

**SARAH SCAIFE FOUNDATION
Incorporated
One Oxford Centre
301 Grant Street, Suite 3900
Pittsburgh, Pennsylvania 15219-6401
412-392-2900**

2002

ANNUAL REPORT

The Sarah Scaife Foundation's grant program is primarily directed toward public policy programs that address major domestic and international issues. There are no geographical restrictions. The Foundation does not make grants to individuals for any purpose or to nationally-organized fundraising groups. Proposals for the following are usually declined: event sponsorships, endowments, capital campaigns, renovations, or government agencies.

Initial inquiries to the Foundation should be in letter form signed by the organization's President, or authorized representative, and have the approval of the organization's Board of Directors. The letter should include a concise description of the specific program for which funds are requested, and a program budget and timetable. Accompanying information should include a copy of the latest audited financial statements and annual report; current budget; list of officers and directors and their major affiliations; and a copy of the current determination letter from the Internal Revenue Service evidencing tax-exempt status under Sections 501(c)(3) of the IRS Code. Additional information may be requested, if needed, for further evaluation.

The Foundation meets in February, May, September, and November to consider grants. However, requests may be submitted at any time and will be acted upon as expeditiously as possible.

Requests should be addressed to:

Michael W. Gleba
Executive Vice President
Sarah Scaife Foundation
One Oxford Centre
301 Grant Street, Suite 3900
Pittsburgh, PA 15219-6401

**SARAH SCAIFE FOUNDATION
INCORPORATED**

Grants Paid in 2002

Accuracy in Media, Inc.	\$ 250,000
Allegheny Institute for Public Policy	100,000
American Academy for Liberal Education	50,000
American Bar Association Fund for Justice and Education	130,000
American Council of Trustees and Alumni	50,000
American Enterprise Institute for Public Policy Research	25,000
American Foreign Policy Council	100,000
Americans for Tax Reform Foundation	100,000
America's Future Foundation	40,000
Atlantic Legal Foundation	90,000
Atlas Economic Research Foundation	100,000
Boston University	89,500
Brandywine Conservancy, Inc.	250,000
Capital Research Center	100,000
Carnegie Mellon University	150,000
Cato Institute	60,000
Center for Immigration Studies, Inc.	90,000
Center for Individual Rights	225,000
Center for Media and Public Affairs	150,000
Center for Security Policy, Inc.	325,000
Center for Strategic and International Studies, Inc.	660,000
Center for the Study of Popular Culture	125,000
Center for the Study of the Presidency	175,000
Citizens for a Sound Economy Educational Foundation	175,000
Collegiate Network, Inc.	140,000
The Commonwealth Foundation for Public Policy Alternatives,	170,000
Competitive Enterprise Institute	125,000
Corporation for Maintaining Editorial Diversity in America	10,000
Defenders of Property Rights	100,000
Environmental Literacy Council	75,000
Equal Opportunity Foundation	25,000
Ethics and Public Policy Center, Inc.	150,000
The Federalist Society for Law & Public Policy Studies	300,000
Federation for American Immigration Reform	225,000
The Foundation Endowment	75,000
Foundation for California University of Pennsylvania	120,000
Foundation for Cultural Review, Inc.	200,000
Foundation for Teaching Economics	35,000
Free Congress Research and Education Foundation, Inc.	900,000
Freedom House, Inc.	70,000
George C. Marshall Institute	155,000
George Mason University Foundation, Inc.	325,000
The Heritage Foundation	1,375,000
High Frontier	100,000
Hudson Institute, Inc.	200,000
Independent Women's Forum	175,000

**Sarah Scaife Foundation
Grants Paid in 2002
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Institute for Advanced Strategic and Political Studies, Inc.	\$ 100,000
Institute for Foreign Policy Analysis, Inc.	560,000
Institute for Health Freedom	100,000
Institute for Humane Studies, Inc.	50,000
Institute for Justice	100,000
Institute for Research on the Economics of Taxation	225,000
The Institute on Religion and Democracy, Inc.	225,000
Institute on Religion and Public Life, Inc.	50,000
Intercollegiate Studies Institute, Inc.	350,000
Johns Hopkins University	60,000
Judicial Watch, Inc.	400,000
Landmark Legal Foundation	250,000
Ligonier Valley School District	7,500
Manhattan Institute for Policy Research, Inc.	150,000
Media Research Center	150,000
Michigan State University	75,000
Nantucket Sustainable Development Corporation	10,000
National Association of Scholars, Inc.	250,000
National Center for Policy Analysis	175,000
National Institute for Public Policy	165,000
National Legal and Policy Center	100,000
New England Legal Foundation	60,000
Pacific Legal Foundation	250,000
Pacific Research Institute for Public Policy	225,000
Pepperdine University	50,000
Philadelphia Society	10,000
Reason Foundation	75,000
Saint Vincent College	35,000
Smith College	75,000
Social Philosophy and Policy Foundation	600,000
Southeastern Legal Foundation, Inc.	50,000
Southwest Missouri State University Foundation	120,000
Stanford University, Hoover Institution on War, Revolution and Peace	600,000
Statistical Assessment Service	50,000
Tax Foundation	110,000
Thoreau Institute	50,000
Tufts University	125,000
UPG Foundation	25,000
The University of Chicago	200,000
University of South Carolina, The Richard L. Walker Institute of International Studies	50,000
University of Virginia Law School Foundaiton	300,000
World Affairs Council of Pittsburgh	70,000

