Chapter 1: Introduction

WHAT IS A FLYING CLUB AND HOW CAN AOPA HELP YOU START ONE?

Congratulations on taking the first step toward starting a flying club!

This guide will take you step by step through the process of starting a flying club—from concept through development, and then to operational status. Starting a club requires study and perseverance—but, hey, we’re pilots and know all about that—and at the end of the process, you’ll have created an entity that can provide affordable access to aircraft in which all members have a personal stake.

Whether you began your aviation adventure in a flying club, or you joined one many years later, or even if you’re just finding out about them now, there is no doubt that flying clubs can maximize your enjoyment of general aviation, while substantially cutting your costs. At AOPA, we present seminars on the benefits and structure of flying clubs and the title says it all: Maximum Fun, Minimum Cost.
Now, as the industry seeks to reverse rising costs and diminishing pilot numbers, flying clubs are not just one solution, they are arguably the best solution to many of the problems that individuals face in general aviation.

Flying clubs provide exceptional value to individuals. They offer affordability, community, mentoring, and a viable entry (or re-entry) point to general aviation. The AOPA Flying Club Initiative is dedicated to starting, growing, and sustaining flying clubs throughout the United States, and we provide resources and knowledge to help you succeed. This guide is one such resource. Others include the Resource Library, the Flying Club Network, and direct access to Flying Club Initiative staff, as well as AOPA Ambassadors.

In addition to being an introduction on starting a flying club, we also hope this guide will help existing clubs as they grow (in aircraft and membership), and evolve or reinvigorate. We encourage all clubs—whether they are looking for information, newly established, or mature—to join the AOPA Flying Club Network. Benefits include listing in the AOPA Flying Club Finder, where people interested in joining a club can search for flying clubs in their area or that meet certain criteria such as aircraft type. We are actively expanding the benefits available to network members. One such benefit is the monthly e-newsletter, Club Connector, which features stories on clubs, aircraft operations, safety, and other articles of interest to members of flying clubs.

To help you through the critical steps involved when starting a new club, each chapter in this guide covers a major area of interest. Topics are in the general order required to get your club up and running—but don’t feel compelled to read each.
STRUCTURE

Clubs are wise to structure themselves with liability protection for their members. This is usually in the form of a corporation, or limited-liability company (LLC). Because of the social nature of flying clubs, most file as non-profit entities and also file for tax exemption, and organizing as a corporation will help this process. To some degree, the choice of structure determines the extent of “governance”—that is, the formality of running the club, its officers, board members, and paperwork. Don’t worry, we’ll explain more about this in the appropriate section.

OPERATIONS

Most clubs create operational rules that are separate from bylaws. These rules outline obvious things such as how to schedule an aircraft and what is expected once the aircraft is returned, but they often detail factors such as required experience and currency, particularly to operate more advanced aircraft.

TYPES

Again, there is no one type of club aircraft. While many clubs thrive by operating the venerable Cessna 172 or Piper Cherokee, others offer very specific types, such as tailwheel, seaplanes, and even warbirds.

SIZE

We see three main sizes of flying clubs, but usually clubs start small and grow over a period of years.

- 3-15 members, with 1-2 aircraft
- 10-50 members, with 3-5 aircraft
- More than 50 members with more than 5 aircraft.

So, clubs start differently and grow differently, and the wonderful thing about this is that it’s your choice. This guide provides the details of designing your club, but first, we’ll discuss some fundamental operations for flying clubs, and how we can stay on the good side of the FAA and the airport operator by understanding what is expected of us.
Chapter 2: Club Fundamentals

As with all things in aviation, we recommend that you become familiar with all available information before you start, so that you understand the framework of the rules and what is expected and required of flying clubs as they form, grow, and thrive.

In this section, we will look at the value of good relationships with the airport operator and other airport tenants, such as flight schools and FBOs.

The point is that we are all in this together—clubs generate business for schools and FBOs, and schools and FBOs provide valuable services to club members—and the airport operator enjoys more activity on the airfield, which helps with viability and the raising of funds for additional services and improvements. This is an aviation “circle of life.”

**WORKING WITH YOUR AIRPORT OPERATOR**

Unless your club will operate from a private airfield, or a public-use airport that hasn’t received any funds or grants for improvements, then you’ll likely be based at a public-use airport whose operator will have obligations to the FAA in terms of grant assurances. These grant assurances require the airport operator to apply, enforce—and in some cases create—rules and procedures to ensure all airport tenants, users, and the public have reasonable access to airport facilities, and that these groups coexist collaboratively and fairly. The general idea is that the airport operator has the best knowledge of its tenants and their operations, and so is in a good position to set the rules for fair and reasonable coexistence.

This gives the airport operator considerable power—so you’ll want to establish a good working relationship with the operator from the start. Take the time to meet with the airport manager or attend an airport authority meeting to introduce your idea of starting a flying club on the airfield. Most operators will be delighted that a new aviation organization will be based at their airport, as it will likely generate fuel sales and support airport business—but it is wise to be courteous in your approach. Bear in mind that the operator has to balance use and operations on the airport, and as mentioned previously, has the obligation of ensuring that all tenants play well together and that none are afforded special or exclusive rights.

Note that many of the smaller airports operate with volunteer boards or authorities, whose members give their time to maintain and operate our amazing network of public-use airports. So, understanding your responsibilities will go a long way to ensuring friendly and amicable relationships with the operator and other tenants. With this in mind, we suggest that you read **Chapter 10.6 of FAA Order 5190.6** and its recent amendment, that provide definitions and expected behaviors for non-profit flying clubs. Links to these documents are provided in the **Resource Library** that accompanies this guide.

This is a good time to discuss the differences between a flying club and a flight school.
Simply put, a flying club is a non-profit social organization, whereas a flight school is a for-profit commercial business.

Even though a flight school may use the word “club” in its name, if it is not equally owned by its members and/or is in business to generate a profit, then it is not a flying club in the sense that we are talking about in this document.

There are many rules and requirements placed on flying clubs, but rather than listing them all, we have developed a set of values and best practices that a new club should follow, and that existing clubs should aspire toward. We believe that following these best practices will keep you on the good side of the various government bodies involved.

Before we get there though, let’s look at how clubs should work and coexist with flight schools and FBOs at the same airport.

BE A GOOD NEIGHBOR

In the spirit of the previous section—and for a peaceful life—it makes sense for a flying club to have good working relationships with other tenants on the airport. We mentioned that the airport operator has considerable powers to interpret and enforce operational standards, but it clearly makes sense to achieve harmony without anyone having to be coerced into following the rules.

As we will see in the next section, the FAA recognizes that flying clubs provide services to their members, allow affordable access to aircraft to like-minded people, and that the social side of clubs nurtures a culture of aviation knowledge, safety, mentorship, and camaraderie. The FAA goes further to define (in part) that a flying club is a non-profit organization that exists for the pleasure of its members, only. There are some key points here.

In return for acting this way, a flying club is held to fewer operational standards compared with commercial operators, who deal with the “general public” (rather than a closed group of members).

Flight schools and FBOs, on the other hand, must comply with stricter standards and procedures that invariably cost more to implement. These costs are naturally passed through to customers. You can now see why it is important for flying clubs to remember their non-profit and “for members only” structure, and they must not encroach on the public services offered by school and FBOs.

So, the scene is now set to consider your relationship with flight schools and FBOs. Each has its own place in the world of aviation, and each provides cooperative services. It is certainly good practice to meet with existing flight schools and/or FBO to let them know that you will be establishing a flying club on the airport, with the previously granted approval of the airport operator. Explain to them that the club will generate additional business for the flight school, as members will likely aspire to additional ratings and certificates, as well as flight reviews, knowledge tests, etc. Also ensure they know that the club is for members only, and that you will not be competing with the school for any aviation services. The same is true for FBOs. Let them know that more people flying translates into more fuel sales, pilot supplies, and aircraft maintenance.

VALUES AND BEST PRACTICES FOR FLYING CLUBS

The AOPA Flying Club Initiative team has a great deal of experience helping clubs form and grow. While there are very specific rules and policies that govern non-profit flying clubs, we have developed a set of values and best practices, that, if followed or aspired to, will not only keep a club on the right side of “the authorities,” but will also
create a professional and vibrant community. These values and best practices are presented here as a prelude to digging into the details of starting an AOPA Network Flying Club.

EQUALITY
According to the FAA, club members should be equal owners in the assets and liabilities of the club, either through shared ownership or through the shared obligation of leases that provide exclusive access for club members. Aircraft should be easily and equally accessible to members, with all members having the same opportunity to enjoy the club’s benefits.

Best Practices
• If an aircraft is leased to a flying club, a lease agreement should be crafted between the aircraft owner and the club. The resulting agreement should be written down to ensure a mutual understanding between both parties, and to ensure that specifics of the agreement can be referenced in the future should any points of contention arise.
• If an aircraft is leased to a flying club, the lease should be exclusive to the club and have a term of at least one year. This will allow the club to enjoy owner-like privileges of the aircraft.
• While the specifics of a lease should be negotiated and agreed with the aircraft owner, it is good practice to set the lease amount to provide a fair return, to the owner, for the club’s exclusive use of the aircraft.

ACCOUNTABILITY
Flying clubs in AOPA’s Flying Club Network should strive to achieve the highest standards of structure, operation, and governance, and should be run with diligence and professionalism. The financial decisions of the club should reflect the best interests of all members and should always be made with an eye towards ensuring adequate aircraft availability and fair, reasonable rates. Governance should be open, democratic, transparent, and operational information should be made available to each member.

Best Practices
• A flying club should have a board of directors and/or officers that take responsibility for the management of different aspects of the club. It is a good practice to define these roles (e.g., club president, treasurer) in writing as this removes ambiguity about where particular responsibilities lie.
• In order for club directors and/or officers to govern with diligence and professionalism, they must be knowledgeable about their roles. For this reason, it is important for clubs to select the right people to do the right jobs. If a club lacks members with knowledge in a certain area (e.g., accounting), it is recommended that it provide access to whatever training is necessary for a member to succeed in that role.
• It is considered a best practice for clubs to plan in a strategic manner, and to continually improve their processes. This can best be achieved by holding dedicated strategic planning sessions at regular intervals (e.g., annually). You are not alone in this—call the AOPA Flying Club team for help and suggestions.
• As part of the strategic planning process, clubs should prepare and maintain future-looking budgets. This will help to ensure that they are financially viable over time. It is a best practice for clubs to include a reserve within this budget, as doing so helps to insure the club against unforeseen financial burdens (e.g., maintenance expenses).

COOPERATION
Clubs should foster a cooperative atmosphere for all club decisions, seeking and addressing the input of all club members. Clubs should also provide opportunities for mentorship, where more experienced aviators offer encouragement and education to less experienced members.

Best Practices
• Over time, all members of the flying club should share in its responsibilities. Regular elections, which allow for the transfer of these responsibilities, should be held. This will give everyone an opportunity to play an active role in the success of the club.
flying clubs

• It is a best practice for clubs to encourage mentorship through the pairing of newer/less-experienced members with those who are experienced pilots.
• A club should work to foster a culture of continuous learning and improvement—a culture in which members feel a willingness to both give and receive constructive criticism to become better, safer aviators.

SAFETY
Safety should be a paramount priority for any club wishing to participate in AOPA’s Flying Club Network. We recommend holding regular safety meetings, during which members can discuss any relevant safety matters pertaining to the club’s current operations. Clubs should also have a designated Safety Officer whose role is to promote a safety culture within the club and to ensure that club operations are performed in adherence to strong safety standards.

Best Practices
• It is considered a best practice for clubs to implement a formal safety program, and to hold regular safety meetings (or add a safety component to membership meetings). It is recommended that clubs create the position of a Safety Officer to head this effort.
• Standardized procedures should be developed and made available to club members to ensure that an operational consistency is maintained.
• Mandatory club stand-downs should be held to focus member attention on relevant safety issues.
• Open reporting of mishaps and/or lessons learned should be encouraged by the club, and such instances should be thoroughly discussed and viewed as educational opportunities that can benefit to members.

COMMUNITY
Any flying club in AOPA’s Flying Club Network should strive to be a good neighbor to other organizations at the airport and to the broader community. Clubs should work to cultivate strong relationships with flight schools, FBOs, and airport authorities, and never offer any type of service that might present unfair competition to commercial operators. Social events represent a great way to bring members, friends of the club, families, and interested prospective members together. Through outreach and conduct, AOPA Network Clubs should work to cultivate an atmosphere of community and general aviation awareness.

Best Practices
• Clubs are in a unique position to serve as ambassadors for general aviation, and it is good practice to take advantage of this opportunity by reaching out to the community and involving it in the wonder of flying. This can be done by hosting events open to the public at the airport, or by creating educational experiences for community group, such as Boy Scouts, 4-H clubs, etc.
PARTICIPATION

Being a member of the AOPA Flying Club Network is not intended to be a passive experience. By joining, you are indicating a willingness to help AOPA work toward its goals of making flying more accessible and affordable to the GA community. As a Network member, you will receive educational and other material from AOPA meant for the benefit of flying club members, and we would greatly appreciate you disseminating this material to all club members.

Members of the Network will be expected to provide AOPA feedback on occasion, which AOPA will use to better understand the operational status and health of Network clubs. This will typically be in the format of surveys.

Best Practices

- Clubs should review their information in the Flying Club Finder at least annually, to ensure that it remains current.
- There is an expectation that Network Clubs will complete an annual Flying Clubs Survey sent out by the Flying Club team to better understand how both it, and AOPA as a whole, can better serve the needs of flying clubs.
- We consider it a best practice for Network Clubs to be willing to mentor local clubs in formation at AOPA’s request, helping others to experience the fun and camaraderie that flying club membership promotes.
Chapter 3: Designing Your Flying Club

In this section we provide some ideas to help you design your club. We will repeat throughout this document that your club is, well, your club. To some degree or other it will be unique, but we want to provide you with ideas, rather than being prescriptive.

CLUB VIABILITY
Your club is now beginning to take shape, but there are few more things to think about before putting even more work into this enterprise—and these revolve around viability. Yes, you have a wonderful dream and are prepared to work hard to make it happen, but now is the time to ensure that your efforts will be rewarded. Let’s look at some factors that affect viability.

LOCATION, LOCATION, LOCATION
Deciding on where to locate your flying club depends on many factors. It may be a simple choice—for example, if an aircraft and hangar are available for lease at a particular airport, or if there is only one airport in the surrounding area. Other factors to consider are the geographical spread of members, and population densities to attract people to join your club.

Where the club chooses to keep its aircraft, and what sort of space the club will meet in, are decisions that have long-ranging implications. The primary consideration may not be the monthly cost of the rent, although that is certainly a factor. Instead, your club might consider which option will provide the best protection for the aircraft, the most agreeable meeting space, opportunities for growth, etc. while operating within your budget.

In the humid southeast, or the snow and ice prone northern parts of the country, outside storage may save money in the short term, but may lead to expensive maintenance issues in the longer term. In many parts of the country, T-hangars, or even shade hangars that provide some protection from the elements may be an acceptable choice in the long run, even if they are more expensive on a monthly basis.

