



Independent Order of Odd Fellows
Dedicated Members for Change

May 10, 2014

Dear Dedicated Members for Change,

Attached to this e-mail (and also shown as a link, below) is an important and provocative article by our Brother Mel Astrahan, from America Lodge #385 in Pasadena. This article is a must-read for all members of the Order, and suggests that leaders at the Sovereign Grand Lodge level have not been good stewards of our donated funds.

F - L - T

Dave Rosenberg

Grand Warden

Here is the link to the article:

<http://www.eyephysics.com/ArthritisFoundation/SGLandAF.html>

Grand Warden

Failure At The Top

by Melvin Astrahan, PhD, America Lodge, #385, Pasadena, CA

In the summer of 2012 I attended our Sovereign Grand Lodge (SGL) session which was held in Cincinnati Ohio. At that meeting I observed the presentation of a donation from the IOOF to the **Arthritis Foundation (AF)** of, as I recall, nearly three quarters of a million dollars. In return for our donation, which ranks in the top-ten donations received by the AF that year, we received a single line of recognition in their annual report in the half-million to one million dollar bracket. All of the other donors at that level were major medical equipment and pharmaceutical corporations. A middle-management representative of the AF was in attendance to receive our gift.

I was amazed that our Order, with its generally aging and shrinking membership, could afford to make such a large contribution to a single entity. I have since done some research into the operations of the AF and this is what I have learned.

The AF has been steadily declining in revenue for at least the past decade. For example, in 2004 their revenue was reported as \$122 million, in 2008 it was \$62 million, in 2012 it was \$47 million (see Table 2). That makes our donation about 1.5% of their total income that year. What does the AF do with our money?

The mission statement of the AF is "to improve lives through leadership in the prevention, control and cure of arthritis and related diseases." Below is an excerpt from the AF audited expense report for 2012. Total expenses were about \$55 million dollars, on revenues of about \$47 million, so a **loss** of about 8 million dollars. The AF expenses related to arthritis research were 7.7 million dollars, which was about 14% of their total expenses for that year. The AF spent about 12 million on salaries and another \$12 million on direct response marketing. The total income generated by that direct response marketing campaign was about \$14 million, a "profit" of about \$2 million. This means that the companies that conducted the marketing campaigns kept roughly 86% of the money they raised on behalf of the AF. Arthritis researchers could have had an additional \$10 million available if the AF had simply directed those \$12 million direct marketing dollars towards research.

Table 1: from 2012-National-Office-Audited-Financials.pdf

ARTHRITIS FOUNDATION, INC. NATIONAL OFFICE

Statement of Functional Expenses

Year Ended December 31, 2012 with Summarized Financial Information for the Year Ended December 31, 2011

