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

33 N Stone Avenue • Suite 1100 • Tucson, Arizona 85701
(520) 884-0176 • www.klkcpa.com

RESEARCH CORPORATION FOR SCIENCE ADVANCEMENT

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Keegan, Linscott & Kenon, PC

Tucson, Arizona
October 8, 2012

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,

	2011	2010
Assets		
Cash and cash equivalents	$ 2,283,531	$ 9,660
Investments	123,588,591	136,930,127
Accrued dividends and interest receivable	165,061	140,793
Other receivables	1,718,267	1,503,527
Property and equipment, net	119,961	186,561
Other assets	286,346	316,786
Total assets	$ 128,161,757	$ 139,087,454
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 186,905	$ 714,208
Grants payable	2,157,582	3,501,054
LBT liability	1,383,859	1,416,094
Pension liability	1,574,059	1,013,958
Postretirement benefit obligation	1,070,110	1,098,984
Total liabilities	6,372,515	7,744,298
Net assets, unrestricted	121,789,242	131,343,156
Total liabilities and net assets	$ 128,161,757	$ 139,087,454

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

	2011	2010
Revenues		
Unrestricted revenues:		
Net realized and unrealized (losses) gains on investments	$ (3,235,989)	$ 15,140,431
Interest and dividends, net	1,713,303	1,499,427
Interest income from program-related investments	-	1,416,781
Other interest and miscellaneous income	257,626	25,188
Total investment (loss) income	(1,265,060)	18,081,827
Less investment management costs	(321,693)	(276,601)
Net unrestricted revenues	(1,586,753)	17,805,226
Unrestricted Expenses		
Program Expenses		
Grants and awards approved	3,430,496	4,357,942
Grant administration	993,842	1,040,794
Conferences and convening	366,144	319,077
Advocacy	655,810	532,205
Total program expenses	5,446,292	6,250,018
Supporting Services		
General and administrative	1,205,624	1,261,819
Partnership development and fundraising	422,801	464,586
Interest expense	31	181,198
Taxes	(132,058)	1,700
Total supporting services	1,496,398	1,909,303
Centennial Programs	1,024,471	-
Total unrestricted expenses	7,967,161	8,159,321
Change in net assets	(9,553,914)	9,645,905
Net assets at beginning of year	131,343,156	121,697,251
Net assets at end of year	$ 121,789,242	$ 131,343,156

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2011	2010
Cash Flows from Operating Activities		
Change in net assets	$ (9,553,914)	$ 9,645,905
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized gain on sale of investments	(4,724,672)	(2,119,774)
Unrealized depreciation (appreciation) of investments	7,983,713	(13,035,833)
Depreciation and amortization	66,600	97,367
Change in operating assets and liabilities:		
Accrued dividends and interest receivable	(24,268)	(29,917)
Other receivables	(214,740)	(25,064)
Other assets	30,440	(30,942)
LBT liability	(32,235)	(62,105)
Grants payable	(1,343,472)	(34,205)
Accounts payable and accrued expenses	(527,303)	50,407
Pension liability	560,101	205,343
Postretirement benefit obligation	(28,874)	(99,974)
Net cash used in operating activities	(7,808,624)	(5,438,792)
Cash Flows from Investing Activities		
Proceeds from sale of investments	30,239,717	(9,857,847)
Purchase of investments	(20,157,222)	(175,000)
Proceeds from repayment of program-related investment in Research Corporation Technologies, Inc.	-	25,000,000
Net cash provided by investing activities	10,082,495	14,967,153
Cash Flows from Financing Activities		
Borrowings on line of credit	559,848	3,213,465
Repayments on line of credit	(559,848)	(13,413,465)
Net cash used in financing activities	-	(10,200,000)
Net increase (decrease) in cash and cash equivalents	2,273,871	(671,639)
Cash and cash equivalents at beginning of year	9,660	681,299
Cash and cash equivalents at end of year	$ 2,283,531	$ 9,660
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 31	$ 192,898
Cash paid during the year for taxes	$ 167,942	$ 1,700

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 accounting principles generally accepted in the United States of America ("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.

