



Brushstroke, a painted aluminum sculpture by American artist Roy Lichtenstein (1923–1997), was installed in September on the Hirshhorn Museum and Sculpture Garden plaza facing the National Mall.

**Annual Report to the Board of Regents
for Fiscal Year 2003
January 2004**

INTRODUCTION

This annual report presents Smithsonian Institution highlights and data for fiscal year 2003 (October 1, 2002 through September 30, 2003), as well as information about some programs and activities that occurred during the first quarter of fiscal year 2004.

PUBLIC IMPACT

VISITS TO THE SMITHSONIAN

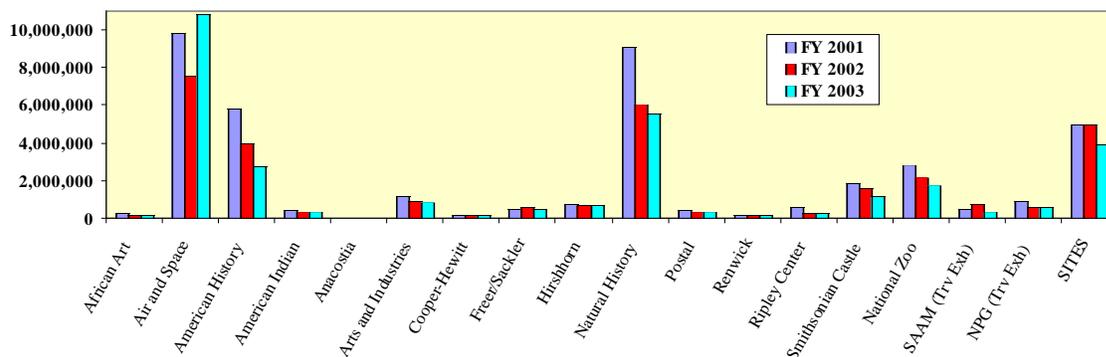
The Smithsonian had a total of 30.0 million visits in fiscal year 2003: 23.5 million visits to its museums in Washington, DC and New York, 1.7 million visits to the National Zoo, and 4.8 million visits to traveling exhibitions organized by the Smithsonian Institution Traveling Exhibition Service, Smithsonian American Art Museum, and National Portrait Gallery. Visits in fiscal year 2003 were 4% below the total 31.2 million visits in fiscal year 2002 and 25% below the total 40.1 million visits recorded in fiscal year 2001. Looking only at visits to Smithsonian facilities, visits in fiscal 2003 were up 1% over the last fiscal year, but were down 25% when compared to fiscal year 2001 figures.

The disappointing attendance figures attest to the fact that the hoped-for rebound of tourism in Washington, DC and nationally has yet to be realized. Fiscal year 2003 also saw an uncommon sequence of events that had a dampening effect on travel and tourism including the sniper attacks in fall 2002, Code Orange terror alerts, uneasiness over the war in Iraq, fear of traveling during the outbreak of SARS, a blizzard that forced the Smithsonian to close in February, and finally Hurricane Isabel, which closed down the Mall in September 2003.

A 43% increase in visits over fiscal year 2002 at the National Air and Space Museum (NASM), the Smithsonian's (and the world's) most visited museum, served to pull up the total visit count for fiscal year 2003. NASM's high visits compared to fiscal 2002, explained by the extensive renovation work that was under way in 2002, held almost to the end of the fiscal year. In September, however, visits at NASM were down by 58%, attributable to an early Labor Day and return to school and closing due to Hurricane Isabel. Besides NASM, the only museum showing an increase in visits in fiscal year 2003 was the Renwick Gallery of the Smithsonian American Art Museum, which rose by 23% due to the popularity of two exhibitions – *Light Screens: The Leaded Glass of Frank Lloyd Wright* and *George Catlin and His Indian Gallery* – and related public programs.

Visits to Smithsonian Museums and Traveling Exhibitions

Fiscal Years 2001, 2002 and 2003



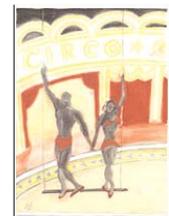
Despite aggressive, varied, and positive press coverage, including 25 mentions in *The New York Times* and 66 mentions in *The Washington Post*, attendance levels at the International Art Museums were down from fiscal year 2002 by 13%. The Cooper-Hewitt National Design Museum in New York dropped the least at less than one percent.

VIRTUAL ATTENDANCE

The Smithsonian's web presence has expanded dramatically in a short period of time with steep increases in virtual visitors to the Smithsonian's main web site (www.si.edu) as well as more than 70 other museum, zoo, and exhibit-specific web sites. Visitor sessions in fiscal year 2003 topped 75.8 million, significantly surpassing the 56.5 million web visitors recorded in fiscal year 2002 and representing a 34.1% increase in web visitors over the last fiscal year.

As part of the Institution's initiative to improve the content and user-friendliness of the Smithsonian web site, the Office of Communications and Public Affairs worked with web content providers, senior management, museum directors, and others to shape a long term plan for the web site including a Federally-funded unit with four staff outlined in the fiscal year 2005 budget. Improvements to the web site include *Spotlight on Science* newsletters, an Object of the Day banner, and advertising features for the home page. A web site visitor survey was conducted on eight Smithsonian sites.

- The Smithsonian Center for Education and Museum Studies (SCEMS) launched www.SmithsonianEducation.org, a new web site that brings educational resources from all Smithsonian museums, the zoo, and research centers to millions of educators, families, and students across the nation. The new site was named *Outstanding Website* in the 2003 Web Award Competition sponsored by the Web Marketing Association. SmithsonianEducation.org was chosen as "site-of-the-day" (or week) by *USA Today*; Yahoo!; *School Library Journal*; *eSchool News*; WorldVillage School House; Macromedia Showcase; and 4Teachers.org.
- *Campfire Stories with George Catlin: An Encounter of Two Cultures*, a Smithsonian American Art Museum web site, won the American Association of Museums 2003 Gold Medal MUSE Award and was named the Best Educational Web Site for 2003 by Museums and the Web. The site includes virtual campfire discussions moderated by naturalist Peter Matthiessen and commentary from Native American writers and leaders such as Wilma Mankiller, William Least Heat-Moon, and W. Richard West.
- The National Museum of Natural History (NMNH) launched *Geology, Gems, and Minerals: Rocks and Mining*, the first of four installments on The Dynamic Earth web site, in April 2003. *Rocks and Mining* is the virtual exhibit of the Rocks Gallery in the museum and includes a specimen database, GeoGallery, which allows visitors to search by category, name, group, or location.
- The Archives of American Art (AAA) added 135 new oral history transcripts to its web site. Researchers can now read the full transcripts of these interviews at www.aaa.si.edu/oralhist/oralhist.htm. *Archivos Virtuales*, AAA's Latino Initiatives-funded project to produce a web site devoted to its collections of papers of Latino artists, went live in April 2003.
- *Lewis & Clark as Naturalists*, a new web site launched by NMNH on March 20, 2003, recreates the entire assemblage of animal and plant specimens collected by the Corps of Discovery. The site features an interactive map of the expedition trail that can be used to explore, state by state, the West as Lewis and Clark saw it.



- The Smithsonian Institution Libraries (SIL) launched the web site *Instruments for Science, 1800-1914: Scientific Trade Catalogs in Smithsonian Collections*, featuring 86 scientific instrument catalogs and over 4,400 images from SIL's extensive trade literature collection.
- The Freer and Sackler Galleries launched its online collection on April 8 with over 1,000 objects. It has become a popular spot with over 4,000 visits per day and can be found at www.asia.si.edu, click on collections.
- The National Museum of American History launched seven new virtual exhibitions and collections-related web sites in fiscal year 2003. Two – *West Point in the Making of America, 1802-1918* and *Bon Appétit: Julia Child's Kitchen at the Smithsonian* – received gold Muse Awards for History and Culture from the American Association of Museums. *Bon Appétit* also received the Massachusetts Interactive Media Council award. *September 11: Bearing Witness to History* and *Invention at Play* were chosen as Communication Arts Site of the Day.
- On August 14, America Online (AOL) launched an online exhibition of the highlights of the National Portrait Gallery's exhibition, *Portrait of the Art World: A Century of ARTnews Photographs*. It is available to AOL subscribers, and features photographs from the popular traveling exhibition.
- The Smithsonian Asian Pacific American Program launched its new web site. The site has a detailed schedule of Korean-American programs at the Smithsonian with links to the Korean-American Centennial Commemoration and Korean-American organizations.
- The Smithsonian Institution Libraries (SIL) was one of 164 North American academic and research libraries to participate in LibQUAL+, a web-based survey that evaluates the range and quality of library services. Smithsonian respondents rated nine SIL staff service items well above their minimum expectation, an exceptional result that helped rank SIL high within the total group.



