



CIVIL AIR PATROL, INC.

**AUDIT MANUAL
&
FINANCIAL & TAX
REPORTING
GUIDES**

YEAR ENDED SEPTEMBER 30, 2003

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INTRODUCTION

This *Audit Manual* and *Financial & Tax Reporting Guide* has been designed to assist region and wing finance officers, and their external accountant/auditor, with presenting the financial statements of Civil Air Patrol in accordance with generally accepted accounting principles. This includes applying the accounting and reporting provisions of FAS 116, *Accounting for Contributions Received and Contributions Made*; FAS 117, *Financial Statements of Not-for-Profit Organizations*; FAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*; and the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations*, which were first adopted by the Corporation effective October 1, 1995.

Please review the contents of this guide carefully. Included are “**Auditor Guidelines**,” “**Model Financial Statements**” and “**IRS Tax Form 990 Preparation Guidelines**.” **The guidelines provided for each must be followed to permit combination of the financial statements and the Tax Forms 990 at the National level and in order to (1) comply with current tax laws, and (2) comply with the additional requirements for tax reporting specific to and established by the corporation.** The instructions provided within this guide for the Tax Form 990 are not intended to be an all inclusive treatise of tax laws as they relate to all non-profit organizations, but it will attempt to give explicit line by line instructions from a Civil Air Patrol viewpoint. It is impossible to think of every scenario which could have tax reporting consequences for the regions and wings of CAP, but an attempt has been made, based on past experiences, to give all the necessary instructions. **The “first draft” of all region and wing audited financial statements and Tax Forms 990 must be submitted to the assigned Wing Financial Analyst (WFA) no later than 31 December 2003.**

Your attention is also invited to [Appendix A, Page 1](#), which summarizes changes to this year’s guide, [Appendix A, Page 9](#), which discusses some of the more common mistakes made in prior years and [Appendix A, Page 11](#), which is a list of important contacts you will need during this audit season.

If you should have any questions concerning the contents of this guide, or the application of its provisions, please contact your *Region WFA*. He or she will be happy to assist you. Additionally, Ms. Susan Easter, Chief Financial Officer, may be contacted by telephone at (334) 953-6031, by fax at (334) 953-6777, or by e-mail at seaster@capnhq.gov.

APPENDIX "A"
AUDIT GUIDELINES

SUMMARY OF CURRENT CHANGES TO THIS GUIDE

The following is a summary of changes made in the audit process and the presentation of certain items in the financial statements and the notes to the financial statements for the period ending September 30, 2003:

- **Audit Process.** - In the past, all year-end audit information (i.e., audited financial statements, IRS Tax Forms 990, CAP Forms 173-2c, Region/Wing Authorization Letters and Inclusion/Exclusion Letters) was submitted to the National Headquarters. **This is now the third year that all information will be submitted to the Region WFA.** A list of the WFA’s and their assigned areas of responsibility can be located in the “List of Important Contacts” on Page 11, of this appendix.
- **Schedules of Aircraft Maintenance and State Funding.** – The schedules of aircraft maintenance and state funding were developed by the National Headquarters as supplements to the financial statements in the FY 2000 audit in an effort to fulfill requirements outlined in the Cooperative Agreement and Statement of Work between CAP, Inc. and the USAF. *They are required to be completed; again, as supplements to the FY 2003 financial statements and must include beginning balances, by aircraft tail number.*
- **SAR/DR Missions and Training Revenue.** – The National Headquarters is now processing reimbursements to wings for SAR/DR as well as Counterdrug expenses. As a result, SAR/DR revenue received by the wings should now be included in “Revenue from CAP Organizations” as opposed to “Government Appropriations and Grants.”
- **List of Important Contacts & WFA’s Area of Audit Responsibility** – This list has been updated to include important changes in contact information and in each Region WFA area of audit responsibility for the FY 03 audit season. It can be found in Appendix “A” on page 10 of the guide.
- **Fixed Asset Capitalization Policy** – The corporate policy on fixed assets has been changed and clarified and a fixed asset contact’s information has provided should anyone have questions relative to the policy. These changes can be found in Appendix “B” on page 16 of this guide.
 - **Aircraft Improvements** – Aircraft improvements such as adding of GX-55 GPS systems, replacement of engines (conversions), avionic radio packages and arnav systems will be recorded at the National Headquarters’ level.
- **Schedule for Line 1 (d) of IRS Form 990** – The schedule for Line 1(d) of the tax return has been revised to include the appropriate categories to be utilized when completing the schedule. It can be found in Appendix “C” on page 30 of this guide.
- **Common Errors Made in Prior Years** – This section of the guide which is found in Appendix “A” on page 8 has been updated to include the common errors encountered in the previous fiscal year, by the WFAs and the National Auditor, while reviewing region and wing financial statements and IRS Tax Forms 990.



**NATIONAL HEADQUARTERS
CIVIL AIR PATROL
UNITED STATES AIR FORCE AUXILIARY**
105 South Hansell Street
Maxwell AFB AL 36112-6332

October 28, 2003

MEMORANDUM FOR EXTERNAL REGION AND WING AUDITORS

FROM: FM

SUBJECT: Welcome to Civil Air Patrol

1. We are pleased to be working with you on our annual audit and would like this opportunity to apprise you of some facts that may be helpful in completing your region or wing audit.
2. The national auditor for Civil Air Patrol is Mr. Clynton D. Hart, Jr., CPA of Wilson Price. As the national auditor, Mr. Hart will serve as the principal auditor as described in AU Section 543 of AICPA Professional Standards. Though reference will be made in the corporate report to your audit, you will remain responsible for the performance of your own work and for your own report. (AU Section 543.03)
3. AU Section 543.10 of AICPA Professional Standards suggests that the principal auditor make inquiries concerning the professional reputation of the other independent auditors. Accordingly, this will serve as notice that our national auditor has chosen to make inquiry by requesting that each auditor provide its region and/or wing with a copy of its last peer review report. Additionally, the national auditor may choose to make inquiry with the AICPA, applicable state societies, or other appropriate sources regarding the professional reputation of your audit firm and/or the contact individual of your firm.
4. The primary design of this audit manual and financial and tax reporting guide is to assist you in your audit whereby the efforts of all independent auditors will be coordinated in accomplishing the task to be performed for CIVIL AIR PATROL. It is important that you review the information contained in this guide so that you can understand the obligations and directions to be followed in this audit process.
5. If questions should surface during your audit, please feel free to contact the Region WFA, Ms. Susan Easter, Chief Financial Officer, or the national auditor and they will attempt to provide specific instructions in any area you feel guidance is needed.

cc:
CAP/CC/NFO/EX wo Atch

TASKS TO BE PERFORMED

I. Audit of Financial Statements and Tax Information

Civil Air Patrol has been directed by Congress (through 36 U.S.C. §§ 40301-40307) to present to Congress a combined financial report reflecting its national financial activity on an annual basis. The corporation is also required by law to file a "group" Form 990 with the IRS.

To accomplish these objectives, the following tasks must be performed:

a) **At the Region Level**

1. An audited financial statement of the region should be prepared as of 30 September 2003.
2. An IRS Form 990 should be prepared for the year ended 30 September 2003.

A **draft copy** of the region audit report and financial statements, and a **draft copy** of IRS Form 990 are due on or before 31 December 2003, to the Region WFA.

A **final copy** of the audit report and financial statements is due 19 February 2004. The **final copy** of the Form 990 is due 6 March 2004. **Do not** file the Form 990 with the IRS. Both the audited financial statements and Form 990 should be mailed by the due dates to the following:

1. Region Commander
2. National Headquarters CAP/FM
3. Region WFA

b) **At the Wing Level**

1. An audited financial statement of the region should be prepared as of 30 September 2003.
2. An IRS Form 990 should be prepared for the year ended 30 September 2003.
3. A combined CAP Form 173-2c should be prepared for the year ended 30 September 2003, for units below wing level activity. **A copy of this form can be found in Appendix "C", Page 49 of this guide.**

A **draft copy** of the wing audit report and financial statements, and a **draft copy** of IRS Form 990 are due on or before 31 December 2003, to the Region WFA.

A **final copy** of the audit report and financial statements is due 19 February 2004. The **final copy** of the Form 990 is due 6 March 2004. **Do not** file the Form 990 with the IRS. Both the audited financial statements and Form 990 should be mailed by the due dates to the following:

1. Region Commander
2. Wing Commander
3. National Headquarters CAP/FM
4. Region WFA

Appendix “A”

c) At All Levels

Statutes require that Civil Air Patrol be audited by independent certified public accountants, certified by a regulatory authority of a state or other political subdivision of the United States.

The audit report of each independent accountant shall set forth the scope of the audit and include such statements as necessary to present fairly the assets, liabilities and net assets or deficit, with an analysis of the changes in the net assets during the year. Additionally, the report shall be supplemented in reasonable detail by a statement of revenues and expenses for the year of that particular region or wing being audited.

II. Reportable Conditions

If, in your judgment, it is necessary to communicate reportable conditions under provisions of Statement on Auditing Standard No. 60, we request that the report be made in writing. The report is due with the final audit report to the same personnel as outlined in Part I of this section.

III. Written Communication with Finance Committee

If, in your judgment, the circumstances require communications under provisions of Statement on Auditing Standards No. 61, we request that the report be made in writing. One copy of the written communication is due with the final audit report to each of the following:

1. Executive Director, National Headquarters
2. Region Commander and Finance Committee
3. Wing Commander and Finance Committee (if applicable)
4. National Headquarters
5. Region WFA

IV. Unrelated Business Taxable Income

A. If the region or wing has generated unrelated business income (UBI) per IRC Sections 511-514 and related regulations, please notify National Headquarters and Wilson Price by completing IRS Form 990-T by 31 December 2003. **The region or wing will be responsible for filing the Form 990-T with the IRS.**

B. At wing level, make sufficient inquiry to determine if UBI is generated by any units below wing level. If so, please notify National Headquarters and Wilson Price by completing IRS Form 990-T by 31 December 2003. **The wing or unit will be responsible for filing the Form 990-T with the IRS.**

C. All of the above work relating to UBI and deductions may be done by the finance officer with appropriate guidance from you.

D. In prior years, the activity of most regions, wings and units below wing level has generated no UBI. If such is the case with your region or wing, please notify Wilson Price of this in your representation letter, due with the final audit report. (See Paragraph 5 of Model Letter, on Page 7 of this appendix.)

V. IRC Section 501 (h) Election

Appendix "A"

National Headquarters of Civil Air Patrol has made an election under IRC Section 501 (h) for the corporation in its entirety. This election allows the corporation to expend up to a calculable amount to influence legislation without violating the limitation against "substantial" legislative activity.

For the region or wing, and in total for the units below wing level, please furnish Wilson, Price of the following by 31 December 2003:

- a) Total grassroots lobbying expenses to influence public opinion
- b) Total lobbying expenses to influence a legislative body
- c) Other exempt purpose expenses

If your region or wing did not incur any lobbying expenditures, please inform Wilson Price of that in your representation letter. (See Paragraph 6 of Model Letter, on Page 7 of this appendix.)

VI. Auditor Representation Letter

Each region and wing auditor is requested to furnish Wilson Price with a letter (due with the final audit report) representing the following:

1. Independence.
2. Material items that may require mention in the combined financial statements of Civil Air Patrol, Inc.
3. The financial statements are suitable for combination with Civil Air Patrol, Inc., with adjustment only for combining and elimination entries, as identified in the financial statements and footnotes.
4. Your understanding that Wilson Price will cite reliance on your report.
5. That no unrelated business taxable income was earned, if appropriate.
6. That no lobbying expenditures were incurred, if appropriate.
7. That no Federal awards were received, other than financial assistance received from the Air Force (Department of Defense), if appropriate.

Please see Page 7 of this appendix, for a model representation letter that you may choose to use. Feel free to change the wording, as you deem necessary.

ADDITIONAL INFORMATION

I. Financial Reporting

Civil Air Patrol has developed its financial reporting guidelines for the external auditors and its regions and wings. The guidance provides a uniform approach to accounting policies and financial statement presentation under SFAS 117. Therefore, all regions, wings and their external auditors must follow it. As an aid to uniformity, the guidance includes “model financial statements”. The model financial statements must be followed to facilitate combination of region and wing financial statements with those of the National Treasury, and to allow appropriate elimination entries.

II. Federal Governmental Compliance Auditing

A legal decision states that the Federal Grants and Cooperative Agreements Act (FGCAA) shall govern Civil Air Patrol. As such, the corporation was subject to Office of Management and Budget (OMB) Circular A-133 as of 1 October 2000. Despite this fact, the FY 2003 audit of the financial statements of the regions and wings should conform, as always, to Generally Accepted Auditing Standards (GAAS).

However, if your region or wing has a funding agreement with a Federal agency other than the Air Force or Department of Defense which requires a “yellow book” audit under OMB Circular A-128, or an organization wide audit under OMB Circular A-133, then that type of audit would be required to protect that funding.

Additionally, once it comes to your attention that the region or wing, or units below wing level are receiving awards (directly or indirectly) from a Federal agency other than the Air Force or Department of Defense, please notify Wilson Price. as soon as possible.

If your region or wing did not receive awards (directly or indirectly) from a Federal agency other than the Air Force or Department of Defense, please inform Wilson Price of that in your representation letter. (See Model Letter, on Page 8, of this appendix).

III. State or Local Governmental Compliance Auditing

The region or wing may have a state or local funding agreement which requires a “yellow book” audit, or an audit under OMB Circular A-128, or an organization wide audit under OMB Circular A-133, then that type of audit would be required to protect the state or local funding.

IV. Accrual Based Audit

Only audited, accrual basis financial statements can be accepted at the region and wing levels. Neither compilation or review reports, nor cash basis financial statements will satisfy the requirements of the law.

V. Tax Reporting

Civil Air Patrol, Inc is exempt from Federal income taxes under the provisions of Internal Revenue Code 501 (c)(3), and is not classified as a private foundation.

National Headquarters is responsible for filing federal Form 990 on a *group* basis for all regions, wings and units below wing level. This form must be filed on an individual unit basis. However, each unit is responsible for their own Form 990-T and any necessary state filings, reports and other requirements of state and local law, regulations and agreements (See I, II and III above).

To assist you and the regions and wings in the preparation of the Form 990, the corporation has developed the tax reporting guidelines beginning in Appendix “C” of this guide. To achieve uniformity in tax presentation, we ask that you each apply the guidance found in this guide for tax preparation.

MODEL AUDITOR REPRESENTATION LETTER

[INDEPENDENT AUDITOR LETTERHEAD]

[Date]

Wilson Price
Certified Public Accountants
3815 Interstate Court
Montgomery, AL 36109-5220

Gentlemen:

We have audited the financial statements of [name of region or wing] as of and for the year ended 30 September 2003. Because you will report on the combined financial statements of Civil Air Patrol, Inc. as of and for the year ended 30 September 2003, which will include the financial statements of [name of region or wing], we have been requested to furnish you with the following information for the period covered by our report.

1. Our firm is independent with respect to Civil Air Patrol, Inc. and any affiliated region, wing or unit below wing level, following the provisions of the AICPA Code of Professional Conduct; for example:
 - A. None of the partners of our firm, nor any of the staff members employed by any office doing the work on this engagement, has any loans to or from Civil Air Patrol, Inc. or affiliates, directors, officials or other principals.
 - B. None of the partners of our firm, or any of the staff members employed by any office doing work on this engagement is connected with Civil Air Patrol, Inc. or affiliates as a director, official or employee.
 - C. To the best of our knowledge and belief, there are no other relationships or circumstances that would impair our independence with respect to Civil Air Patrol, Inc. or affiliates.
2. In connection with our audit of [name of region or wing], nothing has come to our attention that in our judgment would have a material effect on, or require mention in the financial statements of Civil Air Patrol, Inc., other than as provided in the financial statements as reported on by us.
3. The financial statements, as reported on by us, are suitable for combination with Civil Air Patrol, Inc., with adjustment only for combining and elimination entries, as identified in the financial statements and footnotes.
4. We understand that in reporting on Civil Air Patrol, Inc., you will cite your reliance on our report covering our audit of [name of region or wing].
5. To the best of our knowledge and belief, there was no unrelated business taxable income to be reported to you as requested in Appendix "A", Page 5 of the Civil Air Patrol Audit Manual & Financial & Tax Reporting Guide, for the year ended 30 September 2003.
6. To the best of our knowledge and belief, there was no political lobbying expenditure information to be reported to you as requested in Appendix "A", Page 6 of the Civil Air Patrol Audit Manual & Financial & Tax Reporting Guide, for the year ended 30 September 2003.
7. To the best of our knowledge and belief, no Federal awards (as defined in OMB Circular A-133) were received either directly or indirectly, by [name of region or wing], or any units below wing level, for the year ended 30 September 2003.

Yours truly,

{Signature}

COMMON ERRORS MADE IN PRIOR YEARS

The following are some of the more frequent mistakes made in prior year financial statements and IRS Forms 990 for the regions and wings.

General

- The format and/or classifications categories of the model financial statements and the IRS Form 990 were not followed in one or more statements, in the notes to the financial statements nor on certain lines and schedules of the IRS Form 990.

Statement of Financial Position

- The amounts presented for each class of net assets on the statement of financial position did not agree with the amounts presented for end of the year net assets on the statement of activities.
- Cash and accounts receivable *contractually restricted* by the USAF for future aircraft maintenance were incorrectly presented as temporarily restricted net assets. Since this is a *contractual* restriction with the USAF as part of an exchange transaction (not a *donor* restricted contribution), assets identified for future aircraft maintenance are unrestricted assets.
- Contributions receivable were not reported on long-term leases for use of facilities at a rental rate less than fair value, or for the free use of facilities and utilities.
- Cash and cash equivalents contractually restricted by the USAF for *future aircraft maintenance* and *counter drug administrative expenses* were not properly disclosed in the notes to the financial statements. An example of the note for Cash and cash equivalents is outlined on Page 7 of Appendix B in this guide.

