

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

2021 Annual Report of the Grand Recorder January 11, 2022

Overview

As the COVID-19 coronavirus pandemic continues through its second full year, the country looks much different than it did two years ago. People are tired with living with the additional stresses, uncertainty, and restrictions that the pandemic has put in place. Our society continues to further polarize and has moved to an overall unwillingness to find common ground and negotiate for what is best for the majority of our citizens. The new paradigm is to be unwilling to compromise on anything and ridicule or vilify those with opposing views on social media outlets. Being confined at home has reduced many peoples' ability to interact with others in a constructive and professional manner. Virtual interactions have made it difficult for people to pick up on nonverbal cues and as such, people appear more apt to assume the worst and take offense where none is given.

Challenges can also provide opportunities.

In the current social environment, the benefits provided by involvement in Professional Fraternities such as Alpha Chi Sigma are needed more than ever. Our Brothers benefit by having a safe place where they can communicate openly; polish their interpersonal skills; learn to listen and negotiate with others who may have opposing views; act and be treated with respect; and work together for the common good. Our chapters provide those environments for our Brothers and because of that, members of Alpha Chi Sigma are more well-rounded and open minded than most people appear to be willing to act in this day and age. Students in college today and those who will be going to college soon will need the interpersonal skill development and safe, judgment free places to interact with others that the Fraternity provides. As such, we have the potential to provide many benefits for our current and future members beyond our common bond of the chemical sciences.

From a measurable perspective, the pandemic has continued to impact the Fraternity. Five Collegiate Chapters have been declared inactive since the start of the year: Delta Gamma, Delta Nu, Delta Omicron, Delta Pi, and Delta Rho. However, pledge and initiate numbers were stronger than expected and are higher than 2020 levels. That being said, it will be more challenging to increase pledge and initiate numbers with fewer chapters.

The Fraternity surprisingly had \$36,985 more income than expenses in 2021 (unaudited). This was due to a combination of factors, which included higher than expected initiate numbers, a temporary \$45,000 reduction in our insurance premium due to the pandemic, and a forgiven Paycheck Protection Loan for \$19,625. The Fraternity did not withdraw any funds from the Reserve Fund for operating expenses in 2021. This is the first time the Fraternity has not drawn from the Reserves for operating expenses since 2015.

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Despite having a good financial year in 2021, the Fraternity cannot cut its' way to financial stability, or count on pandemic related loans and cost reductions. We must find a way to increase revenue. The main lever for that is by increasing the number of new members. Membership numbers need to increase to improve our financial stability or expenses will easily outpace income.

Alpha Chi Sigma by the Numbers

As of this writing the Fraternity has initiated 77,234 members since its founding in 1902. The breakdown of our Active Chapters and Groups are as follows:

61 Active Collegiate Chapters
1 Active Collegiate Group

9 Active Professional Chapters
14 Active Professional Groups

Five Collegiate Chapters have been declared inactive since the start of the year: Delta Gamma, Delta Nu, Delta Omicron, Delta Pi, and Delta Rho. The Grand Chapter property has been recovered from Delta Gamma and Delta Pi, and Delta Omicron. NCDC Hannah Bowman is in the process of personally recovering the Delta Nu Grand Chapter property, which will be returned to the National Office on January 17. Delta Rho was never issued a charter or a set of regalia. Despite multiple attempts at all five chapters, only Delta Nu's chapter treasury has been transferred to the Grand Chapter (\$1653.91 transferred on January 3, 2022). The Twin Cities Alumni of Alpha Chi Sigma has sold their house and Beta Chapter is now operating as a non-house chapter. Currently Alpha Chi Sigma has seven chapters with houses. Financial pressures of owning / operating Chapter Houses may cause more of those chapters to move to non-house chapter status in the coming years.

