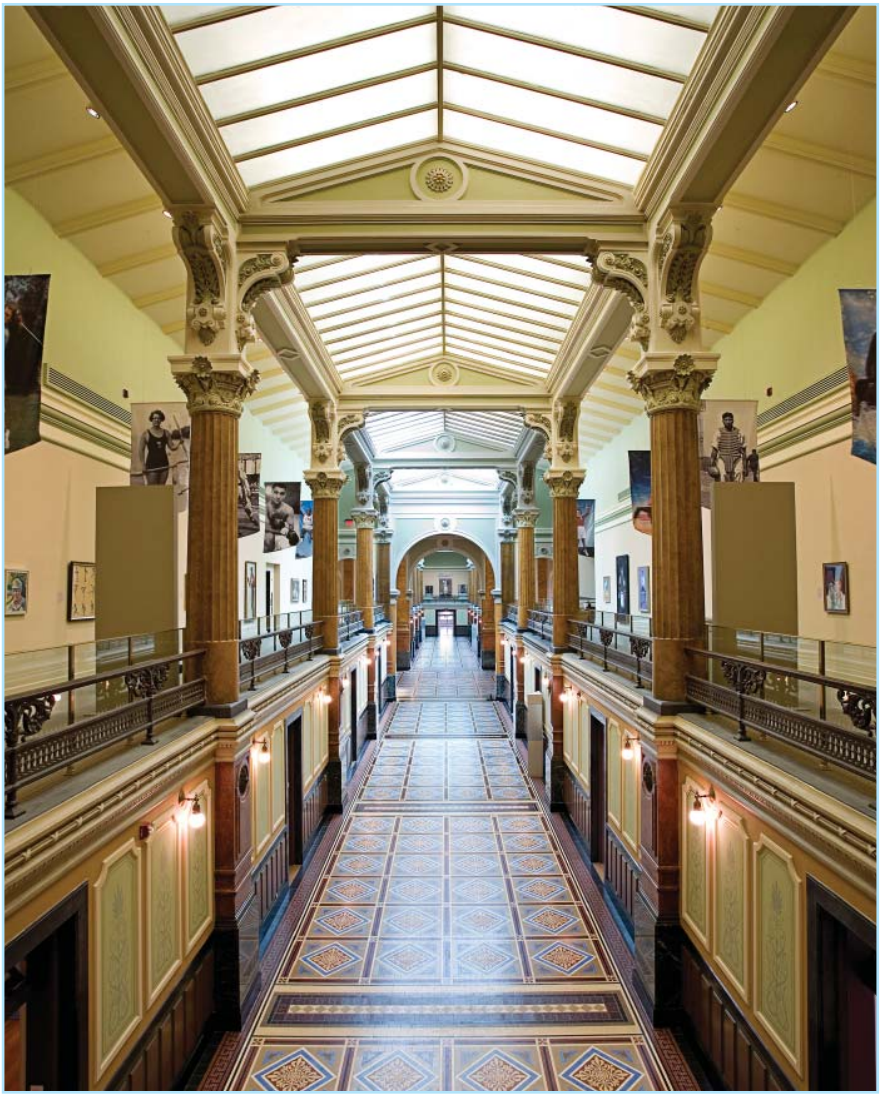
Smithsonian Institution



The Great Hall of the spectacularly renovated Donald W. Reynolds Center for American Art and Portraiture in the historic Patent Office Building, which reopened to the public on July 1, 2006

Report to the Board of Regents Fiscal Year 2006

January 2007

Public Impact

Visits to the Smithsonian

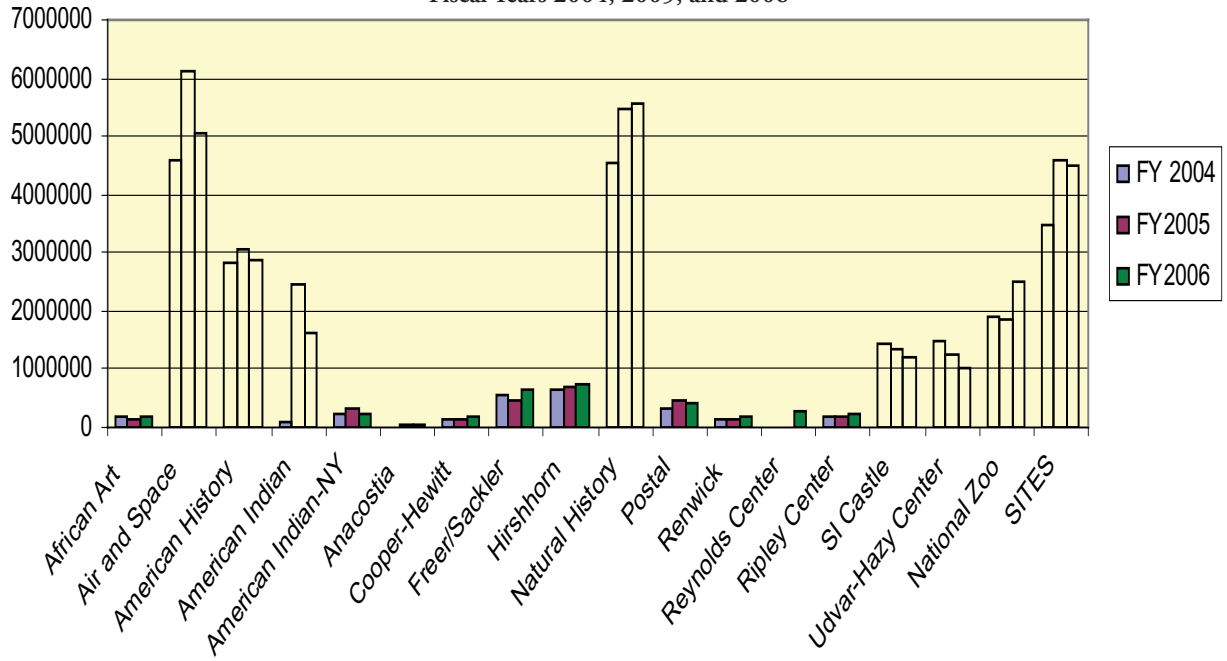
In fiscal year 2006, the Institution counted **27.5 million** visits to its museums, traveling exhibitions, and National Zoo:

- **23.0 million** visits to Smithsonian museums in Washington and New York, plus the National Zoo and Udvar-Hazy Center (down **5 percent** from the previous fiscal year);
- **4.5 million** visits to traveling exhibitions mounted by the Smithsonian Institution Traveling Exhibition Service (down **2 percent** from the previous fiscal year).

Much of the overall small decline in attendance in comparison with fiscal year 2005 was attributable to decreases in visitorship at two destinations: the National Museum of the American Indian (down 34 percent) and the Udvar-Hazy Center (down 19 percent). In both cases, this reflects an expected loss of the "novelty factor" at these new museums.

Visitation to the National Zoo was up by 34 percent, thanks to public interest in the panda cub Tai Shan. Visitation was also strong at the Smithsonian American Art Museum and National Portrait Gallery in the newly renovated Donald W. Reynolds Center for American Art and Portraiture; nearly 275,000 visitors filed into the Reynolds Center in the first three months after it reopened its doors to the public on July 1. And Smithsonian art museums had a spectacular year, with major increases in visitorship at the National Museum of African Art (23 percent), Renwick Gallery (24 percent), Cooper-Hewitt (30 percent), and Freer and Sackler Galleries (37 percent).

Visits to Smithsonian Museums and Traveling Exhibitions
Fiscal Years 2004, 2005, and 2006



Smithsonian Online

Smithsonian websites logged over **140 million visits** in fiscal year 2006. The public continued to flock to the National Zoo's website to see the giant panda cub Tai Shan and to learn about all things panda.

A major highlight in fiscal year 2006 was the launch of a new website by the **Smithsonian Photography Initiative** to serve as a gateway to the 13 million–plus photographs in the Institution's collections.

Among the websites launched and awards received, other highlights included the following:

- As part of the **Biodiversity Heritage Library** (BHL) project, the Smithsonian Institution Libraries has created an interface that provides access to all BHL-related digital content in the Libraries' collections—77,000 page images.
- The Smithsonian American Art Museum's blog ***Eye Level*** won an American Association of Museums' Silver Muse award.
- The redesigned **National Museum of American History** website received an Award of Merit from the design magazine *How* and was featured in its April 2006 Interactive Design Awards issue.
- The National Museum of Natural History launched the interactive website ***The Dynamic Planet: World Map of Volcanoes, Earthquakes, Impact Craters, and Plate Tectonics***.
- The National Museum of American History's ***Legendary Coins and Currency*** website received a gold Summit International Creative Award.
- For the second year, the **National Museum of African Art's** website was selected as a National Endowment for the Humanities' *EDSITEment* online resource.
- **SmithsonianEducation.org** was honored by the National Endowment for the Humanities, and another Smithsonian Center for Education and Museum Studies website, **SmithsonianSource.org**, was selected as a "site of the day" by Federal Resources for Educational Excellence.
- The National Postal Museum launched ***Arago***, a website created specifically for the study of philately and postal history that combines the Museum's collections database with innovative storytelling tools.

Exhibition Highlights

On December 8, 2005, the public finally got a chance to meet **Tai Shan**, the National Zoo's giant panda cub, when the Zoo opened his exhibit space for limited public viewing for the first time since his birth on July 9, 2005.

The 40th annual **Smithsonian Folklife Festival** began on June 30 on the Mall, featuring ***Alberta at the Smithsonian***, ***Carriers of Culture: Living Native Basket Traditions***, ***Nuestra Musica: Latino Chicago***, and a series of evening concerts of African-American music from New Orleans, ***Been in the Storm So Long***. Over 900,000 people attended the 10-day event.

