

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

2018 Annual Report of the Grand Recorder January 15, 2019

Overview

As an organization, many of our actions are being driven by business decisions which include our ability to obtain insurance coverage and maintain our 501(c)(3) not-for-profit tax status. Compliance and operating as a responsible corporation is necessary for our long term survival; however, those necessary actions are making us question who we are as an organization.

This is a time of discovery and self-reflection for Alpha Chi Sigma. As our activities were curtailed by our insurance coverage restrictions in 2018 we find ourselves questioning what is important to us as members of Alpha Chi Sigma. Those of you who attended Conclave may have heard Brother Robert Duff speak about the cost of survival, and that “surviving” may not necessarily be the same as “living” or “thriving”. A difficult decision was made at Conclave by the Grand Chapter to freeze science outreach programs. The chapters have done an outstanding job complying with this legislation, but the question remains as to how this impacts our core being as an organization. Science outreach programs are arguably the best mechanism we have for promoting the second object of the Fraternity. Should we not be able to find a way to host and perform these events, then it will be a sharp blow to the organization.

Financially, we may have increased our yearly income than we did before Conclave. The increase of the Pledge Fee and the Lifetime Membership Fee, and recommended increased minimum Professional donations should help us stabilize ourselves financially. I use the terms “may” and “should” because those are predicated on our membership numbers remaining the same (or increasing) year over year. Fraternities and sororities have a very negative view in the eyes of the public, and it is possible that these negative perceptions may spill over into the Fraternity’s ability to attract new members.

Significant expenses are going to be incurred starting in 2019 to provide proper General Liability insurance coverage for the organization. The annual premium cost for 2019 is going to be \$143,000. These costs will need to be borne outside of our normal income streams. Other Fraternities charge their members a “Risk Management Assessment Fee” to cover the cost of their insurance policies. Alpha Chi Sigma will join their ranks in 2019 by applying a Risk Management Surcharge to new members. However, these funds from the surcharge will not become immediately available, and as such, the Reserve Fund is going to be reduced by nearly 25% to pay for the Fraternity’s General Liability insurance in 2019.

We need to do what we have to do from a business standpoint in order to keep the Fraternity sustainable. We also need to look at ourselves and decide what we want to do as an organization to keep ourselves relevant in these uncertain times from a negative public opinion broadly painted across all Fraternities and Sororities.

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

Alpha Chi Sigma by the Numbers

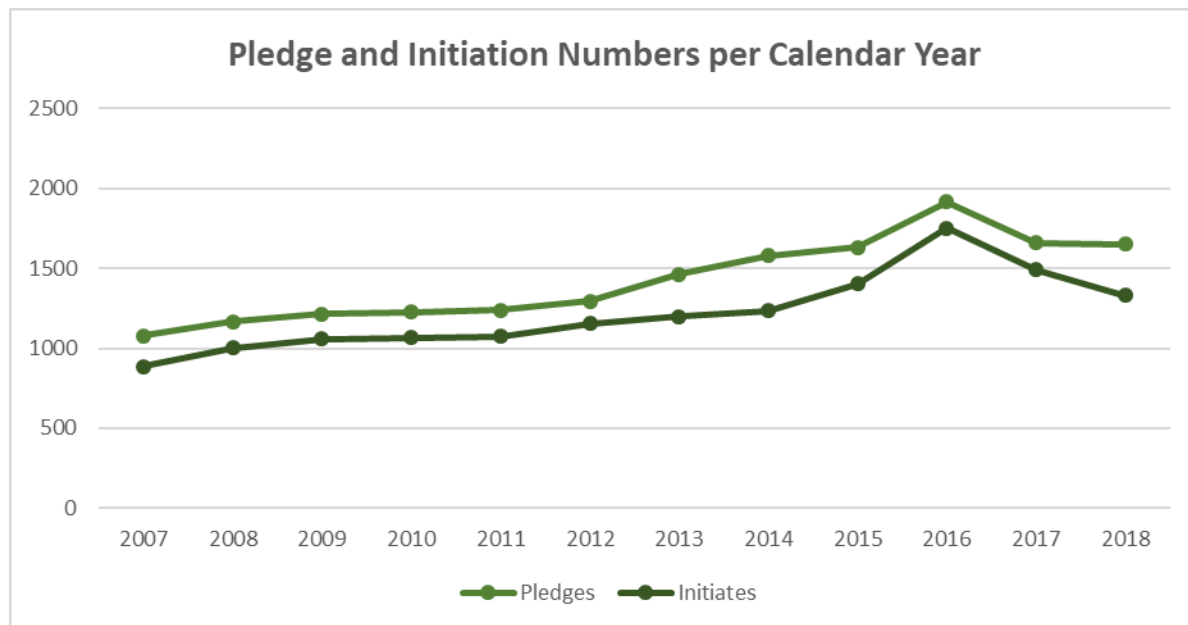
As of this writing the Fraternity has initiated 74,569 members since its' founding in 1902. The breakdown of our Active Chapters, Groups, and Colonies are as follows:

66 Active Collegiate Chapters*
3 Active Collegiate Colonies

9 Active Professional Chapters
14 Active Professional Groups

(*Note: the GR Biennial Report incorrectly reported 71 Collegiate Chapters. That number was taken from the voting roll where the colonies were allowed votes. No Collegiate Chapters have been lost since Conclave.)

The Fraternity pledged 1650 pledges in 2018. Of those pledges, 1329 were initiated and recorded to date. Pledge and initiation numbers have declined from the peak observed in 2016.



National Office Operations

The National Office is currently operating with one full time employee physically at the office: Office Manager Erin Goodwin. The Office also has one off-site employee, Allison Wisner (Website / Software Consultant). Joni Back-Bubenzer and Stacy Neill have left the office and a search for their replacements is forthcoming. Many changes have taken place at the National Office in the past two years since I have been Grand Recorder. More efficient ways of doing things, and outsourcing of our IT

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

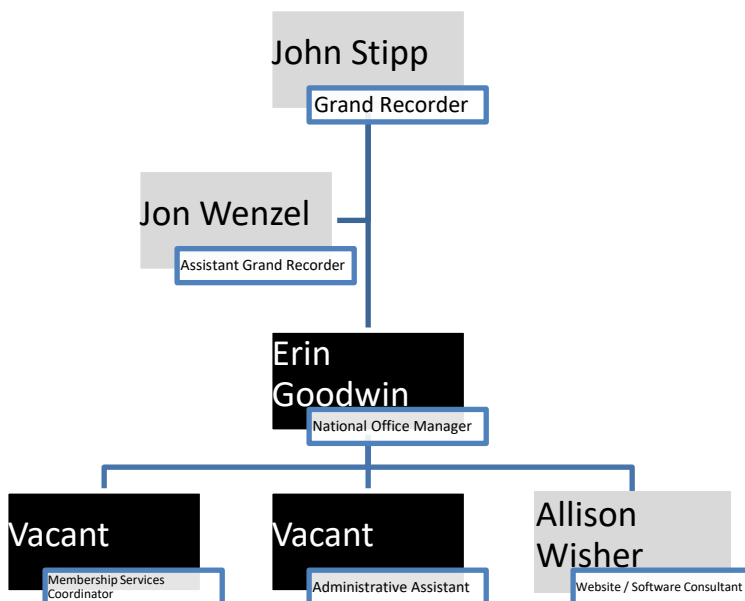
Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

and bookkeeping/accounting services has altered the level of staffing and the necessary skills for the staff. These changes will allow the office to focus on its' core competency of membership services.

National Office Organization Chart – December 2018



Employees Located at 6296 Rucker Road, Indianapolis, IN
Employees or Consultants (Working Remotely)

Process Streamlining at the National Office

The most critical project at the National Office this coming biennium is the streamlining of our processes at the National Office. Raiser's Edge / Blackbaud has been the Fraternity's database and website hosting service for over 20 years. Their product may be good; however, it is very difficult to use and customer support directly from Raiser's Edge / Blackbaud is severely lacking. The procedures for inputting data, processing forms, and tracking the data is inefficient and tremendously painful for the Office Staff. The Fraternity cannot continue to operate with processes that are confusing and/or inefficient. This makes the work harder on the National Office staff and makes it difficult for the Fraternity to obtain and keep current the data that it needs. Difficult and time consuming practices frustrate the staff and make tasks take much longer than they should.

