

Report of the Grand Recorder for the 51st Biennium

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Introduction

In this report I have tried to look over the last thirty years of the Fraternity as a frame of reference of what has happened over the last biennium and consider what we can do to continue to move ahead as a national professional chemistry fraternity. On most fronts, I will be happy to report that we are doing well. On a few, we could stand to improve.

Membership Numbers

Our number of new Brothers per year has grown over the last 32 years. See Figure 1. In particular we see a strong positive trend over the last 10 years. We currently have 2,970 active collegiate members and 1,278 active professional members, which is an increase of about 100 collegiate members and a decrease of about 300 professionals from two years ago. Our records indicate that we have approximately 46,240 living members. Alpha Chi Sigma has initiated 65,120 members since its inception in 1902.

During the biennium, 5 members were expelled for non-payment of lifetime membership fees. One member was expelled by the Supreme Council upon the petition of their chapter and a review of the situation and process.

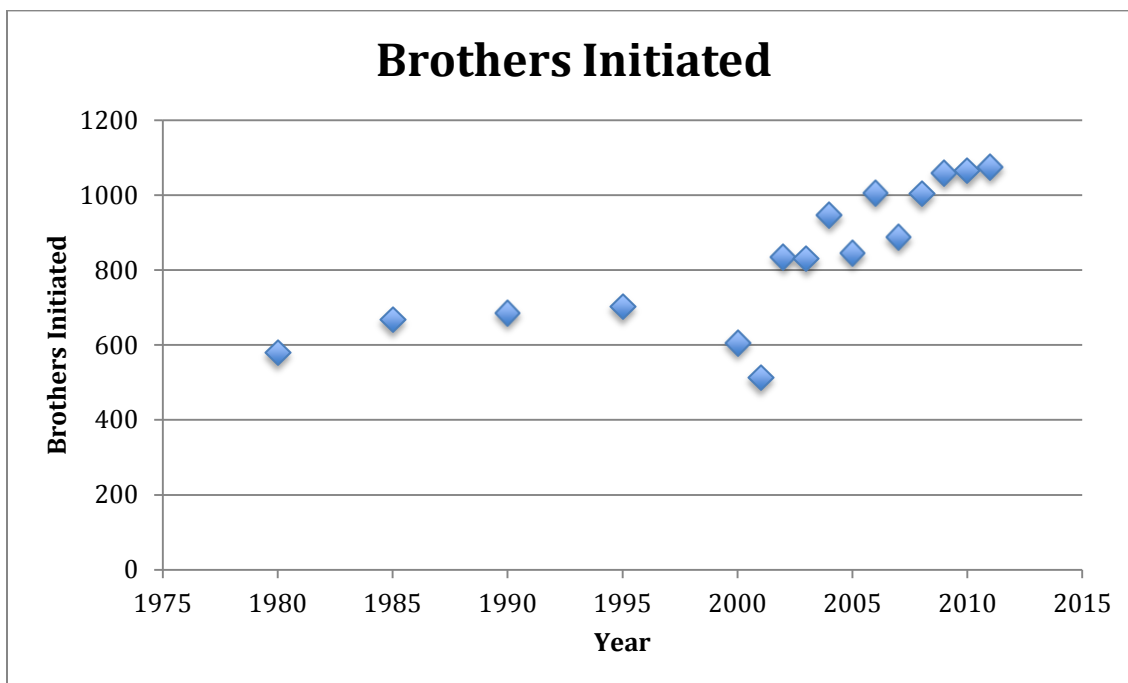


Figure 1 Brothers Initiated per Year.

Chapters and Groups

In 2012, we hit the 50 active collegiate chapters mark again with the addition of Gamma Psi at the University of Toledo, Gamma Omega at Widener University and Delta Alpha at the University of Rhode Island. Figure 2 shows the number of active and inactive collegiate chapters we have had since 1980. While we continue to add chapters, the gains have been largely offset by chapters that have been placed on inactive status. There has been a net gain of 5 active collegiate chapters since 1980 with 4 new collegiate chapters added during the past biennium.