EXHIBITION HIGHLIGHTS

Exciting programmatic activity continued to take place in fiscal year 2003, even as the Institution has had to institute tight cost controls and dismiss ten percent of its private sector-funded staff so as to keep its private sector operating budget balanced.



The 2003 Smithsonian Folklife Festival featuring Scotland, Mali and Appalachia opened on the National Mall June 25 and attracted approximately 1.1 million visitors. *Scotland at the Smithsonian* presented a contemporary view of Scotland featuring oil field workers as well as a re-creation of the 9th hole of the fabled St. Andrews golf course. *Mali: From Timbuktu to Washington* presented some of country's internationally renowned musicians, as well as textile, basketry and jewelry artists, and featured a dozen traditional builders who re-created the massive gate in Djene. *Appalachia: Heritage and Harmony* celebrated the 75th anniversary of the Bristol Sessions, which marked the beginnings of the country music industry.

West Point in the Making of America, 1802-1918, opened October 19, 2002, at the National Museum of American History, Behring Center. The bicentennial exhibition looks at the lives of selected West Point graduates whose stories blend with the U.S. Army's major roles in the 19th and early 20th centuries of building the nation's infrastructure, exploring its territories and fighting its wars.





Isamu Noguchi and Modern Japanese Ceramics was on view at the Sackler Gallery from May 4 through September 7. This first major presentation of Japanese American artist Isamu Noguchi's ceramics brought together 38 of his works with 36 works by nine leading Japanese artists. The exhibition highlighted the three sojourns Noguchi made to Post-WWII Japan, where he joined Japanese ceramic artists in exploring issues of personal and national identity through the medium of clay.

Gyroscope, at the Hirshhorn Museum and Sculpture Garden, is an innovative non-chronological installation of the Museum's permanent collection throughout the entire Museum, accompanied by extensive public programs. The exhibition encourages visitors to experience modern and contemporary art from a variety of perspectives and has been praised by art critics at *The New York Times*, *The Washington Post*, and other major newspapers and art publications.



Gerhard Richter: Forty Years of Painting, a show organized by the Museum of Modern Art, was at the Hirshhorn Museum and Sculpture Garden from February 27 to May 18. The critically-acclaimed exhibition of more than 120 works was the most comprehensive North American presentation to date of the highly diverse, influential paintings by this premiere German artist (b. 1932).

National Design Triennial 2003: Inside Design Now opened at the Cooper-Hewitt, National Design Museum on April 22 and runs through January 25, 2004. The National Design Triennial was inaugurated in 2000 as a way to explore the pulse of contemporary design in America. The exhibition is interdisciplinary in nature and details the work of emerging designers operating at the most innovative and provocative level in design today.



The Fabric of Moroccan Life was on display at the National Museum of African Art from June 6 to November 2, 2003. The exhibition presented 67 of the finest weavings in existence, selected from the Indianapolis Museum of Art's vast collection. It was the Museum's first show to focus exclusively on the tradition of beautiful embroideries, textiles and jewelry from the Kingdom of Morocco.

The Sensuous and the Sacred: Chola Bronzes from South India was on view at the Arthur M. Sackler Gallery from November 10, 2002, to March 9. The exhibition, the first in the United States solely devoted to the art of the Chola bronze (9th to 13th C), brought together 60 pieces from national and European collections.



Dreams and Reality: Korean American Contemporary Art, organized by the Smithsonian Asian Pacific American program, was on display at the International Gallery from August 15 to September 15. Celebrating 100 years of Korean immigration to the U.S., the exhibition brought together 16 well-known Korean American artists.

In and Out of Focus: Images from Central Africa, 1885-1960, at the National Museum of African Art from December 6, 2002 to March 16, featured photographs from the Museum's extensive Eliot Elisofon Photographic Archives and from public and private collections in Belgium. The exhibition examined how widely disseminated images by Euro-American photographers created and perpetuated ideas and sentiments about the peoples of central Africa who lived under colonial rule.





Camelot at Dawn: Jacqueline & John Kennedy in Georgetown, May 1954

opened September 19 in the Arts and Industries Building. On view are more than 40 black-and-white photographs that illustrate the daily life of Jack and Jacqueline Kennedy in the first year of their marriage, taken by photographer Orlando Suero on assignment for the Three Lions Picture Agency.

Walter Inglis Anderson: Everything I See is New and Strange opened September 25 in the Arts and Industries Building. Few artists from any period have captured the essence of the natural world, literature, and mythology so vividly and with such passion as Anderson. To celebrate the centennial of his birth, this exhibition features a selection of his watercolors, oil paintings, pottery works, woodcarvings, and photomurals.



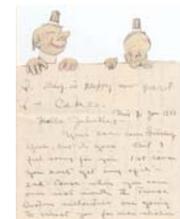
The Language of Native American Baskets: From the Weavers' View, which opened at the George Gustav Heye Center of the National Museum of the American Indian on September 20, presents basketry as a living art, with strong links to cultural history. Baskets from the Museum's collections are paired with contemporary work to illustrate the continuity of the traditions, with the basket-makers' thoughts presented throughout the exhibition.

Jewels & Gems, the third exhibition in a series that surveys the craft collection of the Smithsonian American Art Museum, opened at the Renwick Gallery on September 26. The exhibition of 131 objects by 97 artists includes individualistic and groundbreaking jewelry designs that highlight the spirit, wit and ingenuity of American studio jewelry artists.



Seven of the world's most rare and valuable diamonds were displayed together for the first and only time at the National Museum of Natural History from June 27 through September 15. ***The Splendor of Diamonds*** was a collaboration of the Smithsonian, the Steinmetz Group, and the Gemological Institute of America, and featured The Millennium Star, The Steinmetz Pink, The Heart of Eternity, The Allnatt, The Moussaieff Red, The Pumpkin Diamond, and The Ocean Dream, which ranged from 5.11 to 203.04 carats in weight.

Two sections of ***Getting the Picture: The Art of the Illustrated Letter***, a series of exhibitions of illustrated letters drawn entirely from the Archives of American Art's collections, opened in the Archives' New York gallery space on April 18 and July 29. Objects include exuberant thank-you notes, lively love letters, and other personalized communiqués from the early 19th century through the 1980s.



The Art of James A. Porter, which opened at the Anacostia Museum on September 29, recognizes the artistic achievement and profound impact of this scholar, historian, educator, and artist. Dubbed the "Father of African American Art History," Porter published his pioneering work *Modern Negro Art* in 1943. The exhibition includes his rendering of Marian Anderson's concert at the Lincoln Memorial in 1939 and drawings made of his travels in Cuba, Haiti, and West Africa.



Art of the Stamp, an exhibition of more than 100 original works of postage stamp art, opened July 30 at the National Postal Museum. The exhibition offers a glimpse at the people, places, events and pastimes that shape America's social, cultural and natural history and honors the outstanding contributions of stamp artists and designers.

NATIONAL OUTREACH

The Office of National Programs (ONP) played a major role in expanding the Smithsonian's presence across America. ONP offices were responsible for organizing 1,952 programs, activities, and partnerships in 49 states, plus the District of Columbia, Puerto Rico, and Panama. The Smithsonian Traveling Exhibition Service and The Smithsonian Associates continued to provide extensive programming, while cutting back on expenses to respond to reduced revenues due to the nationwide decrease in travel and tourism. ONP completed the first stage of the launch of *Smithsonian Across America*, the new national outreach database, now available to Smithsonian senior management.

Smithsonian Affiliations. In fiscal year 2003, Smithsonian Affiliations signed agreements with 24 new Affiliates and reached five previously un-represented areas (Connecticut, Idaho, Indiana, New Jersey, and South Dakota). At the end of the fiscal year, there were 136 Affiliates in 39 states, the District of Columbia, Puerto Rico, and Panama.

Seven Smithsonian museums loaned a total of 304 individual artifacts to Affiliates. Highlights included contemporary sculpture, an *Edmontosaurus* skull cast, Celia Cruz's dress and shoes, a 1934 Wilson \$100,000 bill, and a portrait of Benjamin Franklin.

The Smithsonian Affiliations National Conference in June attracted 135 participants representing 71 Affiliates. Registrants came from 31 states, Panama, Puerto Rico, and the District of Columbia. The accompanying Congressional Reception at the Russell Senate Caucus Room drew 50 Capitol Hill attendees, including six senators and four representatives, from 32 different Congressional offices and committees.

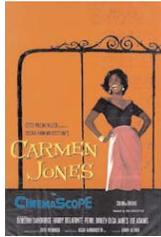
The Smithsonian Center for Education and Museum Studies. In fiscal year 2003, SCEMS played a leadership role in shaping new education priorities for the Smithsonian. The center reconstituted monthly meetings of the Council of Education Directors (CMED) in January and in July convened the Smithsonian Education Task Force of national leaders from museums, universities, foundations, and the media, as well as Smithsonian senior staff, to review the state of education at the Institution. Work of the Task Force and CMED resulted in a draft Smithsonian Education Strategic Plan, which was submitted to Under Secretary Burke on October 1, 2003.