As we have discussed earlier in this document, if you are lucky enough to own or have access to a private airfield, then you can pretty much do as you like—within the limitations of aviation regulations and operating agreements, of course. The majority of clubs, however, locate themselves on public-use airports and so should be aware of the rules, terms, conditions, and operational expectations that may exist. You might care to review the section in Chapter 2, Being a Good Neighbor, to remind yourself of the rules and best practices when operating from public-use and federally-funded airports.

If you are thinking about basing your club at a public-use airport, then you should meet with the airport operator to discuss the details. Even if you already have a hangar on the field, it is still prudent to meet with airport officials for a number of reasons.

First, it is “their” airport, so being courteous and involving airport management with your plans will go a long way to forging good working relationships. As mentioned in Chapter 2, the FAA
effectively delegate operational control and harmony to the airport operator, so it makes sense to meet with them so that they can understand what you are trying to achieve, and how it will benefit the airport.

Second, when you locate your club on an airport you’ll become a tenant, and so will be bound by the terms and conditions of a lease agreement. This is a good time to ensure that the airport operator understands that a flying club is considered to be “an individual” under the FAA rules, and so you should not be held to the standards required for commercial operators, and that your lease—and fees—should be the same as for individual tenants.

We urge you to get and review copies of hangar lease documents and also airport rules and regulations.

Third, if a hangar is available, reserve it. If not—and this is why it is good to meet with the airport officials early in the process—you’ll need to get on the waiting list. If you are flexible, you could consider another airport or temporary tie-down but treat this decision in the same way you treat a real-estate choice: that is—location, location, location.

Beyond rules and expectations, there are many other factors you should ponder when considering a location for your club:

- Do you feel welcome at the airport?
- Will your guests and prospective members feel welcome?
- Is the airport operator excited about the club being a new tenant, and are they reflecting that in their willingness to help you? Examples are:
  - Fuel discounts for based aircraft
  - Making meeting rooms available at reasonable cost
  - Inviting you to attend airport board meetings
- You’ll want to find a base of operations that will accommodate and welcome you for years to come. Meet with the airport operator about the Airport Improvement Plan, which will give you details of planned improvements and growth.

- Ensure that the types and condition of airport facilities, including airspace, runways, taxiways, lighting, instrument approaches, etc., are what club members are comfortable with and expect.
- Meeting space:
  - Think about facilities as well as location.
  - Having a meeting space on the airport is a huge benefit, as it gets members, families, and prospects out to the airport, which helps with the excitement of being in a flying club.
  - Think also about the number of seats, availability of audio/visual equipment, a kitchen, etc.
  - Don’t rule out the option of joining forces with other organizations to share meeting space. Many aeronautical and social organizations meet on public airports, and they may well see the inclusion of your club into their meeting schedule as a real benefit.
  - Your club may similarly find that the option of sharing the cost of your meeting space with other organizations lets you consider a more appealing space, that you might not have been able to afford on your own.
  - Don’t get too fixated on finding the ultimate meeting space. Many clubs schedule the use of a room at the library, or a diner. The important thing is to have the discussion and come to an agreement.
- Hangars:
  - Are the terms, conditions, and costs of hangar leases acceptable?
  - Is the size, condition, and facilities of the hangar suitable for club aircraft?
  - Are hangars available to accommodate your growth, does the airport have a waiting list, and does it have a plan (and space) to build new hangars?
  - Is electricity available—and does it cost extra?
  - Does the airport perform maintenance on the hangars, especially to doors and lights, or is this up to you?
- Are maintenance facilities close by?
One of our network clubs pays $70 a month (yes, a month!) for a T-hangar on a lovely rural airfield—but the closest maintenance facility is 50-miles away. If the airplane is airworthy, it can be flown to the maintenance shop, otherwise a mechanic must travel to the airplane, which significantly increases overall costs.

If your desired location is clear from the start, then go for it. Otherwise, choosing your location may involve many decisions, and most likely some compromises. Have a club meeting early in the process to get everyone’s thoughts on the table, and draw-up a prioritized list of required features and facilities, so that you can be looking for what you need, rather than what you desire!

ATTRACTING MEMBERS
At the end of the day, your club must remain financially viable in order to survive. While it is possible to set-up a flying club to be an educational or charitable entity, most clubs are structured to be social/hobby clubs, where income is provided solely by the club members. So, you’ll need to have a sufficient number of members, paying a sufficient level of fees, to cover the cost of the club’s operations.

We’ll go into much more detail about cost models in Chapter 5, but for now recognize that maintaining membership at the required level is an important on-going task for all clubs. This generally gets easier as the club matures and people get to know about it, but initially you must be realistic about generating interest in your club, which is why we are discussing this in the “viability” section.

You need members (or at least the high likelihood of members) in order to be comfortable with moving forward on large commitments such as acquiring an aircraft or signing a hangar lease, but people are more likely to join if there is an aircraft and hangar for them to see and touch. The founders may decide on the minimum number of members required in order to move forward, or, as is often the case, the founders are so committed to the idea of a flying club that they’ll move forward anyway—and all additional members make things financially better.

Either way, it makes sense to be on the lookout for members, which will be something that you’ll want to actively manage as the club grows and matures. Indeed, some clubs have a Membership Officer who not only interviews prospective members and helps integrate new members into the club, but who is also responsible for marketing the club and maintaining a waiting list.

FOUNDING MEMBERS
There’s no magic to establishing founding members. It’s a matter of finding some like-minded people who share a love of flying. As you ask around, you may be surprised at the number of people who have never considered starting or joining a flying club—perhaps because they didn’t know where to start—but are very open to the idea.

Finding those like-minded people may take some time, but it’s well worth the effort.

After all, while none of these steps are difficult, it’s always more fun to work together in a team as you work toward a common goal—and as we’ll see in the next section, having a core group of members will help establish the objectives of the club (its mission) as well as help share the work required to form and run the club.

So, where might you find these fellow founders? A good place to start would be your local airport, or other airports that are close by. Posting a flyer on bulletin board can elicit a surprising number of responses.
There are many ways to get the word out—bulletin board flyers, word of mouth, the AOPA Flying Club Facebook page, other aviation organizations, and community event listing pages in the local newspaper or website.

LOCATIONS TO POST FLYERS
(ask for permission as appropriate):

- AT LOCAL AIRPORTS AND FBOS, including airport cafés.
- WITH THE LOCAL AVIATION MEDICAL EXAMINER, leave a few copies!
- BANKS
- POST OFFICE
- CITY HALL
- COURT HOUSE
- GROCERY STORES
- RESTAURANTS
- WORKPLACE NOTICE BOARDS
- OTHER CLUBS AND ASSOCIATIONS
- ANYWHERE THERE ARE PEOPLE!

AOPA has some excellent places to seek-out your founding members. You can join and post on the AOPA Flying Clubs Facebook page, and another good place to post (and later have a club-specific group) is the AOPA Hangar.

People interested in joining or starting a flying club often use the AOPA Flying Club Finder tool. This website allows you to enter a zip code, state, airport identifier, or name of an existing club, and the site will display a map showing existing clubs, and also clubs in formation. This is really useful for seeing if an existing club is operating—that could well be a useful resource for you—or perhaps you’ll find another club that is looking to get started and may be looking for new members. If you don’t find any clubs listed in your area, think of it as a validation of your idea—a club is needed there!

You can list your fledgling club as a club in formation by either sending an email to FlyingClubNetwork@aopa.org or by completing the online form.

Once you are listed in the club finder, people will see you when they search for clubs in their area. When your club is formed and you are up and running, you can update your status to operational by contacting the Flying Club staff at AOPA.

As you look for people to help start the club, consider the skills they’ll bring to the organization. Skills such as:

- Vision—being able to identify and articulate the club’s mission
- Finance/budgeting—having a solid financial plan is key to any club’s success
- Organization—someone who can guide day-to-day operations
- Legal/contract background—forming a club requires the creation of bylaws and may require articles of incorporation, obtaining non-profit status, and filing for tax-exemption
- Maintenance—it’s always good to have someone who understands the mechanical side of an aircraft, perhaps someone who is an aircraft mechanic
- Flight instructor—members are always needing flight reviews, check-outs, etc.
- Aircraft owner—this person may be willing to lease their airplane to the club

Most important, make sure that people “fit” and that there is good chemistry and camaraderie. You will be spending a lot of time together as you work through the details and once the club is operational, so it helps to like each other!

We often joke that the “best” group of founding members includes: a lawyer, an accountant, a CFI, an A&P, the airport manager, and someone with an airplane or lots of money. Of course, most clubs start with members who are prepared to get the job done—but you get the point!
We'll talk more about club websites later, but at this early stage it makes sense to create a brief webpage that you can reference on flyers, Facebook, etc., and that provides a bit more information to avoid cluttering the flyer. We’ve received mixed reviews on the effectiveness of websites at this early stage in a club’s life, since you’ll want to talk with interested prospective members as soon as possible. Later in the process—and when operational—a website will be a huge benefit to the club leadership, other members, and as a marketing tool.

GENERATE INTEREST IN YOUR FLYING CLUB
Let’s now look at some ways in which you can generate interest in your club:

KEEP DOING WHAT YOU WERE DOING, BUT WITH A TWIST
Look back to earlier in this chapter where we talked about finding other founding members, and the ideas presented there. Keep doing these things but change your message from “looking for founding members” to “come to a flying club meeting.” Post at the same places, but the message is now quite different—you are a club looking for members, not founders, and anchor interest around a club meeting.

AOPA FLYING CLUB FINDER
The AOPA Flying Clubs team hosts the online AOPA Flying Club Finder. This is a database of flying clubs based throughout the U.S. Some clubs have been in operation for years, while others are in the formative stages. In fact, there is a category of club in the finder that we call “Club In Formation” to bring awareness to new clubs.

By registering your club on the AOPA Flying Club Finder, you will be sharing your club and contact information with pilots and pilots-to-be in your area, who may be looking for an opportunity exactly like the one you’re creating. The AOPA Flying Club Finder is easy to use, free, and potentially very beneficial to your efforts to grow your club’s membership. Consider it as the first step you will take as you promote and populate your new flying club.

You can also use the AOPA Flying Club Finder to identify fully operational clubs in your area. If you find any, then contact them to see if they can offer advice on starting and running a club—and to learn about the methods they use to attract members. This is asking a lot, but they may be willing to share their waiting list with you, which will give you access to pre-screened prospective members.

The Flying Club Finder is located at: www.aopa.org/CAPComm/flyingclubs/flyingclubfinder

GET PEOPLE INVOLVED
Now that you’re listed on the club finder as a Club In Formation, this is the perfect time to arrange a follow-up meeting with your airport manager or operator to let them know about your progress.

More often than not, the airport manager will be supportive of your plans and may offer guidance and insight that will be helpful to your efforts.

A new flying club provides a new customer to the businesses that operate on the airport. Even a small flying club will bring new people to the field, generate fuel sales, maintenance expenditures, hangar or tie-down rentals, and opportunities to provide various products and services to the members. Be sure to point this out to any business operator you meet. They may not have prior experience with a flying club, but your positive attitude can have a profound effect on how they’ll perceive your new club.

EAA chapters are a great source of local knowledge and prospective members. Many chapter members are involved with aircraft building projects and perhaps are looking for access to an aircraft during the process. A Club In Formation recently signed-up three new members by asking for a few minutes to talk about the club at an EAA chapter meeting.
meeting. Having a good relationship with the local EAA chapter will also be useful later, if you plan to help with Young Eagles flights or other types of community outreach.

The airport manager, the operators of local airport businesses, and your fellow pilots on the field are all valuable resources as you begin to promote your club and build membership. Keep them all apprised of your progress.

FIND A PLACE TO MEET
No matter how big or small a crowd you anticipate coming to hear about your club, you will need a place to meet with them. It doesn’t have to be luxurious, but it should be a place where people can sit comfortably while you present your plans. This space doesn’t have to be your ultimate club home base, but it should be at the airport to set the right atmosphere.

**Titusville Flying Club**, in Titusville, Florida, had good initial interest in their club but attendance at their early monthly meetings was sporadic and hard to predict. They were stuck in the “Generate Interest in Your Flying Club” phase of development. When they moved their meetings from a downtown office to a hangar at the airport, attendance jumped, and the club became operational within a few months.

Meeting at the airport is the best possible option. You may be surprised to find how many people you can gather to your table with the promise of a slice of pizza, a cold soda, and a couple of hours at the airport. For a lot of potential members, they want to find a reason to come to the airport to spend time with other pilots, but they haven’t found that opportunity yet. If you provide it, many of them will come to hear what you have to say.

Ideally, this first meeting will lead to many follow-up meetings that transition into true club gatherings, when members meet socially, or for ground school classes, or to work on the aircraft or clean-up the hangar. If the airport manager is willing to let you use an existing public space to meet, or if the local EAA chapter or FBO is agreeable to opening their hangar doors to you, or even if you can put a couple of tables together in the corner of the airport restaurant—these first meetings will serve as a way to begin spreading the word about your fledgling flying club. Book the best meeting space you can get, set a date, arrange for snacks and drinks, create and post a flyer, and begin inviting people to come out to see what your flying club is all about. This is how many successful flying clubs have found new members and have then grown to become truly impressive operations.

This is exactly what the Westminster Aerobats Flying Club did. The fledging club first met with EAA Chapter 1384 at Carroll County Airport (KDMW) and then, after posting flyers around town and nearby airports, held two informational meetings at the Carroll County Airport. The FBO, SkyTech, Inc., was very supportive of the club and allowed the use of a comfortable meeting room. The club was able to get started with four initial members and is growing rapidly.

SOCIAL MEDIA IS YOUR FRIEND
AOPA maintains the AOPA Flying Club Network group on Facebook to connect people and clubs, and it works. Thousands upon thousands of people share news about their flying clubs, their most recent flights, and ask questions to resolve issues and help improve the way their club operates, all through the common use of a social media site. Having a social media presence of your own allows you to promote your club, its meeting schedules, special events and news that might result in new members. Best of all, you can do all this from your connected device. You don’t have to be an IT guru to figure out how to create...
or manage common social media resources, but the sites pay off if you use them well and provide regular updates, and therein lies the key to social media—keep it updated, fresh and topical.

You can also use other people’s social media sites to promote your club. Ask the local newspaper to post information about a club meeting on their site. Further, you can post on many sites that promote aviation events, such as Social Flight.

I SAW A SIGN ABOUT A FLYING CLUB

Anything from a simple banner to an elaborate professionally designed and built sign can be a real benefit in helping to get the word out. Initially, you’ll probably want to keep costs down, so most clubs will go with a relatively modest vinyl banner to announce their presence on the field. Be sure to include useful information such as the club name, its home base airport identifier, and a means of contacting someone who can give the prospective member more information. Be sure to reach all of your prospective members. Saying “Find us on Facebook” will not help if people don’t use it. A good old-fashioned telephone number will work in all cases! Many airports have signs at the top of the access road that list airport businesses. Talk with your airport operator about including one for your flying club.

THE CLUB WEBSITE

While this is not something you need to trouble yourself with in the formative stages of your flying club’s organization, it is something you will want to get completed by the time you become fully operational. It is an excellent resource for your members, and once the club is operational, it becomes a valuable marketing tool.

A club member can build your club website, or you can have it professionally created. The club website’s primary function is to give club members contact information about club officers, and to share important information about the club and its operations. It also can provide a marketing function and it is most effective when people know it exists and where to find it—so keep the name short and obvious.