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

Problems that take a long time to create also take a long time to fix. As such, we knew going in that this was going to be a long term project that would require a “deep dive” into the Fraternity data management. A lot of time and focus are going to be needed to move this forward. As such, I asked AGR Wenzel to manage this project. Jon has extensive Fraternity knowledge and can learn the processes to help understand where we have opportunities for streamlining. Jon also works well with National Office Manager Erin Goodwin and GPA Kip Nalley, whose IT knowledge has been critical in this effort to date.

Since Conclave, Erin has identified a service provider for Raiser’s Edge / Blackbaud called Omatics. Omatics was hired to audit our processes and look for ways for improvement. Erin has been holding regular calls with Omatics for several weeks. Many areas for improvement have already been identified, and some of the new processes should be available in Spring 2019.

Budget and Finances

Increases to the Pledge and Lifetime Membership Fees were passed by the Grand Chapter at Conclave. This increase in fees will help offset the growing expenses that the Fraternity has experienced in the past few years. Pledge numbers for the Fall semester appear to not have been negatively impacted by that increase, which is encouraging.

Fraternity Fund Overview

The Fraternity has five funds where money is held.

- The General Operating Fund is the account used in day to day operations. This is located at the National Bank of Indianapolis.
- The Reserve Fund was established in the Constitution Article II Section B.i.g. The Reserve Fund is held in a managed investment account at Morgan Stanley. The funds in the Reserve Fund are available for use if needed to supplement the General Operating Fund.
- The House Fund was established in the Constitution Article II Section B.i.h. The House Fund is held in a managed investment account at Morgan Stanley. The House Fund is used to issue loans to Housing Corporations at the Prime Rate. No loans have been issued to date this biennium.
- The Short Term Savings Fund was established by SC Proposition 4682. The Short Term Savings Fund is held in a money market account at Morgan Stanley and will be used as a bridge account between the Reserve Fund and the General Operating Fund. It will also be used to hold monies set aside for Capital Expenses (CAPEX) and can also be used as the location for the Dormant Chapter Fund should any monies come to the Grand Chapter from any inactive chapters.
- The Dormant Chapter Fund was defined by SC Proposition 3336 to fulfill the requirements of Grand Chapter Bylaw II Section E3, which states that the Grand Chapter will hold monies from

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

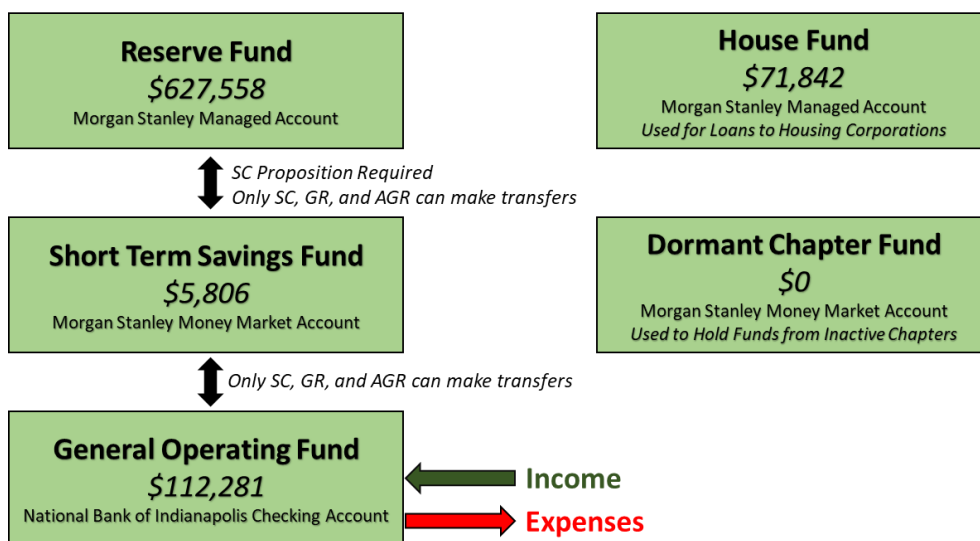
Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

inactive chapters for five years in the event that the Chapter is reactivated. Following the five year period, any monies will become the property of the Grand Chapter. The Dormant Chapter Fund currently has a zero balance and as such, is not held in any location. Should funds become available to Alpha Chi Sigma from an inactive chapter, it would be held in the Morgan Stanley money market account.

