



Joint Letter From the Chair and the President

AIR's mission is clear, direct and powerful. We conduct and apply behavioral and social science research to improve people's lives and well-being, with a special emphasis on the disadvantaged. That ideal is the driving force that motivates the work of AIR's leaders and staff.

Building upon more than six decades of success, our work allows us to have an increasingly significant role in bringing about positive, evidence-based social change in areas like education, health and the workplace. More than ever, we are called upon to answer complex questions with solutions that encompass many disciplines and take into account an intricate web of social, behavioral and cultural considerations.

One tangible measure of AIR's success is our continuing growth as an organization. In 2000, we had just under 600 employees and an annual budget of a little over \$80 million. Today our staff numbers around 1,300 and our budget is about \$270 million. While the growth is impressive, as a nonprofit organization, we measure success by the benefits our work produces.

We take special pride in harnessing insights from the behavioral and social sciences in ways that make everyday life better. For example, AIR assists the federal government in providing high-quality data on education that informs policymaking. We support the efforts of states and school districts to improve the quality of education for all students, while providing a means for measuring student progress. Our experts are assisting medical teams learn how to reduce hospital errors. We provide Congress with insights on the myriad of challenges facing Medicare and Medicaid, and we provide international health and education services that bring hope to developing nations around the globe.

Our staff ranks among the best in their fields, frequently publishing in top journals and often cited by the news media for their expertise. We take special interest in nurturing the knowledge and skills of our staff – while always reaching out to gifted and committed individuals and like-minded organizations to join our efforts.

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

Patricia B. Gurin

Chair, Board of Directors

Sol H. Pelavin

President and CEO

AIR's Financial and Human Resources

The American Institutes for Research is a nonpartisan, not-for-profit research organization that is exempt from federal income taxes under Section 501 (d) (3) of the Internal Revenue Code. AIR's corporate headquarters is located in Washington, D.C.

AIR's annual financial statements are audited by Rubino & McGeehin. The Statement of Activities and the Balance Sheet are part of AIR's 12-month financial statement for the Fiscal Year that ended on December 31, 2007. The complete audited financial statements are available upon request by contacting

AIR's Chief Financial Officer.

AIR is fully committed to complying with the intent and spirit of all laws and regulations that govern our work. Every AIR employee is required to adhere to the highest level of ethical behavior and professional integrity. We strive to make our workplace an environment that is fair, respectful and free of any fraudulent activity or unethical behavior. Our Business Ethics Helpline, 1-866-534-8686, operates 24 hours a day, seven days a week.

AIR's Senior Management

President and Chief Executive Officer

Sol H. Pelavin

Executive Vice Presidents

Michael Kane

Executive Vice President and Director Administration

Diane Pelavin

Executive Vice President and Director Applied Behavioral and Social Sciences

Senior Vice Presidents

George Bohrnstedt

Senior Vice President for Research

Mark Fanning

Senior Vice President and Director Human Resources

Christian Hamilton

Senior Vice President and Chief Financial Officer

David Myers

Senior Vice President and Director Education, Human Development and the Workforce

Janet Robb

Senior Vice President and Director International

Vice Presidents

Jon Cohen

Vice President and Director Assessment

Steve Fleischman

Vice President Public Affairs and Communications

Mark Kutner

Vice President and Deputy Director Education, Human Development and the Workforce

Marilyn Moon

Vice President and Director Health

Deborah Parrish

Program Vice President Education, Human Development and the Workforce

Laura Salganik

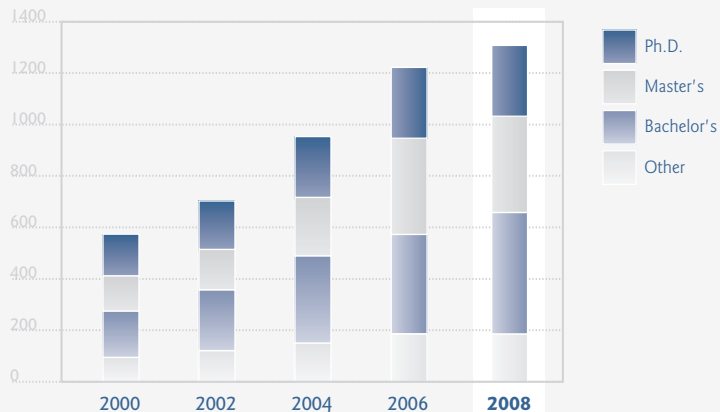
Vice President and Director Federal Statistics Program

General Counsel

Dona Kilpatrick

General Counsel and Secretary Board of Directors

Number of Staff



Statement of Activities

Fiscal Year	2004*	2005	2006	2007
Contract and grant revenues	\$216,152,770	\$228,834,043	\$254,174,622	\$270,020,474
Contract and grant costs	(209,569,162)	(227,288,903)	(242,834,991)	(262,618,264)
Excess of revenue over expenses	6,583,608	1,545,140	11,339,631	7,402,210
Other income/(expense)	(207,738)	(714,898)	46,577	41,998
Increase in net assets	\$6,375,870	\$830,242	\$11,386,208	\$7,444,208

Balance Sheet

Fiscal Year	2004*	2005	2006	2007
Current assets	\$59,219,168	\$71,294,852	\$75,044,708	\$81,346,44
Property and equipment, net	13,754,227	15,040,901	18,069,996	18,013,502
Other noncurrent assets	9,987,620	8,074,542	7,857,014	8,097,077
Total assets	82,961,015	94,410,295	100,971,718	107,457,022
Current liabilities	39,825,958	49,260,910	40,920,328	41,202,327
Long-term debt	2,136,657	1,014,072	233,760	-
Other noncurrent liabilities	4,488,386	6,795,057	11,091,166	10,084,022
Total liabilities	46,451,001	57,070,039	52,245,254	51,286,349
Net assets	36,510,014	37,340,256	48,726,464	56,170,672
Total liabilities and net assets	\$82,961,015	\$94,410,295	\$100,971,718	\$107,457,021

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.