During fiscal year 2003, SCEMS participated in two U.S. Department of Education grant-funded programs to improve the teaching of American history. For Montgomery County, MD Public Schools, the center provided training for 87 fourth and fifth grade teachers in the use of primary sources and museum exhibitions. The center began a three-year partnership with Charlotte-Mecklenburg, NC Schools with a summer teacher institute for eighth grade and high school Advanced Placement history teachers.

The 11th annual Smithsonian Teachers' Night was a huge success. Approximately 2,200 educators came to the National Air and Space Museum, which had 35 exhibitors, on October 10, 2003, and an additional 1,000 teachers attended the Teachers' Night held on September 19 at two Affiliates: the Challenger Space Center of Arizona and the Kansas Cosmosphere and Space Center. A survey of educators at NASM indicated that 92.5% plan to use Smithsonian resources in their classrooms.

Smithsonian Institution Traveling Exhibition Service (SITES). In fiscal year 2003, SITES presented 60 exhibitions in 223 locations in 41 states, the District of Columbia, and Australia. SITES opened six new exhibitions in fiscal year 2003.

September 11: Bearing Witness to History opened at the Fort Worth Museum of Science and History on September 11, 2003. The traveling version of *September 11* closely follows the original exhibition from the National Museum of American History, Behring Center. Photographs and moving images capture moments from the attack, and visitors confront powerful artifacts including twisted steel from the World Trade Center, damaged items from the Pentagon, memorials from the crash site in Pennsylvania, clothing worn by survivors, and objects used by rescue workers.



Close Up in Black: African American Film Posters premiered at the Western Reserve Historical Society in Cleveland, OH on January 20, and traveled to The Wolfsonian at Florida International University in Miami Beach, FL on April 26. The exhibition traces the development of the roles African Americans have played on screen and behind the scenes through the vibrant medium of the movie poster. The posters in the exhibition come primarily from the Edward Mapp Collection in the Academy of Motion Picture Arts and Sciences' Margaret Herrick Library.

In the Spirit of Martin: The Living Legacy of Dr. Martin Luther King, Jr. was on view at the International Gallery from May 15 to July 27, 2003. SITES and PepsiCo Inc. hosted an opening reception on May 14 that was attended by 770 people including Congressional members Rep. John N. Boozman, Rep. Bob Filner, Senator Bill Frist, and Rep. Diane E. Watson, and Washington DC Mayor Anthony Williams. The speakers were Secretary Small, Rep. John Lewis, and Steven Reinemund, Chairman and CEO of PepsiCo.

The Smithsonian Associates (TSA). In fiscal year 2003, TSA created 1,649 different educational programs designed to reach learners of all ages. Its programs occurred in 40 states and the District of Columbia, and in 65 countries around the globe.

The Resident Associate Program (RAP) highlights included a program on the history and culture of Russia, with speakers Dr. Mikhail Piotrovsky, Director of the Hermitage Museum, and poet Yevgeny Yevtushenko, and one on the traditions of Scotland, with programs on bagpiping and the art of Charles Rennie Mackintosh. For children, RAP offered 44 one-week summer camp programs that ranged from "Moon Travelers" at the Air and Space Museum to "Faces Around the World," an exploration of portraits seen in the Freer and Sackler Galleries, the Hirshhorn, and the National Gallery of Art.

TSA's Regional Events program reached into 14 communities around the country. In the last quarter of the fiscal year, "CultureFest Santa Fe," presented with *Smithsonian Magazine*, featured Smithsonian experts in combination with local cultural offerings.

Smithsonian Journeys took Associates throughout the U.S. and to 65 countries on study tours including two journeys to St. Petersburg in honor of the city's 300th anniversary and a first-time family safari in Tanzania's Serengeti National Park.

TSA's Masters Program in American Decorative Arts began its eighth year with the Fall 2003 semester; ten students graduated from the program in 2003.

OTHER TRAVELING EXHIBITIONS

In April, the Smithsonian American Art Museum (SAAM) began sending hundreds of rarely seen artworks on the road to communities across the United States as part of **Highlights from the Smithsonian American Art Museum**. The tour features five thematic exhibitions, each based on a major aspect of the Museum's permanent collection. **Treasures to Go** the most extensive art tour

ever, concluded its successful three-year run in May 2003. The eight traveling exhibitions of masterworks from SAAM's collection were seen by 1.7 million people during the 70-stop tour to museums in 30 states.



Women of Our Time: Twentieth Century Photographs from the National Portrait Gallery, joined seven other NPG traveling exhibitions touring the country while the Museum is closed. *Women of Our Time* appeared at the Florida International Museum in St. Petersburg from March to May and the Mobile Museum of Art in Alabama in August. The exhibition features 75 revealing portraits created by an array of distinguished photographers, and shows women who have reached the summit of achievement in politics, business, art, sports, performance, and science.

Listening to the Prairie, a National Museum of Natural History traveling exhibition, features 32 panels on the ecological principles that can be learned from native prairies and applied to contemporary agriculture. The exhibition was on view at the University of South Dakota Library in Vermillion, South Dakota and the Scottsbluff Public Library in Scottsbluff, Nebraska in fiscal year 2003, and will continue to tour libraries across America through August 2004.

Booming Out: Mohawk Ironworkers Build New York, a National Museum of the American Indian traveling exhibition, was on view at the Kanien'kehaka Onkwawenina Raotitiohkwa General Services Building on the Kahnawake (Mohawk) Reserve, Canada, from July 1 to October 1, 2003. The exhibition of photographs depicting Mohawk structural ironworkers presents a powerful visual representation of how Mohawk communities and individuals have contributed to America's unique and unparalleled cityscapes, with a focus on New York City.



EDUCATION HIGHLIGHTS

A new program begun September 9 at the Naturalist Center of the National Museum of Natural History, located in Loudon County, Virginia, allows visitors ages ten and older to become “museum researchers” and solve museum mysteries. Does the dog skeleton show signs that the dog had been hit by a car? Can you tell if it survived? More than ten stations around the Naturalist Center present such puzzles and encourage visitors to look for clues in the Center’s vast collection of objects, books, and scientific equipment to solve each case.

The Smithsonian Environmental Research Center, in partnership with Ball State University, produced an electronic field trip, ***Where the Land and Sea Intertwine: Connecting the Coastal Ecosystems of Belize***. The two-part program, broadcast via satellite and web cast on May 13 and 15, was viewed by an estimated 15 million students per part, in 35 states and Belize.

The National Science Resource Center (NSRC) formed strategic partnerships with National Academies in Sweden, Chile, Mexico, Egypt, and China, as well as the Peace Corps in Namibia. Activities in fiscal year 2003 included two international conferences (Mexico and Egypt), workshops held in Chile, and new pilot projects launched in Sweden and Namibia. These countries are basing their programs on the use of NSRC science education curriculum materials and are modeling on strategies the NSRC employs to improve school district programs and state policies.

Smithsonian Books published 53 new titles in fiscal year 2003 with national and international distribution. Major books included *At First Sight: Photography and the Smithsonian*, by Merry A. Foresta, a senior curator of photography at the Smithsonian; *One Fish, Two Fish, Crawfish, Bluefish: The Smithsonian Sustainable Seafood Cookbook*, by Carole C. Baldwin, a marine biologist

and Julie H. Mounts, a research assistant at the National Museum of Natural History; and *Native American Photography at the Smithsonian: The Shindler Catalogue*, by Paula Richardson Fleming of the National Anthropological Archives.

Former President Jimmy Carter was interviewed in a Town Hall at The Jimmy Carter Library and Museum in Atlanta on April 10. The event was held in conjunction with the National Portrait Gallery's *Portraits of the Presidents* exhibition on view in the Library's galleries.



At the week-long **Summer Design Institute** at the Cooper-Hewitt, National Design Museum in July, 160 educators and designers, as well as *Design Directions* high school students, explored ways in which design can enhance teaching and learning across the school curriculum and throughout the community. Keynote and workshop presenters represented an international roster of best practices in design education.

The Anacostia Museum's 4th **Summer Academy** provided a seven-week, free program for 150 children, most of whom reside in Southeast Washington, DC. Participants explored a program based on "those who dared." Children read biographies and developed research projects on polar explorer Matthew Henson and transplant specialist Dr. Ben Carson, and learned about the lives of aviatrix Bessie Coleman and African American artists Richmond Barthé and Romare Bearden.

