

Alpha Chi Sigma Fraternity

Professional in the Chemical Sciences

Office of the
GRAND RECORDER



John N. Stipp
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2023 Annual Report of the Grand Recorder January 12, 2024

Victory comes from finding opportunities in problems – Sun Tzu

Overview

2023 has been remarkable for being fairly unremarkable. This has been the first full year where operations and finances have returned to a general state of normalcy following the COVID-19 pandemic. We have viewed a lack of crises in a non-Conclave year as an opportunity to review our internal office policies, take an open look at how our office facility is meeting our needs, and help out the collegiate chapters with some regalia replacements at no cost to the Grand Chapter.

Financial results were favorable in 2023. The Fraternity had \$14,547 more in income compared to expenses for the General Operating Fund (unaudited). Market performance was good in 2023, with gains in the market erasing losses sustained throughout 2022. As a result, the Reserve Fund increased by \$96,731 in 2023.

Inflation rates are declining; however, inflation is still relatively high compared to recent history. This continues to impact the Fraternity with increased costs in several areas including electricity, storage, postage, paper for the *Hexagon*, increased service fees, etc. As noted in the Grand Recorder 2022 Annual Report, with inflation rates this high, I would expect that Pledge and Lifetime Membership Fees will need to increase at Conclave in 2024 to help income keep pace with rising expenses due to inflation.

Alpha Chi Sigma by the Numbers

As of this writing the Fraternity has initiated 79,491 members since its founding in 1902. The breakdown of our Active Chapters and Groups are as follows:

56 Active Collegiate Chapters
1 Active Collegiate Group

7 Active Professional Chapters
15 Active Professional Groups

Two Collegiate Chapters were declared inactive in 2023: Gamma Psi, and Delta Theta. The Grand Chapter property has been recovered from both of those chapters. No monies from Gamma Psi were recovered, and Delta Theta was overdrawn in their account when they went inactive so there were no funds to recover.

The Los Angeles Professional Chapter was declared inactive in July and is operating as a Professional Group.

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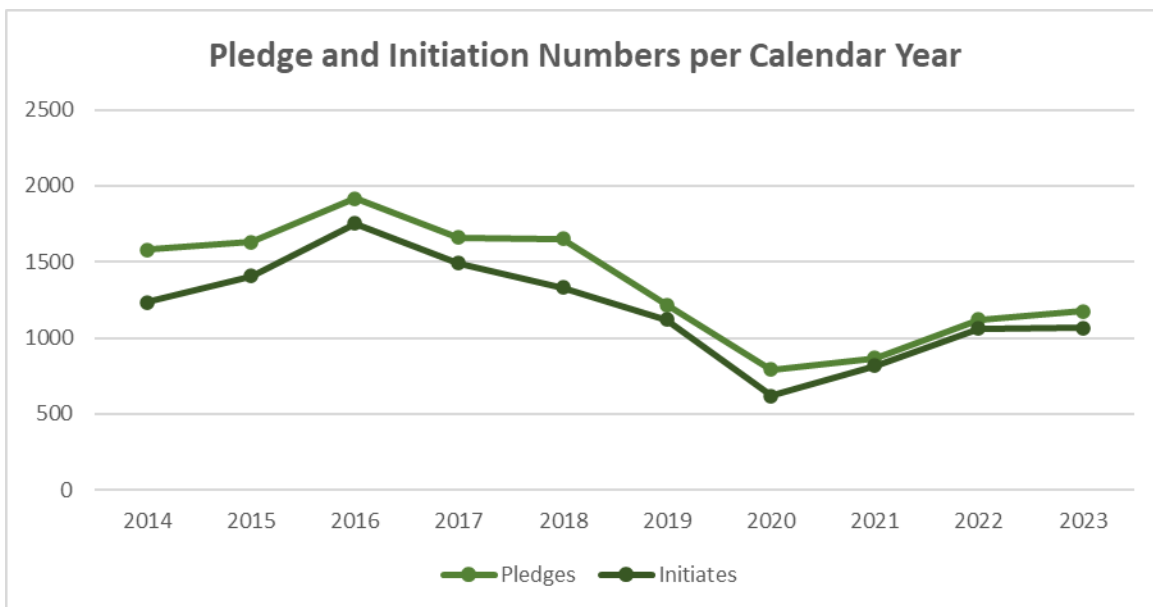
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For 2023, the Fraternity had 1175 pledges and initiated 1067. We are continuing to experience a positive trend in pledges and initiates and are approaching pre-pandemic numbers.



