



ADAMS HARKNESS
SMALL CAP GROWTH FUND

ANNUAL REPORT
DECEMBER 31, 2011

ADAMS HARKNESS SMALL CAP GROWTH FUND

A MESSAGE TO OUR SHAREHOLDERS

DECEMBER 31, 2011

Dear Shareholder,

2011 turned out to be a disappointing one for the Adams Harkness Small Cap Growth Fund (the “Fund”). While we started off the year outperforming the Fund’s benchmark, the Russell 2000 Growth Index, we underperformed as the market corrected in the fall as investor fears of a global financial crisis resurfaced due to the European Union issues. We also trailed as the market rebounded in October, driven in part by our focus on higher quality names—the greatest rebounds were seen in the lower quality companies—and also by some issues in our healthcare and consumer holdings. This underperformance was severe enough to put us behind the benchmark for the year. The greatest detractors from performance for the year were technology, energy and consumer sectors; the greatest contributors were healthcare and industrial sectors. The Fund’s strategy is to focus on higher growth companies that grow faster but carry higher price/earnings ratios than the average company in the Index; thus, during market corrections the stocks in the Fund can suffer greater declines than the Index. We believe that the Fund’s investment strategy of purchasing higher growth companies was the major contributor to the underperformance relative to the Index in the fourth quarter and for the year.

2011 was an unusual year, in our experience. We saw tremendous price/earnings multiple compression during the year, mostly in the last quarter of the year, as investor concerns over Europe and the banking system outweighed strong profit growth and an improving outlook for the U.S. economy. The last time we saw this kind of multiple compression, in our career, was in the early 1990s, and in the late 1970s. While the situation is frustrating, we do not view it as sustainable over the longer term. We see several potential outcomes: First, the worst case is realized as a result of major policy mistakes and the world plunges into deep recession. This outcome has a very low probability, in our opinion, particularly given the recent coordinated moves by the various central banks to support the European banking system, and the ECB’s recent actions. The second outcome is that the U.S. decouples from the rest of the world, particularly Europe, and our markets grind higher as our economy grows modestly but steadily and corporate earnings increase. We view this as the most likely outcome. To our mind, it still implies a lot of volatility in the general market, and more importantly for us, a lot of variability in individual stock performance. That provides a lot of opportunity for us, we believe. As we do every year, we have reviewed our processes and strengthened those areas that we believe needed improvement. While we have made no major changes, we have sharpened our focus and our diligence on the individual companies. We believe strongly that 2012 will be a better year, on a relative and absolute basis, than 2011 for the Fund.

Sincerely,



Mary Lisanti, CFA

President & Portfolio Manager

ADAMS HARKNESS SMALL CAP GROWTH FUND

A MESSAGE TO OUR SHAREHOLDERS

DECEMBER 31, 2011

IMPORTANT RISKS AND DISCLOSURES

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. The Fund invests in smaller companies, which carry greater risk than is associated with larger companies for various reasons such as narrower markets, limited financial resources and less liquid stock.

The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. One cannot invest directly in an index.

The views in this report were those of the Fund manager as of December 31, 2011, and may not necessarily reflect her views on the date this report is first published or anytime thereafter. These views are intended to assist shareholders in understanding the Fund's investment methodology and do not constitute investment advice.

ADAMS HARKNESS SMALL CAP GROWTH FUND

PERFORMANCE CHART AND ANALYSIS (Unaudited)

DECEMBER 31, 2011

The following chart reflects the change in the value of a hypothetical \$10,000 investment, including reinvested dividends and distributions, in the Adams Harkness Small Cap Growth Fund (the “Fund”) compared with the performance of the benchmark Russell 2000 Growth Index (“Russell 2000 Growth”), since inception. The Russell 2000 Growth, the Fund’s primary performance benchmark, measures the performance of those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth values. The total return of the Russell 2000 Growth includes reinvestment of dividends and income. The total return of the Fund includes operating expenses that reduce returns, while the total return of the Russell 2000 Growth does not include expenses. The Fund is professionally managed while the Russell 2000 Growth is unmanaged and is not available for investment.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than original cost. For the most recent month-end performance please call (800) 441-7031 or visit the Fund’s website at www.ahsmallcap.com. As stated in the Fund’s prospectus, the annual operating expense ratio (gross) is 3.63%. However, the Fund’s adviser has voluntarily agreed to waive a portion of its fees and/or reimburse expenses so to cap the expense ratio at 1.80% through April 30, 2012. Shares redeemed or exchanged within 30 days of purchase will be charged a 1.00% redemption fee. The performance table and graph do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Returns greater than one year are annualized.

