

**SMITH RICHARDSON  
FOUNDATION, INC.**

**ANNUAL REPORT 2004**

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## PRESIDENT'S LETTER

The mission of the Smith Richardson Foundation is to contribute to important public debates and to help address serious public policy challenges facing the United States. The Foundation seeks to help ensure the vitality of our social, economic, and governmental institutions. It also seeks to assist with the development of effective policies to compete internationally and to advance U.S. interests and values abroad.

The Foundation implements its mission through its two principal grant making programs: the International Security and Foreign Policy Program and the Domestic Public Policy Program. The international environment presents a myriad of challenges and opportunities for U.S. policy makers. While the threat of global terrorism remains foremost in the minds of most Americans, traditional rivalries among great powers, particularly the rise of China, will also require the attention of the policy making community in the years to come. The domestic policy environment is also full of challenges. Although education and school reform continue to be first-order issues for the public and the policy community, the need to address the looming crisis in entitlement programs, such as Social Security and Medicare, will increasingly demand the engagement of the public and the attention of the policy community. The Foundation will continue to support projects on those policy issues — both international and domestic — that are critical to the security and well being of the United States.

### *International Security and Foreign Policy*

The objective of the International Security and Foreign Policy Program is to assist the U.S. policy community in developing effective national security strategies and foreign policies. The Foundation is committed to supporting projects that help the policy community face the fundamental challenge of ensuring the security of the United States, protecting and advancing American interests and values abroad, and enhancing international order.

Within this broad mandate, the International Security and Foreign Policy Program has a number of priority areas of interest. In recent years, the Foundation has sought to assist the policy community's efforts to combat global terrorism by supporting projects on critical issues, such as improving intelligence gathering. Because the battle against terrorism will also be fought on the ideological front, the Foundation has supported projects on improving U.S. public diplomacy in order to promote democracy and to give foreign publics a better understanding of U.S. policies. The Foundation has continued to address traditional security issues even when pressing matters, such as terrorism, dominate the headlines. For example, the Foundation supports projects designed to improve the effectiveness of U.S. military forces through defense transformation and to develop recommendations for U.S. strategy and policy toward important regions and countries, including China, Southeast Asia, India, and Pakistan. Within the academic community, the Foundation

supports policy-relevant strategic studies and underwrites historical research with clear implications or lessons for current policy.

The following grants illustrate the types of projects supported by the International Security and Foreign Policy Program:

- **Carnegie Endowment for International Peace:** One of the endowment's fellows will examine the nature of the strategic competition among China, India, and Pakistan and assess how that competition might affect security in Asia.
- **Center for Strategic and International Studies:** The center will seek to improve law enforcement and intelligence cooperation among NATO countries through the development of a framework to enhance information-sharing within the alliance.
- **Freedom House:** The organization will assess the level of respect for political rights and civil liberties throughout the world through its annual publication, *Freedom in the World*.
- **Harvard University:** One of the university's scholars will direct a program to support historical research on the cold war in order to help the policy community understand the lessons of successful U.S. statecraft in that period.
- **The Jamestown Foundation:** The foundation will publish a daily report that will monitor political and economic developments in Eurasia.
- **The Institute of World Politics:** The institute will develop a strategy to improve U.S. public diplomacy in predominantly Muslim countries.

### *Domestic Public Policy*

The Domestic Public Policy Program supports projects that will help the public and policy makers understand and address critical challenges facing the United States. An overarching goal of the Foundation's grant making is to support projects that help stimulate and inform important public policy debates. To that end, the Foundation supports research on and evaluation of existing public policies and programs, as well as projects that inject new ideas into public debates.


The Foundation is interested in a wide range of topics. Education and school reform have been central to the Foundation's grant making in recent years, including efforts to assess the effectiveness of various school reform initiatives, such as charter schools. The Foundation has expanded on its interest in public finance issues by beginning to explore the future of the Medicare program and the larger challenge of coping with expected increases in the costs of federal

entitlement programs. The Foundation also provides support for projects that assess the impact of immigration on American society, examine the effectiveness of our regulatory policies, and explore the interaction between the policy making process and the political process through support for projects on congressional redistricting and the conduct and financing of political campaigns. The Foundation continues to support projects that inform the debate over policies designed to assist disadvantaged families.

The following grants illustrate the types of projects supported by the Domestic Public Policy Program:

- **The American Enterprise Institute:** The institute will develop a blueprint to reform the Medicare program by examining the program's finances and assessing the impact of previous reform efforts.
- **The National Bureau of Economic Research:** The bureau will undertake an effort to measure the long-term fiscal imbalances facing the U.S. government and provide assessments of how reforms to entitlement programs and tax policies might close or widen the fiscal gap.
- **New York University:** One of the university's scholars will explore how the learning and disciplinary environment in schools is affected by the threat of lawsuits against teachers and administrators.
- **The Rand Corporation:** The corporation will assess whether traditional public schools respond to the opening of charter schools by lifting their own performance as a result of greater competitive pressure.
- **University of Maryland:** One of the university's scholars will explore the accuracy of the U.S. government's official poverty measure and examine the potential of other indices that might assess family well-being more accurately.
- **University of Washington:** A team of researchers at the university will examine how school districts distribute resources among their schools and identify policy changes that might improve the allocation of resources to better address issues of equity and student needs and performance.

The Trustees of the Smith Richardson Foundation believe that the country's well being depends on vigorous and capable domestic institutions and strong leadership around the world. They hope that through wise and strategic grant making they will enhance the capacity of the public and the policy making community to advance the interests of the nation as a whole.

  
Peter L. Richardson  
*President*



**INTERNATIONAL SECURITY AND  
FOREIGN POLICY PROGRAM  
2004 GRANTS**

**The American Committees on Foreign Relations**

Washington, DC

*National Speakers Program on Security Policy*

\$ 50,000

Kenneth Jensen will organize a program to bring experts and policy makers on regional security and defense policy issues to speak to world affairs groups around the country.

**Aspen Institute Berlin**

Berlin, Germany

*Aspen in Berlin*

\$ 75,000

Jeffrey Gedmin will direct a lecture and roundtable series designed to present to European audiences informed American perspectives on key international security issues affecting transatlantic relations.

*Conference Series on Terrorism, Rogue States, and Transatlantic Cooperation*

\$249,106

Jeffrey Gedmin will lead an effort to help the U.S. and European policy communities formulate a common agenda to enhance transatlantic cooperation. He will organize several U.S.-European policy task forces on the promotion of democracy in the Middle East and policies toward Iran and Pakistan. The project's findings will appear in a series of reports and articles.

**The Atlantic Council of the United States**

Washington, DC

*China and Asia: Dynamics and Implications*

\$ 50,000

Robert Sutter will research and write a book on the history and dynamics of Chinese foreign policy in Asia. He will analyze primary and secondary sources and conduct interviews with key figures in the region.

**The Brookings Institution**

Washington, DC

*Globalization's Big Bust: World Financial Markets, the IMF, and the Collapse of the Argentine Economy*

\$ 36,829

Paul Blustein will research and write a book on key issues affecting the stability of the global financial system, using Argentina as his principal case study. He will analyze documents and conduct interviews with government officials, senior staff members of international financial institutions, and business leaders.

*Erasing the Seams: An Integrated International Strategy to Combat Terrorism*

\$125,250

James Steinberg and Michael O'Hanlon will identify gaps in U.S. counter-terrorism policies and develop strategies to fill those gaps. They will analyze existing reports and studies in order to assess how intelligence collection and analysis, policy development and coordination, and counter-terrorism operations can be improved. The project will result in a co-authored book and a series of working papers.

**The Carnegie Council Fund, Inc.**

New York, NY

*Foreign Policy Roundtable*

\$ 40,000

Nicholas Rizopoulos will organize a forum at which prominent analysts and scholars of foreign and defense policy issues will present their research and analysis to leading journalists.

