

**The Mellam Family Foundation
2003 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

2003 marked the second consecutive year in which the Foundation's grants declined year to year and the third consecutive year of declining average asset values. A market recovery in the second half of 2003 and into the beginning of 2004, gives us hope that we can continue to recover the asset value lost since mid-2000. We are planning a modest increase in grants for 2004 and will, early in the year, surpass \$7M in grants distributed since the establishment of the Foundation in 1987.

We are extremely excited about the continued success of our partnership with the Peninsula Community Foundation's Center for Venture Philanthropy and our work to expand their Raising A Reader[®] program to underserved populations. 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. As hoped, our implementation of Raising A Reader on Maui during 2002 has helped bring attention to the program in the Hawaiian Islands. Based on the success of the program, Maui is now looking to expand to additional classrooms on the island and new programs on Hawaii and Oahu are in the works. During the past year we were able to help bring the Raising A Reader program to two American Indian communities in California and are currently pursuing a third. As with our strategy in Hawaii, we are hoping that the initial Raising A Reader implementations within the American Indian community will serve as the catalyst for other Head Start classrooms within this often underserved community.

Continuing the model of partnering with community foundations, this past year we were able to work with the Yampa Valley Community Foundation in Steamboat Springs, Colorado to establish a Teacher's Fund based on the model successfully utilized by the Peninsula Community Foundation. We are hoping that our seed funding for a 2-3 year program will attract additional local funding to ensure the long-term existence of the Fund. The newly established Teacher's Fund will be making its first grants in March 2004.

In light of our recent asset performance, we initiated no new multiple year commitments in 2003. In fact, our restricted assets (outstanding multiple year commitments) are at their lowest level since 1997. This has been a conscious effort by the Board in order to remain flexible in our grant programs while our asset levels recover. We still remain committed to our long-term partners and we were able, in most cases, to continue our ongoing relationships albeit at lower funding levels.

Looking ahead to 2004, we are excited about growing our grant budget again after the past two years. We remain committed to our major program areas and look forward to the opportunity to break new ground through our Board's discretionary grant program.

Tracy Rogers
Executive Director

February 2004

Grant Programs

During 2003, 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 \$177K)

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 third year of a four-year, \$100,000 commitment.

Arthritis Foundation, New York, NY. \$20,000 to support 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, Weill Graduate School of Medical Sciences, University of Michigan, Yeshiva University, New York University, Long Island University, St. George University, University of Miami and University of Vermont.

Christopher Reeve Foundation, Springfield, NJ. \$9,500 to help support research that develops treatments and cures for paralysis caused by spinal cord injury and other central nervous system disorders.

Dartmouth College, Hanover, NH. \$7,000 to support a Nanotechnology Fellowship in the Department of Physics and Astronomy.

Glaucoma Research Foundation, San Francisco, CA. \$20,000 to help support research into the prevention and cure of glaucoma.

Juvenile Diabetes Research Foundation, New York, NY. \$500 to support the organization's mission to find a cure for diabetes and its complications.

National Breast Cancer Coalition Fund, Washington, DC. \$20,000 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 final 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. \$20,000 to support a post-doctoral fellowship at the Institute for Theoretical Physics.

University of Washington, Seattle, WA. \$10,000 to support graduate fellowship stipends in the Department of Physics.

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 also continues to be involved in early childhood development programs through the expansion of the Raising A Reader[®] program to underserved populations. (Total grants \$202K)

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

Arnold P. Gold Foundation, Englewood, NJ. \$19,600 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 Board member matching gift.

Burlingame Community for Education Foundation, Burlingame, CA. \$2,000 to support the education of K-8 students in the Burlingame School District.

Children's Storefront, New York, NY. \$10,000 to support academic programs for the 2003-2004 school year.

Council On Foundations, Washington, DC. \$1,640 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 2003-2004 school year. This is the final year of a three-year, \$60,000 commitment.

El Camino Youth Symphony, Palo Alto, CA. \$1,000 to support general operating activities of the Symphony, which offers advanced music learning and performance opportunities to many local young musicians.

JLS Middle School PTA, Palo Alto, CA. \$5,000 to purchase and install curtains in the school's new multi-purpose room.

Morongo Indian Head Start, Banning, CA. \$6,500 to support implementation of the Raising A Reader[®] Program in two classrooms plus training and evaluation.

Peninsula Community Foundation, San Mateo, CA. \$10,000 to support the Community Foundation's Teacher's Fund.

Redding Rancheria Head Start, Redding, CA. \$4,990 to support implementation of the Raising A Reader[®] Program in two classrooms.

