The Society's Trust Funds
AND THE
National Speleological Foundation

The Board of Governors has recently taken action on a number of items which concern the Society's long-range finances. A new organization called the National Speleological Foundation has been created, and the Endowment Fund, Headquarters Fund, and Ralph W. Stone Research Fund have been transferred from the Society to the Foundation. Also, some changes have been made in the deposits the Society makes in these three Trust Funds, and the procedures under which money is returned from the Funds have been formalized.

Why Trust Funds?

Before getting into a discussion of the changes, it might be a good idea to review the two main reasons the Society has Trust Funds at all.

First, the Trust Funds service our Life members. When the Society accepts a payment for a Life membership, it also accepts a responsibility. Although the payment looks big (especially to the member who pays it), it’s going to have to last a long time, because the Society is committed to furnishing the member with all the things a Regular member will get for thirty or forty years.

It is obvious, therefore, that although generally Life members (like all other members) are assets to the Society, financially they are a liability. This liability is offset by the Life membership payments, which must be invested in such a way that the Society gets enough back every year to pay for the services given to Life members. Further, these payments must grow enough to take care of future increases in the cost of these services. Once we have Life members, therefore, the Society must have some sort of a fund to take care of them. This is the Endowment Fund.

The second reason for Trust Funds has to do with long-range goals. In general, the activities of the Society are paid for out of each year’s income, which is mainly membership dues. Some things which would be desirable, unfortunately, need more money than we could ever get out of a single year’s income. These include a permanent headquarters and a substantial research program. Although such goals are definitely secondary to publications and many other services, it is sometimes possible to set aside small amounts for these long-range projects. Electing to use money for deferred rather than immediate services is always a painful process, and it would be unfair and usually unwise to spend it later for other things. This, then, is the reason for the Headquarters and Research Funds.

Why a Foundation?

Until recently, the Trust Funds were administered by the Society’s Trustees, a group made up of past Presidents and a treasurer. Although this system has worked quite well, there was some thought that it was time it was re-examined. For one thing, since every couple of years a new member was added, the group was tending to become unwieldy. Also, although the Trustees controlled the Funds, the Board of Governors, through the By-Laws, controlled the Trustees. It would always be possible that some future Board might, either through ignorance or design, decide in a moment of haste to use the Trust Funds for purposes other than those for which they were intended. Although this was a rather remote danger, it might be sufficient to inhibit future Boards, as well as outside benefactors, from making deposits in the Funds.

Another weakness in the old arrangement had to do with its administration. Formerly, the Funds were quite small, and no one had to worry about them. They have, however, grown considerably in the past few years and now amount to about $32,000 (NSS NEWS, July 1964, p. 80). As the Society continues to grow, the Funds will too. It was apparent that an ever increasing amount of time and effort would have to be put into their management. This would be difficult under the old set-up since most of the Trustees were involved in numerous other Society matters, and there was no mechanism for bringing in people who were especially skilled or interested in the management of the Funds.

It seemed desirable, therefore, to somehow separate the Funds from the working finances of the Society and, at the same time, to provide for the increasing amount of attention that they will require. There were two ways of doing this. The Funds could be turned over to a bank to be held in trust for the Society. This, however, would be expensive, and Society members would have little control over their investment. The other way would be to establish a separate organization which would hold the Funds under agreements with the Society. Such an organization would fulfill the same functions as a bank but at less cost and with more attention to the needs of the Society. This was finally done. The organization which was formed, called the National Speleological Foundation,
is made up of seven Society members who were elected (as will be its future members) by the Board of Governors of the Society. The Trust Funds have been transferred to the Foundation where they will be administered according to Trust Agreements which have been adopted by the Board.

A lot of thought went into this arrangement before it was finally adopted, and many opinions were expressed. Frankly, there are a number of members who are still opposed to the idea; they still believe that the Society has surrendered too much control over the Funds. Only time will tell how well it will work out. It should be noted that, if it proves to be disadvantageous to the Society, there are ways (some of which are discussed below) in which the Society can recover the Funds.

Others of us, however, feel that the Foundations should provide the mechanism for obtaining donations and bequests for the Funds, as well as added income and capital appreciation. Certainly the Trustees of the Foundation, by consenting to serve, have indicated their interest in pursuing these objectives.

The Trust Agreement

Trust Agreements have been written and adopted which will govern the way the Foundation will handle the Funds. There is a separate Agreement for each Fund, and all are for five-year terms. The Society can get back any or all of the Funds by a 2/3 vote of the Board at the 1968 and 1969 conventions. By a 2/3 vote at any three consecutive conventions it can always get the money back. All of the Agreements provide for loans back to the Society (with the approval of the Foundation), and an annual report is required.

There are some differences between the three Agreements. The Endowment Fund is described as

being for the maintenance of Life members, and $5.25 (75% of Regular dues) is automatically returned from income every year for each Life and Honorary member. Any money which accumulates in the Endowment Fund in excess of what is needed for Life members may be transferred to another Fund. The Research Fund Agreement provides for all the income and, at times, part of the principal to be available to the Society. The yearly income from the Headquarters Fund is also available to the Society and the principal of this Fund may be used to purchase a permanent home for the Society.

There are other things in the Agreements but these are probably the more important.

Current Society Policy

It should be emphasized that there is nothing in the Trust Agreements that requires the Society to deposit money in the Funds, nor does the Foundation have any control over this. Deposits are entirely up to the Board, and the amount that goes into the Funds will undoubtedly vary from year to year.

Present policy is for the Society to deposit $200 in the Endowment Fund for each new Life and Honorary member, less any amounts already put in for members who were Sustaining. All Sustaining dues over Regular dues will also be deposited.

In the past the Society has also deposited in the Endowment Fund all of the money received from the sale of non-current Society publication. Neither the Headquarters Fund nor the Research Fund received any regular contributions. This money was deposited in the Endowment Fund because of that Fund’s secondary purpose: to eventually help defray the office expenses of the Society. To avoid confusion, this secondary purpose has been transferred to the Headquarters Fund, where it is more compatible with the fund’s primary purpose. The Board has therefore voted to deposit 75% of the publication sales income in the Headquarters Fund and the remaining 25% in the Research Fund. Also, 10% of the profits from the sale of symbolic devices will go into the Research Fund. This gives the Research Fund a small but steady source of deposits.

The income from the Headquarters Fund may someday be used for office expenses, and that from the Research Fund will support our research program. These Funds are now quite small, however, and the Board will probably continue to allow the income to accumulate, while paying all office and research expenses out of current general Society income.

Henceforth, the Endowment Fund’s sole purpose will be to maintain Life members, and no special contributions should be needed. Such contributions, in the future, will be directed to the Headquarters and Research Funds.