

**CIVIL AIR PATROL
HAWAII WING HEADQUARTERS**

FINANCIAL STATEMENTS

Year Ended September 30, 2002

AND INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

**To the Finance Committee of the
Hawaii Wing Headquarters, Civil Air Patrol**

I have audited the accompanying statement of financial position of Hawaii Wing Headquarters, Civil Air Patrol as of September 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hawaii Wing Headquarters, Civil Air Patrol as of September 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

December 19, 2002



Dennis H. Ikawa
Certified Public Accountant

Hawaii Wing, Civil Air Patrol
Financial Position
September 30, 2002

ASSETS

	<u>Total All Funds</u>
Cash in bank	\$4,762
Accounts and grants receivable, net of allowance for doubtful accounts of \$0	14,719
Furniture and equipment, net of accumulated depreciation of \$22344	<u>69,615</u>
Total assets	<u><u>\$89,096</u></u>

LIABILITIES

Total liabilities	<u>19,017</u>
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NET ASSETS

Fund balances: Unrestricted	<u>70,079</u>
Total net assets	<u>70,079</u>
Total liabilities and net assets	<u><u>89,096</u></u>

See accompanying notes to financial statements.

Hawaii Wing, Civil Air Patrol
Statement of Support, Revenue, and Expenses and Changes in Fund Balances
Year Ended September 30, 2002

	Current Funds		Total All Funds
	Unrestricted	Restricted	
Revenues and Other Support:			
Government appropriations and grants	\$22,255	\$0	\$22,255
Revenue from CAP organizations	50,478	0	50,478
Other program revenue	35,772	0	35,772
Membership dues	3,250	0	3,250
Contributions	148,654	0	148,654
Contributions from CAP organizations	0	0	0
Other program revenue	9,593	0	9,593
Total revenues and other support	270,002	0	270,002
Expenses:			
Program services-			
Emergency services	267,537	0	267,537
Cadet Program	28,380	0	28,380
Supporting services -			
Management and general	27,786	0	27,786
Total expenses	323,703	0	323,703
Excess (deficit) of revenues and support over expenses	(53,701)	0	(53,701)
Fund balances, beginning of year	173,608	0	173,608
Write off of fixed assets	(49,828)	0	(49,828)
Fund balances, end of year	\$70,079	\$0	\$70,079

See accompanying notes to financial statements.

Hawaii Wing, Civil Air Patrol
Statement of Cash flows
Year Ended September 30,2002

Operating Activities	
Change in net assets	(53,701)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,393
Contributed services and noncash contributions for capital assets	0
(Increase) decrease in operating assets:	
Accounts receivable	764
Accounts payable	2,830
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Net assets used by operating activities	(33,714)
Investing Activities	
Purchase of property and equipment	0
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Net assets used by investing activities	0
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Net decrease in cash	(33,714)
Cash balance, beginning of year	38,476
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Cash balance, end of year	<u>\$4,762</u>

Supplemental schedule of non-cash investing activities:

HWCAP received donations of equipment valued at \$0

See accompanying notes to financial statements.

**HAWAII WING HEADQUARTERS, CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30,2002**

NOTE A - NATURE OF ORGANIZATION

The organization was chartered as a private non-profit entity under federal laws on July 01,1946. The organization provides essential services 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The organization adopted 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, temporarily restricted, and permanently restricted. In addition, the organization is required to present a statement of cash flows. The organization has discontinued the use its use of fund accounting and ,accordingly, has reclassified its financial statements to present the three classes of net assets.

Contributions

The organization also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Depreciation

Office furniture and equipment are being depreciated over estimated useful lives of the assets which are five years.

**HAWAII WING HEADQUARTERS, CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30,2002**

Income taxes

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and similar state provisions. The organization is not classified as a private foundation. Income from activities not directly related to HWCAP'S tax exempt purpose is subject to taxation as unrelated business income.

Donated Services

Donated services to HWCAP includes volunteer's time to the various programs and supporting activities. These services have not been reflected in the financial statements since HWCAP will not engage in these services if not provided by donation.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are reported at cost, or if donated, at fair value at the date of donation. All corporate owned aircraft used by the organization are titled to Civil Air Patrol, Inc. and is capitalized in the accounts of National Headquarters of Civil Air Patrol. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Functional Expenses

The costs of providing he 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.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Building Improvements	27,459
Aircraft Improvements	58,900
Communication equipment	<u>5,600</u>
Total Cost	91,959
Accumulated depreciation and amortizatic	<u>(22,344)</u>
	<u>\$69,615</u>

**HAWAII WING HEADQUARTERS, CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30,2002**

NOTE D - 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 transactions types, as detailed below.