Average Annual Total Return as of 12/31/11

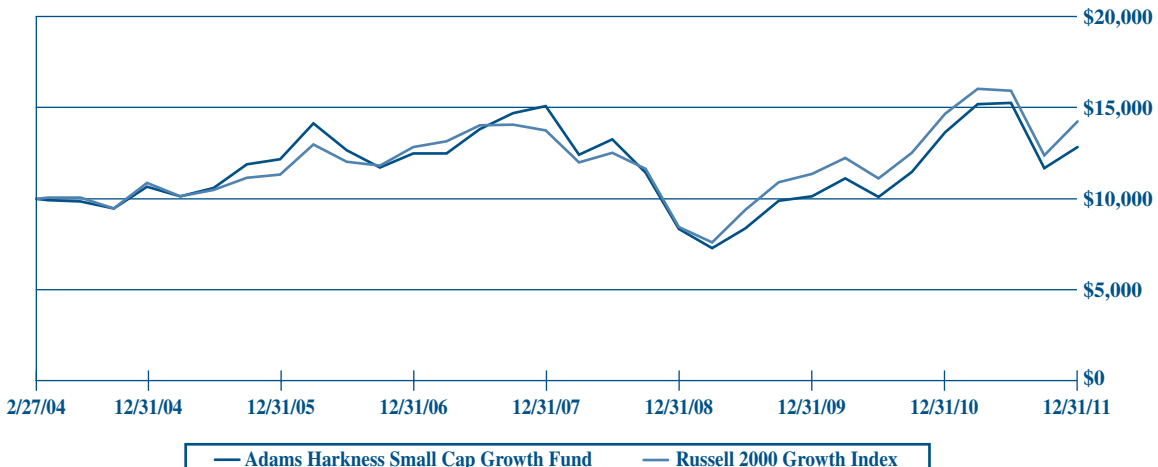
Adams Harkness Small Cap Growth Fund
Russell 2000 Growth Index

	1 Year	5 Year	Since Inception 2/27/04
Adams Harkness Small Cap Growth Fund	-6.04%	0.53%	3.22%
Russell 2000 Growth Index	-2.91%	2.09%	4.61%

Investment Value on 12/31/11

Adams Harkness Small Cap Growth Fund
Russell 2000 Growth Index

\$12,827
\$14,238



ADAMS HARKNESS SMALL CAP GROWTH FUND

SCHEDULE OF INVESTMENTS

DECEMBER 31, 2011

Shares	Security Description	Value	Shares	Security Description	Value
Common Stock - 99.3%			3,980	Hombek Offshore Services, Inc. (a)	\$ 123,460
Biotechnology - 4.6%			11,940	Key Energy Services, Inc. (a)	184,712
4,805	Achillion Pharmaceuticals, Inc. (a)	\$ 36,614	23,787	Kodiak Oil & Gas Corp. (a)	225,976
3,240	Alkermes PLC (a)	56,246	1,480	Petroleum Development Corp. (a)	51,963
9,040	Ariad Pharmaceuticals, Inc. (a)	110,740	4,200	Rex Energy Corp. (a)	61,992
4,470	Cubist Pharmaceuticals, Inc. (a)	177,101	2,155	Sanchez Energy Corp. (a)	37,195
2,870	Questcor Pharmaceuticals, Inc. (a)	119,335			<u>1,051,763</u>
		<u>500,036</u>	Financial Services - 5.6%		
Business Services - 20.5%			2,730	Bank of the Ozarks, Inc.	80,890
1,795	American Public Education, Inc. (a)	77,688	6,910	Bankrate, Inc. (a)	148,565
5,700	DealerTrack Holdings, Inc. (a)	155,382	5,165	Cardtronics, Inc. (a)	139,765
9,485	Dycom Industries, Inc. (a)	198,426	905	Green Dot Corp., Class A (a)	28,254
4,970	Huron Consulting Group, Inc. (a)	192,538	5,155	PrivateBancorp, Inc.	56,602
15,050	InnerWorkings, Inc. (a)	140,115	2,390	Signature Bank (a)	143,376
4,355	Kenexa Corp. (a)	116,278			<u>597,452</u>
2,875	Liquidity Services, Inc. (a)	106,088	Health-Care - 10.8%		
8,935	Mistras Group, Inc. (a)	227,753	5,625	ABIOMED, Inc. (a)	103,894
2,620	NetSuite, Inc. (a)	106,241	21,725	Akorn, Inc. (a)	241,582
6,380	Sourcefire, Inc. (a)	206,584	2,560	Align Technology, Inc. (a)	60,736
11,749	Tangoe, Inc. (a)	180,935	3,360	Cyberonics, Inc. (a)	112,560
1,980	The Advisory Board Co. (a)	146,936	9,657	Endologix, Inc. (a)	110,862
2,200	Ultimate Software Group, Inc. (a)	143,264	2,185	Genomic Health, Inc. (a)	55,477
7,075	United Rentals, Inc. (a)	209,066	420	HeartWare International, Inc. (a)	28,980
		<u>2,207,294</u>	3,035	Quidel Corp. (a)	45,919
Chemicals - 1.4%			4,515	Salix Pharmaceuticals, Ltd. (a)	216,043
6,380	Hexcel Corp. (a)	154,460	3,011	Zoll Medical Corp. (a)	190,235
					<u>1,166,288</u>
Communications Equipment - 0.3%			Health-Care Services - 2.9%		
1,900	Angie's List, Inc. (a)	30,590	3,825	Centene Corp. (a)	151,432
Consumer Discretionary - 5.2%			1,050	HealthStream, Inc. (a)	19,372
1,575	Allegiant Travel Co. (a)	84,010	2,670	HMS Holdings Corp. (a)	85,387
2,035	Buffalo Wild Wings, Inc. (a)	137,383	1,225	IPC The Hospitalist Co., Inc. (a)	56,007
3,465	Domino's Pizza, Inc. (a)	117,637			<u>312,198</u>
9,100	Leapfrog Enterprises, Inc. (a)	50,869	Industrials - 6.3%		
3,960	Skullcandy, Inc. (a)	49,579	3,060	Amerigon, Inc. (a)	43,636
7,960	Spirit Airlines, Inc. (a)	124,176	3,400	Chart Industries, Inc. (a)	183,838
		<u>563,654</u>	2,406	Haynes International, Inc.	131,368
Consumer Services - 1.3%			8,930	Spirit Aerosystems Holdings, Inc. (a)	185,565
2,035	Grand Canyon Education, Inc. (a)	32,479	4,050	Westport Innovations, Inc. (a)	134,622
1,180	Life Time Fitness, Inc. (a)	55,165			<u>679,029</u>
1,235	OpenTable, Inc. (a)	48,325	Retail - 13.8%		
		<u>135,969</u>	2,300	Body Central Corp. (a)	57,408
Energy - 9.8%			1,600	Carter's, Inc. (a)	63,696
6,410	Approach Resources, Inc. (a)	188,518	2,420	Francesca's Holdings Corp. (a)	41,866
5,235	C&J Energy Services, Inc. (a)	109,569	1,380	Genesco, Inc. (a)	85,201
2,595	Carrizo Oil & Gas, Inc. (a)	68,378	3,910	GNC Holdings, Inc. (a)	113,195
			2,355	Hibbett Sports, Inc. (a)	106,399
			4,710	Lithia Motors, Inc., Class A	102,961
			2,180	Mattress Firm Holding Corp. (a)	50,554