**Carnegie Endowment for International Peace**

Washington, DC

*Assessing Strategic Competition in Southern Asia*

\$ 50,000

Ashley Tellis will research and write a book on the dynamics of the strategic competition in South Asia involving India, China, and Pakistan. He will assess Indian, Pakistani, and Chinese strategic goals and explore how they are pursuing those goals through the development of military and other capabilities.

*Developing a New U.S. Policy Toward Pakistan*

\$175,000

Husain Haqqani will lead an effort to develop new ideas for U.S. policy toward Pakistan. He will organize working groups of U.S. and Pakistani experts and commission papers. He will write a blueprint for a U.S. policy to encourage Pakistan to adopt a more moderate and democratic political system. The project's findings will appear in a series of monographs and a policy report.

*Diverging Governance in China* \$100,000

Minxin Pei will research and write a book that will examine divergences in the quality of governance across different regions of China and assess how those divergences might affect China's political evolution. He will conduct fieldwork in five Chinese provinces, commission a survey, and convene a series of seminars in China and the United States.

**Center for Media and Security, Ltd.**

Millwood, NY

*Center for Media and Security* \$100,000

Harry Disch will lead an effort to enhance news media coverage of national security issues by organizing a series of meetings that bring defense officials together with reporters from print and electronic media.

**Center for Strategic and Budgetary Assessments**

Washington, DC

*U.S. Military Transformation in a Competitive Security Environment* \$350,000

Andrew Krepinevich will lead a project to develop policy approaches to transform the U.S. armed forces to meet critical national security challenges facing the United States. It will produce reports on key issues, such as a strategy to defeat global terrorism, approaches to transforming special operations forces, and an examination of the future of precision weaponry. The project's findings will appear in a series of monographs and be disseminated through a series of seminars, workshops, and briefings.

**Center for Strategic and International Studies, Inc.**

Washington, DC

*America's New Allies: Consolidating a Durable Partnership* \$144,120

Janusz Bugajski will examine how the accession of Central and East European states into the European Union could affect U.S. interests in Europe. He will gather data, commission research, and convene working groups to explore how the policies of Central and East European states could affect the political dynamics within the European Union. The project's findings will appear in a monograph.

*National Guard and Reserve Study* \$150,000

Kurt Campbell will lead an effort to examine the role of the Reserve Component forces in U.S. military strategy and determine whether adjustments may be needed in the roles, missions, and organization of the Reserves and National Guard. The project's findings will appear in a monograph.

*Election Delegations to Ukraine* \$ 35,000

Celeste Wallander will organize a series of trips to Ukraine by delegations of senior members of the U.S. policy community. The U.S. delegations will meet with key members of the Ukrainian leadership to discuss the October 2004 presidential election.

*Sharing Intelligence and Information on Terrorist Threats to the Transatlantic Community* \$220,000

Arnaud de Borchgrave will lead an effort to develop a blueprint for improving law enforcement information and intelligence sharing among NATO states. He will convene conferences, conduct simulations, and develop a framework to strengthen cooperation among the law enforcement and intelligence organizations within the alliance. The project's findings will appear in a report.

*Global Strategic Trends* \$ 50,000

Erik Peterson will research and write a monograph on critical global trends that will shape U.S. interests. He will examine trends in demography, strategic resources, technological innovation, information and knowledge flows, economic integration, warfare and conflict, and governance. He will offer recommendations for how the policy community should undertake strategic planning to respond to those trends.

*Alternative Strategies for Addressing America's Mounting Current Account Deficit* \$ 49,644

Richard McCormack and Robert Fauver will produce a report that will identify strategies to help the United States address its current account deficit. They will analyze economic data, conduct interviews with U.S. and foreign officials, and organize a conference of policy experts.

**The Center for the Study of the Presidency**

Washington, DC

*Accelerating and Integrating National Efforts to Detect and Deter Smuggled Nuclear Weapons* \$250,000

David Abshire will lead an effort to help the U.S. government develop an integrated strategy to counter the threat posed by smuggled nuclear weapons. He will organize a series of working groups with key members of the policy community. The project's findings will appear in a series of policy briefs and a report.

**The CNA Corporation**

Alexandria, VA

*China, Southeast Asia, and the United States: Competition or  
Balancing Interests?*

\$ 87,000

Bronson Percival will research and write a book on China's strategy toward Southeast Asia. He will analyze primary and secondary sources and consult with key members of the U.S. and Southeast Asian policy communities.

**Council on Foreign Relations, Inc.**

New York, NY

*War Made New: Four Great Revolutions that Changed the Face of Battle* \$ 40,000

Max Boot will research and write a book on revolutions in military technology and organization that have occurred during the past 500 years. He will assess how military forces have either succeeded or failed to adapt to such changes and explore the lessons of earlier military revolutions for contemporary U.S. defense policy.

**The Dui Hua Foundation**

San Francisco, CA

*An Unofficial Dialogue on Human Rights and Political Detainees  
with the People's Republic of China*

\$165,000

John Kamm will direct a project to support efforts to improve human rights in China. He will develop a database of political and religious detainees in China, review official and non-official sources to analyze the details of their cases, and engage with Chinese officials in an unofficial dialogue designed to encourage the release of these detainees. The project's findings will appear in a quarterly newsletter and an annual report.

**East Stroudsburg University Foundation**

East Stroudsburg, PA

*Papers of the War Department 1784-1800*

\$ 20,000

Theodore Crackel will lead an effort to collect and consolidate a portion of the early records of the War Department of the United States. The project will complete the collection and compilation of 40,000 documents that record the history of the department from 1784 to 1800. The project will result in a CD/DVD that will contain the records and be made available to libraries throughout the country.

**Foreign Policy Research Institute**

Philadelphia, PA

*A New History, Volume 2: 1829-1932*

\$ 50,000

Walter McDougall will research and write a history of the United States from 1829 to 1932. He will conduct archival research and review secondary literature and will trace how key values and policies have shaped enduring political and foreign policy traditions in the United States.

**Freedom House**

New York, NY

*The Annual Survey of Political Rights and Civil Liberties*

\$100,000

Arch Puddington will lead an effort to survey the level of political freedom and civil liberties in countries around the world. The findings will be published in Freedom House's annual publication, *Freedom in the World*.

*The American Committee for Peace in Chechnya*

\$ 117,000

Glen Howard will lead a project to promote a peaceful resolution of the ongoing conflict in Chechnya. He will produce papers and briefs to inform the U.S. policy community on key issues in the Chechen conflict and facilitate meetings between individuals close to the Russian government and Chechen resistance to discuss potential ways to settle the war.

**Georgia Institute of Technology**

Atlanta, GA

*The New Silk Road: The China-Iran Nexus*

\$ 113,262

John Garver will research and write a book that will examine the bilateral relationship between China and Iran. He will conduct interviews, primarily in China and Iran, and analyze available primary and secondary sources to assess the implications of the Chinese-Iranian relationship for U.S. security interests.

**Harvard University**

Cambridge, MA

*Social Inequality and Distributive Justice in China*

\$ 27,000

Martin Whyte will research and write a book on public opinion trends in China regarding social equality and justice. He will develop and administer a survey in eight urban and rural areas in order to assess whether social and economic disparities might undermine China's stability.

*The New American Empire? The Beginning of Empires and Imperial Grand Strategy* \$ 88,812

Stephen Rosen and Kim Kagan will direct a project on political and military evolution of empires throughout history. The project will commission research and convene a conference to examine patterns in the ways great powers evolved into empires. It will also produce a single-author book that will analyze the functional strategies, such as military action, intelligence gathering, and the development of political and social legitimacy, necessary to sustain an empire.

*Cold War Studies Publications Program* \$125,000

Mark Kramer will edit and publish the *Journal of Cold War Studies* and initiate a new book series.