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 their fair value, and are classified as Level 1 inputs in the fair value hierarchy.

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. As part of its cash management process, the Foundation regularly monitors the relative credit standing of these institutions.

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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Investments (continued)
The Foundation also invests in professionally managed portfolios that contain fixed income securities, which are carried at fair value. Securities transactions and the related gain or loss are recorded on a trade date basis, using the average cost method. Unrealized gains or losses represent the change in the fair value of the investments from the previous measurement date.

The Foundation follows the provisions of Accounting Standards Update ("ASU") No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)* ("ASU 2009-12"), to value the other investments. The other investments consist of unconsolidated limited partnership interests. ASU 2009-12 allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determined fair value, using net asset value per share or its equivalent, as provided by the investment managers. 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.

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 its investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the Foundation's 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.

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 associated with those nights. 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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)
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. Through December 31, 2011, the Foundation had not experienced impairment losses on its long-lived assets.

Grants Payable
The Foundation accounts for unconditional promises to give, which are 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.

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). Income from certain activities not directly related to the Foundation’s tax-exempt purpose, however may be subject to taxation as unrelated business income.

The Foundation accounts for uncertainty in income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”). 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. In general, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

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

3. Recent Accounting Pronouncements

In January 2010, The FASB issued Accounting Standards Update ("ASU") No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU 2010-06 requires some new disclosures and clarifies some existing disclosure requirements about fair value measurement as set forth in Codification Subtopic 820-10. The FASB's objective is to improve these disclosures and, thus, increase the transparency in financial reporting. Specifically, ASU 2010-06 amends Codification Subtopic 820-10 to now require: (1) A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers; and (2) In the reconciliation for fair value measurements using significant unobservable inputs, a reporting entity should present separately information about purchases, sales, issuances, and settlements.

In addition, ASU 2010-06 clarifies the requirements of the following existing disclosures: (1) For purposes of reporting fair value measurement for each class of assets and liabilities, a reporting entity needs to use judgment in determining the appropriate classes of assets and liabilities; and (2) A reporting entity should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. ASU 2010-06 was effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. As this pronouncement is only disclosure-related, its adoption did not have an impact on the Foundation's financial position or results of operations.

In May 2011, the FASB issued ASU No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 updated accounting guidance related to fair value measurements and disclosures that result in common fair value measurements and disclosures between U.S. GAAP and International Financial Reporting Standards. This guidance includes amendments that clarify the application of existing fair value measurement requirements, in addition to other amendments that change principles or requirements for measuring fair value and for disclosing information about fair value measurements. This guidance is effective for annual periods beginning after December 15, 2011. The guidance will primarily impact the Foundation's disclosures, but otherwise is not expected to have a material impact on the Foundation's financial position or results of operations.

4. Fair Value Measurements

The Foundation accounts for financial assets and liabilities measured at fair value on a recurring basis in accordance with ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"). This standard 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.

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, PIMCO and the money market mutual funds 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, 2011, consistent with the fair value hierarchy provisions of ASC 820:

	Fair Value Measurements at December 31, 2011 Using:			
Description	12/31/2011	Level 1	Level 2	Level 3
Mutual funds – Capital Guardian	$ 57,539,734	$ 57,539,734	$ -	$ -
Mutual funds - PIMCO	19,994,535	19,994,535	-	-
Angelo Gordon Super Fund L.P.	22,910,684	-	22,910,684	-
Angelo Gordon Real Estate Strategies	2,981,106	-	-	2,981,106
Angelo Gordon Credit Strategies	6,729,448	-	-	6,729,448
Angelo Gordon CLO & Other Debt Strategies	13,433,084	-	-	13,433,084
Total	$ 123,588,591	$ 77,534,269	$ 22,910,684	$ 23,143,638

The following table presents reconciliations for all Level 3 assets measured at fair value for the period January 1, 2011 to December 31, 2011:

	Level 3			
Description	Angelo Gordon Real Estate Strategies	Angelo Gordon Credit Strategies	Angelo Gordon CLO & Other Debt Strategies	Total
Fair value at January 1, 2011	$ 4,073,539	$ 8,926,158	$ 10,544,279	$ 23,543,976
Total gains or losses (realized/unrealized) included in changes in net assets	295,067	(351,206)	3,824,024	3,767,885
Purchases	-	-	150,000	150,000
Settlements	(1,387,500)	(1,845,504)	(1,085,219)	(4,318,223)
Fair value at December 31, 2011	$ 2,981,106	$ 6,729,448	$ 13,433,084	$ 23,143,638

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	Level 1	Level 2	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

The following table presents reconciliations for all Level 3 assets measured at fair value for the period January 1, 2010 to December 31, 2010:

	Level 3			
Description	Angelo Gordon Real Estate Strategies	Angelo Gordon Credit Strategies	Angelo Gordon CLO & Other Debt Strategies	Total
Fair value at January 1, 2010	$ 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)
Fair value at December 31, 2010	$ 4,073,539	$ 8,926,158	$ 10,544,279	$ 23,543,976

NOTES TO FINANCIAL STATEMENTS

5. 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:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Capital Guardian Trust Funds:				
Global Equity Fund	$ 46,304,847	$ 40,235,923	$ 49,931,322	$ 36,586,784
Emerging Markets Growth Fund	11,234,887	16,242,961	14,546,130	15,859,779
Absolute Income Grower	-	-	8,781,745	8,072,038
Total	$ 57,539,734	$ 56,478,884	$ 73,259,197	$ 60,518,601

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

	2011	2010
Net realized gain on sales of investments	$ 4,724,672	$ 2,119,774
Unrealized net (depreciation) appreciation of investments	(11,679,745)	5,245,014
Net (loss) gain on marketable investments	$ (6,955,073)	$ 7,364,788

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, 2011 and 2010 were $174,149 and $166,345, respectively. These fees are reported as a reduction of investment interest and dividend income in the statement of activities.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

B. Investments in Fixed Income Mutual Funds

The Foundation invests in mutual funds managed by PIMCO. The funds consist of various publicly traded fixed income securities.

Investments consist of the following as of December 31:

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
PIMCO Total Return Inst	$ 10,111,628	$ 10,000,000	$ -	$ -
PIMCO Global Advantage Strategic Bond Inst	9,882,907	10,000,000	-	-
Total	$ 19,994,535	$ 20,000,000	$ -	$ -

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

	2011	2010
Net realized gain on sales of investments	$ -	$ -
Unrealized net appreciation of investments	(5,465)	-
Net (loss) gain on marketable investments	$ (5,465)	$ -

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

C. Other Investments

Other investments consist of the following as of December 31:

	2011	2010
Angelo Gordon Super Fund L.P.	$ 22,910,684	$ 22,969,850
Angelo Gordon Real Estate Strategies	2,981,106	4,073,539
Angelo Gordon Credit Strategies	6,729,448	8,926,158
Angelo Gordon CLO & Other Debt Strategies	13,433,084	10,544,279
Total other investments	$ 46,054,322	$ 46,513,826

Annual activity for other investments consists of the following for the year ended December 31, 2011:

	AG Super Fund	AG Real Estate Strategies	AG Credit Strategies	CLO & Other Debt Strategies	Total 2011
January 1, 2011, fair value	$ 22,969,850	$ 4,073,539	$ 8,926,158	$ 10,544,279	$ 46,513,826
Capital contributions	-	-	-	150,000	150,000
Distributions	-	(1,387,500)	(1,845,504)	(1,085,219)	(4,318,223)
Appreciation/(depreciation)	(59,166)	295,067	(351,206)	3,824,024	3,708,719
December 31, 2011, fair value	$ 22,910,684	$ 2,981,106	$ 6,729,448	$ 13,433,084	$ 46,054,322