SMITHSONIAN EVENTS



On October 10, 2003, the Smithsonian Tropical Research Institute's (STRI) new marine laboratory, located on Colon Island in the Bocas del Toro province of Panama, was officially inaugurated by Panamanian president Mireya Moscoso, Secretary Lawrence Small, Under Secretary for Science David Evans, STRI officials, and representatives from the Panamanian community. The 1,000 square meter station includes a state-of-the-art laboratory that utilizes a photo-voltaic roof capable of generating up to 35 kilowatts of electricity, a science library, and student residences.

For the eighth consecutive summer, The Arthur M. Sackler Gallery, Freer Gallery of Art, Hirshhorn Museum and Sculpture Garden, and National Museum of African Art sponsored **Art Night on the Mall**. The museums stayed open until 8:00 pm Thursday evenings and visitors could enjoy a variety of exhibitions in addition to special programs including live music, gallery talks, lectures, family activities, and films.



The Smithsonian Council, a body of highly distinguished individuals in their fields who advise the Secretary on programmatic and organizational issues at the Institution, met on October 30-31, 2003 to discuss the care and management of collections. The Secretary asked them to consider difficult challenges the Institution faces, such as how to best steward the treasures it holds and how to balance the needs of collections against other demands for museum resources, such as buildings. Members considered case studies from four Mall museums and visited collection storage areas on the Mall and at Garber and the Museum Support Center in Suitland, Maryland. On the second day, the Council presented its findings to the Secretary and senior Smithsonian managers and, in February, will submit a written report.

The National Museum of the American Indian (NMAI) entered into an Interagency Agreement with the U.S. Department of Health and Human Services' Administration for Native Americans to begin development of a national repository for Native languages, to be housed at NMAI.

On July 30, the National Postal Museum celebrated its 10th anniversary along with the opening of the *Art of the Stamp* exhibition. At a private reception, Postal Museum Director Allen Kane welcomed Senator Ted Stevens of Alaska, Postmaster General John E. Potter, Smithsonian Under Secretary Burke, and other guests. In the photograph at right, founding and current directors Jim Bruns (left) and Alan Kane pose with stamp “legends” Elvis and Marilyn Monroe.



The Interpretation and Representation of Latino Cultures: Research and Museums, a National Conference hosted by the Smithsonian Center for Latino Initiatives, occurred in November 2002. The Conference brought together scholars of Latino Studies, archivists, and museum professionals to examine the current status of the research and educational literature on the interpretation, representation, and documentation of Latino cultures in museums and academic programs within the United States and Puerto Rico.

COLLECTIONS HIGHLIGHTS

In August, the National Zoological Park acquired two African lionesses from the Wildlife Way Station, located near Los Angeles. The two female big cats joined the Zoo's male, 15-year-old Tsavo, at the Great Cats Exhibit.



The Plummer-Arnold Family Collection, which includes the handwritten diary of Adam Francis Plummer, was donated to the Anacostia Museum. Plummer (1819-1905), a slave on the Riversdale plantation of George Calvert, secretly learned to read and write. His diary, begun in 1841 and maintained until his death, includes birth dates of slaves born on the Riversdale plantation and tells poignant stories of the sale and separation of family members and of the long struggle to reunite the family after the end of the Civil War.

Typical of motor vehicles used for light hauling long distances in the 1930s, the Ford Model AA stake truck, 1931, was one of a number of objects collected by the National Museum of American History, Behring Center for its new exhibition *America on the Move*, which opened on November 18, 2003.



FOCUSED, FIRST-CLASS SCIENCE

SCIENCE STRATEGIC PLAN

On October 22, 2003, Under Secretary for Science David Evans hosted a live web cast to provide information on the Science Strategic Planning process. It was the first in a series of web casts transmitted from his office. Under Secretary Evans answered questions and received comments from the audience sent via email. A three-day Smithsonian Science Strategic Planning Conference was held December 10 to 12, 2003. The Under Secretary for Science will present the strategic vision for science in late spring 2004. At the unit level, the second meeting of the National Zoo Director's Scientific Advisory Group, held July 31 – August 1, resulted in guidelines for strategic planning and program development. National Museum of Natural History senior leadership held an initial meeting to develop the Museum's mission and vision on September 30.

SCIENTIFIC ACHIEVEMENTS

National Air and Space Museum Center for Earth and Planetary Studies (CEPS)

- Three scientists from CEPS, Bruce Campbell, John Grant and Tom Watters, are working on MARS spacecraft missions. John Grant's proposal on the Mars Instrument Development

Program for development of a ground penetrating radar was selected for funding. This work enables CEPS to go to the next step in creating a flight-qualified instrument for a future Mars Lander.

National Museum of Natural History (NMNH)

- Dr. Carla Dove, specialist in the identification and analysis of bird feathers, signed an inter-agency agreement with the Federal Aeronautics Administration for \$500,000 for five years to perform DNA research on bird strike identifications. Dr. Dove will be working with NMNH's Laboratories of Analytical Biology (LAB) and LAB manager Lee Weigt.

National Zoological Park (NZP)

- Two golden lion tamarins were released into an open wooded site on NZP's grounds in summer 2003, marking the 30th anniversary of the research and conservation program that has brought the highly endangered golden lion tamarin monkey back from the brink of extinction. Since 1983, NZP has sent 153 tamarins to Brazil for release in Atlantic coastal forests. The re-introduced tamarins have produced over 450 descendants, which comprise over one-third of the current population.
- At its annual national meeting in Columbus, Ohio in September, the American Zoo and Aquarium Association presented its award for Significant Achievement in North American Conservation to the National Zoo and other accredited zoos that participate in the Mexican Gray Wolf Recovery Program.



Smithsonian Astrophysical Observatory (SAO)

- The Space Infrared Telescope Facility, the last of the National Air and Space Administration's (NASA) four "Great Observatories" (including Chandra and Hubble), was successfully launched at the end of fiscal year 2003. SAO astronomers are responsible for one of the three research instruments on board – the Infrared Array Camera – which will take dramatic, four-color infrared images of regions of space that are dust-obscured and therefore inaccessible even to the Hubble Space Telescope.
- On July 9, NASA Administrator Sean O'Keefe presented its highest award, the NASA Distinguished Public Service Award, to SAO astronomer Roger Brissenden for his superb management of the Chandra X-ray Observatory.



Launch of the Space Infrared Telescope Facility

Smithsonian Center for Materials Research and Education (SCMRE)

- The work of SCMRE objects conservator Harriet F. Beaubien has resulted in the rediscovery of a craft technology used by the ancient Maya. In a process similar to papier-mâché, woven cloth and clay slip were laminated and shaped on a mold, then fired to produce exceptionally light-weight ceramic objects. Conservation of mask elements found at the site of Aguateca (Petén) and location of fragmentary samples from five sites in Guatemala provided the first tangible evidence of a craft practice that may have been reserved for production of ceremonial regalia worn by Maya elites.
- Senior Furniture Conservator Don Williams is working with administrative staff of the House of Representatives Small Business Affairs Committee and the craft and curatorial staff of the Office of the Capitol Architect to provide counsel on the restoration and preservation of Cannon 311, one of the most nearly intact of the historic committee hearing rooms, and the treatment of the large rostrum, which is the only remaining original one.



Face mask excavated at the site of Aguateca, Guatemala (ca. 800 AD)

Smithsonian Environmental Research Center

- SERC avian ecologist Peter Marra lead several workshops on West Nile Virus that brought together arbovirologists, entomologists, ecologists, ornithologists, immunologists, epidemiologists, modelers, and statisticians from a spectrum of universities and agencies. Through his work on migratory birds, Marra is tracking the disease, its rapid rate of spread, its apparent virulence among certain species of fauna, and its potential to sicken and even kill human victims.
- SERC research on blue crab ecology and fishery restoration showed that juvenile crabs from aquaculture hatcheries can be tagged and released into small experimental coves of the Chesapeake Bay to increase declining fishery stocks. The work, being done in partnership with the University of Maryland Biotechnology Institute's Center of Marine Biotechnology and Virginia Institute of Marine Science, has attracted media attention as well as a site visit by Maryland Governor Robert Ehrlich.



Smithsonian Tropical Research Institute

- STRI signed an agreement with the Canopy Raft Consortium to organize the large entomological project "Investigating the Biodiversity of Soil and Canopy Arthropods." Thirty entomologists from 15 countries participated from August to September in the first stages of the project in the area of the San Lorenzo forest on the Caribbean. The project aims to study the vertical stratification and beta diversity of arthropods using state-of-the-art methods of canopy access to evaluate faunal turnover between the soil and the canopy fauna.

