



Smithsonian Institution



The National Zoological Park's male giant panda cub was born July 9. The cub received its second health exam on August 8, weighing in at 2.6 pounds.

Report to the Board of Regents September 2005

Introduction

This report presents Smithsonian Institution performance highlights for the months of April through July 2005 and visit, management, and financial data through the third quarter of fiscal year 2005 (October 1, 2004 through June 30, 2005.)

Public Impact

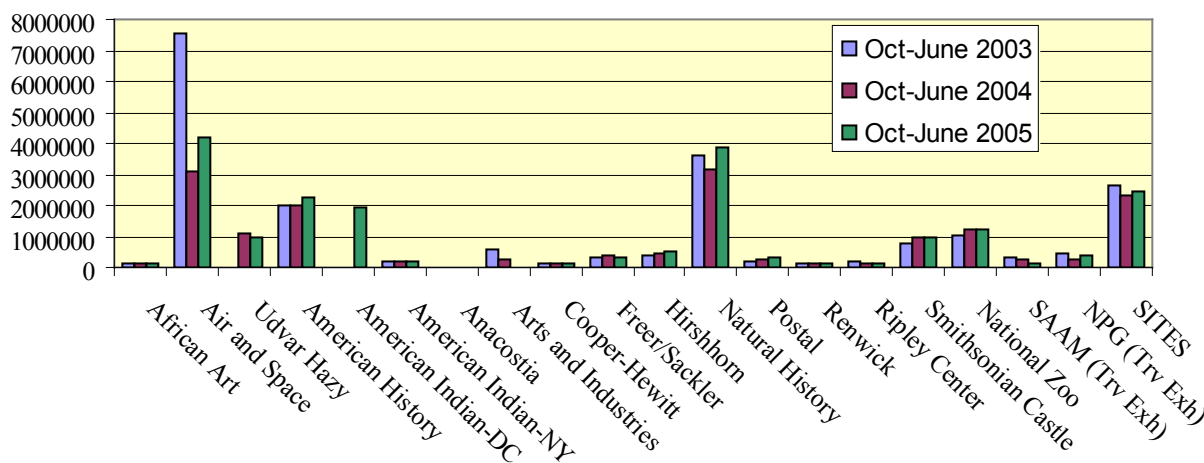
Visits to the Smithsonian

The Smithsonian had a total of 20.1 million visits through the end of the third quarter of fiscal year 2005: 16.0 million visits to its museums in Washington, DC and New York, 1.2 million visits to the National Zoo, and 2.9 million visits to traveling exhibitions organized by the Smithsonian Institution Traveling Exhibition Service, Smithsonian American Art Museum, and National Portrait Gallery.

Visits to Smithsonian museums and the National Zoo are up 26% from the same nine-month period of fiscal year 2004, owing to higher attendance at the Smithsonian's three most visited museums, as well as the addition of the new National Museum of the American Indian, which welcomed its two-millionth visitor on June 25. The National Air and Space Mall Building had a 36% increase in visits over the same nine-month period last year, the National Museum of Natural History rose by 22%, and the National Museum of American History, Behring Center had a 12% increase in visits. The Institution is projected to hit or come very close to hitting 25 million visits by the end of fiscal year 2005.

Over 35,000 attended the National Museum of the American Indian's first National Powwow at the MCI Center in Washington, DC on August 12 to 14, which also drew large crowds to the National Mall.

Visits to Smithsonian Museums and Traveling Exhibitions
Through 3rd Quarter of Fiscal Years 2003, 2004 and 2005



Virtual Attendance

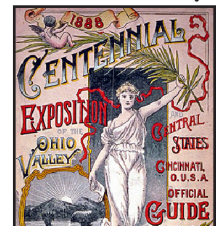
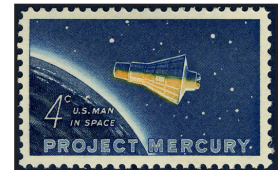
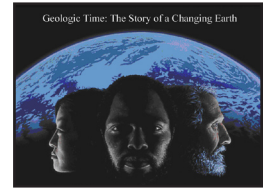
The increase in visitors navigating the Smithsonian's wide range of online offerings leveled off after several years of 20% to 30% jumps in the number of web visitors. The 79.67 million visitors tallied during the first three quarters of the fiscal year is only slightly more than the 76.95 million web visitors recorded in the corresponding nine-month period of fiscal year 2004.

- The National Zoo's live webcams were unusually busy as virtual visitors came in droves to try to catch a glimpse of the Zoo's new panda cub (<http://nation->



alzoo.si.edu/Animals/GiantPandas/). In the three days following the cub's birth on July 9, PandaCam had 637,000 visits—over three times the figure for the previous month.

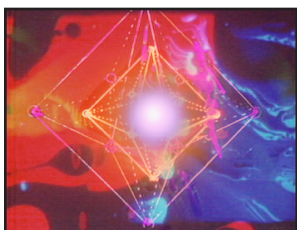
- The National Museum of Natural History's website **Lakota Winter Counts** (www.wintercounts.si.edu/) won the International Academy of Digital Arts and Sciences' prestigious "Webby" Award in the Cultural Institutions category.
- The National Museum of Natural History unveiled three new paleobiology websites. **Dinosaurs!** (www.nmnh.si.edu/paleo/dinosaurs/) provides comprehensive information on the creatures that roamed the earth over 200 million years ago; **Life of a Vertebrate Fossil** (www.nmnh.si.edu/paleo/LVF/) shows how vertebrate fossils form, how they are collected, and what they teach us; **Geologic Time—The Story of a Changing Earth** (www.nmnh.si.edu/paleo/geotime/) is an illustrated mini-textbook on our planet's history from 3.8 billion years ago to the present.
- The Smithsonian Center for Latino Initiatives' new Latino Virtual Gallery website *Sabor! Salsa Music* in the United States takes the viewer on an interactive journey through the origins and transformations of Salsa music.
- The National Postal Museum launched a new virtual exhibition as a companion to *Stamps Take Flight*, currently on view at the museum (www.postalmuseum.si.edu/stampstakeflight/).
- The Cooper-Hewitt, National Design Museum introduced two new education websites, one for its **Summer Design Institute** (www.summerdesigninstitute.org) and one for its **City of Neighborhoods** program (www.cityofneighborhoods.org).
- The Smithsonian Institution Libraries' new web version of "Revisiting World's Fairs and International Expositions: A Selected Bibliography, 1992 - 2004" includes 39 images from SIL's World's Fairs and Expositions collections (www.sil.si.edu/silpublications/worlds-fairs/).