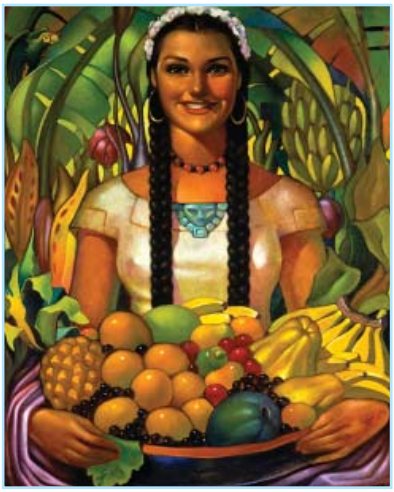
Listening to Our Ancestors: The Art of Native Life Along the North Pacific Coast (February 3, 2006–January 2, 2007) opened at the National Museum of the American Indian to warm reviews.

Smithsonian art museums had a memorable year, with many popular and critically acclaimed exhibitions:

- The Sackler Gallery offered royal Turkish robes in ***Style and Status: Imperial Costumes from Ottoman Turkey*** (October 29, 2005–January 22, 2006); prints and paintings by the renowned Japanese artist Katsushika Hokusai in ***Hokusai*** (March 4–May 14); and playful contemporary art from Hiroshi Sugimoto in ***History of History*** (April 1–July 30).
- Cooper-Hewitt's ***Fashion in Colors*** (December 9, 2005–March 26, 2006) explored color as a design

element in Western clothing, while ***Feeding Desire: Design and the Tools of the Table*** (May 5–October 29) examined cutlery dating from 1500 to the present.

- The National Museum of African Art's ***African Art Now: Masterpieces from the Jean Pigozzi Collection*** (November 16, 2005–February 26, 2006) featured a stunning selection of contemporary art from around the African continent.
- Over 37,000 visitors filed into the International Gallery between October 21, 2005, and January 8, 2006, to see the National Portrait Gallery's ***Retratos: 2,000 Years of Latin American Portraits***.
- ***William Wegman—Funney/Strange*** at the Smithsonian American Art Museum (July 1–September 24) provided a major retrospective of Wegman's eccentric work.
- The Hirshhorn offered two career surveys of major contemporary artists: ***Hiroshi Sugimoto*** (February 16–May 14) and ***Anselm Kiefer: Heaven and Earth*** (June 20–September 10).
- The Renwick Gallery's ***Grant Wood's Studio: Birthplace of "American Gothic"*** (March 10–July 11) included the iconic painting *American Gothic*, which is rarely loaned by the Art Institute of Chicago.



Rarity Revealed: The Benjamin K. Miller Collection (May 27, 2006–October 1, 2007) at the National Postal Museum featured the "1-cent Z grill" stamp, one of only two copies known to exist.

The Smithsonian Latino Center celebrated Hispanic Heritage Month by presenting ***Myth, Mortals and Immortality: Works from Museo Soumaya de México*** in the International Gallery (September 14–November 2), showcasing works by Mexican artists.

Collections Highlights

On April 24, in a ceremony held at the Castle, the National Portrait Gallery unveiled the portraits of **President Bill Clinton** and **First Lady Hillary Rodham Clinton** that will join the Museum's collections.

On May 23, Steve Fossett donated the **Virgin Atlantic Global Flyer**, which flew around the world in 80 hours without refueling, to the National Air and Space Museum. And on September 30, the Northrop Grumman Corporation sponsored an event at the Udvar-Hazy Center to welcome the **Grumman F-14D(R) "Tomcat"** into the Museum's collections.

In October 2005, the National Museum of American History announced it had acquired an unparalleled collection of firefighting and maritime history artifacts, the **Historical Collection of the Insurance Company of North America,** as a gift from the CIGNA Corporation.

The National Zoo kicked off 2006 with the birth of Balawat, a male **sloth bear cub**. Later in the year, a litter of three **Sumatran tiger cubs** was born, consisting of one male and two females.

Education, Event, and Program Highlights

The Smithsonian's headline event of 2006 was the July 1 reopening to the public of the gloriously renovated **Donald W. Reynolds Center for American Art and Portraiture** in the historic Patent Office Building, home to the **Smithsonian**

American Art Museum and **National Portrait Gallery**. The pre-opening dedication ceremony on June 21 was led by Chief Justice John Roberts, and the opening day festival attracted over 18,000 people.

In January, Regents Xavier Becerra, Ralph Regula, Manuel Ibañez, Shirley Ann Jackson, Robert Kogod, Roger Sant, and Allen Spoon visited the **Smithsonian Tropical Research Institute** facilities in Panama, along with Secretary Lawrence Small, Deputy Secretary Sheila Burke, and Under Secretary for Science David Evans. Panamanian President Martín Torrijos and U.S. Ambassador William Eaton each hosted events for the visitors.

In February, the **Freer Gallery** held the first in a yearlong series of special events marking the centennial of Charles Lang Freer's gift to the nation.