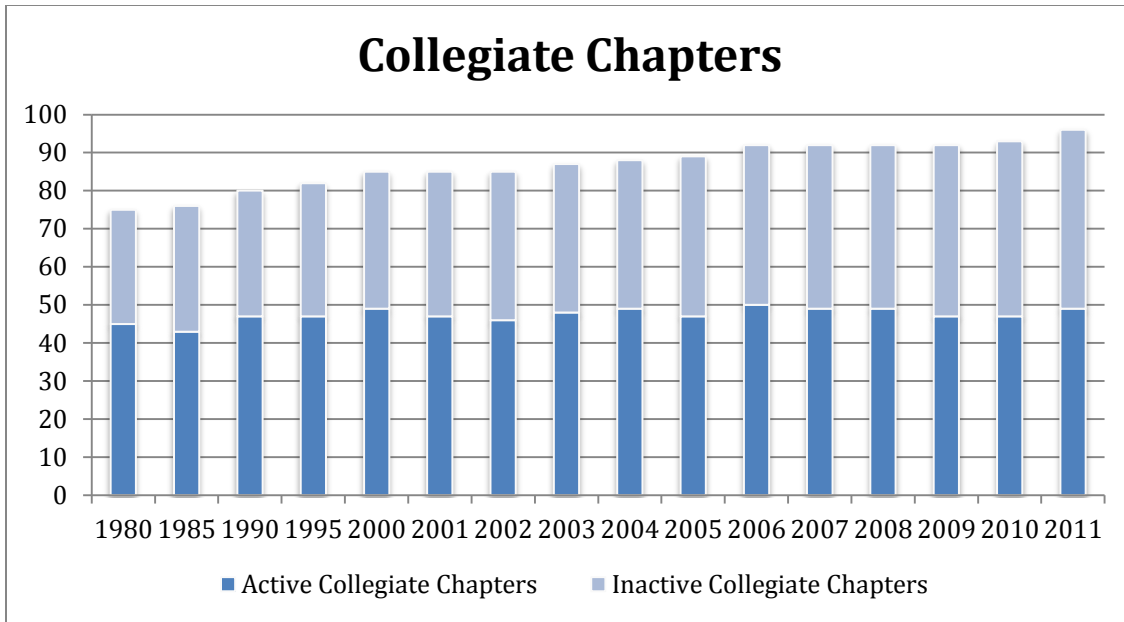


Figure 2 Number of Active and Inactive Collegiate Chapters

The number of professional chapters has varied over the last 32 years. We reached a high of 11 in 2002. See Figure 3. We are currently at 8, which is the same number of professional chapters we had in 1980. The number of professional groups has increased from 1980 when we only had 2 professional groups. There are currently 10 professional groups.

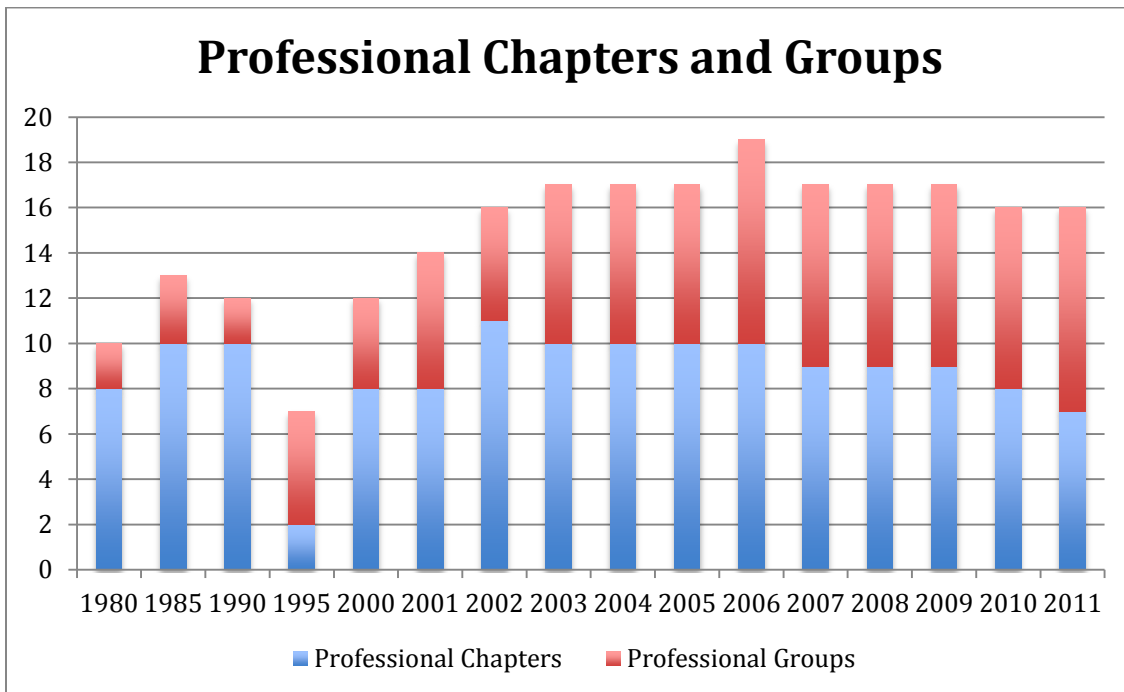


Figure 3 Numbers of Professional Chapters and Groups

Policies and Procedures

We continued to make progress on developing policies that the IRS Form 990 enquires about and policies that help shape the way we do business. These policies are included in our policy manual and the National

Office has set up procedures and calendars to implement these policies. During the 51st Biennium the following policies were adopted or modified.

