

**The Mellam Family Foundation  
2001 Annual Report**

## Contents

3	Message from the Executive Director
4	Grant programs
8	Performance metrics
9	Financial statements
11	Foundation directory
11	Applicant information

**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 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

As has been the case with most foundations, we've seen our assets decline over the past two years to levels not seen since early 1998. However, while the financial markets have let us down over the past couple of years, we have maintained our commitment to our grantees. Grants were up 17% in 2001 to a record level of \$860K. Since the Foundation was established we have now given grants totaling over \$5.5M.

This past year also marked our first board retreat, held in the San Francisco Bay Area, where we gathered to re-validate the mission of the Foundation and to meet with selected grantees and philanthropy partners. Based on our discussions, the mission of the Foundation now reads as follows:

*To understand, protect and improve the social and natural environment by providing financial support to non-profit organizations of interest and priority to the trustees. To commemorate, continue and extend the philanthropic legacy of the donors through current and future trustees consisting of a majority of family members.*

Also new this past year was the implementation of a discretionary grant program for each board member. While some board members chose to direct their discretionary grants towards helping those affected by the events of September 11<sup>th</sup>, others allowed us to explore new areas where the Foundation has not traditionally funded.

In addition to my duties as Executive Director, I've been actively involved on the leadership committee of the Family Foundation Giving Network, a collaboration of family foundations on the San Francisco Peninsula. This affiliation, which first started meeting in February 2001, has resulted in several joint-funding opportunities with many more in the works. The objective of the network is to improve the grant making effectiveness of all its members. I believe we are off to a great start.

The state of the economy and the tragedies of September 11<sup>th</sup> and its aftermath, certainly made 2001 a very difficult year. We experienced increasing financial need from our grantees while our assets saw a significant decline in value. 2002 will require difficult decisions to balance ongoing high financial needs by our grantees and a reduced grant budget for the Foundation. Fortunately, we have actively involved board members who continue to challenge each other and give life to our mission statement. I look forward to working with them to solve these challenges over the coming year.

Tracy Rogers  
*Executive Director*

February 2002

## Grant Programs

During 2001, the Foundation made grants in the areas of medical and scientific research, education, the environment and social services. Regionally our grant making continues to focus more on organizations based in California and the San Francisco Bay Area in particular as compared to prior years. California accounted for 53% of all grant dollars, over 96% of Environmental grant dollars, 61% of Social Service grant dollars, and over 40% of Research grant dollars. We increased the number of multi-year commitments we've made in both research and environmental programs and expanded our funding for rural medical training to include the Pacific Northwest. 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 continued support for graduate-level physics programs helping to attract the best minds to this important, and often under-funded, research area. (Total grants \$213K)

**American Heart Association, Los Angeles, CA.** \$25,000 to support stroke research grant awards to faculty and staff at leading research institutions. Part of a matching challenge grant of \$1M from the Bugher Foundation whose goal is to increase by 70% the number of stroke research awards given each year. This is the first year of a four-year, \$100,000 commitment.

**Arthritis Foundation, New York, NY.** \$20,000 to support ten summer student fellowships. These fellowships help promote entry of medical and graduate students into the field of rheumatology. This summer's fellows attended: Cornell University, Hospital for Special Surgery, Columbia University, Schneider's Children's Hospital, Mount Sinai School of Medicine, New York University School of Medicine, and New York University Occupational and Industrial Orthopaedic Center.

**Dartmouth College, Hanover, NH.** \$10,000 to support an undergraduate research fellowship in nanotechnology. This fellowship will allow undergraduate students in the Department of Physics and Astronomy to work on more independent projects rather than in a support role to graduate students and post-doctoral workers.

**Glaucoma Research Foundation, San Francisco, CA.** \$30,000 to help support Dr. Rosenbaum, of the Albert Einstein College of Medicine, perform research to examine the potential of using neural stem and progenitor cells to restore cells damaged by glaucoma.

**National Breast Cancer Coalition Fund, Washington, DC.** \$30,000 to support the Clinical Trials project.

**University of Pittsburgh School of Medicine, Pittsburgh, PA.** \$35,000 to support a post-doctoral fellow performing prostate cancer research in the Department of Urology. This is the first year of a three-year, \$105,000 commitment.

**Rockefeller University, New York, NY.** \$10,000 to help support the investigation of Alzheimer's disease in the laboratory of Dr. Paul Greengard.

**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 second 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 second year of a three-year, \$60,000 commitment.

### **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 also supports programs to improve our public schools. (Total grants \$247K)

**American Indian College Fund, Denver, CO.** \$25,000 to support scholarships at the tribal colleges.

**Arnold P. Gold Foundation, Englewood, NJ.** \$25,000 to support Student Summer Research Fellowships allowing first year medical students to work with faculty mentors on a variety of community health issues.

