

**The Mellam Family Foundation  
2006 Annual Report**

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**The Mellam Family Foundation** is a private foundation established in 1987 by Lural 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

2006 has been a year of change for the Foundation. After almost a year of work we finally completed all the necessary administrative tasks required for US Trust to officially resign as co-trustee of the Foundation. Again I'd like to thank US Trust for their guidance and expertise in support of the Foundation since its establishment in 1987. We now operate independently without a corporate trustee. Additionally, we completed the transfer of all assets from US Trust to a select group of independent asset managers and hired Rogers Investment Advisors, LLC as our financial advisor. RIA manages the cash and fixed income portion of our portfolio, while independent asset managers manage the equity and other investment portions of the portfolio. We believe we now have a much more diversified portfolio overall, and a structure that will allow us to more easily make adjustments for asset manager performance and market conditions.

About 20% of our grants this past year went to organizations new to the Foundation or to new programs with existing partners. We strategically expanded our use of matching grants to help broaden the support base of some of our grantees – with good success. Our discretionary grant program continues to discover new organizations of interest to the trustees and in many cases these organizations have gone on to receive standard grants from the foundation.

Looking forward to 2007, which marks the 20<sup>th</sup> anniversary of the Foundation, we expect a moderate increase in our grant budget and we will eclipse \$9M in grants made since our inception – remarkable for an organization that began with a \$3M endowment in 1987. The top 15 grant recipients since the inception of the foundation are:

Cold Spring Harbor	The Wilderness Society	The Children's Storefront
Dartmouth College	Stanford University	University of Southern California
Glaucoma Research Foundation	University of Nebraska	Surfrider Foundation
American Red Cross	National Breast Cancer Coalition	Trust for Public Land
University of Pittsburgh	Youth & Family Enrichment Svcs	American Heart Association

These organizations account for \$3.9M (44%) of our giving to date. The balance of our grant making is spread over 109 additional organizations ranging from \$1,000 to \$180,000.

Now that the bulk of our structural changes are behind us, I look forward to focusing more on our grant programs and working with the Trustees in the areas of interest to the Foundation.

Tracy Rogers  
*Executive Director*

February 2007

## **Grant Programs**

During 2006, 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 collegiate and graduate-level physics programs, helping to attract the best minds to this important and often under-funded research area. (Total grants \$184,000)

**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.

**Christopher Reeve Foundation, Springfield, NJ.** \$20,000 to support research costs for a CRF International Research Consortium scientist and their laboratory.

**Dartmouth College, Hanover, NH.** \$9,000 to support a Nanotechnology Undergraduate Research Fellowship in the Department of Physics and Astronomy.

**Glaucoma Research Foundation, San Francisco, CA.** \$20,000 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.** \$20,000 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 supports programs to improve high school science education and college campus student safety. (Total grants \$199,500)

**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.

**Chez Panisse Foundation**, Berkeley, CA. \$8,000 to support the School Lunch Initiative.

**Children's Storefront**, New York, NY. \$5,000 to support the technology program at the school.

**Columbia University**, New York, NY. \$20,000 for a summer fellowship to the Summer Research Program for Secondary School Science Teachers.

**Council On Foundations**, Washington, DC. \$1,500 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 2006-2007 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.

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

**Security On Campus**, King Of Prussia, PA. \$13,000 to support expansion of the Safe On Campus Peer Education Program.

**Stanford University**, Stanford, CA. \$20,000 to support a minority tuition scholarship for the 2006-2007 school year.

**Yampa Valley Community Foundation**, Steamboat Springs, CO. \$2,500 to support their Teacher's Fund, and \$7,500 to support the "Turf It Now" campaign.

**University of Nebraska Foundation**, Omaha, NE. \$20,000 to support two scholarships for the 2006-2007 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 2006-2007 school year.

### **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 and water quality monitoring that will benefit a broad range of conservation activities. (Total grants \$134,000)

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

**Columbia Land Conservancy**, Chatham, NY. \$4,000 to support the environmental education program.

**Feather River Land Trust**, Quincy, CA. \$10,000 to support the Conservation Opportunity Fund.

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

**Ocean Research and Conservation Association**, Fort Pierce, FL. \$5,000 to support the Kilroy Project.

**Surfrider Foundation**, *San Clemente, CA*. \$25,000 to support Surfrider Foundation's national efforts to sustain chapter campaigns throughout their grassroots network.

**Truckee Donner Land Trust**, *Truckee, CA*. \$20,000 to support the Truckee Open Space and Trails campaign.

**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 in Southern California.

### **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 \$151,000)

**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*. \$5,000 for camp participant scholarships. 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*. \$10,000 to support the Center's CAN DO medical programs.

**Make A Wish Foundation**, *San Francisco, CA*. \$7,500 to support the Wish Enhancement Program.

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

**The Painted Turtle Camp**, *Malibu, CA*. \$10,000 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*. \$10,000 to support the Community Nutrition Program in San Mateo County.

