

**The Mellam Family Foundation
2000 Annual Report**

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The Mellam Family Foundation is a private foundation established in 1987 by Laural D. Mellam (1905-1993) in memory of her late husband, Leo L. Mellam (1906-1985). Mr. Mellam was the founder of Flexi-Van Corporation. In the transportation industry, he is widely known as the “father of containerization”, having developed the model for containerized freight transportation now in use throughout the world. While successful in his business endeavors, Mr. Mellam never forgot his pioneer roots and rural upbringing in Broken Bow, Nebraska. He traveled home often to be with his ailing mother, Jennie Melham. It was during these visits that the Mellams began to understand the challenges of providing modern medical care in rural America. After the death of Jennie Melham in 1970, Mr. and Mrs. Mellam began working with the community of Broken Bow to establish the Jennie M. Melham Memorial Medical Center on the site of the family farm. Since its opening in 1972, the Medical Center has continuously expanded its facilities and the services it offers, and now serves as a model center for other rural communities. The Foundation has continued the Mellam’s tradition of philanthropic activities, and expanded its areas of interest beyond providing rural medicine to include new areas, such as medical and scientific research, education, social service programs and the environment.

The Mellams held dear the everyday principles by which the first settlers lived their lives: loyalty and devotion to family, charity and brotherhood with our neighbors, and service to our community. These are the principles that continue to guide the Foundation today.

Message from the Executive Director

This past year marked the thirteenth anniversary of the Foundation and over that time we have made grants totaling over 1½ times the original, \$3M endowment. Having a full-time Director allowed us to significantly increase the number of grants made this past year and to initiate some new program areas which you'll read more about later in this report. We've also continued the process of getting more focused on the needs of the local communities in which our Advisory Board members and staff reside. Networking with community leaders and other family foundations in the San Francisco Bay Area and beginning to work with the local community foundations has helped us in this regard. We will continue and expand on these efforts in the coming year.

Another first during the year was the establishment of the Mellam Family Foundation website at www.mellam.org. The website has improved our ability to communicate our areas of interest and grant guidelines to potential grant seekers. Additionally, the website has allowed us to meet our fiduciary responsibility of making widely accessible our tax return, annual report and other information of interest to the public. Lastly, the website includes links to all of our grantees allowing visitors who wish to learn more about these organizations to quickly "click" to the appropriate site.

During the year we also began the very first steps in involving the next generation of family in the business of the Foundation. This involved participation on a site visit to a potential grantee and volunteering at one of our existing grantees. While these are small steps, we believe they are important in teaching the values of our founders and look forward to continuing these activities in the coming years.

I feel very proud of our accomplishments this past year. As an Advisory Board we've had more substantive discussions on philanthropy than at any time in recent memory. We have also revalidated the intent of our founder, Loral Mellam. I have found these discussions invigorating and a validation of my decision to pursue this line of work. I look forward to another year of grant making that will set new records for the Foundation.

Tracy Rogers
Executive Director

January 2001

Grant Programs

During 2000, the Foundation made grants in the areas of medical and scientific research, education, the environment and social services. Regionally our grant making focused more on organizations based in California and the San Francisco Bay Area in particular as compared to prior years. California accounted for close to 50% of all grant dollars and nearly 70% of Social Service grant dollars. New grant programs were begun in the areas of scientific research, public schools and organization capacity development. Specific grants and their objectives are outlined below.

Medical and Scientific Research

Grants in this area are focused on diseases and other scientific research of particular interest to the Foundation. For medical research, emphasis is on finding a cure, developing new treatments and improving the quality of life of individuals afflicted with these diseases. Additionally, the Foundation has begun to support graduate-level physics programs helping to attract the best minds to this important, and often under-funded, research area. (Total grants \$179K)

American Heart Association, Los Angeles, CA. \$21,500 to support a pre-doctoral research fellowship. These fellowships are intended to inspire individuals to initiate careers in cardiovascular research and to support students conducting doctoral dissertation projects that broadly relate to the cardiovascular area, including stroke.

Arthritis Foundation, New York, NY. \$15,000 to support six summer student fellowships. These fellowships help promote entry of medical and graduate students into the field of rheumatology. This summer's fellows attended: Fordham University, Hospital for Special Surgery, Columbia University, Schneider's Children's Hospital, and The Graduate Center – City University of New York.

