

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

## 2020 Annual Report of the Grand Recorder January 13, 2021

### Overview

The issues before the fraternity for 2020 involved operational responses due to COVID-19, adaptation of a new Health and Safety Policy, an online conclave, the establishment of an online store for fraternity merchandise, and the elimination of the House Fund by the Grand Chapter, among others.

The outbreak of the COVID-19 coronavirus pandemic has severely impacted the Fraternity's chapter operations and the Grand Chapter's income. Our Collegiate Chapters are operating virtually all over the country with questions as to when the campuses will reopen. Our weaker and smaller chapters are at risk for fading away. The pandemic forced the Fraternity to conduct the 55<sup>th</sup> Biennial Conclave in an online format, which allowed for essential business to be conducted as well as keeping the costs to a minimum. Additional impacts will likely be felt from the pandemic for some time to come.

Insurance fees continue to represent roughly 30% of the Fraternity's expenses. Successful arguments were made to the carrier around reduced membership numbers and reduced risks due to the pandemic which allowed the Fraternity to negotiate a \$45,000 cost reduction in our General Liability policy for 2021. It should be noted that the cost for General Liability insurance will increase back to 2020 pricing once the pandemic subsides and chapters return to in-person operations.

A new Health and Safety Policy has been developed and implemented by the Supreme Council. The Health and Safety Policy is part of a process for ensuring that Fraternities are providing the proper focus and effort towards member safety. The overall program called 3P2E was developed by Holmes-Murphy, who is the insurance broker for Alpha Chi Sigma and most other fraternal organizations. The 3P2E program was a mandated condition for Alpha Chi Sigma to obtain insurance from the insurance carrier that was brokered through Holmes-Murphy. Unlike other Risk Management Policies that have generally been written for the Fraternity and provided to the organization in a completed format, the 3P2E process entailed the Fraternity authoring our own policy based off an overall philosophy on keeping members safe.

The Alpha Chi Sigma Online Store opened up this year thanks to the efforts of Assistant Director of Fraternal Operations Erin Goodwin. The store allows a wide variety of Fraternity branded merchandise that is all handled by a third party company. This resolves the issues with selling branded items out of the office which takes up our staff time (which is valuable and limited) and limits the variety of items that are available. The new store provides benefits to our members by having a larger variety of items to purchase and reduces the burden on the office staff.

At Conclave, the Grand Chapter passed legislation to eliminate the House Fund, which was set up by the Grand Chapter to provide loans to Housing Corporations. I was directed by the Grand

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

Chapter to compile a report as to the feasibility of moving these funds to the Reserve Fund, which was completed and submitted to the Supreme Council on December 10, 2020. Discussion of that report with the SC will likely take place at the January SC meeting.

## **Fraternity Response to the COVID-19 Coronavirus**

The impact of COVID-19 to the Fraternity has been felt at all our chapters and by all of our members. Despite the challenges of operating under the pandemic, in 2020 the chapters managed to pledge 793 and initiate 617; much less than the 1250 pledges and 1120 initiate numbers that were used to develop the 2020 budget. Pledge and initiation numbers were much better than would be expected under the circumstances. As Pledge and Lifetime Membership Fees make up a majority of the Fraternity's income, the Fraternity has taken steps to reduce our expenses during this time and to generate additional revenue where possible.

### **Reserve Fund Transfer**

On April 14, 2020, SC Proposition 4808 transferred \$100,000 from the Reserve Fund to the General Fund of the Fraternity. This step was taken to ensure that the Fraternity had funds available for operations if needed and to insulate those funds from market volatility. This transfer was taken after discussions with Brad Hulse at Morgan Stanley. Simply stated, it is unwise to take long term risks with short term money.

### **Paycheck Protection Program Loan**

In response to the economic impact on small businesses due to the coronavirus, the Federal Government passed the CARES Act in March 2020. Part of the CARES Act included a Paycheck Protection Program (PPP) which provided forgivable loans through the Small Business Administration (SBA) to small businesses, including non-profits, who keep their non-contractor current staffing levels for eight weeks. The Fraternity was eligible for this program through the National Bank of Indianapolis, and in April 2020 was given a loan for \$18,700 through this program. In December 2020 the loan amount has been forgiven by the National Bank of Indianapolis / SBA / Federal Government, and will not need to be paid back to the SBA.

