

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

2003

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
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Grants Paid in 2003

Accuracy in Media, Inc.	\$ 425,000
Allegheny Institute for Public Policy	150,000
American Academy for Liberal Education	50,000
American Bar Association Fund for Justice and Education	195,000
American Enterprise Institute for Public Policy Research	400,000
America's Future Foundation	40,000
Atlantic Legal Foundation	90,000
Atlas Economic Research Foundation	200,000
Boston University	50,000
Brandywine Conservancy, Inc.	500,000
Capital Research Center	185,000
Carnegie Mellon University	150,000
Cato Institute	60,000
Center for Individual Rights	150,000
Center for Media and Public Affairs	100,000
Center for Security Policy, Inc.	325,000
Center for Strategic and International Studies, Inc.	420,000
Center for the Study of Carbon Dioxide and Global Change	50,000
Center for the Study of Popular Culture	250,000
Center for the Study of the Presidency	225,000
Citizens for a Sound Economy Educational Foundation	175,000
Claremont Institute for the Study of Statesmanship and Political Philosophy	200,000
Collegiate Network, Inc.	140,000
The Commonwealth Foundation for Public Policy Alternatives	120,000
Competitive Enterprise Institute	125,000
EMPOWER.org	100,000
Environmental Literacy Council	75,000
Equal Opportunity Foundation	25,000
Ethics and Public Policy Center, Inc.	100,000
Evergreen Freedom Foundation	50,000
The Federalist Society for Law & Public Policy Studies	275,000
The Foundation Endowment	75,000
Foundation for California University of Pennsylvania	100,000
Foundation for Cultural Review, Inc.	200,000
Foundation for Individual Rights in Education, Inc.	100,000
Foundation for Teaching Economics	35,000
Free Congress Research and Education Foundation, Inc.	700,000
Freedom House, Inc.	70,000
Galen Institute	35,000
George C. Marshall Institute	155,000
George Mason University Foundation, Inc.	280,000
The Heritage Foundation	800,000
High Frontier	50,000
Hudson Institute, Inc.	175,000

**Sarah Scaife Foundation
Grants Paid in 2003
Page Two**

Independent Women's Forum	\$ 175,000
Institute for Foreign Policy Analysis, Inc.	585,000
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	150,000
Intercollegiate Studies Institute, Inc.	350,000
Johns Hopkins University	180,000
Landmark Legal Foundation	250,000
Ligonier Valley School District	7,500
Manhattan Institute for Policy Research, Inc.	180,000
Media Research Center	350,000
Mountain States Legal Foundation	25,000
Nantucket Sustainable Development Corporation	10,000
National Association of Scholars, Inc.	250,000
National Center for Policy Analysis	125,000
National Center for Public Policy Research, Inc.	50,000
National Institute for Public Policy	165,000
NumbersUSA Education and Research Foundation	50,000
One Nation/One California Research and Education Fund	60,000
Pacific Legal Foundation	175,000
Pacific Research Institute for Public Policy	200,000
Philadelphia Society	10,000
Phipps Conservatory, Inc.	50,000
Saint Vincent College	35,000
Smith College	75,000
Social Philosophy and Policy Foundation	625,000
Southwest Missouri State University Foundation	120,000
Stanford University, Hoover Institution on War, Revolution and Peace	225,000
Tax Foundation	75,000
Tufts University	400,000
The University of Chicago	200,000
University of Pittsburgh, School of Medicine	10,000
University of South Carolina, The Richard L. Walker Institute of International Studies	58,000
University of Virginia Law School Foundation	325,000
The UPG Foundation	25,000
World Affairs Council of Pittsburgh	70,000

Total Grants Paid in 2003 **\$14,065,500**

**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

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STATEMENTS OF INVESTMENTS

	<u>Book Value</u>	<u>Market Value</u>
Common Stocks	\$ 113,274,172	\$ 191,779,912
Corporate Bonds	7,187,232	7,586,836
Government Securities	73,495,477	76,778,850
Money Market	3,875,151	3,875,151
Mutual Funds	3,896,172	6,204,800
Other Investments	2,735,716	2,180,534
	<hr/>	<hr/>
	<u>\$ 204,463,920</u>	<u>\$ 288,406,083</u>

Return of Private Foundation

2003

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.

For calendar year 2003, or tax year beginning , 2003, and ending

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

Use the IRS label. Otherwise, print or type. See Specific Instructions.	Name of organization SARAH SCAIFE FOUNDATION INCORPORATED Number and street (or P.O. box number if mail is not delivered to street address) Room/suite 301 GRANT STREET ONE OXFORD CENTRE, SUITE 3900 City or town, state, and ZIP code PITTSBURGH, PA 15219	A Employer identification number 25-1113452 B Telephone number (see page 10 of the instructions) (412) 392-2900
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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) ▶ \$ **288,652,965.**

J Accounting method: Cash Accrual Other (specify) _____
 (Part I, column (d) must be on cash basis.)