See Notes to Financial Statements.

ADAMS HARKNESS SMALL CAP GROWTH FUND

SCHEDULE OF INVESTMENTS

DECEMBER 31, 2011

Shares	Security Description	Value
4,235	Michael Kors Holdings, Ltd. (a)	\$ 115,404
12,525	Pier 1 Imports, Inc. (a)	174,473
9,213	Select Comfort Corp. (a)	199,830
2,150	Teavana Holdings, Inc. (a)	40,377
1,485	The Childrens Place Retail Stores, Inc. (a)	78,883
4,140	True Religion Apparel, Inc. (a)	143,161
3,905	Zumiez, Inc. (a)	108,403
		<u>1,481,811</u>

Software - 4.1%

16,060	Aspen Technology, Inc. (a)	278,721
2,490	LogMein, Inc. (a)	95,990
1,625	Taleo Corp., Class A (a)	62,871
		<u>437,582</u>

Technology - 12.7%

3,270	Allot Communications, Ltd. (a)	49,704
1,855	CommVault Systems, Inc. (a)	79,246
2,140	Fusion-io, Inc. (a)	51,788
4,020	Imperva, Inc. (a)	139,936
4,393	Inphi Corp. (a)	52,540
8,415	Integrated Device Technology, Inc. (a)	45,946
5,375	InvenSense, Inc. (a)	53,535
1,695	Jive Software, Inc. (a)	27,120
3,630	KIT Digital, Inc. (a)	30,674
4,040	Maxwell Technologies, Inc. (a)	65,610
3,425	Mellanox Technologies, Ltd. (a)	111,278
5,450	Monotype Imaging Holdings, Inc. (a)	84,966
8,163	NIC, Inc.	108,650
2,220	Opnet Technologies, Inc.	81,407
2,010	Silicon Laboratories, Inc. (a)	87,274
9,865	Silicon Motion Technology Corp., ADR (a)	202,035
3,840	Ubiquiti Networks, Inc. (a)	70,003
1,045	Volterra Semiconductor Corp. (a)	26,762
		<u>1,368,474</u>

Total Common Stock

(Cost \$9,896,381)

Total Investments - 99.3%

(Cost \$9,896,381)*

\$ 10,686,600

Other Assets & Liabilities, Net - 0.7%

78,164

Net Assets - 100.0%

\$ 10,764,764

ADR American Depository Receipt
 PLC Public Limited Company
 (a) Non-income producing security.

* Cost for federal income tax purposes is \$10,166,094 and net unrealized appreciation consists of:

Gross Unrealized Appreciation	\$ 954,949
Gross Unrealized Depreciation	(434,443)
Net Unrealized Appreciation	<u>\$ 520,506</u>

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2011.

The inputs or methodology used for valuing securities are not necessarily an indication of the risks associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used in the tables below, please refer to the Security Valuation section in Note 2 of the accompanying Notes to Financial Statements.

Valuation Inputs	Investments in Securities
Level 1 - Quoted Prices	\$ 10,686,600
Level 2 - Other Significant Observable Inputs	-
Level 3 - Significant Unobservable Inputs	-
Total	\$ 10,686,600

The Level 1 inputs displayed in this table are Common Stock. Refer to the Schedule of Investments for a further breakout of each security by type.