Exhibition Highlights

The National Museum of American History is marking the 50th anniversary of the polio vaccine with *Whatever Happened to Polio?* The exhibition tells the story of the fight against polio in the United States and worldwide.

The 2005 Smithsonian Folklife Festival—featuring *Oman: Desert, Oasis and Sea*, *Food Culture USA*, *Forest Service Culture and Community*, and *Nuestra Musica: Music in Latino Culture*—was held from June 23 through July 4 on the Mall, and drew over one million visitors. The Oman program was the first in the Festival's history to feature an Arab nation.



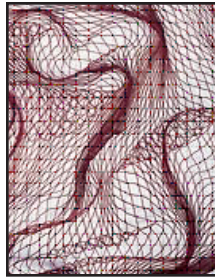
Visual Music premiered at the Hirshhorn on June 23 and will remain on display until September 11. Created in partnership with the Museum of Contemporary Art, Los Angeles, the show explores the relationship among abstraction, color, and music through paintings, photography, film, light projection, computer graphics, and immersive environments by forty artists.

Also opening at the Hirshhorn was a 20-minute audio walk artwork, *Directions: Janet Cardiff* (August 3-October 30). Played on iPods donated by Apple, this work offers visitors an interactive experience while contemplating the legacy of the National Mall.

¡Azúcar! The Life and Music of Celia Cruz (May 18-October 31) at the National Museum of American History explores the life of legendary Cuban-born singer Celia Cruz (1925 – 2003), the undisputed “Queen of Salsa” at the time of her death.



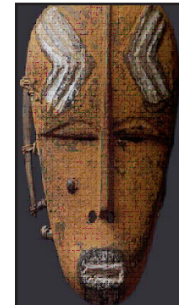
Over 600 correspondents attended the press opening on June 8-12 of *James Luna: Emendatio*, at the 51st International Art Exhibition of the 2005 Venice Biennale. Curated by the National Museum of the American Indian, Luna’s Emendatio is a multifaceted installation and performance work.



Extreme Textiles: Designing for High Performance opened at the Cooper-Hewitt, National Design Museum on April 8 and will run through October 30. This ambitious exhibition explores innovations occurring in technical textiles that are revolutionizing the fields of architecture, apparel, medicine, transportation, aerospace, and the environment.

Caravan Kingdoms: Ancient Yemen and the Incense Trade opened on June 25 at the Arthur M. Sackler Gallery, and will run through September 11. It features approximately 200 objects (dating from 800 B.C.E. to 600 C.E.) that illustrate the unique cultural traditions of the ancient kingdoms of Qataban, Saba (biblical Sheba), and Himyar.

Where Gods and Mortals Meet: Continuity and Renewal in Urhobo Art at the National Museum of African Art (June 23-September 25) is the first comprehensive presentation of the arts of the Urhobo peoples of Nigeria. The exhibition combines traditional pieces with works by the contemporary Urhobo artist Bruce Onobrakpeya.



Modernism in American Silver: 20th Century Design opened in August at the Smithsonian American Art Museum’s Renwick Gallery, highlighting over 200 outstanding works by designers such as Eliel Saarinen, Erik Magnussen, Robert Venturi, Michael Graves, Elsa Peretti, and Robert Meier.

Close Up In Black: African American Film Posters, featuring 90 film posters that trace the history of the African American experience in the movie industry, was on display from May 7 through July 28 in the International Gallery of the Ripley Center. The Anacostia Museum curated the exhibition, which was toured by the Smithsonian Institution Traveling Exhibition Service.

Forgotten Roots: African American Muslims in Early America at the Anacostia Museum examines the contributions of individuals of African-Muslim descent in the United States during the 18th and 19th centuries, bringing together an extraordinary range of artifacts, drawings, religious texts, documents, and photographs.

Walls of Heritage/Walls of Pride: African American Murals is on display from July 11 through October 16 at the Anacostia Museum. Themes of solidarity, pride, self-worth, and social protest are evident in the show’s photographs and original artwork.



The *Przewalski’s Horse* exhibit opened at the National Zoo on June 30. The new exhibit highlights the science conducted on this species by the Zoo’s Conservation and Research Center, whose herd is critical to maintaining a captive population which provides animals for reintroduction in Mongolia.

On May 21, *New Tribe, New York: Spiderwoman Theater*—featuring the performance art of three Native (Kuna/Rappahannock) women, Gloria and Muriel Miguel and Lisa Mayo—opened at the National Museum of the American Indian’s George Gustav Heye Center in New York City.

The Smithsonian Tropical Research Institute's exhibit *Vanishing Amphibians* traveled to Quito, Ecuador, from January to July. More than 45,000 had the opportunity to visit the exhibition.

National Outreach

Smithsonian Affiliations. The third quarter of fiscal year 2005 was a period of growth and increased visibility for Smithsonian Affiliations. With the addition of **four new affiliates** and the return of the San Diego Natural History Museum, there are now **142 affiliates** in 39 states, the District of Columbia, Puerto Rico, and Panama.