The 7B Flying Club based at Sandpoint, Idaho, has a website at: https://7bflyingclub.com. The web address says it all!

Many clubs set up their web pages so members can book the aircraft, find the pilot’s operating handbook, or weight and balance information, or to report a squawk to the maintenance officer.

The Fort Myers Flying Club in Fort Myers, Florida, maintains a well-designed and managed series of web pages, which also serves as a distribution point for the club’s monthly newsletter, which is excellent idea: www.fortmyersflyingclub.com

Another great example is the Bakalar Flying Club, in Columbus, Indiana: http://flybak.org. This club has an excellent website that includes a downloadable Member Kit, as well as a Blog page where they initially communicated their start-up progress to members and the world, and now broadcast news and information about the club to members and others.

If you don’t have a member with a background in building websites, consider reaching out to flying clubs listed in the AOPA Flying Club Network to ask how they built and hosted their sites. You may find worthwhile advice this way, or you may connect with an enthusiastic web guru who may be willing to take on the task of putting together your club’s webpage, getting you off to a flying start.

Bottom line? A modern flying club needs modern tools and methods. In this day and age, if you don’t have a website, you don’t exist, so at some point you’re going to need a website!
OLD FAVORITES
Even with social media and websites, don’t forget the old favorites, such as newspapers and magazines. You’ll probably find that a local newspaper will be delighted to write a story about your club, which serves the double purpose of local education and advertising. A caution here, however. Most reporters are not aviators—and many like to use words that have aviation meanings, but not in the proper context. We suggest that you provide background on your club and its goals and objectives, as this gets reporters going in the right direction. Also, offer to review the draft for accuracy and provide feedback before the article is published. Most reporters are happy to get feedback, but they don’t have to show you the article before publication, so don’t be upset if they decline your offer.

There are also many regional aviation magazines that provide excellent material to sections of the country. For example, the Midwest Flyer magazine provides topical aviation information to pilots and others involved in aviation throughout the Midwest, and they have an events calendar at the back of each edition. Contact the publisher to request that your meeting(s) be included. Also, don’t forget about type clubs, especially if you already have or positively know what make and model of aircraft you are going to use in the club.

One other often underused resource is that of the state aviation or aeronautics department. We know of several states that publish topical articles and local interest pieces. For example, the Nebraska Department of Aeronautics publishes a quarterly newsletter, PIREPs, that includes a useful calendar of events.

HOST AN AOPA FLYING CLUB SEMINAR
The AOPA Flying Club team and AOPA Ambassadors present live seminars at events around the country, such as at AOPA Regional Fly-Ins, Sun ’n Fun, and EAA AirVenture. The team is also available to present a “Maximum Fun, Minimum Cost – How to Start a Flying Club” seminar at your location—either live in-person if one of the team is reasonably close by, or as a live online seminar. You provide a suitable room with enough seats and internet access, and AOPA will do the rest. We’ll send out emails to AOPA members within a given radius of your location inviting them to join your personalized flying club event. After the seminar, you can take advantage of people being at your location for socializing, information exchange and mingling. We have been very successful in attracting prospective club members to these events and encourage you to contact us at FlyingClubNetwork@aopa.org for more information.

MINE THE FAA DATABASE
The AOPA Flying Club team is often asked if we can provide mailing lists of pilots within a given area. Because of privacy reasons, this is unfortunately not possible, but we can send out emails on your behalf as explained previously. The truly official source of pilot and aircraft information is the public records of the FAA itself. There are two main databases that you can download, sort and filter depending on your needs.

The first database is that containing Airmen Certification information. If you follow this link or type the following address in a browser, you will reach the FAA Airmen Certification Database webpage.

https://www.faa.gov/licenses_certificates/airmen_certification/releasable_airmen_download/

Scrolling to the bottom of the page, you’ll see several files that you can click on and download to your computer. We suggest you click on the link “Database in Comma Separated Format” (csv) which will then allow you to download a compressed (zip) file. The actual name of the file
will be something such as “CS082018.zip,” but this changes as the file is updated. We suggest that you save the file to your computer for easy editing and formatting.

After unzipping, you’ll see several files—including PILOT_BASIC.csv and HelpComm.pdf. The PDF document is a User Guide that explains the content and fields in the four database files. The database you want is PILOT_BASIC.csv, as it contains names and addresses of certificated pilots in the U.S.

If you open the PILOT_BASIC.csv file using a spreadsheet tool such as Microsoft Excel, you will see the actual data. The file is large, so it may take a minute or so to open on your computer. Using standard Excel sort and filter functions, you can isolate the data you wish to see.

For example, say that you want to display a list of all certificated pilots who live in Frederick, Maryland.

1. Click on the top left cell in the spreadsheet—above row 1 and to the left of column A. The cell contains a triangle shape. This selects all cells.
2. With all cells selected, click on the Filter icon, which is in the Data menu group.
3. In column G, pull down the State list, unclick Select All and scroll down to select MD.
4. In Column F, pull down the City list, unclick Select All and scroll down to select Frederick.
5. Your list now contains only certificated pilots whose address is in Frederick, Maryland.

You can continue to refine your list by hiding columns that you don’t need and, for example, sorting the list in alphabetic order by last name. You can then print out the sheet and use it as a mailing list to contact the pilots in your area.

Without going into details, you can also create mailing labels from the file by using Microsoft Word mail merge. Type “Create and print mailing labels for an address list in Excel” in the Help menu to learn how to do this.

The second useful FAA database contains information about every aircraft in the FAA registry. This could be a potential source of club aircraft, or at least you could create a list of aircraft owners in your area. The aircraft database can be accessed by following this link, or by typing the following address in a browser:

https://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry/releasable_aircraft_download/

As with the airmen database, you can sort and filter the downloaded file to hone in on particular information, such as aircraft make and model.

Now, if you don’t want to bother with downloading the databases and sorting them yourself, there is another way to get a list that meets your needs. There are a number of companies that offer custom report services. For example, you could order an initial list of pilots within your area, and perhaps a monthly update of newly certificated pilots. These companies are experts at slicing and dicing data in different ways to derive other data, such as lists of active—or perhaps rusty—pilots, based on dates of last medical. A quick internet search for something like “FAA database custom reports” will yield at least two such companies.

**CLUB OBJECTIVE OR MISSION**

An important task for the founding members (called from here on, the founders) is to discuss and agree on the objectives of the club. In other words, to answer the question: what is the mission of the club? What do you want it to provide and be known for?

Doing this work now will pay huge dividends later in the process as you will have already agreed on the fundamental aspects of your club, and you can be guided by them for future decisions, and you’ll have a clear vision for the objectives of the club.
Don’t get too carried away with this—this is not a Fortune 500 company’s mission statement and you don’t have to go on multiple retreats in order to develop it! You can, however, start to form a framework for your club. For example, if the club is being formed around an existing aircraft, then its type and capability may define the required experience level of prospective members, whether club operations might include cross-country flights and whether student pilots may join as members.

Here are a few things to consider and discuss as you develop your mission. You don’t have to include all these points in the written mission statement, but thinking about them will allow you to focus on what is important to your new club:

- Why are you starting a flying club?
  - No (affordable) access to rental aircraft?
  - Have an aircraft that you’d like to share with others, and also help with the cost of ownership?
  - Access to aircraft you would not normally be able to fly—such as a six-passenger airplane, tailwheel, seaplane, or aerobatic aircraft?
- What types of operations do you envisage?
  - VFR, IFR, cross-country, night flying, member training, aerobatics, etc.
- Are you (the founding members) set on an initial make, model, number of seats, etc. for the future club aircraft? What about minimum horsepower, complex, technically advanced, multiengine, tail- or nosewheel…?
  - Remember this is to help you form the club. You can always add aircraft as the club grows, but what do you need now?
  - But by all means look forward; “We will start with a basic VFR or perhaps IFR four-place aircraft such as a Cessna Skyhawk or Piper Cherokee, and will add a more capable aircraft in the future, based on members’ requirements.”
  - Having this discussion now will help avoid feature-creep, in the form of “what if…”, or “…but we could…” later in the process!
- Do you have a preference for the maximum number of members in the club?
- We find that a workable ratio of members-to-aircraft is around 10:1.
- A club needs enough members per aircraft to ensure that the shared costs are in line with expectations, but not so many that it becomes difficult to schedule time in the aircraft.
- Do you have an idea of the type of legal entity or structure that best suits your club?
  - Don’t worry if you don’t, as we’ll discuss this in detail in a Chapter 4. But, if you have previous experience with legal entities, or perhaps one of the founders is a lawyer or accountant, then it may help to discuss this now—and even perhaps get some of the paperwork underway.
  - You may not have thought about this, but it is really important to distance the members of the club from its legal entity, for reasons of individual liability protection. Again, there will be more on this later, but for now, at least have the discussion and agree that it is important!
- Another thing to consider at this early stage is that the legal side can be complicated and will require diligence and knowledge. If you don’t have experience with this in your state (and each state is different), we recommend you use the services of an expert. We’re talking here about an aviation-savvy lawyer. Yes, this will cost, probably several hundred dollars, but getting it right is important for the future sanity of club officers, and you can include it in the “start-up costs” that become part of the club initial buy-in fees. AOPA has a network of lawyers around the country—email the flying club team, flyingclubnetwork@aopa.org, to get help with this.

Before we leave this section, let’s look at a few sample mission statements. Again, this is yours to create based on what you have agreed the club will be known for, but here are some examples to consider:

The purpose of the club is to promote safe, enjoyable flying and aviation-related activities, and to provide the opportunity for its members to fly aircraft economically and conveniently in a non-profit organization.
The Club will provide a comfortable, collegial flying environment for interested pilots in order to promote the dissemination of safe habits and an open dialogue for the free exchange of experience and knowledge. Open communication will promote safe operations and goal-directed learning. This collegial atmosphere shall also promote basic as well as advanced training.

The Club will provide affordable, clean, well-maintained aircraft for the club members’ use. As safety is a priority all maintenance concerns will be addressed in a prompt fashion.

The Club will promote the joy of flying to the community by being an organization with a special focus on safety and proficiency.

Fly more, spend less, have fun.

Provide a safe means of flying at the most affordable rate.

Safe and affordable access to at least one airplane for the enjoyment of members.

Non-profit flying club dedicated to the promotion of GA by providing affordable access to clean, well-maintained aircraft for personal, recreational and instructional use.

The purpose of this member-only club is to encourage and promote an interest in aviation, to advance the knowledge of its members in aeronautical subjects, and to bring to more people the social benefits and pleasures of recreational flying in a club environment.

Your mission is a living, breathing statement of your desires and expectations for the club. Of course, just as with bylaws and other definition documents of the club, the mission can—and probably should—be changed in the future but spend some quality time on this now as it will guide you going forward.

IDENTIFYING CLUB AIRCRAFT

We’re not talking here about acquiring the airplane, but instead thinking realistically about choices of club aircraft. You are in a good position to do this now as you have founders, objectives, and a good idea about desired location and facilities.

It is time to think about aircraft makes and models that align with your mission. Start with the big picture in mind. If members are keen to use the aircraft for cross-country work, then a Cessna 150/152 probably won’t be a good choice; they are wonderful trainers, but relatively slow and uncomfortable for long trips. If the founders are set on a particular make and model, then great. For example, members may have previous experience and hence preference for a particular model, or perhaps part of the mission is to operate, for example, a Beechcraft Bonanza.

We see the complete spectrum of aircraft in the AOPA Flying Club Network. It is true to say that the majority of flying clubs either choose—or perhaps compromise on—proven favorites such as the Cessna 172 and the Piper PA28 Cherokee series. Other clubs, based on their mission, may select a different aircraft. For example, The Westminster Aerobats Flying Club, Inc., operate a Cessna A152 Aerobat, which is both aerobatic and fully IFR equipped!

The choice of aircraft will also greatly influence your budget and therefore costs, not just acquiring the aircraft, but also operating costs, including cost of parts, inspections, insurance, etc., so take the time to understand what it is you are looking for. We’ll look at budgeting in a Chapter 6, but at this point...be reasonable!

PICK UP THE PHONE

Remember, you are only a phone call away from speaking with an AOPA Flying Club team member who can provide help and guidance. If you live in an area covered by an AOPA Ambassador, feel free to make contact for local help. If you’ve already signed up to be a “Club In Formation” in the AOPA Flying Club Finder, then you may already be in contact with your local Ambassador, or with the Flying Club Initiative staff at AOPA headquarters.

Either way, don’t feel isolated; we are here to help, and we have already helped start many new clubs, so let your association help you!
Chapter 4: Club Structure

Now that you have a good idea about founders, objectives, viability, and type of aircraft, we can dig deeper in the options for the legal structure for your club.

There are many variations on a theme here, but generally flying clubs fall into two main types—equity clubs and non-equity clubs, which in turn depends on whether you purchase or lease an aircraft. Before we look at the options, take a look back to Chapter 2 and the section titled “Best practices for flying clubs.”

EQUITY VS. NON-EQUITY

If you and your fellow club members buy an airplane, then you have an equity club. If you lease an airplane, then you have a non-equity club. Pretty simple, but as with everything in life, there are variations and upsides/downsides to each.

EQUITY CLUB

If finances permit, buying an aircraft, registering it in the name of the club, and structuring the club so that all assets (and liabilities) are equally co-owned by the club members will result in the easiest of ownership models. The founders acquire the aircraft, determine all costs associated with the purchase (for example, outright purchase, loan down payment, pre-buy inspection, ferrying fees, etc.) and then add this to all the other start-up costs, such as legal fees, to get the total start-up costs. Dividing this by the number of members gives the initiation fee, sometimes called the joining fee. As you can see, under this model, each member buys equally into the club.

UPSIDE TO EQUITY CLUBS

The club has a tangible asset that is owned and operated by the collective membership. You know exactly what you have, and no one can take it away from you. Also, there is a natural sense of ownership rather than “use,” so the aircraft is looked after by all members, as it is indeed their own property.

DOWNSIDE TO EQUITY CLUBS

You have to come up with the purchase price of the aircraft, or at least the down payment for a financing deal. You’ll also have to determine how
You can find examples of aircraft lease agreements in the Downloadable Resources.

**UPSIDE TO NON-EQUITY CLUBS**

It may be easier to find an airplane to lease and, without doubt, your startup costs and hence initiation fees can be much lower, as you don’t have to find the large capital outlay for the purchase or down payment. The club will likely own other assets, such as tools and other equipment, so ensure that the conditions for leaving the club are still clearly defined in the bylaws.

**DOWNSIDE TO NON-EQUITY CLUBS**

To some degree, you are subject to the whim of the airplane owner. Leases often have a termination clause requiring some period of notice, and the owner may decide to not renew the lease, in which case you’ll be left without an airplane. Maintenance is another potential issue depending on how the lease is structured. It is extremely important to discuss, agree, and have captured in the lease agreement, exactly who will be responsible for scheduling, and paying for, maintenance. Some lessors may want to retain the right to arrange for maintenance, whereas others let the club handle it. Be very clear about who is responsible for paying for the annual inspection and unplanned airworthiness directives.

Both The Bay Area Aero Club and The Coastal Skies Flying Club in Houston are examples of non-equity clubs. They offer a low buy-in (initiation fee), and fixed monthly dues. Both of these clubs have several airplanes on lease, and more than 100 members each.

