Alumni Corporation Operations

Meetings, Decisions and Minutes: How a Corporation Operates

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Introduction

This manual provides an overview of Alumni Corporation operating matters. It reviews the purposes of an Alumni Corporation, how a Corporation should operate, and provides information on the upgrading of the Alumni Corporation's alumni resources. It is not all-encompassing. Many questions could arise which need specialized expertise, requiring review by capable professionals.

This manual is written to the average alumnus member and does not presume an expert background. Its objective is to supply as much information as possible on a general level, highlighting those topics that are outside the capabilities of the average volunteer. An attorney reader may find some of the following material to be very elementary, but this manual is designed to help in routine day-to-day situations where there simply aren't any alumni members available having knowledge of corporate law.

The Corporation's Purpose and Fiduciary Obligation

An Alumni Corporation exists to operate chapter housing for the benefit of the Fraternity and its members. The laws of most states require that nonprofit Corporations must have members in addition to directors; generally, the definition of who the members are can vary somewhat but this manual presumes that they are **interested individuals** who fall into two categories – 1) alumni members who pay dues and otherwise support the chapter and its alumni organization; and 2) the collegiate members who reside at the chapter house. The Corporation's board of directors has a duty to represent all the members and consider their interests. Most importantly, the Corporation must consider the needs of the members of the **future** – those who have yet to enroll at the university and become initiates – and not merely the needs of the members at the immediate present. The issue of who the Corporation really must serve frequently is misunderstood.

The fiduciary duty requires viewing to the future in all aspects of the Corporation's planning – housing, finances, etc. It's a responsibility which is not always carried out well, and even more often is not understood by the chapter members. Problems sometimes result because the chapter members of the present want something that would adversely affect the chapter in the future. Some examples are given in Section 3 – Financial Management. Nevertheless, it's the board of directors' responsibility to keep the future of the chapter in mind.

How to Improve Participation in Your Corporation over Time

At some locations, members will sometimes complain about the participation of those serving on their local Alumni Corporation. Holding their Corporation meetings seems to be a chore, and it's very difficult to get everyone together more often than once a year. They have a feeling that something's "wrong" and that they should be doing much better.

> ***Comment: People's expectations about meeting attendance should be realistic. A 50% to 65% turnout of board members for directors meetings is usual; as long as the board obtains a quorum there is no problem. If having only three directors as a quorum bothers people (as in the case of a board having only five directors total), then of***

course the size of the board may be increased and additional individuals elected. Increasing the quorum ratio alone to "compel" directors to attend is not recommended.

A simple solution will improve the participation and regularity of your local Alumni Corporation's board of directors. It consists of the following steps:

1. Establish a regular meeting schedule and **stick to it.**
2. Keep a record of who attends the meetings and who is a no-show.
3. **Replace the no-shows** with new participants.

Establish some minimum standards for attendance and participation. Over time, as the board's composition changes with the less active directors being replaced, participation will improve.

Members and Meetings

Alumni Corporations use a corporate form of operation. An **annual meeting of the members is necessary**, akin to an annual stockholders meeting of a stock Corporation. Members, like stockholders, review the Corporation's affairs and make decisions on basic matters which they alone can decide by law (annual election of directors), matters required to be submitted to the members by the bylaws (such as borrowing funds or mortgaging a property if members' approval is required in the bylaws or by state law), or simply by a decision to submit the matter to the members by the board of directors.

The Corporation's **members** usually are not the same as its **directors**. The closest analogy is that the board of directors might be compared to a chapter Executive Committee, while the members have a role similar to the collegiate members of the chapter. Most of the Corporation's business is not acted upon at a **members' meeting** but instead is acted on at a **directors' meeting.**

Comment: Many differences exist between a Corporation and a chapter, however. In a chapter, most decisions are made directly by the members who meet much more frequently (usually weekly). The Corporation's members usually have a meeting only once a year. In a chapter the officers act as coordinators for the decisions of the members. The officers may meet as a board (the chapter Executive Committee) but they don't have the same level of authority as a Corporation's board of directors.

Members' meetings are infrequent and not heavy with business. Most corporate business is decided by the board of directors. The corporate form requires that the directors have actual decision-making authority and responsibility, except as to those matters reserved for the vote of the members under the bylaws or state law. Directors make decisions at more frequent meetings (usually two to six times a year or more) and the decisions are carried out by the corporate officers or committees assigned to the tasks.

Comment: Confusion may arise because some members expect that a Corporation will operate in the same manner as a chapter. Corporations can't do so because they don't have all their members in a concentrated location (such as a university) and instead are geographically dispersed. An annual members' meeting is a practical method of representation under those conditions. This explains why a Corporation

board of directors has substantially broader scope of authority than is typically encountered in a chapter structure.

The annual members' meeting should be scheduled to coincide with the Fraternity Founders' Day or the campus Homecoming. Attendance of the alumni members should be better because they can combine several activities on the same trip.