**The Henry L. Stimson Center**

Washington, DC

*Japanese Views of China in Flux* \$ 115,000

Benjamin Self will research and write a book on changes in Japanese attitudes toward China. He will collect and analyze primary and secondary Japanese sources and conduct interviews with key members of the Japanese policy community.

**Hudson Institute**

Washington, DC

*The Wages of Islamic Extremism* \$173,800

Alexander Alexiev will research and write a book on the political, social, and economic toll that extremist Islam has taken on Muslim countries. He will conduct and commission research on the impact such extremism has on human rights, economic growth, and social and political development.

*Performance Criteria for Iraqification and for the Withdrawal of U.S. Forces* \$ 25,000

Francis Bing West will examine approaches for shifting responsibility for security operations from the U.S.-led coalition to Iraqi security forces. He will develop performance criteria for determining when to transfer security missions to the new Iraqi security forces and when U.S. policy makers should begin to withdraw U.S. forces from Iraq. The project's findings will appear in a report and be disseminated through a series of briefings.

*America and the Future of Islam: Radical Islam and Democratic Alternatives* \$150,000

Hillel Fradkin will lead an effort to help the policy community to understand debates in the Muslim world about Islam and democracy. He will convene seminars and commission research to track and analyze key arguments shaping the ongoing debate between proponents of moderate and extremist Muslim perspectives and provide a venue for moderate Muslims to have their views heard. The project's findings will appear in a series of reports and articles.

**Incite Productions Inc.**

Minturn, CO

*Seoul Train: A Documentary Project* \$ 50,000

James Butterworth will produce a documentary about North Korean refugees along the North Korean-Chinese border. The one-hour film will describe the humanitarian crisis and repression that is leading North Koreans to flee across North Korea's border with China and discuss the policy implications of the crisis.

**Institute for International Economics**

Washington, DC

*Designing Asia: Regionalism and Rivalry* \$120,000

Ellen Frost will research and write a book that will assess whether Asia is beginning to coalesce into a regional community. She will explore whether regional integration or traditional rivalries among Asia's major powers will be more influential in shaping Asia's evolution.

**The Institute of World Politics**

Washington, DC

*Public Diplomacy and Political Warfare in the War on Terrorism* \$212,500

John Lenczowski and J. Michael Waller will lead an effort to develop a strategy to improve U.S. public diplomacy. They will conduct research and convene seminars to examine how best to organize U.S. public diplomacy efforts and to communicate the character and purposes of the United States to overseas audiences, particularly in the Muslim world. The project's findings will appear in two monographs and an edited volume.

**The Jamestown Foundation**

Washington, DC

*The Daily Monitor on Russia and Asia* \$469,600

Vladimir Socor will edit and publish the *Eurasia Daily Monitor*, an ongoing effort to provide analyses of political and economic events and trends in the region.

*Chechnya Weekly* \$ 89,796

Jonas Bernstein will edit and publish a weekly newsletter reporting on political and military events in Chechnya.

*China Brief* \$ 68,091

Arthur Waldron will edit and publish a biweekly publication analyzing China's political, economic, and military evolution.

**Johns Hopkins University/School of Advanced and International Studies**

Washington, DC

*War and Destiny: How the Iraq War Transformed the U.S. Military and Changed America* \$ 74,800

James Kitfield will research and write a book that will examine the lessons of the war in Iraq for future defense plans and programs.

*Chechen Struggle for Independence: What Went Wrong?* \$ 99,000

Ilyas Akhmadov and Miriam Lansky will research and write a book that will identify the political dynamics driving the war in Chechnya and possible approaches to settling the conflict.

*Central Asia-Caucasus Institute* \$337,965

Frederick Starr will direct the institute's efforts to support the deliberations of the U.S. policy community on critical issues regarding Central Asia and the Caucasus. The institute will sponsor a series of conferences, a lecture program, a biweekly publication, a monograph series, a visiting fellows and young scholars program, and policy outreach activities in Washington.

*The Pursuit of Happiness* \$ 50,000

Azar Nafisi will research and write a socio-cultural history of Iran during the past century. She will draw on memoirs, diaries, letters, and other materials to describe how the Iranian failure to deal with modernity led to the rise of Islamic fundamentalism.

**Lexington Institute**

Arlington, VA

*Implementing Transformation*

\$178,500

Daniel Gouré and Loren Thompson will lead an effort to examine key impediments to the transformation of the U.S. armed forces. They will conduct research and convene conferences to examine how deficiencies in the U.S. space policies and capabilities and challenges related to logistics may affect efforts to create lighter, more agile, and more flexible military forces. The project's findings will appear in a monograph.

**Massachusetts Institute of Technology**

Cambridge, MA

*Hedging its Bets: Japan's Security Policy and Implications for U.S. Policy*

\$ 77,528

Richard Samuels will research and write a book that will explore the intellectual debate in Japan regarding its future security strategy. He will analyze primary and secondary sources and conduct interviews with members of Japan's intellectual and foreign policy communities.

**Meserve-Kunhardt Foundation Ltd.**

Chappaqua, NY

*Documentary on Bernard Lewis*

\$ 50,000

Peter Kunhardt and Philip Kunhardt will produce a documentary that will examine issues regarding the political development of the Middle East through an exploration of the writings of Bernard Lewis.

**The Miller Center Foundation**

Charlottesville, VA

*The Regime Question, Regime Change, and American National Security* \$ 35,314

Patrick Garrity will research and write a book that will document the history of U.S. strategies to promote regime change and assess the lessons for contemporary policy.

**Naval War College Foundation, Inc.**

Newport, RI

*Conflict and Order in the New Age of Prevention*

\$ 25,016

Thomas Nichols will research and write a book that will analyze trends in the international security environment that are leading states to adopt policies of preemptive and preventive war. He will examine how countries, such as the United Kingdom, France, Russia, Japan, and Israel, are reshaping their security doctrines and compare their experiences with those of the United States.

**9/11 Public Discourse Project**

Washington, DC

*9/11 Public Discourse Project*

\$ 25,000

Christopher Kojm will lead an effort to educate the American public on the findings of the 9/11 Commission. He will organize a series of nationwide briefings by the members of the commission at which they will discuss the implications of their findings for U.S. national security.

**The Nixon Center**

Washington, DC

*The National Interest*

\$ 50,000

The leadership of *The National Interest* will undertake marketing and other efforts to increase the visibility and circulation of the journal.

**The Nonproliferation Policy Education Center**

Washington, DC

*Overhauling Our Diplomatic Efforts Against Proliferation*

\$515,000

Henry Sokolski will direct a program to develop new ideas for nonproliferation strategies for the United States and its allies. He will conduct research and analysis to explore emerging nonproliferation challenges, to reform arms control and other multilateral nonproliferation activities, and to develop competitive strategies to address the issue of weapons proliferation from Pakistan. The project's findings will appear in a series of reports and papers and be disseminated in a variety of briefings and workshops.

**Pacific Forum, CSIS**

Honolulu, HI

*Comparative Connections: A Quarterly Electronic Journal on East Asian Bilateral Relations*

\$120,000

Ralph Cossa will edit and publish *Comparative Connections: A Quarterly Electronic Journal on East Asian Bilateral Relations*, a publication designed to track developments in key bilateral relationships in East Asia.

**The Potomac Foundation**

Vienna, VA

*Chinese Biographical and Media Databases*

\$102,620

David Gries will create a searchable biographical database to enable scholars and policy experts to conduct analysis of Chinese leadership politics.

**Princeton University**

Princeton, NJ

*Expel the Idolators*

\$ 50,000

Michael Doran will research and write a book on the role of al Qaeda in Saudi Arabia. He will examine how al Qaeda acts as a domestic political factor in Saudi Arabia, assess the character of its ongoing insurgency against the Saudi government, and discuss implications of these developments for al Qaeda's broader strategy vis-à-vis the rest of the world.

