

Sigma Kappa COTS 2009

Weathering the Current Economy

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and

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DOWNTURN

It's a global meltdown

TOXIC ASSETS

market collapse

Panicked investors

CRISIS WATCH

bailout

Signs of a bottom?

Volatility
in the markets

nervous money

**HOUSING: DON'T GET
TOO EXCITED JUST YET**

Despite glimmers of good news, home prices could fall further



The State of the Economy

- Deep Recession – when will it end?
- Unemployment
- Market improvements in 2Q 09, but what is ahead?
- Government stimulus packages
- Inflation or Deflation?
- Consumer behavior



Decline in Consumer Spending

- ❖ Consumer Spending – 70% of the US Economy.
- ❖ Recession
- ❖ Unemployment, wage freezes, lay-offs
- ❖ Decline in the housing market, losses, foreclosures.....
- ❖ Rising costs of goods and services, such as fuel



❖ People trying to restore their savings and retirement funds

❖ People trying to pay off credit card debt

❖ Aging population; baby boomers past the spending years



Quote...

- The recent **drop in consumer spending** and the resulting pressure on retailing, manufacturing and services industries could last "quite a long time," Berkshire Hathaway Chairman Warren Buffett said. (May 2, 2009)



- "Until there is meaningful and sustained improvement in labor market conditions, there will be no significant, sustained rebound in consumer spending," one economist told the *Financial Times*. (June 26, 2009)

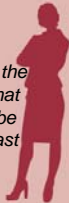


Changing Demographics in the US

- Population in the U.S. is aging
- Population is becoming more diverse by race and Hispanic origin
- Immigration policy will impact U.S. demographics



- *"Historically, consumers in their forties and early fifties spend the most money. This is when most people move up to bigger homes, furnish those homes, and support their growing children's economic needs for goods and services, including education. It's also when most people reach their peak earnings, thus reinforcing the propensity to spend. The unshakable fact, impervious to any stimulus, is that the number of people in this "big spender" age group is declining in many parts of the world. Demographic trends would indicate that the economy that emerges throughout 2009 will be substantially different than the economy of the past thirty years." (Tammy Erickson)*



So Let's Get to the Point
What Does This Mean for
our Colleges/Universities
and
Sigma Kappa???



How is the economy affecting the colleges and universities?

- Colleges will spend less money
 - Financial aid, construction, and budgets likely to be cut substantially
- Some private schools will see fewer applications
 - Families becoming more cost-conscious and shift applications to less expensive, public options
- Have a financial safety school
 - Apply to a school where you are certain your child is admitted and you are able to "foot the bill" if you do not receive financial aid



Impact of Economy Continued:

- More Applications, Less Enrollment
- University selection that is closer to home
- Most selective private schools will still be just as selective
- Public universities are cheaper than private



Impact of Economy Continued:

- Discussion with university officials:
 - Applications all time high
 - Enrollments lower
 - Staff across the board salary cuts
 - Across the board budget cuts in all areas and schools
 - Many "promised" student scholarships are gone and no longer available
 - Tuition increases



Student Loans

- Private student loans can have interest rates that are often variable and up to 20%
- More than \$17 billion in private student loans were issued last year. Outstanding student borrowing jumped from \$38 billion in 1995 to \$85 billion last year.
- Federally backed student loans, whose interest rates are capped at 6.8%, grew 18.6% year over year in 2008
- Overall, borrowers will have a limited choice of lenders and on top of that, they will see higher rates and fees



Sorority Recruitment

- ❖ Generally – enrollments will be lower
- ❖ Potentially lower recruitment numbers on most universities
- ❖ Other Panhellenic groups budgeting no increase in membership to a few % lower than previous year



The Sorority

- Sigma Kappa Sorority is following trend of budgeting for a slight decrease in overall collegiate membership.
- Continued budget tightening and some travel restrictions as well as examining “needs versus wants”.



Capital Projects

- Securing loans in this economy
- Difficulties of fundraising
- Effect of debt on the CB and chapter
- Loans from the NHC



Criteria for NHC Loan Consideration

- **Written Request from Corporation**
- **Corporation Board roster**
- **Corporation Status**
 - Date of last Annual Meeting
 - Dates of Regular meetings during prior 12 months
 - Status of By-Laws



- **Chapter Status**
 - Membership numbers
 - Current Recruitment Status
 - Any information from University and Panhellenic Association regarding student enrollment, planned expansion of sororities, changes in university housing, and other pertinent information regarding student participation in Greek Life
 - **Statement of Accomplishments and Challenges**



• Statement of Condition of Property

- Planned maintenance
- Planned improvements/renovations
- Long Range Plan



Operating Budgets....

