

Justice / *Reimagined*

FORDFOUNDATION

Justice / *Reimagined*

2011 ANNUAL REPORT

*How can we narrow the gulf
between poverty and promise,
between the world as it is and
the world we aspire to?*

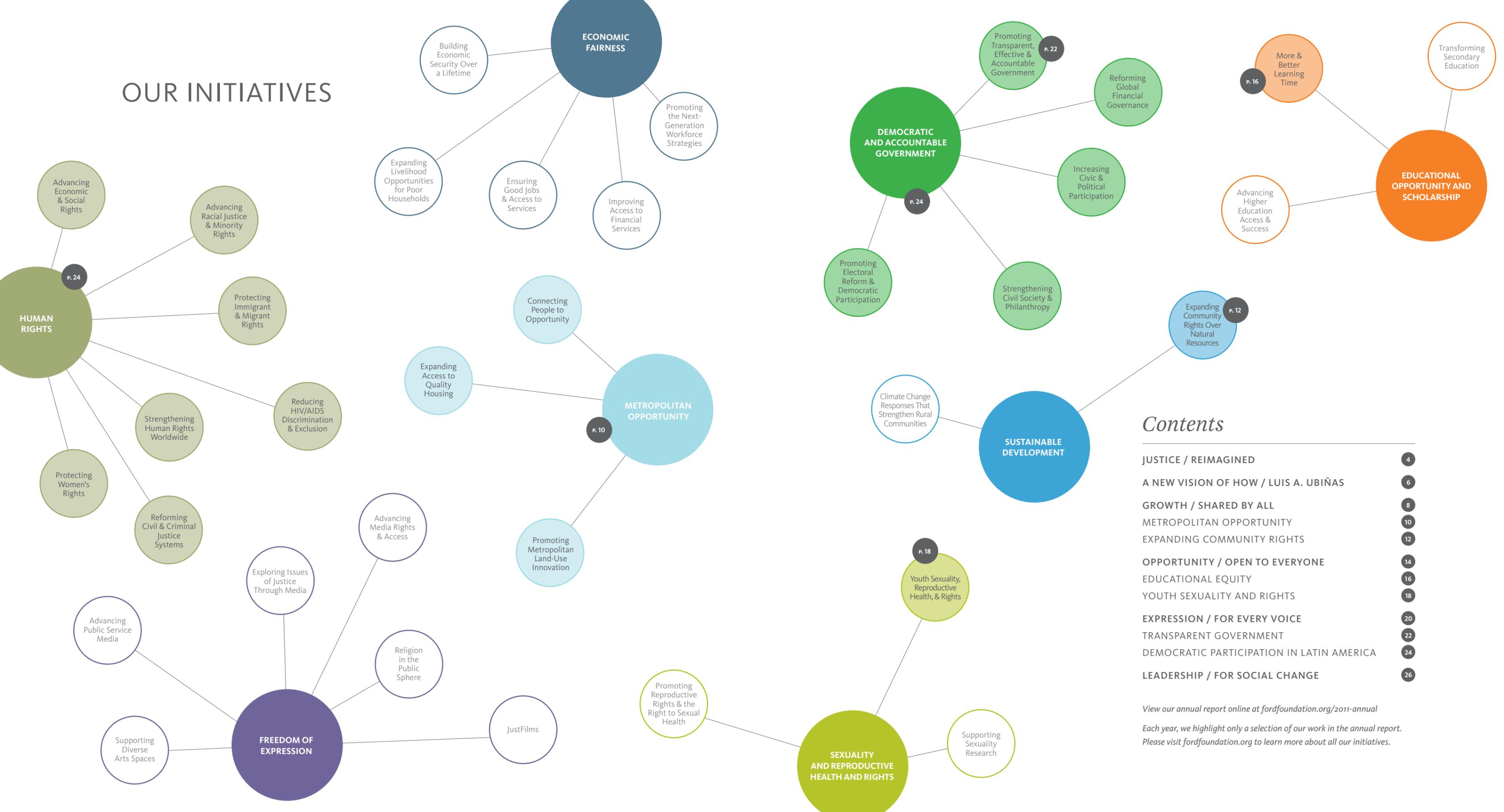
LEARN MORE AT FORDFOUNDATION.ORG



FORDFOUNDATION



OUR INITIATIVES



Contents

JUSTICE / REIMAGINED	4
A NEW VISION OF HOW / LUIS A. UBIÑAS	6
GROWTH / SHARED BY ALL	8
METROPOLITAN OPPORTUNITY	10
EXPANDING COMMUNITY RIGHTS	12
OPPORTUNITY / OPEN TO EVERYONE	14
EDUCATIONAL EQUITY	16
YOUTH SEXUALITY AND RIGHTS	18
EXPRESSION / FOR EVERY VOICE	20
TRANSPARENT GOVERNMENT	22
DEMOCRATIC PARTICIPATION IN LATIN AMERICA	24
LEADERSHIP / FOR SOCIAL CHANGE	26

View our annual report online at fordfoundation.org/2011-annual

Each year, we highlight only a selection of our work in the annual report. Please visit fordfoundation.org to learn more about all our initiatives.



Justice *Reimagined*

Across the globe, we see the groundbreaking advances of our time: greater political, economic and social freedom, fewer deadly conflicts, and life-changing improvements in health, agriculture and technology. These innovations bring with them the promise of better, more prosperous lives for millions of people and the potential for more vibrant, inclusive and sustainable communities.

In this world of possibility, we also see too many people left out and left behind, unable to surmount the barriers that keep them—and their children—from opportunities for a better life. For these families, the burdens of poverty and exclusion stand in stark contrast to the progress that inspires and enlivens much of today's world.

These are the parallel realities of the 21st century—and they are what drive the work of the Ford Foundation. How do we consolidate the gains we have made and at the same time ensure they are more broadly shared? How can we narrow the gulf between poverty and promise, between the world as it is and the world we aspire to?

Our mission is about finding answers to these questions. The visionary people and organizations we support are reimagining justice with transformative ideas so that all people can prosper in this new world of possibility.

A New Vision of How



WE LIVE IN A TIME OF EXTRAORDINARY, POSITIVE CHANGE— a time that has lifted hundreds of millions of people out of poverty, brought hundreds of millions to the ballot box, and transformed how we learn, create and engage. In many ways, the world has never been more free, more educated and more prosperous.

Yet even as we make unprecedented progress in creating a more equitable world, poverty, exploitation and injustice remain. In our multi-screen age, where video is streamed from everywhere to everyone, the reality of persistent inequity is visible to all. Today, in a time that offers so much hope and potential for transformative change, we are powerfully reminded that the benefits of our era still fall far short of reaching billions of our fellow human beings.

The challenge is how to shape and influence the remarkable forces defining this young century so that they benefit all people. In a time of profound interconnectedness, how can we reimagine the path to justice? How can we narrow the gulf between poverty and promise, between the world in which we live and the world to which we aspire?

At the Ford Foundation, we have the honor of working with many of the most courageous leaders for social change worldwide, people who look injustice in the face every day and never waiver in their commitment to overcome it. But if our 76 years of service have taught us anything, it is that we cannot be complacent. The times in which we live demand that we push ourselves harder, that we break with established ways of doing things and struggle to find what we call “a new vision of how.”

We know, for example, that technological change will continue to have a profound impact on society. How can we tap the power of technology to expand and deepen human dignity? Finding new ways of understanding technology’s influence on our social destiny is essential to our new vision of how.

Hundreds of billions of dollars have been spent alleviating symptoms of poverty whose root cause is the early marriage of girls. The educational, economic and cultural opportunities of 10 million girls a year,

200 million girls a generation, perhaps 500 million girls and women alive today, were curtailed when they were married as children. How many of the 2 billion people on this earth living on less than \$2 per day are those girls and women and their children?

For decades, urbanization has been seen as a problem, a source of poverty. Today we know that such analysis was misguided, that dense urban areas, as challenging as they are, can provide paths to greater economic and social opportunity for even the poorest residents. With more than half the world’s population living in cities and all the world’s population growth occurring in cities over the next 50 years, it is time to explore how we, as a global community, understand and shape the ecosystems of cities so they become the *just* cities their citizens need and deserve.

Our way of working at the Ford Foundation has changed over the years and will continue to do so as the world around us changes. We have deepened our focus on achieving results by articulating a clear strategic vision, allocating resources on a differentiated and dynamic basis, and creating qualitative and quantitative metrics that ensure greater accountability. Above all, we are engaging more widely and listening more closely for innovative ways of thinking and doing.

The results of this new way of working have come faster than we expected. This report is dedicated to a first conversation about those early results.

Reimagining justice and setting forward a new vision of how we get there are goals that are never fully met. But we are driven by the challenges we see around us to think and act in new ways—to grasp opportunities and harness them to push against inhumanity and injustice. In a world made up of so many flickering impressions, it is essential that we see clearly and hold firmly to the values that will guide us—and the people we serve—forward.

Luis A. Ubiñas, President



Growth *Shared by All*

Economic growth is creating opportunities for people around the world. *How can these benefits reach more people, more equitably?*

FROM BURGEONING MEGACITIES TO THE WORLD'S MOST remote rural regions, powerful forces—urbanization, population migration, labor market shifts, the diffusion of new technology—are altering old patterns of wealth and poverty. With these changes, a new geography of opportunity is rapidly emerging.

Over the past three decades, for example, we have seen a precipitous drop in extreme poverty, from 1.9 billion people worldwide in 1981 to a projected 1 billion in 2015. The most dramatic improvements have occurred in China, East Asia and the Pacific, where millions of people have moved up the economic ladder.

Throughout the world and in the United States, the Ford Foundation works with visionary leaders and organizations to stimulate and capitalize on advances like these. Yet the challenge of achieving change at the scale we seek

is glaringly apparent. How do we address the persistence of extreme poverty that affects more than a quarter of the world's people? How can poor communities use their assets—agricultural land, forests, minerals and other resources—to expand their prospects? How can we guarantee that hardworking families in the United States earn enough to pull their families up from poverty and achieve economic security?

We know that transformative ideas can unlock the most complex problems: forward-looking natural resource policies, for example, can help expand the livelihoods of families in small communities while promoting a more sustainable future; a new vision of metropolitan development can help ensure that urban spaces offer opportunity to all. Our goal is to find lasting solutions to narrow the distance between people and real economic well-being.

METROPOLITAN OPPORTUNITY

A new vision of the Just City is redefining urban America.

A THRIVING CITY IS AN ENGINE OF OPPORTUNITY, A PLACE TO work, learn and get ahead. A strong city energizes its entire region, driving progress and pressing forward new ideas. Yet cities themselves can fall into decline, as we have seen across many regions of the United States: In poor neighborhoods and inner suburbs, the number of low-income people living in areas of concentrated poverty has jumped by 40 percent since 2000, and the unemployment rate has doubled. Meanwhile, decent affordable housing has become increasingly scarce, with more and more families paying housing costs that are unsustainable.

A conventional approach would attack these problems one issue at a time, one place at a time. Yet experience shows that localized strategies are not equal to the challenge of today's urban poverty. For metropolitan regions to thrive, we need regional solutions that place affordable housing much closer to jobs, wherever those jobs might be, and transportation systems that connect people with

opportunities, no matter where they live. And we need the capacity to plan and implement more nimbly, as the global economy demands ever greater flexibility from workers, employers and government.

In response to those needs, the Ford Foundation has forged partnerships with 10 metropolitan areas to develop affordable housing and transit systems where they are needed most. These regions are now moving forward with a range of ambitious projects, tapping the resources of nonprofit, public and private partners in innovative ways. At the same time, we are working nationally to break down policy silos and advance new practices across the United States.

We began this work only four years ago, but we are already seeing evidence of its potential to improve the lives of low-income Americans. Early results from around the country are pointing the way toward an urban future defined by fairness, opportunity and shared prosperity.

ADVANCING FAIRNESS, JUSTICE AND SHARED PROSPERITY

Four examples of regional innovation



BOSTON

By measuring employment opportunities, current and projected, and showing where they are located, planners can see where affordable housing ought to be developed across Greater Boston. The information will help ensure that new housing gives families better access to public transportation, stable jobs and strong schools.

MINNEAPOLIS-ST. PAUL

The new Central Corridor light rail system will link centers of regional activity—downtown Minneapolis, downtown St. Paul, the state capitol, the University of Minnesota—improving access to 280,000 jobs. Bolstered by strong community advocacy, planners added multiple stops to serve low-income neighborhoods.

SAN FRANCISCO

The San Leandro “transit village,” an affordable housing cluster planned with public transit in mind, is one of 25 being constructed across the San Francisco Bay Area with help from a \$50 million development fund that combines public, philanthropic and private-sector capital.

NEW ORLEANS

City residents are working hand in hand with 10 federal agencies to build a connected city of vibrant neighborhoods. Plans include a proposal to tear down an elevated expressway that has divided the city since the 1960s, restoring Claiborne Avenue and the fabric of the historic Tremé district.

EXPANDING COMMUNITY RIGHTS

In India, rural communities are reaping the benefits of their land and resources.

INDIA'S ECONOMY IS THE SECOND FASTEST GROWING IN THE world, bringing new prosperity to large portions of the population. But across the nation, hundreds of millions are still mired in poverty, particularly those living in India's rainfed agricultural regions, where farmers depend solely on rainfall, not irrigation, to water their crops. Here, concentrated poverty pushes many rural residents off their land and into urban slums, perpetuating the cycle of deprivation.

With smart investment, new policies and innovative programs, India is beginning to revitalize rainfed agriculture, with the promise of boosting productivity and food security. To that end, the Ford Foundation is working in partnership with organizations that understand the conditions of rain-dependent agricultural regions, forging alliances among farmers, scientists, economists, advocates, donors and local, regional and national government leaders. For example, a coalition of 72 civil society

organizations is ensuring that the rural poor have access to reliable wages, as guaranteed under India's groundbreaking National Rural Employment Guarantee Act (NREGA); many projects developed by coalition members are also improving soil and water assets. Another group, the Revitalizing Rainfed Agriculture Network, is thinking

The foundation is working in partnership with organizations across India, forging alliances among farmers, scientists, economists, advocates, donors and local, regional and national government leaders.

through public investment and policy options on issues such as credit, seeds, livestock and markets that target the specific needs of farmers in rain-dependent, as opposed to irrigated, regions.

