



Smithsonian Institution



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

January 2005

EXECUTIVE SUMMARY

Fiscal year 2004 saw an unprecedented number of major accomplishments for the Smithsonian: two full scale new museums, two new state-of-the-art scientific research facilities, two new major exhibition halls, and an array of other fine exhibitions and programs that are making a significant contribution to American life at a critical time in the country's history. The Institution has clearly demonstrated it knows how to execute multiple, large, complex projects and get them done well.

- On September 21, the **National Museum of the American Indian** opened on the National Mall. More than 80,000 people attended the opening, including 25,000 Native Americans representing more than 600 tribes. Current visitation levels already slot it as the third most visited Smithsonian museum.
- In December 2003, the **Steven F. Udvar-Hazy Center of the National Air and Space Museum** opened near Dulles Airport. The museum has already received more than 1.8 million visitors.
- In November 2003, the Smithsonian Astrophysical Observatory dedicated its **\$104 million Submillimeter Array** telescope on the top of Mount Mauna Kea on the Big Island of Hawaii and an accompanying research facility in Hilo.
- The **Bocas del Toro Marine Research Station**, a state-of-the-art marine laboratory, opened at the Smithsonian Tropical Research Institute in Panama in October 2003.
- Two major \$30 million-plus exhibition halls opened to the public, each about half an acre in size:
 - The spectacular ***Kenneth E. Behring Hall of Mammals*** at the National Museum of Natural History has 274 animal specimens in natural poses.
 - ***America on the Move***, the National Museum of American History Behring Center's great transportation exhibit takes visitors from a California railroad town in 1876 to a multimedia experience of "globalized" life in Los Angeles in 1999.
- Other important and highly acclaimed exhibits were seen in fiscal year 2004:
 - The entire Supreme Court left its chambers to visit the groundbreaking exhibition, ***Separate is not Equal: Brown v. Board of Education*** at the National Museum of American History.
 - ***Return of the Buddha: The Qingzhou Discoveries*** at the Sackler Gallery was the only North American venue to host the display of extraordinary 6th century Chinese Buddhist sculptures.
 - ***The Wright Brothers & the Invention of the Aerial Age*** presented a brand new, eye-level installation of the Wright Flyer at the National Air and Space Museum with an accompanying permanent exhibition.
 - The new ***Kids' Farm*** exhibit has been delighting families at the National Zoo since opening in June.
- The last stages of preparation work were put in place for the National Museum of American History's major exhibition covering the military history of the United States, ***The Price of Freedom: Americans at War***. The exhibition was successfully inaugurated in November 2004.
- The Smithsonian managed three major, highly publicized events on the National Mall in a period of six months that attracted close to two million visitors. More than 575,000 people took

part in the *First Americans Festival* accompanying the opening of the American Indian Museum in September; nearly a million visitors attended the annual *Folklife Festival* in the summer; and the *National World War II Reunion* held in conjunction with the opening of the World War II Memorial in May brought more than 315,000 visitors to the Mall.

- The number of Smithsonian Affiliates reached 138 in 39 States, the District of Columbia, Puerto Rico, and Panama.
- In fiscal year 2004, the Institution made significant progress in improving and streamlining management operations:
 - A reorganization in January named Sheila Burke as Deputy Secretary and Chief Operating Officer; regrouped all national and international art collections into one division and named Ned Rifkin as Under Secretary for Art; and moved the National Air and Space Museum to the Science Division overseen by Under Secretary David Evans. The reorganization has been well received, has achieved a better workload balance for the top management team, and has provided excellent personal growth opportunities for the three senior executives.
 - A strategic vision for Smithsonian Science was published and well-received.
 - *Concern at the Core: Managing Smithsonian National Collections*, a major pan-Institutional study of the status of the Smithsonian's collections was completed; pursuant to its recommendations, an increase of \$1 million for collections management was included in the fiscal year 2006 Federal budget request to the Office of Management and Budget.
 - Exhibition performance standards were developed for incorporation into Under Secretaries' and Directors' 2005 performance plans.
 - The transfer of Smithsonian Journeys, the Institution's travel tour operations, from Smithsonian Books to Smithsonian Business Ventures was effectively completed.
- The Smithsonian raised more than **\$128 million in private sector funds** in fiscal year 2004, comfortably exceeding its goal for the year; the Institution also raised a record **\$144 million in government grants and contracts**, also surpassing its goal. And **Smithsonian Business Ventures produced net gains of \$26.7 million**, surpassing its fiscal year 2003 total by \$6.1 million (30%), thanks to spending by consumers and advertisers and improved margins.
- During a period of great federal budget austerity for non-Defense, non-Homeland Security recipients of congressional appropriations, the Smithsonian successfully negotiated a 17% increase in Federal capital funds for its physical revitalization program for fiscal year 2005, resulting in a record high appropriation of \$126 million.
- Other accomplishments:
 - Visits to the Smithsonian on the World Wide Web hit the 100 million mark.
 - Two top quality directors were recruited for the director positions of the Smithsonian Astrophysical Observatory and the Smithsonian Center for Materials Research and Education.
 - The National Zoo gained another five-year accreditation from the American Zoo and Aquarium Association.
 - The Smithsonian developed its first strategic plan for education and, through the Education Committee of the Smithsonian National Board, funded the new Education Innovation grant and Smithsonian Education Achievement award.

PUBLIC IMPACT

VISITS TO THE SMITHSONIAN

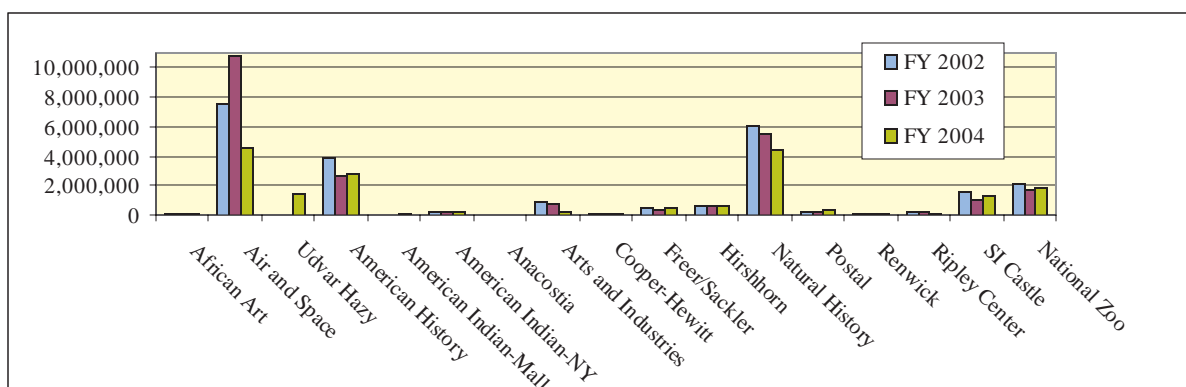
The Smithsonian had a total of 23.8 million visits in fiscal year 2004: 17.7 million visits to its museums in Washington, D.C., and New York; 1.9 million visits to the National Zoo; and 4.2 million visits to traveling exhibitions organized by the Smithsonian Institution Traveling Exhibition Service, Smithsonian American Art Museum, and National Portrait Gallery. Total visits in fiscal year 2004 were 21% below the total 30 million visits in fiscal year 2003.

Looking only at visits to Smithsonian museums and the National Zoo, attendance in the past two fiscal years stabilized and remained essentially flat after falling from pre-September 11, 2001 highs. However, visits to Smithsonian facilities in fiscal year 2004 were down 22% from both fiscal years 2002 and 2003. Several factors contributed to the decline, including a significant drop in attendance at the National Air and Space Mall Museum, due in part to its audience opting to see the new Udvar Hazy Center, the public closure of the Arts and Industries Building in January 2004, and a Code Orange Homeland Security alert around major financial institutions in Washington, D.C. and New York in August.

At the same time, two new museums came on line in fiscal year 2004 that promise to put overall attendance back in the plus category in fiscal year 2005. The Steven F. Udvar Hazy Center, which opened in December 2003 next to Dulles Airport, counted close to one and a half million visits during the fiscal year. And on September 21, 2004, the National Museum of the American Indian opened on the Mall. Visitation the first week exceeded 100,000, while more than 575,000 people attended the accompanying *First Americans Festival*. Current visitation levels already place it as the third most visited Smithsonian museum.

One sign of recovery is that despite the overall drop in attendance, visits to many smaller museums rose for the first time in several years. Visits to the Smithsonian Castle were up by 26% over fiscal year 2003. Attendance was up 16% at both the Freer and Sackler Galleries and the National Postal Museum. National Zoo visits rose by 9%; the Hirshhorn Museum and Sculpture Garden had a 7% increase; and the National Museum of African Art was up by 2%. Of the large museums, the National Museum of American History came back from a 32% decline in visits from fiscal year 2002 to fiscal year 2003, to post a 5% increase in visits over fiscal year 2003. The increase was due in no small part to the opening of the spectacular transportation hall, *America on the Move*, and the groundbreaking exhibition *Separate is not Equal: Brown v. Board of Education*.

