Keegan, Linscott & Kenon, PC
Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

RESEARCH CORPORATION FOR SCIENCE ADVANCEMENT

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Research Corporation for Science Advancement
Tucson, AZ

We have audited the accompanying statements of financial position of Research Corporation for Science Advancement (the "Foundation") as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Research Corporation for Science Advancement as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Keegan, Linscott & Kenon, P.C.

Tucson, Arizona
April 29, 2011

33 N. Stone Avenue, Suite 1100
Tucson, Arizona 85701
PHN 520.884.0176 / FAX 520.884.8767
www.klkcpa.com

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31,

	2010	2009
Assets		
Investments:		
Common Trust Fund	$ 73,259,197	$ 69,894,409
Other investments	46,513,826	41,847,264
Program-related investment in research Corporation Technologies, Inc.	-	25,000,000
Money market mutual fund	17,157,104	-
Total investments	136,930,127	136,741,673
Cash and cash equivalents	9,660	681,299
Accrued dividends and interest receivable	140,793	110,876
Other receivables	1,503,527	1,478,463
Property and equipment, net	186,561	283,928
Other assets	316,786	285,844
Total assets	$ 139,087,454	$ 139,582,083
Liabilities and Net Assets		
Liabilities:		
Line of credit	$ -	$ 10,200,000
Accounts payable and accrued expenses	664,208	588,801
LSST liability	50,000	75,000
Grants payable	3,501,054	3,535,259
LBT liability	1,416,094	1,478,199
Pension liability	1,013,958	808,615
Postretirement pension liability	1,098,984	1,198,958
Total liabilities	7,744,298	17,884,832
Net assets, unrestricted	131,343,156	121,697,251
Total liabilities and net assets	$ 139,087,454	$ 139,582,083

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
Revenues		
Unrestricted revenues:		
Net realized and unrealized gains and losses on investments	$ 15,136,431	$ 27,933,289
Interest and dividends, net	1,333,082	1,231,183
Interest income from program-related investments	1,416,781	1,750,000
Other interest and miscellaneous income	25,188	-
Total unrestricted revenues	17,911,482	30,914,472
Unrestricted Expenses		
Grants approved	4,357,942	4,156,965
Science advancement	1,375,578	1,315,182
Information and communications	190,048	225,167
General and administrative	1,400,942	1,379,049
Fundraising	729,946	388,726
Legal fees	28,223	33,815
Interest	181,198	231,505
Tax expense	1,700	324,312
Total unrestricted expenses	8,265,577	8,054,721
Change in net assets	9,645,905	22,859,751
Net assets at beginning of year	121,697,251	98,837,500
Net assets at end of year	$ 131,343,156	$ 121,697,251

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2010	2009
Cash Flows from Operating Activities		
Change in net assets	$ 9,645,905	$ 22,859,751
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized (gain) loss on sales of common trust fund	(2,119,774)	9,117,538
Unrealized appreciation of common trust fund	(5,245,014)	(26,486,348)
Unrealized appreciation of other investments	(7,790,819)	(10,564,479)
Depreciation and amortization	97,367	109,106
Change in operating assets and liabilities:		
Accrued dividends and interest receivable	(29,917)	45,606
Other receivables	(25,064)	80,495
Other assets	(30,942)	3,622
LBT liability	(62,105)	(70,771)
Grants payable	(34,205)	(956,433)
Accounts payable and accrued expenses	75,407	221,943
LSST liability	(25,000)	(250,000)
Pension liability	205,343	279,584
Postretirement pension liability	(99,974)	57,885
Net cash used in operating activities	(5,438,792)	(5,552,501)
Cash Flows from Investing Activities		
Proceeds from sale of common trust fund investments	4,000,000	4,017,505
Purchase of other investments	(175,000)	(1,100,000)
Distributions received from other investments	3,299,257	753,760
Proceeds from repayment of program-related investment in Research Corporation Technologies, Inc.	25,000,000	-
Purchase of money market mutual fund	(17,157,104)	-
Net cash provided by investing activities	14,967,153	3,671,265
Cash Flows from Financing Activities		
Borrowings on line of credit	3,213,465	8,616,148
Repayments on line of credit	(13,413,465)	(8,041,148)
Net cash (used in) provided by financing activities	(10,200,000)	575,000
Net increase (decrease) in cash and cash equivalents	(671,639)	(1,306,236)
Cash and cash equivalents at beginning of year	681,299	1,987,535
Cash and cash equivalents at end of year	$ 9,660	$ 681,299
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 192,898	$ 219,805
Cash paid during the year for taxes	$ 1,700	$ 4,875

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

1. Organization

Research Corporation for Science Advancement (the "Foundation") is a private operating foundation incorporated in the State of New York. The Foundation is dedicated to the advancement of science.