In May and June, Smithsonian Affiliations and the Smithsonian Center for Materials Research and Education (SCMRE) collaborated to offer *Saving Stuff*, a series of ten workshops on why objects deteriorate and how museums and the general public can protect their collections and prized possessions. The program reached more than 500 people in eight states.

The sixth annual **Smithsonian Affiliations National Conference** was held on June 5-8, with sixty-five affiliates from 30 states (plus Washington DC and Puerto Rico) represented. A reception at the National Museum of the American Indian attracted attendees from 13 congressional offices and committees, including Senator James Inhofe (R-Oklahoma) and Representatives Emanuel Cleaver (D-Missouri), Ray LaHood (R-Illinois), Robert W. Ney (R-Ohio), Ralph Regula (R-Ohio), and Jim Kolbe (R-Arizona).

The Smithsonian Center for Education and Museum Studies (SCEMS). SCEMS launched a new website, **Museum Studies: Information for Museum Professionals and Scholars** (<http://museumstudies.si.edu>) that includes sections on training, careers, and fellowships, as well as listings of employment opportunities.

Five hundred students from all 50 states were registered for internships at the Smithsonian this summer. SCEMS offered a full schedule of behind-the-scenes tours, workshops, and networking events to enhance the internship experience.

A **Smithsonian Day** was held on July 21 for 500 teachers from all 50 states, as part of the National Board of Professional Teaching Standards conference.

In collaboration with The Smithsonian Associates, SCEMS produced the Nishat Khan sitar performance that opened Asian Pacific American Heritage Month. The audience of approximately 350 included India's Ambassador.

SCEMS held a one-week summer institute for 40 middle and high school history teachers from Charlotte Mecklenburg Schools, North Carolina to research primary sources relating to American society during the World War II era.

Smithsonian Institution Traveling Exhibition Service (SITES). During this period, **50 SITES exhibitions** were presented at **70 locations** in 27 states plus Washington DC, Puerto Rico, and Canada.



One new SITES exhibition went on the road. *Art of the Stamp* opened on May 7 at the R.W. Norton Art Gallery in Shreveport, Louisiana. Recently on view at the National Postal Museum, this exhibition comprises 100 small works from the 1960s through today by 52 top illustrators.

On July 26, former First Lady Barbara Bush visited a Smithsonian Affiliate, the Durham Western Heritage Museum in Omaha, Nebraska to promote family literacy and to see the SITES' exhibition, *First Ladies: Political Role and Public Image*.

SITES received a \$250,000 grant from MetLife Foundation to strengthen the connections between museums nationwide and their communities. In April,



SITES awarded the first round of **Smithsonian Community Grants** to seven museums to enhance program offerings related to SITES exhibitions they host.

The Smithsonian Associates (TSA). In the first nine months of fiscal year 2005, TSA conducted **1109 programs** in the Washington DC area, as well as **25 programs** in other locations around the United States, from Liberty, New York to El Paso, Texas.

In May, Justice Sandra Day O'Connor received the fourth annual Benjamin Franklin Creativity Award. In an interview conducted by Andrea Mitchell, chief foreign affairs correspondent for NBC News, Justice O'Connor reflected on her distinguished career and the role the creative process has played in her life.

Discovery Theater inaugurated a touring program with two plays, *Black Diamond*, about baseball's Negro Leagues, and *How Old is a Hero?*, about children involved in the civil rights movement. The two shows have already been performed for over 20,000 children in area schools and community centers.

At the successful conclusion of its ninth year, TSA's **Masters Program in the History of Decorative Arts** began a new academic partnership with the Corcoran College of Art + Design, which will give the program access to the Corcoran Museum collection and curators and an exclusive relationship with Sotheby's Institute of Art in London for study abroad.

TSA's **Smithsonian Scholars in the Schools** program visited two Texas communities, reaching more than 2400 students and teachers in San Antonio and Harlingen. Four Smithsonian scholars made 34 presentations on science topics such as forensic anthropology, biodiversity, conservation, and planetary science.

Education and Program Highlights

The highly-competitive **Smithsonian Institution Fellowship Program** offered awards this summer to 62 scholars, scientists, and students to conduct research in Smithsonian museums, research institutes, and research offices.

First Nations/First Features: A Showcase of World Indigenous Film and Media, a film series presented by the National Museum of the American Indian in collaboration with the Museum of Modern Art and New York University, offered 52 programs/ screenings from 22 indigenous directors in several venues in New York and Washington, drawing a total audience of approximately 11,000.

The Smithsonian Center for Latino Initiatives competitively selected 15 graduate students and mid-career museum professionals to participate in the 2005 **SCLI Institute for the Interpretation and Representation of Latino Cultures**, a month-long series of workshops on the uses of museum collections and increasing awareness of the importance of preserving and interpreting Latino cultures.

The Smithsonian Environmental Research Center, in collaboration with Ball State University, broadcast a live, interactive field trip on **Biological Invasions: The Introduction of Non-Native Species** to 17.5 million students across the country.

In partnership with the Fairfax Network, the National Air and Space Museum delivered a live, 45-minute broadcast from the Udvar-Hazy Center on **Space Day 2005**, a museum-wide initiative held on May 5. It was available to more than 38,000 schools and 7-8 million students and educators nationwide.

From May 11-28, the Program in African American Culture presented four daily performances of **We Shall Overcome: The Selma to Montgomery March and the Voting Rights Act** in the Flag Hall of the National Museum of American History. The performance combined oral history, music, and narration to tell the story of the struggle for voting rights in 1965. It attracted approximately 5,000 visitors.

The Zoo's **Monitoring and Assessment of Biodiversity** program completed its annual five-week training course at Front Royal on June 16. Twenty-seven conservation practitioners from 17 countries participated.

