

**STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2006 and 2005 (in thousands)  
(Unaudited)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2006 TOTAL	2005 TOTAL
<b>OPERATING REVENUES</b>					
Investment return designated for operations	\$ 11,096			\$ 11,096	\$ 10,653
Grants and contracts	1,265	\$32,896		34,161	28,704
Contributions	3,466	(7)		3,459	3,307
Conferences	4,230			4,230	4,015
Brookings Institution Press	2,533			2,533	2,502
Information Technology Services	25			25	38
Interest and dividends	157			157	46
Rental income, net	144			144	148
Visiting scholars	100			100	329
Other income	7			7	42
Net assets released from restrictions-				0	0
Grants and contracts	27,194	(27,194)		0	0
Total Operating Revenue	50,217	5,695		55,912	49,784
<b>OPERATING EXPENSES</b>					
Operating programs					
Economic Studies	7,598			7,598	6,949
Foreign Policy Studies	11,130			11,130	8,802
Governance Studies	1,864			1,864	1,810
Metropolitan Policy	5,876			5,876	4,312
Other research	233			233	258
Center for Executive Education	5,133			5,133	4,682
Brookings Institution Press	2,709			2,709	3,088
Communications	1,113			1,113	891
Global Economy and Development	2,839			2,839	1,110
Total Operating Programs	38,495			38,495	31,902
Supporting services:					
Management and General					
Information Technology Services	2,673			2,673	2,614
Administration	5,022			5,022	4,257
Interest expense	32			32	58
Post-retirement benefits	131			131	198
Total management and general	7,858			7,858	7,127
Development	2,453			2,453	2,191
Total Operating Expenses	48,806			48,806	41,220
Operating revenues over operating expenses	1,411	5,695		7,106	8,564
<b>NON-OPERATING ACTIVITIES</b>					
Investment return in excess of amounts designated for operations					
Realized gain (loss) on sale of investments	15,733			15,733	7,135
Unrealized gain (loss) from investments	9,173			9,173	11,598
Interest and dividends, net	1,718			1,718	3,103
Investment income allocation	(11,096)			(11,096)	(10,653)
Contributions-Permanent Endowment			(488)	(488)	1,788
Change in net assets from non-operating activities	15,528		(488)	15,039	12,971
<b>INCREASE (DECREASE) IN NET ASSETS</b>	16,939	5,695	(488)	22,145	21,535
Net assets at the Beginning of the Year	186,944	34,543	48,252	269,739	248,204
Net assets at the End of the Year	\$203,883	\$40,238	\$47,764	\$291,884	\$269,739

**STATEMENTS OF FINANCIAL POSITION**

As of June 30, 2006 and 2005 (in thousands)  
(Unaudited)

	2006	2005
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,347	\$ 7,689
Accounts receivable	1,857	2,520
Grants and contracts receivable	26,536	23,368
Pledges receivable	1,102	1,320
Accrued interest and dividends	514	477
Inventory	562	634
Investments, at fair value	251,199	231,927
Land, buildings and equipment-net	11,358	11,968
Other assets	616	305
<b>TOTAL ASSETS</b>	<b>\$302,091</b>	<b>\$280,208</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 3,157	\$ 3,101
Accrued compensated leave	1,685	1,614
Accrued post-retirement benefits	4,620	4,530
Note payable	194	650
Deferred revenue	550	574
<b>TOTAL LIABILITIES</b>	<b>10,206</b>	<b>10,469</b>
<b>NET ASSETS</b>		
Unrestricted	203,883	186,944
Temporarily restricted	40,238	34,543
Permanently restricted	47,764	48,252
Total Net Assets	291,885	269,739
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$302,091</b>	<b>\$280,208</b>

Notes:

As a nonprofit and scientific organization, Brookings is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The Institution also qualifies as a publicly supported organization under section 170(b)(1)(A)(vi) of the code.

The Brookings policy is to make an annual investment spending allocation for the support of operations. This amount is calculated based on 70% of the prior year's spending adjusted for inflation and 30% of 5% of the market value of the investments as of December 31 of the prior fiscal year. Certain reclassifications of prior year balances have been made to conform to the current year presentation.

A copy of the Institution's audited financial statements is available by request.

