

GRAND COUNCIL ENDS

As reported in last year's annual report, the Grand Council recently adopted the Carver Model of Policy Governance as the basic tool and model by which Alpha Sigma Phi is governed. Policy Governance is an empowering and fundamental redesign of the Grand Council's role, emphasizing values, vision, empowerment of both the Grand Council and our headquarters staff, and providing the strategic direction for the Fraternity. Grand Council policies are arranged under four major categories:

- Ends – strategic goals that will drive our fraternity
- Executive Limitations – boundaries within which the CEO will operate
- Governance Process – boundaries within which the Grand Council will operate
- Grand Council-CEO Linkage – monitoring mechanisms to ensure compliance

Except for what is required by our Constitution and Bylaws, these policy categories contain everything the Grand Council needs to say about the perspectives that underlie all our Fraternity's decisions, activities, practices, budgets, and goals. A complete copy of currently approved Grand Council Policies can be seen at the Fraternity's website: www.alphasigmaphi.org.

Of these four categories, the primary means by which the Grand Council communicates its strategic goals is through Policy Ends statements. The Ends of an organization are the reasons for its existence, and should focus upon what good is to be done for whom, at what cost.

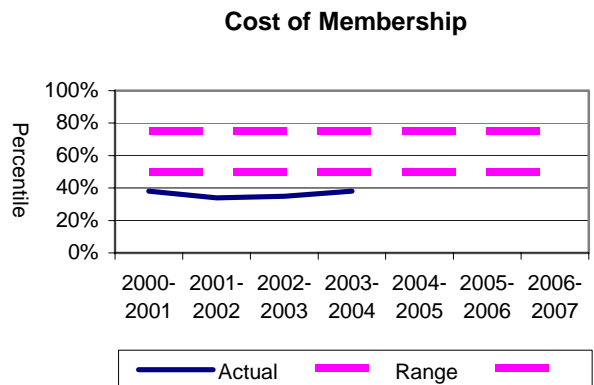
For Alpha Sigma Phi, we exist *to better the man through the creation and perpetuation of brotherhood*. In this report and the Semi- Annual Report to be published in Spring 2005, we will examine our progress in meeting the goals articulated in our Ends policies that were effective thru June 30, 2004. As such, the Ends statements focus on our three major constituencies: 1) chapters; 2) alumni members; and, 3) undergraduate members.

Policy 1.0: Alpha Sigma Phi undergraduates and alumni subscribe to and exemplify the Ritual in their chapters or councils, work and family lives...

An objective measure of this important End is difficult. However, evidence that our brotherhood continues its Pinnacle Journey through life by living the Ritual values each of us swore to uphold is found throughout this document and in the upcoming Semi-Annual Report.

...Membership cost is at a rate comparable to other men's Greek-letter organizations.

Competition for quality men seeking to join Greek letter organizations is difficult on today's campuses. Our ability to remain well positioned in the market regarding cost of membership versus our need to adequately fund necessary fraternity operations, aids our chapter's ability to recruit effectively. For the last four years, Alpha Sigma Phi has ranked below the 40th percentile of national fraternities in this area. This ranking is



slightly below the 50 to 75 percentile target we have established to maintain a competitive edge while ensuring adequate funds are available to operate key programs. [Note: During the 2004 Grand Chapter held in July, Alpha Sig undergraduates approved a fee increase that will increase our percentile to nearer the desired 50 percent range. Data had not been received from other national fraternities by the time this report was completed.]

Policy 1.1A: Chapters – First Priority 40-60 Percent of Resources Applied

1) Strengthen, develop and maintain existing chapters at campuses which show promise of a chapter meeting or exceeding our expectations of quality.

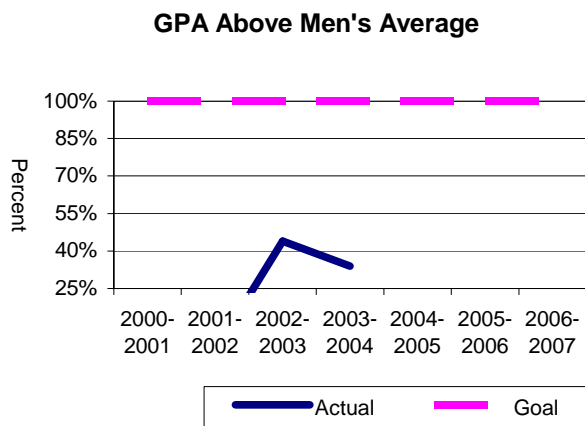
a. Chapters value diversity.