Total Grants Paid in 2002

\$15,342,000

SARAH SCAIFE FOUNDATION
Incorporated

OFFICERS

Richard M. Scaife	-	Chairman
Michael W. Gleba	-	Executive Vice President
Barbara L. Slaney	-	Vice President and Treasurer
R. Daniel McMichael	-	Secretary
Yvonne Marie Bly	-	Assistant Treasurer

ADDRESS

One Oxford Centre
301 Grant Street, Suite 3900
Pittsburgh, PA 15219-6401

STATEMENTS OF INVESTMENTS

	<u>Book Value</u>	<u>Market Value</u>
Common Stocks	\$ 102,719,844	\$155,927,515
Corporate Bonds	6,361,609	6,832,418
Money Market	1,867,230	1,867,230
Mutual Funds	14,671,135	11,370,670
U.S. Treasury and Agency Securities	82,578,704	87,963,348
Other Investments	1,621,534	3,445,104
	<hr/>	<hr/>
	<u>\$209,820,056</u>	<u>\$267,406,285</u>

Return of Private Foundation

or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation
 Note: The organization may be able to use a copy of this return to satisfy state reporting requirements.

2002

For calendar year 2002, or tax year beginning , 2002, and ending

G Check all that apply: Initial return Final return Amended return Address change Name change

Name of organization: **SARAH SCAIFE FOUNDATION INCORPORATED**

29 IG VL 25-1113452 200312
SARAH SCAIFE FOUNDATION INC

301 GRANT ST STE 3900
 PITTSBURGH PA 15219-6409 P-10 P21

Employer identification number: **25-1113452**

Telephone number (see page 10 of the instructions): **(412) 392-2900**

H Check type of organization: Section 501(c)(3) exempt private foundation
 Section 4947(a)(1) nonexempt charitable trust Other taxable private foundation

I Fair market value of all assets at end of year (from Part II, col. (c), line 16) ▶ **267,797,656.**

J Accounting method: Cash Accrual
 Other (specify) _____

(Part I, column (d) must be on cash basis.)

Part I Analysis of Revenue and Expenses (The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a) (see page 10 of the instructions).)		(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue	1 Contributions, gifts, grants, etc., received (attach schedule). Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch. B				
	2 Distributions from split-interest trusts				
	3 Interest on savings and temporary cash investments				
	4 Dividends and interest from securities	7,074,793.	7,044,731.		STMT 1
	5a Gross rents				
	b (Net rental income or (loss))				
	6a Net gain or (loss) from sale of assets not on line 10	1,866,878.			
	b Gross sales price for all assets on line 6a				
	7 Capital gain net income (from Part IV, line 2)		1,866,878.		
	8 Net short-term capital gain				
	9 Income modifications				
	10 a Gross sales less returns and allowances				
b Less: Cost of goods sold					
c Gross profit or (loss) (attach schedule)					
11 Other income (attach schedule)	417,703.	417,703.		STMT 2	
12 Total. Add lines 1 through 11	9,359,374.	9,329,312.			
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	713,227.	51,045.		662,182.
	14 Other employee salaries and wages	381,117.	34,671.		346,446.
	15 Pension plans, employee benefits	283,632.	26,577.		257,055.
	16a Legal fees (attach schedule) STMT 3	12,132.	NONE	NONE	12,132.
	b Accounting fees (attach schedule) STMT 4	69,500.	34,750.	NONE	34,750.
	c Other professional fees (attach schedule) STMT 5	255,348.	255,348.		
	17 Interest				
	18 Taxes (attach schedule) (see page 13 of the instructions) STMT 6	135,886.	4,352.		42,095.
	19 Depreciation (attach schedule) and depletion	99,553.			
	20 Occupancy	210,839.	19,755.		191,084.
	21 Travel, conferences, and meetings	62,065.			62,067.
	22 Printing and publications				
	23 Other expenses (attach schedule) STMT 7	125,576.	24,468.		101,108.
	24 Total operating and administrative expenses. Add lines 13 through 23	2,348,875.	450,966.	NONE	1,708,919.
	25 Contributions, gifts, grants paid	12,322,000.			15,342,000.
26 Total expenses and disbursements. Add lines 24 and 25	14,670,875.	450,966.	NONE	17,050,919.	
27 Subtract line 26 from line 12:					
a Excess of revenue over expenses and disbursements	-5,311,501.				
b Net investment income (if negative, enter -0-)		8,878,346.			
c Adjusted net income (if negative, enter -0-)					

Part II Balance Sheet

Attached schedules and amounts in the description column should be for end-of-year amounts only. (See instructions.)

