



friendship force

I N T E R N A T I O N A L

Organizational Guidelines for Friendship Force Clubs in the USA Effective Date: June 23, 2017

Friendship Force clubs are independent organizations with each club responsible for developing and maintaining its organizational status and ensuring compliance with applicable federal, state and local laws. 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: support@thefriendshipforce.org.

The following is not meant to provide legal or tax advice on the subject matter. Clubs are advised to seek independent competent legal and / or tax counsel. All information provided below is subject to changes in federal, state and local laws.

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 Journeys 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 Journeys in accordance with the charter, FFI policies and procedures. If you have any question regarding your charter or charter renewal, please contact: support@thefriendshipforce.org.

Establishing your club with **appropriate bylaws** (a sample bylaws is available on FFI's web site under Club Resources tab, then click on the Club Organization tab) and receiving a charter to operate Friendship Force Journeys 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 Association** or a registered **non-profit corporation** in your state.

A) Informal Community Association

If a club expects that its annual gross revenues will be under \$5,000, then with the bylaws mentioned above, a club can create an unincorporated association in the state in which it is domiciled. . The organizing document (articles of association or constitution) must limit the organization's purposes and permanently dedicate its assets to exempt purposes. (Pages 1 to 5 from instructions to Form 1023 -EZ - Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, Revised August, 2014). Such an organization may be considered tax exempt under Section 501(c)(3) even if they do **not** file a Form 1023 with the IRS. If your club is such an organization, an officer of the club should call the IRS Customer Account Services at 1-877-829-5500 (a toll-free number) and ask that the club be set up to allow filing of the 990-N *e-Postcard*.

There are a few downsides to be considered when choosing this course of action; a) the Officers and Directors do not have whatever protection from personal lawsuits that they would be afforded by being Officers and Directors of a **Corporation**; b) if the Association were to have annual gross revenues greater than \$5,000, then the Association would have to either file an income tax return and possibly pay taxes or file a Form 1023-EZ; and c) the Association would not be able to be considered a charitable organization, thus allowing donors to deduct their contributions to the Association as a charitable expense on their income tax return.

FFI does not encourage this form or organization, but rather, recommends that clubs incorporate as non-profit corporations according to the laws of the state in which the club is domiciled.

B) Non-profit Corporation

With the bylaws, 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 nominal 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 and directors the protection of being on a true corporate board. If the club expects that its annual gross revenues will be less than \$5,000, then the same IRS rules and regulations apply as explained above for Informal Community Associations, It is important that your members understand that being incorporated as 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 and directors, 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 bylaws and identifying themselves as officers or directors when executing documents on behalf of the club.

C) Obtaining your EIN:

Your club will need to have an EIN, employer identification number, also referred to as a tax identification number. This is required for your bank accounts and filings with the IRS. 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. This is the easiest and quickest way to apply for an EIN. If you are applying by telephone, it will be helpful to complete form SS-4 before contacting the IRS. The telephone number is 1-800-829-4933. You can also apply by mail. Get form SS-4, complete and mail to Internal Revenue Service, Attn: EIN Operation, Cincinnati, OH 45999. Lastly, you can fax the request to the IRS. 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.

2. Club Tax Guidelines

Friendship Force International, Inc. (FFI) is a non-profit organization, **incorporated** 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 their clubs for club purposes, and they are not permitted to use FFI's tax identification number (EIN) to claim tax exemptions for their 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 Journey are **NOT** tax deductible since the ambassador receives a direct benefit from participation in the Journey.

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. Today, however, a tax exempt corporation has to file a Form 990 or 990-EZ only if its gross

revenues exceed \$50,000. There are recent IRS regulations, however, that require every Section 501(c) non-profit organization with gross revenues under \$50,000 to file an annual report, Form 990-N, which is very simple to complete and file, on-line. Please be aware that until a club with annual gross revenues in excess of \$5,000 receives a tax exemption determination letter from the IRS saying that the club is exempt from income taxes under a Section 501(c) section of the tax code, the club is subject to taxation and must file annual income tax returns with the IRS. If a club wishes to file for a Section 501 (c) exemption from taxation, FFI recommends that the club request an exemption under Section 501 (c) (3). This would allow a donor to receive a tax deduction as a charitable contribution on the donor's tax return.

A partially completed IRS Instructions to Form 1023-EZ and a partially completed Streamlined Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code can be found on FFI's web site under Club Resources tab, then click on Club Organization tab. The answers already filled in on pages 11 to 20 of the instructions and on the Form 1023EZ itself are the responses that most clubs would have to the questions asked. Thus, please review the Form carefully to make sure that the responses filled in are actually the correct ones for your club. Then answer all the other questions. The samples are an IRS "fill-in" form which is available for completion and electronic filing at PAY.GOV. (go to PAY.GOV, click on "Find an Agency", then go to the "Ts" for Treasury and select "Treasury – Internal Revenue Service", once there go to the last item at the bottom - *Streamlined Application for Recognition of Exemption under Section 501(c)(3)* and click on "Continue to the Form"). Set up your user ID and password by answering the series of questions. You must complete the questions starting on page 11 and ending on page 19 of the Instructions of Form 1023-EZ and then complete Form 1023-EZ. The one time filing fee, as of June, 2015, is \$400.00.

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, Journey Host and Ambassador Coordinators 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, Journeys 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 (contact Allison Lindsey: alindsey@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, June 2017