The Fraternity had 867 pledges in 2021 and initiated 818. As may be seen in the below figure initiation numbers peaked in 2016. The reduction in 2019 likely correlates to an increase of lifetime membership fees, pledge fees, and the addition of an insurance surcharge. 2020 corresponds to the start of the COVID-19 pandemic. With chapters moving back to an in-person format, we are seeing a positive trend in pledges and initiates in 2021.

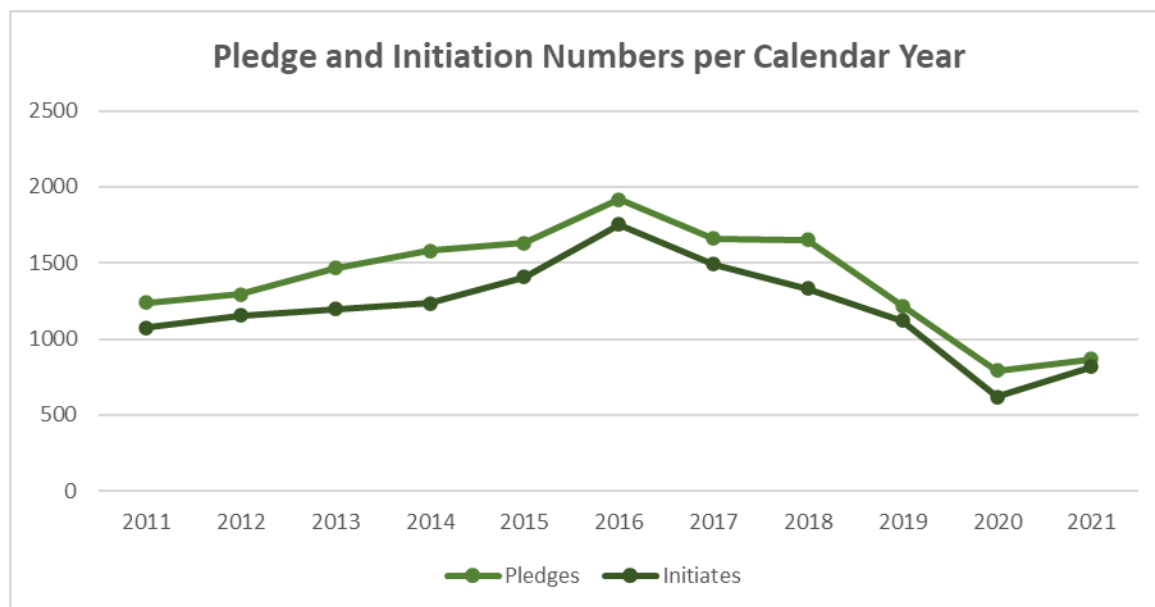
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National Office Operations

The National Office is currently staffed with Erin Goodwin working full-time, Amy Posavac-Osborne and Jennifer Showerman, *Zeta 1992*, OA working part-time, with support from Allison Wisher when needed. Amy is now focused on our Database and Fundraising activities. Jennifer Showerman joined the National Office staff in August 2021 as the Membership and Database Coordinator. Even though Jen is not local to Indianapolis, she is able to do this work remotely. Jen brings a great knowledge of the Fraternity into the day-to-day office operations and is proving to be an excellent addition to the team. Throughout the pandemic our employees have limited their time at the office and currently do much of their work from home.

In the past few years, our goal has been to staff the office with talent that helps bridge gaps in the knowledge that most of our Fraternity members tend to lack. The Fraternity is seeing tangible benefits from those skills. Erin has an MBA and is an excellent resource in providing insights on marketing and revenue generation. Amy brings experience from working at other Fraternal organizations and Blackbaud, which gives us insight into how other Fraternal organizations operate and fundraise, as well as how to best use our membership software. The Supreme Council members have been open to new ideas from Erin and Amy, consequently the Fraternity is seeing benefits from their experiences from improved fundraising results to modeling the Student Activities Committee from other Fraternal organizations.