National Office Operations

The National Office is currently staffed with Erin Goodwin working full-time, Jennifer Showerman, Zeta 1992, OA working part-time, with support from Allison Wisher when needed.

Erin Goodwin was promoted to Director of Fraternity Operations in January 2023. Erin continues to do an excellent job managing the day to day operations of the Grand Chapter, and we are very thankful for the attention to detail and many hours of service that she provides the Fraternity.

We continue to have our bookkeeping / accounting services outsourced to inDinero, and our IT hardware and backup services outsourced to Byte Café.

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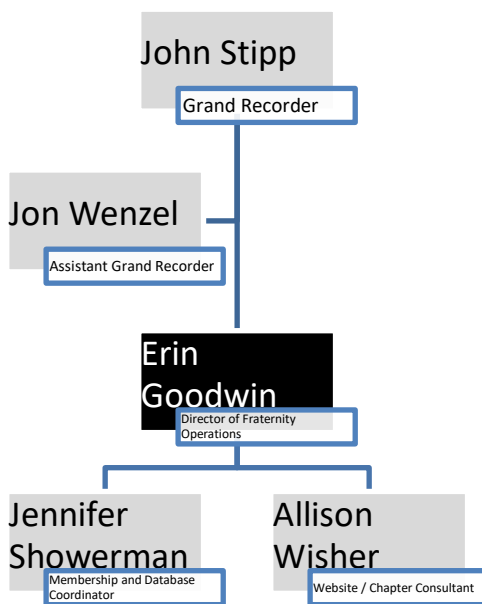
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National Office Organization Chart – December 2023



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

Following the January 2023 Supreme Council meeting, we examined how the current National Office building is meeting the Fraternity's needs. This was spurred by the office being filled up with several sets of used regalia from chapters that had been declared inactive during the pandemic. As part of this effort, a Financial Analysis Report on the suitability of the National Office was completed. After review and discussion amongst the SC, it does not make sense from a financial standpoint to change our office location at this time. This analysis should be revisited periodically to ensure that we are continuing to meet the Fraternity's needs with the current office setup.

Inactive Chapter Regalia Redistribution

In July our team worked with GMC Matt Schnippert to sort and distribute some gently used regalia back to the chapters to replace heavily worn or missing regalia items. One unfortunate result of the COVID-19 pandemic was that the Fraternity inactivated several collegiate chapters. When chapters are declared inactive, their regalia is returned to the Grand Chapter. Some of these items were in very good condition. After discussions with the Grand Master of Ceremonies and the Supreme Council, it was decided that instead of just having these items sit in storage indefinitely at the National

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Office, that it would be beneficial to get them sent out to the chapters where they can be of use to replace badly worn or missing items.

Items were distributed to the District Counselors in July at the SC / DC meeting and the District Counselors were charged to deliver the regalia to the chapters and collect any replaced items. Replacing the badly worn or missing items with these gently used regalia items saved the Grand Chapter (badly worn expense) and Collegiate Chapters (missing expense) a total of \$5,200.

After the regalia needs of the Collegiate Chapters were met, remaining regalia was offered to the Professional Chapters for use in PIC Ceremonies. The Kansas City and Indianapolis Professional Chapters requested regalia and were provided sets for use. A Professional Chapter CRRI form was created for the Professional Chapters to fill out annually to report the condition of these items back to the National Office.

Budget and Finances

Fraternity Fund Overview

The Fraternity has three funds where money is held.

