

**SMITH RICHARDSON
FOUNDATION, INC.**

ANNUAL REPORT 2005

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PRESIDENT'S LETTER

The mission of the Smith Richardson Foundation is to contribute to important public debates and to 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. The ongoing war against terrorism and the aftermath of U.S. military actions in Afghanistan and Iraq have illustrated the need to improve U.S. capabilities in the areas of intelligence gathering and analysis, public diplomacy, and post-conflict stabilization and reconstruction. At the same time, geopolitical competition and the uncertain future of economic and political developments in key states, such as Russia and China, require renewed assessments of how best to deploy U.S. resources in order to achieve strategic objectives around the globe.

In the domestic policy environment, key concerns continue to be the long-term fiscal challenges facing the federal government as the costs of entitlement programs, such as Social Security and Medicare, assume an increasingly large share of public resources and the need to improve the educational system in the United States to meet the human capital demands of a growing economy. 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 promoting 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 and analysis and developing new approaches to public diplomacy. The Foundation has long sought to support projects designed to increase 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, the Middle East and Central Asia, and India. 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 how differences in governance across China will shape the country's political evolution.
- **Center for Strategic and International Studies:** The center will launch an initiative to test whether a network of intelligence and area specialists can rely on open source information to develop reliable estimates of threats posed by terrorists.
- **Freedom House:** The organization will identify the internal and external factors that correlate with democratic change in authoritarian countries and develop recommendations for how best to support democratic forces in those countries.
- **The Hudson Institute:** The institute will develop recommendations for how the United States could more effectively engage in post-conflict reconstruction and stabilization.
- **Johns Hopkins University/School of Advanced and International Studies:** Two of the university scholars will lead an effort to promote policy measures among Afghanistan and its neighbors in Central South Asia that will promote regional economic development.
- **The RAND Corporation:** The organization will develop strategies for how the United States could best create and strengthen networks among moderate Muslim groups in the Islamic world.

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. 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 understand better how to improve the structure of school systems through accountability measures and assess the effectiveness of policies

designed to improve the quality of teachers. The Foundation has expanded on its interest in public finance issues through support for an initiative to develop policy options to reform the Medicare program. 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 political polarization and electoral competitiveness. 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 Brookings Institution:** The institution will collaborate on a project with the Hoover Institution that will examine the polarization of the political system in the United States and assess whether polarization is affecting the policy process.
- **Columbia University:** Two of the university's scholars will assess whether grade retention policies were an effective strategy for improving student achievement and compare the costs of such programs to alternatives such as summer school.
- **The Manhattan Institute:** The institute will partner with Public Private Ventures to evaluate the effectiveness of a program designed to help newly released prisoners reintegrate into society.
- **The RAND Corporation:** The corporation will assess how changes in laws governing class action lawsuits are affecting the legal landscape.
- **Stanford University:** One of the university's scholars will lead an effort to develop a blueprint for the reform of the Medicare program.
- **University of Texas at Dallas:** A team of researchers affiliated with the university will identify characteristics that correlate with teacher quality and explore the effectiveness of strategies to improve teacher quality.

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
2005 GRANTS**

America Abroad Media

Washington, DC

America and the Muslim World: A Public Diplomacy Initiative \$300,000

Aaron Lobel will develop partnerships with television networks in Turkey and Pakistan in order to produce and broadcast public affairs programs that will feature discussions among U.S. government officials and independent analysts about key foreign policy issues. The project will result in a series of television shows and video conferences.

American Enterprise Institute for Public Policy Research

Washington, DC

Land Power Project \$150,000

Frederick Kagan and Thomas Donnelly will lead an effort to examine key issues affecting the future of U.S. military land power. They will commission research, conduct field work, and convene conferences to analyze the role, composition, organization, and doctrine governing land forces. The project's findings will appear in a series of papers and a co-authored monograph.

American Foreign Policy Council

Washington, DC

Tolerant Islam in the War of Ideas against Wahhabism \$ 99,000

Evgueni Novikov will examine how government and non-governmental leaders in Central Asia are countering Islamic radicalism. He will commission research and conduct content analyses of school and university curricula, television and radio talk shows, and theological statements to examine how local actors are countering extremist ideologies. The project's findings will appear in a monograph.

The Asia Foundation

San Francisco, CA

Sino-Korean Relations: Implications for the U.S.-ROK Alliance and Regional Security in Northeast Asia \$199,688

Scott Snyder will research and write a book that will explore how relations between South Korea and China might affect the strategic balance in Northeast Asia. He will collect and analyze information about Sino-South Korean relations during the past decade and conduct interviews with officials and security experts in the region.

Aspen Strategy Group

Aspen, CO

Mapping the Jihadist Threat: The War on Terror Since 9/11

\$ 25,000

Kurt Campbell will commission papers and convene a roundtable of national security experts to consider the effectiveness of U.S. strategies to combat the threat posed by radical Islamist jihadists. The papers will be published and disseminated along with a summary of the proceedings of the roundtable.

The Atlantic Council of the United States

Washington, DC

Advancing U.S. Interests with the European Union

\$ 85,343

Leslie Lebl will examine how the United States can best advance its interests vis-à-vis the European Union. She will study the institutional landscape of the European Union and analyze how it affects relations between the United States and Europe in four key areas: defense, counter-terrorism, the greater Middle East, and the economy and the environment. The project's findings will appear in a monograph.

The Brookings Institution

Washington, DC

India's Military: A Comprehensive Assessment

\$ 110,000

Stephen Cohen and Sunil Dasgupta will research and write a book assessing the role that India could play as a strategic partner of the United States. They will analyze Indian primary sources and secondary materials and carry out extensive interviewing of Indian and American officials.

Energy, Politics, and Security in Greater Asia

\$ 150,000

Fiona Hill will lead an effort to assess global trends in the production and trade of oil and natural gas through an analysis of policy debates and programs in key consumer and producer countries, including China, India, Japan, and Russia. The project's findings will appear in four country-specific monographs and a series of articles.

The Carnegie Council Fund, Inc.

New York, NY

Foreign Policy Roundtable

\$ 40,000

Nicholas Rizopoulos will organize a forum at which leading foreign policy analysts and scholars will present their research to journalists and editors.