**The Project on Transitional Democracies**

Washington, DC

*Belarus: Europe's Next Flashpoint?*

\$ 54,400

Arkady Cherepansky and Rodger Potocki will examine political and economic trends in Belarus. They will convene a working group to assess the level of political repression and economic decline in Belarus and develop strategies to encourage political change and the integration of Belarus into the West. The project's findings will appear in a monograph.

*Project on Transitional Democracies*

\$ 50,000

Bruce Jackson will analyze political challenges confronting new European democracies and help develop programs to consolidate democratic institutions. The project will result in a series of meetings as well as policy papers for U.S. and European leaders.

**The Rand Corporation**

Santa Monica, CA

*The Changing China-Taiwan Military Balance: Implications for U.S. Policy*

\$234,957

David Shlapak will lead an effort to explore potential outcomes of military conflict across the Taiwan Strait. He will examine several possible scenarios of Sino-Taiwanese conflict in light of changes in the military balance between Taiwan and China. The project's findings will appear in a monograph.

*Multilateralizing System Change in North Korea*

\$195,000

Charles Wolf and Norman Levin will lead an effort to develop potential multilateral strategies to bring about a transformation of the North Korean state. They will conduct a series of research workshops with analysts from South Korea, Japan, China, and Russia. The project's findings will appear in a report, a series of papers, a simulation game, and a number of articles.

**Rice University**

Houston, TX

*Martyrdom Operations in Contemporary Radical Islam*

\$ 65,000

David Cook will research and write a book that will explore the challenge of countering suicide terrorist attacks by radical Islamists. He will examine the reasons behind the growth of suicide terrorism and critically evaluate the religious arguments used to justify suicide terrorism.

**Simmons College**

Boston, MA

*The Moro Islamic Liberation Front: The State of the Revolution and the Impact on the War on Terror*

\$ 89,971

Zachary Abuza will research and write a book examining the organizational structure, goals, resources, capabilities, and links with foreign terrorists of the Moro Independent Liberation Front in the Philippines. He will analyze primary and secondary documents and conduct interviews in the Philippines.

**The United States-Indonesia Society**

Washington, DC

*Prospects for Enhancing the U.S.-Indonesian Security Relationship*

\$ 99,563

Don Eirich will commission research and convene a conference to develop new ideas to improve the security relationship between the United States and Indonesia. The project's findings will appear in a series of research reports and a monograph.

**University of Michigan**

Ann Arbor, MI

*Constitution Writing and Conflict Resolution*

\$ 36,692

Jennifer Widner will produce a report that will analyze the relationship between constitutional provisions and the stability of states. She will collect data on 194 cases of constitution writing and assess how provisions, such as federalist structures and parliamentary systems, affect key outcomes, such as stabilization in post-conflict settings.

**The Wisconsin Project on Nuclear Arms Control**

Washington, DC

*Iran Watch*

\$150,000

Gary Milhollin, Kelly Motz, and Valerie Lincy will conduct research and analysis on Iran's capability to build weapons of mass destruction and ballistic missile delivery systems. The project's findings will appear on the Iran Watch web site.

**World Organization for Resource Development and Education**  
 Washington, DC  
*International Conference of Moderate Muslim Scholars and Policy Makers* \$ 50,000  
 Nazeer Ahmed will organize a conference of religious, political, and academic leaders to discuss democracy and Islam. The project's findings will appear in a report.

**Yale University**  
 New Haven, CT  
*The China Law Center at Yale Law School* \$200,000  
 Paul Gewirtz will direct a center that will promote the development of the rule of law in China. He will undertake research and training projects with Chinese scholars and organizations on issues such as judicial reform. The institute will also produce a series of articles on issues related to the development of the Chinese legal system.

*State Strategies, Islamic Radicalism, and International Security* \$164,505  
 Pauline Jones Luong and Ellen Lust-Okar will research and write a book examining the impact of including or excluding Islamist parties from the political process. They will conduct a cross-national study focusing on Kyrgyzstan, Uzbekistan, Tajikistan, Jordan, Syria, Egypt, and Morocco.

**SECURITY STUDIES INITIATIVE**

**Columbia University**  
 New York, NY  
*International Security Studies and Military Policy Analysis* \$ 39,991  
 Richard Betts will direct a series of lectures and seminars on topics related to security studies and organize a program to provide support for graduate student research and fieldwork.

*Summer Workshop on Analysis of Military Operations and Strategy* \$165,779  
 Richard Betts will organize a three-week summer study to train young scholars to analyze military strategy, combat operations, and defense budgets and programs.

**Johns Hopkins University/School of Advanced and International Studies**  
 Washington, DC  
*The Merrill Center for Strategic Studies* \$ 90,666  
 Eliot Cohen will convene summer seminars on the teaching of military history and strategic studies and develop a set of teaching materials and techniques.

**United States Military Academy**

West Point, NY

*West Point Summer Seminar in Military History*

\$289,500

Robert Doughty and Fred Kagan will organize a four-week summer study at the United States Military Academy to train university professors in the teaching of military history.

**University of Chicago**

Chicago, IL

*Program on International Security Policy*

\$ 90,000

John Mearsheimer, Robert Pape, and Charles Glaser will organize a lecture and seminar series on topics related to security studies and organize a program to provide support for graduate student research and fieldwork.

**Yale University**

New Haven, CT

*Graduate Teaching Program in Security Studies with Special Reference to Historical Approaches*

\$280,000

Paul Kennedy will direct a series of lectures and seminars on topics related to security studies and organize a program to provide support for graduate student research and fieldwork.

***JUNIOR FACULTY RESEARCH GRANT PROGRAM***

**Middlebury College**

Middlebury, VT

*Global Warriors: Private Contractors and the Ambiguities of National Strategy*

\$ 60,000

Kateri Carmola will research and write a book that will examine the role that private contractors play in military operations.

**University of California, Irvine**

Irvine, CA

*Have Documents, Will Travel: The Challenge of Muslim Illegal Immigrants to National Sovereignty in Malaysia and India*

\$ 60,000

Kamal Sadiq will research and write a book that will examine how unregulated migration in South Asia could affect the political stability of India and Malaysia.

**University of California, Los Angeles**

Los Angeles, CA

*Stuck in the Moment: Why American National Security Agencies Adapted Poorly to the Rise of Terrorism after the Cold War*

\$ 60,000

Amy Zegart will research and write a book that will analyze why U.S. national security agencies failed to adopt reforms intended to address the challenges posed by the threat of terrorism.

**University of Colorado, Boulder**

Boulder, CO

*Chinese Views of Security Threats in the Post-9/11 World*

\$ 60,000

Peter Gries will research and write a book that will explore how members of the Chinese policy community view the international security environment in the aftermath of the September 11 terrorist attacks.

**University of Massachusetts-Dartmouth**

North Dartmouth, MA

*Assessing the Role of Warlords and Special Forces in the War on Terror: Operation Enduring Freedom, 2001-2005*

\$ 60,000

Brian Williams will research and write a book that will examine the role that U.S. special forces and Afghan warlords played in defeating the Taliban regime in Afghanistan and combating the subsequent Taliban insurgency.

**West Virginia University**

Morgantown, WV

*The Contest: Hearts, Minds, and the History of American Public Diplomacy in the Third World*

\$ 60,000

Jason Parker will research and write a book that will provide an historical assessment of the effectiveness of U.S. public diplomacy efforts in the third world.

**DOMESTIC PUBLIC POLICY PROGRAM  
2004 GRANTS**

**American Enterprise Institute for Public Policy Research**

Washington, DC

*Medicare Reality and Reform: Initiating a New Policy Debate* \$150,000

Joseph Antos will lead an effort to develop a blueprint to reform the Medicare program. He will commission research, convene meetings, and conduct policy analysis that will examine how Medicare should be financed and how past efforts to reform the program have fared. The project's findings will appear in a series of monographs.