- The General Operating Fund is the account used in day-to-day operations of the Grand Chapter. These funds are located at the National Bank of Indianapolis.
- The Reserve Fund is required in the Constitution Article II Section B.1.g. The Reserve Fund is held in a managed investment account at Morgan Stanley. The funds in the Reserve Fund are available for use in emergencies, or to supplement the General Operating Fund if needed.
- 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 popularity of Digital Payment Services continues to grow. More and more of our members and chapters are using these services to easily send money to the Grand Chapter for payments and donations. Additionally, these type of services are being used by the Grand Chapter for payments to our members for travel reimbursement and for 5% payments to chapters from the solicitation. The Grand Chapter has a Venmo account managed through the National Office for these transactions.

A breakdown of the Fraternity's fund structure and balances as of December 31, 2023 are illustrated in the following diagram:

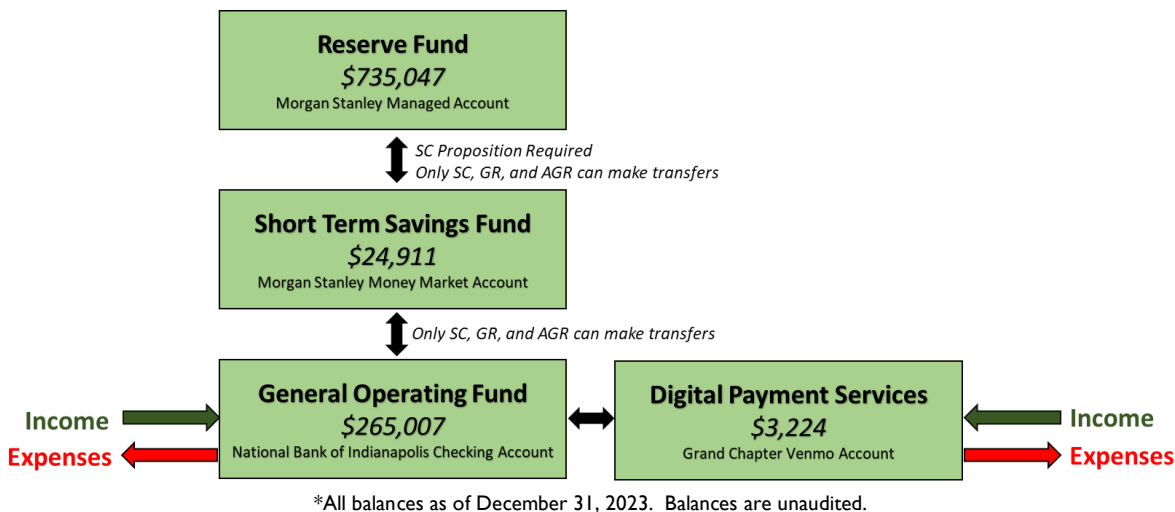
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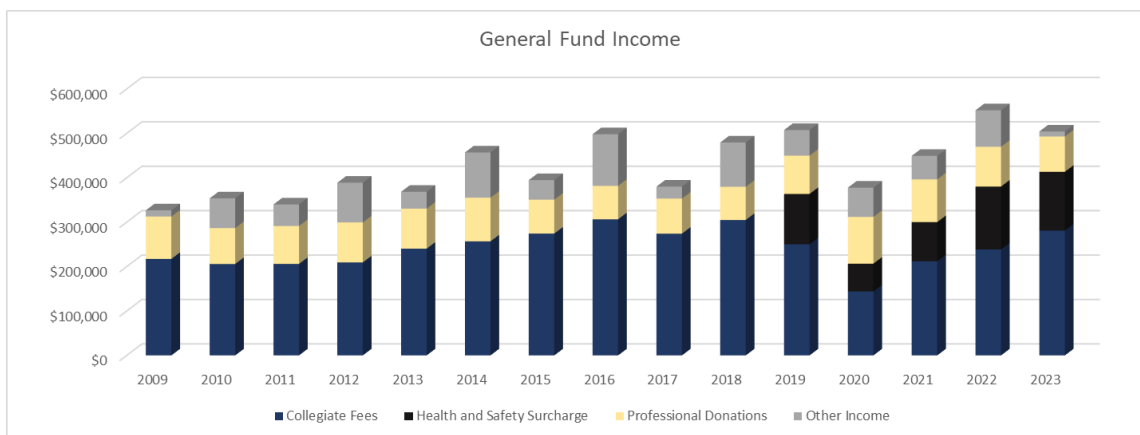
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General Operating Fund Income Summary

The Fraternity obtains income from multiple sources. The primary source of income for the Fraternity is from fees and surcharges for new members. The Fraternity also regularly receives income from Professional Donations, and sales of Fraternity merchandise from the online store.

