

**The Mellam Family Foundation
2004 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 the following areas: **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 year I can begin my message with some favorable news! For the first time since 2000, the Foundation's average assets increased year-to-year allowing us to increase our grants by 10%. Since the inception of the Foundation in 1987, we have now made grants in excess of \$7.6M – more than 2.5 times our initial endowment.

As indicated in my message last year, we have continued our partnership with the Peninsula Community Foundation's Center for Venture Philanthropy 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. During 2004 we were able to bring Raising A Reader to a third Native American community, this one in New Mexico. We've had varying levels of success in our attempt to build critical mass from this program within the Native American community. We are working with the RAR program team to better understand the key factors where the program has been a success and the challenges faced in these communities where the program has been less than successful. Based on what we learn, we will continue to explore additional implementation opportunities in order to build critical mass for widespread adoption of the program in this often underserved community.

The Teacher's Fund, established during 2003 in partnership with the Yampa Valley Community Foundation in Steamboat Springs, Colorado, made two rounds of grants during 2004. Demand from elementary and middle school teachers started strong and with additional private contributions the Fund was able to exceed its planned allocations. The Community Foundation is currently working to raise the awareness of the Fund among teachers and administrators in the school community for grants in 2005.

With direction from the Trustees, we began the initial steps in 2004 to expand the geographic diversity of our environmental program and to leverage previous projects. In conjunction with our environmental partners we will be investigating projects in Utah and Colorado over the coming year. Working with the Wilderness Society, we funded the preparation of a policy brief on the application of the RoadNet tool – a software application we helped fund in 2000 at their Center for Landscape Analysis. We continued to work with several partners to help protect the Truckee/Lake Tahoe and surrounding areas from excessive development.

We continued to fund medical research related to heart disease/stroke, arthritis, spinal cord injury, breast cancer, prostate cancer, and glaucoma. In partnership with the Glaucoma Research Foundation, we are excited to be involved in Phase II of their Catalyst for a Cure Initiative, which involves a collaboration of researchers from diverse fields of expertise working in a full, ongoing partnership. Many of our other research initiatives involve support for young investigators just getting started in their field research. We believe that our funding at this critical juncture in their careers will help them on the road to becoming successful independent researchers in these, or related, fields.

Knowing that many of these research areas will not benefit current patients, we continue to explore quality of life programs related to these diseases. We are especially pleased to be able to help the Heuga Center bring its CANDO medical program for MS patients to the San Francisco Bay Area.

We are anticipating a modest 1% increase in our grant budget for 2005 and look forward to working with our various grantees to further their good work.

Tracy Rogers
Executive Director

February 2005

Grant Programs

During 2004, 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 \$189.5K)

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 final 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, California School of Professional Psychology, Weill Graduate School of Medical Sciences, New York University School of Medicine, Chicago College of Osteopathic Medicine, and Howard University College of Medicine.

Christopher Reeve Foundation, Springfield, NJ. \$10,000 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. \$9,500 to support a Nanotechnology Fellowship in the Department of Physics and Astronomy.

Glaucoma Research Foundation, San Francisco, CA. \$25,000 to help support Phase II of the Catalyst For a Cure initiative.

National Breast Cancer Coalition Fund, Washington, DC. \$20,000 to support the Clinical Trials project.

University of Pittsburgh School of Medicine, Pittsburgh, PA. \$25,000 to support a post-doctoral fellow performing prostate cancer research in the Department of Urology.

Rockefeller University, New York, NY. \$15,000 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. \$20,000 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 \$210.1K)

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.

Bowdoin College, Brunswick, ME. \$1,000 Board member matching gift.

Children's Storefront, New York, NY. \$15,000 to support academic programs for the 2003-2004 school year.

Council On Foundations, Washington, DC. \$1,255 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 2004-2005 school year.

Dzilth Na O Dith Hle School, Bloomfield, NM. \$5,200 to support implementation of the Raising A Reader® Program in two classrooms plus training.

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. \$3,895 to purchase a new, safer, high jump system for the school.

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

Ronald McDonald House Charities, San Francisco, CA. \$5,000 to support the Keep Music Alive In Our Schools program for San Mateo County.

Roosevelt School, Burlingame, CA. \$8,000 to support the cost of a school counselor for the 2004/2005 school year.

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

Security On Campus, King Of Prussia, PA. \$1,500 support the organization's efforts to make college campuses safer for students.