*Tax Reform Project* \$ 50,000

Kevin Hassett and Alan Auerbach will commission research and convene a conference to develop recommendations for a comprehensive reform of U.S. tax policy. The papers will be published in a monograph.

*AEI-Brookings Joint Center for Regulatory Studies* \$250,000

Robert Hahn and Robert Litan will direct the center's research and publications program. The center will conduct analysis of existing regulations and regulatory proposals pending before federal agencies, assess the effectiveness of the regulatory policy making process, and examine critical issues in regulation. The center's work will be published in books and monographs, regulatory analysis reports, and policy briefs, as well as on its web site.

**Brigham Young University**

Provo, UT

*The Impact of Air and Ground War Campaigns on Voters:  
A Proposal for the 2004 Elections* \$ 50,000

David Magleby and Kenneth Goldstein will examine the impact of the Bipartisan Campaign Reform Act of 2002 on how candidates, political parties, and interest groups communicate with the public.

**The Campaign Finance Institute**

Washington, DC

*Assessing the Bipartisan Campaign Reform Act* \$200,000

Michael Malbin will lead a project to assess the impact of the Bipartisan Campaign Reform Act of 2002. The project will examine how public financing programs can be improved and develop recommendations for reforming the disclosure of campaign finance data.

**Claremont McKenna College**

Claremont, CA

*The Deterrence Value of Shareholder Class Action Litigation* \$ 66,534

Eric Helland will assess whether shareholder class action lawsuits are an effective means to uncover and deter cases of wrongdoing on the part of corporations. The project's findings will appear in a series of articles.

**Columbia University**

New York, NY

*The Politics of Education 2004: A Symposium for Political Journalists Covering the 2004 Presidential Campaign* \$ 5,000

Richard Colvin will organize a briefing on education policy issues for journalists covering the 2004 presidential election. The briefing will include presentations by members of Congress who were instrumental in the passage of the No Child Left Behind Act and key education policy experts.

**Common Good**

Washington, DC

*The Role of Judges as Gatekeepers* \$100,000

Philip Howard will commission research and convene a conference that will examine whether the judicial system would be more effective if judges exercised more discretion over the cases that were allowed to proceed to trial. The project's findings will be published as a series of papers and policy briefs.

**Corporation for Educational Radio and Television**

New York, NY

*Closing the Achievement Gap* \$ 25,000

Zach Richter will produce a documentary on the role that charter schools can play in improving the academic performance of African-American students. The film will focus on Amistad Academy, a successful charter school in New Haven, Connecticut, that serves children from disadvantaged families.

**Corporation for the Advancement of Policy Evaluation**

Washington, DC

*Closing the Reading Gap: Phase I of the Impact Evaluation of the Power4Kids Initiative for Students in Elementary School*

\$200,000

David Myers will direct an experimental evaluation of remedial reading interventions for primary school-age children. The project will randomly assign low-performing students to treatment groups utilizing leading remedial reading programs or to a control group receiving standard instruction in reading. The project's findings will appear in a report.

*Valuing Competencies*

\$239,445

Joshua Haimson and John Deke will examine how schools can maximize the educational and employment outcomes of their students through the development of their cognitive and non-cognitive competencies. The researchers will use data from the National Educational Longitudinal Study to assess how cognitive competencies, as measured by standardized tests, compare to non-cognitive competencies, such as leadership, social skills, and discipline, in predicting later success. The project's findings will appear in a report and a policy brief.

**Duke University**

Durham, NC

*The Center for Research Synthesis Methods*

\$ 85,715

Harris Cooper will organize an effort to oversee a series of systematic reviews of experimental evaluations of policies in the crime and justice, social welfare, and education areas.

**The Levy Economics Institute of Bard College**

Annandale-on-Hudson, NY

*Government Spending on the Elderly*

\$ 50,000

Dimitri Papadimitriou will commission research and convene a conference to examine how the aging of the U.S. population will affect the future of government spending and economic growth. He will commission papers on issues such as the macroeconomic impact of increased spending on the elderly and the effects of the Social Security program on labor force participation. The papers will be published in an edited volume.

**The Manhattan Institute**

New York, NY

*Workable Immigration Reform*

\$ 74,000

Tamar Jacoby will organize a working group to develop immigration policy reform proposals. The project will consider key questions posed in immigration policy debates, such as developing a guest worker program, providing pathways to allow illegal immigrants to earn legal status, and increasing enforcement of immigration laws. The project's findings will appear in a series of policy briefs and a final report.

**Migration Policy Institute**

Washington, DC

*An Assessment of Selected U.S. Border Control Measures*

*After September 11*

\$165,825

Deborah Meyers will lead an effort to assess the effectiveness of U.S. border control measures. She will conduct fieldwork and commission research to examine the implementation of changes in visa requirements, the consolidation of border control agencies, and the creation of a system to track foreign nationals in the United States. The project's findings will appear in a series of reports and policy briefs.

**The National Bureau of Economic Research**

Cambridge, MA

*Comparing Solutions to America's Long-Term Fiscal Imbalance*

\$268,653

Kent Smetters and Jagadeesh Gokahle will assess the long-term fiscal and generational imbalances in the budget of the U.S. government. They will develop an economic model to calculate long-term imbalances in the budget and analyze whether changes in the tax code and in entitlement programs could close or widen the fiscal gap. The project's findings will appear in a series of papers and a book.

**New River Education Fund**

Washington, DC

*Think Tank with Ben Wattenberg*

\$150,000

Ben Wattenberg will produce and host a weekly half-hour television program with guest panelists who discuss and debate public policy topics.

**New York University**

New York, NY

*School Rights Project: A Proposal for Studying Legal Consciousness and Educational Consequences*

\$ 117,310

Richard Arum will examine how the learning and disciplinary environment in schools is shaped by laws, the threat of lawsuits, and the perceptions of laws held by students, teachers, and administrators. The project's findings will appear in a series of papers and a co-authored book.

**Public Policy Institute of California**

San Francisco, CA

*Does School Choice Work? The Impact of Public School Choice Programs on Student Achievement*

\$ 161,910

Julian Betts will examine the impact of public school choice programs on student performance in the San Diego school district. The project's findings will appear in a report and a series of policy briefs.

**The Rand Corporation**

Santa Monica, CA

*The Effects of Charter Schools on the Public School Marketplace*

\$ 125,000

Ronald Zimmer and Richard Buddin will examine how charter schools affect the performance of traditional public schools located in the same communities. They will analyze data from several California school districts to measure whether charter schools exert competitive pressures on public schools to improve their performance. The project's findings will appear in a report and a policy brief.

**Resources for the Future**

Washington, DC

*Voluntary Environmental Programs — The Good, the Bad, and the Ugly?*

\$ 200,000

Richard Morgenstern and William Pizer will lead an effort to examine the effectiveness of voluntary initiatives to protect the environment. They will commission case studies of voluntary environmental programs in the United States and Europe. The case studies will be presented at a conference and published in an edited volume.

**Stanford University**

Stanford, CA

*Changes in Income Inequality Among Households* \$ 59,055

John Pencavel will examine how changes in the labor market have affected the economic well being of American families. He will study whether families have been able to offset declines in wage rates by increasing the number of hours they work. The project's findings will appear in a series of papers and a monograph.

**University of Chicago**

Chicago, IL

*Government Spending and Equality of Opportunity* \$ 83,735

Susan Mayer will examine the relationship between government spending on anti-poverty programs and subsequent educational and labor market outcomes. She will study how children in states that have high rates of spending on anti-poverty programs fare in comparison to children in states that spend less in these areas. The project's findings will appear in a series of papers.

