Financial Management

Lesson objective: After completing this module, students will be able to develop a financial budget, understand and explain the financial regulations, communicate the difference between funding sources, understand financial oversight and responsibilities, and understand the partnerships that help Civil Air Patrol conduct business and missions.

Desired learning outcomes: (DLO):

1. Explain the importance of good financial management practices to CAP.
2. Understand the major points outlined in regulations on payments for mission support (CAPR173-3), fund raising/donations (CAPR-173-4) and IRS 990
3. Discuss the role of the Finance Committee, tools used for financial management, reporting at the region level.
4. Explain how Vanguard funds flow back to CAP members and are utilized.
5. Understand the difference between corporate and appropriated funding.
6. Understand the importance of philanthropy to CAP.

Reading: Student Guide and linked items

Scheduled lesson time: 90 Minutes

Introduction

Effective financial management is paramount to the success and future of CAP. The Civil Air Patrol financial management team at our Squadrons, Wings, Regions, and National Headquarters delivers accurate and reliable financial information in a timely manner to support the strategic missions of CAP. The team relies on strong partnerships between CAP employees, volunteer members, CAP-USAF, and others in order to ensure that funds are managed appropriately, resources are provided for requirements, and effective internal controls are maintained.

1. Explain the importance of good financial management practices to CAP.

First, board members and executive-level employees must set the right tone. The board and organization executives must communicate, both explicitly and implicitly, that behavior inconsistent with the mission of the organization will not be tolerated. In financial matters, the board is responsible for setting an attitude of compliance and respect for procedure. The board, executives and other organization leaders need to make it clear that financial controls and procedures are not obstacles or irrelevant paperwork; rather, they are an important component of making sure the organization stays focused on its goals.

http://anderscpa.com/responsibilities-not-profit-finance-committee

https://www.nonprofitaccountingbasics.org/reporting-operations/finance-committee-committee-chair-responsibilities

You might recall, Civil Air Patrol's (CAP) fiscal year (FY) is 1 October through 30 September. CAP is audited by an external auditing firm each FY. CAP files a consolidated IRS Form 990 for each FY which includes information for all Regions, Wings, Units, and National Headquarters (NHQ). CAP has multiple types of funds which must be accounted for separately.

- Corporate – dues, donations, conference fees
- Restricted and unrestricted
- Appropriated – Cooperative Agreement, MIPRS (missions)
- Program Income – minor maintenance rates, assessments

2. Understand the major points outlined in regulations on payments for mission support (CAPR173-3), fund raising/donations (CAPR-173-4) and IRS 990

Please read the relevant publications for this topic and be prepared to ask questions and discuss the topic.

3. Discuss the role of the Finance Committee, tools used for financial management, reporting at the region level.

Every echelon including the region has a Finance Committee. The region commander appoints a finance committee in writing within 30 days of taking command. The region commander is the chair of the committee. The committee must consist of at least three other members. The Finance Committee ensures proper management of region funds. The group meets at least quarterly and reviews financials and budgets. All expenses over $1500 must be approved by the finance committee but it is good practice to have the committee approve all expenditures. The Finance Committee at the region level also helps develop the region budget.

The Finance Committee has several tools to use in managing region finances. These tools include:

- Balance sheets
- Comparative Budget Jet
- GL Detail
- Income Statements

National Headquarters acts as the region's banker. Bills are paid through NHQ. Regions use a variety of forms to manage their finances. Members with corporate credit cards fill out a credit card certification monthly, attach the necessary receipts, and send it forward to NHQ. Members who travel on region business use a travel voucher to document expenses and request reimbursement for out of pocket costs such as lodging, fuel, and hotel fees when traveling for approved CAP business. Regions also have a deposit form that can be sent with checks to NHQ. Regions also utilize a payment voucher to pay bills or reimburse individuals for non-travel expenses. Any meals that are included in travel must have a CAPF 170 denoting the individuals present, costs, and business purpose of the meal.

Regions submit their budgets by 1 October every year. The region budget, like lower echelon budgets is a plan that changes throughout the year as leaders make necessary adjustments. Regions are expected to maintain a reserve that would cover 12 months of operating expenses

and not more than 18 months of operating expenses. This draft policy is available on the Financial Management section of the national website. Following the guidance in the policy makes regions eligible to request Vanguard funds.

4. **Explain how Vanguard funds flow back to CAP members and are utilized.**

Every time a member makes a purchase at Vanguard, a portion of the proceeds are returned to Civil Air Patrol. These funds are used for a variety of projects and initiatives. For example, Vanguard funds helped make the 75th Anniversary Gala possible. Vanguard Funds are also distributed to the regions to help with programming. Finally, Vanguard Funds are used to make improvements at activities like Hawk Mountain and National Blue Beret. The Vanguard Funds procedures are posted on the Financial Management area of the national website.

