In conjunction with the

Chapter & Alumni Guide to

Establishing a House Corporation

One of the highlights of fraternity life is spending time together as Brothers, especially time spent as undergraduates. Having one common place, for socializing, studying, and developing skills as leaders, makes a chapter house integral to maintaining that brotherhood. It's also a home away from home, a haven for safety, security, and all the amenities of traditional campus housing.

While not every chapter has a house, every chapter has a need for shared space. But how can the undergraduate chapter and its alumni acquire, manage, and develop the space they need?

House Corporations are a great solution, and may be a good fit for your chapter. Even where a good volunteer house committee or association already exists, establishing a fully functional, legally incorporated House Corporation lays the cornerstone of that common place where the true friendship of Sigma Chi brotherhood will always be found.

Want a Few Good Reasons to Form a House Corporation?

When a House Corporation exists, it can:

- Own real estate for the benefit of the chapter
- Obtain financing when necessary
- Maintain and insure any physical structure
- Lease the chapter house to the undergraduate chapter via a master lease
- Execute tenant leases for residents
- Provide and/or contract for routine maintenance
- Secure and maintain furnishings and equipment
- Hire chapter house employees (house manager, cook, housekeeper, etc.)
- Plan long-term capital improvements
- Organize and implement fundraising campaigns

Even when no property is currently owned, a House Corporation can:

- Maintain accurate financial records
- Establish and maintain bank accounts
- Complete applicable tax filings

- Contract vendors and service providers for events
- Anticipate future housing needs
- Grow relationships with chapter alumni and recruit volunteers
- Provide advice and mentorship to the undergraduate chapter

Determining Legal Structure

Younger chapters, and those with fewer total initiates, may be relying on an informal alumni committee that handles insurance, maintenance, and storage. Those without residential property may not have much volunteer support at all.

Every chapter can benefit from a volunteer House Committee, even if it's not yet legally organized. This group of alumni can establish most of the basic functions of a future House Corporation, like budgeting, bookkeeping, tax filings, and insurance.

As the needs of the chapter dictate, the committee can take many of the steps outlined here to become a legally incorporated entity. A House Corporation can then seek exemption under section 501(c)(7) of the Internal Revenue Code, to potentially receive tax-favored treatment when raising funds, and can apply for loans, contract for services, and provide countless other benefits to the active chapter.

> *A Board of Directors ensures the House Corporation, while technically a social club, acts with the integrity of a professional business.*

Setting Expectations

The House Corporation should:

- Legally incorporate as a non-profit organization, with the respective Secretary of State
  - Anticipate legal fees (typically $250 to $750 or more), if using an attorney to draft Articles of Incorporation
- Obtain a Federal Employer Identification Number (FEIN) from the IRS
- Obtain tax-exempt status as a “social club” under IRS Code, Section 501(c)(7)
- Establish separate savings and checking accounts, independent of chapter financial operations
- Name officers to oversee daily operations
- Establish written by-laws, as well as policies and procedures for firm operations

  - Anticipate legal fees (typically $250 to $750 or more), if using an attorney to draft state-specific by-laws
- Elect a Board of Directors, to govern operations and approve policies and procedures
- Implement an accounting system that complies with generally accepted accounting procedures
  - Anticipate professional fees (typically $250 to $1,000 or more annually) for bookkeeping and tax filing, if assistance is needed
- Establish financial controls for House Corporation funds, to avoid commingling funds of the chapter
- Maintain its own records, in accordance with applicable regulatory and financial guidelines
- Secure and maintain appropriate property and liability insurance
  - Contents, Directors & Officers (D&O), and General Liability coverage can range from $250 to $1,500 or more annually

Select Corporation members who will:

- Be local or area chapter alumni who will reside in close proximity to the property for the duration of their involvement
- Be in, and maintain, good standing as an alumnus with the Sigma Chi International Fraternity
- Have prior experience as undergraduate chapter officers, if possible
- Have professional experience in real estate, accounting, construction, or other housing-related disciplines
- Have volunteer experience as members or officers of local and professional boards or associations
- Commit to attending regular meetings

Establish a Board of Directors who will:

- Be elected from the members of the House Corporation, at its Annual Meeting
- Serve staggered terms, typically of one to three years
- Administer the policies of the House Corporation by approving by-laws, meeting minutes, financial reports, budgets, contracts, and all actions essential to the business of the House Corporation
- Elect officers annually, including President, Vice President, Secretary, and Treasurer
- Appoint committees, as applicable, to conduct business activities on behalf of the active chapter
- Call special meetings for specific purposes, when necessary

- Receive and disperse all funds, donations, and gifts for the necessary operation of the House Corporation
- Own, buy, sell, or lease property for the benefit of the chapter

How Does the Legal Process Work, and in What Order?

