



## **The Mellon Foundation**

### **Social Bond Framework**

### **July 2020**

#### **Foundation Overview**

The Andrew W. Mellon Foundation (the “Foundation”) is a not-for-profit corporation under the laws of the State of New York. The Foundation was formed on June 30, 1969, through the consolidation of two existing foundations: the Avalon Foundation and the Old Dominion Foundation. The Avalon Foundation was established in 1940 by Ailsa Mellon Bruce, daughter of Andrew W. Mellon, and the Old Dominion Foundation was established in 1941 by Paul Mellon, son of Andrew W. Mellon. Foundation assets totaled \$273 million at the end of 1969, and have grown to nearly \$7 billion at the end of 2019. The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is headquartered in New York City.

The Foundation is dedicated to transparency, and provides timely information about its work and finances to the public by means of publicly-available resources including its website and Annual Reports. Consistent with this objective, the Foundation’s Social Bond Framework intends to align with the Social Bond Principles, published and updated by the International Capital Markets Association in June 2020. This framework outlines the Use of Proceeds, Process for Grant Evaluation and Selection, Management of Proceeds, and Reporting processes that will guide the Social Bonds issued by the Foundation.

#### **Use of Proceeds**

The Foundation intends to use the net proceeds of Bonds issued under this framework to provide grant funding to support organizations, projects, and programs meeting the Foundation’s grantmaking criteria, including COVID-19-related emergency grants, and to pay down the Foundation’s line of credit, which was drawn to make grants in 2020. In response to the COVID-19 global pandemic and its adverse effects on nonprofits here and abroad, the Foundation is currently engaged in rapid and increased emergency grantmaking. In June 2020, the Foundation announced that it would issue an additional \$200 million in grants – on top of the \$300 million originally planned for 2020 – to help shore up arts, humanities, and educational nonprofits devastated by the ongoing public health crisis.

The Foundation believes that the arts and humanities are fundamental to human dignity, and cultural and educational nonprofits are a bulwark against the inequities and instability that the global pandemic has exacerbated. Now more than ever – and through a lens of social justice – the Foundation supports the transformative power of higher learning, arts and culture, knowledge production and preservation, and other spaces of humanistic engagement.

Foregrounding social justice grantmaking in the arts and humanities means the Mellon Foundation builds on its historic focus in culture and higher learning by ensuring that they are accessible and empowering to *all* members of society. The Foundation seeks to expand access to the artistic and intellectual opportunities to more members of our vigorous and complex society.

Given current societal events, the Foundation’s social justice lens is even more relevant to its philanthropic efforts. With every grant given, the Mellon Foundation asks, “How does the grantee’s work contribute to more just and fair communities?” By prioritizing this commitment to building “just communities,” the Foundation addresses historical inequities in the fields it funds and engages the public in support of artists, cultural institutions, institutions of higher learning, and richly imagined public spaces. Through grants, the Foundation seeks to build these communities, enriched by meaning and empowered by critical thinking, where ideas and imagination can thrive.

The Foundation will have broad discretion as to the use of the Bond proceeds, provided that such use is in compliance with the Foundation’s tax-exempt status under Section 501(c)(3) of the Code and the Foundation’s classification as a private foundation. However, the Foundation intends to use the Bond proceeds, net of the costs of the Bond issuance, over a two-year period to fund its grantmaking, as well as to pay down the line of credit drawn in 2020 to fund grants.

Grant proposals are, and will be, screened as part of the Foundation’s application process to ensure consistency with the Foundation’s mission. The Foundation makes grants in the following program areas<sup>1</sup>:

- **Higher Learning:** Supports inclusive and multi-vocal humanities education in order to create more broadly accessible and more richly heterogeneous learning environments. Grantees will encompass colleges, universities, and other organizations that embrace historically underserved populations, including non-traditional and incarcerated students. Key strategies include:
  - Creating equitable broad access to humanities higher learning opportunities
  - Supporting humanities education that build on more complete and accurate narratives
  - Elevating the ideas that help illuminate our shared human experience
  - Accelerating the demographic transformation of faculties

---

<sup>1</sup> The Foundation also makes grants in public affairs. These grants include support for educational and cultural programming that inspire civic engagement and learning and for arts programming that is intentionally accessible and welcoming to people of all abilities.