*Understanding the Life Cycle of Skill Formation: Empirical and Theoretical Foundations for Policies to Foster Skills in the American Economy*

\$137,974

James Heckman will research and write a book that will examine how individuals develop skills for economic success. He will assess the role of families, firms, and schools in the development of cognitive and non-cognitive skills at different stages in an individual's life.

**University of Illinois at Chicago**

Chicago, IL

*Immigration: Trends, Consequences, and Prospects for the United States* \$157,300

Barry Chiswick will convene a conference and commission research to examine the economic impact of immigration. The research will address topics such as the economic mobility of immigrants and the economic impact of policies that favor immigrants with high levels of education and skills. The project's findings will appear in an edited volume.

**University of Maryland Foundation, Inc.**

Adelphi, MD

*Reconsidering the Federal Poverty Measure* \$107,341

Doug Besharov will lead an effort to develop better measures of the well being of disadvantaged Americans. He will commission research to assess the strengths and weaknesses of a range of different measures of well being. He will also convene a series of meetings with officials from the Census Bureau and other government agencies to examine the possibility for reforming the government's official poverty measure. The project's findings will appear in a single-author book.

**University of Michigan**

Ann Arbor, MI

*Taxing Corporate Income in the 21st Century* \$124,255

Joel Slemrod, James Hines, and Alan Auerbach will commission research and convene a conference to examine the future of corporate income taxation in the United States. The project's findings will appear in an edited volume.

*The National Education Goals and Federal Compensatory Education Policies from Ronald Reagan to George W. Bush* \$ 43,135

Maris Vinovskis will research and write a history of the use of federal financing and national education goals and standards to improve the quality of elementary and secondary education. He will study the history of federal education programs, such as Title I of the Elementary and Secondary Education Act of 1965 and the No Child Left Behind Act of 2002, to assess how those programs have shaped the educational policy landscape.

**University of Virginia**

Charlottesville, VA

*Sustaining Policy Victories: What Makes Reform Stick in American Government* \$ 78,780

Eric Patashnik will research and write a book that will examine how public policy reforms, once enacted, either succumb to or withstand the pressures of interest groups and political opponents to reverse them. He will undertake a series of case studies of policy reforms, such as the 1986 law that simplified the tax system. He will assess how well the principles embodied in those reforms have endured and explore the lessons for contemporary policy making.

**University of Washington**

Seattle, WA

*Within-District School Finance Analysis*

\$149,040

Paul Hill and Marguerite Roza will examine how school districts distribute resources among schools and explore whether resources could be distributed more equitably and effectively in order to promote student learning. Using data from school districts, they will study factors, such as administrative spending for central office functions and collective bargaining agreements with teacher unions, that affect the distribution of resources among schools. The project's findings will appear in a series of papers and reports.

**The Urban Institute**

Washington, DC

*The Costs, Benefits, and Effects of Collective Bargaining in Education*

\$ 91,572

Jane Hannaway and Andrew Rotherham will commission research and convene a conference on how collective bargaining agreements between teacher unions and school districts affect school reform initiatives. The project will trace the evolution of collective bargaining agreements in education and examine their impact on school productivity, school finance, and teacher quality. The project's findings will appear in an edited volume.

*Studies in Federal Budgeting*

\$191,914

Rudolph Penner and Eugene Steuerle will examine how the U.S. government's budget process can be reformed to improve budget policy choices. They will commission research, host conferences, and develop policy prescriptions to reform the rules and accounting methods used in the budget process and identify strategies to address the challenge of budgeting for health care costs. The project's findings will appear in a series of papers, monographs, and policy briefs.

**Yale University**

New Haven, CT

*The Promise of Preschool*

\$ 27,500

Elizabeth Rose will research and write a book that will explore the history of preschool programs in the United States. She will trace how concerns about school readiness and the performance of elementary and secondary schools have increased interest in preschool programs.

*Yale Center in Child Development and Social Policy* \$347,902  
 Edward Zigler will lead a research and analysis program that will address a wide range of issues concerning children and families, including Head Start, after-school programs for children, child care, and universal pre-kindergarten education. The project will result in a series of books and papers.

**DOMESTIC PUBLIC POLICY FELLOWSHIP PROGRAM**

**Duke University**

Durham, NC

*Moving Toward the Altar? Understanding the Marriage Trajectories of Low-Income Couples* \$ 60,000

Christina Gibson-Davis will examine how attitudes toward marriage among low-income couples affect their decisions to marry, co-habitate, and raise children. The project's findings will appear in a series of articles.

**University of Rochester**

Rochester, NY

*Rules and Restraint: Government Budgets and the Enforcement Problem* \$ 60,000

David Primo will research and write a book that will examine whether budget rules, such as balanced budget amendments, are an effective tool to control government spending.

**University of Texas, Austin**

Austin, TX

*Democratic Laboratories: The Politics of Innovation in the American States* \$ 60,000

Andrew Karch will research and write a book that will examine how policy innovations in areas such as welfare reform and health care are diffused from state to state.

**Yale University**

New Haven, CT

*Assessing the Impact of Welfare Reform on the Well-Being of Single Mothers and their Children* \$ 60,000

Hanming Fang will examine how welfare reform policies, such as work requirements and benefit time limits, have affected the well being of single mothers and children. The project's findings will appear in a series of papers.

## DIRECT SERVICE PROGRAM

### 2004 GRANTS (\$25,000 and above)

<b>Cystic Fibrosis Foundation</b> Bethesda, MD <i>General support</i>	\$ 100,000
<b>Bridgeport Hospital Foundation, Inc.</b> Bridgeport, CT <i>Neonatal Follow-Up Program for High-Risk Infants</i>	\$ 25,000
<b>FSW, Inc. CT</b> Bridgeport, CT <i>Workshop in Business Opportunities</i>	\$ 50,000
<b>North Carolina Coastal Land Trust</b> Wilmington, NC <i>Town Creek and Lower Cape Fear River Conservation Initiative</i>	\$ 25,000
<b>The Maritime Aquarium</b> Norwalk, CT <i>General support</i>	\$ 49,000
<b>Pines of Carolina Girl Scout Council, Inc.</b> Raleigh, NC <i>Leadership Development Center at Camp Mary Atkinson</i>	\$ 25,000
<b>St. Vincent's Medical Center Foundation</b> Bridgeport, CT <i>General support</i>	<u>\$ 25,000</u>
GRANTS	<u>\$14,076,472</u>
GRANTS (Not Listed Individually)	<u>\$ 1,150,521</u>
TOTAL GRANTS PAID 2004	<u><u>\$15,226,993</u></u>

## MANAGEMENT'S FINANCIAL REPORT

During 2004, the Foundation's unrestricted net assets increased by \$23,602,097. As of December 31, 2004, the Foundation had total assets of \$680,369,046.

The Foundation awarded grants totaling \$16,485,308 during 2004 and made cash payments on grants awarded during 2004 and unpaid grants from previous years of \$15,226,993.

The Foundation's consolidated financial statements have been audited by McGladrey & Pullen, LLP, independent certified public accountants. The consolidated financial statements, which follow on pages 32 through 36, have been derived from the Foundation's audited Consolidated Financial Report as of and for the year ended December 31, 2004, which included an unqualified opinion dated March 18, 2005.



