



Report to Friendship Force Clubs on FFI Organization and Finances

By George Brown, FFI President

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A. FFI: the Friendship Force Central Office

The Friendship Force is a global network of 364 clubs spread across 57 countries. The success of the network in carrying out the Friendship Force mission depends on both the volunteer leaders and the central office of Friendship Force International (FFI) that coordinates the activity of the global network.

The central office in Atlanta currently has a fulltime staff of eight, with five additional part-time employees, including two who live in Europe and are connected with the office via the Internet. The FFI staff is less than half the size of earlier years. The office has been able to reduce its size and expenditures by delegating more responsibilities to volunteer leaders, relocating to a smaller office, increasing the number of regional field representatives, eliminating the travel department, and by taking advantage of the new technology associated with "cloud computing." A list of staff members and their assignments are available on the FFI website: www.thefriendshipforce.org. Here is a summary of the functions carried out by FFI on behalf of the global Friendship Force network.

1. Maintain a strong international organization.

FFI is a non profit organization registered in the state of Georgia (USA). Its Directors, (currently 14), come from ten countries. The Board has the responsibility for maintaining a reputable international organization with the credibility needed for its clubs to conduct global exchanges. The Board meets twice a year, usually in Atlanta, with other meetings by phone. The CEO (FFI President) is appointed by the Board, is evaluated annually, and can be removed by the Board. The Board of Directors provides financial oversight including an annual audit and accompanying US non-profit tax returns that are available to all club leaders. FFI maintains corporate liability insurance and has access to a corporate attorney as-needed. The FFI Board establishes the mission and policies of the organization, along with the logo and other corporate service marks and materials that connect the clubs and exchanges to a common mission and program. A list of the Board of Directors can be found on the FFI website.

2. Support the global club system and its exchanges:

In 1980 FFI established a club system whereby independent chapters were and continue to be created to carry out Friendship Force exchanges. Each club is an independent organization, not a branch of FFI. The clubs receive a charter from FFI, renewable annually, authorizing them to conduct Friendship Force exchanges—as long as they follow FFI policy and promote its mission. FFI oversees and supports the club system as follows:

- a) *New Club Development:* There are currently 364 active clubs in 57 countries. FFI works actively with club leaders and other contacts to establish new clubs each year. An average of five new clubs is chartered each year.
- b) *Club Maintenance and Support:* FFI assigns staff to each geographic region to monitor clubs' progress and to work directly with the leaders to find ways to deal with problems and to take advantage of opportunities for growth.



- c) *Leadership Development and Training:* FFI produces leadership manuals along with supporting videos. Each year FFI participates in 15-20 national and regional conferences that provide opportunities for training and local collaboration. The FFI staff is supplemented by a growing number of experienced regional leaders (field representatives) who provide hands-on local training and support. The annual international conference provides an opportunity for leaders to interact with colleagues from around the world.
- d) *Communication.* The FFI staff members are experienced in cultural exchanges and together are fluent in eight languages. Each month an FFI *communiqué* is emailed to leaders with policy updates and general news from FFI. These are supplemented by bulletins as needed, and regular publications such as the annual report. An important feature of the new website is the Club Resource section, which includes policy updates, forms and other documents needed by club and exchange leaders. A recent innovation is the use of email marketing to assist in the promotion of exchanges. This is accomplished through regular email updates on exchanges and the *World of Friends* exchange catalog on the website.
- e) *Exchange Planning and Assignments:* Each year FFI provides the clubs a new exchange assignment for the following year. FFI staff takes the club preferences into account, along with the supply of hosting, in designing a global exchange program that maximizes the use of available hosting. Approximately 350 exchanges are planned each year with more than 500 weeks of hosting.
- f) *Exchange Monitoring and Support:* The staff coordinator assigned to an exchange makes sure that the clubs appoint EDs and that dates for the exchange are set. Where language or culture makes communication difficult, the staff coordinator resolves these issues. The staff coordinator can also help recruit ambassadors by ensuring the exchange is promoted on one of our online publications or in other appropriate ways. Most exchanges take place without serious incident. But with upwards of 10,000 hosts and ambassadors each year, the staff is regularly called upon to deal with an assortment of problems such as:
- Illness, injury and even death of ambassadors
 - Last minute changes in itineraries or hosting programs
 - Political unrest and natural disasters
 - Behavioral problems by ambassadors or hosts
- g) *Quality control:* One of the strengths of FFI is our strong reputation, but this can never be taken for granted. Each exchange is evaluated so that excellence can be acknowledged and rewarded and so problems can be corrected. When deficiencies are found, steps are taken to determine whether or not close oversight will be sufficient to bring performance up to our expectations or whether a club should be put on the inactive list. When (on rare occasions) the behavior of an ambassador is inappropriate, FFI takes action to ensure the problem does not continue.
- h) *Cancelled exchanges:* Despite all the good efforts of volunteers and staff, 20-25% of the exchanges that are planned are cancelled. The FFI staff is trained to recognize the warning signs of an endangered exchange and work with the EDs to either save the exchange, combine it with another, or reassign the hosting to a new exchange. Note: Since FFI does not require that a deposit be paid when exchanges are assigned, no revenue is received for exchanges that cancelled even though a considerable amount of staff time has been devoted to the exchange.