**Truckee Tahoe Community Foundation, Truckee, CA.** \$2,000 to support the Gifts for Good Campaign.

**Youth and Family Enrichment Services, Redwood City, CA.** \$20,000 to support the Peer Mentor and Youth Advisory Board programs at Sequoia High School.

## Performance Metrics

The Foundation's assets finished the year at \$16.9M, up 3% for the year after grants, expenses and changes in asset value. This compares with a 1% decrease in assets that was experienced during 2005. Net change in assets for the year was an increase of \$0.6M compared to a decrease of \$0.2M in the prior year. Total operating activity (qualifying distributions of grants and administrative expenses) was \$0.8M, down 4% from the prior year. Total investment activity was a net gain of \$1.4M, compared to a gain of \$0.7M in the prior year.

### Key Metrics

	2006	2005	% Change
Year-end Total Assets (K\$)	16,917	16,346	3%
Qualifying Distributions (K\$)	781	814	-4%
Grants (K\$)	669	683	-2%
Distribution ratio (%)	4.8	5.0	-4%
Average Grant Size (\$)	13,108	12,070	9%
Number of Grants	51	57	-11%
Total portfolio return	10.7	4.5	138%

Excluding grants and expenses, total return on the investment portfolio was 10.7% for the year compared with 4.5% for the prior year. Asset allocation at the end of the year consisted of 72% equities, 18% fixed income, 6% cash, and 4% other, compared to 62% equities, 25% fixed income, 9% cash, and 4% other at the end of 2005. 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.

Due to the variability of monthly portfolio valuations, average assets increased less than 1% year over year. The distribution ratio declined slightly to 4.8% from 5.0% in the prior year. Grants totaled \$669K for the year, a decrease of 2% compared with prior year grants of \$683K. Grants accounted for 86% of total qualifying distributions in 2006, compared to 84% the prior year. The number of grants declined slightly to 51 compared to the prior year at 57, while the average grant size increased 9% to \$13.1K from \$12.1K in the prior year.

### Grants by Geography

State (K\$)	2006	2005	% Change
California	328	332	-1%
New York	146	133	10%
Colorado	45	70	-36%
Other	149	148	1%

Grants made in the states of California and New York accounted for 49% and 22% of total grants, respectively, and continue to account for the majority of our giving geographically. Grants made in the state of Colorado decreased 36% over the prior year and account for 7% 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 remain primarily targeted in California.

## Financial Statements

### Statement of Financial Flows and Change in Assets

	Year Ending December 31,			
	2003	2004	2005	2006
Operations activity				
Compensation (Trustees & Officers)	(117,000)	(117,000)	(117,000)	(95,833)
Other salaries & wages	-	-	-	
Printing & pubs	(750)	(750)	(750)	(850)
Other exp	(6,475)	(5,969)	(6,039)	(8,265)
Taxes	(7,244)	(7,376)	(7,472)	(7,419)
Grants	(616,730)	(675,660)	(682,780)	(668,500)
Total	(748,199)	(806,755)	(814,041)	(780,867)
Investment activity				
Dividends and interest	393,030	419,977	421,762	545,281
Realized gains(losses)	599,535	204,238	582,410	2,575,940
Unrealized gains(losses)	1,762,565	411,916	(237,356)	(1,569,883)
Investment fees	(53,870)	(57,987)	(107,913)	(164,067)
Additions(deletions) to(from) capital	-	-	-	-
Taxes (excise plus foreign)	(13,455)	(2,239)	(3,170)	(35,707)
Total	2,687,805	975,905	655,733	1,351,564
Net change in assets	1,939,606	169,150	(158,308)	570,697
Beginning assets	14,395,856	16,335,462	16,504,612	16,346,304
Ending assets	16,335,462	16,504,612	16,346,304	16,917,001

### Balance Sheet

	Year Ending December 31,			
	2003	2004	2005	2006
Assets:				
Cash and cash equivalents	240,545	626,334	1,523,795	1,053,590
Investments:				
Fixed Income	3,943,617	3,942,363	4,030,562	3,004,076
Equities	11,595,827	11,350,273	10,166,806	12,165,551
Convertible securities/other	555,473	585,642	625,141	693,784
Total Investments	16,094,917	15,878,278	14,822,509	15,863,411
Total Assets	16,335,462	16,504,612	16,346,304	16,917,001
Asset Restrictions:				
Restricted (b)	105,000	40,000	-	-
Unrestricted	16,230,462	16,464,612	16,346,304	16,917,001
Total Assets	16,335,462	16,504,612	16,346,304	16,917,001

## 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,			
	2003	2004	2005	2006
University of Puget Sound	40,000	20,000	-	-
University of Southern California	40,000	20,000	-	-
American Heart Association	25,000	-	-	-
	<u>105,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>

## Foundation Directory

### Trustees

Marilyn Rogers  
Timothy Rogers  
Holly Rogers  
Clay Rogers

### Advisory Board

Barry Waldorf

### Officers

Marilyn Rogers, *President*  
Tracy Rogers, *Executive Director*

### Contact Information:

Mellam Family Foundation  
PO Box 610091  
Redwood City, CA 94061  
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Web site: [www.mellam.org](http://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.