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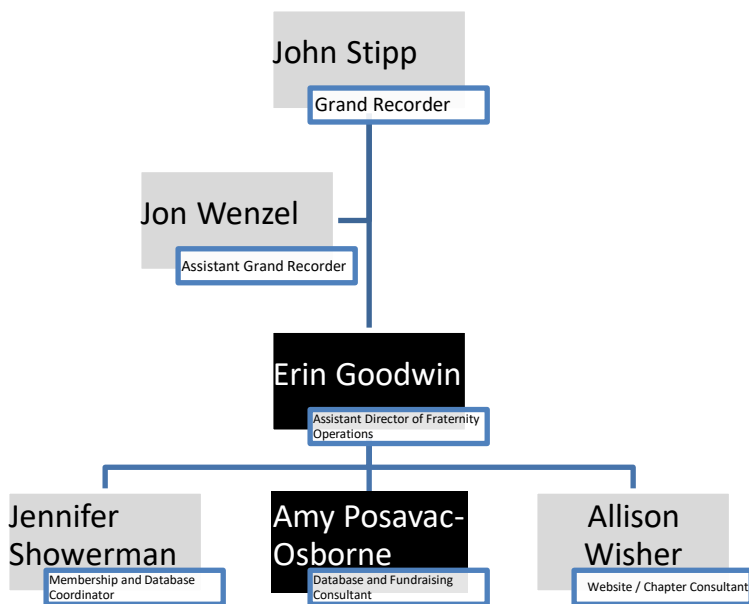
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National Office Organization Chart – December 2021



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

We continue to have our bookkeeping / accounting services outsourced to inDinero, and our IT hardware and backup services outsourced to Byte Café. AGR Wenzel has taken on more responsibility around managing our gmail and gsuite accounts as well as managing our Zoom account.

In July, AGR Wenzel and I travelled to the National Office to spend a day meeting with Erin and Amy. We have tried to have these face-to-face meetings once per year; however, with the pandemic, we did not manage this in 2020.

Process Streamlining at the National Office

In recent years the National Office has continued to work to streamline processes and improve efficiency where possible. The staff, AGR, and I feel that we have made great strides in this area saving substantial staff time in database management. For the Fall 2021 semester, we did work on better defining the pledge paperwork process. During the pandemic, the process had drifted as exceptions were made to help accommodate the chapters' needs. With our chapters returning to more of an in person and normalized format, efforts were made to better spell out the pledge paperwork process and level-set all of the chapters with the same expectations. This was implemented in the Fall.

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SC Proposition 3961 states that each year 5% of the unrestricted donations contributed by an active Collegiate Chapter's Professional Members from the preceding year's annual solicitation shall be distributed to the chapter. In 2021, this was implemented primarily using Venmo. Traditionally, these funds were sent to the chapters via physical check. Often these checks were lost or not cashed in time, which required additional steps at the office to cancel or reissue the checks. By moving primarily to Venmo, this should make it more likely that the chapters receive their funds and will also save time and steps at the office.

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 Surcharges have remained unchanged since August 2020 at \$35 (Pledge) and \$95 (Lifetime) to cover the increased costs of the Fraternity's General Liability Insurance coverage.

Fraternity Fund Overview

The Fraternity has four 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 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 a former Grand Chapter Bylaw, which stated 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. As of December 31, 2021 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 balances as of December 31, 2021 are illustrated in the following diagram:

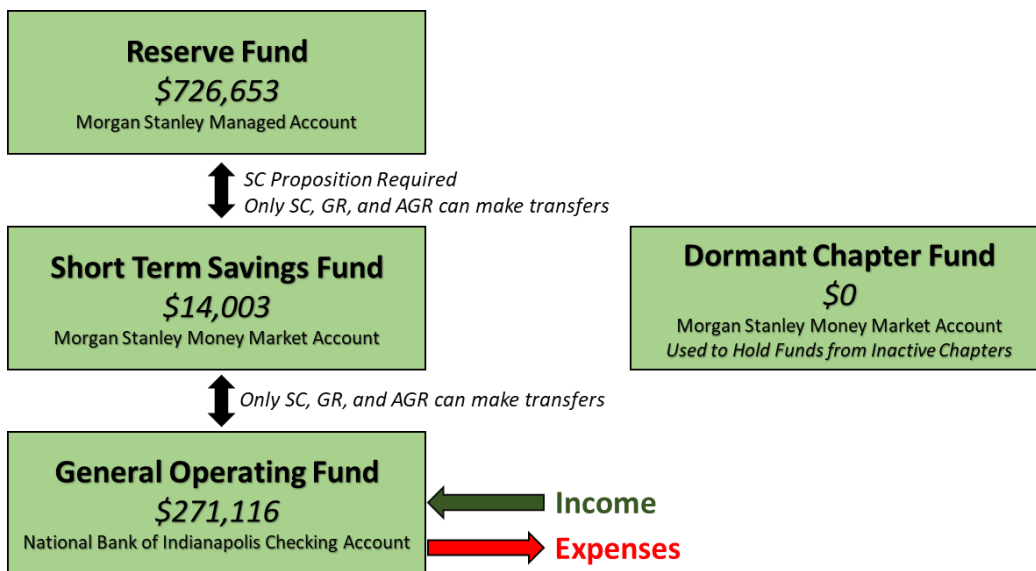
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*All balances as of December 31, 2021. Balances are unaudited.

General Operating Fund Income Summary

Professional Donations for 2021 totaled \$96,218 from all sources. The Fraternity again held a dedicated campaign for Giving Tuesday on November 30, which yielded \$18,435 in donations. The Giving Tuesday campaign included gifts to donors of decals for a \$5 donation, a t-shirt for a \$250 donation, and a sweatshirt for a \$500 donation. An online fundraising Event during the Founders Day celebration on December 11 raised \$8,505.28 in donations.

Professional donations for the past fifteen years are shown in the following figure:

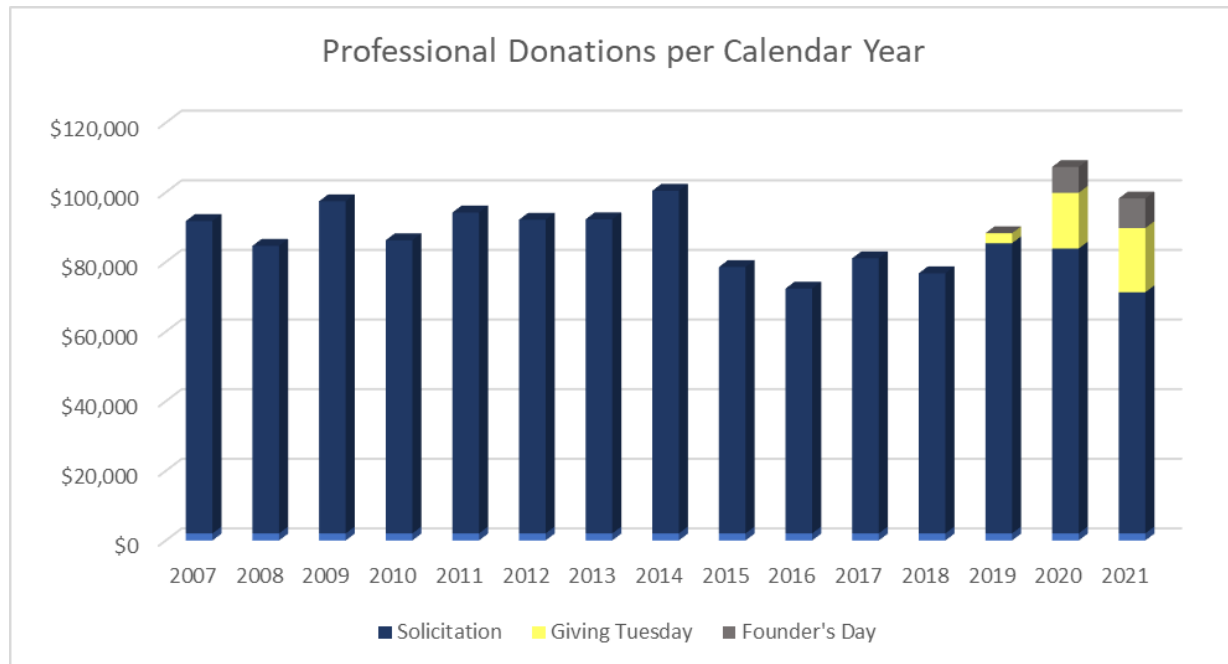
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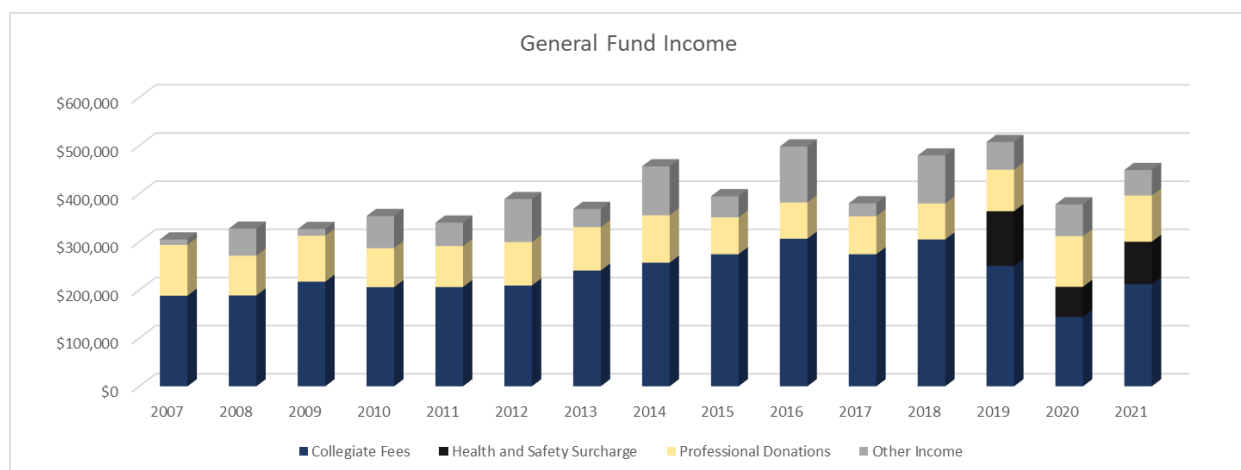
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A breakdown of the various sources of income for the Fraternity is illustrated in the following figure.



- Collegiate Fees consist of the Pledge Fees and Lifetime Membership Fees
- Health and Safety Surcharge was created in 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 and 2021 only)

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

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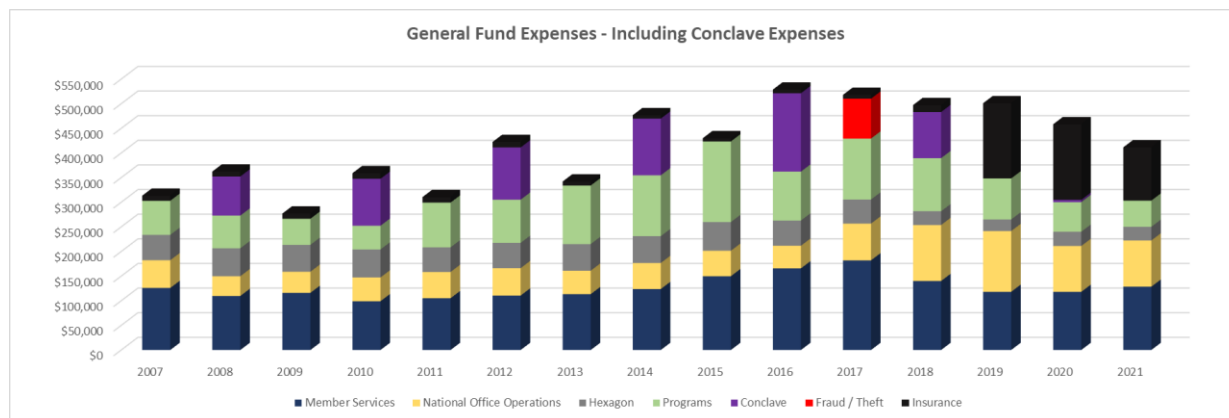
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General Operating Fund Expense Summary

