



Report to the Board of Regents
September 17, 2001

INTRODUCTION

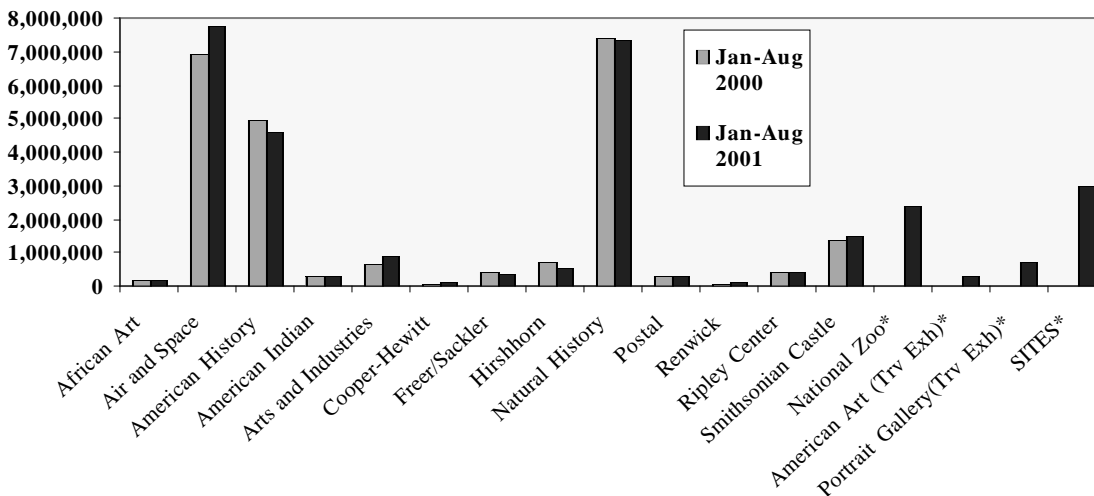
This report captures Smithsonian Institution data and highlights from the three-month period of May, June, and July 2001, and in some instances presents year-to-date information. The next report will be prepared in November and will present information for the entire fiscal year 2001.

PUBLIC IMPACT

REAL AND VIRTUAL ATTENDANCE

Smithsonian museums and traveling exhibitions had 30.8 million visits from January through August 2001— 24.4 million visits to museums, 2.4 million visits to the National Zoo and 4 million visits to traveling exhibitions organized by the Smithsonian Institution Traveling Exhibition Service (SITES), the Smithsonian American Art Museum (SAAM), and the National Portrait Gallery (NPG) (see chart below). These statistics do not include three Smithsonian museums that were closed for renovations – the Anacostia Museum, the Smithsonian American Art Museum, and the National Portrait Gallery. For fiscal year 2001, the number of visits to our facilities is projected to reach 40 million.

Visits to Smithsonian Museums and Traveling Exhibitions
January through August 2001



*2000 visit data not available

Source: Office of Protective Services, National Zoo, SITES, SAAM, NPG

Seven of the museums listed in the chart showed an increase in attendance over the period of January through August 2000. Visits to the Arts & Industries Building rose 37.1% and the National Air and Space Museum registered a 12.3% increase. NASM recorded its highest attendance day ever on July 4, with 126,436 visitors.

The Arts and Industries Building's count of 454,793 visitors in May, June, and July is an extraordinary increase over the 295,170 visitors during the same period in 2000. A major driver is the new exhibition, *Brain: The World Inside Your Head*. From its opening day on July 14 through August 2 it had 154,482 visitors – double the number of visitors in A&I compared to that period last year.

“Panda-monium” has not subsided. The National Zoo’s popular panda couple, Tian Tian and Mei Xiang, welcomed the one-millionth visitor to their home May 3. Through the end of August, the visitor count has risen to over 2 million.



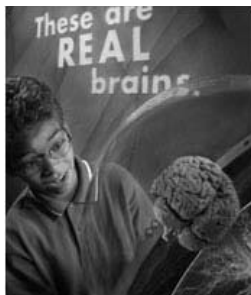
The American Presidency exhibition at the National Museum of American History continues to draw huge crowds with 246,127 visitors recorded in May, June, and July.

Virtual visitors have increased at the Smithsonian’s web sites, including the main web site at www.si.edu and more than 70 other Smithsonian museum, zoo, and exhibit-specific web sites. The 9.1 million visitors logged during May, June, and July exceeds the average 8.25 million web visitors recorded in the two most recent three-month reporting periods. Web traffic is well on course to surpass last year’s total of 29 million visitors and is projected to reach 40 million visitors at the end of September 2001.

The National Museum of American History launched an innovative web site, “History Wired: A Few of Our Favorite Things” (<http://historywired.si.edu>) in August. Virtual visitors can access 450 objects from the museum’s collections that are not usually on public display. History Wired also links objects to Smithsonian artifacts and information from other sources such as a portrait from the National Portrait Gallery, an article in *Smithsonian* magazine, an excerpt from a SITES exhibit script, or an audio clip from Smithsonian Folkways Recordings.