In December 2020, the Federal Government passed the Coronavirus Relief Bill which also contains provisions for a second round of forgivable PPP loans. I have requested information about these as well from NBOI and the Fraternity may apply for one of these loans in early 2021 should that loan be forgivable. The Fraternity is grateful to the Federal government, SBA, and NBOI for helping us to weather these uncertain times.

### **Cost Savings Actions**

Since 2017 the Fraternity has taken steps to reduce our operating expenses (see prior GR Reports for details). One unintended consequence of those activities is that there are not many areas left to cut significant expenses to help weather the pandemic. That being said, the Fraternity has taken the following steps to reduce expenses in response to the coronavirus pandemic:

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

- \$67,430 Savings from 2020 Conclave being moved from in-person to an online format
- \$10,600 Savings from 2019 Sourcebooks not shipping / 2020 Sourcebooks not being printed
- \$ 3,700 Savings from delaying printing of the Grand Chapter Proceedings from 2011-2019
- \$ 500 Savings from delaying review of Employee Manual by Lunt Group
- \$82,230 Total savings in 2020 from Budget

## Staffing Levels

I am pleased to report that Alpha Chi Sigma has not changed staffing levels due to the COVID-19 outbreak. We feel that our employees are a huge asset to the Fraternity and are a large part of our continued success. Fortunately, Erin and Amy can perform most of their duties from home. When tasks have required someone in the office, either Erin or Amy have gone into the office alone to help promote social distancing.

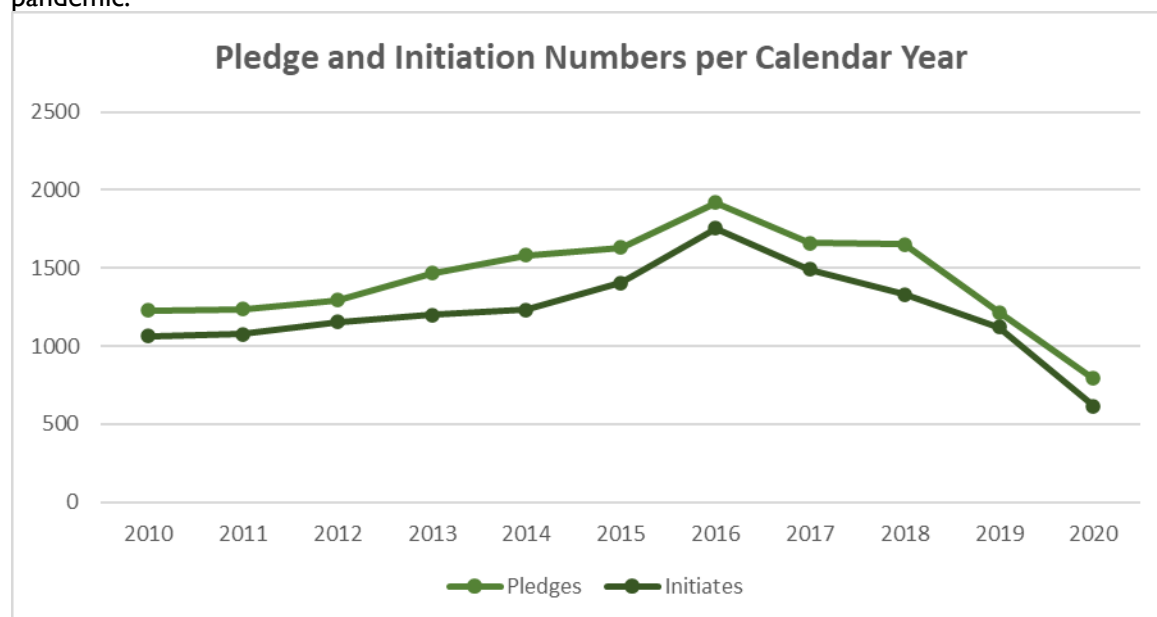
## Alpha Chi Sigma by the Numbers

As of this writing the Fraternity has initiated 76,378 members since its founding in 1902. The breakdown of our Active Chapters, Groups, and Colonies are as follows:

66 Active Collegiate Chapters  
1 Active Collegiate Colony

9 Active Professional Chapters  
14 Active Professional Groups

The Fraternity had 793 pledges in 2020 and initiated 617. As may be seen in the below figure initiations have been decreasing since 2018. 2019 likely correlates to an increase of lifetime membership fees, pledge fees, and the addition of an insurance surcharge. 2020 corresponds to the COVID-19 pandemic.



# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

## National Office Operations

The National Office continues to function with Erin Goodwin working as a full-time employee and Amy Posavac-Osborne working part-time, with support from Allison Wisher when needed. Throughout the pandemic our employees have limited their time at the office. Erin has been working from home unless there is a need for her to come into the office. If that is needed, Erin and Amy set their schedules so that they are never in the office on the same day. We continue to have our bookkeeping / accounting services outsourced to mAccounting / inDinero, and our IT hardware and backup services outsourced to Byte Café. The outsourcing not only saves costs to the Fraternity but also allows the office to continue to focus on its core competency of membership services. AGR Wenzel has taken on more responsibility around managing our gmail and gsuite accounts as well as managing our Zoom account that was purchased before Conclave.

## CAPEX Expenses

In September the air conditioner at the National Office stopped working. Upon evaluation we found that it could not be repaired and required replacement. Additionally, the furnace was over 40 years old and has not been keeping the office comfortable in the winter. As such, we opted to replace the entire heating / cooling system at the office. The \$6,889 cost for this was covered using Capital Expense (CAPEX) funds.

## Online Alpha Chi Sigma Store

Thanks to the efforts of Erin Goodwin, Alpha Chi Sigma has begun selling branded products from an online storefront in 2020 through Advanced-Online. This allows chapters to purchase Fraternity merchandise from an online storefront for merchandise instead of placing orders through the National Office. Ordering is an easy process with orders being able to be placed at any time. This will allow a much larger selection of items for purchase and not put undue burden on the office staff for taking and shipping orders. Erin has been working with the Grand Master of Ceremonies to ensure that all the merchandise is branded properly. The storefront rollout was delayed on Advanced Online's end due to the coronavirus pandemic; but is now open for business. Chapters are ordering their Badges, Pledge Pins, Graduation Cords, Stoles, and Medallions directly from the manufacturer (Award Concepts). Regalia is still managed out of the National Office.

## Ongoing New Chapter EIN Issues

As a 501c3 corporation, each of the subordinate chapters are required to have their own EIN (Employment Identification Number) by the IRS. Those numbers are requested by the Grand Chapter (parent organization) when chapters are established, and the process takes four to six weeks after the application is received. Additionally, to prevent fraud, no more than one application can be sent in per week by each parent organization. In 2019 the IRS made multiple changes to that process and did not make those changes available to the public. Those changes included a provision where a social security number of the Responsible Person needed to be used on new applications instead of the parent organization EIN number. The IRS also has a process whereas if any mistakes are made in the application, that the application will be immediately discarded and the organization not notified of the

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

issue, or the fact that the application was discarded. As such, the office had submitted several applications for new chapters and had never been notified of those applications being discarded. The National Office is working on obtaining EIN numbers for all new chapters; however, during the pandemic it has been difficult to reach anyone at the IRS. As such, we continue to have challenges in this area that we are working to resolve.

## **Budget and Finances**

The Pledge and Lifetime Membership fees remain unchanged from 2018 at \$50 Pledge Fee and a \$170 Lifetime Membership Fee. The Health and Safety Surcharge was increased to \$35 and \$95 following Conclave to cover the increased costs of the Fraternity's General Liability Insurance coverage.

## **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 is required 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 required in prior Constitution versions in 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. At Conclave the Grand Chapter voted to eliminate this account and directed the Grand Recorder to investigate the process for this.
- 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 is used as a bridge account between the Reserve Fund and the General Operating Fund. It also holds monies set aside for Capital Expenses (CAPEX).
- 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 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. 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:

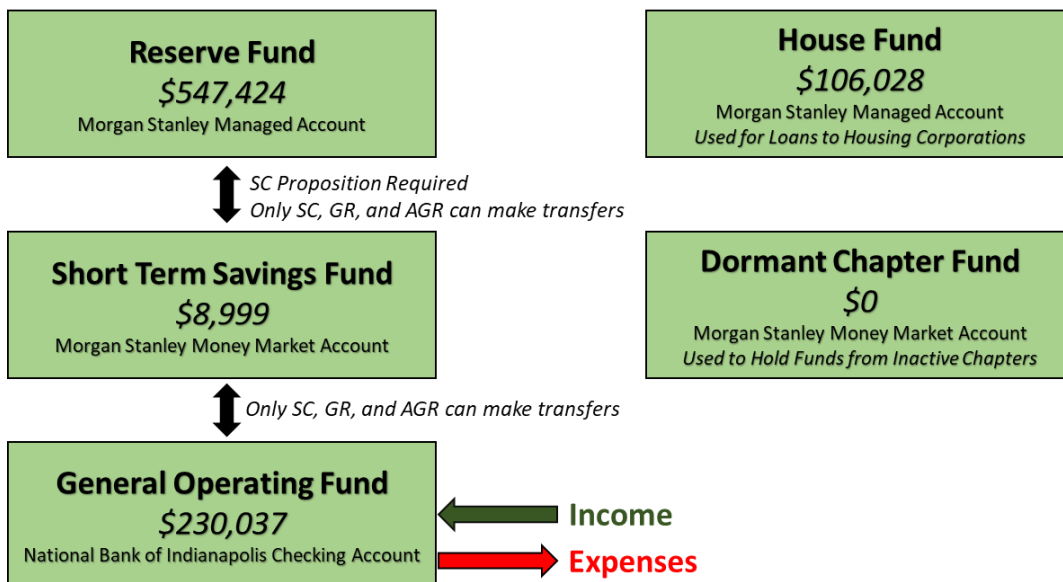
# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



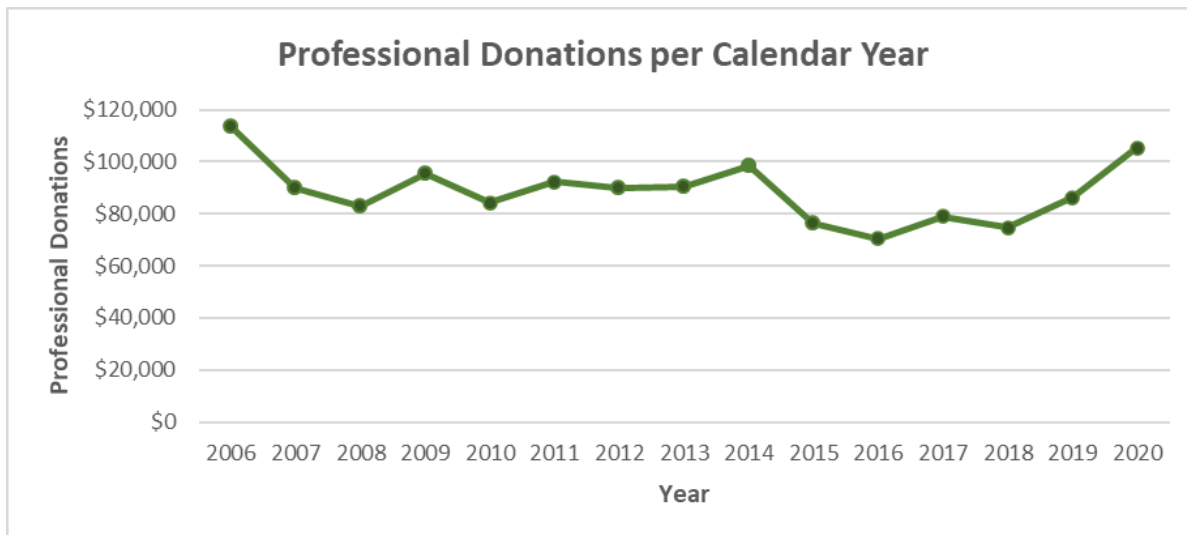
John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org



\*All balances as of December 31, 2020. Balances are unaudited.

## General Operating Fund Income Summary

Professional Donations for 2020 totaled \$105,264, the highest level of Professional donations received in a calendar year since 2006. These donations include the second year of participation in Giving Tuesday. This took the form of the “Chapter Challenge”, which chapters competed against each other to raise funds for the Grand Chapter. That initiative raised \$16,000 for the Fraternity, which included matching donations from Gary Anderson, OA, and GMA Kip Nalley. Professional donations for the past fifteen years are shown in the following figure:





# Alpha Chi Sigma Fraternity

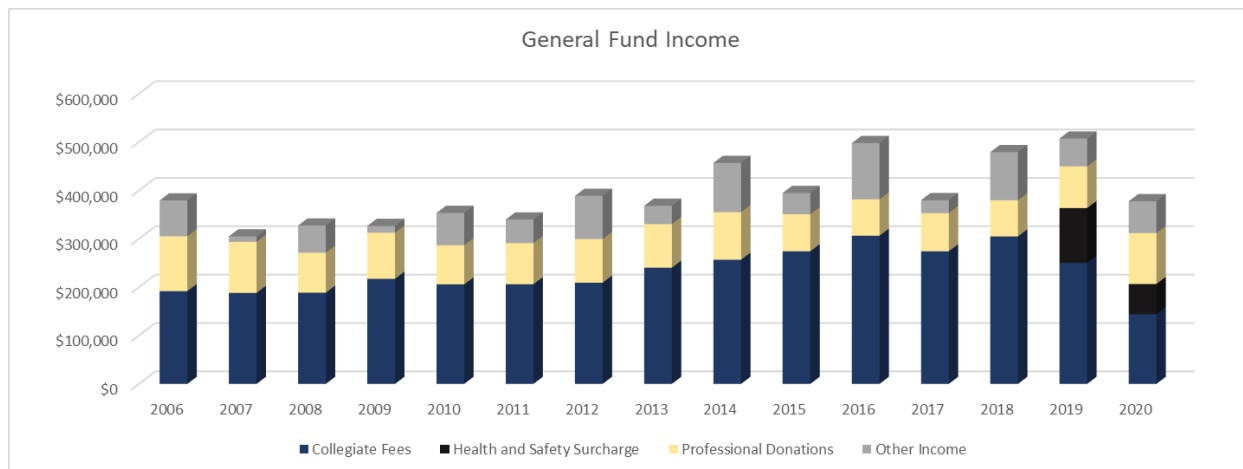
Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

A breakdown of the various sources of income for the Fraternity is illustrated in the following figure.

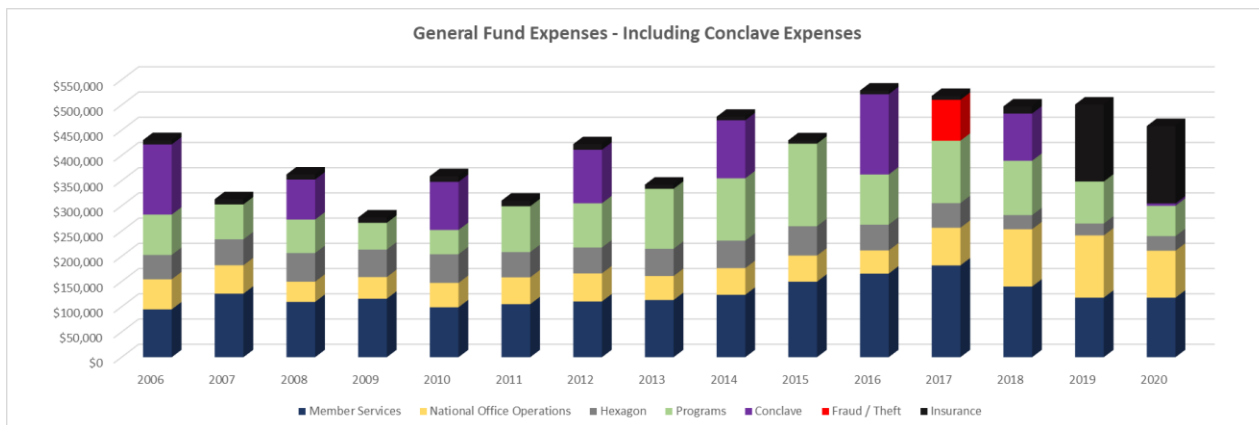


- Collegiate Fees consist of the Pledge Fees and Lifetime Membership Fees
- Health and Safety Surcharge is new for 2019 and covers the cost of the Fraternity's General Liability Insurance
- Professional Donations are donations from Professional Members
- Other Income includes Conclave Receipts, Resale Income, Reserve Fund Withdrawals, Affinity Programs, and PPP Forgivable Loans (2020 only)

Pledge and Lifetime Membership Fees continue to make up the majority of the Fraternity's income.

## General Operating Fund Expense Summary

The Fraternity has a variety of expenses required to operate and serve its members. Those expenses have been categorized into six main categories for comparison. Member Services, National Office Operations, The Hexagon, Conclave, Insurance, and Programs. Conclave is a costly event for the Fraternity, so expenses for even numbered years are typically always higher than odd numbered years.