Visits to Smithsonian Museums and Traveling Exhibitions
Fiscal Years 2002, 2003 and 2004



VIRTUAL ATTENDANCE

Virtual visitors have increased at the Smithsonian's web sites, including the main web site at www.si.edu and more than 75 other Smithsonian museum, zoo, research center, and exhibit-specific web sites. Visitor sessions in fiscal year 2004 topped 97.6 million, significantly surpassing the 75.8 million web visitors recorded in fiscal year 2003. This represents a 29% increase in web visitors over the prior fiscal year.

- **SmithsonianEducation.org**, maintained by the Smithsonian Center for Education and Museum Studies, was one of four web sites chosen out of thousands of entries to win the prestigious STEP Design 100 Award in February. And in April, the site was named a finalist in the Educational Press 2004 Distinguished Achievement Award for Excellence in Educational Publishing.
- **Conservation Central** (www.fonz.org/ConservationCentral), an online education program developed by the National Zoo, Friends of the National Zoo, and Fujifilm, won the Best of the Web Award for Best Overall Museum Web Site at the Museums and the Web 2004 Conference in May. Conservation Central also received a Silver MUSE Award in the Website category from the American Association of Museums.
- The National Museum of American History virtual exhibit, *Bon Appétit! Julia Child at the Smithsonian* won a Gold MUSE award in the History and Culture category at the 2004 American Association of Museums meeting. *Bon Appétit!* also won a Massachusetts Interactive Media Council Award in the non-profit category.
- The Smithsonian Institution Libraries won the 2004 Award of Triumph for Outstanding Design and Execution of an online exhibition for *Chasing Venus: Observing the Transits of Venus, 1631-2004*.
- The Freer and Sackler Galleries' interactive for the exhibition *Love and Yearning* won Macromedia's Site of the Day award in November 2003 and an Honorable Mention at the American Association of Museums MUSE Awards in May.
- In March, the National Endowment for the Humanities included the National Museum of African Art's web site in its EDSITEMent project as one of the best online resources for education in the humanities.
- The National Museum of Natural History launched *North American Mammals* (www.mnh.si.edu/nam/) in November 2003. The site, which portrays more than 400 native species through photographs and other media, was chosen as the Elementary Science Program Animal Site of the Month for December 2003.
- Education World, an online teacher resource, voted the Hirshhorn Museum and Sculpture Garden's web site an A+ site in March.
- The Smithsonian Tropical Research Institute launched its new 402-page web site in English in July 2004; it is presently working on the Spanish version.
- After 18 months of research and development, the National Science Resources Center launched its new web site in April. The new site highlights research and science education resources for school districts, teachers, students, parents, corporations, and foundations.
- With a grant from the Ford Foundation, the Asian Pacific American Program is leading an effort to rethink the entire field of Asian Pacific American history. The *APA History Collective* web site presents the products of the collective, which convened at the Smithsonian April 16-18.



EXHIBITION HIGHLIGHTS

On September 21, the **National Museum of the American Indian's** new, 474,000 gross square-foot Museum opened on the National Mall, at the foot of the U.S. Capitol. The unique architecture, designed and built with the collaboration of Native Americans, abstracts natural forms in rough-hewn, earth-toned limestone. The central, 120-foot atrium provides the internal focus and a space for performances, crafts, and other living traditions—reinforcing the Museum's central message that Native cultures and peoples are alive, not past civilizations now extinct. Three inaugural exhibitions, *Our Universes: Traditional Knowledge Shapes Our World*; *Our Peoples: Giving Voice to Our Histories*; and *Our Lives: Contemporary Life and Identities*, were developed in collaboration with Native communities throughout the hemisphere.



As part of the grand opening of the National Museum of the American Indian, the Center for Folklife and Cultural Heritage produced a six-day **First Americans Festival**. A dramatic Native Nations Procession on opening day took place along the Mall with 25,000 native people representing more than 600 tribes and communities across the Western Hemisphere and Hawaii, many marching with regalia and ceremonial dress. More than 575,000 visitors attended the festival, which presented native performers each day on five stages, evening concerts featuring singers such as Rita Coolidge and Buffy Saint Marie, and crafts pavilions with skilled regalia and instrument-makers demonstrating their traditional art forms.

The **Steven F. Udvar-Hazy Center**, the National Air and Space Museum's new \$311 million museum located at Dulles Airport, opened to the public on December 15, 2003. Work toward fully outfitting the James S. McDonnell Space Hangar and extensive cleaning and repair of the Space Shuttle Enterprise were carried out in fiscal year 2004. When fully completed, the Center will display more than 200 aircraft, 135 spacecraft, and thousands of other artifacts related to the history of flight and space exploration. As of December 31, 2004, the Center has already received more than 1.8 million visitors.



The **Kenneth E. Behring Family Hall of Mammals** opened to the public on November 15, 2003. The Natural History Museum's new 25,000 square-foot exhibition with 274 animal specimens in natural poses creates a new experience for visitors—one that sparks their curiosity to explore the diversity of mammals and the concepts of evolution and adaptation. The exhibition has been very well received by the public and has kept the National Museum of Natural History firmly in place as the second most visited museum in the world (after the Air and Space Museum.)

America on the Move, the National Museum of American History, Behring Center's great new transportation hall, opened on November 22, 2003. The 26,700 square-foot exhibition uses historic settings to display 340 objects including a Chicago Transit Authority "L" car, a 92-foot Southern Railway locomotive, and 40-feet of pavement from the fabled Route 66, and takes visitors on a fascinating journey, from the coming of the railroad to a California town in 1876 to a multimedia experience of "globalized" life in Los Angeles in 1999.





The **2004 Smithsonian Folklife Festival** featuring *Haiti: Freedom and Creativity from the Mountains to the Sea*, *Water Ways: Mid-Atlantic Maritime Communities*, and *Nuestra Musica: Music in Latino Culture*, was held June 23 to July 4 on the National Mall and drew approximately 825,000 visitors. The Haiti program marked the 200th anniversary of Haiti's independence and recognized the cultural creativity that sustains the Haitian people. *Water Ways* celebrated the coastal region stretching from Long Island to the Outer Banks of North Carolina. And *Nuestra Musica* presented Latino culture through music and dance.

Return of the Buddha: The Qingzhou Discoveries was at the Arthur M. Sackler Gallery from March 20 to August 8. The Sackler was the only North American venue to host the display of 35 extraordinary 6th-century Chinese Buddhist statues. Accidentally unearthed in 1996, the sculptures rank among the 100 most significant archaeological finds of the 20th century.



The Wright Brothers & the Invention of the Aerial Age opened at the National Air and Space Museum on October 11, 2003. The exhibition celebrates the centennial of the Wright brothers' first manned, powered flight and presents a new installation of the 1903 Wright Flyer with the artifact at the visitor's eye level for the first time in its history at the Smithsonian.

The National Museum of American History, Behring Center opened the special exhibition, ***Separate Is Not Equal: Brown v. Board of Education*** on May 15, commemorating the 50th anniversary of this major turning point in American history. The exhibition tells the story of how dedicated lawyers, parents, students, and community activists fought to overcome legal racial segregation in America and traces the fight to bring the injustice of segregated schools before the United States Supreme Court.



The new ***Kids' Farm*** at the National Zoo opened in June 2004. Designed to introduce farming and animal care to children ages three to eight, the two-acre exhibit is home to cows, goats, chickens, miniature donkeys, and ducks. A highlight with children and parents alike is the Pizza Playground with moveable, climbable ingredients of this popular food.



The Queen's Own: Stamps That Changed the World, an exhibition of materials from Queen Elizabeth II's Royal Philatelic Collection, opened April 6 at the National Postal Museum. His Royal Highness The Duke of York (Prince Andrew) visited the Postal Museum on June 15 to view the exhibition of his mother's collection, considered the finest and most comprehensive holding of British and Commonwealth stamps in the world.

Baseball as America, seen by almost one million visitors at the Natural History Museum between April 3 and October 3, 2004, marks the first time the treasures of the Hall of Fame left their legendary home in Cooperstown to tour the country. This groundbreaking exhibition represents the richness of baseball as the American pastime and celebrates enduring American values of freedom, patriotism, opportunity, and ingenuity.



Treasures from the Smithsonian American Art Museum opened February 27, 2004 in the Grand Salon of SAAM's Renwick Gallery while renovations continue at the museum's historic main building. Several hundred of the museum's greatest treasures by artists such as John Singer Sargent, Winslow Homer and Childe Hassam are on view.