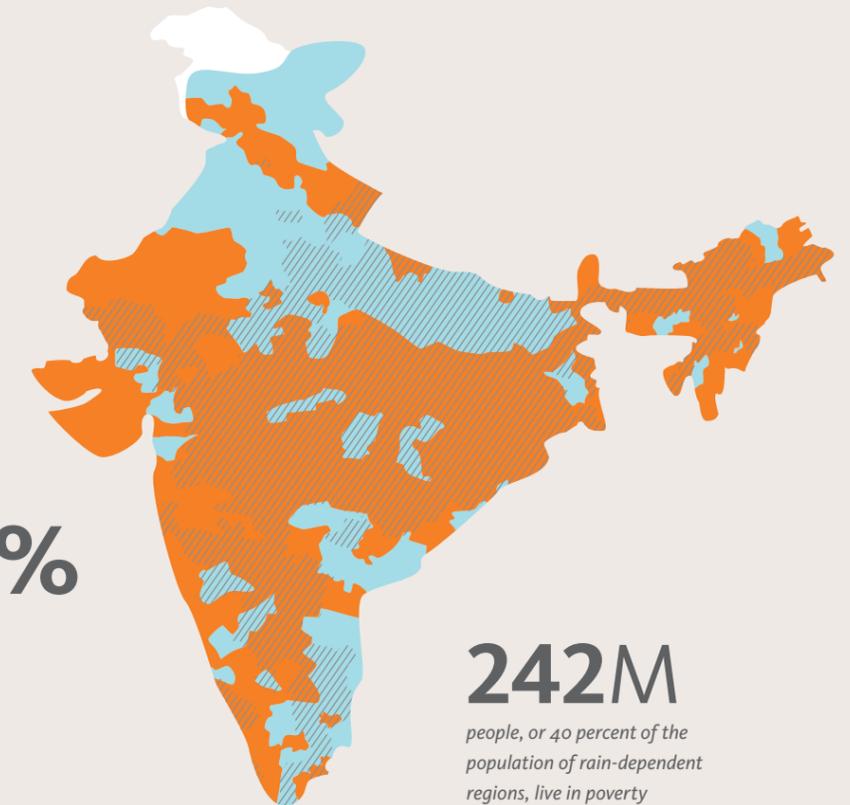
These efforts, we believe, can usher in a new age of sustainable agriculture—providing rewarding work, economic stability, and local self-reliance for hundreds of millions of India's most impoverished people, their rural communities and the country as a whole.

PROMOTING SELF-RELIANCE THROUGH SUSTAINABLE AGRICULTURE
A pilot program that shows promise

POVERTY IN RAIN-DEPENDENT AREAS

- rain-dependent region
- irrigated region
- area of concentrated poverty
- no data

SOURCE: CSSP-ERU, JNU



68.3%
of arable land in India is rain dependent

242M
people, or 40 percent of the population of rain-dependent regions, live in poverty



In 2005, the Indian government passes the National Rural Employment Guarantee Act (NREGA), historic legislation that guarantees 100 days of paid work to all rural households.

A coalition of 72 civil society groups forms with support from Ford and other funders. Its purpose: to ensure NREGA is implemented in ways that build the productive resources of communities.

The 72 NREGA partners help develop and implement projects that employ poor rural residents and advance sustainable agriculture through soil and water improvements.

So far, the NREGA coalition has worked with 130,000 families on projects totaling \$30 million. By year's end, coalition-sponsored projects will reach 200,000 families, or 1 million people.

Lessons from the coalition's work are becoming institutionalized, with the potential to move millions of families out of poverty, especially in India's rain-dependent regions.



Opportunity

Open to Everyone

We live in a world that is more connected than ever before. *How do we make that promise real for all young people?*

A NEW DYNAMIC OF CONNECTIVITY IS ASSERTING ITSELF— across continents, among neighbors and peers, and in our very notions of who we are and how we relate to the world around us. Yet too many people remain digitally stranded, socially isolated, cut off from the opportunities that would enable them to grow and prosper.

At the Ford Foundation, we believe that people have much to gain—socially, culturally, economically—through their connections with others. More than ever before, we view the ability to connect with the world in all its possibilities as a fundamental right. Technology can help broaden horizons and link people more closely with one another, and we therefore invest in efforts to make the Internet as open, democratic and accessible as possible, now and in the future. But technology is only part of the solution. We collaborate with partners who use many strategies to help connect people with opportunity:

young people in low-income neighborhoods striving to reach their potential, migrants searching for a better life, women and girls hoping to learn and work, poor people seeking the dignity of self-sufficiency.

As we work to bridge the divide between people and their hopes for a better world, we look for fresh answers to some of the most persistent challenges: How do we connect with even the most excluded and increase their chances for reaching their full potential? How can we build global movements that unite and multiply the actions of many to advance the cause of justice?

In all we do, we strive to open pathways that offer opportunity, enable ambition and break the grip of social isolation. Our goal is a world where all people have the chance to learn, grow and contribute, unbound by prejudice or isolation.

EDUCATIONAL EQUITY

A movement to expand learning time for students is taking hold across the U.S.

A NEW NATIONAL COALITION, LAUNCHED WITH HELP FROM the Ford Foundation, is encouraging an educational transformation that could change the way American students learn. The mission of the coalition is simple: to inspire and motivate communities across the country to add more learning time to a redesigned school day and year, enabling children everywhere—especially in disadvantaged communities—to get the education they need to succeed.

Expanded learning time is taking hold in many cities nationwide, including Chicago, Boston, Houston, Denver, New York City, Newark and Charlotte, N.C. Today, approximately 1,000 schools are already providing 460,000 students with more and better time to learn. Together with the National Center for Time and Learning, the foundation formed the Time to Succeed Coalition to turn these successful efforts into a nationally transformative movement—and double the number of students benefiting from expanded schedules over the next two years. By bringing together a diverse group of nationally known educators, policy experts, community-based leaders and

public officials, the coalition hopes to champion a new calendar in American education, one no longer based on a 19th-century agrarian society.

With more time in the school day and year, teachers can cover more material and do so in greater depth. Students have time to focus on the core subjects of math, reading, writing, history and science, but they can also cultivate interests in other areas—art, music, community service, physical education—that are often short-changed.

There are other advantages, as well. With more time, schools can bring in cultural organizations, businesses and other partners to supplement and enhance educational programs. Teachers have more opportunity to collaborate and hone their professional skills. And students who spend more time in school are less likely to engage in risky behavior, benefitting instead from safe, organized activities, personal attention and extra academic support. Expanded learning time has the potential to improve a child's whole life, as well as the lives of educators, parents, caregivers and the wider community.

IMPROVING LEARNING TIME IN 1,000 SCHOOLS

How they are doing it



A REDESIGNED SCHOOL DAY

Boston's Clarence Edwards Middle School has reorganized the school day to give students more hours of learning, a total of 300 extra hours per year. The new schedule includes ample time for comprehensive learning, enrichment and extra help. Part of a special state-sponsored program in Massachusetts, this once-failing school has shown steady gains.



A LONGER SCHOOL YEAR

In New York City and Denver, Generation Schools is using an innovative model to increase the student learning year from 180 to 200 days without extending the length of the work year for teachers. Generation faculty work in teams and take their four-week breaks on a rotating basis, giving students time for core subjects as well as special learning experiences.



NEW ROLES INSIDE SCHOOLS

Some groups help schools add learning hours by recruiting additional help. City Year gives young people a chance to work in a public school for a year, where they supplement the efforts of teachers by tutoring and coordinating special projects. Citizen Schools helps schools tap the expertise of trained community and business volunteers.



COMMUNITY CONNECTIONS

Some schools and community groups team up to create more time and opportunity to learn. In East Los Angeles, for example, Esteban E. Torres High School and InnerCity Struggle, a local organization, are collaborating to make the school's new campus a rich learning center for students and neighborhood residents, open 12 hours each day.



5-14 YEAR OLDS HAVE NO ADULT SUPERVISION AFTER SCHOOL



Less than 20% of young people participate in organized enrichment activities during the after-school hours. Students who are busy with afternoon school activities are:

30%
LESS LIKELY TO COMMIT CRIMES

37%
LESS LIKELY TO HAVE AN UNINTENDED PREGNANCY

49%
LESS LIKELY TO BE INVOLVED WITH DRUGS

YOUTH SEXUALITY AND RIGHTS

A global campaign will give all girls the chance to reach their full potential.

THE FORD FOUNDATION IS ADDING ITS VOICE TO A GROWING worldwide cry to end the practice of child marriage. Each year, approximately 10 million girls are compelled to marry before they reach age 18—the age the world has agreed upon as the beginning of adulthood under the UN Convention on the Rights of the Child. The precise reasons for child marriage differ from one society to the next, but all too often the outcome is the same: a girl, isolated and unseen, her education at an end, subject to domestic violence and unprotected sex, robbed of the chance to shape her adult life before it even begins.

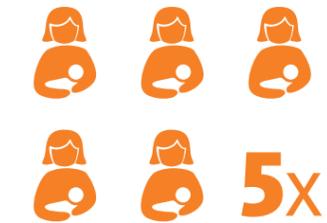
Child marriage happens everywhere, including North America and Western Europe, but it is most prevalent in the developing world, where one in seven girls is married by the time she reaches the age of 15 and more than one-third are married by age 18. In some countries, more than two-thirds of all girls are married before age 18.

We know that local, culturally sensitive solutions are the ones most likely to reach girls in their communities and, ultimately, improve their life chances.

Early marriage often means early childbearing, making the health consequences of the practice especially grave. Girls ages 15-19 are twice as likely to die in childbirth as women in their 20s, and girls under age 15 are five times as likely to die. Pregnancy itself is far riskier for girls. And, compared with unmarried, sexually active girls of the

same age, married girls are far more likely to contract HIV because they cannot insist on safe-sex practices.

Together with The Elders, a group founded by Nelson Mandela whose members include some of the world's most universally respected leaders, we are supporting the Girls Not Brides campaign, an effort to build a global network of organizations large and small to address this crucial issue. In doing so, we are defending the rights of vulnerable girls wherever they live.



Girls under 15 are five times as likely to die in childbirth as women in their 20s



Among girls ages 15-19, the risk of death in childbirth is twice as high as among women ages 20-29

IN THE DEVELOPING WORLD, ONE-THIRD OF ALL GIRLS ARE MARRIED BEFORE AGE 18.

46%
IN SUB-SAHARAN AFRICA

38%
IN SOUTH ASIA

21%
IN LATIN AMERICA AND THE CARIBBEAN

18%
IN THE MIDDLE EAST AND NORTH AFRICA





Expression *For Every Voice*

A vibrant impulse toward freedom is sweeping the globe. *How can the voices of all citizens be lifted?*

WE HAVE SEEN A HUNGER FOR DEMOCRATIC PARTICIPATION take hold around the world, expressed in people's determination to stand up, to occupy and to make their voices heard. But as Archbishop Desmond Tutu reminded us while addressing a human rights audience here at the Ford Foundation last year, "It's a great deal easier to fight *against*," but once freedom is won, the question becomes "What are we struggling *for*?"

Our challenge is not simply to press for freedom where there is none, but to strengthen it where it exists. In Nigeria and Kenya, for example, citizens have joined hands to protect the right to vote and safeguard the electoral process from fraud, violence and intimidation. Their courageous work has both influenced the most recent elections and laid the foundation for safe voting in the future.

But elections are not the beginning and end of meaningful participation. In communities around the world—including places where the experience of direct democracy

is new—people are actively deliberating how land and natural resources should be used, how public budgets should be spent and how services can best be delivered. Nonprofit organizations that we support are collaborating with governments to make information more transparent, social and economic programs more effective, and government itself more accountable to community needs.

These are hopeful signs, yet they also bring into focus the immense challenge of ensuring a real voice for all. How can we help indigenous communities plan for the sustainability of their territories and protect what is most precious to them? What can be done to strengthen human rights and democracy in regions where coercion has long held sway? Can the door to participation be opened even wider, especially for those who have historically been excluded?

Throughout the history of the Ford Foundation, we have stood for the right of every citizen to be part of decisions that shape our common future. We continue to do so today.

TRANSPARENT GOVERNMENT

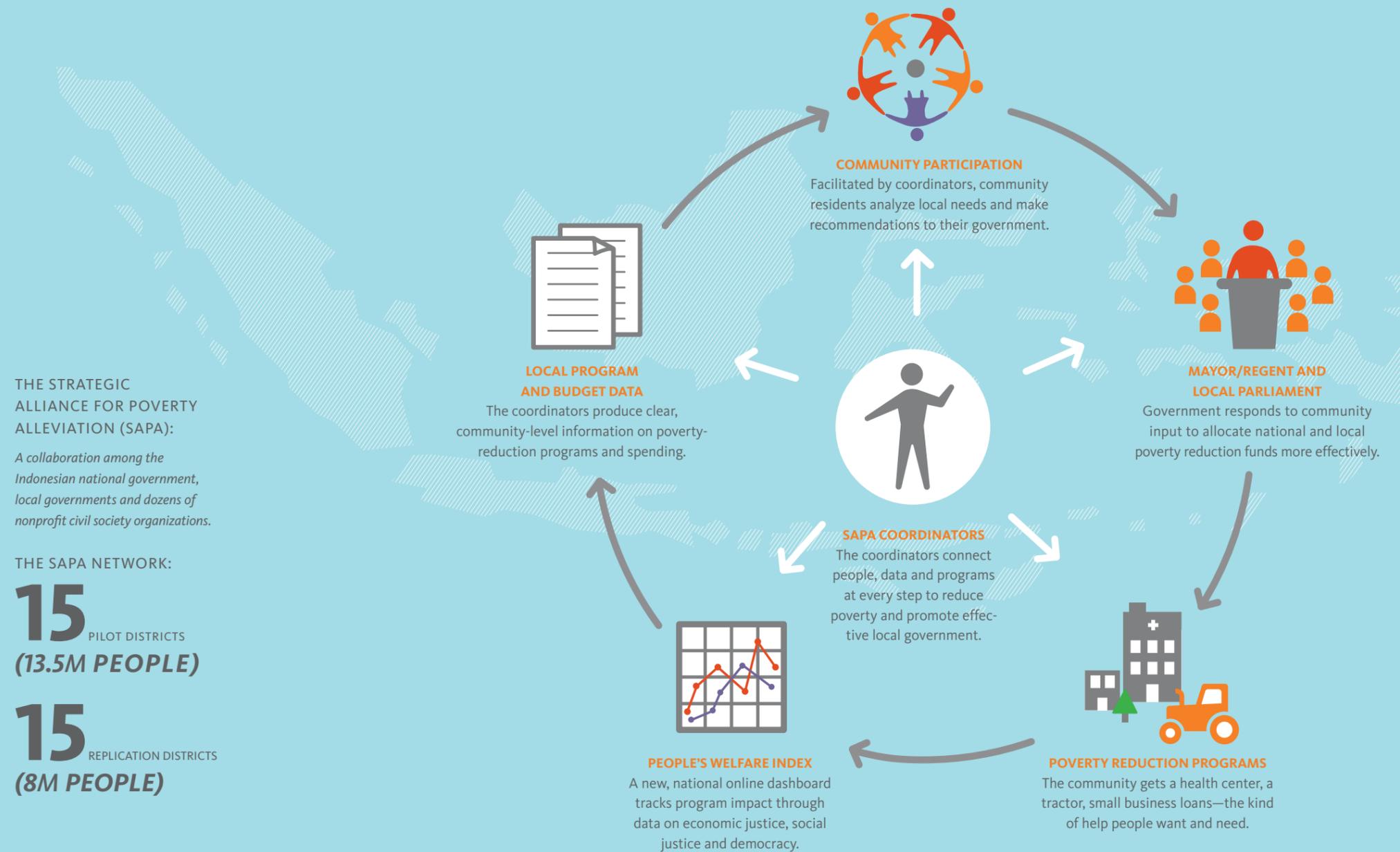
In Indonesia, citizens are deciding the future of their communities.