Ross Hemphill  
*Vice President, CFO*

## Consolidated Statement of Financial Position

December 31, 2004

### Assets

Cash and cash equivalents	\$ 16,824,070
Securities and investments, at fair value:	
Domestic large cap equities	226,291,642
Domestic small/mid cap equities	64,536,622
International equities	106,725,970
Absolute return strategy equities	91,747,985
Real estate equities	13,110,494
Nonmarketable alternative equities	4,381,413
Natural resources equities	2,281,257
Fixed income funds	144,455,891
Property and equipment, net of accumulated depreciation	9,540,963
Interest and dividends receivable	214,338
Other assets	<u>258,401</u>
Total assets	<u>\$ 680,369,046</u>

### Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 560,505
Deferred compensation and postretirement liabilities	4,823,056
Unpaid monetary grants-in-aid	5,091,773
Unpaid nonmonetary grants-in-aid for use and occupancy of real estate	8,266,244
Deferred federal excise tax liability	<u>1,504,000</u>
Total liabilities	20,245,578
Commitments	
Noncontrolling interests in consolidated affiliates	191,834,776
Unrestricted net assets	<u>468,288,692</u>
Total liabilities and net assets	<u>\$ 680,369,046</u>

See Note to Consolidated Financial Statements.

## Consolidated Statement of Activities

Year Ended December 31, 2004

Revenues:	
Dividends	\$ 10,370,430
Interest	148,727
Equity in limited partnership income	3,076,936
Donated use and occupancy of real estate	1,205,892
Grants-in-aid canceled	348,811
Other	1,289
	<u>15,152,085</u>
Expenses:	
Monetary grants-in-aid	16,485,308
Nonmonetary grants-in aid for use and occupancy of real estate	1,005,233
Investment advisory fees	2,544,078
Custodian fees	95,081
Management and general	6,431,364
Unrecoverable foreign taxes	656
	<u>26,561,720</u>
Federal excise taxes:	
Current	525,627
Deferred	413,560
	<u>939,187</u>
Decrease in unrestricted net assets before net gains on investments, noncontrolling interest and extraordinary items	<u>(12,348,822)</u>
Net realized gains on investments	53,056,307
Net increase in unrealized appreciation on investments	1,260,048
	<u>54,316,355</u>
Noncontrolling interest in net income of consolidated affiliates	<u>( 18,272,727)</u>
Increase in unrestricted net assets before extraordinary items	<u>23,694,806</u>
Extraordinary items:	
Contribution to a trust	(92,709)
	<u>(92,709)</u>
Increase in unrestricted net assets	<u>23,602,097</u>
Unrestricted net assets:	
Beginning	444,686,595
Ending	<u>\$ 468,288,692</u>

See Note to Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

Year Ended December 31, 2004

### Cash Flows From Operating Activities

Change in unrestricted net assets	\$ 23,602,097
Adjustments to reconcile change in unrestricted net assets to net cash provided by (used in) operating activities:	
Revenue recognized for donated use and occupancy of real estate	(1,205,892)
Grants-in-aid recognized for use and occupancy of real estate	1,005,233
Depreciation	490,769
Gain on sale of property and equipment	(6,712)
Purchase of securities and investments	(336,271,679)
Proceeds from disposition of securities and investments	364,786,690
Contributions to partnerships	(11,230,819)
Distributions from partnerships	1,452,904
Net unrealized appreciation on investments	(1,260,048)
Net realized gains on investments	(53,056,307)
Undistributed income from investee limited partnerships	(3,076,936)
Noncontrolling interest in net income of consolidated affiliates	18,272,727
Contributions to a trust	92,709
Deferred federal excise taxes	413,560
Changes in assets and liabilities:	
(Increase) decrease in:	
Interest and dividends receivable	12,880
Other assets	(197,341)
Increase (decrease) in:	
Accounts payable and accrued expenses	(22,444)
Deferred compensation and postretirement liabilities	1,562,581
Unpaid grants-in-aid	<u>2,342,179</u>
Net cash provided by operating activities	<u>7,706,151</u>

<b>Cash Flows From Investing Activities</b>	
Proceeds from sales and maturities of securities and investments	\$ 185,778
Proceeds from sale of property and equipment	27,617
Purchase of securities and investments	(199,474)
Purchase of property and equipment	<u>(45,308)</u>
Net cash used in investing activities	<u>(31,387)</u>
<b>Cash Flows From Financing Activities</b>	
Noncontrolling members' contributions to Moorings Capital LLC	380,000
Withdrawals of noncontrolling members of Moorings Capital LLC	(3,020,000)
Distributions to noncontrolling members of Moorings Capital LLC	<u>(693,126)</u>
Net cash used in financing activities	<u>(3,333,126)</u>
Net increase (decrease) in cash and cash equivalents	4,341,638
Cash and cash equivalents:	
Beginning	<u>12,482,432</u>
Ending	<u>\$ 16,824,070</u>
<b>Supplemental Disclosures of Cash Flow Information</b>	
Cash payments for:	
Grants-in-aid	<u>\$ 13,794,318</u>
Federal excise taxes	<u>\$ 500,627</u>
<b>Supplemental Schedule of Noncash Investing and Financing Activities</b>	
Increase in unrealized appreciation of securities and investments	<u>\$ 26,741,739</u>
Reinvestment of dividends not reflected as distributions	<u>\$ 9,581,549</u>
Noncash transfer of interest between members of Moorings Capital LLC	<u>\$ 92,709</u>

See Note to Consolidated Financial Statements.

## NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

### **Distribution of Income**

The minimum amount required to be distributed during the year ending December 31, 2005, computed in accordance with the minimum distribution requirements of the Internal Revenue Code, is approximately \$11,700,000.

The Foundation expects to make distributions in 2005 in amounts authorized and approved by the Trustees.

## PROCEDURES

Initial grant inquiries to the Foundation should be made in the form of a concept paper. Such papers should not exceed five pages. The paper should include a description of the issue that the project will address; an explanation of how the project is relevant to public policy; and an assessment of how the project would add to the existing knowledge base. The paper should also include a discussion of the credentials of the project's principal investigator; an outline of the research strategy; and a description of the products that the project will produce. An estimate of the project's costs should also be included. A template for concept papers is available on the Foundation's web site.

If the staff determines that a proposed project merits further consideration under the Foundation's guidelines, an applicant will be asked to submit a full proposal that conforms to a proposal template provided by the Foundation. Proposals for grants of \$50,000 or less are reviewed on an ongoing basis and are handled as promptly as possible. Decisions on requests for grants greater than \$50,000, and for multi-year grant support, are made at one of the Foundation's regular board meetings.

Although the mission of the Foundation is to support public policy research, it makes a handful of grants to direct service organizations in North Carolina and Connecticut. Direct service organizations located outside these two states, as well as national direct service charities, will not be considered for support by the direct service grants program. Unfortunately, the vast majority of unsolicited requests for funding must be rejected. Please note that the Foundation does not provide support for the following:

- Deficit funding of previously established operations
- Building or construction projects
- Arts and humanities projects
- Historic restoration projects
- Research projects in the physical sciences
- Evaluations of direct service organizations conducted internally
- Educational or other support to individuals

All grant proposals should be addressed to:

**Smith Richardson Foundation**  
**60 Jesup Road**  
**Westport, CT 06880**  
**(203) 222-6222**  
**[www.srf.org](http://www.srf.org)**

## TRUSTEES

Peter L. Richardson  
*Chairman of the Board*

W. Winburne King III	Lunsford Richardson, Jr.
Dr. Arvid R. Nelson	Stuart S. Richardson
Adele Richardson Ray	E. William Stetson III

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Dr. Christopher DeMuth	Adele Richardson Ray
Stephen Goldsmith	Lunsford Richardson, Jr.
Dr. Samuel P. Huntington	Peter L. Richardson
Dr. Fred C. Iklé	E. William Stetson III
Dr. Roderick MacFarquhar	Ben J. Wattenberg
General Edward C. Meyer (Ret.)	R. James Woolsey
Dr. Arvid R. Nelson	Dr. Edward F. Zigler
Dr. June E. O'Neill	

## OFFICERS

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Senior Vice President, Director of Programs	Dr. Marin Strmecki
General Counsel	W. Winburne King III
Vice President, CFO	Ross F. Hemphill
Secretary	Dr. Arvid R. Nelson
Assistant Secretary	Diana B. Washburn
Assistant Secretary	Karla W. Frank

