

The Andrew W. Mellon Foundation

*Report
from January 1, 2004
through December 31, 2004*

*140 East 62nd Street, New York, New York 10021
(212) 838-8400
<http://www.mellon.org>*

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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. These considerations require 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://wzw.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

In keeping with well-established Foundation policy, I will retire as president of the Foundation at the Annual Meeting of the Trustees in March 2006. By then it will have been my privilege to serve as president for 18 years—an appreciably longer tour of duty than I anticipated when I arrived at the Foundation's offices on 62nd Street in January 1988.

Serving in this position has been an endlessly fascinating and rewarding opportunity, and I am going to devote this report to reflections on the evolution of the Foundation over these years and to lessons I have learned—and relearned—along the way. (To save space for this discussion, I will not comment at any length on activities during 2004 within particular program areas, since information about them is available on the Foundation's Web site and a complete list of grants approved during the year is also provided.) Finally, in concluding this report, I will describe the interim grantmaking strategy the Foundation has put in place to smooth the transition to new presidential leadership. It is important that grantees understand our intention to maintain momentum in key programmatic areas while also creating some “running room” for a new leadership team.

The Evolution of the Mellon Foundation Since 1988

In mounting a search for a new president, the Trustees are looking for a leader of an organization that is in fundamental ways much the same as the one that I joined in 1988. Yet it is also different in certain respects, and I want now to sketch elements of continuity and of change. It is fair to say, I think, that the elements of continuity (and especially core programmatic objectives and basic principles of grantmaking) define a framework, an organizational philosophy, and even an organizational “personality” that has conditioned strongly what the Foundation does and how staff members think about their responsibilities. At the same time, the Trustees have given the staff considerable freedom to propose new ideas and to modify grantmaking emphases, grantmaking approaches, and staffing patterns in the service of these broad objectives and guiding principles. When I wrote my

first Annual Report, in the winter of 1988, I was struck by how skillfully my predecessors had managed to pursue “flexibility within structure.” That phraseology continues to capture the way change occurs at the Foundation.

Overall Scale

The Mellon Foundation’s financial resources are much greater today than they were in 1988 (even after taking account of changes in the price level): the endowment is up from \$1.5 billion in January 1988 to \$4.5 billion at the end of 2004. This is a major increase by anyone’s reckoning. Appropriations were running at an annual rate of about \$70 million at the end of 1987; they were \$186 million in 2004. Appropriations over this entire period have totaled \$2.2 billion, and adding appropriations to growth in endowment implies a total return of 13 percent per year on average—over a period when the Consumer Price Index rose at an average annual rate of 3 percent.¹ This is not to say, however, that the Foundation’s financial resources have grown steadily at this rate.

¹ The impressive investment performance of the Foundation over these years is due in large part to the leadership of T. Dennis Sullivan, who served as financial vice president for 12 years, and Charles E. Exley, Jr., who chaired the Trustee Investment and Finance Committee during much of the same period. Messrs. Sullivan and Exley have been succeeded ably by John Hull as financial vice president and chief investment officer and Lewis Bernard as chairman of the Trustee Investment and Finance Committee. Some credit for past success also goes to James Shulman, who acted for Dennis Sullivan when Dennis was on leave during a particularly critical period in the markets. Perhaps I can be allowed a personal recollection that conveys messages about the value of a liberal education as well as the qualities of the individuals involved in overseeing the Foundation’s investments. The early, astute decisions by Sullivan and Exley to invest in limited liquidity partnerships, and particularly in all stages of venture capital investing, produced in the early months of 2000 an explosion of extremely volatile holdings by the Foundation. James Shulman made one good decision after another in the de facto role of acting financial vice president, overseeing a portfolio suddenly transformed by the height of the technology bubble. An external observer of Shulman’s success asked Exley (himself a highly regarded business executive and skillful investor) how he could explain the outstanding results achieved by Shulman, who was a Renaissance literature student at Yale and had no professional training in business or finance. Exley responded: “James had one terribly unfair advantage.” “What was that?” Exley was then asked. “Very smart,” was Exley’s response. In this instance at least, studying the humanities (his dissertation at Yale was entitled “‘The Pale Cast of Thought’: Hesitation and Decision in the Renaissance Epic”) can be seen to have had excellent practical consequences.

Indeed, one noteworthy event in 2004 was the substantial recovery in the market value of the Foundation's endowment from \$3.5 billion in December 2002 and \$4.1 billion in December 2003 to the year-end value of \$4.5 billion in 2004.

These impressive gains in resources notwithstanding, the Foundation's place within the larger foundation world has remained much the same. Mellon was and is one of the "big national foundations," even though the Gates Foundation and other new foundations have been created in recent years and the Hewlett Foundation and others have become much larger. In asset size, Mellon is appreciably larger than the Carnegie, Rockefeller, and Sloan Foundations, and about the same size as MacArthur; Ford remains the largest of the broad-purpose foundations.

Major Programmatic Emphases

If the growth in resources has been a major facilitator of change, Mellon's focus on higher education and the humanities—defined broadly to include research libraries, centers for advanced study, art museums and art conservation, and the performing arts—has been a constant ever since The Andrew W. Mellon Foundation was formed in 1969. The fraction of total outlays devoted to higher education and the humanities is in fact higher now than it was in 1988, making Mellon more of a "humanities foundation" than ever before. In the pre-1988 period, the Foundation spent an average of just over 60 percent of its grant funds on higher education and the humanities, as compared with a nearly 80 percent share today (of a far larger appropriations total).²

One factor explaining the Foundation's ability to put increasing emphasis on its core commitments to the humanities and higher education is that it has exited broad fields in which its goals have been largely achieved. Population studies is one example. The Foundation was active in this field when there was far more concern about burgeoning

² This grouping of fields (to include libraries, art museums, and performing arts under "humanities") follows the practice in the pre-1988 years. The corresponding figure of "80 percent" for recent years is an estimate based on prorating appropriations in areas such as the Foundation's South Africa program, which includes grants that are clearly humanities-directed and grants that are not. The allocation formulae are conservative in the sense that a "humanities-higher education" fraction higher than 80 percent could be readily defended.

population growth than there is today—a shift in attitudes due largely to dramatic reductions in fertility rates. Demography continues to be an extremely important field of study, but its most active areas of application are now in urbanization, public health, and aging. These are areas of unquestioned importance, but they are not fields in which this Foundation has invested or in which it can claim to have demonstrated competence. The Foundation has also ended its support of programs in reproductive biology and medical research because it lacked special expertise and because other large grantmakers with more staff competence were supporting similar work. The Foundation has also been willing to move in and out of new fields when the time seemed right to do so. Eastern Europe is the clearest example. The Foundation invested heavily in rebuilding libraries and business infrastructure in the years immediately after Soviet domination ended, but that program was brought to an orderly conclusion after pressing needs had been met.

These decisions to conclude programs have freed up resources that the Foundation has redirected to core fields of continuing interest. More generally, as resources have grown, Mellon has followed a deliberate policy of “sharpening and deepening” commitments. The idea has been to find new ways to work ever more effectively within established program areas, rather than to spread out into entirely new areas. This is somewhat unusual. The more typical pattern in the foundation world is for growth in total resources to be accompanied by a broadening of programmatic interests. Some foundations have used growth in resources to extend their programmatic reach, often to the benefit of society at large. But as the Mellon Foundation’s Trustees weighed various strategies in September 2000, during the substantial run up in the equities markets, they concluded that—for Mellon—strengthening and deepening activities in core areas of interest would take fullest advantage of our capacities and would be especially beneficial to fields such as the humanities that were of less interest to many other donors.

Increasingly large investments have been made in higher education. In the early 1990s, under the leadership of Harriet Zuckerman, the Foundation took on active direction of a large-scale effort to improve doctoral programs in the humanities. This “Graduate Education Initiative,” begun by Neil Rudenstine and me shortly after we arrived at the Foundation, was intended to see if ways could be found to shorten time-to-degree and to reduce attrition within the humanities and related social sciences in major universities. The major innovation was the decision to focus on the *department* as the core

organizational unit at the doctoral level. Participating departments were expected to rethink their graduate programs, reorganize financial aid, try out new approaches (such as providing summer support to graduate students who had completed their qualifying examinations within a specified time and were eager to get on with their dissertations) and keep careful records of students' progress so that the value of these efforts could be evaluated. This initiative lasted 10 years and involved outlays of \$80 million; its results are being analyzed now, utilizing a very large database that has been built for this purpose. This new program replaced only in part the program of portable predoctoral fellowships in the humanities that was launched in 1983 and has been administered by the Woodrow Wilson National Fellowship Foundation from its inception to the present day. This portable fellowship program was changed from a multiyear to an entry-year program, largely in response to the findings in the Bowen-Rudenstine study of doctoral education.³

In more recent years, the emphasis within the Foundation's research universities program has shifted. The heavy weight given to support of graduate education in the 1990s has yielded, at least in part, to greater concentration on faculty support. A full panoply of faculty fellowship programs in the humanities, covering successive stages in the careers of academics, has been launched over the last three years: namely, the Ryskamp Fellowships, the Burkhardt Fellowships, the Emeritus Fellowship Program, "New Directions," and the Distinguished Achievement Awards.⁴ Other Foundation-sponsored faculty fellowship programs are managed by the American Philosophical Society and the American Council of Learned Societies. In addition, the Foundation has supported postdoctoral fellowship programs for aspiring faculty members at a number of colleges and universities. Taken together, these faculty fellowship programs involve average annual outlays of approximately \$20 million, as compared with outlays of approximately \$6 million per year for graduate fellowships. In addition, approximately \$12-14 million per year is spent on a variety of other activities within research universities and other institutions that have scholarly objectives—including historical societies, independent research libraries, and centers of advanced study.

³ See William G. Bowen and Neil L. Rudenstine, *In Pursuit of the PhD* [Princeton University Press, 1992].

⁴ For a full description of many of these programs see Harriet Zuckerman and Joseph Meisel's essay in the 2001 Annual Report.

Strengthening the nation's liberal arts colleges has been an important objective of the Foundation dating back to the 1970s, and a number of ideas tried out decades ago continue to have resonance: providing discretionary support for new presidents is a good example. The total amount of Foundation resources going to liberal arts colleges has increased markedly—from an average of \$4 million per year in the pre-1988 period to approximately \$20 million per year more recently. Curricular initiatives have continued to receive support, as has language study. Perhaps the most important change, pioneered by Pat McPherson, has been the far greater emphasis now given to institutional collaborations—in areas ranging from faculty career enhancements and faculty staffing to study abroad programs, fuller use of information technologies, and improved administrative support.

It has become clearer and clearer to our staff that these colleges cannot achieve their full potential unless they are helped to share resources and thereby to benefit from greater scale. The formation of “NITLE” (an acronym for the National Institute for Technology and Liberal Education that is pronounced “nightly”) is perhaps the best example of a promising opportunity of this kind that is still in a relatively early stage of development. The plan is to continue strengthening four regional centers that will serve the needs of liberal arts colleges in their respective geographic areas while allowing NITLE to benefit from coordination and leadership at the national level by operating as a part of Ithaca (a relationship explained in detail in last year's Annual Report). It is imperative that liberal arts colleges take full advantage of the opportunities presented by advances in information technology, and it is highly unlikely that this goal can be achieved without close collaboration and some measure of central direction. The “Emeriti” plan to provide post-retirement health coverage in a cost-effective manner is a second example of a collaborative activity that has grown out of the expressed needs of colleges and that has required a considerable entrepreneurial effort as well as a substantial investment of funds.⁵

⁵ See the 2003 Annual Report for a recent description of NITLE. An earlier discussion of technology and collaboration in liberal arts colleges can be found in Alice Emerson and Elizabeth Duffy's essay in the 1997 Annual Report. Readers interested in learning more about Emeriti should consult its Web site at Emeritihealth.org.

The theme of institutional collaboration runs through every one of the Foundation's program areas. In the performing arts, the Orchestra Forum, conceived and led by Catherine Maciariello, the Foundation's program officer in the performing arts, is a highly collaborative effort to exchange ideas and try out new organizational models designed to break down old barriers and give musicians new opportunities to enhance the artistic quality of the work of symphony orchestras.⁶ More generally, the pattern of the Foundation's investments in the performing arts has changed in one major respect: in the pre-1988 period, resources were concentrated on theater, dance, and opera; today, other forms of music also receive substantial support.

Art museums and art conservation have also been major interests of the Mellon Foundation (and of its predecessor foundations) from earliest days. In the pre-1988 period, substantial grants were made to the National Gallery to undergird the work of the Center for Advanced Study in the Visual Arts and the Patrons' Permanent Fund for the purchase of art. During that period grants were also made to a number of other museums, primarily to develop educational programs and strengthen curatorial scholarship. Grants to endow curatorships and support scholarly publications have continued to be a priority for the Foundation, but its continuing, and greatly expanded, efforts in support of conservation deserve even more emphasis. One of the most noteworthy new initiatives undertaken by the Foundation, under the leadership of Angelica Rudenstine, is the investment in the conservation of photographs, both in advanced training of specialists in the field and in the establishment of positions in a number of different museums. Another is the renewed emphasis on the role of science in art conservation.⁷ Substantial grants have been made to establish new senior positions in science at several leading museums as well as at conservation training programs, and large commitments have also been made to enhance opportunities for postdoctoral scientists and other new entrants to the field.

⁶ For a discussion of this program see our 1998 Annual Report.

⁷ See discussion of conservation in the 2000 and 2003 Annual Reports. One reason for referring to "renewed" support for applications of science in art conservation is that the Mellon Foundation was the primary source of funding for the Research Center on the Materials of the Artist and Conservator at the Mellon Institute of Carnegie Mellon University. The Foundation's chairman at the time, William O. Baker, was an early and highly prescient proponent of such work.

One entirely unanticipated but most welcome event in 2004 was the receipt by the Foundation of a National Medal of Arts. Our chairman, Anne Tatlock, accepted this honor from President Bush, who presented the following citation: "For decades of outstanding service to the arts and cultural world, and especially for its civic leadership in the New York City arts community in the aftermath of the September 11 attacks." This award was particularly meaningful because of its earlier association with Paul Mellon. In recognition of his signal contributions as a philanthropist in the arts, and especially his extraordinary support and leadership of the National Gallery, Paul Mellon received a National Medal of Arts in the first year that the award was given. Over the years, the Foundation has consistently supported both the performing arts and the visual arts, sometimes in traditional ways and sometimes in new ways (such as ARTstor), and we would like to think that Paul Mellon would have been pleased that, even as there are some changes in the specifics of how the Foundation works in a changing world, there is so much consistency in the core principles that the Foundation follows. The juxtaposition of the award of the Medal to Paul Mellon in 1985 and to the Foundation in 2004 symbolizes the Foundation's continuing commitment to the arts.