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.

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 field work in five Chinese provinces, commission a survey, and convene a series of seminars in China and the United States.

China's Soft Power Strategy in Southeast Asia, and the Implications for the United States \$ 99,550

Joshua Kurlantzick will research and write a book on how China is developing a "soft power" strategy in Southeast Asia to complement the "hard power" of its military build up. He will collect and analyze information on the influence and appeal of Chinese culture, values, and policies in the region.

The Hong Kong Journal \$135,345

Robert Keatley will edit a web-based quarterly journal analyzing political, economic, and social developments in Hong Kong, with a particular focus on Hong Kong's relationship to the central government in China.

China's Current Leaders: Spotlighting Internal Disputes \$ 25,000

David Gries will organize a conference to discuss trends in Chinese leadership politics through an analysis of the information contained in *China Vitae*, a database on Chinese leaders.

Center for Global Development

Washington, DC

Economic Foundations for Democratic Consolidation \$ 48,238

Ethan Kapstein will write a monograph analyzing the linkages between economic policies and reforms and democratic consolidation.

Center for Media and Security, Ltd.

Millwood, NY

Media Coverage and National Security and Defense Issues \$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 that would 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

National Guard and Reserve Study \$ 50,000

Christine Wormuth 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.

Demography and Geopolitics in the 21st Century \$225,154

Richard Jackson and Neil Howe will lead an effort to examine how demographic trends could affect the security interests of the United States and other great powers. They will analyze existing assumptions and data relevant to the relationship between demographics and geopolitics, examine whether fiscal pressures associated with population aging could affect the ability of key countries to project their power, and identify policies that might offset effects of existing demographic projections.

Stabilization and Reconstruction: Legislative Obstacles and Opportunities \$120,000
Richard Barton and Karin von Hippel will identify the legislative obstacles that hamper effective U.S. stabilization and reconstruction efforts and provide recommendations to reduce these constraints. The project's findings will appear in a monograph.

With One Hand Tied: Dealing with China During a Period of Preoccupation \$122,144
Kurt Campbell will develop recommendations for how the United States might counter China's efforts to expand its influence in Asia and around the globe. He will assemble a team of experts to probe the implications of China's growing power and explore how U.S. resources might best be deployed to protect U.S. interests. The project's findings will be disseminated through a report.

Future Making: Getting Your Organization Ready for What's Next \$ 20,000
Clark Murdock will write a book that will help the policy community redress deficiencies in strategic planning in the national security process.

Open Source Information: The Missing Dimension of Intelligence \$216,250
Arnaud de Borchgrave and Thomas Sanderson will explore whether open source information can be used to provide a deeper understanding of terrorist threats. They will lead a team of specialists from diverse fields to operate as a network that will share information and insights in order to develop an open-source assessment of the threat of Islamic terrorism in Europe.

Cornell University
Ithaca, NY

Democracy Promotion through Electoral Revolutions \$ 69,488
Valerie Bunce and Sharon Wolchik will research and write a book on democracy promotion in countries in which elements of democratic and authoritarian orders co-exist. They will conduct nine case studies of the success or failure of electoral strategies for democratic change in Slovakia, Croatia, Serbia, Georgia, Ukraine, Kyrgystan, Armenia, Azerbaijan, and Belarus.

Davidson College

Davidson, NC

Growing Together or Drifting Apart? The Political Consequences for Taiwan of Cross-Strait Economic Integration

\$109,500

Shelley Rigger will explore whether deepening economic interaction between China and Taiwan is likely to increase or diminish Taiwanese willingness to consider some form of reintegration with China. She will interview Taiwanese businessmen and citizens involved with cross-strait economic activities, analyze primary and secondary source materials, and carry out an opinion survey. The project's findings will appear in a series of articles, reports, and a monograph.

The Donors Forum on International Relations

New York, NY

Congress of Brussels: Mapping a Strategy for a New Europe

\$ 50,000

Daniel Hannan will commission papers and convene a conference in order to stimulate new thinking on the future of Europe. The papers will cover topics such as the European court system, Europe's response to radical Islam, Turkey's relationship with the European Union, and the transatlantic relationship.

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 nonofficial 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.

Foreign Policy Research Institute

Philadelphia, PA

Succeeding in Phase IV — A New Approach to Stabilizing and Rebuilding Shattered Societies

\$189,532

Andrew Garfield will examine how best to conduct state-and nation-building operations as part of postwar reconstruction efforts. He will explore how the United Kingdom has approached reconstruction efforts and develop recommendations for U.S. policy makers. The project's findings will appear in a monograph.

Balancing Act: A Report on How People in Central Asia are Perceiving and Receiving the Convergence of Global Powers \$ 11,000
Nicholas Schmidle will write a journal article that will examine the attitudes and perceptions of the local populace in Kyrgyzstan and Tajikistan toward key external powers operating in the region, including China, Iran, Russia, and the United States.

Freedom House

New York, NY

Freedom in the World: The Annual Survey of Political Rights and Civil Liberties \$125,000

Arch Puddington will research and edit *Freedom in the World*, Freedom House's annual survey of political freedom and democracy around the globe.

Ukraine's Orange Revolution: The Emergence of Europe's Newest Democracy and Its Policy Implications \$ 84,000

Adrian Karatnycky will research and write a book that will document the history of Ukraine's Orange Revolution and assess its implications for the political evolution of Ukraine and other former Soviet states.

Research Project on Democratic Transitions \$122,930

Adrian Karatnycky and Michael McFaul will lead an effort to develop strategies to foster democratic change in authoritarian countries. Analyzing data from the cases of authoritarian governments that fell from power during the last three decades, they will identify the internal and external factors that were most closely associated with the rise of successful democracies in these countries. They will then convene a study group to examine how their analysis could inform policy thinking about the potential for democratic transitions in China, Egypt, Pakistan, Russia, and Saudi Arabia. The project's findings will appear in two monographs and a series of policy briefings.

