

**The Mellam Family Foundation
2005 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 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

As expected, we had a small (1%) increase in grants this past year and now have exceeded \$8M in grants since the inception of the Foundation in 1987. We continued to focus on our main program areas and maintained relationships with many of our long-standing grantees. Through our discretionary grants program we've had the chance to fund several organizations that were new to the Foundation that had captured the attention of our Trustees and the Advisory Board. In an effort to diversify our environmental programs we leveraged an existing program towards the Colorado Front Range and provided funding to a global warming documentary film.

The last several years has seen greater involvement by some of the Trustees in both the administrative and investment management of the Foundation. This process began with the naming of additional family members as trustees in 1995 and continued with my being hired as Executive Director in 1999. The next step in our evolution as a Foundation is a more direct role in the management of the Foundation's assets. As a result, the Trustees voted unanimously to become a more independent organization and to move beyond our existing corporate trustee relationship. Late in the year United States Trust Company of New York agreed to resign as corporate trustee of the Foundation. We'd like to thank US Trust for their guidance and expertise since the establishment of the Foundation in 1987. They have played an important role in getting the Foundation to where it is today and have helped to establish a solid base from which we can launch the next phase of the organization.

We are currently working through the various administrative tasks required with this transition and getting our new financial advisor and investment managers on line. We expect to be completed with the transition by the middle of 2006.

We strongly believe that Mrs. Mellam would be extremely pleased to know the extent to which her family members have become involved with the Foundation. I look forward to exercising our new organizational structure, which from an investment standpoint will allow us greater flexibility and responsiveness to market conditions and investment manager performance. Our long-term objective is to re-energize the Foundation's real asset growth allowing us to return to higher annual grant budgets.

Tracy Rogers
Executive Director

February 2006

Grant Programs

During 2005, 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 \$178,000)

American Heart Association, Los Angeles, CA. \$25,000 to support a postdoctoral research fellowship.

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.

Dartmouth College, Hanover, NH. \$8,000 to support a Nanotechnology Undergraduate Research 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. \$25,000 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. \$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 graduate fellowship at the Institute for Theoretical Physics.

University of Washington, Seattle, WA. \$20,000 to support graduate fellowship stipends in the Department of Physics with an emphasis on physics education (K-20).

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 and K-8 public school support. (Total grants \$194,380)

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. \$10,000 to support the technology program at the school.

Columbia University, New York, NY. \$13,000 for a summer fellowship to the Summer Research Program for Secondary School Science Teachers.

Council On Foundations, Washington, DC. \$1,480 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 2005-2006 school year.

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.

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

Roosevelt School, Burlingame, CA. \$8,000 to support the cost of a school counselor for the 2005-2006 school year.

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

Security On Campus, King Of Prussia, PA. \$2,500 support expansion of the Safe On Campus Peer Education Program.

Stanford University, Stanford, CA. \$20,000 to support a minority tuition scholarship for the 2005-2006 school year.

Yampa Valley Community Foundation, Steamboat Springs, CO. \$2,600 to support their Teacher's Fund.

University of Nebraska Foundation, Omaha, NE. \$20,000 to support scholarships for the 2005-2006 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 2005-2006 school year. This is the final 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 2005-2006 school year. This is the final 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 \$136,000)

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

City Trees/Acterra, Redwood City, CA. \$1,000 to support their tree planting and maintenance programs.

Feather River Land Trust, Quincy, CA. \$5,000 to support staff salaries related to closing land protection deals.

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

Peninsula Open Space Trust, Menlo Park, CA. \$10,000 to support the Saving the Endangered Coast campaign.

Sierra Club Foundation, San Francisco, CA. \$5,000 to support production costs of the film *On the Brink: Solutions to Global Warming*.

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 pre-acquisition costs of potential properties in the Martis Valley.

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

The Wilderness Society, San Francisco, CA. \$25,000 to support Wildland Fire Research and Application Program.

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, food aid, affordable housing, and patient quality of life. (Total grants \$174,400)

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

American Red Cross, Washington, DC. \$5,000 to support hurricane Katrina relief efforts.

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. \$10,000 to support the Operation Frontline program.

Dream Foundation, Santa Barbara, CA. \$1,000 for general program support.

First Descents, Vail, CO. \$5,000 for camp participant scholarships. First Descents is a kayak camp for young adults with cancer.

Gilda's Club, New York, NY. \$5,000 for general program support.

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.

Hale Makua, Kahului, HI. \$5,000 to support construction of a new rehabilitation center.

Heuga Center, Edwards, CO. \$15,000 to support the Center's CAN DO medical programs.

Humble Ranch, Steamboat Springs, CO. \$2,400 for the adopt-a-horse program to support the annual expenses of a therapy horse for the 2006 season.

Make A Wish Foundation, San Francisco, CA. \$10,000 to support an Outreach Coordinator position.

Northern California Grantmakers, San Francisco, CA. \$1,000 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.

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

Truckee Tahoe Community Foundation, Truckee, CA. \$3,000 to support the Gifts for Good Campaign.

Youth and Family Enrichment Services, Redwood City, CA. \$25,000 to support the Peer Mentor and Youth Advisory Board programs at Sequoia High School.

