



Mud replica of the gate to the city of Djenné, Mali, constructed by Malian masons on the National Mall on the grounds of the 2003 Smithsonian's Folklife Festival.

Report to the Board of Regents

September 2003

EXECUTIVE SUMMARY

The “best of times—worst of times” paradigm continues for the Smithsonian Institution. 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 continue to thrive. Nevertheless, visits, fund raising, and revenues from Smithsonian Business Ventures remain problematic.

This report presents Smithsonian Institution data and highlights for the third quarter (April, May, and June) of fiscal year 2003, and it includes some programs and activities that occurred in July.

PUBLIC IMPACT

VISITS TO THE SMITHSONIAN

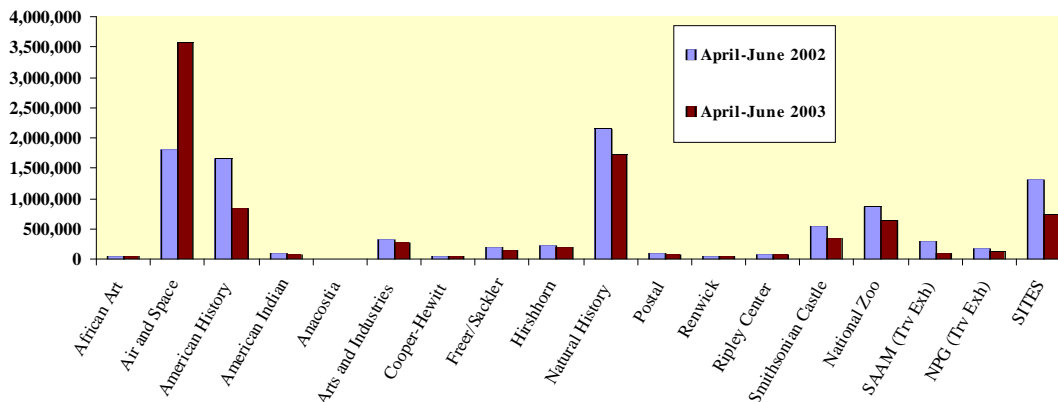
Visits to Smithsonian museums and the National Zoo this spring (April 1 through June 30, 2003) remained essentially flat compared to the same period of 2002. The hoped for rebound of tourism in Washington, DC and nationally has yet to be realized. Visitation levels were 36% below the same (pre-September 11) three-month period of fiscal year 2001.

Visits to Smithsonian museums, the National Zoo, and traveling exhibitions organized by the Smithsonian Institution Traveling Exhibition Service, the Smithsonian American Art Museum, and the National Portrait Gallery totaled 9.1 million during the third quarter of fiscal year 2003: 7.5 million visits to museums; 0.6 million visits to the Zoo; and 1.0 million visits to traveling exhibitions. For the nine months of fiscal year 2003 (October through June 30), attendance was 4% above the same period in 2002 and 29% below the same period in 2001.

Most weeks in April, May, and June 2003 showed small increases over the same weeks in 2002. Some, such as the weeks of April 20 and June 15, saw spikes in attendance of 44% and 40%, respectively. These increases were offset by the first week of April, which had 50% fewer visits than that week in 2002. Uneasiness over the war in Iraq and the Code Orange terror alert, fear of traveling during the outbreak of SARS, unusually persistent cold, damp weather in the DC metropolitan area, and uncertain economic performance were factors influencing tourism at that time.

Visits to Smithsonian Museums and Traveling Exhibitions

April to June, Fiscal Years 2002 and 2003



*Visit statistics do not include the American Art Museum and National Portrait Gallery, which were closed for renovation but do include their traveling exhibitions.

During this reporting period, the National Air and Space Museum continued to enjoy an attendance boom with 3.6 million visits in April, May, June – up 98% over the third quarter of 2002 and up to 70% for the first nine months of the year versus 2002. Compared to the same period in 2001, NASM is up 7% in 2003. The Cooper-Hewitt, National Design Museum, which opened its second *National Design Triennial* on April 22, saw a 20 percent increase in visits in April, May, and June over those months in 2002. And at the Renwick Gallery of the Smithsonian American Art Museum, the popularity of the exhibitions *Light Screens: The Leaded Glass of Frank Lloyd Wright* and *George Catlin and His Indian Gallery* was reflected in a 28% rise in attendance over the same three-month period of 2002.

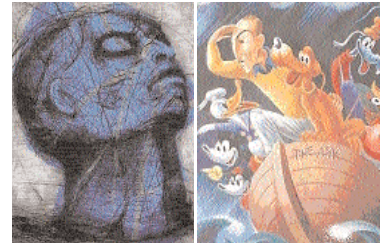
VIRTUAL ATTENDANCE

The Smithsonian’s web presence has expanded dramatically in a short period of time. Three years ago, there were half as many visits on the web as in the museums. Now, the Smithsonian gets 150% of its museum visitation on the web. The 19.3 million visitors logged during April, May, and June exceeds the 15.5 million web visitors recorded in the corresponding three-month period of a year ago, representing a 19.4% increase in visitors over the same time period in 2002.