During the year ended September 30,2002, HWCAP had the following transactions with affiliates:

Governmental appropriations and grants:	
USAF	\$22,255
Revenue from CAP organizations for:	
From National Headquarters	
Counterdrug Missions	6,073
Major Maintenance	23,857
Other	<u>20,548</u>
	<u>\$72,733</u>

NOTE E - ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable are due from the following:

CAP - National Headquarters	\$ 459
USAF	14,060
Others	<u>200</u>
	<u>\$ 14,719</u>

Receivable of approximately \$ 14,300 have been contractually restricted by the USAF for future aircraft maintenance.

**HAWAII WING HEADQUARTERS, CIVIL AIR PATROL
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30,2002**

NOTE F - CASH AND CASH EQUIVALENTS

Cash has been contractually restricted by the USAF for future aircraft maintenance expenses in the amount of \$4,762.

NOTE G - ACCOUNTS PAYABLE

Accounts payable are due to the following:

Other	<u>\$ 19,017</u>
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NOTE H - LEASE COMMITMENTS

The Organization entered into a lease agreement with the State of Hawaii for a 50 - year term expiring on March 31,2027. The lease provides for no rental fees and may be terminated at any time by the lesser or lessee upon giving 60 days advance written notice.

This lease has not been recognized as an asset in the statement of financial position. HWCAP also uses other premises at no rental cost.

The organization has recognized the fair market rental value of the use of these facilities totaling \$147,000 as contributions and as an offsetting expense for the year.

Hawaii Wing Headquarters, Civil Air Patrol
 Schedule of Functional Expenses
 Year Ended September 30, 2002

Expenditure	Total Expense	Program Services					Supporting Services	
		Emergency Services	Cadet Program	Counter Drug Program	Communication Maintenance	Mgt. & Gen		
Audit Fees	3,000	0	0	0	0	0	3,000	
Other Accounting Services	234	0	0	0	0	0	234	
Office Supplies	2,369	0	0	0	0	0	2,369	
Materials and Supplies	527	119	95	195	0	0	118	
Telephone	4,641	1,764	0	2,877	0	0	0	
Postage	901	310	0	507	0	0	84	
Depreciation	16,609	6,311	0	10,298	0	0	0	
Facility Expense	156,460	54,159	10,116	88,365	0	0	3,820	
Aircraft Operations & Maintenance	97,155	36,175	1,729	59,023	0	0	228	
Vehicle Operations & Maintenance	11,454	3	0	5	0	0	11,446	
Communications	1,208	459	0	749	0	0	0	
Other Equipment Operations	5,775	2,139	0	3,490	0	0	146	
Travel	2,494	0	402	0	0	0	2,092	
Conferences, seminars & meeting	2,830	0	180	0	0	0	2,650	
Cadet Activities	14,778	0	14,778	0	0	0	0	
Senior Activities	0	0	0	0	0	0	0	
Mission expenses	414	146	30	238	0	0	0	
Awards	1,107	0	1,051	0	0	0	56	
Misc	1,747	78	0	126	0	0	1,543	
Totals	323,703	101,664	28,381	165,872	0	0	27,786	

*Dennis H. Ikawa
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Independent Auditor's Report

To the Finance Committee of the
Hawaii Wing Headquarters, Civil Air Patrol

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Aircraft Minor Maintenance is prepared for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I do not express no opinion on it.

December 19,2002



Dennis H. Ikawa
Certified Public Accountant

HAWAII WING CIVIL AIR PATROL
 SCHEDULE OF AIRCRAFT MINOR MAINTENANCE
 YEAR ENDED SEPTEMBER 30, 2002
 (Unaudited)

Aircraft Type	Tail No.	Beginning of Year Maintenance Income	Maintenance Income Earned During the Year	Maintenance Expenditures During the Year	End of Year Maintenance Income
C172	98763	(90)	797	2,715	(2,008)
C172	99881	(413)	922	1,674	(1,165)
C182	1658A	3,338	2,878	5,369	847
C182	5692J	(495)	2,607	1,911	201
C182	73466	(366)	3,594	9,224	(5,996)
C182	8047E	2,011	1,497	1,928	1,580
C182	9303X	(2,673)	13,797	11,161	(37)
C182	9775E	(624)	4,071	3,169	278
C182	9851H	731	2,234	1,939	1,026
P68	N800AT	3,212	2,349	5,212	349
		4,631	34,746	44,302	(4,925)