**LEGAL ENTITIES**

In general, there are two types of legal entities that a flying club might consider:

- The corporation
- The limited liability company (LLC)

Please note that the requirements and methods of forming corporations and LLCs vary from state to state. For this reason, we cannot provide...
recommendations that apply to all clubs, but we recommend that you use the service of an attorney who is familiar with your state’s business practices. Yes, this will add to your startup costs, but divided by the number of members, it makes good sense to get this right. AOPA can make recommendations for aviation-savvy lawyers in your state. If you would like to take advantage of this, please contact your You Can Fly Ambassador or the Flying Club team at AOPA headquarters.

As with equity vs. non-equity clubs, there are potential upsides and downsides to each type of legal entity—let’s briefly consider these in the order of preference based on our experience with many successful flying clubs:

THE CORPORATION
A corporation is different from other business types such as sole proprietor or LLCs, in that it is a true legal entity, independent from the people who own and operate it. You might hear the terms “C-Corporation” and “S-Corporation.” These refer to different ways of taxation, but for our purposes, we’ll consider the C-Corporation, which is taxed separately from its owners. That is, a flying club organized as a C-Corporation will have to prepare and file tax returns in the name of the corporation (club). Corporations are required to have a board of directors (not an issue, as they generally can be, and almost always are, club members, although some states are a bit picky about this) and must be formal in their governance. Again, this should not be considered as onerous, as a well-run club will want to prepare agendas for meetings and keep formal minutes detailing discussions, decisions, motions, and voting.

UPSIDES TO A CORPORATION
- Income, profits or losses are not reflected on club members’ personal tax returns
- Because of the required levels of governance and behaviors, corporations are generally less likely to be audited than other business types
- In most states, there is a very close mirroring of the state requirements for filing as a corporation, and the IRS’ requirements for filing as a tax-exempt entity (see later), meaning that it is easier to obtain tax-exempt status when structured as a corporation
- A big advantage of a corporation is that club members cannot generally be held personally liable for obligations of the corporation, or damages caused by the negligence of other members. If a member has an incident or accident with the club aircraft, then in general, other members are protected from personal liability for the damages
- Foreign nationals can be owners of corporations. For clubs, this means that non-U.S. citizens may be club members, unlike the case in most LLCs. Of course, non-U.S. citizens must always register with the TSA if undergoing flight training.

DOWNSIDES TO A CORPORATION
- More extensive record-keeping is required—but as mentioned earlier, a well-run club will aspire to this level of governance
- There is a requirement to have officers and regular meetings—again, nothing that a well-run club wouldn’t want to do

THE LIMITED LIABILITY COMPANY (LLC)
Limited liability companies (LLCs) generally provide liability protection for members as with corporations, but are considered to be more flexible in nature. They do not require the same corporate hierarchy that a corporation must have in terms of a board of directors and officers, so an LLC can be managed by all the members, designated elected officers, or a designated manager. LLCs do not require meetings or minutes, although both are recommended as good operating practices. An attorney can set up an LLC for you, or, in many states, there is a do-it-yourself option. There are a number of sources online to help should you decide to try this.

For example, Maryland has an excellent website called the Maryland Business Express, which is a one-stop shop for registering a business, establishing tax accounts, etc.
A major limitation of an LLC is that the IRS will likely not grant tax exempt status, even if you apply for it.

This is because of the more-relaxed reporting standards of the LLC compared with a corporation, and the pass-through taxation. We’ll look at the advantages of tax exemption in the following section.

**UPSIDE TO THE LLC**

- Relatively quick and inexpensive to set up
- Not much in the way of corporate record keeping or need for corporate officers, as there is no requirement to conduct formal meetings, maintain minutes meetings, or record motions and votes
- The LLC, itself, is generally not taxed, but this will very likely complicate members’ individual tax returns

**DOWNSIDE TO THE LLC**

- Any profit made by the club must be shown on the individual members’ tax returns. If, for example, a 10-member club makes a $5,000 profit, each member will receive a K-1 form showing an income equal to one-tenth of that $5,000, that is, $500. Each member will be taxed at whatever tax bracket they fall under. Similarly, if the club has a loss, each member may have a deduction on their taxes
- Although the LLC itself is not taxed, it will still have to complete IRS Form 1065. If you elect for an LLC, it is unlikely the IRS will grant tax-exempt status should you decide to apply for it. So, what if you start out as an LLC and then decide sometime later to switch to a corporation, or from a corporation to an LLC? In most cases you can do that one time in the life of the corporation, but this does vary from state to state—so what should you do? Engage the service of an attorney!

**TAX EXEMPTION**

Before we start this section, remember our strong recommendation. For anything to do with organization and taxes, consult an expert!

As we have seen in earlier chapters, the FAA defines a flying club as being a non-profit or not-for-profit organization, providing services for its members. Now, let’s be clear here, non-profit doesn’t mean that you must operate on a shoestring, or that you cannot have a positive bank balance. Quite the opposite, as a well-run club needs funds for general operations, plus reserves for things such as life-limited parts (e.g., the engine overhaul), and for unpredicted expenses, such as complying with a new airworthiness directive.

But, any time that income exceeds expenses, the IRS would like to tax you on that profit, so it makes sense to look for ways to avoid this. As LLCs pass-through any tax burden to its members, the IRS may not grant tax exemption to LLCs, as that would require doing so for each member, and of course each has a unique tax situation. So, tax exemption is generally easier to obtain for corporations.

Tax-exempt status is sought and granted by the federal IRS. This makes the application process fairly consistent regardless of club location, as opposed to the formation of a corporation, which varies by state. Once a club has been granted exempt status, it may avoid paying federal income tax if revenues exceed expenses. There are costs involved—both initial and recurring—and you would be wise to have your taxes prepared by an accountant in order to stay on the right side of the IRS, and most clubs find that this is well worth the effort and expense.
Most flying clubs apply for tax-exempt status as an IRS Code 501(c)(7) entity—that is, as a social or hobby club organized for pleasure, recreation, and other non-profitable purposes, that is supported by dues, fees, and other charges paid by the members. Furthermore, none of the net earnings may benefit one individual or member over others. In order to qualify for 501(c)(7) exemption, the club must also offer members the opportunity to meet, commingle, and enjoy each other’s company—something that flying clubs pretty much do quite naturally!

The application process involves IRS Form 1024. The form is comprehensive, so consider using a tax attorney to help you get this right.


Some flying clubs apply for tax exempt status as a 501(c)(3), which applies to charitable, scientific, educational, or religious organizations. There are some serious hoops to jump through to obtain 501(c)(3) status, as it allows the club to receive tax-free donations, and those donors may be able to take a deduction as their gift. This might be the best fit depending on your mission statement; for example, some university flying clubs are set-up as 501(c)(3).

The application process involves IRS Form 1023.


In Texas, the Nate Abel Flying Club was granted 501(c)(3) status. Here is its mission statement: The Nate Abel Flying Club is a non-equity, educational, nonprofit corporation offering unique culture of community engagement, flying, fun, proficiency, safety, camaraderie, and collaboration in a cost-effective manner for both aspiring aviators as well as for existing pilots.

Similarly, the Greater Houston Soaring Association operates as a 501(c)(3) because of its educational activities and community outreach.

Tax-exemption applies to income tax, but not necessarily to sales or use tax. Every state sets its own rules regarding these. Some states impose sales tax on an aircraft when it is purchased (new or used). Several states have agreements such that if you purchase the aircraft in one state, you can be taxed by the state in which it will reside; check with your state’s revenue department (or with your lawyer) to get the full details. Even when you get your federal 501(c)(7) exemption, you'll have to separately apply for state exemptions, which may come with a substantial filing fee. Without this, you may still have to pay state taxes on things such as initiation fees, club dues, as well as on the per-hour aircraft use amounts.

Hopefully, this introduction to club structure and tax-exemption will get you thinking more about your club’s objectives. We’ll look deeper into club structure and tax exemption in Chapter 6 where we consider what supporting documents will be required as part of the actual filing process.

Again, at risk of repetition, getting this right is important and has long-term impacts on the club—so understand your options and find an experienced lawyer to help you.
Chapter 5: Understanding Expenses
AND SOURCES OF INCOME

You have now thought a lot about your fledgling club and have a good idea about your objectives, along with ideas for club operations. You have considered options for organizational structure and have a good idea about the advantages of tax-exemption.

It is now time to consider the club’s finances. Starting first with expenses will help you understand the different types of costs involved, which will then move naturally into the types and frequency of income sources required to pay for those expenses.

EXPENSE TYPES
We’ll talk about costs and expenses in three main groupings: Startup (buy-in), Fixed, and Variable. We suggest you start keeping a separate list for these three types—doing so in a spreadsheet will help you add items as you think of them and will make it easy to total them later. To get you going, you can find an example spreadsheet in the Downloadable Resources that was built with a Piper Cherokee in mind and considers a financed purchase of the aircraft.

Although clubs use different models for their operations, they always involve the three types of costs. Some clubs lump all expenses and distribute them on a per-hour basis, whereas it is more common to separate the expenses and have different ways to fund them. The model you use is entirely up to you, but we think it helps to consider the three cost types—and how they can be funded—to help you with budgeting.

STARTUP COSTS
What: Costs associated with establishing the club, and procurement of club aircraft. This later transitions into the membership fee—more on this later.
How funded: Initiation or buy-in fees.

FIXED COSTS
What: Costs that the club incurs even if the aircraft doesn’t fly, such as insurance, financing or lease fees, hangar, annual inspection, etc.
How funded: Monthly dues.

VARIABLE COSTS
What: Costs incurred, per-hour, for the use of the aircraft.
How funded: Per-hour usage rate.

We advise against using the word “rent” when talking about the use of club aircraft. Club members are equal owners in the aircraft, and so are “using” it, not renting it. This may sound like semantics, but this will likely save you a lot of explanation to the airport operator.

Let’s now dig into each of the cost types in some detail.

STARTUP COSTS
As the name implies, startup costs can be considered as one-time costs associated with setting up the club and purchasing an aircraft. We’ll talk more about the details and steps to actually procure an aircraft in Chapter 7.

Here are some of the most common startup costs:
• Incorporation and tax-exemption filing fees
• Attorney fees for the above
• Aircraft procurement:
  – Loan down payment
  – Cost of the loan (points, etc.)
  – Legal fees for lease agreement, if applicable
  – Title and escrow services
  – Pre-buy inspection
  – Ferrying the aircraft to your club’s location

We suggest that you also include one year’s worth of the following in the startup numbers, so you have a buffer in case it takes longer for you to attract the desired number of members. This also provides some financial reserves in case of early member turnover, which will clearly affect monthly receipts:
• Hangar rental
• Insurance
• Annual inspection
• Loan or lease payments
**FIXED COSTS**

Fixed costs are incurred during day-to-day operations, and occur even if members don’t actually fly the aircraft. Think of this as the cost of providing club services, but independent of the usage of the aircraft. Here is list of typical fixed costs:

- Recurring fees—such as for incorporation, tax filing, etc.
- Hangar lease or tie-down fees
- Rental or use fees for the clubroom
- Insurance
- Annual inspection
- IFR inspections, if applicable
- ELT batteries
- Reserve for airworthiness directives
- Loan or lease payments
- Funding social events
- Scheduling tool and other software, such as for accounting, etc.
- Chart and database subscriptions
- Marketing—website hosting, printing fliers, etc.
- Social events

**VARIABLE COSTS**

Variable costs are incurred through the actual use of club aircraft. There are some obvious ones, such as fuel, but there are others to think about. By the way, this is one reason we had you consider the objectives for your club in an earlier chapter, and how your mission influences the type of aircraft the club will operate. For example, a Piper PA28-180 Cherokee will use around 10 gallons of fuel per hour, compared with, say, a Cessna 152, at six gallons per hour.

Here is a list of typical variable costs, all of which are presented per-hour of use:

- Fuel. *See note 1 about wet vs. dry rates
- Oil (consumption)
- Allocation for general maintenance—of the order of $5 per hour
- Reserves for life-limited parts, e.g., engine and propeller overhauls. **See note 2 about reserves
- Inspections—50-hour, etc. ***See note 3 about 100-hour inspections

**NOTES**

1: Club aircraft are generally offered with one of two fueling options: wet or dry. In the wet model, the cost of fuel is included in the overall per-hour rate. Because of fluctuating fuel costs, the club will have to estimate a reasonable amount per gallon, so as not to lose too much income if the price of fuel escalates. Some clubs estimate a base rate of, say, $5 per gallon, and then add a fuel surcharge that is adjusted on a monthly basis.

In the dry model, members pay for their own fuel and so it is not included in the overall per-hour rate. Typically, the club rules that the tanks be topped off at the end of every flight, ready for the next member. Be sure to have a discussion with your members about wet vs. dry usage and then capture the outcome in the club bylaws and operating rules.

2: Reserves allow you to plan for large expenses, such as an engine overhaul. Let’s say the club aircraft has approximately 1,000 hours left before the recommended overhaul time. Assuming the overhaul will cost, say, $20,000, then you’ll be wise to charge—and save—$20 per hour for this expense. If the engine requires work prior to this time, clubs often charge members an assessment to cover the shortfall in savings. For example, in a 10-member club, if there is $10,000 in the engine fund but the overhaul is required now, then members will be assessed at $1,000 each to cover the shortfall. For this reason, make sure that the possibility of an assessment is built in to your bylaws (see Chapter 6). As far as the IRS is concerned, reserves look like profit, so it is extremely important for you and your accountant to clearly allocate such overages for future maintenance. This is a good reason to consider filing for tax-exempt status for your club.

3: Regarding 100-hour inspections for club aircraft, one interpretation of the rules is that if a club does not provide the aircraft and/or instructor for purposes of flight instruction, then a 100-hour inspection may not be required. Unless the club bylaws say differently, a member may certainly book and use the club aircraft for individual training and they may select and compensate their choice of instructor—so the point is that the club is not providing the airplane or instructor for compensation. Now, there is legal, and then there is safe. If the FAA deems that a “rental” aircraft must have a 100-hour inspection, why would it not be a good idea to do so with any aircraft? We’ll leave this up to you and the other members to discuss, but if you do decide to perform 100-hour inspections, simply add the pro-rated cost as a component of the per-hour fee. You can find more details on this topic in the Club Connector archives.
Before we leave the expenses section, there are three areas worthy of closer attention because of their relative size compared with other costs: insurance, financing, and aircraft maintenance.

**CLUB INSURANCE**

Insurance is one of the more significant costs your flying club is going to incur. Even if you lease the aircraft your club flies, the club, not the owner, will generally carry a policy to cover liability at a minimum, and in most cases, hull insurance as well.

Liability insurance is exactly what it sounds like. It protects your club from the risk of liabilities resulting from lawsuits or other claims. Hull insurance covers the costs associated with the repair of damage, or replacement, of the aircraft itself.

The cost of your insurance policy will be affected by several factors, all of which are within your control to some extent. Operating complex aircraft, amphibious aircraft, or aircraft with high value will typically result in higher insurance costs. Premiums may also rise if, for example, there are student pilot members, if the club has a large membership, or allows aerobatics. Then again, you can mitigate some of these costs by establishing strict proficiency standards, encouraging and documenting safety education for club members, and restricting certain activities. As for the issue of higher insurance costs for clubs with larger memberships, that can work to the advantage of your club’s members, even as the club grows, since insurance costs are spread amongst more members.