3. Develop New Programs

Club-to-club exchanges are the heart of the Friendship Force programs, accounting for approximately 85% of all exchange activity. However, FFI has always conducted other types of programs in parallel. The current emphasis on new programs is our focus on themed exchanges. Each of these generates regular income through ambassador fees once they are implemented though the start-up costs are paid from the FFI budget and from the Legacy Fund. New program themes include:

- Teacher exchanges
- Language Learning exchanges
- Humanitarian exchanges
- Adventure and environmental exchanges
- Student exchanges (very limited and very focused)
- A renewed emphasis on cultural understanding for all exchanges

4. Establish Partnership Programs

Most Friendship Force exchanges are carried out within the “Friendship Force family” of clubs. In order to grow, however, FFI believes it is important to develop partnerships with other organizations that share FFI’s mission. One example is the Open World Leadership Program. For the past 11 years FFI has received an annual grant from the US Library of Congress to provide professional orientation programs for young leaders from Russia and other Eurasian countries. Each delegation receives an eight day program provided by one of the US clubs. Other examples include schools and youth programs, Sister Cities and other organizations with missions compatible with that of the Friendship Force. While some of these partnerships are developed by FFI, clubs are also encouraged to develop relationships with like-minded organizations at the local level. For example, in 2011 we had two high school band exchanges with local clubs working with high schools to conduct successful youth exchanges.

5. Promote Friendship Force Globally

One of the initiatives of the strategic plan is for FFI to take a more aggressive role in promoting the Friendship Force. In 2005 World Friendship Day was established. In 2008 FFI launched a major new promotional initiative with a re-branding effort to create stronger visual and written messages that focus on our mission. In 2009 a web catalog was introduced. Through these and other initiatives, FFI is available to support the clubs to gain greater public recognition for the mission and programs of the global Friendship Force network.

B. FFI Finances

1. The Ambassador Fee

Friendship Force founder Wayne Smith wanted to create an exchange program so inexpensive that anyone in the world could join. The original exchanges were priced artificially low, just \$250 including travel across the oceans on chartered aircraft. Wayne knew the actual cost would be a lot more, but he hoped to receive donations to cover the difference. What he learned, however, was that foundations were not interested in giving donations so that people could have inexpensive international experiences. As a result, FFI went into debt and almost failed as an organization in 1979, just two years after it began.



Friendship Force was rescued financially with business loans provided by Atlanta companies and foundations. However, the lenders demanded that the FFI establish a self-sufficient financial structure. At the time there were no clubs, just exchange committees. The only direct participants, therefore, were the ambassadors and hosts. The decision was made that the cost of operating the Friendship Force should be paid primarily by those who benefit the most—the ambassadors. The charge for an exchange went immediately from \$250 to more than \$600. This decision to rely on ambassador fees has continued to provide the foundation for FFI financial stability ever since.

An important principle of the financial system of the early 1980s is that the payments by ambassadors must cover not only the direct costs of the exchange but also the cost of operating and maintaining an international organization. In the 1980s this was done through a comprehensive ambassador charge that included travel costs, host program fees, the direct FFI administrative costs and a contribution to the future development of the Friendship Force. The actual amount collected by FFI as its portion of the fee varied from exchange to exchange, depending on the cost of the exchange.

By the early 1990s the travel industry was changing with governmental deregulation. No longer was it necessary for people to travel in groups to get airline tickets at a lower cost than the standard fare. The centralized ticket purchasing of earlier years provided few benefits. It became easy to purchase good fares at the local level. Therefore, club leaders around the world, particularly those in Europe, asked that the FFI fee system be changed. They said it would be easier for their members to get lower travel costs if the cost of the travel was handled separately from the FFI costs. They proposed that FFI allow clubs outside the USA to make their own travel arrangements and they would agree to pay a separate and fixed FFI ambassador fee to the central office.