- Member Services includes salaries, consultant fees, GR and AGR stipends, FICA, Social Security, and State Payroll Taxes

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER

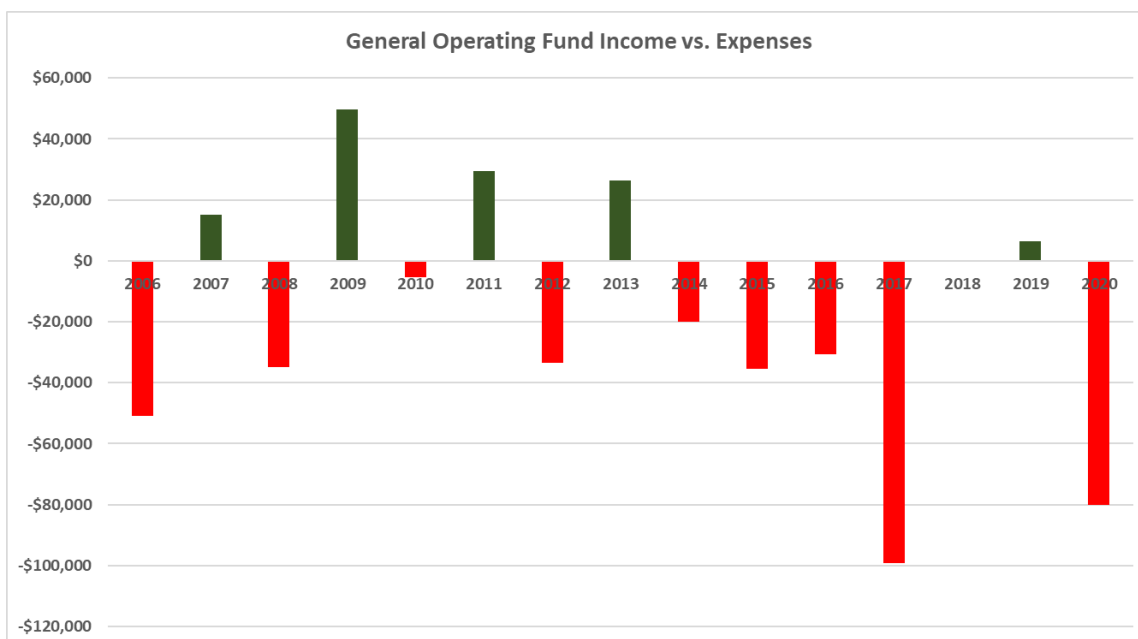


John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

- National Office Operations includes outsourced services, 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 in 2017
- Insurance includes cost for all insurance policies (GL, D&O, Workman's Comp., and Property / Building)

## General Operating Fund Income vs. Expense Summary

The following figure illustrates the difference between income and expenses for the General Operating Fund. This helps illustrate how expenses have been outpacing our income in recent years.



Expenses in even years are typically higher than odd years due to Conclave costs. In recent years the Fraternity has typically operated at a loss in even years and balanced that out with a profit in the odd years to break even over the long term. Ideally, the Fraternity should break even during even years and earn a profit in odd years to help increase reserves for unexpected financial stresses, such as increased insurance costs, pandemic outbreaks, etc. With limited income streams, this pattern needs to be watched and fees increased as needed to ensure that we are not using up our reserves with operating expenses. In 2020, the Fraternity had \$80,000 more in expenses compared to income. Although a large loss for the Fraternity, had cost savings actions not been taken, the losses would have been much greater.

## 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. At Conclave, the Grand Chapter directed that the House Fund be eliminated. I was directed by Grand



# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER

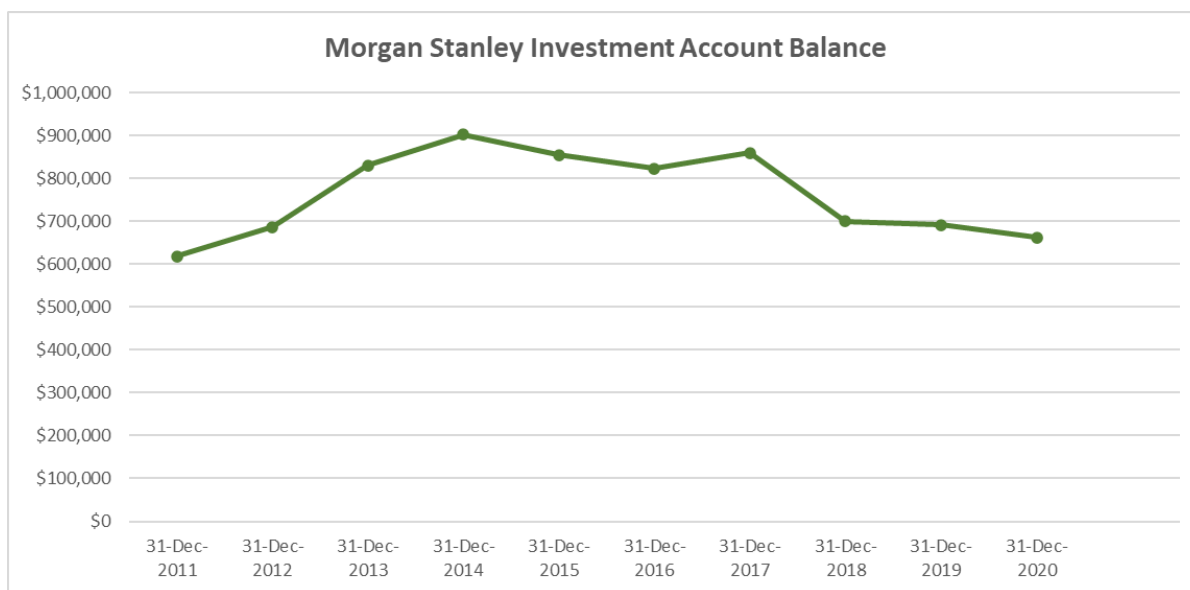


John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

Chapter Motion 18 to prepare a report for the Supreme Council in regards to closing that fund and rolling the funds into the Reserve Fund. That report was completed and submitted to the Supreme Council on December 10, 2020. Please see that report for additional details. I suspect that will be an item of discussion at the January Supreme Council meeting.

In 2020, \$100,000 was transferred out of the Reserve Fund to help cover operating expenses through the pandemic (SC Proposition 4808 on April 14, 2020). A total of \$18,177 was transferred into the Reserve Fund (SC Proposition 4843 on September 2, 2020) for contributions directed into the Reserve Fund from Professional donors from the 2019 campaign. With the coronavirus pandemic still impacting our chapters, it is difficult to predict if we will need to pull from the Reserve Fund in 2021 for operating expenses, and if so, how much we will need to withdraw.

The balance of the Morgan Stanley managed account over the past ten years is shown below:



Investment performance for 2020 was very good. Despite early losses in the year, the market has recovered nicely. Although the Morgan Stanley balance is down \$30,000 since December 31, 2019; we did withdraw \$100,000 to help cover operating expenses through the pandemic; but, market gains helped offset that to a large degree.

## Pledge to Educational Foundation for Scholar Award

The Fraternity has paid the Educational Foundation a total of \$80,000 of its pledge of \$100,000 to perpetually fund the Alpha Chi Sigma Scholar Award. That pledge was for \$20,000 each year to be paid over five years from 2017 through 2021. The final \$20,000 installment shall be paid to the Educational Foundation in 2021.

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

## **Insurance Policy Review / Health and Safety Surcharge**

Following Conclave, GCA Merryn Cole and the District Counselors have maintained a google sheet to report the current status of our collegiate chapters in response to the pandemic. That information which highlighted the struggles that our chapters are having with lower membership numbers and chapters not holding in-person events due to the pandemic has allowed us to negotiate a \$45,000 reduction in General Liability insurance cost for 2021. This premium reduction will only be for 2021 and assuming that the pandemic has subsided in 2022, we can expect our rates on the GL policy to return to roughly \$120,000 per year.

The Fraternity currently maintains five insurance policies through Holmes-Murphy.

- Commercial Package Policy – Also known as Commercial Property insurance, this 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 extends to the chapters and the chapter members.
- Business Auto – The Business Auto policy covers employees using their vehicles for business uses. This does not cover fraternity members using automobiles, which falls under the General Liability policy.

In addition to the policy costs, various fees and taxes are being paid to Holmes-Murphy. Those include the following:

- Surplus Line Taxes – Due to the types of coverage provided by our carrier, they are not regulated by state governments. As such, states charge those carriers a "Surplus Line" tax on providing their services as a percentage of the premium. Note: our 501c3 tax exempt status does not prevent us from having to pay this tax.
- Fees in Lieu of Commission – Instead of charging a commission for their brokerage services on the General Liability Policy, Holmes-Murphy charges a flat fee. Included with this is access to their educational resources, Risk Management College, contract review services, and advice relating to insurance and Health and Safety concerns.

