

**The Mellam Family Foundation
2002 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 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 expected, 2002 was the first year in the history of the Foundation in which our grants declined year to year. Three years of negative return on our investments due to the financial market environment has caught up to our grant budget. In spite of these events, the Foundation made grants of over \$734K and we exceeded \$6M in grants over our fifteen-year history.

This year also marked a significant milestone for an organization with strong historical ties to the Foundation. The Jennie M. Melham Memorial Medical Center celebrated its 30th anniversary in November and I was fortunate enough to travel back to Broken Bow, Nebraska for the festivities. As you may have read in the Foundation introduction on the previous page, Leo and Laural Mellam were instrumental in the development and growth of the Medical Center over the past three decades. My mother and I were honored to represent the Mellam family at this event. That a town in rural Nebraska with a population of less than 5,000 can sustain and grow a first class medical center is truly amazing and a testament to the need for more of these facilities in rural areas across the nation.

“I would like to thank the trustees, doctors, nurses, staff and all the members of the community who have contributed to the Medical Center’s success over the past 30 years. Without you, the Medical Center would not be what it is today. On behalf of the Mellam family, we could not be more proud of what you have accomplished.” Tracy Rogers, November 17, 2002

This year we continued to expand our partnership with the Peninsula Community Foundation in San Mateo, California. Working with their Center for Venture Philanthropy we were able to help bring the first Raising A Reader[®] program to Hawaii. Raising A Reader is a book bag program that encourages caregivers to lap read to young children daily so that infants and toddlers develop important pre-literacy skills and a love of reading. We are hoping that the initial Raising A Reader implementation on Maui will serve as the catalyst for other Head Start classrooms across the Hawaiian Islands. We plan to work with the Center for Venture Philanthropy to help bring this program to other underserved populations in the future.

For the fifth year in a row, our environmental program continues to expand with \$170K in grants for the year and rapidly approaching \$1M since its launch in 1997. We continue to develop relationships with our environmental partners with a focus on California and Hawaii.

Recognizing that our programs in disease research hold the potential for benefits to those suffering with these diseases down the road, we initiated a program to address quality of life issues for those currently suffering with certain diseases. We hope to be able to expand this program in the future.

Given the performance of our portfolio over the past three years, 2003 will be another down year for grants. Unfortunately, we will likely decline to renew certain grants, or reduce our funding to many organizations that we have traditionally funded. We have taken steps to adjust our portfolio to help shield us from further decline and to capitalize on any broader market recovery. I am confident that working with the Board we will be able to make the necessary tradeoffs and continue to have a positive impact with our philanthropy.

Tracy Rogers
Executive Director

February 2003

Grant Programs

During 2002, the Foundation made grants in the areas of medical and scientific research, education, the environment and social services. 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 \$201K)

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. The goal of which is to increase by 70% the number of stroke research awards given each year. This is the second year of a four-year, \$100,000 commitment.

Arthritis Foundation, New York, NY. \$20,000 to support eight summer student fellowships. These fellowships help promote entry of medical and graduate students into the field of rheumatology. This summer's fellows attended: Columbia University, State University of New York, Albert Einstein College of Medicine, Weill Graduate School of Medical Sciences, Cornell University Medical College, Ohio State University College of Medicine, University of Miami School of Medicine.

Christopher Reeve Foundation, Springfield, NJ. \$8,000 to help support research that develops treatments and cures for paralysis caused by spinal cord injury and other central nervous system disorders.

Glaucoma Research Foundation, San Francisco, CA. \$25,000 to help support Dr. Di Polo's research in the Department of Pathology and Cell Biology at the University of Montreal. Dr. Di Polo plans to test the efficacy of gene delivery of activated MEK in a rat model of axotomy-induced retinal ganglion death. The result of this study may have direct implications for the design of gene transfer therapies that, on their own or in combination with standard treatments, may promote retinal ganglion cell and optic nerve protection in glaucoma patients.

National Breast Cancer Coalition Fund, Washington, DC. \$25,000 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 second 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 and continued progress in our understanding of the universe in which we live in the future. This is the final 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 final year of a three-year, \$60,000 commitment.

Education

Grants in this area are focused primarily on improving higher educational opportunities for minority students. Additionally, the Foundation supports medical training in the areas of rural practice and humanism. The Foundation has also begun to be involved in early childhood development programs through the expansion of the Raising A Reader[®] program to underserved populations. (Total grants \$227K)

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

Arnold P. Gold Foundation, Englewood, NJ. \$28,000 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 Helen and Fred Waldorf Library Book fund.

Council On Foundations, Washington, DC. \$1,950 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 2002-2003 school year. This is the second year of a three-year, \$60,000 commitment.