**Bowdoin College, Brunswick, ME.** \$1,000 matching gift towards the alumni fund.

**Children's Storefront, New York, NY.** \$25,000 in general operating support for the ongoing mission of this innovative, tuition-free elementary and middle school in Harlem.

**Council On Foundations, Washington, DC.** \$2,120 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 2001-2002 school year. This is the first year of a three-year, \$60,000 commitment.

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

**Roundabout Theater Company, New York, NY.** \$10,000 to support their education programs.

**Stanford University, Stanford, CA.** \$25,000 to support a minority tuition scholarship for the 2001-2002 school year. This is the first year of a two-year, \$50,000 commitment.

**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 2001-2002 school year in the Accelerated Family Practice Residency Program at the University of Nebraska Medical Center. This is the third 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 2001-2002 school year. This is the final year of a four-year, \$80,000 commitment.

**University of Southern California, Los Angeles, CA.** \$23,754 to support a minority tuition scholarship for the 2001-2002 school year. This is the final year of a four-year, \$88,977 commitment.

**University of Washington, Seattle, WA.** \$25,000 to support a two-year pilot program using first year medical students to increase the flow of future rural physicians. This is the first year of a two-year, \$50,000 commitment.

## **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 \$165K)

**The Nature Conservancy, San Francisco, CA.** \$20,000 to support ongoing conservation science and planning for the Northern Sierra Nevada. This is the first year of a two-year, \$40,000 commitment.

**Surfrider Foundation, San Clemente, CA.** \$25,000 for ongoing support of the Beachscape Program. Beachscape is a citizen-based coastal mapping program to create a detailed dataset of the coast and thereby facilitate sustainable coastal management. Also, \$5,000 to support media and outreach campaigns for the fight to save Ma'alaea harbor in Maui, Hawaii.

**Truckee Donner Land Trust, Truckee, CA.** \$10,000 to support acquisition of land related to the Donner Memorial State Park expansion.

**The Trust for Public Land, San Francisco, CA.** \$30,000 to support a variety of activities associated with land acquisition plans and conservation financing initiatives in the Sierra Nevada, particularly the Western foothills. This is the first year of a two-year, \$60,000 commitment.

**WaterKeepers, San Francisco, CA.** \$35,000 to support the Toxic Waters Restoration Program.

**The Wilderness Society, Denver, CO.** \$40,000 to support Phase II of the Sierra Nevada project. This project will entail another "run" of the SITES model and development of publications needed to disseminate findings to a broad spectrum of stakeholders.

## **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 \$235K)

**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.** \$20,000 to support their Youth Mentoring programs.

**City Harvest, New York, NY.** \$20,000 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 their recruitment coordinator for the Alternative Break Connection program. This volunteer service program gives over 150 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.** \$20,000 to support a supervisor for the AmeriCorps/Vista 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. Vista volunteers will provide support in key office departments rather than on the construction sites.

**Huega Center, Edwards, CO.** \$500 matching gift towards the Center's programs.

**Make A Wish Foundation, San Francisco, CA.** \$20,000 to support their Adopt-a-Wish program. We were able to underwrite the wishes of young children who are battling life-threatening illnesses.

**The Painted Turtle Camp, Malibu, CA.** \$10,000 to support start-up costs associated with this West Coast member of the Hole In The Wall Gang camps. Planned opening is for Summer 2003.

**Peninsula Habitat for Humanity, San Mateo, CA.** \$20,000 to help support eight 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.** \$20,000 to help fund the salary for the Food Bank's Community Nutritionist in San Mateo County.

**Silicon Valley Urgency Fund, San Jose, CA.** \$10,000 to help address the funding gap experienced by many local non-profit agencies that provide safety net services (emergency food, clothing, shelter, and health services for low-income families and individuals). The Urgency Fund was established by the Skoll Community Fund and the Community Foundation Silicon Valley.

**United Way of New York City/ The September 11<sup>th</sup> Fund, New York, NY.** \$30,000 to support disaster relief efforts in Manhattan.

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

## Performance Metrics

The Foundation's assets finished the year at \$17.8M, down 13% for the year after grants, expenses and changes in asset value. This compares with a 7% decline in assets experienced during 2000. Net change in assets for the year was a decline of \$2.7M compared to a decline of \$1.5M in the prior year. Total operating activity (qualifying distributions of grants and administrative expenses) was just over \$1.0M, up 14% from the prior year. Total investment activity was a net loss of \$1.6M, off from a loss of \$0.6M in the prior year. While equities performed poorly across most of our investment sectors, substantial declines in the market value of health care and technology stocks, which combined accounted for 32% of our equity investments at year-end, contributed to much of this year's decline in asset value.