Statement of Activities

- Revenue received from the USAF or National Headquarters of Civil Air Patrol for search and rescue or counterdrug missions was incorrectly presented as temporarily restricted. Reimbursements received from the USAF for search and rescue missions, and reimbursements from National Headquarters for counterdrug missions, are exchange transactions (not contributions), and should be presented as unrestricted revenue.
- Amounts presented as “Governmental appropriations and grants”, as well as amounts presented as “Revenue from CAP organizations” and “Other program revenue”, were incorrectly classified as temporarily restricted. Amounts reported under these three captions are exchange transactions (not contributions), and must be classified as unrestricted.
- Membership dues received from the National Headquarters were incorrectly presented as contributions or revenue received from National Headquarters. The National Headquarters is acting as an agent or conduit in this instance; therefore, membership dues should not be considered a related party transaction. Instead, membership dues should be presented as “Membership dues” in the statement of activities.
- Expenses were incorrectly reported in the *temporarily restricted* column. All expenses must be reported as *unrestricted*. Use the caption “Net assets released from restrictions” to report reclassifications of temporarily restricted net assets to unrestricted net assets.
- Expenses were incorrectly presented by their natural classification, with no presentation along functional lines. All expenses must be reported by their functional classification.

Appendix “A”

Statement of Cash Flows

- “Cash and cash equivalents at end of year” presented on the statement of cash flows did not agree with “Cash and cash equivalents” on the statement of financial position.
- “Change in net assets”, as presented on the statement of cash flows, did not agree with “Change in net assets” as presented on the statement of activities.

Notes to Financial Statements

- “Net assets released from restrictions”, as presented on the statement of activities, did not have a related note disclosing the nature of the net assets released.
- The total amounts included in the related party note did not agree with the amounts on the statement of activities for “Revenue from CAP organizations” and “Contributions from CAP organizations”.
- The related party footnote was either omitted or did not include the detail as requested by the *Financial Reporting Guide*.
- The total amount presented for “Contributions” in the related party note incorrectly exceeded the amount presented as “Contribution” on the statement of activities.
- All expenses presented in the statement of activities were reported as being with related parties (i.e. with CAP organizations or the USAF) in the related party note to the financial statements.
- No footnote disclosure was presented for operating leases, giving minimum rental payments and total rent expense. This should also include rent expense associated with the use of contributed facilities.
- No footnote disclosure was presented for restricted net assets, giving the purpose and amounts of the restrictions.
- Footnote disclosure not applicable to the wing was reprinted verbatim from the model financial statements.

Supplemental Schedules

- Supplemental schedules of aircraft minor maintenance and state funding and functional expenses were not included with the financial statements and/or did not provide the details and information requested.

IRS Form 990 & Schedules

- Not all required portions of the IRS Form 990 were completed and submitted.
- Not all IRS Forms 990 were signed by the preparer and region/wing commander.
- Required schedules did not accompany the IRS Form 990 or were submitted in an inappropriate format or lacked the required information and details.
- Corporate instructions were not used to complete the IRS Form 990; therefore, the Form was filled out incorrectly in many cases.

LIST OF IMPORTANT CONTACTS

OFFICE OF FINANCIAL MANAGEMENT

Ms. Susan Easter
National Headquarters of Civil Air Patrol/FM
105 South Hansell Street
Maxwell Air Force Base, AL 36112-6332

Phone No. (334) 953-2635
Fax No. (334) 953-6777
E-Mail seaster@capnhq.gov

OFFICE OF THE GENERAL COUNSEL

Col Stanley H. Leibowitz, CAP
National Headquarters of Civil Air Patrol/GC
105 South Hansell Street
Maxwell Air Force Base, AL 36112-6332

Phone No. (334) 953-6019
Fax No. (334) 265-4352
E-Mail sleibowitz@capnhq.gov

NATIONAL AUDITORS

Mr. D. Clynton Hart, Jr., CPA
Wilson Price
Certified Public Accountants
3815 Interstate Court
Montgomery, AL 36109-5220

Phone No. (334) 271-2200
Fax No. (334) 274-1531
E-Mail chart@wilsonprice.com

LIST OF IMPORTANT CONTACTS (CONTINUED)

Wing Financial Analyst and their Areas of Responsibilities

Mr. Craig Treadwell

6 Sara Lane
Portland, ME 04103-3623

Cell No. (207) 450-8286
Fax (207) 797-3491
E-Mail ctread@maine.rr.com

Area of Responsibility for CAP's FY 2003 Year-End Audit: Connecticut, Maine, Massachusetts, New Hampshire, New York, New Jersey, Pennsylvania, Rhode Island, Vermont, Northeast Region

Ms. Meredith Mayes

2301 Arlington Crescent Apt. D
Birmingham, AL 35205

Cell No. (334) 354-7400
Hm/ Fax (205) 918-9190
E-Mail mmayes@capnhq.gov

Area of Responsibility for CAP's Year-End Audit: Tennessee, Mississippi, Puerto Rico, North Carolina, South Carolina, Iowa, Missouri, Minnesota, North Dakota, South Dakota, Southeast Region, Middle East Region

Mr. Michael Mayhugh

2400 NW 30th #102
Oklahoma City, OK 73112

Phone No. (405) 946-1720
Cell No. (405) 274-0468
Fax No. (405) 602-8083
E-Mail michaeljmayhugh@aol.com

Area of Responsibility for CAP's Year-End Audit: Southwest Region Headquarters, Arkansas, Louisiana, New Mexico, Oklahoma, Texas, North Central Region Headquarters, Colorado, Hawaii, Kansas, Nebraska

LIST OF IMPORTANT CONTACTS (CONTINUED)

Mr. Mark Sims

3707 E. 32nd
Spokane, WA 99223

Hm/Office (509) 534-3244
Cell (509) 981-6933
Fax No. (509) 534-1689
E-Mail msims@hotmail.com

Area of Responsibility for CAP's Year-End Audit: Washington, Oregon, Nevada, California, Alaska, Idaho, Montana, Wyoming, Utah, Arizona, Pacific Region, Rocky Mtn. Region

Ms. Robin Vest

3184 Somerset Drive
Jeffersonton, VA 22724

Hm/Office (540) 937-7731
Cell (703) 407-4426
Fax (540) 937-7232
rvest@directway.com

Area of Responsibility for CAP's Year-End Audit: Wisconsin, Michigan, Illinois, Indiana, Ohio, Kentucky, Virginia, West Virginia, Maryland, Delaware, National Capital, Great Lakes Region

Ms. Linda Preskitt

National Headquarters
105 South Hansell Street
Building 714
Maxwell AFB, AL 36112-6332

Office (334) 953-6031
Fax (334)953-6777
seaster@capnhq.gov

Area of Responsibility for CAP's Year-End Audit: Alabama, Georgia, and Florida

**APPENDIX “B”
FINANCIAL REPORTING
GUIDELINES**

FINANCIAL STATEMENT PRESENTATION GUIDELINES

Prior to October 1, 1995, the Corporation requested that the financial statements be presented in a very detailed format, together with account numbers for both the balance sheet and the statement of activities. This request was made to accommodate combination of the financial statements and to facilitate elimination entries. However, in view of the requirements of FAS 117 and the Audit and Accounting Guide for Not-For-Profit Organizations, this detailed presentation with account numbers is no longer practicable.

Accordingly, the Corporation has prepared a model financial statement (found at Appendix B). This model financial statement *must* be followed to permit combination of region and wing financial statements with those of the National Treasury, and to allow appropriate elimination entries. The only three reasons for variation from the model are:

1. A line item presentation in the body of the financial statements, or footnote disclosure does not apply to you, or
2. Either generally accepted accounting principles, or contractual agreement, dictates that, based on your facts and circumstances, *additional* line item presentation in the body of the financial statements, or *additional* footnote disclosure is necessary, or
3. Either generally accepted accounting principles, or contractual agreement, dictates that based on your facts and circumstances, a *different* line item presentation in the body of the financial statements, or a *different* footnote disclosure, than that given in the model, is necessary.

National Headquarters should approve all variations from the model financial statement because of reason No. 3 in advance. Variations because of reason No. 1 or 2 do not require approval from National Headquarters.

The following are general presentation guidelines:

Comparative Financial Statements.

Comparative financial statements *shall not be* presented at the region and wing level *except* when a correction of an error results in a prior period adjustment. In that instance, comparative financial statements shall be presented with the prior year restated in the current year and with the appropriate footnote disclosure. This comparative financial statement requirement shall also apply to any other accounting situation that would require a restatement of the prior year if a comparative presentation were made. The National Headquarters shall present combined comparative financial statements, each year, for the Corporation as a whole.

Whole Dollars. The financial statements and footnotes shall be presented in whole dollars.

Statement of Financial Position. The Corporation shall present a single column, classified statement of financial position, whereby assets and liabilities are classified as either current or noncurrent.

Board Designations. Board designations of unrestricted net assets (or appropriations of net assets) shall *not* be presented in the statement of financial position or footnotes.

Statement of Activities. The Corporation shall present a multi column statement of activities, using the single-step approach similar to the example given in FAS 117, paragraph 159, and format B.

Investment Expenses. The statement of activities shall report investment revenues *net* of related expenses. The amount of investment expenses shall be disclosed on the face of the statement of activities.

Appendix “B”

Statement of Cash Flows. The statement of cash flows shall be presented using the *indirect method* of presenting cash flows from operations.

Referencing Footnotes. Only a general reference to the footnotes shall be made at the bottom of each page. The body of the financial statements will *not* include specific references to footnotes.

Statement of Functional Expenses. In the past, the Corporation was not classified as a “voluntary health and welfare organization”; therefore, it was not required under FAS 117 to present a statement of functional expenses. However, because of the signing of the Cooperative Agreement with the USAF, the Corporation *must* now present a schedule of functional expenses in the financial statements. The schedule of functional expenses shall show a detailed analysis of the expense portion of the statement of activities in matrix format.

FINANCIAL ACCOUNTING POLICIES

The Corporation follows generally accepted accounting principles. Guidance is given in specific areas to assure uniformity and consistency of practice by the National Treasury, regions and wings of Civil Air Patrol. The topics discussed below do not present a comprehensive list of all corporate accounting policies, but it does cover some of the more difficult areas.

Exchange Transaction.

1. **Counterdrug reimbursements.** Counterdrug reimbursements from National Headquarters shall be accounted for as *exchange transactions*. An account receivable is due from “National Headquarters” upon completion of the mission. The entire reimbursement shall be recognized as income in the period the mission is accomplished, including the portions reimbursed for minor maintenance and counterdrug administration. Those portions reimbursed for minor maintenance shall be presented as “receipts” on the Schedule of Aircraft Minor Maintenance (Appendix “B”, Page 27). Deferred revenue is no longer presented for future aircraft maintenance. Instead, cash and accounts receivable *contractually* restricted by the USAF for future aircraft maintenance shall be disclosed in notes to the financial statements. The same treatment is applicable to counterdrug administrative funds.
2. **Search and rescue reimbursements.** Reimbursements for search and rescue missions due from the National Headquarters shall be accounted for as *exchange transactions*. An account receivable is due from the National Headquarters upon completion of the mission. The entire reimbursement shall be recognized as income in the period the mission is accomplished, including the portion reimbursed for minor maintenance. Those portions reimbursed for minor maintenance shall be presented as “receipts” on the Schedule of Aircraft Minor Maintenance (Appendix “B”, Page 27). Deferred revenue is no longer presented for future aircraft maintenance. Instead, cash and accounts receivable *contractually* restricted by the USAF for future aircraft maintenance shall be disclosed in notes to the financial statements.
3. **Major maintenance reimbursements.** Reimbursements from National Headquarters for aircraft and vehicle major maintenance shall be accounted for as an *exchange transaction*. An account receivable is due from National Headquarters upon completion of the work.
4. **Other transactions with National Headquarters.** The following revenue from National Headquarters shall be accounted for as *exchange transactions*:
 - a. Revenue relating to senior activities
 - b. Revenue relating to cadet activities
 - c. Revenue relating to aerospace education activities
 - d. Revenue relating to claims submitted under the HSIP and VSIP
 - e. Revenue relating to operating funds provided to regions
 - f. Revenue relating to aircraft rental

Contributions.

1. **Membership dues.** Membership dues shall be accounted for as *unrestricted contributions* upon receipt by the region or wing. The National Headquarters is acting as an agent or conduit in this instance; therefore, membership dues should not be considered a related party transaction.

Appendix “B”

2. **Use of USAF facilities and utilities at no charge.** The use of USAF facilities and utilities at no charge to the Corporation shall be accounted for as a *contribution*. If terms of the agreement extend beyond one year, then a contribution receivable shall be recognized and classified as net assets temporarily restricted. The contribution receivable may be described in the financial statements based on the item whose use is being contributed, such as a building, rather than as contribution receivable.
3. **Department of Defense excess property.** Excess property acquired from the Department of Defense shall be accounted for as a *contribution*, “temporarily restricted” by the donor. Such property can only be used for mission accomplishment, must be kept for a minimum of one year before disposal action, and must be returned to DRMO unless a waiver is granted, or it falls into a nonreturnable category. (See CAP-USAF Regulation 67-2). Net assets shall be released from restrictions as the property is placed into service and a period cost is recognized. For example, as depreciation expense is recognized on long-lived equipment acquired from the Department of Defense, a reclassification from temporarily restricted net assets to unrestricted net assets shall be made for the same amount. Or, if property is held in “inventory” for future use, net assets shall be released from restriction when the inventory is placed into service, or sold, and recognized as a period cost.
4. **Vehicles and other property and equipment.** Vehicles received directly from the USAF or National Headquarters of Civil Air Patrol, and other property and equipment received directly from National Headquarters, without compensation from the region or wing, shall be accounted for as a *contribution*. The contribution shall be presented as “temporarily restricted” for the same reasons given in No. 3 directly above, and net assets shall be released from restrictions in the same manner as described above.

Contributions or Exchange Transactions.

1. **Use of facilities and utilities provided by others at no charge.** The use of facilities and utilities provided by a party other than the USAF (such as a governmental municipality) at no charge or a reduced charge to the Corporation shall be accounted for as either a contribution, or exchange transactions, based on the nature of the agreement. In either case, the fair rental value of the benefit received shall be recognized. If terms of the lease agreement extend beyond one year, and the transaction is accounted for as a contribution, then a contribution receivable shall be recognized and classified as net assets temporarily restricted. The contribution receivable may be described in the financial statements based on the item whose use is being contributed, such as a building, rather than as contribution receivable.
2. **State appropriations.** Whether appropriations received from the individual states are exchange transactions or contributions must be determined on a case-by-case basis. Table 5.1 in the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations*, provides helpful guidelines in making this determination.

Appropriations paid directly by the state to third parties for the benefit of the region or wing shall be reflected in the financial statements of the region or wing at the fair value of the economic benefit received. The benefit shall be accounted for as either a contribution or an exchange transaction, depending on the nature of the agreement with the state.

A Schedule of State Funding must be prepared describing the appropriate uses of the funds, beginning and ending receivables and receipts and expenditures (Appendix “B”, Page 28).

Appendix “B”

Contributed Services. FAS 116 states that “(c)ontributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.” All the requirements of *either* “a” or “b” must be met before recognition of contributed services is permitted under FAS 116.

For example, if CAP members contribute their services to help construct an office building or airplane hangar for Civil Air Patrol, such services would meet the requirements of “a” above and should be recognized. It is not necessary that those providing the services possess the necessary skills, nor is it necessary that the Corporation would have purchased the office building or hangar if not provided by donation.

However, for contributed services under “b” to be recognized, all three criteria must be met. The areas where skilled services are typically donated are those of pilots, mechanics, bookkeepers, accountants, tax return preparers, legal officers, finance officers and commanders. The donated services of pilots, legal officers, finance officers and the commanders **shall not** be recognized because the third requirement is not met. The Corporation *does not* typically purchase those services.

The remaining areas should be examined in light of the history of the region or wing. If the services of mechanics, bookkeepers, accountants, tax return preparers, and any other specialized area would be purchased, if not provided by donation, and were provided by those possessing the necessary skills, then the contribution of those services should be recognized. However, if any one of the criteria is not met, FAS 116 prohibits the recognition.

Aircraft Maintenance. CAP Regulation 173-3, *USAF Payments for Civil Air Patrol Support*, paragraph 2b(1)(e), requires that “(m)aintenance payments to wings for corporate-owned aircraft shall be used exclusively to upgrade and maintain the corporate aircraft fleet. Documentation shall be maintained to show that USAF maintenance reimbursement payments are used for that purpose only.” In addition, a “Schedule of Aircraft Minor Maintenance” (**Appendix “B”, Page 27**) shall be prepared.

As discussed above, reimbursements received for counterdrug and SAR missions shall be accounted for as exchange transactions. Accordingly, the entire reimbursement shall be recognized as income in the period the mission is accomplished, including the portion reimbursed for minor maintenance. Deferred revenue is no longer presented for future aircraft maintenance. Instead, the amount of cash and accounts receivable *contractually* restricted by the USAF for future aircraft maintenance shall be disclosed in notes to the financial statements. NOTE: The “use restriction” for the revenue as prescribed by the USAF and CAP Regulation 173-3 has not been removed, and remains in effect.

Fixed Asset Capitalization Policy. Purchased fixed assets shall be recorded at “cost.” Donated fixed assets shall be recorded at “fair value at the date of donation.” Prior to October 1, 1995, corporate policy, as contained in CAP Regulation 173-2, stated that donated land and property acquired from the Department of Defense would be carried at \$1. This policy was based on the criteria contained in SOP 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, which required a clearly measurable and objective basis for determining value. FAS 116 and the related AICPA Audit and Accounting Guide, *Not-For-Profit Organizations* have superseded SOP 78-10. **Accordingly, donated land, buildings and other fixed assets donated by the Department of Defense, as well as other donors, must be stated at fair value at the date of donation.**

All depreciable assets shall be depreciated using the “straight-line” method over the estimated useful lives of the fixed assets.