In another program area, conservation and the environment, the Foundation originally emphasized efforts to acquire and preserve particularly valuable and vulnerable natural areas. The Foundation has continued to support the Trust for Public Land and has by now appropriated nearly \$20 million for the use of this outstandingly effective organization. More recently, under the leadership of William Robertson, the Foundation's focus has shifted to the support of collaborative research and training programs in ecology, including the work of the Organization for Tropical Studies (OTS) in Latin America and an important research and training program at the Kruger National Park in South Africa. Persistent—and highly successful—efforts have been made to connect these activities in conservation and ecology to other program areas at the Foundation, and especially to the provision of opportunities for students at liberal arts colleges to participate in research projects at places such as the Marine Biological Laboratory of Woods Hole, OTS, and Kruger National Park. Working closely with colleagues at Ithaca, Mr. Robertson is now actively engaged in creating a massive database of Type specimens and other materials pertaining to African plants. This resource is being created with contributions (thus far) from 31 herbaria in 18 countries. It already represents

an international collaboration of unprecedented scale, and Mr. Robertson expects to add at least two more herbaria and two more countries in June 2005.

Libraries and scholarly communication has been a core area of Foundation activity for three decades, and Jack Sawyer, during his tenure as president of the Foundation, played a pivotal role in the formation of the Research Libraries Group (RLG). This area of activity has gained even greater prominence at the Foundation over the last 10 years. Led today by Donald Waters, this grantmaking program is an excellent example of the refocusing of traditional activities, such as support for archives and scholars using the archives, by encouraging the adoption of technological approaches that involve the creation of new kinds of repositories and new ways of assembling, organizing, “tagging,” and mining data.⁸ It would be a mistake, however, to believe that this emphasis on the application of technology to the work of libraries is new to the Foundation. The 1987 Annual Report describes pre-1988 activities as follows: “The Foundation’s principal concerns have been with building an adequate national computerized bibliographic system... [and] with trying to help libraries... to think about the consequences of the new technologies for research and teaching.”

Still, we should not underestimate the extent of recent efforts to extend the Foundation’s reach in this critically important area. Working in close collaboration with leaders in the university community, the Foundation has supported a number of information technology projects, including OpenCourseWare (OCW), an ambitious effort jointly supported by the Hewlett Foundation that aims to make freely available the instructional materials from all courses taught at MIT. Ira Fuchs, the Foundation’s vice president for research in information technology, has been especially active in promoting the development of open source software that has the potential to provide cost-effective solutions to a wide range of problems common to colleges and universities.

Through its libraries and scholarly communication program, the Foundation has played an especially important role in creating new organizations that have a capacity to serve students and scholars worldwide for many years to come. In response to the unprecedented changes that have occurred over the last decade in the ways that students and scholars can access, manipulate, and store data in electronic

⁸ Similar forms of support have been provided to historical societies and independent research libraries through grants under the research universities-humanities program that are the responsibility of Joseph Meisel.

form, Mellon has taken the lead in creating JSTOR, ARTstor, and Ithaka—three signature programs that are described in detail in last year’s Annual Report. All of these organizations, now independent entities, benefit from outstanding leadership in the persons of Michael Spinella (JSTOR), James Shulman and Neil Rudenstine (ARTstor), and Kevin Guthrie (the founding president of JSTOR and now president of Ithaka).

The Foundation has not only supported the work of these “Affiliates,”⁹ it has also encouraged mutually beneficial interactions between their staff members and Mellon’s own staff. Space constraints have been a limiting factor. As those who have visited the Foundation in recent years are well aware, space in our 62nd Street buildings has been at a premium, with many staff working in extremely crowded quarters and a frequent lack of rooms for meetings. The “incubation” of ARTstor within the Foundation’s walls exacerbated this problem mightily, and it was clear that something had to be done. We did not want to give up the ambience of our 62nd Street town houses, yet we also wanted to avoid dividing up our staff, separating Mellon from Affiliated organizations such as ARTstor, and losing both the intellectual and financial advantages of scale.

Fortunately, we found a solution to this vexing problem by acquiring three town houses on 61st Street which back up to the gardens of the 62nd Street buildings and which, collectively, contain almost as much space as do the houses on 62nd Street. Substantial renovation of this new space was required, in part to achieve programmatic purposes (including the efficient sharing of library resources and other infrastructure such as IT services) and in part to conform to code requirements. We were able to retain an outstanding architect, Charles Platt of Platt Byard Dovell White, and to work with an equally outstanding contractor, Robert Goldberg of Yorke Construction Company. Over the last few months, the project has been successfully completed, and ARTstor and Ithaka staff have now moved in. By the time of the Foundation’s Annual Meeting in March 2005, we expect that all of the space, including meeting rooms that will be shared by Mellon staff and the staff of the Affiliates, will be completed. The successful integration of the gardens between the two sets of buildings gives the

⁹ We speak of Mellon-sponsored organizations such as ARTstor, Ithaka, and JSTOR as “Affiliates” since they are closely related to the Foundation by mission as well as by historical development. But all three are now independent 501(c)(3) organizations classified by the Internal Revenue Service as “public charities.”

complex a campus-like feeling and encourages collaborations and easy interactions among staff with shared interests that will, we believe, be highly productive in the years to come.¹⁰

We estimate that, taken together, grants with a technological emphasis in the library and scholarly communication, research in information technology, and other programs, represent just over 20 percent of total Foundation grantmaking today. These activities have complemented, not replaced, traditional work in the humanities and related fields, and it has often been the most respected scholars who have embraced these initiatives enthusiastically. Harriet Zuckerman reports that one of the four most recent winners of the Foundation's Distinguished Achievement Awards in the humanities has a strong interest in the use of electronic images to portray how the Japanese and Americans viewed one another when Perry entered Tokyo Bay and later in World War II. Another of the four winners intends to use electronic technology to link manuscripts of 19th-century Italian opera and other materials such as "paratext" of vocal scores so that they can be studied together.

Promoting collaborations and program crossovers have proven to be highly successful approaches and are two recurring themes of grantmaking at the Foundation today. A third theme is increased emphasis on "crossing borders"—not just allowing, but actively encouraging, international connections. The Foundation's work in South Africa, which is led by Stuart Saunders, former vice-chancellor of the University of Cape Town, has helped that country's educational institutions participate effectively in South Africa's transition to a truly multiracial democracy. In addition, the close working relationships built up in South Africa since 1988 with universities and other entities such as national parks and herbaria have paved the way for new work in ecology and for collaborations with many Foundation programs (the African Plants Initiative cited earlier is one example, and the presence at the University of Cape Town of the MMUF program discussed below is another). In the last few years, more grants of various kinds have been made to leading institutions in the UK (especially), Western Europe more generally, and China. Today, the Foundation makes approximately 18 percent of its grants outside the US.

¹⁰The Foundation's general counsel and secretary, Michele S. Warman, deserves special credit for allowing the renovation to move ahead by resolving some highly complicated problems (deserving of literary treatment) with consummate skill.

Moreover, the distribution of grants provides only a very partial picture of the international reach of the Foundation and its digital progeny. JSTOR's collection of journal literature is now used by more than 2,300 libraries in 85 countries; more than 60 percent of new JSTOR participants joining in the last six months have been libraries, institutes, and research organizations outside the US. ARTstor is keenly interested in presenting images of art from many countries and in working closely with the world's great museums. The mission of one of the entities being incubated by Ithaca called Aluka (a Zulu word meaning "to weave") is to create, aggregate, and distribute scholarly content, much of it in the form of primary sources, from and about developing countries. Of course, the Foundation has supported area studies programs and foreign study programs from its earliest days, and recipients of faculty fellowships provided by the Foundation routinely study abroad and collaborate with colleagues outside the US. Today, more than ever before, it is difficult in the extreme to draw a clear line between "domestic" and "foreign" activities.

The last major programmatic area that I want to discuss is one of the most important: the Foundation has long had, and has today, a strong commitment to promoting opportunity in America, especially for members of minority groups but also for others who enjoy only limited access to educational resources. This is far from a new emphasis. Between 1980 and 1988, the Foundation appropriated \$26 million for programs related directly or indirectly to educational opportunities for minority students and faculty members (including grants of over \$11 million to leading private black colleges).

When I came to the Mellon Foundation in 1988, the first program that I initiated, in close collaboration with Henry Drewry, was called the Mellon Minority Undergraduate Fellowship program (MMUF); it is now, with the same acronym, called the Mellon Mays Undergraduate Fellowship program. Led originally by Mr. Drewry, MMUF now enjoys exceptional leadership from Lydia English, who continues to work closely with campus coordinators on more than 34 individual campuses and the consortium of 38 member institutions of the United Negro College Fund to encourage committed students to pursue doctoral work and consider careers in academia. In 2004, MMUF reached a milestone, when the cumulative number of PhDs awarded to its fellows exceeded 100. Many, many more will be awarded, as the large number of students in the long MMUF "pipeline" (that usually begins during sophomore year in college) complete their

work.¹¹ The Foundation also continues to provide institutional support to historically black colleges and universities (HBCUs), to members of the Appalachian College Association, and to institutions, especially Heritage University, that have a special commitment to the education of Native American students.

In the last few years, we have become increasingly conscious of other ways in which Foundation programs have benefited a wider range of institutions and scholars than might normally be the case. The most dramatic example, once again, is JSTOR, which is having a tremendous impact on educational opportunities at resource-poor institutions. The range of participating institutions is striking and extends, in the US, from all 60 of the major research universities that are members of the Association of American Universities to 147 community colleges. Outside the US, 150 participating institutions are in countries with a Gross National Income of \$2,960 per capita or less, and JSTOR is actively exploring ways of reaching even more users in the poorest countries. The widespread use of this electronic resource has had a major “democratizing” effect at student, faculty, and research staff levels. Access to journal literature is no longer limited to those privileged to work at great libraries, as once was the case. Similarly, Appalachian colleges are among the most enthusiastic early users of ARTstor, which brings them both an array of high-quality images and the software needed to manipulate them that no one could have contemplated before.

Development of a Research Capacity

One entirely new development at Mellon since 1988 has been the creation of an in-house research capacity which, while modest in size, has had a considerable impact.¹² This “capacity” is not a program initiative in the usual sense of the phrase, but it has had definite programmatic consequences. Mention has already been made of the role of the Bowen-Rudenstine study of PhD programs in leading to the Foundation’s Graduate Education Initiative. The publication in 1992

¹¹ Last year’s Annual Report contains a lengthy discussion of the Supreme Court ruling in the University of Michigan affirmative action cases (including the role played by research carried out by the Foundation) and of the process that led the Foundation to broaden and rename the MMUF program.

¹² A full list of publications growing out of the work of Foundation staff appears on the Foundation’s Web site.

of a Mellon study authored by Anthony Cummings and others of worrisome trends affecting research libraries stimulated much of the thinking that led to JSTOR. Kevin Guthrie's book on The New-York Historical Society and Jed Bergman's follow-on study of independent research libraries have had a major impact on how both grantees and grantmakers (including this Foundation) think about the sustainability of not-for-profit organizations. The Foundation's research on race-sensitive admissions policies in academically selective colleges and universities, carried out with Derek Bok, the former president of Harvard University, was cited extensively in the US Supreme Court decisions on the legality of the University of Michigan's affirmative action programs.¹³

To give a very different example of the effects of this research capacity, the College Sports Project (CSP), established in June 2003, is an outgrowth of two Foundation-conducted studies of the impact of trends in college sports on educational values.¹⁴ CSP is a collaborative effort among a large number of the National Collegiate Athletic Association's (NCAA) Division III colleges and universities that seek to achieve two critical objectives: (1) greater "representativeness"—athletes should be representative of their classmates in academic outcomes and should be actively engaged in multiple facets of campus life; and (2) greater "integration"—coaches and athletic staff should be more fully integrated into campus life and given greater opportunities to enhance the educational experiences of a wide range of students.¹⁵

Finally, brief mention should be made of the impending publication of a new study of higher education, conducted by staff of the Foundation, that places special emphasis on the complementarities between the goals of "excellence" (educating large numbers of students to a high standard and advancing knowledge) and "equity" (extending oppor-

¹³ William G. Bowen and Derek Bok, *The Shape of the River: Long-Term Consequences of Considering Race in College and University Admissions* [Princeton University Press, 1998].

¹⁴ James L. Shulman and William G. Bowen, *The Game of Life: College Sports and Educational Values* [Princeton University Press, 2001] and William G. Bowen and Sarah A. Levin, *Reclaiming the Game: College Sports and Educational Values* [Princeton University Press, 2003]. These studies found evidence of a widening "academic-athletic divide" which separates students who are recruited as athletes from their classmates, is reflected in systematic academic underperformance by many recruited athletes, and is accompanied by a growing distance between coaches/athletic staff and their faculty colleagues.

¹⁵ CSP is led by Eugene M. Tobin, a program officer at the Foundation who is a former president of Hamilton College. Other members of the CSP coordinating

tunity).¹⁶ This study traces the nation's efforts, going back to Colonial times, to balance a long-standing commitment to educational "excellence" with a still unfolding commitment to "equity." The underlying research suggests that the US cannot be complacent about its standing as the preeminent system of higher education worldwide. Competition from rapidly expanding educational systems in other countries, including China and Korea, has to be taken into account, but we believe that even more serious long-term dangers derive from inadequate pre-collegiate preparation of students. This endemic problem, which affects students in general, is especially pronounced in the case of students from underrepresented racial minorities and from poor families and families with no prior experience of higher education. The resulting gap in college preparedness threatens both to hold down the overall level of educational attainment in the US (and thus the number of well-prepared graduates able to sustain the country's economic

committee are William D. (Bro) Adams, Colby College president; Amy Campbell, Bryn Mawr College athletic director; John D. Emerson, the Charles A. Dana Professor of Mathematics, and dean of planning at Middlebury College; Michael McPherson, Spencer Foundation president and a former president of Macalester College; and Robert Malekoff, former director of athletics at Wooster College. Two other Mellon staff members (William Bowen and Pat McPherson) have been involved in the work of CSP since its early days. If CSP continues to make progress, and to be viewed favorably by large numbers of colleges, we expect that its leadership will evolve accordingly. The leadership of the NCAA, including Dan Dutcher, vice president of Division III, has been actively and constructively involved in all of the early work of CSP. Following the formation of working groups and a great deal of informal consultation, a report titled *Athletics and the Academy* was prepared in the fall of 2004 and circulated to all Division III institutions. The report proposed the creation of a data-gathering center (probably to be located at Northwestern University) that would measure students' academic outcomes over their college careers and report the results to participating institutions in a manner that would protect the confidentiality of both institutions and individual students. The report also recommended that CSP sponsor a pilot institute in the summer of 2005 that would focus on ways of integrating coaches and athletic staff (as well as athletes) more fully into campus life. As of February 2005, over 100 Division III colleges and universities have endorsed these initiatives, and the number continues to grow.