Glaucoma Research Foundation, San Francisco, CA. \$30,000 to help support the second year of Dr. Benowitz's research project "Retinal ganglion cell survival and axon regeneration after optic nerve damage". Dr. Benowitz, working at the Lab for Neuroscience, Children's Hospital at Harvard Medical School, is researching restoration of the optic nerve due to damage caused by glaucoma. Until now, it was believed that glaucoma can be arrested but that damage done is irreversible.

National Breast Cancer Coalition Fund, Washington, DC. \$30,000 to support the Clinical Trials summit, "Increasing accessibility; Ensuring the best science", scheduled for January 2001. The Summit will bring together scientists, ethicists, advocates, and representatives from private industry and the FDA to engage in facilitated brainstorming and strategic thinking about clinical trials. They will be addressing issues such as: decreasing barriers to accrual, designing trials to get the best science, increasing clinical research in the adjuvant setting, and rethinking the standard of care.

Rockefeller University, New York, NY. \$20,000 to help support the investigation of Alzheimer's disease in the laboratory of Dr. Paul Greengard. This is the second year of funding for this investigation conducted in the Fisher Center on Alzheimer's Disease. Dr. Greengard's team is studying the role of estrogen, testosterone, and the apolipoprotein E gene in the development of β -amyloid proteins, the major component of the senile plaques that are a hallmark of the Alzheimer-affected brain.

Stanford University, Stanford, CA. \$32,656 to support a post-doctoral fellowship in the Institute for Theoretical Physics. The goal of the fellowship is to help build the critical mass of graduate students needed to ensure the generation of new ideas. This is the first year of a three-year, \$97,968 commitment.

University of Washington, Seattle, WA. \$20,000 to support graduate fellowship stipends in the Department of Physics. The objective of the fellowships is to assist in recruiting and retaining the best and brightest students thereby strengthening the overall graduate program. This is the first year of a three-year, \$60,000 commitment.

VZV Research Foundation, New York, NY. \$10,000 to support public education programs. The Varicella-Zoster Virus (VZV) is the virus that causes chickenpox, shingles and post-herpetic neuralgia (PHN). Early detection and treatment of this disease is paramount to reducing the severity and duration of the symptoms. This program works to educate both the medical community and the lay public on how to recognize the symptoms and the treatments available.

Education

Grants in this area are focused primarily on improving educational opportunities for minority students from elementary school through college. Additionally, the Foundation supports medical training in the areas of rural practice and humanism. The Foundation has also begun to support programs to improve our public schools. (Total grants \$220K)

American Indian College Fund, Denver, CO. \$20,000 to support scholarships at the tribal colleges.

Arnold P. Gold Foundation, Englewood, NJ. \$20,000 to support Student Summer Research Fellowships allowing first year medical students to work with faculty mentors on a variety of community health issues. Students from the following schools participated in the program: Columbia University College of Physicians and Surgeons, Cornell University Weill College of Medicine, Howard University College of Medicine, New Jersey Medical School, New York University School of Medicine, Robert Wood Johnson Medical School, and Tufts University School of Medicine.

Children's Storefront, New York, NY. \$25,000 to support the Renovations 2000 project (\$15K) and general operating support (\$10K) for the ongoing mission of this innovative, tuition-free elementary and middle school in Harlem.

Council On Foundations, Washington, DC. \$1,830 to support their membership programs that promote and enhance responsible and effective philanthropy.

Dartmouth College, Hanover, NH. \$20,000 to support a minority scholarship for the 2000-2001 school year. This is the last year of a three-year, \$60,000 commitment.

Maui Tech Ready, Kahului, Maui. \$10,000 to support expanding access to computer technology for Maui County public school students and their teachers and enhancing learning opportunities for students through implementation of Project EAST (Environmental And Spatial Technology).

Peninsula Community Foundation, San Mateo, CA. \$15,000 to support the Teacher's Fund. This fund allows teachers, through small grants (less than \$5,000), to implement creative projects in their classrooms.

St. Aloysius School/Child, Inc., New York, NY. \$10,000 to support scholarships to the school. St. Aloysius is a Jesuit based school in Harlem providing programs from pre-school through middle school.

Stanford University, Stanford, CA. \$24,441 to support a minority tuition scholarship for the 2000-2001 school year. This is the last year of a three-year commitment to fund the annual tuition.

Union College, Barbourville, KY. \$5,000 to support financial aid to students attending the college. A large percentage of the students attending the College come from families whose total income is below the nation's poverty line. Many of these students are the first generation to graduate from high school and attend college.

