

The Andrew W. Mellon Foundation

*Report
from January 1, 2005
through December 31, 2005*

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As of December 31, 2005

THE ANDREW W. MELLON FOUNDATION, a not-for-profit corporation under the laws of the State of New York, is the result of the consolidation on June 30, 1969 of the Old Dominion Foundation into the Avalon Foundation with the name of the Avalon Foundation being changed to The Andrew W. Mellon Foundation. The Avalon Foundation had been founded in 1940 by Ailsa Mellon Bruce, Andrew W. Mellon's daughter. The Old Dominion Foundation had been established in 1941 by Paul Mellon, Andrew W. Mellon's son.

The Foundation makes grants in five core program areas: higher education and scholarship; libraries and scholarly communication; museums and art conservation; performing arts; and conservation and the environment. Collaborative planning by the Foundation and its grantee institutions generally precedes awards and is an integral part of grantmaking. Unsolicited proposals are rarely supported. Prospective applicants are therefore encouraged not to submit a full proposal at the outset but rather a query letter of a page or less that sets forth the need, nature, and amount of any request. The Foundation does not make grants to individuals or to primarily local organizations.

Within each of its core programs, the Foundation concentrates most of its grantmaking in a few areas. Institutions and programs receiving support are often leaders in fields of Foundation activity, but they may also be promising newcomers, or in a position to demonstrate new ways of overcoming obstacles to achieve program goals. The Foundation seeks to strengthen institutions' core capacities rather than encourage ancillary activities, and it seeks to continue with programs long enough to achieve meaningful results. This approach requires thoughtful, long-term collaboration with recipients.

The Foundation makes its particular areas of emphasis within core programs known in a variety of ways. Annual Reports describe grantmaking activities and present complete lists of recent grants. The Foundation's Web site, at <http://www.mellon.org>, describes the core programs in some depth, offers complete texts of past Annual Reports, and furnishes other information concerning the Foundation's history, evolution, and current approach to grantmaking.

PRESIDENT'S REPORT

As some readers will recall, I used the 2004 Annual Report to sum up: to reflect on the evolution of the Mellon Foundation during my tenure as president, describing elements of continuity and of change over nearly 18 years, and seeking as well to identify lessons learned. I had thought that, depending on the timing of the search for my successor, the 2005 report might not be mine to write, and I wanted to leave open the option that my successor would prepare this year's report. Thus, I did my own stock-taking last year. The response to the 2004 report has been gratifying, and I have no intention of repeating (or revising) any of its content in this—my truly final—report. Rather, I regard this document as an opportunity: (1) to introduce my extraordinarily well-qualified successor, Don Randel; (2) to note, ever so briefly, some highlights of the year just past; (3) to present some thoughts concerning governance of foundations, and especially the role of boards of trustees; and (4) to answer, very briefly, recurring questions concerning my own interests, going forward.

Welcoming the New President: Don Randel

By far the most important development in 2005 was the election by the trustees of Don Randel, currently president of the University of Chicago, as the 5th president of The Andrew W. Mellon Foundation. Careful searches often require more time than originally anticipated, and Mr. Randel's appointment was not announced until the end of July 2005. Moreover, our new president feels an understandable obligation to serve the University of Chicago through the 2005-2006 academic year. Accordingly, I have agreed to continue as president of the Foundation beyond the March 2006 annual meeting (when I was scheduled to retire), and to remain in office until July 1, 2006.

What matters, needless to say, are the qualifications of the individual chosen to lead the Foundation, not minor questions of timing. I was not involved in the search process, since it seemed clear to all of us that the trustees needed to think ahead without feeling unduly bound by mindsets formed in days gone by. But I was asked

by the trustees to comment on the nature of the position, as I saw it, at the start of the process, and then, near the end, to meet with the individual about to be chosen. It was so satisfying to be able to endorse strongly the superb choice the trustees made. In my view, Don Randel has all the qualifications needed to be an outstanding president of the Mellon Foundation. As those who have worked with him attest, he is not only a knowing and highly experienced leader of institutions of higher education, he is also an exceptionally warm and engaging colleague with a delightful sense of humor. Moreover, the “fit” between his special interests and the Foundation’s objectives is ideal. A highly acclaimed musicologist, Mr. Randel is exceptionally well prepared to lead the Foundation’s programmatic activities in the humanities and the arts. In the release announcing his appointment, he said:

The Mellon Foundation is unique among the major foundations in its commitment to the humanities and the arts and in bringing new technologies to their support. These are matters to which I have devoted all of my professional life, and it is therefore extraordinarily exciting to be offered the opportunity to aid in continuing the Foundation’s great tradition. I look forward to furthering the Foundation’s collaborations with grantee institutions to strengthen them within all of the Foundation’s areas of focus both in this country and abroad.

In another incarnation, I opined that the outgoing president of an organization should be judged by the quality of his successor. I am happy to have that test applied in this instance. I am confident that the trustees and staff of the Foundation will enjoy working with Don Randel, and I am equally confident that leaders in the fields in which the Foundation is active will find him to be both an effective and friendly collaborator. If the Foundation were a publicly traded company, I would certainly buy its stock!

2005: Some Highlights

Appropriations totaled over \$210 million in 2005, and allocations by major grantmaking category, other financial and operating data, and a listing of all grants made to individual institutions are presented later in the Annual Report. Let me highlight just a few grants and other activities—recognizing that it will not be possible

even to reference many important ongoing programs. Readers interested in particular areas should consult the Foundation's Web site and earlier Annual Reports.

- The Foundation has been gradually reducing its recurring grants each year to provide budgetary "running room" for a new president (who should thereby be able to make decisions concerning desired new initiatives without having to wait for existing grant commitments to run down) and simultaneously filling resulting gaps between recurring grants and IRS-mandated pay-out requirements with one-time awards. In keeping with this grantmaking strategy (which is described in detail at the end of the 2004 Annual Report), the Foundation made substantial one-time appropriations to key institutions in which it has a long-term interest. The American Museum of Natural History (\$5 million), the Center for Advanced Study in the Behavioral Sciences (\$5 million), and the American Council of Learned Societies (\$2 million) all received support intended to help these institutions reposition themselves for the long run. Also, a grant of nearly \$4 million was made to the Brooklyn Institute of Arts and Sciences (the Brooklyn Museum) to support an inventory and digital documentation of its Western costume collection and to begin the process of making the collection available electronically to an international audience.

- As part of its continuing review of the best strategy for supporting graduate students and faculty members in the humanities and related social sciences, led by Harriet Zuckerman and Joseph Meisel, the Foundation decided to suspend its long running program of one-year fellowships for beginning graduate students. The original rationale for this program, the recruitment of excellent students into the humanities, has been overtaken by changes in university funding patterns (the widespread practice today of making multi-year commitments to at least the most highly rated entering students). The Foundation resources it required are being redeployed in new efforts to increase the effectiveness of the Foundation's support of humanities graduate students, particularly in the later years of their study. A portfolio of faculty grants has been in place over the last several years, and in 2005 the Foundation renewed support for its Distinguished Achievement Awards, New Directions Fellowships, and Emeritus Fellowships. One of the most interesting Distinguished Achievement Awards was made to MIT for Professor John Dower's research and brilliant Web site on the images Japanese and Americans have had of one another at key points in history. Another went to

the University of Chicago to support Phillip Gossett's imaginative work on Verdi and Rossini, which utilizes and deploys newly developed electronic databases.

- In the performing arts, the Foundation continued its symphony orchestra program (and especially the Orchestra Forum), by making large investments in facilitating the search for new ways in which board members, artistic directors, and musicians can work together more effectively than has sometimes been the norm in the past. The Foundation's program officer in the performing arts, Catherine Maciariello, has set as a major goal identifying "best practices" that will advance musical objectives by respecting the contributions that all members of the orchestra can make in pursuing this overarching goal.

- The Foundation has continued to provide core support for its digital progeny, ARTstor and Ithaka. Under the leadership of Neil Rudenstine and James Shulman, ARTstor continues to add both new subscribers and valuable content, including (to cite only a single example) exceptionally high-quality images obtained from new photography of Lorenzo Ghiberti's *Gates of Paradise*. ARTstor was also successful in negotiating a path-breaking agreement with the Artists' Rights Association that will allow it to incorporate images of contemporary art in its rapidly growing digital library (which is now projected to include over 1.5 million images by 2010). Under the leadership of Kevin Guthrie, Ithaka has also made major progress in creating new content, and I mention immediately below the creation of a remarkable archive of African plants as one example. More generally, Ithaka is establishing its reputation as an organization positioned to promote the interests of the broader scholarly community in a wide variety of arenas ranging from an examination of the potential of open source software, to the provision of primary-source materials describing the struggles for freedom in Southern Africa, to the creation of an archiving solution for born-electronic content. In this latter regard, an especially noteworthy development in late 2005 was Elsevier's agreement to contribute all of its electronic content to the "Portico" archive that has been warmly endorsed by the Association of American Universities.¹

¹ For a fuller description of these developments, including their relationship to JSTOR, see William G. Bowen, "New Times Always, Old Time We Cannot Keep," Remarks at the annual meeting of the Association of Research Libraries, October 26, 2005.

- The “African Plants Initiative,” which, under the leadership of William Robertson, has evolved as a joint project of the Mellon Foundation and Ithaka/Aluka, was introduced in Vienna at the XVII International Botanical Congress. The prototype database was very well received, and the project was widely acclaimed as a remarkable example of the value of international collaboration and the power of electronic technologies to assemble a scholarly resource never imagined before. To date, the Foundation has made grants to 47 herbaria in 26 countries to create a coordinated digital database of images of Type specimens and related information (including drawings, watercolors, maps, and diaries) describing nearly all the plants on the African continent—a database that is accessed by means of sophisticated software that facilitates searching, zooming, and comparing high-quality images of plants of all kinds. This project could become a prototype for botanical projects focused on other regions of the world.

- As part of the Foundation’s program in libraries and scholarly communication, Donald Waters and Suzanne Lodato recommended a series of grants in 2005 in support of the development of scholarly resources for classical and medieval studies. Georgetown University is taking the lead in creating an environment for integrated access to a variety of scholarly resources important to classicists, including multiple versions of Homeric texts available in digital formats. Faculty at Johns Hopkins University are continuing to develop ways of comparing multiple versions of the *Roman de la Rose*. And the University of Cambridge is working with Stanford University to digitize and make widely available the remarkable collection of medieval manuscripts at Corpus Christi College assembled by Matthew Parker.

- The Foundation’s program in research in information technology, led by Ira Fuchs, continues to support the development of open source software for higher education. This year the program expanded its scope into institutional administration with a grant to Indiana University for the development of an open source financial information system. This software, known as “Kuali,” is intended to offer institutions an attractive, cost-effective alternative to rebuilding their legacy systems or replacing them with commercial systems that do not meet their specific needs. In addition, grants were made to MIT and Tufts University for the development of software associated with the emerging “semantic Web,” a system that promises to

facilitate and simplify interoperability across data archives, including JSTOR, ARTstor, and Aluka.

- The Foundation has also been actively involved for several years in encouraging the strengthening of science within art conservation. Particularly noteworthy in 2005 is a grant to the Art Institute of Chicago to support a research program in conservation science undertaken in close collaboration with Northwestern University's highly regarded Department of Materials Science and Engineering and the Argonne National Laboratory. The Foundation's program officer in museums and art conservation, Angelica Rudenstine, received the Forbes Medal, awarded by the American Institute for Conservation of Historic Works, in recognition of her outstanding leadership in this area.²

- A very different Foundation initiative is the development of a new approach to addressing the post-retirement health needs of faculty and staff. Unless cost-effective ways can be found to deal with these needs, individuals will continue to be inclined to postpone retirement to preserve their benefits, a prospect that entails major "costs" (monetary and other) for the entire higher education system. Under the leadership of Pat McPherson and others, the Emeriti Consortium for Retirement Health Solutions ("Emeriti") has now passed regulatory review and is an independent not-for-profit entity with tax-exempt status. A central feature of Emeriti is the use of a defined contribution approach which limits the financial exposure of participating colleges and universities. Another key feature is the creation of an investment vehicle which permits individuals and institutions to contribute funds to health savings accounts on a tax-favored basis. A third feature is the aggregation of risk and the ability of Emeriti to bargain for better health care options at lower costs than might be available to participants otherwise. The Foundation has provided the start-up funding for Emeriti, and it is now up to the higher education community to seize this opportunity and to provide the ongoing support that will be required.

- The Foundation also continues to make grants in support of a range of faculty enhancement initiatives at groups of colleges that are committed to facilitating the continued intellectual growth of fac-

² The citation reads: "For her pivotal role in guiding and supporting the advancement of the conservation profession. She has tirelessly promoted serious scholarship in conservation and conservation science while seeking greater communication among art historical, scientific, and conservation communities."

ulty through collaborative programs. Foundation staff with principal responsibility for the liberal arts colleges program (especially Eugene Tobin and Danielle Carr Ramdath, as well as Pat McPherson) increasingly believe that “collaboration” is the key concept for these colleges as they seek to strengthen their instructional and research capacities and their faculty professional development opportunities through access to the advances in information technology that are routinely employed at large universities. The National Institute for Technology in Liberal Education (NITLE) has been established within Ithaca in an effort to meet this sector’s special needs in a cost-effective way. The Foundation has provided start-up funding but, as in the case of Emeriti, the continued success of NITLE will depend on the willingness of the liberal arts college community to support it.

- At their final Board meeting in 2005, the trustees enthusiastically voted to renew the Foundation’s support for the Mellon Mays Undergraduate Fellowship (MMUF) program, which was first established in 1988 under the leadership of Henry Drewry. The purpose of MMUF is to increase the number of minority students, and others with a demonstrated commitment to eradicating racial disparities, who are pursuing PhD programs in core areas of the arts and sciences. In recommending that the program continue, the current director of MMUF, Lydia English, pointed out that 34 colleges and universities, and the consortium of 39 member institutions of the United Negro College Fund, participate in MMUF, and that as of October 2005, 164 MMUF fellows have earned the PhD. Five hundred additional participants in the program are in various stages of graduate school. It is hard to exaggerate the likely long-run impact of MMUF on higher education, through both the teaching and scholarship of talented individuals and the even larger “community of interest” that MMUF has fostered.