PORTFOLIO HOLDINGS

% of Total Investments

Biotechnology	4.7%
Business Services	20.7%
Chemicals	1.4%
Communications Equipment	0.3%
Consumer Discretionary	5.3%
Consumer Services	1.3%
Energy	9.8%
Financial Services	5.6%
Health-Care	10.9%
Health-Care Services	2.9%
Industrials	6.3%
Retail	13.9%
Software	4.1%
Technology	12.8%
	<u>100.0%</u>

ADAMS HARKNESS SMALL CAP GROWTH FUND

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 2011

ASSETS

Total investments, at value (Cost \$9,896,381)	\$ 10,686,600
Cash	97,065
Receivables:	
Dividends and interest	1,263
Prepaid expenses	16,969
Total Assets	<u>10,801,897</u>

LIABILITIES

Accrued Liabilities:	
Investment adviser fees	3,941
Fund services fees	3,239
Compliance services fees	2,083
Other expenses	27,870
Total Liabilities	<u>37,133</u>

NET ASSETS\$ 10,764,764**COMPONENTS OF NET ASSETS**

Paid-in capital	\$ 12,880,773
Accumulated net investment loss	(3,400)
Accumulated net realized loss	(2,902,828)
Net unrealized appreciation	790,219
NET ASSETS	<u>\$ 10,764,764</u>

SHARES OF BENEFICIAL INTEREST AT NO PAR VALUE (UNLIMITED SHARES AUTHORIZED)910,156**NET ASSET VALUE, OFFERING AND REDEMPTION PRICE PER SHARE***\$ 11.83

* Shares redeemed or exchanged within 30 days of purchase are charged a 1.00% redemption fee.

ADAMS HARKNESS SMALL CAP GROWTH FUND

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

INVESTMENT INCOME

Dividend income	\$	25,785
Interest income		497
Total Investment Income		<u>26,282</u>

EXPENSES

Investment adviser fees		125,343
Fund services fees		151,187
Shareholder service fees		31,336
Custodian fees		5,000
Registration fees		15,073
Professional fees		44,826
Trustees' fees and expenses		408
Compliance services fees		25,000
Miscellaneous expenses		28,434
Total Expenses		<u>426,607</u>
Fees waived		<u>(200,990)</u>
Net Expenses		<u>225,617</u>

NET INVESTMENT LOSS(199,335)**NET REALIZED AND UNREALIZED GAIN (LOSS)**

Net realized gain on investments		785,802
Net change in unrealized appreciation (depreciation) on investments		<u>(1,339,176)</u>

NET REALIZED AND UNREALIZED LOSS(553,374)**DECREASE IN NET ASSETS FROM OPERATIONS**\$ (752,709)

ADAMS HARKNESS SMALL CAP GROWTH FUNDSTATEMENTS OF CHANGES IN NET ASSETS

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
OPERATIONS		
Net investment loss	\$ (199,335)	\$ (267,365)
Net realized gain	785,802	3,437,945
Net change in unrealized appreciation (depreciation)	<u>(1,339,176)</u>	<u>92,228</u>
Increase (Decrease) in Net Assets Resulting from Operations	<u>(752,709)</u>	<u>3,262,808</u>
CAPITAL SHARE TRANSACTIONS		
Sale of shares	2,700,638	3,348,366
Redemption of shares	(4,191,697)	(6,007,810)
Redemption fees	<u>1,233</u>	<u>387</u>
Decrease in Net Assets from Capital Share Transactions	<u>(1,489,826)</u>	<u>(2,659,057)</u>
Increase (Decrease) in Net Assets	<u>(2,242,535)</u>	<u>603,751</u>
NET ASSETS		
Beginning of Year	<u>13,007,299</u>	<u>12,403,548</u>
End of Year (Including line (a))	<u>\$ 10,764,764</u>	<u>\$ 13,007,299</u>
SHARE TRANSACTIONS		
Sale of shares	205,043	305,740
Redemption of shares	<u>(327,768)</u>	<u>(600,337)</u>
Decrease in Shares	<u>(122,725)</u>	<u>(294,597)</u>
(a) Distributions in excess of net investment income.	<u>\$ (3,400)</u>	<u>\$ -</u>

ADAMS HARKNESS SMALL CAP GROWTH FUND
FINANCIAL HIGHLIGHTS

These financial highlights reflect selected data for a share outstanding throughout each year.

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007
NET ASSET VALUE, Beginning of Year	\$ 12.59	\$ 9.34	\$ 7.69	\$ 14.38	\$ 12.36
INVESTMENT OPERATIONS					
Net investment loss (a)	(0.20)	(0.23)	(0.23)	(0.19)	(0.23)
Net realized and unrealized gain (loss)	(0.56)	3.48	1.88	(6.23)	2.77
Total from Investment Operations	(0.76)	3.25	1.65	(6.42)	2.54
DISTRIBUTIONS TO SHAREHOLDERS FROM					
Net realized gain	—	—	—	(0.27)	(0.52)
REDEMPTION FEES (a)	—(b)	—(b)	—(b)	—(b)	—(b)
NET ASSET VALUE, End of Year	\$ 11.83	\$ 12.59	\$ 9.34	\$ 7.69	\$ 14.38
TOTAL RETURN	(6.04)%	34.80%	21.46%	(44.63)%	20.54%
RATIOS/SUPPLEMENTARY DATA					
Net Assets at End of Year (000's omitted)	\$10,765	\$13,007	\$12,404	\$13,978	\$28,505
Ratios to Average Net Assets:					
Net investment loss	(1.59)%	(2.25)%	(2.97)%	(1.68)%	(1.70)%
Net expense	1.80%	2.34%	3.08%	1.90%	1.82%
Gross expense (c)	3.40%	3.63%	4.01%	2.78%	2.36%
PORTFOLIO TURNOVER RATE	324%	319%	381%	521%	380%

(a) Calculated based on average shares outstanding during the year.