Maui Economic Opportunity, Inc., Wailuku, HI. \$25,575 to implement the Raising A Reader[®] program in nine Head Start classrooms on Maui.

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 2002-2003 school year. This is the final year of a two-year, \$50,000 commitment.

University of Nebraska Foundation, Omaha, NE. \$25,000 to support two scholarships for the 2002-2003 school year in the Accelerated Family Practice Residency Program at the University of Nebraska Medical Center. This is the final 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 2002-2003 school year. This is the first year of a four-year, \$80,000 commitment.

University of Southern California, Los Angeles, CA. \$20,000 to support a minority tuition scholarship for the 2002-2003 school year. This is the first year of a four-year, \$80,000 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 final 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. The Foundation continues to support technical development in the area of landscape analysis that will benefit a broad range of wild land conservation activities. (Total grants \$170K)

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

Peninsula Open Space Trust, *Menlo Park, CA*. \$10,000 to fund acquisition costs for the Rancho Corral de Tierra project.

Surfrider Foundation, *San Clemente, CA*. \$30,000 to support the national organization's menu/tool box of environmental programs for the coming year within the context of local need-driven environmental grass-roots campaigns

Truckee Donner Land Trust, *Truckee, CA*. \$10,000 to support acquisition costs for the Gray Creek Canyon project.

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 final year of a two-year, \$60,000 commitment. \$10,000 to support the Mu'olea Point acquisition project on Maui, Hawaii.

WaterKeepers, *San Francisco, CA*. \$10,000 to support the Toxic Waters Restoration Program.

The Wilderness Society, *San Francisco, CA*. \$50,000 to support fiscal 2002 operating expenses for the Center for Landscape Analysis in Seattle, WA.

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, food aid, affordable housing, and patient quality of life. (Total grants \$137K)

Alzheimer's Association of Northern California, *Mountain View, CA*. \$5,000 to support expansion of the Memories in the Making program.

Big Brothers/Big Sisters, *San Francisco, CA*. \$10,000 to support their Youth Mentoring programs.

Boys and Girls Club of Maui, *Makawao, HI*. \$1,000 to help fund the organization's Christmas wish-list purchases.

Habitat for Humanity, *New York, NY*. \$10,000 to support the AmeriCorps and VISTA programs.

Huega Center, *Edwards, CO*. \$10,000 to support the Center's CAN DO medical programs.

Jennie M. Melham Memorial Medical Center, *Broken Bow, NE*. \$10,000 to help fund the purchase of equipment for the new Cardiac Rehabilitation Department. Gift made as part of the 30th Anniversary celebration for the Medical Center.

Make A Wish Foundation, *San Francisco, CA*. \$10,000 to support development and implementation of an E-communication system.

Paia Youth and Cultural Center, *Paia, HI*. \$1,000 to help fund construction of a community skateboard park.

PARCA, *Burlingame, CA*. \$10,000 to help support the conversion of the garage at the Raji House into a physical therapy room and indoor recreation space

Peninsula Community Foundation, *San Mateo, CA*. \$10,000 to support the Peninsula Partnership's Training Institute and its focus area, the *Community Leadership Training Program*.

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. \$10,000 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.

Second Harvest Food Bank, San Jose, CA. \$10,000 to help support the Food Bank's Community Nutrition Program in San Mateo County.

Youth and Family Assistance, Redwood City, CA. \$20,000 to support youth development programs.

Performance Metrics

The Foundation's assets finished the year at \$14.4M, down 19% for the year after grants, expenses and changes in asset value. This compares with a 13% decline in assets experienced during 2001. Net change in assets for the year was a decline of \$3.4M compared to a decline of \$2.7M in the prior year. Total operating activity (qualifying distributions of grants and administrative expenses) was just over \$0.9M, down 12% from the prior year. Total investment activity was a net loss of \$2.5M, compared to a loss of \$1.6M in the prior year. Domestic and international equities account for much of this year's decline in asset value offset somewhat by good returns on fixed income investments.

Key Metrics

	2002	2001	% Change
Year-end Total Assets (K\$)	14,394	17,766	-19%
Qualifying Distributions (K\$)	902	1,029	-12%
Grants (K\$)	734	860	-15%
Distribution ratio (%)	5.8	5.7	2%
Average Grant Size (\$)	17,074	18,700	-9%
Number of Grants	43	46	-7%

Excluding grants and expenses, total return on the investment portfolio was -14.2% for the year compared with -7.7% for the prior year. This compares with an asset weighted benchmark performance of -9.0%. Asset allocation at the end of the year consisted of 59% equities, 33% fixed income, 5% cash, and 3% other compared to 71% equities, 25% fixed income, and 4% cash at the end of 2001. We continue to review our investment guidelines periodically and have been working with our investment managers to increase the diversification of our investments.