- One very special—and, we hope, not-to-be-repeated—feature of Foundation grantmaking in 2005 was the need the trustees and staff felt to respond to the tragedy of Hurricane Katrina. Fortunately, our budgetary situation, with a provision already in place for one-time grants, allowed us to commit \$10 million more or less immediately to key grantees affected most severely by Katrina and later to add another \$1.2 million to this total. This decision to assist specific institutions the Foundation has worked with in the past, rather than to make broad-based grants for humanitarian relief, was

consistent with the strategy that worked well for Mellon in the aftermath of 9/11 when we provided \$50 million of special appropriations to selected arts organizations, museums, libraries, and gardens/parks in New York. Initial grants went to two Historically Black Colleges and Universities in New Orleans that were especially hard hit (Dillard and Xavier Universities), as well as to the Southern Education Foundation and the Associated Colleges of the South (ACS). The ACS in turn disbursed funds to institutions that took in large numbers of displaced students from New Orleans and also had to cope with the effects of Katrina on the circumstances of already enrolled students from the Gulf region. Among many creative and innovative initiatives, it is encouraging to note the role that NITTE played (in collaboration with Southwestern University) in enabling Dillard faculty members to develop online courses in preparation for the University's reopening. Subsequent grants went to Tulane, which has worked with Dillard and Xavier to meet common needs of staff and students, and to the Louisiana Philharmonic Orchestra, the New Orleans Museum of Art, and the University of Delaware (which is addressing art conservation issues in the Gulf region).

- Grantmaking is of course the core of what the Foundation does, and for that reason I have focused this brief recitation of 2005 highlights on that central area of activity. But I would be remiss if I failed to report the successful completion, in December 2005, of a major renovation of the Foundation's space at 62nd Street. Work was completed the previous year on new space on 61st Street, across the garden from the original 62nd Street buildings, which houses ARTstor and Ithaka as well as staff providing IT and other services shared between these Affiliates and Mellon. The time had clearly come for a major face-lifting at 62nd Street, where, for example, many of the windows were over 100 years old and the existing configuration of spaces was far from optimal. As always, the disruption was greater than could have been anticipated, and it was only as a result of great dedication and much patience all around (with leadership provided by Pat Irvin, Pat Woodford, and Ronnie Sheppard) that staff survived the renovation process—and managed to maintain an astonishingly normal work schedule along the way. Visitors to the Foundation will now have use of public spaces that work much better, even as they retain their original character. Speaking personally, I did not want to leave to my successor the unwelcome task of dealing with such inevitably irritating matters, and I am pleased that the renovation is now complete.

Governance: The Role of Foundation Trustees

In last year's report I paid tribute to the great contribution the Board of Trustees has made to the work of the Foundation during the years I have served as president, but I did not elaborate. I now want to redeem the promise I made then to say more about the role of trustees—focusing on my own experience at Mellon, but also offering a somewhat more general commentary.

Let me begin by repeating an assertion I made just over 10 years ago in a small book on the workings of boards of for-profit and non-profit organizations:

In my view, the trustees of foundations have more opportunity to affect institutional performance than do the directors of any other set of entities in either the for-profit or nonprofit sector. Such opportunities obviously can be used wisely, wasted, or even abused.³

The intervening years have only strengthened my conviction that this statement is correct. The reasons have to do primarily with the wide range of programmatic choices available to most foundations and especially with the relative lack of constraining forces—other than the discipline that the board itself imposes on the organization.

The Presence (Absence) of Constraining Forces

At the conceptual level, I find it useful to think of three kinds of constraining forces that can operate on entities in both the for-profit and nonprofit sectors: (1) markets and, more generally, competition for scarce resources; (2) “process” constraints, which include both internal mechanisms for structuring decision-making and external scrutiny; and (3) government regulations, which may be either substantive (such as pay-out requirements for foundations) or procedural. My thesis is that the first two types of constraints are much more limiting in the case of most organizations, in both the

³ William G. Bowen, *Inside the Boardroom: Governance by Directors and Trustees* [John Wiley & Sons, NY: 1994], p. 11. A number of people have encouraged me to revise this book, in light of both subsequent changes in the “environment” and recent experiences I have had on several high-profile boards. This idea intrigues me, and I hope to find time to try my hand at a revision. My intention is to treat many of the topics only alluded to in this discussion in more detail in such a revision.

for-profit and nonprofit sectors, than they are within the world of the large grantmaking foundations.

In the for-profit sector, markets are by far the most powerful constraints. In the case of publicly traded companies, stockholders dissatisfied with corporate performance can dispose of their shares, and rapid adjustments in market prices and valuations tell their own stories—which of course financial analysts and the media often “spin” in one way or another. Companies are subject to detailed disclosure requirements and, in addition, are subject to the judgments of rating agencies as well as external auditors. The occasional Enron-like aberration notwithstanding, much reliable information is available to guide the process by which markets ration capital. Moreover, companies (and parts of companies) can be bought and sold. Erratic, if not disappointing, performance can have severe consequences. New technologies, the emergence of new competitors, the economic environment, and, more generally, the constant surveillance of markets guide actions and bound the choices available to directors.

This is hardly to say that boards of for-profit companies are of no consequence. Their directors make (or ratify) decisions of great moment, including both the determination of strategic directions and judgments concerning the leadership of the company. As is evident to all of us, bad decisions can have major effects on stakeholders of all kinds as well as on the public at large. But members of for-profit boards know full well that they operate within a domain that is constrained by powerful external influences mediated primarily through markets.

In the nonprofit world, many kinds of constraints also operate, including constraints that reflect market forces similar in some respects to those present in the for-profit sector. For example, the leaders of performing arts organizations that must sell tickets remind us regularly that market demand matters greatly to the health of their organizations, as it does to museums and many historical societies that rely for revenues on paying visitors. Such entities and many other nonprofits that provide social services, including libraries, also have to pass what are, in effect, market tests of another kind when they recruit volunteers and appeal to donors to raise the funds on which many are utterly dependent. We are reminded every day that educational institutions compete vigorously with each other for students and faculty, as well as for charitable contributions and government funding. As their stepped up advertising attests, nonprofit hospitals and health care

providers compete for patients as well as for private and public funding (as do “think tanks” and research organizations).

What I have called “process constraints” are also very important in many nonprofit settings, with colleges and universities serving as particularly good examples of this general point. Long established internal decision-making processes, including faculty responsibility for many curricular matters as well as for academic requirements and academic appointments, constrain what trustees can do in many areas of college and university life. More generally, the actions and inactions of trustees of both small colleges and large universities are constantly scrutinized by the media (including student reporters!), alumni groups, parents, and faculty—the most demanding group of all. Trustees of such institutions cannot expect to lead unexamined lives. They must find effective responses to continuing challenges—whether the challenges are external or internal in origin—if they are to retain legitimacy and succeed in advancing educational goals.

Grantmaking foundations may think of themselves as influenced, directly and indirectly, by some of these same pressures, but surely in much, much smaller measure. By and large, they do not compete for students, patients, or audiences; they do not routinely raise new money; and they are largely insulated from the powerful market forces that can lead in other settings to mergers, forced sales of assets, or resignations of CEOs. Foundations are of course subject to the terms of deeds of gifts and the charters that established them. They are also subject to some degree of public scrutiny as well as to myriad government regulations (discussed further below) and, on occasion, to review, if not discipline, by membership organizations such as the Council on Foundations. Nonetheless, trustees retain a great deal of leeway within which to set directions and make choices. I can think of no other major institutional players so free to chart their own courses.

This is not at all a bad thing, provided that proper oversight is provided by responsible boards of trustees. Quite the contrary. Considerable freedom of action is one of the great strengths of independent foundations, and a major justification for the tax privileges they enjoy. Such freedom is especially important in a society in which it is often hard to generate support for programs that serve broad public purposes, rather than simply someone’s self-interest or this or that political agenda. Also, in my view, our society needs

private initiatives able to overcome bureaucratic impediments to change, as well as other forces of inertia, and to test out ideas. For my own part, I would much prefer to live in a world in which freedom of action leads to some poor decisions (as will inevitably be the case) to a world in which foundations are fearful to strike out in new directions or to support unpopular causes. The challenge is to find ways of preserving freedom of action while simultaneously meeting proper standards of accountability. It is in reconciling these objectives that trustees of foundations have a decisive role to play.

Failure of boards of trustees to provide strong oversight is the surest way to encourage the most obvious alternative remedy for abuses: more governmental regulation. There is, without question, a need for appropriate governmental rule-making and monitoring in the foundation world. In particular, I favor clear proscriptions against self-dealing, reasonable standards for ensuring that enough funds are disbursed for charitable purposes on a regular basis (the purpose of pay-out requirements), and insistence on a great deal of transparency—by which I mean public disclosure of grants made, levels of administrative expense, and compensation of officers and trustees.⁴ It is ironic that much of the pressure for more detailed regulations (some of which I regard as overly mechanical and generally unwise) stems from a failure by the Internal Revenue Service to invest enough resources to make sure that basic standards of right behavior, that exist now, are enforced.

Roles of Foundation Trustees

The general lack of both market constraints and process constraints in the foundation world, and the necessarily general character of governmental regulation (if it is not to be stifling), means that the real responsibility for careful oversight rests with boards of trustees—which is where I believe it should rest. The remainder of this commentary consists of suggestions as to how the boards of foundations can discharge their substantial governance responsibilities effectively.

⁴ The “Proposed Governance Principles for Discussion with Large Foundations,” drafted in June 2004 by the presidents of a group of the largest private foundations, elaborates on this approach to governance. These guidelines are available at: <http://www.cof.org/Content/General/Display.cfm?contentID=1753>

The first requirement is having committed and knowledgeable members of the board. The process of identifying and recruiting trustees should be as rigorous as the process of searching for a new president. A determined effort must be made to find the most qualified candidates. Required is a careful assessment of the needs of the board, taking into account the qualifications and special skills of existing members so that the final “portfolio” of board members will be well-balanced in terms of interests and experiences as well as ages, backgrounds, and other salient characteristics. There is an obvious need for both individuals with substantial investment and business competence and individuals closely attuned to the programmatic/grantmaking objectives of the foundation. Ideally, a number of members will be well-qualified along both dimensions, but identifying and electing such individuals (the proverbial “triple-threat” players) requires a demanding search and screening process.⁵ It will not do for trustees to be satisfied with adding their “friends” to the board. Board members need to be individuals of outstanding ability who have not only impressive credentials in areas such as financial management and investments but also enough knowledge of the fields in which the foundation is active to participate effectively in substantive discussions.

This seemingly obvious point leads directly into a discussion of the “independence” of board members. In the case of the Mellon Board, every one of its nine members has or has had associations with institutions in the fields in which the Foundation makes grants: colleges and universities, research libraries, performing arts organizations, museums, and so on. To which I can only say: “Thank heavens!” Far from compromising the ability of the Board to think “objectively,” the presence of experienced, knowledgeable individuals is the best protection against making uninformed decisions. To insist that the Board be comprised of individuals with no past or present involvement in the institutions that are the obvious candidates for support would deprive the Board of the competence it needs to exercise its fiduciary responsibilities. Nor would it work to decree

⁵ In recruiting a good mix of highly capable board members, foundations have a major advantage over universities and other organizations that have to assign substantial weight to fund-raising requirements and to meeting the expectations of various constituencies. These special requirements generally lead to larger boards within other parts of the nonprofit sector than among grantmaking foundations.

that institutions with which trustees have or had an affiliation are ineligible for Foundation support—under such a regime, no leader of such an institution would agree to serve on the Foundation Board. To be sure, it is imperative to protect against conflicts of interest, and the Foundation has a well-developed set of procedures in place. But it is a mistake to conflate notions of “independence” (thought of in Sarbanes-Oxley terms, in the context of for-profit companies) with a proper concern for the avoidance of conflict.

Judicious selection of trustees is all the more important if the size of the board is kept small. And, in my view, small size is itself highly desirable—especially if the trustees are expected to participate actively in substantive discussions of directions and priorities, as I think they should (a point discussed in detail below). Setting a limit of, say, 10 or 12 on the number of trustees also serves the important purpose of emphasizing that board membership is an important responsibility. Each trustee is able to contribute, and expectations concerning attendance and preparation are readily understood. Individuals who are absent are missed; there is “no place to hide” when serving on a small board.

In last year’s Annual Report, I wrote about the way in which the Foundation has blended elements of continuity and of change during my tenure in office. Trustees play a major role in articulating the values, the common assumptions, and the basic principles which together assure a reasonable degree of continuity and which establish, *de facto*, a set of norms for developing and evaluating specific proposals. Staff members have said to me on a number of occasions that they just “know” that this, that, or some other initiative would not fit within the grantmaking framework that has evolved at Mellon—and which is transmitted, in the words of one trustee, “more or less by osmosis.” Such assumptions can of course become too rigid and outdated, and trustees have a major responsibility for constantly assessing how well these shared modes of thinking serve the purposes of the Foundation as it operates in an ever changing environment. It is helpful, however, to have a point of departure when contemplating new directions.

A much more specific way—and perhaps the most important way—in which trustees exercise their collective fiduciary responsibility is by selecting a president who will provide strong and principled leadership. In choosing Don Randel, the Mellon trustees have passed this test with flying colors.

Then, with a strong president, an excellent staff, and some common assumptions as a starting point, trustees have an opportunity—and, I believe, an obligation—to participate actively with the president and staff in setting programmatic directions. The absence of so many of the external constraints (“governors”) mentioned earlier means that strong internal direction is needed if a foundation is to focus its energies properly and take fullest advantage of the opportunities its resources offer. This point cannot be emphasized strongly enough.