During this reporting period, the Smithsonian Center for Education and Museum Studies (SCEMS) introduced two new websites: *Textiles of the North American Southwest* (<http://educate.si.edu/textiles>), a collaborative project with the Department of Anthropology at the National Museum of Natural History, and *Smithsonian Kids: Collecting* (<http://kids.si.edu/collecting>), which was supported in part by a grant from the Smithsonian Women’s Committee.

NEW EXHIBITIONS



Was Einstein’s brain really bigger? Answers to this and many other “brain teasers” can be found in the little (5,000 sq. ft.) blockbuster, ***Brain: The World Inside Your Head***, a new exhibit that opened July 14 and has been breaking attendance records in the Arts and Industries Building. Pfizer, Inc. underwrote the exhibit, produced by BBH, Inc. of San Antonio in collaboration with the National Institutes of Health. The *Washington Post* hailed the exhibit as “an impressive compendium of all things cerebral, with equal appeal for children and adults...It features optical illusions, interactive displays, raw information and real (if not live) actual brains from a human, a

beagle, a baboon, a bottlenose dolphin, a dogfish and a mallard.” Besides demonstrating the functioning of the brain, the exhibit aims to demystify and destigmatize brain-based disorders, including depression, anxiety disorders, and Alzheimer’s disease.

A very popular exhibition of 139 powerful photographs, ***Game Face: What Does a Female Athlete Look Like***, opened at the Arts and Industries Building on June 27. The exhibition, co-curated by sports journalist Jane Gottesman and photographer Geoffrey Biddle, and designed by Ralph Applebaum Associates, celebrates females of all ages and races in sports, from the well-known super athlete to the girl next door.





The success of the Asian Pacific American Program and its director Franklin Odo in bringing Asian American themed exhibits to the Smithsonian is reflected in three traveling exhibitions, concurrently on display in the Arts and Industries Building, that focus on Chinese immigration. ***On Gold Mountain: A Chinese American Experience***, which opened May 18, came from a Smithsonian affiliate, the Autry Museum of Western Heritage in Los Angeles.

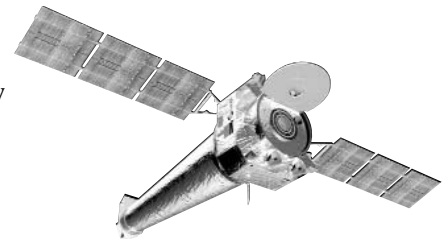
The exhibition explores six generations of a Chinese-American family that originally came to California in the late 19th century. On June 9, ***Gateway to Gold Mountain***, a panel exhibit on Angel Island, the little-known West Coast counterpart of Ellis Island where immigrants subject to the Chinese Exclusion Act were detained, opened to a well attended press preview. It was originated by the Angel Island Foundation in San Francisco. And on July 2, ***Fly to Freedom: The Art of the Golden Venture Refugees***, opened in the North Hall. This exhibit from the Museum of Chinese in the Americas in New York City tells the story of the shipwrecked refugees through the intricate paper sculptures they crafted while in prison.

The Arthur M. Sackler Gallery opened ***Worshipping the Ancestors: Chinese Commemorative Portraits***, on June 9-11 to an audience of approximately 5,950 visitors, one of the highest visitation numbers for an opening weekend of an exhibition at the Sackler. The exhibition is organized around 38 near life-size formal ancestor portraits that came into the collection in 1989 “out of the blue” with a call from an unknown collector. *The New York Times* reviewed the exhibition on August 10, calling it a “stately procession of a show,” and the finest of the portraits “so visually arresting as to make doubts about dates and origins seem academic.”



Clyfford Still: Paintings, 1944-1960 opened June 21 to honor a major figure in post-war American painting. Still (1904-1980), and fellow abstract expressionists Jackson Pollock, Mark Rothko and others, are credited with revolutionizing 20th century art by creating heroically scaled, evocative abstractions. Still’s works, which are much admired, are rarely exhibited in large numbers outside of select museum holdings. The Hirshhorn Museum and Sculpture Garden is the sole venue for the exhibition drawn from more than 25 museum and private collections.

A new National Air and Space Museum permanent exhibition ***Explore the Universe*** opens September 21. It will illustrate how our understanding of the universe has evolved as the tools we use to study the universe – from the naked eye to telescopes, photography, spectroscopy, and digital technology – have changed. The show includes the original tube from William Herschel’s 20-foot telescope, the observing cage from Mount Wilson’s 100-inch Hooker Telescope, the flawless backup mirror from the Hubble Telescope, models of the COBE spacecraft and Hubble Space telescope, and the Hopkins Ultraviolet Telescope, which was flown aboard the Space Shuttle.