Stanford University, Stanford, CA. \$20,000 to support a minority tuition scholarship for the 2004-2005 school year.

Steamboat Springs School District, Steamboat Springs, CO. \$8,250 to support the Elementary School Spanish program.

University of Nebraska Foundation, Omaha, NE. \$20,000 to support scholarships for the 2004-2005 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 2004-2005 school year. This is the third 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 2004-2005 school year. This is the third year of a four-year, \$80,000 commitment.

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 \$122.3K)

Feather River Land Trust, Quincy, CA. \$5,000 to support the cost of a Land Stewardship Director as part of the Sustainable Stewardship Project.

League to Save Lake Tahoe, South Lake Tahoe, CA. \$3,000 to support the organization's advocacy and monitoring activities to preserve Lake Tahoe.

The Nature Conservancy, San Francisco, CA. \$20,000 to support the Northern Sierra Nevada Project Area.

Peninsula Open Space Trust, Menlo Park, CA. \$2,000 to support the Saving the Endangered Coast campaign.

Surfrider Foundation, San Clemente, CA. \$20,000 to support Surfrider Foundation's national efforts to sustain chapter campaigns throughout their grassroots network.

Truckee Donner Land Trust, Truckee, CA. \$15,000 to support the upfront costs of potential property acquisitions.

The Trust for Public Land, San Francisco, CA. \$20,000 to support the Sierra Nevada Program.

WaterKeepers, San Francisco, CA. \$10,000 to support the San Francisco Baykeeper Project.

The Wilderness Society, San Francisco, CA. \$25,000 to support the second phase of the Wildland Fire Research Initiative. \$2,310 to write and distribute a Policy Brief regarding application of the RoadNet tool.

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 \$153.7K)

Alzheimer's Association of Northern California, Mountain View, CA. \$10,000 to support the Memories in the Making program.

Big Brothers/Big Sisters, San Francisco, CA. \$5,000 to support the organization's community and site-based mentoring programs.

Chronicle Season of Sharing Fund, San Francisco, CA. \$2,000 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. \$7,500 to support the Operation Frontline program.

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.

God's Love We Deliver, New York, NY. \$10,000 to support the cost of home-delivered meals and nutrition counseling.

Habitat for Humanity, New York, NY. \$20,000 to support the AmeriCorps and VISTA programs utilized by the organization.

Heuga Center, Edwards, CO. \$5,000 to support the Center's CAN DO medical program in Northern California scheduled for 2005.

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

Northern California Grantmakers, San Francisco, CA. \$2,000 to support the Summer Youth Project.

The Painted Turtle Camp, Malibu, CA. \$5,000 to support the organization's medical camp programs.

Peninsula Habitat for Humanity, Redwood City, 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. \$7,500 to help support the Food Bank's Community Education and Nutrition Program in San Mateo County.

Trickle Up, New York, NY. \$5,000 to support the U.S. Microenterprise Development Program.

Yampa Valley Community Foundation, Steamboat Springs, CO. \$11,250 to support the Skateboard Park Fund.

Youth and Family Assistance, Redwood City, CA. \$20,000 to support the cost of a Peer Mentor Coordinator as part of the Peer Mentor Project at Sequoia High School.

Performance Metrics

The Foundation's assets finished the year at \$16.6M, up 1.4% for the year after grants, expenses and changes in asset value. This compares with a 13.5% increase in assets that was experienced during 2003. Net change in assets for the year was an increase of \$0.2M compared to a increase of \$1.9M in the prior year. Total operating activity (qualifying distributions of grants and administrative expenses) was \$807K, up 7.8% from the prior year. Total investment activity was a net gain of \$1.0M, compared to a gain of \$2.7M in the prior year.

Key Metrics

	2004	2003	% Change
Year-end Total Assets (K\$)	16,556	16,335	1%
Qualifying Distributions (K\$)	807	748	8%
Grants (K\$)	676	617	10%
Distribution ratio (%)	5.0	5.0	0%
Average Grant Size (\$)	11,854	11,636	2%
Number of Grants	57	53	8%

Excluding grants and expenses, total return on the investment portfolio was 6.6% for the year compared with 19.6% for the prior year. This compares with an asset-weighted benchmark performance of 9.2% for 2004. Asset allocation at the end of the year consisted of 68% equities, 24% fixed income, 4% cash, and 4% other, compared to 71% equities, 24% fixed income, 1% cash, and 3% other at the end of 2003. We continue to review our investment guidelines periodically and have been working with our investment manager to insure the appropriate asset allocation, diversification, and duration given market conditions.