There are many ways in which a collegial process for setting directions can be managed. Much will depend on the history and character of a particular foundation. At the risk of seeming to want to impose on others a set of policies and practices that I think has worked well at Mellon, let me state my own preference for a process whereby trustees are involved in thinking—actively and early on—with the president and the staff about basic grantmaking directions and priorities. Periodic “retreats” offer one good opportunity for this kind of shared thinking. In addition, staff can be asked to prepare background papers discussing the pros and cons of supporting one initiative or another—so that there can be informed discussion of general approaches in advance of considering actual grant recommendations.

In encouraging trustee engagement with substantive issues, there are, I think, two extremes to avoid. One is for individual trustees to “pronounce” so strongly on a course of action in which the trustee believes that no general conversation is welcomed. In my view, trustees have a collective responsibility to be prepared, if necessary, to resist any tendency toward the development of individual trustee fiefdoms. The other extreme is for trustees to be reluctant to state any substantive views of their own and to function in a purely reactive mode. My preference is for a more nuanced approach whereby trustees join the president and the staff in substantive discussions of directions so that ultimate decisions benefit from a rich variety of perspectives. Ideally, the outcome will be a truly collective sense of the right ends to pursue. This model assigns to trustees a more active substantive role than some might think is appropriate—even though, as I hope is clear, I am certainly not proposing vesting anyone with anything approaching dictatorial authority.

A comparison with university governance may be helpful. In a university setting, trustees can and should rely on tenured faculty to provide leadership in setting and maintaining academic standards;

as I said above in discussing “process constraints,” universities generally have an internal structure for developing policy recommendations of many kinds, and trustees rely heavily on such structures to vet ideas before they are brought to the board for review. At foundations, on the other hand, there may be much more to be gained through ongoing interactions at the board level when directions are first being formulated. The Mellon Foundation has an outstanding professional staff, but senior staff would be the first to agree that vigorous discussion, debate, and questioning at the trustee level sharpen their thinking and lead to better outcomes for the Foundation. They neither expect nor want a “rubber stamp” process.

At the same time, trustees recognize that staff members have an essential role to play in developing options and investigating proposed directions before decisions are reached. And of course staff must be relied on to review proposals from grantees and to prepare grant recommendations. Foundation trustees should never try to micro-manage the grantmaking process, any more than university trustees should try to micro-manage the faculty staffing process. But trustees may have more to contribute at the “macro” level in a foundation setting than in the typical college or university setting where overall objectives are well-established and widely understood.

There is a delicate balance to be struck between the roles of the various parties that is hard to define in abstract terms. It goes without saying that it is the president who has the major responsibility for orchestrating a decision-making process in which each participant contributes constructively and appropriately—by which I mean consistently with what the individual knows, and in keeping with the individual’s level of responsibility. With proper organization and preparation, careful review by foundation trustees of proposed policies and priorities can be a highly effective oversight mechanism.

Trustees can also promote accountability in a number of other ways. To cite an example from our experience at Mellon, the process of developing specific grant proposals is enhanced greatly by asking staff members to prepare recommendations in writing well in advance of Board meetings, and asking trustees to read these recommendations carefully and come prepared to ask hard questions. No staff member wants to be embarrassed by failing to respond effectively to a challenging inquiry from a trustee, and it is also useful to have a clear understanding all around that no grant proposals should be considered in the absence of written documentation dis-

tributed in advance of a Board meeting. One specific initiative encouraged by a former trustee is the inclusion in each docket recommendation of a short paragraph stating “expected outcomes” if the proposed grant is approved. Then, after the fact, staff can be asked to compare results achieved with expectations at the time the award was made—recognizing that in many cases the evidence will be qualitative, at least in part.

It is also helpful to have periodic reviews of particular programs by outside advisors and to commission panels of experts to recommend which institutions should be given grants through a competitive process. These and other mechanisms for soliciting informed opinions of how well (or poorly) certain initiatives are working are especially valuable in the foundation world because of the reluctance of many grantees, and potential grantees, to be critical of foundation policies and decisions. There is an old saw to the effect that a foundation president should never again expect “to be given a bad lunch or to hear the truth.” Being aware of this potential problem is helpful, and, if there is a will, ways can be found to circumvent any tendency to suppress candor.

Trustees can also help a foundation maintain proper standards of accountability by working with the president to insist on careful monitoring of established principles of record-keeping and reporting—on the part of both staff and grantees. The Mellon Foundation has recently added an internal auditor to its staff (at the suggestion of a trustee), and this individual, who reports directly to the chairman of the trustee Audit Committee, has already made significant contributions. No doubt there is room for further progress. Mellon’s trustees have also promoted a different kind of accountability by encouraging staff members to publish things they write and to participate in professional meetings—activities that invite critiques that should be welcome. At the end of the day, “accountability” is as much a state of mind as it is a set of procedures, and trustees can make a real contribution by asking probing questions and monitoring performance.

Let me end this discussion with perhaps the most important point of all: the effective performance of boards depends critically on the leadership of the person who chairs the board of trustees and the relationship between this individual and the president. The Mellon Foundation has been blessed beyond its just desserts in its chairmen (as the men and women who have occupied this position have wished to be called). It has been my good fortune to work with

four truly exemplary leaders of the Board, very different from one another in many respects but each absolutely committed to the Foundation and its core values. The four have shared a capacity for hard work, a desire and an ability to think freshly about new initiatives (but with no inclination to be “trendy”), and a stubborn commitment to the highest standards. In order of service, the four are:

William O. Baker, former president of Bell Labs (1975-1990);

John C. Whitehead, former undersecretary of state and co-CEO of Goldman Sachs (1990-1997);

Hanna H. Gray, a distinguished historian and former president of the University of Chicago (1997-2003); and

Anne M. Tatlock, chairman and CEO of Fiduciary Trust International (2003-).

It is no exaggeration to say that whatever standing the Foundation enjoys today is due in no small measure to the dedication and leadership of these four trustees.

Looking Ahead: My Own Plans

Reluctant as I am to conclude this report by talking about myself, I feel an obligation to answer the questions I continue to be asked about my future relationship to Mellon and, more generally, my interests and plans. Perhaps the reason for this curiosity is that I apparently do not give the impression of someone likely to take naturally or even gracefully to “retirement!”

In any event, I have always been a strong believer in the adage: “When you leave a presidency, leave!” That is the way I approached my departure from the President’s Office at Princeton and it is the way I will approach the handing over of responsibility to Don Randel at the Mellon Foundation. As I have said often, and only partly in jest: “One president at a time is enough—maybe more than enough!” After July 1, 2006, I will have no role in grantmaking, investment, and staffing decisions, or administration at the Foundation, and I will no longer serve on the Foundation’s Board of Trustees. A new president deserves to have the freedom of action that could only be compromised if the “ghost of Christmas past” were looking over his shoulder at board meetings or gatherings of the staff. I will of course be available to answer any questions that our new president wishes to put to me, but I will operate solely in response mode.

There is, however, one activity at Mellon in which it does seem to make sense for me to continue to play a role—albeit one that will not interfere with the transfer of full responsibility for the Foundation’s grantmaking and administrative activities. Mr. Randel has asked me to continue to oversee the Foundation’s in-house research associated with the use of the College & Beyond database and especially with the new studies we have recently undertaken on ways in which opportunity in higher education can be extended to larger numbers of students from modest circumstances and from racial and ethnic minorities—a subject of enormous importance to the country and a field of research in which the Foundation has considerable experience and some standing.

This ongoing research program grows directly out of a number of other studies the Foundation has carried out with the strong support of its trustees, starting with *The Shape of the River* and including most recently *Equity and Excellence in American Higher Education*. My social science background has proven useful in this context. In addition there is a strong argument for maintaining continuity in relationships with presidents and others at participating colleges and universities, as well as with individuals at the College Board, the ACT, and the Spencer Foundation (with which we share research interests). My role will be to take some lead in providing overall direction for the research, to work with the young scholars whom we recruit to participate in these major empirical studies, and to provide the formal oversight of studies involving sensitive data that, for legal and other reasons, require the direct involvement of a senior person. I expect to serve as an unpaid “senior research associate” on a year-to-year basis.

I also expect to continue as chairman of the board of Ithaca Harbors, Inc., operating out of an Ithaca office on 61st Street, and as a member of the ARTstor and JSTOR boards. All of these “Affiliates,” as we call them, are now independent 501(c)(3) organizations even though they continue to interact with the Foundation, as well as with each other, in a number of highly synergistic ways. Direct responsibility for such interactions will rest, however, with the president of Ithaca, Kevin Guthrie, and with the executive directors of ARTstor and JSTOR (James Shulman and Mike Spinella, respectively), not with me. If all goes according to plan, I will have time to work with the officers of the Affiliates, participating in discussions

of strategic directions, providing other advice as appropriate, and perhaps helping with the search for additional sources of support.

Much as I will miss the close day-to-day relationships with colleagues at the Foundation who have been friends as well as professional associates, I look forward to having more time for research, for greater involvement with the work of the Affiliates, and for a limited number of other activities. There will be, I suspect, no lack of mountains to climb, and I shall always be grateful for what I regard as one of the greatest privileges of life: to be able to work hard for causes in which I truly believe.

William G. Bowen
January 2006

The Andrew W. Mellon Foundation

Summary of Grants and Contributions, 2005

	<i>Payable and Committed at</i>	<i>2005 Grants and Commitments</i>		<i>Payable and Committed at</i>
	<i>Dec. 31, 2004</i>	<i>Appropriated</i>	<i>Paid</i>	<i>Dec. 31, 2005</i>
Conservation and the Environment	\$ 775,000	\$ 13,033,500	\$ 8,995,004	\$ 4,813,496
Museums and Art Conservation	20,762,730	19,140,355	16,291,015	23,612,070
Performing Arts	2,779,080	16,789,000	13,162,171	6,405,909
Higher Education and Scholarship	28,027,542	114,132,814	108,321,724	33,838,632
Libraries and Scholarly Communication	8,536,343	35,323,500	39,595,813	4,264,030
Population	1,903,553	—	750,000	1,153,553
Public Affairs	107,815	235,000	342,815	—
Other	—	11,552,000	11,552,000	—
Program Grants and Commitments — Totals . . .	62,892,063	210,206,169	199,010,542	74,087,690
Contributions and Matching Gifts	—	329,289	329,289	—
Totals	<u>\$62,892,063</u>	<u>\$210,535,458</u>	<u>\$199,339,831</u>	<u>\$74,087,690</u>

The Andrew W. Mellon Foundation

Classification of Grants

CONSERVATION AND THE ENVIRONMENT

Appropriated

American Museum of Natural History,
New York, New York:

To support and endow efforts for developing new
exhibitions and enhanced revenues that will be
supportive of the Museum's mission \$ 5,000,000

Association Tela Botanica,
Montpellier, France:

To continue support of the development of a
coordinated digital database of images and
information on African plants 110,000

To continue support of the development of a
coordinated digital database of images and
information on African plants 55,000

Botanische Staatssammlung München,
Munich, Germany:

To support the development of a coordinated
digital database of images and information on
African plants 100,000

Centro Studi Erbario Tropicale,
Florence, Italy:

To support the development of a coordinated
digital database of images and information on
African plants 55,000

Conservatoire et Jardin Botaniques,
Geneva, Switzerland:

To support the development of a coordinated
digital database of images and information on
African plants 75,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

Corporacion para el Desarrollo de las Ciencias
Vegetales en America Latina,
Santiago, Chile:

To support the Latin American Plants Sciences
Network (Red Latinoamericana de Botanica) 260,000

Ecological Society of America, Inc.,
Washington, DC:

To complete the expansion of JSTOR's collection
of titles in ecology and biology 300,000

Ithaca Harbors, Inc.,
New York, New York:

To support travel for African partners participating
in the African Plants Initiative to attend the
International Botanical Congress in Vienna, Austria,
in July 2005 44,000

Legal Personality of the National Botanic Garden
of Belgium,
Meise, Belgium:

To continue support of the development of a
coordinated digital database of images and
information on African plants 220,000

Missouri Botanical Garden,
St. Louis, Missouri:

To support the development of a coordinated
digital database of images and information on
African plants 75,000

Muséum National d'Histoire Naturelle,
Paris, France:

To support the development of a coordinated
digital database of images and information on
African plants 72,000

To continue support of the development of a
coordinated digital database of images and
information on African plants 60,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

National Botanical Research Institute,
Windhoek, Namibia:

To support the development of a coordinated
digital database of images and information on
African plants 80,000

National Herbarium and Botanic Garden,
Harare, Zimbabwe:

To support the development of a coordinated
digital database of images and information on
African plants 84,000

The Natural History Museum,
London, United Kingdom:

To continue support of the development of a
coordinated digital database of images and
information on African plants 126,000

To continue support of the development of a
coordinated digital database of images and
information on African plants 120,000

New York Botanical Garden,
Bronx, New York:

To support improving access to its collections using
information technology 100,000

North Carolina State University,
Raleigh, North Carolina:

To support an ecological research and training
program led by a junior faculty scientist 300,000

Organization for Tropical Studies, Inc.,
Durham, North Carolina:

To continue support of undergraduate programs in
South Africa and for graduate student research and
training 550,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

Pennsylvania State University,
University Park, Pennsylvania:

To support an ecological research and training
program led by a junior faculty scientist 260,000

Resources for the Future, Inc.,
Washington, DC:

To continue support for a fellowship program of
scholarly research on the implementation and
effects of environmental studies 500,000

Royal Botanic Gardens, Kew,
Richmond, United Kingdom:

To continue support of the development of a
coordinated digital database of images and
information on African plants 520,000

To continue support of the development of a
coordinated digital database of images and
information on African plants 337,000

To support the development of a coordinated
digital database of images and information on
African plants 260,000

South African National Biodiversity Institute,
Cape Town, South Africa:

To continue support of the development of a
coordinated digital database of images and
information on African plants 480,000

South African National Parks,
Pretoria, South Africa:

To continue support of a pilot junior scientist
training program 208,000

Stanford University,
Stanford, California:

To support a planning effort to create an indigenous
resource management fellowship program 12,500

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

Swedish Museum of Natural History,
Stockholm, Sweden:

To support the development of a coordinated
digital database of images and information on
African plants 110,000

Tropical Pesticides Research Institute,
Arusha, Tanzania:

To support the development of a coordinated
digital database of images and information on
African plants 50,000

Trust for Public Land,
San Francisco, California:

To provide general support 1,000,000

Université Montpellier II,
Montpellier, France:

To support the development of a coordinated
digital database of images and information on
African plants 77,000

To continue support of the development of a
coordinated digital database of images and
information on African plants 36,000

University of California at Santa Barbara,
Santa Barbara, California:

To continue support of postdoctoral and training
programs in informatics 300,000

To support a program of research and training in
plant and soils ecology in Kruger National Park,
South Africa 45,000

University of California at Santa Cruz,
Santa Cruz, California:

To support an ecological research and training
program led by a junior faculty scientist 200,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

University of Cape Town,
Cape Town, South Africa:

To support the development of a coordinated
digital database of images and information on
African plants 70,000

University of Colorado at Boulder,
Boulder, Colorado:

To support an ecological research and training
program led by a junior faculty scientist 240,000

University of Dublin, Trinity College,
Dublin, Ireland:

To support the development of a coordinated
digital database of images and information on
African plants 80,000

University of Georgia,
Athens, Georgia:

To support an ecological research and training
program led by a junior faculty scientist 200,000

University of KwaZulu-Natal,
Durban, South Africa:

To support the development of a coordinated
digital database of images and information on
African plants 48,000

University of Minnesota,
Minneapolis, Minnesota:

To continue support of training in the ecological
sciences for undergraduate students committed to
increasing the participation from groups
traditionally underrepresented in the ecological
sciences 80,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

Wageningen University Department of Plant Sciences,
Wageningen, Netherlands:

To continue support of the development of a coordinated digital database of images and information on African plants	134,000
Total—Conservation and the Environment	\$13,033,500

MUSEUMS AND
ART CONSERVATION

Appropriated

The Art Institute of Chicago,
Chicago, Illinois:

To support a research program in conservation science in collaboration with Northwestern University and the Argonne National Laboratory .\$. 500,000

Barnes Foundation,
Merion, Pennsylvania:

To continue support for collection assessment, research, and preservation of the permanent collection 580,000

To support administrative assistance for the board of trustees 45,000

Brooklyn Institute of Arts and Sciences,
Brooklyn, New York:

To support an inventory and digital documentation of its Western costume collection and to begin the process of making the collection available electronically 3,925,000

The Denver Art Museum,
Denver, Colorado:

To endow the position of chief conservator and to support staff positions and equipment purchases . . . 1,750,000

George Eastman House,
Rochester, New York:

To support the Advanced Residency Program in Photograph Conservation 4,000,000

To support a pilot workshop, *The Conservation Assessment of Photograph Collections: The First Step in Preservation Planning*, in St. Petersburg, Russia 50,000

Harvard University,
Cambridge, Massachusetts:

To endow the position of a senior conservation scientist in inorganic materials 1,800,000

MUSEUMS AND
ART CONSERVATION

(continued)

Appropriated

Isabella Stewart Gardner Museum, Inc.,
Boston, Massachusetts:

To endow a program of scholarly exhibitions based
on the Museum's permanent collection 1,000,000

The Library of Congress,
Washington, DC:

To support a comprehensive assessment of the
preservation and conservation needs of the
photographic collections 40,000

Metropolitan Museum of Art,
New York, New York:

To support planning meetings in Beijing in
preparation for a 2006 conference of Chinese
museum professionals 80,000

To support a visit by officials of the State
Administration of Cultural Heritage in China
to the US 21,355

Museum of Fine Arts, Boston,
Boston, Massachusetts:

To endow the position of associate research scientist
and to support a data resource (CAMEO) and a
Raman microscope 1,270,000

Nelson Gallery Foundation,
Kansas City, Missouri:

To support a pilot program of collaborative projects
to be undertaken by the Nelson-Atkins Museum of
Art with outside scientists 300,000

Robert W. Woodruff Arts Center, Inc.,
Atlanta, Georgia:

To support a scholarly interdisciplinary workshop
focusing on the technical and art historical
achievement of Lorenzo Ghiberti's *Porta del Paradiso* 260,000

MUSEUMS AND
ART CONSERVATION

(continued)

Appropriated

Smith College,
Northampton, Massachusetts:

To support costs associated with the planning phase for a summer institute in museum studies	50,000
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University of Delaware,
Newark, Delaware:

To support collaborative workshops in photograph conservation	469,000
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Virginia Museum of Fine Arts,
Richmond, Virginia:

To endow the position of curator of ancient art	1,250,000
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Walters Art Gallery Endowment Foundation, Inc.,
Baltimore, Maryland:

To endow two mid-level (assistant/associate) curatorial positions	1,750,000
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Total—Museums and Art Conservation	<u><u>\$19,140,355</u></u>
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PERFORMING ARTS	<i>Appropriated</i>
Actors Theatre of Louisville, Inc., Louisville, Kentucky:	
To support artistic initiatives and organizational development	\$ 100,000
Alliance of Resident Theatres, New York, New York:	
To support the New York Theater Program and services to the field	1,600,000
American Music Center, Inc., New York, New York:	
To support online publications	100,000
American Repertory Theatre Company, Inc., Cambridge, Massachusetts:	
To support artistic initiatives and organizational development	350,000
Appalshop, Inc., Whitesburg, Kentucky:	
To support artistic initiatives and organizational development	300,000
Association of Performing Arts Presenters, Inc., Washington, DC:	
To complete documentation of successful practices in dance presentation	30,000
Ballet Theatre Foundation, Inc., New York, New York:	
To support the commissioning and production of a new ballet by Peter Quanz	250,000
Bang On A Can, Inc., Brooklyn, New York:	
To support the Summer Institute of Music	150,000

PERFORMING ARTS

(continued)

Appropriated

The Vivian Beaumont Theater, Inc.,
New York, New York:

To support artistic initiatives and organizational
development 300,000

Berkeley Repertory Theatre,
Berkeley, California:

To support artistic initiatives and organizational
development 160,000

Chorus America Association,
Washington, DC:

To support a conducting workshop on
choral/orchestral repertoire 10,000

Conductors Retreat at Medomak,
Ann Arbor, Michigan:

To support the annual conductors retreat 100,000

Cornerstone Theater Company, Inc.,
Los Angeles, California:

To support artistic initiatives and organizational
development 100,000

Creative Capital Foundation,
New York, New York:

To support research on ways to strengthen support
structures for individual artists 15,000

EmcArts Inc.,
New York, New York:

To support the Symphony Orchestra Forum 910,000

Hartford Stage Company,
Hartford, Connecticut:

To support artistic initiatives and organizational
development 300,000

PERFORMING ARTS

(continued)

Appropriated

Joyce Theater Foundation, Inc.,

New York, New York:

To support planning and capacity building as a result of its selection as an anchor organization at the new performing arts facility to be constructed at the former World Trade Center site	1,200,000
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Manhattan Class Company, Inc.,

New York, New York:

To support its 2005 youth company summer play festival	15,000
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Manhattan Theatre Club, Inc.,

New York, New York:

To support artistic initiatives and organizational development	130,000
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Meet the Composer, Inc.,

New York, New York:

To support <i>Music Alive</i>	1,250,000
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Music Associates of Aspen, Inc.,

Aspen, Colorado:

To support a seminar on music training and performance	50,000
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Musical Arts Association,

Cleveland, Ohio:

To support artistic initiatives and organizational development	840,000
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National Arts Strategies, Inc.,

Washington, DC:

To support seminars and curriculum development	119,000
To support the attendance of Foundation grantees at a seminar entitled <i>Creative Alliances</i>	20,000

PERFORMING ARTS

(continued)

Appropriated

New Jersey Symphony Orchestra,
Newark, New Jersey:

To support artistic initiatives and organizational
development 1,350,000

New York City Center Inc.,
New York, New York:

To support the 2005 *Fall for Dance Festival* 50,000

New York Shakespeare Festival,
New York, New York:

To support artistic initiatives and organizational
development 250,000

New York Theatre Workshop, Inc.,
New York, New York:

To support long-range planning 10,000

Opera America, Inc.,
Washington, DC:

To support its relocation from Washington, DC to
New York 20,000

Perseverance Theatre, Inc.,
Douglas, Alaska:

To support artistic initiatives and organizational
development 225,000

Philadelphia Orchestra Association,
Philadelphia, Pennsylvania:

To support artistic initiatives and organizational
development 700,000

Playwrights Horizons, Inc.,
New York, New York:

To support expanded programming 50,000

PERFORMING ARTS

(continued)

*Appropriated*Portland Center Stage,
Portland, Oregon:

To support artistic initiatives and organizational development	250,000
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Primary Stages Company Inc.,
New York, New York:

To support the theater's 20th Anniversary Growth Fund	40,000
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Roundabout Theatre Company, Inc.,
New York, New York:

To support artistic initiatives and organizational development	130,000
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Saint Louis Symphony Orchestra,
St. Louis, Missouri:

To support on-site consultation and participation in the Symphony Orchestra Forum	100,000
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Seattle Repertory Theatre,
Seattle, Washington:

To support artistic initiatives and organizational development	300,000
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Second Stage Theatre,
New York, New York:

To support artistic initiatives and organizational development	225,000
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Signature Theatre Company, Inc.,
New York, New York:

To support planning and capacity building as a result of its selection as an anchor organization at the new performing arts facility to be constructed at the former World Trade Center site	1,200,000
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PERFORMING ARTS

(continued)

Appropriated

South Coast Repertory, Inc.,
Costa Mesa, California:

To support artistic initiatives and organizational
development 160,000

Steppenwolf Theatre Company,
Chicago, Illinois:

To support artistic initiatives and organizational
development 200,000

Teatro Avante, Inc.,
Miami, Florida:

To support the 2005 *International Hispanic Theatre
Festival* 25,000

Theatre for a New Audience, Inc.,
New York, New York:

To support strategic planning and institutional
development 10,000

Toledo Orchestra Association, Inc.,
Toledo, Ohio:

To support and endow artistic and organizational
initiatives 1,100,000

Virginia Polytechnic Institute and State University,
Blacksburg, Virginia:

To support the Symphony Orchestra Forum 1,750,000

Washington Drama Society, Inc.,
Washington, DC:

To support artistic initiatives and organizational
development 200,000

PERFORMING ARTS

(continued)

Appropriated

Z Space Studio,

San Francisco, California:

To support the commissioning of new work and a
 field survey of opportunities for emerging theater
 artists

45,000

Total—Performing Arts

\$16,789,000

HIGHER EDUCATION
AND SCHOLARSHIP

Appropriated

American Academy of Arts and Sciences,
Cambridge, Massachusetts:

To support the development of a prototype
compilation of indicators of trends in the
humanities \$ 701,000

American Antiquarian Society,
Worcester, Massachusetts:

To support residential fellowships 1,210,000

American Council of Learned Societies,
New York, New York:

To support a major financial restructuring plan 2,000,000

American Philosophical Society,
Philadelphia, Pennsylvania:

To support sabbatical fellowships for mid-career
scholars in the humanities and social sciences 4,000,000

American School of Classical Studies at Athens,
Princeton, New Jersey:

To support the development of an integrated digital
asset management strategy 9,300

American Studies Association,
Washington, DC:

To support the participation of scholars, program
directors, and journal editors from abroad at the
Association's annual meetings, and subsequent visits
to American studies programs at US campuses 86,000

American University of Paris, Inc.,
Paris, France:

To support a second conference to foster library
and information technology collaboration among
American universities in Europe, the Middle East,
and Africa 23,500

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Amherst College,

Amherst, Massachusetts:

To endow a postdoctoral fellowship program 1,500,000

To support an Emeritus Fellowship 45,000

Appalachian College Association,

Berea, Kentucky:

To support access to JSTOR Arts & Sciences III, IV,
and Complement 740,000

To support activities that would strengthen the
Association's administrative infrastructure 550,000

To support the reconfiguration of current technology
initiatives for faculty, students, and information
technologists at member colleges 180,000

Associated Colleges of the South, Inc.,

Atlanta, Georgia:

To support the technological needs of its member
colleges as a financial plan is devised to sustain these
services 400,000

To support existing environmental studies programs 300,000

Association of American Colleges and Universities,

Washington, DC:

To support a coalition of academic, business, and
civic leaders committed to strengthening public
awareness of the connection between liberal
education and America's global competitiveness 45,000

To support an evaluation of the links among
education, student mental health, and civic
development 30,000

Bard College,

Annandale-on-Hudson, New York:

To support the conservatory of music and the
integrated double-degree program in music and the
liberal arts and sciences 230,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)	<i>Appropriated</i>
To support the transition of an international, collaborative program on human rights	50,000
Barnard College, New York, New York:	
To support faculty career enhancement	422,000
To renew support for the Mellon Mays Undergraduate Fellowship program	80,000
Bates College, Lewiston, Maine:	
To support continuation of the learning associates program while additional funds are raised to endow it	300,000
To support faculty career enhancement	300,000
To support a planning process that will integrate all institutional resources and services dedicated to student learning	48,000
Bennett College, Greensboro, North Carolina:	
To support information literacy, teacher training, and instructional assessment programs	500,000
Berea College, Berea, Kentucky:	
To support faculty career enhancement initiatives . .	325,000
Bethune-Cookman College, Daytona Beach, Florida:	
To support a faculty development program	40,000
Bowdoin College, Brunswick, Maine:	
To support the development and production of a companion video documentary and view book about the work of the Mellon Mays Undergraduate Fellowship program, its history, and its impact on the lives of Mellon fellows	50,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support the development of a plan for creating and building a library collection program for Bowdoin, Bates, and Colby Colleges	35,000
Brandeis University, Waltham, Massachusetts:	
To support an Emeritus Fellowship	55,000
To support an Emeritus Fellowship	27,000
Brooklyn College, Brooklyn, New York:	
To renew support for the Mellon Mays Undergraduate Fellowship program	120,000
Brown University, Providence, Rhode Island:	
To support postdoctoral fellowships in the humanities	1,160,000
To renew support for the Mellon Mays Undergraduate Fellowship program	350,000
To support the Consortium for Language Teaching and Learning	250,000
To support an Emeritus Fellowship	45,000
Bryn Mawr College, Bryn Mawr, Pennsylvania:	
To support cooperation with Haverford and Swarthmore Colleges in the joint appointment of faculty across the institutions	670,000
To support student life initiatives	350,000
To support a New Directions Fellowship	250,000
To renew support for the Mellon Mays Undergraduate Fellowship program	170,000
To support activities related to the integration of athletics into the educational missions of colleges and universities in the National Collegiate Athletic Association's Division III	45,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Bucknell University,
Lewisburg, Pennsylvania:

To support strategic planning	50,000
To support membership in the Emeriti Retirement Health Solutions program	27,588

Campus Compact,
Providence, Rhode Island:

To support strengthening of the annual giving program and preparations for an endowment campaign	100,000
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Capital University,
Columbus, Ohio:

To support membership in the Emeriti Retirement Health Solutions program	33,900
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Carleton College,
Northfield, Minnesota:

To support faculty career enhancement	422,000
To support its existing environmental studies program	300,000
To support a cooperative collection development project for its libraries	265,000
To renew support for the Mellon Mays Undergraduate Fellowship program	240,000
To support an Arabic language initiative	50,000
To support membership in the Emeriti Retirement Health Solutions program	31,128

Carnegie Mellon University,
Pittsburgh, Pennsylvania:

To support a New Directions Fellowship	148,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Center for Advanced Study in the Behavioral Sciences,
Stanford, California:

To endow fellowships for humanists	5,000,000
To support fellowships for humanists	1,850,000
To support fellowships for humanists	775,000

City College,
New York, New York:

To renew support for the Mellon Mays Undergraduate Fellowship program	325,000
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Clark Atlanta University,
Atlanta, Georgia:

To support student retention initiatives	600,000
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Colgate University,
Hamilton, New York:

To support programs designed to increase faculty involvement in residential life	120,000
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Colorado College,
Colorado Springs, Colorado:

To support existing environmental studies programs .	300,000
To support membership in the Emeriti Retirement Health Solutions program	46,200

Columbia University,
New York, New York:

To support postdoctoral fellowships in the humanities	2,000,000
To support visiting fellowships in the humanities . . .	553,000
To renew support for the Mellon Mays Undergraduate Fellowship program	90,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Connecticut College,
New London, Connecticut:

To support cooperation with Trinity College and
Wesleyan University in the joint appointment of
faculty across the institutions 800,000

To support its existing environmental studies
program 300,000

Cornell University,
Ithaca, New York:

To support postdoctoral fellowships in the
humanities and related social sciences 1,785,000

To support the Cornell Higher Education Research
Institute 677,000

To support a collaborative program with the HBCU
Library Alliance that will provide digital imaging
workshops for librarians at historically black colleges
and universities 400,000

Council of Independent Colleges,
Washington, DC:

To support programs that will enable colleges
affiliated with CIC and the National Institute for
Technology and Liberal Education (NITLE) to
address their library and other learning space needs
more effectively 500,000

Dartmouth College,
Hanover, New Hampshire:

To renew support for the Mellon Mays
Undergraduate Fellowship program 90,000

Denison University,
Granville, Ohio:

To support membership in the Emeriti Retirement
Health Solutions program 21,600

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

DePauw University,
Greencastle, Indiana:

To support membership in the Emeriti Retirement Health Solutions program	45,336
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Dickinson College,
Carlisle, Pennsylvania:

To support membership in the Emeriti Retirement Health Solutions program	47,256
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To support the development of a self-insured, nonprofit group health plan for member institutions of the Shared Services Consortium	35,000
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Duke University,
Durham, North Carolina:

To renew support for the Mellon Mays Undergraduate Fellowship program	290,000
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To support a Sawyer Seminar on the historical and cultural sources of significant contemporary developments	120,000
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To support a Sawyer Seminar on the historical and cultural sources of significant contemporary developments	120,000
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To strengthen the Summer Research Opportunity Program for students at historically black colleges and universities	50,000
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To support an Emeritus Fellowship	45,000
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To support an Emeritus Fellowship	45,000
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Eastern Seaboard Association of Tertiary Institutions,
Durban, South Africa:

To support an interinstitutional collaborative research cluster program	100,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

The Emeriti Consortium for Retirement Health
Solutions,
New Windsor, New York:

To support administrative costs 2,500,000

Emory University,
Atlanta, Georgia:

To renew support for the Mellon Mays
Undergraduate Fellowship program 170,000

To support a dissertation seminar in the humanities 71,000

To support the development of the visiting scholars
program at the James Weldon Johnson Institute for
Interdisciplinary Studies and Social Advocacy 11,110

Five Colleges Incorporated,
Amherst, Massachusetts:

To support cooperation in the joint appointment of
faculty across its participating institutions 2,000,000

To support the consortium's membership in the
Emeriti Retirement Health Solutions program 16,584

Foundation for Library and Information Service
Development,
Pretoria, South Africa:

To support efforts to relocate, organize, and index
items in the Cape Town clippings collection 25,000

The Foundation of Tertiary Institutions of the
Northern Metropolis,
Johannesburg, South Africa:

To support the creation of the Virtual Education
Site 250,000

Franklin & Marshall College,
Lancaster, Pennsylvania:

To support programs designed to increase faculty
involvement in residential life 100,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Gallaudet University,
Washington, DC:

To support the development of a digital video
archive documenting the language, culture, and
history of the deaf 500,000

Georgia Foundation for Independent Colleges, Inc.,
Atlanta, Georgia:

To support the consortium's membership in the
Emeriti Retirement Health Solutions program 15,060

Gettysburg College,
Gettysburg, Pennsylvania:

To support a student-faculty summer research
program 50,000

To support membership in the Emeriti Retirement
Health Solutions program 46,728

Gordon College,
Wenham, Massachusetts:

To support membership in the Emeriti Retirement
Health Solutions program 31,272

Graduate School and University Center,
City University of New York,
New York, New York:

To support an Emeritus Fellowship 53,000

Great Lakes Colleges Association, Inc.,
Ann Arbor, Michigan:

To strengthen collegial governance within GLCA
institutions 50,000

Hamilton College,
Clinton, New York:

To support faculty career enhancement in
collaboration with Colgate University and Skidmore
and Union Colleges 500,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support faculty recruitment efforts and an undergraduate mentorship program	50,000
Hampden-Sydney College, Hampden-Sydney, Virginia:	
To support membership in the Emeriti Retirement Health Solutions program	15,000
Harvard University, Cambridge, Massachusetts:	
To support a Distinguished Achievement Award . . .	1,500,000
To support initiatives aimed at strengthening the role that the Humanities Center in the Faculty of Arts and Sciences plays in the instructional and scholarly activities of the University	117,000
To support editorial and research costs of the ITatti Renaissance Library series	50,000
To supplement support for a seminar and workshop on Atlantic history	35,000
To support an Emeritus Fellowship	17,000
Harvey Mudd College, Claremont, California:	
To support membership in the Emeriti Retirement Health Solutions program	15,000
Haverford College, Haverford, Pennsylvania:	
To endow a postdoctoral fellowship program	1,500,000
To support cooperation with Bryn Mawr and Swarthmore Colleges in the joint appointment of faculty across the institutions	670,000
To renew support for the Mellon Mays Undergraduate Fellowship program	185,000
To support membership in the Emeriti Retirement Health Solutions program	38,520

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Hendrix College,
Conway, Arkansas:

To support a humanities scholars program 100,000

Heritage University,
Toppenish, Washington:

To support two new endowed chairs, one in
linguistics and American Indian languages and the
other in fine and cultural arts 1,500,000

To renew support for the Mellon Mays
Undergraduate Fellowship program 140,000

Hobart and William Smith Colleges,
Geneva, New York:

To support existing environmental studies programs . 300,000

Howard University,
Washington, DC:

To support curricular enhancement activities 100,000

Hunter College,
New York, New York:

To support substantial curriculum revision and
enhancement 500,000

To support strengthening of the general education
curriculum 100,000

To renew support for the Mellon Mays
Undergraduate Fellowship program 100,000

Illinois Wesleyan University,
Bloomington, Illinois:

To support stipends for faculty, visiting artists, and
scholars to teach in the May term 50,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Indiana University,
Bloomington, Indiana:

To support the development of an open source financial information system that will serve institutions of higher education	2,500,000
To support an Emeritus Fellowship	51,000
To support an Emeritus Fellowship	36,000
To support an Emeritus Fellowship	19,000

Institute for Advanced Study,
Princeton, New Jersey:

To support fellowships for assistant professors at the School of Historical Studies	792,000
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Ithaca Harbors, Inc.,
New York, New York:

To support operating and transitional expenses for the National Institute for Technology and Liberal Education	6,000,000
To support operating expenses and transition planning of the National Institute for Technology and Liberal Education	500,000
To support the acquisition of equipment and materials for the Samora Machel Documentation Center	48,000
To support a preliminary investigation of the Organization for Open Source Software concept (formerly called Educore)	35,000

Johns Hopkins University,
Baltimore, Maryland:

To support a Distinguished Achievement Award . . .	1,500,000
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Johnson C. Smith University,
Charlotte, North Carolina:

To support information literacy and digitization programs	300,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Kalamazoo College,
Kalamazoo, Michigan:

To support membership in the Emeriti Retirement
Health Solutions program 18,888

Kenyon College,
Gambier, Ohio:

To support activities that engage Kenyon more
directly with its surrounding community 50,000

Knox College,
Galesburg, Illinois:

To support strengthening of technologies in its
classrooms and across the curriculum 49,000

Lake Forest College,
Lake Forest, Illinois:

To support continuation of its curricular initiatives
in Chicago 450,000

To support the implementation and training for a
collaborative information technology system 100,000

Lawrence University,
Appleton, Wisconsin:

To support the development of a sophomore
tutorial program 50,000

Leadership Enterprise for a Diverse America,
New York, New York:

To support research exploring early intervention
programs designed to improve the precollege
preparedness of high school students from
disadvantaged backgrounds 1,500,000

Lehigh University,
Bethlehem, Pennsylvania:

To support strengthening of its international study
abroad program 28,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

LeMoyne-Owen College,
Memphis, Tennessee:

To support a review of its general education
curriculum 50,000

Lewis and Clark College,
Portland, Oregon:

To support an assessment of its information
management system 50,000

Lycoming College,
Williamsport, Pennsylvania:

To support membership in the Emeriti Retirement
Health Solutions program 28,056

Macalester College,
St. Paul, Minnesota:

To endow a postdoctoral fellowship program 1,500,000
To renew support for the Mellon Mays
Undergraduate Fellowship program 278,000

Marine Biological Laboratory,
Woods Hole, Massachusetts:

To support enhancement of the Semester in
Environmental Science program 400,000

Massachusetts Institute of Technology,
Cambridge, Massachusetts:

To support a Distinguished Achievement Award . . . 1,500,000
To support the development of software to address
large-scale data interoperability issues 1,500,000

McGill University,
Montreal, Canada:

To support initiatives for strengthening scholarship
and training in French Atlantic Studies 462,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Michigan State University,
East Lansing, Michigan:

To support a summer research program in
mathematics and ecology 480,000

Middlebury College,
Middlebury, Vermont:

To support the creation of a data collection and
analysis center at Northwestern University to
measure student athletes' academic outcomes 1,475,000

To support its existing environmental studies
program 300,000

Millsaps College,
Jackson, Mississippi:

To support the integration of student research,
service-learning, and study abroad activities into the
liberal arts curriculum 50,000

Morehouse College,
Atlanta, Georgia:

To support student retention initiatives 300,000

Mount Holyoke College,
South Hadley, Massachusetts:

To support the 2005 Czech and Slovak Library
Information Network seminar on Eastern European
library services 5,000

National History Center, Inc.,
Washington, DC:

To support seminars on the history of decolonization
in collaboration with The Library of Congress 250,000

National Humanities Center,
Research Triangle Park, North Carolina:

To support a program of transatlantic summer
institutes for recent PhDs 662,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support summer initiatives focused on the intensive study of selected literary texts	471,000
New England Association of Schools and Colleges, Inc., Bedford, Massachusetts:	
To support planning for an extensive, collaborative research study of student learning at liberal arts colleges in New England	49,500
New School University, New York, New York:	
To support the development of a history program for all undergraduate students	500,000
Oberlin College, Oberlin, Ohio:	
To strengthen the international dimension of its curriculum	200,000
To renew support for the Mellon Mays Undergraduate Fellowship program	160,000
PEN American Center, Inc., New York, New York:	
To support a coordinator who will help establish new PEN centers in the developing world and make more effective the relationships among existing centers worldwide	49,680
Pennsylvania State University, University Park, Pennsylvania:	
To support the Africana Research Center's emerging scholars speakers series	10,000
Pepperdine University, Malibu, California:	
To support membership in the Emeriti Retirement Health Solutions program	81,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Philemon Foundation,
Ardmore, Pennsylvania:

To support the completion of the publication of the
works of Carl Jung 40,000

Phillips Academy-Andover,
Andover, Massachusetts:

To support the Institute for the Recruitment of
Teachers' efforts to prepare outstanding
undergraduates for entry into doctoral programs
and careers in teaching 700,000

Pomona College,
Claremont, California:

To support a New Directions Fellowship 179,000

Princeton University,
Princeton, New Jersey:

To renew support for the Mellon Mays
Undergraduate Fellowship program 238,000

To support a study of the performance of minority
students in law schools 170,000

To support a study of factors contributing to the
academic success of students from disadvantaged
backgrounds 69,000

To support a study of factors contributing to the
academic success of students from disadvantaged
backgrounds 15,000