Example: An experienced pilot with more than 1,000 hours total time owns an older Cessna 172 valued at $40,000. Liability and hull coverage for this pilot is priced at $875 per year. The XYZ Flying Club with 10 flying members, two of whom are student pilots, leases a similar Cesna 172, and contracts for similar insurance coverage. Their policy is priced at $3,200 per year. While it might appear the club pays significantly higher insurance costs, when calculated on a per-pilot basis, it comes out to just $320 per year per pilot. This means that a student pilot flying the club airplane pays less for insurance each year than the experienced pilot who personally owns and operates an equivalent aircraft.

When shopping for insurance, speak openly with your insurance broker in order to find ways to get the coverage you need, while keeping your costs to a minimum. AOPA’s strategic partner for insurance, AssuredPartners Aerospace, is used to working with flying clubs and will provide excellent customer service. You can call them at 800-622-2672.

One other type of insurance to consider is Directors and Officers (D&O) coverage. In organizations such as flying clubs, the directors and/or officers are volunteers, but are expected to act in accordance with the law and other responsibilities. As it sounds, D&O protects directors and officers from legal actions resulting from their duties as club officials. This type of insurance is usually inexpensive and can be obtained from any insurance company or agent.

**PURCHASE OR LEASE**

Another decision affecting costs, particularly startup costs, is whether you purchase the club aircraft or lease it. This actually may not be much of a decision. If you find the perfect aircraft for sale and you can afford it, then buy it. If the club intends to finance the purchase, then get quotes from several financing agencies including the AOPA Finance Group, who have years of experience working with flying clubs. Bear in mind that, depending on the amount to be financed, the age of the club and the type of aircraft, a financing company may require that one or more members act as personal guarantors for the loan.

Conversely, if you find the perfect aircraft that the owner wishes to lease, then lease it. Leasing
Experience has shown that the decision to buy or lease affects the startup costs more than fixed and variable costs. Let’s look at the reasoning behind this.

In the case of a purchase, the club must fund the full purchase cost or at least the down payment, which will require founding members to deposit large sums of money into the club coffers—hence large startup costs. Any monthly loan repayments will be divided by the number of members and included as a component of monthly dues. Variable costs (per-hour costs) are determined by the actual operation of the aircraft and are not affected by the buy vs. lease debate.

If you lease an aircraft, there will not be a large initial capital outlay, but you will generally pay the owner two types of costs. The base-lease fee is an agreed amount for the convenience of using someone else’s aircraft. This is usually paid monthly to the owner, and the club passes this cost through to its members as a component of fixed costs, hence monthly dues. As mentioned previously, the per-hour operational costs of an aircraft are virtually independent of the model of acquisition, although in the case of an owned aircraft, reserves for engine, propeller, etc. are retained by the club, whereas for a lease, the reserves are held by the owner and are paid for by a component of the per-hour usage fee.

You can see that the decision to buy or lease changes the allocation of costs between initial costs and fixed costs. These changes in cost warrant detailed consideration when drawing up the club budget, which is why it is important to have the discussion as soon as possible.

**FINANCING AN AIRCRAFT**

Financing in the strictest sense of the word only applies to equity flying clubs—that is to say, flying clubs that own the aircraft they operate. Non-equity clubs lease their aircraft, and so the owner carries any financing costs, but the club will need to enter into an exclusive lease agreement as described in Chapter 4. You’ll find some sample lease agreements in our Downloadable Resources that you may choose to use as a starting point for your own, customized lease. You might also contact an existing club with the assistance of AOPA’s Flying Club Finder to ask if they would share the language of their aircraft lease with you. Many operational clubs are pleased to share their club documents with clubs in formation.

Regarding flying clubs intending to purchase an aircraft, there is a wide assortment of financing options available. A good place to start is with the AOPA Finance team, who have been working with AOPA Network flying clubs for years. You can find out more about their four different financing options here: [https://finance.aopa.org/flying-club-finance](https://finance.aopa.org/flying-club-finance) and you can call them at: 800-627-5263.

You also could contact your local bank or other financial organization with whom you have a relationship with, to discuss the unique needs of your flying club.

Typically, a down payment of 20 to 50 percent will be required when borrowing from a traditional lending institution for the purchase of an aircraft. Unless your flying club has been in operation and financially stable for a period of several years, it is also likely the lender will require an individual, or number of individuals to personally guarantee the loan.

As with any large purchase, shop around for services that will meet your financial needs and be prepared to negotiate the best deal possible for
your club and your situation. Of course, financing is not your only option. Many equity clubs plan for a significant buy-in from members when they join. This buy-in can be several thousand dollars and is used to purchase the aircraft. As an example, if XYZ Flying Club establishes its buy-in at $5,000 per member, with a target of 15 members, the result is a fund of $75,000 to use for the purchase of an aircraft, payment of insurance premiums, and initial maintenance needs. This method can be advantageous because it removes the cost of debt. The club buys the aircraft with cash, providing each member with co-ownership and access to an aircraft for only a fraction of its full purchase price.

**MAINTENANCE COSTS**

If you’ve owned an aircraft before, you know that there are two main types of aircraft maintenance: predictable and unpredictable. Predictable maintenance includes the annual inspection, oil changes, brake pads, tires, etc. These are all things that you can plan for based on knowing your aircraft and the approximate numbers of hours it flies per year. Unpredictable maintenance includes any unplanned items. Examples include the vacuum pump, instrument failures, etc. Even worse are unforeseen airworthiness directives, or an engine requiring an overhaul prior to the expected date.

All of these items come at a cost, for labor, and often for parts as well. Clubs generally budget for maintenance using the ideas of fixed and variable expenses, as discussed previously. The annual inspection is considered a fixed cost, whereas the number of 50-hour oil changes will depend on the number of hours flown. We’ll look at a sample budget in the next chapter to help you account for this, but for now expect to budget the annual as a fixed cost, and oil changes as a per-hour cost. Don’t try to get too detailed for “general” maintenance items—simply allocate an amount per-hour, say $5, to cover things such as tires, light bulbs, instruments, etc. Over time, this will create a useful reserve to use as needed.

If you have a member who is handy with tools and machines, there are a couple of ways in which a club may lower its maintenance costs. First, use a mechanic who supports the notion of owner-assisted maintenance. This is where the owner (or club member) can help with various tasks under the supervision of a qualified mechanic. Doing this during an annual inspection can save hours of labor charges—and it has the extra benefit of getting to know your aircraft much better.

The second way a club can help reduce maintenance costs is to perform as much preventative maintenance as you can under the regulations—and that you feel comfortable with. Under FAR Part 43, it is possible for a club member to perform a number of common and preventative maintenance tasks, such as changing the oil, replacing tires, replacing bulbs and lenses, and quite a few more. This can save substantial labor charges and also builds a feeling of ownership when the work is done as a group. Do ensure that you read FAR Part 43 in full, including the appendices, as there are very specific requirements for logging the work as well as listing the tasks that can be performed in this manner, and by whom.

Whether an aircraft is purchased or leased, it will require the same level and cost of maintenance. In the case of an owned aircraft, the club bears full responsibility for maintenance, and so holds reserves to cover the costs. For a leased aircraft, the allocation of maintenance tasks and costs will be as determined in the lease agreement, so the club will hold some reserves, and pass on other amounts to the owner. You now see why a comprehensive lease agreement that clearly defines maintenance responsibilities is so important.
The Westminster Aerobats Flying Club, Inc. leases a Cessna A152 Aerobat from a club member. The lease agreement was drawn up between the club’s corporation and the owner’s LLC. The lease agreement clearly describes which party is responsible for particular types of maintenance. Basically, the club is responsible for wear and tear during usage, and the owner is responsible for factors such as ADs and (at least) the labor involved in the annual inspection. This lease agreement is available in the Downloadable Resources.

SOURCES OF CLUB REVENUE

We now have a good idea of the types of expenses associated with forming and running a flying club. The opposite side of the club’s accounts is concerned with income and the various sources of those funds.

One of the biggest challenges for club treasurers is collecting money, and it can quickly get personal if people fall behind in their payments. The club is not a bank, so plan on avoiding this from the start by requiring payments to be made by direct payment into the club bank account. Your treasurer will love you for doing this and the club can depend on predictable monthly inflows of cash.

We will consider three types of income—each of which aligns with one of the expenses types detailed above—that is, the initial buy-in, dues, and the hourly rate.

INITIATION OR BUY-IN FEES

For a new club, the initiation fee will mostly likely be calculated as the total amount required to establish the club, including the purchase or lease of the aircraft, divided by the number of members. This is easy to calculate and is obvious and transparent to the members.

As a club matures and the initial startup costs become amortized over many years and members, the club must decide on the joining fee that will apply to new members. Some clubs calculate the overall valuation of the club on an annual basis, and then rebalance everyone’s share when a new member joins. Most, however, set an amount that reflects an ownership-like commitment in the club.

It is easy to get too deep when thinking about this, so see the “Member Share Valuation” below for more thoughts and ideas.

MEMBER SHARE VALUATION

When a club is first formed, it is relatively easy to keep track of the startup costs and distribute them among the founding members. But what happens as new members come on board, and what about when the club is well established and the startup costs have been amortized over many years of operation? Different clubs have different ways of managing this, but here are a few ideas for you to consider:

#1. A club started with five founders and had startup costs of $50,000, including the purchase of an aircraft. Each founder paid $10,000 and is an equal owner of the club. If the club grows to 10 members, each of the five new members pay $5,000 to the club to join, and the club will reimburse each founder $5,000, such that all members share equally in the club.

#2. A club is 20 years old and owns the club aircraft, equipment and tools that it has purchased over the years. The current group of members share equally in the assets and liabilities of the club. The club bylaws define the buy-in amount for new members, which may have been adjusted over the years. Nevertheless, each new member has an equal share in the club and pays the same dues and fees as every other member. There is a really simple test to apply here to ensure that every member is equal. If the club is disbanded for any reason, each member will receive an equal distribution of the club’s assets. Don’t get too hung up on fairness here—and don’t think of a flying club as an investment plan. People who have been in the club since the start will likely have paid a different joining fee (both in actual dollars, as well as in present value), and they will have paid dues for many years. In return, they have enjoyed the benefits of the club for those years. A new member will join the club as defined in the current revision of the bylaws and will become a joint owner. If the club is disbanded, both will receive the same distribution, which some might consider as being unfair, but the point is not to disband the club, so that everyone continues to benefit from its existence!
CLUB DUES

Some clubs collect quarterly or even annual dues rather than monthly, but the point is not so much when they are collected, but more what they are expected to cover. Do, however, be aware of cash flow, and the timing of expenses.

Quite simply, dues cover the day-to-day fixed costs of running the club. Simply add up all the fixed costs as listed earlier, divide by the number of members, and divide again by 12 if the dues will be collected monthly. Discuss the frequency of collection with the members. In fact, have it as a formal section in the bylaws so there is no doubt what members owe, and when they must pay. Less money, more often is preferred by most members, but more money, less often reduces accounting work for the treasurer, so have the discussion at a club meeting and amend the bylaws as appropriate.

PER-HOUR RATES

This is even easier than dues. Per-hour rates cover all the variable costs associated with the actual usage of the aircraft. Most clubs use the tach hour meter to determine aircraft usage and to charge members for aircraft time, although some may use Hobbs time. Either way is fine. The advantage of Hobbs time it is elapsed time and helps build reserves. Tach time is slightly less so provides a better value for members—and is the basis for hourly-based maintenance. So, simply add-up all the variable costs, such as fuel, oil, and reserves, and that is the per-hour rate.

OTHER THINGS TO CONSIDER ON THE TOPIC OF EXPENSES AND FINANCING

From our experience, there are several other issues that clubs may face or struggle with – so we present them here with ideas for consideration.

#1. What if members fall behind with payments? This may happen for many reasons, but that should not be the concern of the club. A flying club is not a bank and requires everyone to pull their own weight. There are many ways to “discipline” members who don’t pay on time, all of which should be captured in the bylaws so everyone knows what is expected of them when they join the club. Clubs may suspend flying privileges or terminate a member for lack of payment and some may even go to court to get what is owed.

But prevention is better than cure:

- New members should not be given any flying rights until they pay their joining fee.
- Insist (in the bylaws) that all dues are automatically paid to the club through bank transfer or direct credit to the club. Don’t make exceptions to this—if someone claims to not have a bank account, then refuse to accept them as a member until they do.
- If per-hour fees don’t get paid on time, ban the member from using the aircraft. You may have to install a new hangar lock and distribute keys to the honest members, but this is easier than trying to get reimbursement of flight hours that a rogue member may continue to rack up.

The Westminster Aerobats Flying Club uses a lock box on the side of the hangar that contains the hangar keys. Only one key is required for all members, and it is easy to change the box combination if they need to restrict access.

Sometimes a member may request a temporary period during which they don’t pay dues, but they still wish to retain their membership in the club. Some clubs handle this with a “non-flying membership,” whereby the member pays a smaller amount for a stated period of time. Remember, the club is not a bank and a non-flying member may well prevent a new flying member from joining, paying the full amount
and benefiting from the club. If you go this route, be really clear that the non-flying member has no flying rights, and that the arrangement will end after an agreed period.

**#2. Your bylaws must be very clear about the financial expectations on members,** and detailing what will happen if they don’t comply. You may find that, based on experience, you have to amend your bylaws after a particular situation, so ensure that the amendment procedure (e.g., formal motion, discussion and vote with a stated number or percentage of yes votes) is clearly defined in the bylaws themselves. Don’t be shy with this—amending bylaws is a sign of an active and growing club, and we recommend that you review them at least every two years.

**#3.** We’ll discuss good record keeping in Chapter 6, but for now, think about financial records. **Keep good financial records throughout the year—this is the primary job of the treasurer, so choose one wisely.** This saves lots of time at the end of the tax year! Some clubs use tools such as QuickBooks, which allow easy creation of financial and tax records, while others develop their own spreadsheets. Either way, keep records of all income and expenses as they occur, as we guarantee you’ll not remember them. Keep all receipts and invoices in an ordered file, for easy reference. As we will see in Chapter 6, the airport operator and IRS may want to review and audit your books so keeping good records will help this go smoothly.

**#4.** Don’t over-complicate how members join and leave the club. Define both procedures in your bylaws. Different clubs handle leaving members in different ways. Some will permit a member to sell their share for whatever they can negotiate, while other clubs will “buy back” the membership for an amount stated in the bylaws. At all times the club (typically, the board of directors) should retain the right to interview and formally accept/reject an applicant. Of course, this must never be based on any sort of discrimination, but if you have reason to believe that the prospective member just won’t fit into the social culture of the club, or have concerns about their financial credibility then you have right of refusal.

**#5.** As your club grows and you have more members and aircraft, you’ll want to think seriously about a scheduling (sometimes called dispatch) tool. There are quite a few to choose from and many provide the same basic features, such as a calendar view to reserve aircraft, checking in and out, which keeps track of tach and Hobbs times, billing based on tach or Hobbs time, maintenance alerts based on tach time, and other features such as online access to the PoH, weight and balance, etc. These tools will save many hours of frustration for club members and especially the treasurer. Look for tools that offer flexible invoicing models; we saw earlier that clubs generally collect period-based dues, as well as per-hour use fees so find a tool that will bill people for, say, monthly dues.