Design /= Art: Functional Objects from Donald Judd to Rachel Whiteread opened at the Cooper-Hewitt National Design Museum on September 10, 2004. It is the first American exhibition to celebrate functional objects by some of the most significant artists of the late twentieth century, exploring the ascendance of design today and its reconsideration as not the same as—but also not less than—art.

Douglas Gordon, the first North American survey of works by the Scottish artist, was on view at the Hirshhorn Museum and Sculpture Garden from February 12 to May 9. The museum stayed open all night and drew more than 2,000 people for the special 24-hour long event that included the artist's film *24 Hour Psycho*, which slows down Alfred Hitchcock's masterpiece to run for 24 hours.

Playful Performers, opened at the National Museum of African Art on April 9. The exhibition is especially for children and the playful at heart, inviting them to see how children in Africa learn through playful inventiveness and creativity at masquerades.



Shock of the Old: Christopher Dresser, the first full-scale museum retrospective of the pioneer nineteenth century industrial designer, was on view at the Cooper-Hewitt National Design Museum from March through July. The critically acclaimed exhibition traveled to the Victoria and Albert Museum in London in September 2004.

Gyroscope, the Hirshhorn Museum and Sculpture Garden's rotating 18-month exhibition drawn from the permanent collection, presented more than 40 different group and solo installations to the public during fiscal year 2004.

Caliphs and Kings: The Art and Influence of Islamic Spain was on view at the Arthur M. Sackler Gallery from May 8 to October 17. The exhibition brought to Washington for the first time 90 objects from the collection of the Hispanic Society of America in New York, with works dating from the time of the Arab conquest of the Iberian Peninsula in the 8th century to the final phase of Muslim life in Spain in the 16th century.

The Magic Web: The Tropical Forest of Barro Colorado Island, a collaboration of the Smithsonian Tropical Research Institute, the National Zoo, and SITES, explores the tropical ecosystem through the brilliant photography of ecologist Christian Ziegler. The traveling exhibit opened on November 3, 2003 at the Organization of American States in Washington D.C. and visited the Zoo's *Amazonia* in January.



All the Stories Are True: African American Writers Speak, opened at the Anacostia Museum on June 7. The literary exhibition, guest curated by noted poet and author E. Ethelbert Miller, explores the relationship between inspiration and personal place in the work of nine celebrated authors through artwork, personal objects, and taped interviews.

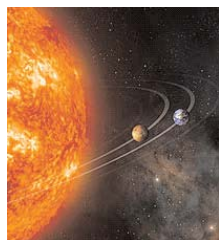
Driving Force: VSA arts was on display in the S. Dillon Ripley Center from September 25 to November 29, 2004. The exhibition featured 15 award-winning works by young artists with disabilities that were submitted to a contest sponsored by VSA arts, an international organization that creates learning opportunities through the arts for people with disabilities.



Insights, featuring the work of nine contemporary artists from the National Museum of African Art's collection, was on view from February through November. The exhibition displayed ensembles rather than individual works, revealing the artistic process and the play of experimentation, continuity, and change in each artist's chosen subjects and materials.

The Smithsonian Institution Archives' first solo exhibition, ***Beauty in Service to Nature: The Panoramas of Charles D. Walcott***, was hosted by the Embassy of Canada from March 25 through June 4. The photography show featured sweeping images of the Canadian Rockies taken by the Smithsonian's fourth Secretary in the course of his geological and paleontological research.

Right at Home: American Studio Furniture opened at the Smithsonian American Art Museum's Renwick Gallery in April. Objects in the exhibition, drawn from the permanent collection, highlight the originality, craftsmanship, and personalities of studio furniture artists.



Chasing Venus: Observing the Transits of Venus, 1631-2004

opened March 24 in the Smithsonian Institution Libraries Gallery at the National Museum of American History. The exhibition tells the story of the transits of Venus using illustrations from the rich collection of rare books in the Smithsonian Libraries and artifacts from the American History Museum and the United States Naval Observatory.

Continuum: 12 Artists at the National Museum of the American Indian's George Gustav Heye Center in New York showcased new work by six contemporary Native American artists in fiscal year 2004. The series of six paired shows aims to introduce audiences to mid-career Native artists and facilitate discussions on the changing nature of Native artistic expression.

NATIONAL OUTREACH

Smithsonian Affiliations. In fiscal year 2004, Smithsonian Affiliations signed agreements with six new Affiliates and reached one previously unrepresented state (Utah). At the end of the fiscal year, there were 138 Affiliates in 39 states, the District of Columbia, Puerto Rico and Panama.

Affiliations facilitated the largest loan of objects ever to a Smithsonian Affiliate for a single exhibition in August, when *American Originals* opened at Durham Western Heritage Museum in Omaha, Nebraska. The exhibition has 174 Smithsonian objects borrowed from the American History Museum, Postal Museum, and Portrait Gallery.

The Smithsonian Affiliations National Conference in June attracted 82 participants representing 54 Affiliates. Registrants came from 32 states and Puerto Rico. The accompanying Congressional Reception at the National Postal Museum drew 13 Capitol Hill attendees from eight congressional offices and committees in spite of the competing events surrounding the passing of President Ronald Reagan.

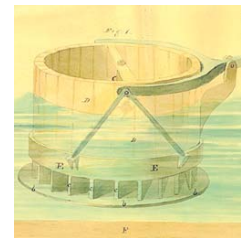
Smithsonian Institution Traveling Exhibition Service (SITES). During fiscal year 2004, SITES presented 54 exhibitions in 238 locations in 46 states and the District of Columbia.

In Search of Giant Squid, an exhibition developed by the National Museum of Natural History and SITES in partnership with the Discovery Channel, premiered at the Peabody Museum of Natural History in New Haven, Connecticut on September 25, 2004. The giant squid *Architeuthis dux* inhabits all of the world's oceans, does battle with sperm whales, and can be longer than a school bus—but the mysterious animal has yet to be seen in its natural habitat.



Our Journeys/Our Stories: Portraits of Latino Achievement, a bilingual exhibition developed by the Smithsonian Center for Latino Initiatives, is comprised of 25 specially commissioned photographs of Latinos who have made significant contributions to U.S. history. These Nobel laureates, scientists, artists, athletes, politicians, and others provide an inspirational anthology of Latino accomplishments across generations.

Doodles, Drafts, and Designs opened January 31 at the Museum of History & Industry in Seattle, Washington. The exhibition, drawn from the rich collections of the American History Museum and Smithsonian Institution Libraries, includes such highlights as patent drawings for a waterwheel dating from 1838 and an airtight bowl and lid, which later became known as “Tupperware.”



The Smithsonian Center for Education and Museum Studies (SCEMS). SCEMS led a pan-institutional effort to develop the Smithsonian's first strategic plan for education, which was presented to staff at a town hall meeting in March.

Through the generous support of the Smithsonian National Board, the Smithsonian Women's Committee, and Mrs. Dorothy Lemelson, SCEMS worked with the Smithsonian Council of Education Directors to create three pilot initiatives offering incentives for education: The Smithsonian Education Awards, the Smithsonian Education Innovation Grants, and the Lemelson Education Initiative.

The first two Smithsonian Education Awards went to Dorothy Dunn, Head of Education at the Cooper-Hewitt National Design Museum, for her overall achievement, and to The Innovative Lives Program at the Lemelson Center, National Museum of American History, for its dynamic outreach initiatives. The recipients of the Smithsonian Education Innovation Grants were the National Science Resources Center and the Center for Folklife and Cultural Heritage. Proposals are being evaluated for the Lemelson Initiative.

The Smithsonian Associates (TSA). In fiscal year 2004, TSA created 1,814 different education programs designed to reach learners of all ages. Programs occurred in 30 states and the District of Columbia, as well as in 43 countries. The Smithsonian Young Benefactors is Washington's largest young-adults membership organization, with nearly 1,000 members.

TSA's Masters Program in the History of Decorative Arts successfully concluded its eighth year and awarded degrees to six students in 2004. Nearly 90% of the program's 47 graduates are working in the field of decorative arts.

TSA's Regional Events program brought Smithsonian experts to local schools, museums, libraries and civic organizations in twelve communities around the country. In addition, four professional institutes and four week-long Elderhostel programs were held in Washington, D.C.

During fiscal year 2004, TSA's Resident Associate Program brought to the Smithsonian a wide range of speakers including such luminaries as Placido Domingo, David Rockefeller, Henry Kissinger, and Madeline Albright.

Smithsonian Journeys offered 226 study tours to 30 states and 43 countries worldwide. TSA's fiscal year 2004 online sales, including Smithsonian Journeys, the Resident Associate Program, and Young Benefactors, increased 18% over fiscal year 2003, reaching \$4.75 million.