George C. Marshall Foundation

Lexington, VA

Lessons from the Marshall Plan for Contemporary Post-Conflict Stabilization and Reconstruction

\$248,570

Larry Bland, George Oliver, and Barry Machado will examine whether the Marshall Plan can offer lessons on how best to structure post-conflict stabilization and reconstruction efforts. They will conduct archival research on aspects of the Marshall Plan, such as the treatment of displaced persons, the restoration of government services, the initiation of economic recovery programs, and the repair of key infrastructure, in order to glean insights relevant to contemporary stabilization and reconstruction challenges. The project's findings will appear in a monograph.

George Washington University

Washington, DC

The Chinese Communist Party: Survival or Collapse?

\$100,000

David Shambaugh will research and write a book on the future prospects of the Chinese Communist party. He will analyze primary source materials and conduct interviews to explore the adaptability of the Chinese Communist party and assess its ability to remain in power.

Georgetown University

Washington, DC

Why is the Middle East Still Authoritarian? Meeting the Challenge of Democracy in the Middle East

\$ 96,832

Steven Heydemann will research and write a book on the persistence of authoritarianism in key countries in the Middle East. He will research and analyze the political, economic, and social histories of Egypt, Iraq, Jordan, Morocco, Algeria, Tunisia, and Syria in an effort to explain why the autocratic structure in these countries has been so enduring.

The German Marshall Fund of the United States

Washington, DC

Revamping Democracy Promotion

\$ 25,000

Craig Kennedy and Bruce Jackson will develop new thinking to support the implementation of democracy promotion programs around the world. They will convene a series of meetings involving high-level policy makers and experts to identify the key operational capabilities of the United States that are necessary to promote democracy and to suggest strategies to improve those capabilities. The project's findings will appear in a policy brief.

Harvard University

Cambridge, MA

Taming Anti-Americanism: Public Diplomacy and the Origins of the American Century

\$ 82,500

Gregory Mitrovich will research and write a book that will examine U.S. public diplomacy during the cold war in order to develop recommendations on how best to engage in effective public diplomacy.

Cold War Studies Publications Program

\$177,000

Mark Kramer will edit and publish the *Journal of Cold War Studies* and support two books in the Harvard Cold War Studies series.

Hoover Institution

Stanford, CA

US-ROK Forum on Korean Unification

\$ 25,000

Harry Rowen will commission research and convene meetings addressing urgent issues regarding the future developments on the Korean Peninsula and key areas of U.S.-South Korean cooperation.

Chinese Leadership Analysis

\$199,388

H. Lyman Miller will commission and publish a quarterly report on Chinese leadership politics. The publication will track the internal politics of the Communist party, as well as national politics affecting political and economic reform, national security, and foreign policy.

Hudson Institute

Washington, DC

Net Assessment of Radical Islam

\$100,000

Enders Wimbush will lead an effort to develop strategies to compete more effectively against transnational radical Islamist forces. He will conduct field work and convene working groups to produce a net assessment of the global competition between radical Islam and moderate democratically oriented forces in Indonesia and Morocco. The project's findings will appear in a series of papers and a final monograph.

The Liberal Arab Media

\$ 50,000

Lee Smith will research and write a book that will identify liberal media outlets in Beirut, Cairo, and Dubai and analyze the debates taking place in these forums with regard to issues such as the nature of Islam, the future of democracy in the Arab world, and women's rights.

World Order and Post-Conflict Competence \$250,000
James Clad will examine how best to conduct state- and nation-building operations as part of post-war reconstruction efforts. He will analyze how to reconstitute political authority and explore how to stimulate greater private-sector economic activity at an early stage of these operations. The project's findings will appear in a series of monographs and a single-author book.

America and the Future of Islam: Radical Islam and Democratic Alternatives \$150,000
Hillel Fradkin will commission research to track and analyze key arguments shaping the ongoing debate between proponents of moderate and extremist Islam. The project's findings will appear in the journal, *Current Trends in Islamist Ideology*.

The Institute for Foreign Policy Analysis

Cambridge, MA

Identifying Trends in Japan-DPRK Relations and Implications for U.S. Policy \$ 49,790

James Schoff will research and write a report that will analyze the political dynamics shaping Japan's policy toward North Korea. The report will focus on the issue of Japanese citizens who have been abducted by North Korea.

Institute for Science and International Security

Washington, DC

The Khan Network: Investigating and Shutting Down the Nuclear Black Market \$125,000

David Albright and Joel Wit will research and write a monograph that will analyze the weapons network created and operated by A. Q. Khan in order to develop strategies to counter nuclear proliferation. They will examine open source materials, such as court documents and information collected by various international organizations and agencies, and conduct interviews with both those who have participated in the Khan network and those who have investigated the operation.

Inter-American Dialogue

Washington, DC

Venezuela under Chavez: Guidelines for U.S. Policy \$120,000

Michael Shifter will lead an effort to develop options for U.S. policy toward Venezuela. He will conduct research and convene an advisory panel composed of experts and former policy makers to examine how the United States might respond to political developments in Venezuela. The project's findings will appear in a monograph.

The Jamestown Foundation

Washington, DC

Chechnya Weekly

\$ 50,000

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

China Brief

\$ 40,877

Arthur Waldron will edit and publish a bi-weekly publication analyzing political, economic, and geopolitical developments in China.

The Johns Hopkins University/School of Advanced and International Studies

Washington, DC

Improving U.S. Capacity to Advise Foreign Militaries

\$100,156

Thomas Mahnken will research and write a monograph on how the United States could help to upgrade the military capabilities of allied countries. He will examine how the United States has trained and advised foreign militaries in the past and compare these approaches to models adopted by the United Kingdom and Australia.

Regional Cooperation in Greater Central Asia

\$100,540

Frederick Starr will lead an effort to develop a strategy for building collaborative economic ties between Afghanistan and its neighbors. They will commission research, consult with the region's policy making elites and academics, and convene an international conference in Kabul. The project's findings will be presented at the conference and in a monograph.

Central Asia-Caucasus Institute 2004-2006

\$369,781

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.

Forgotten Wars

\$ 77,500

Todd Greentree will research and write a book on strategies used to conduct irregular warfare in Nicaragua and El Salvador that will examine how best to coordinate military and political instruments of power in order to defeat insurgencies.