The **2001 Smithsonian Folklife Festival** generated positive visitor responses, favorable media reviews, and high satisfaction among participants, sponsors, and partners. Attendance was 948,827, less than average due to the very hot, humid, and rainy first week. The New York City program brought more than 300 practitioners of contemporary urban traditions to the Mall—from bagel makers, bus drivers and Broadway actors to skyscraper builders, stickball players, and neon sign makers. The Building Arts program brought together a coalition that included the National Trust for Historic Preservation, the Building Museum, building trades unions and a variety of sponsors. The Bermuda program was lauded by participants, sponsors, and the Bermudan government as a landmark achievement in bringing together different segments of that society for a unified presentation.



In the Presence of Spirits: African Art from the National Museum of Ethnology, Lisbon opened June 10 at the National Museum of African Art. This exhibition of rare African masterpieces from an important European collection has never before been seen in the United States. The exhibition, which was organized by the Museum for African Art, New York, in cooperation with the National Museum of Ethnology in Lisbon, Portugal, examines more than 140 objects dating from around 1850 to the mid-20th century that reflect the influences of the supernatural world in both public and private life throughout sub-Saharan Africa.

On May 24, the National Museum of Natural History unveiled a new mount of **Triceratops**. The new skeleton is a product of traditional bone replication by molding and casting, and three-dimensional laser scanning and prototyping that fixes many inaccuracies in the original mount. The posture of this skeleton is also new, arrived at by prototyping an accurate and handleable miniature of the skeleton that scientists analyzed bone by bone. Triceratops is the first digital dinosaur and is able to be shared with researchers as easily as e-mail.



The National Museum of Natural History is the first museum in the United States to offer its visitors the excitement of **Immersion Cinema**. The \$2 million attraction is the latest exhibit created for the museum's \$42 million Discovery Center. The interactive theater, designed by Immersion Studios in Toronto, employs state-of-the-art interactive technology that allows visitors to control the story line while playing alongside, or competing against, their fellow storytellers.

NATIONAL OUTREACH

The four units comprising the core of outreach activity have continued their efforts to deliver expanded programs and services across America.

Smithsonian Affiliations welcomed 13 new organizations as Smithsonian affiliates, bringing the overall total through the end of July to 81. There are now affiliates in 27 states, the District of Columbia, Puerto Rico and Panama. A little less than one-third of the affiliates (25) have now fully implemented their affiliations with significant artifact loans.



Affiliate Signing. From left: Elbert Hilliard, Director of MS Department of Archives & History, Senator and Regent Thad Cochran (R-MS), Donna Dye, Director of Old Capitol Museum of Mississippi History, MS House Speaker Tim Ford, and Secretary Small

Photo: Chris Goodwin, courtesy, MS Department of Archives & History

In June, Smithsonian Affiliations held its third national conference for affiliates. A total of 203 attendees participated in the workshops, cultural alliance meetings, and general sessions. Additional highlights included the Cultural Alliances Reception, with remarks by Secretary Small and Raul Yzaguirre, President of the National Council of La Raza, and the Congressional Reception in which 28 senators, representatives, and staff members joined the affiliates and Smithsonian officials.

The Smithsonian Associates (TSA) staff made preparations for 15 Voices of Discovery programs that will run through the fall and involve nine different affiliates: Atlanta International Museum; Florida International Museum; Florida International University; Heritage Harbor Museum (Providence, RI); Kansas Cosmosphere; Lakeview Museum of Arts and Sciences (Peoria, IL); Western Heritage Center (Billings, MT); Blackhawk Museum (Danville, CA); and the Japanese American Historical Society (Los Angeles, CA).

For Americans across the nation, TSA offered opportunities to participate in 22 study tours in the US and another 55 elsewhere in the world, including the first-time study voyage exploration of the remote Kimberley region along Australia's north coast, with internationally renowned Dr. Clyde Roper (NMNH) as the study leader.

Smithsonian Institution Traveling Exhibition Services (SITES) circulated 33 exhibitions to 69 communities in 32 states, the District of Columbia and Canada during this reporting period. Host venues included five ethnic and/or minority museums and 13 rural museums. Program highlights included a special showing of *Heart & Hands: Musical Instrument Makers of America* in the Russell Rotunda Gallery, sponsored by Senator Pete Domenici, and Museum on Main Street (MOMS) partnerships with Florida, Georgia, Michigan, Missouri, South Dakota, Utah, and Washington.

OTHER SMITHSONIAN TRAVELING EXHIBITIONS

The National Portrait Gallery will tour the famous **Lansdowne Portrait** of George Washington by Gilbert Stuart saved for the nation by the generosity of the Donald W. Reynolds Foundation. The project is forming into an eight-city tour that will open at the Museum of Fine Arts in Houston early next year and close at the Metropolitan Museum of Art in New York at a Gilbert Stuart exhibition co-curated by the National Portrait Gallery.