The National Science Resources Center started a **Foundation and Business Coalition** in May, dedicated to improving science education in the United States. It aims to sign up 40 members, each contributing \$25,000 annually, by 2006.

In June, education staff from the Cooper-Hewitt, National Design Museum brought the museum's **City of Neighborhoods** program to Long Beach, California. The 25 workshop participants included teachers, artists, architects, curriculum specialists, and staff from the Long Beach historical society and Bembridge House historical site.

Other Smithsonian Events

On the morning of June 30, 2005, President George W. Bush arrived at the Freer Gallery's Meyer auditorium to speak about his upcoming trip to the G8 Summit in Scotland. Joining the President were First Lady Laura Bush and Secretary of State Condoleezza Rice, among other honored guests. Smithsonian Secretary Lawrence Small and museum Director Julian Raby greeted the President and First Lady.

In May, Freer and Sackler Galleries Director Julian Raby escorted the honorable Hamid Karzai, president of the Islamic Republic of Afghanistan, through the museum. With Vice President Dick Cheney and other dignitaries in attendance, President Karzai was presented with two ancient Afghan coins looted from a Kabul museum and seized by U.S. customs officials.



One hundred sixty scientists gathered at the National Museum of Natural History on April 15-16, 2005 for the fifth annual **Smithsonian Botanical Symposium**, "The Future of Floras: New Frameworks, New Technologies, and New Uses."

In May, the National Museum of American History staged a festival to mark the opening of its new exhibition, *¡Azúcar! The Life and Music of Celia Cruz*. Festival activities included Latin music and dance, hands-on activities related to the exhibition, and a book signing by author Alexis Rodriguez-Duarte. Over 14,000 visitors participated.

The Smithsonian Environmental Research Center held its annual **Open House for Nature** on Saturday, May 7. Turnout was high, with approximately 1,100 visitors.

In a ceremony at the National Museum of American History marking the **50th Anniversary of Disneyland**, Walt Disney Company Chief Executive Officer Michael Eisner presented the museum with artifacts from two of Disneyland's opening year attractions, "Dumbo the Flying Elephant" and the "Mad Tea Party."



Cosmic Drift, a special after-hours event for the *Visual Music* exhibition, was held in the plaza of the Hirshhorn on Saturday, June 25, from 10 p.m. to 2 a.m. The show featured a performance by psychedelic light artists Joshua White and Gary Panter. The event drew 4,500 people.

In collaboration with The Smithsonian Associates, the National Museum of Natural History hosted the **Festival of Greenland**, May 20-22, featuring more than fifty Greenlandic dancers, artists, mask-carvers, kayak-makers, and singers, as well as Greenland officials and scholars.

Collections Highlights

The third quarter of 2005 was a banner period for collections at the National Zoo. On July 9, its giant panda, Mei Xiang, gave birth to her first cub; it is the first of the five panda cubs born at the Zoo to survive beyond four days. The birth of a second litter of five cheetahs on April 14 raises the Zoo's cheetah population to nine cubs plus four adults. In addition, the Zoo



saw the birth of a prehensile-tailed porcupine; three critically endangered Guam rails; two white-naped cranes; and an unprecedented sixth generation of golden-headed lion tamarin offspring.

The first shipment of cockpit instrumentation from the space shuttle Columbia arrived at the National Air and Space Museum's Garber Facility in May 2005. The museum has also arranged for a shipment of panels from the shuttle Enterprise.

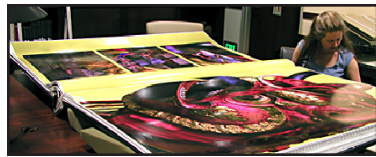
The National Postal Museum acquired John Lennon's childhood stamp album. In addition to more than 550 stamps from around the world, the album's flyleaf bears the name, address, and signature of the young Lennon.



The Arthur M. Sackler Gallery learned in June that it will be the primary recipient of more than 100 Central Asian ikat textiles from Guido Goldman's collection, considered the finest in the world.

A spectacular 16.5 ton fossil of a giant scale-tree (*Lepidodendron*)—the largest ever collected—was donated to the National Museum of Natural History by the University of Iowa. The specimen, showing a large part of an intact crown of the tree, was found in a quarry in Pella, Iowa.

The National Museum of Natural History also received a large and important paleo-Indian collection from the 11,000 year-old Thunderbird Site, near Front Royal, Virginia.



The Smithsonian Institution Libraries received a copy of the world's largest published book from donors Theodore and Barbara Janulis. *Bhutan: A Visual Odyssey Across the Last Himalayan Kingdom* measures five feet by seven feet when open and weighs 133 pounds.

The Hirshhorn Museum and Sculpture Garden recently acquired Miguel Angel Rios's *A Morir ('til Death)*. This 2003 work is composed of three channel black and white video projections formatted on DVD with a sound element.

The National Museum of American History acquired a coral-colored gown with rhinestones that was made for and worn by the pioneering comedienne, Lucille Ball, at the 1965 Emmy Awards.

Focused, First-Class Science

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

On June 16, the European Space Agency successfully deployed the second 20-meter antenna for the MARSIS radar sounder experiment on the Mars Express orbiter. Tom Watters of CEPS and other members of the MARSIS science team are looking forward to working with sounder data.

National Museum of Natural History (NMNH)

Dolores Piperno of NMNH and the Smithsonian Tropical Research Institute was recently elected to the National Academy of Sciences. She is the second NMNH archaeologist (along with Bruce Smith) to be so honored in the past two years.

In an April article in *Nature*, Glenn MacPherson (Department of Mineral Science) and his colleagues document how two of the major planet-forming dust reservoirs in the earliest solar system remained largely separated in time and space until about 2 million years after the birth of the solar system.

