



LETTER FROM THE PRESIDENT

AIR was challenged and invigorated by change in 2002. An organizational change, implemented at the start of our fiscal year, moved AIR from a site-based to a program-based management structure. We look to our new structure to encourage important and exciting synergies across what have become increasingly less meaningful geographic workplace boundaries.

We have worked hard to strengthen our infrastructure and our assets—the most important of which is our people. In 2002, we examined our needs for future technological and managerial leadership, and we established a new program, “Growing Our Own,” which is designed to provide the best possible professional development opportunities to AIR staff.

This year the Board endorsed the establishment of the GoodWorks Project, designed to foster positive change in our communities and to give AIR employees another avenue for having an impact on society. Staff were invited to submit project ideas, and the program selected by the AIR Board of Directors will receive substantial financial support to begin implementation in Fiscal Year 2003.

Finally, this year I have initiated several activities to increase AIR’s national visibility. I believe it is important to have our work better known so that others can benefit from our experience and knowledge that we generate.

A deep commitment to science and innovation continues to be at the heart of our success. This report looks back at some of AIR’s contributions across the decades. It traces innovations and important programmatic impact from the post-World War II period into this third year of the millennium. I hope you enjoy our journey and this report, which describes not only some of our accomplishments in 2002 but also the contributions of our earlier work that inspire us today.

Sol H. Pelavin
President and CEO



LETTER FROM THE CHAIR



AIR's commitment to positive social change is carried out through the application of knowledge, theories, methods, and standards of the behavioral and social sciences to solve significant social problems.

All major problems of society, all challenges that we face, can be understood and addressed if we understand well the causes behind them. It is this assumption that has motivated AIR since its founding. In this annual report, we have chosen to frame our work in 2002 by looking at the heritage of research at AIR—through the questions we have addressed over the decades, and how those questions influence our work today. It is exactly the interplay of science and scientific methodology, of uncovering multiple causes and effects, that has defined AIR since its beginnings in the post-World War II United States.

Our history and our work today allow us to have an increasingly important role in contributing to many parts of society—education, health, and the workplace. We continue to give serious consideration to how we can increase our potential for making significant contributions. We acknowledge the confidence our clients and partners have put in our work. We strive to apply the best of science and the best of our experience and relationships with clients and partners to pursue excellence, and to influence policies and programs that affect people's lives.

That simple but powerful mission—to improve the lives of others—remains the driving force behind AIR and its people.

A handwritten signature in cursive script that reads "Patricia Gurin".

Patricia B. Gurin
Chair, Board of Directors

STATEMENT OF ACTIVITY

Year	2002	2001
Contract and grant revenues	\$117,218,669	\$116,627,035
Direct contract and grant costs	(76,359,460)	(77,122,741)
Overhead and administrative expenses	(37,292,362)	(33,905,931)
Excess of revenue over expenses	3,566,847	5,598,363
Other income/(expenses)	(597,664)	(1,170,463)
Increase in net assets	\$2,969,183	\$4,427,900

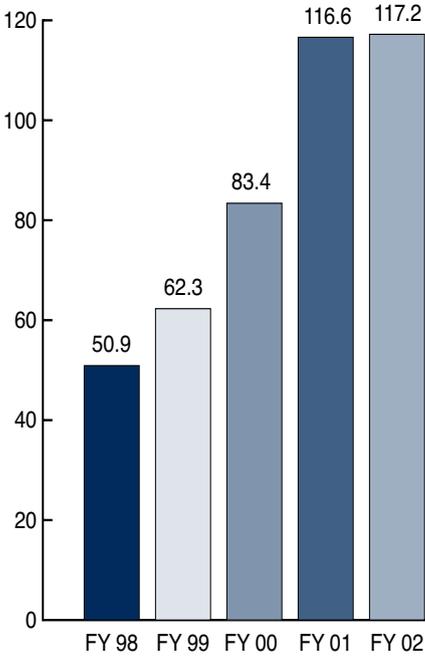
BALANCE SHEET

Current assets	\$32,210,847	\$38,969,856
Property and equipment, net	7,888,826	7,039,479
Other noncurrent assets	7,240,249	7,560,596
Total assets	47,339,922	53,569,931
Current liabilities	19,541,184	26,886,707
Long-term debt	1,999,982	4,249,989
Other noncurrent liabilities	1,597,844	1,201,506
Total liabilities	23,139,010	32,338,202
Net assets, unrestricted	24,200,912	21,231,729
Total liabilities and net assets	\$47,339,922	\$53,569,931

I A L S U M M A R Y

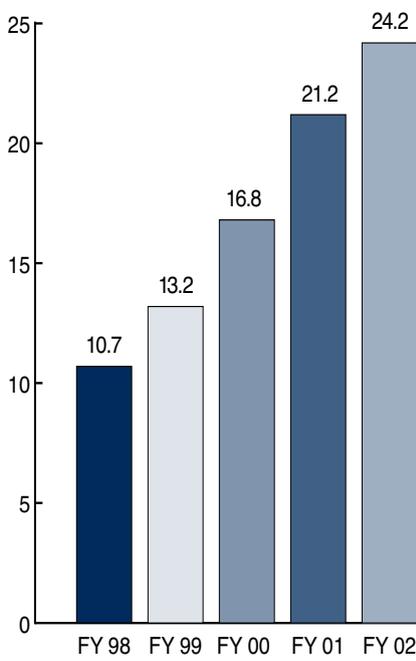
TOTAL REVENUE

in millions of dollars

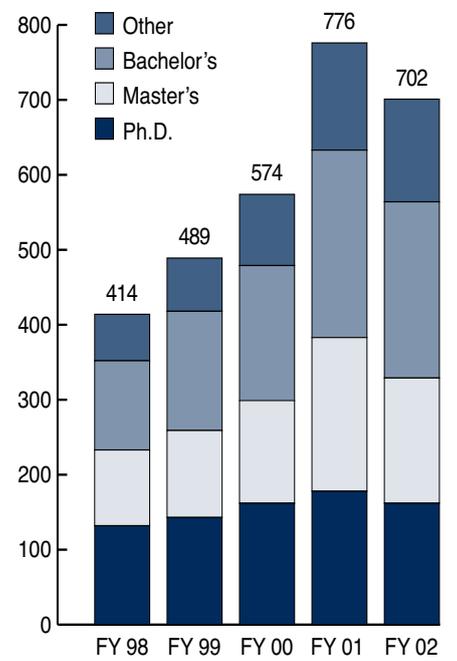


NET ASSETS

in millions of dollars



NUMBER OF STAFF



REVENUE BY SOURCE - FY02