- The National Museum of American History, Behring Center won two out of three MUSE Gold Medals for History and Technology, awarded at the American Association of Museums annual conference in Portland on May 19, for its web sites: *Invention at Play* and *September 11th: Bearing Witness to History*.
- The Freer and Sackler Galleries (FSG) launched its online collection with over one thousand objects. This section of the FSG web site (www.asia.si.edu) has already become a popular spot, with over 4,000 visits per day since it was introduced on April 8.
- The National Postal Museum redesigned and expanded its web site and is attracting more than 50,000 unique visits a month, an increase of 280% over the old web site. In addition, educators and students are downloading more than 3,000 curriculum materials a month.
- Hailed as a “crisp, stylish tribute to girl power,” the online exhibition, *Women of Our Time: Twentieth Century Photographs from the National Portrait Gallery*, received multiple web awards in April and May including “Yahoo! Pick of the Day,” “Exploratorium: Ten Cool Sites,” and “CEOExpress.com great sites archive.”
- The National Museum of the American Indian’s live web cam (www.nmaicam.si.edu) provides the public with “real-time” access to its construction site on the National Mall. Visitors can click to control the on-site camera, which can pan and zoom in on every corner of the site.
- The Smithsonian American Art Museum web site, *Campfire Stories with George Catlin: An Encounter of Two Cultures* (<http://CatlinClassroom.si.edu>), received the American Association of Museums 2003 Gold Medal MUSE Award and was named Best Educational Web Site for 2003 by Museums and the Web.
- On April 25, the Smithsonian Center for Latino Initiatives unveiled its fourth Latino Virtual Gallery online exhibition: *Lowrider: An American Cultural Expression*, at a public program featuring scholar Christopher Britt-Arredondo from George Washington University, poet Levi Romero from New Mexico, and artist Gilbert Magu Lujan from California.
- The Smithsonian Institution Library web site includes four new displays in “SIL On Display” (<http://www.sil.si.edu/ondisplay>), a series of brief exhibitions designed to attract public attention



to the variety of the Library's holdings. *Archive of African Artists* highlights the 2,000+ files on contemporary African artists in the National Museum of African Art Library. *Celebrity Caricature* explores the 80 issues of Vanity Fair as well as the Raymond W. Smith Collection of Caricature and Cartoon Books of over 500 items in the Smithsonian American Art Museum/National Portrait Gallery Library. *Drawing from Life: Caricatures and Cartoons from the American Art/Portrait Gallery Collection* draws attention to the substantial number of cartoon and caricature books in that library. *The Making of a Homemaker* includes images from 19th century works on sustaining a home and healthy family, housed in both general and special collections.



EXHIBITION HIGHLIGHTS

Very exciting programmatic activity continues to take place, 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. Approximately 1.1 million visitors attended the Festival. U.S. visitors could trace their Scottish heritage in the *Scotland at the Smithsonian* program, which also presented a contemporary view of Scotland featuring oil field workers and a re-creation of the 9th hole from the fabled St. Andrews golf course. The Appalachia program celebrated the 75th anniversary of the famous “Bristol Sessions” which launched country music across the U.S. *Mali from Timbuktu to Washington* featured some of Mali’s internationally renowned musicians as well as brought the very best of the country’s textile, basketry and jewelry artists. One dozen traditional builders from Mali constructed extraordinary mud structures on the Mall including a re-creation of the massive gate in Djenné.

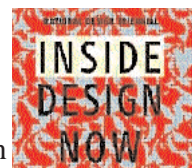
Isamu Noguchi and Modern Japanese Ceramics opened in the Sackler Gallery on May 4. Japanese American artist Isamu Noguchi, internationally recognized for his sculpture, furniture, and public installations, created ceramics only during three short sojourns in Post-WWII Japan, where he joined Japanese ceramic artists in exploring issues of personal and national identity through the medium of clay. This first major museum presentation of Noguchi's ceramics brings together 38 of his works with 36 works by nine leading Japanese artists.



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



The Cooper-Hewitt, National Design Museum opened *National Design Triennial 2003: Inside Design Now* on April 22. Inaugurated in 2000, the *National Design Triennial* is a review of cutting-edge trends and future horizons in the fields of design



practice, from architecture, interiors, and landscape design to product design, graphic design, fashion, and new media. The exhibition includes the work of eighty designers operating at the most innovative and provocative level in design today.



Gyroscope, a museum-wide celebration of the Hirshhorn Museum and Sculpture Garden's permanent collection, replaces a schedule of temporary exhibitions from May 19 through January 4, 2004. The exhibition encompasses nearly 40 different thematic and solo installations that encourage visitors to experience modern and contemporary art from a variety of perspectives. *The Washington Post* art critic

Blake Gopnik enthusiastically reviewed *Gyroscope* in the Sunday, July 20 *Arts* section along with a four-page spread of color images.

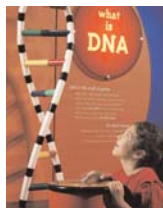
Art of the Stamp, which opened July 30 at the National Postal Museum, presents 100 original works of art from the collection of the United States Postal Service that were the models for some of the nation's most popular stamps. The exhibition spans more than 40 years of stamp history, from 1960 to 2003, and pays tribute to the contributions of 55 artists and designers, whose captivating and diverse images reflect the nation's history and social changes.



The Fabric of Moroccan Life opened at the National Museum of African Art on June 6. It is the first exhibition at the Museum to focus exclusively on the tradition of beautiful embroideries, textiles, and jewelry from the Kingdom of Morocco, located in Africa's northwestern region. The 67 works were selected from the Indianapolis Museum of Art's vast collection, begun in 1933 with a gift from the Niblack family of their entire collection of textiles, accumulated from Morocco and other countries around the world.



Genome: The Secret of How Life Works opened in the Arts and Industries Building on June 6. The interactive exhibition explores the mysteries of the human gene, why the genome is being mapped, and the potential benefits of gene research, including preventing and curing diseases, living longer, solving crimes, and producing better food and drugs. The exhibition is sponsored by Pfizer and produced by Clear Channel Entertainment in collaboration with the National Institutes of Health, National Human Genome Research Institute, and Whitehead Institute Center for Genome Research.



Changing the Face of Power: Women in the U.S. Senate opened in the Arts and Industries Building on May 22. With their bi-partisan teamwork, compassion for social issues, coalition building, and unique tools for lawmaking, women are laying a foundation for a new type of politician. More than 30 black-and-white photographs are featured in this photo essay by photojournalist Melina Mara, who has captured unique behind-the-scenes images of one former and 13 current women senators at work on Capitol Hill.