DNA samples were collected to help confirm the identity of remains believed to be those of Bartholomew Gosnold, a leader of the Jamestown expedition. NMNH forensic anthropologist Doug Owsley took a small bone sample from the remains of Gosnold's sister in Suffolk, England to compare with a sample from Gosnold's remains.



In *Nature* (March 17), NMNH invertebrate zoologist Dave Pawson, National Oceanic and Atmospheric Administration's Mike Vecchione, and their colleagues refuted an earlier hypothesis that a species of mysterious deep sea worms are an evolutionary intermediate important in the history of the chordates.

National Zoological Park (NZIP)

The second meeting of the Conservation Centers for Species Survival (CCSS) was held April 9-11, 2005 at NZIP's Conservation and Research Center. The CCSS is a consortium of five major facilities that cooperatively apply unique resources to the study and management of wildlife species.

In late May, NZIP research associate Pruthu Fernando satellite-collared another elephant at Yala National Park, Sri Lanka, the third since last October for the Zoo's tracking project, which aims to develop strategies for mitigating human-elephant conflict by adapting land use strategies to elephant movements and habitat requirements.

NZIP post-doctoral fellow Micaela Szykman participated in the release of African wild dogs into Mkhuzi Game Reserve in South Africa in early May. The event was successful with all 13 members of the new Mkhuzi Pack eventually leaving the holding boma in front of onlookers.

Smithsonian Astrophysical Observatory (SAO)

Astronomer Harvey Tananbaum, Director of SAO's Chandra X-ray Center was elected to the National Academy of Sciences on May 3, 2005.

Other SAO researchers honored recently include astrophysicist Hossein Sadeghpour, who was elected a fellow of the American Physical Society; and senior physicist Giovanni Fazio, who was awarded NASA's prestigious Public Service Medal for his efforts as principal investigator on the Infrared Array Camera on the Spitzer Space Telescope.

For the first time, amateur and professional astronomers have teamed up to discover a planet orbiting a distant star. SAO research associate Scott Gaudi was part of the team that discovered the planet by looking for the effect of its gravitational field on light coming to Earth from a star further away.

Smithsonian Center for Materials Research and Education (SCMRE)

An interdisciplinary Smithsonian team from SCMRE, the National Museum of Natural History, and the Office of Exhibits Central went to Mongolia to work on preserving the country's ancient monoliths, called Deer Stones for their depictions of flying "spirit deer".

SCMRE has been invited to work on restoring the Lodge of Retirement within the Forbidden City in Beijing, a rare example of a Chinese emperor's private quarters.



Smithsonian Environmental Research Center (SERC)

Johns Hopkins University Press released a new book edited by Peter Marra of SERC and Russel Greenberg of the Smithsonian's Migratory Bird Center, *Birds of Two Worlds*, that will appeal to ornithologists, evolutionary biologists, and interested general readers.

Smithsonian Tropical Research Institute (STRI)

STRI is expanding its research on animal behavior and evolutionary biology by establishing a Laboratory of Evolutionary Neurobiology and Behavior under the leadership of behaviorist William T. Wcislo.

STRI's Center for Tropical Forest Science (CTFS) held its annual symposium "Forest Dynamics Research Around the Globe," from June 4-5 in Panama. One hundred and twenty specialists from 23 countries attended the event.

The University of Chicago Press has published *Tropical Rainforests: Past, Present, and Future*, edited by STRI deputy director Eldredge Bermingham, STRI postdoctoral fellow Christopher Dick, and Craig Moritz from the University of California at Berkeley.

Management Excellence

New Senior Managers



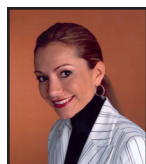
John Berry, currently Executive Director of the National Fish and Wildlife Foundation, will become the new Director of the National Zoo, effective October 1. Berry brings strong management skills and experience in animal conservation issues to his new post.

Anson “Tuck” Hines was appointed as the new Director of the Smithsonian Environmental Research Center. Dr. Hines has served as SERC’s Interim Director for the past three months, Assistant Director for the past 17 years, and Marine Ecologist and Principal Investigator of the Fish & Invertebrate Ecology Laboratory for the past 26 years.



Susan Lubowsky Talbott, former director of the Des Moines Art Center, joined the Office of the Under Secretary for Art in May as its new Director of Program, Policy, and Planning. In her new post, Talbott will work with the directors of Smithsonian art museums to enhance their national and global standing.

Olga Viso, currently Deputy Director at the Hirshhorn Museum and Sculpture Garden, will become its fourth Director on September 1. She succeeds Ned Rifkin, who will concentrate his efforts on his role as Under Secretary for Art.



Pilar O’Leary is the new Director of the Smithsonian Center for Latino Initiatives effective August 22. Prior to joining the Smithsonian, Ms. O’Leary was an executive at Fannie Mae, where she spearheaded several development efforts geared toward the Latino community.

Major Construction and Renovation Projects

The Smithsonian has over a half billion dollars in revitalization and construction projects under way.

Patent Office Building

384,000 gross sq. ft.

\$298 million total estimated project and program cost

- The historic Patent Office Building, home to the Smithsonian American Art Museum and the National Portrait Gallery, will reopen in 2006. The project includes renewal of the 168-year-old building and creation of a 346-seat auditorium, open labs, and storage areas. The physical plant renewal is approximately 85% complete.
- The opening date for the privately funded courtyard enclosure is to be determined. After approving the enclosure at two prior stages, The National Capital Planning Commission (NCPC) disapproved the final design submission at their June hearing, largely due to historic preservation concerns. The Smithsonian submitted a preferred enclosure design, mitigation measures, and the interior landscape design for action at the September 8, 2005 NCPC hearing. The NCPC disapproval and subsequent construction delay are estimated to cost an additional \$8 million to \$10 million.
- The \$298 million total project cost includes \$166 million Federal for revitalization of the original building, \$50 million for the courtyard enclosure and enhancements, and the remainder for exhibits, programs, and support costs. An appropriation of \$44.4 million for fiscal year 2005 completed the Federal funding of the project.