(b) Less than \$0.01 per share.

(c) Reflects the expense ratio excluding any waivers or reimbursements.

Note 1. Organization

The Adams Harkness Small Cap Growth Fund (the "Fund") is a diversified portfolio of Forum Funds (the "Trust"). The Trust is a Delaware statutory trust that is registered as an open-end, management investment company under the Investment Company Act of 1940 (the "Act"), as amended. Under its Trust Instrument, the Trust is authorized to issue an unlimited number of the Fund's shares of beneficial interest without par value. The Fund commenced operations on February 27, 2004. The Fund seeks maximum capital appreciation.

Note 2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of increase and decrease in net assets from operations during the fiscal year. Actual amounts could differ from those estimates. The following summarizes the significant accounting policies of the Fund:

Security Valuation – Exchange-traded securities and over-the-counter securities are valued using the last quoted sale or official closing price, provided by independent pricing services as of the close of trading on the market or exchange for which they are primarily traded, on each Fund business day. In the absence of a sale, such securities are valued at the mean of the last bid and ask price provided by independent pricing services. Non-exchange traded securities for which quotations are available are valued using the last quoted sales price, or in the absence of a sale at the mean of the last bid and ask prices provided by independent pricing services. Shares of open-end mutual funds are valued at net asset value ("NAV"). Short-term investments that mature in 60 days or less may be valued at amortized cost.

The Fund values its investments at fair value pursuant to procedures adopted by the Trust's Board of Trustees (the "Board") if (1) market quotations are insufficient or not readily available or (2) the adviser believes that the values available are unreliable. Fair valuation is based on subjective factors and, as a result, the fair value price of an investment may differ from the security's market price and may not be the price at which the asset may be sold. Fair valuation could result in a different NAV than a NAV determined by using market quotes.

The Fund has a three-tier fair value hierarchy. The basis of the tiers is dependent upon the various "inputs" used to determine the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1 — quoted prices in active markets for identical assets

Level 2 — other significant observable inputs (including quoted prices of similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

ADAMS HARKNESS SMALL CAP GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

The aggregate value by input level, as of December 31, 2011, for the Fund's investments is included at the end of the Fund's Schedule of Investments.

Security Transactions, Investment Income and Realized Gain and Loss – Investment transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Foreign dividend income is recorded on the ex-dividend date or as soon as possible after the Fund determines the existence of a dividend declaration after exercising reasonable due diligence. Income and capital gains on some foreign securities may be subject to foreign withholding taxes, which are accrued as applicable. Interest income is recorded on an accrual basis. Premium is amortized and discount is accreted using the effective interest method. Identified cost of investments sold is used to determine the gain and loss for both financial statement and federal income tax purposes.

Distributions to Shareholders – Distributions to shareholders of net investment income, if any, are declared and paid at least quarterly. Distributions to shareholders of net capital gains, if any, are declared and paid annually. Distributions are based on amounts calculated in accordance with applicable federal income tax regulations, which may differ from GAAP. These differences are due primarily to differing treatments of income and gain on various investment securities held by the Fund, timing differences and differing characterizations of distributions made by the Fund.

Federal Taxes – The Fund intends to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code and to distribute all of its taxable income to shareholders. In addition, by distributing in each calendar year substantially all its net investment income and capital gains, if any, the Fund will not be subject to a federal excise tax. Therefore, no federal income or excise tax provision is required.

As of December 31, 2011, there are no uncertain tax positions that would require financial statement recognition, de-recognition, or disclosure. The Fund's federal tax returns filed in the three-year period ended December 31, 2011, remain subject to examination by the Internal Revenue Service.

Income and Expense Allocation – The Trust accounts separately for the assets, liabilities and operations of each of its investment portfolios. Expenses that are directly attributable to more than one investment portfolio are allocated among the respective investment portfolios in an equitable manner.

Commitments and Contingencies – In the normal course of business, the Fund enters into contracts that provide general indemnifications by the Fund to the counterparty to the contract. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, based on experience, the risk of loss from such claims is considered remote.

ADAMS HARKNESS SMALL CAP GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

Redemption Fees – A shareholder who redeems or exchanges shares within 30 days of purchase will incur a redemption fee of 1.00% of the current net asset value of shares redeemed or exchanged, subject to certain limitations. The fee is charged for the benefit of the remaining shareholders and will be paid to the Fund to help offset transaction costs. The fee is accounted for as an addition to paid-in capital. The Fund reserves the right to modify the terms of or terminate the fee at any time. There are limited exceptions to the imposition of the redemption fee.

Note 3. Fees and Expenses

Investment Adviser – AH Lisanti Capital Growth, LLC (the “Adviser”) is the investment adviser to the Fund. Pursuant to an investment advisory agreement, the Adviser receives an advisory fee from the Fund at an annual rate of 1.00% of the Fund’s average daily net assets.