Expenses	PROGRAM SERVICES				SUPPORTING SERVICES			Totals		
	Research	Public Health Education	Professional Education and Training	Patient and Community Services	Total Program Services	Fundraising	Management and General	Total Supporting Services	2012	2011
Research grants and awards	\$ 7,668,746	\$ 68,440	\$ 640	\$ 26,560	\$ 7,764,386	\$ 7,890	\$ 2,410	\$ 10,300	\$ 7,774,686	\$ 8,475,600
Salaries	845,376	4,244,628	167,918	1,872,635	7,130,557	1,920,345	3,598,867	5,519,212	12,649,769	11,215,404
Payroll taxes	56,674	299,061	12,619	135,373	503,727	133,149	247,092	380,241	883,968	791,682
Employee benefits	135,995	678,176	29,475	303,790	1,147,436	277,433	504,019	781,452	1,928,888	1,793,326
Advertising commissions	-	328,113	-	315,247	643,360	-	-	-	643,360	713,635
Data processing and accounting services	82,040	437,989	22,925	185,339	728,293	116,248	454,209	570,457	1,298,750	1,301,319
Professional fees and contract services	392,364	3,731,143	44,935	1,151,407	5,319,849	274,801	403,407	678,208	5,998,057	6,904,227
Professional services - contributed	265,314	-	-	-	265,314	14,113	2,823	16,936	282,250	171,860
Supplies	17,223	77,627	2,974	27,956	125,780	26,549	27,220	53,769	179,549	177,011
Printing, publications, and artwork	14,986	1,218,876	4,769	931,976	2,170,607	45,962	10,982	56,944	2,227,551	2,870,847
Materials expenses	4,213	208,569	1,536	189,782	404,100	41,019	4,387	45,406	449,506	437,987
Membership/direct response marketing	234,532	8,998,642	117,266	187,626	9,538,066	2,242,102	117,266	2,359,368	11,897,434	11,761,779
Corporate direct	18,432	93,836	6,702	6,702	125,672	33,512	8,378	41,890	167,562	136,495
Fulfillment	-	374,492	-	350,491	724,983	-	-	-	724,983	765,627
Postage, shipping, and delivery	9,975	1,104,622	1,351	975,340	2,091,288	18,508	23,065	41,573	2,132,861	2,387,952
Telephone	21,837	100,770	17,121	73,931	213,659	87,421	306,811	394,232	607,891	510,988
Occupancy	77,787	176,045	4,094	61,411	319,337	45,035	45,035	90,070	409,407	430,964
Insurance	33,016	74,720	1,738	26,065	135,539	19,115	19,115	38,230	173,769	165,714
Staff travel	76,443	169,924	2,788	77,792	326,947	163,745	74,317	238,062	565,009	540,655
Volunteer travel and leadership development	107,058	242,827	1,671	100,079	451,635	56,428	62,825	119,253	570,888	484,978
Meeting and conferences	81,235	201,552	3,529	112,351	398,667	39,124	84,331	123,455	522,122	500,194
Equipment lease and maintenance	24,584	93,897	16,374	70,514	205,369	73,995	296,846	370,841	576,210	814,077
Membership dues and subscriptions	22,397	93,327	2,493	22,551	140,768	28,361	34,049	62,410	203,178	168,211
Advertising	1,650	520,364	600	190,423	713,037	116,985	9,131	126,116	839,153	704,931
Miscellaneous	85,014	173,203	4,278	66,948	329,443	40,195	42,711	82,906	412,349	433,183
Depreciation	78,339	177,292	4,123	61,846	321,600	45,354	45,354	90,708	412,308	491,241
Uncollectible receivables	13,845	123,213	729	101,123	238,910	8,015	8,015	16,030	254,940	265,909
Total expenses	\$ 10,369,075	\$ 24,011,348	\$ 472,648	\$ 7,625,258	\$ 42,478,329	\$ 5,875,404	\$ 6,432,665	\$ 12,308,069	\$ 54,786,398	\$ 55,415,796

Now lets look at that \$12 million in AF salaries. In 2004, when the AF revenue was \$122 million, the CEO of the AF received a salary of \$287,000. His salary has increased substantially every year since. In 2010, when AF revenue had

DONORS

BREAKTHROUGH SOCIETY
\$1,000,000 and above
AbbVie Inc.
Bristol-Myers Squibb
Pfizer Inc.

DISCOVERY SOCIETY
\$500,000 - \$999,999

Amgen U.S.A. Inc.
Bayer HealthCare LLC
Genentech
Independent Order of
Odd Fellows & Rebekahs
Johnson & Johnson
Health Care System
Message Envy Franchising LLC
Pharmavite LLC

ADVANCEMENT SOCIETY
\$300,000 - \$499,999
Alpha Omicron Pi Foundation
US Nutrition Inc.
Zimmer Inc.

CENTURY SOCIETY
\$100,000 - \$299,999

Davmar Inc.
William & Muriel Elliott Foundation
Genentech/Bogen Idec
Joint Juice Inc.
McNeil Consumer Healthcare,
Division of McNeil-PPC Inc.
Novartis Pharmaceuticals
Corporation
The Patterson Foundation
Peak Life LLC
Pratt Family Foundation
Purdue University
Roche Diagnostics Corporation
Schiff Nutrition Group Inc.
South Carolina Department of Health
and Environmental Control

fallen to \$52 million according to their 2010 audited financial statement, his salary was about \$498,000.

So, what happened to our \$700,000 donation? Well, it appears that maybe about \$100,000 of it actually went towards arthritis research, and the rest, in effect, paid the salary of the CEO.

IMHO, our Order's continued support for the AF indicates a serious failure by our SGL leadership to pay attention to how our hard-earned dollars are utilized. The SGL should end contributions to the AF and all other outside entities that are not competently managed. There exist organizations, such as Charity Navigator, that can be consulted regarding a charity's financial performance. Better still, the SGL should leave ALL charitable contributions to the individual lodges themselves.

Our lodges would be far better served by concentrating 100% on local, home-town, charities such as children's homes, playgrounds, schools and so on, where our work is recognized and might attract new members rather than support national and international entities where our efforts are lost in the corporate mega-dollars, largely ignored, and most of our money winds up in the pockets of corporate executives and mass marketers.