DEMOCRACY HAS GROWN STEADILY IN INDONESIA SINCE 1999, when the country held its first free and fair elections since 1955. The world's third-largest democracy, Indonesia has a thriving economy, a burgeoning civil society sector and a government committed to engaging citizens in decisions that affect their families and communities.

With decentralized planning and decision-making taking hold across this geographically dispersed nation, the Ford Foundation is working to help regional and local governments and nonprofit organizations embrace the challenge of enabling deep, well-informed participation by local residents. The movement toward decentralization is especially important when it comes to poverty reduction, an area where Indonesia has significantly increased public investment over the past few years. Here, the insights of citizens can make all the difference between money spent on initiatives that are difficult to implement and therefore ineffectual, and strategic investments that change lives and futures.

EMBRACING A NEW MODEL OF DEMOCRATIC PARTICIPATION

What citizen decision-making looks like



THE STRATEGIC ALLIANCE FOR POVERTY ALLEVIATION (SAPA):
A collaboration among the Indonesian national government, local governments and dozens of nonprofit civil society organizations.

THE SAPA NETWORK:

15 PILOT DISTRICTS
(13.5M PEOPLE)

15 REPLICATION DISTRICTS
(8M PEOPLE)

DEMOCRATIC PARTICIPATION

For 50 years, the Ford Foundation has supported the work of visionary leaders and social movements across Latin America.

STRENGTHENING DEVELOPMENT

Fellowships provide training to promising scholars with the potential to lead national development efforts and foster excellence in the region's universities. *Andean Region and Southern Cone*



1970s & 1980s



BUILDING HUMAN RIGHTS INSTITUTIONS

Flagship human rights organizations begin to document human rights abuses, defend victims and provide humanitarian aid during an era of dictatorship. *Andean Region and Southern Cone*

FIGHTING DISCRIMINATION

Strong social movements give Brazil's traditionally marginalized groups, such as Afro-descendants and indigenous people, the resources to fight discrimination. *Brazil*

ADDRESSING GOVERNMENT ACCOUNTABILITY

Civil society organizations hold government accountable after a new Brazilian constitution, adopted in 1988, bars inequality and provides new protections for health and education. *Brazil*

1990s



INCREASING CITIZEN PARTICIPATION

As nascent democracies mature, civil society programs foster citizen participation and more effective governance, particularly at the municipal level. *Mexico and Central America*

CHAMPIONING WOMEN'S RIGHTS

Regional women's funds and other forms of gender-sensitive philanthropy support civil society organizations that advance women's rights and participation. *Mexico and Central America*

SEEKING TRUTH AND RECONCILIATION

During the transition to democracy, truth and reconciliation commissions in Peru, Argentina and Chile gather facts about human rights violations and preserve archival materials and testimony. *Andean Region and Southern Cone*

2000s



SECURING DEMOCRACY

In a hard-won victory for civil society, Latin American governments adopt the Inter-American Democratic Charter in 2001 to promote and protect democracy. *Latin America*

SUSTAINING PEACE AND JUSTICE

Created in 2001, the International Center for Transitional Justice (regionally based in Colombia) works with other centers to secure peace and justice in Latin America, following years of conflict. *Latin America*

EXPANDING THE ROLE OF CITIZENS

Civil society organizations strengthen Mexico's transition to democracy by engaging citizens in budget planning and ensuring that public spending benefits marginalized populations. *Mexico and Central America*



RESPONDING TO HIV/AIDS

Brazil's effective response to the rapid spread of HIV/AIDS leads to the replication of its education and prevention models in other emerging and developing countries. *Brazil*

2010s



ADVANCING RACIAL JUSTICE

Human rights groups and organizations representing indigenous people and Afro-descendants work together to secure the rights of those communities, as guaranteed under international conventions. *Latin America*

PROTECTING THE RIGHTS OF MIGRANTS

Rights organizations in Mexico strive to ensure the safety of migrants, particularly women, and reduce the negative impacts of migration on both sending and receiving communities. *Mexico and Central America*

Our current work in Latin America

Andean Region and Southern Cone

As democratic reforms take root across the region, we are working to combat social and political exclusion and racial discrimination, unleashing broader and more equitable development.

Brazil

Our work builds on two decades of sweeping social progress and economic growth in Brazil, with the goal of realizing full social inclusion, reducing structural inequalities and ensuring human rights for all.

Mexico and Central America

Migration has a profound effect on every aspect of life in this region. Our grant making focuses on addressing the challenges that arise from it and empowering impoverished and excluded communities.





Leadership *For Social Change*

MESSAGE FROM THE CHAIR	28
GOVERNANCE AND LEADERSHIP	30
2011 GLOBAL GRANT SPENDING	32
FINANCIAL REVIEW AND 2011 AUDIT	36

Effective governance and sound finances are vital to our mission. *How can we dedicate our resources ever more strategically to maximize results?*

THE FORD FOUNDATION PROVIDES SUPPORT TO COURAGEOUS leaders and organizations working on the frontlines of social change. Our grantees have extraordinary vision and take on enduring problems that require sustained effort and resolve. Their work offers clear pathways to economic opportunity and expanded political and social participation for millions of people around the world. The foundation's priorities are ambitious: In order to bridge the gulf between poverty and promise and help create the world we aspire to, we must ensure our governance practices are effective, our financial operations are sound and our grant making shows results.

To maximize the outcomes of our grant-making resources, we are working to create a culture of results at the foundation—a culture that internalizes the risks and demands faced by our grantees, scrutinizes our own

operations and performance, and places accountability at the center of our work. Everyone at the foundation, from the board of trustees to the investments and finance staffs, the communications team and our grant makers, plays a pivotal role in maintaining this culture.

We believe the social change we seek requires results-oriented leadership. Our governance and budget policies are designed to drive our success, help fulfill our mission and broaden the reach of our grant support. A major part of this commitment focuses on reducing our operational expenditures in order to devote more resources to our grant making. We are also ensuring that our grant spending and financial information are transparent and accessible. Together, these practices are strengthening our ability to fulfill our mission.

A Vision of Fairness and Equity



AS CHAIR OF THE FORD FOUNDATION BOARD OF TRUSTEES,

I am continually reminded of the foundation's leadership in confronting some of the world's most complex and enduring social challenges. We work on the root causes of problems, on the underlying systems that generate injustices that poor and marginalized people bear in their day-to-day lives. These challenges, often considered intractable, require focus, determination and time.

The foundation's illustrious history is replete with examples of what happens when we work with strategic clarity. From our seminal work in launching the green revolution to providing the founding grant for Human Rights Watch, from nurturing PBS to funding the initial research that led to Head Start, we have achieved inspired results. This report provides compelling examples of a new generation of work that follows in the footsteps of what the foundation has accomplished with its most salient successes.

In many ways, 2011 was an historic year. It marked the end of a three-year period of profound renewal for the Ford Foundation, during which we rebuilt our programs around a vision of fairness and equity for our great nation and the world. We have restructured our operations and infused a results-focused culture across the entire organization. In programs, our new way of working has delivered results even faster than we had hoped, and some of our early successes are detailed throughout this report. In operations, we have reduced internal operating costs and improved the performance of our endowment, yielding more than \$100 million in additional 2011 grant making—funds that proved crucial to many organizations during this difficult economic period.

During my years on the board, it has been my privilege to meet many of the foundation's inspiring and forward-looking grantees. To see their work is both energizing and daunting. The ambition of the vision they hold for the future and the accomplishments they have already achieved are tremendous sources of inspiration. I want to take this opportunity to thank our grantees for their partnership.

In all its work, the foundation benefits from the active oversight of an engaged and diverse board of trustees,

which it is my privilege to lead. In 2011, one member concluded her service to the board and two distinguished new members joined our ranks.

Yolanda Kakabadse, president of World Wildlife Fund International, ended her tenure on the board after 14 years. Passionately committed to human well-being and environmental sustainability, Yolanda contributed unstintingly to the priorities of the foundation and lent her wide-ranging talents to many aspects of its work. We thank her sincerely for her wisdom and commitment.

Martin Eakes, co-founder and head of the community development lender Self-Help and founder of the Center for Responsible Lending in North Carolina, brings deep experience in poverty reduction and helping low-income families achieve economic security, a key global priority for the foundation. A former Ford grantee, Martin was also one of the 12 recipients of the Ford Foundation's Visionaries Award in 2011.

Tim Berners-Lee is perhaps most widely known as the inventor of the World Wide Web. A professor at MIT and the University of Southampton in the United Kingdom, he is a dynamic innovator whose ideas have enriched and expanded the horizons of billions of people around the globe.

In closing, I want to emphasize that all of us at the Ford Foundation—in every office worldwide, in every department of the organization and at every level of leadership and service—understand that results matter. As stewards of the foundation, we strive to focus our work as strategically as possible on fulfilling our aspirations for a better world.

Irene Hirano Inouye

Governance and Leadership

GUIDING THE FOUNDATION

The Ford Foundation has been served by exceptional leadership in every era of its 76-year history.

Over the years, the foundation's board of trustees has consistently provided sound guidance, while the president, working with a talented team of officers, has ensured that the foundation's operations are managed responsibly and meet the highest standards of effectiveness.

BOARD OF TRUSTEES

A 13-member board of trustees, which is chaired by Irene Hirano Inouye and includes Ford Foundation President Luis A. Ubiñas, governs the foundation. Our governance practices adhere to a set of policies—including bylaws, committee charters, standards of independence and a code of ethics—adopted by the board of trustees. The board sets policies related to grant making, geographic focus, spending, investment, management, governance and professional standards. The board also oversees internal and independent audits.

The board's Audit Committee sets compensation, reviews the performance of the president and all foundation officers, and handles all staff compensation matters. Trustees are nominated by a committee of the board, appointed by the full board, and generally serve two six-year terms. The board, board committees and individual trustees are evaluated on an annual basis. Ford trustees bring a wide range of knowledge and experience to the task of governing the foundation. They come from around

the world and are leaders in a range of disciplines—social justice, scholarship, business and finance, law, government, technology and nonprofit management.

FOUNDATION PRESIDENT

Luis A. Ubiñas, president of the foundation, implements board policies, sets strategy, and oversees foundation programs and operations on a day-to-day basis. The president and other officers of the foundation share responsibility for representing Ford in the public sphere. The president continuously re-examines the foundation's work, looking for opportunities to hone strategies and improve results.

The president meets with people around the world to discuss the issues the foundation works on and to strengthen our grasp of different perspectives on how to solve problems. In addition to overseeing the foundation's operations, the president works to communicate what we have learned to a broad array of audiences, and to strengthen the philanthropic sector's performance, legal compliance and transparency.

GRANT-MAKING OVERSIGHT

The board of trustees determines the substantive areas and geographic focus of the foundation's grant making. Within the budget approved by the board, the foundation makes about 1,400 grants throughout the year. The board has delegated authority for approving these grants to the

president and senior staff. In addition, all trustees serve on one of three program committees that help design strategy for each of the foundation's major program areas—Democracy, Rights and Justice; Economic Opportunity and Assets; and Education, Creativity and Free Expression. Membership on the committees rotates, so that trustees serving 12 years become steeped in the work of each area and contribute to its development and assessment.

The trustees review approved grants at regular board meetings, which take place three times a year in February, May and September. At those meetings, and during annual board visits to grantees worldwide, trustees meet grant recipients, learn about their work and spend time in the communities that benefit from our grant support.

TRUSTEE INDEPENDENCE

The Ford Foundation places high value on the independence of our board members. We require that a majority of our trustees be independent, that all trustees serving on the Audit and Nominating committees be independent and that trustees on the Audit Committee satisfy additional standards of independence.

When the staff proposes that the foundation fund an organization with which a trustee is affiliated as an employee, officer or trustee, that grant must be reviewed and approved by the Audit Committee. The grant action document, which is reviewed and approved by management before submission to the Audit Committee, discloses the nature of the trustee affiliation and confirms that the trustee played no role in the initiation or negotiation of the grant.

BOARD COMMITTEES

A seven-person Executive Committee, composed of Board Chair Inouye, President Ubiñas and five other trustees, works with the foundation's officers and acts on behalf of the board between board meetings. Trustee committees dedicated to management and governance, audit, finance, investment, trustee nominations, proxy votes and the foundation's three program areas, meet regularly and guide foundation activities throughout the year.