National Museum of American History, Behring Center

771,000 gross sq. ft.

\$85 million total project and program cost



- Progress in the early stages of a comprehensive renovation/renewal of the National Museum of American History, Behring Center continues.
- The \$85 million includes design and construction costs for infrastructure improvements for the central core renovation and Star Spangled Banner exhibit. The Federal contribution to the project is \$4 million for design and \$41.5 million for construction; the remaining amount will be Trust funded.
- Public Space Renewal. Construction for the first package of improvements to public corridors and space surrounding the third-floor east wing gallery was completed in conjunction with the opening of Price of Freedom in November 2004. Schematic design for the entrance pavilions, central core, the Star Spangled Banner exhibit, and the public spaces on the first, second, and third floors was completed in August 2004. The design development phase for the central north-south core of the Museum was completed in March 2005; construction is planned to start in September 2006 and be completed by summer 2008.
- A comprehensive master plan will provide a roadmap for development of the Museum for the next twenty-plus years. Completion of the study is projected by the end of the calendar year.

National Museum of Natural History, Ocean Hall Exhibit

39,000 square feet

\$40.7 million total estimated cost

- The National Museum of Natural History has begun the largest renovation of public space infrastructure in the last 40 years to prepare for the Ocean Hall exhibit. This work is the next major phase of the Museum's renovation master plan. The project involves seven major halls and three retail shops.
- The total estimated cost of the Ocean Hall project is \$40.7 million: \$18.5 million from Smithsonian Federal funding for fiscal years 2002 through 2006, and \$22.2 million from a National Oceanic and Atmospheric Administration grant that has been appropriated and received. The target for opening of the Ocean Hall exhibit is September 2008.

Museum Support Center, Pod 5

119,500 square feet

\$42.7 million total estimated cost

- Design is complete and the construction contract will be awarded in August 2005 for the fifth storage pod at the Museum Support Center (MSC) in Suitland, Maryland. Pod 5 will house most of the collections currently preserved in alcohol at the Natural History building and all of the collections presently housed in Pod 3 at MSC. This will eliminate a major safety concern by removing collections stored in approximately 365,000 gallons of alcohol from non-code-compliant facilities. Congress has provided \$35 million of the total project cost of \$42.7 million through fiscal year 2006.

National Museum of African American History and Culture

- A first phase report documenting information gathered about the four sites designated for consideration by Congress is substantially completed. A second phase report, containing background information and an analysis of the potential sites will be issued in October 2005. The final report will include an analysis of the capacity of each site and will inform the Regents' site selection decision in January 2006.

National Zoological Park

- Significant revitalization of the National Zoo's aging facilities began in 2001 with the renovated Fujifilm Giant Panda Habitat.
- The planned Asia Trail, a Federal/private partnership with more than \$12 million in non-Federal funds raised to date, will upgrade nearly 25% of the Zoo. Asia Trail I will provide a renovated home for the giant pandas as well as new homes for the sloth bears, fishing cats, red pandas, giant salamanders, and clouded leopards. Construction of Asia Trail I is more than 50% complete. The total projected cost of Asia Trail I is \$48.4 million, with \$41.6 million in Federal funds. The fiscal year 2006 Appropriations Act provides \$9 million for Asia Trail and an additional \$5 million for other facilities renewal efforts at NZP.
- The NZP Comprehensive Facility Master Plan will be completed in December 2006.



Permanent Physical Security Barriers—Multi-facility, Mall and off-Mall

\$55 million total project and program cost

- The temporary perimeter security barriers installed after September 11, 2001 will be replaced with permanent barriers more compatible with the Mall environment and the Smithsonian buildings. Planning, design and construction is to be phased over multiple years with Mall facilities taking precedence. The National Air and Space Museum barriers are under construction and completion is projected for March 2006. Mall-wide 35% design is complete and National Museum of Natural History (NMNH) final design is expected in mid-fiscal year 2006.
- Project funding to date has been from \$8 million in Federal anti-terrorism supplements. The fiscal year 2006 Appropriations bill provides \$7.9 million for design and construction of security barriers around NMNH, and an additional \$1 million for facilities planning and design for the National Museum of American History barriers.

Information Technology Update

Enterprise Resource Planning (ERP) System-Financials. Much of the work on ERP Financials was directed toward developing updated training in conjunction with the Office of the Comptroller, implementing automated bank account reconciliation for disbursement accounts, developing customized reports, and performing reconciliations.

Enterprise Resource Planning (ERP) Human Resources Management System. The first three quarters of fiscal year 2005 saw improved system support for processing benefits transactions, labor and employee relations, and expanded workflow, and completion of user training on HRMS reports.

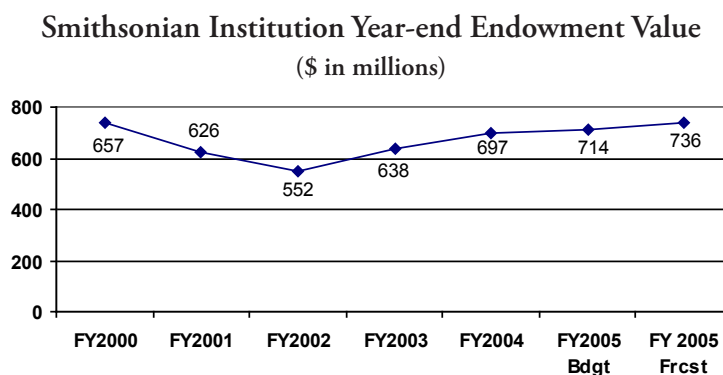
Telephone System Modernization. Through the third quarter of fiscal year 2005, the Smithsonian continued to modernize its telephone system, having now replaced 76 of the 98 mostly obsolete telephone systems.