Diversity is the steel that gives strength to our Brotherhood and supports its rich character. Related data will be available in the Semi-Annual Report.

b. Chapters will achieve academic success.

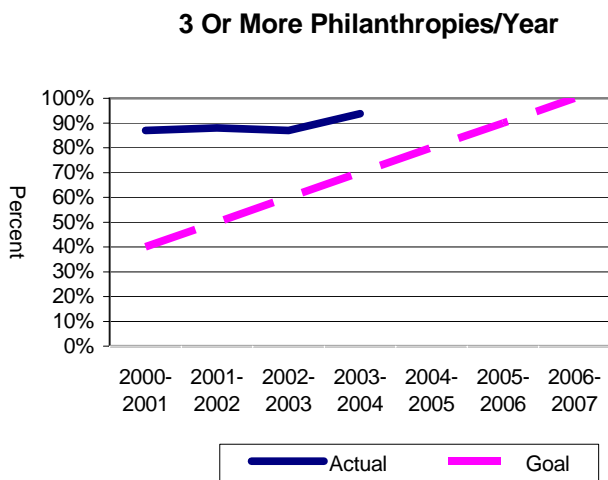
i. Chapter GPA will be above the Men’s All Campus average.

Seeking knowledge and striving to achieve academic excellence are the principal purposes for attending a college or university. Membership in Alpha Sigma Phi should support that purpose. Achieving academic results on a par with peers is our minimum expectation. Therefore, our goal is for 100 percent of our chapters to exceed the all-men’s GPA for their campus. Unfortunately, we need to work at achieving this goal as our chapters went from 44 percent to 34 percent over the last two years.



c. Chapters serve their communities.

Charity is a virtue captured in our Ritual, and is a principle Alpha Sigma Phi strongly endorses as central to our mission. One of the measures we use in this regard is participation of our chapters in philanthropic events with a goal of all chapters having three or more events by 2006. This year 94 percent of our chapters achieved this goal.



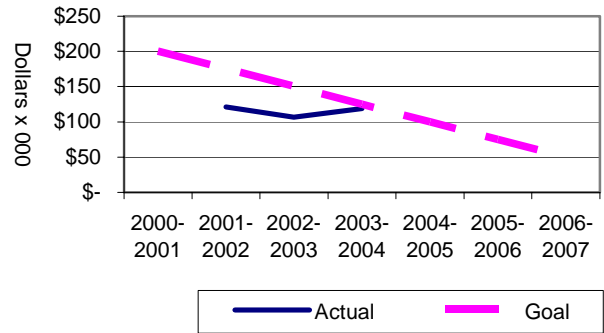
2) Chapters are fiscally responsible.

a. Accounts Receivable, older than one year, will be less than \$80K by 2005.

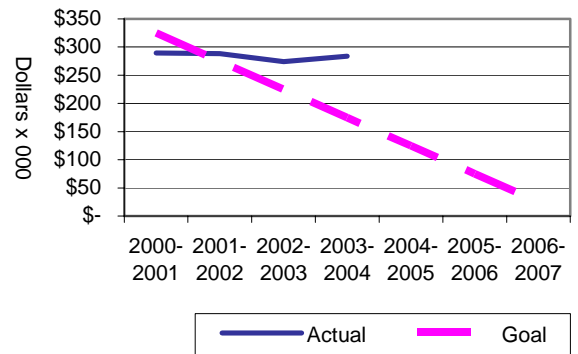
Being personally and organizationally responsible for timely payment of debt is a significant part of being a better man. We are maintaining our aggressive goal to reduce longer-term debt to \$50,000 by 2007. While we had a slight upturn in this measure over the last year (from approximate \$107K to \$119K) we are still on track to achieve this goal. We are continuing to use a collection agency to help hold delinquent brothers more accountable.

Meanwhile, we are also attempting to reduce overall debt to the Fraternity. As of June 30, 2004, total accounts receivable stood at \$283,590, a level that remains well above our goal to reach \$50,000 by 2007. Note: not all accounts receivable are considered “debt” because roughly 60 percent of our account receivables represent undergraduate fees that were not past-due as of June 30, 2004.