- Budgeting in these volatile times.....
A look at some sample budgets...
- Maintain consistent, regular communication and transparency about the effects of the downturn; monthly meetings if necessary to review financial status.
- Reduce expenses including new hire and salary freeze and elimination of some benefits.



Budgeting.....

- Create budget contingencies for best, worst, and most likely scenarios in order to preserve cash reserves.
- Be observant of chapter recruitment numbers and have open communications on chapter withdrawals, financial expulsions, etc.



Description	07-08 Annual Budget	07-08 Actuals (draft)	07-08 Diff	07-08 % Chg	09-09 Annual Budget
Interest - Checking	\$ 350.00	\$ 4,735.72	\$ 4,385.72	1253.1%	\$ 2,000.00
Interest - Major Loans Allcatn	\$ -	\$ 1,836.34	\$ 1,836.34	#DIV/0!	\$ 1,000.00
Interest - HF Fees	\$ 2,000.00	\$ 3,303.48	\$ 1,303.48	65.2%	\$ 4,000.00
Parlor Fees	\$ 30,600.00	\$ 30,201.00	\$ (399.00)	-1.3%	\$ 48,450.00
Housing/Furnishing Fees	\$ 12,000.00	\$ 15,600.00	\$ 3,600.00	30.0%	\$ 15,000.00
Room/Board	\$270,760.00	\$265,810.00	\$ (4,950.00)	-1.8%	\$287,840.00
Meal Plans	\$ 4,560.00	\$ 3,840.00	\$ (720.00)	-15.8%	\$ 5,120.00
Balance from Chptr (End of Yr)	\$ -	\$ -	\$ -	#DIV/0!	\$ -
Coke Machine	\$ -	\$ -	\$ -	#DIV/0!	\$ -
Washing Machine	\$ 4,680.00	\$ 4,650.00	\$ (30.00)	-0.6%	\$ -
Gifts/Contributions/Donations	\$ -	\$ -	\$ -	#DIV/0!	\$ -
Income Due to Govt/State	\$ -	\$ -	\$ -	#DIV/0!	\$ -
Fines, Penalties, Late Fees	\$ -	\$ 1,150.00	\$ 1,150.00	#DIV/0!	\$ -
Total Revenues	\$324,950.00	\$331,128.54	\$ 6,178.54	1.9%	\$361,410.00
Revenues - HF Fees	\$312,950.00	\$315,526.54	\$ 2,576.54	0.8%	\$348,410.00

Bank Charges & Fees	2008 Budget	2008 Actuals	2008 Diff	2008 % Chg	2009 Budget
Payroll Fees	\$ 1,400.00	\$ 1,001.18	\$ (398.82)	-28.5%	\$ 1,200.00
Bad Debt Expense	\$ 500.00	\$ -	\$ (500.00)	-100.0%	\$ -
Administrative Expenses	\$ 1,000.00	\$ 441.35	\$ (558.65)	-55.9%	\$ 3,000.00
Liability Insurance	\$ 100.00	\$ 100.00	\$ -	0.0%	\$ 100.00
Property Insurance	\$ 8,000.00	\$ 5,936.00	\$ (2,064.00)	-25.8%	\$ 7,000.00
Property Taxes	\$ 10,000.00	\$ 10,703.50	\$ (4,276.50)	-28.9%	\$ 11,700.00
Other Taxes and Filing Fees	\$ 45.00	\$ -	\$ (45.00)	-100.0%	\$ 45.00
House Director Salary	\$ 21,295.00	\$ 21,945.05	\$ 650.05	3.1%	\$ 21,295.00
Cook Salary	\$ 22,560.00	\$ 22,560.00	\$ -	0.0%	\$ 22,560.00
Maid Salary	\$ -	\$ -	\$ -	#DIV/0!	\$ -
Kitchen Assistants Salary	\$ 10,000.00	\$ 7,321.08	\$ (2,678.92)	-26.8%	\$ 10,000.00
Other Salary	\$ 2,000.00	\$ 50.00	\$ (1,950.00)	-97.5%	\$ 5,000.00
Payroll Taxes (FICA/Medicare)	\$ 4,600.00	\$ 3,964.68	\$ (635.32)	-13.8%	\$ 4,600.00
Payroll Taxes - Unemployment	\$ 2,000.00	\$ 723.36	\$ (1,276.64)	-63.8%	\$ 1,500.00
Health Ins/Workers Comp	\$ 2,000.00	\$ 906.00	\$ (1,094.00)	-54.7%	\$ 1,500.00
NHC Loan Payments	\$ 61,665.81	\$ 45,788.55	\$ (15,877.26)	-25.7%	\$ 52,490.04
Interest Expense	\$ -	\$ 8,375.16	\$ 8,375.16	#DIV/0!	\$ -
Other Indebtedness	\$ 2,000.00	\$ 2,000.00	\$ -	0.0%	\$ 2,000.00
Fund	\$ 50,000.00	\$ 49,693.55	\$ (306.45)	-0.6%	\$ 49,000.00
Equipment & Furnishings	\$ -	\$ 5,261.84	\$ 5,261.84	#DIV/0!	\$ -
Equipment Repairs	\$ -	\$ 413.50	\$ 413.50	#DIV/0!	\$ -
Maintenance & Service Agreements	\$ 7,500.00	\$ 724.23	\$ (6,775.77)	-90.3%	\$ 1,000.00
Permits & Inspections	\$ 800.00	\$ 216.52	\$ (583.48)	-72.9%	\$ 800.00
Property Repairs/Maintenance	\$ 10,000.00	\$ 13,004.41	\$ 3,004.41	30.0%	\$ 15,000.00
Cleaning/Laundry	\$ 8,500.00	\$ 8,691.07	\$ 191.07	2.2%	\$ 9,500.00
Pest Control	\$ 700.00	\$ 536.50	\$ (163.50)	-23.4%	\$ 700.00
Laundry Care	\$ 2,800.00	\$ 3,848.19	\$ 1,048.19	3.9%	\$ 4,500.00
Trash	\$ 2,000.00	\$ 1,922.48	\$ (77.52)	-3.9%	\$ 2,760.00
Alarm System	\$ -	\$ 350.00	\$ 350.00	#DIV/0!	\$ -
Contract Food Services	\$ -	\$ -	\$ -	#DIV/0!	\$ -
Telephone	\$ 5,000.00	\$ 4,642.28	\$ (357.72)	-7.2%	\$ 5,000.00
Reserve	\$ 4,000.00	\$ 4,112.43	\$ 112.43	2.8%	\$ 4,000.00

