

## A Call to Action – June 4, 2008

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Dear Sigma Xi Colleague:

Recently a group of NC State University Sigma Xi Chapter officers and members were joined in a task. The task is one we have felt worthy of our highest attention. We were joined together that day attending to the business of our local Sigma Xi chapter. In our professional careers, many for more than 30 years, we have expressed and shown by personal commitment that we care deeply about “our” Sigma Xi, yet the question arose that day:

“How can we recommend that someone accept membership in Sigma Xi given the apparent current fiscal and leadership condition of the Society?”

We had concerns that we might be perpetuating a myth or even worse--intentionally causing someone to engage in an action that person might not take if that person knew what we believe is happening to Sigma Xi as an organization, and, in particular its Headquarters. In short, we still find in our local chapter the expression of higher good we have enjoyed for decades, yet our increasing dissatisfaction with the Headquarters administration of our beloved Society forces upon us a stark vision of the demise of Sigma Xi. However, we believe that the noble goals of Sigma Xi are still as important as ever, but we also believe that assertive, grass roots membership influence is needed to save Sigma Xi. Without that influence, there may soon no longer be a Society. Let us explain.

The question “How can one recommend that someone accept membership in Sigma Xi given the apparent current condition of the Society?” causes us to reflect on the benefits. Besides a fine magazine, *American Scientist*, and the marvelous Grants in Aid of Research program, what we receive is at the local level. Probably as does yours, our chapter has a long history of singling out young scientists for the honor of membership, honoring excellence among early career researchers, seeking out and honoring outstanding middle and high school teachers of science and mathematics, and encouraging, supporting, and recognizing undergraduate involvement in research. Over the years, those activities have been the seed to success for many people so recognized and a source of satisfaction in membership and justification thereof.

Our collective experience of the value of such work has long made us vigorous participants in our local chapter. Yet of this work, what is the input of the Headquarters organization? It may be that you, as we, increasingly feel Headquarters input is less and less, except at dues payment time. Granted and importantly, a portion of dues is returned to chapters by a distribution formula that appears fair. However, the health of the Society and its ability to provide these funds is diminishing. Have you wondered why this may be? The physical proximity of Headquarters to our chapter perhaps makes our concerns about the health of the Society even more acute. We are fortunate to have Headquarters located near us in Research Triangle Park, NC. But we know that its service extends to, and is very important to, all chapters equally. All chapters have reason for concern regarding the health of the Society.

There are some discoverable facts in the public record about the Society and its Headquarters that suggest our Society leadership, the Headquarters, is not engaged in the same mission as we the members in the various chapters. We believe there are actions, perhaps well overdue, that members may take to support correcting this situation.

First, some facts as we understand them to be:

A drastic decline in dues-paying membership has occurred over the last 20 years or so, from about 120,000 members down to less than 60,000. Because dues are the main source of operating income, membership decline means reduced funds available to Headquarters for the Society’s business, including financial support of chapters. In most organizations, the cure for income decline would be to lower overhead and/or increase dues. Sigma Xi has a millstone around its neck preventing ready adoption of such a solution. That millstone is a large debt service and, perhaps more importantly, a leadership that is apparently blind to, and in some cases perhaps even deceptive about, the seriousness of the financial issues the Society faces.

The Society has debt service on the \$9 million Sigma Xi headquarters facility. Debt service in a healthy organization is normally a payment made from operating income. Unfortunately, for each of the last several years Sigma Xi annual expenses exceeded revenues significantly. The headquarters facility is surely a marvelous one with much potential benefit to the Society and its chapters. But there is no escaping the cost associated with the facility. That cost combined with the apparently continuing dues-paying membership decline is causing repeating annual operating deficits.

The IRS Forms 990 filed for the Society since 2000 contain the following information:

(in millions)	2000	2001	2003	2004	2005	2006	2007
Revenues	\$9.6	\$7.3	\$2.9	\$6.2	\$8.1	\$5.7	\$6.0
Expenses	\$5.2	\$5.6	\$6.4	\$6.9	\$6.9	\$7.0	\$7.1
Net Assets	\$21.9	\$19.7	\$14.4	\$15.0	\$14.2	\$13.4	\$13.0

“Net Assets” comprise largely the endowment. To “cover” the shortfalls that began in 2003, part of the corpus of the Sigma Xi endowment has apparently been used to “balance the books”. This practice does not comport with what we believe to have been the intentions of many if not most of the donors. Our endowment was built in large measure by generations of gifts and bequests from members who believe and believed in the work of a local chapter, including such work enabled by Headquarters. We can reasonably infer that they wanted their funds used to continue the activities that have been the hallmark of the Society, not the least of which is the chapter support activities. While a portion of earnings from the endowment might justifiably be used on a short term basis to cover operating deficits, the use of the corpus for such purpose appears to have been a decision of expediency rather than wisdom. Further, even if such use of the corpus were compatible with the intentions of the donors, the drain cannot continue without limit unless there is greater investment success.

Sadly, the investment results for the Sigma Xi endowment have been counter to the history of well-managed similar funds during the last few years. The major portion of the decline in net assets reflects poor investment performance our endowment experienced. Most professional society and university endowment funds declined markedly several years ago in the “dot com” aftermath. Astoundingly however, in the rebound when most such funds showed positive growth that more than regained the losses, Sigma Xi’s endowment performance was dismal to put it most politely. Additionally, raiding the corpus of the fund to close the annual operating deficit is further exacerbating the erosion of the endowment. Our endowment’s dismal investment performance happened not in a declining market but in the highest performing market in recent history! Although the board did change fund managers, the still unregained loss renders our endowment much less healthy than at the turn of the millennium. Such results suggest mismanagement by the fund manager and lack of exercise of fiduciary responsibility by the board, both demanding absolute transparency, careful examination, and, perhaps, legal action.