The meeting should have a **quorum of the Corporation's members** present. The permissible minimum proportion of members constituting a quorum will vary from state to state. Your state Corporation statues may make specific provisions for the minimum; many states set the number at ten percent of the total membership but a few specify no minimum for a quorum. A few use higher ratios, ranging as high as 25 or 30 percent.

The flow of business at an annual meeting should be as follows:

1. Convening, identification of presiding and recording officers, time convened and names of members attending
2. Quorum count, presentation of proof of notice
3. Reading of minutes of last year's annual members' meeting together with minutes of any special meetings held since; approval of those minutes (as read or as corrected or amended)
4. Reports of officers and committees
    a. Finances
        i. Annual report
        ii. Audit Committee
    b. Proofs of filings – information returns, tax returns, corporate registration statements/annual reports/designation of agent for service of process, etc.
5. Unfinished business (members' meetings usually have none)
6. New business
    a. Resolutions for adoption by members
    b. Elections of directors (those directors whose terms have expired)

Special meetings of the members also may be called in most states. A special meeting generally would concern itself only with the special agenda item required the convening of the special meeting. The agenda item must be described in the special meeting notice under the laws of many states.

Board of Directors – Meetings, Qualifications, Election

The **board of directors,** a specified number of individuals who act on behalf of the Corporation's members, must be distinguished from its **officers**. The board of directors meets periodically to deal with corporate business, usually bimonthly or quarterly. The offices carry out activities of the Corporation between those meetings and are responsible to the board. It is not necessary that an officer also be a director, although your Corporation's bylaws may require it.

Board of directors' meetings generally follow a format such as:

1. Convening, identification of presiding and recording officers, time convened and names of directors (optionally, guests) attending
2. Quorum count, presentation of proof of notice of meeting
3. Reading of minutes of last regular directors' meeting together with minutes of any special meetings held since then; approval of those minutes (as read or as corrected or amended)
4. Reports
   a. Chapter status
      i. Total membership, resident in chapter house and nonresident; goal; break even; etc.
      ii. Chapter receivables and budget
   b. Budget and Finance – Corporation
   c. Chapter house – maintenance, repairs, improvements, etc.
5. Unfinished business
6. New business
   a. Directors' resolutions, other business matters
   b. Elections of offices (directors' meeting following the Annual members' meeting only those offices whose term has expired; vacancies in offices generally may be filled at any directors' meeting)
   c. Next meeting – adopt date, time and place

Important qualifications of directors which should be sought and/or determined for each alumnus candidate are:

1. Their time available to devote to corporate affairs
2. Expertise in specific subjects
3. Involvement record (familiarity with tasks and amount of time required of directors and officers)
4. Balancing the board with people familiar with operations at other chapters (and benefiting from the broader experience that they possess)

If your geographical area is "thin" in terms of qualified and experienced alumni candidates, you have every reason to **consider seeking out potential alumni initiates to round out your board**. This should be a joint effort of both the board of directors and the chapter. As long as the alumnus initiate candidate has not previously been a member of any general college fraternity, he could be initiated by the chapter and made a valuable addition to existing alumni members. The initiation fee is normally paid by an alumnus friend of the initiate, the Alumni Corporation, or chapter.

All candidates should be evaluated on the basis of their interest level and recent involvement record, coupled with their available time and nearness to the Corporation's principal place of business. A Corporation's board never desires to be in a position of electing someone to a vacant directorship without any recent experience of his involvement.

The Nominating Committee is one of the Corporation's most important committees. The committee is a necessity. It's not practical to elect people to the corporate officer positions without an in-depth review and assessment of their qualifications. At the same time, the need for a Nominating committee can be difficult to communicate to people accustomed only to the smaller scale and geographical closeness of a chapter's membership.

It is recommended that one or two (but no more) collegiate members of the chapter serve as directors on the Corporation's board. While it is possible for the alumni members to elect qualified students, representation may be better if the students elect their representatives directly.

Directors are elected at an annual **members' meeting**. Elections generally should be elected as the last item of business at the meeting. Nomination and election procedures should not be terribly complicated. Most boards operate with a substantial informality; if yours has no established election procedure, consultation with a Robert's Rules reference is suggested.

Officers – Qualifications and Election

Officers generally should be elected as the last item of business at an annual **directors' meeting** held immediately after the annual **members' meeting** adjourns. As with election of directors, if your board has no established election procedure a consultation with a Robert's Rules reference should suggest practical alternatives.

Following are a few suggested considerations for qualifications of the candidates for office.

President – Position requires leadership, administrative ability. A major part is coordinating skill with work of others. A well-balanced Corporation does not have a "Superman" President – he accomplishes his tasks by delegating to his supporting officers and committees – and following up on them to make sure that the jobs get done!