Kings College London

New York, NY

The Muslim Brotherhood: Aims and Strategies

\$149,982

Alison Pargeter will examine the strategies and tactics of the Muslim Brotherhood as it operates in Egypt, Sudan, Syria, the United Kingdom, Germany, France, and Spain in order to assess how it seeks to expand its presence and influence in Europe and the Middle East. The project's findings will appear in a monograph.

National Strategy Information Center, Inc.

Washington, DC

Armed Groups: A Missing Dimension of Intelligence Reform

\$200,000

Roy Godson and Richard Shultz will examine how U.S. intelligence capabilities might be improved in order to meet the challenge of sub-state armed groups. They will convene a working group on the use of covert action against armed groups and outline a strategy for using successful intelligence practices against armed groups operating along the southern periphery of the United States. The project's findings will appear in a series of reports.

New York University

New York, NY

Taiwan's Contribution to China's Justice

\$200,000

Jerome Cohen will convene legal scholars from China, Taiwan, and the United States in order to analyze which aspects of Taiwanese criminal justice system reform could be adopted by China. The project's findings will appear in a series of reports.

The Nixon Center

Washington, DC

Europe's New Mujahideen and U.S. National Security

\$179,175

Robert Leiken will research and write a book on the growth of Islamic radicalism in Western Europe. He will conduct field work in Great Britain, France, the Netherlands, Spain, Belgium, Italy, and Germany in order to better understand the relationships between terrorist networks and Muslim immigrant communities.

Translation of Monograph into Russian

\$ 10,000

Zeyno Baran will oversee the translation into Russian of a monograph on Hizb ut-Tahir, a political group active in Central Asia that seeks to establish an Islamist state.

Pacific Forum CSIS

Honolulu, HI

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

\$ 110,000

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

China Vitae

\$ 126,500

David Gries will create an on-line searchable biographic database of the top 2,000 officials in the Chinese government.

The Project on Transitional Democracies

Washington, DC

Frontiers of Freedom

\$ 75,000

Bruce Jackson will lead an effort to develop strategies to advance democratic and free-market reforms in Eastern and Central Europe and to integrate those countries into Western institutions. The project will analyze obstacles to reform and integration and provide the policy makers of these countries with recommendations for accelerating these processes. The project's findings will appear in a series of papers.

The RAND Corporation

Santa Monica, CA

Building Moderate Muslim Networks

\$ 274,868

Angel Rabasa, Cheryl Benard, and Lowell Schwartz will develop strategies to create and strengthen networks among moderate Muslim groups and individuals in the Islamic world. They will assess the strengths and weaknesses of current U.S. strategies to bolster moderate Muslim groups, determine which successful cold war strategies for building democratic networks might be applicable to the current challenges in the Islamic world, and produce concrete action plans for amplifying moderate Muslim voices. The project's findings will be disseminated through a series of briefings, policy papers, and a co-authored monograph.

Developing a Nation-Building Doctrine

\$ 209,369

James Dobbins will examine how best to conduct state- and nation-building operations as part of post-war reconstruction efforts. He will conduct field work and policy analysis in order to develop a civil-military doctrine to guide stabilization and reconstruction operations. The project's findings will appear in a monograph.

Rocky Mountain Institute

Snowmass, CO

Winning the Oil Endgame: Implementing Change

\$150,000

Amory Lovins will lead an effort to develop approaches to implement energy-efficiency measures to reduce U.S. dependence on imported oil. The project will assess ways to improve the efficiency of military platforms and the heavy trucking industry, to introduce incentives for purchase of fuel-efficient vehicles, to accelerate the development and introduction of new drive train technologies, and to develop potential biofuels. The project's findings will appear in a report.

Smith College

Northampton, MA

The Changing Face of Governance: Reform China through the Lens of Zouping

\$ 50,000

Steven Goldstein and Jean Oi will commission research that will examine how China's economic and political reforms have affected day-to-day life in Zouping. The papers will be published in an edited volume.

University of Maryland

College Park, MD

Unanticipated Policy Implications of Preemption

\$ 67,100

George Quester will research and write a book exploring the implications of adopting a strategy of preemptive or preventive war. He will identify five historical cases in which states engaged in preemptive or preventive use of force and analyze the implications of those cases for the present-day U.S. decision to adopt a policy of preemption.

The Washington Institute for Near East Policy

Washington, DC

Raising Intellectual Capital for the War on Terror

\$ 89,000

Martin Kramer will identify what kinds of intellectual resources need to be mobilized in order to wage the war on terrorism effectively. He will collect information about existing programs in areas such as language training and regional studies and analyze how the array of extra-governmental resources can be marshaled to meet the current challenges. The project's findings will appear in a monograph.

The Wisconsin Project on Nuclear Arms Control

Washington, DC

Iraq Watch

\$ 24,900

Gary Milhollin will lead an effort to maintain the Iraq Watch website, which provides the policy community with access to original documents and analyses related to Iraq's former weapons of mass destruction and ballistic missile programs.

Iran Watch

\$150,000

Gary Milhollin and Valerie Lincy will track Iran's efforts to acquire weapons of mass destruction (WMD) and to develop further its ballistic missile delivery systems. They will develop a database listing Iranian organizations linked to WMD and missile programs, a searchable compendium of documentary materials on Iranian programs produced by public and private sources, and a series of histories and analyses of Iran's WMD and missile capabilities.

The Woodrow Wilson Center

Washington, DC

Reshaping the U.S.-Turkish Strategic Relationship

\$120,000

Ian Lesser will develop recommendations to help the U.S. policy community rebuild the U.S.-Turkish relationship. He will commission papers and conduct research and analysis to identify problems affecting U.S.-Turkish relations and examine how to develop and leverage areas of cooperation to strengthen the relationship. The project's findings will appear in a monograph.

Inside China's Cold War: Documenting Beijing's Foreign Policy

\$100,000

Christian Ostermann will lead an effort to examine newly released Chinese documents in order to provide the policy community with greater historical insight into the deliberations and actions of China's leadership during the cold war. The project's findings will appear in the *Cold War International History Project Bulletin*, a web-based archive of the documents, and a monograph analyzing key documents.

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.

SECURITY STUDIES INITIATIVE

Columbia University

New York, NY

International Security Studies and Military Policy Analysis \$ 41,094

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 field work.