2. Summary of Significant Accounting Policies

Basis of Presentation
The Foundation follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Foundation follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB in the accompanying footnotes are to the FASB Accounting Standards Codification ("ASC").

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards set forth in ASC 958, *Not-for-Profit Entities,* and the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*.

The Foundation is required under generally accepted accounting principles to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Contributions of long-lived assets not having donor imposed time or purpose restrictions are reported as unrestricted contributions in amounts equal to the fair market value of the contributed asset.

Investments
The Foundation carries its investments in the common trust fund at fair value. Realized gains and losses are computed based on the difference between the net proceeds received and cost at time of acquisition using the average cost method. Unrealized net appreciation or depreciation of investments in the common trust fund represents the change in the difference between acquisition cost and current market value at the beginning of the year versus the end of the year, and is recognized currently in the statement of activities and changes in net assets.

Other investments consisting of unconsolidated limited partnership interests are stated at fair value. The cost of investments sold is determined using the specific identification method.

Investments in money market mutual funds are valued at their fair values in the statement of financial position. Investment income, gains and losses are reported in the statement of activities and changes in net assets as increases or decreases in net assets.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Investments (continued)
Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Foundation employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of our investments. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and our intent and ability to hold the investment. The Foundation also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Cash and Cash Equivalents
For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, savings accounts and highly liquid debt investments purchased with an original maturity of three months or less that are not carried in the Foundation's portfolio of investments. Cash equivalents are stated at cost plus accrued interest, which approximates fair value.

The Foundation places its cash and cash equivalents with high credit quality institutions. At times, such investments may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Other Receivables
The Foundation has sold or granted to other astronomy research institutions (the "Institutions") all of its viewing rights in the Large Binocular Telescope ("LBT") observatory along with the obligation to pay related operating costs under various agreements. Other receivables consist of amounts owed to the Foundation from each of the Institutions for costs paid on their behalf.

Property and Equipment
Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over estimated useful lives as follows:

Tenant improvements	10 years
Furniture, fixtures and equipment	5 years
Software	5 years

Maintenance and repairs are charged to expense as incurred. Major renewals and improvements are capitalized.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Foundation periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. As of December 31, 2010, the Foundation had not experienced impairment losses on its long-lived assets.

Grants Payable
The Foundation accounts for unconditional promises to give, which is normally in the form of grants, as an expense in the year the unconditional promise is made and approved by the Board of Directors, and unpaid promises to give are reported as grants payable.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition
Interest income is recorded as earned; dividends are accrued as of the ex-dividend date.

Income Taxes
The Foundation qualifies as a tax-exempt private operating foundation under Internal Revenue Code Section 4940(d).

On January 1, 2009, the Foundation adopted ASC 740, *Income Taxes* ("ASC 740"), which is the accounting standard on accounting for uncertainty in income taxes. ASC 740 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Furthermore, in the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to the Foundation's non-taxable status is not expected to have a material effect on the Foundation's financial position or results of operations. Accordingly, no provision is made for uncertain income tax positions in the accompanying financial statements.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates pertain to the determination of fair value for alternative investments held in the Angelo Gordon funds, the Foundation's liability related to the Large Binocular Telescope Project, and the pension and other postretirement pension liabilities.

Investment Risk
The Foundation utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of financial position.

Reclassification
Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

3. Fair Value Measurements

Effective January 1, 2008, the Foundation adopted ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), for financial assets and liabilities measured at fair value on a recurring basis. This statement provides a definition of fair value which focuses on an exit price rather than an entry price, establishes a framework for measuring fair value which emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and requires expanded disclosure about fair value measurements. In accordance with ASC 820, the Foundation may use valuation techniques consistent with the market, income, and cost approach to measure fair value. The adoption of ASC 820 did not have a material impact on the Foundation's financial position or results of operations on the effective date.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

To increase consistency and comparability in fair value measurements and related disclosures, the Foundation utilizes the fair value hierarchy required by ASC 820 which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1	Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
Level 2	Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
Level 3	Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Foundation in determining fair value is greatest for instruments categorized in level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Foundation's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Foundation uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3.

The Capital Guardian mutual funds and the money market mutual fund are given Level 1 status as a fair value per share for these instruments is determined and published as the basis for current transactions.