MANAGEMENT EXCELLENCE

SMITHSONIAN MANAGEMENT

During fiscal year 2003, the Smithsonian completed building a high-quality, high-performance management team with the installation of new directors at the National Museum of American History, Behring Center (NMAH), National Museum of Natural History (NMNH), National Museum of African Art (NMAfA), and the Smithsonian Center for Latino Initiatives (SCLI):

- **Brent D. Glass** began as Director of NMAH on December 30, 2002. For the prior 15 years, Dr. Glass had been Executive Director of the Pennsylvania Historical and Museum Commission in Harrisburg, PA.
- **Cristián Samper** was appointed Director of NMNH effective March 31, 2003. Dr. Samper, a biologist, became Deputy Director of the Smithsonian Tropical Research Institute (STRI) in April 2001 and served as Acting Director of STRI in 2002.
- **Sharon F. Patton** began as Director of NMAfA on March 17, 2003. Prior to her appointment, Dr. Patton was the John G. W. Cowles Director of Oberlin College's Allen Memorial Art Museum.
- **Anna Escobedo Cabral** became Director of SCLI on July 21, 2003. Ms. Cabral was president and CEO of the Hispanic Association on Corporate Responsibility, a coalition of the ten largest Hispanic organizations in the United States, whose charter is to establish partnerships with Fortune 1000 companies to achieve greater inclusion of Hispanics in corporate America.

Other outstanding leaders were appointed to Smithsonian posts in fiscal year 2003, while some staff departed from the Institution. In addition, some changes in management have occurred during the first quarter of fiscal year 2004.

- **Ned Rifkin**, Director of the Hirshhorn Museum and Sculpture Garden since February 2002, was named Director of the International Art Museums Division, effective November 1. As head of the international art museums complex, Dr. Rifkin oversees the National Museum of African Art; Freer Gallery of Art; Arthur M. Sackler Gallery; and Cooper-Hewitt, National Design Museum in New York City, in addition to the Hirshhorn, where he will continue to serve as Director.

- **Thomas Lentz** served ably as Director of International Art Museums since June 2000. He joined the Institution in 1992 as Assistant Director of the Freer and Sackler Galleries. Dr. Lentz joined the staff at Harvard University on November 15, where he will be the Elizabeth and John Moors Director of the Harvard University Art Museums.
- **Carolyn Jones**, Director of the Office of Human Resources, retired in December 2003 after 20 years of distinguished service to the Smithsonian. Carolyn made many important changes in personnel policies and procedures, and her dedication and tenacity earned her the respect of her colleagues across the Institution.
- **Catheryn C. Hummel** was appointed as Comptroller for the Smithsonian Institution effective February 3, 2003. Ms. Hummel was in charge of the Financial Policies and Procedures Division of the Office of the Comptroller since she joined the Smithsonian in 2001.
- **Catherine F. Harris** was appointed Director, Office of Fellowships in May. Ms. Harris has been with the Smithsonian for 31 years, starting at the National Anthropological Archives of the National Museum of Natural History and moving to the Office of Academic Studies - now the Office of Fellowships where she has been Acting Director since October 2001.
- **Jim Bruns**, Director of Development and Founding Director of the National Postal Museum, left the Institution in March to become Executive Director at the Atlanta Historical Society. Mr. Bruns began his twenty-year career at the Smithsonian as curator of the National Philatelic Collection at the National Museum of American History in 1983.
- **Jim Wallace**, Director of the Office of Imaging and Photographic Services, retired on May 2 after 29 years of service to the Smithsonian. Mr. Wallace shaped the course of photography at the Institution. He established the first cold storage vault to preserve photographs and glass plates and was an early adopter of digital imaging technology.
- **Roger F. Yankoupe** was appointed Director, Office of Safety and Environmental Management in the Office of Facilities Engineering and Operations. Prior to joining the Smithsonian, Mr. Yankoupe served as Director of VMS, Inc. He retired from the U.S. Army after a thirty-year career where he achieved the rank of Brigadier General.

MAJOR CONSTRUCTION AND RENOVATION PROJECTS

The Smithsonian has over \$1 billion in revitalization and construction projects under way – ten times more than the Institution did in the last decade – and it is getting them all done and paid for. The magnitude of this effort is greater than any museum has ever taken on in the history of the entire world!

Patent Office Building

384,000 gross sq. ft.

\$216.0 million total estimated cost

- On July 4, 2006, the spectacular Patent Office Building, home to the Smithsonian American Art Museum and the National Portrait Gallery, will reopen.
- The physical plant renewal contract was awarded in May 2003.
- With the inclusion of \$48 million in the fiscal year 2004 bill, \$44.4 million in Federal funds and \$23.2 million in private sector funds remain to be raised to complete the initiative.
- The project includes renewal of the 166-year-old building, a 346-seat auditorium, open labs and storage areas, and a glass enclosed courtyard.
- Non-historic and hazardous materials removal is complete. Window replacement and cleaning/repair of the stone facade is over 90% complete.



- The design competition for the covered courtyard is under way. Invitations to over 25 selected firms were sent on October 23, 2003, and site visits by candidates have occurred. The field was narrowed to six finalists who submitted final proposals on December 10. Notification of the final winner will occur in early February.
- Planning for the reopened museum is under way including developing overall themes and identifying works of art and other artifacts to be exhibited.

National Museum of the American Indian-Mall Museum

350,000 gross sq. ft.

\$219.3 million total estimated cost



- In September 2004, the new Museum will open on the National Mall. The construction contract is fully awarded. The building is over 75% complete and remains on time and within the budget established in January 2001.
- Stone fabrication and installation are on schedule. The Kasota stone exterior is virtually complete. Window and storefront installations are nearly complete and the skylight was installed in September. The main roofing is complete. Interior partitions, ductwork, piping, and conduit installation is ongoing. Drywall is nearing completion in the galleries. All HVAC units are now on site. Wetlands construction is under way.
- The Museum prepared a detailed plan for exhibits, move-in, and start-up. The various exhibits, displays, and multi-media presentations are all in design or fabrication; they, too, are on time and on budget.
- Opening events will be a joint exercise involving NMAI and the Center for Folklife and Cultural Heritage, which is involved due to its long experience in managing large events on the Mall.
- \$12 million in private sector funds remains to be raised to complete the initiative.

National Air and Space Museum's Steven F. Udvar-Hazy Center

761,000 gross sq. ft. (524,000 gross sq. ft. funded Phase I)

\$311.5 million total estimated cost (Phase I, \$253 million)



- Phase I of the imposing new Udvar-Hazy Center opened in December 2003 – two days before the 100th anniversary of the Wright brothers' first flight. Over 300 aircraft, spacecraft and aviation and space artifacts are on display.
- Based on current payment schedules, debt secured by revenues will be reduced from \$49 million to \$29 million.
- As the contractor demobilizes in the spring, the cost of completing the full project will likely increase since the Smithsonian will not start Phase II without having raised the necessary private sector funding to complete it. The existing plan broke the project into two phases. The estimate for Phase II was \$58.5 million *if* the contractor could simply move from Phase I to Phase II. That is unlikely to happen and thus, Phase II's costs are likely to rise. This simply means that to complete Phase II, NASM will have to raise more money. The Smithsonian will re-estimate the completion costs for planning and fundraising purposes as soon as things settle down after Phase I opens.

National Museum of American History, Behring Center

752,000 gross sq. ft.

\$200.0 million total estimated cost

- A floor plan incorporating the recommendations of the Blue Ribbon Commission was developed and reviewed by NMAH staff and Board, the Smithsonian National Board, and the Regents.
- The estimated total Federal funding is \$52 million; \$8.1 million was appropriated for fiscal year 2004, with the remainder in out-years. A number of large gifts and agreements permit planning for several exciting exhibits.

- **Public Space Renewal.** A contract for the first element of the renovation was negotiated with Skidmore, Owings & Merrill in June.
- *America on the Move.* The \$30 million exhibition opened in the new General Motors Hall of Transportation on November 22, 2003.
- *The Price of Freedom.* The \$20 million exhibition, a Hall of Military History, will open in November 2004. The footprint for the exhibition is being cleared. The final design contract was awarded in May. Design of the shell construction is 95% complete and exhibition design is 65% complete.
- **The Star-Spangled Banner.** The Star-Spangled Banner preservation is under way and on schedule. Chermayeff & Geismar were engaged as principal designers for the *Star Spangled Banner/For Which It Stands* exhibit, scheduled to open in 2006.
- The *Material World* exhibit was dismantled, the *Ceramics Hall* was deinstalled, and hallways on the first floor were cleared.

Arts and Industries Building

- In September, the Board of Regents voted to direct the Secretary to seek additional fiscal year 2004 Federal funds "...to allow for the **immediate closure** of the building and relocation of all staff functions."
- The Smithsonian's request to the Office of Management and Budget for fiscal year 2005 includes \$26.4 million for the project. Congress failed to provide additional fiscal year 2004 funds since the request was made too late in the appropriations process.
- Plans have been accelerated to identify alternative space for A&I occupants and all fiscal year 2004 funded projects are being reviewed to see if funds can be productively diverted to A&I after proper notifications.
- A&I will be closed to the public starting in January 2004.

