

Letter From the President



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Our commitment to science and innovation is responsible for the steady growth and success of AIR, both in the United States and around the world. We have every reason to believe that the trend we have experienced over the last several years in increasing revenues and expanding our staff will continue throughout this year and the next. In January 2005, we will complete a merger with New American Schools, a proven school improvement organization that emerged from the 1991 Education Summit called by then-President George H.W. Bush and cochaired by then-Governor Bill Clinton.

Our mission is constant: Delivering behavioral and social science research and applications that improve people's lives and well-being, with a special emphasis on the disadvantaged.

AIR's organizational objectives, which drive all of us, include improvements in education, health, and the workplace; better research methods and designs in general use; public understanding of the value of policymaking based on sound research; and adoption of appropriate research-based practices by practitioners and organizations.

In response to our success and growth, AIR has reorganized our corporate structure by creating two divisions and changed our fiscal year to end on December 31st.

This report offers a look at the wide variety of AIR's programs and projects. It explains why we are proud of the work we do, the people who carry out our mission, and the beneficial results being produced.

A handwritten signature in blue ink that reads "Sol H. Pelavin". The signature is fluid and cursive, written in a professional style.

Sol H. Pelavin

President and CEO

September 2004



Letter From the Chair

The Board of Directors takes justifiable pride in the success of the American Institutes for Research and the benefits being provided to society from its work. More than ever, AIR is being called upon to address complex issues that require bringing together multiple disciplines to provide solutions that address diverse behavioral, cultural, and social considerations.

AIR has grown dramatically in the past decade, becoming a stronger organization that is better positioned to assist its clients and society in dealing with challenges that require technical expertise and creative solutions based upon research. It is the interplay of science and scientific methodology, of discovering multiple causes and effects that defined AIR at its creation more than five decades ago — and continues to describe its mission today.

AIR strives to improve the lives of others. That is our mission, and that is how we measure our progress and achievements.

A handwritten signature in blue ink that reads "Patricia B. Gurin".

Patricia B. Gurin

Chair, Board of Directors

September 2004

Financial Activity and Balance Sheet



Statement of Activity

Fiscal Year	2000	2001	2002	2003
Contract and grant revenues	\$83,457,438	\$116,627,035	\$117,218,669	\$132,500,680
Direct contract and grant costs	\$(55,501,690)	\$(77,122,741)	\$(76,359,460)	\$(88,726,543)
Overhead and administrative expenses	\$(24,222,285)	\$(33,905,931)	\$(37,292,362)	\$(37,525,515)
Excess of revenue over expenses	\$3,733,463	\$5,598,363	\$3,566,847	\$6,248,622
Other income/(expenses)	\$(203,554)	\$1,170,463	\$(597,664)	\$(315,390)
Increase in net assets	\$3,529,909	\$4,427,900	\$2,969,183	\$5,933,232