C If exemption application is pending, check here

D 1. Foreign organizations, check here
 2. Foreign organizations meeting the 85% test, check here and attach computation

E If private foundation status was terminated under section 507(b)(1)(A), check here

F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
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).)				
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	8,118,898.	8,118,898.	NONE STMT 1
	5a Gross rents			
	b (Net rental income or (loss) _____)			
	6a Net gain or (loss) from sale of assets not on line 10	1,013,427.		
	b Gross sales price for all assets on line 6a 72,045,327.			
	7 Capital gain net income (from Part IV, line 2)		1,013,427.	
	8 Net short-term capital gain			
	9 Income modifications			
	10a Gross sales less returns and allowances			
	b Less: Cost of goods sold			
	c Gross profit or (loss) (attach schedule)			
	11 Other income (attach schedule)	153,022.	153,022.	NONE STMT 2
	12 Total. Add lines 1 through 11	9,285,347.	9,285,347.	NONE
Operating and Administrative Expenses	13 Compensation of officers, directors, trustees, etc.	743,383.	55,893.	NONE 687,490.
	14 Other employee salaries and wages	390,636.	36,017.	NONE 354,619.
	15 Pension plans, employee benefits	316,932.	29,221.	NONE 287,711.
	16a Legal fees (attach schedule) STMT 3	833.	NONE	NONE 833.
	b Accounting fees (attach schedule) STMT 4	65,375.	32,688.	NONE 32,687.
	c Other professional fees (attach schedule) STMT 5	236,853.	236,853.	NONE NONE
	17 Interest			
	18 Taxes (attach schedule) (see page 13 of the instructions) **	144,406.	4,603.	NONE 45,325.
	19 Depreciation (attach schedule) and depletion	101,303.	NONE	NONE
	20 Occupancy	230,544.	21,256.	NONE 209,288.
	21 Travel, conferences, and meetings	53,031.	NONE	NONE 53,031.
	22 Printing and publications			
	23 Other expenses (attach schedule) STMT 7	161,943.	64,853.	NONE 97,090.
	24 Total operating and administrative expenses. Add lines 13 through 23	2,445,239.	481,384.	NONE 1,768,074.
	25 Contributions, gifts, grants paid	16,040,000.		NONE 14,065,500.
	26 Total expenses and disbursements. Add lines 24 and 25	18,485,239.	481,384.	NONE 15,833,574.
	27 Subtract line 26 from line 12:			
	a Excess of revenue over expenses and disbursements	-9,199,892.		
	b Net investment income (if negative, enter -0-)		8,803,963.	
	c Adjusted net income (if negative, enter -0-)		NONE	

Part II Balance Sheets		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		20,198.	26,626.	26,626.
	2	Savings and temporary cash investments		1,867,230.	3,875,151.	3,875,151.
	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 STMT 8.		6,295.	7,557.	7,557.
	10 a	Investments - U.S. and state government obligations (attach schedule)**		82,578,704.	73,495,477.	76,778,850.
	b	Investments - corporate stock (attach schedule) . STMT 10.		102,719,844.	113,274,172.	191,779,912.
	c	Investments - corporate bonds (attach schedule) STMT 11.		6,361,609.	7,187,232.	7,586,836.
	11	Investments - land, buildings, and equipment: basis ▶				
	Less: accumulated depreciation (attach schedule) ▶					
12	Investments - mortgage loans					
13	Investments - other (attach schedule) STMT 12.		16,292,669.	6,631,888.	8,385,334.	
14	Land, buildings, and equipment: basis ▶		824,507.			
	Less: accumulated depreciation (attach schedule) ▶		611,808.	212,699.	212,699.	
15	Other assets (describe ▶		73,478.	NONE	NONE	
	STMT 13)					
16	Total assets (to be completed by all filers - see page 16 of the instructions. Also, see page 1, item I)		210,211,427.	204,710,802.	288,652,965.	
Liabilities	17	Accounts payable and accrued expenses				
	18	Grants payable		4,540,000.	6,514,500.	
	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 ▶		NONE	21,000.	
	STMT 14)					
23	Total liabilities (add lines 17 through 22)		4,540,000.	6,535,500.		
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		205,671,427.	198,175,302.	
	25	Temporarily restricted				
	26	Permanently restricted				
	Organizations that do not follow SFAS 117, check here and complete lines 27 through 31. <input type="checkbox"/>					
	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 17 of the instructions)		205,671,427.	198,175,302.		
31	Total liabilities and net assets/fund balances (see page 17 of the instructions)		210,211,427.	204,710,802.		

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	205,671,427.
2	Enter amount from Part I, line 27a	2	-9,199,892.
3	Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 15	3	1,703,767.
4	Add lines 1, 2, and 3	4	198,175,302.
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	198,175,302.

**STMT 9