- Financial Authorizations
- Parental Leave
- Executive Compensation
- Social Media Guidelines
- File Retention
- Chapter Outside Contracts

National Office Staff

We are very fortunate to have an experienced staff serving in our National Office. Marena Humphress plays many roles – Assistant Grand Recorder, office manager, and bookkeeper. Her organizational skills and 10+ years of nonprofit fundraising and event/strategic planning have helped us continue to improve our operations. Teresa Clark works 30 hours per week. Her degree in journalism and experience as a community relations coordinator have been valuable in improving communications within the fraternity, especially with collegiate chapters. She is vital to our efforts to improve *The Chrome and Blue*, our Facebook page, our Twitter account, our LinkedIn page and the national website. Donna Sheline joined the staff in May 2011 as an administrative assistant for 15 hours a week after 23 years as a vice president in the banking industry. Harold Cowan, Iota 1988 serves a vital role as our Information Technology Administrator and keeps our computer network working. His many volunteer hours and connections at Frys are greatly appreciated. After 4.5 years of excellent service in a variety of roles, Kathy Jones left the National Office staff in May 2011 to pursue a career in nursing. One of the valuable jobs completed by the National Office staff this biennium was the entry of all of the SC propositions into a searchable Excel database. Prior to this only the propositions since 1994 were in a database. These databases are handy for researching past Council actions and for historical content.

Communications

Communicating with our members is a vital role of the National Office. We use a variety of methods to contact members, including:

- **Phone and Fax**
The National Office fax number, (317) 351-9702, and the national toll-free number, (800) ALCHEMY, provide a useful service to our members. The use of these numbers has declined due to the use of Internet communication.
- **E-mail**
With registration on our national website, all Alpha Chi Sigma members get an alphachisigma.com e-mail address for life. Currently our database contains valid e-mail addresses for 16,029 members. Most communication with chapters takes place via e-mail.
- **Facebook**
An official Facebook page has been set up for the Fraternity as an avenue to communicate with members on a relatively informal basis. 2,906 people follow this page.
- **National Website**
The national website, www.alphachisigma.org, contains useful Fraternity information, downloadable forms and reports, chapter web pages, e-mail addresses for the national officers, a searchable membership directory, the Emerald Tablet in a Wikipedia format and more. The website is increasing in importance as an avenue for members to donate and pay fees. We project that more than 20% of professional donations will be given online in 2012.
- **LinkedIn and Twitter**
While the Fraternity is a moderator of a LinkedIn group (Alpha Chi Sigma Fraternity) with 744 members and has the Twitter account AlphaChiSigma with 71 followers, not much is done with either of these avenues of communication at this time. We plan to better utilize these two media in the next biennium.
- ***The Chrome and Blue***
The Chrome and Blue is posted on the national website four times each semester in .pdf format. Announcements of its posting are sent to chapter officers in the professional and collegiate

branches as well as to DCs, PRs, Chapter Advisors, and the OA. A regular feature this biennium is called Meet the District in which a different district gets highlighted in each issue. Much of the credit for the polished look of *The Chrome and Blue* is due to the professional efforts of Teresa Clark.

- **Hexagon**

The Hexagon is mailed each fall to the 32,354 valid addresses in our membership database. The winter, spring and summer issues are only mailed to active professional members and recent graduates. It continues to provide a means of communication with our members. Grand Editor Brian Coppola is responsible for the regular publication of this journal. Several issues are available on the national website. Issues not found on the website can be acquired by contacting the National Office. We are currently working on increasing the number of Free Electron submissions in each issue.

50th Biennial Conclave Directives

At the 50th Biennial Conclave, the Grand Chapter directed the Grand Recorder to perform a number of tasks. Each of these tasks is addressed in this section.

Affinity Agreements

Motion 7: Resolved, That in order to add value to its membership, the Grand Recorder is directed to investigate agreements with companies to provide discounted products or services for our members. Agreements will be reviewed and approved by the Supreme Council. The success of these programs will be reviewed at the 51st Biennial Conclave.

In October 2010 an affiliation agreement was signed with GEICO insurance, giving Alpha Chi Sigma members up to an extra 8% discount on their insurance. The Fraternity receives \$10 per auto quote whether insurance is purchased or not. The Fraternity also receives a small payment with quotes for other types of insurance. Each year the Fraternity will also get \$2,500 in sponsorship money.

In 2011, this new affinity agreement brought in an extra \$24,075 in revenue to the Fraternity. Starting in 2012, we will do one mailing a year with GEICO. The affiliation is plugged periodically on Facebook and in *The Chrome and Blue*.

In June 2012, we reached an agreement with Gradspring. This company provides a service that helps new college graduates find professional jobs that pay competitive salaries and require a bachelor's degree and only 0 to 2 years experience. Gradspring offered an arrangement that pays the Fraternity for each Brother who signs up, but the Supreme Council decided to forgo this payment and instead lowered the cost by that amount. A survey of Brothers within plus or minus two years of graduation indicated that 51% would find the service useful and 74% thought we should offer it. Thus, the main intent of this agreement is not to generate revenue but rather to provide a valuable service to some of our collegiate graduates.

Other affiliation agreements were explored during the biennium, but we did not find any that were a great fit with our organizational and membership needs and mission. I plan to continue to investigate opportunities as I come upon them and direct them to the Supreme Council if they appear to be a good fit with our organization.