*The Westminster Aerobats Flying Club uses an online scheduling tool called Flight Circle. This tool acts as a Club Management Tool, as it maintains member details such as roster, dates for flight reviews and medicals, and has a useful notification system for flagging maintenance and inspection tasks. The tool has a check-out/in function that keeps track of hours flown and automatically invoices members for time used as well as monthly dues.*
Chapter 6: Building Your Flying Club

Building on the information from previous chapters, we will now look at three major aspects of building your flying clubs, namely:

- Preparing a budget
- Drafting bylaws and operating rules
- Filing for incorporation and tax status

Examples of these documents can be found in the Downloadable Resources.

PREPARING A BUDGET

From your work in Chapter 5, you now have a pretty good idea of the financial structure of your club, the types and estimates of expenses, and the sources of income. All you have to do now is enter this information into one or more spreadsheets and make adjustments as necessary to meet the club’s goals.

We recommend that you prepare a rolling four-year budget; that’s is, you initially create a budget covering year’s one, two, three and four. Year one should be pretty accurate, with year two being less so, and year’s three and four are best estimates as no doubt things will change before then. The following year, you’ll produce year’s two, three, four and five budgets, with year two now being the most accurate. There really isn’t much more work in doing a four-year budget, as most of the entries will be the same—except perhaps when you add more aircraft or other capital expenses, and you’ll probably find that you’ll anyway need a four-year budget when filing for tax exemption, if you choose to go down that path.

In preparation for the budget sheets, we suggest that you first create tables that capture the three different cost types, namely start-up, fixed and variable costs. The details in each table will depend on whether you purchase or lease the aircraft, so we prepared two sets of cost calculators that you can find in the Downloadable Resources.
These sheets can also be used for “what-if” analysis, for example, to see how monthly dues would change if the number of members increased from, say, 10 to 15 or if the average flight hours changed compared with that which was budgeted.

While these tables give you pretty good estimates for startup, dues, and hourly costs, they don’t tell the whole story and generally show costs on the high side. The factor that is missing is time—and that leads us to a most important consideration of club finances—that of cash flow. By mapping out your income and expenses month by month, you’ll start to see how the reserve grows over time. You’ll also see how big single payments, such as insurance and the airplane annual, dip deeply into the reserves, so requiring a watchful eye on expenditures for themonths before these items are due.

Available in the Downloadable Resources are examples of four-year budgets. Example 1 is a budget for a new flying club that has 10 members and has purchased a Piper PA28-180 Cherokee. Example 2 illustrates a budget for the same club, but when leasing a Cessna A152. Of course, your club will be different to some degree, so download the underlying spreadsheets and customize them as necessary.

DRAFTING BYLAWS AND OPERATING RULES

BYLAWS

Bylaws govern how an organization operates by providing the framework, structure, policies, and rules of governance. Every flying club should draft, discuss, adopt, and review bylaws, so the club’s officers know what their responsibilities are, board members have a guide for making decisions, and members know what to expect from the club, as well as what is expected of them.

Bylaws should not be confused with the club’s aircraft operating rules.

Simply put, bylaws are much more comprehensive and lay out the foundation of club governance. The club’s operating rules, on the other hand, outline how members may use aircraft and how the club is run on a day-to-day basis.

It is a good idea for the bylaws to state that day-to-day matters and expectations will be detailed in the operating rules document, and that the operating rules can be amended separately from the bylaws themselves. This gives more flexibility to the board of directors to make changes in operating practices without requiring more onerous reviews that are generally required for bylaws.

Among the sections that are typically included in bylaws, are:

- Purpose of the club
- Definition of member
- Meeting of members—quorums, frequency, notice, voting, and governance
- Membership—joining and leaving
- Directors and officers—definitions, duties, and responsibilities
- Elections and removal from office
- Committees, hearings, and enforcement
- Determination of dues and other fees
- Liability and damage to club property
- Club finances—financial/accounting practices, assessment, etc.
- How to amend the bylaws
- Dissolution

It is important to note that insurance companies may request a copy of your bylaws when reviewing policies and issuing quotes.

In addition, if your club chooses to file for tax exemption, the IRS will likely review your bylaws to ensure the club meets the requirements of the exemption, especially regarding non-profit status and operations.
Bylaws should not be considered as set in stone— situations may occur that show deficiencies in your rules—perhaps you wish to clarify a clause, or the club’s culture may have changed over time. In any case, amending the bylaws is a good thing for a healthy club. To make this easier, make sure that the bylaws contain a section that clearly defines the process of amendment in terms of who can do it (board members or the whole membership) and how many votes are needed to pass the amendments.

For some ideas on how the above points can be laid out in a document, take a look at an example set of bylaws contained in the Westminster Aerobats Flying Club’s membership packet, in the Downloadable Resources.

OPERATING RULES

Formal operating rules define how members may use the club aircraft and what is required in terms of training, booking procedures, reporting maintenance issues, and so on. The “Ops” rules lay the foundation for your club to operate safely and efficiently, and they set the standards for members to be good partners with one another. In short, the operating rules help create and sustain the culture of the club.

These are the things that help create a sense of ownership in the club and ensure a positive experience for every member, every time they get into and out of the airplane.

The most effective operating rules define how members should fly and care for the club’s aircraft, as well as procedures for scheduling flights, performing basic maintenance, and other details of using the aircraft.

Things to consider when writing your Ops rules should include, but aren’t limited to:

• Aircraft scheduling
• Usage duration, weekend trips, etc., and any minimum charges

• Pre-and-post flight requirements
• Flight proficiency and flight rules
• Types of flying permitted, and any limitations
• How maintenance items are squawked and repaired
• Aircraft grounding procedures (out of service and return to service)
• Reporting the need for regular maintenance (e.g., 50-hour inspection)
• How to handle repairs if a breakdown occurs away from home
• Handling refueling—at the start or end of a flight?
• How to reimburse for fuel, oil, repairs, etc. when away from home base
• General housekeeping guidelines such cleaning the aircraft after use, e.g. removing bugs from the windscreen/leading edges, etc.
• Airport restrictions, for example, club airplanes can’t be taken into airports that are not on a sectional chart, grass strip policy, etc.
• Foreign travel guidelines
• Correct tie-down or hangar procedures

It’s important to include the members’ input when developing the club’s operating rules, not only to ensure everything is covered, but also to build a sense of ownership in how the club operates and how the airplanes are cared for. This may be the first time many general aviation pilots are operating an aircraft with a defined set of rules, so take the time to go over the details with new members. It helps the club operate more professionally and safely. Some clubs have a formal “onboarding” process where different officers explain the rules and expectations to new members.

Your club will evolve over time, and the rules will need to be updated periodically. These updates should reflect the experience gained as a club, improvements to operations, and successful ways the club has solved problems.
Many clubs have their operating rules posted online and AOPA has examples of rules that your club can use as templates when drafting your document. For some ideas on how the above points can be laidout in a document, look at an example set of operational rules contained in the Westminster Aerobats Flying Club’s membership packet, in the Downloadable Resources.

FILING FOR INCORPORATION AND TAX STATUS

As we outlined in Chapter 4, there are several options for the legal structure of your club—please refer back to Chapter 4 if you need a quick refresher on legal structures, but the summary is that we recommend you apply to be a corporation, especially if you intend to apply for tax exemption either now or in the future.

You apply (file) for incorporation with your state, and every state is slightly different. For a corporation, you’ll prepare a document known as Articles of Incorporation. This document may be called the Charter by some states. Because of state-by-state differences, we strongly advise you use the services of an aviation-savvy business lawyer. While AOPA can’t help you with the costs involved, we can make recommendations for lawyers in your state. If you would like to take advantage of this, please contact your AOPA Ambassador or the Flying Club team at AOPA headquarters by emailing us at FlyingClubNetwork@aopa.org.

Forms and instructions can usually be found on the (states) Secretary of State’s website. For example, in the state of Maryland, the Business Express website contain all the forms, instructions, and other information needed to start and maintain your business entity.

Remember that you’ll be filing as a non-profit (sometimes called a not-for-profit) organization, so make sure you select the correct form(s). Also, many states require you to stipulate in your Articles of Incorporation if you will be filing for tax exemption, which may result in a different form again. Remember, if you do file for tax exemption, it will most likely be as an IRS 510(c)(7) social organization, rather than an IRS 510(c)(3) charitable or educational organization. Your lawyer is the best person to consult with about the differences, and what is right for your club’s situation and goals.

Filing carries a cost, which again is state dependent—don’t forget to budget for this, as well as attorney’s fees in your startup costs. You’ll also need to budget for the annual renewal of the club’s status.

If you do decide to organize as an LLC rather than a corporation, you’ll follow a similar procedure, but will file Articles of Organization. You can find example Articles of Incorporation and Articles of Operation in the Downloadable Resources.

OBTAINING A FEDERAL TAX ID NUMBER

To open a bank account, to apply for tax exemption, and to file your club’s tax return with the IRS, you’ll need an EIN, Employer Identification Number. This is like your personal social security number, but is for the club as a legal entity.

You obtain this number online from the IRS. The process is surprisingly simple. Here’s a link to the IRS website where you can apply for the EIN: https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online.

You may use form SS-4 (https://www.irs.gov/pub/irs-pdf/fss4.pdf) as a worksheet to help gather all needed information before completing the online form. This needs to be completed in one sitting, or you’ll have to start over.
The entire process only takes a few minutes, and, at the end, you can choose to receive your EIN electronically, in which case you’ll be issued your EIN on the spot. Most banks will require an EIN in order to open a bank account in the club’s name. Some banks may also require a DBA (Doing Business As). You can get this from your state department or your county clerk. Costs vary, but it’s usually just a few dollars and takes about 15 minutes. You may be able to do this online but check first with your county clerk.

In the state of Texas, for example, you can apply for a DBA online with the state. There is a $25 fee. If you do it in person with the county clerk, the fee is $15. In Frederick, Maryland, the application fee is $79.99.

**FILING FOR TAX EXEMPTION**

Recall that establishing as an incorporation as a non-profit organization does not automatically give you federal tax-exempt status. To obtain this, you must file separately with the IRS. Before you actually file, ensure that your incorporation paperwork is underway, that you have approved (by the club) bylaws—including directors and officers elected—that have a four-year budget and a federal tax ID number, as you’ll need to attach these to the application.

As we discussed in Chapter 4, most flying clubs apply for tax-exempt status as a 501(c)(7), that is, as a social or hobby club organized for pleasure, recreation, and other non-profitable purposes, and that none of the net earnings benefit any one individual or member over others. It shouldn’t be a surprise that there are specific requirements, after all, the IRS is providing a benefit here! When you complete the paperwork, take some time with the “narrative” (a specific section in the form). Emphasize that the social aspects of the club and person-to-person interaction (“comingling”) between club members are important parts of the club’s culture and operations.

Some flying clubs apply for tax exempt status as a 501(c)(3), which relates to charitable, scientific, educational, or religious organizations. There are some serious hoops to jump through to obtain 501(c)(3) status, as it allows the club to receive tax-free donations, and the donors may receive tax deductions on their gifts. This might be the best fit depending on your mission statement—for example, some university flying clubs are set up as a 501(c)(3).

The abovementioned tax exemptions are for federal income tax. Depending on your state, you may be able to (separately) file for state tax exemption, but invariably you will need the federal exemption before approaching the state. This is well worth doing as you may save on state sales tax, as well as income tax.

**ANNUAL TAX RETURNS**

When you are structured as a non-profit corporation and have received tax-exempted status, you still have some obligations for filing annual tax returns. Your state returns (for income as well as sales tax) are state dependent, so working with a tax accountant or CPA would be a good idea, at least for the first year of operation so you can see how things should be done.

Regarding federal tax, you’ll need to complete and file IRS form 990 (“Return of Organization Exempt from Income Tax”). There are various versions of the form, (for example 990-EZ), that are used for different amounts of total receipts and total assets. As these amounts may change, we recommend that you look at the latest information from the IRS: [https://www.irs.gov/pub/irs-pdf/i990.pdf](https://www.irs.gov/pub/irs-pdf/i990.pdf)

As with all things to do with taxation, treat this with care and attention. We know of clubs where, because of a changeover of the treasurer, forms were not filed and the IRS revoked their tax-exempt status. It is possible to get this back, but not without considerable time, effort, and cost.
Chapter 7: Acquiring your Aircraft

In Chapter 3, we looked at the type(s) of aircraft your club will be looking for, based on the club’s mission and objectives. The point was to be realistic about the aircraft in terms of operations and costs.

We considered the two main models of aircraft ownership in Chapters 4 and 5. These are the Equity model and the Non-Equity model. We compared the impact of each in terms of startup costs, fixed costs and variable costs, so that you could make decisions based on the finances of your operation and to create a budget.

We now move on to the truly exciting part of starting a flying club—acquiring the club aircraft. Aside from writing your club’s mission statement, choosing the aircraft for your club is probably the most important decision your club will make in its first year of operation. If your flying club is to be truly successful, the aircraft has to fit and support the mission statement and the real-life goals of the club. Fortunately, it really isn’t all that difficult to choose an aircraft, find a good one, buy or lease it, and get underway as an operational flying club. Literally hundreds of flying clubs have paved the way for you, but there are some important considerations to keep in mind.

There are no regulations that prevent your club from starting with a twin-engine aircraft, or a seaplane, or a classic biplane that makes everyone’s heart flutter with joy when they walk into the hangar. Practical considerations suggest those would not be good choices for a first aircraft. The expense of acquiring, maintaining and operating them tend to outstrip the financial capability of most new clubs, at least in the early years. More important perhaps, the certifications, currency requirements, and skills necessary to operate that type of aircraft will likely leave you with a very small pool of potential club members.

Looking at the data of more than 650 clubs in the flying club network, the most cost-effective, efficient, and practical aircraft for new flying clubs to consider is a well-maintained, previously owned, single-engine, fixed tricycle-gear airplane. These aircraft satisfy most of the needs of the typical new club, whether they are to be used as affordable flyers or cross-country travelers. These airplanes provide comfortable and predictable flying qualities for a broad segment of pilots over a range of experience levels. They also enjoy ready availability of parts and upgrades, including a long list of STCs* should your club decide to upgrade the aircraft, and they offer all of that utility on a realistic budget. Bringing a proven aircraft into your fleet that is truly affordable, insurable, and maintainable will give you a huge kickstart on the process of becoming fully operational and sustainable.

*N*OTE

STC stands for supplemental type certificate. The term refers to modifications that can be made to certified aircraft in terms of upgraded performance, panel changes, or other attributes an owner might desire. STCs can be purchased from the approved holder—typically an aviation company with expertise in the particular item. These modifications include things such as allowing the use of auto fuel (mogas), the installation of vortex generators, engines of greater horsepower, tailwheel conversions for tricycle gear airplanes, and even fabric covering options.

Whether you decide to purchase an aircraft or lease one, you’ll probably be surprised to find that locating a suitable candidate aircraft is easier than you first thought. The process does require a bit of effort, but unless you’re in a very rural location, there may well be good candidate aircraft right there on your home field—or at least in the general neighborhood. The key to finding them is to actively market your club’s requirements, and to make your search known to fellow pilots and aircraft owners. The FBO or airport operator may be willing to send a notice detailing your search with the monthly hangar rent bills, or in the airport newsletter. Somewhere, in one of the hangars at a local airport, there may be the
For example:

- **Barnstormers.com** is a popular aviation-specific website with aircraft and equipment for sale.
- **Trade-A-Plane.com** exists as a print publication and a web-based tool.
- **Controller.com** also provides classified listing for aircraft and equipment.