A National Portrait Gallery (NPG) exhibition *Celebrity Caricature in America* opened at the New York Public Library on June 22, 2001. *The New York Times* declared the exhibition of more than 200 works “fast paced, witty and refreshingly lightweight...it is as good a presentation of the subject as you’ll find anywhere.” It went on to hail NPG curator Wendy Wick Reaves’ accompanying book, published by Yale University Press, as “well-wrought, well-written.”

The Smithsonian American Art Museum’s (SAAM) hugely successful *Treasures to Go* tour marked its halfway point in July. Ten museums hosted *Treasures from the Smithsonian American Art Museum* exhibitions from May 1 through July 31, 2001 and continued the record-breaking attendance, from *The Gilded Age* at the Cantor Center for Visual Arts at Stanford University in California to *Modernism & Abstraction* at the Allentown Art Museum in Pennsylvania.

Looking Both Ways: Heritage and Identity of the Alutiiq People opened at the Alutiiq Museum and Archaeological Repository in Kodiak, Alaska, on June 22-23. The exhibition culminated five

years of work by the Smithsonian Institution's Arctic Studies Center (Department of Anthropology, NMNH), led by exhibition curator Aron L. Crowell, in collaboration with the Alutiiq Museum and Archaeological Repository.

In May, the Smithsonian Institution Libraries opened *Voyages: A Smithsonian Libraries Exhibition* at the Grolier Club in New York City. On display were nearly 100 examples of lavishly illustrated books from the Smithsonian Libraries' 1.5 million-volume collection. Books representing over 500 years of printing were included, ranging from invaluable works published before 1500 to contemporary artists' books produced at the end of the 20th century.

FOCUSED, FIRST-CLASS SCIENCE

SCIENCE COMMISSION

In July, the Smithsonian appointed a Science Commission to guide the Institution's new strategic direction for science. The 18 Commission members, whose areas of academic interest span the disciplines from anthropology to zoology, come from universities, research institutions, museums and government agencies in the United States and the United Kingdom, as well as from the Smithsonian. Jeremy Sabloff, the Williams Director of the University of Pennsylvania Museum of Archaeology and Anthropology, will serve as chairman. The first meeting of the Commission is scheduled for September 6 and 7 at the Smithsonian.

SCIENTIFIC ACHIEVEMENTS

Among scholarly and scientific achievements during May, June, and July are:

Smithsonian Astrophysical Observatory

- SAO scientists and their colleagues have just published detailed new maps of the "circumnuclear disk (CND)" taken in millimeter wavelength light. The CND describes a disk of dust and gas, roughly five light years in diameter, that rings the ultra-dense, giant black hole that is at the core of the Milky Way galaxy.
- Alexander Dalgarno, a senior scientist at SAO, was selected to membership in the National Academy of Sciences. SAO has 11 scientists in the Academy.

Smithsonian Environmental Research Center

- Newsweek featured SERC's work on the blue crab in a recent article. Dr. Anson "Tuck" Hines continues his work on the Blue Crab Advisory Commission and participated at a press conference with Senator Barbara Mikulski concerning work between SERC and the University of Maryland Center for Marine Biotechnology on blue crabs.

National Museum of Natural History

- In May, Dr. Richard Potts, director of the NMNH's Human Origins Program and curator in the Department of Anthropology, completed a two-week research visit to paleoanthropological sites in North China, at the invitation and expense of the Chinese Academy of Sciences (CAS). The trip was devoted to discussion of international collaboration between the Smithsonian and the CAS to investigate human evolution and environmental change over the past 1.5 million years.

- NMNH Zoologist George R. Zug and his colleagues Laurie J. Vitt and Janalee P. Caldwell edited the second edition of *Herpetology. An Introductory Biology of Amphibians and Reptiles*, Academic Press, San Diego, 2001, 630 pp. This volume is widely recognized as the authoritative and comprehensive textbook on the biology of amphibians and reptiles.
- NMNH's Research Training Program (RTP), now in its 21st year, brought 18 students from 13 states and three foreign countries, including Brazil, Canada, and Serbia, to engage in research projects with NMNH scientists. The RTP is a 10-week intensive partnering of promising undergraduate students with NMNH mentors.
- NMNH's William Fitzhugh and Elizabeth Ward's edited volume *Vikings: The North American Saga* was given the Society for American Archaeology Book Award. The book was published by Smithsonian Institution Press.
- NMNH Paleontologist Alan Cheetham was notified that he will be awarded the Paleontology Society's Medal for a lifetime of meritorious performance as a scientist. This is the highest award that a paleontologist can receive from the Paleontological Society.

National Zoological Park

- In May, Dr. Lucy Spelman visited three giant panda reserves in China where the National Zoo has agreed to support giant panda conservation projects. This was the baseline visit to document current conditions in each reserve. Joint collaboration between the China Wildlife Conservation Association and the National Zoo will focus on setting up reserve patrolling procedures, establishing reserve headquarters for staff and training reserve personnel.