Vice President – Entails acting as President when the latter is absent. Another aspect could be recruitment of new members and the public relations side of operations.

Treasurer – A supremely important position, requiring the most personal time commitment of any officer to do the job well. Responsible for all financial matter, including budgeting for the current year and for the long term. A home computer and possession of spreadsheet and/or accounting software (we suggest QuickBooks) is very helpful.

Secretary – Compiles and maintains the Corporation's minutes, records, and correspondence. This office often is under appreciated; the need for good corporate minutes is not understood by many local boards. A home computer and word processing and/or database software is very helpful.

Corporate Minutes and Other Legal Records

Maintaining formal minutes, the minutes book and other records is essential. Corporation agencies in most states reserve a right to inspect the minutes at any time, and the minutes must be made available to the members at the Corporation's principal place of business. The Internal Revenue Service can demand to see the minutes as well. Failure to maintain them can lead to a wide range of problems – **taxability of corporate income to individual officers** is the worst case; suspension of corporate charter may be a best case consequence. Proper minutes also are essential to document proper corporate actions and decisions. They can be needed to show that the officers and directors are acting prudently, and that the Corporation is actually conducting business as a Corporation and not on behalf of individuals. These points can be helpful to maintain the **limited liability** of the Corporation's officers and directors under some conditions (which frequently aren't foreseeable).

A meeting of the **members** is not the same as a meeting of the **directors**, even if held back-to-back on the same day. The meetings should be summarized in separate minutes.

For directors' meetings, it's recommended that copies of minutes of the previous meeting be circulated for review by directors prior to the following meeting. The best system is to mail them three to four weeks before the next scheduled meeting. Directors should have reviewed them by the time the meeting is held and observed whether additions or corrections are needed.

The minutes also could reflect the **time and place of the next meeting**. The time and place should be decided as the final matter of new business at each meeting. In that case, a separate notice of the meeting could be mailed out with the minutes (or the minutes action itself could constitute notice – if permitted by state law and the Corporation's bylaws).

Required Filings

Virtually every state requires a filing to be made by its Corporations on a time frame varying from annually to every five years in order to maintain corporate status. The statement name also will vary from state to state and may be called a Corporate Registration Statement, Statement by Domestic Nonprofit Corporation, Annual Report, or other name. The statement function may vary but can be distinguished by one important feature – **failure to file it** within a required time period can lead to substantial monetary penalties or **may result in suspension or revocation of the corporate charter.**

> ***Comment: If the charter is suspended or revoked, it could have serious implications. The principal impact could be changed of status to a "defacto Corporation." That status does not mean that the Corporation can no longer hold meetings or function as a Corporation; it can, only it is not a fully recognized valid Corporation in that state. But the status change has some other problems associated with it. It means the loss of the principal corporate benefit – limited liability – in transactions that occurred after the suspension/revocation.***

Filings required are included here among other responsibilities usually assigned to the Secretary of the Corporation. Depending on statement content, they may be more appropriate to assign to the Treasurer. Filing requirement compliance should be verified at the annual meeting.

A directory of the Alumni Corporation's officers should be completed annually and sent to the Fraternity. Sometimes a form will be sent to the President or Secretary for that purpose; if not, it may be necessary to copy a blank form from your file or send a letter requesting one to the Home Office (particularly if your Corporation is not receiving any official mail at the Secretary's address) for completion of this requirement.

The Corporation typically has to file other forms than those listed here – Form 990 with the Internal Revenue Service, reports with the state taxing agencies, business licenses, etc. Those reports are more properly the duty of the Treasurer and are discussed in Section 3 – Financial Management.

Special Problems

1. **Structural changes in the Corporation** – The Alumni Corporation sometimes will need to make some changes in its organization structure for various reasons. Some of the more common examples are the following:

    a. **Increase in the number of directors serving on the board** – An increase in the number of directors can be accomplished by amending the bylaws alone if the number of directors was only specified in the bylaws. If the number was fixed in the Articles of Incorporation, the number may be changed only by amending the articles in compliance with the requirements for filing such amendments under the Corporation laws of your state. Upon increase in the number of directors, a vacancy is created corresponding to each newly created directorship which can be filled by election as any other vacancy.

    b. **Decrease in the number of directors serving on the board** – A decrease can be accomplished by amending the bylaws alone if the number of directors was only specified in the bylaws. If the number was fixed in the Articles of Incorporation, the number may be changed only by amending the articles in compliance with the requirements for filing such amendments under the Corporation laws of your state. However, many states require that decreases cannot take place until the end of the term of office for which the director(s) originally was (were) elected. This would postpone the effect of a decrease until the next annual members' meeting at which time an election of directors probably would have been held in any event. Furthermore, laws of some states require that the reduction be taken up by those directors whose terms of office would have expired then in any event. If insufficient to take up all the reductions, a random drawing among remaining directors would be typical.