Summer Workshop on Analysis of Military Operations and Strategy \$170,753

Richard Betts will organize a three-week summer study to train young scholars to analyze military strategy, combat operations, and defense budgets and programs.

University of Chicago

Chicago, IL

Sustaining the Program on International Security Policy \$100,000

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 field work.

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 field work.

JUNIOR FACULTY RESEARCH GRANT PROGRAM

Columbia University

New York, NY

The Political Decisiveness of War \$ 60,000

V. Page Fortuna will research and write a book that will explore the extent to which the use of armed force leads to politically decisive results.

Cornell University

Ithaca, NY

The Rise of Nationalism in East Asia? History Wars and Their Impact on the Region \$ 60,000

Jae-Jung Suh will research and write a book that will examine how the history of armed conflict among China, Japan, and Korea shapes contemporary relationships among those states.

Harvard University

Cambridge, MA

Securing Democracy: Balancing Reform and Concession and the Lessons of Nineteenth Century European Democratization

\$ 60,000

Daniel Ziblatt will research and write a book that will examine the democratic development of France, Germany, Italy, and Great Britain during the 19th century in order to understand how those states balanced democratic reforms with concessions to previous ruling elites in order to win broader political support for change.

University of Montana

Missoula, MT

State Survival and Death: Domestic, International, and Technological Contexts

\$ 60,000

Karen Adams will research and write a book that will examine the causes and consequences of state failure and survival. She will review cases of state conquest, union, revolution, disintegration, and collapse in Europe and the Middle East from 1816 to the present day. She will also identify the domestic, international, and technological forces causing some states to succeed while others fail.

University of Notre Dame

Notre Dame, IN

U.S. Nuclear Policy: Departure from Deterrence?

\$ 60,000

Keir Lieber will research and write a book that will explore the continuity and change in U.S. nuclear policy since the 1950s. He will conduct archival research using newly declassified documents and conduct interviews with former and current policy makers in order to provide a more complete understanding of U.S. nuclear strategy.

DOMESTIC PUBLIC POLICY PROGRAM
2005 GRANTS

American Enterprise Institute for Public Policy Research

Washington, DC

Medicare Reality and Reform: Initiating a New Policy Debate \$175,000

Joseph Antos and Robert Helms will lead an effort to develop a reform proposal for the Medicare program. They will commission research, convene meetings, and conduct policy analysis on critical issues regarding the program, such as how to assist individuals to make informed choices regarding health care quality and cost and how it should be financed. The project will result in a series of monographs as well as a final report setting forth a plan for Medicare reform.

AEI-Brookings Joint Center for Regulatory Studies \$350,000

Robert Hahn and Robert Litan will direct the research and publications program of the AEI-Brookings Joint Center for Regulatory Studies. The center will produce analyses of existing and proposed regulations, the regulatory policy-making process, and issues critical to the regulatory policy community, such as the role of economic analysis in regulatory policy-making. The center will publish books, monographs, regulatory analysis reports, and policy briefs.

American University

Washington, DC

Improving U.S. Election Administration: The Role of Registration Lists \$ 25,000

Robert Pastor will develop policy recommendations to improve the administration of U.S. elections. He will evaluate the progress that states have made in developing interoperable computerized lists of registered voters, a requirement mandated by the Help America Vote Act of 2001. The project's findings will appear in a research report that will be presented to the Commission on Federal Election Reform.

Brandeis University

Waltham, MA

Bringing Politics Back into Policy Analysis

\$ 49,967

Steven Teles will research and write a book that will explore whether policy analysis can be improved by systematically assessing how political institutions and actors affect the design and implementation of policy reforms. He will critically examine whether policy analysts have taken adequate account of political dynamics affecting reform when making their recommendations. He will explore how a more thorough understanding of such political forces should factor into policy thinking on issues such as education and Social Security reform.

The Brookings Institution

Washington, DC

Red and Blue Nation? Causes, Consequences, and Corrections of America's Polarized Politics

\$105,000

Pietro Nivola and David Brady will commission research and convene a series of conferences to identify the characteristics and causes of political polarization in the United States, assess its impact on the policy-making process, and set forth strategies to counter any negative effects of increased polarization. The project's findings will appear in two edited volumes and a series of policy briefs.

Peering Through the Schoolhouse Door: Connecting Education Research, Policy Making, and Practice

\$150,000

Tom Loveless will commission research and convene a conference to examine whether reductions in class and school size affect the performance of schools. Researchers will address questions such as the effect of class-size reduction policies on teacher quality and how school-size reduction policies shape the learning environment in a school. The project's findings will appear in an edited volume.

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 interest groups have adapted to the new campaign finance regulations and develop recommendations for reforming the disclosure of campaign finance data. The institute's findings will appear in a series of reports, books, and policy briefs.

Cato Institute

Washington, DC

The Project on Electoral Competition

\$ 50,000

John Samples and Michael McDonald will commission research and convene a conference that will examine the level of electoral competition in the United States and recommend strategies to increase the degree of competitiveness in American politics. The project, a joint effort between the Cato Institute and the Brookings Institution, will provide estimates on the degree of competitiveness in federal, state, and local elections and identify the forces that are affecting the level of competition, such as the advantages of incumbency, the recruitment of candidates, and campaign finance regulations. The project's findings will appear in an edited volume and a policy brief.

Columbia University

New York, NY

Grade Retention: A Solution for Turning Failure into Success?

\$ 86,125

Jennifer Hill and Christopher Weiss will examine whether grade retention policies are an effective strategy to increase the level of academic achievement among low-performing students. They will measure how students who have been forced to repeat a grade or have been held back fare in terms of academic achievement, rates of school completion, and post-secondary school outcomes. They will also conduct a comparative cost-benefit analysis of grade retention policies and alternate strategies, such as remedial classes and summer school interventions. The project's findings will appear in a series of papers.

Environmental Defense

Washington, DC

Analyzing the Environmental Impacts of Reforming U.S. Crop Subsidies and Conservation Programs

\$249,580

Robert Bonnie, Tom Searchinger, and Scott Faber will lead an effort to develop options for reforming U.S. agriculture policies in ways that would reduce damage to the environment. They will use a mathematical model to measure the effect of a variety of farm policies on environmental outcomes, assess the effectiveness of the Conservation Security Program, and explore the possibility of implementing performance-based conservation policies. The project's findings will appear in a series of reports.