Smithsonian Tropical Research Institute

- STRI scientist Dolores Piperno published the article, "On Maize and the Sunflower," in the June 22 issue of *Science* magazine. The author discusses recent work that indicates that maize was domesticated at least 7100 years ago in tropical Mexico, 1000 years earlier than previously indicated.
- Scientists Jeremy B. C. Jackson and Richard Cooke from STRI and John Pandolfi from NMNH, and collaborators, published a 10-page article, "Historical Overfishing and the Recent Collapse of Coastal Ecosystems," in the July 27 issue of *Science*.

MANAGEMENT EXCELLENCE

NAPA REPORT

In July, the National Academy of Public Administration (NAPA) published "A Study of the Smithsonian's Repair, Restoration and Alteration of Facilities Program" in response to a request by the Senate and the House Subcommittees on Interior and Related Agencies. The Academy found that funds appropriated for repair, restoration and alteration (RR&A) from 1966 through 2000 had been properly used by the Smithsonian for the purposes requested in the budgets; that more than between \$1.2 and \$1.5 billion is needed over the next 10 years to bring Smithsonian buildings into a good state of repair; and that the Smithsonian financial management systems do not meet federal standards and reporting requirements. The Academy also made a wide range of recommendations to help the Smithsonian improve its management systems and processes for both delivering RR&A services and reporting valid funding needs and obligations to Congress.

MAJOR PROJECTS

In this section, a regular feature of the Secretary's reports to the Regents, readers will be updated on the progress of the Institution's major construction and refurbishment projects.

PROJECT	PROJECT STATUS
<p>Patent Office Building (POB) 382,000 sq. ft. \$216.0 million total estimated cost</p>	<ul style="list-style-type: none"> • January 2000. The POB, which houses the Smithsonian American Art Museum and the National Portrait Gallery, was closed for renovation. • January 10, 2001. Contract for \$7.3 million awarded to Davis Construction Group for demolition within POB. Notice to proceed given April 9. • Both the House and Senate have passed versions of the Interior Appropriations bill. Each provided the amount requested--\$67.9 million. This level will provide an additional \$15 million for the POB. • The Smithsonian is remodeling space at the Museum Support Center (MSC) in Suitland, MD, to provide storage for the art and portraiture from the museums.
<p>National Museum of the American Indian Mall Museum 454,000 sq. ft. \$219.3 million total estimated cost</p>	<ul style="list-style-type: none"> • June 20, 2001. Contract for \$141.9 million awarded to Clark/TMR. \$56.7 million funded in initial contract to cover base bid for foundation and structure and purchase of Kasota stone. • June 26, 2001. Welcome Center opened with mock-ups and other materials related to the new Museum. • In June, the House approved the Interior Appropriations bill, providing \$30 million for the Mall Museum-the amount requested. In July, the Senate provided \$25 million for the Museum. Conference will occur in mid September.
<p>National Air and Space Museum Steven F. Udvar-Hazy Center 761,000 sq. ft. \$311.5 million total estimated cost</p>	<ul style="list-style-type: none"> • April 10, 2001. Contract for \$125.6 million awarded to Hensel Phelps Construction Company to begin Phase I; notice to proceed given April 23. • As of July 31, 2001, construction remains on schedule. Value engineering has resulted in credits of \$1 million to the contract. • As a result of an inquiry by the US Department of Labor, the general counsel determined that provisions of the Davis Bacon Act apply to the construction contract. That decision will add between \$8 million and \$12 million to the cost of the project.
<p>National Museum of American History Behring Center 250,000 sq. ft. \$200.0 million total estimated cost</p>	<ul style="list-style-type: none"> • The National Museum of American History, Behring Center is in the early stages of renovation/renewal. As a result of a number of large gifts and agreements, the museum is now in the process of planning for several exciting exhibits as well as for the extensive renovation of the building. • With respect to the Behring gift to renew the public spaces in the Museum, a Blue Ribbon Commission, composed of historians, museum professionals and others, has been appointed to advise the museum in planning exhibitions and to recommend timely and relevant themes and methods of presentation. The Commission, chaired by Richard Darman, held its initial meeting on June 29. • Architectural concepts have been developed for the central core and visitor orientation within the museum. These drawings, along with other plans and input from the Blue Ribbon Commission, will form the basis of a Request for Proposal (RFP) from architectural and engineering firms to design these public spaces. • A project team was created in May to support the design and implementation of the Spirit of America exhibit funded by the Catherine B. Reynolds Foundation. Meetings occurred in June and late August to bring together the curatorial staff and the leadership of the museum, outside experts and donors to assist in defining the core message and audience for the Spirit of America. • With respect to the renewal of the museum's infrastructure, the Smithsonian included a request for the complete renovation of the National Museum of American History in its fiscal year 2003 budget submission to OMB. The request was for \$32 million over the period of fiscal years 2003-2005.