Reed College,
Portland, Oregon:

To support scholarly activities of the faculty and
research opportunities for students 300,000

Rhodes University,
Grahamstown, South Africa:

To support a master's and doctoral fellowship
program 1,000,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Rice University,
Houston, Texas:

To renew support for the Mellon Mays Undergraduate Fellowship program	235,000
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Robert W. Woodruff Library of the Atlanta University Center, Inc.,
Atlanta, Georgia:

To support JSTOR and ARTstor access as well as the creation of an institutional repository	120,000
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To support the development of an information literacy program for institutions in the Atlanta University Center community	90,000
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Saint Mary's College,
Notre Dame, Indiana:

To support membership in the Emeriti Retirement Health Solutions program	20,040
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Salzburg Seminar in American Studies, Inc.,
Middlebury, Vermont:

To support fellowships for faculty members at historically black colleges and universities and at colleges in central Appalachia to attend sessions of the Salzburg Seminar	220,000
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Sarah Lawrence College,
Bronxville, New York:

To provide faculty support and professional development	250,000
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To support membership in the Emeriti Retirement Health Solutions program	18,960
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Seattle Pacific University,
Seattle, Washington:

To support membership in the Emeriti Retirement Health Solutions program	15,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Skidmore College,
Saratoga Springs, New York:

To support strengthening the link between the Tang Teaching Museum and Art Gallery and Skidmore's curriculum	45,000
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Smith College,
Northampton, Massachusetts:

To renew support for the Mellon Mays Undergraduate Fellowship program	302,000
To support a New Directions Fellowship	233,000
To support membership in the Emeriti Retirement Health Solutions program	79,896

Social Science Research Council,
New York, New York:

To support the SSRC-Mellon Mays Graduate Initiatives	1,500,000
To support planning for a program of predissertation fellowship for graduate students in the humanities and humanistic social sciences	50,000
To support the participation of US-based scholars in a series of summer institutes exploring approaches to scholarship and teaching about Islam in the Eurasian region	38,000

Southern Education Foundation, Inc.,
Atlanta, Georgia:

To support instructional technology, preparation for reaccreditation, and philanthropy programs for historically black colleges and universities	1,500,000
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Southwestern University,
Georgetown, Texas:

To support a collaborative leadership and student exchange program	100,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support planning for the development of a digital database to provide archaeological study opportunities for liberal arts faculty and students . .	8,000
Spelman College, Atlanta, Georgia:	
To support a collaborative faculty development program with Bennett College that would strengthen the women's studies programs at both campuses . . .	50,000
To support a review of its student services program .	43,000
St. Lawrence University, Canton, New York:	
To support planning for the ConnectNY library consortium	10,000
St. Olaf College, Northfield, Minnesota:	
To support membership in the Emeriti Retirement Health Solutions program	48,936
Stanford University, Stanford, California:	
To renew support for the Mellon Mays Undergraduate Fellowship program	202,000
To support a Sawyer Seminar on the historical and cultural sources of significant contemporary developments	120,000
To support research workshops in the humanities for faculty members and advanced graduate students . .	120,000
To support an Emeritus Fellowship	41,000
Swarthmore College, Swarthmore, Pennsylvania:	
To support cooperation with Bryn Mawr and Haverford Colleges in the joint appointment of faculty across the institutions	670,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support faculty career enhancement	633,000
To renew support for the Mellon Mays Undergraduate Fellowship program	70,000
Syracuse University, Syracuse, New York:	
To support joint scholarly activities in selected areas of the humanities in collaboration with Cornell University and the University of Rochester	1,000,000
To support an assessment of collaborative activities in the humanities among Syracuse and Cornell Universities and the University of Rochester, and planning for extending these partnerships	33,400
Tertiary Education Network, Rondebosch, South Africa:	
To support the development of information technology capacity in higher education in South Africa and neighboring African countries	1,200,000
To support the development of national research and education networks in a number of African countries	1,000,000
Tiffin University, Tiffin, Ohio:	
To support membership in the Emeriti Retirement Health Solutions program	22,728
The Tomás Rivera Policy Institute, Los Angeles, California:	
To support the development of a strategic plan that would guide future education initiatives	30,000
Trinity College, Hartford, Connecticut:	
To support revisions to the curriculum	250,000
To support a planning process to advance Trinity's academic mission and enhance the quality of the living and working environment	50,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Tufts University,

Medford, Massachusetts:

To support the development of the Visual
Understanding Environment (VUE) Version 2 1,000,000

Union College,

Schenectady, New York:

To support the administrative costs of the Emeriti
Retirement Health Solutions program 750,000

Union Theological Seminary,

New York, New York:

To support membership in the Emeriti Retirement
Health Solutions program 15,036

United Negro College Fund, Inc.,

Fairfax, Virginia:

To renew support for the Mellon Mays
Undergraduate Fellowship program 1,970,000

To support a collaborative Mellon Mays
Undergraduate Fellowship Women's College
Colloquia Program 22,500

University College London,

London, United Kingdom:

To support postdoctoral fellowships in the
humanities and related social sciences 1,180,000

University of California at Berkeley,

Berkeley, California:

To support initiatives aimed at strengthening the
role the Doreen B. Townsend Center for the
Humanities plays in the instructional and scholarly
activities of the University 365,000

To support a Sawyer Seminar on the historical and
cultural sources of significant contemporary
developments 120,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support initiatives aimed at strengthening the role the Doreen B. Townsend Center for the Humanities plays in the instructional and scholarly activities of the University	50,000
University of California at Irvine, Irvine, California:	
To support a New Directions Fellowship	172,000
University of California at Los Angeles, Los Angeles, California:	
To support postdoctoral fellowships in the humanities and humanistic social sciences	1,510,000
University of Cambridge, Cambridge, United Kingdom:	
To support a Sawyer Seminar on the historical and cultural sources of significant contemporary developments	120,000
University of Cape Town, Cape Town, South Africa:	
To support master's and doctoral fellowships in the humanities through the University Science, Humanities and Engineering Partnerships in Africa (USHEPiA) program	660,000
To support the Intellectual Property Research Unit within the Faculty of Law	400,000
To support research on higher education in South Africa	211,400
To complete the digitization of materials relating to the indigenous peoples of western South Africa	125,000
To support the purchase of a laser scanner to be used by the cultural heritage database project	75,000
To support the development of benchmarking processes for the USHEPiA program	50,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support the work of the Centre for Popular Memory to record and preserve oral histories	10,000
To support the travel and research necessary to complete a manuscript on the spatial development of universities	10,000
To support efforts to create a comprehensive catalog of archived materials of the Black Sash organization	10,000

University of Chicago,
Chicago, Illinois:

To support a Distinguished Achievement Award . . .	1,500,000
To support a residency program for and curricular collaboration with the St. Paul Chamber Orchestra .	600,000
To renew support for the Mellon Mays Undergraduate Fellowship program	370,000
To support initiatives aimed at strengthening the role that the Franke Institute for the Humanities plays in the instructional and scholarly activities of the University	350,000
To support a New Directions Fellowship	246,000
To support a New Directions Fellowship	160,000
To support a Sawyer Seminar on the historical and cultural sources of significant contemporary developments	120,000

University of Connecticut,
Storrs, Connecticut:

To support the completion of work on the collections of the African National Congress archived at the University of Fort Hare	250,000
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University of Minnesota,
Minneapolis, Minnesota:

To support exchanges of graduate students and faculty members in the humanities and related social sciences with those from the University of the Western Cape	700,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support the HBCU/UMN honors program	450,000
To support a dissertation seminar in the humanities .	117,000
University of North Carolina at Chapel Hill, Chapel Hill, North Carolina:	
To support efforts to encourage minorities and other students to consider academic careers in the humanities, social sciences, and fine arts	650,000
University of Oklahoma, Norman, Oklahoma:	
To support short-term travel fellowships at the History of Science Collections	300,000
University of Oxford, Oxford, United Kingdom:	
To support the strengthening of research and instruction in American history	500,000
To support a Sawyer Seminar on the historical and cultural sources of significant cultural developments	120,000
University of Pennsylvania, Philadelphia, Pennsylvania:	
To support initiatives aimed at strengthening the role the Penn Humanities Forum plays in the instructional and scholarly activities of the University	378,000
To renew support for the Mellon Mays Undergraduate Fellowship program	323,000
To support a New Directions Fellowship	161,000
University of Southern California, Los Angeles, California:	
To renew support for the Mellon Mays Undergraduate Fellowship program	150,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

University of the Sciences in Philadelphia, Philadelphia, Pennsylvania:	
To support membership in the Emeriti Retirement Health Solutions program	15,000
University of the South, Sewanee, Tennessee:	
To support membership in the Emeriti Retirement Health Solutions program	34,680
University of the Western Cape, Bellville, South Africa:	
To support fellowships for master's, doctoral, and postdoctoral students in the humanities	215,000
University of the Witwatersrand, Johannesburg, South Africa:	
To support the Wits Institute for Social and Economic Research	1,200,000
To support efforts to cover legal and administrative costs to establish the South African Rock Art Digital Archive as a legal entity	25,000
University of Toronto, Toronto, Canada:	
To support a Sawyer Seminar on the historical and cultural sources of significant contemporary developments	120,000
University of Virginia, Charlottesville, Virginia:	
To support an Emeritus Fellowship	27,000
University of Wisconsin at Madison, Madison, Wisconsin:	
To support research workshops in the humanities . .	50,000
To support an Emeritus Fellowship	32,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Ursinus College,
Collegetown, Pennsylvania:

To support membership in the Emeriti Retirement
Health Solutions program 25,032

Vanderbilt University,
Nashville, Tennessee:

To support a dissertation seminar in the humanities 207,000

Washington and Jefferson College,
Washington, Pennsylvania:

To support the strengthening of campus diversity
and the foreign study program 40,000

Washington University,
St. Louis, Missouri:

To renew support for the Mellon Mays
Undergraduate Fellowship program 371,000

To support a New Directions Fellowship 173,000

To support a New Directions Fellowship 161,000

Wellesley College,
Wellesley, Massachusetts:

To support the development of the Courage to
Teach program in New England 200,000

To support an Emeritus Fellowship 44,000

To support faculty career enhancement 23,000

To support an Emeritus Fellowship 12,000

Wesleyan University,
Middletown, Connecticut:

To support an endowment for a program designed
to engage students and faculty in discussion of
timely ethical, political, and social issues 200,000

To renew support for the Mellon Mays
Undergraduate Fellowship program 200,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Wheaton College,

Norton, Massachusetts:

To support the Brown/Wheaton Teaching Laboratory in the Liberal Arts	50,000
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Wheelock College,

Boston, Massachusetts:

To support membership in the Emeriti Retirement Health Solutions program	15,000
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Williams College,

Williamstown, Massachusetts:

To support the Williams Project on the Economics of Higher Education	400,000
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To renew support for the Mellon Mays Undergraduate Fellowship program	280,000
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Woodrow Wilson National Fellowship Foundation,

Princeton, New Jersey:

To support the Andrew W. Mellon Fellows in Humanistic Studies	4,622,000
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Yale University,

New Haven, Connecticut:

To support postdoctoral fellowships in the humanities and related social sciences	965,000
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To renew support for the Mellon Mays Undergraduate Fellowship program	170,000
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To support an Emeritus Fellowship	55,000
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Total—Higher Education and Scholarship

\$114,132,814

LIBRARIES AND SCHOLARLY
COMMUNICATION

Appropriated

American Council of Learned Societies,
New York, New York:

To support fellowships for scholarship that effectively uses computer-based methods of research and analysis in the humanities and humanistic social sciences \$ 1,398,000

American Folklore Society, Inc.,
Columbus, Ohio:

To support a collaborative strategic planning process by scholarly societies in the related fields of folklore, oral history, and ethnomusicology 49,000

ARTstor Inc.,
New York, New York:

To provide a fund for ongoing operating expenses . . 6,500,000
To support continued collection development 2,300,000

Boston University,
Boston, Massachusetts:

To support the development and implementation of a Web-based, comprehensive, multilingual, bibliographic database of resources in East Asian archaeology 787,000

The British Library,
London, United Kingdom:

To support the continued development of a conservation research agenda for libraries and archives in the United Kingdom 695,000

Center for Research Libraries,
Chicago, Illinois:

To support the development of the processes and activities required to audit and certify digital archives 433,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

To support a planning workshop for a coordinated approach to the acquisition and development of resources for international studies	16,100
Cold Spring Harbor Laboratory, Cold Spring Harbor, New York:	
To support planning for the acquisition of systems to organize, digitize, and distribute archival and special collections	24,300
Columbia University, New York, New York:	
To support a survey and assessment of audio and moving image materials in the library's special collection	160,000
To support a study of the state of scholarly publishing in the history of art and architecture . . .	50,000
Council on Library and Information Resources, Washington, DC:	
To support general operations	750,000
Die Deutsche Bibliothek, Frankfurt, Germany:	
To support preparation for a transition of German library catalogs to the MARC 21 format	50,000
Georgetown University, Washington, DC:	
To support the development of scholarly resources for classical studies	260,000
Harvard University, Cambridge, Massachusetts:	
To support the development and implementation of an online registry of data about various digital formats	600,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Indiana University,
Bloomington, Indiana:

To support the development and integration of applications that will improve access to licensed library resources for Sakai users	438,000
To support a study of the feasibility of developing a corpus of encoded classical music scores	49,000

Ithaca Harbors, Inc.,
New York, New York:

To support discretionary capital needs	3,700,000
To support the further development of Aluka	2,500,000
To support the further development and implementation of a digital preservation service for electronic journals	1,500,000
To support a study of the University of Chicago Press's strategy for and execution of the BiblioVault project	40,100

Johns Hopkins University,
Baltimore, Maryland:

To support the development of scholarly resources for medieval studies	717,000
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Jüdisches Museum Berlin,
Berlin, Germany:

To support the development and implementation of a Web-based interface with an integrated thesaurus for the ArteFact collection management system	75,000
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Medici Archive Project, Inc.,
New York, New York:

To support the development of a Web interface to distribute its database of documentary sources	50,000
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LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

National Film Preservation Foundation,
San Francisco, California:

To support the creation of a guide for the selection,
preservation, and study of industrial and
institutional films 77,000

New York University,
New York, New York:

To support the development of a digital video library
documenting various types of social and political
performances throughout the Americas 744,000

To support the development of the Moving Image
Archiving and Preservation Program 639,000

To support the planning and implementation of a
dual degree program, in partnership with Long
Island University, for training scholar librarians 48,300

Northwestern University,
Evanston, Illinois:

To support the digital photography, image
processing, and cataloging of sculpture in the
Suilu'an Temple in Lantian, Shaanxi Province,
China 475,000

To support the cataloging of African manuscripts . . 134,000

Recorded Anthology of American Music, Inc.,
New York, New York:

To support the continued development of a
database of recorded music for distribution to
academic institutions 1,500,000

Research Libraries Group, Inc.,
Mountain View, California:

To support the rapid prototyping and development
of new technologies and services 750,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Rice University,
Houston, Texas:

To support a study on the development and requirements of emerging sub-fields in the humanities that incorporate science and engineering methodologies	23,200
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Rochester Institute of Technology,
Rochester, New York:

To support continued preservation research at the Image Permanence Institute	750,000
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Royal Holloway and Bedford New College,
Egham, United Kingdom:

To support the further development of content, digital tools, and resources for the distribution and study of the music scores of Frédéric Chopin	303,000
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State University of New York at Stony Brook,
Stony Brook, New York:

To support the graduate training of Iraqi archaeologists	117,000
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The Regents of the University of California,
Oakland, California:

To support the development of new methods of relevance ranking in local library systems	294,000
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University of California at Berkeley,
Berkeley, California:

To support a study of the interaction between academic value and reward systems and scholarly communication	50,000
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University of Cambridge,
Cambridge, United Kingdom:

To support the continued development of a database called <i>Matthew Parker on the Web</i>	1,421,000
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LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

To support the conservation and cataloging of an archival collection at the Churchill Archives Centre . .	231,000
University of Chicago, Chicago, Illinois:	
To support the continued development of the BiblioVault project	473,000
University of Dublin, Trinity College, Dublin, Ireland:	
To support the retrospective conversion of library card catalogs to electronic format	750,000
University of Maryland at College Park, College Park, Maryland:	
To support the further development of computational linguistic techniques for identifying and extracting metadata from text sources	841,000
To support planning for the second phase of a project to apply computational linguistics techniques to the creation of metadata	50,000
University of Michigan, Ann Arbor, Michigan:	
To support the further development of standardized metrics for assessing the use of primary source materials in libraries and archives	329,000
To support planning for the integration of the Sakai system and tools with academic library applications .	23,500
University of North Carolina at Chapel Hill, Chapel Hill, North Carolina:	
To support the cataloging of a special collection of materials relating to the post-1917 Russian diaspora .	363,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

University of Oxford,
Oxford, United Kingdom:

To support the further development of an online database of correspondence in which 18th-century philosophical, political, economic, and scientific debates occurred	280,000
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University of Virginia,
Charlottesville, Virginia:

To support an annual institute with the goal of advancing scholarship in humanistic disciplines through the application of digital technologies	698,000
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The University of York,
York, United Kingdom:

To support the scholarly assessment of special collections in order to determine processing and cataloging priorities	29,000
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Yale University,
New Haven, Connecticut:

To support the cataloging of historical recorded sound collections	789,000
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Total—Libraries and Scholarly Communication	<u><u>\$35,323,500</u></u>
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PUBLIC AFFAIRS

*Appropriated*College Entrance Examination Board,
New York, New York:

To support access and diversity collaborative on admissions	\$	150,000
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University of Michigan,
Ann Arbor, Michigan:

To support the attendance of US and South African researchers and doctoral students at conferences on affirmative action policy and research at the University of Michigan and the University of Cape Town		75,000
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To support additional travel for US and South African researchers and doctoral students to attend conferences on affirmative action policy and research at the University of Michigan and the University of Cape Town		10,000
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Total—Public Affairs

	\$	<u>235,000</u>
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CONTRIBUTIONS

Appropriated

Association of Governing Boards of Universities
and Colleges,
Washington, DC:

To provide general support \$ 35,000

Council on the Environment, Inc.,
New York, New York:

To provide general support 30,000

Doe Fund, Inc.,
New York, New York:

To support the *Help Growth Succeed* program 40,000

Eviction Intervention Services Homeless
Prevention, Inc.,
New York, New York:

To provide general support 40,000

Foundation Center,
New York, New York:

To provide general support 30,000

Grantmakers in the Arts,
Seattle, Washington:

To support information services 10,000

Nonprofit Coordinating Committee
of New York, Inc.,
New York, New York:

To provide general support 50,000

Total—Contributions

\$ 235,000

OTHER

*Appropriated*Associated Colleges of the South, Inc.,
Atlanta, Georgia:

To support programs at two member institutions, Centenary College of Louisiana and Millsaps College, that seek to address the aftermath of Hurricane Katrina	\$ 500,000
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To support programs that seek to address the aftermath of Hurricane Katrina	250,000
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Dillard University,
New Orleans, Louisiana:

To support programs that seek to address the aftermath of Hurricane Katrina	1,500,000
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To support programs that seek to address the aftermath of Hurricane Katrina	800,000
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To support a high-level assistant as the University prepares to reopen in January 2006 after Hurricane Katrina	50,000
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Hendrix College,
Conway, Arkansas:

To support efforts to assist Hendrix students and their families displaced by Hurricane Katrina	75,000
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Heritage Preservation, Inc.,
Washington, DC:

To support response efforts for the recovery of damaged cultural heritage resulting from Hurricanes Katrina and Rita	50,000
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The Louisiana Philharmonic Orchestra,
New Orleans, Louisiana:

To support administrative, personnel, and insurance costs in the aftermath of Hurricane Katrina	200,000
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New Orleans Museum of Art,
New Orleans, Louisiana:

To support curatorial and educational activities in the aftermath of Hurricane Katrina	500,000
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OTHER

(continued)

*Appropriated*Southeastern Library Network, Inc.,
Atlanta, Georgia:

To support an evaluation of the needs of academic libraries in the southern US that were affected by hurricanes in late summer and fall 2005	29,000
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Southern Education Foundation, Inc.,
Atlanta, Georgia:

To support programs that seek to address the aftermath of Hurricane Katrina	2,800,000
To support programs that seek to address the aftermath of Hurricane Katrina	400,000
To support administrative and other costs associated with managing its work with historically black colleges and universities in the aftermath of Hurricane Katrina	75,000

Southwestern University,
Georgetown, Texas:

To support curricular work by Dillard University faculty members with the National Institute for Technology and Liberal Education after Hurricane Katrina	160,000
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Spelman College,
Atlanta, Georgia:

To support five UNCF/Mellon fellows from Dillard and Xavier Universities directly affected by Hurricane Katrina	50,000
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Tulane University,
New Orleans, Louisiana:

To support programs that seek to address the aftermath of Hurricane Katrina	2,500,000
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OTHER

(continued)

*Appropriated*University of Delaware,
Newark, Delaware:

To support museum collection recovery and response efforts on the Mississippi Gulf Coast in the aftermath of Hurricane Katrina	403,000
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To support the first phase of hurricane recovery efforts by the Art Conservation Department	10,000
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Xavier University of Louisiana,
New Orleans, Louisiana:

To support programs that seek to address the aftermath of Hurricane Katrina	1,200,000
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Total—Other	11,552,000
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Matching Gifts	94,289
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Grand Total	<u><u>\$210,535,458</u></u>
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Financial Statements

REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
The Andrew W. Mellon Foundation

In our opinion, the accompanying balance sheets and the related statements of activities and cash flows present fairly, in all material respects, the financial position of The Andrew W. Mellon Foundation (the "Foundation") at December 31, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Foundation's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

May 15, 2006

The Andrew W. Mellon Foundation

Balance Sheets

At December 31, 2005 and 2004

	<i>December 31</i>	
	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
ASSETS		
Investments:		
Marketable securities	\$ 3,399,682	\$ 3,248,176
Limited liquidity investments	1,402,941	1,238,824
Other	<u>106,820</u>	<u>91,452</u>
	4,909,443	4,578,452
Cash	2,325	3,927
Collateral under securities loan agreement	576,732	651,806
Investment and other income receivable	8,968	7,700
Receivable from unsettled securities sales	30,897	8,376
Other assets	1,556	1,336
Property, at cost, less accumulated depreciation of \$8,368 and \$5,912 at December 31, 2005 and 2004, respectively	56,191	49,469
Total assets	<u>\$ 5,586,112</u>	<u>\$ 5,301,066</u>
LIABILITIES AND NET ASSETS		
Grants payable	\$ 6,465	\$ 3,185
Accrued expenses	6,471	5,047
Payable under securities loan agreement	576,732	651,806
Payable from unsettled securities purchases	69,477	3,499
Deferred federal excise tax	18,600	17,600
Taxes payable	1,096	1,727
Long-term debt	<u>44,000</u>	<u>44,000</u>
Total liabilities	722,841	726,864
Net assets (unrestricted)	<u>4,863,271</u>	<u>4,574,202</u>
Total liabilities and net assets	<u>\$ 5,586,112</u>	<u>\$ 5,301,066</u>

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation

Statements of Activities

For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
INVESTMENT RETURN:		
Gain on investments:		
Realized	\$ 405,365	\$ 277,738
Unrealized, net	54,184	317,990
Interest	25,317	17,569
Dividends	36,356	35,334
Other income	20,897	11,621
	<u>542,119</u>	<u>660,252</u>
Less: Investment management expenses	(18,387)	(14,029)
Net investment return	<u>523,732</u>	<u>646,223</u>
EXPENSES:		
Program grants and contributions, net	201,791	177,073
Grantmaking operations	12,553	10,601
Direct charitable activities:		
Digital initiatives — ARTstor and Ithaka	4,990	2,932
Research	1,442	1,351
Investment operations	4,376	3,517
Current provision for taxes	9,207	6,419
Other expenses	304	262
	<u>234,663</u>	<u>202,155</u>
Change in net assets	289,069	444,068
Net assets (unrestricted) at beginning of year	<u>4,574,202</u>	<u>4,130,134</u>
Net assets (unrestricted) at end of year	<u>\$ 4,863,271</u>	<u>\$ 4,574,202</u>

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation

Statements of Cash Flows

For the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
Cash flow from investment income and operations:		
Interest and dividends received	\$ 64,150	\$ 60,246
Other income received	19,873	11,460
Grant refunds received	829	765
Federal tax refund received	17	1,527
Grants and contributions paid	(199,340)	(181,186)
Investment expenses paid	(17,373)	(13,539)
Salaries and other operating expenses paid	(20,989)	(17,733)
Taxes paid	<u>(9,710)</u>	<u>(23)</u>
Net cash used by investment income and operations	<u>(162,543)</u>	<u>(138,483)</u>
Cash flow from investing activities:		
Proceeds from sales of marketable securities:		
Short-term	2,392,202	5,685,096
Other	3,651,188	2,081,536
Receipts from limited liquidity investments	301,009	218,685
Capital gain distributions received	23,001	7,528
Net returns on financial instruments	(154)	1,104
Purchases of marketable securities:		
Short-term	(2,287,429)	(5,548,648)
Other	(3,590,880)	(2,107,339)
Purchases of limited liquidity investments	(318,820)	(195,785)
Additions to property	<u>(9,176)</u>	<u>(17,536)</u>
Net cash provided by investing activities	<u>160,941</u>	<u>124,641</u>
Cash flow from financing activities:		
Bond proceeds	<u>—</u>	15,500
Net (decrease) increase in cash	(1,602)	1,658
Cash at beginning of year	<u>3,927</u>	<u>2,269</u>
Cash at end of year	<u>\$ 2,325</u>	<u>\$ 3,927</u>
<i>Supplemental disclosure of noncash investing activities:</i>		
Distributions of securities received from limited liquidity investments	<u>\$ 47,410</u>	<u>\$ 24,136</u>

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation

Statements of Cash Flows, (continued)

For the years ended December 31, 2005 and 2004

Reconciliation of Change in Net Assets to Net Cash Used by Investment Income and Operations:

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
Change in net assets	\$ 289,069	\$ 444,068
Adjustments to reconcile change in unrestricted net assets to net cash used by investment income and operations:		
Realized gain on investments	(405,365)	(277,738)
Unrealized appreciation of investments	(55,184)	(324,590)
(Increase) decrease in income receivable	(1,268)	4,953
Increase (decrease) in grants payable	3,280	(3,348)
Increase in accrued expenses	1,424	486
Depreciation and amortization expense	2,455	934
Increase in deferred federal excise tax payable	1,000	6,600
Decrease in tax refunds (payable) receivable	(631)	7,922
Net effect of bond amortization/accretion	<u>2,677</u>	<u>2,230</u>
Total adjustments	<u>(451,612)</u>	<u>(582,551)</u>
Net cash used by investment income and operations	<u>\$ (162,543)</u>	<u>\$ (138,483)</u>

The accompanying notes are an integral part of these financial statements.

The Andrew W. Mellon Foundation

NOTES TO FINANCIAL STATEMENTS

NOTE 1.—ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Andrew W. Mellon Foundation (the “Foundation”), a not-for-profit corporation under the laws of the State of New York, is the result of the consolidation on June 30, 1969 of the Old Dominion Foundation into the Avalon Foundation with the name of the Avalon Foundation being changed to The Andrew W. Mellon Foundation. The Avalon Foundation had been established in 1940 by Ailsa Mellon Bruce, Andrew W. Mellon’s daughter. The Old Dominion Foundation had been established in 1941 by Paul Mellon, Andrew W. Mellon’s son. The Foundation makes grants in five core program areas: higher education; museums and art conservation; performing arts; libraries and scholarly communication; and conservation and the environment. In addition to grantmaking activities, Foundation staff engage in research in areas that support the Foundation’s mission, principally on issues that relate to higher education. In 2005 and 2004, the Foundation provided start-up support, including direct charitable expenditures, for two digital initiatives, ARTstor Inc. (“ARTstor”) and Ithaka Harbors, Inc. (“Ithaka”), which are independent not-for-profit entities.