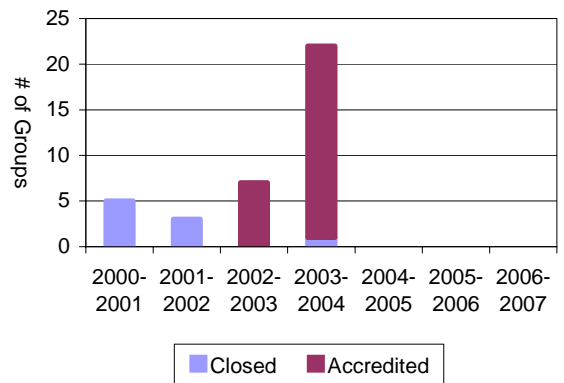
Receivables Over 1 Yr Old



Accounts Receivable



Accreditation Program Results



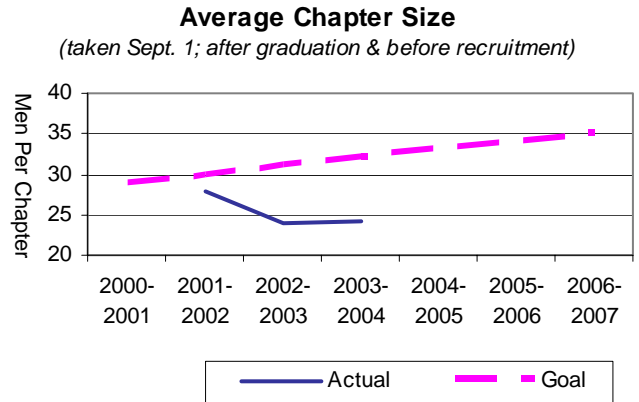
3) Maintain standards of quality.

The 2003-2004 academic year was the second year of the new accreditation program based upon the Standards of Excellence matrix that provides guidelines and standards for what our best chapters should look like. The program enables chapters to better understand what areas of their brotherhood need to be improved, while allowing the fraternity staff to better allocate attention and resources in the direction the chapter’s most need. Each chapter is evaluated by the staff in ten performance areas. Remediation and follow-up are required if full accreditation is not achieved. During the second year of the program, 21 chapters were accredited and one chapter was closed.



a. Average chapter size of 35 by 2006.

To ensure the operational and financial viability of the Fraternity, it is important that we maintain an appropriate ratio of men per chapter. Appropriate group size helps ensure the chapter's ability to develop viable governance mechanisms and internal support networks, and helps maximize efficiency of services delivered by the headquarters' staff. Our goal is to achieve a minimum average of 35 members per chapter by 2006. This year's average rose only slightly from the previous year's 24 to 24.3, well below our target point of 32.



b. Chapters are a safe environment.

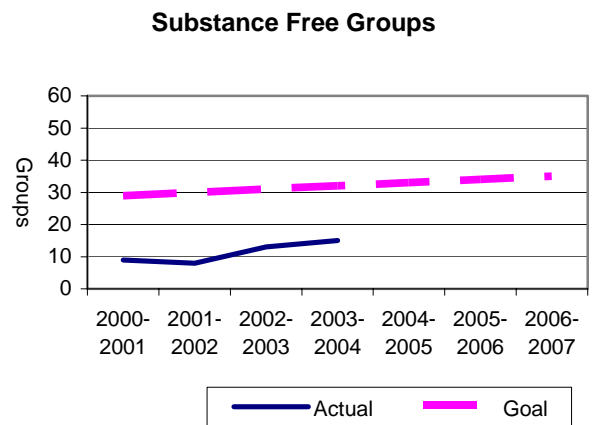
i. Chapters are risk management violation free.

Ensuring our chapters, colonies, and interest groups operate in a risk-free manner is a core responsibility of our national organization. With dedicated volunteers acting as our agents in the field, Grand Chapter Advisors (GCA), advisory team members, and corporation boards are helping our undergraduate brothers learn and live in safe environments. Alpha Sigma Phi continues to enjoy a strong reputation for proactive risk management, reflected in our lower than average insurance premiums. This year saw a slight increase in the number of violations per group, but remains at a low rate of .13, representing 9 violations among 68 groups.



ii. Are substance free.

Substance abuse has been a bane of fraternal life for decades. Efforts to reverse this trend are beginning to bear fruit as new chapters are chartered, and established chapters recognize the downward spiral caused by their focus on alcohol as a central element of their brotherhood. Fifteen of our 68 groups are now living substance free, continuing the positive trend toward reaching our target of 35 by 2007.



