



So you have a house corporation: Just what does that mean?



Sigma Alpha Epsilon currently has more than 140 chapter houses and lodges across the country that are the focal point of the Fraternity experience for many chapters. The responsibility of these structures is the shared partnership between the undergraduates and alumni that serve on the house corporation board. These members provide leadership in maintenance, collections, food service, taxes and other regulatory measures required by the state, university or local community.

An efficient and responsible house corporation is necessary for the continued success of every chapter. Like any corporation, this entity is accountable for maintenance of the financial records, the hiring of professionals where need be and in general managing the assets of the chapter so that they will be available in the future. House corporations provide continuity from year to year by developing over-arching, long term plans and providing a well-organized financial

management system that can easily be transferred from one undergraduate class to the next.

What is a house corporation?

The house corporation acts as a title holder for all properties and real estate interest owned by a ΣAE chapter. It is the role of the house corporation to ascertain what renovations and improvements to the chapter properties are needed, and to figure out the budget necessary to meet those objectives. House corporation members are provided resources by the Fraternity Service Center and its three housing consultants, as well as information from the North-American Interfraternity Conference.

After the house corporation has determined the long-term structural and financial needs of the chapter, it then must develop strategic, long-range plans and timetables for capital improvements. A good house corporation works with the chapter to set priorities and meet goals. In

the end, however, the board is accountable for implementing plans and sticking to the established improvement schedule.

The house corporation is responsible not only for the abstract plans for property maintenance, but also for seeing those plans to fruition. It must be on the lookout for undergraduates and alumni who would be willing to volunteer their time to the chapter, and should identify good advisers who will work with the chapter to achieve its goals.

As their term in office comes to an end, board members should find replacements who are themselves good role models. Outgoing board members should take the time to sit down with the incoming officers and explain to them in detail what plans are in the works and what future objectives need to be met. This will help maintain stability within the corporation and will make for an easy transition to the next board.

Beyond the stated function of the house corporation are the personal and individual contributions board members make to the

present and future health of their chapters. House corporation officers should go out of their way to serve as a liaison to the chapter, constantly communicating ideas, future plans and accomplishments to the rest of the undergraduates.

Non-profit status

House corporations are legal entities, established by law, for the purpose of contracting and then providing services. Under section 501(c)(7) of IRS code, most fraternity house corporations are recognized as non-profit organizations by the laws of the state in which they hold real estate interest. **It is important to remember that regardless of classification, all 501 non-profit organizations are required to file a tax return each year.** Even though a tax payment will most likely not be due, it is still necessary to file the return.

Members of the house corporation do assume personal liability related primarily to their preservation of the corporation's principle assets. Insurance of these assets — regardless of whether they are leased or owned — must be adequate enough for replacement in the event of a disaster. The house corporation must also vigilantly guard against embezzlement or misuse of its funds.

There is an increased personal risk for the members of unincorporated undergraduate chapters. Some states allow these associations to be sued for the actions of those individuals who act on the chapter's behalf. In addition, the personal property of members may be awarded in a lawsuit settlement. Judgments handed down to an incorporated

organization will most likely involve only the assets of the corporation, not its individual members.

Although a contract in the name of a chapter, signed by the officers and ratified by the members, will usually be considered binding, unincorporated associations cannot legally contract. They are also typically not allowed to hold real estate titles. Even if a chapter itself is already incorporated, it is strongly encouraged that a separate house corporation be established for the purpose of differentiating between chapter functions and property management.

Non-profit corporations are generally created under the laws of the particular state in which the chapter is located. In addition to filing the necessary paperwork, there will likely be chartering fees and annual renewal charges. For more information on the process and the chapter's legal obligations, you may wish to purchase *Chapter Legal Liabilities*, published by the NIC. To find out more exact and pertinent local laws, it is a good idea to consult a legal professional in the area.

If you have any questions on house corporations or would like more information on assisting your chapter's house corporation, contact ΣAE Services Coordinator/Analyst Gregory Somers at (800) 233-1856, ext 237, or at gsomers@sae.net. ☺

Some material and information courtesy Sigma Phi Epsilon and the University of Oregon.

Text compiled by Allison Werner

Housing Renovations

The following guidelines should help ensure successful renovation projects. These steps should be taken by house corporations looking to make renovations to chapter property.

HIRE A COMPETENT DESIGN PROFESSIONAL.

A design professional (an architect, engineer or interior designer) will help define the scope of the project, prioritize the work, develop a schedule and budget, and assist in the procurement of qualified contractors. They can identify problems that may not be immediately evident.

DEFINE A WRITTEN PLAN OF ACTION. This is a requirement for any loan request submitted to ΣAE Services. This process will assure that decisions are made in a thorough and timely manner, with appropriate review and approval by all decision makers involved in the project.

CONTROL THE WATER. Blocked gutters and downpipes, leaking roofs, etc. are all sources of problems in the building. There is no value in repairing the symptoms without fixing the source.

RESPECT THE CODES. Building and zoning codes specify design and construction procedures and, in some cases, occupancy behavior. Design and construction should be done through a qualified professional familiar with these regulations. A building inspector is the last step in the process, not the first.

USE DURABLE MATERIALS. In high use/high abuse areas, more durable materials, such as masonry, ceramic tile or wood paneling, will hold up best over time.



Vending.com launches "Snacks for Social Development"

Vending.com currently supplies soda vending machines for Sigma Alpha Epsilon. We return a percentage of sales to the local and national chapter. Our new Snacks for Social Development program offers Sigma Alpha Epsilon alumni and other leaders the opportunity to get new vending machines for your business and support Sigma Alpha Epsilon. Please contact us by registering at Vending.com, mention the Snacks for Social Development program or call us at (888) 795-8363 to learn more about this program.



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