SMITHSONIAN MANAGEMENT

Several new faces have arrived at the Institution, and some familiar ones have announced their departures:

- James T. Demetrios, Director of the Hirshhorn Museum and Sculpture Garden, will retire at the end of September. International Art Museums Division Director Tom Lentz reports the museum is close to finding a new director.
- Milo Beach will retire from his position of Director of the Arthur M. Sackler Gallery and the Freer Gallery of Art on October 1, 2001. The search continues for a new director.
- Robert Fri, Director of the National Museum of Natural History, will leave the museum in the fall. During Fri's five-year tenure the museum renovated major permanent exhibition halls and opened the \$42 million Discovery Center. The Secretary has asked Undersecretary for Science Dennis O'Connor to serve as acting director.
- Douglas Lapp, founding Executive Director of the National Science Resources Center (NSRC), resigned his post on June 29. The NSRC was founded in 1985 as a joint initiative of the Smithsonian and the National Academy of Sciences. Lapp is credited with building the NSRC into an international model of science reform in elementary and middle schools. Sally Goetz Shuler has been appointed as Executive Director of the NSRC.
- Robert Hanle, Director of Development, will leave the Smithsonian effective September 1. After four years as the Smithsonian's senior fundraiser he will return to his home in St. Paul, MN, beginning a new job as senior vice president and managing consultant with Grenzbach Glier & Associates Inc.
- Mark Thoreson was appointed Acting Director of Development until Bob Hanle's replacement is installed. Since 1998, Thoreson has served as the Smithsonian Campaign Development Director.
- Stephanie L. Norby was named Director, Smithsonian Center for Education and Museum Studies (SCEMS). She came to the Smithsonian in 1998 after having served as Director of Curriculum, Professional Development and Assessment in the Kansas City, MO school district.
- Carey Winfrey was named editor-in-chief of *Smithsonian* magazine. He replaced Don Moser, who retired after 20 years as editor of *Smithsonian* at the end of July. Winfrey was previously a reporter at *Time* magazine and *The New York Times*; for the last four years he was an assistant managing editor at *People* magazine.

STRATEGIC PLAN AND PERFORMANCE MEASUREMENT

The Strategic Plan contains major objectives and strategies that are linked to the Secretary's four major goals of public impact, first class science, management excellence, and financial strength. Following from the goals, objectives and strategies will be key performance indicators at the institutional level and targets that will be established after the Office of Policy and Analysis (OP&A) consults with people throughout the organization. OP&A will also work closely with Smithsonian units as they develop their unit strategic plans and performance measures.

INFORMATION TECHNOLOGY UPDATE

The Office of Management and Budget and the House and Senate Appropriations Committees approved the Smithsonian's request to proceed with our project to replace our financial and human resource management systems in late June. Based on a market survey, the Smithsonian purchased the *PeopleSoft* Enterprise Resource Planning (ERP) software product. Our intent is to adapt Smithsonian processes to the *PeopleSoft* ERP software to streamline business processes and assure a cost-effective, speedy and successful implementation. Project team members for the first phase of the project – general ledger, accounts payable, and purchasing – have been identified and are attending *PeopleSoft* training. A contract for system implementation support was awarded to Software Productivity Systems, Inc. The first phase of the project will be implemented by October 1, 2002, with a three-month parallel operating window ending on January 1, 2003.

AGE OF EXHIBITS AND BUILDINGS

The following data, generated at the four major museums of National Air and Space Museum, National Museum of American History, National Museum of Natural History and National Zoological Park, show that close to half (45%) of exhibits at those four museums are 15 years old or older.

Smithsonian buildings range in age from five or less years old to over one hundred and sixty years old, with many subject to the higher costs and constraints associated with historic preservation. More than half of the Smithsonian's buildings and systems are between 25 and 40 years old, effectively obsolete, and no longer economically maintained or repaired.

Age and Number of Exhibitions: NASM, NMAH, NMNH and NZP (by five year intervals)

	NASM	NMAH	NMNH	NZP	Total	% of Total
5 years old or less (after 1996)	2	9	7	6	24	22%
5-9 years of age (1992-1996)	3	13	1	5	22	20%
10-14 years of age (1987-1991)	2	10	1	1	14	13%
15 years ago or more (prior to 1987)	13	8	14	13	48	45%
Totals	20	40	23	25	108	100%

Source: NASM, NMAH, NMNH, NZP

FINANCIAL STRENGTH

FINANCIAL POSITION

The impact of the severe market correction on the Smithsonian endowment was muted as a result of portfolio diversification. The net market value of the endowment is projected to decline by \$42 million during fiscal year 2001. This decline is the net result of the annual payout of \$34 million, a projected negative total return, and new money going into the endowment. The good news is that once the final numbers for fiscal year 2001 are recorded later in September, outstanding pledges are expected to exceed the aggressive level planned for fiscal year 2001. The following table summarizes the Institution's financial position, and definitions of assets and liabilities follow:

Smithsonian Institution Financial Position
(\$ millions)

	Fiscal Year 2000 Actual	Fiscal Year 2001 Plan	Fiscal Year 2002 Budget
Federal Deposits	224	230	235
Endowment	742	700	721
Other Investments	108	111	115
Smithsonian Buildings and Equipment	730	802	899
Outstanding Pledges	192	240	273
Other	81	96	109
Total Assets	2077	2179	2352
Liabilities	508	511	513
Net Assets	1569	1668	1839
Total Liabilities and Net Assets	2077	2179	2352

Source: Office of the Undersecretary for Finance and Administration

The upward trend continues in the fiscal year 2002 budget with net assets expected to exceed \$1.8 billion, supported primarily by increases in outstanding pledges, building and equipment, and investment returns for the endowment assumed to be in line with historical trends.