Continuum: 12 Artists opened at the National Museum of the American Indian George Gustav Heye Center on April 26. The exhibition presents new work in diverse media by 12 contemporary Native American artists in a series of six paired shows, opening with Kay WalkingStick (Cherokee) and Rick Bartow (Yurok). According to *ARTnews* magazine, both artists "make effective use of the idea of duality in their paintings, which seem to compress history, time, and memory."



RICK BARTOW

A new *Bald Eagle Refuge Exhibit* opened at the National Zoological Park on July 2. The exhibit is the result of a partnership between the Zoo and the U.S. Fish and Wildlife Service. A public celebration was held on Independence Day to show off the two rescued bald eagles and their modern exhibit, which includes a 1,250 square foot habitat and multi-media interpretive elements.



Seasons of Life and Land, Photographs by Subhankar Banerjee opened at the National Museum of Natural History on May 2. In documenting the biodiversity and indigenous cultures of the Arctic National Wildlife Refuge in Alaska, Banerjee produced a collection of extraordinarily beautiful photographs of this grand wilderness. A brief controversy occurred as a result of the Smithsonian's decision not to permit the use of proposed captions under the photographs that constituted advocacy of a political position. Secretary Small explained the Institution's position in testimony before the Senate Rules Committee. Subsequently, little more has been heard about the matter.



Getting the Picture: The Art of the Illustrated Letter (Part II) opened April 18 at the New York Research Center of the Archives of American Art. The exhibition showcases 71 illustrated letters from the Archives' collections including thank-you notes, love letters, and lively reports on current events that pair words and images in the senders' distinctive styles. The exhibition closes October 10.

NATIONAL OUTREACH

The Office of National Programs continued to advance the capabilities of the *Smithsonian Across America* outreach database. In July, it demonstrated prototype reports to central offices such as the Office of Government Relations, Special Events and Protocol, Public Affairs, and External Affairs, which rely on the ONP units for information vital to their operations. When implemented, the database will exponentially increase the ability to coordinate and plan for Smithsonian-wide outreach activities.

Smithsonian Affiliations. During the third quarter of fiscal year 2003, Smithsonian Affiliations welcomed its first Affiliate in the state of Indiana – the Art Museum of Greater Lafayette – bringing the total to 130 Affiliates in 38 states, the District of Columbia, Puerto Rico, and Panama.

June 9-11 marked the fifth annual Smithsonian Affiliations National Conference, with 135 participants representing 71 Affiliates. The June 10 Congressional Reception held in conjunction with the conference in the Russell Senate Caucus Room attracted 50 Capitol Hill attendees, including Senators Thad Cochran, Daniel Inouye, Frank Lautenberg, John Reed, Paul Sarbanes, and Ted Stevens and Representatives Bill Jenkins, Jim McCrery, Brad Miller, and Jerry Moran.

In addition to the national conference, there were 29 major Affiliate events and activities during the quarter. Local and regional officials attended the implementation ceremony and exhibition opening at the Lakeview Museum in Peoria, Illinois, on June 27. On June 28, Senator Charles Grassley, Representative Jim Nussle, and Governor Tom Vilsack attended the Affiliations implementation ceremony and grand opening of The National Mississippi River Museum and Aquarium in Dubuque, Iowa.



Secretary Small and Under Secretary Evans with Senate Appropriations Committee Chairman Ted Stevens at the Affiliations Congressional Reception.

The Smithsonian Associates. In April, May, and June 2003, The Smithsonian Associates created 465 different educational programs designed to reach learners of all ages. Its programs occurred in 25 states and the District of Columbia, as well as in 24 countries.

The Resident Associate Program had a special focus on Scotland that provided a rich context for the Scotland program at the Folklife Festival. In partnership with Visit Scotland, the Scottish national tourist board, the Smithsonian offered nearly 40 courses, seminars, lectures and performance events covering historic figures from Adam Smith to John Muir, and matters Scottish from the Picts to Charles Rennie Mackintosh.

Discovery Theater finished its 2002-2003 season with *The Magical, Mystical Chinese Lion Dance* and *Willow Girl*, two shows celebrating Asian Pacific Heritage month.

Thanks to funding from the Ford Motor Company Fund, *Smithsonian Scholars in the Schools* visited Cleveland and Oklahoma City, reaching over 5,000 people. Six Smithsonian scholars made a total of 51 presentations, covering such topics as African and African American folktales, forensic anthropology, environmental science, American art, and Latino history.

During the third quarter, Smithsonian Journeys operated 52 tours in the U.S. and around the world and 51 tours in the DC area for Resident members. Highlights of the international journeys included *The Arts and Crafts of Japan*, which brought travelers to the studios of superb Japanese artisans, and *Italian Automobile Design and History*, where participants visited the world's premier automobile design studios and factories, including Lamborghini, Fiat, Alfa Romeo, and Monza.

Smithsonian Institution Traveling Exhibition Service. During the third quarter of fiscal year 2003, the Smithsonian presented 50 exhibitions at 83 locations in 34 states and the District of Columbia.

Key Ingredients: America by Food, the newest exhibition from Museum on Main Street, a partnership of the Smithsonian and state humanities councils, delves into the historical, regional, and social traditions of everyday meals and celebrations of the American table. Through a selection of artifacts, photographs, and illustrations, the exhibition examines how culture, ethnicity, class, landscape, and tradition influence the foods and flavors we enjoy across the nation.



July 1942: United We Stand premiered at the Gerald R. Ford Museum in Grand Rapids, Michigan on Independence Day. In March 1942, the National Publishers Association called upon its members to feature the flag and patriotic themes on the covers of issues available on July 4, 1942. The exhibition, developed by the National Museum of American History, Behring Center, features 88 original magazine covers.