Appendix “B”

Investments. The Corporation applies the provisions of FAS 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. It requires that marketable equity securities with readily determinable fair values and all debt securities be reported at fair value, with gains and losses included in the statement of activities.

Accounting for Aircraft. To meet specific requirements of the U. S. General Accounting Office, it is necessary that all corporate aircraft be recorded in the accounts of National Headquarters. This presents unusual (if not difficult) accounting problems at region and wing levels. Aircraft at these levels are to be considered in the custody of the region or wing, but not "owned" by nor reflected in the accounts of the region or wing. This principle must hold true even if the aircraft is a "local purchase" with region or wing funds, or is procured by the region or wing with privately donated funds or state appropriations.

The following guidelines for aircraft accounting are given:

1. Aircraft *shall not* be recorded at region or wing level.
2. Very few expenditures related to aircraft at the region and wing level will be of a capital nature. Most expenditures will be for minor maintenance and should be expensed as a period cost.
3. If the region or wing is acting merely as a conduit to receive or disburse funds for National Headquarters, such transactions should be accounted for as **agency transactions**, as described in paragraph 5.05 of the Audit and Accounting Guide, *Not-For-Profit Organizations*. For example, if National Headquarters purchases a plane and wires funds to the local wing, who in turn issues a check to the vendor for the purchase price, the wing would net the receipt and disbursement into account no. 2900- 0, “Other Liabilities”.
4. Aircraft purchased with the region or wing's own funds as a "local purchase" or "private donation" should be charged to account no. 7404-6, “Expense with Natl. HQ - Other”. This gives effect to the accounting function that the purchased aircraft was transferred to National Headquarters, who takes ownership. National Headquarters then permits the region or wing to retain custody and use of the aircraft.
5. When National Headquarters sells an aircraft that was originally purchased with region or wing funds, the region or wing may request reimbursement of these funds. The receipt should be credited to account no. 3238-6, “From Natl. HQ - Other”, and accounted for as a contribution.
6. Aircraft purchased with state appropriations shall be charged to account no. 7404-6, “Expense with Natl. HQ - Other”. To avoid misunderstandings with state authorities, the financial statements should clearly footnote the aircraft accounting method prescribed.
7. The Corporation prefers that no accounting effect be given to region or wing’s *use* of the aircraft owned by National Headquarters. However, those regions or wings that deem it necessary to report the economic benefit received from the use of corporate aircraft may do so. In such cases, both the aircraft rental expense and support shall be separately disclosed in notes to the financial statements as a related party transaction with National Headquarters.

Related Party Transactions. Transactions with National Headquarters, other regions and wings, and units below wing level of Civil Air Patrol shall be considered related party transactions. These transactions shall be identified as “*CAP organizations*” on the statement of activities and in the related party note to the financial statements.

Appendix “B”

Additionally, transactions with the United States Air Force shall be considered related party transactions because:

- (a) Of the Corporation’s position as an auxiliary of the USAF.
- (b) The Air Force can significantly influence the management or operating policies of the Corporation by the restrictions on their contributions, and contractual restrictions placed on exchange transactions.
- (c) Transactions with the USAF are not separately identified in the statement of activities, but are disclosed in the related party footnote as transactions with the “*USAF*”.

Cash and Cash Equivalents. Cash and cash equivalents shall only include cash on hand, cash in checking accounts, certain savings accounts if readily available for current operations, certain certificates of deposit if readily available for current operations, and certain money market accounts if readily available for current operations. All other “cash equivalents” shall be presented as investments, including treasury bills, commercial paper, and certain savings accounts, certificates of deposits, and money market accounts if not readily available for current operations. Additionally, any “cash and cash equivalents” that have been designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes shall not be presented as cash and cash equivalents on either the statement of financial position nor the statement of cash flows. Bank overdrafts shall be excluded from the definition of cash and cash equivalents.

Fund-raising. The *gross amounts* of revenues and expenses from special events and other fund-raising activities shall be reported on the statement of activities.

Restrictions Met in Same Reporting Period. Donor-restricted contributions whose restrictions are met in the same reporting period shall be reported as *unrestricted support*.

Gifts of Long-Lived Assets. The Corporation does *not* imply a time restriction to gifts of long-lived assets received without stipulations about how long the donated asset must be used. Accordingly, in the absence of donor-imposed restrictions on the use of such assets, gifts of long-lived assets shall be reported as *unrestricted support*.

Other Accounting Policies. Other accounting policies of the Corporation are either explicitly stated, or are implicit in the model financial statements.

DEFINITIONS

CAP Organizations. “CAP organizations”, as used in the financial statements of the regions and wings, means the National Headquarters, regions, wings, and units below wing level of Civil Air Patrol. It does not include the United States Air Force. The USAF is a party related to Civil Air Patrol, but its transactions are not grouped with “CAP organizations” for presentation.

Exchange Transactions. As defined in paragraph 5.09 of the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations*, “(e)exchange transactions are reciprocal transfers in which each party receives and sacrifices something of approximately equal value.” All activities and balances from exchange transactions must be reported in the unrestricted net asset class.

It is possible for exchange transactions to be subject to *contractual restrictions*, but this should not be confused with *donor* restrictions placed on contributions. Exchange transactions subject to contractual restrictions are presented as unrestricted net assets, with appropriate footnote disclosure of the contractual stipulations. Contributions received with donor restrictions are presented as either temporarily or permanently restricted net assets, unless the restriction is met in the same reporting period.

For example, cash and accounts receivable contractually restricted by the USAF for future aircraft maintenance are assets from exchange transactions with the USAF, and should be reported as unrestricted net assets.

Unallocated Payments to CAP Organizations. Paragraph 13.48 of the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations*, states “...(p)ayments to affiliates that cannot be allocated to functions should be treated as a separate supporting service, reported on a statement of activities as a separate line item, and labeled ‘unallocated payments to affiliated organizations.’” Civil Air Patrol has elected to use the caption “unallocated payments to CAP organizations” on the statement of activities.

Please notice that expenses with CAP organizations should first be allocated to functions, if possible. However, if the purpose or benefits of a payment are indeterminable, then the payment may be reported as “unallocated payments to CAP organizations” in the statement of activities.

MODEL FINANCIAL STATEMENTS

**MODEL WING,
CIVIL AIR PATROL, INC.
FINANCIAL STATEMENTS
Year Ended September 30, 2003
AND INDEPENDENT AUDITOR'S REPORT**

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Appendix “B”

[AUDITOR’S LETTERHEAD]

INDEPENDENT AUDITOR’S REPORT

To the Finance Committee
Model Wing, Civil Air Patrol, Inc.

We have audited the accompanying statement of financial position of Model Wing, Civil Air Patrol, Inc. as of September 30, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Model Wing, Civil Air Patrol, Inc.’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Model Wing, Civil Air Patrol, Inc. as of September 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

[Firm’s Signature]

[Date of Field Work Completion]

Appendix “B”

MODEL WING, CIVIL AIR PATROL, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ XXX
Short-term investments	XXX
Accounts and grants receivable	XXX
Contributions receivable	XXX
Prepaid expenses	XXX
Inventories	XXX
Other current assets	<u>XXX</u>

Total current assets X,XXX

Noncurrent assets:

Long-term investments	XXX
Contributions receivable	XXX
Assets restricted to investment in long-term purposes	XXX
Property and equipment	XXX
Other noncurrent assets	<u>XXX</u>

Total assets **XXX,XXX**

LIABILITIES AND NET ASSETS

Current liabilities:

Bank overdraft	\$ XXX
Accounts payable	XXX
Accrued expenses	XXX
Short-term debt	XXX
Current maturities of long-term debt	XXX
Current maturities of capital leases	XXX
Deferred revenue	XXX
Other current liabilities	<u>XXX</u>

Total current liabilities X,XXX

Noncurrent liabilities:

Long-term debt	XXX
Obligations under capital leases	XXX
Other noncurrent liabilities	<u>XXX</u>

Total liabilities X,XXX

Net assets:

Unrestricted	XXX
Temporarily restricted	XXX
Permanently restricted	<u>XXX</u>

Total net assets X,XXX

Total liabilities and net assets **XX,XXX**

See accompanying notes to financial statements.

Appendix “B”

MODEL WING, CIVIL AIR PATROL, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:				
Governmental appropriations and grants	\$ XXX	\$	\$	\$ XXX
Revenue from CAP organizations	XXX			XXX
Other program revenue	XXX			XXX
Membership dues	XXX			XXX
Contributions	XXX	XXX	XXX	XXX
Contributions from CAP organizations	XXX	XXX		XXX
Fund-raising events	XXX			XXX
Sale of materials, supplies and surplus property	XXX			XXX
Investment income, net of investment expenses of \$XXX	XXX			XXX
Net unrealized and realized gain on investments	XXX			XXX
Other	XXX			XXX
Net assets released from restrictions	<u>XXX</u>	<u>(XXX)</u>	<u>_____</u>	<u>_____</u>
Total revenues, gains and other support	<u>X,XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>X,XXX</u>
Expenses and Losses:				
Program services:				
Emergency services	XXX			XXX
Aerospace education and training		XXX		
XXX				
Cadet program	XXX			XXX
Counterdrug	XXX			XXX
Drug Demand Reduction	XXX			XXX
Communications Maintenance	<u>XXX</u>	<u>_____</u>	<u>_____</u>	<u>XXX</u>
Total program services	<u>X,XXX</u>	<u>_____</u>	<u>_____</u>	<u>X,XXX</u>
Supporting services:				
Management and general	XXX			XXX
Membership development	XXX			XXX
Fund-raising	XXX			XXX
Unallocated payments to CAP organizations	<u>XXX</u>	<u>_____</u>	<u>_____</u>	<u>XXX</u>
Total supporting services	<u>X,XXX</u>	<u>_____</u>	<u>_____</u>	<u>X,XXX</u>
Total expenses	X,XXX			X,XXX
Loss on disposition of property and equipment	<u>XXX</u>	<u>_____</u>	<u>_____</u>	<u>XXX</u>
Total expenses and losses	<u>X,XXX</u>	<u>_____</u>	<u>_____</u>	<u>X,XXX</u>
Change in net assets	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>X,XXX</u>
Net assets at beginning of year	XXX	XXX	XXX	XXX
Prior period adjustment	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
Net assets at the beginning of the year, as restated	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
Net assets at end of year	<u>\$ XXX</u>	<u>\$ XXX</u>	<u>\$ XXX</u>	<u>\$ X,XXX</u>

See accompanying notes to financial statements.

Appendix "B"

MODEL WING, CIVIL AIR PATROL, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$X,XXX
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	XXX
Net unrealized and realized gain on investments	(XXX)
Loss on disposition of property and equipment	XXX
Contributed services and noncash contributions for capital assets	(XXX)
Changes in operating assets and liabilities:	
Receivables	(XXX)
Prepaid expenses	(XXX)
Inventories	XXX
Other assets	XXX
Bank overdraft	XXX
Accounts payable and accrued expenses	(XXX)
Deferred revenue	XXX
Other liabilities	XXX
Contributions restricted for long-term purposes	<u>(XXX)</u>
Net cash provided from operating activities	<u>X,XXX</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property and equipment	XXX
Purchase of property and equipment	(XXX)
Proceeds from sale of investments	XXX
Purchase of investments	(XXX)
Acquisition of assets restricted to investment in long-term purposes	<u>(XXX)</u>
Net cash used by investing activities	<u>(XXX)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from short-term debt	XXX
Payments of short-term debt	(XXX)
Proceeds from long-term debt	XXX
Payment of long-term debt	(XXX)
Proceeds from contributions restricted for:	
Investment in property and equipment	<u>XXX</u>
Net cash used by financing activities	<u>(XXX)</u>

Net increase in cash and cash equivalents	XXX
Cash and cash equivalents at beginning of year	<u>XXX</u>
Cash and cash equivalents at end of year	<u>\$ XXX</u>

Supplemental data:

Noncash investing and financing activities:	
Capital lease obligation incurred for use of equipment	\$
XXX	
Interest paid	XXX

See accompanying notes to financial statements.

MODEL WING, CIVIL AIR PATROL, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2003

Note A. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities. Civil Air Patrol, Inc., a civilian auxiliary of the United States Air Force, is a private nonprofit corporation chartered July 1, 1946, under federal law. Civil Air Patrol Inc.’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. Primarily governmental appropriations, contributions and grants, membership dues and fees support the corporation’s activities.

Model Wing, Civil Air Patrol, Inc., (the “Organization”), operates and reports as a subordinate unit of Civil Air Patrol, Inc. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Reporting. The financial statements of Model Wing, Civil Air Patrol, Inc. have been prepared on an accrual basis, and include only the accounts of the headquarters of Model Wing, Civil Air Patrol, Inc. The accounts of National Headquarters of Civil Air Patrol, Inc., and all subordinate units of Model Wing, Civil Air Patrol, Inc., are not included.

Financial Statement Presentation. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents. For purposes of the statement of cash flows, the Organization considers its cash and cash equivalents to include only cash on hand, cash in checking accounts, and certain savings accounts, certificates of deposit and money market accounts if readily available for current operations.

Investments. The Organization carries investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Receivables. Accounts and grants receivable consists 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 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.

Appendix “B”

Note A. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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 is 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 life of the asset. All corporate owned aircraft used by the Organization is titled to Civil Air Patrol, Inc., and is capitalized in the accounts of National Headquarters of Civil Air Patrol.

The Organization follows the practice of *capitalizing all property and equipment* that, in general, has a *useful life of more than one year*, and whose cost (fair value if donated) equals or exceeds a *unit value of \$5000 or more*. Capitalized amounts are depreciated over the estimated useful lives of the assets using the *straight-line method of depreciation* and depreciation journal entries are made monthly. The valuation of property or equipment, whether purchased or constructed, is based on the fair market value or purchase price. As mentioned above, if the property or equipment is acquired by gift, the valuation is the fair market value at the date of gift, if determinable. Otherwise, an appraised value is used. This policy is based upon an NEC decision approved in November 1999 and applies to the National Headquarters, regions, wings and units of CAP. Further, the policy is to be applied retroactively to fiscal year 1998. Fixed assets with a value of less than \$5,000 will remain on the region’s or wing’s books until fully depreciated. Fixed assets with a value of less than \$5,000, that are fully depreciated, will be written off (expensed). Items with a value of less than \$5,000, but greater than \$2,500 should be accounted for on the region or wing “equipment” listing. Improvements that increase the value of the asset, or increase the estimated useful life of the asset, are capitalized if it equals or exceeds the appropriate dollar range. Aircraft improvements such as adding GX-55 GPS systems, replacing-engine (conversion), avionics radio packages and arnav systems will be recorded at the National Headquarters’ level. Questions about fixed assets may be directed to Ms. Merinda Williams, Senior Staff Accountant, by telephone at (334) 953-4842 or by e-mail at mwilliams@capnhq.gov.

Compensated Absences. Employees of the Organization earn and accrue annual leave. The cumulative amount of unused annual leave is presented as a liability in the statement of financial position.

Income Tax Status. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Code, and has been classified as an organization that is not a private foundation under Section 509(a).

Contributions. All contributions are considered 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 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.

Appendix “B”

Note B. Cash and Cash Equivalents

Cash and cash equivalents have been restricted for the following reasons:

Contractually restricted by the USAF for:		
Future aircraft maintenance		\$ XXX
Counterdrug administrative expenditures		XXX
Restricted by donors for:		
Cadet scholarships the ensuing year		XXX
Purchase of educational materials		<u>XXX</u>
Total		<u>\$ XXX</u>

Note C. Investments

Investments are stated at fair value and consist primarily of U.S. Treasury bills, savings account and money market accounts, as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
U.S. Treasury bills	\$ XXX	\$ XXX	\$ XX
Savings accounts	XXX	XXX	-
Money market accounts	<u>XXX</u>	<u>XXX</u>	-
Totals	<u>\$ XXX</u>	<u>\$ XXX</u>	<u>\$ XX</u>

Note D. Accounts and Grants Receivable

Accounts and grants receivable are due from the following:

CAP - National Headquarters	\$ XXX
CAP - Regions and Wings	XXX
CAP - Units below wing level	XXX
USAF	XXX
Others	XXX
Less allowance for doubtful accounts	<u>XXX</u>
Total	<u>\$ XXX</u>

Receivables of \$XXX have been contractually restricted by the USAF for future aircraft maintenance.

Note E. Contributions Receivable

Included in contributions receivable are the following unconditional promises to give:

Building campaign	\$ XXX
CAP – National Headquarters	XXX
USAF – Facilities	<u>XXX</u>
Gross Contributions Receivable	XXX
Less unamortized discount (4 percent discount rate)	<u>XX</u>
Subtotal	XXX
Less allowance for doubtful accounts	<u>XX</u>
Net unconditional promises to give	<u>\$ XXX</u>

Appendix “B”

Note E. Contributions Receivable (Continued)

Amounts due in:		
Less than one year		\$ XX
One to five years		XX
More than five years		<u>XX</u>
Total		<u>\$ XXX</u>

In addition, the Organization received a conditional promise to give \$X,XXX, that is not recognized as an asset in the statement of financial position. The promise is conditioned upon the Organization collecting \$X,XXX for the building campaign.

Note F. Prepaid Expenses

Prepaid expenses are detailed as follows:

<u>Party</u>	<u>Nature of Prepayment</u>	
CAP - National Headquarters	Vehicle insurance assessments	\$ XXX
CAP - Regions and Wings	Miscellaneous	XXX
CAP - Units below wing level	Miscellaneous	XXX
Other	Maintenance contracts	<u>XXX</u>
Total		<u>\$ XXX</u>

Note G. Inventories

Inventories for use consist of the following:

Educational materials	\$ XXX
Aircraft parts and other materials	XXX
Other	<u>XXX</u>
Total	<u>\$ XXX</u>

Inventories donated by the U.S. Department of Defense 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 inventory is classified by the donor as nonreturnable.