EDUCATION AND PROGRAM HIGHLIGHTS

The Smithsonian Tropical Research Institute supported *JASON XV Rainforests at the Crossroads*, a nationwide multidisciplinary educational program conducted in Panama. Two weeks of "virtual scientific expeditions" from Barro Colorado Island with STRI researchers and U.S. and Panama student "Argonauts" were broadcast on the Internet, the *National Geographic Channel*, and at museum and science centers from January 26 through February 6, and reached more than 1.7 million 4th to 9th grade students and teachers.



The **Smithsonian Photography Initiative** will co-publish eight interactive education modules on the subject of visual literacy with the Apple Division of Higher Education. As part of this program, the Smithsonian has become a charter member of Apple Digital Campus that includes Duke, Stanford, Ohio State, Penn State, and the Missouri School of Journalism.

In its fifth summer, the **Anacostia Museum Summer Academy** provided a seven-week cultural enrichment program for 80 children ages seven to 14 in Southeast Washington. Working under the theme "Be the Best You Can Be," the museum and community partners used the Olympics to explore physical and mental achievement and African American history.



Smithsonian Institution Libraries published two major digital reference works in fiscal year 2004. In June, it went live with the 26,000-image *Biologia Centrali-Americana*, a fundamental work that includes nearly everything known about the biological diversity of Mexico and Central America at the time of its publication (1879-1915). In January, SIL launched digital versions of all 32 volumes resulting from the **U.S. Exploring Expedition**, which sailed from 1838 to 1842 and carried back more than 4,000 specimens, which form the core of the Smithsonian's natural history collections.

The National Aeronautics and Space Administration-Smithsonian Astrophysical Observatory Education Forum partnered with Chicago's Adler Planetarium and Princeton cosmologist David Spergel to produce an interactive videoconference on NASA's Wilkinson Microwave Anisotropy Probe (WMAP) mission to study the cosmic background radiation left from the Big Bang. The *Journey to the Beginning of Time* distance-learning event involving hundreds of middle and high school students at several museum and planetarium sites nationwide.

Tracings, a production by Dana Tai Soon Burgess and Co., was commissioned by the Smithsonian Asian Pacific American Program and performed at the Kennedy Center for the Performing Arts on November 6 and 7, 2003. The program was one of a series of events commemorating the centennial of Korean immigration to the United States.



The National Air and Space Museum, with Ball State University, conducted two Virtual Field Trips with subscribing classes in all 50 states and potential audiences in the millions. *The Wright Start* was webcast live from the new Wright Brothers gallery in October 2003 and *Celebrating 100 Years of Flight* was webcast live from the Steven F. Udvar Hazy Center on April 20. The events are archived on the Apple Learning Interchange.

In fiscal year 2004, the National Science Resources Center engaged more than 70 school district leadership teams throughout the U.S. at week-long K-8 Science Education Strategic Planning Institutes. These districts join 750 other districts, representing more than 20% of the U.S. student population, that are working with the NSRC to reform their science programs.

Through the Smithsonian Institution Fellowship Program, 64 awards were offered to scholars, scientists and students to conduct research in Smithsonian museums, research institutes, and research offices.

OTHER SMITHSONIAN EVENTS

In November 2003, the Smithsonian Astrophysical Observatory dedicated its **\$104 million Submillimeter Array (SMA)** telescope on the summit of Mount Mauna Kea on the Big Island of Hawaii and an accompanying research facility in Hilo. The telescope's eight radio antennas work synchronously to achieve a resolving power about equal to that of the Hubble Space Telescope, but in a different, little explored part of the electromagnetic spectrum.



On October 10, 2003, the Smithsonian Tropical Research Institute opened its **Bocas del Toro Marine Research Station** in Panama. The 10,760 gross square-foot station includes a state-of-the-art laboratory that utilizes a photo-voltaic roof capable of generating up to 35 kilowatts of electricity, a science library, and student residences.



The Center for Folklife and Cultural Heritage, together with the American Battle Monuments Commission, staged a major four-day event—*Tribute to a Generation*—to coincide with the dedication of the National World War II Memorial over Memorial Day weekend. Drawing more than 315,000 people to the National Mall, the event had two stages with military bands, jazz orchestras, and period groups such as the *Ink Spots*. Attractions included Reunion Hall, with message boards where veterans and their families could reconnect with their service colleagues, and Wartime Stories, which used a talk show format to feature prominent veterans including Senators Dole, McGovern, and Simpson.

The Smithsonian commemorated the 100th anniversary of the groundbreaking for the Natural History Building with a public ceremony on June 15. Special tribute was paid to the memory of Solomon G. Brown, the Smithsonian's first African American employee and a self-taught natural historian and prolific poet who worked for the Smithsonian for more than 50 years.

COLLECTION HIGHLIGHTS

At 23.10 carats, the **Carmen Lúcia Ruby** is the largest faceted ruby in the U.S. National Gem Collection and one of the finest large, faceted Burmese rubies known. The Ruby was given to the Smithsonian by Dr. Peter Buck in memory of his loving wife, Carmen Lúcia Buck.



On May 2, 2004, three male **Sumatran tiger cubs** were born at the National Zoo. The cubs made a national news splash during their public debut in August, and were covered by news outlets including CNN, MSNBC and The Weather Channel.



Mark di Suvero and di Suvero family papers from 1960 to 2003, were donated to the Archives of American Art by di Suvero's sister. One of America's preeminent sculptors, di Suvero earned international acclaim for his monumental sculptures built of wood and industrial materials.

On March 20, the Vietnam-era **Bell UH-1H "Huey" Helicopter** landed on the National Mall. The helicopter is a centerpiece of the National Museum of American History's new military exhibition, *The Price of Freedom: Americans at War*, which opened November 11, 2004.



A team of conservators and scientists from the Smithsonian Center for Materials Research and Education conserved and restored the **Hawaiian outrigger canoe** given to the Smithsonian by Queen Kapi'olani in 1887. It is the centerpiece of *Hawaiian Treasures*, which opened at the Natural History Museum on September 22.

The Smithsonian American Art Museum acquired **Everett Shinn's The White Ballet (1904)**, a key image by one of the most important artists working at the turn of the twentieth century.



FOCUSED, FIRST-CLASS SCIENCE

SCIENCE DIVISION

During fiscal year 2004, the Smithsonian made considerable progress in responding to the recommendations of the Science Commission, with 68 out of 76 recommendations implemented or under way, including completion of a Science Strategic Plan. The new plan focuses Smithsonian Science in four research areas: the origin and nature of the universe; discovering and understanding life's diversity; human diversity and culture change; and the formation and evolution of the Earth and similar planets.

NATIONAL ZOO ACCREDITATION

On March 17, the American Zoo and Aquarium Association granted the National Zoo a five-year re-accreditation. The Zoo was commended for its extraordinary efforts in addressing every major and minor concern that led to the tabling of the accreditation decision for a year pending further review.

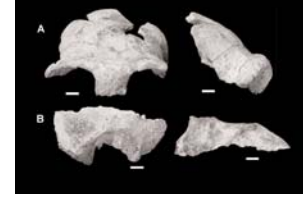
SCIENTIFIC ACHIEVEMENTS

National Air and Space Museum (NASM)

- NASM's Center for Earth and Planetary Studies published *Apollo 11: Artifacts from the First Lunar Landing* by NASM scientist Robert A. Craddock in October 2003.
- The Library of Congress recognized *The Smithsonian National Air and Space Museum Directory of Airplanes: Their Designers and Manufacturers*, published by NASM's Archives Division, as an authority list.

National Museum of Natural History (NMNH)

- A team led by NMNH anthropologist Richard Potts discovered cranial bones of an adult or subadult early human (hominin) while working at the Olorgesailie site in Kenya. The find of the more than 900,000 year old fossil, reported in the July 2004 issue of *Science*, represents the first well-dated fossil in what was previously a 400,000-year gap in the fossil record of humans in East Africa.
- In April, NMNH senior scientist Bruce D. Smith was inducted into the National Academy of Sciences. And in May, the Society for American Archaeology announced that the esteemed Fryxell Medal for Interdisciplinary Research will be awarded to Dr. Smith.
- NMNH entomologist Ted R. Schultz was awarded close to \$1.5 million from the National Science Foundation through the University of California at Davis for the project, “Assembling the Tree of Life—Collaborative Research on Ant Phylogeny: a Comprehensive Evolutionary Tree for the World’s Premier Social Organisms.”