In accordance with ASC 820-10-35-59, the Foundation uses net asset value per share ("NAV") as a practical expedient to estimate the fair value of the Angelo Gordon alternative investments. Classification within the fair value hierarchy depends on whether the Foundation has the ability to redeem its investments at NAV and if so, when that redemption can take place. If the Foundation has no ability to redeem, then the NAV is considered a Level 3 fair value measurement. If the Foundation has the ability to redeem on the measurement date, then the NAV is considered a Level 2 fair value measurement. If the Foundation has the ability to redeem on a future date, then the length of time until the investment becomes redeemable will determine whether the investment is classified as a Level 2 or a Level 3 fair value measurement. A redemption period of 90 days or less from the measurement period is generally considered near term and would result in the investment being classified as a Level 2 fair value measurement.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents the Foundation's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010, consistent with the fair value hierarchy provisions of ASC 820:

		Fair Value Measurements at December 31, 2010 Using:		
Description	**12/31/2010**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market mutual fund - Heritage Select	$ 17,157,104	$ 17,157,104	$ -	$ -
Mutual Funds - Capital Guardian	73,259,197	73,259,197	-	-
Angelo Gordon Super Fund L.P.	22,969,850	-	22,969,850	-
Angelo Gordon Real Estate Strategies	4,073,539	-	-	4,073,539
Angelo Gordon Credit Strategies	8,926,158	-	-	8,926,158
Angelo Gordon CLO & Other Debt Strategies	10,544,279	-	-	10,544,279
Total	$ 136,930,127	$ 90,416,301	$ 22,969,850	$ 23,543,976

	Fair Value Measurements at December 31, 2010			
	Significant Unobservable Inputs (Level 3)			
Description	**Angelo Gordon Real Estate Strategies**	**Angelo Gordon Credit Strategies**	**Angelo Gordon CLO & Other Debt Strategies**	**Total**
Beginning balance	$ 4,576,786	$ 9,940,000	$ 7,342,763	$ 21,859,549
Total gains or losses (realized/unrealized) included in changes in net assets	284,253	972,915	3,551,516	4,808,684
Purchases, issuances, and settlements	(787,500)	(1,986,757)	(350,000)	(3,124,257)
Transfers in and/or out of Level 3	-	-	-	-
Ending balance	$ 4,073,539	$ 8,926,158	$ 10,544,279	$ 23,543,976

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents the Foundation's financial assets and liabilities that are measured at fair value on a recurring basis at December 31, 2009, consistent with the fair value hierarchy provisions of ASC 820:

		Fair Value Measurements at December 31, 2009 Using:		
Description	**12/31/2009**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual Funds - Capital Guardian	$ 69,894,409	$ 69,894,409	$ -	$ -
Angelo Gordon Super Fund L.P.	19,987,715	-	19,987,715	-
Angelo Gordon Real Estate Strategies	4,576,786	-	-	4,576,786
Angelo Gordon Credit Strategies	9,940,000	-	-	9,940,000
Angelo Gordon CLO & Other Debt Strategies	7,342,763	-	-	7,342,763
Total	$ 111,741,673	$ 69,894,409	$ 19,987,715	$ 21,859,549

	Fair Value Measurements at December 31, 2009 Significant Unobservable Inputs (Level 3)			
Description	**Angelo Gordon Real Estate Strategies**	**Angelo Gordon Credit Strategies**	**Angelo Gordon CLO & Other Debt Strategies**	**Total**
Beginning balance	$ 4,980,490	$ 6,331,414	$ 4,052,198	$ 15,364,102
Total gains or losses (realized/unrealized) included in changes in net assets	(403,704)	3,037,895	3,515,016	6,149,207
Purchases, issuances, and settlements	-	570,691	(224,451)	346,240
Transfers in and/or out of Level 3	-	-	-	-
Ending balance	$ 4,576,786	$ 9,940,000	$ 7,342,763	$ 21,859,549

NOTES TO FINANCIAL STATEMENTS

4. Investments

A. Investments Held in Common Trust Fund

The Foundation invests in various special purpose funds within the Capital Guardian Common Trust Fund (the "Trust"). The Trust operates as a mutual fund invested in marketable securities and is available only to participants that are exempt from taxation under Internal Revenue Code of 1986 and are qualified institutional buyers and qualified purchasers as defined by applicable securities rules.

Investments consist of the following as of December 31:

	2010		2009	
	Fair Value	Cost	Fair Value	Cost
Capital Guardian Trust Funds:				
Global Equity Fund	$ 49,931,322	$36,586,784	$ 48,840,639	$38,547,719
Emerging Markets Growth Fund	14,546,130	15,859,779	12,674,440	15,859,779
Absolute Income Grower	8,781,745	8,072,038	8,379,330	7,991,429
Total	$ 73,259,197	$60,518,601	$ 69,894,409	$62,398,927

Net gain on investments consists of the following for the year ended December 31:

	2010	2009
Net realized gain/(loss) on sales of investments	$ 2,119,774	$ (9,117,538)
Unrealized net appreciation of investments	5,245,014	26,486,348
Net gain on marketable investments	$ 7,364,788	$ 17,368,810

Proceeds from sale of investments were either reinvested, used to fund purchases of other investments, used to repay line of credit borrowings or to pay grants payable.