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, 2011. The Foundation had a $5 million distribution in transit at December 31, 2011. Consequently, the monies are still included in the AGSF balance at year end. The monies were subsequently reinvested in PIMCO fixed income securities in January, 2012. The Foundation has the ability to redeem this investment on the measurement date; accordingly, as of December 31, 2011, 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, 2011. The Foundation has received cumulative distributions of $7,225,000 as of December 31, 2011. The estimated fair value of AGRIV at December 31, 2011 was $37,437. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, all investments are classified as Level 3 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

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 off 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 and 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, 2011. The Foundation has received cumulative distributions of $7,025,000 as of December 31, 2011. The estimated fair value of AGRV at December 31, 2011 was $159,471. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, 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 AGRCVI. There are no remaining commitments at December 31, 2011. The Foundation has received cumulative distributions of $3,325,000 as of December 31, 2011. An additional distribution of $100,000 was received during the first quarter of 2012. The estimated fair value of AGRVI at December 31, 2011 was $1,951,178. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, 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, 2011. The Foundation has received cumulative distributions of $6,175,000 as of December 31, 2011. The estimated fair value of AGCPR at December 31, 2011 was $833,020. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, 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, 2011. The Foundation has received cumulative distributions of $8,430,587 as of December 31, 2011. The estimated fair value of AGCRP at December 31, 2011 was $0.

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, 2011. The Foundation has received cumulative distributions of $3,960,000 as of December 31, 2011. An additional distribution of $62,500 was received during the first quarter of 2012. The estimated fair value of AGCRPV at December 31, 2011 was $1,310,603. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, all investments are classified as Level 3 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

Other Investments (continued)

Angelo Gordon Credit Strategies (continued)
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, 2011. The Foundation has received cumulative distributions of $465,504 as of December 31, 2011. An additional distribution of $137,319 was received during the first quarter of 2012. The estimated fair value of AGCRPVI at December 31, 2011 was $5,418,845. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, 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, 2011. The estimated fair value of AGDCS at December 31, 2011 was $4,528,486. The Foundation has the ability to redeem this investment; however, the redemption period is not considered to be near term. Accordingly, as of December 31, 2011, 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. The Foundation has contributed $5 million of capital to AGREDF. There are no remaining commitments at December 31, 2011. The Foundation has received cumulative distributions of $1,115,000 as of December 31, 2011. The estimated fair value of AGREDF at December 31, 2011 was $3,404,598. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, all investments are classified as Level 3 within the fair value hierarchy.

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, 2011. The Foundation has received cumulative distributions of $2,364,786 and $800,508 from NCVII and NCVIII, respectively, as of December 31, 2011. Additional distributions of $388,232 and $148,220 were received during the first quarter of 2012 by NCVII and NCVIII, respectively. The estimated fair values of the Foundation's investments in NCVII and NCVIII at December 31, 2011 are $4,000,000 and $1,500,000 respectively. The Foundation has no ability to redeem this investment; accordingly, as of December 31, 2011, all investments are classified as Level 3 within the fair value hierarchy.

NOTES TO FINANCIAL STATEMENTS

Investments (continued)

D. 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 was $0 at December 31, 2011 and 2010.

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.

6. Property and Equipment

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

	2011	2010
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	(678,230)	(611,630)
Property and equipment, net	$ 119,961	$ 186,561

Depreciation expense was $66,600 and $97,367 for 2011 and 2010, respectively.

7. Line of Credit

The Foundation has a $10,000,000 uncollateralized revolving line of credit with interest at LIBOR plus 1.5% (1.8% at December 31, 2011). Borrowings against the line of credit totaled $0 at December 31, 2011 and 2010. The Foundation incurred interest expense of $31 and $180,858 for the years ended December 31, 2011 and 2010, 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, 2011, the Foundation was in compliance with the loan covenants.

NOTES TO FINANCIAL STATEMENTS

8. Operating Leases

The Foundation leases the facility that houses its corporate headquarters under a non-cancelable operating lease, with current lease terms which expire in 2019. 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 through November 30, 2013. Rental expense, net of sublease income was $279,834 and $293,254 in 2011 and 2010, 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 $7,745 and $33,643 at December 31, 2011 and 2010, 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 which expires in 2013. Pursuant to its sublease, the Foundation held a rent deposit of $3,602 at December 31, 2011 and 2010.