National Zoological Park

- Significant revitalization of the National Zoo's aging facilities began in 2001 with the renovated Fujifilm Giant Panda Conservation Habitat.
- The \$38.9 million Asia Trail I project, a Federal-private partnership, is fully funded with \$31.2 million in Federal funds and \$7.7 million in non-Federal funds committed in fiscal years 2004 and 2005. The project will upgrade 25% of the Zoo, provide a new home for the sloth bears, and expand space for the elephants. Construction began in 2003 with utilities improvements, demolition, and site preparation.
- The newly renovated Mane Restaurant, the only indoor eating facility in the Park, opened fall 2003.
- Kids' Farm construction began in early 2003; the exhibit will open in mid-2004.
- Roof replacement for the Elephant House, Small Mammal House, Reptile Discovery Center, and the Ape House is planned to begin in stages in spring 2004.
- A new exhibit on Bald Eagles produced in partnership with the U.S. Fish and Wildlife Service opened in July. Other exhibit-related improvements include Seal/Sea Lion pool repairs and chiller replacement, construction of the Male Elephant Yard, and the Blue Crab exhibit.
- An extensive new system of directional signs was installed in the summer of 2003 to help visitors find their way around the 163-acre Park. All new map stands include the Smithsonian logo to better connect the National Zoo with Smithsonian museums.



National Museum of African American History and Culture

- On November 19, 2003, Congress passed legislation to create a National Museum of African American History and Culture within the Smithsonian. The bill provides that the Board of Regents shall appoint the 19 members of the Museum's Council within six months and will have 12 months to choose among four sites. The ability to begin this project will be contingent largely on receiving additional funds. Sponsors of the legislation are discussing possible funding in fiscal year 2004 to fund the site selection process, the search for a Director, hiring of development staff, and travel expenses of Council members.

INFORMATION TECHNOLOGY UPDATE

Enterprise Resource Planning System (ERP). The Smithsonian implemented Phase 1 Financials of ERP - the general ledger, accounts payable, and purchasing modules - as well as a portion of the projects, asset management, and accounts receivable modules on October 1, 2002. Work on additional ERP software modules did not begin until April 2003 due to the lengthy Continuing Resolution and uncertainty about fiscal year 2003 funding. During fiscal year 2003, the Institution upgraded and stabilized the payroll cost distribution system and interfaced it with the ERP system so that unit payroll information is now available online through ERP. In addition, the Institution: migrated data from more than 16,000 open purchase orders; successfully exercised the ERP disaster recovery plan; developed tailored financial reports; defined Smithsonian standard project types and activities; and established the Human Resources Management Committee and workgroups to implement human resources software modules. Complete implementation of the ERP system is planned for fiscal year 2005.

Telephone Modernization. In fiscal year 2003, the Smithsonian began transitioning to a modern telephone system that will reduce costs, improve reliability, and provide for growth. The Institution's telephone network consisted of 77 mostly obsolete telephone systems and 10,000 telephone lines. The cable plant infrastructure for voice services had not kept pace with industry standards and parts of it were more than 50 years old. In February, the Institution upgraded the data network backbone switches to provide full redundancy and support voice traffic. Digital telephones were installed at the National Air and Space Museum's Mall location and Steven F. Udvar-Hazy Center near Dulles, as well as at the Freer and Sackler Galleries, the Hirshhorn Museum and Sculpture Garden, and the National Museum of American History. Work is now under way to replace the telephone systems at the National Postal Museum, the National Museum of African Art, The Smithsonian Associates, and the Renwick Gallery of the Smithsonian American Art Museum. Ultimately, the telecommunications infrastructure will support voice and data on a single network. The Institution plans to complete modernization of the telephone system in fiscal year 2006.

STRATEGIC PLAN AND PERFORMANCE MEASUREMENT

The Smithsonian submitted its revised Strategic Plan (2004 to 2008) to the Office of Management and Budget (OMB) in March 2003. The plan makes a stronger business case for the Institution and strengthens its presentation of the linkages between program outputs, benefits derived by people served, and long-term outcomes benefiting the nation.

On the performance measurement front, the Institution continued to develop key indicators of program results (e.g., seven performance metrics for educational outreach) and operational effectiveness, establish baselines and performance targets for data currently captured, and develop data collection methodologies for new measures. The Institution submitted its annual Performance Plan for fiscal year 2005 to OMB as part of its Congressional budget justification in September. This is the second budget cycle in which the units have included annual, measurable, unit performance goals, as well as Federal dollars and FTEs, which support Institutional performance objectives.

EXHIBITION POLICY STUDY

In June, the Office of Policy and Analysis completed a major study concerning upgrading exhibition creation. The findings in *Raising the Bar: A Study of Exhibitions at the Smithsonian Institution* were weighed by a task force and its comments were presented to the Secretary in October.

THE SMITHSONIAN WORKFORCE

Employee Perspective Survey

An Institution-wide briefing on the 2002 Employee Perspective Survey was held October 24, 2002 with followup memoranda to Directors. At the end of fiscal year 2003, 28 or 43% of Smithsonian units had submitted progress reports. A different approach to learning employee perspectives of surveys tailored to specific units, rather than an institution-wide survey, is planned for 2004.

Women and Minority Representation

There was an overall increase in the percentage of women and minorities in the top 200 jobs at the Smithsonian. The percentage of women in top positions rose from 31.8% in fiscal year 2002 to 34.2% in fiscal year 2003. The percentage of minorities in the top 200 rose from 10.4% to 12.3%. The percentage of Hispanic employees in the overall workforce rose slightly from 3.5 % to 4.4%.

Workforce Analysis

A Workforce Analysis Study was completed in October 2002 that laid the groundwork for a Strategic Human Capital and Workforce Restructuring Plan for the Institution. In September, an outside contractor, HumRRO, was awarded a contract to develop the Restructuring Plan. In addition, the Office of the Under Secretary for American Museums and National Programs is spearheading the introduction of a succession planning process for the Smithsonian, with a succession planning template distributed to all directors during fiscal year 2003.

ADVISORY BOARD STUDY

As a result of the Office of Policy and Analysis report, *Smithsonian Advisory Boards: An Underutilized Asset*, issued in January 2002, most advisory boards have undergone constructive changes. Many new chairs are in place, charters and bylaws have been modernized, and fund raising has stepped up. The challenge will be to sustain momentum gained in fiscal year 2003 into the next fiscal year.

GOVERNMENT RELATIONS

Continued improvement in responsiveness to requests for information by Congress and the Office of Management and Budget has resulted in positive outcomes. The fiscal year 2004 appropriation produced strong growth in funding for Facilities revitalization – up 19% over fiscal year 2003. The average rate of growth of the Smithsonian's Federal budget has increased from 2.8% per year (between 1995-2001) to 8.7% per year (for 2001-2004). The Office of Government Relations (OGR) worked closely with the Committees on House Administration and Senate Rules and Administration to develop strategies for dealing with sensitive oversight issues at their respective hearings in March and June. In addition, OGR secured language in the Senate Health Education Labor and Pension Committee report accompanying the *American History and Civics Act of 2003* identifying the Smithsonian as an eligible potential recipient of funding created under the Act.

MANAGEMENT IMPROVEMENTS

In fiscal year 2003, the Smithsonian continued to implement improvements to management systems and processes and strengthen an Institutional culture that values customer input and focuses on results. For example, the Offices of the Chief Financial Officer (OCFO), Chief Information Officer (OCIO), and Facilities Engineering and Operations (OFEO) developed key performance indicators and began monthly metrics meetings with the Secretary. OFEO and the Office of Human Resources (OHR) conducted internal customer satisfaction surveys to assess service quality. Other highlights include:

- **Financial Control.** The Smithsonian instituted a monthly expense budget process (MEB) for establishing spending plans. Eighty fiscal and administrative officers received training on MEB requirements.
- **Information Technology (IT).** OCIO developed a remediation plan to resolve 22 IT security weaknesses identified by the Inspector General and published new IT security planning and IT security

administration policies and guidelines. The Office issued an updated Technical Reference Manual and formulated and tested a disaster recovery plan.

- **Human Resources.** OHR developed the curriculum for a three-day Human Resources for Supervisors course that was held five times with 17 to 30 supervisors each time.
- **Building Revitalization and Maintenance.** Centralization and integration of all building maintenance and security has been fully implemented. Twenty-two of the 30 National Academy of Public Administration recommendations on Smithsonian facilities have been fully implemented. OFEO conducted a Mapping of Operations and Maintenance processes that will result in plans of action and milestones.