In the Spirit of Martin: The Living Legacy of Dr. Martin Luther King, Jr. was on view at the Smithsonian's International Gallery May 15-July 27. The Smithsonian and PepsiCo hosted an opening reception on the evening of May 14 that was attended by 770 people. The speakers were Secretary Small, Rep. John Lewis, and Steven Reinemund, Chairman and CEO of PepsiCo Inc.

The Smithsonian Center for Education and Museum Studies implemented the first meeting of the Smithsonian Education Task Force on July 17-18. Daniel Fallon, Chair of the Education Division at the Carnegie Corporation, facilitated the task force meeting; the closing session was broadcast live via webcast at <http://www.smithsonian.tv/education>. Task force members include

national leaders from museums, universities, foundations, and the media, as well as Smithsonian senior staff.

The Smithsonian formed the Smithsonian Council of Education Directors, representing over 25 Smithsonian units, which meets monthly to work on long range planning for education at the Institution. In May, Council members developed a first draft of an education mission statement for the Smithsonian, as well as a list of goals that would lead to fulfillment of that mission.

The Institution's new central education web site (<http://www.smithsonianeducation.org>), *Smithsonian Education*, features information and resources for educators, students and families. The site has been soft launched and is now being tested and evaluated by staff, teacher focus groups, and other stakeholders.

OTHER TRAVELING EXHIBITIONS



The Anacostia Museum's exhibition, *Reflections in Black: Smithsonian African American Photography*, continued its 25-stop national tour with stops in two states and four museums including the Frist Center for the Visual Arts in Nashville, Tennessee and the Oakland Museum of Art in Oakland, California.

Highlights from the Smithsonian American Art Museum, five new traveling exhibitions featuring the Museum's collections of African American art, landscape photography, 20th century drawings, contemporary crafts, and early American quilts, began a 25-stop tour in April. *Highlights* exhibitions have already visited The New-York Historical Society; The Cheekwood Museum of Art in Nashville, Tennessee; and the Harn Museum of Art in Gainesville, Florida.



EDUCATION HIGHLIGHTS

160 educators and designers attended the Cooper-Hewitt, National Design Museum's **Summer Design Institute**, July 14 to 18. Participants included K-12, museum, and community educators, architects, designers, and *Design Directions* high school students. Keynote and workshop presenters represented an international roster of best practices in design education. *A City of Neighborhoods: Bridging School and Community*, an intensive component of the Summer Design Institute, explored Manhattan's Lower East Side with an emphasis on waterfront development, sustainability, and community advocacy.

From May 25 to June 2, Smithsonian Environmental Research Center Ecologists Ilka Feller and Catherine Lovelock conducted a course in *Biocomplexity of Mangrove Ecosystems* for undergraduate students and professors from the University of Puerto Rico's Louis Stokes Alliance for Minority Participation program. The course was conducted at Magueyes Island Marine Laboratories in Isla Mayagüez, Puerto Rico.

The fourth **Anacostia Museum Summer Academy**, a partnership with two local churches and a community center, had a record-breaking 150 students, aged 7-14, this summer. Working under the theme "Ourselves, Our Families, and Our Community," Museum staff led students in learning to conduct oral history interviews, research the lives of community residents who played key roles in local history, write autobiographical songs, use digital photography and the internet in research and documentation, and create a mural featuring milestones in Anacostia history.

On June 18, the National Museum of American History hosted 25 students as part of its annual partnership with the **National History Day Competition**. The students, all winners at the state level,

presented their work for visitors and staff on the theme of “Rights and Responsibilities in History” in the form of tabletop exhibits and 10-minute dramatic performances.

SMITHSONIAN EVENTS

Dr. William W. Fitzhugh, Director of the Arctic Studies Center and Chair of the Department of Anthropology at the National Museum of Natural History, was selected to receive the 2003 Secretary’s Distinguished Research Lecture Award. Dr. Fitzhugh has consistently been at the leading edge of archaeological and paleo-ecological research in the eastern Arctic. He has long championed interdisciplinary and international exhibits and outreach. Dr. Fitzhugh is the fourth recipient of this important Smithsonian honor.



Three students from Junior Statesmen of America interviewed former President Jimmy Carter in a “town hall” format moderated by National Portrait Gallery Director Marc Pachter at The Jimmy Carter Presidential Library and Museum in Atlanta on April 10. The event was held in conjunction with the Portrait Gallery’s exhibition, *Portraits of the Presidents*, on display at the Carter Library through May 11.

In April, Barro Colorado Island in Panama, which is managed by the Smithsonian Tropical Research Institute, celebrated its 80th anniversary as a biological reserve. The 3,865-acre tract was created during the construction of the Panama Canal. In 1923, the Governor of the Canal Zone granted a group of entomologists’ petition to make Barro Colorado one of the first protected tropical rain forests in the New World. In 1946, Congress designated the Smithsonian as its custodian.

COLLECTIONS HIGHLIGHTS



The Sackler Gallery was designated as the beneficiary of a major collection of Japanese prints from the estate of Robert O. Muller. Muller, who died on April 10, 2003, at the age of 91, assembled a collection over a period of 70 years of more than 4,000 mid-19th to mid-20th century Japanese prints. Internationally exhibited and widely published, the Muller collection, which is estimated to be worth between \$5 and \$10 million, has long been regarded by art historians, collectors, and curators as the finest of its type in the world.

In 1989, Air France signed a letter of agreement to donate a Concorde to the National Air and Space Museum upon the aircraft’s retirement. On June 12, the airline honored that agreement, donating *Concorde F-BVFA* at the completion of its last flight to Dulles International Airport. The Concorde, the first supersonic airliner to enter service, flew thousands of passengers across the Atlantic at twice the speed of sound for over 25 years. High operating costs and a shrinking market eventually forced a reduction of service with all Concorde’s now being retired in 2003. It is expected that British Airways will also donate a Concorde (the Air France one will be inside the Museum; British Airways’ will be outside).