Future minimum rental payments under the lease and sublease as of December 31, 2011 are as follows:

Fiscal Year Ended	Original Lease Expense	Sublease Income	Net Lease Expense
2012	$ 292,992	$ 55,784	$ 237,208
2013	298,972	57,461	241,511
2014	229,235		229,235
2015	235,213		235,213
2016	241,371		241,371
Thereafter	762,935		762,935

9. Benefit Plans

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 $36,607 and $34,105 for the years ended December 31, 2011 and 2010, respectively.

Defined Benefit Pension Plan
The Foundation maintains a noncontributory defined benefit pension plan (the "Plan"), which covers 42% of its employees at the 2011 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.

NOTES TO FINANCIAL STATEMENTS

Benefit Plans (continued)

Defined Benefit Pension Plan (continued)
In 2006, the Foundation froze entry into its noncontributory defined benefit pension plan to all employees hired after June 1, 2005.

In accordance with SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which is primarily codified in ASC 715, *Compensation – Retirement Benefits,* the Foundation recognizes 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 statements of financial position as of December 31:

	2011	2010
Projected benefit obligations for services rendered to date	$ (3,055,774)	$ (2,315,001)
Fair value of plan assets	1,481,715	1,301,043
Funded status/net amount recognized in the statements of financial position	$ (1,574,059)	$ (1,013,958)

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

	2011	2010
Service cost	$ 297,167	$ 271,429
Interest cost	122,464	108,265
Expected return on assets	(103,635)	(79,703)
Net loss due to change in actuarial assumptions	378,507	42,700
Net periodic benefit cost	$ 694,503	$ 342,691

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

	2011	2010
Beginning projected benefit obligation	$ 2,315,001	$ 1,828,783
Service cost	297,167	271,429
Interest cost	122,464	108,265
Benefits paid	(5,984)	(5,984)
Actuarial (gain)/loss	4,296	(16,091)
Effects of actuarial assumption change	322,830	128,599
Settlement gain	-	-
Ending projected benefit obligation	$ 3,055,774	$ 2,315,001

NOTES TO FINANCIAL STATEMENTS

Benefit Plans (continued)

Defined Benefit Pension Plan (continued)
The following table shows a summary of the fair value of plan assets for the years ending December 31:

	2011	2010
Beginning fair value of plan assets	$ 1,301,043	$ 1,020,168
Foundation contributions	134,402	137,348
Distributions	(5,984)	(5,984)
Expected investment return	103,635	79,703
Investment gain	(51,381)	69,808
Ending fair value of plan assets	$ 1,481,715	$ 1,301,043

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

	2011	2010
Discount rate	4.125%	5.25%
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.

Pertinent information related to the Plan is as follows:

	2011	2010
Accumulated benefit obligation	$ 2,470,301	$ 1,839,013
Net periodic benefit cost	694,503	342,691
Foundation contributions	134,402	137,348
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:

2012	$ 933,828
2013	6,587
2014	6,770
2015	10,806
2016	14,855
2017 through 2021	766,243
Total	$ 1,739,089

The Foundation expects to contribute approximately $254,685 to the Plan in 2012.

NOTES TO FINANCIAL STATEMENTS

Benefit Plans (continued)

Defined Benefit Pension Plan (continued)

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 2011 and 7.5% in 2010, 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:

	2011	2010
Asset category		
Mutual funds	89%	98%
Cash and cash equivalents	11%	2%
	100%	100%

The fair values of the Company's pension plan assets weighted-average asset allocations at December 31, 2011 by asset category is as follows:

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ -	$ 1,312,518	$ -	$ 1,312,518
Cash and cash equivalents	169,197	-	-	169,197
Total assets at fair value	$ 169,197	$ 1,312,518	$ -	$ 1,481,715

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

Postretirement Benefits 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 before June 1, 2005.