¹⁶ The study, which I co-authored with Martin A. Kurzweil and Eugene M. Tobin, is titled *Equity and Excellence in American Higher Education*, and will be published by the University of Virginia Press in April 2005. It is a substantial enlargement of the content of the Jefferson Lectures, which I delivered at the University of Virginia in the spring of 2004.

growth in an era when trained intelligence matters more than ever before) and to challenge our historic belief in the promotion of democratic ideals through the mechanism of educational opportunity and social mobility.

A more surprising finding is that once students from modest backgrounds make it into what we call the “credible applicant pool,” they have no better chance of gaining admission to highly selective colleges and universities than their more privileged competitors whose credentials are equivalent—notwithstanding claims by these institutions that they give special “breaks” to applicants from low-socioeconomic backgrounds. This disjuncture between claims and realities is not due, in our opinion, to willful misrepresentation, but rather to a lack of data heretofore and to the absence in the admissions process of “champions” for applicants from these backgrounds as compared with applicants who are recruited athletes, underrepresented minorities, or legacies—three groups that enjoy substantial admissions advantages.

Since the data show that the odds of a student from a poor family getting into the “credible applicant pool” are *one-sixth* the odds of a student from a high-income family, colleges and universities need to consider whether the most privileged institutions—defined in terms of their financial resources and deep pools of well-qualified candidates—should put at least a modest-sized “thumb on the scale” when considering candidates from low-socioeconomic backgrounds. We wish to emphasize that such a policy (sometimes called “class-based affirmative action”) is no substitute for race-sensitive admissions. The results of one set of simulations reported in our study demonstrate that replacing race-sensitive admissions with policies favoring students from low-income families would reduce the share of minority students in the undergraduate populations of these institutions by roughly one-half. The effects on graduate and professional programs would be even more pronounced. Thus, we see the two sets of policies as complements, not as substitutes for one another.

The creation of the College & Beyond (C&B) database, which made possible several of the large-scale empirical studies mentioned above—including those that focus on race, athletic recruitment, and socioeconomic status—merits separate mention. This database, which now includes over 275,000 student records spanning four decades as well as information on applicants and on the career paths of some matriculants, has become widely recognized as a resource for scholars outside the Foundation who are interested in a broad range of out-

comes associated with admission and enrollment at selective colleges and universities. New research concerning the highly charged subject of differences in career paths associated with gender will depend heavily on the C&B database and its possible extensions—to cite just that one additional example. Similarly, the Foundation’s database on graduate students and graduate programs, now being used to assess the Graduate Education Initiative, has many other potential uses for understanding aspects of graduate education in the humanities. These databases could never have come into existence without the active support of leaders and staff members at the participating colleges and universities; this is, then, another example of the power of institutional collaboration.

Principles of Grantmaking

Substantive decisions concerning how the Foundation invests its resources—these programmatic emphases—are themselves rooted in basic principles of grantmaking that have shaped the Foundation’s activities for many years. Let me articulate eight of these principles, most of which represent strong elements of continuity.

(1) From the days of Jack Sawyer and previous leaders of the Board of Trustees (William O. Baker, John C. Whitehead, and Hanna H. Gray) to the present, the Mellon Foundation has been unapologetic in its desire to identify and support excellence. The Foundation tries hard to support the best ideas, and the ablest intellectual leaders of fields, wherever they are located. It is the “leverage of uncommon ideas and uncommon individuals” that makes the most difference. Under this broad rubric, there is one change in policy that bears noting: the Foundation has moved resolutely away from permitting a sense of “entitlement” on the part of some grantees. Staff have raised the standard for approval of grant applications considerably and have been more willing just to say “no,” even when the prospective grantee is well known to us and is a center of unquestioned excellence. We have canceled grants when that has seemed necessary. Staff also work with grantees to end prolonged dependence on the Foundation.

(2) The Foundation makes grants to institutions, not directly to individuals—but it cares greatly about the quality of the individuals who lead programs and projects within the institutions it supports. Good leadership within the grantee organization is critical, and our most serious mistakes have been made when we paid inadequate attention to

the quality and the commitment of the leadership of a prospective grantee. The grantee must genuinely want to do what the grant proposal says it will do—there can be no “reluctant dragons.”

(3) Grants continue to be made within rather well-defined program areas; the Foundation makes very few “out-of-program” grants. This approach allows for careful—and, we hope, fair—assessments of applications for grants. In general, it would be hard to be fair, or effective in putting grant money to the best uses, if staff were to respond spontaneously to one appeal of a new kind but then to be unprepared or unwilling to consider other appeals of a similar nature. The Foundation enters new areas, or adopts new program emphases, only after careful study and full consideration by the Trustees of the rationale for a proposed new initiative. At the same time, the Foundation has been willing—and quick—to respond to unusual situations and emergencies, as it did following *9/11*, when performing arts organizations, museums, libraries, and parks in New York were in serious straits. These were, however, areas in which the Foundation’s staff had a considerable base of knowledge. The Foundation does not make grants in areas in which it lacks properly qualified staff—and the Foundation today is even more careful to follow this precept than it was in earlier years.

(4) The Mellon Foundation has long been known as an “institution builder” rather than as a source of narrowly defined “project grants.” The Foundation has never hesitated to make endowment grants, generally on a matching basis, or to provide general support when there was a persuasive case for doing so. Most recently, the Foundation’s response to *9/11* focused on steadying important institutions (including a number of small ones). On occasion the Foundation does make grants for particular projects, but almost always in the context of supporting broader goals of institutions important to the Foundation’s programs.

(5) The Foundation has always been comfortable with long time horizons—it has wanted to stay with initiatives long enough for them to have a good chance to succeed. The Trustees have not believed in “start-and-stop” grantmaking. They have been willing to invest enough funds, over an extended period, to accomplish the purpose at hand. Support for postdoctoral programs at liberal arts colleges and now at universities is one example. The 10-year Graduate Education Initiative (now concluded), the long-term support of the MMUF program, and the more recent investments in ARTstor and Ithaka are other exam-

ples. James Shulman, the executive director of ARTstor, has argued convincingly that users of ARTstor simply must be confident that this new resource will “be there” for a long enough period to justify major institutional decisions concerning how to implement systems that are to be used for creating and managing images in a variety of teaching and research contexts.

(6) Achieving “sustainability,” which is closely related to time horizons, has become an ever more important objective of the Foundation. In recent years, the Foundation has been more and more reluctant to support ideas, including promising ideas, in the absence of evidence that the projects in question will prove sustainable. This approach has been especially important in the libraries and scholarly communication area where it is so tempting to respond positively, even enthusiastically, to a proposal that is attractive on the surface but does not seem to have a promising future. Scholars are often better at thinking of exciting things to try out than they are at doing the mundane work needed to demonstrate that a project will have a suitable administrative home, will enjoy the infrastructure support that it will require, and can develop an understandable business plan that includes at least the potential ability to generate the resources that will be needed to have a lasting impact. It is the job of Foundation staff, we believe, to explain to potential grantees the importance of sustainability. Staff also try to point grantees to places where they can obtain assistance in, for example, developing business plans, and the creation of an advisory function within Ithaka may prove helpful in this regard. JSTOR is an outstanding, but hardly prototypal, example, of an entity started with grant funds that is now entirely self-sustaining—and libraries’ confidence in the staying power of JSTOR has been essential in allowing them to redeploy resources and redesign space.

(7) As explained in the earlier discussion of programmatic emphases, the Foundation encourages collaborations among institutions whenever working together is an effective way of pursuing shared objectives. Staff have also welcomed the opportunity to collaborate with other foundations in supporting initiatives which are too expensive for one foundation to advance on its own (cases in point include collaborations with Hewlett in supporting MIT’s OpenCourseWare project, with the Hewlett and Niarchos Foundations in creating Ithaka, with the Doris Duke Foundation in the performing arts, and with Atlantic Philanthropies in building the C&B database). Foundation collaborations of this kind often have the added advantage of stimulating valu-

able exchanges of viewpoints and allowing the Foundation to build on the work of other foundations.¹⁷ An offsetting danger is that the processes of consulting and collaborating can be time consuming and can lead to compromises and accommodations that are not always wise. Collaborations can also lead to some loss of a sense of accountability at the level of the individual foundation. As in all things, “best practices” depend on making careful choices—in this area, of both collaborators and projects that will be well served by collaborations.

(8) Finally, staff do their best to listen carefully to the leadership within the fields in which the Foundation works in order to benefit from the best thinking concerning pressing needs and new opportunities. For at least the last 30 years, the Foundation has regularly convened meetings of leaders in various fields, and, as a matter of course, staff consult closely with active scholars and practitioners as well as with presidents and senior administrators. When endemic problems are identified, efforts are made to find solutions such as the creation of the Emeriti program of post-retirement health care. Grantees are treated as partners in the grantmaking process, and staff try not to be overly prescriptive; much experience demonstrates the importance of respecting the far greater knowledge that grantees have of their own circumstances and constraints. One result of this approach is that the Foundation continues to support key needs identified by institutions (such as the endowment of curatorships in museums) that are appreciably less trendy and perhaps less “exciting” than many projects that may be good candidates for support from other sources.

In a similar spirit, staff seek to monitor grants carefully but not bureaucratically. No doubt lapses occur in all manner of situations, but a genuine effort is made to follow these long-established grantmaking principles. They have, we believe, served the Foundation well.

Organizational and Staffing Matters

Programmatic emphases and grantmaking principles take on life only through the work of individuals. From its inception, Mellon has

¹⁷The Mellon Foundation is pleased to have been invited by the Carnegie, Ford, MacArthur, and Rockefeller Foundations to join with them in supporting common objectives for higher education in Africa, through the Partnership for Higher Education in Africa. This is a good example of an instance in which we have much to learn from those who have been involved for a long time with institutions in parts of Africa that are less familiar to our staff.

maintained a lean staff and kept administrative expenses low. The overall size of the staff has grown over the years, but appreciably less rapidly than Foundation resources and the volume of grantmaking activity. Staff size has remained small relative to the Foundation's resources and relative to practices at other large foundations. To cite one reference point, Mellon makes roughly \$11 million in grants per program officer per year, as compared to a norm in much of the foundation world of about \$5 million. Officers and key staff members have been expected to do many things, often combining administrative, grantmaking, and research roles. We have believed that integrating these functions can be valuable in and of itself, as well as economical. In this same spirit, program officers have been expected to be their own "communications" officers, and the Foundation has not had separate staff responsible for functions such as communications and public relations. The objective has been to focus attention on grantees and their accomplishments rather than on the Foundation itself.

As a result of these policies, Mellon has maintained one of the lowest ratios of administrative costs to assets and appropriations: about 0.2 of one percent of endowment and about 5 percent of appropriations. This attitude toward administrative costs is important not only because it allows more dollars to be available for grantmaking, but also because officers and senior program staff routinely deal directly with grantees; they cannot rely on layers of support staff. Still there are limits in the extent to which restraining growth in staff size is a wise practice, and in retrospect I think I have been, if anything, too slow to add staff when needs were apparent. Most recently, increases in compliance activities, including management of the Foundation's benefit programs and careful attention to auditing obligations of various kinds, have increased administrative workloads substantially. It is only the timely development of the shared services concept (in collaboration with Ithaca and the other Affiliates) that has allowed us to limit increases in administrative costs and to keep administrative tasks from occupying far more time than would otherwise be the case.

When I first came to the Foundation, a major question on my mind was whether it would be possible to recruit the level of talent that seemed to me to be required to achieve the Foundation's full potential. On that score, my highest expectations have been exceeded. The Foundation has been able to improve dramatically the quality (and the diversity) of its program staff by aggressively recruiting individuals who are themselves leaders in the fields for which they are responsible. The

initial appointment of Neil Rudenstine signaled our level of aspiration, as did the subsequent appointments, as vice presidents, of Harriet Zuckerman, Pat McPherson, and Ira Fuchs; I would go on and mention the many outstanding program officers the Foundation has employed, were it not for the risk of leaving someone out. Suffice it to say that recruitment of an exceptionally talented program staff has been perhaps the most important single factor accounting for whatever success the Foundation has achieved. Another factor of great importance has been the quality and commitment of the Foundation's Board of Trustees, and I intend to say more about the role of the Trustees in next year's Annual Report, in the context of a broader discussion of governance.

The Foundation has followed the practice of balancing the need for continuity of staffing with the need to "refresh" the staff on a regular basis. After program staff serve for a reasonable period of time, they are encouraged (and helped) to find attractive positions elsewhere. This kind of progression is almost always in the interest of the program officer, and the Foundation benefits from having opportunities to recruit talented new colleagues. It has been particularly gratifying to see how many of the Foundation's "alumni/ae" have gone on to occupy major leadership positions in other organizations.¹⁸

Another key element of the staffing plan has been extensive use of "senior advisors"—outstanding individuals who serve specific functions without, in general, becoming full-time staff members at the Foundation. Examples include Richard Quandt (Eastern Europe), Stuart Saunders (South Africa), Phillip Griffiths (fellowship programs and Ithaca), J. Paul Hunter and Bernard Bailyn (humanities), and Susan Perry (libraries within liberal arts colleges).

The infrastructure of the Foundation has been strengthened markedly by hiring excellent staff in the Office of the General Counsel and Secretary (led by Michele Warman), the Office of the Financial

¹⁸To cite only cases in which individuals have gone on to become presidents or executive directors of other organizations: Rachel Bellow became president of Project 180; Stephanie Bell-Rose is president of the Goldman Sachs Foundation; Elizabeth Duffy is the headmaster of the Lawrenceville School; Richard Ekman is the president of the Council of Independent Colleges; Carolyn Makinson now serves as executive director of the Women's Commission for Refugee Women and Children; Neil Rudenstine left the Foundation to serve for a decade as the president of Harvard University (before returning to be the chairman of ARTstor); and Dennis Sullivan is now president of the Church Pension Group, Episcopal Church of America.

Vice President (led by John Hull), and the library (led by Susanne Pichler); also we appointed a new vice president for operations and planning (Patricia Irvin) and a new controller (Thomas Sanders). As already noted, the capacity of the Foundation to benefit from other forms of infrastructure support, including information technology and human services, has been enhanced by means of “shared services” arrangements with the Affiliates that are largely managed by Ithaka staff. In the legal area, where we have had to learn to cope with a plethora of new issues, especially those associated with intellectual property rights, we have been successful in recruiting several highly qualified assistant general counsels (first Gretchen Wagner, who went on to become general counsel for ARTstor, and now Jacqueline Ewenstein, who came to the Foundation from Debevoise and Plimpton). The combination of Mellon’s own in-house legal staff and the legal resources of the Affiliates gives us far more competence in these areas than the Foundation enjoyed before.