George Mason University

Fairfax, VA

Effect of Racial Composition on Minority Achievement \$ 15,000

David Armor will examine whether the rigor of state education standards and accountability measures affects the educational achievement of minority students. The project's findings will appear in an article.

Georgetown University

Washington, DC

Controlling Irregular Migration: The Challenge of Worksite Enforcement \$125,962

Lindsay Lowell and Susan Martin will explore whether illegal immigration could be curbed through more effective enforcement of immigration laws in the workplace. They will conduct field work, data analysis, and review existing research to develop a set of recommendations for strengthening worksite enforcement of immigration laws. The project's findings will appear in a series of reports.

Harvard University

Cambridge, MA

The Adequacy Lawsuit: Its Origins and Ongoing Impact on American Education \$103,092

Paul Peterson will commission research and convene a conference to assess how efforts to use adequacy lawsuits to increase funding for schools are shaping the education policy landscape in the United States. Researchers will address such topics as how courts have defined adequate funding levels and whether adequacy lawsuits have resulted in improvements in student achievement. The project's findings will appear in an edited volume.

The Effect of Teacher Absences on Student Achievement \$127,210

Richard Murnane and John Willet will examine how teacher absenteeism affects the academic performance of students. Using a large data set from a major urban school district, they will measure whether the rates at which teachers are absent from school are correlated with student achievement and behavior. The project's findings will appear in a series of papers.

Racial Segregation in America \$109,263

Stephen Thernstrom will research and write a book exploring the progress America has made in overcoming racial segregation. He will examine data on segregation in housing, education, religious institutions, and social relationships and explore whether and under what circumstances public policies can play a role in minimizing segregation.

Joint Center for Political and Economic Studies

Washington, DC

Black Churches and the Faith-Based Initiative

\$139,400

David Bositis will examine whether African-American churches are willing and able to receive funding from the federal government to finance social services in disadvantaged communities. He will conduct a survey of 750 leaders of African-American churches and analyze their awareness of the availability of federal support for church-offered social services as well as their interest in receiving such support. The project's findings will appear in a report and a series of research briefs.

The Manhattan Institute for Policy Research, Inc.

New York, NY

Moving Men into the Mainstream: The Next Steps in Urban Reform

\$327,467

The Manhattan Institute will collaborate with Public Private Ventures to evaluate a program designed to help newly released criminal offenders reintegrate into society. They will conduct an experimental evaluation of a prisoner reentry program sponsored by America Works, which helps prisoners prepare to enter the labor market and provides them with job counseling as they transition from prison. The project's findings will be published in a report.

MDRC

New York, NY

Evaluation of National Guard ChalleNGe

\$125,000

Dan Bloom will lead an evaluation of an intensive education and mentoring program sponsored by the National Guard and designed to help at-risk youth make the transition to productive adulthood. The project will randomly assign approximately 2,500 young people to either a treatment or control group in order to assess whether the ChalleNGe program enhances educational and vocational outcomes for its participants. The project's findings will appear in a report.

Migration Dialogue

Davis, CA

Immigration and the Changing Face of Rural America

\$159,600

Philip Martin and Michael Fix will research and write a book that will examine how the demands of the U.S. farm economy shape immigration patterns and policies and explore whether those patterns and policies could result in a new underclass. They will document the historical role that immigrants have played in the farm economy, investigate how the needs of agriculture have shaped immigration laws, and analyze policy options that might make the agriculture sector more productive while also helping immigrants to assimilate.

New York University

New York, NY

Governing on Empty

\$ 50,000

Paul Light will research and write a book that will examine the recruitment, management, and compensation of government employees in the United States and offer recommendations for how personnel policies should be reformed. He will consider issues such as the pay structures for civil servants, the growth in the number of middle-level management positions within governments, and the increase in the use of contractors and consultants by governments.

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

\$181,190

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

Improving Congress's Ability to Make Long-Consequence Choices for the 21st Century

\$ 25,000

The John Brademas Center for the Study of Congress will convene a conference to consider the extent to which the U.S. Congress will be able to address the "long-consequence" policy challenges facing the United States during the next five to ten years. The conference will explore whether Congress has the deliberative, procedural, political, and analytical resources necessary to address issues such as the reform of entitlement programs, immigration, and energy policy. The project's findings will appear in a report.

The RAND Corporation

Santa Monica, CA

Tilting the Balance? Measuring the Effects of the Class Action Fairness Act of 2005

\$200,000

Nicolas Pace and Eric Helland will assess the impact of the Class Action Fairness Act of 2005 (CAFA) on the civil justice system. In order to determine whether CAFA is leading to a shift of class actions from state to federal courts and changes in the size of awards to plaintiffs and the fees paid to plaintiffs attorneys, they will examine administrative data from federal and state courts, collect and analyze data from a survey of insurance companies, and conduct interviews with judges, plaintiffs attorneys, and defense counsels. The project's findings will appear in a report and two research briefs.

University of Michigan

Ann Arbor, MI

Negotiating a New Nation: Immigration, Education, and Americanization, 1890-1950

\$ 89,956

Jeffrey Mirel will research and write a book that will explore the role that immigrant assimilation programs have played in helping immigrants enter the social and economic mainstream of American society. He will examine primary source materials to assess how immigrants in the early part of the 20th century responded to assimilation programs sponsored by schools, businesses, and other institutions and consider whether similar programs might succeed in fostering assimilation among today's immigrants.

Stanford University

Stanford, CA

An Equitable, Efficient, and Sustainable Medicare for the 21st Century

\$109,724

Alan Garber will lead an effort to develop a reform proposal for the Medicare program. He will commission research, convene meetings, and conduct policy analysis on critical issues regarding the Medicare program, such as whether program eligibility should be changed to account for increases in life expectancy and whether insurance market regulation could be used to ensure equitable access to care. The project will result in a series of papers and policy briefs as well as a blueprint for Medicare reform.

University of Maryland Foundation, Inc.

Adelphi, MD

Reconsidering the Federal Poverty Measure

\$114,033

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 of reforming the government's official poverty measure. The project's findings will appear in a single-author book.