Trustees, Governors, and Officers are reported as of July 1, 2005

## STAFF

Dr. Marin Strmecki  
*Senior Vice President,  
Director of Programs*

Dr. Nadia Schadlow  
*Senior Program Officer  
International Security and Foreign Policy*

Mark Steinmeyer  
*Senior Program Officer  
Domestic Public Policy*

Allan Song  
*Program Officer  
International Security and Foreign Policy*

Fran Boulds  
*Administrative Associate  
Domestic Public Policy*

Scott Boston  
*Program Associate  
International Security and Foreign Policy*

Olga Ramous  
*Grants Coordinator*

Lori Rainville  
*Administrative Associate  
International Security and Foreign Policy*

Dale Stewart  
*Records Coordinator*

Paula Landesberg  
*Administrative Associate  
International Security and Foreign Policy*

Jennifer Hollings  
*Administrative Assistant*

Donna Walsh  
*Executive Assistant*

Staff members are reported as of July 1, 2005

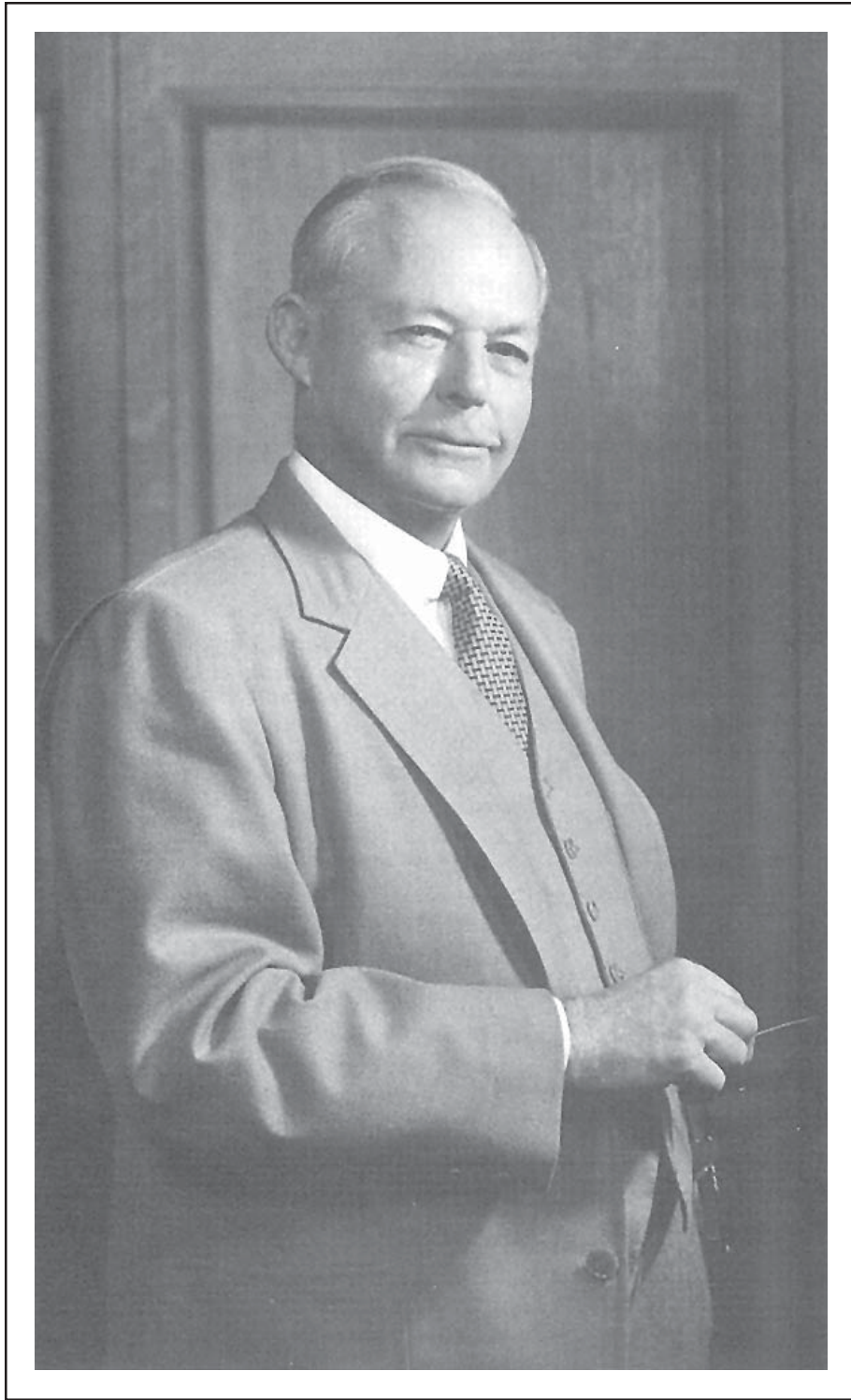
## OFFICES

### Program Office

*(Mailing Address For All Grant Proposals)*  
Smith Richardson Foundation, Inc.  
60 Jesup Road  
Westport, CT 06880  
(203) 222-6222  
[www.srf.org](http://www.srf.org)

### Administrative Office

Smith Richardson Foundation, Inc.  
701 Green Valley Road, Suite 300  
P.O. Box 29467  
Greensboro, NC 27429  
(336) 379-8600



## HISTORY

The Smith Richardson Foundation was established in 1935 by H. Smith Richardson and his wife Grace Jones Richardson. Mr. Richardson was a remarkable man with a business career successful beyond what anyone could have predicted from the simple beginnings of his firm in a North Carolina town. This firm, the Vick Chemical Company, which had been founded by his father, Lunsford Richardson, grew under his leadership to become one of the leading over-the-counter drug companies in the world. Richardson-Vicks, Inc., as it became known, was sold in 1985 to Procter & Gamble, Inc.

Mr. Richardson lived by principles that are often termed old-fashioned, and he gave generously of this wealth. Few people have combined Mr. Richardson's respect for traditional values with his willingness to innovate. He believed in giving bright young people responsibility commensurate with their abilities. Throughout his life, he maintained a direct interest in people and in the institutions conceived to improve the lives of others.

In setting forth his reasons for creating the Foundation in 1935, Mr. Richardson wrote:

From the beginning, America, the new world . . . has offered to humble families, native born or immigrant, the Opportunity to gain a fortune . . . if they were diligent and lucky. With this fortune went the Right to remain secure in its possession and enjoyment for themselves and their heirs after them . . .

Unquestionably, for two hundred years this Opportunity has played a large part in the building of the nation.

Mr. Richardson pointed out the incentive that this "Right" and "Opportunity" had given to those who pushed the American frontier westward, as well as the impetus to "invention, discovery, trade and manufacture and all the varied development of our natural resources." It was characteristic of him to capitalize the words "Opportunity" and "Right": these were key words in his personal creed. He believed that "Opportunity" was something to be seized with zeal and pursued with the utmost diligence. His belief in a personal bill of rights was equally strong: a person rightfully owned what his industry brought him, and the free enterprise system permitted the maximum scope for that industry. It was these beliefs that enabled him to transform his father's small mortar-and-pestle drug manufacturing business into an industrial concern of international stature.

By 1935, a strong social consciousness had begun to flourish in this soil of stout individualism. To this end Mr. Richardson wrote of the responsibilities required of a mature and reflective citizenship:

I believe the need for the time and thought of able men is that they be applied to the increasingly weighty problems of government and the serious social questions which now confront us and will continue to press for solution in the future . . . the greater the material wealth of the citizen the greater are his obligations to the State and Nation . . . the obligations to give his time and thought to these public and social problems.

The Foundation continues to support programs that are consistent with the vision of its Founder.