The **National Air and Space Museum** celebrated both the 60th anniversary of its founding (as the National Air Museum) and the 30th anniversary of its National Mall building, which has welcomed more than 250 million visitors.

On September 6 in the Castle, the Smithsonian Latino Center held its inaugural benefit gala, ***¡Con Sabor!*** Among the guests were Florida governor Jeb Bush and his wife Columba, Senator Mel Martinez, Senator Ken Salazar, Cheech Marin, and José Feliciano.

On July 9, the National Zoo celebrated the first birthday of panda **Tai Shan** with performances by traditional Chinese dancers and musicians, talks by Zoo staff, and a custom-made frozen treat for Tai Shan himself.

The Cooper-Hewitt exhibition ***Josef + Anni Albers*** won the International Art Critics Association's award for Best Architecture or Design Show. Two Hirshhorn shows also were honored: ***Ana Mendieta*** (Best Monographic Exhibition) and ***Visual Music*** (Best Exhibition Featuring Video, Film, or Performance Art.)

At the 2006 American Association of Museums Publication Awards, the Smithsonian American Art Museum's ***America's Art*** was awarded the competition's top award, the Frances Smyth-Ravenel Prize for Excellence in Publication Design; the Freer and Sackler's ***Asiatica*** was recognized as the best annual report; the National Museum of African Art's family guide to its exhibition ***BIG/small*** won first place in the education division; and the companion book to the Smithsonian Traveling Exhibition Services' ***Wondrous Cold*** was honored for graphic design.

The Hirshhorn's ***Visual Music: Synaesthesia in Art and Music Since 1900*** won the prestigious 2005 George Wittenborn Memorial Book Award of the Art Libraries Society of North America.

The inaugural **Outwin Boochever Portrait Competition** at the National Portrait Gallery drew more than 4000 entries, the best of which were displayed in a special (and very popular) exhibition in the Gallery.

On April 27, Cooper-Hewitt welcomed over 400 guests for the opening of its **Target National Design Education Center**, featuring a keynote address by designer Mark Ecko.

Twenty-four young people were selected out of a nationwide pool of 13,000 applicants for the Latino Center's **Young Ambassadors Program** for artistically gifted Latino high school seniors.

National Outreach

Smithsonian Affiliations signed agreements with 17 new Affiliates in fiscal year 2006. At the end of the

year, there were 152 Affiliates in 39 states, the District of Columbia, Puerto Rico, and Panama. Seventy-three Affiliates agreements are now fully implemented, with significant collaborations in place.

The **Smithsonian Institution Traveling Exhibition Service** (SITES) presented 53 exhibitions at 201 locations in 44 states. SITES also put five new shows on the road: ***Wondrous Cold: An Antarctic Journey; Documenting China: Contemporary Photography and Social Change; In Focus: National Geographic Greatest Portraits***; ***381 Days: The Montgomery Bus Boycott Story;*** and ***Covered Bridges***.

On November 10, 2005, the Lemelson Center's educational video on African-American inventor Lewis Latimer, ***Lewis Latimer: Renaissance Man***, was broadcast to over 23,000 schools across the nation with a combined enrollment of nearly 15 million students. On May 5, a satellite broadcast of **Space Day 2006** at the Udvar-Hazy Center was beamed to more than 38,000 schools.

The Smithsonian Associates (TSA) presented 1,500 educational programs that reached more than half a million learners of all ages and interests. Of these, 47 programs took place outside the Washington, D.C., area, in 16 cities from Naples, Florida, to Seattle, Washington.

Focused, First-Class Scholarship

Science Units

The number of publications by Smithsonian researchers in scientific journals reached 782 in fiscal year 2006, exceeding last year's total by 41 percent.

The National Zoo, the Smithsonian Tropical Research Institute, and the Office of the Under Secretary for Science have been forging partnerships within the U.S. government to apply the expertise of the Smithsonian to the national effort to address **avian flu**.

National Museum of Natural History (NMNH)

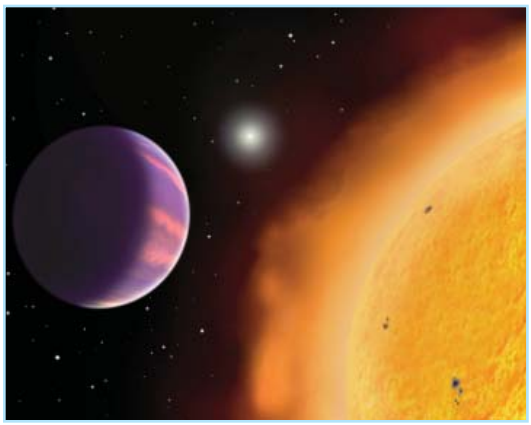
Doug Owsley is coordinating researchers conducting the next phase of study on the 9,000-year-old skeletal remains known as **Kennewick Man**—one of the oldest human skeletons to be found in the Americas—which promises to offer insight into who first colonized the hemisphere. Owsley's landmark research on Kennewick Man was the cover story for the March 13 issue of *Time* magazine.