COMMITTEE MEMBERSHIP

AUDIT

Thurgood Marshall Jr. (Chair)
Juliet V. García
N.R. Narayana Murthy

EXECUTIVE

Irene Hirano Inouye (Chair)
Kofi Appenteng
Afsaneh M. Beschloss
Thurgood Marshall Jr.
Peter A. Nadosy
Cecile Richards
Luis A. Ubiñas

FINANCE

Cecile Richards (Chair)
Kofi Appenteng
Juliet V. García
J. Clifford Hudson
Robert S. Kaplan

INVESTMENT

Peter A. Nadosy (Chair)
Afsaneh M. Beschloss
J. Clifford Hudson
Irene Hirano Inouye
Robert S. Kaplan
Luis A. Ubiñas

MANAGEMENT AND GOVERNANCE

Kofi Appenteng (Chair)
Afsaneh M. Beschloss
Irene Hirano Inouye
Thurgood Marshall Jr.
Luis A. Ubiñas

NOMINATING

Irene Hirano Inouye (Chair)
Kofi Appenteng
Thurgood Marshall Jr.
Peter A. Nadosy

PROXY

Juliet V. García (Chair)
Irene Hirano Inouye
N.R. Narayana Murthy
Peter A. Nadosy
Cecile Richards

DEMOCRACY, RIGHTS AND JUSTICE

Afsaneh M. Beschloss (Chair)
Kofi Appenteng
Tim Berners-Lee
Juliet V. García

ECONOMIC OPPORTUNITY AND ASSETS

N.R. Narayana Murthy (Chair)
Robert S. Kaplan
Thurgood Marshall Jr.
Cecile Richards

EDUCATION, CREATIVITY AND FREE EXPRESSION

J. Clifford Hudson (Chair)
Martin Eakes
Irene Hirano Inouye
Peter A. Nadosy

As of February 2012

See a full list of Ford Foundation Board of Trustees members on page 66

Public documents that describe the foundation's governance practices including our bylaws, articles of incorporation and code of ethics are available on our website at fordfoundation.org/about-us/governance

GLOBAL GRANT SPENDING

Our grant making supports visionary leaders and organizations working on the frontlines of social change throughout the United States and in 10 regions around the world.

- DEMOCRACY, RIGHTS AND JUSTICE
- ECONOMIC OPPORTUNITY AND ASSETS
- EDUCATION, CREATIVITY AND FREE EXPRESSION
- OTHER GRANT ACTIONS

UNITED STATES & WORLDWIDE PROGRAMS

- \$111,921,039
- \$90,349,326
- \$93,575,682
- \$37,792,401



MEXICO & CENTRAL AMERICA

- \$4,655,300
- \$3,395,000
- \$2,087,700
- \$1,707,700



ANDEAN REGION & SOUTHERN CONE

- \$4,861,000
- \$3,650,000
- \$1,650,000
- \$1,635,841



WEST AFRICA

- \$4,135,000
- \$617,500
- \$1,594,500
- \$1,023,512



BRAZIL

- \$3,189,772
- \$2,293,000
- \$3,356,354
- \$915,980



MIDDLE EAST & NORTH AFRICA

- \$7,588,500
- \$6,015,000
- \$470,000



EASTERN AFRICA

- \$3,928,000
- \$3,621,000
- \$2,190,000
- \$105,000



SOUTHERN AFRICA

- \$5,513,500
- \$2,207,750
- \$4,187,500
- \$1,153,900



INDIA, SRI LANKA & NEPAL

- \$4,330,000
- \$4,816,525
- \$3,754,000
- \$946,607



CHINA

- \$5,582,710
- \$1,790,197
- \$3,949,219
- \$3,422,177



INDONESIA

- \$2,192,971
- \$3,712,000
- \$3,275,267
- \$1,072,672



TOTAL 2011 GRANT SPENDING

- \$157,897,792
- \$116,452,298
- \$125,635,222
- \$50,245,790



NOTE: THIS MAP CHARTS FY 2011 GRANT SPENDING BY REGION. FOR A FULL LIST OF OUR 2011 GRANTEES, VISIT [FORDFOUNDATION.ORG/2011-GRANTS](http://fordfoundation.org/2011-grants)

2011 GRANT SPENDING

Our global grant spending is dedicated primarily through three program areas.

DEMOCRACY, RIGHTS & JUSTICE

MAYA L. HARRIS, VICE PRESIDENT

- Democratic & Accountable Government
\$71,705,636
- Human Rights
\$84,992,156
- Other
\$1,200,000



ECONOMIC OPPORTUNITY & ASSETS

PABLO J. FARÍAS, VICE PRESIDENT

- Economic Fairness
\$64,523,670
- Metropolitan Opportunity
\$30,642,850
- Sustainable Development
\$17,966,447
- Other
\$3,319,331



EDUCATION, CREATIVITY & FREE EXPRESSION

DARREN WALKER, VICE PRESIDENT

- Educational Opportunity & Scholarship
\$31,703,890
- Freedom of Expression
\$59,980,999
- Sexuality & Reproductive Health & Rights
\$29,724,695
- Other
\$4,225,638



OTHER GRANT ACTIONS

- Foundationwide Actions
\$25,881,090
- Regional Actions
\$5,364,700
- Program-Related Investments
\$19,000,000



MANAGING OUR RESOURCES

Over the past four years we have shifted more than \$40 million from our operating expenses to increase support to the people we serve.

The Ford Foundation’s work addresses some of society’s toughest issues—challenges that require strategic and sustained engagement. To support such long-term social change and to make the most of the resources we have, we must rigorously manage our endowment and bring exceptional prudence to our internal budgets. The primary objective underlying all our financial strategies and decisions is to maximize support for our grantees and the people they serve.

To meet our programmatic ambitions and to pursue consistent, multiyear programming, the foundation strives each year to invest and budget in ways that yield financial and operating stability while enhancing the value of the investment portfolio. Our financial outlook in fiscal 2011 continued to strengthen, with positive returns on our investments, sound endowment management and increased grant-making support:

- 

REDUCING ADMINISTRATIVE EXPENSES
Grant making has grown as a result of reducing our administrative expenses by 22 percent over four years (2008-2011).
- 

POSITIVE ENDOWMENT RETURNS
Our investment portfolio experienced positive total returns, exceeding our internal investment benchmark as well as public equity market returns.
- 

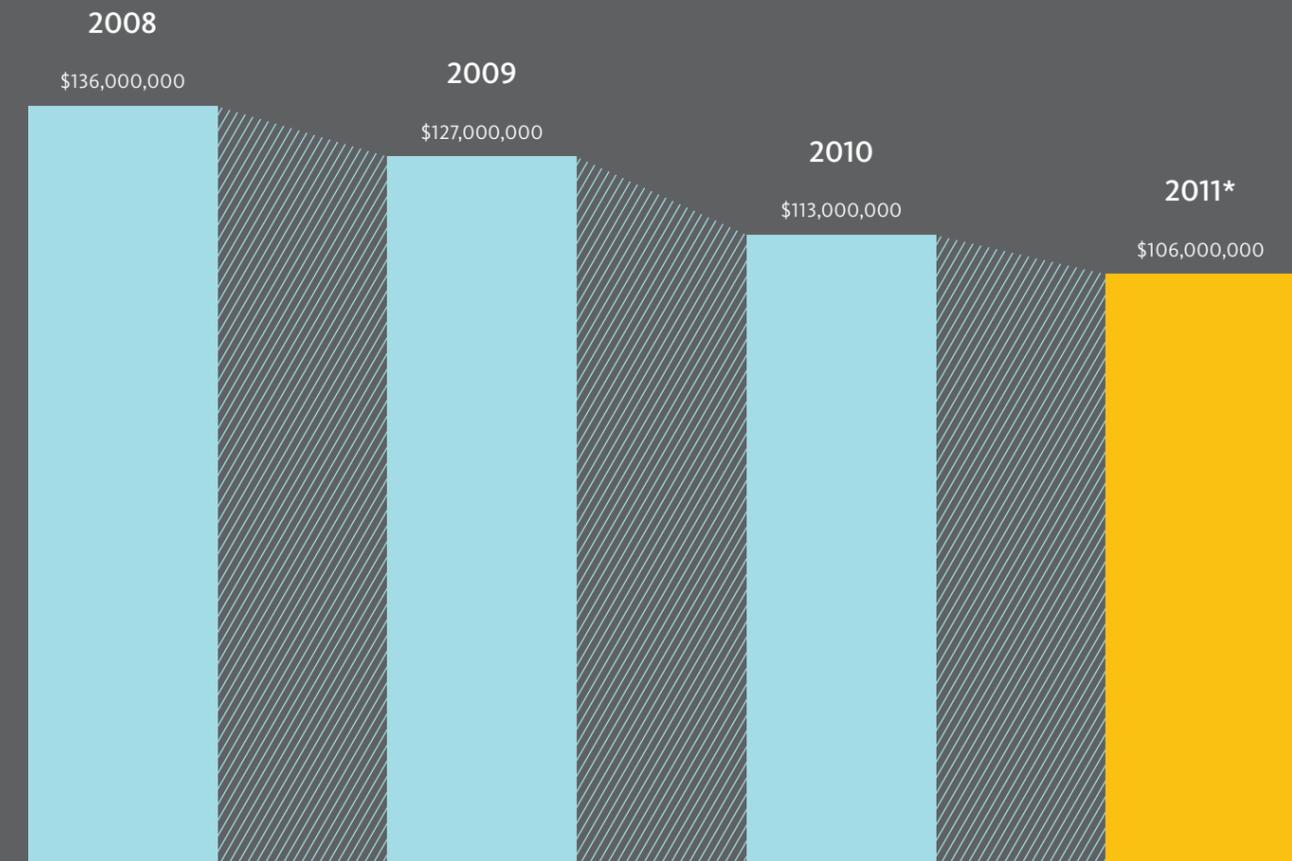
RECESSION RECOVERY
Our investment portfolio stood at \$10.1 billion at the end of fiscal year 2011, having started to recover from the historic downturn we experienced less than three years ago.
- 

DIVERSIFYING HOLDINGS
We continued to diversify our endowment’s investment holdings to reduce our exposure to market volatility.

OPERATING EXPENSES

Reducing costs for greater grant spending

Over the past four years, we have remained deeply committed to our grantees through this period of challenging economic conditions. The strength of our financial position and our ability to support our grantees are the results of numerous initiatives we have undertaken since 2008 to enhance our financial operations. As illustrated in the chart below, we have reduced our operating expenses significantly. This continuous focus on improving our operations has led to the allocation of more resources to grant making. During this same four-year period, we have approved grants and other program actions and made program-related investments totaling more than \$2 billion.



*2011 EXCLUDES INVESTMENT ADVISORY FEES OF \$9 MILLION, WHICH ARE INCLUDED IN EXPENSES INCURRED IN THE PRODUCTION OF INCOME AS PRESENTED ON PAGE 46.

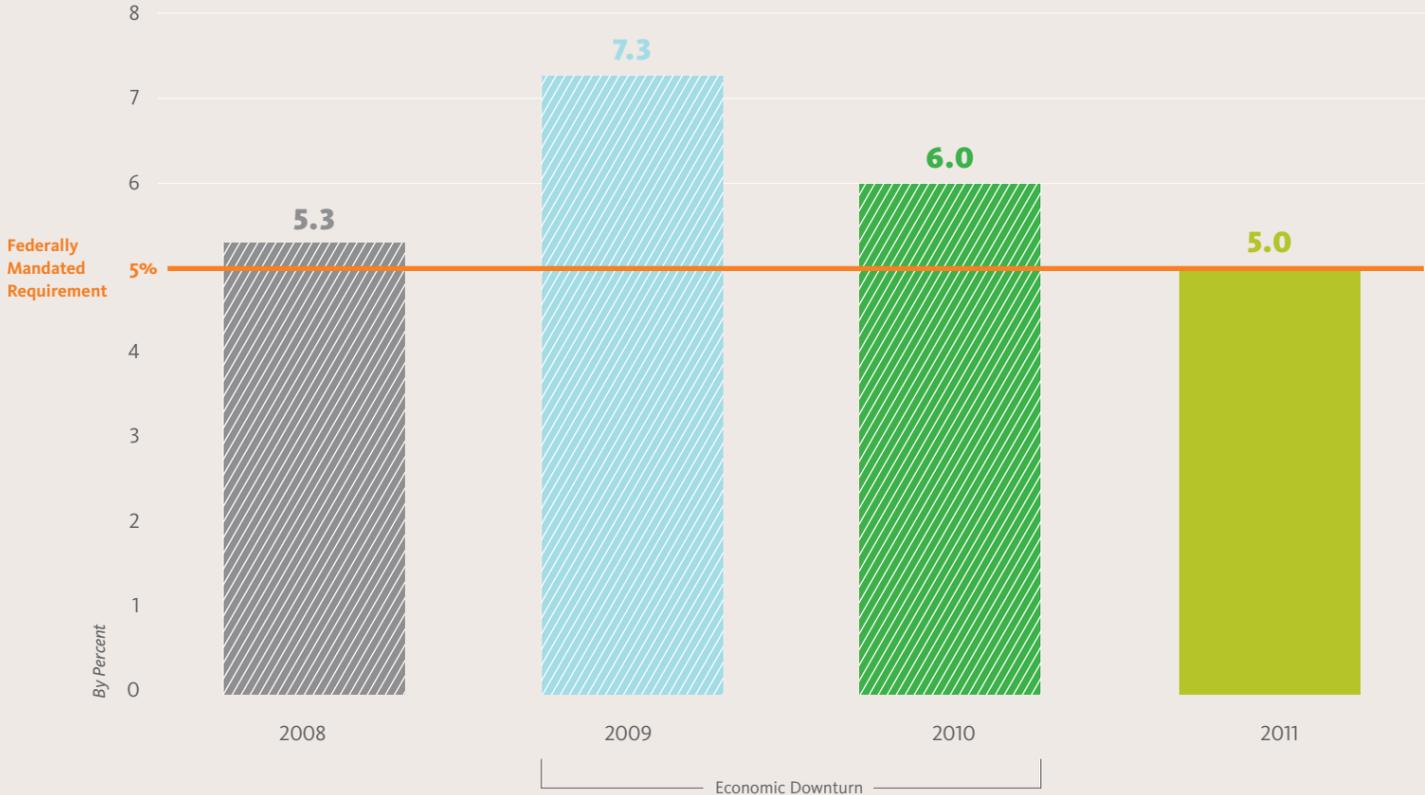
PAYOUT RATE

A countercyclical approach protects grantees

Our board of trustees approves program and operational budgets on a two-year basis, appropriating funding one year at a time. The size of the two-year budget takes into account three considerations: grant-making needs and opportunities; the objective of preserving the value of the endowment for long-term charitable funding; and the need to satisfy the U.S. federal payout requirement (the obligation to disburse annually 5 percent of the average value of the endowment).

