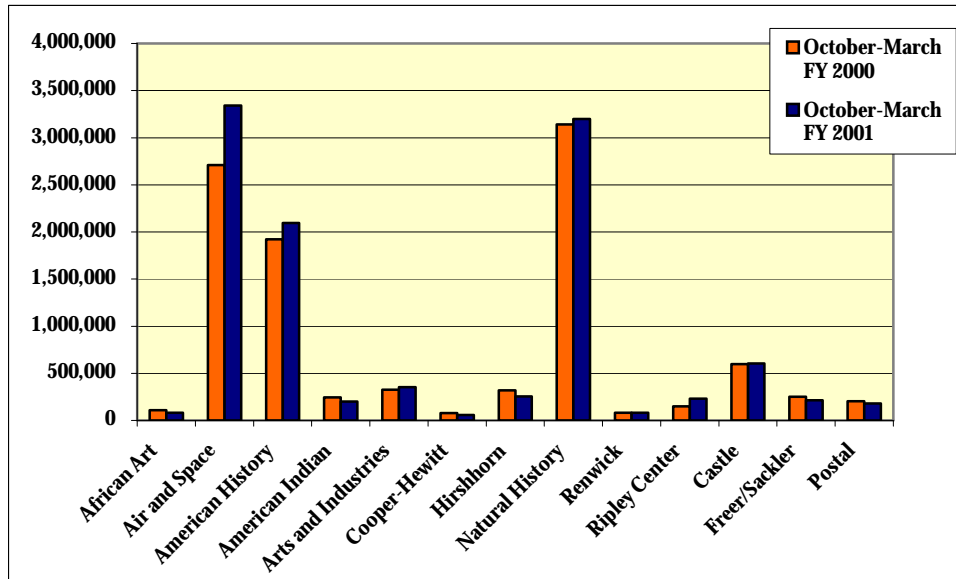


This semi-annual report marks the mid-way point in the Smithsonian's first fiscal year in the new millennium. The Smithsonian has faced a number of significant challenges during the first half of Fiscal Year 2001, such as ensuring that Gilbert Stuart's portrait of our first president will stay in our collections for good and securing a pair of pandas for our nation's capital. But we've only begun our travels down a new and long road of changes that will make the Smithsonian an even more attractive and respected destination.

Public Impact



Visits to Smithsonian Museums, October through March
Fiscal Years 2000 and 2001

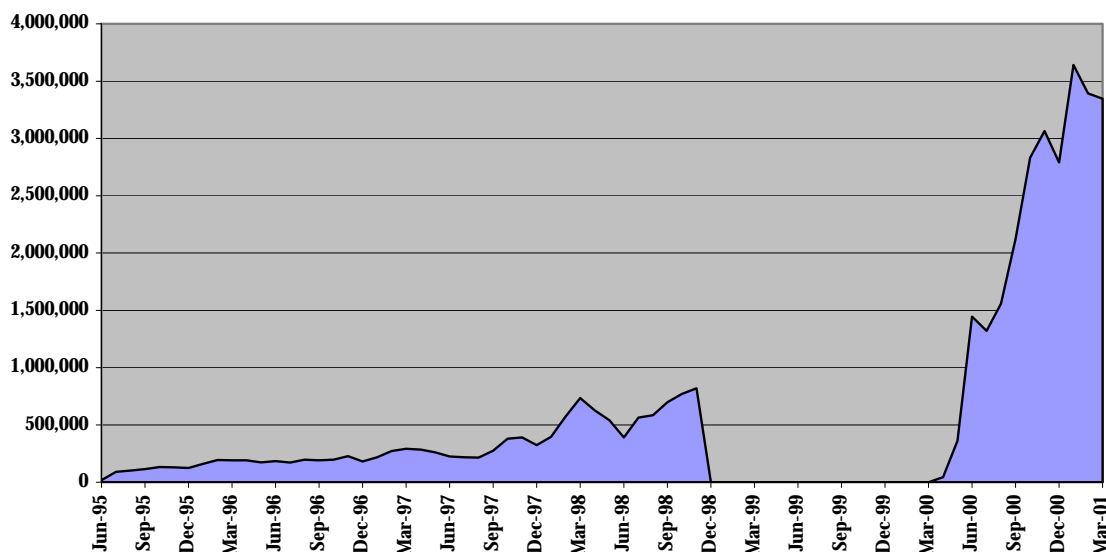
The 10.6 million visits to the Smithsonian's museums (in the chart to the left) during the first six months of this fiscal year surpassed last year's visits for the same period by nearly 6 percent. These statistics do not include the Zoo. This pace is on track with the first quarter's 5.4 million visits as reported in January. When coupled with visits to the Zoo and SITES exhibits, we continue to project annual visits at 40 million, since about 40 percent of visits occur during the summer months.

The popular *American Presidency* exhibit at the Museum of American History explains the increase in that museum's attendance, and Air and Space logged in some 600,000 more visitors than at this time last year. A strong tourist market rather than specific exhibitions or programs accounts for the surges in attendance at the Natural History and Air and Space museums. In fact, Air and Space is under renovation forcing redirection of pedestrian traffic to different entrances and exits, so new traffic patterns tend to disrupt rather than facilitate the flow of visitors through the doors.