The addition of research associates, who spend a year or two at the Foundation before going on to graduate school or to other careers, has also made a considerable difference to the overall intellectual vitality of the Foundation. This has been an important staffing innovation. Kevin Guthrie, Thomas Nygren, and James Shulman all came to the Foundation initially to work on research projects, and all three now play major leadership roles in Ithaka and ARTstor; other research associates have been valuable contributors to the research program at Mellon before pursuing careers elsewhere.¹⁹ In addition to working on particular projects, these staff members have participated actively and effectively in staff meetings and corridor conversations—they have brought fresh ideas and stimulating new perspectives to the work of the Foundation.

Lessons Learned

In concluding this report, I want to step back and summarize as succinctly as I can the main lessons that I think I have learned along the way. What, specifically, are they?

¹⁹ This group includes Jed Bergman, Stacy Berg Dale, Elizabeth Duffy, Idana Goldberg, Martin Kurzweil, Sarah Levin, Laura Lazarus, Lauren Meserve, Cara Nakamura, Nirupama Rao, Roger Schonfeld, Julie Ann Sosa, Sarah Turner, Fredrick Vars, and Marcia Witte.

First, that it is imperative to stay in close touch with the best people in key fields—or big mistakes will be made. This proposition follows from a number of comments made earlier in this report and it applies to all the fields in which the Foundation is active. Our contacts with leading scholars in the humanities, and with leaders in the library community, in museums and art conservation, in the performing arts, and in conservation and ecology help staff stay abreast of new thinking and new institutional developments. As one of my wisest professors, Jacob Viner, used to say: “There is no limit to the amount of nonsense you can think, if you think too long alone.” The Foundation’s officers and staff need to be perceived as active members of the communities that they serve, rather than as professional grantmakers. Being “of the community” is the only way to stay truly informed, to gain access to new ideas, and to have a reliable basis for making judgments about people and programs.

The need to “stay in touch” is perhaps most evident in areas affected by fast-changing technologies. An example from the history of JSTOR: in 1994 (just 10 years ago), the most common way of storing and accessing digital information was via CDs. It was Ira Fuchs who kept JSTOR and Mellon from starting down that path. Ira saw networking growing rapidly and CDs as a fading approach. Mellon cannot afford to be left behind as technology advances, and it cannot allow the institutions that it supports to be left behind—especially those with few resources of their own.

More generally, “learn, learn, learn” is the essential mantra. In this regard:

- International exposure is very helpful; we learn so much from those who have had experiences very different from our own, such as colleagues in South Africa and China.
- Bright, interested staff members, with a variety of experiences and viewpoints, willing to exchange ideas in an open way, make all the difference.
- Publishing helps learning—the discipline of writing down what we think and having ideas peer-reviewed is invaluable; it stimulates our thought processes and encourages exchanges of ideas and criticisms from others.

Our experience also persuades us that it is wise to place some number of big bets, to nurture some number of what Laurance Rockefeller liked to call “tall trees.” In earlier days, the National

Gallery was one such “tall tree.” Today, the Foundation’s tall trees include its signature graduate, faculty, and postdoctoral fellowship programs; MMUF; the Foundation’s digital progeny, including JSTOR, ARTstor, and Ithaka (including NITLE); the strengthening of science within art conservation; the C&B database; and, if the project is successful, the Emeriti post-retirement health program. A reasonable share of the Foundation’s grants should have at least a possibility of being truly transformative, even if they are far from risk free.

It is desirable to maintain a “balanced portfolio” of programs, grantees, and areas of emphasis. The “balances” that we monitor include: projects that involve technology versus those that depend on more traditional pencil and paper approaches; support for universities versus support for liberal arts colleges; international versus domestic commitments; and, increasingly, support for well-established institutions of unquestioned standing versus support for other institutions that have great promise (often newer ones or ones on a steep trajectory).

The key is to seek not just balance, but complementarities. Program officers at Mellon work well together, and knowledge in one area often spills over and benefits other areas. Recent work in ecology is a case in point. It is not only important in and of itself, it also assists study-abroad programs of liberal arts colleges, supports the Ithaka initiative, and provides increased opportunities for minority students to enter fields from which they have been largely absent.

As already noted, it would be hard to exaggerate the power of successful collaborations. In recent years, especially, the Foundation has been urged by presidents of colleges and universities to continue to serve a catalytic function by helping to organize and lead, as well as fund, collaborative, system-wide approaches when new opportunities arise and when there are wide-ranging problems common to many institutions. Examples range from the mass digitization of content in libraries in ways that will be beneficial to scholarship, to improvements in language instruction, to the potential of technical and organizational approaches such as open source software, to the building of archives and the sharing of archival content across institutions. Success in such efforts depends on assembling the right set of participants and identifying good leadership from the field. Such success in turn often depends on having a reputation for sponsoring work of high quality and getting things done; otherwise, it is difficult

to garner the good will and respect that permit effective collaborations. We know that the rewards of ambitious “team” efforts can be very high, especially when they lead to the creation of “public goods” that provide spill-over benefits which extend well beyond individual institutions.

In thinking back over programs that have been especially successful, I am struck by the importance of judging, as best one can, the broader potential implications of projects that at one level may be rather narrowly focused. To cite one example, the Foundation’s substantial investment in digitizing the cave art at Dunhuang, at the edge of China’s Gobi desert, has proved to be not only valuable in its own right but highly beneficial in stimulating international collaborations, in prompting fresh thinking about intellectual property rights and ways of balancing the needs of owners of content and of users of content, and in encouraging the Foundation to press ahead with the development of ARTstor. In a very different arena, the research that the Foundation has conducted on highly specific issues such as the long-term consequences of race-sensitive admissions and the effects of athletic recruitment on educational values, has led to a much broader awareness within the academic community of the importance of looking candidly at educational outcomes of all kinds. Similarly, the MMUF program has had a series of reverberating effects on our understanding of how to structure programs designed to build talent pools. To be sure, not all grants can be expected to have such broad impact. But I am far more conscious than I used to be of the importance of imagining such results and of “aiming high” when designing programs.

Finally, I want to pay tribute to the Foundation’s history, to the contributions of successive groups of Trustees, to institutional continuity, and to the virtues of effective “baton passing.” My predecessor, Jack Sawyer, did so much to set a tone for the Mellon Foundation that has continued to have powerful effects on the Foundation’s ability to recruit outstanding people and to do good work. In addition, President Sawyer took pains to be sure that when I arrived it was possible for me to embark without delay on some activities to which I attached special importance—such as the creation of the MMUF program and the reshaping of the Foundation’s support of doctoral education. In that same spirit, the Foundation is now pursuing an interim grantmaking strategy that staff and Trustees believe will promote another healthy transition in leadership. Let me outline its main features.

*The Foundation's Grantmaking Strategy
during the Transition in Presidential Leadership*

A starting point is the recognition that, while the 2004 recovery in the market value of the endowment is of course good news for potential grantees, thoughts of instant gratification need to be discouraged. Since 2003, the Foundation has been pursuing a three-pronged grantmaking strategy related directly to our plan to sustain program momentum at the same time that we provide enough “free resources” to allow a new president to get off to an excellent start.

First, sufficient funding is provided annually to allow each program area to continue its core activities, thereby maintaining momentum. The Mellon Foundation has always taken seriously what might be termed “implied commitments” (the understood expectation in some instances of renewed support if projects go well), and it has never believed in imposing sudden changes in direction. Thus, the Trustees have continued to provide support for fellowship programs for faculty and graduate students, the MMUF program, libraries and digital technology initiatives, art museums and art conservation, the performing arts, conservation and ecology, and a variety of special initiatives in South Africa.

Second, we do not want to create either “funding cliffs” for grantees or large future obligations that would limit the capacity of a new president of the Foundation to pursue his or her own ideas. Thus, since 2003, we have been systematically reducing standard grantmaking budgets in each major program area by approximately 5 percent per year so that, by the end of 2006, a new president will have substantial budgetary “running room.” That is, we have wanted to reduce in a gradual way the volume of recurring grants so that a new leadership team would have the opportunity to launch new initiatives without having to wait for ongoing grant commitments to be terminated (and without the onus of having to insist on prompt terminations). Program officers have understood fully the reasons for this discipline and their docket recommendations have been consistent with this plan. As a result of the combination of these planned reductions in recurring grants and the rise in the endowment, we project that those responsible for framing budgets for 2007 will have at their disposal totally uncommitted annual grantmaking capacity of perhaps \$75 million—as well as, needless to say, the opportunity to work with program staff in defining the future shape of the appreciably larger (recurring) part of the annual grantmaking budget.

Third, to fill at least some considerable part of the gap created by the difference between annual IRS pay-out requirements (roughly 5 percent of the average value of the endowment in each year) and the recurring program budgets (as they have been affected by the planned reductions in recent years), the Trustees have endorsed a transition plan whereby staff are encouraged to propose worthy “special” grants that are almost always one-time in nature. These grants, which are explicitly designed to carry no continuing obligations, fall into various categories. Some are designed to facilitate an orderly continuation of programs that have been successful but can no longer expect to receive regular grant renewals—an objective that is frequently served by offering to provide “tie-off” endowment grants on a matching basis. Support for highly successful postdoctoral fellowships that have been renewed several times is a good example. Other one-time grants are intended to help not-for-profit organizations active in the fields in which the Foundation has a special interest to “reposition” themselves in light of new fiscal realities or new opportunities. Most of these grants are made to organizations based in New York, including especially cultural organizations and libraries (examples include the Martha Graham Center of Contemporary Dance and the New York Public Library). Finally, some special grants are made to launch new initiatives, which will then need to be self-sustaining (such as the Emeriti post-retirement health program), or to provide a stronger funding base for organizations in which the Foundation expects to have a continuing interest (such as ARTstor, Ithaka, the American Council of Learned Societies, and the Center for Advanced Study in the Behavioral Sciences).

This description of our interim grantmaking strategy and its rationale will, we hope, correct any possible misimpression that the recent gradual reductions in recurring grant budgets reflect decisions to curtail support for core programs on a continuing basis. Not at all. The purpose is rather to provide flexibility and immediate freedom of action for a new leadership team.

* * * *

As I hope is evident from what I have written, I am persuaded that the Mellon Foundation is only at the beginning of what will prove to be a period of extraordinary contributions. I am so grateful for having had a part in its continuing evolution. My own time at the Foundation can best be described as wonderfully instructive and rewarding. It has been a privilege, beyond recounting, to have had the oppor-

tunity to spend so many years on an extended, unhurried Cavafy-like journey (“hope the voyage is a long one, full of adventure, full of discovery”) in the company of so many able colleagues and good friends with whom I have shared the pleasure of entering “harbors seen for the first time.”²⁰

William G. Bowen
February 2005

²⁰The quotations are from C. P. Cavafy’s poem “Ithaka,” which is included in *C. P. Cavafy, Selected Poems*, translated by Edmund Keeley and Philip Sherrard [Princeton University Press, 1972]. The relevant parts of the text read as follows: “As you set out for Ithaka, hope the voyage is a long one, full of adventure, full of discovery.... May there be many a summer morning when, with what pleasure, what joy, you come into harbors seen for the first time....” The Foundation’s Ithaka Affiliate takes its name from this poem.

The Andrew W. Mellon Foundation

Summary of Grants and Contributions, 2004

	<i>Payable and Committed at</i>	<i>2004 Grants and Commitments</i>		<i>Payable and Committed at</i>
	<i>Dec. 31, 2003</i>	<i>Appropriated</i>	<i>Paid</i>	<i>Dec. 31, 2004</i>
Conservation and the Environment	\$ 2,630,000	\$ 10,588,000	\$ 12,443,000	\$ 775,000
Museums and Art				
Conservation	16,310,168	15,365,295	10,912,733	20,762,730
Performing Arts	3,200,000	17,184,000	17,604,920	2,779,080
Higher Education and Scholarship	23,771,033	89,852,948	85,596,439	28,027,542
Libraries and Scholarly Communication	9,571,041	48,298,600	49,333,298	8,536,343
Population	2,516,681	3,150,000	3,763,128	1,903,553
Public Affairs	292,438	1,195,000	1,195,000	292,438
Program Grants and Commitments—Totals . . .	58,291,361	185,633,843	180,848,518	63,076,686
Contributions and Matching Gifts	—	337,913	337,913	—
Totals	<u>\$ 58,291,361</u>	<u>\$185,971,756</u>	<u>\$181,186,431</u>	<u>\$ 63,076,686</u>

The Andrew W. Mellon Foundation

Classification of Grants

CONSERVATION AND THE ENVIRONMENT

Appropriated

Botanische Staatssammlung Munchen,
Munich, Germany:

To support the creation of a digital database of
images and information on African plants \$ 164,000

Center for Resource Economics,
Washington, DC:

To support the publication program of Island Press 300,000

Conservatoire et Jardin Botaniques,
Geneva, Switzerland:

To support the creation of a digital database of
images and information on African plants 141,000

To support the creation of a digital database of
images and information on African plants 64,000

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

To continue support for a program to encourage
minority and other students to study and pursue
careers in ecology 1,000,000

To continue support for a revolving publications
fund 750,000

Forestry Research Institute of Nigeria,
Ibadan, Nigeria:

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

Idaho State University,
Pocatello, Idaho:

To continue support for an ecological research and
training program led by a junior faculty scientist . . . 52,000

**CONSERVATION AND
THE ENVIRONMENT**

(continued)

Appropriated

Institute of Agricultural Research for Development,
Yaounde, Cameroon:

To support the creation of a digital database of
images and information on African plants by the
National Herbarium 51,000

Instituto de Investigação Científica Tropical,
Lisbon, Portugal:

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

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

To support the creation of a digital database of
images and information on African plants 56,000

To support the creation of a digital database of
images and information on African plants 46,000

Missouri Botanical Garden,
St. Louis, Missouri:

To support the development and testing of a
software interface for geographic information
systems 280,000

To support the creation of a digital database of
images and information on African plants 150,000

Museum National d'Histoire Naturelle,
Paris, France:

To support the creation of a digital database of
images and information on African plants 215,000

National Museums of Kenya,
Nairobi, Kenya:

To support the creation of a digital database of
images and information on African plants 64,000

**CONSERVATION AND
THE ENVIRONMENT**

(continued)

Appropriated

Naturhistorisches Museum Wien,
Vienna, Austria:

To support the creation of a digital database of
images and information on African plants 212,000

New York Botanical Garden,
Bronx, New York:

To support improving access to its collections using
information technology 300,000

To support improving access to its collections using
information technology 150,000

Oregon State University,
Corvallis, Oregon:

To continue support for coordinated ecological
research and training programs on coastal
ecosystems 76,000

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

To continue support of graduate student research
and training 300,000

Pontificia Universidad Católica de Chile,
Santiago, Chile:

To continue support for coordinated ecological
research and training programs on coastal
ecosystems 380,000

Rhodes University,
Grahamstown, South Africa:

To support the creation of a digital database of
images and information on African plants 103,000

Royal Botanic Gardens, Kew,
Richmond, United Kingdom:

To support the creation of a digital database of
images and information on African plants 490,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

To support the creation of a digital database of images and information on African plants	410,000
South African National Biodiversity Institute, Cape Town, South Africa:	
To support the creation of a digital database of images and information on African plants	490,000
South African National Parks, Pretoria, South Africa:	
To support the development of a science advisory panel for Kruger National Park	86,000
Stanford University, Stanford, California:	
To continue support for coordinated ecological research and training programs on coastal ecosystems	350,000
To continue support for an ecological research and training program of the Hawaii Ecosystems Study . .	340,000
Trust for Public Land, San Francisco, California:	
To provide general support	1,000,000
United Negro College Fund, Inc., Fairfax, Virginia:	
To continue support for a program to encourage minority and other students to study and pursue careers in ecology	425,000
Universidade de Coimbra, Coimbra, Portugal:	
To support the creation of a digital database of images and information on African plants	25,000

**CONSERVATION AND
THE ENVIRONMENT**

(continued)

Appropriated

University of California at Davis,
Davis, California:

To continue support for coordinated ecological
research and training programs on coastal
ecosystems 330,000

University of California at Irvine,
Irvine, California:

To support an ecological research and training
program led by a junior faculty scientist 230,000

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

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

University of Cambridge,
Cambridge, United Kingdom:

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

University of Canterbury,
Christchurch, New Zealand:

To continue support for coordinated ecological
research and training programs on coastal
ecosystems 330,000

University of Cape Town,
Cape Town, South Africa:

To support an ecosystems research and training
program 350,000

To support the creation of a digital database of
images and information on African plants 82,000

University of Ghana,
Accra, Ghana:

To support the creation of a digital database of
images and information on African plants 30,000

CONSERVATION AND
THE ENVIRONMENT

(continued)

Appropriated

University of Oxford,
Oxford, United Kingdom:

To support an ecosystems research and training program	345,000
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University of Pennsylvania,
Philadelphia, Pennsylvania:

To support an ecological research and training program led by a junior faculty scientist	75,000
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Total—Conservation and the Environment	<u><u>\$10,588,000</u></u>
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MUSEUMS AND
ART CONSERVATION

Appropriated

The Art Institute of Chicago,
Chicago, Illinois:

To strengthen the permanent endowment for
scholarly publications, and to support three
individual scholarly catalogues \$ 1,710,000

To support a pilot program of collaborative
research projects and seminars to be conducted
by the Institute and Northwestern University in
the field of conservation science 49,995

To continue support for a program to introduce
Chinese museum professionals to American
museum practices 21,000

Barnes Foundation,
Merion, Pennsylvania:

To continue support of collection assessment,
research, and the preservation of the permanent
collection 510,000

Cleveland Museum of Art,
Cleveland, Ohio:

To endow permanently the position of curatorial
chair in Chinese art and to support the position
of assistant or associate curator of Chinese art
while matching funds are raised 1,590,000

To continue support for a program to introduce
Chinese museum professionals to American
museum practices 7,300

George Eastman House,
Rochester, New York:

To support fellowship stipends for the Advanced
Residency Program in Photograph Conservation . . . 136,000

MUSEUMS AND
ART CONSERVATION

(continued)

Appropriated

Harvard University,
Cambridge, Massachusetts:

To support an endowment for the position of senior photograph conservator in the Weissman Preservation Center, and to support that position while matching funds are raised, as well as the positions of assistant photograph conservator, conservation technicians, and conservation consultants 2,100,000

To partially support the position of conservation scientist, inorganic materials, at the Straus Center for Conservation 50,000

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

To support an endowment for a program of scholarly exhibitions based upon the permanent collection 2,250,000

Metropolitan Museum of Art,
New York, New York:

To support an endowment for the position of research scientist, and to support the purchase of essential scientific equipment 2,000,000

To continue support for a program to introduce Chinese museum professionals to American museum practices 32,000

Museum of Modern Art,
New York, New York:

To support the interim distribution of the Museum's Digital Design Collection 12,500

National Gallery of Art,
Washington, DC:

To support an endowment for scholarly publications 2,500,000

MUSEUMS AND
ART CONSERVATION

(continued)

Appropriated

New York University,
New York, New York:

To establish a permanent endowment for a
professorship in conservation science 1,400,000

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

To support the planning phase for a workshop
devoted to the restoration and related study of the
Gates of Paradise by Lorenzo Ghiberti 40,000

Save Venice, Inc.,
New York, New York:

To partially support scholarly publications for the
exhibition, *Gondola Days: Isabella Stewart Gardner
and the Palazzo Barbaro*, to be held at the Biblioteca
Nazionale Marciana in Venice, Italy 15,500

Smithsonian Institution,
Washington, DC:

To continue support for a program to introduce
Chinese museum professionals to American
museum practices 91,000

Wellesley College,
Wellesley, Massachusetts:

To support an endowment to strengthen the
educational role of the Davis Museum and
Cultural Center's collections and programs 850,000

Total—Museums and Art Conservation \$15,365,295

PERFORMING ARTS

*Appropriated*Alliance of Resident Theatres,
New York, New York:

To support the Foundation's New York Theater Program	\$	7,500
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American Composers Orchestra, Inc.,
New York, New York:

To support the <i>Improvise!</i> festival and conference exploring improvisation and the orchestra		15,000
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American Dance Festival, Inc.,
Durham, North Carolina:

To support commissioning and creative development residencies, dance documentation, preservation, and services to the field		135,000
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American Symphony Orchestra League,
New York, New York:

To support the Orchestra Leadership Academy		1,000,000
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Art Sweats, Inc.,
New York, New York:

To support artistic initiatives and organizational development		100,000
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Arts International, Inc.,
New York, New York:

To support a convening of artistic directors from theaters in the Mellon/Duke Leading National Theatre Program		34,000
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Brooklyn Philharmonic Symphony Orchestra, Inc.,
Brooklyn, New York:

To support organizational planning		100,000
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Chicago Theatre Group, Inc.,
Chicago, Illinois:

To support artistic and production expenses		300,000
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PERFORMING ARTS

(continued)

Appropriated

City Center 55th Street Theater Foundation, Inc.,
New York, New York:

To support the *Fall For Dance Festival* 50,000

Cross Performance, Inc.,
New York, New York:

To support artistic initiatives and organizational
development 110,000

Cunningham Dance Foundation, Inc.,
New York, New York:

To support the digital filming of three Merce
Cunningham dances for archival and scholarly
purposes 1,250,000

To support artistic initiatives and organizational
development 250,000

Dance Continuum, Inc.,
Putnam Valley, New York:

To support artistic initiatives and organizational
development 50,000

Dance Heritage Coalition, Inc.,
Washington, DC:

To support staffing, fellowships, and services to
the field 400,000

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

To support programs for emerging dance and
theatre artists 200,000

Dance USA,
Washington, DC:

To support training programs and services to
the field 225,000

PERFORMING ARTS

(continued)

*Appropriated*Danspace Project, Inc.,
New York, New York:

To support commissioning, site-specific work, and the <i>Global Exchange</i> series	50,000
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Disalced, Inc.,
Brooklyn, New York:

To support artistic initiatives and organizational development	250,000
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DOVA, Inc.,
New York, New York:

To support artistic initiatives and organizational development	80,000
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Foundation for Dance Promotion, Inc.,
New York, New York:

To support artistic initiatives and organizational development	275,000
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Garth Fagan Dance, Inc.,
Rochester, New York:

To support artistic initiatives and organizational development	125,000
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Gotham Dance, Inc.,
New York, New York:

To support artistic initiatives and organizational development	75,000
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Houston Grand Opera Association, Inc.,
Houston, Texas:

To support artistic programs	300,000
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Inta, Inc.,
New York, New York:

To support artistic initiatives and organizational development	75,000
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PERFORMING ARTS

(continued)

Appropriated

Jacob's Pillow Dance Festival, Inc.,
Lee, Massachusetts:

To support commissioning and residencies, dance
documentation and preservation, and services to
the field 200,000

Joe Goode Performance Group,
San Francisco, California:

To support artistic initiatives and organizational
development 75,000

Joyce Theater Foundation, Inc.,
New York, New York:

To support the SoHo Residency Program, and the
Altogether Different series 100,000

Kansas City Symphony,
Kansas City, Missouri:

To support the testing of Concert Companion 100,000

Los Angeles Opera Company,
Los Angeles, California:

To support artistic programs 900,000

The Louisiana Philharmonic Orchestra,
New Orleans, Louisiana:

To support the Orchestra Forum Task Force on
the Future 20,000

Lyric Opera of Chicago,
Chicago, Illinois:

To support artistic programs 900,000

Margaret Jenkins Dance Studio, Inc.,
San Francisco, California:

To support artistic initiatives and organizational
development 115,000

PERFORMING ARTS

(continued)

*Appropriated*Martha Graham Center of Contemporary Dance, Inc.,
New York, New York:

To support implementation of the Center's transition plan	1,250,000
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Musical Arts Association,
Cleveland, Ohio:

To support an artistic exchange with the San Francisco Symphony	50,000
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New England Foundation for the Arts, Inc.,
Boston, Massachusetts:

To support the National Dance Project university residency program for choreographers, and its touring program	500,000
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New Jersey Symphony Orchestra,
Newark, New Jersey:

To support artistic and institutional development . . .	500,000
To support long-range planning	48,500

New York City Opera, Inc.,
New York, New York:

To support artistic programs	1,250,000
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Opera America, Inc.,
Washington, DC:

To support services to the field	325,000
To support documentation of the first national performing arts convention	25,000

Opera Theatre of Saint Louis,
St. Louis, Missouri:

To support artistic programs	300,000
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PERFORMING ARTS

(continued)

Appropriated

Paul Taylor Dance Foundation, Inc.,
New York, New York:

To support artistic initiatives and organizational
development 250,000

Pick Up Performance Company, Inc.,
New York, New York:

To support artistic initiatives and organizational
development 160,000

Pittsburgh Symphony Society,
Pittsburgh, Pennsylvania:

To support organizational and artistic development 800,000

Princeton University,
Princeton, New Jersey:

To support the Center for Arts and Cultural Policy
Studies 150,000

Ringside, Inc.,
Brooklyn, New York:

To support artistic initiatives and organizational
development 165,000

Saint Paul Chamber Orchestra Society,
St. Paul, Minnesota:

To support organizational and artistic development 1,270,000

Second Stage Theatre, Inc.,
New York, New York:

To support the Theatre's 25th anniversary season 20,000

Stephen Petronio Dance Company, Inc.,
New York, New York:

To support artistic initiatives and organizational
development 100,000

PERFORMING ARTS

(continued)

Appropriated

Teachers College - Columbia University,
New York, New York:

To support the dissemination of *Making Changes:
Facilitating the Transition of Dancers to
Post-Performance Careers* 24,000

Theatre Communications Group, Inc.,
New York, New York:

To support the New Generations program and
services to the theater field 1,800,000

Trisha Brown Company, Inc.,
New York, New York:

To support artistic initiatives and organizational
development 250,000

To support preparations for the Company's
35th season 50,000

Virginia Performing Arts Foundation,
Richmond, Virginia:

To support a study evaluating the potential role
of professional theater in Richmond's arts district
redevelopment plan 30,000

Total—Performing Arts

\$17,184,000

HIGHER EDUCATION
AND SCHOLARSHIP

Appropriated

African Institute for Mathematical Sciences,
Cape Town, South Africa:

To support activities to strengthen teaching and
research in the mathematical sciences in Africa . . . \$ 670,000

Allegheny College,
Meadville, Pennsylvania:

To support a pilot project to review and assess
academic programs 33,000

American Antiquarian Society,
Worcester, Massachusetts:

To support residential fellowships 150,000

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

To support the Frederick Burkhardt Residential
Fellowships for Recently Tenured Scholars 3,701,000

American Indian College Fund,
Denver, Colorado:

To support the development of a survey of recent
tribal college graduates 50,000

American Pontifical Institute for Mediaeval
Studies Corp.,
Plymouth, Michigan:

To support postdoctoral fellowships 353,000

American Studies Association,
Washington, DC:

To support the participation of scholars, program
directors, and editors from abroad at ASA's 2004
meeting, and subsequent visits to American studies
programs on US campuses 40,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

American University in Bulgaria,
Washington, DC:

To support a series of planning and training activities
to help augment the prominence and quality of
liberal arts curricula and instruction at the
University 50,000

American University in Cairo,
New York, New York:

To support a project to design and assess a new
core curriculum for undergraduate students 300,000

American University of Beirut,
New York, New York:

To support initiatives in teaching and technology,
writing across the curriculum, and faculty
development in the humanities and related
social sciences 300,000

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

To support a planning meeting to help create a
consortial library and information technology
services group for American universities and
colleges abroad 50,000

To support expanding pilot programs for
student-tutors to provide technology assistance,
integrating technology resources with curricular
innovation, and administrative start-up costs
of the AMICAL consortium 40,000

Amherst College,
Amherst, Massachusetts:

To support postdoctoral fellowships 250,000

To support interrelated initiatives to reinforce the
ideals of liberal education for students and faculty
and to broaden access to educational excellence for
disadvantaged public school children in neighboring
school districts 50,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Antioch University,
Yellow Springs, Ohio:

To support a major planning and repositioning
effort for Antioch College 50,000

Appalachian College Association,
Berea, Kentucky:

To establish an endowment that would partially
assist with future annual payments of ARTstor
access fees, and to fund the one-time archive
capital fee 1,200,000

To support a review of the technological
infrastructure of member colleges, and to
support the student technical assistance program . . . 467,000

To support additional professional development
opportunities for faculty members and instructional
technologists 389,000

To support the planning of a central helpdesk 94,000

To support professional development opportunities
for women administrators at member colleges . . . 50,000

To support additional technology support for ACA's
central library and joint course delivery system 31,500

Associated Colleges of the Midwest, Inc.,
Chicago, Illinois:

To support faculty career enhancement programs . . . 800,000

To support a review of information literacy
programs run by ACM colleges 37,500

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

To support the operation of the technology center . . . 400,000

To support an exploration of possible collaborations
with the Foundation of Tertiary Institutions in the
Northern Metropolis in the areas of environmental
studies, women's and gender studies, and
technology 48,500