SECURITY

During fiscal year 2003, the Institution made significant progress in implementing improved security measures for the protection of staff, visitors, and collections, including finalizing the design for random screening at smaller Mall museums and design selection for electronic visitor screening at the Udvar-Hazy Center. Temporary barriers were installed at the Freer and Sackler Galleries, Arts and Industries Building, and the Castle, while design continued on Mall-wide permanent barriers. Other security measures included glass mitigation at the National Museum of American History, a blast assessment at the Patent Office Building, and installation of perimeter closed circuit television at the Air and Space Museum. A new Smithsonian Disaster Management Plan was completed in October 2003.

FINANCIAL STRENGTH

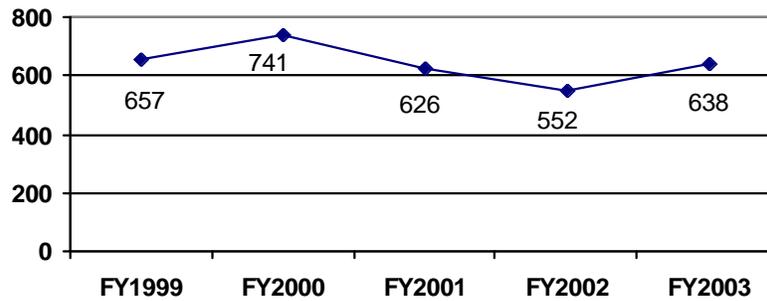
From the vantage point of late calendar year 2003, the long-awaited economic recovery nationwide appears finally to be taking hold. But for most of fiscal year 2003 (which ended September 30, 2003), the economic picture was uncertain. Tourism in Washington, DC was still down and school groups, a traditional mainstay of the Smithsonian's visitation, continued to make up a smaller percentage of those coming to the Nation's Capital.

For the Smithsonian Institution, museum visitation continued to lag and gave little indication of returning to fiscal year 2001 levels. The effect of this shortfall in museum visitation and the uncertain economy in fiscal year 2003 was to reduce, for the second year in a row, the projected level of Trust fund revenues available to the Institution. The decline in philanthropic giving in general and the drop in large restricted gifts in particular continued to highlight the importance of the support the Institution receives from the Federal Government.

Nevertheless, during fiscal year 2003, the Institution made considerable progress in achieving its stated goals. Additionally, the value of the Endowment increased substantially as a result of the performance of the capital markets.

Prompt management and cost reduction actions in response to the unsupportive business environment limited the negative impact of the decline in private sector philanthropy and the sluggishness of business revenue growth. Although insufficient overall for the Institution's needs, Federal spending for physical facilities grew and was sufficient to keep those major facilities projects dependent on Federal funds on budget and on schedule. Planning and fabrication of major new exhibitions continued with no loss of momentum, enabling the opening of several spectacular new exhibitions in early fiscal year 2004. Information technology, telecommunications, and Internet outreach modernization also continued apace.

Smithsonian Institution Yearend Endowment Value



In fiscal year 2003, the Endowment grew by \$86 million or 16% after accounting for the payout, fees and expense, and additions to the Endowment. Although the inflation-adjusted return on the Endowment over the last five years was 3.7%, which is less than the Institution's earnings objective of 5.5% real return, it still managed to perform at a level that placed it in the top third of endowments under \$1 billion.

FINANCIAL PERFORMANCE

Fiscal year 2003 was a good year for the Smithsonian Institution, despite the unprecedented combination of events that befell the Washington metropolitan area—notably, the severe weather of the winter of 2002-2003, which was the first time the Institution was closed for two days; the Iraqi War and the concerns it stirred about the inevitability of another domestic terrorist event; and the repeated Code Orange alerts.

The weak economic recovery during the first half of the year had the effect of souring the fund raising environment, resulting in a drop in contributions to the Institution. Nevertheless, the Endowment's value, an important bellwether of the Institution's financial health, increased substantially during the year and the total return on the Endowment (6.3%) exceeded the market return (3.7%) over the last five years, placing the Smithsonian in the top third of endowments under \$1 billion. However, the inflation-adjusted return of the Endowment, at 3.7%, was less than the targeted inflation-adjusted return of 5.5%.

Total revenues for fiscal year 2003 exceeded budget by \$24 million. This budget variance is the net effect of greater than budgeted support of the Smithsonian's Astrophysical Observatory (SAO) in the form of grants and contracts from the National Aeronautical and Space Administration (NASA) and a drop in philanthropic contributions, earned interest on investments, and recognized Federal revenue for operations, together with an increase in recognized Federal revenue for the facilities program.

Expenses for fiscal year 2003 exceeded budget by \$45 million. The budget variance is due largely to an underestimate of spending of previously raised, restricted Trust funds inadvertently excluded from the budget. In addition, the budget did not reflect the full amount of the non-cash depreciation charge in the Federal budget nor the spending associated with the unbudgeted increase in SAO revenue largely in the form of grants and contracts from NASA, along with the capitalization of SAO equipment.

Smithsonian Institution Financial Performance in Fiscal Year 2003
(\$ in millions)

	FY2003 Budget	FY2003 Unaudited Actual	Variance To Budget
Revenues	791	815	24
Expenses	684	729	(45)
Endowment Return Reinvested	21	72	51
Other	(7)	(7)	--
Growth in Net Assets	121	151	30

The expense variance of \$45 million is largely due to the inadvertent omission from the budget of spending of restricted funds raised and recognized in prior years and the non-cash depreciation charge for Federal support of the facilities program. The positive variance to budget of \$30 million is due to the strong growth of the Endowment.

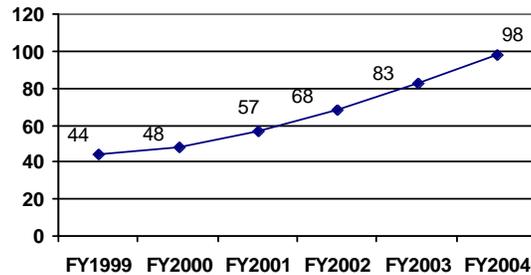
FINANCIAL SUMMARY

Fiscal year 2003 was a challenging year for the Smithsonian. Fund raising lagged and museum visitation showed no evidence of rebounding to pre-September 11, 2001 levels. As a consequence, budgeted growth in business income did not occur, prompting management to take cost reduction actions to reduce expenses funded by unrestricted private sector funds.

Nevertheless, the Institution has enormous momentum. Two blockbuster exhibitions, NMAH's *America on the Move* and NMNH's *Kenneth E. Behring Family Hall of Mammals*, opened to wide acclaim in November 2003. Two spectacular new museums, the Steven F. Udvar-Hazy Center and the National Museum of the American Indian on the Mall remained on schedule and on budget (as forecast in 2001), with the Udvar-Hazy Center celebrating its grand opening in December 2003. Additionally, the Institution continues to enjoy strong support from Congress at a time when states and local jurisdictions across the Nation are being forced to cut funding for the arts, in favor of social services and education.

As fiscal year 2004 gets under way, the Institution continues to confront financial challenges. Although the economy has improved nationwide, there is little in the economic forecast to suggest dramatic increases in tourism and museum visitation in the near future. The competition for Federal resources remains fierce given the size of the Federal budget deficit and the Administration's focus on homeland security. The Institution confronts a need to boost fund raising generally and unrestricted revenue in particular. Furthermore, securing adequate funds for the revitalization of the Institution's facilities remains the Institution's most pressing financial challenge. Although considerable progress has been made, funding for Smithsonian building revitalization is well short of the \$150 million annual level required over ten years to meet the Institution's needs.

Funding for Smithsonian Facilities Revitalization (\$ in millions)



Funding for the revitalization of the Smithsonian's physical infrastructure totals \$98 million in fiscal year 2004, more than doubling in five years. Funding remains well short of the \$150 million annual goal.

EXTERNAL AFFAIRS

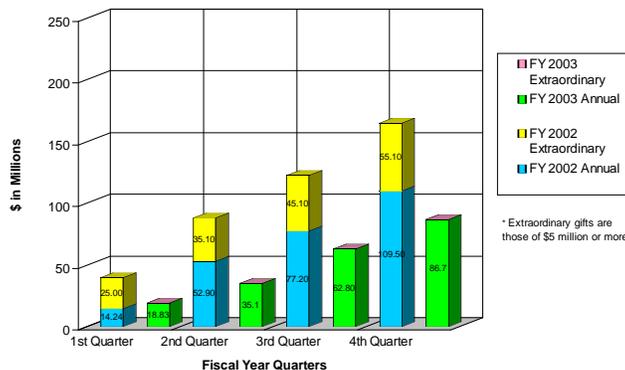
The Institution generated \$86.7 million in private support from individuals, foundations, and corporations in fiscal year 2003. A weak economy continued to have an effect on major support to the Institution, as no extraordinary gifts of \$5 million or above were received this fiscal year. In addition, the Institution's capital projects, which have generated significant gifts over the past several years, are nearing completion. The Steven F. Udvar-Hazy Center, the *Kenneth E. Behring Family Hall of Mammals* and the *America on the Move* exhibition have opened, and the National Museum of the American Indian is on track to open to the public in September 2004. It is expected that as activity increases around the next construction projects, including the Patent Office Building renovation and the re-envisioning of the American History and Natural History Museums, these initiatives will begin to attract major gifts in the years ahead.