In determining the percentage of the endowment we distribute annually to fund grant making, we follow a countercyclical methodology under which we increase our payout rate during economic

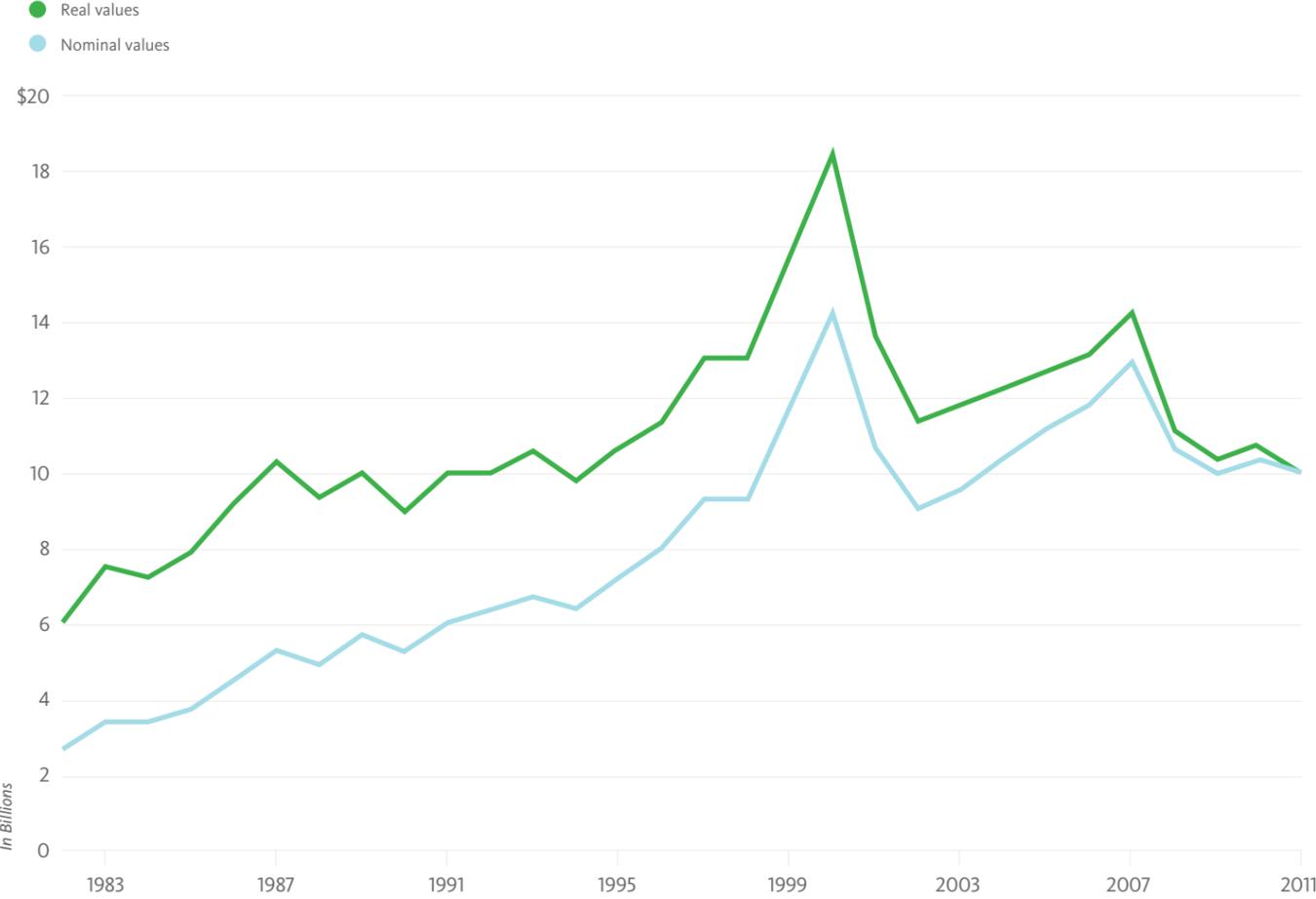
downturns and moderate our payout rate during economic expansions. This approach maintains the stability of our grant-making budgets and protects our grantees through varying economic cycles. The following chart presents our payout rates during the past four years. Following our countercyclical methodology, our payout rates were elevated during the severe economic downturn in fiscal years 2009 and 2010. As a result, we maintained stable grant-making budgets through this period despite the volatility of global financial markets and the resulting fluctuations of our endowment values.



PORTFOLIO VALUES

Growing the endowment without additional contributions

The foundation does not receive outside contributions to its endowment. Our policy has been to try to preserve the real (inflation-adjusted) value of the endowment. As illustrated below, over the past 30 years, our net assets have grown from \$2.7 billion to more than \$10 billion nominally. Adjusting for inflation, we have grown the value of our net assets by 60 percent during this period despite the current depressed market levels. On an inflation-adjusted basis, the foundation's grant making during this period has exceeded \$15 billion, more than 2.5 times the inflation-adjusted value of our endowment at the start of this period.



INVESTMENT STRATEGIES

We must do everything we can to steward our assets carefully, which means reducing our risk profile while increasing returns.

To ensure that the foundation remains an enduring institution, one that can support social change from generation to generation, we pursue an investment strategy that reduces our risk while increasing returns. Our approach has been successful over the past few challenging years. After a 14.9 percent decline in fiscal year 2008, the endowment returned 3.9 percent per annum over the subsequent three years, which exceeded the performance of the S&P 500 and the MSCI All-Country World Index.

At the end of fiscal 2011, the foundation's investment portfolio was valued at \$10.1 billion versus \$10.5 billion at the close of fiscal 2010. The rate of return on the total portfolio was 1.2 percent for the fiscal year, 3.9 percent annualized for the three-year period, 2.5 percent annualized for the five-year period and 5.5 percent annualized for the 10-year period.

Fiscal 2011 was a highly volatile and challenging period in financial markets. Equity markets struggled to

digest company-level developments against a backdrop of confusing and worrisome macroeconomic factors, including concerns over the downgrade of U.S. Treasury debt, the intensification of the European debt crisis, and fears of a "hard landing" in China and other developing economies.

Despite the market turmoil that characterized much of the period, the foundation's portfolio return for fiscal 2011 exceeded relevant public equity market returns, including the S&P 500 (which returned 1.1 percent during the period), the MSCI EAFE Index (which returned -9.4 percent during the period) and the MSCI Emerging Markets Index (which returned -16.1 percent during the period). Primary drivers of our positive performance during the year included domestic equity, private equity, corporate bonds, mortgage-backed securities, inflation-linked bonds and hedged investments in global equity and credit.

PORTFOLIO COMPONENTS

Assuring stability during volatile periods

The foundation's portfolio was well-positioned to withstand volatility in the external environment as a result of its diversified mix of risk exposures. We also continued the careful and deliberate migration of the portfolio's asset allocation to improve its resilience against market volatility, increase its exposure to value-added investment strategies, and provide additional protection against potential inflation and deflation. We took advantage of favorable market valuations to reduce exposure to corporate bonds and to increase exposure to

hedged investments in global equity and credit. In addition, we took advantage of opportunistic investments in real assets. The foundation also continued to maintain a highly liquid portfolio, providing us with the ability to meet ongoing spending needs and to pursue attractive investment opportunities arising from the current economic and financial market environment.

		Market Value	Percent of Total
2011			
Public Equity Securities		\$1,093.1	10.8
Commingled Funds		1,959.1	19.4
Alternative Investment Funds		2,682.8	26.6
Private Equity & Venture Capital		1,981.8	19.6
Fixed-Income Investments		1,998.7	19.8
Short Term		383.6	3.8
TOTAL		\$10,099.1	100
2010			
Public Equity Securities		\$1,312.8	12.5
Commingled Funds		2,075.8	19.8
Alternative Investment Funds		2,042.9	19.4
Private Equity & Venture Capital		1,672.8	15.9
Fixed-Income Investments		2,511.2	23.9
Short Term		897.8	8.5
TOTAL		\$10,513.3	100

Financial Review

FISCAL RESPONSIBILITY

Our budget and spending decisions consider both grant-making priorities and government requirements.

INCOME AND EXPENDITURES

The foundation's total income, comprising interest, dividends, and realized and unrealized appreciation in investments, was \$138.5 million for fiscal 2011, compared with \$1.1 billion in the prior year. Interest income declined to \$118.7 million in fiscal 2011 as a result of lower interest rates and a smaller allocation to fixed income. Dividend income increased to \$109 million as dividend distributions from private investments increased. Realized gains decreased to \$331.4 million, and unrealized losses amounted to \$391.4 million. The expenses incurred in the production of income were \$29.2 million.

Expenditures during the year were \$526 million, most of which were program activities of \$471 million, consisting of grants to organizations and individuals, direct charitable activities and program management. (For a detailed view of our grant-making priorities, see our grant spending charts on pages 32-35.)

FEDERAL REQUIREMENTS

The Internal Revenue Code imposes an excise tax on private foundations equal to 2 percent of net investment income, which is defined as interest, dividends and net

realized gains less expenses incurred in the production of income. The tax is reduced to 1 percent for foundations that meet certain distribution requirements.

For fiscal 2011, the foundation's tax rate is 2 percent and is estimated at \$11 million, excluding the deferred portion of excise taxes resulting from unrealized appreciation and depreciation on investments. In fiscal 2010, the foundation met the 1 percent tax rate distribution requirement and incurred taxes of \$11 million. Since fiscal 1971, the foundation has incurred federal excise taxes of \$346 million.

The Internal Revenue Code also requires private foundations to annually disburse approximately 5 percent of the market value of investment assets, less the federal excise tax. The payout requirement may be satisfied by payments for grants, program-related investments, direct conduct of charitable activities and certain administrative expenses. In fiscal 2011, the foundation had qualifying distributions of \$533 million. During the past five years, the foundation has made \$3.2 billion in qualifying distributions, exceeding the federally mandated payout requirement by \$363 million.

PROGRAM-RELATED INVESTMENTS (PRIs)

Providing strategic, recoverable funds for social change enterprises

Each year the foundation invests a portion of its endowment in projects that advance philanthropic purposes in various areas of the foundation's focus. The trustees have earmarked up to \$280 million of the corpus for these investments. The investments are in the form of debt, equity financing or loan guarantees. As of Sept. 30, 2011, the foundation had \$232 million of program-related investments:

\$207.4 million has been disbursed and is outstanding, and the remaining \$24.6 million is committed. During the fiscal year, new PRI loan commitments of \$19 million were made, and \$16.9 million was disbursed. Principal repayments of \$7.7 million were received. The following table summarizes the PRI program for fiscal years 2011 and 2010.

2011	As of September 30 (in thousands)
Investments outstanding, beginning of fiscal year	\$198,751
Activities during year:	
Investments disbursed	16,945
Principal repaid	(7,668)
Investments written off	(657)
Investments outstanding, end of fiscal year	207,370
Commitments for investment	24,62
TOTAL INVESTMENTS AND COMMITMENTS OUTSTANDING	\$231,994
Allowance for possible losses	27,625
Program development and support*	1,307
Investment income received	1,985
2010	
Investments outstanding, beginning of fiscal year	\$168,762
Activities during year:	
Investments disbursed	49,547
Principal repaid	(12,369)
Investments written off	(7,189)
Investments outstanding, end of fiscal year	198,751
Commitments for investment	24,944
TOTAL INVESTMENTS AND COMMITMENTS OUTSTANDING	\$223,695
Allowance for possible losses	26,239
Program development and support*	1,317
Investment income received	2,209

* Includes the cost of providing technical assistance to develop new PRIs and evaluating ongoing investments

To The Board of Trustees of the Ford Foundation

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of the Ford Foundation at September 30, 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. These financial statements are the responsibility of the Ford Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



December 14, 2011

STATEMENTS OF FINANCIAL POSITION

As of September 30 (in thousands):

	2011	2010
ASSETS		
Investments, at fair value	\$10,102,931	\$10,611,679
Accrued interest and dividends receivable	20,412	28,797
Pending securities, net	(24,245)	(127,222)
	<u>10,099,098</u>	<u>10,513,254</u>
Cash	14,854	466
Federal excise tax receivable	1,335	2,800
Other receivables and assets	15,907	18,328
Program-related investments, net of allowances for possible losses of \$27,625 and \$26,239 at September 30, 2011 and 2010, respectively	179,746	172,512
Fixed assets, net of accumulated depreciation of \$104,286 and \$98,548 at September 30, 2011 and 2010, respectively	33,993	35,251
Total assets	<u>\$10,344,933</u>	<u>\$10,742,611</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Unpaid grants	\$230,035	\$241,636
Payables and other liabilities	71,318	67,206
Total liabilities	<u>301,353</u>	<u>308,842</u>
Contingencies, commitments and guarantees		
Unrestricted net assets		
Appropriated	27,377	39,832
Unappropriated	10,016,203	10,393,937
Total unrestricted net assets	<u>10,043,580</u>	<u>10,433,769</u>
Total liabilities and unrestricted net assets	<u>\$10,344,933</u>	<u>\$10,742,611</u>

(The accompanying notes are an integral part of these financial statements.)

STATEMENTS OF ACTIVITIES

For years ended September 30 (*in thousands*):

	2011	2010
OPERATING ACTIVITIES		
Income		
Dividends	\$109,017	\$100,713
Interest	118,685	207,626
Realized appreciation on investments, net	331,384	908,765
Unrealized depreciation on investments, net	(391,365)	(108,578)
Expenses incurred in the production of income	(29,174)	(34,071)
Total income	138,547	1,074,455
EXPENDITURES		
Program activities		
Grants approved	413,094	457,172
Provision for possible losses on program-related investments	2,044	9,728
Direct conduct of charitable activities	7,897	4,204
Program management	47,763	49,620
Total program activities	470,798	520,724
General management	37,655	29,392
Provision (benefit) for federal excise tax		
Current	10,900	11,000
Deferred	-	(1,194)
Depreciation	6,681	5,933
Total expenditures	526,034	565,855
Change in unrestricted net assets from operating activities	(387,487)	508,600
NON-OPERATING ACTIVITIES		
Pension-related and post-retirement changes other than net periodic pension costs	(2,702)	(4,029)
Change in unrestricted net assets	(390,189)	504,571
UNRESTRICTED NET ASSETS		
Beginning of year	10,433,769	9,929,198
End of year	\$10,043,580	\$10,433,769

(The accompanying notes are an integral part of these financial statements.)

