

Starting an Alumni Corporation

An Alumni Corporation's basic purpose is to look after the alumni's long-term assets and real estate interests that benefit a specific chapter of Theta Chi Fraternity.

Step-By-Step Instructions

Step 1. Recruit a Board - Find alumni that are interested in serving on the Alumni Corporation board of directors. You may request a list of contact information for all of your chapter's alumni, and alumni from other chapters who live near the chapter, from Theta Chi's International Headquarters. Ideally, your board of directors would consist of at least 5 voting members.

Step 2. Gather Forms and Required Paperwork (don't submit forms yet!)

Three things must occur to start an operable Alumni Corporation:

- The entity must become incorporated within the respective state. In most states, the Secretary of State's office is the point of contact to determine exactly what is required to incorporate. Tip: Search Google for how to incorporate a non-profit corporation in your state. Look for the official **.gov** website for the most accurate information.
- An Employer Identification Number (EIN) must be obtained from the Internal Revenue Service (IRS). The EIN is needed to complete the necessary IRS forms and to open a bank account. To do this, download the IRS Form SS-4 from the IRS website by going to <https://www.irs.gov/forms-instructions> and click on "Form SS-4." Once your Form SS-4 is completed, you can submit it either by mail or by phone at the IRS Service Center assigned to your area. To determine which Service Center to contact, call 1-800-829-1040. There is also a document titled **Alumni Corp EIN Online Application Instructions** in the document section of the MyThetaChi Portal under Alumni Corporation Resources that walks you step by step through the online form.
- The corporation must obtain proper nonprofit status with the IRS by completing the Form 1024: Application for Recognition of Exemption Under Section 501(a). The corporation should apply for exemption from federal income tax code under IRS Code, Section 501(c)(7) as a social club. For more content on IRS Tax-Exempt Status Information, search for "Publication 557."

Make note of the questions that need to be answered on these various forms so that they may be addressed at the Alumni Corporation's first meeting. Also, be aware of the costs

associated with incorporating within your state so that you may address this issue at your Alumni Corporation meeting.

Step 4. Hold the First Meeting of the Alumni Corporation – At the first organizational meeting of your soon to be created Alumni corporation, the following should be decided:

- Choose a name for the corporation. Pick something that is easily searchable in a database and unique to your chapter/location. If possible, include the words “Alumni Corporation” in the title.
- Complete the Articles of Incorporation/By-laws for your corporation. Sample by laws can be downloaded from the document section of the MyThetaChi Portal under **Alumni Corporation Resources**.
- Elect Board Members. Although your state may not require all these positions, it is recommended that a house corporation have at least a President, Vice President, Secretary, and Treasurer.
- Appoint one person responsible for filling out and submitting the required paperwork. This is the person who will receive updates regarding the legal status of the corporation as well as tax information. This person may also want to make themselves the Registered Agent who receives all future government correspondence.
- Decide what your corporation’s fiscal year will be, July 1st – June 30th is recommended.

Step 5. Obtain an Employer Identification Number (EIN) – See instructions under Step 2.

Step 6. – Open a checking account under your corporation’s name and EIN - Do not obtain a bank account until you have obtained an EIN as one would have to use a personal social security number to open an account. The account should require two signatures on checks for any withdrawals.

Step 7. File Incorporation Papers with Your State - Submit forms, fees and information required for appropriately registering your corporation within the state. Every state has its own requirements for incorporating. Normally “Articles of Incorporation” or a “Corporate Charter” is required; and the required information in these documents varies by state. The corporation’s name and a description of the corporation’s purpose are common elements in such documents. It is very important to use the same sample language that is recommended in the sample by-laws as the IRS will look for consistency in these documents when you apply for nonprofit status. If you

choose to use a law firm to assist with this process, select a firm that has had experience with nonprofit corporations and then share this information with the attorney.

Step 8. – Apply for Non-Profit Status - IRS Form 8718 is an application to file Form 1024 and 8718 must accompany form 1024 when submitted. There is a fee to apply for tax exempt status and it is indicated on Form 8718. The corporation should apply for nonprofit status under Section 501(c)(7) – Social Club. Answer the questions in Parts I, II, and III and then Schedule D of Form 1024; the last page of the Form contains a checklist of things to remember when filing. Do not be distracted by other types of nonprofit entities listed in Part I of Form 1024 that might sound more applicable. Your corporation should not be offering any form of stock. Your primary source of income should be from membership fees and dues. Although you hope to someday have considerable rental income, do not assume that it will occur unless you already have contractual agreements in place that will provide such income. Be sure to use the sample suggested language in the sample by-laws. The three big areas of attention will be: What is your corporation's purpose; who composes your corporation's membership; and what happens in the event of dissolution. Schedule D of Form 1024 directly relates to 501(c)(7) Social Clubs. Your corporation should not anticipate that there will be any non-member income, except nominal ancillary interest from checking, savings, or money market accounts. It is not intended that non-members be targeted or invited to use or benefit from any facility, function or activity of the organization. Other than the recruitment of a non-member for membership, any non-member benefit from such things would be unintended, coincidental, temporary, and limited caused only through someone's personal association with an individual member. If you choose to use a Certified Public Accounting firm to assist with this process, select a firm that has had experience with nonprofit corporations and then share this information with the CPA.

Miscellaneous

Some states may require nonprofit corporations to apply for nonprofit status in the state after obtaining such status with the Federal Government. Also, be aware your state's income tax filing requirements for nonprofits.

Although corporation officers may choose to start operations after creating a corporate name and obtaining an Employer Identification Number, there would likely be personal liable for contractual obligations if the entity is not incorporated. In addition, be sure to obtain non-profit status prior to having to file the first year's tax return (IRS Form 990); failure to do so could result in penalties and other tax consequences with Federal and State governments.

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