Asset Class Returns for 2002

	Total Return	Benchmark Return	Benchmark
Domestic Equities	-24.7%	-22.1%	S&P 500
International Equities	-19.5%	-14.3%	F.T. World X-US Index
Fixed Income	10.6%	11.0%	LB - G/C
Other	-0.2%	0.2%	HFR Fund of Funds Index
Cash Equivalents	1.5%	1.6%	3 Month T-Bill
Total Portfolio	-14.2%	-9.0%	Asset weighted

Despite the disappointing performance of the investment portfolio, grants and qualifying expenditures exceeded the IRS minimum required payout. The distribution ratio was 5.8% for 2002, up slightly from 5.7% in the prior year. Grants totaled \$734K for the year, a decline of 15% compared with prior year grants of \$860K. Grants accounted for 81% of qualifying distributions in 2002 compared with 84% in the prior year. The number of grants decreased 7% to 43 as compared to 46 in the prior year while the average grant size declined 9% to \$17.1K from \$18.7K in the prior year.

Grants made in the states of California and New York at 47% and 11% of total grants, respectively, continue to account for the majority of our giving geographically with Hawaii starting to become a focus as well. "Other" mainly represents program funding that is national in scope or research/education funding, which historically is less geographically constrained. Environmental and social service programs are primarily targeted in California.

Grants by Geography

(K\$)	2002	2001	% Change
California	343	457	-25%
New York	78	170	-54%
Hawaii	38	5	660%
Other	276	229	21%

Financial Statements

Statement of Financial Flows and Change in Assets

	Year Ending December 31,			
	1999	2000	2001	2002
Operations activity				
Compensation (Trustees & Officers)	(140,450)	(154,864)	(150,782)	(153,443)
Other salaries & wages	-	-	-	-
Printing & pubs	(820)	(75)	(1,500)	(750)
Other exp	(5,298)	(6,319)	(9,950)	(6,316)
Taxes	(5,955)	(6,419)	(6,680)	(7,052)
Grants	(750,137)	(735,367)	(860,080)	(734,181)
Total	(902,660)	(903,044)	(1,028,992)	(901,742)
Investment activity				
Dividends and interest	557,259	485,234	471,874	443,691
Realized gains(losses)	853,149	1,263,050	869,829	910,050
Unrealized gains(losses)	2,150,297	(2,284,398)	(2,925,043)	(3,822,898)
Investment fees	(28,559)	(27,432)	(25,391)	(21,330)
Additions(deletions) to(from) capital	(1,408)	-	-	-
Taxes (excise plus foreign)	(66,309)	(15,578)	(29,378)	22,456
Total	3,464,429	(579,123)	(1,638,109)	(2,468,031)
Net change in assets	2,561,769	(1,482,168)	(2,667,100)	(3,369,773)
Beginning assets	19,353,128	21,914,897	20,432,729	17,765,629
Ending assets	21,914,897	20,432,729	17,765,629	14,395,856

Balance Sheet

	Year Ending December 31,			
	1999	2000	2001	2002
Assets:				
Cash and cash equivalents	694,037	647,626	669,803	756,038
Investments:				
Fixed Income	4,112,811	4,333,761	4,513,825	4,763,588
Equities	17,021,599	15,451,342	12,582,001	8,376,626
Convertible securities/other	86,450	-	-	499,604
Total Investments	21,220,860	19,785,103	17,095,826	13,639,818
Total Assets	21,914,897	20,432,729	17,765,629	14,395,856
Asset Restrictions:				
Restricted (b)	201,000	196,312	362,656	225,000
Unrestricted	21,713,897	20,236,417	17,402,973	14,170,856
Total Assets	21,914,897	20,432,729	17,765,629	14,395,856

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,			
	1999	2000	2001	2002
Stanford University	24,000	65,312	57,656	-
Dartmouth College	20,000	-	40,000	20,000
University of Puget Sound	40,000	20,000	-	60,000
University of Southern California	42,000	21,000	-	60,000
University of Nebraska	75,000	50,000	25,000	-
University of Washington		40,000	45,000	-
American Heart Association			75,000	50,000
University of Pittsburgh			70,000	35,000
Trust for Public Land			30,000	-
The Nature Conservancy			20,000	-
	<u>201,000</u>	<u>196,312</u>	<u>362,656</u>	<u>225,000</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: info@mellam.org
Web site: 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.

Please note that effective April 2002 the Foundation no longer accepts unsolicited grant requests. If, at a future date, the Board decides to change its position regarding unsolicited grant requests, this information will be posted on our web site. Organizations that are requested to submit a grant request may follow the guidelines listed below.

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.