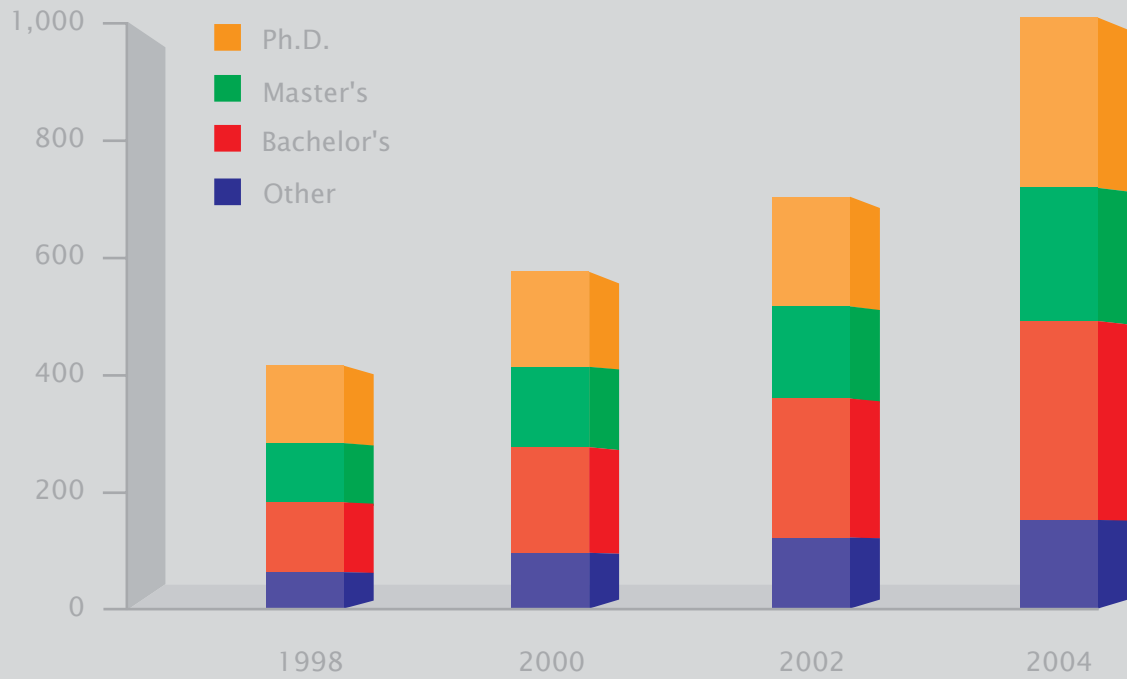
Balance Sheet

Fiscal Year	2000	2001	2002	2003
Current assets	\$28,300,142	\$38,969,856	\$32,210,847	\$38,375,866
Property and equipment, net	\$3,896,090	\$7,039,479	\$7,888,826	\$11,233,614
Other noncurrent assets	\$8,055,339	\$7,560,596	\$7,240,249	\$8,864,845
Total assets	\$40,251,571	\$53,569,931	\$47,339,922	\$58,474,325
Current liabilities	\$15,600,220	\$26,886,707	\$19,541,184	\$21,250,358
Long-term debt	\$6,500,000	\$4,249,989	\$1,999,982	\$3,541,662
Other noncurrent liabilities	\$1,347,522	\$1,201,506	\$1,597,844	\$3,548,161
Total liabilities	\$23,447,742	\$32,338,202	\$23,139,010	\$28,340,181
Net assets, unrestricted	\$16,803,829	\$21,231,729	\$24,200,912	\$30,134,144
Total liabilities and net assets	\$40,251,571	\$53,569,931	\$47,339,922	\$58,474,325

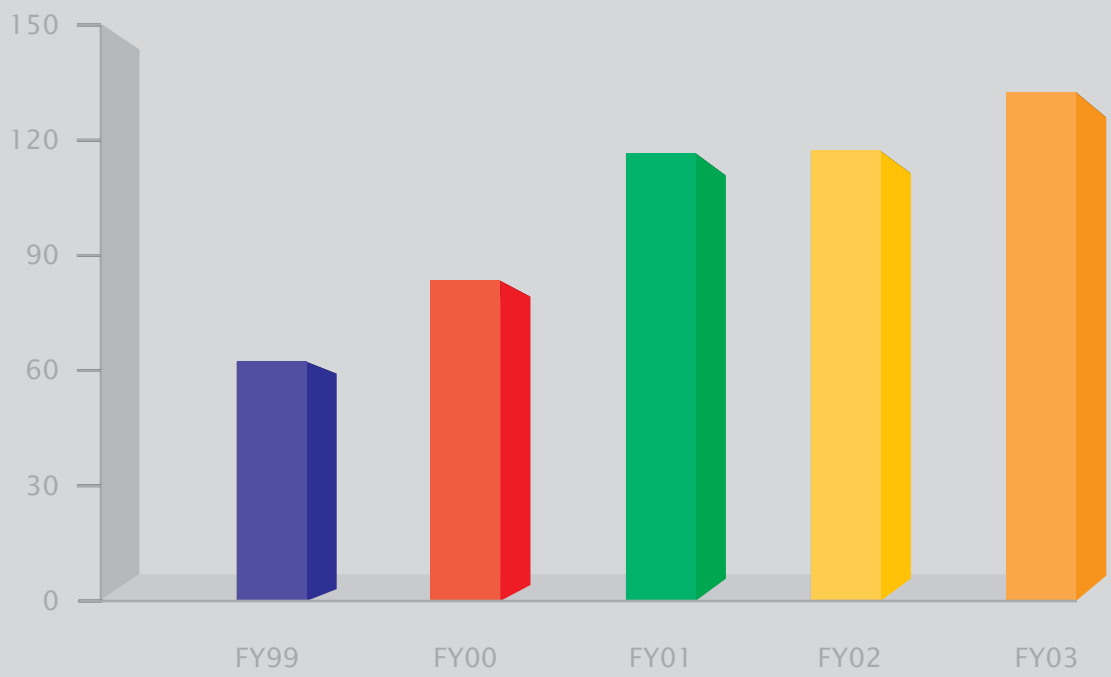
Charting Our Growth

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Number of Staff



**Total Revenue
(Millions of Dollars)**