The Smithsonian's web sites – including our main web site at www.si.edu and more than 40 other Smithsonian museum, zoo and exhibit-specific web sites – received 16.5 million visitors during the first half of this fiscal year, putting our web traffic on target to surpass last year's total of 29 million visitors. The chart on the following page builds upon the one initially presented in the January 2001 report, adding data for the past three months. As we noted then, the hiatus in the line graph is because many units moved their web operations to their own servers in 1998-99, causing a discontinuity in the Smithsonian Webmaster's tracking procedures for measuring volume of web usage. A new tracking program began in the spring of 2000. For Fiscal Year 2001, we estimate that the number of online visitors to the Smithsonian's museums and National Zoo will equal the number of visits to our facilities, some 40 million pairs of eyes and mouse-clicking fingers.



Visits to Smithsonian Web Sites July 1995 - March 2001



In its March 6 issue, *PC Magazine* picked its top 100 web sites in ten categories, based on criteria of design, performance, security and usability. The magazine's editors selected sites that they thought "break new ground in their categories, serve their audiences' needs, offer a service no one else does or better than all their competitors do, and those that we return to often and find ourselves unable to leave." They chose www.si.edu as one of their top 100 picks, calling it a "first-rate Web site (that) provides a portal to the institution's magnificent collections, many of which have been tailored for online display." Special kudos went to the site's design and usability features.

Our "real" visitors found much that's new and stimulating when they entered our doors and gates. Mei Xiang and Tian Tian prove that it's not just famous couples of Hollywood who fascinate the media and the public. The two pandas went on view January 10, and as of mid-March, almost half a million people have visited them in their new exhibit space. After undergoing their first physical exam under anesthesia in early February, both were proclaimed generally healthy but harboring a low-grade yet persistent round worm infection, despite several treatments in both China and Washington. The pandas receive monthly deworming treatments enveloped in cooked sweet potato. Discovering this infection is considered important information for studying the health of both captive and wild pandas. Zoo director Lucy Spelman will lead a delegation of Zoo scientists to China in May 2001 as part of our long-term agreement to work with the Chinese on wild panda conservation. The Zoo will hold its first workshop on habitat research methods and remote sensing for Chinese wildlife biologists in the Wolong reserve area in June.

Media and public attention are also in abundance for *The American Presidency: A Glorious Burden*. Since its opening on November 15, 2000 at the Museum of American History, Behring Center, this exhibition about the nation's highest office – "My God! This is one hell of a job!" according to Warren G. Harding – has welcomed more than 311,000 people through its doors as of mid-April. Among the 900+ objects in the show are the Lansdowne portrait of George Washington (see report cover) and Jefferson's laptop desk. Nine major magazines have run features, and several journals paid it even more attention during the weeks of uncertainty following the November 2000 presidential election. *The Today Show* and *C-Span* each devoted airtime to the exhibit, extending its impact to millions of viewing Americans. SITES plans to launch a touring version at the Chicago Historical Society in February 2002.

If these walls could talk...ever wonder what stories a house could tell about its successive owners? That's exactly what the Museum of American History, Behring Center will give voice to, through the walls of the Ipswich House. On May 16, a new permanent exhibition, *Within These Walls*, will open, featuring the museum's largest artifact: an 18th century house from Ipswich, Massachusetts. Tales from 200 years of American history will come alive from the perspectives of five sets of occupants: genteel American colonists, Revolutionary War patriots, abolitionists, immigrants creating a new home and livelihood, and a grandmother and grandson serving on the home front during World War II. Extensive promotion, publicity and programming have already begun. The National Association of Realtors, the world's largest trade association with 750,000 members, has made this exhibition possible through a \$2.5 million



contribution. The association's web site realtor.com is one of the ten most-visited web sites in the world. Visitors to realtor.com will be able to link directly to *Within These Walls*

The craze that seized all ages in the 1950s, *Paint By Numbers* is now an exhibition at the Museum of American History, Behring Center. On view from April 6 through the end of the calendar year, *Paint By Numbers: Accounting for Taste in the 1950s* examines the phenomenon that ignited debates over elite art and popular culture. In the four years between 1951 and 1954, 12 million kits to pursue this popular pastime were sold. The exhibition assembles not only the kits and brushes that fueled the fad, but also the artist who started it all with the Palmer Paint Company, Dan Robbins. Mr. Robbins has designed one of the contemporary components of the show, a huge banner on the museum with a paint-by-numbers image of a lighthouse, to which "distinguished artists" Secretary Small and museum director Spencer Crew contributed their brush strokes after going 60 feet up in the air in a "cherry picker" to access the banner on the museum's exterior wall.

America On The Move is the title of the massive re-installation of the 20,000-square foot Transportation Hall at the Museum of American History, Behring Center. This educational project of pretty colossal dimensions will be the most important education program ever undertaken on the comprehensive subject of transportation and its impact on American lives. A distinguished Advisory Committee will oversee and guide the project. To date, the following commitments have been made or are under negotiation:

- U.S. Department of Transportation – \$3 million
- The History Channel – Media Sponsor
- General Motors Corporation – \$10 million (agreement yet to be documented)

Funding proposals are under negotiation with various industry representatives (road builders, trucking and railroad associations, automotive suppliers, and other prospects).