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support a review of information literacy programs run by ACS colleges	39,900
Bard College, Annandale-on-Hudson, New York:	
To support a program for faculty development	200,000
To support the establishment of a small music conservatory and assess interest in a “double degree” program in music and another field	40,000
Barnard College, New York, New York:	
To support the addition of two new faculty positions while additional funds are raised to sustain these positions	500,000
To support the environmental studies program	295,000
To support the participation of deans from Amherst, Barnard, and Bryn Mawr Colleges at the Summer 2004 Oxford Round Table to address issues of student affairs and residential life	11,700
Bates College, Lewiston, Maine:	
To support initiatives to promote curricular reform .	50,000
Bennett College, Greensboro, North Carolina:	
To support planning activities that would enable colleges and universities to better meet the needs of their diverse communities	45,000
Bennington College, Bennington, Vermont:	
To support a program for curricular revision and enhancement	140,000
To support faculty career enhancement programs . . .	100,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Berea College,
Berea, Kentucky:

To support research on determinants of student
attrition 60,000

Bethune-Cookman College,
Daytona Beach, Florida:

To support a curricular review 50,000

Boston Consortium for Higher Education, Inc.,
Needham, Massachusetts:

To support further development and assessment of
a program to assist faculty members as they plan
their retirements 50,000

Boston University,
Boston, Massachusetts:

To support a Distinguished Achievement Award . . . 1,500,000

To support research on race, inequality, and
economic theory 235,000

Bowdoin College,
Brunswick, Maine:

To support the environmental studies program 300,000

Brandeis University,
Waltham, Massachusetts:

To support postdoctoral fellowships in the
humanities and related social sciences 1,500,000

Brown University,
Providence, Rhode Island:

To support a New Directions Fellowship 205,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Bryn Mawr College,

Bryn Mawr, Pennsylvania:

To support programs designed to increase faculty
involvement in residential life 190,000

To support "Enhancing Diversity in Graduate
Education: a Transition Program for Women in the
Mathematical Sciences" 170,000

To support an Emeritus Fellowship 53,000

California Institute of Technology,

Pasadena, California:

To support a New Directions Fellowship 198,000

Carleton College,

Northfield, Minnesota:

To support Carleton and St. Olaf Colleges merging
their library catalogs as a first step towards a full
library collaboration 250,000

The Carnegie Foundation for the Advancement
of Teaching,

Stanford, California:

To support an examination of the working
relationships among foundations, institutions of
education, and K-12 schools 75,000

Carnegie Mellon University,

Pittsburgh, Pennsylvania:

To support the Center for Arts and Society 1,000,000

To support a summer program in information
sciences for faculty members and undergraduate
students at historically black colleges and
universities 190,000

Claremont McKenna College,

Claremont, California:

To support the environmental studies program 285,000

To support programs designed to increase faculty
involvement in residential life 50,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Claremont University Consortium,
Claremont, California:

To support preparation for the establishment of a western regional technology center	50,000
To support a program to strengthen the academic library system at the Claremont Colleges	47,000
To support activities related to the creation of a western regional technology center	7,220

Clark Atlanta University,
Atlanta, Georgia:

To strengthen social science research	300,000
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Colby College,
Waterville, Maine:

To support the environmental studies program	300,000
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College of William and Mary,
Williamsburg, Virginia:

To support the environmental studies program	300,000
To support planning initiatives for a program of curricular reform	50,000

Columbia University,
New York, New York:

To support senior professorships in the humanities	5,500,000
To support a Distinguished Achievement Award . . .	1,500,000
To support activities at the Language Resource Center	671,000
To support a New Directions Fellowship	291,000
To support seminars exploring important contemporary issues in relation to broader philosophical and social scientific concepts	77,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Connecticut College,
New London, Connecticut:

To support curricular revisions 250,000

Connecticut Independent College and University
Institute for Research and Public Service, Inc.,
West Hartford, Connecticut:

To support a new program of cost reduction through
administrative collaboration 150,000

Cornell University,
Ithaca, New York:

To support the Future of Minority Studies Summer
Institute and Colloquium 350,000

Council for European Studies,
New York, New York:

To support predissertation research fellowships for
graduate students in the humanities and humanistic
social sciences 75,000

Council of American Overseas Research Centers,
Washington, DC:

To support a program of short-term research
residencies for East-Central European scholars
at institutes for advanced study located in Western
Europe, the Middle East, and South Asia 1,750,000

Council of Independent Colleges,
Washington, DC:

To support efforts to assist students who could
not return to the European Humanities University
due to its closure to continue their education at
US institutions 75,000

To support collaborative libraries initiatives 48,800

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Council on Library and Information Resources,
Washington, DC:

To support a workshop and meetings to further
the development of library services at liberal
arts colleges 23,128

Courtauld Institute of Art,
London, United Kingdom:

To support activities to strengthen scholarship in
art history 337,000

Dartmouth College,
Hanover, New Hampshire:

To support postdoctoral fellowships in the
humanities and related social sciences 500,000

Dillard University,
New Orleans, Louisiana:

To support the development and launch of a
collaborative summer program with the University
of Colorado at Boulder 40,000

Drew University,
Madison, New Jersey:

To support faculty career development 230,000

Duke University,
Durham, North Carolina:

To support initiatives for strengthening the role of the
John Hope Franklin Institute for Interdisciplinary
Studies in the University's instructional and
scholarly activities 292,000

Eastern Seaboard Association of Tertiary Institutions,
Durban, South Africa:

To support the purchase of library management
software and infrastructure upgrade 417,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Five Colleges, Inc.,

Amherst, Massachusetts:

To partially support the administrative costs for
developing a new fiber optic network that will
serve member institutions 325,000

Foundation for Library and Information Service

Development,

Pretoria, South Africa:

To support an upgrade of the library management
infrastructure in the South Africa legal deposit
libraries 723,000

Franklin & Marshall College,

Lancaster, Pennsylvania:

To support programs of foreign study 50,000

To support strategic planning and the integration of
new members into an expanded shared services
consortium of liberal arts colleges 35,000

To support a study by the Centennial Conference
of its members' intercollegiate sports programs
and athletes 25,000

Gettysburg College,

Gettysburg, Pennsylvania:

To support programs for faculty career
enhancement 600,000

Graduate School and University Center,

City University of New York,

New York, New York:

To support an Emeritus Fellowship 55,000

Hamilton College,

Clinton, New York:

To support the second phase of a longitudinal
assessment program 280,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Hampshire College,
Amherst, Massachusetts:

To support new curricular initiatives for
undergraduate students 150,000

Harvard University,
Cambridge, Massachusetts:

To support editorial and research costs for the
African American National Biography 789,000

To support a research program at the Radcliffe
Institute for Advanced Study on the career and
family outcomes of men and women graduates
of selective colleges and universities 570,000

To support activities to strengthen scholarship in
art history at the Center for Italian Renaissance
Studies at Villa I Tatti 337,000

To support a study of the contributions to American
culture, science, and society of young immigrants
from Central Europe in the 1930s and 1940s 71,000

Henry E. Huntington Library & Art Gallery,
San Marino, California:

To support residential fellowships 1,425,000

Heritage University,
Toppenish, Washington:

To support the Sahaptin Language Preservation and
Revitalization Project 300,000

To continue support of the Mellon Mays
Undergraduate Fellowship program 200,000

Hobart and William Smith Colleges,
Geneva, New York:

To support study abroad and consortial
programming 380,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Humanity in Action, Inc.,
New York, New York:

To support programs of foreign study 150,000

Illinois College,
Jacksonville, Illinois:

To support efforts to strengthen the College's liberal
arts program 25,000

Institute for Advanced Study,
Princeton, New Jersey:

To strengthen capacity in mathematics and the
quantitative sciences in Africa 150,000

To support the Millennium Science Initiative
conference in Nairobi 45,000

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

To provide support for the National Institute for
Technology and Liberal Education (NITLE) and
activities to promote the adoption and effective
uses of ARTstor by NITLE colleges 2,000,000

To support a joint NITLE/ARTstor pilot program
to test the capacities of the ARTstor hosting
services 47,200

Johns Hopkins University,
Baltimore, Maryland:

To support an Emeritus Fellowship 29,000

JSTOR,
New York, New York:

To subsidize East European academic institutions'
subscriptions to various JSTOR collections 250,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Lehigh University,
Bethlehem, Pennsylvania:

To support the implementation of a global citizenship curricular program	200,000
To support planning for a new first-year program for establishing small intellectual communities centered on academic topics	19,000

Macalester College,
St. Paul, Minnesota:

To support the launch of the Center for Global Citizenship	50,000
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Massachusetts Institute of Technology,
Cambridge, Massachusetts:

To support the second year of Phase Two of MIT's OpenCourseWare project	3,000,000
To support digitization of the data archives and research operations of the Consortium on Financing Higher Education	25,000

Middlebury College,
Middlebury, Vermont:

To support the operations of the Center for Educational Technology	750,000
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Mills College,
Oakland, California:

To support the development of a plan to improve the quality and cost-effectiveness of the College's academic program	50,000
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Minnesota Private College Research Foundation,
St. Paul, Minnesota:

To support a comparison of athletes to other students on measures of athletic recruitment, academic performance, and financial aid packaging	25,000
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HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Morehouse College,
Atlanta, Georgia:

To support an intensive Spanish language summer
program 250,000

Mount Holyoke College,
South Hadley, Massachusetts:

To support work with the Foundation on
Foundation-sponsored projects and the Council
on Library and Information Resources 442,000

Muhlenberg College,
Allentown, Pennsylvania:

To support a service-learning program 50,000

National Academy of Sciences,
Washington, DC:

To support a study by the Committee on Science,
Engineering, and Public Policy, entitled "Science
and Technology in the National Interest: Ensuring
the Best Presidential and Advisory Committee
Appointments-3rd Edition" 50,000

National Gallery of Art,
Washington, DC:

To support activities to strengthen scholarship in
art history at the Center for Advanced Study in
the Visual Arts 337,000

The Needham Research Institute,
Cambridge, United Kingdom:

To support the retrospective cataloging of the East
Asian History of Science Library 87,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

New School University,
New York, New York:

To support the recruitment and retention of faculty members and faculty-graduate student seminars in the Graduate Faculty of Political and Social Science 500,000

New York Public Library,
New York, New York:

To support an undergraduate summer humanities program 375,000

Newberry Library,
Chicago, Illinois:

To support summer institutes for training in paleography in collaboration with the Folger Shakespeare Library, the Getty Research Institute, the Henry E. Huntington Library & Art Gallery, and the Harry Ransom Humanities Research Center at the University of Texas at Austin 625,000

The New-York Historical Society,
New York, New York:

To support the historical conservation of objects and memories of recent catastrophic events in the United States 20,000

Northwestern University,
Evanston, Illinois:

To support an evaluation of its honors workshop programs 400,000

To support initiatives to strengthen the role of the Alice Berline Kaplan Center for the Humanities in the University's instructional and scholarly activities 300,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Oberlin College,
Oberlin, Ohio:

To support the second phase of a collaborative program to recruit undergraduate students to the library profession 500,000

To support undergraduate work with volunteers of the World Library Partnership designing literacy programs in South Africa 40,000

Occidental College,
Los Angeles, California:

To support a program of community-based learning in the arts and humanities curriculum 200,000

Old Dominion University,
Norfolk, Virginia:

To support the development of open source tools to facilitate searching across multiple digital library and archival collections 122,000

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

To continue support of a semester study abroad fellowship program for outstanding undergraduate students in ecology 350,000

Pitzer College,
Claremont, California:

To support planning for the Center for Global Critical Community Studies 45,000

Pomona College,
Claremont, California:

To support efforts to strengthen selected aspects of its academic program 40,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Princeton University,
Princeton, New Jersey:

To support a Distinguished Achievement Award . . .	1,500,000
To support a longitudinal study of the academic performance of minority and white students at selective colleges and universities	667,000
To support a New Directions Fellowship	216,000
To provide additional support for evaluation of the Foundation's Graduate Education Initiative project	99,000

Public Policy Partnership,
Cape Town, South Africa:

To support the third phase of a public policy education program in South Africa	1,400,000
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Quest Scholars Program,
Stanford, California:

To support the QuestBridge program to recruit talented, low-income students to selective liberal arts colleges and universities	200,000
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Reed College,
Portland, Oregon:

To support faculty sabbatical leaves while additional funds are raised to sustain the program	520,000
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Rice University,
Houston, Texas:

To support research seminars and related activities for faculty members and graduate students in the School of Humanities	202,000
To support an Emeritus Fellowship	45,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Ripon College,
Ripon, Wisconsin:

To support instructional initiatives involving global
awareness and off-campus student learning
opportunities 25,000

Robert W. Woodruff Library of the Atlanta
University Center,
Atlanta, Georgia:

To support reviews of the collection development
policy and the instructional technology
department 50,000

Rollins College,
Winter Park, Florida:

To support a joint program for faculty career
enhancement at Rollins and Birmingham-Southern
Colleges 50,000

Rutgers, The State University of New Jersey,
New Brunswick, New Jersey:

To support initiatives aimed at strengthening the
quality of the Department of English at the New
Brunswick campus, and of literary studies and the
humanities at the University 1,000,000
To support a dissertation seminar in the humanities 172,000
To support a New Directions Fellowship 132,000

Saint Augustine's College,
Raleigh, North Carolina:

To support a summer bridge program 260,000

Sarah Lawrence College,
Bronxville, New York:

To support academic initiatives that promote
educational effectiveness while additional funds
are raised to sustain each program 590,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

School of Oriental and African Studies,
London, United Kingdom:

To support scholarship in Sanskrit and Hittite 550,000

Skidmore College,
Saratoga Springs, New York:

To support efforts to strengthen partnerships
between faculty and student affairs professionals . . . 100,000

To support on-campus programming efforts to
increase the retention of first- and second-year
students 50,000

Smith College,
Northampton, Massachusetts:

To support initiatives to strengthen the College's
connections with neighboring public schools 50,000

Social Science Research Council,
New York, New York:

To support the International Dissertation Field
Research program and related activities 2,658,000

To support a newly formed nonpartisan National
Research Commission on Elections and Voting 50,000

Society for Historians of the Early American Republic,
Philadelphia, Pennsylvania:

To support a pilot program of summer seminars for
history majors at liberal arts colleges 160,000

Southeastern Library Network, Inc.,
Atlanta, Georgia:

To support professional development opportunities
for librarians at historically black colleges and
universities 500,000

Southern Education Foundation, Inc.,
Atlanta, Georgia:

To support historically black colleges and
universities preparing for reaccreditation 350,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Southwestern University,
Georgetown, Texas:

To support the development of a faculty and student
exchange program with four historically black
colleges and universities 25,000

Spelman College,
Atlanta, Georgia:

To support "Enhancing Diversity in Graduate
Education: a Transition Program for Women in the
Mathematical Sciences" 170,000

St. John's College,
Annapolis, Maryland:

To support faculty career development 500,000

To support an assessment of the technological
infrastructure at the Santa Fe and Annapolis
campuses 10,000

St. Lawrence University,
Canton, New York:

To support a program to advance and integrate the
arts curriculum 250,000

St. Olaf College,
Northfield, Minnesota:

To support an endowment for scholarly programs
at the Howard V. and Edna H. Hong Kierkegaard
Library 100,000

Stanford University,
Stanford, California:

To support postdoctoral fellowships in the
humanities and related social sciences 492,000

To support a New Directions Fellowship 195,000

Sterling and Francine Clark Art Institute, Inc.,
Williamstown, Massachusetts:

To support activities to strengthen scholarship in
art history 337,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Temple University,
Philadelphia, Pennsylvania:

To support the Higher Education Resource Services
History Project 15,000

Thurgood Marshall Scholarship Fund,
New York, New York:

To support the development and publication of
a scholarly volume commemorating the 50th
anniversary of *Brown v. Board of Education* 50,000

Tougaloo College,
Tougaloo, Mississippi:

To implement an honors program 230,000

Union College,
Schenectady, New York:

To support the business start-up phase of Emeriti
Retirement Health Solutions 2,200,000

United Negro College Fund, Inc.,
Fairfax, Virginia:

To support a review of its educational programs . . . 80,000

United States Student Association Foundation,
Washington, DC:

To support the publication of a book on the US
National Student Association 5,000

University of California at Berkeley,
Berkeley, California:

To support a collaborative program for research
and instruction in British studies 487,000

University of California at Los Angeles,
Los Angeles, California:

To support a summer humanities program for
undergraduate students at historically black colleges
and universities 300,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support an Emeritus Fellowship	39,000
To support the assembling of data on financial support for graduate students for inclusion in the Foundation's Graduate Education Initiative database	13,400
University of California at Santa Barbara, Santa Barbara, California:	
To support a study to determine whether the use of technology influences the learning outcomes of undergraduates	340,000
University of Cambridge, Cambridge, United Kingdom:	
To support postdoctoral fellowships in the humanities and humanistic social sciences	1,000,000
To support a research program on "Exchanges of Economic and Political Ideas Since 1760" by the Centre for History and Economics at King's College in collaboration with Harvard University	500,000
To support research and writing on the foundations of democracy by the Centre for History and Economics at King's College	60,000
University of Cape Town, Cape Town, South Africa:	
To support the work of the Center for Education Technology	1,000,000
To support the creation of an integrated database of ten cultural heritage sites in sub-Saharan Africa . . .	550,000
To support a study of instructional technologies for teaching social science in South African universities	320,000
To support honors and master's fellowships for students in the National Astrophysics and Space Science Program	270,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To establish internships in the Writing Center of the Higher Education Development Center for Mellon Mays Undergraduate Fellowship students at the postbaccalaureate level	130,000
University of Chicago, Chicago, Illinois:	
To support research and teaching on topics related to race and ethnicity at the Center for the Study of Race, Politics, and Culture	335,000
To support an Emeritus Fellowship	55,000
To support an Emeritus Fellowship	55,000
To support an Emeritus Fellowship	53,000
The University of Fort Hare, Alice, South Africa:	
To establish videoconferencing facilities, strengthen the library collection, and expand the computing facility	370,000
University of Illinois at Urbana-Champaign, Champaign, Illinois:	
To support the Mortenson Center for International Library Programs' training for the South African Library Leadership Project	50,000
University of KwaZulu-Natal, Durban, South Africa:	
To support activities for strengthening the organizational culture and student governance in the newly merged institution	300,000
University of Michigan, Ann Arbor, Michigan:	
To support an exchange of recent PhDs in the humanities and humanistic social sciences and faculty members from Oberlin and Kalamazoo Colleges	950,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

To support a New Directions Fellowship	138,000
University of Minnesota, Minneapolis, Minnesota:	
To support an expansion of the Atlanta University Center/University of Minnesota honors program . . .	49,500
To support a planning conference on globalization and the humanities by the Interdisciplinary Center for the Study of Global Change	28,600
University of North Carolina at Chapel Hill, Chapel Hill, North Carolina:	
To support a dissertation seminar in the humanities .	230,000
University of Notre Dame, Notre Dame, Indiana:	
To support a New Directions Fellowship	181,000
To support an Emeritus Fellowship	55,000
University of Oxford, Oxford, United Kingdom:	
To support postdoctoral fellowships in the humanities	1,070,000
University of Pittsburgh, Pittsburgh, Pennsylvania:	
To support a Distinguished Achievement Award . . .	1,500,000
University of Puget Sound, Tacoma, Washington:	
To support efforts to improve relations with alumni .	50,000
University of Southern California, Los Angeles, California:	
To support the development of a format for media- rich electronic documents and a suite of open source tools for authoring such documents	1,400,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

University of Texas at Austin,
Austin, Texas:

To support short-term residential fellowships at the Harry Ransom Humanities Research Center	850,000
To support an Emeritus Fellowship	40,000

University of Warwick,
Coventry, United Kingdom:

To support a program of research and instruction in Renaissance and early modern studies in collaboration with the Newberry Library	323,000
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University of Wisconsin at Madison,
Madison, Wisconsin:

To support a New Directions Fellowship	120,000
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Ursinus College,
Collegeville, Pennsylvania:

To support a program to strengthen the College's connections with the surrounding Philadelphia community	200,000
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Voorhees College,
Denmark, South Carolina:

To support the design of a collaborative program for faculty and students	600,000
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Washington and Lee University,
Lexington, Virginia:

To support the implementation of programs for faculty career enhancement	200,000
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Washington University,
St. Louis, Missouri:

To support postdoctoral fellowships in the humanities and related social sciences	1,280,000
To support an Emeritus Fellowship	41,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Wesleyan University,
Middletown, Connecticut:

To support an endowment for a postdoctoral fellowship program	1,500,000
To support an Emeritus Fellowship	25,000

Whitman College,
Walla Walla, Washington:

To support a program to promote the integration of academic and residential life	100,000
To support planning for a studio arts center	30,000

Willamette University,
Salem, Oregon:

To support the appointment of junior or intermediate faculty members in the humanities and social sciences in advance of faculty retirements	800,000
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Williams College,
Williamstown, Massachusetts:

To support an Emeritus Fellowship	42,000
To support an Emeritus Fellowship	32,000

Women's College Coalition, Inc.,
Washington, DC:

To support completion of the strategic planning process as the Coalition transitions to new leadership	30,000
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Woodrow Wilson National Fellowship Foundation,
Princeton, New Jersey:

To support The Andrew W. Mellon Fellowships in Humanistic Studies	4,600,000
To continue support for travel and research and for dissertation completion grants for Mellon Mays University Fellows	1,250,000

HIGHER EDUCATION
AND SCHOLARSHIP

(continued)

Appropriated

Yale University,
New Haven, Connecticut:

To support activities to strengthen scholarship in
art history at the Yale Center for British Art 337,000

To support a program of instruction for senior
administrators from leading Chinese universities in
the academic and administrative practices of
American institutions of higher education 231,000

To support meetings of historians and historians of
science to consider how the histories of science,
technology, and medicine can be integrated into
standard historical scholarship 20,000

Zentralinstitut für Kunstgeschichte,
Munich, Germany:

To support activities to strengthen scholarship in
art history at the Deutsches Forum für
Kunstgeschichte/Centre Allemand d'Histoire
de l'Art 186,000

Total—Higher Education and Scholarship \$89,852,948

LIBRARIES AND SCHOLARLY
COMMUNICATION

Appropriated

Academy of Natural Sciences of Philadelphia,
Philadelphia, Pennsylvania:

To support the Academy Fellow position \$ 250,000

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

To support a commission to study and report on
prospects for advancing digitally-based scholarship
in the humanities and social sciences 206,000

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

To support the Museum's consultation with the
Dunhuang Research Academy on the selection of
display technology for a planned visitors center in
Dunhuang, China 20,000

ARTstor Inc.,
New York, New York:

To provide a fund for ongoing operating expenses . . 8,000,000
To support collection development 4,000,000
To support the archival storage and processing of
digital materials in the Mellon International
Dunhuang Archive 171,000

The British Council,
London, United Kingdom:

To support the retrospective conversion of periodical
holdings from the 18th century through the present
to electronic format at the Russian State Library . . . 405,000

The British Library,
London, United Kingdom:

To support the formulation of a conservation
research agenda for libraries and archives in the
United Kingdom and Ireland 21,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Bundesarchiv,
Koblenz, Germany:

To support the use of international electronic
cataloging standards in German archives 50,000

The Burlington Magazine Foundation, Inc.,
London, United Kingdom:

To support the development of a cumulative index . . . 750,000

Columbia University,
New York, New York:

To support the development of *Romanesque
Architecture of the Bourbonnais: A Database* 507,000

To support improved access to special collections of
its libraries 355,000

To continue support for a study of the conception
and treatment of archives under copyright, tort, and
contract laws 97,000

Cornell University,
Ithaca, New York:

To support the development of a generalized and
enhanced version of digital publishing software
called DPubS 669,000

Council on Library and Information Resources,
Washington, DC:

To support general operations 750,000

Cunningham Dance Foundation, Inc.,
New York, New York:

To support planning, including a detailed
investigation of intellectual property rights issues,
for the production of a series of broadcast-quality
digital films documenting selected works of
Merce Cunningham 42,100

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Duke University,

Durham, North Carolina:

To support planning for the transfer of the Duke Databank of Documentary Papyri from Tufts University to Duke	49,500
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Harvard University,

Cambridge, Massachusetts:

To support a study of the legal, economic, and policy implications of the scholarly uses of digital media produced for popular commercial markets . .	124,000
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Indiana University,

Bloomington, Indiana:

To support continued development of an archive of ethnomusicological moving image recordings	759,000
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Ithaca Harbors, Inc.,

New York, New York:

To support a discretionary capital fund	4,500,000
To support the further development of Aluka	3,200,000
To support the development of Aluka, an online database of scholarly resources from developing countries	2,000,000
To support a discretionary capital fund	2,000,000
To support the further development and implementation of a digital archive that would preserve electronic journals	1,600,000
To support a study of the characteristics of commercial/not-for-profit collaborations in the digitization and dissemination of cultural heritage materials	45,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Johns Hopkins University,
Baltimore, Maryland:

To support an evaluation of repository software
and services 111,000

Library Company of Philadelphia,
Philadelphia, Pennsylvania:

To support the retrospective conversion of library
card catalogs to electronic format 375,000

Marine Biological Laboratory,
Woods Hole, Massachusetts:

To support the continued development of an online
system for indexing and organizing taxonomic
information about biological organisms 166,000

Medici Archive Project, Inc.,
New York, New York:

To support the formulation of an integrated
development strategy and business plan to sustain
the Project and its activities 48,000

Metropolitan Museum of Art,
New York, New York:

To support a study of how four museum art
research libraries might coordinate and centralize
their core activities 35,000

Middlebury College,
Middlebury, Vermont:

To support the continued development of
computational linguistic techniques for retrieving
information from online databases 135,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Museum of Fine Arts, Boston,
Boston, Massachusetts:

To support the development of digital resources of
archaeological materials from the Museum's Giza
collection 545,000

The Music Library Association,
Middleton, Wisconsin:

To support the development of an online catalog,
the *Index to Printed Music* 379,000

National Information Standards Organization,
Bethesda, Maryland:

To support an external evaluation of NISO's
position in the information community and its
potential for growth 50,000

New York Public Library,
New York, New York:

To support services in the Research Libraries
division while the Library implements a major
organizational and financial restructuring plan 5,000,000

To support an investigation into the future uses of
dance videos and films 340,000

To support planning for a systematic analysis of
possible scholarly and educational uses of dance
video and film 50,000

Northwestern University,
Evanston, Illinois:

To support staff training and consultation in
Dunhuang and the Shannxi province in China on
techniques to be used in the three-dimensional,
digital capture of sculptural objects 49,000

To support the planning and hosting of a
symposium to celebrate the launch of the Mellon
International Dunhuang Archive as part
of ARTstor 15,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

Oxford University Press, Inc.,
New York, New York:

To support further development of a digital
distribution center for scholarly monographs 521,000

Philadelphia Area Consortium of Special
Collections Libraries, Inc.,
Philadelphia, Pennsylvania:

To support a coordinated survey of special
collections in Philadelphia libraries 411,000

To support planning for the Greater Philadelphia
GeoHistory Network 50,000

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

To support continued development of the Database
of Recorded American Music 853,000

RIPM Consortium Ltd.,
Annapolis, Maryland:

To support the retrospective indexing of a
19th-century British music journal 151,000

Royal Holloway and Bedford New College,
Egham, United Kingdom:

To support continued development of digital tools
and resources for the distribution and study of
medieval music transcripts 256,000

St. John's University,
Collegeville, Minnesota:

To support the conversion of library card catalogs to
electronic format 545,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

*Appropriated*Thomas Jefferson Foundation, Inc.,
Charlottesville, Virginia:

To support the further development of a digital archaeological archive of colonial slavery	570,000
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University of California,
Oakland, California:

To support a study of the circumstances under which faculty retain copyrights for their published articles and are willing to deposit electronic copies in institutional repositories	44,000
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To support experiments in optical methods of recovering sound from mechanical audio recordings	29,000
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University of California at Berkeley,
Berkeley, California:

To support plans for projects that would demonstrate practically how digital libraries and educational technology applications could interoperate	12,000
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University of California at Los Angeles,
Los Angeles, California:

To support the development of a large-scale virtual reality reconstruction of a medieval monastery as specified by the architectural plan of St. Gall	1,012,000
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University of California at Riverside,
Riverside, California:

To support work on completion of the <i>English Short Title Catalog</i>	375,000
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University of California at San Diego,
La Jolla, California:

To support the development and implementation of a suite of software tools for processing archival collections	847,000
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LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

University of Cambridge,
Cambridge, United Kingdom:

To support further development of a database
called *Matthew Parker on the Web* 171,000

University of Illinois at Urbana-Champaign,
Champaign, Illinois:

To support continued development of online
tools for the scholarly analysis of literary texts 599,000

University of London,
London, United Kingdom:

To support the development and implementation of
an online library of scholarly resources for the study
of British history 900,000

To support the completion of cataloging the letters
of Aby Warburg 248,000

University of Minnesota,
Minneapolis, Minnesota:

To support the development of a new model for
collaboration between its libraries and College of
Liberal Arts to provide a cost-effective infrastructure
for research support 162,000

University of Oxford,
Oxford, United Kingdom:

To support the development and implementation of
a general purpose electronic tool for retrieving and
analyzing marked-up texts 76,000

To support the transfer to the Bodleian Library of an
irreplaceable collection of historical aerial
photographs of Africa and other areas in the
developing world, and the development of a pilot
Web site that would offer access to these materials . . 39,000

LIBRARIES AND SCHOLARLY
COMMUNICATION

(continued)

Appropriated

University of Southern California,
Los Angeles, California:

To support an investigation into the utility of an
online database of ancient Near Eastern
inscriptions 48,000

University of Virginia,
Charlottesville, Virginia:

To support the further development, enhancement,
and distribution of a large-scale digital object
repository and retrieval system 1,400,000

To support further development and implementation
of an electronic imprint at the University Press for
the publication of born-digital projects and newly
digitized editions from university presses 638,000

Yale University,
New Haven, Connecticut:

To support the development of a new model for
collaboration among special collections
repositories 409,000

To support plans to catalog historical recorded
sound collections 64,000

Total—Libraries and Scholarly Communication \$48,298,600

POPULATION—in South African Program *Appropriated*

University of Cape Town,
Cape Town, South Africa:

To support the strengthening of its capacity to conduct demographic research and training	\$ 600,000
To support demographic research and training in South Africa related to poverty and inequality	300,000

University of Colorado at Boulder,
Boulder, Colorado:

To support demographic research and training with particular emphasis on South Africa	300,000
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University of KwaZulu-Natal,
Durban, South Africa:

To support the strengthening of its capacity to conduct demographic research and training	600,000
To support demographic research and training in South Africa related to HIV/AIDS	300,000

University of Michigan,
Ann Arbor, Michigan:

To support the strengthening of its capacity to conduct demographic research and training	150,000
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University of the Witwatersrand,
Johannesburg, South Africa:

To support the strengthening of its capacity to conduct demographic research and training	600,000
To support demographic research and training in South Africa related to migration and urbanization	300,000

Total—Population—in South African Program	<u><u>\$ 3,150,000</u></u>
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PUBLIC AFFAIRS

*Appropriated*American Economic Association, Inc.,
Nashville, Tennessee:

To support a study on the local economic impact of colleges and universities	\$ 20,000
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Citizens Budget Commission, Inc.,
New York, New York:

To support research on the reform of public school financing in New York State	75,000
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Independent Sector,
Washington, DC:

To support research and report on ways to increase the oversight, accountability, and good governance of charitable organizations	100,000
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New York University,
New York, New York:

To support the endowment of the Root-Tilden- Kern Scholarship Program	1,000,000
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Total—Public Affairs

\$ 1,195,000

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 Ready, Willing & Able community
improvement project 30,000

Eviction Intervention Services,
New York, New York:

To provide general support 40,000

Foundation Center,
New York, New York:

To provide general support 30,000

Marymount Manhattan College,
New York, New York:

To develop summer and study abroad programs . . . 40,000

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

To provide general support 35,000

Rutgers, The State University of New Jersey,
New Brunswick, New Jersey:

To support the Student Leadership Development
Institute through student internships with
not-for-profit organizations 25,000

Total—Contributions 265,000

Matching Gifts 72,913

Grand Totals \$185,971,756

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, 2004 and 2003 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

PricewaterhouseCoopers LLP
New York, New York
May 16, 2005

The Andrew W. Mellon Foundation

Balance Sheets

At December 31, 2004 and 2003

	<u>December 31</u>	
	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
ASSETS		
Investments:		
Marketable securities	\$ 3,248,176	\$ 2,972,487
Limited liquidity investments	1,238,824	1,089,089
Other	<u>91,452</u>	<u>63,200</u>
	4,578,452	4,124,776
Cash	3,927	2,269
Collateral under securities loan agreement	651,806	536,760
Investment and other income receivable	7,700	12,653
Receivable from unsettled securities sales	8,376	3,263
Tax refunds receivable	—	6,196
Other assets	1,336	347
Property, at cost, less accumulated depreciation of \$5,912 and \$4,978 at December 31, 2004 and 2003, respectively	<u>49,469</u>	<u>33,382</u>
Total assets	<u>\$ 5,301,066</u>	<u>\$ 4,719,646</u>
LIABILITIES AND NET ASSETS		
Grants payable	3,185	\$ 6,533
Payable from unsettled securities purchases	3,499	2,158
Payable under securities loan agreement	651,806	536,760
Accrued expenses	5,047	4,561
Deferred federal excise tax	17,600	11,000
Taxes payable	1,727	—
Long term debt	<u>44,000</u>	<u>28,500</u>
Total liabilities	726,864	589,512
Net assets (unrestricted)	<u>4,574,202</u>	<u>4,130,134</u>
Total liabilities and net assets	<u>\$ 5,301,066</u>	<u>\$ 4,719,646</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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
INVESTMENT RETURN:		
Gain on investments:		
Realized	\$ 277,738	\$ 77,731
Unrealized, net	317,990	672,827
Interest	17,569	21,301
Dividends	35,334	28,001
Other income	11,621	9,401
	<u>660,252</u>	<u>809,261</u>
Less: Investment management expenses	(14,029)	(11,854)
Net investment return	<u>646,223</u>	<u>797,407</u>
EXPENSES:		
Program grants and contributions, net	177,073	177,393
Grantmaking operations	10,601	9,378
Direct charitable activities:		
Digital initiatives — ARTstor and Ithaka	2,932	11,543
Research	1,351	1,410
Investment operations	3,517	2,678
Current provision for taxes	6,419	2,172
Other expenses	262	381
	<u>202,155</u>	<u>204,955</u>
Change in net assets	444,068	592,452
Net assets (unrestricted) at beginning of year	<u>4,130,134</u>	<u>3,537,682</u>
Net assets (unrestricted) at end of year	<u>\$ 4,574,202</u>	<u>\$ 4,130,134</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, 2004 and 2003

	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
Cash flow from investment income and operations:		
Interest and dividends received	\$ 60,246	\$ 43,902
Other income received	11,460	9,618
Grant refunds received	765	169
Federal tax refund received	1,527	—
Grants and contributions paid	(181,186)	(179,159)
Investment expenses paid	(13,539)	(11,163)
Salaries and other operating expenses paid	(17,733)	(23,709)
Taxes paid	(23)	(564)
	<hr/>	<hr/>
Net cash used by investment income and operations	(138,483)	(160,906)
Cash flow from investing activities:		
Proceeds from sales of marketable securities:		
Short-term	5,685,096	15,854,301
Other	2,081,536	4,124,504
Receipts from limited liquidity investments	218,685	237,243
Capital gain distributions received	7,528	3,943
Net returns on financial instruments	1,104	8,839
Purchases of marketable securities:		
Short-term	(5,548,648)	(16,062,253)
Other	(2,107,339)	(3,768,904)
Purchases of limited liquidity investments	(195,785)	(235,812)
Net additions to property and other assets	(17,536)	(1,450)
	<hr/>	<hr/>
Net cash provided by investing activities	124,641	160,411
Cash flow from financing activities:		
Bond proceeds	15,500	—
Net increase (decrease) in cash	1,658	(495)
Cash at beginning of year	2,269	2,764
Cash at end of year	<u>\$ 3,927</u>	<u>\$ 2,269</u>
<i>Supplemental disclosure of noncash investing activities:</i>		
Distributions of securities received from limited liquidity investments	<u>\$ 24,136</u>	<u>\$ 13,237</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, 2004 and 2003

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

	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
Change in net assets	\$ 444,068	\$ 592,452
Adjustments to reconcile change in unrestricted net assets to net cash used by investment income and operations:		
Realized gain on investments	(277,738)	(77,731)
Increase in unrealized appreciation of investments .	(324,590)	(683,827)
Decrease (increase) in income receivable	4,953	(6,283)
Decrease in grants payable	(3,348)	(1,597)
Increase in accrued expenses	486	1,851
Depreciation and amortization expense	934	521
Increase in deferred federal excise tax payable	6,600	11,000
Decrease in tax refunds receivable	7,922	1,609
Net effect of bond amortization/accretion	<u>2,230</u>	<u>1,099</u>
Total adjustments	<u>(582,551)</u>	<u>(753,358)</u>
Net cash used by investment income and operations	<u>\$ (138,483)</u>	<u>\$ (160,906)</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 2004 and 2003, the Foundation provided start up support, including direct charitable expenditures, for two digital initiatives, ARTstor Inc. (“ARTstor”) and Ithaka Harbors, Inc. (“Ithaka”), which became independent not-for-profit entities in 2003.

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 \$91.5 million at December 31, 2004 and \$63.2 million at December 31, 2003.

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 includes all costs related to appropriating, paying and administering grants. Direct charitable activities are the active programs conducted by the Foundation. 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 \$14.9 million (8.4% of program grants) in 2004 compared to \$22.3 million (12.6% of program grants) in 2003. The decrease in administrative expenses in 2004 are due to lower expenditures for the Foundation's digital initiatives (ARTstor and Ithaka). Excluding direct charitable activities and investment expenses, the Foundation's grantmaking expenses in 2004 were \$10.6 million (6.0% of program grants), compared to \$9.4 million (5.3% of program grants) in 2003.

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 2004 and 2003:

	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
Program grants and contributions, net	\$177,073	\$177,393
Salaries, pensions and benefits	10,450	13,533
Other operating expenses	8,213	11,857
Taxes	6,419	2,172
	<u>\$202,155</u>	<u>\$204,955</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 period. Actual results could differ from those estimates.

Reclassifications

Certain 2003 amounts have been reclassified to conform to the 2004 presentation.

NOTE 2—INVESTMENTS:

Marketable securities held at December 31, 2004 and 2003 are summarized as follows:

	<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>
	<i>(In thousands)</i>		<i>(In thousands)</i>	
Equities	\$2,455,202	\$1,885,730	\$2,128,673	\$1,759,512
Fixed income	522,077	517,254	435,816	434,567
Short-term	275,124	274,905	408,937	408,768
Derivative financial instruments	(4,227)	(5,018)	(939)	(1,793)
Total	<u>\$3,248,176</u>	<u>\$2,672,871</u>	<u>\$2,972,487</u>	<u>\$2,601,054</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, 2004 and 2003, the Foundation had forward currency contracts with notional amounts totaling \$48.1 million and \$1.2 million, respectively. At December 31, 2004, approximately \$48.1 million in assets and \$51.3 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, 2004 and 2003 amounted to approximately \$636 million and \$522 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 \$508 million as of December 31, 2004 in additional capital over the next ten years. Unpaid commitments at December 31, 2003 were \$368 million.

NOTE 3—BONDS PAYABLE:

At December 31, 2004, 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 2004 was 1.9%. 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 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 2004 and qualified for the 1% tax rate in 2003. 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 2004 comprises \$6.2 million of federal excise tax on net investment income and \$171 thousand in federal and state taxes on unrelated business income. The current provision in 2003 was \$1.9 million of federal excise tax on net investment income and \$294 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 \$6.6 million and \$11.0 million in 2004 and 2003, respectively.

NOTE 5—GRANTS, CONTRIBUTIONS, AND COMMITMENTS:

The following table of grant activity by major program area includes all grant appropriations approved during 2004.

	<i>Payable and Committed December 31,</i>	<i>2004 Grants and Commitments</i>		<i>Payable and Committed December 31,</i>
	<i>2003</i>	<i>Appropriated⁽¹⁾</i>	<i>Paid</i>	<i>2004</i>
		<i>(In thousands)</i>		
Conservation and the Environment	\$ 2,630	\$ 10,588	\$ 12,443	\$ 775
Museums and Art				
Conservation	16,310	15,365	10,913	20,762
Performing Arts	3,200	17,184	17,605	2,779
Higher Education and Scholarship	23,771	89,853	85,596	28,028
Libraries and Scholarly Communication	9,571	48,299	49,333	8,537
Population	2,517	3,150	3,763	1,904
Public Affairs	292	1,195	1,195	292
Program Grants and Commitments—Totals	58,291	185,634	180,848	63,077
Contributions and Matching Gifts	—	338	338	—
Totals	<u>\$58,291</u>	<u>\$185,972</u>	<u>\$181,186</u>	<u>\$63,077</u>

(1) Included in the 2004 grant appropriations are \$15.4 million and \$12.2 million of grants to Ithaka and ARTstor, respectively.

Grant and grant commitment activity is summarized below.

	<u>2004</u>	<u>2003</u>
	<i>(In thousands)</i>	
Grants Payable:		
Grants payable at January 1	\$ 6,533	\$ 8,130
Grant expense	177,838	177,562
Less grants paid	<u>(181,186)</u>	<u>(179,159)</u>
Grants payable at December 31	<u>\$ 3,185</u>	<u>\$ 6,533</u>
Net Grant Expense:		
Unconditional grants	\$ 142,996	\$ 141,148
Conditional grants meeting conditions for payment	<u>34,842</u>	<u>36,414</u>
	177,838	177,562
Less grant refunds	<u>(765)</u>	<u>(169)</u>
	<u>\$ 177,073</u>	<u>\$ 177,393</u>
Grant Commitments:		
Grant commitments at January 1	\$ 51,758	\$ 48,018
Less commitments cancelled	—	(444)
Conditional grants appropriated	42,976	40,598
Less grants meeting conditions for payment	<u>(34,842)</u>	<u>(36,414)</u>
Grant commitments at December 31	<u>\$ 59,892</u>	<u>\$ 51,758</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 “Affiliates”), which among other matters, provides for the following services and arrangements:

- Ithaka provides information technology services to the Foundation and to the other Affiliates. Ithaka also manages certain office facilities located in Princeton, New Jersey on behalf of the Foundation and the other Affiliates. Costs and expenses incurred by Ithaka in providing information technology services are allocated and charged to the Foundation and to the other Affiliates. In 2004, Ithaka charged \$429 thousand to the Foundation for information technology services.
- In 2004, the Foundation provided human resource services to the Affiliates. Costs and expenses incurred by the Foundation in providing these services were allocated and charged to the Affiliates and totaled \$360 thousand in 2004. On January 1, 2005, the Foundation’s human resource staff transferred to Ithaka; accordingly, Ithaka will provide human resource services to the other Affiliates and to the Foundation. Costs and expenses incurred by Ithaka in providing human resource services will be allocated and charged to the other Affiliates and to the Foundation.

Notes to Financial Statements, (continued)

- The Foundation also provides, free of charge, certain investment services and legal advice to the Affiliates. The value of these contributed services have not been recorded due to immateriality.
- In 2005, the Foundation will provide office space, free of charge, to Ithaca 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.