STATEMENTS OF CASH FLOWS

For years ended September 30 (*in thousands*):

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$(390,189)	\$504,571
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities		
Realized appreciation on investments, net	(331,384)	(908,765)
Unrealized depreciation on investments, net	391,365	108,578
Depreciation	6,681	5,933
Pension-related and post-retirement changes other than net periodic pension costs	2,702	4,029
Provision for possible losses on program-related investments	2,044	9,728
Decrease in deferred federal excise tax liability	-	(1,194)
Decrease (increase) in federal excise tax receivable	1,465	(2,700)
Decrease (increase) in other receivables and assets	953	(835)
Loans disbursed for program-related investments	(16,945)	(49,547)
Repayments of program-related investments	7,667	12,369
Grant approvals	413,094	457,172
Grant payments	(424,695)	(459,504)
Increase in payables and other liabilities	2,878	407
Net cash used by operating activities	(334,364)	(319,758)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	5,136,692	10,958,400
Purchase of investments	(4,782,517)	(10,632,426)
Purchase of fixed assets	(5,423)	(8,565)
Net cash provided by investing activities	348,752	317,409
Net increase (decrease) in cash	14,388	(2,349)
CASH		
Beginning of year	466	2,815
End of year	\$14,854	\$466

(The accompanying notes are an integral part of these financial statements.)

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ford Foundation “the Foundation” are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

The significant accounting policies followed are set forth below:

INVESTMENTS, AT FAIR VALUE

The Foundation makes investments by either directly purchasing various financial positions, or purchasing a portion of an investment fund’s partnership capital or shares representing a net assets value (NAV) investment. Directly owned positions are classified for financial reporting purposes as equities, fixed income or short-term investments. NAV investments in funds are classified for financial reporting as either commingled or limited marketability.

Equity investments are generally valued based upon the final sales price as quoted on major exchanges. Fixed income investments are generally valued based upon quoted market prices from brokers and dealers, which represent fair value. Short-term investments generally include cash and cash equivalents as well as credit or debt securities with maturities of less than one year. These credit or debt securities may include US government and agency obligations, repurchase agreements, commercial paper, and similar short-term securities. Short-term investments are valued at amortized cost, which approximates fair value.

For commingled funds the NAV is determined by either an exchange or the respective general partners. The Foundation has complete transparency to the underlying positions in the commingled funds. The underlying positions, owned by the commingled funds, include such investments as exchange traded and over the counter fixed income securities.

Limited marketability funds are NAV investments in private equity, venture capital, alternatives, and other private investment entities. The Foundation has significant transparency into the underlying positions of the private equity and venture capital funds. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over the counter market. The Foundation believes that the carrying amount of its limited marketability investments is a reasonable estimate of fair value as of September 30, 2011. Because these investments are not readily marketable, the estimated value is subject to uncertainty, therefore, results may differ from the value that would have been used had a ready market for the investment existed. Such differences could be material.

The Foundation has adopted the concept of the “practical expedient” under GAAP. The practical expedient is an acceptable method under GAAP to determine the fair value of certain NAV investments (a) that do not have a readily determinable fair value predicated upon a public market and (b) either have the attributes of an investment company or prepare their financial statements consistent with the measurement principles of an investment company under GAAP.

For directly owned positions, transactions are recorded on a trade date basis. Realized and unrealized appreciation (depreciation) on investments is determined by comparison of specific costs of acquisition (identified lot basis) to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively, and includes the effects of currency translation with respect to transactions and holdings of foreign securities. Dividends and interest are recognized when earned.

For NAV investments in which the Foundation owns shares of an investment fund, realized and unrealized appreciation (depreciation) on investments is determined by comparison of specific costs of acquisition (identified lot basis) to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively, and includes the effects of currency translation with respect to transactions and holdings of foreign currency denominated holdings. Dividends and interest are recognized when earned. The amount of realized and unrealized appreciation (depreciation) associated with these investments is reflected in the accompanying financial statements.

For NAV investments in which the Foundation owns a portion of an investment fund’s partnership capital, unrealized appreciation (depreciation) is determined by comparison of cost of acquisition to the partnership interests to market values at the last day of the fiscal year, and includes the effects of currency translation with respect to transactions and holdings of foreign currency denominated holdings. Realized appreciation (depreciation) on redemption of partnership interests is determined as allocated by the general partners of the respective investments. Dividends and interest are recognized as allocated by the general partners. The amount of realized and unrealized appreciation (depreciation) associated with these investments is reflected in the accompanying financial statements.

Effective September 30, 2011, the Foundation has changed the investment type classification in prior year financial statements for certain investments to conform to the fiscal year 2011 presentation. This presentation incorporates FASB Accounting Standards Update 2010-06: *Improving Disclosures about Fair Value Measurements*. The change is solely the classification for financial reporting

purposes and has no net effect on the total financial statements or operating results.

FAIR VALUE HIERARCHY

Under GAAP the Foundation discloses assets and liabilities, recorded at fair value into the “fair value hierarchy”. The fair value hierarchy defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Inputs that reflect 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: Inputs other than quoted prices which are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and refer to the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Notes to Financial Statements

The Foundation considers observable data to be market data which is readily available and reliable and provided by independent sources. The categorization of a financial instrument within the fair value hierarchy is therefore based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets are classified as Level 1 and include active listed equities, and certain short-term fixed income investments. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale of all its holdings could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active under the accounting definition, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified as Level 2. Such inputs may include model based valuation techniques. These investments include certain US government and sovereign obligations, government agency obligations, corporate bonds, asset backed securities, derivatives and certain limited marketability investments priced using net asset value or equivalent as a determinant of fair value. With respect to NAV investments, the Foundation considers near-term liquidity as well as any restrictions or limitations on redemptions to determine the level classification of these investments. Investments valued using NAV as a practical expedient are classified as Level 2 if the investment is redeemable at NAV (as adjusted for subsequent gains or losses through the effective date of redemption) in the near-term (generally within a 3-month period) without significant restrictions on redemption.

Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based

upon the best information in the circumstance and may require significant management judgment. Investments classified as Level 3 are publicly traded securities for which no active market or dealer quote exists and NAV investments in private equity, venture capital, real estate and those hedge funds that are not redeemable in the near term or have significant restrictions.

DERIVATIVE INSTRUMENTS

The Foundation records all derivative instruments and hedging activities at fair value. The fair value adjustment is recorded directly to the invested asset and recognized as unrealized appreciation (depreciation) in the accompanying Statements of Activities.

The Foundation utilizes a variety of derivative instruments and contracts including futures, forwards, swaps, and options for trading and hedging purposes with each instrument's primary risk exposure being interest rate, credit, foreign exchange, or equity risk. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts.

The Foundation enters into forward currency contracts whereby it agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate to minimize the exposure of certain of its investments to adverse fluctuations in currency markets.

The Foundation enters into futures contracts whereby it is obligated to deliver or receive (although the contracts are generally settled in cash) various US government debt instruments at a specified future date. The Foundation engages in futures to increase or decrease its exposure to interest rate movements and spreads.

The Foundation enters into interest rate contracts whereby it is obligated to either pay or receive a fixed interest rate on a specified notional amount and receive or pay a floating interest rate on the same notional amount. The floating rate is generally calculated as a spread amount

added to or subtracted from a specified London Inter Bank Offering Rate (LIBOR) indexed interest rate. The Foundation enters into such contracts to manage its interest rate exposure and to profit from potential movements in interest rate spreads. The market value and unrealized gains or losses on interest rate swaps are affected by actual movements of and market expectations of changes in current market interest rates.

The Foundation enters into credit default swaps to simulate long and short credit positions that are either unavailable or considered to be less attractively priced in the bond market. The Foundation uses these swaps to reduce risk where it has exposure to the issuer, or to take an active long or short position with respect to the likelihood of an event of default. The reference obligation of the swap can be a single issuer, a "basket" of issuers, or an index. The underlying referenced assets can include corporate debt, sovereign debt and asset backed securities.

The buyer of a credit default swap is generally considered to be "receiving protection" in the event of an adverse credit event affecting the underlying reference obligation, and the seller of a credit default swap is generally considered to be "providing protection" in the event of such credit event. The buyer is generally obligated to pay the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon the occurrence of a credit event with respect to an underlying reference obligation. Generally, a credit event for corporate or sovereign reference obligations means bankruptcy, failure to pay, obligation acceleration, repudiation/moratorium or restructuring. For credit default swaps on asset-backed securities, a credit event may be triggered by events such as failure to pay principal, maturity extension, rating downgrade or write-down. If a credit event occurs, the seller typically must pay the contingent payment to the buyer, which is typically the par value (full notional value) of the reference obligation, though the actual

payment may be mitigated by terms of the International Swaps and Derivative Agreement (ISDA), allowing for netting arrangements and collateral. The contingent payment may be a cash settlement or a physical delivery of the reference obligation in return for payment of the face amount of the obligation. If the Foundation is a buyer and no credit event occurs, the Foundation may lose its investment and recover nothing. However, if a credit event occurs, the buyer typically receives full notional value for a reference obligation that may have little or no value. As a seller, the Foundation receives a fixed rate of income throughout the term of the contract, provided that no credit event occurs. If a credit event occurs, the seller may pay the buyer the full notional value of the reference obligation.

Credit default swaps are carried at their estimated fair value, as determined in good faith by the Foundation. In determining fair value, the Foundation considers the value provided by the counterparty as well as the use of a proprietary model. In addition to credit quality, the Foundation monitors a variety of factors including cash flow assumptions, market activity, market sentiment and valuation as part of its ongoing process of assessing payment and performance risk. As payment and performance risk increases, the value of a credit default swap increases. Conversely, as payment and performance risk decreases, unrealized appreciation is recognized for short positions and unrealized depreciation is recognized for long positions. Any current or future declines in the fair value of the swap may be partially offset by upfront payments received by the Foundation as a seller of protection if applicable.

Credit default swaps involve greater risks than if the Foundation had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to liquidity risk and counterparty credit risk. The Foundation enters into credit default swaps with counterparties meeting defined criteria for financial strength.

Notes to Financial Statements

CASH

Cash consists of cash on hand and operating bank deposits.

PROGRAM-RELATED INVESTMENTS

The Foundation invests in projects that advance philanthropic purposes. These program-related investments are generally loans outstanding for up to 10 years bearing interest at 1%. These loans are treated as qualifying distributions for tax reporting purposes. Loans are monitored to determine net realizable value based on an evaluation of recoverability that utilizes experience and may reflect periodic adjustments to terms as deemed appropriate.

FIXED ASSETS

Land, buildings, furniture, equipment and leasehold improvements owned by the Foundation are recorded at cost. Depreciation is charged using the straight-line method based on estimated useful lives of the particular assets generally estimated as follows: buildings, principally 50 years, furniture and equipment 3 to 15 years, and leasehold improvements over the lesser of the term of the lease or the life of the asset.

EXPENDITURES AND APPROPRIATIONS

Committed grant expenditures are considered incurred at the time of approval. Uncommitted appropriations that have been approved by the Board of Trustees are included in appropriated unrestricted net assets.

TAXES

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRS) and, accordingly, is not subject to federal income taxes. The Foundation is subject to a federal excise tax because it

is a private foundation in accordance with IRS regulations. The Foundation accrues an expense for federal excise taxes payable.

The Foundation accounts for uncertain tax positions when it is more likely than not that such an asset or a liability will be realized. As of September 30, 2011 and 2010 management believes there were no uncertain tax positions.

RISKS AND UNCERTAINTIES

The Foundation uses estimates in preparing the financial statements which require management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities at the date of the Statements of Financial Position and the reported amounts of income and expenditures during the reporting period. Actual results may differ from these estimates. The most significant estimates and assumptions relate to the valuation of limited marketability investments, allowances for possible losses on program-related investments and assumptions used for employee benefit plans.

MEASURE OF OPERATIONS

The Foundation includes in its measure of operations (operating income over expenditures) all income that is an integral part of its programs and supporting activities. Non-operating activities include the cumulative gains and prior service costs and credits which arose during the period, but are not recognized as separate components of net periodic pension cost.

NOTE 2

INVESTMENTS

Investments held consisted of the following as of September 30 (*in thousands*):

	2011		2010	
	Fair Value	Cost	Fair Value	Cost
Short Term	\$387,395	\$388,777	\$996,149	\$995,978
Equities	1,093,138	864,085	1,312,750	911,012
Fixed Income				
US Government Debt	1,137,655	1,129,344	1,050,273	1,012,146
Corporate Debt	80,699	81,697	446,490	402,661
Asset Backed	780,341	798,876	1,014,424	1,009,748
Commingled funds				
Equity related	1,602,086	1,706,340	1,969,062	1,834,345
Real Asset related	357,001	401,547	106,778	100,000
Limited Marketability funds				
Credit	243,745	278,004	264,616	319,584
Directional	1,674,647	1,574,844	1,280,206	1,115,426
Non-Directional	466,855	412,660	282,146	264,250
Real Assets	297,565	287,671	215,957	200,500
Private Equity	1,043,949	1,180,250	930,391	1,158,084
Venture Capital	937,855	1,439,064	742,437	1,336,808
Investments, at fair value	10,102,931	10,543,159	10,611,679	10,660,542
Accrued interest and dividends receivable	20,412	20,412	28,797	28,797
Investment related				
Receivables	4,375	4,375	32,569	32,569
Payables	(28,620)	(28,620)	(159,791)	(159,791)
Total investments	\$10,099,098	\$10,539,326	\$10,513,254	\$10,562,117

Notes to Financial Statements

THE CLASSIFICATION OF INVESTMENTS BY LEVEL WITHIN THE VALUATION HIERARCHY

As of September 30, 2011 is as follows (*in thousands*):

	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short Term	\$178,758	\$208,637	\$ -	\$387,395
Equities	1,082,396	1,289	9,453	1,093,138
Fixed Income				
US Government Debt	-	1,137,655	-	1,137,655
Corporate Debt	-	80,699	-	80,699
Asset Backed	-	780,341	-	780,341
Commingled funds				
Equity related	-	1,602,086	-	1,602,086
Real Asset related	-	357,001	-	357,001
Limited Marketability funds				
Credit	-	188,218	55,527	243,745
Directional	-	1,022,680	651,967	1,674,647
Non-Directional	-	262,954	203,901	466,855
Real Assets	-	18	297,547	297,565
Private Equity	-	-	1,043,949	1,043,949
Venture Capital	-	-	937,855	937,855
Investments, at fair value	\$1,261,154	\$5,641,578	\$3,200,199	10,102,931
Accrued income, net payables and receivables				(3,833)
Total investments				\$10,099,098

THE CLASSIFICATION OF INVESTMENTS BY LEVEL WITHIN THE VALUATION HIERARCHY

As of September 30, 2010 is as follows (*in thousands*):

