



## Joint Letter From the Chair and the President

For 60 years the goal of the American Institutes for Research has been to use the best scientific methods to bring about the most effective ideas and approaches to enhance everyday life. We are in the most productive phase of our history as a nonpartisan, not-for-profit organization serving the nation and the world. We invite you to learn more about our efforts to help people by addressing some of the most difficult and important challenges we face in education, health and the workplace.

We are on the front lines of efforts to help American schools deliver on the potential of No Child Left Behind; to steer adolescents off the path that leads to violence, drug abuse and dropping out of school; to assist public health experts in preparing for the frightening possibility of an influenza pandemic or a bioterrorist attack; to provide Congress with insights on the myriad of challenges facing Medicare; and to carry out international health and education efforts that bring hope to impoverished parts of the world.

As a nonprofit organization, our bottom line is measured by how our work contributes to improving people's lives and well-being, especially the disadvantaged. Our staff members stand in the front ranks of their fields and publish in top journals. We take special pride in harnessing insights from the behavioral and social sciences in ways that can be applied to make life better for those living in poverty, attending schools beset by endemic failure, or who are victims of neglect.

Our strength is our staff of more than 1,300 dedicated individuals, more than half of whom hold advanced degrees. Their talents are the reason why demand for our services has grown the past 12 years at more than 20 percent per annum.

We invite you to learn more about AIR, so you can understand our pride in what we do.

**Patricia B. Gurin**

Chair, Board of Directors

**Sol H. Pelavin**

President and CEO

# AIR's Financial and Human Resources

AIR has experienced remarkable growth during the past decade, which is a tribute to the intellectual quality and diversity of our employees and the excellence of their work. AIR's success reflects the collective desire of our clients and our staff to make certain the best that science has to offer is being used to address real-world issues.

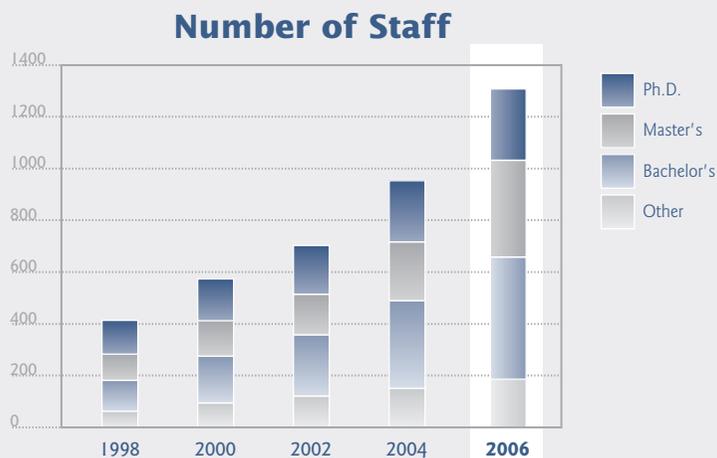
In 1994, when AIR merged with Pelavin Associates, we had 200 employees and combined revenues of \$21 million. Our revenues exceeded \$254 million by the close of 2006, and our staff in the United States and around the world numbered more than 1,300 employees.

Our success is a tribute to our employees, who are drawn from diverse educational, cultural, racial, and ethnic backgrounds and

experiences. Many who join AIR are lured by the opportunity to work with some of the best in their field. Our philosophy is straightforward: We pride ourselves on having our employees engaged in rewarding work.

We believe that meritorious effort and positive contributions should be rewarded. As a result, AIR salaries are very competitive in our industry, and our health, dental, vacation and pension plans are superior to most. We support the professional development of our staff and encourage participation in professional meetings, national conferences, symposia and conventions.

We are proud of our accomplishments, and take pride in our people. Each individual's dedication is what makes our collective goals and aspirations possible.



## Statement of Activities

Fiscal Year	2004*	2005	2006
Contract and grant revenue	\$216,152,770	\$228,834,043	\$254,174,622
Contract and grant costs	(209,569,162)	(227,288,903)	(242,834,991)
Excess of revenues over expenses	6,583,608	1,545,140	11,339,631
Other income/(expense)	(207,738)	(714,898)	46,577
Increase in net assets	\$6,375,870	\$830,242	\$11,386,208

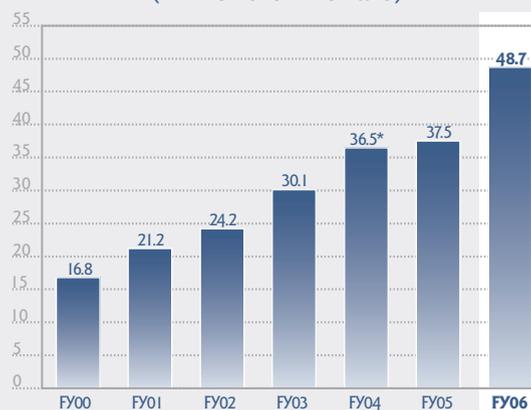
## Balance Sheet

Fiscal Year	2004*	2005	2006
Current assets	\$59,219,168	\$71,294,852	\$75,044,708
Property and equipment, net	13,754,227	15,040,901	16,069,996
Other noncurrent assets	9,987,620	8,074,542	7,857,014
Total assets	\$82,961,015	\$94,410,295	\$98,971,718
Current liabilities	\$39,825,958	\$49,260,910	\$40,920,328
Long-term debt	2,136,657	1,014,072	233,760
Other noncurrent liabilities	4,488,386	6,795,057	9,091,166
Total liabilities	46,451,001	57,070,039	50,245,254
Net assets	36,510,014	37,340,256	48,726,464
Total liabilities and net assets	\$82,961,015	\$94,410,295	\$98,971,718

### Total Revenue (Millions of Dollars)



### Net Assets (Millions of Dollars)



\*Note: Because of a change in the fiscal year, the figures for FY 2004 cover the period October 2003 through December 2004. For the final 12 months of the period, revenue exceeded \$182 million.