Outside Contracts Committee

Motion 10: Be it resolved that the Grand Chapter requests the Supreme Council to appoint a committee, led by the Grand Recorder, to develop guidelines for collegiate chapters on how to enter contractual obligations with third party organizations. The committee should solicit advice from chapters with experience in making such contracts. The guidelines should be distributed to all collegiate chapters by the 51st Biennium Conclave.

A committee was formed and a set of guidelines was developed. SC Proposition 4264 adopted these guidelines as Fraternity policy. They have been posted on the website and included in the Policy Manual, and chapters have been informed of them through *The Chrome and Blue*.

PRC and PIC Numbers

Motion 16: Resolved, that the GR is directed to annually report the number of Brothers who have completed a Professional Induction Ceremony or Professional Recognition Ceremony.

1,109 people were transferred to the professional branch in 2011. 163 were reported as going through the Professional Induction Ceremony and 189 were reported as going through the Professional Recognition Ceremony. These numbers were included in the Grand Recorder report of actions taken in response to conclave motions. It will be reported in the Grand Recorder’s Annual Report in the future. We will continue to track these numbers using the Star Chapter Annual Report submitted by each collegiate chapter.

Star Chapter Deficiencies

Motion 35: Be it resolved that when Star Chapter Awards are determined, chapters shall receive notification why they did not receive the next higher award.

Office procedures were developed. In June 2011, chapters were notified as to the qualifications that prevented them from acquiring the next higher Star Chapter Award. We will continue to notify chapters each summer.

National Office Relocation

Proposition 4361 (Made 1/13/12): The Grand Recorder is directed to investigate the relocation of the National Office within Indianapolis Metropolitan Area and the sale of the current location. It is felt that long term concerns about the current location indicate that a better site is desirable.

A preliminary survey and report was made to the Supreme Council in January 2012. The Supreme Council concluded that we should explore relocating the National Office to a new location. After looking at the schedule for the next two years, the Supreme Council agreed that relocating in March or April of 2013 would disrupt the schedule the least and allow for the National Office staff to sort through the contents of the current location, put historical records in climate controlled storage, and arrange for an orderly move. A detailed timetable is being drawn up to ensure that this process goes as smoothly as possible. In January 2013, we will begin looking at potential properties.

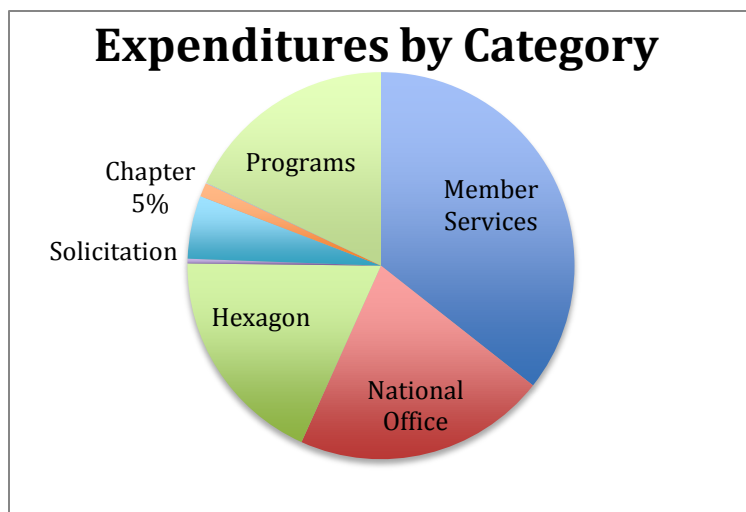
Finances

The Fraternity has planned a balanced budget each year while I have been Grand Recorder. The guiding philosophy of the Supreme Council is that the monies of the Fraternity should be used to provide services to the membership and that our investments are intended to be a reserve in the case of a financial setback and to support continuing services to our Brothers. With this in mind we continuously seek ways to conduct Fraternity operations in a more efficient manner, and prudence is taken with the Fraternity’s investments.

Expenditures

In 2012, budget for non-Conclave expenditures was \$303,000. Figure 4 shows the fraction of the budget going to each expense category. As can be seen, most of the income is spent providing goods and services back to the members and chapters. A review of expenditures over the last 32 years showed that we have kept the increases in our costs below the rate of inflation.

Figure 4 Planned Expenditures for 2012



Income

The Fraternity has 4 main sources of income: sponsorship and corporate affiliation agreements, income from investments held in reserve, pledge and lifetime membership fees, and professional donations. Prior to 2002 a majority of Fraternity income came from the professional branch. Since 2002, the collegiate branch has generated a majority of the income. See Figure 5. The professional branch now contributes only about 30% of the Fraternity’s annual revenue compared to 63% in 1985.