NOTES TO FINANCIAL STATEMENTS

Benefits Plans (continued)

Postretirement Benefits Plan (continued)
The Foundation accounts for its Postretirement Plan in accordance with 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 accompanying statements of financial position as of December 31:

	2011	2010
Accumulated post-retirement benefit obligation	$ (1,070,110)	$ (1,098,984)
Plan assets at fair value	-	-
Funded status	(1,070,110)	(1,098,984)
Unrecognized net gain subsequent to transition	-	-
Unrecognized transition obligations	-	-
Accrued post-retirement benefit liability	$ (1,070,110)	$ (1,098,984)

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

	2011	2010
Service cost	$ -	$ -
Interest cost	44,493	53,742
Actuarial gain	(10,285)	(71,432)
Net periodic benefit cost	$ 34,208	$ (17,690)

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

	2011	2010
Beginning projected accumulated post-retirement benefit obligation	$ 1,098,984	$ 1,198,958
Service cost	-	-
Interest cost	44,493	53,742
Benefits paid	(63,082)	(82,284)
Actuarial gain	(10,285)	(71,432)
Adjustment for change in measurement date	-	-
Ending projected accumulated post-retirement benefit obligation	$ 1,070,110	$ 1,098,984

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

	2011	2010
Beginning fair value of plan assets	$ -	$ -
Foundation contributions	63,082	82,284
Benefits paid	(63,082)	(82,284)
Ending fair value of plan assets	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

Benefits Plans (continued)

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

	2011	2010
Net periodic benefit cost	$ 34,208	$ (17,690)
Foundation contributions	63,082	82,284
Benefits paid	63,082	82,284

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:

2012	$ 122,899
2013	127,076
2014	130,993
2015	106,333
2016	66,625
2017 through 2021	289,466
Total	$ 843,392

Estimated contributions to the plan for 2012 are $122,899.

The actuarial calculations in 2011 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 4.25%. 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 $3,500 and the accumulated benefit obligation by approximately $94,300, while a 1% decrease would decrease service and interest cost by approximately $3,000 and decrease the accumulated benefit obligation by approximately $80,300.

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.

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 three 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. Income Taxes

In accordance with applicable provisions of the Internal Revenue Code, the Foundation is a private foundation and qualifies as a tax-exempt organization. Income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. The Foundation incurred $162,942 and $1,700 in income taxes for the years ended December 31, 2011 and 2010, respectively. In addition, during 2011, the Foundation recognized $300,000 in income related to an excise tax recovery matter with the Internal Revenue Service (See Note 11). Deferred taxes are not recognized in the accompanying financial statements as the amounts are considered immaterial.

11. Commitments and Contingencies

Large Binocular Telescope ("LBT") Project

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"), under various agreements, all of its viewing rights in the observatory along with the obligation to pay related operating costs associated with those nights. 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 believed they are exempt from the reversion tax and timely notified the IRS of such, including a request for appeal. The Foundation believed that a settlement of approximately $300,000 was reasonably possible, and an accrual was recorded. During 2008, the IRS requested an extension of the examination period until December 31, 2009, which the Foundation granted. A resolution was issued by the courts ruling in favor of the Foundation in February of 2012; consequently, the $300,000 accrual was reversed and recognized as tax recovery within the statements of activities and changes in net assets during the year ended December 31, 2011.

NOTES TO FINANCIAL STATEMENTS

12. Centennial Programs

The Foundation celebrated its 100^{th} anniversary in February 2012. Beginning in 2011 and continuing through 2012, the Foundation undertook activities to celebrate the milestone by hosting events in Tucson, Washington DC, and New York as well as publishing commemorative information in book, video and website forms to highlight the importance of the Foundation's mission. These efforts and activities are seen not only as a means of highlighting the Foundation's many successes, they are also an important component in the Foundation's increasing the use of advocacy, through public speaking, publishing thought pieces and supporting related efforts, that will help highlight the serious need for additional funding to support basic scientific research in the United States.