4) *Pursue chapter expansion consistent with 1.1A.1 and which show promise of meeting or exceeding our expectations of quality.*

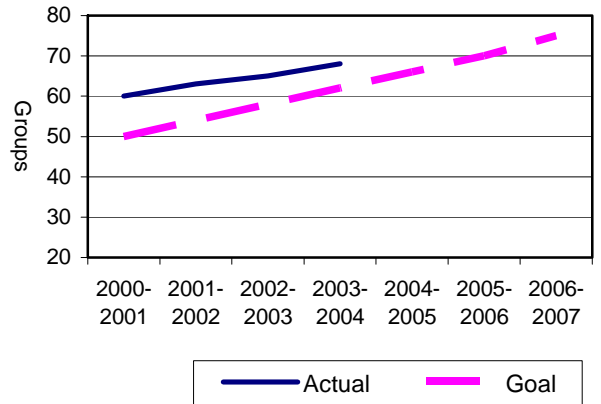
a. *75 groups by 2006, exclusive of merger and acquisition activity.*

Growth is an important element of our Fraternity's fiscal health, as well as a key requirement of our mission to create and perpetuate brotherhood. This year we added one chapter, bringing our count to 56 which is three chapters short of our target of 59 for the year, while total groups (interest groups, colonies and chapters) grew to 68 keeping us ahead of our goal line target of 62.

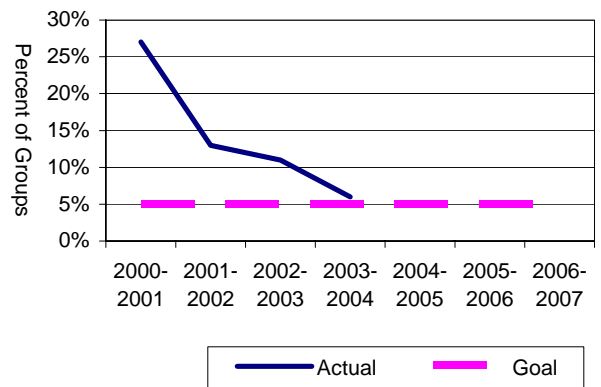
b. *Chapters will be established where there is alumni support and make geographic sense.*

The metric we chose to measure progress towards this End is the percent of groups closed within five years of their inception, with a goal of 5 percent or less. We continued to improve in this area by achieving a 6 percent closure rate by the end of the year.

Chapter, Colony & Interest Groups



Closed Within 5 Years

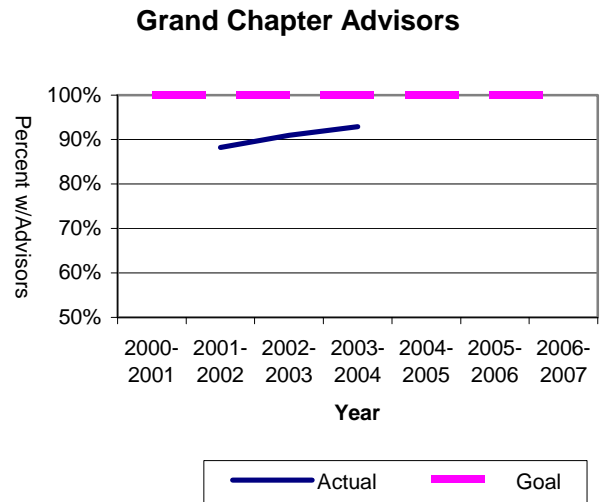


Policy 1.1B: Alumni Members – Second Priority

1) *Chapters will have active and positive alumni support which may include alumni corporations, associations, councils, Grand Chapter Advisor (GCA) or chapter advisory teams.*

a. *All chapters will have active alumni support by 2005.*

The relationship between strong alumni participation and chapter success continues to be well documented. With 93 percent this year, we are getting very close to achieving our goal of having a Grand Chapter Advisor (GCA) at 100 percent of our chapters.



2) *Mentor and support undergraduate chapters, councils, associations, and housing corporations.*

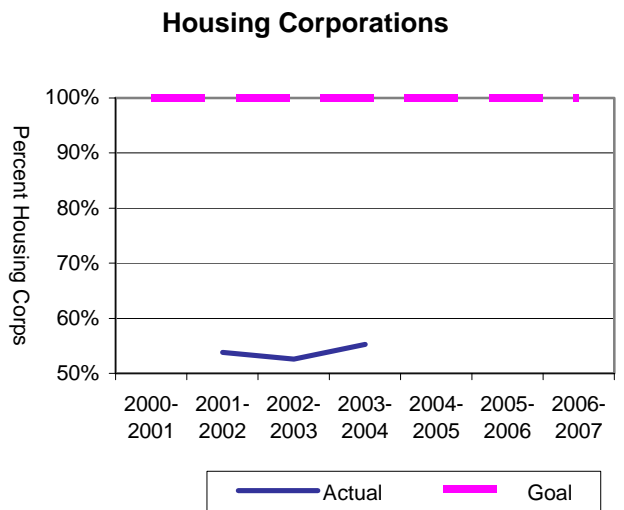
a. *Learn from and teach undergraduates.*

b. *Contribute to chapters' educational goals.*

The ability to learn from those that have gone before you—networking, coaching and mentoring—is a recognized benefit of becoming a member of a fraternity. Involvement in undergraduate educational opportunities by our alumni is an important goal of Alpha Sigma Phi. Our Grand Chapter Advisors, housing corporations, and other alumni play an important role in this regard.