Shareholder Service Plan – The Trust has adopted a shareholder service plan for the Fund under which the Fund may reimburse the Fund’s administrator for amounts paid by the administrator for providing shareholder service activities that are not otherwise provided by the Transfer Agent. The Fund’s administrator may make such payments to various financial institutions, including the Adviser, that provide shareholder servicing to their customers invested in the Fund in amounts of up to 0.25% annually of the average daily net assets of the shares held by such customers.

Distribution – Foreside Fund Services, LLC serves as the Fund’s distributor (the “Distributor”). The Distributor receives no compensation from the Fund for its distribution services. The Distributor is not affiliated with the Adviser or Atlantic Fund Administration, LLC (d/b/a Atlantic Fund Services) (“Atlantic”) or their affiliates.

Other Service Providers – Atlantic provides fund accounting, fund administration, and transfer agency services to the Fund. Atlantic also provides certain shareholder report production, and EDGAR conversion and filing services. Pursuant to an Atlantic services agreement, the Fund pays Atlantic customary fees for its services. Atlantic provides a Principal Executive Officer, a Principal Financial Officer, a Chief Compliance Officer, and an Anti-Money Laundering Officer to the Fund, as well as certain additional compliance support functions.

Trustees and Officers – The Trust pays each independent Trustee an annual retainer fee of \$45,000 for service to the Trust (\$66,000 for the Chairman). In addition, the Chairman receives a monthly stipend of \$500 to cover certain expenses incurred in connection with his duties to the Trust. The Trustees and Chairman may receive additional fees for special Board meetings. Each Trustee is also reimbursed for all reasonable out-of-pocket expenses incurred in connection with his duties as a Trustee, including travel and related expenses incurred in attending Board meetings. The amount of Trustees’ fees attributable to the Fund is disclosed in the Statement of Operations. Certain officers of the Trust are also officers or employees of the above named service providers, and during their terms of office received no compensation from the Fund.

ADAMS HARKNESS SMALL CAP GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

Note 4. Fees Waived

During the period, certain Fund service providers have voluntarily agreed to waive a portion of their fees. The Fund's Adviser has voluntarily agreed to waive a portion of its fees and/or reimburse expenses so to cap the expense ratio at 1.80%. These voluntary waivers may be reduced or eliminated at any time. For the fiscal year ended December 31, 2011, fees waived were as follows:

<u>Investment Adviser Fees Waived</u>	<u>Other Waivers</u>	<u>Total Fees Waived</u>
\$92,205	\$108,785	\$200,990

Note 5. Security Transactions

The cost of purchases and proceeds from sales of investment securities (including maturities), other than short-term investments during the fiscal year ended December 31, 2011, were \$40,200,322 and \$41,218,711, respectively.

Note 6. Federal Income Tax and Investment Transactions

As of December 31, 2011, distributable earnings (accumulated loss) on a tax basis were as follows:

Unrealized Appreciation	\$	520,506
Capital and Other Losses		(2,636,515)
Total	\$	<u>(2,116,009)</u>

The difference between components of distributable earnings on a tax basis and the amounts reflected in the Statement of Assets and Liabilities are primarily due to wash sales and passive foreign investment companies.

As of December 31, 2011, the Fund had capital loss carryforwards to offset future capital gains of \$2,636,515, expiring in 2017.

On the Statement of Assets and Liabilities, as a result of permanent book to tax differences, certain amounts have been reclassified for the year ended December 31, 2011. The following reclassification was the result of net operating losses and passive foreign investment companies and has no impact on the net assets of the Fund.

Accumulated Net Investment Income (Loss)	\$	195,935
Accumulated Net Realized (Loss)		(102,216)
Paid-in-Capital		(93,719)

ADAMS HARKNESS SMALL CAP GROWTH FUND

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

Note 7. Recent Accounting Pronouncements

In May 2011, FASB issued ASU No. 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU No. 2011-04 establishes common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (“IFRSs”). ASU No. 2011-04 is effective for interim and annual periods beginning after December 15, 2011. Management is currently evaluating the impact ASU No. 2011-04 may have on financial statement disclosures.

Note 8. Subsequent Events

Subsequent events occurring after the date of this report through the date these financial statements were issued have been evaluated for potential impact and the Fund has had no such events.

To the Board of Trustees of Forum Funds
and the Shareholders of Adams Harkness Small Cap Growth Fund

We have audited the accompanying statement of assets and liabilities of Adams Harkness Small Cap Growth Fund (the "Fund"), a series of shares of beneficial interest in the Forum Funds, including the schedule of investments, as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two year period then ended, and the financial highlights for each of the years in the four year period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year ended December 31, 2007 were audited by other auditors whose report dated February 26, 2008, expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 2011 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Adams Harkness Small Cap Growth Fund as of December 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two year period then ended and its financial highlights for each of the years in the four year period then ended, in conformity with accounting principles generally accepted in the United States of America.