Note H. Assets Restricted to Investment in Long-Term Purposes

The following assets have been restricted by the donor for investment in long-term purposes:

<u>Type of Asset</u>	<u>Purpose</u>	
Cash	Scholarships	\$ XXX
Certificate of deposit	Building	<u>XXX</u>
Total		<u>\$ XXX</u>

Appendix "B"

Note I. Property and Equipment

Property and equipment consist of the following:

Land	\$	XXX
Building and improvements		XXX
Aircraft improvements		XXX
Computers		XXX
Vehicles		XXX
Office furniture and equipment		XXX
Communication equipment		XXX
Building under capital lease		XXX
Office equipment under capital leases		XXX
Other equipment		<u>XXX</u>
		XX,XXX
Accumulated depreciation		<u>X,XXX</u>
Total	\$	<u>XXX</u>

Equipment with a book value of \$XXX, is held for sale and not used in operations.

Improvements with a book value of \$XXX, have been made to leased facilities

Property and equipment donated directly or indirectly by the U.S. Department of Defense 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.

Note J. Accounts Payable

Accounts payable are due to the following:

CAP - National Headquarters	\$	XXX
CAP - Regions and Wings		XXX
CAP - Units below wing level		XXX
Others		<u>XXX</u>
Total	\$	<u>XXX</u>

Note K. Debt

Short-Term. The Organization has an unsecured ninety day bank note of \$XXX, with an annual percentage rate of 10 percent.

Long-Term. The Organization has a mortgage payable secured by a building with a book value of \$XXX. The mortgage, with an annual interest rate of 10 percent and monthly payments of \$XX, matures July 1, 2011. Additionally, the Organization has a five-year note payable to the National Headquarters of Civil Air Patrol, Inc. that matures June 1, 2005. The note, with an annual interest rate of 5 percent, is payable in monthly installments of \$XX, and has a total balance of \$XXX, at September 30, 2002, with current maturities of \$XXX, presented in the statement of financial position.

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Note K. Debt (Continued)

Total obligation	\$ X,XXX
Less current maturities	<u>XXX</u>
Total long-term debt	<u>\$ XXX</u>

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

Years ending September 30:	
2003	\$ XXX
2004	XXX
2005	XXX
2006	XXX
2007	XXX
Thereafter	<u>XXX</u>
Total	<u>\$ X,XXX</u>

Total interest expense included in the statement of activities is \$XX.

Note L. Deferred Revenue

Deferred revenue is detailed as follows:

CAP - National Headquarters	\$ XXX
CAP - Regions and Wings	XXX
CAP - Units below wing level	XXX
USAF	XXX
Others	<u>XXX</u>
Total	<u>\$ XXX</u>

Note M. Net Assets

Temporarily Restricted Net Assets. Temporarily restricted net assets are available for the following purposes or periods:

Aerospace education and training program activities:	
Educational materials	\$ XXX
Cadet program activities:	
Scholarships	XXX
Other general activities:	
Property, equipment and inventory under time restrictions	XXX
Building	<u>XXX</u>
Total	<u>\$ XXX</u>

Permanently Restricted Net Assets. Permanently restricted net assets are restricted to:

Land required to be used for cadet program activities	<u>\$ XXX</u>
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Note N. Description of Leasing Arrangements

Appendix "B"

The Organization conducts a portion of its activities from leased facilities. Storage and office space is leased under five (5) year and fifteen (15) year operating leases that expire in December 2005 and June 2003, respectively. Office equipment is leased under a five (5) year lease expiring in September 2007, and is classified as a capital lease. Also, another facility is leased from a governmental municipality, with a fifty-(50) year lease term expiring in March 2028, with no rental fees. The contribution receivable is presented in the statement of financial position as a building under the caption of "property and equipment". There is no related capital obligation. The Organization also leases various other equipment which are 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.

Note O. Capital Leases

(DETAILS OMITTED)

Note P. Operating Leases

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2002:

Years ending September 30:	
2003	\$ XXX
2004	XXX
2005	XXX
2006	XXX
2007	XXX
Later years	<u>XXX</u>
Total	<u>\$ X,XXX</u>

Total rental expense for all operating leases except those with terms of a month or less that were not renewed is \$XXX.

Note Q. Contributed Services

The Organization recognizes contribution revenue for certain services received at the fair value of those services. Those services include the following items:

Emergency services program:	
Salaries for mechanics---XX hours at \$XX per hour	\$ XXX
Management and general:	
Accounting and bookkeeping services	XXX
Tax preparation services	<u>XXX</u>
Total contributed services	<u>\$ XXX</u>

Note Q. Contributed Services

Appendix “B”

Numerous other individuals volunteer their time and perform a variety of tasks that assist the Organization with its program and supporting activities. This includes services provided by pilots, lawyers, and financial and executive services. No amounts have been reflected in the financial statements for the benefit received and the resulting expense, because the Organization will not typically purchase those services if not provided by donation.

Note R. Fund-Raising Activities and Allocation of Joint Costs

(DETAILS OMITTED)

Note S. Net Assets Released from Restrictions

Net assets released from restrictions are summarized as follows:

Satisfaction of purpose restrictions	\$ XXX
Expiration of time restrictions	<u>XXX</u>
Total	<u>\$ XXX</u>

Note T. Related Party Transactions

The Organization is a subordinate unit of Civil Air Patrol, Inc.. Accordingly, National Headquarters of Civil Air Patrol, Inc., including all subordinate units of National Headquarters (the eight regions, the other fifty-one wings, and all units below wing level) are parties related to the Organization. The Organization had numerous transactions with National Headquarters and other subordinate units, including reimbursements for counterdrug missions, contributions of property and equipment, payment of insurance assessments and other transaction types, as detailed below.

Civil Air Patrol, Inc. is an auxiliary of the United States Air Force. The USAF can significantly influence the management or operating policies of the Organization by the restrictions on their contributions, and contractual restrictions placed on exchange transactions. 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 at no charge from the USAF to enable the Organization to carry on its programs and activities.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Transactions Providing Revenue:			
Governmental appropriations and grants:			
USAF	<u>\$ XX</u>	<u>\$</u>	<u>\$</u>
Revenue from CAP organizations:			
From National Headquarters for:			
Counterdrug missions	XX		

Note T. Related Party Transactions (Continued)

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SAR/DR actual	XX		
SAR/DR training	XX		
Major maintenance	XX		
Senior activities	XX		
Cadet activities	XX		
Aerospace education activities	XX		
Claims under the AMP	XX		
Claims under HSIP and VSIP	XX		
Revenue for operations	XX		
Aircraft rental	XX		
Other	XX		
From regions and wings	XX		
From units below wing level for:			
Aircraft insurance assessments	XX		
Vehicle insurance assessments	XX		
Other	<u>XX</u>		
Total	<u>XXX</u>	_____	_____
Contributions:			
From USAF for:			
Use of facilities and utilities	XX		
In-kind materials and supplies		XX	
In-kind property and equipment		XX	
Grants considered contributions	<u>XX</u>		
Total	<u>XXX</u>	<u>XXX</u>	_____
Contributions from CAP organizations:			
From National Headquarters for:			
In-kind materials and supplies		XX	
In-kind property and equipment		XX	
Use of aircraft	XX		
From regions and wings	XX		
From units below wing level	<u>XX</u>		
Total	<u>XXX</u>	<u>XXX</u>	_____
Transactions Incurring Expenses:			<u>Unrestricted</u>
Expenses with USAF for:			
Facilities			\$ XX
Other			<u>XX</u>
Total			<u>XXX</u>
Expenses with National Headquarters for:			
Materials and supplies, bookstore classified as:			
Emergency services			XX
Aerospace education and training			XX

Note T. Related Party Transactions (Continued)

Appendix “B”

Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX
Unallocated payment to CAP organizations	-
Materials and supplies, depot classified as:	
Emergency services	XX
Aerospace education and training	XX
Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX
Unallocated payment to CAP organizations	-
Aircraft insurance classified as:	
Emergency services	XX
Aerospace education and training	XX
Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX
Unallocated payment to CAP organizations	-
Vehicle insurance classified as:	
Emergency services	XX
Aerospace education and training	XX
Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX
Unallocated payment to CAP organizations	-
Interest expense classified as:	
Management and general	XX
Aircraft rent expense classified as:	
Emergency services	XX
Aerospace education and training	XX
Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX
Other expenses classified as:	
Emergency services	XX
Aerospace education and training	XX
Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX

Note T. Related Party Transactions (Continued)

Unallocated payment to CAP organizations	<u>XX</u>
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Appendix “B”

Total	<u>XXX</u>
Expenses with regions and wings classified as:	
Emergency services	XX
Aerospace education and training	XX
Cadet program	XX
Management and general	XX
Membership development	XX
Fund-raising	XX
Unallocated payment to CAP organizations	<u>XX</u>
Total	<u>XXX</u>
Expenses with units below wing level	<u>XXX</u>

Note U. Contingencies

Legal Proceedings.

(DETAILS OMITTED)

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 Risks. The Organization has concentrated its credit risk for cash and cash equivalents by maintaining deposits in banks located within the same geographic region. The maximum loss that would have resulted from that risk totaled \$XXX, for the excess of the deposit liabilities reported by the banks over amounts that would have been covered by federal insurance. The Organization does not believe it is subject to any unusual credit risk beyond the customary credit risk attendant with conducting its nonprofit activities.

Significant Estimates.

(DETAILS OMITTED)

Note V. Prior-Period Adjustment

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Correction of Error(s) for:			
Unrecorded fixed assets	\$ XXX	\$ XXX	\$ XXX
Unrecorded contribution(s) receivable	<u>XXX</u>	<u>XXX</u>	<u>XXX</u>
Prior-Period Adjustment	<u>\$ XXX</u>	<u>\$ XXX</u>	<u>\$ XXX</u>

Appendix "B"

**Model Wing, Civil Air Patrol, Inc.
Schedule of Functional Expenses
Year Ended September 30, 2003**

	Program Services					Supporting Services			Totals
	<u>Emergency Services</u>	<u>Aerospace Ed & Training</u>	<u>Cadet Program</u>	<u>Counterdrug</u>	<u>DDR</u>	<u>Communications Maintenance</u>	<u>Management & General</u>	<u>Membership Development</u>	
Salaries									
Payroll taxes									
Benefits									
Workman's compensation									
Legal & accounting									
Bad debt expense									
Office supplies									
Materials & supplies									
Telephone									
Postage & shipping									
Facility expenses									
Aircraft maintenance									
Vehicle maintenance									
Equipment maintenance									
Printing & publications									
Travel									
Conferences & meetings									
Interest expense									
Depreciation									
Awards									
Expenses with Nat'l HQ									
Expenses with regions & wings									
Expenses with CAP units below									
Public relations & publicity									
Lobbying Expenses									
Training									
Miscellaneous									
Total expenses									

SUPPLEMENTAL SCHEDULES

Appendix "B"

Model Wing, Civil Air Patrol

Schedule of Aircraft Minor Maintenance

(Tail Number Accounting)

<u>Type of Aircraft</u>	<u>Tail #</u>	<u>Beginning of Year Maintenance Income</u>	<u>Maintenance Income Received During the Year</u>	<u>Maintenance Expenditures During the Year</u>	<u>End of Year Maintenance Income</u>

Appendix "B"

Model Wing, Civil Air Patrol, Inc

Schedule of State Funding

State Agency: _____



Description of Award:



<u>Period of Award</u>	<u>Total Grant Award</u>	<u>Beginning of Year Receivable</u>	<u>Expenses</u>	<u>Receipts</u>	<u>End of Year Receivable</u>
_____	_____	_____	_____	_____	_____

**COMMENTS TO
MODEL FINANCIAL STATEMENTS**

COMMENTS TO MODEL FINANCIAL STATEMENTS

Independent Auditor’s Report.

An example auditor’s report is included with the model financial statements. The example report assumes that the audit must follow only generally accepted auditing standards. If the regions or wing’s state funding agreement necessitates an audit in accordance with governmental auditing standards, or in accordance with OMB Circular A-133, then the auditor’s report must comply with those standards.

Unlike the model financial statements, the auditor’s report is given only as an example, which the auditor may or may not choose to follow. The auditor is free to issue any report he or she deems necessary to comply with standards, based upon the results of their audit and their individual preferences.

Model Financial Statements.

As stated in the financial statement presentation guidelines (found in the front section of this *Guide*, Appendix “A”, Page 6), the model financial statements contained in Appendix “B” *must* be followed to permit combination of region and wing financial statements with those of the National Treasury, and to allow appropriate elimination entries. Variations from the model financial statements may be necessary, but should be for one of the reasons given in the financial statement presentation guidelines.

For completeness, the model financial statements include a presentation for permanently restricted net assets. However, most regions and wings *will not* have net assets and contributions that are permanently restricted by donors. If not applicable, your financial statement presentation shall exclude columns and references to permanently restricted net assets.

Statement of Financial Position.

Combination of Accounts. The chart of accounts shall be combined the following way for presentation in the statement of financial position. Variation from this grouping is permitted in situations where a different combination is necessary for a fair presentation.

Cash and cash equivalents. Combine account numbers 1000-0, 1015-0, and based on corporate accounting policy, certain cash equivalents in 1700-0.

Investments. Combine investments in 1700-0 not classified as cash equivalents, 1701-0 1750-0 and 1755-0.

Accounts and grants receivable. Combine account numbers 1200-0, 1201-6, 1208-0, 1210-0, 1220-6, 1232-6, 1235-0, and the applicable part of 1218-0.

Contributions receivable. Combine account numbers 1216-0, 1217-0 and the applicable part of 1218-0.

Prepaid expenses. Group account numbers 1400-0, 1401-6, 1402-6, and 1403-6.

Inventories. Account number 1500-0.

Other assets. Account number 1900-0.

Assets restricted to investment in long-term purposes. This includes any asset whose use is restricted by the donor for a long-term purpose. Primarily, this would include cash and

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investments. For example, cash or investments whose use is restricted by the donor for the future purchase of an office building or hangar, would be presented under this caption.

Property and equipment. Combine account numbers in the 1800-0 through 1825-0 series.

Bank overdraft. Account number 1015-0.

Accounts payable. Group account numbers 2000-0, 2035-6, 2040-6, and 2045-6.

Accrued expenses. Group account numbers 2200-0, 2290-0, 2300-0, and 2305-0.

Short and long-term debt. Based upon maturity, combine account numbers 2110-0, 2135-0, and 2145-6. Short-term debt shall only include loans and notes payable whose *original* maturity date is less than one year.

Current maturities of capital leases. Account number 2120-0.

Deferred revenue. Group account numbers 2500-0, 2501-6, 2502-6, and 2503-6.

Other liabilities. Account number 2900-0.

Obligations under capital leases. Account number 2140-0.

Net assets - unrestricted. Combine account numbers 2990-0 and 2995-0.

Net assets - temporarily restricted. Account number 2992-0.

Net assets - permanently restricted. Account number 2994-0.

Contributions Receivable. Contributions receivable due within one year of the date of the statement of financial position, but restricted by the donor for long-term purpose (such as the purchase of fixed assets), shall be presented in the statement of financial position under the current asset caption. Footnote disclosure will provide the long-term purpose of the contribution to be received.

Statement of Activities.

Combination of Accounts. The chart of accounts shall be combined the following way for presentation of revenues, gains and losses in the statement of activities. Variation from this grouping is permitted in situations where a different combination is necessary for a fair presentation.

Governmental appropriations and grants. Combine account numbers 3200-0, 3205-9, 3210-0, and 3215-9. This caption includes governmental appropriations and grants accounted for as exchange transactions, and must be presented as *unrestricted* revenue on the statement of activities.

Revenue from CAP organizations. Combine account numbers 3225-6, 3226-6, 3227-6, 3228-6, 3229-6, 3230-6, 3231-6, 3233-6, 3234-6, 3235-6, 3238-6, 3239-6, 3280-6, 3290-6, 3291-6, and 3292-6. This caption includes revenue from CAP organizations accounted for as exchange transactions, and must be presented as *unrestricted* revenue on the statement of activities.

Other program revenue. Combine account numbers 3400-2, 3400-9, 3425-3, 3450-1, and 3475-1. This caption includes revenue from other sources accounted for as exchange transactions, and must be presented as *unrestricted* revenue on the statement of activities.

Membership dues. Account number 3000-9. Present as *unrestricted* support.

Contributions. Combine account numbers 3110-9 through 3195-9 series. Details shall be presented in footnote disclosure. Depending on donor stipulations, contributions may be either unrestricted or restricted.

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Contributions from CAP organizations. Combine account numbers 3236-6, 3237-6, and any amounts accounted for as contributions in 3280-6, and 3292-6. Depending on donor stipulations, contributions from CAP organizations may be either unrestricted or restricted.

Fund-raising events. Account number 4600-7. This caption includes fund-raising events accounted for as exchange transactions, and must be presented as *unrestricted* revenue on the statement of activities.

Sale of materials, supplies and surplus property. Combine account numbers 4000-9, and 4920-9. Present as unrestricted, unless the use is temporarily or permanently restricted by donors to a specified purpose or future period.

Investment income. Combine account numbers 3500-9, and 3501-9. Present as unrestricted unless the use is temporarily or permanently restricted by donors to a specified purpose or future period. Any investment related expenses included in these accounts (or in expense accounts) should be presented separately on the face of the statement of activities.

Net unrealized and realized gain on investments. Combine account numbers 3503-9, and 3504-9. If investment trades and market adjustments result in a net loss, the loss shall be presented on the face of the statement of activities after “Total expenses” and before “Total expenses and losses”. Gains and losses on investments should be presented as unrestricted unless the use is temporarily or permanently restricted by donors to a specified purpose or future period, or by law.

Other. Combine account numbers 3810-9, and 4960-9. It is expected that other income should be presented as *unrestricted* revenue.

Loss on disposition of property and equipment. Account number 4900-9. If disposition of property and equipment results in a gain, the gain shall be presented on the face of the statement of activities before “Other (income)”. Gains and losses on disposition of property and equipment should be presented as unrestricted unless the use is temporarily or permanently restricted by donors to a specified purpose or future period.