Asset Class Returns for 2004

	Total Return	Benchmark Return	Benchmark
Domestic Equities	6.9%	10.9%	S&P 500 Index
International Equities	21.0%	21.7%	FT World X-US Index
Fixed Income	4.1%	4.2%	LB – Gov't/Credit Bond Index
Other	5.4%	6.7%	HFRI Fund of Funds Index
Cash Equivalents	1.1%	1.4%	3 Month T-Bill
Total Portfolio	6.6%	9.2%	Asset weighted

For the first time since 2000, average assets increased year over year. The monthly variability in portfolio value was also reduced compared to the prior year. The distribution ratio remained constant year to year at 5.0% for 2004. Grants totaled \$676K for the year, an increase of 10% compared with prior year grants of \$617K. Grants accounted for 84% of qualifying distributions in 2004 compared with 82% in the prior year. The number of grants increased 8% to 57 as compared to 53 in the prior year, while the average grant size increased 2% to \$11.9K from \$11.6K in the prior year.

Grants made in the states of California and New York accounted for 48% and 20% of total grants, respectively, and continue to account for the majority of our giving geographically. Colorado is starting to reflect a larger portion of Foundation grants. "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\$)	2004	2003	% Change
California	324	324	0%
New York	133	94	41%
Colorado	50	38	32%
Other	169	161	5%

Financial Statements

Statement of Financial Flows and Change in Assets

	Year Ending December 31,			
	2001	2002	2003	2004
Operations activity				
Compensation (Trustees & Officers)	(150,782)	(153,443)	(117,000)	(117,000)
Other salaries & wages	-	-	-	-
Printing & pubs	(1,500)	(750)	(750)	(750)
Other exp	(9,950)	(6,316)	(6,475)	(5,969)
Taxes	(6,680)	(7,052)	(7,244)	(7,376)
Grants	(860,080)	(734,181)	(616,730)	(675,660)
Total	(1,028,991)	(901,742)	(748,199)	(806,755)
Investment activity				
Dividends and interest	471,874	443,691	393,030	419,977
Realized gains(losses)	869,829	910,050	599,535	204,238
Unrealized gains(losses)	(2,925,043)	(3,822,898)	1,762,565	411,916
Investment fees	(25,391)	(21,330)	(53,870)	(57,987)
Additions(deletions) to(from) capital	-	-	-	-
Taxes (excise plus foreign)	(29,378)	22,456	(13,455)	(2,239)
Total	(1,638,109)	(2,468,030)	2,687,805	975,905
Net change in assets	(2,667,100)	(3,369,773)	1,939,606	169,150
Beginning assets	20,432,729	17,765,629	14,395,856	16,335,462
Ending assets	17,765,629	14,395,856	16,335,462	16,504,612

Balance Sheet

	Year Ending December 31,			
	2001	2002	2003	2004
Assets:				
Cash and cash equivalents	669,803	756,038	240,545	626,334
Investments:				
Fixed Income	4,513,825	4,763,588	3,943,617	3,942,363
Equities	12,582,001	8,376,626	11,595,827	11,350,273
Convertible securities/other	-	499,604	555,473	585,642
Total Investments	17,095,826	13,639,818	16,094,917	15,878,278
Total Assets	17,765,629	14,395,856	16,335,462	16,504,612
Asset Restrictions:				
Restricted (b)	362,656	225,000	105,000	40,000
Unrestricted	17,402,973	14,170,856	16,230,462	16,464,612
Total Assets	17,765,629	14,395,856	16,335,462	16,504,612

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,			
	2001	2002	2003	2004
Stanford University	57,656	-	-	-
Dartmouth College	40,000	20,000	-	-
University of Puget Sound	-	60,000	40,000	20,000
University of Southern California	-	60,000	40,000	20,000
University of Nebraska	25,000	-	-	-
University of Washington	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>362,656</u>	<u>225,000</u>	<u>105,000</u>	<u>40,000</u>

Foundation Directory

Trustees

Marilyn Rogers
Timothy Rogers
Tracy Rogers
Holly Rogers
Clay Rogers
US Trust Company of New York

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.