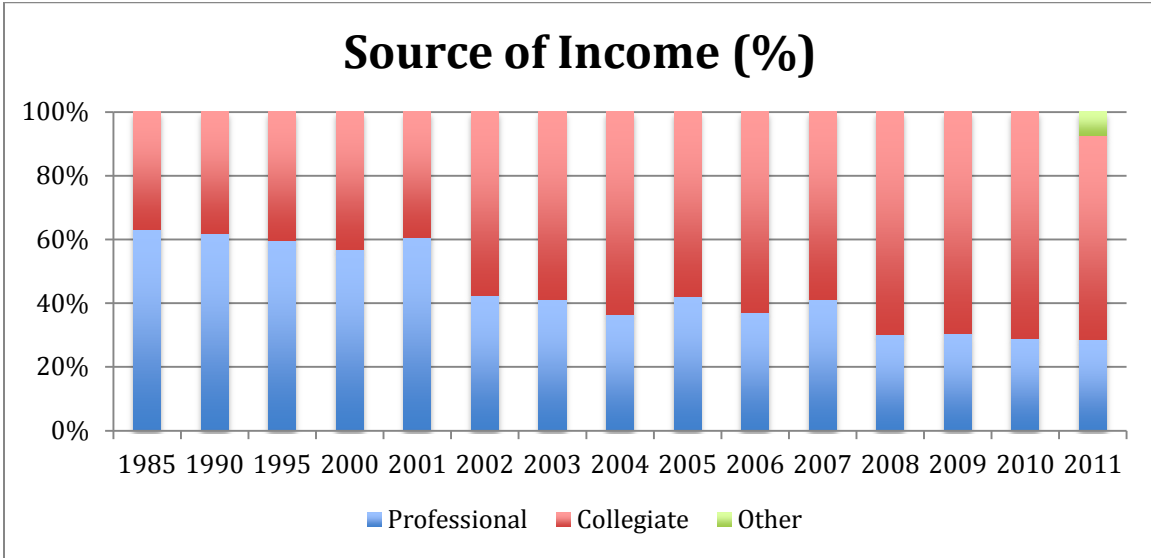


Figure 5 Percent Contributions excluding Investment Income to Fraternity Income. (The Other Category includes Sponsorships and Affiliations.)

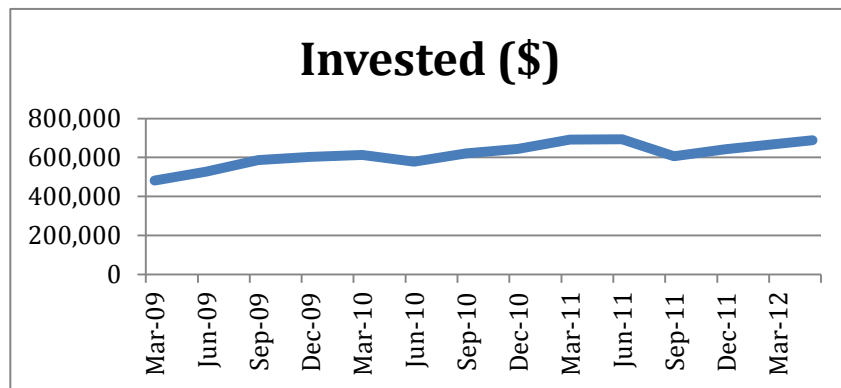
Sponsorships and Corporate Affiliation Agreements

Sponsorships and affiliation agreements have been a relatively recent source of additional income for the Fraternity. In 2003 and 2004, the Dow Chemical Foundation supported scout merit badge programs in the Southeastern District. In 2005, they redirected their focus to annually donate \$5,000 for the Southeastern District Conclave. In late 2010, the Fraternity entered into an agreement with GEICO. In exchange for the ability to market insurance products to our members, GEICO provides \$2,500 per year in event sponsorship plus a fee for each loan application that they receive. In 2011, this added more than \$24,000 to our revenue.

Investments

The Fraternity has a well-diversified investment portfolio with an investment policy and seeks to prudently balance risk vs. return over the long run. The Fraternity has developed an investment policy that outlines our strategy. This policy may be found in the Fraternity Policy Manual. Within this policy, Brad Hulse of Morgan Stanley Smith Barney has discretionary power to adjust our asset allocations. The value of the Fraternity investments was \$688,492.47 on April 30, 2012. By comparison, our portfolio was \$578,061 on June 30, 2010. See Figure 6 for a graph of our investment levels over the last 3.5 years. Each year, approximately 4% of this total is included in the budget to finance Fraternity operations and programs.

Figure 6 Level of investments



Fees

Figure 7 shows the level of fees over the last 32 years. Collegiate fees are 3.8 times higher than they were in 1980. The collegiate fee total includes both the pledge and lifetime membership fee. Professional fees are 2.5 times higher now than they were in 1980. The fee levels for the professional branch indicates the minimum donations needed to be classified as an active professional member. Inflation in the economy causes costs to go up. It would take \$2.79 today to buy what \$1 would have bought in 1980 so collegiate fees have gone up higher than the rate of inflation and professional fees have gone up at a rate slightly lower than the rate of inflation. The Supreme Council is not recommending any increase in fees for the upcoming biennium.