	Quoted Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Short Term	\$1	\$996,148	\$ -	\$996,149
Equities	1,292,268	14,256	6,226	1,312,750
Fixed Income				
US Government Debt	-	1,050,273	-	1,050,273
Corporate Debt	-	446,490	-	446,490
Asset Backed	-	1,014,424	-	1,014,424
Commingled funds				
Equity related	-	1,969,062	-	1,969,062
Real Asset related	-	106,778	-	106,778
Limited marketability funds				
Credit	-	-	264,616	264,616
Directional	-	543,749	736,457	1,280,206
Non-Directional	-	207,147	74,999	282,146
Real Assets	-	-	215,957	215,957
Private Equity	-	-	930,391	930,391
Venture Capital	-	-	742,437	742,437
Investments, at fair value	\$1,292,269	\$6,348,327	\$2,971,083	10,611,679
Accrued income, net payables and receivables				(98,425)
Total investments				\$10,513,254

Notes to Financial Statements

THE FOLLOWING TABLE SUMMARIZES LEVEL 3 RECONCILIATION PER ASC 820 AS OF SEPTEMBER 30, 2011 AND 2010. FAIR VALUE MEASUREMENTS USING LEVEL 3 INPUTS (IN THOUSANDS):

	Balances at Oct 1, 2010	Purchases and Other Acquisitions	Net transfers in/(out) of Level 3	Sales and Other Dispositions	Net Realized Appreciation	Net Unrealized Appreciation	Balances at Sept 30, 2011
Equities	\$6,226	\$ -	\$1,104	\$ -	\$(328)	\$2,451	\$9,453
Credit	264,616	-	(190,440)	(16,580)	-	(2,069)	55,527
Directional	736,457	325,487	(320,149)	(48,992)	(1,010)	(39,826)	651,967
Non-Directional	74,999	137,660	-	-	-	(8,758)	203,901
Real Asset Funds	215,957	128,306	-	(41,474)	339	(5,581)	297,547
Private Equity	930,391	183,717	-	(204,513)	42,906	91,448	1,043,949
Venture Capital	742,437	165,193	(19)	(92,072)	29,136	93,180	937,855
	<u>\$2,971,083</u>	<u>\$940,363</u>	<u>\$(509,504)</u>	<u>\$(403,631)</u>	<u>\$71,043</u>	<u>\$130,845</u>	<u>\$3,200,199</u>

	Balances at Oct 1, 2009	Purchases and Other Acquisitions	Net transfers in/(out) of Level 3	Sales and Other Dispositions	Net realized Appreciation	Net Unrealized Appreciation	Balances at Sept 30, 2010
Equities	\$11,092	\$ -	\$ -	\$(5,442)	\$(1,720)	\$2,296	\$6,226
Credit	768,362	146,709	-	(675,325)	51,074	(26,204)	264,616
Directional	907,632	300,248	(305,650)	(239,000)	72,402	825	736,457
Non-Directional	-	75,000	-	-	-	(1)	74,999
Real Asset Funds	159,541	50,314	-	(9,244)	1,229	14,117	215,957
Private Equity	737,672	171,606	-	(107,542)	21,468	107,187	930,391
Venture Capital	686,364	96,609	-	(93,847)	6,560	46,751	742,437
	<u>\$3,270,663</u>	<u>\$840,486</u>	<u>\$(305,650)</u>	<u>\$(1,130,400)</u>	<u>\$151,013</u>	<u>\$144,971</u>	<u>\$2,971,083</u>

All net realized and unrealized appreciation (depreciation) in the table above is reflected in the accompanying financial statements. For the 2011 fiscal year the change in unrealized appreciation associated with investments that remain in the Foundation as of September 30, 2011 was \$51.6 million.

There were no significant transfers into or out of Level 1 and Level 2 of the fair value hierarchy. The Foundation

recognizes transfers between levels at the beginning of the reporting period.

As of September 30, 2011, the Foundation has investments with a total market value of \$6.6 billion that have been valued using the NAV as a practical expedient.

THE FOLLOWING TABLE LISTS INVESTMENTS IN INVESTMENT FUNDS (OR SIMILAR ENTITIES) AS OF SEPTEMBER 30, 2011 THAT HAVE BEEN VALUED USING THE NAV AS A PRACTICAL EXPEDIENT, CLASSIFIED BY MAJOR INVESTMENT CATEGORY:

Category of Investment ¹	Investment Structure ¹	Number of Investments ²	Fair Value ³ (in thousands)	Unfunded Commitments (in thousands)	Remaining Life ¹	Redemption Terms ¹	Redemption Restrictions and Terms ¹	Redemption Restrictions and Terms in Place at Year End ¹
(Private Equity & Venture Capital) ⁴	Investments in the equity and credit of primarily private companies primarily through private partnerships and holding companies.	200	\$1,981,804 \$745,201		Generally up to 12 years but dependent upon investment circumstances.	Redemption not permitted during the life of the fund. Distributions may be made at the discretions of the general partners.	Not applicable – no redemption ability.	Not applicable – no redemption ability.
(Alternative Investment funds) ⁵	Investments in global equity, credit, real asset, and other investments through private investment vehicles and private partnerships.	43	\$2,682,812 \$729,726		Open Ended	Ranges between monthly redemption with 5 days notice, to rolling 3-years redemption with 90 days notice. Certain funds have no redemption rights until dissolution of the funds.	Approximately 54% by value have initial lockups of 1 year or less. Approximately 16% have initial lockups of 1 – 2 years. The remaining 30% have initial lockups of over 2 years including approximately 17% with no redemption ability until dissolution. Funds generally have redemption gates in the range of 10% - 25% of net assets. Fees for early redemption may be up to 3% of redeemed amount.	Approximately 61% by value available redemptions within 6 months, 10% between 6 months and 1 year, and 12% within three years. 17% of funds have no redemption rights until dissolution. Total side pockets or restricted assets across the funds are less than 5% of the total investment amount.
Commingled Funds ⁶	Investment in global equity, real asset, and other assets through commingled fund structure	7	\$1,959,087			Daily to monthly redemption with 1 to 30 days notice period.	Subject to the ability to withdraw capital from the underlying funds. This is dependent upon the liquidity of the underlying assets and is subject to the discretion of the Fund Manager.	Subject to the ability to withdraw capital from the underlying funds.

(1) Information reflects a range of various terms from multiple investments.

(2) The approximate number of outstanding investments including investments with unfunded commitments but no current balance.

(3) The total fair value of these investments valued using the NAV as a practical expedient.

(4) Generally refers to investments in private partnerships or investment funds focusing on equity or credit investments. The partnerships or funds generally have no redemption rights. The general partners of the respective funds issue capital calls and distributions. These funds generally provide the NAV or its equivalent balances and changes more infrequently than monthly. Performance fees are generally charged only upon a distribution of profits to investors.

(5) Generally refers to investments in which the Foundation holds shares or partnership interests in investment companies with periodic limited redemption rights, asset and performance based fee structures, and the provision of the NAV or its equivalent balances and changes monthly or more frequently. Includes Credit, Directional, Non-Directional, and Real Asset partnerships or funds.

(6) Generally refers to investments in which the Foundation holds shares or partnership interests in Equity Related or Real Asset Related investment funds with short-term redemption and investment ability and provision of NAV balances that change monthly or more frequently. Commingled funds generally do not have performance based fee structures.

Notes to Financial Statements

THE FOLLOWING TABLE LISTS INVESTMENTS IN INVESTMENT FUNDS (OR SIMILAR ENTITIES) AS OF SEPTEMBER 30, 2010 THAT HAVE BEEN VALUED USING THE NAV AS A PRACTICAL EXPEDIENT, CLASSIFIED BY MAJOR INVESTMENT CATEGORY:

Category of Investment ¹	Investment Structure ¹	Number of Investments ²	Fair Value ³ (in thousands)	Unfunded Commitments (in thousands)	Remaining Life ¹	Redemption Terms ¹	Redemption Restrictions and Terms ¹	Redemption Restrictions and Terms in Place at Year End ¹
(Private Equity and Venture Capital) ⁴	Investments in the equity and credit of primarily private companies primarily through private partnerships and holding companies.	200	\$1,672,828 \$801,734		Generally up to 12 years but dependent upon investment circumstances.	Redemption not permitted during the life of the fund. Distributions may be made at the discretions of the general partners.	Not applicable – no redemption ability.	Not applicable – no redemption ability.
(Alternative Investment Funds) ⁵	Investments in global equity, credit, real asset, and other investments through private investment vehicles and private partnerships.	35	\$2,042,925 \$672,304		Open Ended	Ranges between monthly redemption with 5 days notice, to rolling 3-years redemption with 90 days notice. Certain funds have no redemption rights until dissolution of the funds.	Approximately 65% by value have initial lockups of 1 year or less. Approximately 20% have initial lockups of 1 – 2 years. The remaining 15% have initial lockups of over 2 years including approximately 2% with no redemption ability until dissolution. Funds generally have redemption gates in the range of 10% - 25% of net assets. Fees for early redemption may be up to 3% of redeemed amount.	Approximately 60% by value have available redemptions within 6 months. 15% have redemptions within 1 year. The remaining funds are redeemable within three years. Total side pockets or restricted assets across the funds are less than 5% of the total investment amount.
Commingled Funds ⁶	Investment in global equity, real asset, and other investments through commingled fund structures.	6	\$2,075,840 \$100,000		Open Ended	Daily to monthly redemption with 1 to 30 days notice period.	Subject to the ability to withdraw capital from the underlying funds. This is dependent upon the liquidity of the underlying assets and is subject to the discretion of the Fund Manager.	Subject to the ability to withdraw capital from the underlying funds.

(1) Information reflects a range of various terms from multiple investments.

(2) The approximate number of outstanding investments including investments with unfunded commitments but no current balance.

(3) The total fair value of these investments valued using the NAV as a practical expedient.

(4) Generally refers to investments in private partnerships or investment funds focusing on equity or credit investments. The partnerships or funds generally have no redemption rights. The general partners of the respective funds issue capital calls and distributions. These funds generally provide the NAV or its equivalent balances and changes more infrequently than monthly. Performance fees are generally charged only upon a distribution of profits to investors.

(5) Generally refers to investments in which the Foundation holds shares or partnership interests in investment companies with periodic limited redemption rights, asset and performance based fee structures, and the provision of the NAV or its equivalent balances and changes monthly or more frequently. Includes Credit, Directional, Non-Directional, and Real Asset partnerships or funds.

(6) Generally refers to investments in which the Foundation holds shares or partnership interests in Equity Related or Real Asset Related investment funds with short-term redemption and investment ability and provision of NAV balances that change monthly or more frequently. Commingled Funds generally do not have performance based fee structures.

REPURCHASE AGREEMENTS

As of September 30, 2011 and 2010, the Foundation had loans outstanding under overnight repurchase agreements in the amounts of \$0 million and \$225 million, respectively. As of September 30, 2011, the Foundation had no outstanding collateral guaranteeing repurchase agreements.

DERIVATIVE INSTRUMENTS

As of September 30, 2011 and 2010, the Foundation had foreign currency contracts with notional amounts totaling \$1.0 million and \$1.4 million, respectively. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in the value of forward currency contracts are recognized as unrealized appreciation (depreciation) until such contracts are closed.

As of September 30, 2011 and 2010, the Foundation had futures contracts on fixed income securities with notional amounts totaling \$36.3 million and \$37.4 million,

respectively. Changes in the value of futures contracts are recognized as unrealized appreciation (depreciation) until such contracts are closed.

As of September 30, 2011 and 2010, the Foundation had interest rate swaps in which the Foundation was paying a fixed interest rate with notional amounts totaling \$218 million and \$218 million, respectively. As of September 30, 2011, the maximum fixed rate payments to be made under these interest rate swaps were \$1.7 million.

As of September 30, 2011 and 2010, the Foundation is the buyer (receiving protection) on a total notional amount of \$0 million and \$7.3 million, respectively, and is the seller (providing protection) on a total notional amount of \$8.5 million and \$41.5 million, respectively. The notional amounts of the swaps are not recorded in the financial statements; however, the notional amount does approximate the maximum potential amount of future payments that the Foundation could be required to make (receive) if the Foundation were the seller (buyer) of protection and a credit event were to occur.

THE FOLLOWING TABLE LISTS FAIR VALUE OF DERIVATIVES BY CONTRACT TYPE AS INCLUDED IN INVESTMENTS IN THE STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2011 (IN THOUSANDS).

Derivative Type	Notional/ Contractual Amount	Gross Derivative Assets	Gross Derivative Liabilities
Interest rate contracts*	\$218,000	\$ –	\$1,900
Fixed income futures contracts	36,296	–	175
Rights and warrants	25	7	–
Foreign currency contracts	978	4	2
Credit default swaps	8,527	–	5,163
		11	7,240
Carrying value of derivatives on the statements of financial position		\$11	\$7,240

Notes to Financial Statements

THE FOLLOWING TABLE LISTS FAIR VALUE OF DERIVATIVES BY CONTRACT TYPE AS INCLUDED IN INVESTMENTS IN THE STATEMENTS OF FINANCIAL POSITION AS OF SEPTEMBER 30, 2010 (IN THOUSANDS).

Derivative Type	Notional/ Contractual Amount	Gross Derivative Assets	Gross Derivative Liabilities
Interest rate contracts*	\$218,000	\$ –	\$3,399
Fixed income futures contracts	37,383	11	2
Rights and warrants	4,612	142	–
Foreign currency contracts	1,440	2	1
Credit default swaps	48,805	172	20
		<u>327</u>	<u>3,422</u>
Carrying value of derivatives on the statements of financial position		<u>\$327</u>	<u>\$3,422</u>

* As of September 30, 2011, the maximum potential liability to the Foundation under this contract is \$1.7 million. The Foundation has provided \$3.7 million in cash collateral to the counterparty of this contract. The information in the above tables is included within investments on the Statements of Financial Position.

The notional amounts reflected in the above tables are indicative of the volume of derivative transactions for the years ended September 30, 2011 and 2010

THE FOLLOWING TABLE INDICATES THE APPRECIATION (DEPRECIATION) ON DERIVATIVES, BY CONTRACT TYPE, AS INCLUDED IN THE STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30 (IN THOUSANDS).

Derivative Type	Appreciation/(Depreciation)	
	2011	2010
Interest rate contracts	\$(1,900)	\$(3,115)
Fixed income futures contracts	(175)	(1,173)
Rights and warrants	7	278
Foreign currency contracts	2	74
Credit default swaps	(5,163)	798
	<u>\$(7,229)</u>	<u>\$(3,138)</u>

The above appreciation (depreciation) on derivatives has been recognized as realized or unrealized appreciation (depreciation) on investments in the Statements of Activities.