A breakdown of the various sources of income for the Fraternity is illustrated below:



- 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 Insurance
- Professional Donations are donations received from Professional Members
- Other Income includes Conclave Receipts, Resale Income, Reserve Fund Withdrawals, Affinity Programs, and PPP Forgivable Loans (2020 and 2021 only)

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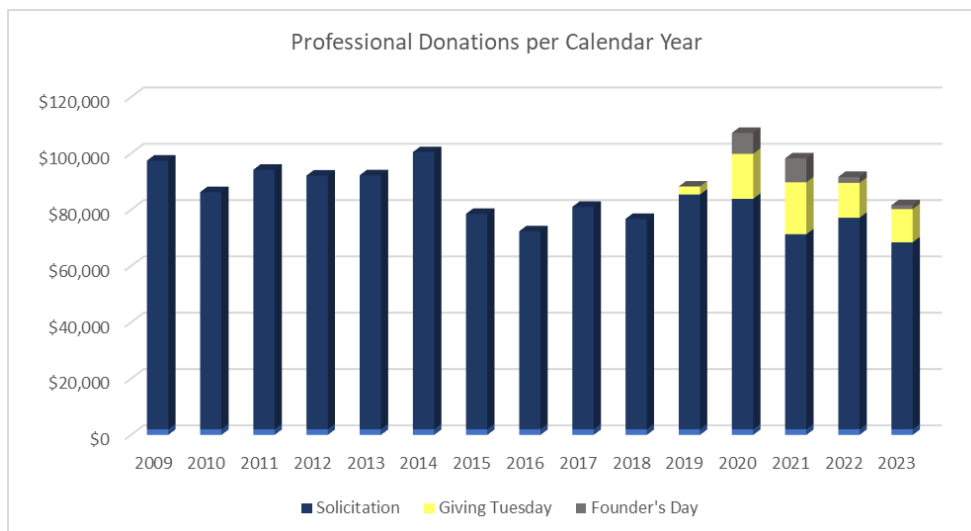
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Professional donations for the past fifteen years are shown in the following figure:



Professional donations have been declining since 2020 and were down again in 2023. The Giving Tuesday efforts yielded \$11,805 in donations to the Fraternity in 2023 and Founder's Day efforts yielded \$1,349 in donations to the Fraternity.

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 higher than odd numbered years.

A breakdown of the Fraternity's expenses by these categories is shown below:

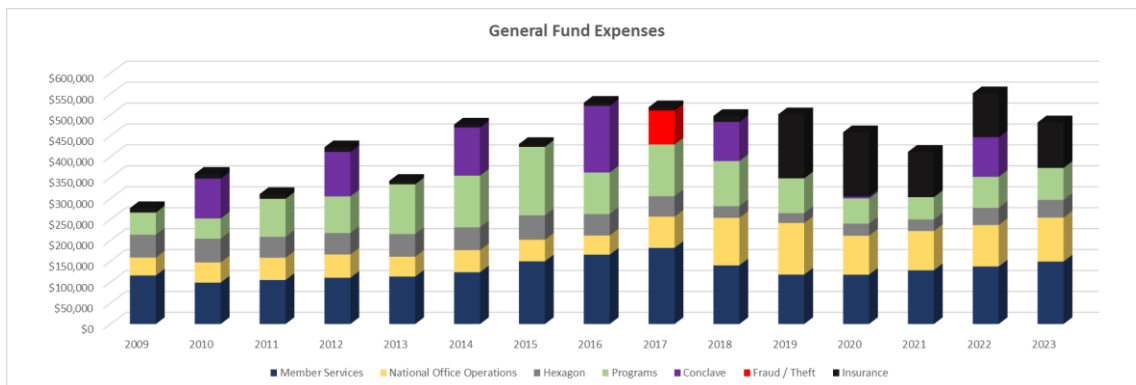
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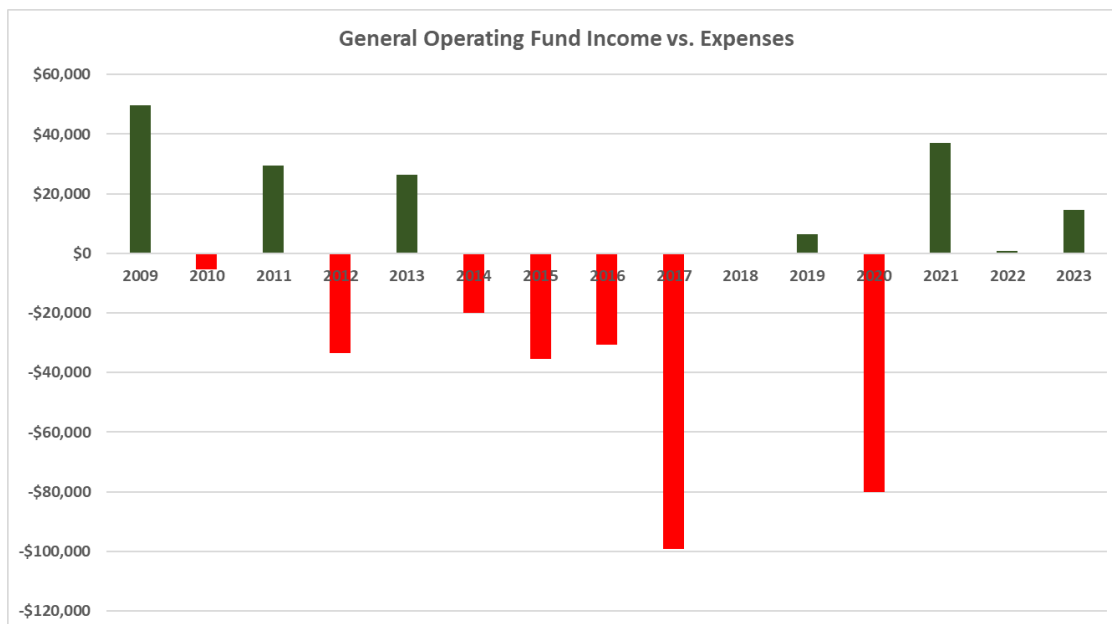
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- Member Services includes salaries, consultant fees, GR and AGR stipends, FICA, Social Security, and State Payroll Taxes
- National Office Operations includes outsourced services, utilities, postage, software licenses, and bank fees
- Hexagon includes 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 this report.