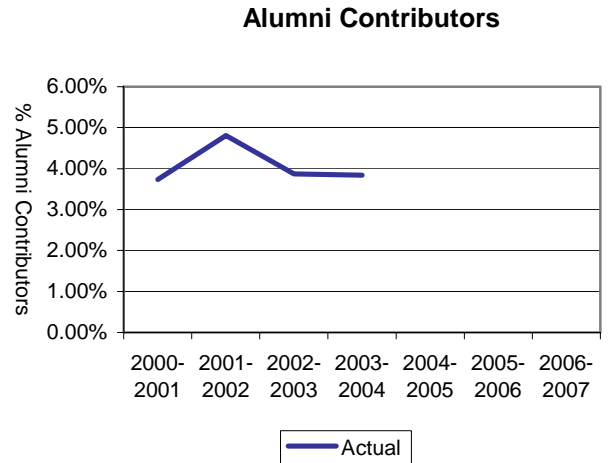
c. *Provide safe undergraduate housing through house corporations.*

Housing continues to be the goal of almost all of our chapters. Those blessed with housing need the support and guidance of active alumni-run boards to deal with the complexities of property ownership. This year, we were able to increase slightly from 53 percent to 55 percent those chapters that own property being assisted by an alumni housing corporation. This still remains well below of our goal of 100 percent.



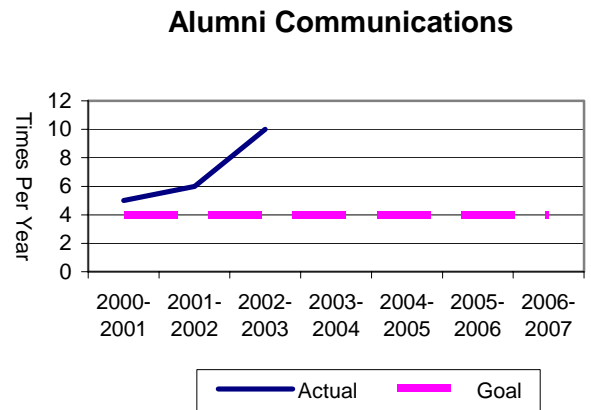
d. Provide financial support.

Contributions by our alumni to our Education Foundation are the lifeblood of Alpha Sigma Phi's educational efforts. These contributions make possible a number of educational activities to include: academic scholarships, character development activities, participation in leadership training, and mentoring by our traveling consultants. Unfortunately, only 3.84 percent of our alumni contributed last year. During the coming year a special joint task force consisting of members of the Educational Foundation, the Grand Council, and the Fraternity Headquarters' staff will address how we can improve our fundraising activities.



e. Actively communicate with alumni the successes and issues facing the fraternity.

Regular and quality communication is integral to the success of our national brotherhood. In partnership with the Educational Foundation, we continue to exceed our goal of at least four communications per year. Last year we provided 10 quality communications to include: our award-winning Tomahawk, alumni e-mail newsletters, maintaining our Fraternity website, and the Annual and Semi-Annual Reports. Email continues to play a central role in our communications; Alpha Sigma Phi now has over 12,000 email addresses. This number is the 18th highest among our peers.



Policy 1.1C: Undergraduates – Third Priority

1) Undergraduates know and live the Ritual.

a. Held accountable for our values.

b. Responsible and honorable men of character.

The values expressed in our Ritual are both tangible and intangible, and are at the core of what many call character and the essence of the attributes of the *better man*. Character is a learned attribute towards which Alpha Sigma Phi allocates substantial resources to educate our members. We believe that participation in headquarters-organized leadership and character development programs is paramount to our brother's understanding of our fraternal values, and leads directly to improved accountability in the chapter. From the Ralph F. Burns Leadership Institute for newly initiated members to the Academy of Leadership which primarily trains our HSPs and GCAs on how to successfully lead and guide our chapters, to our biennial National Leadership Conferences, Alpha Sigma Phi is making a difference in the growth of young men. During the coming year, we plan to introduce a new College of Character program which is modeled after, and builds upon the Burns Institute. While market-related funding continues to limit our programming, we were able to increase from 21 percent to 27 percent the number of brothers who participated in one or more of our educational opportunities. We expect to continue to improve towards our goal of 45 percent participation as we also continue to identify more efficient ways to deliver the high quality educational opportunities our brothers deserve.

c. Have a positive social experience.