A team of scientists led by Scott Wing has found that rapid **global warming** 55 million years ago caused major changes in the geographic distribution of plants in North America. Their research, based on fossil plants, was published as the cover story in *Science*.

A sample of **comet dust grains** brought to Earth by NASA's *Stardust* spacecraft is now being studied by scientists in the Department of Mineral Sciences. It is thought to contain material from some 4.5 billion years ago and to be a treasure trove of information about how our solar system formed.

Smithsonian Astrophysical Observatory (SAO)

SAO astronomers are using the Smithsonian's Submillimeter Array in Hawaii to study complex organic



molecules in the **Orion Nebula**, which may resemble the material around the young Sun and therefore offer insights into the seeds of life on Earth.

SAO astronomers have discovered a **planet unlike any other.** Orbiting a star 450 light-years away, it is both the largest ever found (a radius about 1.38 times Jupiter's) and the least dense (a mass only half of Jupiter's).

Writing in *Nature*, SAO astronomers presented convincing evidence that the nearby galaxy **Andromeda** suffered a nearly head-on collision with another galaxy about 210 million years ago.

Using the Chandra X-ray Observatory, an SAO team has imaged **dark matter** and normal matter being wrenched apart by the collision of two clusters of galaxies, providing direct evidence for the existence of dark matter.

Smithsonian Tropical Research Institute (STRI)

STRI reported nearly **300 scholarly publications** this year. Among them were seven books, including Dolores Piperno's definitive *Phytoliths: A Comprehensive Guide for Archaeologists and Paleoecologists*.

In May, STRI signed an agreement with the **United Nations Educational, Scientific and Cultural Organization** (**UNESCO**) to coordinate the development of a new management plan for Panama's Coiba National Park and Special Marine Conservation Area.

STRI has established an **Office of BioInformatics** to manage the Institute's scientific data on the web. It will serve as a clearinghouse for STRI scientific data, including links to relevant STRI web pages, databases, documents, and images.

An environmental leadership program to promote conservation in tropical forests has been created at **Yale University**, and will be coordinated in partnership with STRI.

National Zoological Park (NZP)

Several NZP reintroduction projects are currently under way in Mongolia, Kazakhstan, and China for the endangered **Przewalski's horse**, which was once considered extinct in the wild.

In June, the National Zoo launched **Elephant Trails: A Campaign to Save Asian Elephants,** an initiative with four elements: a new habitat for its Asian elephants; a conservation program; a public education program; and a new research facility at its Conservation and Research Center in Front Royal, Virginia.

Other Scientific Research Centers

The Smithsonian Center for Materials Research Education (SCMRE) changed its name to the **Museum Conservation Institute** (MCI) to better convey its mission as the center for specialized conservation expertise for Smithsonian collections. In fiscal year 2006, MCI collaborated with 22 Smithsonian units.

The **Smithsonian Environmental Research Center's** field experiment on how rising atmospheric carbon dioxide affects natural plant communities marked its 20th year; it is the longest-running project of its type in the world.

Scientists on the staff of the National Air and Space Museum's Center for Earth and Planetary Studies continue to serve on science teams for several spacecraft missions, including the **Mars Exploration Rovers**, **Mars Reconnaissance Orbiter**, **Mars Express**, and **MESSENGER to Mercury**.

Art, History, and Culture Units

The Smithsonian is currently introducing a new strategic emphasis on research and publications in the fields of art, history, and culture to complement its globally recognized excellence in scientific fields.

In fiscal year 2006, research staff at the **National Museum of American History** published over 30 articles and essays, as well as three books. *The Scrapbook in American Life*, coedited by the Museum's Katherine Ott, received an Allen Noble Award from the Pioneer Society of America.

Field research for the **2007 Smithsonian Folklife Festival** is nearing completion in sites ranging from Northern Ireland to the Asian nations along the Mekong River. Notes, videos, photos, and sound recordings from these efforts will become part of the Ralph Rinzler Folklife Archives and Collections.

The **National Portrait Gallery** issued four new publications: *Faces of Discord: The Civil War Era; Portrait of a Nation; The Outwin Boochever Portrait Competition 2006;* and *Portraiture Now*.

Six titles were added to the publishing program of the **National Museum of the American Indian**, including a co-publication with the National Geographic Society based on the Museum's exhibition *Listening to Our Ancestors: The Art of Native Life along the North Pacific Coast*.

Among the publications from **National Air and Space Museum** historians were *Critical Issues in the History of Spaceflight* (edited by Steven Dick and Roger Launius) and *Chuck Yeager and the Bell X-1: Breaking the Sound Barrier* (authored by Dominick Pisano, F. Robert van der Linden, and Frank Winter).

Management Excellence

Leadership Milestones

John G. Roberts, Jr., Chief Justice of the U.S. Supreme Court, was elected chancellor of the Smithsonian by the Board of Regents on November 9, 2005. He succeeds the late William Rehnquist.