University of Nebraska Foundation, Lincoln, NE. \$25,000 to support two scholarships for the 2000-2001 school year in the Accelerated Family Practice Residency Program at the University of Nebraska Medical Center. This is the second year of a four-year, \$100,000 commitment. The goal of this program is to identify and prepare more doctors interested in practicing rural medicine.

University of Puget Sound, Tacoma, WA. \$20,000 to support four minority scholarships for the 2000-2001 school year. This is the third year of a four-year, \$80,000 commitment.

University of Southern California, Los Angeles, CA. \$23,640 to support a minority tuition scholarship for the 2000-2001 school year. This is the third year of a four-year commitment to fund the annual tuition.

Environment

Grants in this area are focused on protecting wilderness areas and supporting grass-roots organizations interested in keeping our rivers, bays and coastal waters clean and safe. Additionally, the Foundation has begun supporting programs to increase the capacity of local land trusts and to build the capacity of more established organizations in new locations. (Total grants \$140K)

Surfrider Foundation, San Clemente, CA. \$25,000 to support continued rollout and implementation of the Beachscape Program (particularly at the intermediate level). Beachscape is a citizen-based coastal mapping program to create a detailed dataset of the coast and thereby facilitate sustainable coastal management.

The Trust for Public Land, San Francisco, CA. \$50,000 to support programs building local capacity and partners in the Sierra Nevada (\$15K) and funding for a Development/Communications position in the Hawaii field office (\$35K). Both grants aim to increase the long-term effectiveness of conservation efforts in the Sierra Nevada and Hawaii.

WaterKeepers, San Francisco, CA. \$25,000 to support phase II of the Pesticide Use Reduction Project. The goal of this project is to win and defend revocation of state regulations which currently exempt agricultural runoff from regulation under state water quality laws.

The Wilderness Society, Denver, CO. \$40,000 to support the development of RoadNET (Road Network Evaluation Tool) software. RoadNET will provide a decision support system to evaluate the ecological, economic and management implications of a road network thereby promoting responsible, appropriate stewardship of our public lands.

Social Services

Grants in this area cover a broad range of community issues of interest to the Foundation. Broadly stated they cover the areas of: youth programs, programs for the disabled, hunger relief, affordable housing, nutritional programs, and disaster relief. (Total grants \$196K)

American Red Cross, Washington, DC. \$10,000 to support disaster relief - \$5,000 each for their domestic and international relief efforts.

Big Brothers/Big Sisters, San Francisco, CA. \$15,000 to support the Violence Prevention Program. This program provides training to mentors to help mentees develop skills to resolve conflicts in a peaceful, non-violent manner.

City Harvest, New York, NY. \$15,000 to support Operation FrontLine. In partnership with Share Our Strength, this program helps low- or no-income individuals gain or improve their self-sufficiency by teaching them to maximize their food resources.

God's Love We Deliver, New York, NY. \$10,000 to support Break Away: The Alternative Break Connection program. This volunteer service program gives college students across the United States the opportunity to work with GLWD and perform community service during their college vacation periods.

Habitat for Humanity, New York, NY. \$15,000 to support four AmeriCorps volunteers. The AmeriCorps volunteers are critical to Habitat's success – working on the build sites and serving as the leaders/trainers of the local volunteer (as well as future homeowner) builders.

The Hole in the Wall Gang Camp, *New Haven, CT*. \$10,000 in general operating support. The Camp is a residential camp for children with cancer or other serious blood diseases.

Make A Wish Foundation, *San Francisco, CA*. \$25,000 to support their Adopt-a-Wish program. We were able to underwrite the wishes of two young children who are battling life-threatening illnesses.

PARCA, *San Mateo, CA*. \$6,000 to support maintenance, repairs, and program operating supplies and training for the REACH (Recreational Experiences for All Children) program.

Peninsula Community Foundation, *San Mateo, CA*. \$10,000 to support the Community Leadership Training Program. This program is part of the Peninsula Partnership for Children, Youth, and Families. The Training Program is a forum created to provide high-quality, low-cost workshops and training to strengthen the skills of service providers and staffs of organizations that serve young children and their families in San Mateo County.

Peninsula Habitat for Humanity, *San Mateo, CA*. \$20,000 to support seven AmeriCorps volunteers. The AmeriCorps volunteers are critical to Habitat's success – working on the build sites and serving as the leaders/trainers of the local volunteer (as well as future homeowner) builders.

Project Open Hand, *San Francisco, CA*. \$20,000 to support the Homebound Critically Ill program which provides prepared meal services to people who are under 60 years of age, homebound and seriously ill.