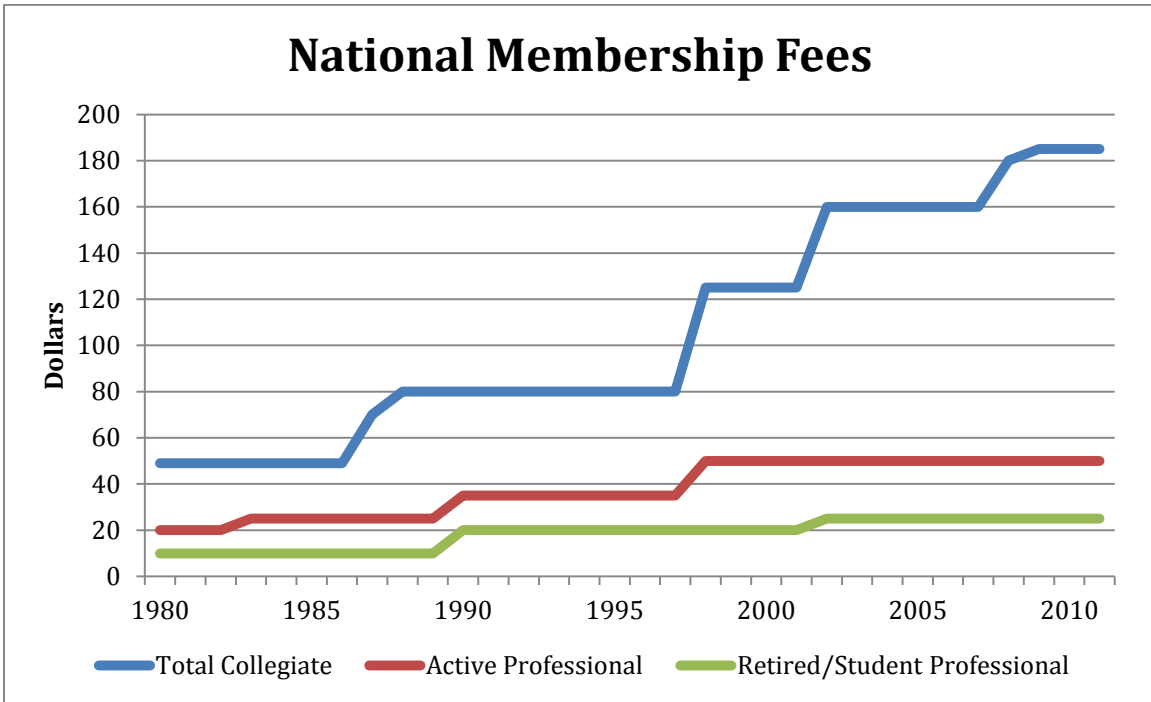


Figure 7 Fees and Minimum Contributions needed for Active Professional Status

Professional Contributions

The Fraternity raises most of its professional contributions through an annual solicitation each fall. The Grand Professional Alchemist is responsible for overseeing the solicitation. Normally the professional membership is divided up into to 4 or 5 demographic groups and a slightly different letter is sent to each group. These letters typically are mailed out in September with a follow-up letter, e-mail or postcard mailed in early December. Donations are received by mail and online.

Professional donations are an area of concern. It was noted in the 50th Biennium Grand Recorder’s report and has continued to decline. Looking at Figure 8, we can see that the number of donors have dropped from 2,095 donors in 1995 to 1,141 donors in 2012. As can be seen, the total amount donated is strongly correlated with the number of donors. The decrease in total amount donated is especially alarming when the effect of inflation is taken into account. For the current donated amount to keep up with its 1995 level, we should have seen more than \$169,000 donated in 2011 so the buying power of donations from the professional branch has fallen by 50% over that time period.