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

Stanford University, Stanford, CA. \$20,000 to support a minority tuition scholarship for the 2003-2004 school year.

University of Nebraska Foundation, Omaha, NE. \$20,000 to support scholarships for the 2003-2004 school year in the Accelerated Family Practice Residency Program at the University of Nebraska Medical Center.

University of Puget Sound, Tacoma, WA. \$20,000 to support four minority scholarships for the 2003-2004 school year. This is the second 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 2003-2004 school year. This is the second year of a four-year, \$80,000 commitment.

Yampa Valley Community Foundation, Steamboat Springs, CO. \$10,000 to establish a Teacher's Fund at the Community Foundation for Routt County K-8 classrooms.

Environment

Grants in this area are focused on protecting wilderness areas and supporting grass-roots organizations that are involved 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 \$119K)

Feather River Land Trust, Quincy, CA. \$5,000 to support the hiring of a development director for the organization.

League to Save Lake Tahoe, South Lake Tahoe, CA. \$2,000 to support the organization's advocacy and monitoring activities to preserve Lake Tahoe.

The Nature Conservancy, San Francisco, CA. \$15,000 to support the Northern Sierra Nevada Project Area.

Surfrider Foundation, San Clemente, CA. \$25,000 to support the Rincon, Puerto Rico campaign in addition to national efforts to sustain other chapter campaigns.

Truckee Donner Land Trust, Truckee, CA. \$10,000 to support acquisition of the Upper Gregory Creek property.

Truckee Tahoe Community Foundation, Truckee, CA. \$2,000 to help establish a permanent endowment for the Nature Fund.

The Trust for Public Land, San Francisco, CA. \$25,000 to support the Sierra Nevada Program.

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

The Wilderness Society, San Francisco, CA. \$25,000 to support the Wildland Fire Research Initiative.

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 \$119K)

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

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

Chronicle Season of Sharing Fund, San Francisco, CA. \$1,500 to support the Fund, which, through a network of community service agencies, provides assistance to people living at or below San Francisco Bay Area poverty level. The majority of assistance goes towards housing and other critical needs.

City Harvest, New York, NY. \$10,000 to support the Operation Frontline program.

Conner's Cause for Children, San Diego, CA. \$3,000 to support medical aid programs.

First Descents, Vail, CO. \$3,500 to support camp programs for the coming year. First Descents is a kayak camp for young adults with cancer.

Gilda's Club, *New York, NY*. \$5,000 to help support the Club's programs.

Huega Center, *Edwards, CO*. \$5,000 to support the Center's CAN DO medical programs.

Make A Wish Foundation, *San Francisco, CA*. \$10,000 to support their Adopt-A-Wish program.

Northern California Grantmakers, *San Francisco, CA*. \$1,000 to support the Summer Youth Project.

The Painted Turtle Camp, *Malibu, CA*. \$5,000 to help meet the challenge grants from the Kresge and Weingart Foundations and, ultimately, support the camp's programs.

Peninsula Habitat for Humanity, *San Mateo, CA*. \$20,000 to help support 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 Education and Nutrition Program in San Mateo County.

Youth and Family Assistance, *Redwood City, CA*. \$20,000 to support the Peer Mentor Program.

Performance Metrics

The Foundation's assets finished the year at \$16.3M, up 13% for the year after grants, expenses and changes in asset value. This compares with a 19% decline in assets that was experienced during 2002. Net change in assets for the year was an increase of \$1.9M compared to a decline of \$3.4M in the prior year. Total operating activity (qualifying distributions of grants and administrative expenses) was \$748K, down 17% from the prior year. Total investment activity was a net gain of \$2.7M, compared to a loss of \$2.5M in the prior year. Domestic and international equities account for much of this year's increase in asset value.

Key Metrics

	2003	2002	% Change
Year-end Total Assets (K\$)	16,335	14,394	13%
Qualifying Distributions (K\$)	748	902	-17%
Grants (K\$)	617	734	-16%
Distribution ratio (%)	5.0	5.8	-14%
Average Grant Size (\$)	11,636	17,074	-32%
Number of Grants	53	43	23%

Excluding grants and expenses, total return on the investment portfolio was 19.6% for the year compared with -14.2% for the prior year. This compares with an asset-weighted benchmark performance of 22.4% in 2003. Asset allocation at the end of the year consisted of 71% equities, 24% fixed income, 1% cash, and 3% other, compared to 59% equities, 33% fixed income, 5% cash, and 3% other at the end of 2002. We continue to review our investment guidelines periodically and have been working with our investment manager to insure the appropriate diversification and duration of the portfolio given market conditions.