The financial statements of the Foundation have been prepared in conformity with generally accepted accounting principles. The significant accounting policies followed are described below.

Investments

Investments in marketable securities are stated at market value. Market value is determined using daily closing last trade prices, where available, for all tradeable instruments on any global stock exchange. Realized gains and losses on investments in securities are calculated based on the first-in, first-out identification method.

Limited liquidity investments are stated at estimated fair value. Limited liquidity investments are primarily made under agreements to participate in limited partnerships and are generally subject to certain withdrawal restrictions. These investments are valued on the basis of the Foundation’s equity in the net assets of such partnerships. Values for these partnerships, which may include investments in both nonmarketable and market-traded securities, are provided by the general partner and may be based on historical cost, appraisals, market values discounted for concentration of ownership, or other estimates. Because of the inherent uncertainty of valuing the investments in such partnerships and certain of the underlying investments held by the partnerships, the Foundation’s estimate of fair value may differ significantly from the values that would have been used had a ready market for the investments existed. The financial statements of the limited partnerships are audited annually by independent auditing firms.

The other investment is the Foundation's 100% interest in a trust which owns property from which the Foundation receives the net income. Other income is principally the income from this trust, derived from royalties from coal mining, with minor amounts of income from timbering and oil and gas wells. The value of the Foundation's investment is determined based on an estimate of the discounted value of the anticipated future income from the remaining mineral reserves and of the value of the standing timber. The properties are recorded at an estimated current value of \$106.8 million at December 31, 2005 and \$91.5 million at December 31, 2004.

Grants

Grant appropriations include both conditional and unconditional grants. Unconditional grants are expensed when appropriated. Certain grants are approved by the Trustees subject to the grantee fulfilling specific conditions, most frequently that all or a portion of the grant funds be matched in a specified ratio. Such conditional grants are considered commitments and are not recorded as expense until the conditions of the grant are met. Substantially all grants payable are due within one year and are recorded at face value.

Taxes

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, the Foundation is subject to a federal excise tax. The Foundation follows the policy of providing for federal excise tax on the net appreciation (both realized and unrealized) of investments. The deferred federal excise tax in the accompanying financial statements represents tax provided on the net unrealized appreciation of investments. The Foundation is subject to income tax at corporate rates on certain income that is considered unrelated business income under the Internal Revenue Code.

Property

Property primarily consists of land, buildings and their improvements located in New York City. These buildings are depreciated on a straight-line basis over their useful lives, generally twenty-five to twenty-eight years. Building improvements are depreciated over the remaining useful life of the building.

Investment Return

Investment return includes income and realized and unrealized gains or losses on all investments. Unrealized gain or loss comprises the change in unrealized appreciation on marketable securities and the limited liquidity investments, net of deferred federal excise tax provided on such unrealized appreciation. Realized gains or losses include gains or losses realized on the sale of marketable securities and the Foundation's share of the operating results of the partnership investments, whether distributed or undistributed.

Expenses

Grantmaking operations include all costs related to appropriating, paying and administering grants. Direct charitable activities are the active programs conducted by the Foundation or supported by it. Investment operations include the costs of supervising the Foundation's investment portfolio. Current provision for taxes includes federal and state taxes. Other expenses include certain expenses that the Foundation is not permitted to report either as an expense of distribution or an expense of earning income.

Salaries and benefits are allocated to each activity listed above, and also to core administration, based on estimates of the time each staff member devoted to that activity. Core administration expenses are then prorated among the activities listed above on the basis of the direct salary allocations. Identifiable costs, such as consultants, are charged directly to each activity.

Notes to Financial Statements, (continued)

Amounts for program grants, grantmaking operations, and direct charitable activities shown on the Statement of Activities will not agree with the amounts on the Foundation's Form 990PF, the federal excise tax return, because a cash basis is required for reporting the expenses of distribution for tax purposes as contrasted with the accrual basis used in preparing the accompanying financial statements.

The administrative expenses of distribution, including direct charitable activities, were \$19.0 million (9.4% of program grants) in 2005 compared to \$14.9 million (8.4% of program grants) in 2004. The increase in administrative expenses in 2005 is due to increased building expenses, primarily related to a new office facility opened January 1, 2005, and increased debt service costs related to the issuance of term bonds, the proceeds of which were used to acquire, improve and rehabilitate certain office facilities owned by the Foundation. Excluding direct charitable activities and investment expenses, the Foundation's grantmaking expenses in 2005 were \$12.6 million (6.2% of program grants), compared to \$10.6 million (6.0% of program grants) in 2004.

Investment management expenses are the direct costs of portfolio management, including fees for investment management, custody, and advisory services.

The Foundation's expenses by natural classification are as follows for 2005 and 2004:

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
Program grants and contributions, net . . .	\$201,791	\$177,073
Salaries, pensions and benefits	11,385	10,450
Other operating expenses	12,280	8,213
Taxes	9,207	6,419
	<u>\$234,663</u>	<u>\$202,155</u>

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Reclassifications

Certain 2004 amounts have been reclassified to conform to the 2005 presentation.

NOTE 2—INVESTMENTS:

Marketable securities held at December 31, 2005 and 2004 are summarized as follows:

	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
	<i>(In thousands)</i>		<i>(In thousands)</i>	
Equities	\$2,502,565	\$1,929,322	\$2,455,202	\$1,885,730
Fixed income	722,904	720,780	522,077	517,254
Short-term	172,798	172,519	275,124	274,905
Derivative financial instruments	1,415	838	(4,227)	(5,018)
	<u>\$3,399,682</u>	<u>\$2,823,459</u>	<u>\$3,248,176</u>	<u>\$2,672,871</u>

As a result of its investing strategies, the Foundation is a party to a variety of financial instruments. These financial instruments may include equity, fixed income, and foreign currency futures and options contracts, foreign currency forwards, and interest rate cap and floor contracts, which are designed, in part, to reduce the interest rate and market risk inherent in portions of the Foundation's investment program. Changes in the market values of these financial instruments are recognized currently in the Statement of Activities.

Through certain investment managers, the Foundation purchases and sells forward currency contracts whereby the Foundation agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate to minimize the exposure of certain of its marketable securities to adverse fluctuations in financial and currency markets. As of December 31, 2005 and 2004, the Foundation had forward currency contracts with notional amounts totaling \$15.6 million and \$48.1 million, respectively. At December 31, 2005, approximately \$15.6 million in assets and \$15.6 million in liabilities related to open foreign currency contracts, at market value, are included in derivative financial instruments.

Through a securities lending program managed by its investment custodian, the Foundation loans certain stocks and bonds included in its investment portfolio to qualified investors. The custodian maintains collateral in excess of the value of the securities on loan. The Foundation's investment custodian has indemnified the program against counterparty risk. The Foundation's gross securities loaned to certain investors at December 31, 2005 and 2004 amounted to approximately \$560 million and \$636 million, respectively.

Financial instruments such as those described above involve, to varying degrees, elements of market risk and credit risk in excess of the amounts recorded on the balance sheet. Market risk represents the potential loss the Foundation faces due to the decrease in the value of financial instruments. Credit risk represents the maximum potential loss the Foundation faces due to possible non-performance by obligors and counterparties as to the terms of their contracts.

Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the financial position and operations of the Foundation.

Pursuant to its limited partnership agreements, the Foundation is committed to contribute approximately \$683 million as of December 31, 2005 in additional capital over the next ten years. Unpaid commitments at December 31, 2004 were \$508 million.

NOTE 3—BONDS PAYABLE:

At December 31, 2005, the Foundation has outstanding \$44.0 million of taxable term bonds, including \$15.5 million of bonds issued in 2004, with a final maturity date of December 1, 2032 (the "Bonds"). The proceeds from the Bonds were used for the acquisition, improvement and rehabilitation of facilities owned by the Foundation in New York City (the "Project"). The Bonds bear interest, payable monthly, based upon results of monthly auction procedures. The average interest rate applicable in 2005 was 3.3%. Management believes that the market value of the Bonds approximates the book value. The Bonds represent an unsecured general obligation of the Foundation. The Bonds are rated Aaa by Moody's Investor Services and AAA by Standard & Poor's Rating Services. Interest incurred in 2005 was \$1.5 million and, in 2004, was \$624 thousand of which \$568 thousand was capitalized in connection with the Project.

NOTE 4—TAXES:

The Internal Revenue Code imposes an excise tax on private foundations equal to 2 percent of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). This tax is reduced to 1 percent when a foundation meets certain distribution requirements under Section 4940(e) of the

Notes to Financial Statements, (continued)

Internal Revenue Code. The Foundation was subject to the 2% rate in 2005 and 2004. Certain income defined as unrelated business income by the Code may be subject to tax at ordinary corporate rates.

The provision for taxes consists of a current provision for the federal excise taxes on net investment income and federal and state taxes on unrelated business income and a deferred provision on the change in unrealized appreciation of investments. The current tax provision for 2005 comprises \$9.2 million of federal excise tax on net investment income. Federal and state taxes on unrelated business income were immaterial in 2005. The current provision in 2004 was \$6.2 million of federal excise tax on net investment income and \$171 thousand in federal and state taxes on unrelated business income. The change in unrealized appreciation reflected on the Statement of Activities includes a provision for deferred taxes based on net unrealized appreciation of investments at 2 percent. The increase in unrealized appreciation resulted in an increase of the deferred federal excise tax liability of \$1.0 million and \$6.6 million in 2005 and 2004, respectively.

NOTE 5—GRANTS, CONTRIBUTIONS, AND COMMITMENTS:

The following table of grant activity by major program area includes all grant appropriations approved during 2005. Grants payable and committed at December 31, 2004 have been restated to reflect a cancellation of \$184 thousand.

	<i>Payable and Committed December 31, 2004</i>	<i>2005 Grants and Commitments</i>		<i>Payable and Committed December 31, 2005</i>
		<i>Appropriated (1)</i>	<i>Paid</i>	
		<i>(In thousands)</i>		
Conservation and the Environment	\$ 775	\$ 13,033	\$ 8,995	\$ 4,813
Museums and Art Conservation	20,762	19,141	16,291	23,612
Performing Arts	2,779	16,789	13,162	6,406
Higher Education and Scholarship	28,028	114,133	108,322	33,839
Libraries and Scholarly Communication	8,537	35,323	39,596	4,264
Population	1,904	—	750	1,154
Public Affairs	108	235	343	—
Other (2)	—	11,552	11,552	—
Program Grants and Commitments - Totals	62,893	210,206	199,011	74,088
Contributions and Matching Gifts	—	329	329	—
	<u>\$62,893</u>	<u>\$210,535</u>	<u>\$199,340</u>	<u>\$74,088</u>

(1) Included in the 2005 grant appropriations are \$14.4 million and \$8.8 million of grants to Ithaca and ARTstor, respectively.

(2) Other is comprised of grants made to certain grantees that were directly affected by Hurricane Katrina.

Grant and grant commitment activity is summarized below.

	<u>2005</u>	<u>2004</u>
	<i>(In thousands)</i>	
Grants Payable:		
Grants payable at January 1	\$ 3,185	\$ 6,533
Grant expense	202,620	177,838
Less grants paid	<u>(199,340)</u>	<u>(181,186)</u>
Grants payable at December 31	<u>\$ 6,465</u>	<u>\$ 3,185</u>
Net Grant Expense:		
Unconditional grants	\$ 170,985	\$ 142,996
Conditional grants meeting conditions for payment	<u>31,635</u>	<u>34,842</u>
	202,620	177,838
Less grant refunds	<u>(829)</u>	<u>(765)</u>
	<u>\$ 201,791</u>	<u>\$ 177,073</u>
Grant Commitments:		
Grant commitments at January 1	\$ 59,708	\$ 51,758
Less commitments cancelled	(45)	(184)
Conditional grants appropriated	39,595	42,976
Less grants meeting conditions for payment	<u>(31,635)</u>	<u>(34,842)</u>
Grant commitments at December 31	<u>\$ 67,623</u>	<u>\$ 59,708</u>

NOTE 6—MASTER SERVICES AND LEASE AGREEMENT:

Effective January 1, 2004, the Foundation entered into a Master Services and Lease Agreement, as amended (the “Agreement”) with JSTOR, Ithaka and ARTstor (collectively the “MSLA Parties”), which among other matters, provides for the following services and arrangements:

- Ithaka provides information technology and software development services to the Foundation and to the other MSLA Parties. Costs and expenses incurred by Ithaka in providing these services are allocated and charged to the Foundation and to the other MSLA Parties. In 2005 and 2004, Ithaka charged \$775 thousand and \$429 thousand, respectively, to the Foundation for these services. Included in the 2005 and 2004 amounts are pass-through expenses of \$134 thousand and \$53 thousand, respectively.
- Effective January 1, 2005 and commensurate with the transfer to Ithaka of the Foundation’s human resource staff, Ithaka provides human resource services to the other MSLA Parties and to the Foundation. In 2005, Ithaka charged \$247 thousand to the Foundation for these services. In 2004, the Foundation provided human resource services to the MSLA Parties. Costs and expenses incurred by the Foundation in providing these services were allocated and charged to the MSLA Parties and totaled \$360 thousand in 2004.
- The Foundation also provides, free of charge, certain investment services and legal advice to the MSLA Parties. The value of these contributed services has not been recorded due to immateriality.
- Commencing January 1, 2005, the Foundation provides office space, free of charge, to Ithaka and ARTstor in a building owned by the Foundation in New York City. The office space will be provided for a period of five years, subject to certain termination provisions.

The Agreement provides that either the recipient of a service or the provider of a service may terminate the service with notice ranging from 60 days to 12 months depending on the type of service terminated.