Federal Deposits. Federal deposits are Federal funds on deposit with the U.S. Treasury to be used primarily for capital improvement purposes and may be carried over from one year to another.

Endowment. As of June 30, 2001, the market value of the endowment was \$691 million. We project the endowment to be \$700 million at September 30, 2001, and \$721 million at September 30, 2002.

Smithsonian Buildings and Equipment. Growth in this category in fiscal years 2001 and 2002 occurs mainly because of new activities with the National Museum of the American Indian on the Mall (NMAI), the Udvar-Hazy Center at Dulles, building renovations and new equipment purchases throughout the Smithsonian.

Outstanding Pledges. Accelerated fundraising strategies have produced significant growth in pledges, new corporate partnerships, and improved donor relations. These pledges continue to be largely earmarked for specific projects (i.e., restricted funds).

Other. This category includes merchandise inventories; monies received from collection deaccessions; and prepaid expenses.

Liabilities. Liabilities for fiscal year 2001 increased slightly due to normal operating activity and construction activity. This category also includes the Smithsonian's liabilities associated with Federally appropriated funds for authorized purposes, primarily capital projects. It also includes normal levels of accounts payable, long-term debt and deferred income from Magazine subscriptions.

FISCAL YEARS 2000 THROUGH 2002 SOURCES AND USES OF FUNDS

The table below reflects the past and projected sources and uses of funds for the three-year period, fiscal years 2000 through 2002.

- The Smithsonian's total operating sources of funds continues to grow year over year due to increases in the federal appropriation for new construction. The senior leadership expects to finish the year with a small operating surplus.

- The largest contribution to the Smithsonian's increase in net assets has come from non-operating sources, particularly from endowment appreciation due to a robust stock market during the last decade and large restricted gift pledges.

Smithsonian Institution Annual Financial Activity

(\$ millions)

	Fiscal Year	Fiscal Year	Fiscal Year
	2000	2001	2002
	Actual	Plan	Budget
Total Operating Sources	584	617	682
Total Operating Expenses	581	608	675
Operating Surplus	3	9	7
Total Non-Operating Surplus	232	90	164
Increase in Net Assets	235	99	171

Source: Office of the Undersecretary for Finance and Administration

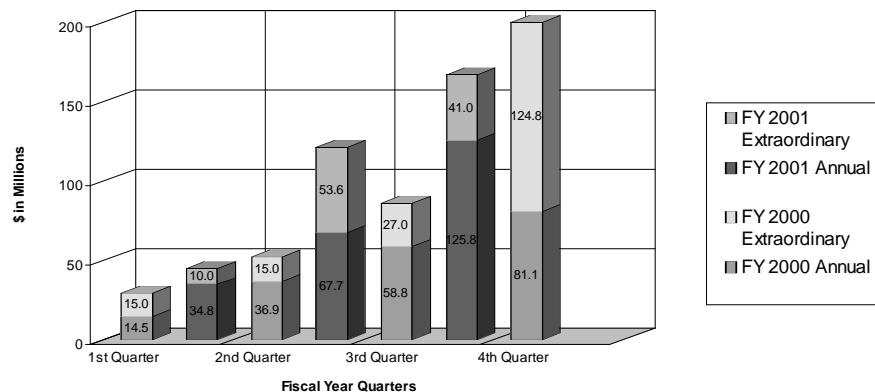
The Smithsonian continues to chart a strong financial position by focusing on fundraising and holding down expenses. For the Institution's immediate future, the challenges continue to be the costs of maintaining the aging building stock, upgrading our exhibitions and administrative and financial systems, and investing in human resources.

DEVELOPMENT

The first nine months of fiscal year 2001 have been record-setting for the Smithsonian. As of July 22, \$41.0 million in extraordinary gifts (those over \$5 million) and \$125.8 million in annual support has been raised for a total of \$166.8 million since the beginning of the fiscal year. This is an increase of 94% over last year's total of \$85.8 million for the same time period and makes it quite probable that by the end of fiscal year 2001 we will exceed the record fundraising total of \$206 million for fiscal year 2000.