National Zoological Park (NZN)

- NZN scientist Jon Ballou co-authored *A Primer of Conservation Genetics*, published by Cambridge University Press in March. The primer is now widely used in university courses as an introduction to the general principles of conservation genetics.
- In December 2003, the Ulie S. Seal Conservation Award was given to the Thailand Zoological Park Organization for NZN’s Thailand Clouded Leopard Project at the Khao Kheo Open Zoo. Dr. JoGayle Howard of the National Zoo is the primary investigator on this long-term project that is successfully breeding the endangered clouded leopard.
- NZN Scientists Steve Monfort, Budhan Pukazhenth, Bill McShea and Boripat Siriaronrat, together with the Wildlife Conservation Society and the Thai Zoological Parks Organization, organized the first “Workshop for Conservation and Restoration of Eld’s deer,” held in November 2003. All historic range countries were represented, including India, Myanmar, Thailand, Cambodia, Laos, Vietnam and China.

Smithsonian Astrophysical Observatory (SAO)

- To mark the one-year anniversary of NASA’s Spitzer Space Telescope, scientists have just published their first results in a set of 86 refereed research articles in the September 2004 issue of the *Astrophysical Journal Supplements* (Volume 154, Number 1). SAO astronomers led or co-authored 38 of the articles; 51 of the 86 papers are based wholly or partly on results of the Infrared Array Camera on board the Spitzer Space Telescope, an instrument that was developed by a team led by SAO astronomer Giovanni Fazio.
- SAO astronomer Guillermo Torres and his Center for Astrophysics colleague Dimitar Sasselov have discovered a new class of extra-solar planets whose masses are very close to the mass of Jupiter, and whose orbits are just a few days or less. Astronomers trying to understand how the Earth formed and ended up orbiting the Sun at a distance just right for temperatures conducive to life will study this new class of “hot Jupiters” to refine and test their theories about our own solar system.



Smithsonian Center for Materials Research and Education (SCMRE)

- Adding to its long history of research into the preservation of paper, SCMRE scientists Charles Tumosa, David Erhardt, and Marion Mecklenburg recently disproved the general belief that

newsprint is extremely fragile and the most transient of all printed papers. By examining the chemical and mechanical behavior of newsprint over the past 120 years, the researchers found that newspapers can be handled for many decades and that the practice of copying and then discarding the originals is questionable. Their research was featured in the January 10, 2004 issue of *Science News*.



Smithsonian Environmental Research Center (SERC)

- The May 8, 2004 issue of *Science* described the results of a team led by SERC scientists Bert Drake, David Johnson, and Graham Hymus researching effects of increased CO₂ at SERC's CO₂ field site in Cape Canaveral, Florida. The team's findings indicate that increasing concentrations of carbon dioxide in the atmosphere may actually reduce the growth of plants in the bean family, the so-called nitrogen fixers.
- SERC plant physiological ecologist Bert Drake was awarded a three-year, \$1,673,000 renewal grant entitled "Impact of Elevated CO₂ on a Florida Scrub-Oak Ecosystem" by the Department of Energy, the latest of more than \$10 million of continuous funding over 21 years from the Department of Energy for Drake's forward-looking experiments on effects of global atmospheric change on natural plant communities.



Smithsonian Tropical Research Institute (STRI)

- STRI scientists Dolores Piperno, Haris Lessios, and William F. Laurance were elected fellows of the American Association for the Advancement of Science. They join STRI's Jeremy B.C. Jackson, Nancy Knowlton, Olga F. Linares, and director Ira Rubinoff as AAAS fellows.
- During the 25th anniversary celebration of the Biological Dynamics of Forest Fragments Project (BDFFP), held at Manaus, Brazil in July, STRI staff scientist William F. Laurance was awarded a trophy as the most productive scientist in the history of the BDFFP. At that time, Dr. Laurance had produced 109 publications under the aegis of the BDFFP.

MANAGEMENT EXCELLENCE

SMITHSONIAN MANAGEMENT

As part of a reorganization in January 2004, Sheila Burke was named Deputy Secretary and Chief Operating Officer. Deputy and COO Burke continues to oversee the American Museums and National Programs division and adds to that portfolio the Offices of the Chief Financial Officer, Chief Information Officer, and Facilities Engineering and Operations. The Smithsonian's vast national and international art collections were joined under one division and Ned Rifkin was appointed as Under Secretary for Art. And the National Air and Space Museum was moved to the Science Division overseen by Under Secretary David Evans.

In fiscal year 2004, two new science directors were selected, several senior managers moved to new posts within the Smithsonian, and some veteran senior leaders left the Institution.

- **Dr. Charles R. Alcock** was jointly appointed by the Smithsonian and Harvard University to be director of the Harvard-Smithsonian Center for Astrophysics (CfA) beginning August 1, 2004. Prior to his appointment, Dr. Alcock was the Reese W. Flower Professor of Astronomy and Astrophysics at the University of Pennsylvania.

- **Dr. Irwin I. Shapiro**, Director of CfA since 1983, will remain at the Center as the Timken University Professor at Harvard and as a senior scientist at SAO. Dr. Shapiro was awarded the Joseph Henry Medal by the Smithsonian Board of Regents in recognition of his distinguished service to the Institution.
- **Jim Douglas** was appointed as Director of the Office of Human Resources in July after an eight-month national search culminated in his selection. Mr. Douglas has been with the Smithsonian since 1977. He was Deputy General Counsel before becoming Acting Director of the Office of Human Resources.
- **Andrew J. Zino** was appointed Comptroller for the Smithsonian effective July 11. Mr. Zino worked for Booz Allen Hamilton since 1997; he has over 30 years of experience with financial planning, review of management systems, financial and economic analysis, and risk assessment.
- **Harold Closter** was appointed Director of Smithsonian Affiliations in August. Mr. Closter has served in various posts at the Smithsonian for 27 years, including as Senior Management Advisor in the Office of National Programs and Associate Director for Public Service at the National Museum of American History.
- **Robert J. Koestler** was named Director of the Smithsonian Center for Materials Research and Education (SCMRE) effective August 30. Dr. Koestler, an entomologist and cell biologist known for his advancements in art conservation, was formerly with the Metropolitan Museum of Art and the American Museum of Natural History in New York.
- **Thomas D. Blair**, the Smithsonian's first Inspector General, announced his retirement after 14 years in that post and 37 years of distinguished federal service.
- **Anna Escobedo Cabral**, Director of the Smithsonian Center for Latino Initiatives, was nominated by President Bush to serve as 42nd Treasurer of the United States and was sworn in on December 13, 2004.
- **J. Michael Carrigan**, founding Director of the Affiliations Program, retired on February 27, 2004 to become a principal partner in Rohn Design Studios, an international liturgical design firm. Mr. Carrigan's 37 year career at the Smithsonian included service as Assistant Director of the National Museum of American History from 1981 to 1994.
- **Herma Hightower** retired from her position as Director of the Office of National Programs at the end of the fiscal year. Dr. Hightower expanded access to Smithsonian collections and programs to Americans across the country through the SITES, Affiliates, Associates and Education outreach programs.
- **Catheryn Hummel** resigned as Comptroller for the Smithsonian in March. Mrs. Hummel was responsible for implementing financial transaction process reforms and policy compliance reviews that were critical to the Institution's financial management reform agenda.
- **Carolyn Jones**, Director of the Office of Human Resources, retired in December 2003 after 20 years of service to the Smithsonian. Mrs. Jones made many important changes in personnel policies and procedures and her dedication and tenacity earned her the respect of her colleagues across the Institution.
- **Thomas Lentz** left his post as Director of International Art Museums on November 15, 2003 to become the Elizabeth and John Moors Director of the Harvard University Art Museums.
- **Steven C. Newsome** retired from his post as Director of the Anacostia Museum and Center for African American History and Culture on February 28. Mr. Newsome will continue as an advisor to the Deputy Secretary on the new National Museum for African American History and Culture.

MAJOR CONSTRUCTION AND RENOVATION PROJECTS

The Smithsonian has over \$1 billion in revitalization and construction projects under way—ten times more than the Institution did in the last decade—and it is getting them all done and paid for.

Patent Office Building

384,000 gross sq. ft.

\$216 million total estimated cost

- The historic Patent Office Building, home to the Smithsonian American Art Museum and the National Portrait Gallery, will reopen in 2006. The project includes renewal of the 168-year-old building and the creation of a 346-seat auditorium, open labs and storage areas, and a courtyard enclosure.
- An appropriation of \$48 million in Federal funds in fiscal year 2004 and \$44.4 million included in the fiscal year 2005 President's request completes the Federal funding of the project.
- The concept design for the covered courtyard was approved by the Commission on Fine Arts in June and received conditional approval from the National Capital Planning Commission in July.
- The courtyard schematic design is complete and a subcontractor who will fabricate the enclosure has been identified.
- The physical plant renewal is now about 40% complete. Rough-ins are under way for pipe and duct risers, electrical conduit, and utilities. Foundation work continues in the courtyard area.