CREDIT-RISK CONTINGENT FEATURES

The Foundation's derivative contracts generally contain provisions whereby if the Foundation were to default on its obligations under the contract, or if the Foundation were to terminate the management agreement of the investment manager who entered into the contract on our behalf, or if the NAV of the Foundation were to fall below certain levels,

the counterparty could require full or partial termination, or replacement of the derivative instruments.

COUNTERPARTY CREDIT RISK

By using derivative instruments, the Foundation is exposed to the counterparty's credit risk—the risk that derivative counterparties may not perform in accordance

with the contractual provisions offset by the value of any collateral received. The Foundation's exposure to credit risk associated with counterparty nonperformance is limited to the unrealized appreciation inherent in such transactions that are recognized in the Statements of Financial Position as well as the value of the Foundation's collateral assets held by the counterparty. The Foundation minimizes counterparty credit risk through rigorous review of potential counterparties, appropriate credit limits and approvals, credit monitoring procedures, executing

master netting arrangements and managing margin and collateral requirements, as appropriate. The Foundation records counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are also recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments.

CREDIT DEFAULT SWAPS

The credit default swaps for which the Foundation is providing protection as of September 30 are summarized as follows (in thousands):

Written credit derivative contracts	Credit Default Index Asset Backed Securities	
	2011	2010
Fair value of written credit derivatives	\$(5,163)	\$(20)
Maximum potential amount of future payments (notional amount)	8,527	41,500
Recourse provisions with third parties to recover any amounts paid under the credit derivatives (including any purchased credit protection)	–	–
Collateral held by the Foundation or other third parties which the Foundation can obtain upon occurrence of a triggering event	–	–

Periodic payments made or received on the swaps are included in realized appreciation on investments, net in the accompanying Statement of Activities and totaled a \$2.0 million loss and a \$0.8 million gain for the years ended September 30, 2011 and 2010, respectively.

NOTE 3

FIXED ASSETS

As of September 30, fixed assets are comprised of (in thousands):

	2011	2010
Land	\$4,440	\$4,435
Buildings, net of accumulated depreciation of \$31,865 in 2011 and \$29,997 in 2010	15,752	16,129
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$72,421 in 2011 and \$68,551 in 2010	13,801	14,687
	<u>\$33,993</u>	<u>\$35,251</u>

NOTE 4

PROVISION FOR FEDERAL EXCISE TAX

The Internal Revenue Code imposes an excise tax on private foundations equal to 2 percent of net investment income, which is defined as interest, dividends and net realized gains less expenses incurred in the production of income. The tax is reduced to 1 percent for foundations that meet certain distribution requirements.

The current provision for federal excise tax is based on a 2 percent rate in fiscal year 2011 and a 1 percent rate for 2010 on net investment income. The deferred provision on cumulative net unrealized gains in both fiscal years 2011 and 2010 is based on a 2 percent rate. In fiscal years 2011 and 2010, the Foundation had a cumulative net unrealized loss that resulted in a zero deferred tax liability. The amounts of excise taxes paid were \$12.2 million and \$13.8 million in fiscal years 2011 and 2010, respectively.

NOTE 5

RETIREMENT PLANS

The Foundation's defined benefit pension plans and the defined contribution plans cover substantially all New York appointed employees. Employees who are locally appointed by overseas offices are covered by other retirement arrangements. On January 1, 2011, the Foundation implemented a prospective change in the New Cash Balance Pension Plan benefit crediting formula from the age based percentages of 1 percent to 3 percent to a uniform 3 percent to conform with current IRS guidelines. Also, on May 26, 2011, the Foundation made the decision to amend the New Cash Balance Pension Plan to close eligibility for the plan to all employees hired after November 1, 2011. In addition, the Foundation provides retirees with at least five years of service and who are at least age 55 with other postretirement benefits which include medical, dental and life insurance. Employees hired on or after June 1, 2009 will be eligible for postretirement medical and dental benefits when they retire with at least 10 years of service and who are at least age 65. The defined benefit

pension plans are funded annually in accordance with the minimum funding requirements of the Employee Retirement Income Security Act. The other postretirement benefits are partially funded in advance through a Voluntary Employees' Beneficiary Association (VEBA).

GAAP requires unrecognized amounts (e.g., net actuarial gains or losses and prior service cost or credits) to be recognized as non-operating activities and that those amounts be adjusted as they are subsequently recognized as components of net periodic pension cost.

The Foundation's defined benefit pension plans (Plans) have investments in the TIAA-CREF Group Annuity Contracts ("GACs"). The Plans' GACs are valued at contract value which represents fair value. The GACs are guaranteed insurance contracts issued by TIAA-CREF (TIAA), an insurance company. The fair value of these assets approximates the contract value which equals the accumulated cash contributions and interest credited to the contracts less any withdrawals. The TIAA annuities are guaranteed annuities which guarantee principal and pay a guaranteed minimum interest, currently 3 percent during the accumulation phase. Additional amounts above the guaranteed minimum interest rate may be declared at the discretion of the TIAA Board of Trustees on a year-by-year basis. When declared, the additional amounts remain in effect for the declaration year that begins each March 1, and are not guaranteed for future years. Together the guaranteed minimum and additional amounts make up the crediting rate in the accumulation phase. TIAA groups premium dollars received over defined periods into vintages for the purposes of determining the crediting rate for the applicable declaration year during the accumulation period.

	Pension Benefits (in thousands)		Other Postretirement Benefits (in thousands)	
	2011	2010	2011	2010
Benefit obligation	\$21,464	\$22,303	\$74,613	\$73,741
Fair value of plan assets	30,758	33,357	34,345	39,403
Funded (unfunded) status and amounts recognized in the statements of financial position	\$9,294	\$11,054	\$(40,268)	\$(34,338)
Accumulated benefit obligation	\$21,189	\$22,269	N/A	N/A
Amounts recognized in non-operating activities consist of				
Prior service cost (credit)	\$15	\$(111)	\$ -	\$ -
Net actuarial loss	6,879	5,537	21,630	20,396
Total amount recognized	\$6,894	\$5,426	\$21,630	\$20,396
Net periodic benefit cost recognized	\$292	\$460	\$4,696	\$3,846
Employer contribution	-	799	-	-
Benefits paid	2,947	2,692	4,208	3,785
Other changes in plan assets and benefit obligations recognized in non-operating activities				
Net actuarial loss (gain)	\$2,180	\$(1,607)	\$2,324	\$6,988
Amortization of loss	(224)	(523)	(1,090)	(689)
Amortization of prior service cost	102	105	-	-
Amendment	24	-	-	-
Recognition of loss due to settlements	(614)	(245)	-	-
Total recognized in non-operating activities	1,468	(2,270)	1,234	6,299
Total recognized in net periodic benefit cost and non-operating activities	\$1,760	\$(1,810)	\$5,930	\$10,145
Amounts in non-operating activities expected to be recognized in net periodic pension cost in next fiscal year				
Actuarial loss	\$476	\$280	\$ -	\$ -
Prior service credit	(4)	(104)	-	-
	\$472	\$176	\$ -	\$ -
Weighted average assumptions (used to determine benefit obligations and net periodic costs)				
Discount rate (benefit obligation)	4.35 %	4.80 %	4.98 %	5.08 %
Discount rate (net periodic costs)	4.45 %	5.50 %	5.08 %	5.50 %
Expected rate of return on plan assets	7.00 %	7.00 %	7.00 %	7.00 %
Rate of compensation increase	4.00 %	4.00 %	4.00 %	4.00 %

For measurement purposes, a healthcare cost initial trend rate of 6.56% and 4.55% was used to measure the other postretirement benefit obligation at September 30, 2011 and 2010, respectively. This trend is assumed to decline gradually to 5.0% in the

year 2021 and beyond. As of September 30, 2011, the dental obligations reflect an initial trend rate for fiscal year 2012 of 5.0%. A 1% point change in assumed healthcare cost trend rates would have the following effects:

	1% Increase	1% Decrease
Effect on total of service and interest cost components	\$1,064,100	\$502,100
Effect on other postretirement benefit obligation	11,381,000	7,008,200

The expense recorded by the Foundation related to contributions to the defined contribution plan aggregated \$5.3 million for each year ended September 30, 2011 and 2010.

Our Leadership

BOARD OF TRUSTEES

IRENE HIRANO INOUE

CHAIR
PRESIDENT
U.S.-Japan Council
Washington, D.C.

LUIS A. UBIÑAS

PRESIDENT
New York, N.Y.

KOFI APPENTENG

PARTNER
The West Africa Fund
PARTNER
Constant Capital (GH) Ltd.
Redding, Conn.

CHAIR
Africa-America Institute
New York, N.Y.

CHAIR
Community Service Society
of New York
New York, N.Y.

CHAIR
International Center
for Transitional Justice
New York, N.Y.

TIM BERNERS-LEE

PROFESSOR
School of Engineering and Computer
Science and Artificial Intelligence
Laboratory, Massachusetts Institute
of Technology
Cambridge, Mass.

PROFESSOR
School of Electronics and Computer
Science, University of Southampton
Southampton, United Kingdom

FOUNDING DIRECTOR
Web Science Trust,
University of Southampton
Southampton, United Kingdom

DIRECTOR
World Wide Web Consortium
Cambridge, Mass.

FOUNDER
World Wide Web Foundation
Geneva, Switzerland

AFSANEH M. BESCHLOSS

PRESIDENT AND CEO
The Rock Creek Group
Washington, D.C.

MARTIN EAKES

CO-FOUNDER AND CEO
Self-Help
CEO
Center for Responsible Lending
Durham, N.C.

JULIET V. GARCÍA

PRESIDENT
University of Texas at Brownsville
Brownsville, Texas

J. CLIFFORD HUDSON

CHAIRMAN OF THE BOARD AND CEO
Sonic Corp.
Oklahoma City, Okla.

ROBERT S. KAPLAN

PROFESSOR,
MANAGEMENT PRACTICE
Harvard Business School
Boston, Mass.

SENIOR DIRECTOR
The Goldman Sachs Group, Inc.
New York, N.Y.

CO-CHAIR
Draper Richards Kaplan Foundation
San Francisco, Calif.

CHAIR
Project A.L.S.
New York, N.Y.

CO-CHAIR
The TEAK Fellowship
New York, N.Y.

THURGOOD MARSHALL JR.

PARTNER
Bingham McCutchen
PRINCIPAL
Bingham Consulting Group
Washington, D.C.

CHAIRMAN,
BOARD OF GOVERNORS
United States Postal Service
Washington, D.C.

N.R. NARAYANA MURTHY

CHAIRMAN EMERITUS
Infosys Limited
Bangalore, India

CHAIRMAN,
BOARD OF GOVERNORS
International Institute of
Information Technology Bangalore
Bangalore, India

CHAIR
Public Health Foundation of India
New Delhi, India

CHAIR
School of Management,
Asian Institute of Technology
Pathumthani, Thailand

PETER A. NADOSY

MANAGING PARTNER
East End Advisors, LLC
New York, N.Y.

CECILE RICHARDS

PRESIDENT
Planned Parenthood Federation of
America and Planned Parenthood
Action Fund
New York, N.Y.

OFFICERS

LUIS A. UBIÑAS

PRESIDENT

JOHN COLBORN

VICE PRESIDENT FOR OPERATIONS

ERIC W. DOPPSTADT

VICE PRESIDENT AND
CHIEF INVESTMENT OFFICER

PABLO J. FARÍAS

VICE PRESIDENT
Economic Opportunity and Assets

NANCY P. FELLER

VICE PRESIDENT, SECRETARY
AND GENERAL COUNSEL

NICHOLAS M. GABRIEL

VICE PRESIDENT, CHIEF FINANCIAL
OFFICER AND TREASURER

MAYA L. HARRIS

VICE PRESIDENT
Democracy, Rights and Justice

MARTA L. TELLADO

VICE PRESIDENT
Communications

DARREN WALKER

VICE PRESIDENT
Education, Creativity
and Free Expression

Our Offices Worldwide

UNITED STATES

HEADQUARTERS
*320 East 43rd Street
New York, N.Y. 10017*

AFRICA AND MIDDLE EAST

EASTERN AFRICA
*Rahimtullah Towers, 12th Floor
Upper Hill Road
Nairobi, Kenya*

MIDDLE EAST AND NORTH AFRICA
*Tagher Building
1, Osiris Street, 7th Floor
Garden City, Cairo, 11511
Egypt*

SOUTHERN AFRICA
*5th Floor, Braamfontein Centre
23 Jorissen Street
Braamfontein 2001
Johannesburg, South Africa*

WEST AFRICA
*Ten 105 Close
Banana Island, Ikoyi
Lagos, Nigeria*

ASIA

CHINA
*International Club Office Building
Suite 501
Jianguomenwai Dajie No. 21
Beijing, China 100020*

INDIA, NEPAL AND SRI LANKA
*55 Lodi Estate
New Delhi 110 003
India*

INDONESIA
*Sequis Center, 11th Floor
Jl. Jend. Sudirman 71
Jakarta 12190
Indonesia*

LATIN AMERICA AND CARIBBEAN

ANDEAN REGION
AND SOUTHERN CONE
*Mariano Sánchez Fontecilla 310
Piso 14
Las Condes
Santiago, Chile*

BRAZIL
*Praia do Flamengo 154
8º Andar
CEP 22210-030
Rio de Janeiro, R.J.
Brazil*

MEXICO AND CENTRAL AMERICA
*Emilio Castelar 131
Colonia Polanco
11560 Mexico D.F.*

Credits

PHOTOGRAPHY
COVER: ©Craig Lovell/Corbis

P. 4: William Daniels/Panos

P. 6: Top right, Michael Falco;
All others, Martin Dixon

P. 8: Alfredo Caliz/Panos

P. 11: From left, Courtesy Kirwan
Institute for the Study Race and
Ethnicity; Courtesy Minnesota
Center for Environmental Advocacy;
Courtesy David Baker + Partners
Architects; Courtesy Waggonner
& Ball Architects

P. 14: Mark Henley/Panos

P. 19: Stephanie Sinclair/VII Photo

P. 20: Ed Ou/Reportage by Getty Images

P. 24–25: From left, © Peter Langer/
Peter Langer - Associated Media Group/
Design Pics/Corbis; Sean Sprague/
Panos; Karen Robinson/Panos;
Paulina Antezana; Paul Smith/Panos;
© Susana Gonzalez/dpa/Corbis

P. 26: PATH/Evelyn Hockstein

P. 28: From left, Jim Lo Scalzo/U.S. News
and World Report/Aurora Pictures;
Melissa Farlow

DESIGN
Hyperakt

PRINTER
Southeastern Printing