

An Introduction to the National Speleological Foundation

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The National Speleological Foundation is the investment “arm” of the National Speleological Society. For more than half a century, the Foundation’s principal role has been to protect, invest, and grow the NSS Life Member Trust Fund, currently valued at over \$2 million. However, the Foundation also manages approximately \$1 million of other special-purpose NSS funds, \$1.5 million of funds for other affiliated caving organizations, and \$0.5 million from gifts made directly to the Foundation for specific speleological purposes.

The National Speleological Foundation was created in 1964 at the behest of NSS founder Bill Stephenson. As explained in the January 1965 *NSS News*, at that time Society’s three trust funds—a Life Member Endowment Fund, a Headquarters Fund, and the Ralph W. Stone Research Fund—together were worth about \$32,000. Like today, when a caver paid to become a life member, the Society took on a financial liability: the obligation to provide that caver with all the services of regular membership for the rest of her life. To do that, the Society needed (and still needs) to invest those life member dues so that they will grow enough to pay regular dues for that caver’s lifetime, including any dues increases.

Before 1964, the NSS’s trust funds had been managed by former presidents of the Society. But Stephenson recognized that they lacked expertise in investing. As a result, the Society created a separate legal corporation—the National Speleological Foundation—to manage its funds, and it appointed knowledgeable cavers as the Foundation’s trustees. And as the *NSS News* delicately noted, another advantage was that this structure would prevent “some future [NSS] Board . . . , either through ignorance or design, . . . in a moment of haste to use the Trust Funds for purposes other than those for which they were intended.”

The Society and the Foundation entered into agreements to govern how the Foundation would manage the Society’s funds and return payments to the Society. For the Life Member Fund, the original agreement provided that each year, the Foundation would pay the Society 75% of the regular dues for each life member. As the Life Member Fund has grown over the decades, the agreement has been updated to have the Foundation return 100% of regular dues. Today, with about 2,000 life members and regular dues set

at \$50 annually, the Foundation returns over \$100,000 to the Society every year, all from that same Life Member Fund whose total value was less than \$30,000 when the Foundation was formed.

Using the Society’s other special-purpose funds, the Foundation reimburses the Society for certain expenses related to research grants, domestic and international exploration grants, publications, nature preserves, awards, etc.

Those agreements also allow the Foundation to make loans to the Society from the Society’s own funds, under certain conditions. For example, in 2003 the Foundation loaned the Society approximately \$175,000 from the Life Member Fund to buy Great Expectations Cave Nature Preserve, which mortgage loan the Society paid back ahead of schedule. In 2016, the Foundation loaned the Society \$345,000 from the Life Member Fund to refinance the headquarters property, and the Society is on track to pay back that mortgage loan ahead of schedule, too.

Occasionally, the Life Member Fund has grown beyond the amount thought necessary to fund future life member dues, and the Foundation has been able to release those excesses to the Society for other purposes. In 1998, for example, the Life Member Fund had an excess of \$125,000 that the Society used to create the NSS Publication Fund and to add to a previous NSS endowment fund.

Originally, the trustees of the Foundation were selected by the Society. However, in 1994 the Society and the Foundation agreed that the Foundation needed a greater measure of independence, and the Foundation’s board of trustees became self-perpetuating. Now the board elects its own trustees for 5-year terms, based on trustees’ skillsets and the Foundation’s and the Society’s current needs. Legally, the Foundation remains a “supporting organization” for the NSS and derives its tax-exempt status from its close affiliation with the Society. Every Foundation trustee is required to be an NSS member, and the Foundation frequently meets in conjunction with the NSS (including every year at the NSS convention).

The Foundation has entered into agreements with other NSS-related organizations to manage their endowment funds, too. These other clients of the Foundation are the Cave Research Foundation, the Karst Waters Institute, the Richmond Area Speleological Society, the Cave Conservancy of the Virginias, the Robertson Association, the Northeastern Cave Conservancy, the Michigan Karst Conservancy, the Cave Conservation Foundation, and the Virginia Region of the NSS.

In 2000, the Foundation received a \$100,000 unrestricted bequest from the estate

of former NSS President Eugene Vehslage. The Foundation has grown those funds, and it uses them for a modest speleological grant program. Those grants have helped fund academic research, cave acquisitions, cave outreach programs, and special projects of the NSS, for example. More recently, the Foundation donated \$210,000 of its own funds to the Society for the headquarters project and provided additional collateral for the Society’s original purchase of the headquarters property. Over the years, the Foundation has received other gifts used to create funds for specific purposes, including the NSS (conservation) Support Fund, the Gurnee Library Fund, the National Cave and Karst Management Symposium Fund, and most recently, the NSS Permanent Endowment Fund (described elsewhere in this issue).

While the Foundation cannot guarantee investment performance, it aims to operate prudently. For example, the Foundation issues quarterly reports, is audited annually by an independent auditor, and maintains crime insurance (i.e., “bonding”) of individuals who have signature authority over its accounts. The Society and other organizations pay a quarterly maintenance fee of 0.045% (4.5 basis points) for the Foundation’s services.

The trustees of the Foundation are all NSS cavers with relevant business or professional experience. They include investment advisors and brokers, bankers, accountants, lawyers, investors, and former NSS Presidents. Like the NSS directors, the Foundation trustees are all volunteers and are neither paid nor reimbursed for attending meetings. The current Foundation trustees are:

- Ted Kayes, NSS 6122, President
- Janet Thorne, NSS 8261, Vice-President
- John Scheltens, NSS 10886, Secretary
- Bert Ashbrook, NSS 25104, Treasurer
- Larry Southam, NSS 6743
- Roger McClure, NSS 2057
- Gordon Smith, NSS 8847
- Blake Jördan, NSS 43030
- Doug Soroka, NSS 17692
- Dean Snyder, NSS 17870
- Kate Bach, NSS 43069
- Jeanne Gurnee, NSS 1908, trustee emeritus
- Joel Stevenson, NSS 14246, trustee emeritus

The Foundation is always seeking cavers with relevant experience to serve as trustees. For more information about the Foundation, attend our meeting at the NSS convention or visit www.speleofoundation.org.