FOCUSED, FIRST-CLASS SCIENCE

SCIENCE STRATEGIC PLAN

On July 7, Under Secretary for Science Evans provided an overview of the strategic planning process for Smithsonian Science, which began in June and will continue through December 2003. The presentation was transmitted as a webcast to Smithsonian staff from Baird Auditorium in the National Museum of Natural History. At the end of the presentation, Dr. Evans answered questions from the audience and webcast viewers sent via email to a designated intranet site.

SCIENTIFIC ACHIEVEMENTS

National Museum of Natural History (NMNH)

- Archaeology curator Bruce Smith was elected to the National Academy of Sciences on April 29, one of the highest honors awarded in the sciences. Smith's research on the archaeology of the Southeastern United States led to the major scientific discovery that, like Mexico and South America, the Eastern United States was an independent center of agricultural origins.

National Zoological Park

- A partnership between the National Zoo, the Nashville Zoo, the Thailand Zoological Park Organization and the Clouded Leopard Species Survival plan resulted in the first litter of clouded leopard cubs at Thailand's Khao Kheow Open Zoo. These births confirm that the improved diet, husbandry, and housing developed in consultation with National Zoo biologists are important for clouded leopard reproduction.

Smithsonian Astrophysical Observatory

- One of the most revolutionary discoveries of recent science has been the astronomical observation that our universe is accelerating its outward expansion. Astronomers from the Harvard-Smithsonian Center for Astrophysics now report apparent confirmation of this phenomenon from galaxies so far away that their light has been traveling towards us for about eight billion years. Even more significantly, the new findings imply that the acceleration currently observed began relatively recently, reversing a previous slowdown in the expansion of the universe.



Schematic concept of the history of the universe, showing (with cosmic time proceeding from left to right) its beginning in the Big Bang and its current state, filled with galaxies (Credit: Dana Berry.)

- *The New York Times* on April 8 featured a lengthy article on the Space Infrared Telescope Facility, NASA's next "Great Observatory," scheduled to be launched in August. Smithsonian astronomers are responsible for one of the facility's three research instruments – a camera that will take dramatic, four-color infrared images of regions of space that are dust obscured, and therefore inaccessible even to the Hubble Space Telescope.

Smithsonian Center for Materials Research and Education

- Smithsonian conservation scientists are assisting in the preservation of 1949 "Blacklight" murals in The Alameda Theatre in San Antonio. The murals were painted in florescent paints, resulting in a spectacular, glowing three-dimensional appearance under ultraviolet illumination. In February and July 2003, a visual assessment of the paintings, spot cleaning tests, and sampling were done by senior paintings conservator Jia-sun Tsang to determine the method the artist used to achieve the stunning effect and assist with future maintenance and reconstruction.

Smithsonian Environmental Research Center

- The National Science Foundation approved the proposal of plant ecologist Dennis Whigham and post-doctoral fellow Melissa McCormick: “Orchid-fungal interactions – a system for testing hypotheses about the ecological role and distribution of mycorrhizal fungi in affecting plant distribution.” The three-year collaborative project will receive \$500,000, with \$300,000 going to SERC as the lead institution.

Smithsonian Tropical Research Institute

- STRI staff scientist Mary Jane West-Eberhard was awarded the 2003 Sewall Wright Award at the American Society of Naturalists banquet in June. The Sewall Wright Award was created in 1991 and has been described as “the ultimate in peer review for an established evolutionary biologist.” West-Eberhard received wide acclaim from the science community for her book, *Developmental Plasticity and Evolution*, published by Oxford University Press in 2003.

MANAGEMENT EXCELLENCE

SMITHSONIAN MANAGEMENT

Several new outstanding leaders have joined the Smithsonian while other staff have departed from the Institution during the third quarter of fiscal year 2003.

- **Anna Escobedo Cabral** became Director of the Smithsonian Center for Latino Initiatives on July 21. 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.
- **Lambertus van Zelst** retired from his post as Director of the Smithsonian Center for Materials Research and Education on July 31. Dr. van Zelst guided the Smithsonian’s Conservation Research Laboratory for 19 years.
- **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 Wallace**, Director of the Office of Imaging and Photographic Services, retired on May 2 after 29 years of service to the Smithsonian. During Mr. Wallace’s tenure, the Smithsonian established its 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., an infrastructure management firm. He retired from the U.S. Army after a 30-year career where he achieved the rank of Brigadier General.

INFORMATION TECHNOLOGY UPDATE

Enterprise Resource Planning System (ERP). The Institution 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, and is currently customizing financial reports to meet its needs. The Institution did not begin work on additional ERP software modules until April 2003 due to the lengthy Continuing Resolution and uncertainty about fiscal year 2003 funding. The overall project will still be completed in fiscal year 2005.

Telephone Modernization. The Smithsonian began implementing a modern telephone system in February 2003 that will reduce costs, improve reliability, and provide for growth. The Institution's telephone network consisted of 77 mostly obsolete telephone systems and about 10,000 telephone lines. The cable plant infrastructure for voice services has not kept pace with industry standards and parts of it are more than 50 years old. The Institution upgraded the data network backbone switches to provide full redundancy and support voice traffic in February 2003 and deployed digital telephones at the National Air and Space Museum on the National Mall, the National Air and Space Museum's Steven F. Udvar-Hazy Center near Dulles, the Freer and Sackler Galleries, and the Hirshhorn Museum and Sculpture Garden. Work is now under way to replace the telephone systems at the National Museum of American History, Behring Center. Ultimately, the telecommunications infrastructure will support voice and data on a single network.