Net Assets Released from Restrictions. Net assets released from restrictions shall be presented as reclassifications from restricted to unrestricted net assets for restricted net assets at the beginning of the year whose restrictions were met during the current period. It is also possible (though unlikely) to have reclassification from unrestricted to restricted net assets for previously unrestricted net assets placed under restriction by agreement with the donor.

Expenses. All expenses (except for investment expenses) shall be presented by their functional classifications on the face of the statement of activities. Expenses relating to program services shall be presented as:

1. Emergency services,
2. Aerospace education and training
3. Cadet program
4. Counterdrug
5. Drug demand reduction, or
6. Communications maintenance

Expenses relating to supporting services shall be presented as:

1. Management and general
2. Membership development
3. Fund-raising, or
4. Unallocated payments to CAP organizations

Appendix “B”

Payments to other CAP organizations that *cannot* be allocated to functions (because of insufficient information) shall be presented under the caption of “Supporting services” as “Unallocated payments to CAP organizations”.

Statement of Cash Flows.

Variations. Because of the nature of the statement of cash flows, significant variations are expected. Nevertheless, it is requested that you adhere as closely as possible to the model statement of cash flows.

Cumulative Effect of Adopting New Accounting Principle. Adjustments necessary to reconcile the change in net assets to net cash provided by operating activities because of the cumulative effect of adopting new accounting principles shall be presented as a separate line item entitled “Cumulative effect of adopting new accounting principle”. This treatment is preferred over classifying the adjustment according to the nature of the change. However, if the cumulative effect should be presented as an investing or financing activity, instead of operating, then it may be presented according to the nature of the change.

Contributed Services and Noncash Contributions for Capital Assets. Contributed services that create or enhance nonfinancial assets, and in-kind contributions of capital assets (land, buildings, equipment, inventory for use, etc.) should be presented as a deduction to adjust the change in net assets to net cash provided by operating activities. Supplemental disclosure as a noncash financing and investing activity is not required.

Contributions Restricted for Long-Term Purposes. FAS 95, as amended by FAS 117, requires the receipt of contributions restricted by the donor for long-term purposes to be considered *financing activities*. Accordingly, such contributions shall be presented as *both* a deduction to adjust the change in net assets to net cash provided by operating activities, *and* as proceeds from contributions restricted for long-term purposes in the financing section of the statement of cash flows. Additionally, the long-term assets purchased with such restricted contributions shall be presented in the investing section of the statement of cash flows.

Cash and Cash Equivalents. End of the year cash and cash equivalents on the statement of cash flows shall agree with the amount presented as cash and cash equivalents on the statement of financial position.

Notes to Financial Statements.

The model footnotes are given to promote uniformity of presentation, and to provide National Headquarters with information necessary to conform the combined financial statements to generally accepted accounting principles. Additionally, the footnotes provide National Headquarters detailed information on intracompany balances and transactions for purposes of elimination entries. Accordingly, regions and wings shall follow the footnote format and content as presented in the model financial statements. Any footnote that is not applicable to your region or wing should be omitted. Footnote modification and additional disclosure is allowed if merited by your situation, or necessary for a fair presentation.

Model footnote presentation is given for the more common disclosures. Captions have been presented for the less common footnotes, but the details have been omitted. This is indicated in those footnotes by the parenthetical comment “(DETAILS OMITTED)”. If such disclosure applies to your region or wing, provide the information required by generally accepted accounting principles.

Appendix “B”

The following comments are provided for selected notes to the financial statements:

Note B - Cash and Cash Equivalents. This footnote presents disclosure of any restrictions placed on cash or cash equivalents. The primary disclosures will relate to the USAF *contractual restriction* on funds available for future aircraft maintenance and counterdrug administrative expenditures and *donor restrictions* on cash and cash equivalents.

Note C - Investments. Most regions and wings will have a simple investment presentation. The total of the footnote’s fair value column shall agree with the total of short-term and long-term investments presented on the statement of financial position. The only exception will be if the region or wing is holding investments not required to be presented at fair value because FAS 124 does not cover those investments.

Note D - Accounts and Grants Receivable. The total of accounts and grants receivable presented in Note D shall agree with the amount presented in the statement of financial position. Also, any receivables *contractually restricted* for future aircraft maintenance shall be disclosed.

Note E - Contributions Receivable. The amount presented in Note E as “Net unconditional promises to give” shall agree with the total of current and noncurrent “Contributions receivable” presented in the statement of financial position. If the contribution receivable is due from a “related party” then it should be broken out separately as shown in Note E.

Note F - Prepaid Expenses. The amount presented in Note F as total prepaid expenses shall agree with the amount presented in the statement of financial position. If no amounts are with *related parties* (i.e., CAP organizations or USAF), then this footnote disclosure is not required.

Note G - Inventories. The amount presented in Note G as total inventories shall agree with the amount presented in the statement of financial position.

Note H - Assets Restricted to Investment in Long-Term Purposes. The amount presented in Note H as total assets restricted to investment in long-term purposes shall agree with the amount presented in the statement of financial position.

Note I - Property and Equipment. The amount presented in Note I as total property and equipment (net of accumulated depreciation) shall agree with the amount presented in the statement of financial position.

Note J - Accounts Payable. The amount presented in Note J as total accounts payable shall agree with the amount presented in the statement of financial position. If no amounts are with *related parties* (i.e., CAP organizations or USAF), then this footnote disclosure is not required.

Accrued Expenses. If any accrued expenses are with a *related party*, then include a separate footnote presenting details similar to the format used in Note J.

Note K - Debt. This footnote shall include a description of the debt, information about assets pledged, a schedule of future maturities of long-term debt, and the amount of interest expense included in the statement of activities. Also, if there is a related party note payable to National Headquarters, provide sufficient information whereby elimination entries can be made. The amounts included in Note K for total short-term debt, current maturities of long-term debt, and long-term debt shall agree with the amounts presented in the statement of financial position.

Note L - Deferred Revenue. The amount presented in Note L as total deferred revenue shall agree with the amount presented in the statement of financial position. If no amounts are with *related parties* (i.e., CAP organizations or USAF), then this footnote disclosure is not required.

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Note M - Net Assets. The amount presented in Note M as total temporarily restricted net assets, and total permanently restricted net assets shall agree with the amounts presented in both the statement of financial position and the statement of activities.

Note N - Description of Leasing Arrangements. The footnote gives an example of description disclosures for operating and capital leases, and a capital lease with no lease obligations. The model note, of course, should be modified to fit your situation.

Note O - Capital Leases. The details of the capital lease disclosure have been omitted. If this is applicable to your region or wing, the example in FAS 13, paragraph 122 shall be followed.

Note Q - Contributed Services. If the region or wing concludes that it is not permitted to recognize contributed services under FAS 116, then the first paragraph of Note Q would be omitted, and the second paragraph could be modified to read as follows:

Numerous individuals volunteer their time and perform a variety of tasks that assist the Organization with its program and supporting activities. This includes services provided by pilots, lawyers, accountants, bookkeepers and financial and executive services. No amounts have been reflected in the financial statements for the benefit received and the resulting expense, because the Organization will not typically purchase those services if not provided by donation.

Note R - Fund-Raising Activities and Allocation of Joint Costs. The details of this footnote disclosure have been omitted. If this is applicable to your region or wing, provide information on the cost of merchandise or direct benefits of fund-raising events. Also, if your region or wing had joint costs of informational materials and activities that included a fund-raising appeal, provide the necessary disclosure. See the AICPA Audit and Accounting Guide, *Not-For-Profit Organizations*, paragraph 13.40 for an example.

Note S - Net Assets Released from Restrictions. The amount presented in Note S as total net assets released from restrictions shall agree with the amount presented in the statement of activities.

Note T - Related Party Transactions. The very detailed presentation requested in this note is necessary to provide National Headquarters with information to make intracompany elimination entries. Do not summarize the requested detail, unless you choose one of the alternatives discussed later in this comment.

Totals for the following captions presented in Note T shall agree with amounts presented under similarly titled captions in the statement of activities:

Revenue from CAP organizations
Contributions from CAP organizations

The format for this note can vary. For example, the footnote may be presented in a spreadsheet (matrix) format. Or the note may be summarized, with the details presented as supplemental information in a matrix format.

As another *alternative*, the footnote may be presented in a summarized fashion, **provided** the details requested in the model footnote are included on a matrix type schedule as a separate accounting service. This matrix schedule shall be furnished to National Headquarters with the financial statements.

Note V – Prior-Period Adjustment. The amounts presented in Note V as prior-period adjustments shall agree with the amounts presented in the statement of activities. *Note: If there is a prior period adjustment, you are required to present comparative financial*

Appendix “B”

statements. See “Comparative Financial Statements,” on page 1 of this appendix for further instructions.

**APPENDIX “C”
TAX REPORTING GUIDELINES**

INTRODUCTION

This guide has been designed by the National Headquarters of Civil Air Patrol (CAP), Financial Management Directorate, in an effort to assist you in your preparation of the IRS Form 990 Tax Return for FY 03. It is important that you use these guidelines in preparing your Form 990 in order to (1) comply with current tax laws, and (2) in order to comply with the additional requirements for tax reporting specific to and established by the corporation. Conformity in the preparation of these forms is critical because your Form 990 will be combined with Forms 990 from other regions and wings in order to prepare the group return submitted to the IRS by the National Headquarters. **All region and wing Forms 990 must be submitted to Region WFAs no later than 31 December 2003.**

The guide is not intended to be an all-inclusive treatise of tax laws as they relate to all non-profit organizations, but it will attempt to give explicit line-by-line instructions from a Civil Air Patrol viewpoint. It is impossible to think of every scenario which could have tax reporting consequences for the regions and wings of CAP, but an attempt has been made, based on past experiences, to give all the necessary instructions.

If questions should surface during your preparation of the Form 990, we will attempt to provide specific instructions in any area that you feel guidance is needed. CAP members preparing the Form 990 might want to seek guidance from their external auditors before contacting the National Headquarters, as they are more familiar with the finances of the particular region or wing. Many regions and wings actually have their external auditor prepare the Form 990 for them, but that decision is purely a local one. This guide is intended to assist external auditors as well as CAP members in the preparation of the Form 990. Any questions about preparation of the Form 990 should be directed to the [Region WFA](#) responsible for your region/wing audit requirement.

This guide includes a “grid” that cross-references the region and wing chart of accounts to a specific line on the Form 990. In most cases, the grid will provide the only information needed to prepare the return. In some cases, however, the grid will reference more than one line for a particular account. If the latter is the case, instructions that are more detailed will be given in the portion of the guide entitled “Specific Instructions – Form 990.” In that section of the guide, specific written instructions will be given pertaining to lines of the Form 990 which may need further explanation. **Please use the *grid* (Pages 4 – 13) as your primary reference for tax form preparation as it will ensure that the form is completed correctly.** Additionally, a Form 990 and Schedule A (Form 990) reference has been incorporated in the guide. This reference will direct you to appropriate supporting schedules, and give you instructions on how to itemize or categorize amounts such as other expenses, program service revenue, and other revenue.

CORPORATE FILING REQUIREMENTS

1. Each year the corporation is required by law to file a Tax Form 990 with the Internal Revenue Service (IRS). The form must be filed in two parts. One Form 990 is developed and submitted for the National Treasury and another is developed and submitted for the group (i.e., regions, wings and units below wing level). Each region and wing is required to file a Form 990, not later than 31 December of each year, with the National Headquarters. **The regions and wings do not file individual returns with the IRS.**
2. In addition, each unit below wing level is required to prepare a CAP Form 173-2, summarizing its financial activity for the year and submit it to the wing headquarters as close to the end of the fiscal year as possible. The wing uses the information contained in the unit CAP Form 173-2 to prepare a CAP Form 173-2c, *Wing Consolidation of Financial Records of Units Below Wing Level*. A copy of CAP Form 173-2c has been included in this guide. Upon completion of the Form 173-2c, the wing forwards it to the National Headquarters, not later than 31 December of each year, where it is used to prepare a Tax Form 990 for all units below wing level. The Form 990 is then combined with Forms 990 from the regions and wings and used by the headquarters to prepare the *group* tax return. As required by CAP Regulation 173-2, paragraph 5e, the CAP Form 173-2c must contain a listing of all subordinate units included in it as well as any omitted. A form has been prepared by National Headquarters for use by the wings, and has been included in this guide.
3. Some regions and wings may retain the outside auditor to prepare the Tax Form 990. Others may have a qualified member of the Civil Air Patrol staff prepare it. If the latter is the case, it would be a good idea to have the outside auditor review the completed form for compliance with Form 990 instructions and with the requirements contained in these corporate guidelines.
4. Whenever the Form 990 asks that a schedule be attached to support or further explain amounts entered on the form, such a schedule must be attached. Some blank schedules are included with this guide.
5. Whenever the Form 990 states that certain lines should be equal to one another, please confirm that they do.
6. Determine whether the financial data for the Form 990 is consistent with the financial data presented in the audited financial statements. If differences do occur, please complete Parts IV - A and Part IV - B of the Form 990.
7. Because of requirements of the Internal Revenue Service (IRS), each region and wing commander must sign a consent form giving the National Headquarters permission to include the regions, wings and various units below wing level in the group return. Additionally, the IRS requires each region and wing commander to sign a statement, under penalties of perjury, that the information included in the region/wing Form 990, and the combined unit information included in CAP Form 173-2c has been examined by the commander, and is true, correct, and complete. Each of these statements are included on a form letter contained in this guide. This consent form must be signed, dated, and returned to National Headquarters, along with the Form 990, and CAP Form 173-2c, no later than 31 December.
8. Each region and wing commander is also required to sign the Form 990, on page 6, verifying that the return, and all supporting statements and schedules have been examined and are complete and correct to the best of their knowledge.
9. Each outside auditor or other preparers of the tax return must sign in the space provided on page 6 of the Form 990.

SECTIONS OF THE FORM 990 TO BE COMPLETED

The Form 990 used for FY 03 will be the one with 2002 printed in the upper right hand corner of the form. The following sections of the Form 990 and Schedule A (Form 990) should be completed. If any section of the form does not apply, write N/A in that section.

A. Form 990:

1. General questions A, C, and D
2. Part I
3. Part II
4. Part III
5. Part IV (for the end of year only)
6. Parts IV A and B
7. Part VI: Questions 76, 78-84
8. Part VII
9. Part VIII

B. Schedule A (Form 990):

1. Part I
2. Part II
3. Part III
4. Part VI - A: Questions 36-44, Column B
5. Part VII: Question 51

Note: If state law requires the region or wing to file a Form 990 with the state, it may be necessary to complete Form 990 and Schedule A (Form 990) in its entirety. Please consult your legal officer or outside accountant if you are uncertain of state requirements.

**CROSS-REFERENCE OF CHART OF
ACCOUNTS TO IRS FORM 990**

Appendix “C”

									See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>In Guide on Page</u>
<u>ASSETS</u>									
1000	0	--	PETTY CASH			45			
1015	0	--	CASH IN BANK - CHECKING			45 or 46			19
1200	0	--	ACCOUNTS RECEIVABLE			47 a			
1201	6	--	ACCOUNTS RECEIVABLE - NATL. HQ			47 a			
1208	0	--	GRANTS RECEIVABLE - STATE & OTHER			49			
1210	0	--	GRANTS RECEIVABLE - USAF OTHER REIMB			49			
1216	0	--	PROMISES TO GIVE RECEIVABLE			48a			
1217	0	--	DISCOUNT ON PROMISES TO GIVE			48a			19 - 20
1218	0	--	ALLOWANCE FOR DOUBTFUL ACCOUNTS			47b or 48b			
1220	6	--	ACCOUNTS RECEIVABLE - REGIONS & WINGS			47a			
1232	6	--	ACCOUNTS RECEIVABLE - UNITS BELOW			47a			
1235	0	--	ACCOUNTS RECEIVABLE - BAD CHECKS			47a			
1400	0	--	PREPAID EXPENSE			53			
1401	6	--	PREPAID EXPENSE - NATL. HQ			53			
1402	6	--	PREPAID EXPENSE - REGIONS & WINGS			53			
1403	6	--	PREPAID EXPENSE - UNITS BELOW			53			
1500	0	--	INVENTORIES FOR SALE OR USE			52			
1700	0	--	SAVINGS AND TEMPORARY CASH INVESTMENTS			46			
1701	0	--	INVESTMENT - SECURITIES			54			
1750	0	--	INVESTMENT VALUATION ALLOWANCE			54			
1755	0	--	INVESTMENT MARKET VALUATION ALLOWANCE			54			
1800	0	--	LAND			57a			
1801	0	--	BUILDING & IMPROVEMENTS			57a			
1802	0	--	AIRCRAFT IMPROVEMENTS			57a			
1803	0	--	COMPUTERS			57a			
1804	0	--	VEHICLES			57a			
1808	0	--	OTHER EQUIPMENT			57a			