Camille Giraud Akeju became director of the Anacostia Community Museum in December 2005. She previously served as president/CEO of the Harlem School of the Arts in New York City.

John W. Smith was named director of the Archives of American Art. He previously served as assistant director for collections, exhibitions, and research at the Andy Warhol Museum.

Major Construction, Renovation, and Facilities Projects

National Museum of African American History and Culture

Total project and program cost to be determined

Pre-project planning for the National Museum of African American History and Culture—including an environmental impact statement (EIS) and historic preservation research and documentation—was kicked off in September. The work will be performed by the Smithsonian with a team of a highly regarded consultant specialists, as outlined in the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA). Because the Smithsonian is not a "Federal agency" as defined by NEPA, the National Capital Planning Commission is working with the Institution on the EIS as the joint lead and "responsible Federal agency." The EIS and historic preservation documentation

portions of pre-project planning should be completed by May 2008. Pre-design services are anticipated to begin in 2007. A separate competitive process will be undertaken to select a design team.

National Museum of American History, Kenneth E. Behring Center

Central core: $85.1 million total project cost

The National Museum of American History, Kenneth E. Behring Center, was closed on September 5 to begin the renovation of its public space. The $85.1 million project includes revitalization of the Museum's infrastructure, central core, and the Star-Spangled Banner exhibit. The Federal contribution is $4 million for design and $41.9 million for public space renewal. The fiscal year 2007 Federal appropriation of $13.5 million will complete Federal funding for the central core project. Ninety-five percent design documents were received shortly after the end of the fiscal year and construction is set to start in December. The building will reopen in summer 2008 with the Star-Spangled Banner exhibit in place. Private funds have been raised for the central core and fund raising continues for the Star-Spangled Banner exhibit.

Donald W. Reynolds Center for American Art and Portraiture

$298 million total estimated project and program cost

The Donald W. Reynolds Center for American Art and Portraiture in the historic Patent Office Building reopened to the public on July 1, 2006. The privately funded courtyard enclosure is anticipated to open in late fall 2007. The installation of structural steel framing for the roof enclosure was completed in September 2006 and the enclosure will be glazed and sealed by February 2007, prior to installation of the courtyard floor and interior landscaping. The revised concept design for the exterior landscape, perimeter security, and F Street stair reconstruction will be finalized in December 2006, prior to submission for review by the Commission of Fine Arts and the National Capital Planning Commission.

National Zoological Park

$111.7 million total estimated cost for Asia Trail, phases I and II

The first phase of the Asia Trail project, which provides a new home to the giant pandas and other Asian species, was opened to the public shortly after the end of fiscal year 2006. The second phase, currently under design, will renovate the historic elephant house and expand the elephants' facilities and trails; a design-build contract (for both design and construction) was awarded in September. Phases I and II will upgrade nearly 25 percent of the Zoo's developed area. Phase I was completed at a cost of $52.7 million ($45.2 million Federal), and the projected cost for phase II is $59 million ($35.6 million Federal). The Federal contribution for phase II construction is to be provided in fiscal years 2006 ($8 million), 2007 ($13 million), and 2008 ($9 million); $5.6 million has been appropriated for design.

National Museum of Natural History, Ocean Hall Exhibit

$44.6 million total estimated project and program cost

The National Museum of Natural History is in the midst of its largest renovation of public space in the last 40 years, involving seven major halls. Installation of the Ocean Hall exhibit will begin upon completion of the infrastructure and restoration of the historic interior in March 2007. The total

estimated cost of the Ocean Hall is $44.6 million: $22.4 million from Smithsonian Federal funding for fiscal years 2002 through 2006 and $22.2 million from a NOAA grant. The construction of the Federally funded portion is 77 percent complete. The exhibition is targeted to open during the fall of 2008.

Museum Support Center, Pod 5

$42.7 million total estimated project cost

Construction of a fifth storage pod at the Museum Support Center (MSC) in Suitland, Maryland, began in October 2005. Pod 5 will house most of the alcohol collections currently stored at the Natural History building and all collections from Pod 3 at MSC. This will eliminate a major safety concern by removing 365,000 gallons of alcohol from the Natural History building. Congress has provided $42.7 million through fiscal year 2007. Construction is 73 percent complete and slated to be finished in spring 2007.

Arts and Industries Building (AIB) Staff and Programs Relocation and Building Closure

$34 million total project cost

At the end of the fiscal year, most staff previously housed in the mothballed AIB had been relocated, and all remaining staff were scheduled to be moved out by the end of the calendar year.

Permanent Physical Security Barriers

$55 million total project and program cost

Great progress has been made in securing the perimeters of the three most visited museums on the Mall. Perimeter security improvements at the National Air and Space Museum will be finished in late 2006. The construction contract for the National Museum of Natural History was awarded in August. The design contract for the National Museum of American History was awarded in April and construction funding will be requested in the fiscal year 2008 facilities capital appropriation. No funding for these programs is included in the fiscal year 2007 Federal request; as funding continues to be delayed, the budgets of individual projects will rise to reflect cost increases.