Brotherhood is all about bonding with others in a positive and meaningful way. Besides the various measurements in this report, other related data in this area will be available in the Semi-Annual Report.

d. Committed to the Ritual.

Last year marked the advent of a volunteer Ritual Education Team. This team travels to new groups teaching them how to stage our Ritual, and more importantly what the Ritual means in day-to-day life, aiding efforts to ensure a consistent understanding of what it means to be a brother who lives in Alpha, Sigma and Phi. This year we again met our goal of ensuring 100 percent of our new groups were assisted by this team.



e. Will pay their bills in a timely manner.

It is said that character is *what you are when nobody is watching*. Unfortunately, too many of our brothers fail to live up to their complete potential in this area by demonstrating fiscal irresponsibility. After a slight improvement in the previous year, last year we still had 42 percent of our accounts receivable more than one year old as compared to our goal of 16 percent or less for 2003-04. As previously mentioned, a collection agency assists us in reducing delinquency, while we continue our education efforts to teach our undergraduate brothers the value of fiscal responsibility.

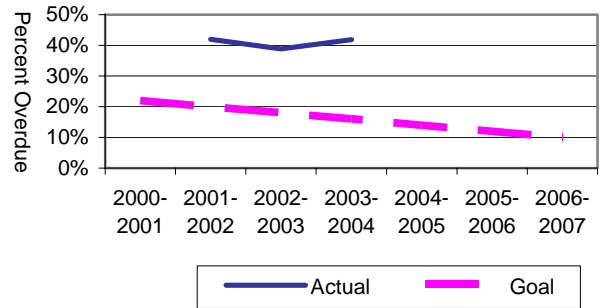
2) Undergraduates are leaders.

Learning to be leaders in the chapter and on the campus is a central benefit of membership in our society. While we have anecdotal evidence that Alpha Sigs continue the long tradition of being campus leaders, we currently do not have an accurate measure of our specific level of involvement. Efforts are being made to provide reliable measurement in this area.

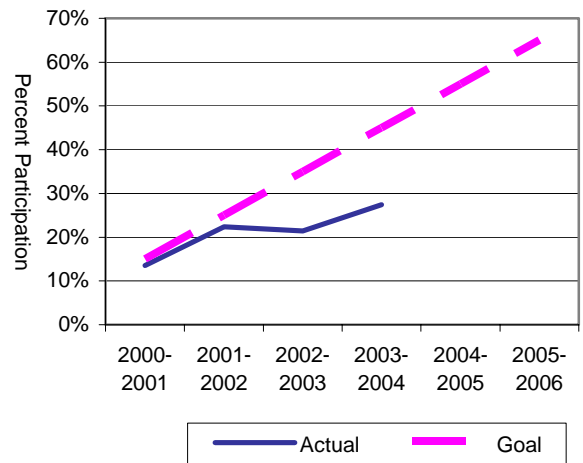
3) Undergraduates achieve academic success.

Achieving academic results on par with peers is our minimum expectation. We have established an aggressive goal of 3.0 GPA (on 4.0 scale) for our brothers with this year's average of 2.797 representing a slight decrease over the last two academic years. Efforts to monitor individual graduation rates are under development.

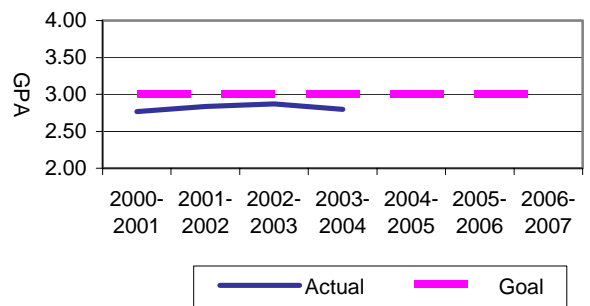
Delinquent Accounts Over 1 Year Old



Leadership Program Participation



Average GPA



**GRAND COUNCIL LEGISLATIVE ACTIONS
JULY 2003 – JUNE 2004**

Accepted Required Monitoring Reports from the CEO.