Once prospective members are identified, an informal meeting needs to take place. This is the time to delegate some initial tasks:

1. Request an application form to submit Articles of Incorporation to your Secretary of State (SOS) office

- Articles of Incorporation typically include the legal entity's name, the organization's purpose and duration, and the names and addresses of the initial directors
- Consult with an attorney or qualified legal representative to create Articles of Incorporation; CHI can provide examples for reference

2. Determine corporate structure

- While Articles of Incorporation are being approved, appoint Directors of the corporation
- Directors will appoint the Officers of the House Corporation
- Directors will adopt By-Laws for the House Corporation
- Directors will file IRS Form SS-4 to obtain an FEIN
- Consult with an attorney or qualified legal representative to draft corporate By-Laws; CHI can provide examples for reference

3. Apply for tax-exempt status

- Once the House Corporation is registered with the SOS and By-Laws have been adopted, Officers can file IRS Form 1024
- On approval, the House Corporation will be recognized as a 501(c)(7) corporation, exempt from federal income taxes

4. Schedule an organizational meeting with the Officers of the House Corporation

- Swear in the Officers: President, Vice President, Secretary, and Treasurer
- Document the completion of the legal steps outlined, as applicable
- Record and distribute the minutes of the meeting
- Schedule the first regular meeting of the House Corporation, and set the agenda

How Does the House Corporation Start Going to Work?

For its first regular meeting, new House Corporation Officers should plan to review and act on the agenda established at the organizational meeting. Typical business items may include:

- Establishing bank accounts required to conduct the business of the House Corporation
- Preparing an annual operating budget
- Creating a succession plan for Officers and Directors
- Establishing policies and procedures, and creating a Standard Operating Procedures (SOP) manual
- Developing procedures for reporting property loss claims
- Creating an emergency response plan, including an evacuation plan for residential properties
- Establishing environmental, safety, and health management programs
- Inspecting and maintaining emergency and life safety equipment
- Enforcing general safety guidelines, and ensuring awareness to protect resident safety

What About Longer-Term Plans?

It's easy for a new House Corporation to get overwhelmed, because overseeing the operation of a fraternity house is a full-time job, and it's alumni volunteers doing the work. Naturally, some things will be addressed at later meetings, as the Officers develop a thorough understanding of the needs of the chapter:

- Receiving, depositing, and accounting for all incoming funds accurately
- Disbursing outgoing funds and payables accurately
- Monitoring compliance with lease terms, including rent collections
- Evaluating and/or implementing capital improvement project proposals
- Establishing internal Property Assessment schedules, to monitor physical property characteristics between annual insurance renewals
  - The Risk Management Foundation (RMF) can assist with Property Assessment procedures
- Assessing and developing plans for preventative and routine maintenance
- Identifying opportunities to finance future property acquisition and/or capital improvements
  - The Constantine Housing Initiative (CHI) provides direct support for financing, property development, and asset management, and can facilitate private-lender borrowing

Best Practices for a Successful House Corporation

- Choose a name that reflects independent function as a club, supporting the chapter's activities for the benefit of its active and alumni Brothers
- Consider avoiding the terms "House," "Building," or "Property" in naming your House Corporation; also avoid use of the chapter name if you're starting from scratch
- Tax-exempt status under IRS 501(c)(7) guidelines identifies the House Corporation as a "social club" and not as a property management entity
- In accordance with your tax-exempt status, maintain appropriate social interaction with the active chapter
- Sponsor chapter events, partner on public service projects, and celebrate landmark events in the founding of the chapter and/or Fraternity
- Work together on philanthropic events, such as raising funds for Huntsman Cancer Foundation
- Maintain operations when a chapter does not own, or is displaced from, a house property. Regardless of housing status, a House Corporation creates an umbrella to shield officers and volunteers from liability exposure related to chapter activities
- A House Corporation can raise funds and maintain cash reserves to plan for future housing needs, fund academic scholarships, and support member development
- Conduct regular business meetings, including meetings at the chapter house
- Govern all meetings according to Robert's Rules of Order, and keep good minutes
- Make sure all meeting records and documents are copied, and the duplicates stored in a separate and secure location outside the chapter house
- Keep the active chapter informed of House Corporation business and activities
- Invite the chapter to select an ex-officio member, to serve in a non-voting capacity
- Regularly engage chapter officers and the chapter advisor outside of meetings, to stay abreast of any concerns with financial or physical plant operations

What Sigma Chi Resources Are Available?

- The Constantine Housing Initiative (CHI) is a valuable resource for loan information, property management, and financial guidance. Visit www.ConstantineHousing.org to learn more.
- The Risk Management Foundation (RMF) offers property insurance exclusively for Sigma Chi chapter properties, liability coverage, and risk abatement. Learn more at www.RMFeducation.org.
- Chapter advisors, Grand Trustees, and Headquarters staff can direct a new House Corporation to additional tools and training. Visit www.SigmaChi.org for more information.

That About Covers It

We hope these guidelines encourage your chapter, and our alumni volunteers, to evaluate the benefits of establishing a House Corporation. We want the goal of every chapter to be having a dedicated space to call home. Whether you own a chapter house, lease a residential property, or occupy a university-owned facility for residential and/or meeting purposes, a House Corporation can, and should, be an essential part of the day-to-day operations of your chapter.

At CHI we've seen first-hand that, when it's appropriate, a properly structured House Corporation benefits every stakeholder in the chapter, the active Brothers, alumni Brothers, the school administration, and, perhaps most importantly, the parents and family members who entrust us with the health, safety, and personal development of their undergraduate sons.

And remember, you are not alone in making this decision: the entire CHI staff is ready to assist you, answer your questions, and offer insight into this process.

It's your house, and our future. Guard well.

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