MAJOR CONSTRUCTION AND RENOVATION PROJECTS

The Smithsonian has over \$1 billion in revitalization 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

332,000 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.
- \$92.6 million in Federal funds and \$23.2 million in private-sector funds remain to be raised to complete the initiative. The fiscal year 2004 request of \$48 million is under consideration by Congress.
- The project includes renewal of the 166-year-old building, a 350-seat auditorium, open labs and storage areas, and a glass enclosed courtyard. Congress authorized the courtyard enclosure, and planning for the design competition is under way. Procurement is set to begin in mid-September so that construction can be completed by January 2006.
- Non-historic and hazardous materials removal and preservation of the historic fabric is complete. Window replacement and cleaning/repair of the stone facade is 84 percent complete.
- 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 57% complete and remains on time and with the budget established in January 2001.
- Stone fabrication and installation are on schedule. The west side stone is virtually complete. Window receptors and tube supports are being installed. The main roofing is complete. Interior partitions, ductwork, piping, and conduit installation is on-going. 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 will open in December 2003 – two days before the 100th anniversary of the Wright brothers first flight.
- \$8 million in Federal funds and \$98 million in private-sector funds remain to be raised to complete the entire initiative.
- Phase I of the Center, which contains all the exhibition space and public amenities, is nearly 90% complete and will open with over 100 aircraft, spacecraft and aviation and space artifacts. Beneficial occupancy of the main hangar occurred in March and 61 aircraft (21 hanging) are already in place, including the Enola Gay.
- The completed Phase I complex will include the aviation hangar, a space hangar, observation tower, large-format theater, education center, flight simulators, and a food court. Phase II entails building a restoration hanger and library with archives space.
- The haul road from the airport is complete, the parking lot is nearly complete, and the Route 28 access ramp is under construction. Mechanical, electrical, and plumbing work continues on boilers and chillers in the central utility plant. The main hangar is occupied and interior fit-out is well under way. Space Hangar steel trusses are complete, HVAC ductwork is 70% complete, sprinklers are 85% installed, metal siding is nearly complete, and the glass has been installed on the west, south, and east side. A major portion of the roof has been installed on the Space Hangar.
- The carpet is being installed in the theater and fabric panels are on site for installation. Also, a major portion of all terrazzo installation has been placed in the fuselage, theater entrance, and amenities area.

National Museum of American History, Behring Center

752,000 gross sq. ft.

\$200.0 million total estimated cost

- The National Museum of American History, Behring Center is in the early stages of renovation/renewal.
- The estimated total Federal funding is \$52 million; \$8.1 million was requested for fiscal year 2004, with the remainder in out-years. A number of large gifts and agreements permit planning for several exciting exhibits as well as for extensive renovation of the building.
- *Public Space Renewal.* The new Director has modified proposals to simplify core renovation and bring the project within projected funding.
- *America on the Move.* The \$25 million exhibition will open in the new General Motors Hall of Transportation in November 2003. Exhibition fabrication and artifact installation are under way with completion set for October.
- *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 and design is under way. The construction contract is due for award in November 2003.
- *The Star-Spangled Banner.* The Star-Spangled Banner preservation is under way and on schedule. The conceptual design for the display of the preserved flag is under way. The exhibit will open in 2006.

NATIONAL ZOOLOGICAL PARK

Zoo Director Dr. Lucy Spelman is responding to the American Zoo and Aquarium Association's (AZA) List of Concerns and an AZA mentor from the accreditation panel is counseling the Zoo through this period. An action plan has been developed, staff is working through the identified items in preparation for the March 2004 hearing, and progress has been made in addressing many of the long-standing issues.

In June, at the direction of Congress, the Smithsonian contracted with the National Academy of Sciences to review the Zoo's animal care and management practices. A committee has been appointed and is chaired by Dr. R. Michael Roberts. The first committee meeting was held August 27-28, 2003.

Significant revitalization of the National Zoo's aging facilities began in 2001 with the renovated *Fujifilm Giant Panda Conservation Habitat*. The planned *Asia Trail*, a Federal-private partnership with \$12 million in non-Federal funds raised to date, will upgrade 25% of the Zoo, provide a new home for the sloth bears, and expand space for the elephants; construction is scheduled to begin in 2004. The newly renovated Mane Restaurant, the only indoor eating facility in the Park, will open fall 2003. *Kids' Farm* construction began in early 2003 and 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 next spring. Renovation is complete on many smaller exhibit projects, including the Komodo dragon yard, Lemur Island, the Mexican wolf exhibit, and a new exhibit on Bald Eagles produced in partnership with the U.S. Fish and Wildlife Service.

FINANCIAL STRENGTH

With three quarters of fiscal year 2003 completed, the long-awaited economic recovery appears to be in the offing. Nevertheless, while many leading economic indicators are showing gradual improvement, there is little to suggest that the nation will experience a marked rebound in tourism anytime soon. American households are still reacting to a loss of personal wealth due to the decline in the stock market and recent improvements in the economy did not prevent the unemployment rate from hitting 6.4 percent in July, the highest rate in nine years.

The uncertain economic picture continues to produce a significant challenge for the Smithsonian. Tourism in the Washington, DC metropolitan area has yet to return to fiscal year 2001 levels. Inadequate levels of museum visitation and the slow economic recovery in fiscal year 2003 has resulted in a reduced level of Trust fund revenues. The decline in philanthropic giving in general and drop in large unrestricted gifts in particular continue to highlight the importance of the support that the Smithsonian receives from the Federal government.

In this environment, the Smithsonian continues to have much to be proud of. More than \$1 billion in work on facilities projects is under way across the Institution. Notably, the construction projects for the National Air and Space Museum's Steven F. Udvar-Hazy Center and the National Museum of the American Indian are on budget, as projected in January of 2001. Public support and private contributions have given both projects considerable momentum, and both new museums will open on time. The renovation of the historic Patent Office Building is also under way with a planned opening in fiscal year 2006. The Institution enjoys unprecedented support from Congress, as evidenced by its appropriations success over the last two years, and it continues to accomplish its mission and welcome millions of visitors.