National Museum of American History, Behring Center

771,000 gross sq. ft.

\$345 million total estimated cost

- Progress in the early stages of a comprehensive renovation/renewal of the National Museum of American History, Behring Center continues. A number of large gifts and agreements permit planning for the renovation, with the strategic goal to install new permanent exhibits throughout the Museum; create new spaces for changing galleries, education and public programs, visitor orientation, and business opportunities; and replace the aging infrastructure.
- The estimated total Federal funding from fiscal year 2003 through 2007 is \$52 million: \$45 million for construction and \$7 million for design, planning, and security improvements. \$5 million for design and \$3.5 million for revitalization have already been appropriated and \$10 million is in the fiscal year 2005 appropriation. The remainder is planned for fiscal years 2006 and 2007.
- *Public Space Renewal.* Construction for the first package of improvements to public corridors and space surrounding the third floor east escalator was completed in November 2004. Schematic designs for the entrance pavilions, Flag Hall, Star Spangled Banner exhibit, and public spaces on the first, second, and third floors were completed in August 2004. The design development phase for the central north-south core of the Museum will be completed in February 2005; construction is planned to start in summer 2005 and will be completed in June 2007.
- *The Price of Freedom: Americans at War.* The \$16.1 million exhibit occupying the new Kenneth E. Behring Hall of Military History opened on November 11, 2004 on schedule and on budget.
- *The Star Spangled Banner.* Preservation of the flag and the design for its new gallery, *For Which it Stands*, are under way and on schedule. The new two-story gallery on the second floor, slated for completion in June 2007, provides a dramatic viewing experience and a physical environment that will preserve the Star Spangled Banner for decades.



Arts and Industries Building

186,000 gross sq. ft.

- In September 2003, the Board of Regents directed the Secretary to use all available means to secure funding for the immediate closure of the building, including relocation of all staff and functions. The AIB was closed to the public in January 2004.



- \$3.5 million of planning and design funds were spent in 2004 and \$23.4 million is in the fiscal year 2005 budget to fund the move of 350 staff members to alternative quarters, including design and construction work associated with the relocation effort. The remaining 225 staff will be moved in fiscal year 2006.
- Plans have been developed for all moves necessary to vacate the AIB, including the installation of the Discovery Theater in the S. Dillon Ripley Center. Many of the 25 units remaining in the AIB will move to other Smithsonian buildings or currently leased space at L'Enfant Plaza. Additional space will be leased for other programs such as Smithsonian Archives. The Office of the Chief Information Officer Data Center and 129 staff will move to a leased building in Herndon, Virginia.
- The planned relocation of units within existing Smithsonian facilities and successful negotiations of new long-term leases has resulted in a projected savings (over previous estimates) of \$10 million in total relocation costs.

National Museum of African American History and Culture

- A total of \$3.9 million, the first increment of Federal funding for this project, was provided in the fiscal year 2005 appropriation.
- The 19 member Advisory Council was announced on December 7, 2004. In addition, the nucleus of a scholarly advisory committee has been formed to assist the Director and the Council.
- Following the award of fiscal year 2005 funding, the Smithsonian contracted with Plexus Scientific to conduct an analysis of the four potential sites for the Museum's building. Plexus is expected to complete the analysis by October 2005 for the Regents' consideration in the site selection process. The Deputy Secretary is coordinating the collection of other relevant information, including public comment, to assist the Regents in their deliberations.
- A search committee for the Director, chaired by the Deputy Secretary, has been established and several promising candidates have been identified with the help of a private search firm.
- In-house teams of Smithsonian staff have been created to address key issues of mission, collections, facilities, fund raising, communications, and budget, and are consulting on an informal basis with African American leaders and others across the country.
- An improved index of existing Smithsonian collections is being compiled to serve as a foundation for a comprehensive pan-Institutional loan program if requested by the new Museum.
- The communication plan is being implemented through the continual update of the web site and through town hall meetings to keep Smithsonian staff apprised of the planning progress.
- Quarterly briefings on the Hill have been scheduled to keep members up to date on the Institution's progress.

National Zoological Park

\$250 million total estimated cost

- 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. Asia Trail I will provide a renovated home with more indoor and outdoor space for the Giant Pandas as well as new homes for the sloth bears, fishing cats, red pandas, giant salamanders, and clouded leopards. Asia Trail II will expand and improve space for the elephants to meet contemporary elephant holding standards. Construction of Asia Trail I began in 2003 and the habitat and exhibit construction began earlier this year. A total of \$41.6 million has been appropriated for the first phase, along with \$10.2 million to design and begin construction of the second phase. The total projected cost of Asia Trail I is \$48.4 million, which will include \$41.6 million in Federal funds. Planning work on Asia Trail II is ongoing.
- The Kids' Farm opened June 12, 2004. The total cost of \$5.2 million was funded from Federal sources—\$5 million for the base construction and \$0.2 million for fabrication and installation of interpretive elements. The Kid's Farm has been very well received by the public.

INFORMATION TECHNOLOGY UPDATE

Enterprise Resource Planning (ERP) System-Financials. The Smithsonian implemented the first phase of the ERP financial management system, including general ledger, accounts payable, and purchasing modules, in October 2002. The Institution revised the budget and implementation schedule based on a better understanding of the PeopleSoft software modules and the need to establish a dedicated team of financial experts to provide functional direction to the ERP technical team. The new schedule reflects a three-year slip in full implementation of the financial system versus the original projection. While reforming the Smithsonian's antiquated bookkeeping procedure has been harder than expected, the payoff for doing so is already evident. In fiscal year 2004, significant improvements were made to financial reporting and to facilitating reconciliation of the General Ledger with the banking statement, and the books for the year were closed in record time.

Enterprise Resource Planning (ERP) System-Human Resources Management System (HRMS). The Institution successfully conducted a pilot of the PeopleSoft HRMS in three museums, the Smithsonian Astrophysical Observatory, and the Office of Facilities Engineering and Operations. The first of four phases of HRMS implementation occurred in December 2004.

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 replaced 55 of the 77 mostly obsolete telephone systems and implemented "911" emergency response and emergency broadcast capabilities.

Desktop Workstation Replacement. The Institution replaced 1,987 obsolete desktop workstations. This was the first year of a periodic replacement program

STRATEGIC PLAN AND PERFORMANCE MEASUREMENT

To address Office of Management and Budget criteria in the Budget and Performance Integration initiative of the President's Management Agenda, the Institution restructured its Annual Performance Plan so that major performance goals and objectives align with the program categories used in the Federal budget and the Institution's financial accounting system. The realignment reduces the number of performance goals by half.

Significant progress was made in expanding the use of performance metrics throughout the Institution to measure achievement of operating and personal performance goals. By fiscal year's end, six Smithsonian organizations—the National Zoo, the Office of Facilities Engineering and Operations, the Chief Financial Officer, the Chief Information Officer, the Office of Human Resources, and the Natural History Museum—were tracking performance metrics monthly.

In the area of program performance, an Institution-wide visitor satisfaction and experience survey was conducted at 14 Smithsonian museums in July and August. Of the over 6,000 visitors who completed the survey, 68% rated their overall Smithsonian experience as "superior" or "excellent." Eight out of ten (81%) said the museum they were exiting was a "must see."

EXHIBITION STANDARDS

Drawing upon the Institution-wide study of exhibitions—*Raising the Bar*—completed in 2003 and at the recommendation of the Smithsonian Exhibitions Task Force, exhibition performance standards were developed for incorporation into Under Secretaries' and Directors' 2005 performance plans.

COLLECTIONS STUDY

A major pan-Institutional study of the status of the Smithsonian's collections was completed. The recommendations contained in *Concern at the Core: Managing Smithsonian National Collections*, will improve stewardship of the nation's treasures over the long-term and will help to justify future resource growth in both the near and mid-term. Funding has already been added to the central trust budget (\$200,000) for this purpose in fiscal year 2005, and the decision was made by senior leadership to include a request for \$1,000,000 to establish a collections care and preservation fund in the Institution's fiscal year 2006 Federal budget request to the Office of Management and Budget.

HUMAN RESOURCES MANAGEMENT

Huge strides were made towards improving management of the Institution's human resources processes, as attested by a President's Management Scorecard "green" rating for progress made in implementing Human Capital initiatives. A Smithsonian Human Capital Coordinating Committee was formed to guide workforce prioritization and planning processes and to implement recommendations in the Human Capital Management Plan.

Employee satisfaction surveys were conducted in accordance with plans and tailored to four specific Smithsonian units. Over 60% of the employees surveyed are "strongly or mostly satisfied" with their overall job and work environment.

There was a modest improvement in the percentage of Smithsonian minorities in the workforce with an increase of 0.7%; the percentage of women in the workforce remains at 48%.