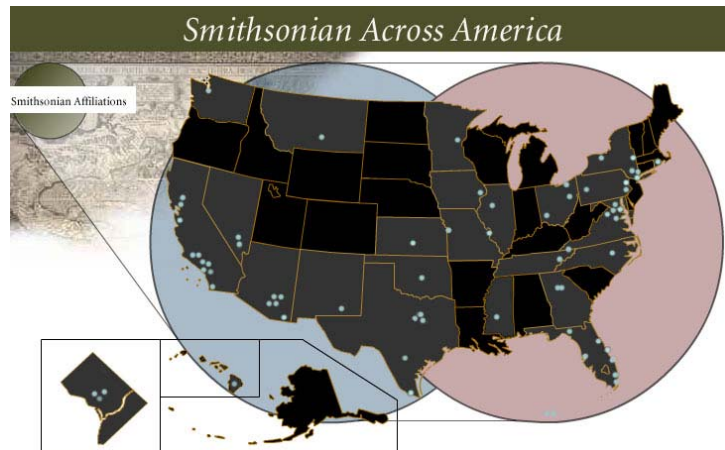
An eagerly anticipated event in the art world is a joint project of the Hirshhorn Museum and the Art Institute of Chicago: Robert Gober's site-specific installation of new sculpture and works on paper in the U.S. pavilion at the Venice Biennale. This highly respected international art exposition opens to the public on June 10. The joint project is on schedule. Staffs from both museums have pulled together to realize on-time print runs for the catalog/artist's book, finalize opening events, and gain key exposure in the international press. The original grant for the project from the Fund for U.S. Artists, a public-private partnership, has since been augmented with another \$250,000 from ten private collectors who purchased specially created prints by the artist.

Planning for the Smithsonian Folklife Festival is in high gear. The 35th annual festival will once again make the National Mall a swarming hive of cultural samplings from June 27 through July 1 and from July 4 through July 8. The major programs on this year's docket are: New York City; Bermuda; and "Masters of the Building Arts." Special concerts will honor Bernice Reagon and Margaret Mead, and the full festival will be dedicated to the memory of S. Dillon Ripley, who inaugurated the event in 1967.



National Outreach

During the first half of fiscal year 2001, the Affiliations Program signed Memoranda of Understanding with 22 new affiliates and added four new states to our total roster. We now have 68 affiliates in 25 states, the District of Columbia, Puerto Rico and Panama. A total of 23 affiliates (33.8 percent) are “fully implemented,” meaning that the partnerships have planned or produced collaborative programs with the Smithsonian or are borrowing artifacts. Eight of these implementations have taken place in the past six months alone. The Affiliations Program continues to pursue our goal of establishing a Smithsonian Affiliation presence in all 50 states. We’re working on Memoranda of Understanding with 17 more museums and cultural institutions.



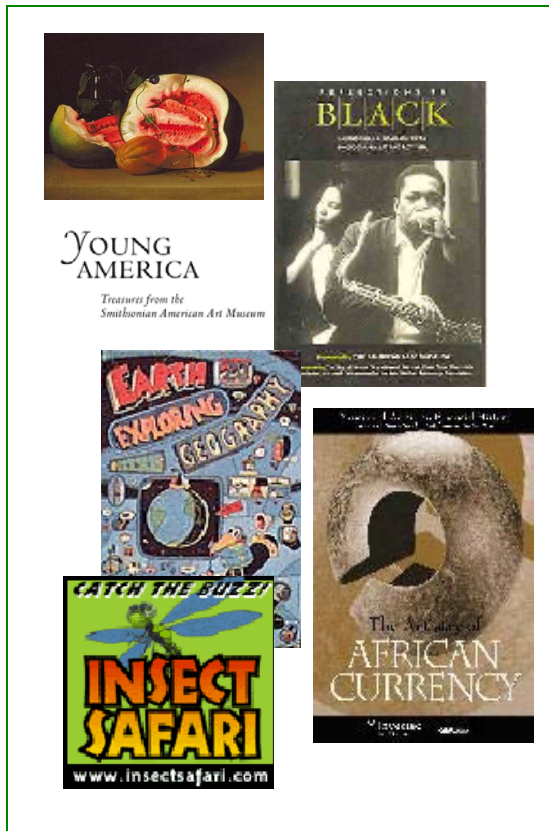
Loan commitments involving 116 artifacts were executed in the first half of the fiscal year. Highlights include a bronze sculpture by Fernando Botero from the Hirshhorn Museum and Sculpture Garden, the 1948 Tucker automobile from the National Museum of American History, the Wright brothers’ stopwatch from the collections of the National Air and Space Museum, the nation’s first “highway post office” from the National Postal Museum, and an 1865 photograph of Abraham Lincoln by Alexander Gardner from the collections of the National Portrait Gallery. Many more Smithsonian artifacts circulated to affiliate museums via SITES’ traveling exhibitions and exhibits from five Smithsonian museums. The following exhibitions made 13 stops at affiliate venues in the period from October 1, 2000 through March 31, 2001:



A 1948 Tucker automobile from the National Museum of American History went on loan to the Blackhawk Museum in early FY 2001. Photo courtesy of the Blackhawk Museum

- ***Anteaters: Fast Food Specialists*** (SITES) at the Blackhawk Museum in Danville, California
- ***Artistry of African Currency*** (Museum of African Art) at the Museum of American Financial History in New York City
- ***Contemporary Folk Art*** (Smithsonian American Art Museum) at Florida International University in Miami
- ***Earth 2U: Exploring Geography*** (SITES) at the Strong Museum in Rochester, New York
- ***Insect Safari*** (Museum of Natural History) at the Miami Museum of Science and the Dallas Museum of Natural History
- ***Presidents and First Ladies on TIME*** (Portrait Gallery) at the Florida International Museum in St. Petersburg
- ***Reflections in Black*** (Anacostia) at the American Jazz Museum in Kansas City, Missouri and the New York State Museum in Albany
- ***Spiders*** (SITES) at the Blackhawk Museum in Danville, California
- ***We Shall Overcome*** (SITES) at the Historical Society of Western Pennsylvania in Pittsburgh
- ***Young America*** (Smithsonian American Art Museum) at the Museum of Arts and Sciences in Daytona Beach, Florida
- ***Posted Aboard R.M.S. Titanic*** (National Postal Museum) at the Blackhawk Museum in Danville, California





During the past several months, the other National Programs offices have become increasingly involved with affiliates. The Smithsonian Center for Education and Museum Studies (CEMS) is working closely with the University of Turabo in Gurabo, Puerto Rico, and with the Florida International University on the development of museum studies programs. In March, CEMS assisted the Museum of Arts and Sciences in Daytona Beach, Florida on a one-day “museums and literacy” seminar and workshop involving more than 100 teachers, museum educators, and docents throughout the state.

The Smithsonian Associates (TSA) recently planned and held its first study tour weekend marketed specifically to affiliates. Twenty-five board members from two affiliates (Atlanta International Museum and the Museum of Arts and Sciences of Daytona Beach, Florida) came to Washington in March for a compelling weekend of activities, special lectures, and behind-the-scenes tours. Feedback from the group was very positive, and the group has already expressed interest in returning next year. The weekend format will serve as a model for future affiliate groups; TSA has approached both the Kansas Cosmosphere and Space Center in Hutchinson and the Hubbard Museum in Ruidoso Downs, New Mexico, about conducting similar programs at these affiliates.

TSA is building on its affiliation with the Public Corporation for the Arts (PCA) in Long Beach, California. The second annual “Smithsonian Week in Long Beach” took place March 4-10, and TSA infused the region with Smithsonian scholars who gave 30 community presentations devoted to jazz, giant squid and the Pony Express, and hosted three Smithsonian festivals. Several other affiliates see the “Smithsonian Week” as an exciting model for their communities. TSA has budgeted to launch eight new affiliate collaborations during the rest of Fiscal Year 2001.



Giant squid expert Dr. Clyde Roper, from the National Museum of Natural History, speaks to a school group as part of the second annual “Smithsonian Week in Long Beach.”



Left: One of the Long Beach “Pony Express riders” at the Smithsonian Pony Express picnic, March 10.

Finally, the Affiliations Program coordinated 19 special events in the first half of this fiscal year, typically involving public officials from all levels of government. Congressional members attended four of these events. Another 17 events are currently scheduled for the remainder of this fiscal year, and five more events are already on the calendar for 2002 and 2003.



Major Projects

In this section, which will be a regular feature of the Secretary's trimestrial reports to the Regents, readers will be updated on the progress of the Institution's major construction and refurbishment projects. These projects further the strategic goal of public impact and include the Patent Office Building, National Museum of the American Indian Mall Museum, National Air and Space Museum Steven F. Udvar-Hazy Center, and National Museum of American History, Behring Center. Management responsibility for the planning, fund raising and development of exhibits for these facilities resides with the Under Secretary for American Museums and National Programs, Sheila Burke, with the ultimate construction of the buildings falling under the purview of Under Secretary Bob Bailey and the new director of facilities engineering and operations, Bill Brubaker.

Patent Office Building

In early February, a request for proposals was issued for leasing temporary storage facilities. Final decisions are expected later this month on our approach to temporary art storage. The gross demolition package for the building's interior was awarded, and activity will begin by the time of the Regents' meeting.

National Museum of the American Indian

By December 2000, all preliminary site work was finished. The construction phase has begun. In April, bids were received for the phased construction of the Mall museum. We expect to award the contracts for initial construction later this year.

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

The Smithsonian awarded the contract for construction to the Hensel-Phelps Construction Company on March 29, 2001. The contract covers the first phase of the work, including base building, site work, landscaping, and additional electrical capacity. The contract incorporates a firm and fixed price of \$125,578,000.

National Museum of American History, Behring Center

The Regents approved the creation of a Blue Ribbon Commission to advise the Secretary, the Under Secretary for American Museums and National Programs, and the National Museum of American History, Behring Center's Board and Director on the selection of the most timely and relevant themes and methods of presentation for the Museum in the 21st century. The Commission will review the Museum's existing exhibit topics, presentation formats and strategic plan and will examine such issues as the way in which the Museum reflects the nation's past and present, its role as a local as well as national institution, the content and character of its exhibitions and the museum experience as a whole, the strengths of its collections, the methods used to disseminate knowledge in an age of new communications, and its role in educating the nation's youth.