By looking at these sources, you’ll be able to determine availability and pricing for your selected aircraft. Of course, sellers always list at the higher end of the range, so we suggest that you research “typical” prices for your target aircraft by using the VRef aircraft valuation tool. This tool also allows you to determine the sensitivity of pricing, with variables such as airframe and engine hours, paint and interior condition, and avionics, to name but a few.

We also hear of clubs that have successfully purchased their ideal aircraft on Craigslist and even eBay, but you’ll want to brush up on your buyer-beware skills before going down this path. For every success using these tools, we also hear spectacular horror stories.

After you find the airplane that you believe is a good fit for your club, there are a few steps you’ll need to take to be really sure it is the airplane for your club. These are important steps, and while they require some upfront expenditure, they can save the club a substantial amount of heartache and money by preventing the purchase of a lemon.

More information and videos on buying an aircraft can be found on the AOPA website, where you’ll find tips, FAA forms and options for financing, and insuring your new aircraft.

**GET A PRE-BUY INSPECTION**

Regardless of whether you plan to lease or purchase, you really should baseline the aircraft’s condition. We hear of aircraft with new paint schemes and beautiful interiors having serious flaws under that thin skin—flaws...
that can cost more than the price of the aircraft to fix. Be sure to use a mechanic of your choice to perform the pre-buy inspection. It might be tempting to use the mechanic who has looked after the aircraft for the past 20 years, but strongly resist this temptation. This is not so much a matter of trust or integrity, but that new eyes find different things, and that the mechanic is working for you, not the seller.

**CONDUCT A TITLE SEARCH**

These services are available from several companies, including AOPA strategic partner Aero-Space Reports, which offers AOPA members attractive discounts. Escrow services are also available.

The services generally include:

- **Aircraft title search**
  This provides you with a formal title report showing any liens or title issues of record at the FAA, and displays the name and address of the current registered owner and previous owner.

- **Accident/incident report**
  The Accident/Incident report provides you with a detailed report of any past accidents or incidents involving the aircraft. The National Transportation Safety Board (NTSB), and FAA Aviation Safety Information Analysis and Sharing (ASIAS) databases are searched for these.

- **Complete aircraft records**
  The aircraft registration documents show all documents that have been filed with the FAA for the aircraft, including all bills of sale, applications for registration, liens, lien releases, etc. The airworthiness documents will show all 337s (repairs and alterations) that have been filed with the FAA for the aircraft.

- **Chain of title**
  The chain of title report provides you with a formal list of all owners from the manufacturer to the current registered owner. The chain of title report can give insight into how many times the aircraft has changed ownership, where it has been located, and if it has ever been exported out of the country.

One of our clubs-in-formation found the perfect airplane. Their preferred make and model, relatively low-time airframe, lots of time left before engine TBO, nice paint and interior. The pre-buy inspection found a few minor discrepancies that were easily fixed, but the title search identified some undisclosed damage history. The damage occurred some 20 years prior, and the repair was well done and undetectable. The club decided that, whatever airplane they bought, it would stay in the club for the long term, so resale was not really an issue. They successfully negotiated a healthy price reduction based on the discovered damage history and are now operating an aircraft that perfectly fits their mission.

**FINDING THE RIGHT FIT**

While you search, keep in mind that you’re not just looking for an airplane, you’re looking for an airplane with the specific bells and whistles previously determined to be important to members. If your club includes an experienced A&P mechanic, then a high-time engine may not be a significant concern for you. Then again, if you’re going to pay full market rate for your maintenance work, a high-time engine may be a deal breaker. Similarly, if you find a great airplane that is not compliant with some requirement—such as ADS-B—and perhaps has original radios and navigation equipment, you can be sure that the club will need to upgrade equipment in the near future, at a cost of several thousand dollars.

When shopping for an airplane, it is worth knowing which features are truly important to you, and which issues are not of significant concern. Faded paint may be less attractive, but it very well may be covering a well-maintained, perfectly serviceable airplane that would fit nicely into the club you’re building. On the other hand, you may find a gorgeous looking airplane that could cost you $40,000 in engine
and avionics upgrades over the next 18 months. If, however, the cost of an engine overhaul or avionics upgrade are reflected in a deeply reduced purchase price, then an airplane with a high-time engine and ancient avionics might still be a good buy. You would be wise to remember that upgrades of major components like these can easily cost more than the purchase price of the aircraft itself. So be wary and be well informed about the specifics of the airplane you’re looking at buying. The savings realized by an inexpensive purchase can often be wiped out by the excessively high cost of repair.

Knowing what you want in an airplane and getting a good pre-buy inspection from a reputable mechanic is the best insurance your club can have against large, unexpected costs and frustrating downtime.

**NEGOTIATING THE ACQUISITION**

Everything is negotiable. Really, everything. Whether leasing or buying, you are not locked into any price or terms until you sign the official documents. Be willing to negotiate openly and in good faith, and you will enhance your chances of getting the aircraft you want at a price you will feel good about. When negotiating the purchase price of an aircraft, be vigilant as to the actual condition of the aircraft, inside and out. Don’t become emotionally involved with the aircraft or its history, as these are things you cannot change. Fully review the aircraft logs and maintenance reports (it does have detailed maintenance records...right?) to see how frequently the aircraft has been flown, and how well it has been maintained. Make sure that all airworthiness directives have been complied with and are well documented, and that all systems are functioning properly. Look over the interior and sit in the aircraft. Ask yourself if you’re truly happy with the condition of the interior, as well as the look of it. Fly the aircraft to see if performs as you’d expect and check for unusual characteristics that might not be evident on the ground. Everything you have to repair or replace immediately after the purchase will add to the overall cost. Discuss discrepancies in good faith with the seller, and should you decide to make an offer, include them in the offer.

**NEGOTIATING A LEASE**

There are several things that are absolute necessities for a flying club aircraft lease agreement. As we discussed in Chapters 2 and 4, a lease should be for a long enough period that instills a sense of ownership to the club. The lease should be exclusive to the club, which means that the owner can only fly the aircraft as a member of the club, and that the owner-member abides by the same operational rules as other members, including paying the same dues and aircraft use fees.

Virtually everything else you can think of is negotiable, including maintenance responsibilities.

Rather than dance around on this, here are some topics you should negotiate and clearly articulate in the lease agreement:

- The club is usually responsible for general wear-and-tear maintenance. This is why you should baseline the condition of the aircraft, even when leasing. For example, if the tires are worn, get the owner to replace them prior to signing the lease agreement. The need for a pre-buy inspection is as important for a leased aircraft as for a purchased one, as you will be responsible for general maintenance going forward.
- The club is usually responsible for operational costs such as oil changes, database updates, etc.
Typically, but not always, the owner is responsible for capital types of expenses, such as engine and propeller overhauls (and for that reason, will likely collect per-hour fees, as well as the base lease fee).

Clearly state who is responsible for the annual inspection—the lessee (the club) or lessor (the owner). There are two components to consider here—labor and parts. The aircraft owner might pay for the labor of the annual, but if discrepancies are found, you’ll have to determine if they are caused by wear and tear or something else. For example, if a compression test and borescope analysis show that a cylinder has a problem and the mechanic/IA will not sign off the annual inspection, who pays for the engine work? In this case, this type of defect could be covered by per-hour fees collected by the lessor, so the owner might be responsible, but you can see why it is important to write things down in a formal lease agreement.

This also applies to airworthiness directives. ADs must be complied with to maintain the value of the aircraft, so are generally the responsibility of the owner, but be clear and specific in the lease agreement.

State if the lease requires a minimum number of hours per month or per year, or that the dollar amount of those hours will be due even if they are not actually flown.

State clearly the minimum hull insurance the club must carry on the aircraft.

Be clear about lease termination condition—in terms of notice, etc. Also, how conflicts will be handled, should they arise.

State the condition in which the aircraft must be returned to the owner at the end of the lease.

Most lease agreements split responsibility of maintenance between the club and the owner, but there are two extreme models that are worth looking at:

1. The owner is responsible for all maintenance. Perhaps the owner is an A&P or just wants to have full control over the well-being of the aircraft. This is certainly an easy model for the club. Of course, the owner will pass on the costs to the club in the form of a higher base-lease (to cover fixed costs, such as the annual), as well as higher per-hour fees to pay for oil changes, tires, brakes, etc.

2. The club is responsible for all maintenance. Here, the club truly does have owner-like responsibilities, but for someone else’s airplane. There is significant risk with this model of lease operation, and it demands a thorough pre-lease inspection.

We’ve included an example a lease agreement in the Downloadable Resources. Feel free to download it and change as appropriate. As with all legal documents and contracts, we suggest you engage the services of an aviation-savvy lawyer to review your documents.

USING AN AIRCRAFT BROKER

If the club intends to purchase the club aircraft, but the workload involved in searching for good aircraft, evaluating its condition and negotiating the purchase price feels daunting, there is another option. Aircraft brokers offer services that will limit your time investment to little more than letting them know what you’re hoping to purchase, setting a target or maximum price, and waiting for a phone call or email to let you know they’ve found options for you. Brokers may charge a flat fee for their services, or a percentage of the purchase price. In either case, they will take much of the work out of the process for you, and only present you with aircraft for consideration that meet your criteria.

At the end of the day, of course, it is you who will be buying the airplane, so don’t over-rely on the broker.

THE PURCHASE

Once you actually purchase the aircraft, you’ll be keen to fly it home, but first be sure that the paperwork is in order. You can find lots of interesting and important information, as well as the required forms, on the “Buying an Aircraft” page of the AOPA website.

The the seller must complete and sign AC Form 8050-2 (Bill of Sale) and you’ll need to complete AC Form 8050-1 (Aircraft Registration Information) and—importantly—you’ll need to remove the pink copy from the physical form, or make copy of the online form, and put it with the aircraft registration and airworthiness documents in the aircraft.
Many states levy sales tax on the purchase of an aircraft. But what if you purchase the aircraft in, say, California and fly it home to Nebraska; in which state do you pay tax? Most states have agreements regarding this, and you’ll usually pay sales tax on the purchase price specified on AC Form 8050-2 (Bill of Sale) in the state where the aircraft will be based. As with all things to do with taxation, don’t assume anything and check with your state’s revenue department or your CPA to see what applies to your situation.

**CONGRATULATIONS!** Your club now has an aircraft and you are ready to finish the process of starting a club, and get it fully operational!
Chapter 8: Running your Club

As with any organization, a key to success is communication. With a flying club where members have an equal stake in everything, it is vital to keep members informed. Hold regularly scheduled club meetings; there is always something to discuss, and regular interaction leads to a healthy social club structure. Let’s not kid ourselves here, in virtually any organization 80 percent of the work falls to 20 percent of the members, that’s just human nature. But, give members the chance to be involved with event organization, running a wash-n-wax, or other necessary tasks—and you’ll be pleasantly surprised at the response.

MARKETING YOUR CLUB AND ATTRACTING MEMBERS

The whole point of a flying club is to have flying members, so it is important to maintain an active membership roster. People leave clubs for a variety of reasons, but it does happen, so be prepared to find new members. As we’ve discussed in previous chapters, there are many ways to find new members and all approaches involve awareness and getting the word out.

Now that you are an operational club, you should critically review your website and make sure it presents the message and face you want to portray. A visitor to the website should be able to quickly determine the club’s values, find contact information, see pictures of your members and aircraft, view the social calendar and know where and when meeting and events will be held. Feel free to be creative and excited about your website, as this will show through to visitors. Do remember, however, our advice in Chapter 2: do not cross the line by stating or implying that the general public can “learn to fly with us,” as this is considered holding out for business, and is the realm of commercial operators, not non-profit flying clubs.
Instead, you may say the club accepts members of specific levels, for example, student, private, commercial, IFR-rated, etc.

Prospective members want to get a sense of the club and its operations and the website is a good medium for this. Create an online archive of club meetings and safety information. Have a repository where people can download information such as the pilots operating handbook (PoH), check-out forms, weight and balance sheets, and also include links to the club bylaws and operating rules. This type of openness goes a long way to attracting people who are really interested, rather than those wishing to kick the tires. Also ensure that you provide information about the club’s aircraft and its capabilities and equipment—and the costs involved with membership.

The Bakalar Flying Club, based in Louisville, Kentucky, is an AOPA network club that went operational in 2017. The club has a first-class website, with excellent and accessible information for prospective members [http://flybak.org](http://flybak.org). Even when they met their initial goal of 15 members, they made it easy for prospective members to get onto the waiting list.

The Westminster Aerobats Flying Club, based in Westminster, Maryland, developed a Membership Packet that contains bylaws, membership application form and operating rules, in a downloadable PDF document. The packet is available in the [Downloadable Resources](#).

Another excellent website is that of the 7B Flying Club, based in Sandpoint, Idaho, [https://7bflyingclub.com](https://7bflyingclub.com). With one click on the big “Become a Member” button, a prospective member is taken to an area containing pertinent membership documents. The club also has a short FAQ section, that answers the typical questions asked, such as “How does the club work? How much does it cost?” and others.

Another point of contact to your club is a Facebook page. Here, members, families, and friends can post photos, links, etc. about the club and members’ adventures. This is a wonderful way to connect with the world, but people quickly get bored with stale content, so make sure the marketing officer, or other designated member, keeps the page fresh and interesting.

You can post on the [AOPA Flying Club Network Facebook page](https://www.facebook.com/AOPAFlyingClubNetwork/) which provides the opportunity of connecting with AOPA network clubs. Also, the [AOPA Hangar](https://www.aopa.org/hangar), which is a community-based bulletin board covering a wide range of aviation topics including flying clubs, provides a fresh forum for posting and sharing club information, and seeking input from other AOPA members.

Without a doubt, the best way to get prospective members excited about joining the club is for existing officers and members to meet them, share their energy and passion for aviation, and let them see and sit in the club aircraft. One way of doing this is to hold an open hangar event, where you invite people to come to your hangar and simply hang out with members. Being on the airport, with its sights and smells is a very powerful marketing tool! Be sure to involve the airport manager in this as it will involve the public having access to the airport and safety will be a major consideration.

Another way to find new members is to send out direct marketing information to pilots in your general area, especially to relatively new pilots who may be looking for an alternative to aircraft rental. The details of the FAA Airmen database was explained in Chapter 3, and we suggest that you review that information when considering strategies for finding prospective members.
Deciding how far to go with this depends on two key aspects:

1. Ask yourself the time/benefit question: is what you can afford greater than the time saved?
2. Will the appropriate officer step up to the task of using and managing the tools, and then be willing to train the next elected officer?

Our advice is to start small. There are some very good and cost-effective accounting tools available, as well as scheduling tools that cost as little as $10 per month. Bear in mind that these systems will require training for members to use them effectively, so factor that into your decision.

The Westminster Aerobats Flying Club uses an online tool called Flight Circle. This tool acts as the club's management tool, as it maintains member details such as roster, dates for flight reviews and medicals, and has a useful notification system for flagging maintenance and inspection tasks. The tool has a check-out/in function that keeps track of hours flown and automatically invoices members for time used as well as monthly dues.