The Smithsonian was recognized by the U.S. Equal Employment Opportunity Commission as a model agency for EEO program efficiency in its December 2004 report *Attaining a Model Agency Program Efficiency*.

FINANCIAL STRENGTH

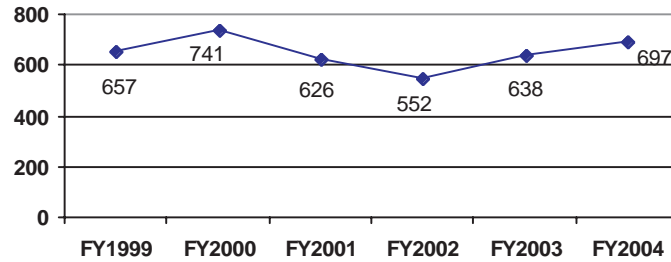
Fiscal year 2004 was a good year financially for the Smithsonian. Notably, the Smithsonian exceeded its fund raising goal for the year, and the Institution's Endowment outperformed the Institution's policy benchmark. The institutional support provided by Smithsonian Business Ventures exceeded fiscal year 2003 by \$6.1 million or 30%, due in large part to the success of the retail business in the Washington-based museums.

At year-end, the value of the Endowment totaled \$697 million; \$44 million shy of its record year in fiscal year 2000. An important bellwether of the Institution's financial health, the Endowment's market value (including additions to the Endowment) increased over the prior year by \$59 million. The total return on the Endowment over the last five years (4.8%) has exceeded the market return (2.7%), placing the Smithsonian Endowment in the second quartile of Endowments under \$1 billion.

FINANCIAL PERFORMANCE

While the non-Federal component of the Institution's budget ended the year with a surplus, the uncertainty of unrestricted Trust resources again prompted management to take significant actions to reduce unrestricted Trust expenses to meet the Smithsonian's goals in fiscal year 2004. To hold down unrestricted Trust expenses, management imposed a Trust staff-hiring freeze that strategically approved one unrestricted Trust-funded hire for every two positions lost at the Smithsonian.

Smithsonian Institution Year-End Endowment Value
(\$ in millions)



In fiscal year 2004, the Endowment totaled \$697 million, after accounting for the payout, fees and expenses, and additions to the Endowment.

Total revenues (Federal and Trust) for fiscal year 2004 exceeded budget by \$42 million. This positive budget variance is largely due to an increase in restricted contributions; an increase in funding from government grants and contracts (primarily to the Smithsonian Astrophysical Observatory [SAO] from the National Aeronautics and Space Administration [NASA]); and an increase in income from Smithsonian Business Ventures.

The increase in revenue was offset by delays in Federal spending for operations, which resulted in a decrease in funds recognized as Federal revenue (which occurs only when Federal funds are spent); and management’s decision to restructure the Smithsonian Institution Press. The press consisted of two parts: scholarly publications that will continue with Federal funding and commercial trade publications, which are being shut down. A \$3.3 million write-off was taken against revenue in fiscal year 2004 in order for the Smithsonian to get out of this unprofitable business.

Expenses for fiscal year 2004 were below budget by \$12 million. This budget variance is due to slower than budgeted spending on federally funded operations as a result of both the late appropriation which delayed contract awards and program execution delays caused by the staff buyout program. This decrease in spending was offset by increased spending associated with the unbudgeted increase in grant and contract revenue from the NASA.

Smithsonian Institution Financial Performance for Fiscal Year 2004
(\$ in millions)

	FY2004 Budget	FY2004 Actual	Variance To Budget
Revenues	864	906	42
Expenses	808	796	12
Endowment Return Reinvested	12	50	38
Other	(8)	(12)	(4)
Growth in Net Assets	60	148	88

Revenues exceeded budget by \$42 million, while expenses were below budget by \$12 million. Taken together with the Endowment, which outperformed the budget by \$38 million, the Institution’s net assets exceeded budget by \$88 million.

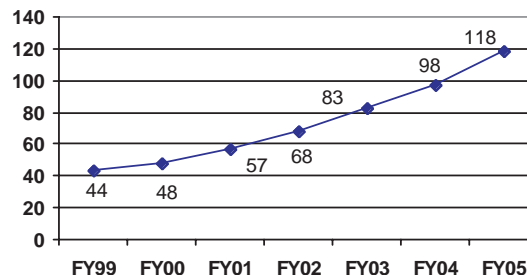
FINANCIAL SUMMARY

Fiscal year 2004 has been another solid year for the Smithsonian and the Institution continued to make considerable progress in achieving its stated goals. Major capital projects, notably the Patent Office Building, home to the National Portrait Gallery and the Smithsonian American Art Museum, which will open in 2006, remain on schedule and on budget. Additionally, work on enhancing security, modernizing the telephone system, and upgrading the financial system is well under way, despite considerable staff shortfalls and resource constraints.

Three years after the release of the congressionally mandated report of the National Academy of Public Administration, however, the Smithsonian's budget for physical infrastructure remains inadequate. The Smithsonian has buildings that range in age from new to more than 160 years old. In more than half of them, the heating and air conditioning systems and electrical distribution systems have served well beyond their useful lives. While considerable progress has been made, the budget remains short of the \$150 million per year required to achieve the funding levels called for in the NAPA report. And the funding requirements established by the NAPA report are now understated as the Smithsonian adds new buildings to its inventory (the Udvar-Hazy Center and the National Museum of the American Indian, in particular) that were not included in NAPA's calculation. Without funding of at least \$150 million annually for facility revitalization, the Smithsonian cannot expect to get ahead of the problem of its aged physical plant which will only get worse.

Management remains committed to the revitalization of the Institution's physical infrastructure. The competition for Federal resources remains fierce given the size of the Federal budget deficit and the Administration's focus on homeland security. The Institution confronts a need to boost fund raising generally and unrestricted revenue in particular. But securing adequate Federal funds for the revitalization of the Institution's facilities remains the Institution's most pressing financial challenge.

Funding for Smithsonian Facilities Revitalization
(Reflects approved funding through Fiscal Year 2005)
(\$ in millions)



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

EXTERNAL AFFAIRS

The Institution generated \$128 million in private support from individuals, foundations, corporations, and other organizations in fiscal year 2004. This exceeded the Institution's goal of \$110 million by 16% and is \$40 million more than last year. In addition, the Institution received 10 gifts of \$2 million or more this year, compared to three received last year. The gift of \$25 million made by Robert and Arlene Kogod for the renovation of the Patent Office Building is the fourth-largest gift ever received by the Smithsonian.

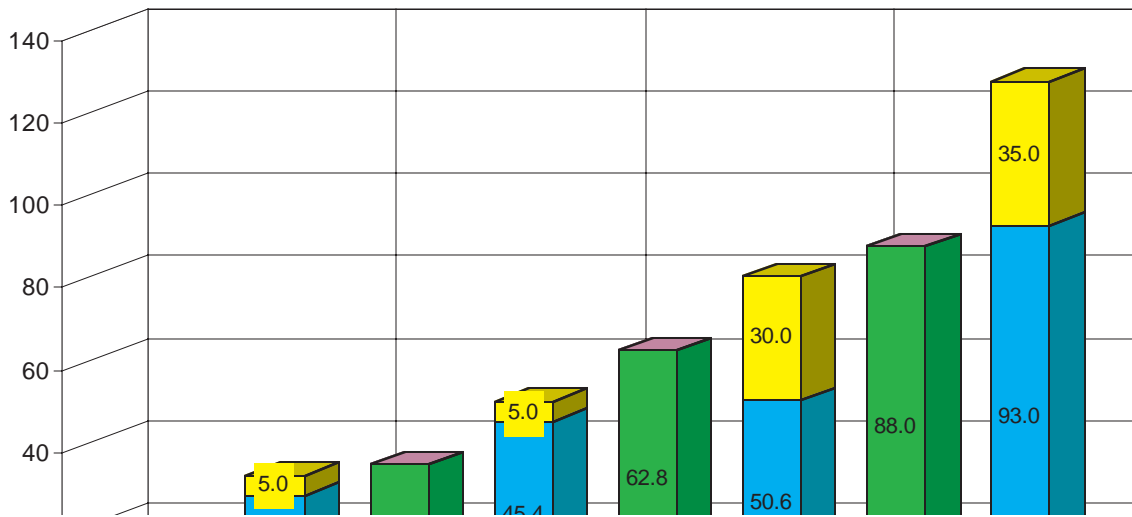
The National Museum of the American Indian opened on schedule in September 2004, and it exceeded its fund raising goal of \$100 million by nearly \$10 million. The Patent Office Building renovation continued to attract major support in addition to the Kogods' gift, and the re-envisioning of the National Museum of American History's Flag Hall and the *Ocean Hall* exhibition at the National Museum of Natural History are gaining momentum as priorities for which planning and fund raising have begun in earnest.