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									See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
<u>ASSETS</u>									
1809	0	--	OFFICE FURNITURE & FIXTURES			57a			
1810	0	--	CAPITAL LEASES			57a			
1811	0	--	COMMUNICATION EQUIPMENT			57a			
1815	0	--	ACCUM DEPR - BUILDING & IMPROVEMENTS			57b			
1816	0	--	ACCUM DEPR - AIRCRAFT IMPROVEMENTS			57b			
1817	0	--	ACCUM DEPR - COMPUTERS			57b			
1818	0	--	ACCUM DEPR - VEHICLES			57b			
1822	0	--	ACCUM DEPR - OTHER EQUIPMENT			57b			
1823	0	--	ACCUM DEPR - OFFICE FURNITURE & FIXTURES			57b			
1824	0	--	ACCUM DEPR - CAPITAL LEASES			57b			
1825	0	--	ACCUM DEPR - COMMUNICATION EQUIPMENT			57b			
1900	0	--	OTHER ASSETS			58			
<u>LIABILITIES</u>									
2000	0	--	ACCOUNTS PAYABLE - VENDORS			60			
2035	6	--	ACCOUNTS PAYABLE - NATL. HQ			60			
2040	6	--	ACCOUNTS PAYABLE - REGIONS & WINGS			60			
2045	6	--	ACCOUNTS PAYABLE - UNITS BELOW			60			
2110	0	--	MORTGAGES & NOTES PAYABLE - CURRENT			64b			
2120	0	--	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT			64b			
2135	0	--	MORTGAGES & NOTES PAYABLE - LONG-TERM			64b			
2140	0	--	OBLIGATIONS UNDER CAPITAL LEASES - LONG-TERM			64b			
2145	6	--	NOTES PAYABLE - NATL. HQ			64b			
2200	0	--	TAXES ACCRUED & WITHHELD			60			
2290	0	--	OTHER PAYROLL DEDUCTIONS WITHHELD			60			
2300	0	--	ACCRUED EXPENSES			60			
2305	0	--	ACCRUED PAYROLL & LEAVE			60			
2500	0	--	DEFERRED REVENUE & CREDITS			62			

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									See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
LIABILITIES									
2501	6	--	DEFERRED REVENUE & CREDITS - NATL. HQ			62			
2502	6	--	DEFERRED REVENUE & CREDITS - REGIONS & WINGS			62			
2503	6	--	DEFERRED REVENUE & CREDITS - UNITS BELOW			62			
2900	0	--	OTHER LIABILITIES			65			
NET ASSETS									
2990	0	--	NET ASSETS - UNRESTRICTED			67			
2992	0	--	NET ASSETS - TEMPORARILY RESTRICTED			68			
2994	0	--	NET ASSETS - PERMANENTLY RESTRICTED			69			
2995	0	--	UNREALIZED GAIN/LOSS - L-T INVEST - UNRESTRICTED			67			
REVENUE									
3000	9	--	MEMBERSHIP DUES	1a					
3110	9	--	CONTRIBUTIONS - UNRESTRICTED	1a					
3118	0	--	CONTRIBUTIONS - RESTRICTED	1a					
3118	1	--	CONTRIBUTIONS - RESTRICTED - EMER SRVC	1a					
3118	2	--	CONTRIBUTIONS - RESTRICTED - AEROSPACE ED	1a					
3118	3	--	CONTRIBUTIONS - RESTRICTED - CADET PRGM	1a					
3118	9	--	CONTRIBUTIONS - RESTRICTED - OTHER	1a			82b		
3125	9	--	CONTRIBUTED FACILITIES AND UTILITIES-UNRESTRICTED				82b		
3126	9	--	CONTRIBUTED FACILITIES AND UTILITIES-RESTRICTED						
3130	9	--	CONTRIBUTED MATERIALS & SUPL - UNRESTRICTED	1a or 1c					17
3131	0	--	CONTRIBUTED MAT & SUPL - RESTRICTED	1a or 1c					17
3131	1	--	CONTRIBUTED MAT & SUPL - RESTRICTED - EM SVC	1a or 1c					17
3131	2	--	CONTRIBUTED MAT & SUPL - RESTRICTED - AE	1a or 1c					17
3131	3	--	CONTRIBUTED MAT & SUPL - RESTRICTED - CADET	1a or 1c					17
3131	9	--	CONTRIBUTED MAT & SUPL - RESTRICTED - OTHER	1a or 1c					17

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										See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>		<u>in Guide on Page</u>
<u>REVENUE</u>										
3135	9	--	CONTRIBUTED FIXED ASSETS - UNRESTRICTED	1a or 1c						17
3136	0	--	CONTRIBUTED FIXED ASSETS - RESTRICTED	1a or 1c						17
3136	1	--	CONTRIBUTED FIXED ASSETS - RESTRICTED - EM SVC	1a or 1c						17
3136	2	--	CONTRIBUTED FIXED ASSETS - RESTRICTED - AE	1a or 1c						17
3136	3	--	CONTRIBUTED FIXED ASSETS - RESTRICTED - CADET	1a or 1c						17
3136	9	--	CONTRIBUTED FIXED ASSETS - RESTRICTED - OTHER	1a or 1c						17
3140	9	--	CONTRIBUTED SERVICES				82b			
3190	9	--	GOV'T CONTRIBUTIONS - UNRESTRICTED	1c						
3195	0	--	GOV'T CONTRIBUTIONS - RESTRICTED	1c						
3195	1	--	GOV'T CONTRIBUTIONS - RESTRICTED - EMER SVC	1c						
3195	2	--	GOV'T CONTRIBUTIONS - RESTRICTED - AE	1c						
3195	3	--	GOV'T CONTRIBUTIONS - RESTRICTED - CADET PRGM	1c						
3195	9	--	GOV'T CONTRIBUTIONS - RESTRICTED - OTHER	1c						
3200	0	--	GOV'T APPROPRIATIONS - PROGRAM	1c or 93g				1c or 93g		17 and 20 - 21
3205	9	--	GOV'T APPROPRIATIONS -GENERAL	1c or 93g				1c or 93g		17 and 20 - 21
3210	0	--	GOV'T APPROPRIATIONS -NON-CASH - PROGRAM	1c or 93g				1c or 93g		17 and 20 - 21
3215	9	--	GOV'T APPROPRIATIONS - NON-CASH - GENERAL	1c or 93g				1c or 93g		17 and 20 - 21
3225	6	--	FROM NATL. HQ - MISSION - COUNTERDRUG	1b						
3226	6	--	FROM NATL. HQ - MISSION - SAR/DR ACTUAL	1b or 1c						17
3227	6	--	FROM NATL. HQ - MISSION - SAR/DR TRAINING	1b or 1c						17
3228	6	--	FROM NATL. HQ - A/C & VEHICLE MX	1b						
3229	6	--	FROM NATL. HQ - CADET ACTIVITIES	1b or 93a				1b or 93a		17 and 20 - 21
3230	6	--	FROM NATL. HQ - SENIOR ACTIVITIES	1b or 93b				1b or 93b		17 and 20 - 21
3231	6	--	FROM NATL. HQ - AEROSPACE ED	1b or 93e				1b or 93e		17 and 20 - 21

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									See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
<u>REVENUE</u>									
3233	6	--	FROM NATL. HQ - HSIP					103d	
3234	6	--	FROM NATL. HQ - OPERATING FDS	1b					
3235	6	--	FROM NATL. HQ - A/C RENTAL					93d	
3236	6	--	FROM NATL. HQ - IN KIND MATERIALS & SUPPLIES	1b					
3237	6	--	FROM NATL. HQ - IN KIND FIXED ASSETS	1b					
3238	6	--	FROM NATL. HQ - OTHER	1b or 93d				1b or 93d	17 and 20 - 21
3239	6	--	FROM NATL. HQ - COUNTERDRUG ADMIN	1b					
3280	6	--	FROM REGIONS & WINGS	16					17
3290	6	--	FROM CAP UNITS BELOW - A/C INSURANCE	16					17
3291	6	--	FROM CAP UNITS BELOW- VEH INSURANCE	16					17
3292	6	--	FROM CAP UNITS BELOW- OTHER	16					17
3400	0	--	SENIOR ACTIVITIES					E 93 (a)	
3400	2	--	SENIOR ACTIVITIES - AEROSPACE ED					E 93 (a)	
3400	9	--	SENIOR ACTIVITIES - GENERAL					E 93 (a)	
3425	3	--	CADET ACTIVITIES					E 93 (b)	
3450	1	--	FLIGHT ACTIVITIES					E 93 (c)	
3475	1	--	MISSION INCOME - OTHER					E 93 (e)	
3500	9	--	INVESTMENT INCOME -SAVINGS & TEMP INVEST	4				D 95	
3501	9	--	INVESTMENT INCOME -SECURITIES	5				D 96	
3503	9	--	GAIN/LOSS ON DISPOSITION OF INVESTMENTS	A 8c				D 100	
3504	9	--	INVESTMENT MARKET GAIN/LOSS	20					
3810	9	--	OTHER INCOME	11				D 103 (c)	
4000	9	--	MATERIAL & SUPPLIES SALES	10c				D or E 102	21
4600	7	--	FUNDRAISING/SPECIAL EVENTS & ACT	9c				D 101	
4900	9	--	GAIN/LOSS ON DISPOSITION OF FIXED ASSETS	B 8c				D 100	
4920	9	--	SALVAGE PROCEEDS	11				D 103 (b)	

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<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
REVENUE									
4960	9	--	UNRELATED BUSINESS INCOME	6c or 11				B 97,98 or 103 (a)	21
EXPENSES									
5000	3	--	GRANTS AND ALLOCATIONS		B 22				
5100	9	--	SALARIES		C 26				
5315	9	--	WORKERS COMP INSURANCE		C 28				
5400	9	--	PAYROLL TAXES		C 29				
5500	7	--	FUNDRAISING FEES		D 30				
5505	7	--	FUNDRAISING - DIRECT BENEFIT TO DONORS		B 30				
5550	9	--	ANNUAL AUDIT		C 31				
5555	9	--	OTHER ACCOUNTING SERVICES		C 31				
5575	9	--	LEGAL SERVICES		C 32				
5600	0	--	OFFICE SUPPLIES		A 33				
5600	7		OFFICE SUPPLIES - FUNDRAISING	9b or D33	9b or D33				17
5600	8	--	OFFICE SUPPLIES - MARKETING		C 33				
5600	9	--	OFFICE SUPPLIES - GENERAL		C 33				
5630	0	--	MATERIALS & SUPPLIES		A 33				
5630	1	--	MATERIALS & SUPPLIES - EMER SVC		B 33				
5630	2	--	MATERIALS & SUPPLIES - AEROSPACE ED		B 33				
5630	3	--	MATERIALS & SUPPLIES - CADET PRGM		B 33				
5630	8	--	MATERIALS & SUPPLIES - MARKETING		C 33				
5630	9	--	MATERIALS & SUPPLIES - GENERAL		C 33				
5635	9	--	MATERIALS & SUPPLIES - COST OF SALES	10b					
5700	0	--	TELEPHONE		A 34				
5700	1	--	TELEPHONE - EMER SVC		B 34				
5700	7	--	TELEPHONE - FUNDRAISING	9b or D34	9b or D 34				17
5700	8	--	TELEPHONE - MARKETING		C 34				
5700	9	--	TELEPHONE - GENERAL		C 34				

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							See Additional Instructions		
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
<u>EXPENSES</u>									
5800	0	--	POSTAGE AND SHIPPING		A 35				
5800	7	--	POSTAGE AND SHIPPING - FUNDRAISING	9b or D35	9b or D 35				17
5800	8	--	POSTAGE AND SHIPPING - MARKETING		C 35				
5800	9	--	POSTAGE AND SHIPPING - GENERAL		C 35				
5920	0	--	FACILITY EXPENSES		A 36				
5920	1	--	FACILITY EXPENSES - EMER SVC		B 36				
5920	2	--	FACILITY EXPENSES - AEROSPACE ED		B 36				
5920	3	--	FACILITY EXPENSES - CADET PRGM		B 36				
5920	9	--	FACILITY EXPENSES - GENERAL		C 36				
6005	0	--	AIRCRAFT O & M		A 37				
6005	1	--	AIRCRAFT O & M - EMER SVC		B 37				
6005	3	--	AIRCRAFT O & M - CADET PRGM		B 37				
6005	9	--	AIRCRAFT O & M - GENERAL		C 37				
6040	0	--	VEHICLE O & M		A 37				
6040	1	--	VEHICLE O & M - EMER SVC		B 37				
6040	2	--	VEHICLE O & M - AEROSPACE ED		B 37				
6040	3	--	VEHICLE O & M - CADET PRGM		B 37				
6040	9	--	VEHICLE O & M -GENERAL		C 37				
6055	1	--	COMMUNICATION O & M		B 37				
6060	0	--	OTHER EQUIP O & M		A 37				
6060	1	--	OTHER EQUIP O & M - EMER SVC		B 37				
6060	2	--	OTHER EQUIP O & M - AEROSPACE ED		B 37				
6060	3	--	OTHER EQUIP O & M - CADET PRGM		B 37				
6060	9	--	OTHER EQUIP O & M - GENERAL		C 37				
6110	0	--	PRINTING AND PUBLICATIONS		A 38				
6110	7	--	PRINTING AND PUBLICATIONS - FUNDRAISING	9b or D 38	9b or D 38				17
6110	8	--	PRINTING AND PUBLICATIONS - MARKETING		C 38				

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<u>EXPENSES</u>									
6110	9	--	PRINTING AND PUBLICATIONS - GENERAL		C 38				
6200	0	--	TRAVEL		A 39				
6200	1	--	TRAVEL - EMER SVC		B 39				
6200	2	--	TRAVEL - AEROSPACE ED		B 39				
6200	3	--	TRAVEL - CADET PRGM		B 39				
6200	8	--	TRAVEL - MARKETING		C 39				
6200	9	--	TRAVEL - GENERAL		C 39				
6350	0	--	CONFERENCES & MEETINGS		A 40				
6350	2	--	CONFERENCES & MEETINGS - AEROSPACE ED		B 40				
6350	3	--	CONFERENCES & MEETINGS - CADET PRGM		B 40				
6350	9	--	CONFERENCES & MEETINGS - GENERAL		C 40				
6410	9	--	INTEREST EXPENSE		C 41				
6500	0	--	DEPRECIATION - BLD & IMPV		A 42				
6500	1	--	DEPRECIATION - BLD & IMPV - EMER SVC		B 42				
6500	2	--	DEPRECIATION - BLD & IMPV - AEROSPACE ED		B 42				
6500	3	--	DEPRECIATION - BLD & IMPV - CADET PRGM		B 42				
6500	9	--	DEPRECIATION - BLD & IMPV - GENERAL		C 42				
6505	0	--	DEPRECIATION - A/C IMPR		A 42				
6505	1	--	DEPRECIATION - A/C IMPR - EMER SVC		B 42				
6505	3	--	DEPRECIATION - A/C IMPR - CADET PRGM		B 42				
6510	9	--	DEPRECIATION - COMPUTERS		C 42				
6515	0	--	DEPRECIATION - VEHICLE		A 42				
6515	1	--	DEPRECIATION - VEHICLE - EMER SVC		B 42				
6515	2	--	DEPRECIATION - VEHICLE - AEROSPACE ED		B 42				
6515	3	--	DEPRECIATION - VEHICLE - CADET PRGM		B 42				
6515	9	--	DEPRECIATION - VEHICLE - GENERAL		C 42				
6525	0	--	DEPRECIATION - OTHER EQ		A 42				

Appendix “C”

									See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
<u>EXPENSES</u>									
6525	1	--	DEPRECIATION - OTHER EQ - EMER SVC		B 42				
6525	2	--	DEPRECIATION - OTHER EQ - AEROSPACE ED		B 42				
6525	3	--	DEPRECIATION - OTHER EQ - CADET PRGM		B 42				
6525	9	--	DEPRECIATION - OTHER EQ - GENERAL		C 42				
6530	0	--	DEPRECIATION - OFFICE F & F		A 42				
6530	7	--	DEPRECIATION - OFFICE F & F - FUNDRAISING	9b or D 42	9b or D 42				17
6530	8	--	DEPRECIATION - OFFICE F & F - MARKETING		C 42				
6530	9	--	DEPRECIATION - OFFICE F & F - GENERAL		C 42				
6535	0	--	DEPRECIATION - CAPITAL LEASES		A 42				
6535	1	--	DEPRECIATION - CAPITAL LEASES - EMER SVC		B 42				
6535	2	--	DEPRECIATION - CAPITAL LEASES - AEROSPACE ED		B 42				
6535	3	--	DEPRECIATION - CAPITAL LEASES - CADET SVC		B 42				
6535	9	--	DEPRECIATION - CAPITAL LEASES - GENERAL		C 42				
6540	1	--	DEPRECIATION - COMMUNICATION EQUIP		B 42				
6760	3	--	CADET ACTIVITIES		B 43 (a)				
6770	2	--	SENIOR ACTIVITIES		B 43 (b)				
6800	1	--	MISSION EXP. - COUNTERDRUG		B 43 (c)				
6810	1	--	MISSION EXP. - SAR/DR ACTUAL		B 43 (c)				
6815	1	--	MISSION EXP. - SAR/DR TRNG		B 43 (c)				
6825	1	--	MISSION EXP. - OTHER		B 43 (c)				
6950	9	--	INSURANCE - VENDORS		C 43 (d)				
7300	0	--	AWARDS		A 43 (e) (1)				
7300	2	--	AWARDS - AEROSPACE ED		B 43 (e) (1)				
7300	3	--	AWARDS - CADET PRGM		B 43 (e) (1)				
7300	9	--	AWARDS - GENERAL		C 43 (e) (1)				
7400	6	--	EXPENSE WITH NATL. HQ - MAT & SUPL - BOOKSTR		B, C, or D 33				18
7401	6	--	EXPENSE WITH NATL. HQ - MAT & SUPL - DEPOT		B, C, or D 33				18

Appendix “C”

									See Additional Instructions
<u>Acct. No.</u>			<u>Account Description</u>	<u>Part I</u>	<u>Part II</u>	<u>Part IV</u>	<u>Part VI</u>	<u>Part VII</u>	<u>in Guide on Page</u>
<u>EXPENSES</u>									
7402	6	--	EXPENSE WITH NATL. HQ - AIRCRAFT INSURANCE		B 43 (d)				18 -19
7403	6	--	EXPENSE WITH NATL. HQ - VEHICLE INSURANCE		B or C 43 (d)				18 -19
7404	6	--	EXPENSE WITH NATL. HQ - OTHER		B, C, or D 43 (e) (5)				18 -19
7420	6	--	EXPENDITURE WITH REGIONS & WINGS	16					17 - 18
7430	6	--	EXPENDITURE WITH CAP UNITS BELOW	16					17 - 18
7440	9	--	BAD DEBT EXPENSE		C 43 (e) (2)				
7445	8	--	PUBLIC RELATIONS & PUBLICITY		C 43 (e) (3)				
7450	9	--	TAXES - OTHER		C 43 (e) (4)				
7490	0	--	MISCELLANEOUS		A 43 (e) (5)				
7490	7	--	MISCELLANEOUS - FUNDRAISING	9b or D 43 (e) (5)	9b or D 43 (e) (5)				17
7490	8	--	MISCELLANEOUS - MARKETING		C 43 (e) (5)				
7490	9	--	MISCELLANEOUS - GENERAL		C 43 (e) (5)				
9910	9	--	LOBBYING EXPENSE		C 43 (e) (5)				23
9960	9	--	UNRELATED BUSINESS INCOME EXPENSES		C 43 (e) (5)				21

**FORM 990 & SCHEDULE "A" REFERENCE TO
SCHEDULES & CATEGORIES**

Form **990**

Return of Organization Exempt From Income Tax

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation), section 527, or section 4947(a)(1) nonexempt charitable trust

OMB No.