Peter H. Rossi Award for Contributions to the Theory and Practice of Program Evaluation \$ 25,000

The University of Maryland will create an annual award to honor the contributions that Peter Rossi has made to the field of policy and program evaluation. The award will be given in recognition of a paper, publication, or body of work that improves the policy community's knowledge about social programs or policies.

University of Texas at Dallas

Richardson, TX

Understanding Policies for Improving Teacher Quality \$182,788

Eric Hanushek, Steven Rivkin, and Daniel O'Brien will examine the effectiveness of strategies to improve the quality of teachers in America's public schools. They will use a large dataset of Texas schools to study the characteristics, such as education, training, and curricula, that correlate with high-quality teaching and explore the feasibility of strategies designed to identify and reward high-quality teachers more effectively. The project's findings will appear in a series of papers in peer-reviewed journals and articles.

University of Washington

Seattle, WA

Teacher Licensure Tests and Student Achievement: Is Teacher Testing an Effective Policy? \$200,000

Dan Goldhaber will examine whether teacher quality can be improved through the administration of teacher licensure tests. He will compare the performance of teachers on standardized licensure tests to their performance in the classroom in order to determine whether the testing system is a valuable tool for policy makers interested in increasing teacher quality. The project's findings will appear in a series reports.

Within-District School Finance Analysis \$ 30,559

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

Studies in Federal Budgeting

\$150,000

Rudolph Penner and Eugene Steuerle will examine how the U.S. government’s budget process can be reformed in order 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.

Effects of Household Structure on Minority Youth

\$175,000

Harry Holzer will examine how the experience of growing up in a single-parent, female-headed household affects the later-life outcomes of minority youth. He will use data from the National Longitudinal Survey of Youth to explore the associations between family structure and socio-economic outcomes, such as educational attainment, employment, and earnings. The project’s findings will appear in a series of papers.

Yale University

New Haven, CT

Yale Center in Child Development and Social Policy

\$206,708

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

Harvard University

Cambridge, MA

Addressing the Problem of Insufficient High School Preparation: What Are the Effects of State Policies for College Remediation and Early Placement Testing?

\$ 60,000

Bridget Terry Long will assess the effectiveness of strategies to improve college readiness. She will examine how high school graduates responded to state policies that denied admission to four-year colleges to students requiring remedial education. The project’s findings will appear in a series of papers.

Princeton University

Princeton, NJ

The Politicization of the U.S. Government Bureaucracy: Causes and Consequences

\$ 60,000

David Lewis will examine the causes and consequences of the politicization of the U.S. government bureaucracy. He will collect personnel data on all federal agencies, chart the ratio of political to professional appointees over time, and measure correlations between the composition of an agency's personnel and its performance. The project's findings will appear in a series of papers.

University of California, Berkeley

Berkeley, CA

Efficiency Costs of Social Insurance Programs

\$ 60,000

Raj Chetty will explore the efficiency trade-offs presented by social insurance programs and develop recommendations for policies that could strike a better balance between economic efficiency and equity. The project's findings will appear in a series of papers.

University of Florida

Gainesville, FL

The Effects of Medicaid Earnings Limits on Earnings Growth among Poor Workers

\$ 60,000

Sarah Hammersma will analyze whether limits on how much Medicaid recipients can earn before losing their eligibility are affecting the decisions of low-income individuals to work. The project's findings will appear in a series of papers.

University of Southern California

Los Angeles, CA

The Hidden Politics of Regulations

\$ 60,000

Susan Webb Yackee will examine the influence of outside actors on the development of regulatory proposals proposed by U.S. government agencies. The project's findings will appear in a series of papers.

DIRECT SERVICE PROGRAM

2005 GRANTS (\$25,000 and above)

AmeriCares Foundation, Inc.

Stamford, CT

Hurricane Katrina Relief Effort \$ 50,000

Asian Tsunami Relief Effort \$ 25,000

Bridgeport Hospital Foundation, Inc.

Bridgeport, CT

Neonatal Follow-Up Program for High-Risk Infants \$ 25,000

Center for Creative Leadership

Greensboro, NC

General Support \$ 25,000

FSW, Inc. CT

Bridgeport, CT

*Workshop in Business Opportunities and Community
Small Business Individual Development Accounts* \$ 100,000

International Rescue Committee, Inc.

New York, NY

Asian Tsunami Relief Effort \$ 25,000

Land Trust Alliance

Washington, DC

Private Land Conservation in America \$ 50,000

The Maritime Aquarium

Norwalk, CT

Sound Science After School Partnerships \$ 45,000

St. Vincent's Medical Center Foundation

Bridgeport, CT

General Support \$ 25,000

Teach for America

New York, NY

Teach for America Katrina Relief Fund \$ 50,000

GRANTS \$14,795,461

GRANTS (Not Listed Individually) \$ 1,099,784

TOTAL GRANTS PAID 2005 \$15,895,245

MANAGEMENT'S FINANCIAL REPORT

During 2005, the Foundation's unrestricted net assets increased by \$20,795,709. As of December 31, 2005, the Foundation had total assets of \$712,127,372.

The Foundation awarded grants totaling \$14,861,564 during 2005 and made cash payments on grants awarded during 2005 and unpaid grants from previous years of \$15,895,245.

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 34 through 38, have been derived from the Foundation's audited Consolidated Financial Report as of and for the year ended December 31, 2005, which included an unqualified opinion dated March 27, 2006.


Ross Hemphill
Vice President, CFO

Consolidated Statement of Financial Position

December 31, 2005

Assets

Cash and cash equivalents	\$ 11,629,411
Securities and investments, at fair value:	
Domestic large cap equities	236,792,314
Domestic small/mid cap equities	35,293,304
International equities	127,069,124
Absolute return strategy equities	94,479,883
Real estate equities	13,864,656
Nonmarketable alternative equities	9,210,923
Natural resources equities	38,880,099
Fixed income funds	135,222,244
Property and equipment, net of accumulated depreciation	9,083,795
Interest and dividends receivable	348,929
Other assets	<u>252,690</u>
Total assets	<u><u>\$ 712,127,372</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$ 682,183
Deferred compensation and postretirement liabilities	2,595,274
Unpaid monetary grants-in-aid	5,377,136
Unpaid nonmonetary grants-in-aid for use and occupancy of real estate	8,040,141
Deferred federal excise tax liability	<u>1,450,000</u>
Total liabilities	18,144,734
Commitments	
Noncontrolling interests in consolidated affiliates	204,898,237
Unrestricted net assets	<u>489,084,401</u>
Total liabilities and net assets	<u><u>\$ 712,127,372</u></u>

See Note to Consolidated Financial Statements.