A breakdown of the Fraternity's fund structure and current balances is illustrated in the following diagram:



*All balances as of December 28, 2018. Balances are unaudited.

General Operating Fund Income Summary

Professional Donations for 2018 totaled \$74,733. This is still below historical levels. Professional donations for the past fifteen years are shown in the following chart:

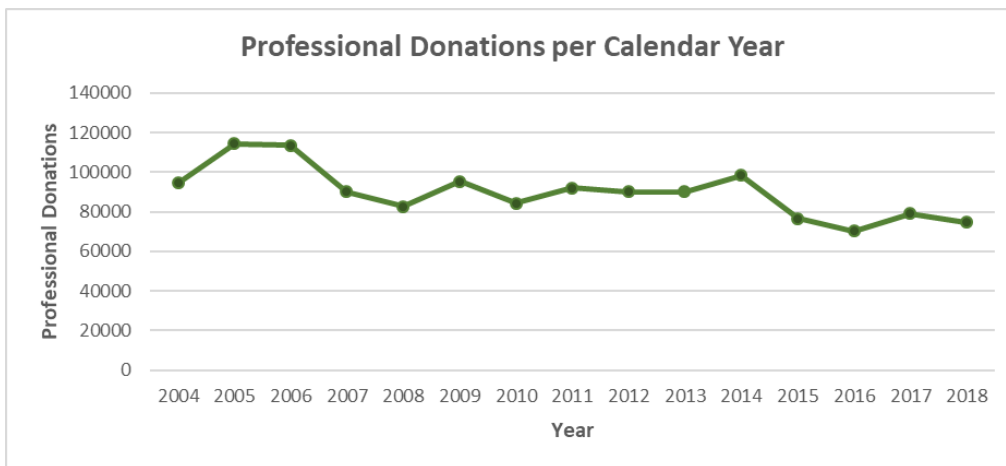
Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

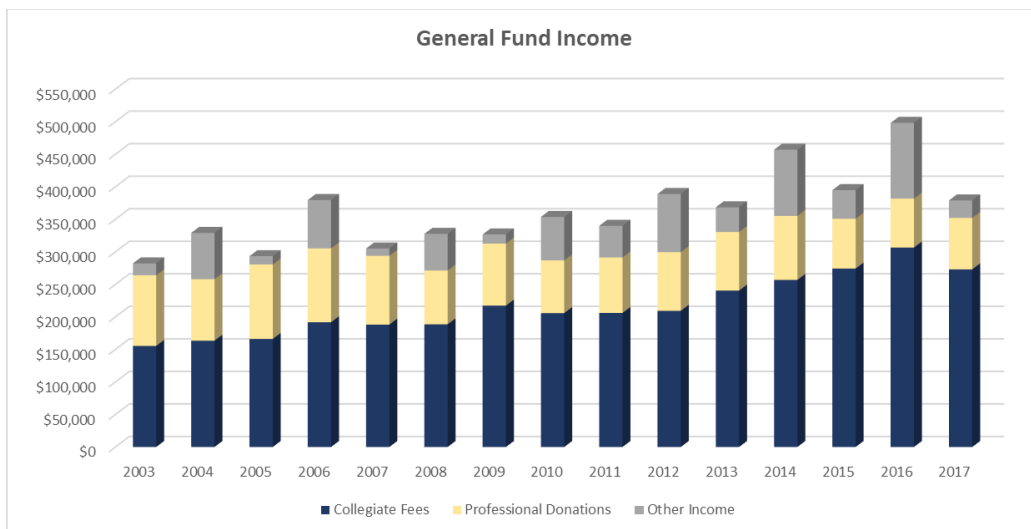
Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org



A breakdown of the various sources of income for the Fraternity is shown in the following chart.



- Collegiate Fees consist of the Pledge Fees and Lifetime Membership Fees
- Professional Donations are donations from Professional Members
- Other Income includes Conclave Receipts, Resale Income, Reserve Fund Withdrawals, and Affinity Programs

Income has been increasing; however, that growth is mainly due to the pledging and initiation of more Brothers. Pledge and Lifetime Membership Fees continue to make up the majority of the Fraternity's income. The downward trend of Professional Donations continues to put increased pressure on the Fraternity to operate primarily on Pledge and Lifetime Membership Fees.