Focused, First-Class Science

Under the guidance of Under Secretary for Science Dennis O'Connor and Director of Research Anthony Coates, the Smithsonian is nearing completion on a comprehensive review of its scientific activities. Driven by the Secretary's charge to focus the Institution's scientific efforts and resources in specific areas of excellence, Under Secretary O'Connor will recommend to the Board of Regents and to the Secretary in May those areas of scientific inquiry that should continue to receive emphasis. Certain criteria will influence those decisions. We'll be looking for areas of scientific inquiry that build upon the strengths of the Smithsonian's collections, facilities and expertise; that leverage coordination and collaboration among Smithsonian scientists and other organizations; that create organizational nodes and potential for public programs that can stimulate higher levels of private fund raising; and that can open up opportunities for the Smithsonian to communicate more effectively the importance of biodiversity and global change.

Among scholarly and scientific achievements during the first half of Fiscal Year 2001:

- The book published by Smithsonian Press to accompany the stunning exhibition ***Vikings: The North Atlantic Saga*** won the Society for American Archaeology's 2001 Book Award. Editors William Fitzhugh and Elizabeth Ward (from the Department of Anthropology, Museum of Natural History) accepted the award at the SAA's annual meeting in April.
- Smithsonian Astrophysical Observatory (SAO) astronomers published the results of a 20-year study of our galaxy's giant complexes of gases. The images trace the structure of the galaxy, even in remote places where stars are too faint to be seen.
- SAO astronomers announced the discovery of two new moons of Jupiter (it now has 18 moons) and four new moons of Saturn (bringing its total of known satellites to 22).
- Using the Chandra X-ray observatory (which SAO operates for the National Aeronautics and Space Administration), SAO scientists confirmed theoretical predictions about how cosmic matter sinks into black holes, and how huge stars end their lives.
- The Smithsonian Environmental Research Center (SERC) has begun a project with Pennsylvania State University scientists to assess relationships between land use and estuarine quality. The U.S. Environmental Protection Agency awarded the project a grant of \$6 million.

Taking a keen interest in the Smithsonian's scientific research pursuits, the Smithsonian National Board held its winter meeting February 1 through 5 at the Smithsonian Tropical Research Institute in Panama. Twenty-four members attended and were extremely impressed with the fascinating tropical rainforest research they could witness during their study tours.



Management Excellence

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

- Milo Beach has announced his plans to retire from directing the Arthur M. Sackler Gallery and the Freer Gallery of Art on October 1, 2001. James T. Demetrian, director of the Hirshhorn Museum and Sculpture Garden, also announced his intent to step down at the end of September. Director of the International Museums Division Tom Lentz is heading up the search process to seek new directors to these unique art museums.
- On February 14, Miguel Bretos was appointed acting director of the National Postal Museum. He assumed his new post within the Smithsonian on February 20, after serving as a senior scholar and associate director of the Center for Latino Initiatives.
- The former Director of Facilities and Engineering at the National Aeronautics and Space Administration joined the Smithsonian on March 26. William W. Brubaker has taken the reins as Director of Facilities Engineering and Operations, a new position that includes responsibility for managing the Institution's maintenance, security, safety and environmental programs. Reporting to Under Secretary Bob Bailey, he'll support the three major construction projects discussed above and also direct the modernization of the Hirshhorn Museum and the National Air and Space Museum and guide renovations of the Arts and Industries Building, the Castle, the National Museum of Natural History and the Zoo.
- Information technology expert Deron Burba joined the Office of the Chief Technology Officer to manage the information technology project that will bring appropriate systems to meet the contemporary financial and administrative needs of an organization the size and complexity of the Smithsonian (see below). Mr. Burba directed projects of similar scale at the U.S. Patent and Trademark Office, where he worked with the Smithsonian's Chief Technology Officer, Dennis Shaw.
- Gary Mercer joined Smithsonian Business Ventures in January as Chief Operating Officer of Museum Retail Operations. A 30-year veteran at such retail chains as CVS, Barnes & Noble, and Hechinger, Mr. Mercer is managing new store planning and development for the Smithsonian's museum stores and food and beverage concessions.

As readers know, the Smithsonian's automated information systems fall somewhat short of the mark for "state-of-the-art." The Institution's primary financial system – the Smithsonian Financial System, or SFS – is based on a technologically obsolete commercial financial management software product that's been maintained without vendor support since 1997. SFS cannot be adapted to suit our contemporary needs. Designed to facilitate project specialization rather than easing the aggregation of data for managerial analysis, SFS is so cumbersome that the units have created their own independent financial tracking systems and do not trust SFS data. As a result, each attempt to aggregate numbers across the Institution is fraught with negotiation. Under the guidance of Chief Technology Officer Dennis Shaw, the Smithsonian recognized the need to plan for and change to a new information technology system. The Institution is now investigating solutions to meet its financial management and human resources management requirements, including conducting a market survey of acceptable products. A project team will set up an information technology lab in the Arts and Industries Building where system development and technical training will take place. The Smithsonian is ready to award a contract for system implementation support, when the Office of Management and Budget and the relevant Congressional committees give the go-ahead. The first stage of the project will focus on the general ledger, accounts payable and purchasing modules to replace SFS by October 1, 2002, with a three-month parallel operating window beginning in July 2002.