Annual Giving and Extraordinary Gifts, FY 2000 and 2001*

*4th Quarter data for FY 2001 not available



Source: Office of Development

Major gifts of \$1 million or more during the past nine months of fiscal year 2001 are listed below. The newest third and fourth-quarter gifts are italicized:

- \$38 million from the Catherine B. Reynolds Foundation for the Smithsonian Achievement Award, a cash prize for up to three people designated as worthy of the honor, and for the *Spirit of America*, an exhibition on great American achievers to be established at NMAH.
- \$30 million from the Donald W. Reynolds Foundation in a generous rescue of the Gilbert Stuart “Lansdowne” portrait of George Washington, thus saving the painting from going to public auction. The gift includes \$6 million for the traveling exhibition of the portrait.
- \$14.6 million from The Jerome and Dorothy Lemelson Foundation for a permanent endowment of the Lemelson Center for the Study of Invention and Innovation at the National Museum of American History. This brings the Lemelsons’ cumulative Smithsonian total to over \$40 million, the third highest in the history of the Institution.
- *\$10 million from the Mohegan Indian Tribe of Connecticut for the ongoing construction of the National Museum of the American Indian.*
- \$10 million from The Luce Foundation for a public collections facility for the study of American art, to be located in the Patent Office Building and directed by the Smithsonian American Art Museum.
- *\$5 million to benefit NMAI from the sale of the new commemorative American Buffalo Coin, which was authorized by Congress last fall and went on sale in June 2000. The coin sold out in record time. Ten dollars from the sale of each silver coin were directed to the NMAI for the opening of the mall museum.*
- \$5 million additional gift from Steven Udvar-Hazy for the Steven F. Udvar-Hazy Center at Dulles. Mr. Hazy added \$5 million to his original gift of \$60 million to express his enthusiastic commitment to the project.
- \$5 million from Airbus Inc. to keep momentum high for building the Udvar-Hazy Center at Dulles.
- \$3 million from the Claude Moore Charitable Foundation toward construction of the Udvar-Hazy Center at Dulles.
- \$2 million from the Ford Motor Company to the National Postal Museum to create The Ford Gallery, a place for expanded educational and outreach activities.
- \$1.2 million from the Douglass Foundation to create new exhibitions and programs through The Douglass Foundation Fellowship in American Art.
- \$1.1 million from H. Duane Nelson for a gift annuity unrestricted to the Institution.
- *\$1 million from the Fidelity Foundation towards the NASM Dulles Capital Campaign to build the Steven F. Udvar-Hazy Center.*
- *\$1 million from the American Road & Transportation Builders Association towards the new Transportation Hall at the National Museum of American History, to be called America on the Move.*

- \$1 million from the National Asphalt Pavement Association for the NMAH exhibition *America on the Move*.
- \$1 million from the Peterson Family Foundation for construction of the Steven F. Udvar-Hazy Center at Dulles by the National Air and Space Museum.
- \$1 million from Robert W. Pittman for continued building of the Hazy Center of the National Air and Space Museum.
- \$1 million charitable gift annuity from Anne J. van Biema, benefiting the Arthur M. Sackler Gallery and the Freer Gallery of Art. This is the largest charitable gift annuity ever received by the Smithsonian.
- \$1 million from Chevy Chase Bank toward *The American Presidency: A Glorious Burden*.
- \$1 million from the International Lease Finance Company, a gift made in honor of Steven Udvar-Hazy to his favorite Smithsonian project.
- \$1 million from Robinson Helicopters towards construction for the Udvar-Hazy Center at Dulles.
- \$1 million from philanthropist Paul Peck on top of his first \$1-million gift to the National Portrait Gallery, to support the museum's presidential programs based on its collections.
- \$1 million from the estate of Annie B. Wetmore, adding to the Alexander Wetmore Fund for Ornithology at the National Museum of Natural History, a fund created in the late Secretary's will.

SMITHSONIAN BUSINESS VENTURES

The fiscal year 2001 financial contribution from Smithsonian Business Ventures (SBV) is slightly below the level of fiscal year 2000, and also below the budget, due principally to the general economic downturn. In the first nine months of this fiscal year (October through June), SBV revenues totaled \$119 million, and net gain totaled \$20.3 million. Total contribution from net gain to the Smithsonian for FY 2001 is expected to be \$26 million. Although revenues are 8.6% below the budget target, net gain is down only 2.4%. Results this year reflect the slump in the economy, particularly in the catalog business and in the magazine business where advertising is down.

The National Air and Space Museum and Smithsonian Business Ventures have entered into a multi-million-dollar, 10-year partnership agreement with McDonald's Corp., to create a McDonald's-run restaurant in the museum. The facility will offer McDonald's usual fare as well as food from McDonald's-owned Boston Market and Donato's Pizzeria. Visitors will pay about 15 percent less than in the current Flight Line cafeteria. McDonald's expects the 1,000-seat Air and Space Restaurant, set to open in spring 2002, to become the nation's busiest McDonald's. Over the course of the 10-year agreement, this arrangement is projected to add \$34 million in revenue over what would have been generated under the current arrangement.