Asset Class Returns for 2003

	Total Return	Benchmark Return	Benchmark
Domestic Equities	26.6%	28.6%	S&P 500 Index
International Equities	35.9%	41.4%	MSCI AC World Free X-U.S.
Fixed Income	6.0%	4.7%	LB – Gov't/Credit Bond Index
Other	11.0%	11.5%	HFR Fund of Funds Index
Cash Equivalents	0.9%	1.0%	3 Month T-Bill
Total Portfolio	19.6%	22.4%	Asset weighted

Although total assets finished the year higher than a year ago, much of that gain came in the second half of the year and as a result, average assets declined 4% year over year. Before recovering in the second half, total assets declined to seven-year low of \$14.1M in February. Despite these challenges, grants and qualifying expenditures exceeded the IRS minimum required payout. The distribution ratio was 5.0% for 2003, down from 5.8% in the prior year. Grants totaled \$617K for the year, a decline of 16% compared with prior year grants of \$734K. Grants accounted for 82% of qualifying distributions in 2003 compared with 81% in the prior year. The number of grants increased 23% to 53 as compared to 43 in the prior year, while the average grant size declined 32% to \$11.6K from \$17.1K in the prior year.

Grants made in the states of California and New York accounted for 53% and 15% of total grants, respectively, and continue to account for the majority of our giving geographically. "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\$)	2003	2002	% Change
California	324	343	-6%
New York	94	78	21%
Hawaii	0	38	-100%
Other	199	276	-28%

Financial Statements

Statement of Financial Flows and Change in Assets

	Year Ending December 31,			
	2000	2001	2002	2003
Operations activity				
Compensation (Trustees & Officers)	(154,864)	(150,782)	(153,443)	(117,000)
Other salaries & wages				
Printing & pubs	(75)	(1,500)	(750)	(750)
Other exp	(6,319)	(9,950)	(6,316)	(6,475)
Taxes	(6,419)	(6,680)	(7,052)	(7,244)
Grants	(735,367)	(860,080)	(734,181)	(616,730)
Total	(903,044)	(1,028,992)	(901,742)	(748,199)
Investment activity				
Dividends and interest	485,234	471,874	443,691	393,030
Realized gains(losses)	1,263,050	869,829	910,050	599,535
Unrealized gains(losses)	(2,284,398)	(2,925,043)	(3,822,898)	1,762,565
Investment fees	(27,432)	(25,391)	(21,330)	(53,870)
Additions(deletions) to(from) capital	-	-	-	-
Taxes (excise plus foreign)	(15,578)	(29,378)	22,456	(13,455)
Total	(579,123)	(1,638,109)	(2,468,030)	2,687,805
Net change in assets	(1,482,168)	(2,667,101)	(3,369,772)	1,939,606
Beginning assets	21,914,897	20,432,729	17,765,629	14,395,856
Ending assets	20,432,729	17,765,628	14,395,856	16,335,462

Balance Sheet

	Year Ending December 31,			
	2000	2001	2002	2003
Assets:				
Cash and cash equivalents	647,626	669,803	756,038	240,545
Investments:				
Fixed Income	4,333,761	4,513,825	4,763,588	3,943,617
Equities	15,451,342	12,582,001	8,376,626	11,595,827
Convertible securities/other	-	-	499,604	555,473
Total Investments	19,785,103	17,095,826	13,639,818	16,094,917
Total Assets	20,432,729	17,765,629	14,395,856	16,335,462
Asset Restrictions:				
Restricted (b)	196,312	362,656	225,000	105,000
Unrestricted	20,236,417	17,402,973	14,170,856	16,230,462
Total Assets	20,432,729	17,765,629	14,395,856	16,335,462

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,			
	2000	2001	2002	2003
Stanford University	65,312	57,656	-	-
Dartmouth College	-	40,000	20,000	-
University of Puget Sound	20,000	-	60,000	40,000
University of Southern California	21,000	-	60,000	40,000
University of Nebraska	50,000	25,000	-	-
University of Washington	40,000	45,000	-	-
American Heart Association	-	75,000	50,000	25,000
University of Pittsburgh	-	70,000	35,000	-
Trust for Public Land	-	30,000	-	-
The Nature Conservancy	-	20,000	-	-
Total	<u>196,312</u>	<u>362,656</u>	<u>225,000</u>	<u>105,000</u>

Foundation Directory

Trustees

Marilyn Rogers
Timothy Rogers
Tracy Rogers
Holly Rogers
Clay Rogers
US Trust Company

Advisory Board

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.