The dire financial situation in which the Society finds itself is not aided by an arcane governance structure that disconnects the membership as a whole from Society business except through the connection of delegates, one per chapter, sent to annual meetings of the Society. In fact, decisions that may have led to the current financial situation may in some ways have been enabled by the governance structure coupled with a less than transparent representation of the financial condition of the Society. We believe that immediate attention must be given to changing this governance structure by appropriate amendment of the constitution and bylaws of the Society to provide, at least, for a one member—one vote process of electing officers and directors. Strong leadership by the present Board of Directors in support of such changes is desirable. This is not intended to disparage the service of well-intentioned current and past board members in general. It is rather intended to support the Board leading the change.

The above-described leadership and financial situation amounts to a crisis that calls for the attention of the members. This crisis threatens the ability of the Society to continue its excellent programs such as those already mentioned in addition to the honorific, but important, aspects of promoting Society membership. Our concern about this crisis has led us to provide you with a brief summary of our understanding of the situation. It is our intent to be a part of saving Sigma Xi. To that end, we hope that this call to action will assist members of colleague chapters in finding pertinent financial information about the Society. We hope that it will provoke a member-wide conversation about the future of the Society that has not been possible at an annual meeting. It is our hope that this activity by the membership will encourage greater transparency and accountability, support those board members and staff who favor improved transparency and accountability, and lead to a stronger and healthier Sigma Xi.

Second, some actions to be considered:

As an expression of concern and in honor of outstanding past work by others on behalf of Sigma Xi over the years, you and your chapter colleagues may want to take or be involved in any or all of the following actions:

**1. Examine Sigma Xi's finances**

**a. Review Sigma Xi IRS Form 990s for the past several years:**

Form 990s for 2000-2007 are posted at our chapter website, [www.ncsu.edu/sigmaxi](http://www.ncsu.edu/sigmaxi).

**b. Review the online financial information.**

- Instructions for finding online financial information are on our chapter website [www.ncsu.edu/sigmaxi](http://www.ncsu.edu/sigmaxi). The reports given at annual meetings are to be found at <http://www.sigmaxi.org/meetings/archive/meet.shtml>.
- Ask Headquarters to make all Audited Financial Reports available to all members.

**2. Write to the Sigma Xi Headquarters and request that:**

- a. the Board institute affirmative steps to restore the health of the endowment, including serious consideration of legal action against the fund manager or managers for unprofessional mismanagement of the endowment funds; and
- b. the Board advocate constitution and bylaws revisions necessary to give direct voting privileges to the membership as a whole (one person-one vote as opposed to one chapter – one vote) on officer and board of directors' elections and strategic Society decisions. {Note, for example, that AAAS elects its officers by membership-wide elections, [www.aaas.org/aboutaaas/organization/elections/elections.shtml](http://www.aaas.org/aboutaaas/organization/elections/elections.shtml). }

We recommend that you direct your requests to:

Dr. Jerome F. Baker, Executive Director ([jbaker@sigmaxi.org](mailto:jbaker@sigmaxi.org))  
 Sigma Xi, The Scientific Research Society  
 P.O. Box 13975  
 3106 East NC Highway 54  
 Research Triangle Park, NC 27709  
 Fax: 919-549-0090

We would very much appreciate a copy of your request being sent to us at: [sigmaxi@ncsu.edu](mailto:sigmaxi@ncsu.edu) .

Please make every effort to make these requests as soon as possible.

**3. Build "active" membership**

Make a special effort to encourage "active" (dues-paying) members of your chapter to continue. Invite and encourage "inactive" (non dues-paying) members to renew. The Society needs members now more than ever to assure viability. Appeal to the sense of opportunity members have to advance the well being of science by encouraging and supporting excellence in scientific research. Stress the importance of a wisely-led Society and a well-managed Headquarters in making that opportunity easily and efficiently available. Headquarters will provide your chapter with listings of members of your chapter in both categories ("active" and "inactive"), complete with the most recent known contact information.

**4. Review drafts of a Resolution A, regarding the governance structure, and a Resolution B, regarding the endowment.**

The draft resolutions are posted on our chapter website ([www.ncsu.edu/sigmaxi](http://www.ncsu.edu/sigmaxi)). Guidance as to their contents will be appreciated. We intend to submit the resolutions to Executive Director Baker in accordance with the Bylaws no later than 150 days – that would be June 20 --in advance of the next Annual Meeting (November 20), so your guidance provided no later than June 15, 2008 will be most useful. Please send any comments to [sigmaxi@ncsu.edu](mailto:sigmaxi@ncsu.edu).

**5. Send a delegation prepared to influence change in the Society to the next Annual Meeting to be held November 20-23, 2008 in Washington, DC.**

(See [www.sigmaxi.org/meetings/annual/index.shtml](http://www.sigmaxi.org/meetings/annual/index.shtml))

Note: You have received this call to action via an email posting using a listserv to which the 319 known chapter contacts are subscribed. If you wish to reply with a posting to all chapters represented on the listserv, you may post your reply back to the listserv using the "from" address on the email message (SX-chapters@lists.ncsu.edu). If you wish to reply or seek information from the NCSU chapter, send your email to [sigmaxi@ncsu.edu](mailto:sigmaxi@ncsu.edu) .