Approved the appointment of the following Undergraduate Grand Councilors:

- Nicholas L. Rexing, Murray State '01
- Christopher J. Musbach, Ohio Wesleyan '02

Clarified the Grand Chapter Nominations Committee Process:

Resolved that the [Grand Chapter] nominations committee chairman and past GSP serving on the nominations committee be identified and appointed not less than six months prior to the date of opening of the Grand Chapter, and resolved that they enlist as advisors to the committee any member or members not nominated for election to the Grand Council. Further resolved that the communication to prospective nominators and nominees tactfully request that each nominee submit a succinct statement or resume outlining his contributions to the Fraternity and his leadership training and experience not exceeding 5 pages.

Passed a Resolution of Support for Brother Mark Williams, Rio Grande '79.

Amended the Trust Agreement with the Alpha Sigma Phi Educational Foundation:

Resolved that the Grand Council of Alpha Sigma Phi consents to the amendment of Article 1, paragraph 1.04 of the Trust Agreement [with the Alpha Sigma Phi Educational Foundation] to delete any power, authority, or responsibility of the Grand Council to make disbursements or expenditures from the trust.

Expelled the following Brothers from the Fraternity:

- James Pearsall Miller, Ohio Wesleyan '01
- Eric Reddig Potthoff, Ohio Wesleyan '01

Approved the nomination of the following Brothers to the Board of Trustees of the Educational Foundation:

- Kevin J. Garvey, Westminster '75
- Robert J. Shaw, American '84

Accepted the retirement of Thomas R. Hinkley as President and CEO

Approved the Fraternity's Audited Financial Statements for the fiscal year ended June 30, 2003.

Granted Charters to the following Chapters:

- Epsilon Omicron, Missouri Valley State College
- Gamma Epsilon, University at Buffalo, State University of New York (re-charter)

Accepted the return of the charter for the Alpha Chapter at Yale University.



Approved the following Brothers as Grand Chapter Advisors:

- Steve Haddad for Epsilon Xi Chapter (McDaniel College)
- Jeff Snedeker for Iota Chapter (Cornell University)
- Chris Lee for Epsilon Iota Chapter (Western Michigan University)
- Brian Feurer for Alpha Rho Chapter (New Jersey Inst. of Technology)
- Josh Kay for Alpha Psi Chapter (Presbyterian College)

Endorsed the proposal to increase pledge, initiation, and membership fees and approved it for Grand Chapter action.

Approved the recommendation of a special Grand Council Committee (Brothers J. Burns, N. Rexing, C. Musbach) with regard to the Fraternity's National Philanthropy:

Resolved:

-That a Grand Chapter committee review and revalidate the criteria for a National Philanthropy originally drafted by the Grand Council committee and currently being revised to continue to identify Canine Companions for Independence (CCI) as our sole National Philanthropy. The intent would be, that if the Grand Chapter committee revalidates CCI as the National Philanthropy, an appropriate position statement/proclamation would be introduced to the Grand Chapter for approval.

- In preparation for the Grand Chapter committee work, the Grand Chapter committee will continue to work with CCI to explore ways in which our relationship can be reenergized both near- and long-term. These recommendations would be provided to the Grand Chapter committee for its consideration.

-That the staff prepare a CCI presentation to be part of the Grand Chapter or Leadership Conference agenda and provide appropriate guidance to our committee to coordinate with CCI.

Approved the refinancing of the loan for the Ralph F. Burns Fraternity Headquarters Building.

Acknowledged the 2004-2005 Grant Request as submitted to the Educational Foundation Trustees.

Adjusted the deferred compensation package of the CEO.

Approved the awarding of 10 Delta Beta Xi Keys to the 2004 ΔΒΞ class.

Approved the awarding of the 2004 Distinguished Service Award to Brother Kevin J. Garvey, Westminster '75.

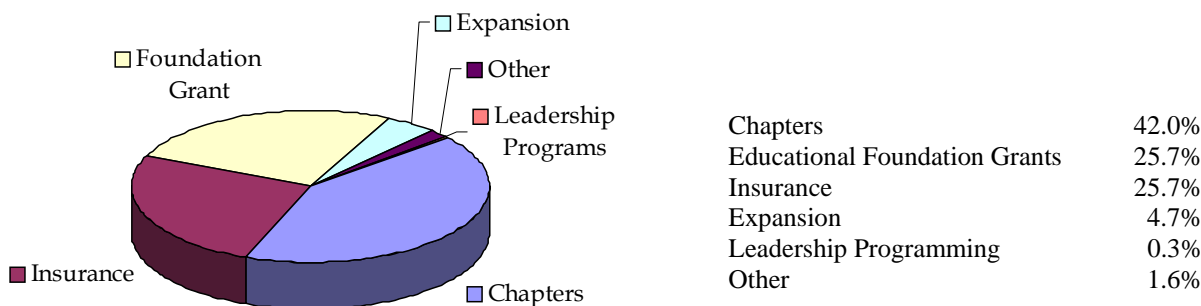
Approved the awarding of the 2004 Distinguished Merit Award to Brother Thomas R. Hinkley, Indiana '84.