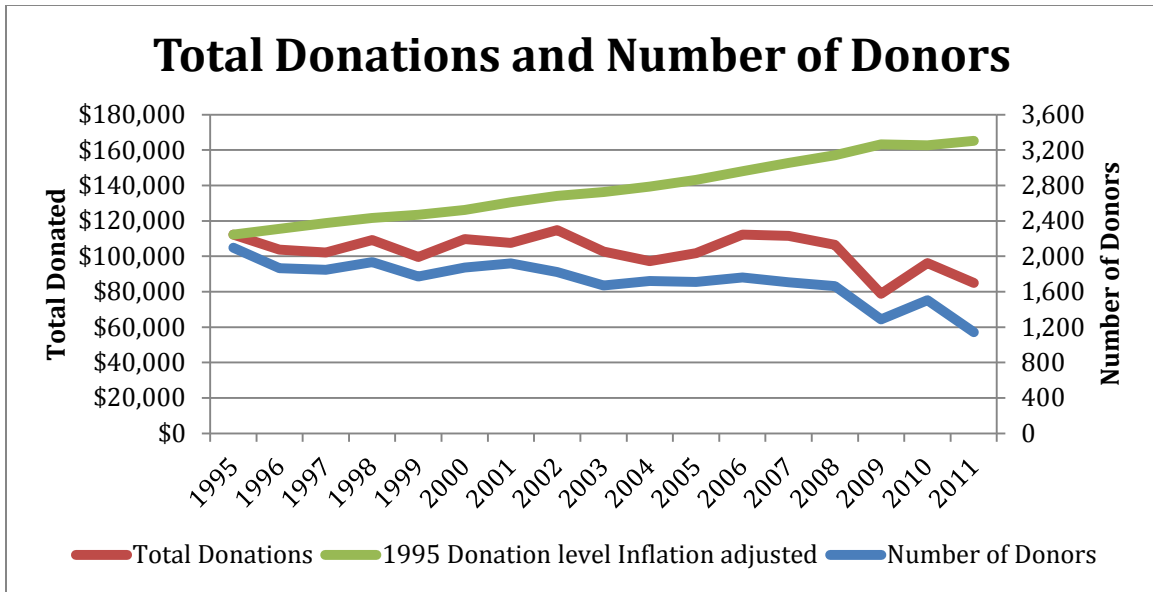


Figure 8 Total Professional Donations and Donors by Year

Some of the drop in the last few years could be attributed to the economy though a survey by the *Urban Institute*¹ in 2010 indicated that 2/3rds of non-profits were seeing donations hold steady or improve compared to 2009. In 2011, *The Chronicle of Philanthropy*'s² survey of non-profit organizations showed that almost 60% thought their donations would be higher for the year. Part of the drop in donors and donations can be attributed to a reduction in the resources we put into solicitation. When inflation is taken into consideration, we spent about half as much money on solicitation in 2011 than we spent in 1985 and brought in less than half as much money.

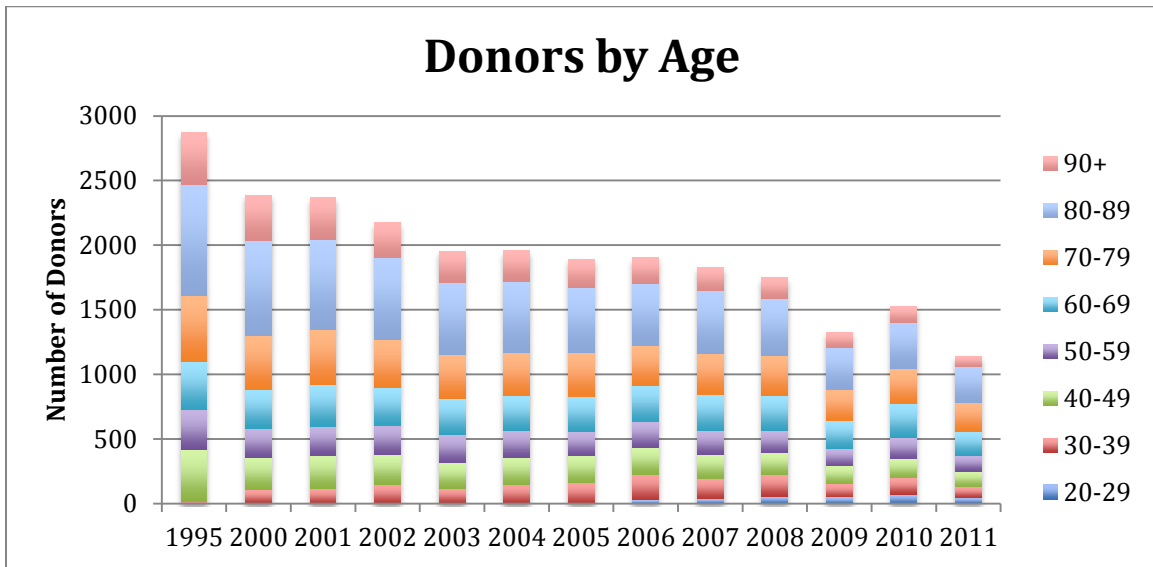


Figure 9 Numbers of Donors by Age

¹ *The 2010 Nonprofit Fundraising Survey: Funds Raised in 2010 Compared with 2009*. The Urban Institute. <http://www.urban.org/publications/1001529.html>

² *Half of Charities say Holiday Giving Season has been Happy*. The Chronicle for Philanthropy. <http://philanthropy.com/article/Half-of-Charities-Say-Holiday/130130/>

We can start to explore deeper into the issue of professional donations by looking at demographics of those who donate. Figure 9 explores the number of Brothers who donate to the Fraternity by age. While the number of donors is down, there is a bright spot. In 2006, GPA Howard McLean challenged young professionals to donate, and he offered a special T-shirt to all young professionals who donated \$0.02 more than the minimum donation. 75 Brothers qualified for this special promotion. Prior to 2006, we only had 1 donor in the 20 to 29 year old bracket. Since 2006, about 50 Brothers donated each year in this age bracket. The 30 to 39 year old bracket now also has more donors than it did in 1995. This indicates that focused efforts in generating a culture of giving among new graduates may have a long-term impact.