Desktop Workstation Replacement. The Institution began replacing desktop workstations on a four-year life cycle beginning in fiscal year 2004; it replaced 1,333 obsolete desktop workstations through the third quarter of fiscal year 2005.

Financial Strength

Fiscal year 2005 shows signs of being another solid year financially. The Smithsonian is on track to meet its budget.

The Institution's Endowment has continued to perform satisfactorily during the fiscal year, outperforming the Institution's market benchmark. An important bellwether of the Institution's financial health, the Endowment's market value (including additions to the Endowment) is forecast to exceed budget by \$22 million by fiscal year-end. The total return on the Endowment over the last five years (3.5%) has exceeded the market return (2.1%). At year-end, the Endowment is forecast to total \$736 million.



At fiscal year-end 2005, the Endowment is forecast to total \$736 million, after accounting for the payout, fees and expenses, and additions to the Endowment.

Financial Performance

In final action on the Institution's appropriation for fiscal year 2005, Congress approved less funding than requested and took no action to provide funding for the mandated Federal staff pay raise. In response to this funding shortfall, management imposed a Federal hiring freeze and embarked on a workforce planning process that reduced Federal expenses in fiscal year 2005.

Revenues for fiscal year 2005 are forecast to exceed budget by \$42 million at year-end. This positive budget variance is largely due to an increase in restricted contributions and an increase in Smithsonian Business Ventures' income.

The overall revenue increase is offset by a decrease in Federal revenues reflecting the delays in relocating activities from the Arts and Industries Building and the construction of the new storage facility in Suitland, Maryland; across-the-board reductions in Federal appropriations of 1.4% imposed by Congress after the budget was prepared, resulting in a slower rate of spending of operating appropriations than budgeted; and a slower rate of work performed on contract and grant awards primarily to the Smithsonian Astrophysical Observatory (SAO) from the National Aeronautics and Space Administration (NASA).

Expenses for fiscal year 2005 are forecast to be under budget by \$26 million. This budget variance is due largely to the slower rate of work performed on NASA awards to SAO that affects revenue as well, and the decrease in spending associated with the across-the-board reductions in appropriations imposed by Congress after the budget was prepared. It also reflects a decrease in spending associated with management efforts to limit spending by imposing both a Federal and Trust hiring freeze and conducting a workforce planning process.

A number of notable transactions, which were not anticipated in the budget, contribute to the positive variance in the Institution's forecast. First, the sale of the Bronx, New York, warehouse property used by

the National Museum of the American Indian to house their collection prior to the opening of the Mall Museum and the Conservation Research Center in Suitland, Maryland, netted the Institution \$10.3 million. Second, the Institution netted \$3.2 million as a consequence of the first auction by the National Postal Museum of its revenue stamp collection. Third, the sale of a warehouse property in Fullerton, Virginia, is forecast to net \$6.1 million. Lastly, the Institution forecasts revenue in fiscal year 2005 of \$2.0 million from its plan to assign to a local developer the Institution's "option to purchase" a downtown warehouse in Washington, DC currently used by the Institution for a full range of warehouse activities. Taken together with the Endowment forecast year-end market value for fiscal year 2005, the Institution forecasts an overall increase in its net worth of \$148 million.

Smithsonian Institution Financial Performance for Fiscal Year 2005

(\$ in millions)

	FY2005 Budget	FY2005 Forecast	Variance to Budget
Revenues	898	940	42
Expenses	872	846	26
Endowment Return Reinvested	14	39	25
Other	(8)	15	23
Growth in Net Assets	32	148	116

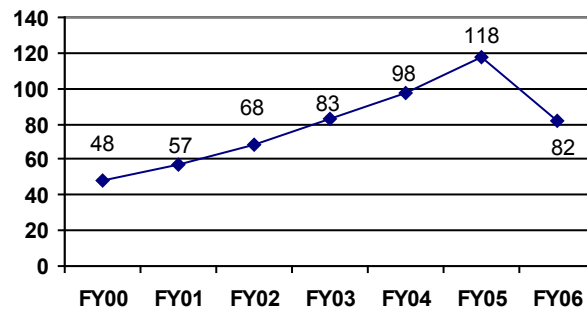
Revenues are forecast to exceed budget by \$42 million, and expenses are forecast to be under budget by \$26 million. Taken together with the Endowment, which out performed the budget by \$25 million, and the proceeds from various real estate transactions, the Institution's growth in net assets exceeded budget by \$116 million.

Financial Summary

The Smithsonian continues to make considerable progress in achieving its stated goals. Funding for revitalization of physical facilities in fiscal year 2005 has achieved an all time high at \$118 million. With one notable exception, on-going major capital projects are on budget and on schedule. The Patent Office Building, home to the National Portrait Gallery and the Smithsonian American Art Museum, is still scheduled to reopen in July 2006, in spite of the ruling by the National Capital Planning Commission that failed to give final approval to the courtyard design.

Unfortunately, the Smithsonian's budget for physical infrastructure remains inadequate, and the appropriation for fiscal year 2006 represents a 31% reduction from fiscal year 2005. The Smithsonian has buildings that range in age from new to more than 160 years old. In more than half of them, the heating and air conditioning systems and electrical distribution systems have served well beyond their useful lives. In May 2005, a report of the Government Accountability Office (GAO) validated the Institution's overall facilities requirement of \$2.3 billion for the nine-year period, fiscal years 2005-2013. Where the 2001 congressionally mandated report by the National Academy of Public Administration (NAPA) established an average annual facilities revitalization funding requirement, the GAO report added institutional maintenance and construction requirements to an updated inventory of required facilities revitalization projects. Without funding of at least \$150 million annually for facility revitalization, the Smithsonian cannot expect to get ahead of the problem of its aged physical plant and securing adequate Federal funds for the revitalization of the Institution's facilities remains the Institution's most pressing financial challenge.