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

| Insurance Type                                          | Coverage Limit             | 2020 Annual Premium Cost | 2021 Annual Premium Cost |
|---------------------------------------------------------|----------------------------|--------------------------|--------------------------|
| General Liability                                       | \$1,000,000 / \$2,000,000* | \$120,000                | \$75,000                 |
| Commercial Package Policy                               | \$1,000,000                | \$5,781                  | \$6,266                  |
| Workman's Compensation                                  | \$1,000,000                | \$439                    | \$443                    |
| Business Auto                                           | \$1,000,000                | \$1,519                  | \$1,704                  |
| Director's and Officer's                                | \$2,000,000                | \$2,848                  | \$2,848                  |
| Surplus Lines Taxes for General Liability Policy        |                            | \$3,000                  | \$1,875                  |
| Fees in Lieu of Commission for General Liability Policy |                            | \$20,000                 | \$20,000                 |
|                                                         |                            |                          |                          |
| <b>Total Insurance Cost to Fraternity</b>               |                            | <b>\$153,587</b>         | <b>\$108,136</b>         |

\* \$1,000,000 per occurrence, \$2,000,000 aggregate limit

Assuming that the Fraternity remains claim free, we should expect to have very high insurance premium costs until 2024 when we should be able to start negotiating for premium cost reductions on our General Liability policy.

In order to pay for the increased General Liability premium, the Grand Chapter and the Supreme Council authorized a Health and Safety Surcharge to be added to the Pledge Fee and the Lifetime Membership Fee. That surcharge currently stands at \$35 to the Pledge Fee and \$95 to the Lifetime Membership Fee. This amount is set by Supreme Council proposition and is dictated by the number of pledges / initiates and the number of members at our chapters. As such, substantial reductions in this surcharge will likely not be possible until 2024. Without the Health and Safety surcharge, the Fraternity would likely be bankrupt in under five years.

## **Professional Representative Election**

Brother Mike Raffay resigned his position as Professional Representative on October 29, 2020. As such, Kerri Federico was appointed to fill the resulting Professional Representative vacancy as per Bylaw IV.A.2.g as she had the highest vote total from the PR candidates from the most recent (previous) PR election. As such, Brother Federico shall serve out Brother Raffay's Professional Representative term which expires on December 31, 2021.

Part of the annual solicitation involves the election of the Professional Representatives. The vote tally for the 2021-2022 Professional Representatives was as follows:

|                                  |     |
|----------------------------------|-----|
| Don Cole, Iota 1997              | 149 |
| Faith Yarberry, Alpha Sigma 1992 | 133 |
| Sandy Sansing, Beta Delta 2002   | 122 |

# Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the  
GRAND RECORDER



John N. Stipp  
5538 Brook Run Drive  
Medina, OH 44256  
gr@alphachisigma.org

|                                       |     |
|---------------------------------------|-----|
| Elizabeth Morgan, <i>Delta 2002</i>   | 121 |
| Michael Pizarek, <i>Zeta 2008</i>     | 107 |
| Kerri Federico, <i>Mu 2008</i>        | 97  |
| Arnold Jesse Eng, <i>Beta Nu 2018</i> | 80  |

Brothers Don Cole, Faith Yarberry, Sandy Sansing, and Elizabeth Morgan will serve as Professional Representatives from January 1, 2021 to December 31, 2022. The Fraternity is grateful to all the candidates for their willingness to serve the Fraternity.

## Conclusions

I continue to be honored to serve as Grand Recorder and I appreciate the confidence that the Supreme Council and the Grand Chapter has shown me over the past four years in this role. I am fortunate to have a very talented team to work with in the Grand Recorder role. Assistant Grand Recorder Wenzel, Assistant Director of Fraternity Operations Erin Goodwin, Membership and Database Coordinator Amy Posavac-Osborne, and Website and Software Consultant Allison Wisher often go above and beyond what would be expected to make sure that deadlines are met and that things are done properly. In addition to increasing efficiency and streamlining procedures, one of the things that I am most pleased about is that the team has created a positive and encouraging work environment where Erin and Amy enjoy coming to work.

This has been a challenging year for the Fraternity. Should the pandemic continue unabated, we may lose some of our weaker and smaller chapters. The pandemic is also creating financial challenges for the Fraternity; however, we are overcoming that thanks to the generosity of our Professional members, assistance from Federal Government relief programs, negotiating for lower insurance costs, and a willingness to make changes to reduce expenses where possible. I am proud of the effort of our chapters, our members, and our staff to work to overcome these challenges, and Alpha Chi Sigma will weather this storm as it has weathered many other challenges in its 118 year history.

Yours in the Double Bond,

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