Another Institution-wide project reaching for management excellence is one to develop performance measurements. Sound management of organizations depends on regularly taking stock of results and progress. The Smithsonian is working hard to develop processes that do just that. The Government Performance and Results Act requires federal agencies to develop performance plans and track their progress against those plans, and many local and state governments are far ahead of national agencies in performance tracking. The aim of this Smithsonian project is to determine meaningful ways of measuring museum-related accomplishments and outcomes. During the second quarter of Fiscal Year 2001, more



than 140 staff participated in grassroots-level discussion groups to brainstorm about what performance measurements seem to make sense for measuring and reporting on the Smithsonian's wide scope of activities. Areas for which performance measurements will be crafted include exhibits, education and outreach, collections, and research, as well as the administrative functions of finance, facilities management, human resources and information technology. A few performance measurements for each area will be distilled from the discussion group phase, shared with staff and modified based on feedback. We will then provide training during the summer on how to use them, with the goal of beginning to track performance consistently with a set of measurements that has earned the credibility and adoption of the Smithsonian community at the start of the next fiscal year.

Financial Strength

As we reach the midpoint of fiscal year 2001, the Smithsonian remains on track for positive financial growth. We continue to forecast a full-year operating surplus of \$10 million as a result of maintaining careful attention to operational spending and focused fundraising initiatives. The overall decline in equity markets has required us to reduce our forecasted increase in net assets from \$175 to \$100 million, since there will most probably be a drop in the year-end value of our invested funds when compared to the end of Fiscal Year 2000.

Financial Activity

Smithsonian Institution Annual Financial Activity (\$ millions)	Fiscal Year 2000 Actual	Year to Date March 2001 Actual	Fiscal Year 2001 Forecast	Variance from Prior Year Increase/(Decrease)
Total Operating Sources	584	316	617	33
Total Operating Expenses	581	309	607	26
Operating Surplus	3	7	10	7
Total Non-Operating Surplus	227	40	90	(137)
Increase in Net Assets	230	47	100	(130)

Operating Expenses were kept under control through March, despite unusual increases associated with specific activities such as *The American Presidency: A Glorious Burden*, the Lemelson Center, and Victor Building start-up. The Non-Operating surplus has been reduced from \$165 million to \$90 million primarily due to the decline in the financial markets. As of February 28, 2001, the market value of the Endowment was \$701 million. During fiscal year 2001, the return on the Endowment has been -4.5 percent, which is better than the -5.9 percent return on the Smithsonian Endowment benchmark. Based on the market value at the end of February and the expected long-term return on the Smithsonian benchmark portfolio, the value of the Endowment is projected to be \$720 million at the end of fiscal year 2001. The portfolio is currently invested in U.S. equities (47 percent), non-U.S. equities (20 percent) and fixed income (33 percent). This forecasted level of investment performance results in an adjusted increase in net assets (our "net worth") of \$100 million, a decrease of \$75 million from the previous forecast presented in January.



Operating Sources

Through March 2000, the level of operating sources remains consistent with the Fiscal Year 2001 forecast, with higher-than-forecasted levels already from successful fund raising (largely driven by the Reynolds Foundation's \$20 million gift for acquiring the Lansdowne portrait). The 5.7 percent growth in operating sources over the previous fiscal year is due to increased gifts and private grants and a larger federal appropriation.

Smithsonian Institution Operating Sources (\$ millions)	Fiscal Year 2000 Actual	Year to Date March 2001 Actual	Fiscal Year 2001 Forecast	Variance from Prior Year Increase/ (Decrease)	Percentage Change From Prior Year
Federal Appropriations	373	182	390	17	
Government Grants and Contracts	68	32	68	-	
Gifts and Private Grants	83	69	92	9	
Endowment Payout and Investment Income	30	18	34	4	
Net Business Income	25	12	25	-	
Other	5	4	8	3	
Total Operating Sources	584	316	617	33	+5.7%

Operating Expenses

Operating expenses, totaling \$309 million through March 2001, are in line with our forecast. Total operating expenses for the fiscal year are expected to increase at a rate that is lower (4.5 percent) than the Institution's growth in operating sources (5.7 percent).

Smithsonian Institution Operating Expenses (\$ millions)	Fiscal Year 2000 Actual	Year to Date March 2001 Actual	Fiscal Year 2001 Forecast	Variance from Prior Year Increase/ (Decrease)	Percentage Change From Prior Year
Science	225	105	237	12	
American Museums and National Programs	138	89	146	8	
International Art Museums	27	13	29	2	
Development	5	3	6	1	
Administration/Other	186	99	189	3	
Total Operating Expenses	581	309	607	26	+4.5%

Independent Audit

The Smithsonian received a clean audit opinion from the external auditing firm KPMG LLP on its financial statements for Fiscal Year 2000. In its accompanying recommendations, KPMG recommended that management assign a high priority to obtaining funding for a new financial management system and to developing a timetable for implementation of that system. The Smithsonian is addressing this issue through the previously explained plan to acquire and implement an Institution-wide information technology system. The auditors also recommended that management seriously consider acquiring and implementing a property and equipment accounting and management system as part of the new financial



management system. Smithsonian management equally intends to incorporate this requirement in its planning for a new information technology system.