5. **Understand the difference between corporate and appropriated funding.**

Corporate funding comes from a variety of sources. Dues, membership picture ID cards, and membership contributions help make up part of our corporate funding. Fees for conferences and special events also contribute to corporate funds. Finally, interest income, sponsorships, royalties, and other contributions fall into this category. The total for corporate funding for FY20 was approximately $3 million.

What do we pay for with corporate funds?

- Travel expenses and supplies for NHQ, National staff, the BoG, wing commanders, and region commanders.
- Chaplain Staff Colleges stipends.
- Salaries and benefits for NHQ paid employees.
- Activities such as NLOC, NICG, NSOC, Command Council Meetings, Annual Conference,
- Awards, membership cards, and exhibits.
- The Volunteer Magazine
- NCSAs

Appropriated funds come to CAP via Congress through the Air Force budget. In FY20, appropriated funds were projected to be $51.8 million dollars. Of the $51.8 million, over $37 million was for Operations and Maintenance, a little over $1.8 million was set aside for communications equipment, about $1.7 million was set aside for vehicle purchases, and $11 million was set aside for aircraft procurement.

Each year wing commanders and region commanders visit Congress on National Legislative Day to leave materials and speak with legislators about the importance of the funding they provide CAP that allows the organization to accomplish its missions. What we do on Legislative Day is incredibly important. It requires a huge effort from the National Staff and in particular the Government Relations team. Our cadets and our senior members are the face of CAP when they visit the Hill. Their conduct reflects on CAP and what they say matters to legislators. Some of our best spokespersons are our cadets. Legislators love to hear from their constituents and they are particularly impressed by our well-spoken, sharp cadets who talk about the difference CAP makes in their lives. If you have an opportunity to participate in National Legislative Day, don't pass it up!

6. Understand the importance of philanthropy to CAP.

Philanthropy is an important aspect of CAP's funding. In FY 2019, Development raised $370,840.81 through 2,028 donations. All but $58,425.14 were restricted. CAP's fundraising and development efforts continues to grow. Our first major gifts campaign was conducted in the Fall of 2019 with good success in engaging new donors of $1,000 or more. The shift in number of donors year-over-year is attributable to the CAP Response Fund, which is a member-driven fund to help members in times of crisis. At this time, the campaign has raised sufficient funds to keep up with the number of requests and is only promoted on an as-needed basis.

There are several initiatives that are managed a part of philanthropy and giving.

- Friends of CAP. This is a program for those who wish to support CAP financially with a minimum donation of $35/year.
- Tributes and Memorials. These are gifts dedicated to honoring the memory of someone special.
- The Civil Air Patrol Foundation was established to *promote and support Civil Air Patrol and its programs and mission; provide direct financial support to Civil Air Patrol and its programs, missions and operations; and provide scholarships to members of Civil Air Patrol. The Foundation*
- Scholarship Funds.
- Planned Giving allows individuals to name CAP in their will, use a retirement account for a gift, or to donate from stocks and investment accounts.
- Corporate Matching. On the Corporate Matching page of the National website at https://www.gocivilairpatrol.com/giving/corporate-matching you can see if your employer matches donations.
- Heritage Bricks. This program allows individuals to purchase a tribute in the form of a paver or brick. The tributes and used to pave the area under the L-19 Bird Dog that sits in front of CAP National Headquarters.

Lesson Summary and Closure:

Civil Air Patrol has a responsibility to the Air Force, our partners, members, and the American public to be good financial stewards. You should now understand the financial requirements, processes, tools, and responsibilities CAP must maintain handling funds. It is imperative that CAP follows all guidelines, governance and federal reporting requirements.

EXERCISE:

Review region budget and financials or the national budget. What surprised you?

Using the region finance information you acquired, make one of the following: a budget for the region for the next year, a budget for a region activity (region honor academy, RCLS, an NCSA) or a budget for a region staff directorate you would like to lead (Operations, Cadet Programs, Aerospace Education). Share your proposed budget with the instructor for feedback.

Finance Related Links/Readings

Financial Management: https://www.gocivilairpatrol.com/members/cap-national-hq/financial-management

Mission Support: https://www.gocivilairpatrol.com/media/cms/R_173_003_1_Oct_2015_cICL1907_1_Oct_D09056EE5DF34.pdf

Fraud, Waste and Abuse: https://www.gocivilairpatrol.com/members/cap-national-hq/inspector-general/fraud-waste-and-abuse

Giving: https://www.gocivilairpatrol.com/giving

CAP Annual Report to Congress: https://www.cap.news/civil-air-patrol/annual-report/preview/339d05f8ea08d00423df84f79b11279400efa617

Fundraising: https://www.gocivilairpatrol.com/fieldfr