It should be noted that the 2018 income numbers are not available at the time of this report.

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

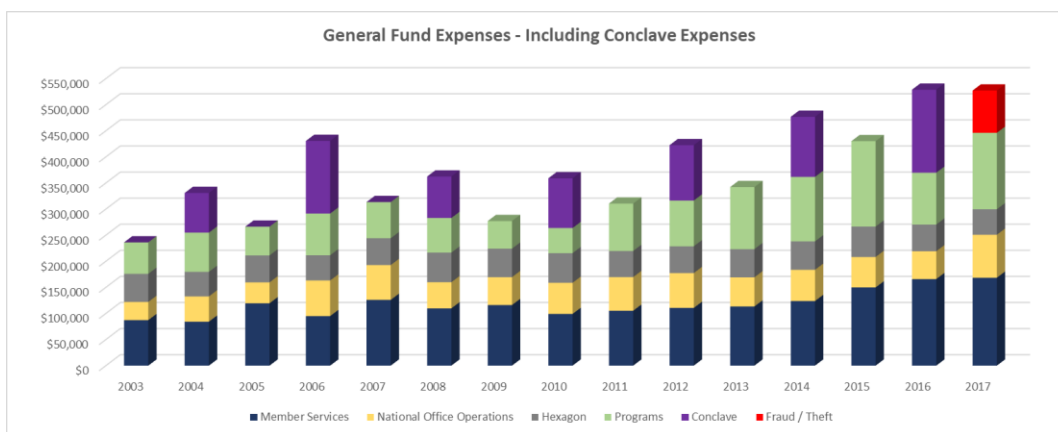
Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

General Operating Fund Expense Summary

The Fraternity has a variety of expenses required to operate and serve its' members. The major categories of those expenses have been categorized into five main categories for comparison. Member Services, National Office Operations, The Hexagon, Conclave, and Programs. A sixth category is illustrated for 2017, Fraud/Theft, which includes expenses from the embezzlement of funds by two former employees and the related legal expenses. Conclave is a costly event for the Fraternity, so expenses for even numbered years are always higher than odd numbered years.



- Member Services includes salaries, consultant fees, GR and AGR stipends, FICA, Social Security, and State Payroll Taxes
- National Office Operations includes utilities, postage, software licenses, and bank fees
- Hexagon includes printing / mailing costs and the GE stipend
- Programs include ritual / regalia, expansion, awards, travel, DC's, PR's, SC expenses, and legal expenses, and programs
- Conclave includes all Conclave related expenses
- Fraud / Theft includes embezzled funds from former staff and related legal expenses for identity and data theft

Expenses continue to increase year over year and have been increasing at a faster rate than income.

It should be noted that 2018 expense numbers are not available at the time of this report.

General Operating Fund Income vs. Expense Summary

The following chart illustrates the difference between income and expenses for the General Operating Fund. This helps illustrate how expenses are outpacing our income.

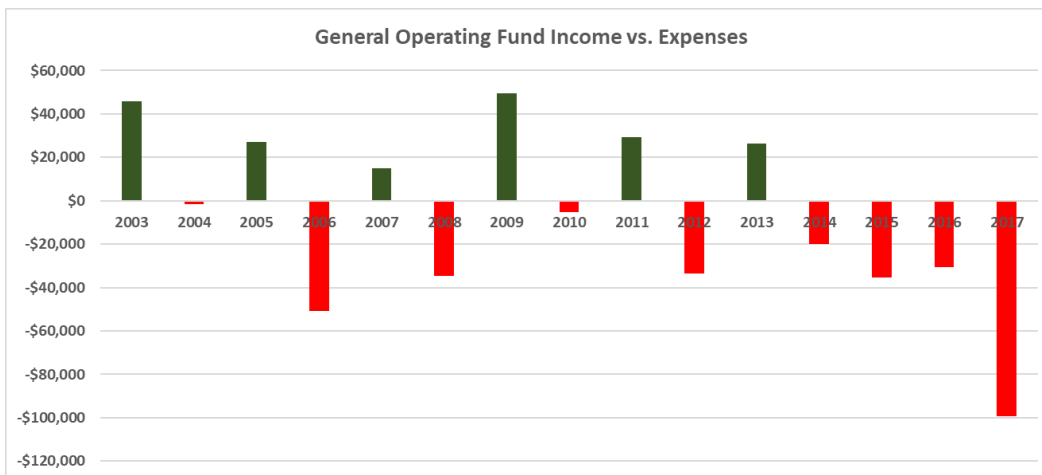
Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org