This year's gifts of \$1 million and above include:

- \$4.492 million from the American Automobile Association for the *America on the Move* exhibition at the National Museum of American History, Behring Center;
- \$2.5 million from the American Battle Monuments Commission to the Center for Folklife and Cultural Heritage to assist with content and production of *Tribute to a Generation: A National World War II Reunion on the National Mall* to coincide with the dedication of the new WWII Memorial in May 2004;
- \$2 million as an anonymous gift to the Smithsonian Tropical Research Institute for an endowment and unrestricted use;
- \$1.625 million from Rolex Industries to the National Air and Space Museum's Steven F. Udvar-Hazy Center campaign;
- \$1.586 million from the Nan Tucker McEvoy Foundation for acquisition of a David Hockney painting by the Smithsonian American Art Museum;
- \$1.5 million from A&E Television Networks to the Smithsonian Institution Traveling Exhibition Service's *First Ladies* exhibition;
- \$1.5 million from the James F. Dicke Family for an endowment to support contemporary art at the Smithsonian American Art Museum;
- \$1.5 million from the Joseph and Robert Cornell Memorial Foundation to the Smithsonian American Art Museum for a catalogue raisonné of the work of artist Joseph Cornell;

- \$1.472 million from the Estate of Arthur and Edith Levin for an acquisition endowment at the Smithsonian American Art Museum;
- \$1.23 million from Joseph F. Cullman 3rd for acquisitions at the Smithsonian Institution Libraries;
- \$1.016 million as an anonymous gift for the Smithsonian Astrophysical Observatory's Giant Magellan Telescope project;
- \$1 million from the Association of American Railroads for the *America on the Move* exhibition;
- \$1 million from Bombardier Aerospace to the National Air and Space Museum's Steven F. Udvar-Hazy Center campaign;
- \$1 million from the Ford Motor Company for the Smithsonian Center for Latino Initiatives' project, *Our Journeys/Our Stories: Portraits of Latino Achievement -- Nuestros caminos/Nuestras historias: Retratos de logros latinos*;
- \$1 million from Ruth S. Holmberg toward the National Zoo's *Asia Trail* exhibition;
- \$1 million from the Holenia Trust of Zurich for an endowment fund at the Hirshhorn Museum and Sculpture Garden;
- \$1 million from John and Adrienne Mars to the National Zoo's *Asia Trail* exhibition;
- \$1 million from the Andrew W. Mellon Foundation to the National Museum of the American Indian for training in archeological and ethnographic conservation.

Annual Giving and Extraordinary Gifts*, Fiscal Years 2002 and 2003



Columns reflect cumulative fund-raising amounts

Membership programs across the Institution remained stable, which is especially heartening in a period when many museum membership programs saw a downturn. The Contributing Membership this year raised just over \$12 million in unrestricted funds, and maintained an industry-leading 83% retention rate. The program has 75,000 members, making it the fifth largest in the nation, and has generated \$159 million since its inception in 1965.

The Secretary's Annual Fund, which was instituted to raise unrestricted revenue to close the gap caused by budget shortfalls post-9/11, generated \$1.066 million in fiscal year 2003, compared to \$1.3 million in fiscal year 2002. The program is considered quite successful, given the usual steep drop-off after emergency situations have subsided.

SMITHSONIAN BUSINESS VENTURES

Smithsonian Business Ventures (SBV) ended fiscal year 2003 with a total net gain of \$20.7 million, a 9% increase over the prior year. Improved operating performance (net gain) was achieved across all business units in fiscal 2003: *Smithsonian Magazine* (up 14%), Museum Retail Operations (up 18%), and Catalogue (up 165%). Total SBV revenues were \$141.2 million, essentially flat (-1%) with the prior year, while operating expenses were lower than prior year and Budget by \$3.4 million (3%). Management believes that the strength of fiscal year 2003 performance results from operating systems and efficiencies, which have been put into place, and that net gain growth will continue to improve as revenues recover.

As compared to Budget, total revenues fell short by \$14.9 million (-10%) and net gain was below budget by \$1.4 million (-7%). While SBV did not achieve Budget, actual results are an improvement upon mid-year estimates, due principally to improved museum visitation in the last quarter of fiscal year 2003 and performance of *Smithsonian Magazine*, which exceeded budget. *Smithsonian Magazine* gains were achieved in spite of continuing decline in Magazine advertising revenue, which remains both a significant challenge and an opportunity for net gain growth.

Managerial improvements in fiscal 2003 included an updated Strategic Plan endorsed by the SBV Board and alignment of strategic operating initiatives with incentive plans for fiscal year 2004. In May, SBV issued a report on *Smithsonian Magazine* competitive market review and performance.

Highlights of SBV's activities in fiscal year 2003 include:

- New integrated marketing sponsorships with Retail operating partners were implemented with MasterCard, Coca-Cola, and Subway, generating incremental revenues of \$5.3 million (incremental to operating income from credit card royalties and food and beverage sales.)
- Smithsonianstore.com was successfully launched with sales of \$4.2 million, accounting for 13% of the Catalogue division's revenues. Expanded merchandise offerings and promotion of the web site are underway.
- SBV launched a new affinity credit card marketing partnership with MBNA America and MasterCard International. The new card bearing the Smithsonian trademark is offered to members and museum visitors with a percentage of each purchase made with the card going toward supporting the Smithsonian's programs.
- *Smithsonian Magazine*'s CultureFest, a traveling program organized in conjunction with The Smithsonian Associates that brings the cultural treasures and resources of the Institution to selected cities with series of speakers and special events, was expanded to four cities: Minneapolis, Philadelphia, San Jose, and Santa Fe.
- *Smithsonian Magazine* maintained a total circulation of 2 million paid subscribers and readership levels of 8 million. Readers have responded to the new editorial direction with increasingly high overall satisfaction ratings as measured by monthly tracking surveys. Now in its second year of publication, *My Smithsonian Visitor Guide* had a total circulation of 3 million copies serving museum visitors and DC tourists. The free Guide succeeded in generating advertising revenue in excess of all costs.
- Licensing revenues from co-branded school textbooks and educational trade books continued to increase. *Mammal*, *Flight - 100 Years of Flight*, and *Earth* were examples of successful collaborations between Product Development & Licensing and museum curatorial staff.

- A new 1,300 square foot museum store adjacent to the Behring Family Hall of Mammals features four 15-foot custom sculpted hand-painted trees representing the four continents that are highlighted in the exhibit. Nine mammal specimens from the museum's collection are also on display.
- A Memorandum of Understanding was executed with Liberty Media for a cable television venture in June, but has been delayed due to internal problems at Liberty Media/Starz Encore Group.

CONCLUSION

The “best of times–worst of times” paradigm continued for the Smithsonian Institution in fiscal year 2003. The Smithsonian is meeting its goals for the first decade of the 21st century. More than \$1 billion in revitalization projects is under way—ten times more than the Institution did in the last decade, and more than any museum has ever attempted. Additionally, acquisitions, national outreach, education, exhibitions, and scientific achievements continued to thrive. Nevertheless, visits, fund raising, and the financial contribution from Smithsonian Business Ventures remained challenging at the end of the fiscal year, all of them clearly affected by the travel and tourism market and the state of the economy. With economic indicators showing signs of improvement, we are guardedly optimistic that fiscal year 2004 will show better performance in these areas.

Fiscal year 2004 is off to a tremendous start with the major publicity and crowds being generated by the opening of a brand new museum, two new major exhibition halls, and other top-notch exhibitions in the first quarter of fiscal year 2004: The Air and Space Museum's Steven F. Udvar-Hazy Center opened at Washington Dulles International Airport in December. The 25,000 square-foot *Kenneth E. Behring Family Hall of Mammals* at the National Museum of Natural History, featuring 274 mammals in lifelike poses, opened on November 15. *America on the Move*, the permanent transportation hall at the National Museum of American History, opened November 22. *The Wright Brothers and the Invention of the Aerial Age* with its centerpiece, the original 1903 Wright Flyer, opened at the National Air and Space Mall Museum on October 11. *Himalayas: An Aesthetic Adventure* opened at the Sackler Gallery on October 18 and *Mr. Whistler's Galleries: Avant-garde in Victorian London* opened at the Freer Gallery of Art on November 20. Another popular exhibition, *A Brush With History: Paintings From the National Portrait Gallery* opened at the Smithsonian's International Gallery on November 14.