Victor Building Staff Relocation and Consolidation

$13 million total project cost

The sale of the Victor Building in late 2005 requires the relocation of approximately 750 staff to leased space and the consolidation of remaining staff on lower floors of the Building. Approximately 75,000 square feet have been leased at Capital Gallery for those offices whose mission requires proximity to the Mall and an additional 50,000 square feet has been leased in Arlington, Virginia. All moves and the consolidation of units remaining in the Building are expected to be completed by January 31, 2007. The projected rent for space in Virginia, near the Mall, and in the Victor Building (for those units remaining there) will not exceed the rent currently paid for Victor Building occupants.

Energy Conservation

Due in part to the effects of Hurricanes Katrina and Rita, utility rates increased dramatically in fiscal year 2006, leading to a projected $6.7 million utility budget shortfall. The Office of Facilities Engineering and Operations began an emergency conservation campaign to address this shortfall and created an

Energy Action Team to pursue reductions in energy use. These efforts were highly successful. More than half of tracked facilities achieved double-digit reductions in energy use compared to fiscal year 2005, with some saving more than 30 percent. Intensive conservation efforts will continue in fiscal year 2007.

Flood Response

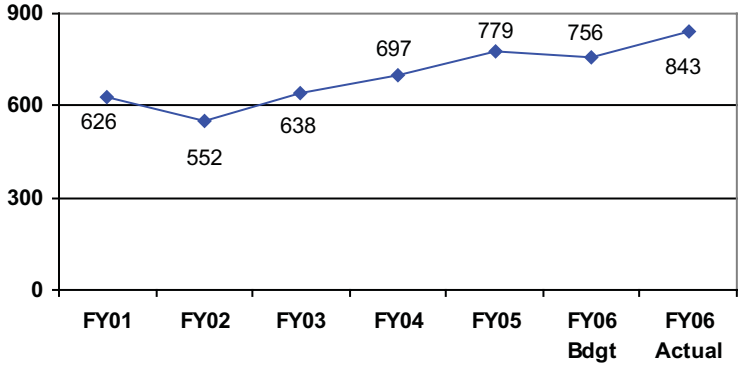
Torrential rains and flooding in late June forced the closure to the public of several Smithsonian facilities, including the Castle, the National Museum of American History, and the National Museum of Natural History, and put priceless collections at risk. The exemplary response of trained in-house facilities staff averted a major crisis for Smithsonian buildings, systems, and collections.

Financial Strength

Fiscal year 2006 ended as it began, with the Smithsonian engaged in an all-out effort to revitalize its aging physical infrastructure and wipe out a $2.3 billion facilities capital and maintenance funding backlog. In September 2006, a delegation of the Board of Regents met with the President of the United States to press for increased Federal funding for facilities and maintenance.

At fiscal year-end, the Endowment was valued at $843 million, a record high and a positive budget variance of $87 million. The total return on the Endowment over the last five years (9.2 percent) has exceeded the market return (8.0 percent).

Smithsonian Institution Year-end Endowment Value ($ in millions)



Financial Performance

In final action on the Smithsonian's appropriation for fiscal year 2006, Congress approved less funding than required to fully fund the Congressionally mandated Federal staff pay raise and to support ongoing operations. The Institution absorbed this funding shortfall largely by not filling newly vacant positions.

Revenues exceeded the budget by $50 million, largely due to increases in the following areas: funds raised by the Institution; interest earned on short-term investments; NASA grant awards to the Smithsonian Astrophysical Observatory (SAO); and other miscellaneous income. These increases were partially offset by decreases in Smithsonian Business Ventures net gain (due to poor performance against the budget of catalog and museum retail operations) and Federal revenues for operations (due to across-the-board reductions in appropriations imposed by Congress after the budget was prepared).

Expenses exceeded the budget by $28 million, largely due to the non-cash unfunded actuarial liability associated with future workmen's compensation claims (for which the Institution did not budget);

higher-than-planned spending of restricted Trust funds; and increased spending associated with increased NASA grant awards to SAO. These were partially offset by lower spending of unrestricted Trust funds in response to the decrease in SBV's contribution; a decrease in Federal spending associated with the across-the-board reductions in Federal appropriations; and a decrease in Federal spending on lower-priority activities pending resolution of an unanticipated utilities budget shortfall.