Investment fees incurred for the year ended December 31, 2010 and 2009 were $166,345 and $163,431, respectively. These fees are reported as a reduction of investment interest and dividend income in the statement of activities and changes in net assets.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

B. Other Investments

Other investments consist of the following as of December 31:

	2010	2009
Angelo Gordon Super Fund L.P.	$ 22,969,850	$ 19,987,715
Angelo Gordon Real Estate Strategies	4,073,539	4,576,786
Angelo Gordon Credit Strategies	8,926,158	9,940,000
Angelo Gordon CLO & Other Debt Strategies	10,544,279	7,342,763
Total other investments	$ 46,513,826	$ 41,847,264

Annual activity for other investments consists of the following for the year ended December 31, 2010:

	AG Super Fund	AG Real Estate Strategies	AG Credit Strategies	CLO & Other Debt Strategies	Total 2010
Opening balance	$19,987,715	$ 4,576,786	$ 9,940,000	$ 7,342,763	$41,847,264
Capital contributions	-	175,000	-	-	175,000
Distributions	-	(962,500)	(1,986,757)	(350,000)	(3,299,257)
Appreciation/(depreciation)	2,982,135	284,253	972,915	3,551,516	7,790,819
Ending balance	$22,969,850	$ 4,073,539	$ 8,926,158	$10,544,279	$46,513,826

A description of the Angelo Gordon ("AG") funds is as follows:

Angelo Gordon Super Fund L.P.
The AG Superfund L.P. ("AGSF") is an open-end fund that was established to engage in various strategies including investments in special situations, financially distressed issuers, convertible hedging and real estate. Capital withdrawals may be made annually on December 31st, upon not less than 60 days' notice. AG Superfund designates certain illiquid investments as Special Investments (i.e., side pocket investments). Redemption proceeds from capital balances related to the Special Investments are distributed over time as each investment is realized. The Foundation has contributed $10 million of capital to AGSF. There are no remaining commitments at December 31, 2010. The Foundation has the ability to redeem this investment on the measurement date; accordingly, all investments are classified as Level 2 within the fair value hierarchy.

Angelo Gordon Real Estate Strategies
AG Realty IV, L.P. ("AGRIV") is a closed-end fund that is in the process of undergoing an orderly liquidation of its investments, with some residual assets still being managed by the general partner. The Foundation has contributed $4.75 million to AGRIV. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $7,162,500 as of December 31, 2010. The estimated fair value of AGRIV at December 31, 2010 was $94,387. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

B. Other Investments (continued)

Angelo Gordon Real Estate Strategies (continued)

AG Realty V, L.P. ("AGRV") is a closed-end fund that is in the process of undergoing an orderly liquidation of its investments, with some residual assets still being managed by the general partner. AGRV's principle investment objective is current income and capital appreciation through investments in distressed real estate assets, sub-performing and non-performing mortgages. On January 31, 2010, AGRV exercised the second of two available one year extensions to facilitate the orderly liquidation of its investments. The Foundation has contributed $4.5 million to AGRV. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $7,025,000 as of December 31, 2010. The estimated fair value of AGRV at December 31, 2010 was $201,290. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

AG Realty VI, L.P. ("AGRVI") is a closed-end fund without redemption rights. AGRVI's principle investment objective is current income and capital appreciation through investments in distressed real estate assets, sub-performing and non-performing mortgages. The primary term of the AGRVI expires on January 10, 2013. Two additional one year extensions are available. The Foundation has contributed $5 million to AGRVI. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $2,275,000 as of December 31, 2010. An additional distribution of $175,000 was received on March 18, 2011. The estimated fair value of AGRVI at December 31, 2010 was $2,739,988. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

AG Core Plus Realty Fund L.P. ("AGCPR"), is a closed-end fund without redemption rights. AGCPR's principle investment objective is current income and capital appreciation through investments in real estate assets. The primary term of the AGCPR expires on May 27, 2013. Two additional one year extensions are available. The Foundation has contributed $4.75 million to AGCPR. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $5,900,000 as of December 31, 2010. The estimated fair value of AGCPR at December 31, 2010 was $1,037,874. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

Angelo Gordon Credit Strategies

AG Capital Recovery Partners, L.P. ("AGCRP") is a closed-end fund without redemption rights. AGCRP was established primarily to invest in financially distressed issuers. The fund was fully liquidated in December 2010. The Foundation has contributed $5 million of capital to AGCRP. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $8,430,587 as of December 31, 2010. The estimated fair value of AGCRP at December 31, 2010 was $0. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