Performance Metrics

The Foundation's assets finished the year at \$16.3M, down 1% for the year after grants, expenses and changes in asset value. This compares with a 1% increase in assets that was experienced during 2004. Net change in assets for the year was a decrease of \$0.2M compared to a increase of \$0.2M in the prior year. Total operating activity (qualifying distributions of grants and administrative expenses) was \$0.8M, up 1% from the prior year. Total investment activity was a net gain of \$0.7M, compared to a gain of \$1.0M in the prior year.

Key Metrics

	2005	2004	% Change
Year-end Total Assets (K\$)	16,346	16,504	-1%
Qualifying Distributions (K\$)	814	807	1%
Grants (K\$)	683	676	1%
Distribution ratio (%)	5.0	5.1	0%
Average Grant Size (\$)	12,070	11,854	2%
Number of Grants	57	57	0%
Total portfolio return	4.5	6.6	-32%

Excluding grants and expenses, total return on the investment portfolio was 4.5% for the year compared with 6.6% for the prior year. Asset allocation at the end of the year consisted of 62% equities, 25% fixed income, 9% cash, and 4% other, compared to 68% equities, 24% fixed income, 4% cash, and 4% other at the end of 2004. At the end of 2005 we began transitioning to a new financial advisor and custodial services provider. This transition accounts for the higher than normal cash balance at year end as we needed to liquidate funds that would not be able to be transferred to the new custodian. We continue to review our investment guidelines periodically and have been working with our new financial advisor to insure the appropriate asset allocation, diversification, and duration given market conditions. We plan to be fully reinvested near the end of the first quarter of 2006.

While the year end asset balance declined compared to the prior year, average assets increased compared to the prior year due to an almost 50% reduction in the monthly variability of asset values. The distribution ratio declined slightly to 5.0% from 5.1% in the prior year. Grants totaled \$683K for the year, an increase of 1% compared with prior year grants of \$676K. Grants accounted for 84% of total qualifying distributions in 2005, unchanged compared to the prior year. The number of grants also remained unchanged compared to the prior year at 57, while the average grant size increased 2% to \$12.1K from \$11.9K in the prior year.

Grants by Geography

State (K\$)	2005	2004	% Change
California	332	324	2%
New York	133	133	0%
Colorado	70	50	40%
Other	148	169	-12%

Grants made in the states of California and New York accounted for 49% and 19% of total grants, respectively, and continue to account for the majority of our giving geographically. Grants made in the state of Colorado increased 40% over the prior year and now account for 10% of total 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.

Financial Statements

Statement of Financial Flows and Change in Assets

	Year Ending December 31,			
	2002	2003	2004	2005
Operations activity				
Compensation (Trustees & Officers)	(153,443)	(117,000)	(117,000)	(117,000)
Other salaries & wages	-	-	-	-
Printing & pubs	(750)	(750)	(750)	(750)
Other exp	(6,316)	(6,475)	(5,969)	(6,039)
Taxes	(7,052)	(7,244)	(7,376)	(7,472)
Grants	(734,181)	(616,730)	(675,660)	(682,780)
Total	(901,742)	(748,199)	(806,755)	(814,041)
Investment activity				
Dividends and interest	443,691	393,030	419,977	421,762
Realized gains(losses)	910,050	599,535	204,238	582,410
Unrealized gains(losses)	(3,822,898)	1,762,565	411,916	(237,356)
Investment fees	(21,330)	(53,870)	(57,987)	(107,913)
Additions(deletions) to(from) capital	-	-	-	-
Taxes (excise plus foreign)	22,456	(13,455)	(2,239)	(3,170)
Total	(2,468,030)	2,687,805	975,905	655,733
Net change in assets	(3,369,773)	1,939,606	169,150	(158,308)
Beginning assets	17,765,629	14,395,856	16,335,462	16,504,612
Ending assets	14,395,856	16,335,462	16,504,612	16,346,304

Balance Sheet

	Year Ending December 31,			
	2002	2003	2004	2005
Assets:				
Cash and cash equivalents	756,038	240,545	626,334	1,523,795
Investments:				
Fixed Income	4,763,588	3,943,617	3,942,363	4,030,562
Equities	8,376,626	11,595,827	11,350,273	10,166,806
Convertible securities/other	499,604	555,473	585,642	625,141
Total Investments	13,639,818	16,094,917	15,878,278	14,822,509
Total Assets	14,395,856	16,335,462	16,504,612	16,346,304
Asset Restrictions:				
Restricted (b)	225,000	105,000	40,000	-
Unrestricted	14,170,856	16,230,462	16,464,612	16,346,304
Total Assets	14,395,856	16,335,462	16,504,612	16,346,304

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,			
	2002	2003	2004	2005
Dartmouth College	20,000	-	-	-
University of Puget Sound	60,000	40,000	20,000	-
University of Southern California	60,000	40,000	20,000	-
American Heart Association	50,000	25,000	-	-
University of Pittsburgh	35,000	-	-	-
	<u>225,000</u>	<u>105,000</u>	<u>40,000</u>	<u>-</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 \$25,000 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.