The percentage of donations made online continues to grow. Now we receive about 20% of our donations online. We think this percentage will go even higher if we can put in place a system for automated monthly donations. During the past several years, we have been looking at such systems but nothing has been found to be cost effective yet. I do expect this feature not to be far in our future.

A report that was generated for the Supreme Council in January 2012 ventures much deeper into some of the donation trends and their implications. One positive outcome from the discussion of these issues is an agreement by the Supreme Council that the success of annual solicitation will require the attention of the full council.

House Loan Fund

The House Loan Fund contains \$75,947 (as of Dec. 31, 2011), which is reserved for providing loans to acquire or improve chapter houses. During the biennium, the building association for Beta Nu Chapter successfully paid off a \$12,000 loan that they had taken out on December 1, 2004. There were several inquiries about loans but no new loans were applied for during the biennium, and there are no outstanding loans.

Other Activities

Professional Fraternity Association (PFA)

In 2011, I was elected as a Director at Large for the Professional Fraternity Association. Our association with PFA has been beneficial to our organization. Networking with other professional fraternities has allowed an exchange of best practice ideas, the identification of businesses that can provide goods and services, and recognition of our members and chapters for their achievements. The affiliations with GEICO and Gradspring came out of PFA meetings. In 2011, Herb Sipe, Alpha 1962 and advisor for Beta Chi Chapter, was given the Faculty Award of Excellence by PFA. I recommend that we nominate members or chapters each year for PFA awards.

Currently PFA is trying to establish a Leadership Academy. This would be a weekend program that would help collegiate members develop leadership skills that would aid in chapter operations. Since not all professional fraternities have the expertise or the numbers to run a successful program on their own, a cooperative program has the potential to deliver better leadership training to our members at a reasonable cost.

Chemistry of Color Outreach

Building on the presentation of Anne Moody, Rho 1981 and advisor at Gamma Theta Chapter, about using tie-dyeing as a chemistry outreach program, we have started a program of demonstrating to chapters how to do a covalent bonding with dyes outreach activity at District Conclaves. We have standardized an Alpha Chi Sigma kit that can be purchased from the Colorado Dye Company at a special price. At each District Conclave, attending chapters are sent home with almost all of the chemicals and materials needed to put on this program. This program was presented at the Northeastern and Erie District Conclaves this biennium. We had budgeted for more programs, but either there was a conflict on a date or there was not a request for the program.

In Conclusion

The Fraternity is in good shape on a broad spectrum of measures. There has been a sustained trend of an increasing number of new brothers each year. The number of collegiate chapters is growing but the gains have been partly offset by chapters becoming inactive. Budgets are being balanced, investments are growing, and affiliation agreements are yielding benefits for members and the Fraternity. We have a skilled staff that operates efficiently.

The biggest concerns are with the decrease in the number of professional members that are donating and the total donations generated from the professional branch. This income will need to be replaced through changed solicitation methods or alternate revenue streams. Suggestions for changing solicitation can be found in the report released earlier this year. Some other options for additional revenue are:

- Increased new collegiate member fees – An increase of \$10 total in the pledge and lifetime membership fee on new members would generate over \$10,000 per year.
- Increased active professional member level – An increase of \$10 for regular professional members and \$5 to the new professional/retired fee level would generate over \$10,000 annually.
- Institute a chapter annual fee – With about 50 collegiate and 10 professional chapters, a \$200 per chapter annual fee would generate about \$12,000 per year and cover part of the costs of Fraternity liability insurance and the cost the Fraternity incurs with delegates going to Conclave.
- Expand corporate affiliation agreements – If we enter into more agreements we could possibly generate another \$10,000 to \$12,000 per year. This would also mean that our members would get more co-branded material with our name on it, so I would prefer that we strictly limit these agreements.
- Licensing of trademarks – Some fraternal organizations generate funds through the licensing of their letters, crest, and other trademarks to companies. Members and chapters are then limited to purchasing t-shirts and other items with these trademarks from authorized companies. The Fraternity would receive a royalty from each item sold. This would generate between \$3,000 and \$6,000 per year.
- Corporate sponsorships – We could seek sponsorship of Fraternity events like district conclaves and programs. Corporations would expect public recognition of their sponsorship. This is an area that we have not explored so estimating the benefit is difficult.
- Foundation grants – If we applied to non-profit foundations we could generate money for some of the programs we do. Programs like the Chemistry of Color, merit badge programs, and other outreach programs could be good candidates for outside funding. This could generate between \$3,000 and \$10,000 per year but would have the downside of increased documentation at the chapter level of programs.

This completes my fourth biennium as Grand Recorder. I want to thank the Supreme Council for letting me serve our Fraternity in this role and hope to continue to serve our Fraternity in the years to come. I also want to thank my wife, Barbara Johanns, Alpha Theta 2004. She makes it possible for me to attend fraternal functions and is always ready with good advice.

Respectfully submitted,



Patrick J. Johanns
Alpha Theta 1981, Grand Recorder