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salary du jour
Dr. John H. Klippel, Arthritis Foundation CEO: \$432,083

Jack Klippel has done well in the last six years at the Atlanta-based Arthritis Foundation, nearly doubling his total compensation as the organization's revenue has fallen by about half.



Klippel's total compensation history, courtesy of *The Chronicle of Philanthropy*:

- 2000 — \$178,334 as medical director
- 2003 — \$221,680 as CEO
- 2004 — \$287,016 as president
- 2005 — \$345,838 as CEO
- 2006 — \$351,704 as CEO
- 2007 — \$378,095 as CEO
- 2008 — \$432,083 as CEO

The Foundation brought in \$122 million in 2004, the *Chronicle* reported. By 2008, income was down to \$62 million.

The Arthritis Foundation **earned a two-star rating** (out of a possible 4 stars) from Charity Navigator, an organization that assesses the financial health of America's non-profit groups. Charity Navigator noted that the Arthritis Foundation spent 4.5 percent more in 2008 than the previous year, while bringing in 5.3 percent less money.

An independent compensation consultant issued an "unreserved opinion" that the base salaries and total compensation provided to the Foundation's ten senior management executives, including the CEO, meet all standards of reasonableness and are not excessive," the foundation reported in its 2008 tax filing.

The foundation in 2008 paid a direct-mail fund-raiser \$11.4 million — 66 percent of all the money it collected on the foundation's behalf, tax records show.

From The Atlanta Journal-Constitution www.ajc.com Sunday, April 8, 2012
• Atlanta-based Arthritis Foundation's president and CEO, Dr. John H. Klippel, received total compensation, including retirement and health benefits, of \$489,457 in 2010, up from \$441,411 in 2009.

ARTHRITIS FOUNDATION, INC.
NATIONAL OFFICE

Statement of Activities

Year Ended December 31, 2012 with Summarized Financial Information for the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
Operating Activities					
Direct response marketing contributions	\$ 13,913,615	\$ -	\$ -	\$ 13,913,615	\$ 14,396,348
Chartered Entities share of direct response marketing	(4,528,735)	-	-	(4,528,735)	(5,312,052)
National share of direct response marketing	9,384,880	-	-	9,384,880	9,084,296
Corporate contributions	2,839,520	3,793,074	-	6,632,594	8,752,399
Net assets released from restrictions (corporate)	880,138	(880,138)	-	-	-
Chartered Entities share of corporate contributions	(2,258,474)	-	-	(2,258,474)	(1,923,287)
National share of corporate contributions	1,461,184	2,912,936	-	4,374,120	6,829,112
Bequests/planned giving	10,282	486,200	-	496,482	345,199
Other gifts	142,926	330,000	-	472,926	614,790
Total direct public support	10,999,272	3,729,136	-	14,728,408	16,873,397
Chartered Entities research contributions	-	2,550,348	-	2,550,348	3,024,085
Contributed goods and services	282,250	-	-	282,250	171,862
Total public support	11,281,522	6,279,484	-	17,561,006	20,069,344
Government grants	622,449	-	-	622,449	548,922
Endowment return appropriated for current operations	-	299,559	-	299,559	210,522
Investment income appropriated for current operations	161,171	473,758	-	634,929	709,073
Advertising	6,292,037	-	-	6,292,037	6,610,860
Sales to the public	2,168,700	-	-	2,168,700	2,664,650
Rental income	510,206	-	-	510,206	692,850
Other income and losses	(744,238)	(91,250)	-	(835,488)	335,022
Other external revenue, gains and losses	9,010,325	682,067	-	9,692,392	11,771,899
Contribution share	7,197,966	156,145	-	7,354,111	8,154,520
Bequest share	7,816,973	1,073,656	-	8,890,629	10,339,322
Technology fees - cost recovery	1,996,732	-	-	1,996,732	1,836,322
Sales and service fees - cost recovery	470,673	-	-	470,673	429,522
Arthritis Today - cost recovery	1,202,731	-	-	1,202,731	1,287,282
Total payments from Chartered Entities	18,685,075	1,229,801	-	19,914,876	22,046,968
Net assets released from restrictions	10,092,065	(10,092,065)	-	-	-
Total revenues, gains and public support	49,068,987	(1,900,713)	-	47,168,274	53,888,211

Table 2: from 2012-National-Office-Audited-Financials.pdf