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
- 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. From a financial perspective, this is the most important chart in my report. This helps illustrate how expenses have been outpacing our income in recent years and why we have taken steps to reduce expenses where possible.

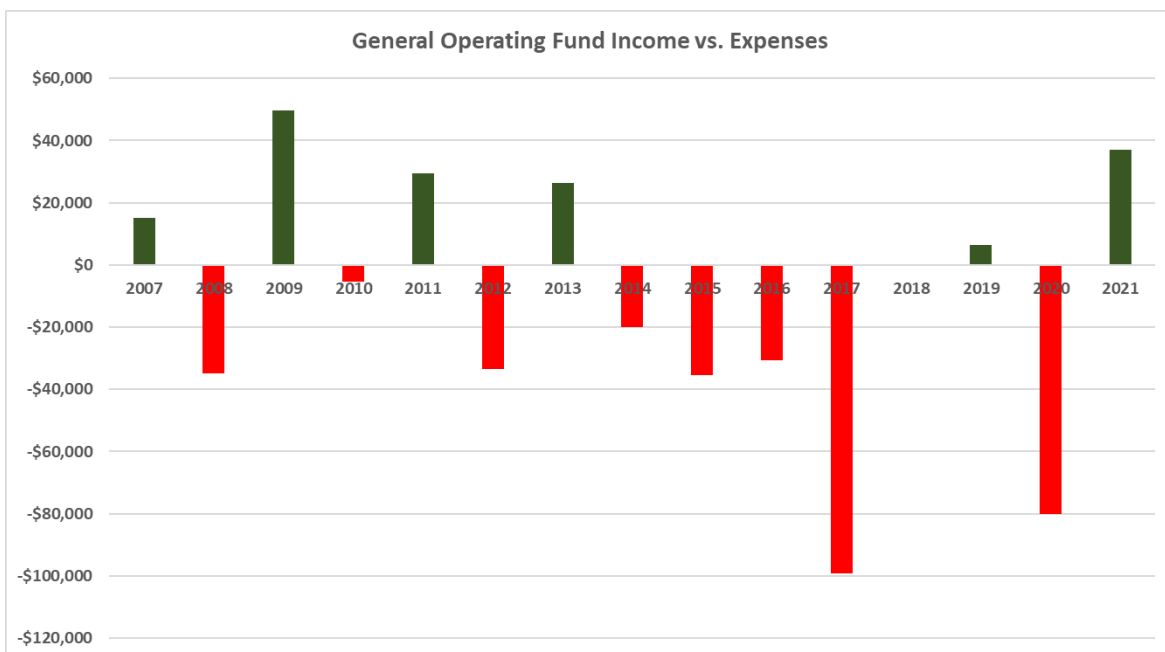
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Expenses in even years are typically higher than odd years due to Conclave costs. In recent years the Fraternity has typically operated at a loss in even years and balanced that out with a profit in the odd years to break even over the long term. Ideally, 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 and surcharges adjusted as needed to ensure that we are not using up our reserves on operating expenses. In 2021, the Fraternity had \$36,985 more in income compared to expenses.

