

**Sigma Phi Epsilon Fraternity
Meeting of the National Board of Directors**

**Dec. 15, 2020
Conference Call**

National Directors in attendance:

Thomas B. Jelke, Ph.D., Florida International '90	Grand President
Billy D. Maddalon, North Carolina State '90	Grand Secretary
Daniel W. McVeigh, Texas Wesleyan '90	Grand Treasurer
Charles E. Amato, Sam Houston State '70	National Director
Bruce W. Anderson, Texas '71	National Director
David R. Calderon, Cal-Poly Pomona '88	National Director
Bradley C. Nahrstadt, Monmouth '89	National Director
Victor K. Wilson, Georgia Renaissance	National Director
Frederick V. Augur, Connecticut '20	Student Director
Keaton T. Dornath, Kansas '21	Student Director
Jacob H. West, Missouri State '20	Student Director

Guests in attendance:

Stephen L. Young, Kansas '80	SENH President
Edward H. Hammond, Ph.D., Emporia '66	SigEp Educational Foundation President

Headquarters staff in attendance:

Brian C. Warren Jr., Virginia '04	Chief Executive Officer
Joe Budde Jr.	Chief Information Officer
Heather Kirk	Chief Communications Officer
Zac Gillman, Austin Peay State '15	Fraternity Managing Director
Chad Stegemiller	Member Safety Director
Ben Hutto, South Carolina '16	SENH Managing Director
Paul Andersen, Northern Iowa '16	Fraternity Services Director

Call to Order

Grand President Tom Jelke called the meeting to order at 4:02 p.m. Eastern Standard Time on Tuesday, Dec. 15, 2020.

Fiscal Year 2020 Audit Report

CEO Brian Warren presented the 2020 audit report and audited financial statements for the SigEp Educational Foundation, SigEp National Housing and SigEp Fraternity. He emphasized that the 2020 audit was clean and that the audit revealed no internal control deficiencies or

significant audit adjustments. He noted that SigEp's Audit Committee met on Tuesday, Nov. 24, and moved to accept the statements for each entity after discussing the respective statements and the audit report with SigEp's audit firm, Keiter.

Warren started his review of the financial statements with SigEp National Housing (SENH). He reported that total assets decreased by roughly \$3.8 million, while total liabilities decreased by roughly \$5.4 million. This yielded an increase in member equity of almost \$1.6 million, which is recognized on the income statement as net income for the fiscal year.

He highlighted the BB&T refinancings as the source of major shifts in the SENH balance sheet and income statement. He also noted that in fiscal year 2019, the North Carolina Delta LLC was created, but the chapter's real estate did not legally transfer ownership until fiscal year 2020, resulting in a revenue contribution to SENH of approximately \$1.3 million. This event was the major driver in the year-to-year increase in net income on the income statement and to the asset increase in rental property, net on the balance sheet.

The SENH LLCs did take a hit in rental income in spring of 2020 as a result of the pandemic and many chapter houses closing in March/April 2020. However, SENH outperformed relative to the prior year because of strategic cost cutting: reduced travel, personnel and interest expenses as a result of the BB&T Refinance Plan.

SENH President Steve Young gave his thanks to the national board for supporting SENH and complemented the performance of the SENH staff team.

Warren moved on to presenting the financial statements for the SigEp Educational Foundation. He noted that total assets were up roughly \$2.3 million due to significant increases in cash and investments in the endowment and that liabilities were down significantly, resulting in a \$3.7 million increase in total net assets, which were a little more than \$23 million at the end of the fiscal year.

Warren closed the presentation of the audited financial statements with the Fraternity's consolidated statements. He reported that total consolidated assets decreased by roughly \$3.4 million, while total liabilities decreased by almost \$5.9 million, yielding an increase in net assets of almost \$2.5 million. Warren reminded the directors that most of the notes in the consolidated report echo notes from the subsidiaries and add clarity regarding the impact of consolidation.

Warren addressed questions about the two unadjusted audit differences related to SigEp's investments at Global Endowment Management (GEM). Warren stated that investments in certain asset classes require SigEp to use projections provided by GEM until SigEp's accounting team receives the K-1 with a true accounting of the portfolio's performance in the prior year. SigEp's auditor, Keiter, recommended that SigEp record an entry to true up investment balances. The proposed entry would increase investments and investment income by \$90,300.

Questions also arose regarding the impact of COVID-19. As with most companies, the global pandemic impacted SigEp's fourth quarter and created greater uncertainty about the next fiscal year. Cost cutting efforts across the companies, especially with travel, programming and personnel, were made prudently in early 2020. Budgets for fiscal year 2022 were also adjusted accordingly. Warren also disclosed that SigEp's 501c3 LEAD Fund applied for and received a Paycheck Protection Program loan/grant and that the Fraternity and SENH received Economic Injury Disaster Loans from the Small Business Administration. Lastly, Warren disclosed other COVID-19-related events did not occur in fiscal year 2020, but were deemed subsequent events and reported to the auditors. These included: the reduction of the Fraternity's fall bill (reduced base fee, elimination of housing loan fund fees and making CIF contributions optional) and loan deferrals by 3 SENH borrowers and 1 Foundation borrower.

Warren closed by emphasizing the staff's continued commitment to strengthening controls and building efficiencies that quicken the monthly close and allow for timely and transparent reporting to directors, trustees and other stakeholders.

National Director Brad Narhstadt motioned to accept the 2020 audit report.

National Director Dave Calderon seconded the motion.

The motion was approved by unanimous vote.

Student Director Van Augur motioned to formally thank the audit committee.

Student Director Jake West seconded the motion.

The motion was approved by unanimous vote.

Fiscal Year 2021 Financial Performance

Chief Executive Officer Warren provided an update on current year performance for the Foundation. He clarified that results are as of the morning of Dec. 15.

Warren first reported that the Foundation has already exceeded its unrestricted goal for the year, with more than \$1.3 million raised relative to an unrestricted giving goal of \$1 million. Warren highlighted October and November as historic months for the Foundation and noted that December is historically the best month of the year for charitable giving.

Warren also provided an update on current year performance for the Fraternity, noting that both revenues and expenses are outperforming budget targets for the fiscal year. Warren cautioned that the spring term will be incredibly important for the Fraternity and its chapters. The staff's focus will be on helping chapters recruit in a virtual space and getting chapters to meet or exceed prior spring performance.

Grand Secretary Billy Maddalon thanked SENH President Young and Foundation President Ed Hammond for their support and partnership throughout the year.

Adjournment

Grand President Jelke adjourned the meeting at 5:28 p.m. Eastern Standard Time on Tuesday, Dec. 15, 2020.