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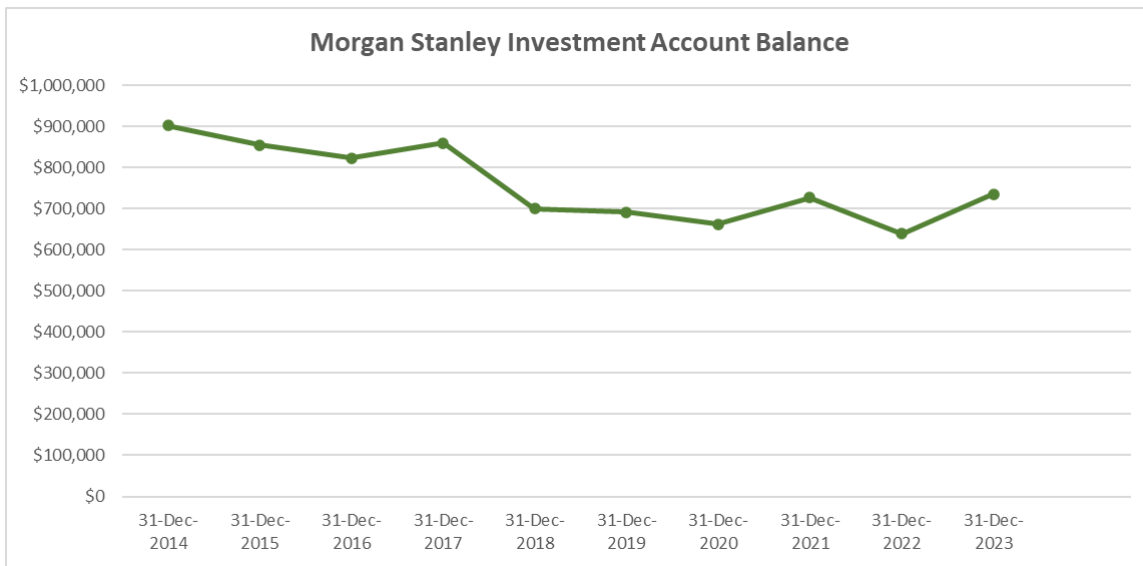
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Expenses in even years are typically higher than odd years due to Conclave costs. Ideally, the Fraternity should break even during even years and earn a profit in odd years to help increase reserves for unexpected financial stresses, such as large unplanned expenses, pandemic outbreaks, etc. With limited income streams, this pattern needs to be watched and fees and expenses adjusted as needed to ensure that we are not using up our reserves on operating expenses.

Reserve Fund Summary

The Reserve Fund is held in the managed account at Morgan Stanley. The Fraternity has not withdrawn any funds from the Reserve Fund since 2020. A total of \$11,925 was transferred into the Reserve Fund (SC Proposition 4984 on November 13, 2023) for contributions directed into the Reserve Fund from Professional donors from the 2022 solicitation. For the 2023 solicitation, \$7,235 was received from donors for the Reserve Fund which will be deposited into the Reserve Fund in 2024. Market performance was very good in the last quarter of 2023, erasing the losses in 2022 and putting the managed account balance back to its' highest levels since 2018.

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



Ideally, a nonprofit corporation should have one to two years of operating expenses in reserves. Assuming annual operating expenses of \$550,000, we currently have 1.3 years of operating expenses in reserves. As such, we should continue to do our best not to use Reserve Funds for operating expenses so that those investments can continue to grow.

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Pledge and Lifetime Membership Fees

The Pledge and Lifetime Membership fees were increased at the 2022 Conclave to a \$60 Pledge Fee and a \$190 Lifetime Membership Fee to keep pace with inflation and rising costs. These numbers will be reviewed prior to Conclave and small increases may be recommended to continue to offset rising inflation costs.

Health and Safety Surcharge

The Health and Safety Surcharges were reduced to \$20 (Pledge) and \$90 (Lifetime) in July 2023 from the prior amounts of \$35 (Pledge) and \$95 (Lifetime) to cover the costs of the Fraternity's insurance coverage. This reduction is due to the cost of our insurance premiums declining, and an increase in the number of pledges and initiates.

Although reducing income may be unpalatable from an overall budget standpoint; from a fairness standpoint, the Health and Safety Surcharge is intended to cover the cost of the Fraternity's insurance. The Health and Safety Surcharge is not a tool to balance the budget. If additional income is needed to cover expenses, that income needs to come from Professional Donations, Pledge Fees, and Lifetime Membership Fees.

	2020	2021	2022	2023	2024 Projected*
Health and Safety Surcharge (Pledge)	\$20 Spring \$35 Fall	\$35	\$35	\$35 Spring \$20 Fall	\$20
Health and Safety Surcharge (Initiate)	\$80 Spring \$95 Fall	\$95	\$95	\$95 Spring \$90 Fall	\$90
Total Income from Health and Safety Surcharges	\$62,455	\$88,231	\$141,545	\$132,378	\$122,000
Total Insurance Cost	\$153,587	\$109,063	\$104,912	\$106,709	\$108,618
Difference	-\$91,132	-\$20,832	\$36,633	\$25,669	\$13,382

*2024 Projection based on 1150 Pledges and 1100 Initiates

Compliance Activities

As a 501c3 not-for-profit corporation, Alpha Chi Sigma must maintain compliance with Federal and State laws and regulations. Those activities consist of filing Federal and State Tax forms (IRS 990 and Indiana NP-20), various employment laws and regulations, implementation of various policies, and filing State Nonprofit Registrations.