In 1992 FFI agreed to this change for exchanges originating outside of the USA. The new system worked well, giving the clubs more flexibility in their travel arrangements while maintaining the basic FFI system of collecting fees from the Ambassador. The 1992 FFI fee for European clubs and others outside the USA was \$100.00 (\$150.00 for 2 weeks). By 2011, the fee had risen to \$125.00 for each week. With the decline in the value of the US dollar against the euro and other currencies, the actual cost of the FFI ambassador fee has been remarkably stable over the years.

For clubs in the USA, the original system remained in effect until 2002. FFI had its own internal travel agency that provided a comprehensive fee that included travel and FFI fees. In 2002 this system changed with FFI asking US clubs to join those in other countries in making their own travel arrangements. However, since the revenue that FFI had been receiving from the US fees was higher than what was being received from the other regions, the Board established a dual pricing system. The new fee for US ambassadors would be slightly higher than for other regions. The rationale was that clubs in the USA benefit from having the FFI office and staff in their country, making it possible for FFI to provide materials designed for USA, along with some additional services, such as liability insurance coverage, for the clubs. US clubs also suffer no risk in the value of their currency from year to year. The US fees in 2007 were \$140/person per week, increased to \$150 in 2011.

In the mid 1990s FFI attempted to attract more low-income ambassadors from developing countries by having a reduced ambassador fee. However, the lower fees did not have the desired impact since the FFI fee represents a small fraction of the total cost of travel. Therefore, in 2006 this special category was eliminated. The clubs in the region were given several years to implement the change. In addition, arrangements were made for grants for certain ambassadors (such as teachers) and discounts (for students).



2. Other Sources of Income

The ambassador fee provides a foundation for FFI, enabling it to operate as a self sufficient international organization that has no debts. But FFI also recognizes the value in finding other sources of income to buffer itself from fluctuating travel patterns. In 2011 the ambassador fee will generate approximately 75% of the revenue with the balance coming from:

- a) *Club Affiliation (membership) Fee:* In 1999 a “club affiliation fee” was introduced. This is an annual club fee based on the number of members in the clubs. When introduced in 1999 the fee was \$3.00/member and was increased in 2005 to \$6.00 (\$10 for families) and in 2011 to \$10 for individuals and \$17 for family memberships. Compared with other international organizations, our fee is very low. Rotary International, for example, has an annual individual membership fee of \$50.00 which increases semi-annually.
- b) *Supplemental Exchange Activity:* For many years, clubs in large countries with many clubs (USA, Australia, etc.) have carried out supplemental exchange activity called domestic exchanges. In the 1980s an “ambassador” fee of \$25.00 was introduced for these experiences when they are longer than 3 nights. This fee was increased to \$50 in 2011. Also in 2011 a fee of \$25.00 was added for the 1-4 night interclub visit programs between clubs in countries within the European Union.
A new supplemental activity began in 2010: “stopover hospitality,” a 1-3 night homestay on the way to or from a regular exchange. There is a \$20.00/night fee for this program.
- c) *General Donations:* FFI is a registered non-profit organization and benefits from charitable donations. The largest single gift of \$3 million was received from a Japanese Foundation in the mid 1980s. These funds were used to pay off the early FFI debt and to establish the global club system. In recent years most donations have come through the Legacy Fund.
- d) *Legacy Fund:* Prior to 2005 there was no systematic fundraising campaign. This changed when we established the Legacy Fund, which has raised almost \$500,000 since. Most of the donations have come from clubs, with individuals and foundations also adding substantially. The Legacy Fund is dedicated entirely to the development, support and expansion of our programs globally.
- e) *Project Grants:* For the past 11 years FFI has received a project grant from the US Government to host Open World exchanges. There have been other project grants, such as the Pilgrimage Project in 2007 and 2008, funded by the Cousins Foundation.

3. FFI’s 2011 Operating Budget

FFI has no debt and maintains sufficient cash balances so that it does not have to borrow funds to cover operating expenses. The 2011 operating budget is \$1,044,500. Revenue for 2011 is projected as follows: Ambassador fees 75%; Membership fees 10%; Donations 6%; Project Grants 4%; all other 5%. Each year the Board of Directors commissions a financial audit by an external auditing company. The audit report is posted on the website under “documents” in the club resources section.

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