Season of Sharing Fund, *San Francisco, CA*. \$5,000 to support the Fund, which, through a network of community service agencies, provides assistance to people living at or below Bay Area poverty levels. The majority of assistance goes towards housing and other critical needs.

Second Harvest Food Bank, *San Jose, CA*. \$15,000 to expand the Community Nutrition Program. This grant builds on last year's effort to initiate in-house digital-video production capabilities by now applying these skills and tools to the teenage nutrition education program and increasing the quantity and accessibility to nutrition/food safety videotapes in different languages for member agencies.

Youth and Family Assistance, *Redwood City, CA*. \$20,000 to support the maintenance and expansion of the Peer Mentor Project of the Redwood City Youth Health Center.

Performance Metrics

The Foundation's assets finished the year at \$20.4M, down 6.8% for the year after grants, expenses and changes in asset value. This compares with a 13.2% increase in assets experienced during 1999. Net change in assets for the year was a loss of \$1.5M compared to a gain of \$2.6M in the prior year. Total operating activity (grants and administrative expenses) was \$0.9M, unchanged from the prior year. Total investment activity was a net loss of \$0.6M, substantially off from a gain of \$3.5M in the prior year. A substantial decline in the market value of technology stocks, which at year-end accounted for 17% of our equity investments, contributed to much of this year's decline in asset value.

Key Metrics

	2000	1999	% Change
Year-end Total Assets (K\$)	20,433	21,915	-6.8
Qualifying Distributions (K\$)	903	903	0.0
Grants (K\$)	735	750	-2.0
Distribution ratio (%)	4.2	4.5	-6.7
Average Grant Size (\$)	17,500	21,400	-18.2
Number of Grants	42	35	20.0

Excluding grants and expenses, total return on the investment portfolio was -2.5% for the year compared with 18.7% for the prior year. This compares with an asset weighted benchmark performance of -4.3%. Domestic equities, the largest component of our portfolio, had a total return of -4.9% compared to an S&P 500 total return of -9.1%. We continue to review our investment guidelines and work with our investment managers to maintain, or increase, the real value of our assets over time.

Asset Class Returns for 2000

	Total Return	Benchmark Return	Benchmark
Domestic Equities	-4.9%	-9.1%	S&P 500
International Equities	-22.2%	-13.9%	F.T. World X-US Index
Fixed Income	9.7%	11.8%	LB - G/C
Cash Equivalents	5.9%	6.0%	3 Month T-Bill
Total Portfolio	-2.5%	-4.3%	Asset weighted

Despite the relatively poor performance of the portfolio, grants and qualifying expenditures exceeded the IRS minimum required payout. The distribution ratio was 4.2% for 2000, down slightly from 4.5% in the prior year. Grants totaled \$735K for the year, a decline of 2% compared with prior year grants of \$750K. Grants accounted for 81% of qualifying distributions in 2000 compared with 83% in the prior year. Administrative expenses increased year over year due to having paid staff for the full year, rather than ten months as in the prior year. The number of grants increased 20% to 42 as compared to 35 in the prior year while the average grant size decreased 18% to \$17.5K from \$21.4K in the prior year.

As mentioned in the section on grant programs, California – and the San Francisco Bay Area in particular – continues to account for a larger portion of the Foundation's grant dollars at about 50% and 32% respectively. This outcome is by design as the Foundation has begun to focus its efforts in the communities where the majority of the Advisory Board and staff reside. Grants to organizations operating in New York (19%) and Hawaii (6%) are the next largest concentrations of grant dollars. Medical research grants will continue to seek out the best researchers and therefore will be less constrained geographically.

Grants by Geography

(K\$)	2000	1999	% Change
California	348	250	39.2
New York	140	220	-36.4
Hawaii	45	10	350.0
Other	202	270	-25.2