Efforts undertaken to reduce expenses last year and the increase in Pledge and Lifetime Membership Fees should allow the Fraternity to at least break even in Conclave years, and be able to put money into the Reserve Fund in non-Conclave years.

It should be noted that 2018 numbers are not available at the time of this report.

Reserve Fund and House Fund Summary

The managed account at Morgan Stanley includes the Reserve Fund and the House Fund. Those funds are combined at Morgan Stanley in a single account which is invested in a broad range of markets.

Investment performance was solid through much of 2018; however, markets fell at the end of the year causing a decline in invested funds. The balance of the Fraternity's investments on December 29, 2017 was \$860,521, the balance of the Fraternity's investments on December 31, 2018 was \$699,401. The balance of the Morgan Stanley managed account over the past ten years is shown below:

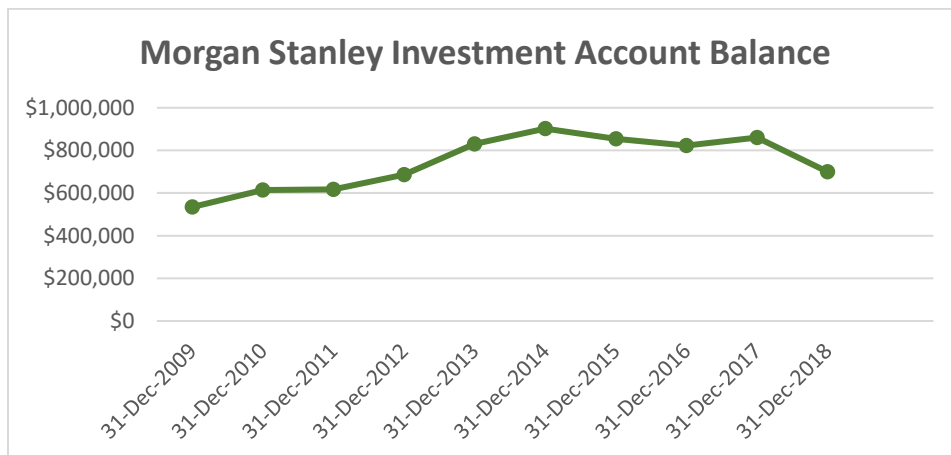
Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org



A total of \$100,000 was transferred out of the Reserve Fund in 2018 (SC Proposition 4682 on January 12 for \$50,000 and SC Proposition 4731 on August 11 for \$50,000) to pay for operating costs and Conclave expenses. With the fee increases at Conclave and steps taken to reduce expenses we are not planning to pull from the Reserve Fund in 2019 aside from a \$143,000 withdrawal in January to pay for General Liability insurance. (see 2016-2018 GR Biennial Report for details on efforts to reduce expenses),

Fraternity Credit Cards

The Fraternity Credit Cards have been moved from Chase to the National Bank of Indianapolis (NBOI). There are also benefits to having our credit card account at the same bank as our checking account and lockbox.

Professional Representative Election

Part of the annual solicitation involves the election of the Professional Representatives. The vote tally for the 2019-2020 Professional Representatives was as follows:

Don Cole, <i>Iota 1997</i>	136
Sandra Lukaszewski-Rose, <i>Alpha Theta 1995</i>	125
Sandy Sansing, <i>Beta Delta 2002</i>	107
Michael Pizarek, <i>Zeta 2008</i>	85
Claudia Brodtkin, <i>Gamma Iota 2002</i>	84
Megan Czerniejewski, <i>Beta Psi 2010</i>	76
Kerri Federico, <i>Mu 2008</i>	66
Daniel Tinney, <i>Alpha Kappa 2011</i>	64
Justin Pratt, <i>Delta Delta 2012</i>	61

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

Brothers Cole, Lukaszewski-Rose, Sansing, and Pizarek will serve as Professional Representatives from January 1, 2019 to December 31, 2020. The Fraternity is grateful to all the candidates for their willingness to serve the Fraternity.

