



Organizational Guidelines for Friendship Force Clubs in the USA

Approved by the FFI Board of Directors, October 2010

Friendship Force clubs are independent organizations with each club responsible for developing and maintaining its organizational status. Clubs are not branches or subsidiaries of FFI. The following guidelines were developed with the assistance of the FFI attorney and the approval of the Friendship Force International (FFI) Board of Directors. If you have any questions, please contact FFI President, George Brown, at: gbrown@thefriendshipforce.org.

1. Club organizational structure.

Each Friendship Force club is required to have bylaws that govern the club and that affirm the mission and programs of Friendship Force International (FFI). It is recommended that you review the bylaws every few years to make sure they are being followed or are amended to reflect new practices and procedures. The bylaws provide the basis for the local organization.

To conduct Friendship Force exchanges you also need a charter issued by FFI that is renewed annually. The charter represents an agreement between FFI and the club whereby the club is authorized to represent FFI in the local community and to conduct Friendship Force exchanges in accordance with FFI policies and procedures. If you have any question regarding your charter or charter renewal, please contact clubsupport@thefriendshipforce.org

Establishing your club with appropriate bylaws and receiving a charter to operate Friendship Force exchanges is the starting point. But you also need to determine the legal status of your club under the laws of the United States and your home state. You will either be an informal community organization or a registered non-profit corporation in your state.

A. Informal community organization: Once you have established your club with bylaws and membership, your club is an informal community organization. Organizing at this level is very simple since it doesn't require any additional legal structure. The only additional step is to open and maintain a bank account in the name of the club. This will require an EIN (employer identification number) which is also known as a tax identification number. Without this number, any bank accounts will need to be listed using an individual club members name and personal identification, which is not desirable. If you don't have an EIN number it is easy to obtain (see Section C below).

The advantage of this level of organization is its simplicity. The biggest disadvantage is that since there is no formal corporation, any legal action taken against the club would be against the officers as individuals. While this is only a remote possibility, for any club that has an active program of activities along with significant financial resources, taking the steps to become a non-profit corporation may be beneficial.

B. Non-profit organization. With your bylaws, membership, EIN and club bank account it is very easy to become a non-profit corporation registered in your state. This is not expensive and since it is not directly related to your tax status it can be done simply by completing the forms provided by your state and paying a small fee. In most states this means going to the state's



Secretary of State website and following a simple set of procedures. Establishing your club as a non-profit corporation provides the officers the protection of being on a true corporate board, but it does not provide any special tax status. It is important that your members understand that being a non-profit corporation doesn't automatically entitle the club to grant tax deductions for contributions made to the club. In addition, to ensure legal protection is afforded to its officers/board members, the incorporated club must follow basic rules such as using the bank account solely for club purposes, following the protocols established in its Articles and By-Laws and identifying themselves as officers/board members when executing documents on behalf of the club.

C. Obtaining your EIN: Whether or not your club is incorporated you will need to have an EIN, employer identification number, also referred to as a tax identification number. This is required for your bank accounts. If you don't already have one, the bank is probably using the personal identification of one of your members, which is not recommended. You can obtain an EIN at the IRS website: www.irs.gov, click business and then click on employer ID numbers. You can file online and get the number immediately. The telephone number is 1-800-829-4933. If you are applying by telephone, it will be helpful to complete form SS-4 before contacting the IRS. You can also apply by mail. Get form SS-4 and complete and mail to Internal Revenue Service, Attn: EIN Operation, Cincinnati, OH 45999. Fax number. Complete SS-4 and fax to 859-669-5760.

Tips for completing the SS-4: The Legal name is the club name. Care of and principal would be the President or Treasurer. The same person should sign the form. Type of entity would be Other: Educational exchange Org. Reason for applying would be banking purposes for clubs not applying for a tax exemption.

2. Club Tax Guidelines

Friendship Force International, Inc. (FFI) is a non-profit organization, registered in the state of Georgia. FFI has also been recognized by the IRS as an educational exchange organization that qualifies for tax exemption under IRS section 501(c)(3). In addition to exempting FFI from paying taxes, this also entitles those who make donations to FFI to deduct the amount of the donation from their taxes. However, since Friendship Force clubs are independent organizations they are NOT covered by the FFI tax status. **Clubs are not permitted to use FFI's tax status to offer tax deductions for donations made to the club for club purposes, and they are not permitted to use FFI's tax identification number (EIN) to claim tax exemptions for the club.**

If a club collects donations for FFI from its members and passes these funds on to FFI as donations to the Legacy Fund or other causes that have been identified by FFI, the individuals who made the contribution will receive acknowledgment directly from FFI for their tax purposes. The tax deduction they receive is from FFI, not from the club, and the official letter of acknowledgment for tax purposes is from FFI. Please note: fees paid to FFI by individuals as part of their participation in a Friendship Force exchange are NOT tax deductible since the ambassador receives a direct benefit from participation in the exchange.

Over the years a number of Friendship Force clubs have received their own status from the IRS as a 501(c)(3) organization. Then they are able to use their own tax ID number and provide



acknowledgment for charitable donations. In addition to making fundraising easier, having this status may also make it easier for clubs to take advantage of local services that are offered only to tax exempt organizations. However, this status also requires careful attention to IRS reporting regulations. In prior years the IRS required the filing of an annual report only if gross revenues were more than \$25,000. There are new IRS regulations, however, that require every non-profit organization to file an annual report.

Note: In 2009 FFI investigated the possibility of filing a group exemption on behalf of multiple Friendship Force clubs. After careful consideration and study, the FFI Board of Directors decided that this would not be possible. Therefore, each club wishing to gain this status will need to file its own application.

3. Club Liability and Liability Insurance

It is not uncommon for club board members and EDs to ask what protection they have against legal liability connected with their leadership role for the club. Since the club is an independent organization, not a branch of FFI, it is the responsibility of the club, not FFI, to provide whatever protection is considered necessary.

Fortunately for Friendship Force clubs in the USA, FFI's general corporate liability policy does provide limited liability coverage for the American clubs. Specifically, Friendship Force club officers, exchange directors and others working in an official capacity on behalf of the club have liability coverage of up to \$1,000,000 for actions taken under the authority of FFI. This includes meetings, exchanges and events that are directly related to the authority bestowed upon the club by FFI to carry out the Friendship Force mission in their community. Based on this insurance policy, FFI can also provide customized certificates of liability insurance for individual events if they are required. If you need such a document it can be obtained from FFI by providing the particulars to be included on the certificate (clubsupport@thefriendshipforce.org). Most clubs consider this coverage to be adequate for the needs of the club and do not purchase additional liability insurance. This is, of course, a local club decision.

Please Note: The Friendship Force liability insurance cited above does not extend to the activities of club members in their capacity as individual Friendship Force ambassadors or hosts. Since they undertake these roles as private citizens and not for any commercial gain, they do not need any additional insurance beyond what they normally carry. In other words, when hosts receive ambassadors into their homes it is the same as if they are receiving a friend or neighbor.

End of document
October 2010