Enacted Funding for Smithsonian Facilities Revitalization
(\$ in millions)



Funding for the revitalization of the Smithsonian's physical infrastructure totals \$118 million in fiscal year 2005, but will decline by 31% in fiscal year 2006.

External Affairs

Through June 30, 2005, the Institution generated \$86.3 million in private support from individuals, foundations, and corporations. This is 14% ahead of last year's total of \$75.8 million for the same period.

The Institution has received 16 gifts of \$1 million or more in the first nine months of fiscal year 2005, totaling \$39.4 million, which compares to 13 gifts and \$28.7 million one year ago.

Fiscal Year 2005's gifts of \$1 million and above to date include:

- \$6 million from the estate of Anne van Biema to the Freer Gallery of Art and Arthur M. Sackler Gallery to fund two endowments previously created by the donor;
- \$6.3 million from the Upton Trust to the Smithsonian Tropical Research Center to endow the Director's position and provide current funds for it;
- \$5 million from an anonymous donor to the National Museum of American History to endow the museum director's position;
- \$5 million from Roger and Vicki Sant to support the Sant Chair in Marine Sciences at the National Museum of Natural History; this gift is in addition to a previous gift of \$5 million received last fiscal year;
- \$3.6 million from the Terra Foundation for American Art to the Archives of American Art to fund a five-year digitization project;
- \$1.9 million from Cessna Aircraft Company to fund the National Air and Space Museum's Explainers program;
- \$1.7 million from the Lemelson Foundation as an education grant for the National Museum of American History;
- \$1.2 million from the Korea Foundation to support the National Museum of Natural History's Korea Gallery;
- \$1.1 million from Morgan Stanley to the National Museum of American History for sponsorship of the exhibition *The Life & Music of Celia Cruz*;
- \$1 million from an anonymous donor for the National Museum of American History for its capital campaign;

- \$1 million from Aflac Incorporated for the new National Museum of African American History and Culture;
- \$1 million from Barbara G. Fleischman to the Archives of American Art to establish the Lawrence A. Fleischman Endowment;
- \$1 million from the Glenstone Foundation to the Hirshhorn Museum and Sculpture Garden; and
- \$1 million from J. Tomilson Hill to the Hirshhorn Museum and Sculpture Garden;
- \$1 million from Mr. Steven F. Udvar-Hazy for construction of Phase II of the National Air and Space Museum's Udvar-Hazy Center; and
- A pledge of an estimated value of approximately \$1 million from Masterfoods USA. The company will donate proceeds of the sale of a collectible candy dispenser to the National Air and Space Museum, and it has made a gift of one third of the production of the dispensers to the Museum for sale in the Museum's shops.

The Contributing Membership has generated more than \$10 million in unrestricted funds through June 30, slightly ahead of last year's comparable figure of \$9.7 million. The James Smithsonian Society has grown from 358 members at the end of last year to 462 at the end of June, a 29% increase. Overall giving by members of the Smithsonian National Board year-to-date is \$11.5 million, a figure which includes gifts, pledges, and payments on pledges.

Smithsonian Business Ventures

Through the third quarter of fiscal year 2005, Smithsonian Business Ventures (SBV) generated \$124.6 million in revenues and contributed a net gain of \$21.6 million, an improvement of 10.8% ahead of budget. The full-year forecast, however, is expected to meet or slightly exceed the \$29.5 million budgeted net gain for fiscal year 2005. Net gain results are from operations and do not include the one-time extraordinary gain of \$5.1 million associated with the early termination of the Institution's affinity credit card program with MBNA.

Overall, SBV performance against budget was impacted by continuing shortfalls in *Smithsonian* magazine advertising revenue growth, which was offset by greater-than-anticipated revenue from Museum Retail operations at the National Museum of the American Indian. While advertising revenue for the Magazine Division fell short of budget (primarily due to overall industry decline in the pharmaceutical advertising market), subscription levels remain strong, and overall revenue per subscriber has increased over last year. Museum Retail Division revenues were ahead of budget, primarily due to greater-than-anticipated sales from SBV's new stores and restaurant at the National Museum of the American Indian (net gain of \$2.1 million over budget.)

Following preliminary approval of business terms by the Board of Regents in May, SBV commenced negotiation of definitive agreements with Showtime Networks, Inc., now a division of CBS Group demerged from Viacom, for the Smithsonian-branded video-on-demand educational programming service.

Major Highlights:

- The new strategic partnership with HarperCollins Publishers (HCP) for trade book publishing has gotten off to a successful start, with the first of approximately 30 new books slated to be released in September of 2005. A new unit of SBV, Smithsonian Books will collaborate with HCP to publish over 75 co-branded reference titles and 25 original non-fiction trade books annually, with HCP assuming all financial risk. The Smithsonian Institution Press backlist of over 250 titles was also successfully transferred to HCP for distribution as part of the new venture.

- A successful transition of The Smithsonian Associates travel tour operation to SBV was effected, with a new President of Travel already fully engaged in the implementation of a plan to turn around the financial performance of the operation. EF Travel, a new partner, was brought in to expand the European land tour segment, which continues to exceed target.
- The new 10,600 square-foot McDonald's restaurant opened in July at the Steven F. Udvar-Hazy Center, offering a full menu and seating for 360.
- Smithsonian magazine took first place honors in the customized website/microsite, consumer magazine category of the 2005 Media Industry Newsletter (MIN) Interactive Awards. The winning promotional campaign, The Most Interesting Person You Know Reads Smithsonian, targeted media buyers and included an interactive website, direct mail, and customized magazine cover wraps.