Finally, in this section on management, remember to treat your bylaws and operating rules as living documents. You had the right intentions when you wrote the initial documents, but things change as does club knowledge and culture, so think seriously about reviewing and amending your documents on a regular basis. We find that new clubs often make many small changes within the first year of operation, and then review every couple of years, until things settle down.

Another aspect of club management is the use of tools to make things easier. This certainly becomes valuable, if not essential, as your club grows. We know of AOPA Network clubs that use manual ledgers for accounting and a diary located at the local liquor store for aircraft scheduling. We also know of clubs that use sophisticated accounting tools, and online scheduling systems to help manage their finances, tax returns and aircraft reservations. Some of these tools are highly integrated, some not.

Either way, giving members the opportunity to elect the board and officers is an important part of club democracy and should be exercised at least annually.

Finally, in this section on management, remember to treat your bylaws and operating rules as living documents. You had the right intentions when you wrote the initial documents, but things change as does club knowledge and culture, so think seriously about reviewing and amending your documents on a regular basis. We find that new clubs often make many small changes within the first year of operation, and then review every couple of years, until things settle down.

**STRATEGIC PLANNING**

Even after a flying club becomes operational, it is important that its leadership continues to plan for the future. This type of planning—known as strategic planning—is a club's process of defining its strategy, or direction, and making decisions about the allocation of its resources to pursue
this strategy. Strategic planning allows a club to establish an organizational direction, prepare for obstacles and opportunities down the road, ensure a financially sound future, and plan for growth.

The best run flying clubs are often those that make a concerted effort to plan in a strategic manner—usually by holding recurrent strategic planning sessions dedicated to this task. These sessions allow clubs to discuss and decide upon long-term goals, and to solicit ideas for the future. Topics that are good to discuss at strategic planning sessions include (but are not limited to) the club’s mission/vision, its bylaws, its growth plans, the suitability of its aircraft, its location, its safety and social programs, its finances, and any long-term projects or goals.

For a club looking to begin a strategic planning session, it is best to start by deciding upon a planning team, creating a schedule, and gathering all the necessary documents (e.g., bylaws, financial statements) that might be referenced during the planning process. Prior to the session, it is advisable for clubs to conduct preliminary research by surveying their membership. The purpose of this is twofold—surveys are great for soliciting anonymous member opinions about the club’s current practices, and they also make for a good way to collect new ideas. If a club is looking to launch a simple survey the online tool SurveyMonkey is intuitive, easy to use, and, best of all, free!

As you begin the strategic planning process, it is always good to review your club’s vision, mission, and values. The vision of a club focuses on tomorrow and what your club ultimately wants to become, while a mission statement is concerned with the present, and addresses what your club intends to do to achieve its vision. The differences between a vision and a mission statement can be seen in the following example, from The Westminster Aerobats Flying Club, Inc.:

**Vision:** “To encourage and promote an interest in aviation, to advance knowledge in aeronautical subjects, and to bring more people the social benefits and pleasures of recreational flying in a club environment.”

**Mission:** “To provide members access to an affordable and versatile aircraft that will allow them to further their flying skills in a safe and fun manner.”

As this example illustrates, the club’s mission—providing access to an aircraft—paves a path toward its ultimate vision: to promote aviation and advance aeronautical knowledge. It’s possible that during your club’s formation ideas such as mission and vision were thought out but not written down. If this is the case, a strategic planning session provides an ideal opportunity to put them in writing. A clearly articulated mission and vision can steer the direction of the planning process and revisiting them as a club provides an excellent way to ensure that everyone is on the same page prior to developing specific plans. In addition to discussing your club’s mission and vision, it is also a good idea to discuss its values—the core principles that shape its culture.

Once your club has reviewed its vision, mission statement, and values, it makes sense to analyze your club’s current state. After all, only by understanding thoroughly where you are can you begin to make progress toward a future goal. One particularly simple and effective way to approach this problem is by using a SWOT analysis framework. SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. Strengths and weaknesses are both internal to your flying club and listing them will require an honest assessment of what your club is good at, as well as those areas that could be improved. Opportunities and threats, on the other hand, describe either potential ways that you could grow and develop your club or, alternatively, those things within the wider environment that could pose a challenge to your operations. Once
you have established what your club’s strengths, weaknesses, opportunities, and threats are, you can brainstorm ideas about how to address the various issues you have identified.

SWOT analysis represents a great way to prioritize your flying club’s plans. Following it, it is good to set short to mid-term goals that are SMART: Specific, Measurable, Achievable, Relevant, and Time-Bound. When setting these goals, it is important to choose key performance indicators (KPIs) that can be used to track your club’s progress as it goes forward. KPIs are quantifiable measures that can be used to evaluate the success you have had in meeting your performance objectives. For example, the number of members in your club would be a KPI that you would track if your goal was to increase your marketing efforts to attract more members in the coming year. Without a specific measure by which to track goals, it would be difficult to say whether your club is making progress toward its objectives. Also, as you go through the strategic planning process, remember it is vital that your club’s budget is aligned with its plans.

When developing goals for your club, it is a good idea to assign them to specific club officers (or members) to oversee. Otherwise, it might be ambiguous who is responsible for ensuring that a particular goal is accomplished. For example, it would make sense that—if your club’s goal is to create a more robust safety program—the task would fall to the club’s safety officer.

Once your strategic planning group completes its plan, it is time to share it with the club at large. When doing this, it is ideal to point out what the group discovered in its initial research, and how the planning session addressed these issues. Tell the club what goals were set, and how progress toward these goals will be tracked.

Strategic planning should be an ongoing process within your flying club, and it should not end once a committee has decided upon a plan. Instead, a schedule should be established for tracking progress and monitoring KPIs, and the plan’s effectiveness should be reviewed at the end of an agreed upon span of time. Lessons learned can then be integrated into future plans that are drawn up in years to come.

**FLYING CLUB NETWORK VALUES**

The AOPA Flying Club team maintains a directory of network clubs that share the same basic values, goals and interests in general aviation. As we grow the network, we will be adding features and benefits, and plan to bring significant value to network members. We cannot, of course, accept any responsibility for the structure, liability, governance, or operation of any network club, but we do provide information on best practices, as we do in this document, to get some commonality in the network. For this reason, we developed a set of values and associated best practices that we ask our network clubs to aspire towards. We introduced these earlier in this guide, so suggest that you look back to the Chapter 2 section “Values and Best Practices for Flying Clubs” as you will now have more appreciation of their contribution to a well-managed and run flying club. You can also find this in the [Downloadable Resources](#).
GUIDE TO STARTING A FLYING CLUB

Chapter 9: Flying Club Safety Program

If you look back at Chapter 3 “Designing Your Flying Club,” and particularly at the sample mission statements from some of our existing network clubs, you’ll see that the word “safety” appears in virtually all of them.

As you know, aviation safety is no accident—it takes diligence and a mindset to not just instill safety into flight operations, but to enforce it. No surprise, then, that the position of safety officer is one of the most important positions in the whole club, and you should be very specific about the roles and responsibilities of the safety officer.

The AOPA Flying Club team has joined forces with colleagues at the AOPA Air Safety Institute (ASI) to provide the following ideas for a flying club safety program. Instituting safety as a core value for flying clubs has multiple benefits, including access to all club members at mandatory safety meetings, the ability to share, in bulk, important safety information, and encouraging the natural self-regulation that happens when people share machinery with others.

In addition to the information in this chapter, we encourage all club members to regularly visit the ASI website and for safety officers to take full advantage of the courses, videos, and other packaged material that is available, for free, from the ASI website.

SAFETY CULTURE

When you write the bylaws, select club officers, and define operating rules, think hard about the safety culture you want to inspire. This is a good time to develop a program that encourages your members to meet and reflect on safety issues, so they can benefit from each other’s support, and improve their skills and knowledge, and at the same time, have fun. A solid and sustainable safety culture has to be based on mutual trust, risk awareness and mitigation, and club members helping each other be better and safer pilots.

SAFETY POLICY

You want to encourage members to have fun, but you also need fundamental rules that establish your club’s commitment to safety, formalizes expectations, and facilitates your club’s ability to assess the effectiveness of risk-management strategies. The safety policy should be created by the safety officer, championed by the club president, but endorsed and accepted by all members so be sure to actively engage your members as they need to be fully invested in its success.
SAFETY RISK MANAGEMENT

A key component of your safety program is constant risk analysis of flight operations. All club members are equally responsible for identifying risks and hazards, and the safety officer is responsible for taking steps to rectify them.

Things to consider include:

- Using a simple tracking mechanism that provides an up-to-date snapshot of identified, ongoing, and resolved issues. White boards and accessible spreadsheets are good examples of this.
- Keep records of pilot qualifications, such as:
  - Medical expiration dates
  - Flight review dates
  - Completion of required safety training, such as ASI courses, WINGS seminars, etc.
  - Successful completion of safety requirements tailored to the local environment (e.g., mountain flying refresher, weather operations, SRFA requirements, etc.)
- Establish rules for new member and CFI checkouts, for example:
  - New member onboarding process
  - Ground and flight review requirements
  - Aircraft checkout quiz
  - Record of checkout performance and completion
- Provide a clear, easily accessible place, such as a bulletin board or white board, for members to review notifications, airplane squawks, maintenance due dates, and database update due dates.
  - The ideal place for this is in the hangar, or the location where aircraft are dispatched, so that the information cannot be missed. For an example, see the template for a Flight Ops Status Board, in the Downloadable Resources.
- Provide an open and easy channel for club members to anonymously report safety concerns, and ensure that the safety officer takes those concerns seriously and acts upon them.
AIRCRAFT DISCREPANCIES

Sharing an aircraft means that all pilots must be responsible for communicating discrepancies and concerns as soon as possible. You’ll need a process whereby the member who identified a problem can quickly and easily document it and inform other members, and when necessary, ground the airplane in a way that is clear to all members. Keep it simple, yet ensure that all members are notified.

- Example of a minor issue:
  “Comm 2 scratchy and intermittent”
  - Document the issue in the aircraft squawk sheet, and on club white board or bulletin board
  - Send an email to the safety officer who will notify club members

- Example of major discrepancy and grounding process:
  “Transponder failed, noticed burning odor, pulled circuit breaker”
  - List the discrepancy in the appropriate section of the check-in sheet and attach a red “Grounded” sign on the throttle or other prominent place in the aircraft and in this instance, collar the popped breaker to avoid someone from resetting it
  - Send an email to the safety officer who will notify club members

RISK MITIGATION

Develop a risk-mitigation strategy that is simple to implement. Remind members of best practices such as performing a pilot preflight (IMSAFE) as well as a general preflight (PAvE) before every flight, revising personal minimums to match proficiency, and when recurrent training is recommended.

In addition, develop standardized shutdown/post-flight procedures and checklists that help members leave the airplane in a proper and expected condition for the next pilot—for example, master/electrical off, trash removed, confirm exterior and interior cleanliness, windows, and leading-edge surfaces clean. If all pilots adhere to the procedures, they help reduce aircraft aging, save on maintenance, and improve safety (no bugs on the windshield means improved collision avoidance).

- Examples of pilot checklists:
  - AOPA Air Safety Institute Personal Minimums VFR Checklist and IFR Checklist
  - Pilot preflight checklists
  - Pilot inflight checklists
  - 3-P risk-management checklist
  - Standardized after landing/shutdown checklists

SAFETY PROMOTION

Design your club’s safety education and training program and as the club takes shape, share the plan with all members. Regularly solicit their input for what they’d like to have covered. Also remind your members of upcoming events, like an annual safety stand down and safety material to review—or send a call to action to attend a local aviation seminar or fly-in, tour an ATC facility, meet with a neighboring club, etc.

MAINTAIN EDUCATION AND TRAINING AWARENESS

Remember to tie your safety education plan to your safety objectives, and provide regular opportunities to discuss issues and concerns. Put together a schedule of periodic meetings and enlist help from FAASTeam speakers and other recognized aviation personnel to engage your membership and promote safety. Regularly remind members how they can comply with program requirements (e.g., participating in FAA WINGS, taking AOPA Air Safety Institute courses, etc.) before key expiration dates.

THE FIVE BUILDING BLOCKS OF SAFETY EDUCATION

1. HOLD REGULAR SAFETY MEETINGS

Provide members with the opportunity to share knowledge and learn from each other. As these meetings reiterate your safety culture, make sure they incorporate open dialogue that promotes sharing of mistakes, so others can learn.
• Example safety meeting agenda:
  – Welcome remarks
  – New member introductions
  – Review AOPA Air Safety Institute Accident Case Study (or Real Pilot Story)
  – Recent incidents or issues concerning club aircraft
  – Aircraft maintenance and avionics upgrade status updates
  – Current weather and seasonal review and discussion
  – Review proficiency requirements
  – NOTAMs and other alerts
  – Closing remarks

2. LESSONS LEARNED
Encourage members to share close call experiences and set aside time to review and discuss a club incident or external accident. Something such as a simple mistake, that if left unchecked may have led to a serious problem, is a valuable learning experience. While important, these meetings don’t have to be somber. Tie them into a breakfast social or hangar party to convey the joy of flying and promote camaraderie.

3. FLEET OR AVIONICS UPDATES
Provide an overview of new or planned avionics upgrades. Share the plan, and schedule training sessions for your club members to become familiar with new equipment before going flying. You also may want to include notes about checkout requirements, upcoming fleet maintenance, software updates, etc.

4. REVIEW SAFETY RESOURCES
Discuss seasonal or geographical weather considerations and suggest resources to enhance proficiency in these areas. Use the AOPA Air Safety Institute website to identify appropriate courses, videos, and other online programs. In addition, review and discuss local and nearby airport updates (e.g., runway changes, planned airport improvements/construction, new FBO/fuel providers, airport obstructions, frequency changes, etc.). Ensure your members are aware of any changes to surrounding airspace and how to obtain current NOTAMs, especially security and VIP NOTAMs.

5. CONDUCT AN ANNUAL SAFETY STAND DOWN
Require that members attend and participate in an annual safety stand down, which should be engaging, educational, and entertaining. This is another opportunity to reiterate your club safety culture and discuss recent incidents, accidents, fleet or avionics updates, software updates, etc. Key to a rewarding meeting is its tone, topics covered, and the quality of your speaker (engaging, knowledgeable, etc.). Your members can benefit from meeting with local air traffic controllers, airport managers, aviation weather specialist, accident investigators, and others who frequently interact with pilots. Consider swapping conversations with other clubs and safety officers, and invite them to speak at your safety standdown.

SAFETY ASSURANCE FOR CONTINUOUS IMPROVEMENT
Constantly assess your club’s safety program to determine the effectiveness of risk-mitigation controls. A quick way to think of this is:

Plan: Risk-management analysis and assessment
Do: Put controls in place to mitigate hazards
Check: Effectiveness of controls
Act: Take corrective action if needed

Effective safety assurance and risk-management practices allow you to quickly identify unacceptable risks or new hazards, to tackle and minimize those risks, and to improve overall safety. Some issues may pose more risks than others and will require stronger measures to resolve and conform to established safety standards.

Perform regular audits to check effectiveness of controls so that safety does not slip through the cracks. If you find it difficult to be objective or think a fresh eye might be a good approach, consider asking another club to review and audit your safety risk management and assurance program.