2002

Open to Public Inspection

Department of Internal Revenue **2002**

The organization may have to use a copy of this return to satisfy state reporting requirements.

A For the 2002 calendar year, or tax year period beginning 2002 and ending 20

B Check if applicable: Change of address Change of name Initial return Final return Amended return

Please use IRS label or print or type. See Specific Instructions.

C Name of organization **24**

Number and street (or P.O. box if mail is not delivered to street address) Room/suite

City or town, state or country, and ZIP code

D Employer identification number

E Telephone number

F Check if application pending

G Organization type (check only one) 501(c) () (insert no.) 527 or 4947(a)(1)

• Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

J Accounting method: Cash Accrual Other (specify) ▶

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

Note: H and I are not applicable to section 527 orgs.

H(a) Is this a group return for affiliates? Yes No

H(b) If "Yes," enter number of affiliates ▶

H(c) Are all affiliates included? Yes No (If "No," attach a list. See inst.)

H(d) Is this a separate return filed by an organization covered by a group ruling? Yes No

I Enter 4-digit group exemption no. (GEN) ▶

L Check this box if the organization is not required to attach Schedule B (Form 990 or 990-EZ) ▶

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Specific Instructions on page 16.)

Revenue	1 Contributions, gifts, grants, and similar amounts received:			
	a Direct public support	1a		
	b Indirect public support	1b		
	c Government contributions (grants)	1c		
	d Total (add lines 1a through 1c) (cash \$ _____ noncash \$ _____)	1d		24 & 30
	2 Program service revenue including government fees and contracts (from Part VII, line 93)	2		
	3 Membership dues and assessments	3		
	4 Interest on savings and temporary cash investments	4		
	5 Dividends and interest from securities	5		
	6a Gross rents	6a		
	b Less: rental expenses	6b		
	c Net rental income or (loss) (subtract line 6b from line 6a)	6c		
7 Other investment income (describe ▶)	7			
8a Gross amount from sales of assets other than inventory	(A) Securities	8a		
	(B) Other	8b		
	Less: cost or other basis and sales expenses	8c		
	d Net gain or (loss) (combine line 8c, columns (A) and (B))	8d		31
9 Special events and activities (attach schedule)	a Gross revenue (not including \$ _____ of contributions reported on line 1a)	9a		
	b Less: direct expenses other than fundraising expenses	9b		
	c Net income or (loss) from special events (subtract line 9b from line 9a)	9c		24 & 32
10a Gross sales of inventory, less returns and allowances		10a		
	b Less: cost of goods sold	10b		
	c Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	10c		33
11 Other revenue (from Part VII, line 103)	11			
12 Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	12			
Expenses	13 Program services (from line 44, column (B))	13		
	14 Management and general (from line 44, column (C))	14		
	15 Fundraising (from line 44, column (D))	15		
	16 Payments to affiliates (attach schedule)	16		
	17 Total expenses (add lines 16 and 44, column (A))	17		24 & 34
Net Assets	18 Excess or (deficit) for the year (subtract line 17 from line 12)	18		
	19 Net assets or fund balances at beginning of year (from line 73, column (A))	19		
	20 Other changes in net assets or fund balances (attach explanation)	20		
	21 Net assets or fund balances at end of year (combine lines 18, 19, and 20)	21		24 & 35

For Paperwork Reduction Act Notice, see page 1 of the separate instructions.

Cat. No. 11282Y

Form 990 (2000)

Part II Statement of Functional Expenses

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others. (See Specific Instructions on page 20.)

<i>Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.</i>		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) (cash \$ _____ noncash \$ _____)	36			
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc.				
26	Other salaries and wages	25			
27	Pension plan contributions				
28	Other employee benefits				
29	Payroll taxes				
30	Professional fundraising fees				
31	Accounting fees				
32	Legal fees				
33	Supplies				
34	Telephone				
35	Postage and shipping				
36	Occupancy				
37	Equipment rental and maintenance				
38	Printing and publications				
39	Travel	25			
40	Conferences, conventions, and meetings				
41	Interest				
42	Depreciation, depletion, etc. (attach schedule)				
43	Other expenses (itemize): a				
b a. Cadet Activities				
c b. Senior Activities				
d c. Mission Expense				
e d. Insurance	25 & 37			
44	Total functional expenses completing columns (B) through (D) \$				

Reporting of Joint Costs. Did you report in column (B) (Program services) any joint costs from a combined educational campaign and fundraising solicitation? Yes No
 If "Yes," enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____

Part III Statement of Program Service Accomplishments (See Specific Instructions on page 23.)

What is the organization's primary exempt purpose? ▶	Program Service Expenses (Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts; but optional for others.)
a Emergency Services (Grants and allocations \$ _____)	25
b Aerospace Education (Grants and allocations \$ _____)	25
c Cadet Programs (Grants and allocations \$ _____)	25
d (Grants and allocations \$ _____)	
e Other program services (attach schedule) (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	

Part IV Balance Sheets (See Specific Instructions on page 23.)

26

		(A)	(B)	
		Beginning of year	End of year	
Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.				
Assets	45 Cash—non-interest-bearing		45	
	46 Savings and temporary cash investments		46	
	47a Accounts receivable	47a	47c	
	b Less: allowance for doubtful accounts	47b		
	48a Pledges receivable	48a	48c	
	b Less: allowance for doubtful accounts	48b		
	49 Grants receivable		49	
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
	51a Other notes and loans receivable (attach schedule)	51a	51c	
	b Less: allowance for doubtful accounts	51b		
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	
	54 Investments—securities (attach schedule) <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54	38
	55a Investments—land, buildings, and equipment: basis	55a	55c	39
	b Less: accumulated depreciation (attach schedule)	55b		
56 Investments—other (attach schedule)		56		
57a Land, buildings, and equipment: basis	57a	57c	40	
b Less: accumulated depreciation (attach schedule)	57b			
58 Other assets (describe _____)		58	41	
59 Total assets (add lines 45 through 58) (must equal line 74)			59	
Liabilities	60 Accounts payable and accrued expenses		60	
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	42
	b Mortgages and other notes payable (attach schedule)		64b	
	65 Other liabilities (describe _____)		65	43
66 Total liabilities (add lines 60 through 65)			66	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted		67	
	68 Temporarily restricted		68	
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
73 Total net assets or fund balances (add lines 67 through 69 OR lines 70 through 72; column (A) must equal line 19 and column (B) must equal line 21)			73	
74 Total liabilities and net assets / fund balances (add lines 66 and 73)			74	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Appendix "C"

Form 990		2002	26	Page 5		
Part V Other Information (See Specific Instructions on page 26.)				N/A	Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity			76		
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes.			77		
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?			78a		
b	If "Yes," has it filed a tax return on Form 990-T for this year?			78b		
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement			79		
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?			80a		
b	If "Yes," enter the name of the organization ▶ and check whether it is <input type="checkbox"/> exempt OR <input type="checkbox"/> nonexempt.					
81a	Enter the amount of political expenditures, direct or indirect, as described in the instructions for line 81.			81a		
b	Did the organization file Form 1120-POL for this year?			81b		
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?			82a		
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions for reporting in Part III.)			82b		
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?			83a		
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?			83b		
84a	Did the organization solicit any contributions or gifts that were not tax deductible?			84a		
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?			84b		
85	501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members?			85a		
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year.			85b		
c	Dues, assessments, and similar amounts from members			85c		
d	Section 162(e) lobbying and political expenditures			85d		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices			85e		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)			85f		
g	Does the organization elect to pay the section 6033(e) tax on the amount in 85f?			85g		
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount in 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?			85h		
86	501(c)(7) orgs. Enter: a Initiation fees and capital contributions included on line 12			86a		
b	Gross receipts, included on line 12, for public use of club facilities			86b		
87	501(c)(12) orgs. Enter: a Gross income from members or shareholders			87a		
b	Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.)			87b		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX			88		
89a	501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 ▶ ; section 4912 ▶ ; section 4955 ▶					
b	501(c)(3) and 501(c)(4) orgs. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction.			89b		
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. ▶					
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization. ▶					
90a	List the states with which a copy of this return is filed ▶					
b	Number of employees employed in the pay period that includes March 12, 2000 (See inst.)			90b		
91	The books are in care of ▶ Telephone no. ▶ (.) Located at ▶ ZIP code ▶					
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041—Check here ▶ <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year ▶ 92					

Part VII Analysis of Income-Producing Activities (See Specific Instructions on page 30.)

Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a Cadet Activities					
b Senior Activities					
c Flight Activities					
d Other Program Activities		27			
e From Nat'l HQ					
f Blank					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments					
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events		27			
102 Gross profit or (loss) from fundraising events					
103 Other revenue:					
a Unrelated Business Income					
b Salvage Proceeds					
c Other Income					
d From Nat'l HQ - HSIP					
e Blank					
104 Subtotal (add columns (B), (D), and (E))					
105 Total (add line 104, columns (B), (D), and (E))					

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See Specific Instructions on page 31.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See Specific Instructions on page 31.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See Specific Instructions on page 31.)

- (a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
 - (b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

Please Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge. (Important: See General Instruction W, on page 14.)

Signature of officer _____ Date _____ Type or print name and title _____

Paid Preparer's Use Only Preparer's signature _____ Date _____ Check if self-employed Preparer's SSN or PTIN _____
 Firm's name (or yours if self-employed) and address, and ZIP code _____ EIN _____ Phone no. () _____

Part III Statements About Activities

Yes No

1	During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ _____ Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.	1		
2	During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:			
a	Sale, exchange, or leasing of property?	2a		
b	Lending of money or other extension of credit?	2b		
c	Furnishing of goods, services, or facilities?	2c		
d	Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d		
e	Transfer of any part of its income or assets? If the answer to any question is "Yes," attach a detailed statement explaining the transactions.	2e		
3	Does the organization make grants for scholarships, fellowships, student loans, etc.?	3		
4a	Do you have a section 403(b) annuity plan for your employees?	4a		
b	Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See page 2 of the instructions.)			

Part IV Reason for Non-Private Foundation Status (See pages 2 through 5 of the instructions.)

The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5** A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6** A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 5.)
- 7** A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8** A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9** A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). **Enter the hospital's name, city, and state ▶**
- 10** An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a** An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b** A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12** An organization that normally receives: **(1) more than 33 1/3%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and **(2) no more than 33 1/3%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13** An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: **(1)** lines 5 through 12 above; or **(2)** section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14** An organization organized and operated to test for public safety. Section 509(a)(4). (See page 5 of the instructions.)

Part VI-A Lobbying Expenditures by Electing Public Charities (See page 7 of the instructions.)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

Check here **a** if the organization belongs to an affiliated group.
 Check here **b** if you checked "a" above and "limited control" provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term "expenditures" means amounts paid or incurred.)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39).	40	
41	Lobbying nontaxable amount. Enter the amount from the following table—		
	If the amount on line 40 is— The lobbying nontaxable amount is—		
	Not over \$500,000 20% of the amount on line 40.		
	Over \$500,000 but not over \$1,000,000 . . . \$100,000 plus 15% of the excess over \$500,000		
	Over \$1,000,000 but not over \$1,500,000 . . \$175,000 plus 10% of the excess over \$1,000,000		
	Over \$1,500,000 but not over \$17,000,000 . \$225,000 plus 5% of the excess over \$1,500,000	41	
	Over \$17,000,000 \$1,000,000		
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.
 See the instructions for lines 45 through 50 on page 9 of the instructions.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2000	(b) 1999	(c) 1998	(d) 1997	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e)).					
47 Total lobbying expenditures					
48 Grassroots nontaxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities
 (For reporting only by organizations that did not complete Part VI-A) (See page 9 of the instructions.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h .)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (add lines c through h).			

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

SPECIFIC INSTRUCTIONS
FORM 990

SPECIFIC INSTRUCTIONS - FORM 990

General Questions

1. Question A: October 1, 2002; September 30, 2003
2. Question C: Region or wing name and address
3. Question D: Region or wing EIN

Part I: Revenue, Expenses, and Changes in Net Assets or Fund Balances

Line 1 Contributions: Received from donors who *do not* expect any direct, material benefits in return.

Line 1a Direct Public Support: Include contributions received directly from individuals, trusts, corporations, estates, foundations, public charities, and other exempt organizations that are not fundraising organizations or affiliates of CAP. Also included is income from fundraising events and grants from *nongovernmental* entities to enable the region or wing to carry on program activities (aerospace ed., cadet activities, and emergency svc.).

Line 1b Indirect Public Support: Include any contributions from fundraising campaigns conducted by another corporation and any contributions from National Headquarters.

Line 1c Government Contributions (grants): Include any contributions from state and local governments, the United States Air Force or the U.S. Dept. of Defense to carry out the exempt purposes of Civil Air Patrol. For account numbers 3200 0 through 3215 9 please do not include any amounts that are a part of an exchange transaction.

Line 9b Special Events and Activities – Less: Direct Expenses: Enter the amount of any direct expenses (cost of goods sold) for fundraising activities. Report any indirect expenses (expenses associated with obtaining contributions) for fundraising in Part II in Column D.

Line 16 Payments to Affiliates: All transactions with other regions, wings, and units below wing level (but not with the National Headquarters) must be eliminated upon preparation of the group return. The headquarters need a way to capture this information on the Form 990 whereby all receivables, payables, and items of revenue and expense with those organizations are collectively identified in the four categories of receivable, payable, revenue, and expense. In an effort to capture this information, we ask that you present all revenue received from and expenses with other regions, wings, and units below wing level on line 16. Complete and attach **schedules** summarizing those revenues and expenses. (See [p. 34](#) for schedule) In addition, a schedule has been developed to summarize all balance sheet accounts with the region, wings, and units below. Please complete this **schedule**, also, and attach it to the Form 990. (See [p. 44](#) for schedule)

Line 20 Other Changes in Net Assets or Fund Balances: Enter an amount here for any change in net assets or fund balances for the period and as reported on the statement of activities. Changes are generally limited to:

- a. Adjustments of earlier years' activities
- b. Unrealized gains and losses on investments carried at market value

You must attach an **explanation** of any amounts entered on this line. (See [p. 35](#) for a sample schedule)

Part II: Statement of Functional Expenses

Lines 26, 28, 29, 31, and 33: Allocate any amounts entered on these lines to program services, (column B), management and general (column C), or fundraising (column D).

Line 40 *Conferences, conventions, and Meetings:* Enter amounts paid for registration and associated fees for attending conferences, meeting and conventions. Also include any fees associated with the above if they are connected with the corporations tax-exempt purposes (e.g., speaker fees and related expenses, printed materials, and the cost of renting facilities).

Line 43 *Other Expenses:* This category is for expenses not listed above. Allocate any amounts listed to the appropriate function. Program service expenses are listed in column B, management and general in column C, and fundraising in column D. For conformity, the corporation has categorized other expenses as follows:

Line 43a *Cadet Activities:* Enter any expenses for cadet activities.

Line 43b *Senior Activities:* Enter any expenses for senior activities.

Line 43c *Mission Expense:* Enter any expenses for missions

Line 43d *Insurance:* Enter the amount of any expenses for insurance payments.

Line 43e *Other:* This category includes all other expenses not included in lines 43a through 43d. These expenses will be categorized on an attached **schedule** (See p. 37 for schedule) as follows:

1. awards
2. bad debts
3. public relations & publicity
4. taxes - other
5. miscellaneous

Part III: Statement of Program Service Accomplishments

The three programs (missions) of Civil Air Patrol should be listed in this part. The total of all program expenses listed on line 44, column B of Part II must be allocated to the three programs as listed below:

- a. **Emergency Services:** This includes expenses for activities directly related to emergency search and rescue and counter drug activity.
- b. **Aerospace Education:** This includes all expenses directly related to aerospace education, such as educational seminars and conferences, educational materials and supplies, and training not directly related to emergency services or cadet activities.
- c. **Cadet Programs:** This includes all expenses directly related to the cadet program and its activities.
- d. Blank
- e. Skip
- f. Total of Programs Service Expenses: Add lines a, b, c and enter total here. *This amount should be equal to line 44, column B.*

Part IV: Balance Sheets

Complete column B, “End of year” only.

Line 45 Cash - Non-Interest Bearing: Enter the total of end-of-year balances for any non-interest bearing accounts.

Line 46 Savings and Temporary Cash Investments: Enter the total of end-of-year balances for any interest bearing checking accounts. Include any balances for money market funds, commercial paper, certificates of deposit, and treasury bills or other governmental obligations maturing in less than one year.

Line 47a Accounts Receivable: Enter the amount for any receivables related to the sale of goods or services. Also include any insignificant claims against vendors or refundable deposits with suppliers.

Line 47b Less: Allowances for Doubtful Accounts: Enter the amount accrued for losses from uncollectible receivables if a loss is probable and the amount of loss can be reasonably estimated.

Line 47c Total: Subtract line 47b from 47a and enter total here.

Line 48a Pledges Receivable: Enter the total of any amounts of pledges (promises to make a contribution).

Line 48b Less: Allowance for Doubtful Accounts: Enter the amount accrued for probable uncollectible pledges.

