450,663	-	Daily, monthly	3 – 10 days
Private equity fund	83,591	-	Illiquid	Illiquid

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, 2013, the Organization's uninsured cash balances totaled \$8,260,261.

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