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State Nonprofit Registrations

The Grand Chapter is required to file State Nonprofit Registrations in the 41 states that require the Fraternity to do so. When nonprofit corporations solicit funds (even from members), they are legally required to register in most states. Some states assess fees and have auditing requirements based on an organization's revenue. Each state has a different registration process. Missing renewals will result in fines and penalties being levied against the Fraternity. The Fraternity had no choice but to outsource this service due to the complexity and workload involved. These registrations need to be completed annually. Clearly Compliant has proven to be an excellent partner in these efforts, and this year Clearly Compliant completed the Grand Chapter's first annual renewal process.

It should be noted that this registration only applies to the Grand Chapter's Federal Employer Identification Number (EIN). Collegiate Chapters and Professional Chapters are not covered by the Grand Chapter's registrations as each chapter has their own unique EIN. As such, if any chapter wishes to solicit funds via mail, e-mail, or other electronic formats, they need to have a discussion with the Grand Recorder or Assistant Grand Recorder well before any solicitation efforts take place. The Educational Foundation and Housing Corporations are also not covered by the Grand Chapter's State Nonprofit Registrations.

Policy Review

In October the Fraternity engaged HR Advantage to review our Employee Handbook. Periodic reviews of our Human Resource policies are necessary to ensure compliance with ever-changing federal and state laws. The Fraternity's prior service provider for human resource handbook reviews had become unresponsive, and a new service provider needed to be identified. HR Advantage offers a variety of human resource services for their clients, which will be helpful for the Fraternity to ensure that we maintain compliance in this field. The review has been completed and will be performed periodically with HR Advantage to ensure continued compliance.

The Supreme Council enacted several policies from 2009 – 2012 pertaining to a variety of areas around Grand Chapter operations (Document Retention, Investment, Whistleblower (for Employees), and Conflict of Interest). Our team has reviewed these policies and are working with the Supreme Council to update those policies where needed to maintain compliance.

Professional Representative Election

Part of the annual solicitation involves the election of the Professional Representatives. The vote tally for the 2024-2025 Professional Representatives was as follows:

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Eric Puhlmann, *Delta Delta 2017 – 131*

Sarah Lynch, *Delta Zeta 2016 - 130*

Mic Le, *Gamma Iota 2009 - 129*

Robert Duff, *Gamma Iota 1996 - 127*

Brothers Duff, Le, Lynch, and Puhlmann will serve as Professional Representatives from January 1, 2024 to December 31, 2025. The Fraternity is grateful to all the candidates for their willingness to serve the Fraternity.

Conclusions

I continue to be honored to serve the Fraternity as Grand Recorder. I am fortunate to have an outstanding team to work with in this role. Assistant Grand Recorder Jon Wenzel, Director of Fraternity Operations Erin Goodwin, Membership / Database Coordinator Jennifer Showerman, and Website / Chapter Consultant Allison Wisher often go above and beyond expectations to make sure that deadlines are met and that things are done properly. The Fraternity is very fortunate to have such a dedicated and talented team.

With the lack of any major crises this year, we have taken the opportunity to review our internal operational policies, review how our National Office is meeting our needs, and work with GMC Schnippert to redistribute gently used regalia to chapters.

Pledge and Initiate numbers continue to increase and are approaching pre-pandemic levels. Fraternity finances are solid in terms of income / expenses and investment performance. Inflation will likely continue to increase our expenses over the near term. The Grand Chapter should expect a recommendation to increase the Pledge and Lifetime Membership Fees at the 2024 Conclave to offset rising costs.

Yours in the Double Bond,

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