However, notwithstanding the Congressional commitment, two years after the publication of the National Academy of Public Administration (NAPA) report detailing the neglected state of the Institution's physical infrastructure, the Institution's revitalization program remains inadequately funded. While the Institution successfully secured a near doubling of Federal funding for the revitalization of its infrastructure excluding construction (from \$44 million in fiscal year 1999 to \$83 million in fiscal year 2003), there is much more to do to get to the \$150 million per year in Federal support that NAPA recommended. Management remains committed to the revitalization of the Institution's physical infrastructure. Securing adequate Federal funding and sustaining support for it over the long-term remains an enormous challenge.

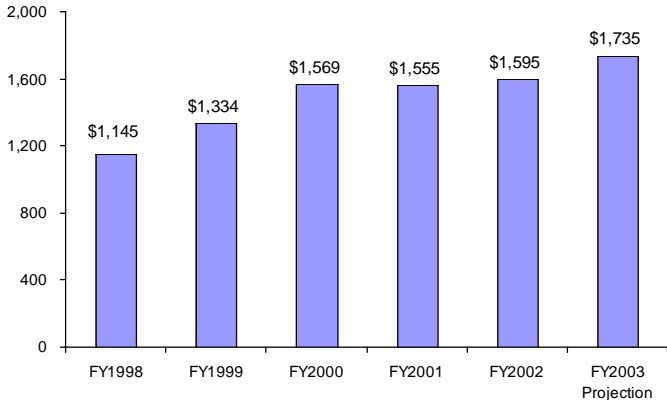
FINANCIAL POSITION

While the weak economic recovery during the first half of the year soured the fund-raising environment, the performance of the stock market in the third quarter has been strong. The Institution expects to increase its net worth in fiscal year 2003 by \$140 million, an increase over the prior year of almost 9%. The Smithsonian's net worth (or net assets) reflects the combined value of the Institution's Endowment, investments, building and equipment, and outstanding pledges minus its liabilities.

The Smithsonian's net assets grew in fiscal year 2002 by \$40 million, to nearly \$1.6 billion, and are projected to grow to a total of \$1.7 billion in fiscal year 2003. The historic pattern of growth in the Institution's net assets is shown in the following graph.

Taken together, the net assets of the Institution are projected to grow by \$140 million, for a total of \$19 million more than budgeted. As shown in the following table, with three quarters of the fiscal year completed, the valuation of the Institution's Endowment is projected to exceed the budget at year-end by \$32 million due to the strong third-quarter performance of the stock market. Additionally, asset growth in the “Smithsonian Buildings and Equipment” category has been stronger than planned by \$44 million.

Smithsonian Institution Growth in Net Assets—Fiscal Years 1998-2003
(\$ millions)



The Smithsonian's net assets grew in fiscal year 2002 by \$40 million and are projected to grow by \$140 million in fiscal year 2003 to a record total of \$1.735 billion.

FISCAL YEAR 2003 FINANCIAL ACTIVITY

Fiscal year 2003 has posed some serious challenges to the Smithsonian as a result of the continued threat of domestic terrorism, the SARS scare, the sniper case, bad weather, the Iraq War, the sluggish economy, and their combined impact on museum visitation, private-sector fund raising, and the Federal budget environment.

Smithsonian Institution Financial Position

(\$ millions)

	Fiscal Year 2003 Budget	Fiscal Year 2003 Forecast	Variance FY2003 Forecast to Budget Increase/ (Decrease)
Federal Deposits	230	228	(2)
Endowment	578	610	32
Other Investments	54	30	(24)
Smithsonian Buildings and Equipment	1,000	1,044	44
Outstanding Pledges	261	230	(31)
Other	123	123	--
Total Assets	2,246	2,265	19
Liabilities	530	530	--
Net Assets	1,716	1,735	19
Total Liabilities and Net Assets	2,246	2,265	19

Strong asset growth in “Smithsonian Buildings and Equipment” and “Endowment” are driving the increase in “Net Assets.”

The financial strength of the Smithsonian Institution is affected directly by the strength of the overall economy and museum visitation. The effect of a drop in planned visitation on the Institution in fiscal year 2003 is reflected in business revenues. The net effect of significantly lower sales volume in the museum stores, restaurants, and theaters has been a decline in projected net business income compared to the budget. This decline has a direct impact on unrestricted Trust funds available to the rest of the Smithsonian.

To bring the unrestricted Trust budget into balance, management has taken proactive steps to restructure operations. Core programs and critical administrative services have been scaled back. Unrestricted Trust spending has been reduced by a total of \$23.5 million to date in fiscal years 2002 and 2003. Since 2001, approximately 10% of the Trust-funded staff has been dismissed.

The following table provides a projected year-end statement of the Institution’s financial activity compared to the budget.

The table shows a projected operating deficit of \$57 million, a negative budget variance of \$61 million due almost entirely to an underestimate of spending of previously raised restricted Trust funds inadvertently excluded from the budget. On the non-operating side, the Smithsonian projects a non-operating surplus of \$197 million (a positive budget variance of \$80 million). This positive variance reflects the tremendous momentum the Institution has garnered for its facilities capital pro-

Smithsonian Institution Annual Financial Activity
(\$ millions)

	FY2003 Budget	FY2003 Forecast	Variance FY2003 Forecast to Budget Better/(Worse)
Total Operating Sources	688	681	(7)
Total Operating Expenses	684	738	(54)
Operating Surplus/(Deficit)	4	(57)	(61)
Total Non-operating Surplus	117	197	80
Net Assets Increase	121	140	19

The Smithsonian's net assets are projected to grow by \$140 million over the previous year, \$19 million more than budgeted, largely a consequence of continued public and private support for the Institution's facilities capital program and the increased valuation of the Endowment .

gram and the strong third-quarter performance of the stock market. Through the third quarter, the value of the Endowment has increased by 12 percent.

With three quarters of the year completed, the risks to the Institution's budget include the uncertainties of the times reflected in the economy nationwide and public wariness about incidences of domestic terrorism.