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

- \$25 million from Robert and Arlene Kogod toward the renovation of the Patent Office Building;
- An anonymous \$5 million gift to endow a chair in marine sciences at the National Museum of Natural History;
- \$5 million from The Rasmuson Foundation for construction of the National Museum of the American Indian Mall Museum;
- \$4 million from the Lunder Family Foundation for the Smithsonian American Art Museum's Conservation Center project, made as a challenge grant;
- \$3.7 million from Dr. Peter Buck for the purchase of a ruby for the National Gem Collection at the National Museum of Natural History;
- \$3.5 million from The 1923 Fund for an endowed chair in paleontology at the Smithsonian Tropical Research Institute;
- \$3 million from John and Adrienne Mars toward Phase II of the National Air and Space Museum's Steven F. Udvar-Hazy Center in Dulles, Virginia;
- \$2 million as an anonymous gift for the Smithsonian Astrophysical Observatory's Giant Magellan Telescope Project;
- \$2 million from Northrop Grumman Corporation toward Phase II of the National Air and Space Museum's Steven F. Udvar-Hazy Center;
- \$2 million from ExxonMobil for the National Museum of American History's exhibition, *America on the Move*;
- \$1.5 million from the Coca-Cola Company for the Secretary's General Fund;
- \$1.5 million from the Comer Foundation for the Smithsonian Photography Initiative;
- \$1.5 million from the Upton Trust to the Smithsonian Tropical Research Institute;
- \$1 million from Holenia Trust for acquisitions at the Hirshhorn Museum and Sculpture Garden;
- \$1 million from the Seneca Nation of Indians for the National Museum of the American Indian;
- \$1 million from Robert H. Smith for the Smithsonian American Art Museum;
- \$1 million from Richard O. Ullman for the National Museum of the American Indian;
- \$1 million as an estate gift of prints to the Freer Gallery of Art from Anne van Biema;
- \$1 million from Mr. and Mrs. Lester S. Morse, Jr. to the Cooper-Hewitt, National Design Museum's endowment.

Fiscal Years 2003 and 2004 Fund Raising

(\$ in millions; Extraordinary gifts are those of \$5 million or more)



Membership programs across the Institution remained stable, and the Contributing Membership raised \$12.75 million in unrestricted funds and maintained its industry-leading 83% retention rate. The program also realized a record 80,000 members, making it the fifth largest cultural arts museum membership program in the nation.

The Secretary's Annual Fund, which was instituted to raise unrestricted revenue to close the gap caused by budget shortfalls post-9/11, generated \$787,000 in fiscal year 2004. While this year's revenue has diminished compared to last year's, the program continues to be one that generates significant annual income.

The Office of External Affairs' ongoing cultivation work also continues to build relationships with volunteer philanthropic leaders. Overall giving by members of the Smithsonian National Board was \$17 million, a figure which includes gifts, pledges, and payments on pledges. The James Smithson Society raised \$1.179 million in unrestricted funds, a 26% increase over last year's total and 18% over the year's goal of \$1 million.

SMITHSONIAN BUSINESS VENTURES

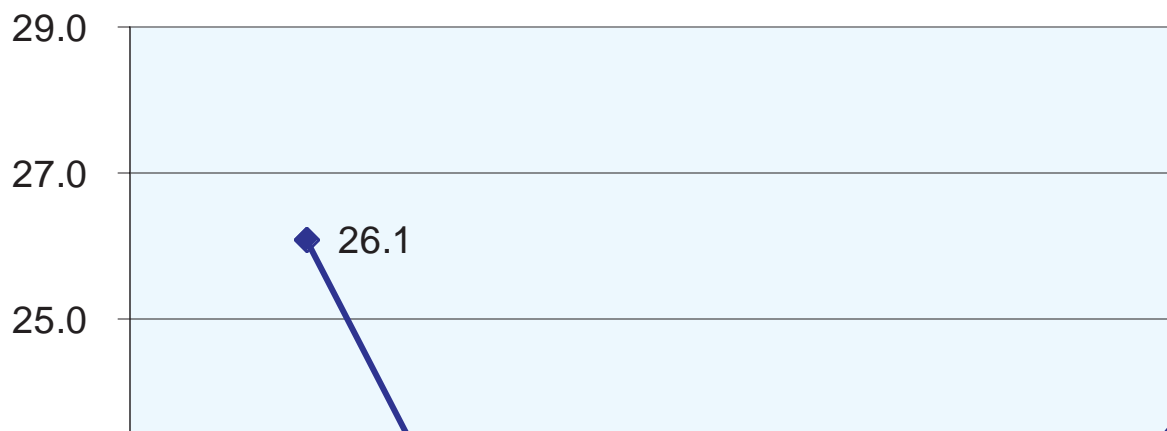
Smithsonian Business Ventures (SBV) ended fiscal year 2004 with a net gain from operations of \$26.7 million, an improvement of \$6.1 million or 30% better than last year. (The SBV net gain results in fiscal year 2004 exclude a one-time gain of \$900,000 from the resolution of an audit settlement incurred from the discontinued operation of Smithsonian Books and Recordings in fiscal year 1999.) Total SBV revenues were \$156.3 million, which exceeded fiscal year 2003 by \$13.3 million or 9.2%.

SBV net gain in fiscal year 2004 surpassed results in fiscal year 2001, demonstrating a recovery from declines following 9-11 and the recession of the advertising industry. *Smithsonian Magazine* and Museum Retail divisions yielded strong performances, exceeding both budget and prior year. The *Smithsonian Magazine* reversed a three-year decline in advertising revenue, with improved year-over-year ad revenue and total pages.

Despite reported visitation being down in locations where SBV operates, Museum Retail division's net gain increase was driven by increased sales per visitor at existing museums and incremental sales from the Steven F. Udvar-Hazy Center, which accounted for 60% of the overall over-budget performance of the division.

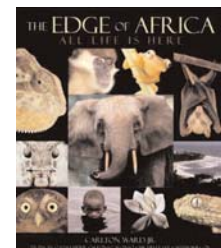
Ground work was laid in fiscal year 2004 for two new business operations commencing in fiscal year 2005. Effective October 1, management completed the transfer of the travel tour operations of the Smithsonian Associates' Smithsonian Journeys to SBV, which assumed responsibility for the Journeys' profit and loss and 15 employees. At the Secretary's request, SBV developed a wind-down plan for Smithsonian Press trade book publishing and a viable business model going forward without financial risk to the Institution.

SBV Net Gain: Fiscal Years 2001–2004
(\$ in millions)



Major Highlights:

- A new *America on the Move* store opened to extend the experience of the permanent transportation exhibition, featuring such product themes as Route 66, Pink Cadillac, and Road Travel.
- A successful collaboration with the Center for Folklife and Cultural Heritage and the American Battlefield Monuments Commission for retail sale of products commemorating the dedication of the new WWII Memorial contributed substantial incremental sales.
- Other initiatives that contributed to incremental net gain included a temporary *Baseball* exhibition store at the Natural History Museum; extended summer hours at the American History Museum; and on-going extended summer hours at Natural History.
- A prototype for Smithsonian museum stores at airports outside of the Washington Metro area opened at Newark International Airport. The prototype store merchandise features more jewelry and gifts and less of the souvenir merchandise found in the Reagan National and Dulles airport stores.
- Licensees in publishing received four awards: the DK Publishing Inc./Smithsonian book *Earth* was awarded 1st Place in the Scholarly and Reference category at the 18th Annual New York Book Show; the Hylas/Smithsonian books *Black: A Celebration of Culture* and *The Edge of Africa* won the Gold and Silver Awards, respectively, in *Foreword Magazine's* Book of the Year Awards; and the Soundprints/Smithsonian children's book



Groundhog at Evergreen Road won the 2004 Benjamin Franklin Award from the Publisher's Marketing Association.

- On-site membership sales efforts in the museum stores yielded over 25,400 new members, a 65% increase in membership sales over the last fiscal year. Distribution of the ad-supported SI-wide visitors guide, *My Smithsonian* was increased by 17% to accommodate distribution demand in museums and at locations around the District.
- Over 6,300 square feet of retail store space and a 14,709 square foot restaurant opened at the National Museum of the American Indian in September. Extensive merchandise and food planning was conducted over two years to ensure authentic representation from over 33 tribes in five different regions. Nearly \$800,000 in sales were achieved in the first two weeks of opening.
- *Smithsonian Magazine's CultureFest*, a traveling program organized in conjunction with The Smithsonian Associates, was held in Phoenix/Scottsdale and attracted more than 3,000 participants to over 50 events and venues. *CultureFest* is a destination event promoted to Smithsonian's seven million readers and to the local public.