B. Other Investments (continued)

Angelo Gordon Credit Strategies (continued)
AG Capital Recovery Partners V, L.P. ("AGCRPV") is a closed-end fund without redemption rights. AGCRPV was established primarily to invest in financially distressed issuers. The primary term of the AGCRPV expires on June 30, 2013. Two additional one year extensions are available. The Foundation has contributed $5 million of capital to AGCRPV. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $2,580,000 as of December 31, 2010. Additional distributions of $530,000 and $480,000 were received on January 12, 2011 and February 18, 2011, respectively. The estimated fair value of AGCRPV at December 31, 2010 was $2,827,804. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

AG Capital Recovery Partners VI, L.P. ("AGCRPVI") is a closed-end fund without redemption rights. AGCRPVI was established primarily to invest in financially distressed issuers. The primary term of the AGCRPVI expires on June 30, 2015. Two additional one year extensions are available. The Foundation has contributed $5 million of capital to AGCRPVI. There are no remaining commitments at December 31, 2010. The estimated fair value of AGCRPVI at December 31, 2010 was $6,098,354. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

Angelo Gordon CLO & Other Debt Strategies
AG Diversified Credit Strategies Fund Ltd ("AGDCS") is an open-end fund that was established to execute an absolute, total return investment strategy through investments in non-investment grade credit instruments. Capital withdrawals may be made annually as of the close of business on the last day of the quarter in which the anniversary of the investment occurs, upon not less than 60 days' notice. The Foundation has contributed $4 million of capital to AGDCS. There are no remaining commitments at December 31, 2010. The estimated fair value of AGDCS at December 31, 2010 was $4,339,902. The Foundation has the ability to redeem this investment; however, the redemption period is not considered to be near term. Accordingly, all investments are classified as Level 3 within the fair value hierarchy.

AG Commercial Real Estate Debt Fund, L.P. ("AGREDF") is a closed-end fund without redemption rights. AGREDF was established primarily to invest in commercial real estate debt securities including commercial mortgage backed securities, REIT debt, real estate operating company debt, and collateralized debt obligations. The primary term of the AGREDF expires on April 4, 2017. Two additional one year extensions are available. As of December 31, 2010 the Foundation had contributed $4.85 million of its $5 million capital commitment to AGREDF. A $150,000 capital call was made on March 1, 2011, which has been paid. The Foundation has received cumulative distributions of $740,000 as of December 31, 2010. An additional distribution of $87,500 was received on January 11, 2011. The estimated fair value of AGREDF at December 31, 2010 was $3,691,877. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

B. Other Investments (continued)

Angelo Gordon CLO & Other Debt Strategies (continued)
Northwoods Capital VII, Ltd ("NCVII") and Northwoods Capital VIII, Ltd ("NCVIII") are collateralized debt obligations having maturity dates of October 22, 2021 and July 28, 2022 respectively. The Foundation has committed $5 million and $2 million of capital to NCVII and NCVIII, respectively. There are no remaining commitments at December 31, 2010. The Foundation has received cumulative distributions of $1,925,655 and $529,420 from NCVII and NCVIII, respectively, as of December 31, 2010. The estimated fair value of the Foundation's investment in NCVII and NCVIII at December 31, 2010 are $1,712,500 and $800,000, respectively. The Foundation has no ability to redeem this investment; accordingly, all investments are classified as Level 3 within the fair value hierarchy.

C. Program-Related Investment in Research Corporation Technologies, Inc.

On March 2, 1987, as amended on March 25, 1994, in accordance with Section 1605(c) of the Tax Reform Act of 1986, the Foundation and Research Corporation Technologies, Inc. ("RCT"), a nonprofit corporation subject to regular corporate income tax laws, entered into agreements through which RCT assumed responsibility for the Technology Transfer Program (the "Program"), which the Foundation had operated for many years. In addition to the transfer of the Program, the Foundation transferred $35,000,000 in cash and securities in exchange for a $35,000,000 fully subordinated unsecured note from RCT (the "Note") due February 28, 2017.

RCT prepaid $10,000,000 of the Note on March 16, 1994 and repaid the remaining $25,000,000 principal amount of the amended Note on October 22, 2010. Interest at the rate of 7% per annum on the outstanding principal amount was paid semiannually. The carrying value of the note, $0 at December 31, 2010 and $25,000,000 at December 31, 2009, approximates fair value.

To qualify as a program-related investment under Section 4944(c) of the Tax Reform Act of 1986, the terms of the loan were required to be less than prevailing terms. In addition, this investment was a vehicle for the Foundation to continue one of its charter purposes, the furthering of technology.

5. Property and Equipment

Property and equipment consist of the following as of December 31:

	2010	2009
Tenant improvements	$ 496,312	$ 496,312
Furniture, fixtures and equipment	193,478	193,478
Software	108,401	108,401
	798,191	798,191
Less accumulated depreciation	611,630	514,263
Property and equipment, net	$ 186,561	$ 283,928

Depreciation expense was $97,367 and $109,106 for 2010 and 2009, respectively.