BBD, LLP

BBD, LLP

Philadelphia, Pennsylvania
February 22, 2012

Investment Advisory Agreement Approval

At the September 16, 2011 Board meeting, the Board, including the Independent Trustees, considered the approval of the continuance of the investment advisory agreement pertaining to the Fund (the “Advisory Agreement”). In evaluating the Advisory Agreement, the Board reviewed materials furnished by the Adviser and the administrator, including information regarding the Adviser, its personnel, operations and financial condition. Specifically, the Board considered, among other matters: (1) the nature, extent and quality of the services to be provided to the Fund by the Adviser, including information on the investment performance of the Adviser; (2) the costs of the services to be provided and profitability to the Adviser with respect to its relationship with the Fund; (3) the advisory fee and total expense ratio of the Fund compared to relevant peer groups of funds; (4) the extent to which economies of scale would be realized as the Fund grows and whether the advisory fee would enable the Fund’s investors to share in the benefits of economies of scale; and (5) other benefits received by the Adviser from its relationship with the Fund. In their deliberations, the Board did not identify any particular information that was all-important or controlling and attributed different weights to the various factors. In particular, the Board focused on the factors discussed below.

Nature, Extent and Quality of Services

Based on a presentation from a senior representative of the Adviser and a discussion of the Adviser’s personnel, operations and financial condition, the Board considered the quality of services to be provided by the Adviser under the Advisory Agreement. In this regard, the Board considered information regarding the experience, qualifications and professional background of the portfolio manager and other personnel at the Adviser with principal investment responsibility for the Fund’s investments as well as the investment philosophy and decision-making processes of those professionals and the capability and integrity of the Adviser’s senior management and staff. The Board considered the adequacy of the Adviser’s resources and quality of services provided by the Adviser under the Advisory Agreement between the Trust and the Adviser. The Board also considered the quality of the Adviser’s services with respect to regulatory compliance and compliance with client investment policies and restrictions as well as the financial condition and operational stability of the Adviser. The Board noted the Adviser’s representation that the firm is financially stable and able to provide investment advisory services to the Fund. Based on the foregoing, the Board concluded that the nature, extent and quality of services provided to the Fund under the Advisory Agreement were appropriate in light of its investment objective and, thus, supported a decision to approve the Advisory Agreement.

Costs of Services and Profitability

The Board considered information provided by the Adviser regarding its costs of services and its profitability with respect to the Fund. The Board also considered the Adviser’s resources devoted to the Fund as well as the Adviser’s discussion of costs and profitability. Based on the foregoing and other applicable considerations, the Board concluded that the Adviser’s profit attributable to management of the Fund was not a material factor in approving the Advisory Agreement.

ADAMS HARKNESS SMALL CAP GROWTH FUND

ADDITIONAL INFORMATION (Unaudited)

DECEMBER 31, 2011

Performance

The Board reviewed the performance of the Fund and the Adviser's discussion of its investment philosophy. The Board considered the Fund's performance over the one-year, three-year, five-year and since inception (annualized) periods ended August 31, 2011. The Board noted that the Fund outperformed its primary benchmark, the Russell 2000 Growth Index, for the one-year period ended August 31, 2011, but underperformed its benchmark for the three-year, five-year and since inception periods ended August 31, 2011. The Board concluded that the Fund's performance was reasonable relative to its peers and benchmark and that the Fund and its shareholders could benefit from the Adviser's management of the Fund.

Compensation

The Board considered the Adviser's compensation for providing advisory services to the Fund and analyzed comparative information on fee rates, expenses and performance of similar mutual funds. The Board noted that the Adviser's actual advisory fee rate was below the median advisory fee rate of its Lipper Inc. peer group. The Board also noted that the Fund's actual total expense ratio was above the median of its Lipper Inc. peer group. The Board recognized that the Fund was not part of a large fund complex and, as such, does not realize some of the economies of certain funds contained within Lipper Inc. peer group. Based on the foregoing and on all of the information presented, the Board concluded that the Adviser's advisory fee charged to the Fund was reasonable.

Economies of Scale

The Board considered whether the Fund would benefit from any economies of scale. In this respect, the Board noted the Adviser's representation that the Fund could benefit from economies of scale as assets grow, but the Adviser currently is not proposing breakpoints or changes in fees at this time. Based on, among other things, the size of the Fund, the Board concluded that economies of scale were not a material factor in approving the Advisory Agreement.

Other Benefits

The Board noted the Adviser's representation that the Adviser does not expect to receive any kind of benefit or compensation from its relationship with the Fund, other than its contractual advisory fees. Based on the foregoing representation, the Board concluded that other benefits received by the Adviser from its relationship with the Fund were not a material factor to consider in approving the continuation of the Advisory Agreement.

ADAMS HARKNESS SMALL CAP GROWTH FUND

ADDITIONAL INFORMATION (Unaudited)

DECEMBER 31, 2011

Conclusion

The Board did not identify any single factor as being of paramount importance, and different Trustees may have given different weight to different factors. The Board reviewed a memorandum from Trust counsel discussing the legal standards applicable to its consideration of the Advisory Agreement. Based on its review, including consideration of each of the factors referenced above, the Board determined, in the exercise of its business judgment, that the advisory arrangement, as outlined in the Advisory Agreement, was fair and reasonable in light of the services performed, expenses incurred and such other matters as the Board considered relevant in the exercise of its reasonable business judgment.

Proxy Voting Information

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling (800) 441-7031, on the Fund's website at www.ahsmallcap.com and on the U.S. Securities and Exchange Commission's (the "SEC") website at www.sec.gov. The Fund's proxy voting record for the most recent twelve-month period ended June 30 is available, without charge and upon request, by calling (800) 441-7031, on the Fund's website at www.ahsmallcap.com and on the SEC's website at www.sec.gov.