Line 48c Total: Subtract line 48b from line 48a and enter total here.

Part IV – A: Reconciliation of Revenue per Audited Financial Statements with Revenue per Return

Please complete this section to ensure that revenue as reported on the Form 990 reconciles to revenue presented in audited financial statements.

Part IV – B: Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

Please complete this section to ensure that expenses as reported on the Form 990 reconciles to expenses presented in audited financial statements.

Part VI: Other Information

Please answer questions 76 and 78 through 84.

Part VII: Analysis of Income-Producing Activities

Line 93 Program Service Revenue: The corporation would like this section categorized as follows for conformity. Allocate any program service revenue produced to the categories listed. *The total amount of program service revenue entered here should be equal to line 2 of Part I.* Enter amounts in column C. When listing revenue from the National Headquarters (e) and Fees and Contracts from Government Agencies (g) be sure to ask yourself the question: **Is this actually program revenue or is it a contribution?** If it is a contribution it should be presented in Part I, line 1 of the return. If it is program service revenue, present it here.

- a. Senior Activities:
- b. Cadet Activities:
- c. Flight Activities:
- d. From National HQ:
- e. Other Program Activities:
- f. **Blank**
- g. Fees and Contracts From Government Agencies:

Line 101 Net Income or (Loss) From Special Events: Enter the net amount of any income (loss) from special events in column D, with a corresponding exclusion code of “01” in column C. *This amount should be the same as that entered on line 9c of Part I.*

Line 102 Gross Profit or (Loss) From Sales of Inventory: Enter the gross amount of any income or (loss) from the sale of inventory sold primarily for the convenience of the organization’s members or employees in column D, with an exclusion code of 3 in column C. Enter the gross amount of income or (loss) from the sale of inventory items directly related to the corporation’s exempt function in column E. *The amount on line 102 should agree with the amount on line 10a of Part I.*

Unrelated Business Income: Revenue from activities that are related to the corporation’s related or exempt functions are reported in Column E. Revenue received from an unrelated trade or business activity is classified as unrelated business income (UBI). An activity is classified as UBI and listed in column B, with a corresponding business code listed in column A, when it is:

1. a trade or business activity
2. regularly carried on, and
3. unrelated to the corporation’s exempt purpose, other than its need for funds to carry out that purpose.

There are certain classes of UBI that may still escape the “unrelated business income” classification based on statutory exclusions. To the extent such revenue qualifies for exclusion, it is typically listed in column D, with a corresponding statutory exclusion code listed in column C. If the revenue is from an activity that is substantially related (85% related) to the corporation's exempt function, report it in column E as related or exempt function income. *It is normally preferable to qualify the revenue listed in this part as exempt function income, if possible, rather than as income subject to a statutory exclusion from UBI.*

Tables listing the various business codes for column A and the exclusion codes for column C are included in the instruction booklet for the Form 990. Please refer to them if you feel you have income that qualifies as UBI or income that would qualify as UBI except for a specific statutory exclusion. **You must complete an IRS Tax Return Form 990T if you report any amount of UBI. Send the completed Form 990T to D. Clynton Hart, CPA, Wilson, Price, Barranco, Blankenship & Billingsley, P.C., 3815 Interstate Court, Montgomery, AL 36109-5220**

Part VIII: Relationship of Activities to the Accomplishment of Exempt Purposes

Please answer the questions in this section in the space provided.

**SPECIFIC INSTRUCTIONS
SCHEDULE "A" (FORM 990)**

SPECIFIC INSTRUCTIONS - SCHEDULE A (FORM 990)

PARTS I AND II:

These two parts are self-explanatory. Typically, regions and wings will have no input for these two parts. Write “N/A” if the section does not apply.

PART III:

Answer all questions in this part. If the answer to question 3 is yes, attach a statement as requested in question 4.

PART VI – A:

Please answer questions 36 through 44, column B.

PART VII:

Answer questions 51 a through d.

SUPPORTING SCHEDULES

Appendix "C"

CIVIL AIR PATROL
CONTRIBUTIONS, GIFTS, AND GRANTS
FORM 990, PART I, LINE 1d
September 30, 2003

Name	Address	Amount	Date if Noncash
USAF			
National Headquarters			
Contributions Under \$5,000			
Contributions Over \$5,000 (List Each Separately)			
	Total	_____	

Appendix "C"

CIVIL AIR PATROL
GAINS OR (LOSS) ON SALE OF ASSETS OTHER THAN INVENTORY
FORM 990, PART I, LINE 8c
September 30, 2003

<u>Unit</u>	<u>Description</u>	<u>Date Acquired</u>	<u>How Acquired</u>	<u>Date Sold</u>	<u>To Whom Sold</u>	<u>Gross Sales Price</u>	<u>Cost Basis</u>	A. Securities <u>Expense of Sale</u>	<u>Gain or (Loss)</u>	
						_____	_____		_____	
								B. Other <u>Expense of Sale</u>	<u>Accumulated Depreciation</u>	<u>Gain or (Loss)</u>
						_____	_____			_____

Appendix "C"

CIVIL AIR PATROL
SPECIAL EVENTS AND
ACTIVITIES
FORM 990, PART I, LINE 9
September 30, 2003

<u>Describe Event</u>	<u>Gross Receipts</u>	<u>Less: Contributions</u>	<u>Gross Revenue</u>	<u>Less: Direct Expenses</u>	<u>Net Income or (Loss)</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Appendix "C"

PAYMENTS TO AFFILIATES
FORM 990, PART I, LINE 16
September 30, 2003

<u>Name of Affiliate</u>	<u>Amount of Revenue w/Other Regions/Wings</u>	<u>Amount of Revenue w/Units Below Wing</u>	<u>Amount of Payments w/Other Regions/Wings</u>	<u>Amount of Payments w/Units Below Wing</u>	<u>Purpose</u>
Totals	_____	_____	_____	_____	

Appendix "C"

CIVIL AIR PATROL
EXPLANATION TO CHANGE IN NET ASSETS
FORM 990, PART I, LINE 20
September 30, 2003

<u>Explanation</u>	<u>Amount of Change</u>
Line 20 - Other changes in net assets	<u> </u>

Appendix "C"

CIVIL AIR PATROL
GRANTS AND ALLOCATIONS
FORM 990, PART II, LINE 22
September 30, 2003

Description

Amount

Appendix "C"

CIVIL AIR PATROL
OTHER FUNCTIONAL EXPENSES
FORM 990, PART II, LINE 43e
September 30, 2003

	(A)	(B)	(C)	(D)
<u>Expenses</u>	<u>Total</u>	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>
awards				
bad debts				
public relations & publicity				
taxes - other				
miscellaneous				
Total	<hr/>	<hr/>	<hr/>	<hr/>

Appendix "C"

CIVIL AIR PATROL
INVESTMENTS - SECURITIES
FORM 990, PART IV, LINE 54
September 30, 2003

<u>Unit</u>	<u>Description</u>	<u>Basis</u>
		<hr/>

Appendix "C"

CIVIL AIR PATROL
INVESTMENTS - OTHER
FORM 990, PART IV, LINE 56
September 30, 2003

<u>Unit</u>	<u>Description</u>	<u>Basis</u>
		<hr/>

Appendix "C"

CIVIL AIR PATROL
SCHEDULE OF FIXED ASSETS AND DEPRECIATION
FORM 990, PART II, LINE 42 & PART IV, LINE 57
September 30, 2003

<u>Fixed Asset</u>	<u>Basis</u>	<u>Depreciation Expense</u>	<u>Accum Depr 30-Sep-01</u>	<u>Book Value 30-Sep-01</u>
Land				
Building and improvements				
Aircraft improvements				
Computers				
Vehicles				
Office furniture and equipment				
Communication equipment				
Other equipment				
Total				

Appendix "C"

CIVIL AIR PATROL
SCHEDULE OF OTHER ASSETS
FORM 990, PART IV, LINE 58
September 30, 2003

Description

Amount

Total

Appendix "C"

CIVIL AIR PATROL
MORTGAGES AND OTHER NOTES PAYABLE
FORM 990, PART IV, LINE 64B
September 30, 2003

<u>Unit</u>	<u>Lenders Name</u>	<u>Original Amount</u>	<u>Balance Due</u>	<u>Date of Note</u>	<u>Maturity Date</u>
		<hr/>	<hr/>		

Appendix "C"

CIVIL AIR PATROL
SCHEDULE OF OTHER
LIABILITIES
FORM 990, PART IV, LINE 65
September 30, 2003

Description

Amount

Total

Appendix "C"

CIVIL AIR PATROL
SUMMARY OF BALANCE SHEET ACCOUNTS (OTHER REGIONS/WINGS & UNITS BELOW)
ADDITIONAL SCHEDULE
September 30, 2003

ASSETS				AMOUNT
1220	6	--	ACCOUNTS RECEIVABLE - REGIONS & WINGS	_____
1232	6	--	ACCOUNTS RECEIVABLE - UNITS BELOW	_____
1402	6	--	PREPAID EXPENSE - REGIONS & WINGS	_____
1403	6	--	PREPAID EXPENSE - UNITS BELOW	_____
LIABILITIES				
2040	6	--	ACCOUNTS PAYABLE - REGIONS & WINGS	_____
2045	6	--	ACCOUNTS PAYABLE - UNITS BELOW	_____
2502	6	--	DEFERRED REVENUE - REGIONS & WINGS	_____
2503	6	--	DEFERRED REVENUE - UNITS BELOW	_____

ADDITIONAL FORMS

CIVIL AIR PATROL
AUTHORIZATION TO INCLUDE CAP REGION
IN GROUP TAX RETURN
FOR THE PERIOD ENDED 30 September 2003

Region: _____

Federal ID No.: _____

Year Ending: _____

The above referenced region headquarters hereby authorizes the National Headquarters of Civil Air Patrol, Inc. to include it in the FY03 group return (Form 990) filed for affiliates of Civil Air Patrol, Inc. In accordance with Reg. 1.6033-2(d)(2)(i), the region *Form 990, Schedule A (Form 990)*, and all *supporting schedules* are attached to and made a part of this authorization.

I, _____, the undersigned commander of _____ Region, hereby declare under penalties of perjury that this authorization (including any accompanying forms and schedules) has been examined by me and to the best of my knowledge and belief is true, correct, and complete and made in good faith.

Signature: Region Commander

Date: _____

Note: Please return this completed form, with the Form 990, Schedule A (Form 990), and all supporting schedules, no later than 31 December 2003 to:

The [Region WFA](#) responsible for your audit. Please see [Appendix A, Page 11 - 13](#) (*List of Important Contacts*) for a complete listing of [WFAs](#) and their contact information.

**CIVIL AIR PATROL
AUTHORIZATION TO INCLUDE CAP WING AND SUBORDINATE
UNITS OF THE WING
IN GROUP TAX RETURN
FOR THE PERIOD ENDED 30 September 2003**

Wing: _____

Federal ID No.: _____

Year Ending: _____

The above referenced wing headquarters hereby authorizes the National Headquarters of Civil Air Patrol, Inc. to include it, and all subordinate units below it, in the FY03 group return (Form 990) filed for affiliates of Civil Air Patrol, Inc. In accordance with Reg. 1.6033-2(d)(2)(i), the following forms and schedules are attached to and made a part of this authorization.

1. Form 990 and all supporting schedules
2. Schedule A (Form 990) and all supporting schedules
3. CAP Form 173-2c
4. Form listing all units below wing included in or excluded from the group return

I, _____, the undersigned commander of _____ Wing, hereby declare under penalties of perjury that this authorization (including any accompanying forms and schedules) has been examined by me and to the best of my knowledge and belief is true, correct, and complete and made in good faith.

Signature: Wing Commander

Date: _____

Note: Please return this completed form, with the Form 990, Schedule A (Form 990), and all supporting schedules, no later than 31 December 2003 to:

The [Region WFA](#) responsible for your audit. Please see [Appendix A, Page 11 - 13](#) (*List of Important Contacts*) for a complete listing of [WFAs](#) and their contact information.

Appendix "C"

**UNITS BELOW WING LEVEL INCLUDED IN OR EXCLUDED FROM THE GROUP RETURN
FOR THE PERIOD ENDED 30 September 2003**

Wing: _____
 Federal ID No.: _____
 Year Ending: _____

A total of _____ units below wing level are included in this CAP Form 173-2c and therefore, in the group return (Form 990). The units below wing level included in this group return are:

<u>Unit Name</u>	<u>Address</u>	<u>Fed. ID No.</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

The following units below wing level (totaling _____) are not included in the group return.

<u>Unit Name</u>	<u>Address</u>	<u>Fed. ID No.</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Note: Please return this completed form, with the CAP Form 173-2c, Form 990, Schedule A (Form 990), supporting schedules, and form letter authorizing wing and subordinate units inclusion in group return, not later than 31 December 2003 to:

The [Region WFA](#) responsible for your audit. Please see Appendix A, Page 11 - 13 (*List of Important Contacts*) for a complete listing of [WFAs](#) and their contact information.

Appendix “C”

Civil Air Patrol
Wing Consolidation of
Financial Records For
Units Below Wing Level

Year: _____

Name of Wing: _____

Address: _____

CIVIL AIR PATROL

WFOHS

CHARTER NUMBER

ACCT	ACCT TITLE	UNRELATED BUSINESS INCOME	EXCLUDED INCOME	RELATED OR EXEMPT FUNCTION INCOME
3000	MEMBERSHIP DUES	XXX		
3110	CONTRIBUTIONS	XXX		
3190	GOV'T CONTRIBUTIONS	XXX		
3200	GOV'T APPROP-PROGRAMS	XXX		
3205	GOV'T APPROP-GENERAL	XXX		
3235	REC. FROM NATIONAL HQ	XXX		
3280	REC. FROM OTHER CAP ENTITIES	XXX		
3400	SENIOR ACTIVITIES	XXX		
3425	CADET ACTIVITIES	XXX		
3450	FLIGHT ACTIVITIES	XXX		
3500	INVESTMENT INC-SAVINGS & TEMP	XXX		
3610	OTHER RECEIPTS	XXX		
4000	MATERIALS & SUPPLIES SALES	XXX		
4400	INSURANCE COLLECTED	XXX		
4600	FUND RAISING/ SPECIAL EVENTS	XXX		
4820	SALVAGE PROCEEDS	XXX		
4900	UNRELATED BUSINESS INC	XXX		
	TOTALS			
	TOTAL RECEIPTS			\$

		EXPENSES				
		EMERGENCY SERVICES	AEROSPACE EDUCATION	CADET ACTIVITIES	MANAGEMENT & GENERAL	FUND RAISING
5000	GRANTS & ALLOCATIONS					
5100	SALARIES	XXX			XXX	XXX
5315	WORKERS' COMP INSURANCE					
5400	PAYROLL TAXES					
5500	FUND-RAISING FEES		XXX	XXX	XXX	
5525	FUND-RAISING ACTIVITIES	XXX				
5555	ACCOUNTING SERVICES					
5575	LEGAL SERVICES					
5600	OFFICE SUPPLIES					
5630	MATERIALS AND SUPPLIES					
5635	MATERIALS AND SUPPLIES-COGS					
5700	TELEPHONE					
5800	POSTAGE AND SHIPPING					
5920	FACILITY EXPENDITURES					
6005	AIRCRAFT OPERATIONS & MAINT.					
6040	VEHICLE OPERATIONS & MAINT.					
6055	COMMUNICATION OPS. & MAINT.					
6060	OTHER EQUIP OPS. & MAINT.					
6110	PRINTING & PUBLICATIONS					
6200	TRAVEL					
6350	CONFERENCES & MEETINGS					
6410	INTEREST EXPENSE					
6760	CADET ACTIVITIES	XXX	XXX		XXX	XXX
6770	SENIOR ACTIVITIES	XXX		XXX	XXX	XXX
6825	MISSION EXPENDITURES					
6950	INSURANCE - VENDORS					
7300	AWARDS					
7400	BOOKSTORE PURCH. MATS. & SUP.					
7401	DEPOT PURCH. MATS & SUPS.					
7404	PAYMENTS TO NATL HQ					
7420	EXP. TO OTHER CAP ENTITIES					
7445	PUBLIC RELATIONS & PUBLICITY					

7450	TAXES - OTHER							
7490	MISCELLANEOUS							
7491	NOTE PAYMENTS							
7492	REAL PROPERTY PURCHASED							
7493	AIRCRAFT IMPS. PURCHASED							
7494	VEHICLES PURCHASED							
7495	COMM. EQUIPMENT PURCHASED							
7496	OTHER EQUIP & FURNITURE PURCH.							
9910	LOBBYING EXPENDITURES							
9960	UNRELATED BUSINESS INC/EXP							
	TOTALS							\$
	TOTAL EXPENDITURES							\$
	SUMMARY							
	CASH IN BANK, SEPT 30,							
	PLUS: TOTAL RECEIPTS							
	MINUS: TOTAL EXPENDITURES							
	CASH IN BANK, SEPT 30,							

Key Terms & Definitions

Unrelated Business Income - Income earned from activities which are not substantially related to the exercise or performance by the organization of its exempt purpose.

Excluded Income - Income from activities that do not further the charitable purposes (i.e., Emergency Services, Aerospace Education, Cadet Activities) of the Corporation (other than by providing funds for such purposes) and the income from which would be taxable as unrelated business income but for specific provisions in the Code that render such income nontaxable.

Related or Exempt Income - Income from activities which "contribute importantly" to the accomplishment of the organization's exempt purposes.

Emergency Services - Expenses for activities directly related to emergency search and rescue, and counterdrug activities.

Aerospace Education - Expenses directly related to aerospace education, such as educational seminars and conferences, educational materials and supplies, and training not directly related to emergency services or cadet activities.

Cadet Activities - Expenses directly related to the cadet program and its activities.

Management and General - Expenses for overall function and management, rather than expenses directly related to fund-raising activities or program services.

Fund Raising - Expenses incurred in soliciting contributions, gifts, grants, etc.