	Beginning of year		End of year	
	(a) Book Value	(b) Book Value	(c) Fair Market Value	
Assets				
1 Cash - non-interest-bearing	19,265.	20,198.	20,198.	
2 Savings and temporary cash investments	9,915,122.	1,867,230.	1,867,230.	
3 Accounts receivable				
Less: allowance for doubtful accounts				
4 Pledges receivable				
Less: allowance for doubtful accounts				
5 Grants receivable				
6 Receivables due from officers, directors, trustees, and other disqualified persons (attach schedule) (see page 15 of the instructions)				
7 Other notes and loans receivable (attach schedule)				
Less: allowance for doubtful accounts				
8 Inventories for sale or use				
9 Prepaid expenses and deferred charges	5,410.	6,295.	6,295.	
10 a Investments - U.S. and state government obligations (attach schedule)	65,864,602.	82,578,704.	87,963,348.	
b Investments - corporate stock (attach schedule)	91,682,002.	102,719,844.	155,927,515.	
c Investments - corporate bonds (attach schedule)	9,515,825.	6,361,609.	6,832,418.	
11 Investments - land, buildings, and equipment: basis				
Less: accumulated depreciation (attach schedule)				
12 Investments - mortgage loans				
13 Investments - other (attach schedule)	41,046,832.	16,292,669.	14,815,774.	
14 Land, buildings, and equipment: basis	801,905.			
Less: accumulated depreciation (attach schedule)	510,505.	390,953.	291,400.	
15 Other assets (describe)	102,917.	73,478.	73,478.	
16 Total assets (to be completed by all filers - see page 16 of the instructions. Also, see page 1, item I)	218,542,928.	210,211,427.	267,797,656.	
Liabilities				
17 Accounts payable and accrued expenses				
18 Grants payable	7,560,000.	4,540,000.		
19 Deferred revenue				
20 Loans from officers, directors, trustees, and other disqualified persons				
21 Mortgages and other notes payable (attach schedule)				
22 Other liabilities (describe)				
23 Total liabilities (add lines 17 through 22)	7,560,000.	4,540,000.		
Net Assets or Fund Balances				
Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
24 Unrestricted	210,982,928.	205,671,427.		
25 Temporarily restricted				
26 Permanently restricted				
Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 27 through 31.				
27 Capital stock, trust principal, or current funds				
28 Paid-in or capital surplus, or land, bldg., and equipment fund				
29 Retained earnings, accumulated income, endowment, or other funds				
30 Total net assets or fund balances (see page 16 of the instructions)	210,982,928.	205,671,427.		
31 Total liabilities and net assets/fund balances (see page 16 of the instructions)	218,542,928.	210,211,427.		

Part III Analysis of Changes in Net Assets or Fund Balances

1 Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	210,982,928.
2 Enter amount from Part I, line 27a	2	-5,311,501.
3 Other increases not included in line 2 (itemize)	3	
4 Add lines 1, 2, and 3	4	205,671,427.
5 Decreases not included in line 2 (itemize)	5	
6 Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	205,671,427.

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code... a Transfers from the reporting organization to a noncharitable exempt organization of: (1) Cash (2) Other assets b Other Transactions: (1) Sales of assets to a noncharitable exempt organization (2) Purchases of assets from a noncharitable exempt organization (3) Rental of facilities, equipment, or other assets (4) Reimbursement arrangements (5) Loans or loan guarantees (6) Performance of services or membership or fundraising solicitations c Sharing of facilities, equipment, mailing lists, other assets, or paid employees d If the answer to any of the above is "Yes," complete the following schedule.

Table with 4 columns: (a) Line no., (b) Amount involved, (c) Name of noncharitable exempt organization, (d) Description of transfers, transactions, and sharing arrangements.

2 a Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527? Yes No

b If "Yes," complete the following schedule. Table with 3 columns: (a) Name of organization, (b) Type of organization, (c) Description of relationship.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer or fiduciary) is based on all information of which preparer has any knowledge.

Sign Here section containing signature of officer or trustee (5-14-03, Vice President & Treasurer), preparer's signature (PA, 5-12-03), firm's name (KPMG LLP, ONE MELLON CENTER, PITTSBURGH, PA 15219), EIN (13-5565207), and phone number (412-391-9710).