EXTERNAL AFFAIRS

As the Smithsonian entered the final quarter of fiscal year 2003, fund-raising continued to be difficult. Voluntary support and sponsorship commitments for fiscal year 2003 are \$62.8 million through July, reflecting a weak economy that has contributed to an extremely cautious climate for philanthropy. In contrast to previous years, to date there have been no new gifts of \$5 million or more in fiscal year 2003. Construction projects are an ongoing source of significant fund-raising activity. Year to date fund-raising for the Air and Space Museum and the Steven F. Udvar-Hazy Center stands at \$6.5 million, and the National Museum of the American Indian has raised \$5.3 million through June, with funding for construction 100% complete.

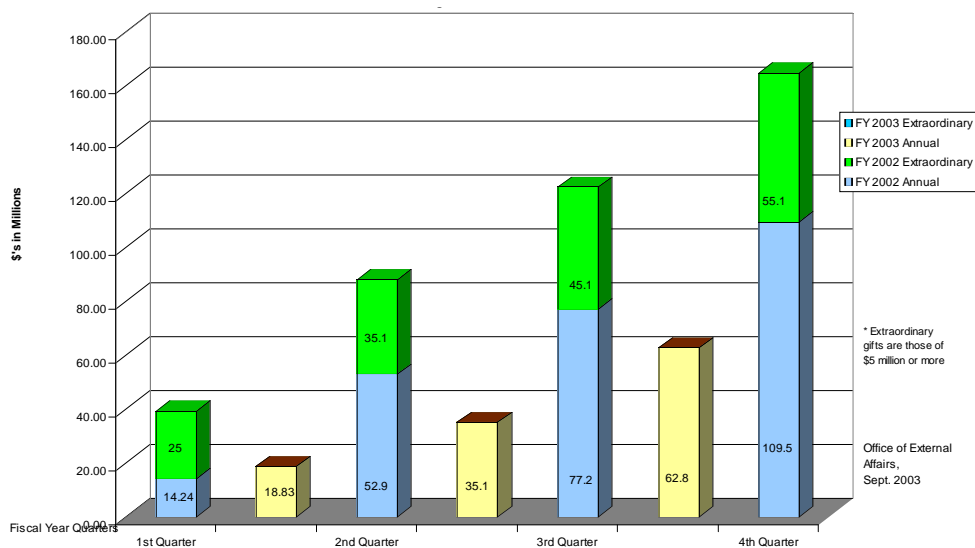
While the environment for significant gifts is difficult, the Institution has been achieving good results with its membership programs. The National Air and Space Society and the Museum's Wall of Honor program have exceeded expectations this year, with \$1.3 million raised to date, and membership retention remains steady compared to previous years. The National Museum of the American Indian's membership program expects to meet its projected goal for the year of \$2.86 million, and the program's renewal rate has gone up to 71 percent. Acquisition of new members is also strong. The Contributing Membership is holding steady during a time when many museum membership programs have seen precipitous declines. The program's strong renewal rate and the long-term loyalty of its members have helped it to a year-to-date total of nearly \$10 million in unrestricted revenue, ahead of the two previous years, and donor retention is at an industry-leading 83 percent.

The Secretary's annual fund continues to generate strong response from recipients. This year, it has generated \$898,000 in crucial unrestricted income from 13,569 gifts.

In addition to these gifts, the Planned Giving program continues to develop gifts that will provide a long-term stream of income in the future. The charitable gift annuity remains popular, and the program to date this year has generated new annuities totaling \$4.4 million, an increase over last year's gift annuity total of \$1.76 million.

In 2004, the Institution anticipates that the next round of major capital projects -- renovation of the American History Museum, the Natural History Museum, the Patent Office Building, and the National Zoo -- will gain momentum and begin to attract major philanthropic support.

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



Columns reflect cumulative fund-raising amounts

SMITHSONIAN BUSINESS VENTURES

During the third quarter of fiscal year 2003, Smithsonian Business Ventures (SBV) contributed a net gain of \$6.1 million to the Institution, down \$1.3 million compared to the third quarter of fiscal year 2002 and \$1.2 million less than was budgeted for the quarter. For the fiscal year-to-date (nine months), SBV net gain totaled \$13.4 million, which was flat compared to last year's net gain contribution during the same period.

The budget for fiscal year 2003 was premised on the assumption that museum visitation would return to 2001 levels by the second half of the year. This has not happened. Visitation has been essentially flat to 2002; it is down about 25% compared to 2001. The overall effect has been a drop in business revenues from museum stores, restaurants, and theaters compared to the amount budgeted by SBV. In April, SBV revised its forecast for fiscal year 2003 by \$3.3 million – from \$22.1 million down to \$18.8 million – to reflect the overall decline in business.

Despite the projected budget shortfall, all three of SBV's primary operating businesses (*Smithsonian Magazine*, Museum Retail, and Smithsonian Catalogue) remain profitable.

Major highlights during the third quarter include:

- SBV received the consent of the Board of Regents at its May meeting to enter into a licensing and joint venture agreement with Starz Encore Group/Liberty Media for the formation and operation of a Smithsonian educational television channel “STV.” Since then, a term sheet and standstill agreement have been successfully executed and a long form definitive agreement is being drafted.
- *Smithsonian Magazine* has demonstrated improvement in reader satisfaction levels, from 61.5 percent in 2000 to 69.1 percent in 2003.
- Results of the newly launched SmithsonianStore.com are promising, with fiscal year sales totaling more than \$2.6 million through May.
- New integrated retail operating and marketing sponsorship partnerships were concluded with Coca-Cola and Subway, generating incremental net gains of \$5.3 million.
- A new exhibition-based Mammal Hall store opened at the National Museum of Natural History.
- The Commons Restaurant was closed in May, as a cost saving measure, and will reopen in the fall as a special events venue.