Reserve Fund and House Fund Summary

Today the managed account at Morgan Stanley consists solely of the Reserve Fund. At the 2020 Conclave, the Grand Chapter directed that the House Fund be eliminated. I was directed by Grand 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. The House Fund was closed in 2021 and those funds rolled into the Reserve Fund.

The Fraternity did not withdraw any funds from the Reserve Fund in 2021. This is the first time the Fraternity has not drawn from the Reserves for operating expenses since 2015. A total of \$13,525 was transferred into the Reserve Fund (SC Proposition 4878 on October 11, 2021) for contributions directed into the Reserve Fund from Professional donors from the 2020 campaign. From the 2021 solicitation, \$23,081 was received from donors for the Reserve Fund which will be deposited into the Reserve Fund in 2022.

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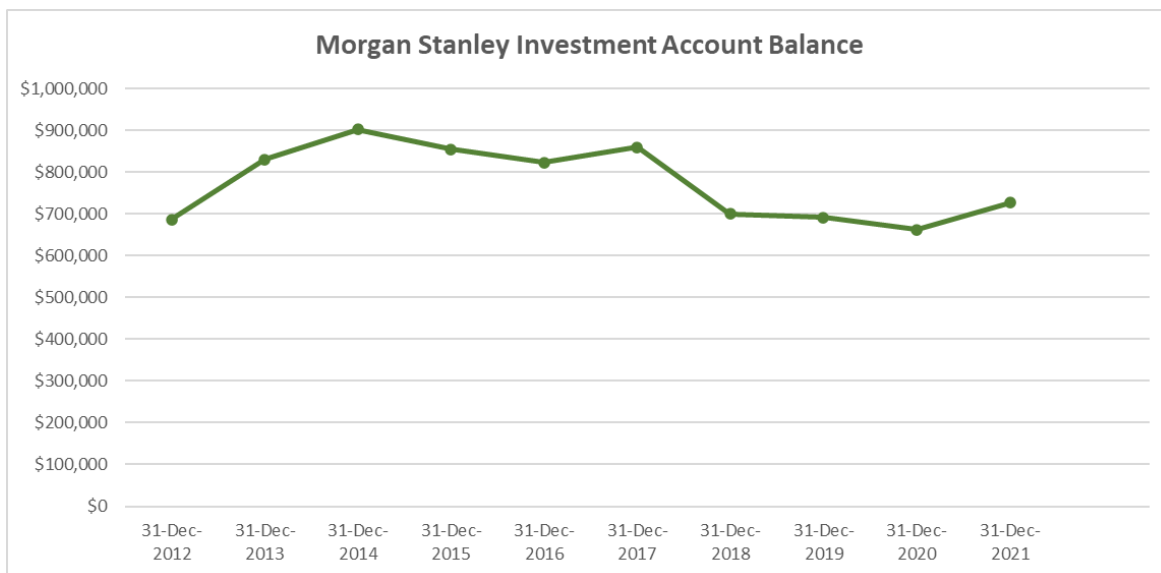
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Unless pledge and initiate numbers increase over 2021 levels, with 2022 being a Conclave year, I expect that we will need to withdraw funds from the Reserve Fund to cover some of the 2022 operating expenses.

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



Investment performance for 2021 was good with the Fraternity earning \$51,248 from investments in 2021.

Paycheck Protection Program Second Draw Loan

In response to the continuing economic impact on small businesses due to the coronavirus, the Federal Government offered a second draw to the Protection Program, called PPP2 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 February 2021 was given a loan for \$19,625 through this program. In September 2021 the full 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. The Fraternity is grateful to the Federal government, SBA, and NBOI for helping us to weather these uncertain times

Royalty Income

The Fraternity earns royalties off of sales from the Alpha Chi Sigma Online Store and for graduation items such as Graduation Medallions, Cords, and Stoles. Royalties from merchandise sales in 2021 totaled \$11,512.