13. Partnership Development and Fundraising Expenses

In 2009, the Foundation began to assess the feasibility of partnering with other organizations and / or engaging in fundraising activities with philanthropists and private foundations to increase the funding being made available to early career faculty for uses consistent with the Foundation's mission. In 2010, primarily working with consultants, it was determined that such efforts appeared to be feasible. In 2011, the Foundation hired a Director of Strategic Partnerships to begin efforts at identifying and screening organizations to determine suitability for possible collaborations. The goal of these efforts is to significantly increase the funds currently being made available from the Foundation to the Foundation's community of early career faculty. It is very possible that such increased funding may go directly to awardees and not be reflected in the Foundation's financial statements as revenues.

14. Subsequent Events

The Foundation evaluated subsequent events through October 8, 2012, which represents the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

SUPPLEMENTAL SCHEDULES

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Grants and Awards Approved	Grant Administration	Conferences and Convening	Advocacy	G&A	Partnership Development and Fundraising	Interest Expense	Taxes	Centennial Programs	Total Unrestricted Expenses	Investment Management Costs	Total
Grants and awards approved	$ 3,430,496	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,430,496	$ -	$ 3,430,496
Salaries & employee benefits	-	514,770	186,995	354,781	802,591	223,745	-	-	304,354	2,387,236	56,750	2,443,986
Consultants fees and expenses	-	179,032	11,000	198,031	42,820	137,218	-	-	420,167	988,268	50,000	1,038,268
Conferences and meetings	-	69,788	122,880	33,720	81,852	23,660	-	-	-	331,900	5,000	336,900
Rent and occupancy costs	-	171,707	45,269	69,278	180,990	38,178	-	-	106,354	611,776	6,000	617,776
Professsional services	-	31,060	-	-	80,283	-	-	-	-	111,343	25,794	137,137
Investment advisory and custody fees	-	-	-	-	-	-	-	-	-	-	178,149	178,149
Publications : print, online and video	-	27,485	-	-	17,088	-	-	-	193,596	238,169	-	238,169
Interest expense	-	-	-	-	-	-	31	-	-	31	-	31
Taxes	-	-	-	-	-	-	-	(132,058)	-	(132,058)	-	(132,058)
Total	**$ 3,430,496**	**$ 993,842**	**$ 366,144**	**$ 655,810**	**$ 1,205,624**	**$ 422,801**	**$ 31**	**$ (132,058)**	**$ 1,024,471**	**$ 7,967,161**	**$ 321,693**	**$ 8,288,854**

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Grants and Awards Approved	Grant Administration	Conferences and Convening	Advocacy	G&A	Partnership Development and Fundraising	Interest Expense	Taxes	Centennial Programs	Total Unrestricted Expenses	Investment Management Costs	Total
Grants and awards approved	$ 4,357,942	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,357,942	$ -	$ 4,357,942
Salaries & employee benefits	-	433,048	143,940	278,032	754,637	46,937	-	-	-	1,656,594	58,722	1,715,316
Consultants fees and expenses	-	274,405	41,424	134,350	108,583	367,445	-	-	-	926,207	-	926,207
Conferences and meetings	-	78,052	82,109	37,145	53,790	29,019	-	-	-	280,115	5,000	285,115
Rent and occupancy costs	-	229,756	51,604	77,678	258,831	21,185	-	-	-	639,054	15,864	654,918
Professsional services	-	25,533	-	-	54,894	-	-	-	-	80,427	26,670	107,097
Investment advisory and custody fees	-	-	-	-	-	-	-	-	-	-	170,345	170,345
Publications : print, online and video	-	-	-	5,000	31,084	-	-	-	-	36,084	-	36,084
Interest expense	-	-	-	-	-	-	181,198	-	-	181,198	-	181,198
Taxes	-	-	-	-	-	-	-	1,700	-	1,700	-	1,700
Total	**$ 4,357,942**	**$ 1,040,794**	**$ 319,077**	**$ 532,205**	**$ 1,261,819**	**$ 464,586**	**$ 181,198**	**$ 1,700**	**$ -**	**$ 8,159,321**	**$ 276,601**	**$ 8,435,922**