Insurance Policy Review and Risk Management Assessment Fee

The Fraternity currently maintains four insurance policies.

- Commercial Property – Commercial Property insurance covers the National Office and its' contents.
- Workman's Compensation – Workman's Compensation insurance is coverage for an employee's medical expenses, lost wages, and rehabilitation services that result from a workplace injury or illness.
- Directors and Officers (D&O) - Directors and Officers insurance covers the Supreme Council, Grand Recorder, Assistant Grand Recorder, Grand Editor, Grand Parliamentarian, Grand Vizier, District Counselors, Professional Representatives, and the National Office staff in the event of legal action taken against them for alleged wrongful acts in their capacity when acting as directors and officers of the Alpha Chi Sigma Fraternity.
- General Liability – General Liability insurance is coverage that protects the Fraternity from a variety of claims including bodily injury, property damage, personal injury and other claims that can result from Fraternity Chapter and Office operations. This coverage can extend to the chapters and the chapter members.

Insurance Type	Coverage Limit	2018 Annual Premium Cost	2019 Annual Premium Cost
Commercial Property	\$200,000	\$1,592	TBD
Workman's Compensation	\$1,000,000	\$623	TBD
Directors and Officers	\$2,000,000	\$2,867	\$2,849
General Liability	\$2,000,000	\$4,165	\$143,000

The massive increase in General Liability insurance premium was due to several factors. Our former carrier exited the Fraternity/Sorority business at the end of 2018. Fraternities represent a very high risk for insurance companies. Claims are frequent and those claims are generally very expensive. Fraternities with houses are further penalized with higher insurance costs. For an insurance company to earn money off of a Fraternity or a Sorority, extremely high premiums are charged.

In order to pay for the increased General Liability premium, the Grand Chapter and the Supreme Council authorized a Risk Management Surcharge to be added to the Pledge Fee and the Lifetime Membership Fee.

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
669 Berkley Drive
Romeoville, IL 60446
gr@alphachisigma.org

Collegiate Members will have the Risk Management Surcharge added onto their Pledge Fee and Lifetime Membership Fees instead of billing each member every semester. Trying to bill every collegiate member annually is something that the Fraternity is not staffed or equipped to do. This would likely require adding more staff, and thus increasing the cost even further for the Fraternity. Also, forcing the Chapters keep track of members who have paid the fee, who have not paid the fee, and limit attendance at Chapter functions to only members who have paid the fee each semester would cause considerable confusion, animosity between Brothers, and put an undue burden on the chapters. The cost of one semester of General Liability insurance has been added to the Pledge Fee, and the cost of 2 years of the cost of the General Liability insurance would be added to the Lifetime Membership Fee. (Based off of the assumption that our Collegiate members are active an average of 2 years after initiation).

With the premium cost of \$143,000, starting January 15, 2019, a \$20 Risk Management Surcharge has been added to the Pledge Fee and an \$80 Risk Management Surcharge has been added to the Lifetime Membership Fee.

Calculations were estimated on the expected number of pledges and initiates. The numbers were based on the assumption that the Fraternity will have 1600 pledges in 2019 and 1400 initiates in 2019.

1600 pledges x \$20 per pledge =	\$32,000
1400 initiates x \$80 per initiate =	<u>\$112,000</u>
Total	\$144,000

Premium costs for the Building / Property and Workman's Compensation are not available as that coverage expires in February 2019.

Conclusions

The Fraternity continues to face challenges going into 2019. However, we have a Grand Chapter and a Supreme Council who are willing to make the appropriate (and difficult) decisions for the Fraternity. Alpha Chi Sigma has weathered times of bad public perception in the past, just as it has overcome financial challenges in the past. As long as we maintain open communication and do not shy away from difficult decisions for the good of the organization, the Fraternity will adapt and thrive as it has done for the past 117 years.

Yours in the Double Bond,

A handwritten signature in black ink, appearing to be 'J. Stipp'.

John N. Stipp, *Epsilon 1989, OA*
Grand Recorder