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Pledge to Educational Foundation for Scholar Award

The Fraternity has paid the Educational Foundation a total of \$100,000 of its pledge 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. That pledge has been fulfilled, and as such, the Alpha Chi Sigma Scholar Award should be funded perpetually through the Educational Foundation at the current award levels.

Insurance Policy Review / Health and Safety Surcharge

Insurance continues to account for roughly 25% of the Fraternity's expenses per year. In 2021, the Fraternity was able to negotiate a significant reduction in premium cost due to the impact of the COVID-19 pandemic. As the impact of the pandemic continues to be felt, we were able to again negotiate a premium reduction for 2022. Should the pandemic abate throughout 2022, we can expect General Liability insurance costs to revert back to 2020 levels.

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

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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.

Insurance Type	Coverage Limit	2020 Annual Premium Cost	2021 Annual Premium Cost	2022 Annual Premium Cost
General Liability	\$1,000,000 / \$2,000,000*	\$120,000	\$75,000	\$75,000
Commercial Package Policy	\$1,000,000	\$5,781	\$6,266	\$2,589
Workman's Compensation	\$1,000,000	\$439	\$443	\$482
Business Auto	\$1,000,000	\$1,519	\$1,704	\$2,034
Director's and Officer's	\$2,000,000	\$2,848	\$2,848	\$2,933
Surplus Lines Taxes for General Liability Policy		\$3,000	\$1,875	\$1,875
Fees in Lieu of Commission for General Liability Policy		\$20,000	\$20,000	\$20,000
Total Insurance Cost to Fraternity		\$153,587	\$108,136	\$104,912

* \$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 with the carrier. 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.

Compliance Activities

As a 501c3 not-for-profit corporation, Alpha Chi Sigma must maintain compliance with Federal and State laws and regulations.

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Federal Group Exemption and New EIN Processes

The IRS has instituted new procedures in assigning EIN numbers to subordinate chapters and the paperwork required from the Grand Chapter to maintain the 501c3 status for the Grand Chapter and Group Exemption for the Subordinate Chapters. AGR Wenzel spent much time deciphering the new process and filing the new paperwork to ensure that the Fraternity and the chapters remain compliant.

Professional Representative Election

Part of the annual solicitation involves the election of the Professional Representatives. The vote tally for the 2022-2023 Professional Representatives was as follows:

Samantha McKenna, <i>Tau 2010</i>	182
Patrick Gillespie, <i>Beta Rho 2014</i>	177
Kerri Federico, <i>Mu 2008</i>	175
Robert Duff, <i>Gamma Iota 1996</i>	170

Brothers Robert Duff, Kerri Federico, Patrick Gillespie, and Samantha McKenna will serve as Professional Representatives from January 1, 2022 to December 31, 2023. 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 five years in this role. I am fortunate to have a very talented team to work with in the Grand Recorder role. Assistant Grand Recorder Jon Wenzel, Assistant Director of Fraternity Operations Erin Goodwin, Membership and Database Coordinator Jennifer Showerman, Database and Fundraising Consultant Amy Posavac-Osborne, and Website and Chapter 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.

Despite numerous challenges from the pandemic, I believe we are seeing signs that we have turned the corner. Pledge and Initiate numbers are starting to rebound. From a financial perspective, we were able to be nimble in reducing expenses and improve our fundraising such that we did not need to pull from reserves to fund operating expenses in 2021. Hopefully, we can begin to look forward to new opportunities instead of focusing on the challenges which the pandemic has created for us and the country. As the world returns to "normal", we will be well positioned to perpetuate the Fraternity and send thousands of adaptable, well rounded, and open-minded Brothers to join the ranks of those making their profession in the chemical sciences.

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Yours in the Double Bond,

A handwritten signature in black ink, appearing to be 'J. Stipp', written in a cursive style.

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