Chose Brother Drew M. Thawley, Ohio Wesleyan '94, to lead the Fraternity as President and CEO, effective August 1, 2004.



FRATERNITY FINANCIAL REPORTS

Revenues



Chapters:

Income from chapters includes pledge fees, initiation fees, and lifetime membership fees.

Educational Foundation Grants:

Each year our Fraternity is fortunate to receive a substantial grant from the Alpha Sigma Phi Educational Foundation. The grant is used to support educational programming and chapter development initiatives.

Insurance:

Income from insurance assessments paid by chapters and colonies.

Expansion:

Income from colonies or interest groups in the form of chartering or colonization fees, pledge fees, and initiation fees of chartering groups.

Leadership Programming:

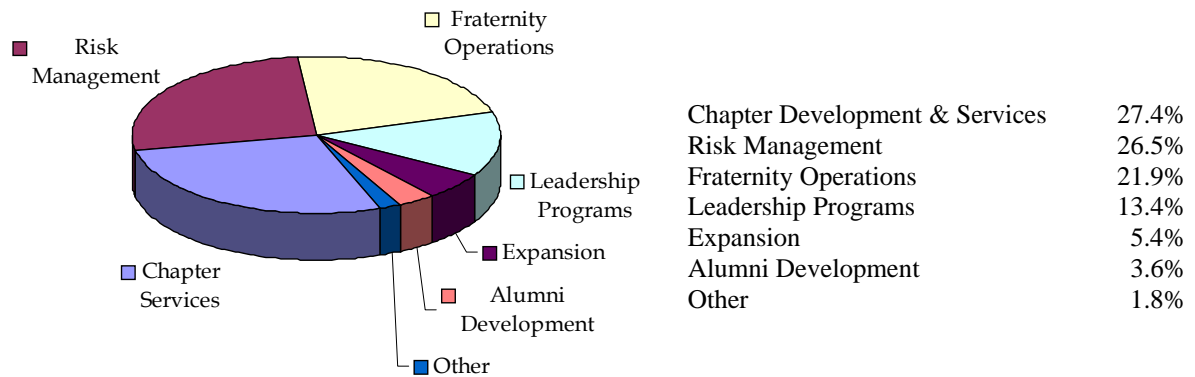
Programming fees for Grand Chapter, Burns Institute, Academy of Leadership, and National Leadership Conferences.

Other Income:

Income from royalty, investments, merchandise sales, alumni group revenue, and donations to the Fraternity.



EXPENSES



Chapter Development and Services:

Expenses incurred while providing services to chapters and chapter leaders.

Risk Management:

Expenses to fund our insurance program.

Fraternity Operations:

All expenses associated with carrying out our business functions.

Leadership Programs:

Expenses incurred in the process of developing, delivering, or planning leadership development programs.

Expansion:

Expenses incurred while starting and developing colonies and interest groups.

Alumni Development:

Expenses incurred to support alumni groups and programs that build alumni affinity and support.

Other:

Non-material expenses that don't fit into one of the above categories.



STATEMENT OF FINANCIAL WORTH – JUNE 30, 2004

Assets

Cash	\$46,767.00
Accounts receivable, net of allowance of \$50,000.00	\$233,588.00
Inventories	\$382.00
Prepaid Expenses and other	\$2,363.00
Educational Foundation receivable	\$2,701.00
Long-term notes receivable, net of allowance of \$2,000.00	\$27,640.00
Investments for the benefit of Omicron Fund, at market	\$89,306.00
FRMT Capital deposit	\$7,933.33
Property and equipment, net	\$407,668.00

Total Assets **\$818,348.33**

Liabilities And Net Assets

Accounts payable – trade	\$17,975.00
Amounts payable to ΑΣΦ Educational Foundation	\$10,834.00
Deferred revenue	\$46,629.00
Other accrued expenses	\$65,723.00
Notes payable	\$394,067.00
Funds held in trust	\$194,040.00

Total Liabilities **\$729,268.00**

Total Net Assets **\$89,080.33**

Total Liabilities and Net Assets **\$818,348.33**