Sigma Kappa Sorority of Alpha Alpha			
Balance Sheet			
As of March 31, 2009			
	As of Mar 31, 2009	Total	As of Mar 31, 2008 (PY)
ASSETS			
Current Assets			
Bank Accounts			
B of A-Checking	150,461.69		73,558.50
B of A-Checking House Director	534.79		81,836.94
B of A-Interest	0.00		12,306.07
B of A-Room Damage	0.00		9,916.84
B of A-Supplies Fund	0.00		25,599.38
B of A-Working Capital	0.00		16,375.04
B of A-Housing & Furnishing Fees	0.00		20,184.04
WFB Savings - 6508	60,785.01		60,785.01
WFB Savings - 6504	240,938.52		214,391.27
Total Bank Accounts	\$ 240,938.52	\$	\$ 214,391.27
Current Assets			
Deposit - A&B Recover April 09	123.70		2,711.00
Deposit - P&E Electric Meters April 2009	2,711.00		1,654.00
Deposit - P&E Gas Meters April 2009	1,654.00		-
Total Other Current Assets	\$ 4,518.70	\$	\$ -
Current Assets	Total	\$ 245,457.22	\$ 214,391.27
Fixed Assets			
Fixed Assets	123,767.00		123,767.00
Total Fixed Assets	\$ 123,767.00	\$	\$ 123,767.00
TOTAL ASSETS	\$ 369,224.22	\$	\$ 348,158.27
AND EQUITY			
Liabilities			
Current Liabilities			
Other Current Liabilities			
Confidential Deposits	20,800.00		13,550.00
Front Office Deposits	8,485.00		5,848.00
Total Other Current Liabilities	\$ 29,285.00	\$	\$ 19,398.00
Liabilities	Total Current	\$ 29,285.00	\$ 19,398.00
Total Liabilities	\$ 29,285.00	\$	\$ 19,398.00
Equity			
Opening Bal Equity	218,549.74		218,549.74
Unrestricted Net Assets	28,114.22		82,933.68
Net Income	82,079.88		19,275.85
Total Equity	\$ 328,743.84	\$	\$ 320,763.27
TOTAL LIABILITIES			

SURVIVING

THE

STORM

Tips for Surviving the Storm...

- ✓ Remain competitive with room and board fees, including the university
- ✓ Support chapter's efforts for recruitment
- ✓ Be conservative in budgeting revenue
- ✓ Manage expenses within the budget, and monitor budget vs. actual
- ✓ Avoid debt whenever possible
- ✓ Expect increases in property taxes, as local governments face challenging times



- ✓ Budget for energy increases
- ✓ Be creative in controlling costs
 - Reduce use of paper product
 - Decrease use of pre-packaged foods
- ✓ Spend wisely and shop for “bargains” in this economy
- ✓ Be proactive with past due receivables
- ✓ Remember your long-range plan



Questions??