Smithsonian Business Ventures

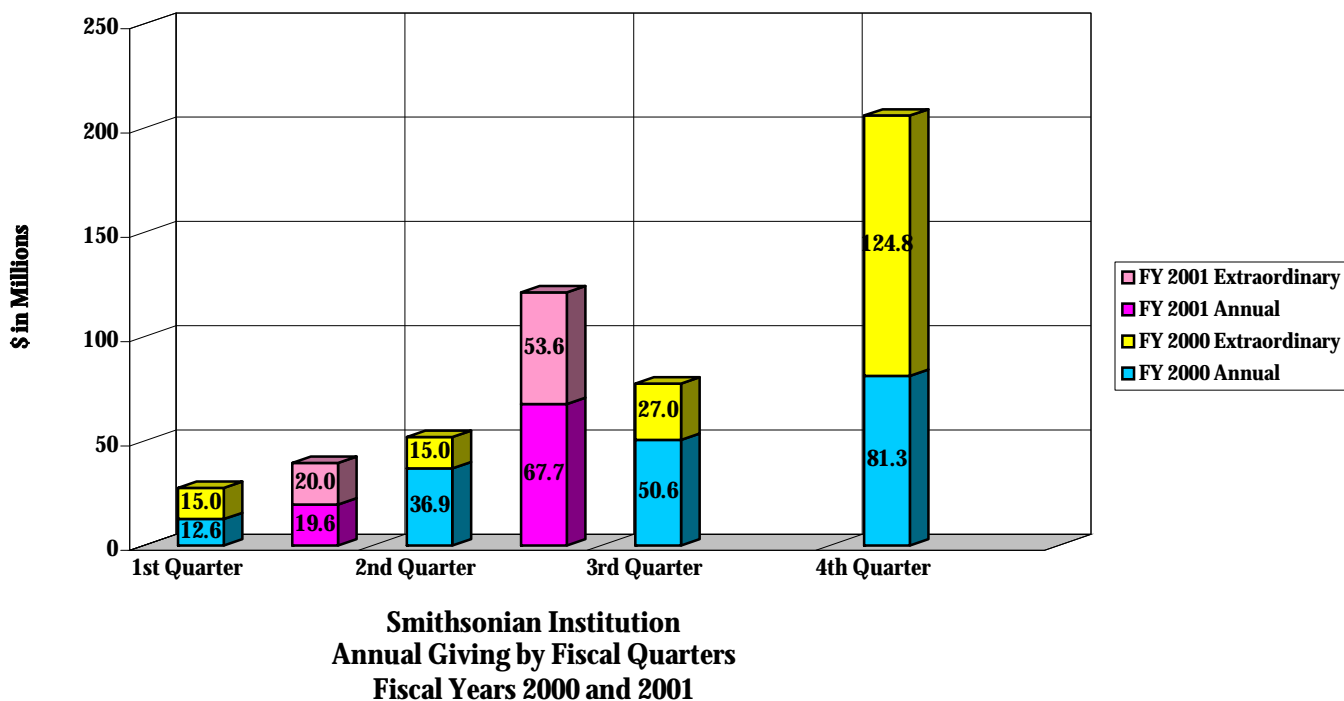
SBV units have turned in a generally strong financial performance so far this fiscal year, with five-month revenues of \$65.5 million and net gain of \$9.2 million (results at press time were available for the five-month period of October 2000 through February 2001). If the catalog hadn't turned in disappointing sales during the holiday season, we would have exceeded the budgeted net gain of \$9.2 million; instead, we maintained budget despite declines in catalog earnings. The catalog is below budget targets in revenues by \$4.7 million and in net gain by \$1.3 million. The general economic slow-down during the second half of the fiscal year is expected to depress advertising sales in the Magazine, led by cut-backs in the automotive industry, traditionally the Magazine's biggest advertiser. A shining success story in the SBV business line can be seen in the museum store businesses. Proving that better merchandising and updating bring downstream benefits, both the museum stores and the food and beverage concessions have exceeded budgeted net gains; museum stores actual net gain for the period was \$800,000 vs. \$200,000 budgeted, and concessions netted \$70,000 compared to an anticipated seasonal loss of -\$150,000. New business initiatives launched so far this fiscal year include highly successful themed retail stores associated with the *American Presidency* exhibition at the Museum of American History, Behring Center, the *Buccellati* show at Natural History, a dinosaur-themed "Tricera-Shop" off the Natural History rotunda, and the online retail store SmithsonianStore.com, a licensing venture with The Museum Company. To kick off the tourist season, SBV launched IMAX Jazz Café night at the Museum of Natural History, offering locals and tourists alike a unique and alternative form of entertainment in dining and film going.