- **Public Knowledge:** Supports on-going stewardship, availability, and access for humanities scholarship and the cultural record. The intent is to ensure that a broader range of histories and records are preserved and maintained, and that they are made accessible to a wider public, so that the cultural and scholarly records can better reflect the true diversity of our society. Key strategies include:
  - Preserving original source materials in all formats, including web-based content, with focus on materials from historically under-represented cultures and populations
  - Supporting the innovative maintenance and sustainability of technology, tools, and infrastructure for content related to the Foundation’s social justice orientation
  - Creating and strengthening networks for the interdependent sharing of resources, services, and collections
  
- **Arts and Culture:** Aims to add complexity and justice to our understanding of the world and foster societies that value artists as the chroniclers of our humanity. The Foundation believes in the ability of artists to influence community directions. Key strategies include:
  - Creating equitable access to arts and cultural works, and supporting exceptional artists, organizations, and communities that have been historically underfunded
  - Supporting institutions across a variety of communities that have or envision artists and practitioners in participatory roles
  - Creating scaffolding for artists and practitioners to transcend disciplines, media, and institutions in their practice as well as experiment with new economic paradigms and institutional models
  
- **Humanities in Place:** Brings a variety of histories and voices into public, media, and memorial spaces, broadening and deepening the range and complexity of public storytelling, and expanding the ways in which these histories are told. Key strategies include:
  - Expanding the public expression of who we are, the histories that have made us, and the values we hold
  - Commemorating and memorializing critical places in our shared human history. We will look for opportunities to highlight histories and experiences that are not yet collectively valued, and to celebrate moments that added complexity to our shared understanding
  - Engaging a broader range of the population in the creation and sharing of stories, histories, and experiences

- **Presidential Initiatives:** Supports tightly-defined and impact-oriented responses to a specific opportunity or challenge. These initiatives cut across multiple program areas and are shaped and held out of the President's Office.

For further information regarding grant programs, please reference the Foundation's website: <https://mellon.org/programs/>

## **Process for Grant Evaluation and Selection**

The Foundation's leadership and program teams are responsible for allocating grant funds and establishing strategic priorities within each program area. Foundation program staff invite proposals for grants that fit within the Foundation's grantmaking priorities. Each program area is led by a dedicated director or officer with responsibility for ensuring grant applications meet Foundation guidelines and criteria. Once a proposal is invited, program staff work closely with applicants in developing the proposal, often through multiple drafts. Foundation staff review each proposal to make informed judgments about the merits of the project, its likelihood of achieving its stated goals, and the organization's capacity to carry out the project activities effectively. Based on the final proposal, program staff determine whether to bring a grant recommendation to the Board of Trustees at one of its quarterly meetings (generally held in March, June, September, and December) or, in the case of certain smaller grants, to the Foundation's officers.

Grant proposals and recommendations are thoroughly reviewed by program, grant management, and legal staff to ensure grant recommendations accurately reflect the proposal details and strategic objectives and that the Foundation complies with all legal requirements (including, but not limited to, IRS requirements and U.S. antiterrorism laws) for charitable giving. All grant recommendations are reviewed by and subject to the approval of the Foundation's leadership. The grant award letter and proposal set forth the terms and conditions of each approved grant. The terms of a grant proposal, management of a grant, and requests for modifications of grant terms are governed by the Foundation's Grantmaking Policies, which can be found on the Foundation's website and which each grantee must acknowledge in the grant proposal. Grants are monitored by the Foundation on an ongoing basis through grantee visits, meetings, and written reports. The Foundation has designed its grantmaking process to conform to applicable legal requirements and the Foundation's own policies and procedures.

## **Management of Proceeds**

A portion of the net proceeds of securities offered under this Social Bond Framework will be used to repay borrowings under the Foundation's line of credit, which was drawn down in March 2020 and used for making grants. The remaining Social Bond proceeds will be held in a segregated account at the Foundation's custodian bank.

Grant payments are identified, reviewed, and recorded by Foundation staff in the Foundation's grants management system. Bond proceeds will be transferred, as needed, to an operating account for disbursement to grantees.

## Reporting

The Foundation currently reports its grantmaking by listing all of its grants and grantees on its website, as well as Annual Reports and Form 990-PF tax filings. Reporting on future grantmaking is expected to be consistent with the Foundation's current reporting. Bond proceeds are expected to be fully disbursed within two years.

<https://mellon.org/grants/grants-database/>

## External Verification

The Foundation has appointed Sustainalytics to provide an independent Second Party Opinion report (“SPO”) on this Framework.