Financial Statements

Statement of Financial Flows and Change in Assets

	Year ending December 31,			
	1997	1998	1999	2000
Operations activity				
Compensation (Trustees & Officers)	(53,386)	(59,394)	(140,450)	(154,864)
Other salaries & wages	-	-	-	-
Printing & pubs	(60)	(65)	(70)	(75)
Other exp	(750)	(750)	(6,048)	(6,319)
Taxes	-	-	(5,955)	(6,419)
Grants	(401,000)	(487,111)	(750,137)	(735,367)
Total	(455,196)	(547,320)	(902,660)	(903,044)
Investment activity				
Dividends and interest	471,417	638,792	557,259	485,234
Realized gains(losses)	54,753	1,260,725	853,149	1,260,303
Unrealized gains(losses)	2,474,837	1,024,143	2,150,297	(2,283,429)
Investment fees	(26,688)	(29,696)	(28,559)	(27,432)
Additions(deletions) to(from) capital	-	-	(1,408)	-
Taxes (excise plus foreign)	(24,415)	(49,012)	(66,309)	(13,800)
Total	2,949,904	2,844,952	3,464,429	(579,123)
Net change in assets	2,494,708	2,297,632	2,561,769	(1,482,168)
Beginning assets	14,560,788	17,055,496	19,353,128	21,914,897
Ending assets	17,055,496	19,353,128	21,914,897	20,432,729

Balance Sheet

	Year ending December 31,			
	1997	1998	1999	2000
Assets:				
Cash and cash equivalents	771,759	903,988	694,037	647,626
Investments:				
Fixed Income	3,327,875	4,991,253	4,112,811	4,333,761
Equities	12,817,651	13,365,176	17,021,599	15,451,342
Convertible securities	138,211	92,711	86,450	-
Total Investments	16,283,737	18,449,140	21,220,860	19,785,103
Total Assets	17,055,496	19,353,128	21,914,897	20,432,729
Asset Restrictions:				
Restricted (b)	100,000	260,000	201,000	196,312
Unrestricted	16,955,496	19,093,128	21,713,897	20,236,417
Total Assets	17,055,496	19,353,128	21,914,897	20,432,729

Financial Statements (cont.)

Notes

- (a) Basis of Accounting: Financial statements have been prepared on a cash basis. Revenue (investment returns) is recognized when received and grants and expenses are recognized when paid. Investments are recorded on a trade date basis and are carried at fair value. The Foundation is a private foundation and is subject to an excise tax on its net investment income.
- (b) Restricted assets represent the balance of committed multi-year grants as follows:

	Year ending December 31,			
	1997	1998	1999	2000
Cold Spring Harbor Laboratory	100,000	50,000	-	-
Stanford University		47,000	24,000	65,312
Dartmouth College		40,000	20,000	-
University of Puget Sound		60,000	40,000	20,000
University of Southern California		63,000	42,000	21,000
University of Nebraska			75,000	50,000
University of Washington				40,000
	<u>100,000</u>	<u>260,000</u>	<u>201,000</u>	<u>196,312</u>

Foundation Directory

Advisory Board

Marilyn Rogers

Timothy Rogers

Tracy Rogers

Holly Rogers

Clay Rogers

Barry Waldorf

Officers

Marilyn Rogers, *President*

Tracy Rogers, *Executive Director*

Contact Information

Mellam Family Foundation
PO Box 610091
Redwood City, CA 94061
Email: mellamff@aol.com

www.mellam.org

Information for Applicants

The Mellam Family Foundation is a private foundation that makes grants only to organizations that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code. No grants are made to individuals. In general, grants are not made to large, public charities such as The United Way.

Requests for endowments are discouraged. Grant requests should be made within the \$5,000 to \$50,000 range. Where practical, and especially for first time requesters, the Foundation conducts site visits either in advance of or in response to a request for funding.

Grant Application Procedures

The Foundation has no formal application form and will receive proposals in any format that is comfortable for the applicant. Within this context, a proposal should include the following:

- An executive summary (one page or less) of the project being proposed. This should include the project's goals, timeframe, overall budget, requested funding amount, other possible funding sources, staffing plans and a proposed evaluation method.
- A detailed description of the overall organization, including its history and other programs offered. How the proposed project fits into the overall mission of the organization should be described.
- A detailed description of the project under consideration. This should include a detailed budget, target population, key staffing requirements, evaluation plans and expected goals. Evidence of community need and support of the project is desirable.
- Supporting documentation: Copy of current 501(c)(3) determination letter from the IRS, most recent audited financial statements, current year operating budget and sources of revenues, current list of Foundation and Corporate supporters (including amounts), list of directors and officers of the organization. Annual report if one is published and most recent long term strategic plan if available.

All requests for funding should be mailed to the Foundation's address above. Requests may be emailed to the Foundation so long as they are followed up with a hard copy in the mail. Advisory Board meetings to decide on funding occur near the end of each calendar quarter. Generally, funding decisions are made within a month or two of receipt of a proposal. Decisions are communicated in writing to the requesting organization.