At the end of March, SBV announced a new partnership with National Geographic to produce and distribute large-format films. The first film, *Celebration of Flight*, will be co-produced by the National Air and Space Museum, National Geographic Television, and the Henry Ford Museum & Greenfield Village in Dearborn, Michigan. This first product of the strategic alliance will become the signature film for the Steven F. Udvar-Hazy Center (opening December 2003) and will be complemented with educational materials.



Development

The first six months of Fiscal Year 2001 have continued to produce strong fund raising momentum for the Smithsonian. We have raised \$67.7 in annual support since the beginning of the fiscal year and \$53.6 in extraordinary gifts of \$5 million or more, for a total of \$121.3 million. This is an increase of 134 percent over the \$51.9 million raised during the same time frame last year. The final stages of negotiation are under way for an additional \$39 million in gifts. Generous donors have given 20 gifts of \$1 million or more to the Institution since October 1, 2000, compared to last fiscal year at this time when we had received seven gifts of that size.



Major gifts during the first six months of Fiscal Year 2001 are:

- More than \$24 million from the Donald W. Reynolds Foundation in an eleventh-hour rescue to keep the Gilbert Stuart “Lansdowne” portrait of George Washington in the collections of the National Portrait Gallery. On top of the \$20 million to save the painting from the fate of public auction, the foundation added \$4 million to fund a dedicated exhibit space in the Portrait Gallery for this American icon plus up to \$6 million for a national tour of the painting and for educational products.
- \$14.6 million from The Jerome and Dorothy Lemelson Foundation to build upon its standing commitment to create a permanent endowment for the Lemelson Center for the Study of Invention and Innovation at the Museum of American History, Behring Center. This brings the Lemelson’s total giving to the Smithsonian to more than \$40 million.
- \$12 million from an unnamed donor for exhibitions, education and associated on-going programming, with additional initiatives under consideration.
- \$10 million from the Luce Foundation to create a public center in the Patent Office Building for the study of American art.
- \$5 million in additional generosity from Steven Udvar-Hazy, in further support of the Air and Space Museum’s facility at Dulles Airport that bears his name.



- \$5 million from Airbus Industrie of North America, Inc. to sustain momentum for the Udvar-Hazy Center.
- \$3 million from the Claude Moore Charitable Foundation toward construction of the Udvar-Hazy Center.
- \$2 million from the Ford Motor Company for the creation of The Ford Gallery at the National Postal Museum that will expand the museum's educational and outreach activities.
- \$1.7 million from Orkin Pest Control to cover all expenses of the *Insect Safari* exhibit at the National Museum of Natural History.
- \$1.2 million from the Douglass Foundation for new exhibitions and programs through The Douglass Foundation Fellowship in American Art, an activity of the Smithsonian American Art Museum.
- \$1.1 million from Mr. H. Duane Nelson for a gift annuity in unrestricted funds to the Smithsonian.
- \$1 million for Udvar-Hazy Center construction from each of the following four generous donors: the Peterson Family Foundation, Mr. Robert W. Pittman, International Lease Finance Company, and Robinson Helicopters.
- \$1 million from David A. Rockefeller, Sr. towards construction of the National Museum of the American Indian on the Mall.
- \$1 million in a charitable gift annuity from Anne J. van Biema, benefiting the Arthur M. Sackler Gallery and the Freer Gallery of Art. This is the largest charitable gift annuity ever received by the Institution.
- \$1 million from Chevy Chase Bank toward *The American Presidency: A Glorious Burden*.
- \$1 million from philanthropist Paul Peck, on top of his \$1 million gift to the Portrait Gallery, to support the museum's presidential programs based on its collections.
- \$1 million from the estate of Annie B. Wetmore to augment the Alexander Wetmore Fund for Ornithology at the Museum of Natural History, a fund created in former Secretary Wetmore's will.

Among gifts in the advanced stages of negotiation as we go to press are \$20 million for an exhibition on education at the Museum of American History, Behring Center, \$10 million towards the renovation of the Transportation Hall at that same museum, and \$3 million for a permanent butterfly pavilion in the Arts and Industries Building. An additional \$6 million is under negotiation with the Reynolds Foundation for the educational and traveling exhibit components of the Lansdowne portrait acquisition.

Last fall Congress authorized the issue of a new, commemorative American Buffalo Coin whose sales will benefit the National Museum of the American Indian. The Commission of Fine Arts approved the design on February 15, and the coin will go on sale June 2. Ten dollars from the sale of each coin will be channeled to the Museum of the American Indian in support of the Mall museum's opening, for projected proceeds of \$2 million.

The National Museum of African Art has created a membership program, *Friends of African Art*. Scholars, collectors, and general enthusiasts of African art will have an association for sharing their passions and interests in the artistic contributions of a continent that's home to more than 900 cultures. Members will have the opportunity to participate in museum-based events, knowing that their membership dollars help the museum forge important linkages with collections and museums of African art around the world.



Government-Sponsored Projects

The Smithsonian received a total of \$62.3 million in grants and contracts from government sources during the first half of the fiscal year. That's an increase of nearly 11 percent over the \$56.2 million in government grant funding during the first half of last fiscal year. As the chart below shows, the bulk of this funding – 87.5 percent so far this year – flows into the Smithsonian Astrophysical Observatory.