NOTES TO FINANCIAL STATEMENTS

6. Line of Credit

The Foundation has a $15,000,000 uncollateralized revolving line of credit, which expires in May 2011 with interest at LIBOR plus 1.5% (1.875% at December 31, 2010). Borrowings against the line of credit totaled $0 and $10,200,000 in 2010 and 2009, respectively. The Foundation incurred interest expense of $180,858 and $231,505 for the years ended December 31, 2010 and 2009, respectively.

The revolving line of credit agreement contains certain covenants, the most restrictive of which requires the Foundation to maintain a tangible net worth of $100 million as defined by the agreement. At December 31, 2010, the Foundation was in compliance with the loan covenants.

7. Operating Leases

The Foundation leases the facility that houses its corporate headquarters under a 10-year non-cancelable operating lease, which expires in 2013. In March 2004, the Foundation entered into an arrangement to lease an additional 17% of the building and sublet the additional space at identical terms to the LSST Corporation, a related party (see Note 10). Rental expense was $293,254 and $282,473 in 2010 and 2009, respectively.

LSST early vacated the premises during April 2008. Pursuant to its sublease, the Foundation holds a rent deposit from LSST. The rent deposit of $33,643 and $74,881 at December 31, 2010 and 2009, respectively, is reported as a liability in the accompanying financial statements. The Foundation is recouping lost rents and re-leasing costs against the rent deposit.

In July 2009, the Foundation entered into an agreement with an outside party to sublease the empty space. Pursuant to its sublease, the Foundation held a rent deposit of $3,602 at December 31, 2010 and 2009. The Foundation expects to incur an approximate $12,000 shortfall in rental revenue over the life of the sublease after offsetting the remaining LSST rent deposit.

Future minimum rental payments under the lease and sublease as of December 31, 2010 are as follows:

	Original Lease Expense	Sublease Income
2011	$ 263,300	$ 43,225
2012	263,300	43,225
2013	263,300	43,225

8. Related Party Transactions

LSST Project

LSST Corporation was formed to build a large-aperture synoptic survey telescope. The LSST Corporation is a 501(c)(3) organization made up of universities and other not-for-profit organizations focused on astronomy, of which the Foundation is one of 35 members. During the years ended December 31, 2010 and 2009 Research Corporation for Science Advancement made cash contributions of approximately $25,000 and $0 to LSST. At December 31, 2010 and 2009, the amount payable to LSST totaled $50,000 and $75,000, respectively.

NOTES TO FINANCIAL STATEMENTS

9. Pension Plan and Postretirement Benefits

Defined Contribution Pension Plan

The Foundation maintains a noncontributory defined contribution plan, eligible to all employees hired after June 1, 2005 who have completed one year of employment. The Foundation makes fully vested contributions ranging from 10% - 15%, based on years of experience, for all participating employees. The Foundation incurred defined contribution plan expenses of $34,105 and $40,117 for the years ended December 31, 2010 and 2009, respectively.

Defined Benefit Pension Plan

The Foundation maintains a noncontributory defined benefit pension plan (the "Plan"), which covers 45% of its employees at the 2010 measurement date. The benefits provided by the Plan are generally based on years of service and employees' salary history. It is the Foundation's policy to contribute amounts sufficient to at least meet the Employee Retirement Income Security Act's minimum funding requirements.

In 2006, the Foundation froze entry into its noncontributory defined benefit pension plan to all employees hired after June 1, 2005.

During the year ended December 31, 2007, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which is primarily codified in ASC 715, *Compensation – Retirement Benefits*. This statement requires employers to recognize the funded status of a benefit plan in the statement of financial position and recognize changes in the funded status through beginning net assets.

The following table sets forth the funded status of the plan and amounts recognized in the Foundation's accompanying financial statements as of December 31:

	2010	2009
Projected benefit obligations for services rendered to date	$ (2,315,001)	$ (1,828,783)
Fair value of plan assets	1,301,043	1,020,168
Funded status/net amount recognized in the statements of financial position	$ (1,013,958)	$ (808,615)

The following table reflects the components of net periodic benefit cost for the years ending December 31:

	2010	2009
Service cost	$ 271,429	$ 224,196
Interest cost	108,265	92,180
Expected return on assets	(79,703)	(63,195)
Net loss	42,700	31,510
	$ 342,691	$ 284,691

NOTES TO FINANCIAL STATEMENTS

Pension Plan and Postretirement Benefits (continued)

Defined Benefit Pension Plan (continued)
The following table shows a summary of benefit obligations for the years ending December 31:

	2010	2009
Beginning projected benefit obligation	$ 1,828,783	$ 1,372,360
Service cost	271,429	224,196
Interest cost	108,265	92,180
Benefits paid	(5,984)	(5,984)
Actuarial (gain)/loss	(16,091)	49,011
Effects of actuarial assumption change	128,599	97,020
Settlement gain	-	-
Ending projected benefit obligation	$ 2,315,001	$ 1,828,783

The following table shows a summary of the fair value of plan assets for the years ending December 31:

	2010	2009
Beginning fair value of plan assets	$ 1,020,168	$ 843,329
Foundation contributions	137,348	5,107
Distributions	(5,984)	(5,984)
Expected investment return	79,703	63,195
Investment gain	69,808	114,521
Ending fair value of plan assets	$ 1,301,043	$ 1,020,168

Assumptions used in the accounting for the pension plan as of December 31:

	2010	2009
Discount rate	5.25%	5.875%
Rate of increase in compensation levels	4.25%	4.25%
Expected long-term rate of return on assets	7.50%	7.50%

The expected long-term rate of return on assets was based on expected future rates of return and average historical returns.

NOTES TO FINANCIAL STATEMENTS

Pension Plan and Postretirement Benefits (continued)

Defined Benefit Pension Plan (continued)
Pertinent information related to the Plan is as follows:

	2010	2009
Accumulated benefit obligation	$ 1,839,013	$ 1,398,693
Net periodic benefit cost	354,059	311,493
Foundation contributions	137,348	5,107
Benefits paid	5,984	5,984

Benefits payments expected to be paid in each of the next five fiscal years, and in the aggregate for the next five fiscal years are as follows:

2011	$ 6,162
2012	924,328
2013	7,010
2014	7,193
2015	11,212
2016 through 2020	82,319
Total	$ 1,038,224

The Foundation expects to contribute approximately $134,000 to the Plan in 2011.

The investment policy of the Plan is to provide for professional fund management and to invest in a conservative portfolio consisting of balanced mutual funds. The expected long term rate of return of Plan assets was 7.5% in 2010 and 7.5% in 2009, derived using the Plan's asset mix, historical returns by asset class, and expectations for future capital market performance. Both the Plan's investment policy and the expected long term rate of return assumption are reviewed periodically.

The asset allocations as of December 31 are as follows:

	2010	2009
Asset category		
Mutual funds	98%	98%
Cash and cash equivalents	2%	2%
	100%	100%

NOTES TO FINANCIAL STATEMENTS

Pension Plan and Postretirement Benefits (continued)

Defined Benefit Pension Plan (continued)
The fair values of the Company's pension plan assets weighted-average asset allocations at December 31, 2010 by asset category is as follows:

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ -	$ 1,274,557	$ -	$ 1,274,557
Cash and cash equivalents	26,486	-	-	26,486
Total assets at fair value	$ 26,486	$ 1,274,557	$ -	$ 1,301,043

The fair values of the Company's pension plan assets weighted-average asset allocations at December 31, 2009 by asset category is as follows:

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ -	$ 1,001,779	$ -	$ 1,001,779
Cash and cash equivalents	18,389	-	-	18,389
Total assets at fair value	$ 18,389	$ 1,001,779	$ -	$ 1,020,168

Postretirement Plan
In addition to providing pension benefits, the Foundation provides certain health care benefits to retired employees and their spouses.

During the year ended December 31, 2006, the Foundation froze eligibility for participation in its postretirement plan to those employees hired after June 1, 2005.

During the year ended December 31, 2007, the Company adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* which is primarily codified in ASC 715, *Compensation – Retirement Benefits*. This statement requires employers to recognize the funded status of a benefit plan in the statement of financial position and recognize changes in the funded status through beginning net assets.

NOTES TO FINANCIAL STATEMENTS

Pension Plan and Postretirement Benefits (continued)

Postretirement Plan (continued)
The following table sets forth the funded status of the plan and amounts recognized in the accompanying statements of financial position as of December 31:

	2010	2009
Accumulated postretirement benefit obligation	$ (1,098,984)	$ (1,198,958)
Plan assets at fair value	-	-
Funded status	(1,098,984)	(1,198,958)
Unrecognized net gain subsequent to transition	-	-
Unrecognized transition obligations	-	-
Accrued postretirement benefit liability	$ (1,098,984)	$ (1,198,958)

The following table reflects the components of net periodic benefit cost for the years ending December 31:

	2010	2009
Service cost	$ -	$ 5,303
Interest cost	53,742	65,374
Actuarial (gain)/loss	(71,432)	46,948
Net periodic benefit cost	$ (17,690)	$ 117,625

The following table shows a summary of benefit obligations for the years ending December 31:

	2010	2009
Beginning projected accumulated post-retirement benefit obligation	$ 1,198,958	$ 1,141,073
Service cost	-	5,303
Interest cost	53,742	65,374
Benefits paid	(82,284)	(59,740)
Actuarial (gain)/loss	(71,432)	46,948
Adjustment for change in measurement date	-	-
Ending projected accumulated post-retirement benefit obligation	$ 1,098,984	$ 1,198,958

The following table shows a summary of the fair value of plan assets for the years ending December 31:

	2010	2009
Beginning fair value of plan assets	$ -	$ -
Foundation contributions	82,284	59,740
Benefits paid	(82,284)	(59,740)
Ending fair value of plan assets	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

Pension Plan and Postretirement Benefits (continued)

Postretirement Plan (continued)
Pertinent information related to benefits for the plan is as follows:

	2010	2009
Net periodic benefit cost	$ (17,690)	$ 117,625
Foundation contributions	82,284	59,740
Benefits paid	82,284	59,740

Benefits payments expected to be paid in each of the next five fiscal years, and in the aggregate for the next five fiscal years are as follows:

2011	$ 133,435
2012	128,676
2013	132,698
2014	136,434
2015	108,955
2016 through 2020	289,719
Total	$ 929,917

Estimated contributions to the plan for 2011 are $133,435.

The actuarial calculations in 2010 assume a dental inflation assumption of 5% and a medical inflation assumption of 9.5% decreasing uniformly to 5% over 9 years. The assumed discount rate is 4.7%. The health care cost trend rate assumptions impact the service and interest cost and the accumulated benefit obligation. A 1% increase in these rates would increase service and interest cost by approximately $3,400 and the accumulated benefit obligation by approximately $75,000, while a 1% decrease would decrease service and interest cost by approximately $3,000 and decrease the accumulated benefit obligation by approximately $64,600.

The actuarial calculations in 2009 assume a dental inflation assumption of 5% and a medical inflation assumption of 10% decreasing uniformly to 5% over 10 years. The assumed discount rate is 5.4%. The health care cost trend rate assumptions impact the service and interest cost and the accumulated benefit obligation. A 1% increase in these rates would increase service and interest cost by approximately $5,200 and the accumulated benefit obligation by approximately $80,100, while a 1% decrease would decrease service and interest cost by approximately $4,500 and decrease the accumulated benefit obligation by approximately $69,100.

During the year ended December 31, 2006, the Foundation established a flexible benefits plan whereby it will contribute 10% of employee compensation on behalf of employees to be used for medical, retirement, education and other expenses. Employees hired after June 1, 2005 are automatically enrolled in the new plan after completion of six months service. Employees hired before June 1, 2005 who chose to elect out of the postretirement plan are eligible for this new plan.

NOTES TO FINANCIAL STATEMENTS

10. Commitments and Contingencies

Large Binocular Telescope ("LBT") Project Liability

The Foundation is a partner with a 12.5% interest in the Large Binocular Telescope Project, a related party, which is building and managing an astronomical observatory. The Foundation has sold or granted to other astronomy research institutions (the "Institutions") all of its viewing rights in the observatory along with the obligation to pay related operating costs under various agreements. The Foundation remains liable for its proportionate share of observatory construction and certain other project development costs and has accrued its best estimate of these costs.

The Foundation remains contingently liable for its proportionate share of future commissioning, operating and instrumentation costs, to the extent the Institutions become unable to pay and forfeit their viewing rights or in the event these costs exceed any caps specified in the agreement with the Institutions.

Excise Taxes

During 2003, the Foundation terminated a pension plan, and replaced it with its current Plan, the Research Corporation Employee's Replacement Plan (the "Replacement Plan"). Accumulated benefits totaling approximately $3,600,000 under the Plan were paid out to participants. The remaining Plan assets of $5,061,653 reverted to the Foundation, of which $1,470,818 was contributed to fund the Replacement Plan. In 2005, the Internal Revenue Service ("IRS") sent Research Corporation a draft verification of facts letter that the Foundation might owe approximately $879,000 in additional excise tax with respect to the reversion, plus interest and penalties. On December 12, 2007, the Foundation received a 30-day letter from the IRS claiming a deficiency of $879,000. The management of the Foundation in consultation with its external legal counsel believes they are exempt from the reversion tax and timely notified the IRS of such, including a request for appeal. During 2008, the IRS requested an extension of the examination period until December 31, 2009, which the Foundation granted. The Foundation continues to vigorously pursue this matter with the IRS and a resolution is expected during 2011. The Foundation believes that a settlement of approximately $300,000 is reasonably possible. The Foundation accrued $300,000 during 2009 with respect to this matter, which is reported as a component of accounts payable and accrued expenses in the accompanying statement of financial position.

11. Subsequent Events

The Foundation evaluated subsequent events through April 29, 2011, which represents the date the financial statements were available to be issued, and concluded that no additional disclosures are required.