### Key Metrics

	2001	2000	% Change
Year-end Total Assets (K\$)	17,766	20,433	-13%
Qualifying Distributions (K\$)	1,029	903	14%
Grants (K\$)	860	735	17%
Distribution ratio (%)	5.7	4.2	36%
Average Grant Size (\$)	18,700	17,500	7%
Number of Grants	46	42	10%

Excluding grants and expenses, total return on the investment portfolio was -7.7% for the year compared with -2.5% for the prior year. This compares with an asset weighted benchmark performance of -6.2%. Domestic equities, the largest component of our portfolio, had a total return of -11.2% compared to an S&P 500 total return of -11.8%. We continue to review our investment guidelines periodically and work with our investment managers to maintain, or increase, the real value of our assets over time.

### Asset Class Returns for 2001

	Total Return	Benchmark Return	Benchmark
Domestic Equities	-11.2%	-11.8%	S&P 500
International Equities	-24.8%	-19.5%	F.T. World X-US Index
Fixed Income	7.6%	8.5%	LB - G/C
Cash Equivalents	3.8%	4.4%	3 Month T-Bill
Total Portfolio	-7.7%	-6.2%	Asset weighted

Despite the relatively poor performance of the portfolio, grants and qualifying expenditures exceeded the IRS minimum required payout. The distribution ratio was 5.7% for 2001, up from 4.2% in the prior year. Grants totaled \$860K for the year, an increase of 17% compared with prior year grants of \$735K. Grants accounted for 84% of qualifying distributions in 2001 compared with 81% in the prior year. The number of grants increased 10% to 46 as compared to 42 in the prior year while the average grant size increased 7% to \$18.7K from \$17.5K in the prior year.

Grants made in the states of California and New York at 53% and 20% respectively, account for the majority of our giving geographically. California, and the San Francisco Bay Area, continues to grow as a geographic focus area for the Foundation (up over 80% in the last two years) as we have chosen to emphasize the communities where the majority of our board members reside. "Other" mainly represents program funding that is national in scope or research/education funding, which historically is less geographically constrained.

### Grants by Geography

(K\$)	2001	2000	% Change
California	457	348	31%
New York	170	140	21%
Hawaii	5	45	-89%
Other	229	202	13%

## Financial Statements

### Statement of Financial Flows and Change in Assets

	Year Ending December 31,			
	1998	1999	2000	2001
Operations activity				
Compensation (Trustees & Officers)	(59,394)	(140,450)	(154,864)	(150,782)
Other salaries & wages	-	-	-	-
Printing & pubs	(815)	(820)	(75)	(1,500)
Other exp	-	(5,298)	(6,319)	(9,950)
Taxes	-	(5,955)	(6,419)	(6,680)
Grants	(487,111)	(750,137)	(735,367)	(860,080)
Total	(547,320)	(902,660)	(903,044)	(1,028,991)
Investment activity				
Dividends and interest	638,792	557,259	485,234	471,874
Realized gains(losses)	1,260,725	853,149	1,263,050	869,829
Unrealized gains(losses)	1,024,143	2,150,297	(2,284,398)	(2,925,043)
Investment fees	(29,696)	(28,559)	(27,432)	(25,391)
Additions(deletions) to(from) capital	-	(1,408)	-	-
Taxes (excise plus foreign)	(49,012)	(66,309)	(15,578)	(29,378)
Total	2,844,952	3,464,429	(579,123)	(1,638,109)
Net change in assets	2,297,632	2,561,769	(1,482,168)	(2,667,100)
Beginning assets	17,055,496	19,353,128	21,914,897	20,432,729
Ending assets	19,353,128	21,914,897	20,432,729	17,765,629

### Balance Sheet

	Year ending December 31,			
	1998	1999	2000	2001
Assets:				
Cash and cash equivalents	903,988	694,037	647,626	669,803
Investments:				
Fixed Income	4,991,253	4,112,811	4,333,761	4,513,825
Equities	13,365,176	17,021,599	15,451,342	12,582,001
Convertible securities	92,711	86,450	-	-
Total Investments	18,449,140	21,220,860	19,785,103	17,095,826
Total Assets	19,353,128	21,914,897	20,432,729	17,765,629
Asset Restrictions:				
Restricted (b)	260,000	201,000	196,312	362,656
Unrestricted	19,093,128	21,713,897	20,236,417	17,402,973
Total Assets	19,353,128	21,914,897	20,432,729	17,765,629

## 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,			
	1998	1999	2000	2001
Cold Spring Harbor Laboratory	50,000	-	-	-
Stanford University	47,000	24,000	65,312	57,656
Dartmouth College	40,000	20,000	-	40,000
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	25,000
University of Washington			40,000	45,000
American Heart Association				75,000
University of Pittsburgh				70,000
Trust for Public Land				30,000
The Nature Conservancy				20,000
	<u>260,000</u>	<u>201,000</u>	<u>196,312</u>	<u>362,656</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

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Redwood City, CA 94061

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## 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.