Availability of Quarterly Portfolio Schedules

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available, without charge and upon request on the SEC's website at www.sec.gov or may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

Shareholder Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including redemption fees and exchange fees, and (2) ongoing costs, including management fees and other Fund expenses. This example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund, and to compare these costs with the ongoing costs of investing in other mutual funds.

ADAMS HARKNESS SMALL CAP GROWTH FUND

ADDITIONAL INFORMATION (Unaudited)

DECEMBER 31, 2011

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2011, through December 31, 2011.

Actual Expenses – The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during the period.

Hypothetical Example for Comparison Purposes – The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as redemption fees and exchange fees. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs had been included, your costs would have been higher.

	Beginning Account Value July 1, 2011	Ending Account Value December 31, 2011	Expenses Paid During Period*	Annualized Expense Ratio*
Actual	\$ 1,000.00	\$ 841.99	\$ 8.36	1.80%
Hypothetical (5% return before taxes)	\$ 1,000.00	\$ 1,016.13	\$ 9.15	1.80%

* Expenses are equal to the Fund’s annualized expense ratio multiplied by the average account value over the period, multiplied by the number of days in the most recent fiscal half-year divided by 365 to reflect the half-year period.

ADAMS HARKNESS SMALL CAP GROWTH FUND

ADDITIONAL INFORMATION (Unaudited)

DECEMBER 31, 2011

Trustees and Officers of the Trust

The Board is responsible for oversight of the management of the Trust's business affairs and of the exercise of all the Trust's powers except those reserved for the shareholders. The following table provides information about each Trustee and certain officers of the Trust. Each Trustee and officer holds office until the person resigns, is removed, or is replaced. Unless otherwise noted, the persons have held their principal occupations for more than five years. The address for all Trustees and officers is Three Canal Plaza, Suite 600, Portland, Maine 04101. Mr. Keffer is considered an Interested Trustee due to his affiliation with Atlantic. The Fund's Statement of Additional Information includes additional information about the Trustees and is available, without charge and upon request, by calling (800) 441-7031, on the Fund's website at www.ahsmallcap.com.

Name and Year of Birth	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Series of Trust Overseen by Trustee	Other Directorships Held by Trustee
Independent Trustees					
J. Michael Parish Born: 1943	Chairman of the Board; Trustee; Chairman, Nominating Committee and Qualified Legal Compliance Committee	Since 1989 (Chairman since 2004)	Retired since 2003.	22	0
Costas Azariadis Born: 1943	Trustee; Chairman, Valuation Committee	Since 1989	Professor of Economics, Washington University since 2006; Professor of Economics, University of California-Los Angeles 1992-2006.	22	0
James C. Cheng Born: 1942	Trustee; Chairman, Audit Committee	Since 1989	President, Technology Marketing Associates (marketing company for small- and medium-sized businesses in New England) since 1991.	22	0
David Tucker Born: 1958	Trustee	Since 2011	Director, Blue Sky Experience, Kansas City Mo. since 2008, Senior Vice President & General Counsel, American Century Companies 1998-2008	22	0
Interested Trustee					
John Y. Keffer ¹ Born: 1942	Trustee; Vice Chairman	Since 1989	Chairman, Atlantic since 2008; President, Forum Foundation (a charitable organization) since 2005; President, Forum Trust, LLC (a non-depository trust company chartered in the State of Maine) since 1997.	22	Director, Wintergreen Fund, Inc.

¹Atlantic is a subsidiary of Forum Holdings Corp. I, a Delaware corporation that is wholly owned by Mr. Keffer.

ADAMS HARKNESS SMALL CAP GROWTH FUND

ADDITIONAL INFORMATION (Unaudited)

DECEMBER 31, 2011

Name and Year of Birth	Position with the Trust	Length of Time Served	Principal Occupation(s) During Past Five Years	Number of Series of Trust Overseen by Trustee	Other Directorships Held by Trustee
Officers					
Stacey E. Hong Born: 1966	President; Principal Executive Officer	Since 2008	President, Atlantic since 2008; Director, Consulting Services, Foreside Fund Services 2007.	N/A	N/A
Karen Shaw Born: 1972	Treasurer; Principal Financial Officer	Since 2008	Senior Vice President, Atlantic since 2008; Vice President, Citigroup 2003-2008.	N/A	N/A
David Faherty Born: 1970	Vice President	Since 2009	Senior Counsel, Atlantic since 2009; Vice President, Citi Fund Services Ohio, Inc. 2007-2009; Associate Counsel, Investors Bank & Trust Co. 2006-2007.	N/A	N/A
Michael J. McKeen Born: 1971	Vice President	Since 2009	Senior Vice President, Atlantic since 2008; Vice President, Citigroup 2003-2008.	N/A	N/A
Joshua LaPan Born: 1973	Vice President	Since 2009	Manager, Atlantic since 2008; Vice President, Citigroup 2003-2008.	N/A	N/A
Timothy Bowden Born: 1969	Vice President	Since 2009	Manager, Atlantic since 2008; Vice President, Citigroup 2005-2008.	N/A	N/A
Lina Bhatnagar Born: 1971	Secretary	Since 2008	Senior Administration Specialist, Atlantic since 2008; Regulatory Administration Specialist, Citigroup 2006-2008.	N/A	N/A

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