Consolidated Statement of Activities

Year Ended December 31, 2005

Revenues:	
Dividends	\$ 9,190,504
Interest	428,722
Equity in limited partnership and trust income	21,433,940
Donated use and occupancy of real estate	1,205,892
Grants-in-aid canceled	331,337
Other	169
	<u>32,590,564</u>
Expenses:	
Monetary grants-in-aid	14,861,564
Nonmonetary grants-in aid for use and occupancy of real estate	979,789
Investment advisory fees	2,517,213
Custodian fees	76,755
Management and general	5,299,547
	<u>23,734,868</u>
Federal excise taxes (credits):	
Current	1,007,216
Deferred	(54,000)
	<u>953,216</u>
Increase (decrease) in unrestricted net assets before net gains on investments, noncontrolling interest and extraordinary items	7,902,480
Net realized gains on investments	<u>69,962,159</u>
Net decrease in unrealized appreciation on investments	<u>(40,588,085)</u>
	<u>29,374,074</u>
Noncontrolling interest in net income of consolidated affiliates	<u>(16,425,667)</u>
Increase in unrestricted net assets before extraordinary items	20,850,887
Extraordinary items:	
Contribution to a trust	(55,178)
Increase in unrestricted net assets	<u>20,795,709</u>
Unrestricted net assets:	
Beginning	<u>468,288,692</u>
Ending	<u>\$ 489,084,401</u>

See Note to Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2005

Cash Flows From Operating Activities

Increase in unrestricted net assets	\$ 20,795,709
Adjustments to reconcile increase in unrestricted net assets to net cash 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	979,789
Depreciation	476,877
Loss on sale of property and equipment	168
Purchase of securities and investments	(352,065,958)
Proceeds from disposition of securities and investments	392,554,167
Contributions to partnerships	(49,406,787)
Distributions from partnerships	22,192,166
Net decrease in unrealized appreciation on investments	40,588,084
Net realized gains on investments	(69,962,159)
Undistributed income from investee limited partnerships	(21,433,940)
Noncontrolling interest in net income of consolidated affiliates	16,425,667
Noncash increase in cost of investments	(106,391)
Contributions to a trust	55,175
Deferred federal excise taxes	(54,000)
Changes in assets and liabilities:	
(Increase) decrease in:	
Interest and dividends receivable	(134,591)
Other assets	5,711
Increase (decrease) in:	
Accounts payable and accrued expenses	121,678
Deferred compensation and postretirement liabilities	(2,227,782)
Unpaid grants-in-aid	<u>285,363</u>
Net cash used in operating activities	<u>(2,116,946)</u>

Cash Flows From Investing Activities

Proceeds from sales and maturities of securities and investments	\$ 1,293,504
Purchase of securities and investments	(933,959)
Purchase of property and equipment	<u>(19,877)</u>
Net cash provided by investing activities	<u>339,668</u>

Cash Flows From Financing Activities

Noncontrolling members' contributions to Moorings Capital LLC	1,058,601
Withdrawals of noncontrolling members of Moorings Capital LLC	(1,822,547)
Distributions to noncontrolling members of Moorings Capital LLC	<u>(2,653,435)</u>
Net cash used in financing activities	<u>(3,417,381)</u>
Net decrease in cash and cash equivalents	(5,194,659)

Cash and cash equivalents:

Beginning	<u>16,824,070</u>
Ending	<u>\$ 11,629,411</u>

Supplemental Disclosures of Cash Flow Information

Cash payments for:	
Grants-in-aid	<u>\$ 14,244,864</u>
Federal excise taxes	<u>\$ 947,216</u>

Supplemental Schedule of Noncash Investing and Financing Activities

Decrease in unrealized appreciation of securities and investments	<u>\$ (10,990,789)</u>
Reinvestment of dividends not reflected as distributions	<u>\$ 17,797,764</u>
Noncash transfer of interest between members of Moorings Capital LLC	<u>\$ 55,178</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, 2006, computed in accordance with the minimum distribution requirements of the Internal Revenue Code, is approximately \$19,500,000.

The Foundation expects to make distributions in 2006 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 that is available on the Foundation's web site or can be provided upon request by a member of the staff. Decisions on requests for grants greater than \$50,000 are made at one of the three board meetings that the Foundation holds each year. Proposals for grants of \$50,000 or less are reviewed on an ongoing basis and are handled as promptly as possible.

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 of these two states, as well as national direct service charities, will not be considered for support by the direct service grants program. It is a regrettable but inescapable fact that the vast majority of unsolicited requests for funding must be rejected. 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

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Senior Vice President, Director of ProgramsDr. Marin Strmecki
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Assistant SecretaryKarla W. Frank

Trustees, Governors and Officers are reported as of June 1, 2006

STAFF

Dr. Nadia Schadlow <i>Senior Program Officer International Security and Foreign Policy</i>	Dr. Marin Strmecki <i>Senior Vice President, Director of Programs</i>	Mark Steinmeyer <i>Senior Program Officer Domestic Public Policy</i>
Allan Song <i>Senior Program Officer International Security and Foreign Policy</i>	Scott Boston <i>Program Associate International Security and Foreign Policy</i>	
Lori Rainville <i>Executive Assistant International Security and Foreign Policy</i>	Fran Boulds <i>Administrative Associate Domestic Public Policy</i>	
Paula Landesberg <i>Administrative Associate International Security and Foreign Policy</i>	Jennifer Hollings <i>Administrative Assistant</i>	
Olga Ramous <i>Grants Coordinator</i>	Dale Stewart <i>Records Coordinator</i>	

Donna Walsh
Executive Assistant and Administrative Services Manager

Staff members are reported as of July 1, 2006

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

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.