Smithsonian Institution Financial Performance for Fiscal Year 2006 ($ in millions)

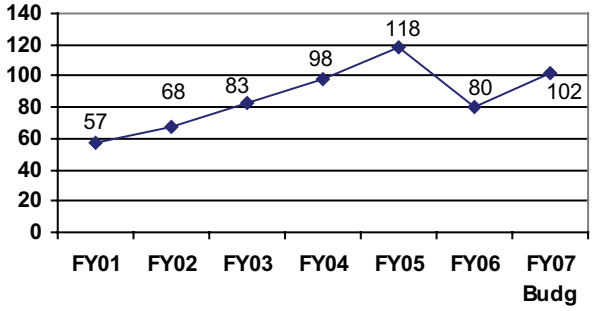
	FY2006 Budget	FY2006 Audited Actual	Variance to Budget
Revenues	929	979	50
Expenses	852	880	(28)
Endowment Return Reinvested	20	38	18
Other	36	9	(27)
Growth in Net Assets	133	146	13

The negative budget variance of $27 million in the "Other" category was largely due to an incorrect budget assumption that the gain from the sale of the Victor Building would be recognized in its entirety in the year of the sale instead of over 15 years, the life of the Smithsonian's leaseback of approximately 32 percent of the building. Taken together with a few other minor activities, the Smithsonian forecasts an increase in net worth of $146 million—a positive budget variance of $13 million.

Financial Summary

During fiscal year 2006, the revitalization of the Institution's aging infrastructure continued—albeit with less momentum due to a decline of 31 percent in Federal facilities revitalization funding. Nonetheless, the Reynolds Center celebrated its grand opening on July 1 to great acclaim, and other major capital projects moved ahead on budget and on schedule.

Enacted Funding for Smithsonian Facilities Revitalization ($ in millions)



Unfortunately, the Smithsonian's budget for physical infrastructure remains inadequate, as documented by two independent studies. A 2001 Congressionally mandated report by the National Academy of Public Administration (NAPA) established an average annual facilities revitalization funding requirement of $150 million. An April 2005 report by the Government Accountability Office (GAO) expanded on the NAPA report, adding institutional maintenance and construction requirements to an updated inventory of required facilities revitalization projects and establishing a more comprehensive

average annual funding requirement of $255 million. This validated the Smithsonian's overall facilities requirement of $2.3 billion for fiscal years 2005–13.

Without *at least* $100 million annually more than it is currently receiving for facility revitalization and maintenance, the Smithsonian cannot expect to get ahead of the problem of its aged physical plant. Further evidence of this was provided in May 2006 when the National Trust for Historic Preservation added the Arts and Industries Building to its list of endangered historic communities and landmarks nationwide.

Smithsonian leaders remain committed to the revitalization of the Institution's physical infrastructure, but the competition for Federal resources is fierce given the size of the Federal budget deficit and the current focus on the war and homeland security. Securing adequate Federal funds for the revitalization and maintenance of the Institution's facilities remains the Institution's most pressing financial challenge.

External Affairs

In fiscal year 2006, the Smithsonian recorded **$137.1 million** in private support from individuals, foundations, and corporations. This is 37 percent above the $100 million goal for the year. Twenty-five gifts of $1 million or more were received, including a $15 million gift from Boeing for phase II construction of the Steven F. Udvar-Hazy Center, the largest corporate gift ever presented to the Smithsonian. Other leadership gifts have provided support for the Reynolds Center, the National Museum of Natural History's Ocean Science Initiative, the National Museum of African American History and Culture, the revitalization of the National Museum of American History, and other Institutional fund-raising priorities. The number of gifts received in the $500,000 to $999,999 range increased significantly over the prior year, and more than half (54 percent) of fiscal year 2006 gifts came from individuals.

The Contributing Membership increased its revenues over last year and the James Smithson Society continued to record strong growth. In June, the Office of External Affairs launched a pan-Institutional online giving initiative based around a monthly e-newsletter, *Smithsonian Focus,* and early results for the program are very positive.

Smithsonian Business Ventures

Smithsonian Business Ventures (SBV) encompasses *Smithsonian* and *Air & Space* magazines, 25 museum stores, 11 restaurants, three IMAX theaters, and the Smithsonian gift catalog. SBV also includes consumer product licensing, e-commerce, and commercial media enterprises. All of these generate unrestricted income for the Institution.

In fiscal year 2006 total revenues from operations were **$164.4 million**, representing a 4.2 percent decrease over 2005. The net gain from operations was **$23.9 million**, which was $6.1 million (20.3 percent) below the Institution's budget. This shortfall was due to a decline in museum visitation (a decrease from fiscal year 2005 of 2 million visitors at the museums where SBV operates) that affected retail operations and an unsuccessful catalog offering in the 2005 holiday season. While museum retail operations and the catalog did not achieve 2006 goals, *Smithsonian* magazine, licensing, and Smithsonian Journeys tours all met or exceeded the budget.

SBV established two new businesses in fiscal year 2006 that will generate over $1.5 million of incremental revenue in fiscal year 2007 and much more in the long term if these ventures prove successful:

- SBV joined with Showtime Networks to create ***Smithsonian On Demand,*** a major media partnership to produce and distribute video programming that will be sold to cable and satellite television

- SBV joined with Showtime Networks to create ***Smithsonian On Demand,*** a major media partnership to produce and distribute video programming that will be sold to cable and satellite television operators and distributed via broadband internet channels. By fall 2006, production was under way on more than 50 programs featuring Smithsonian collections, research, and programs. At launch, *Smithsonian On Demand* will bring the Smithsonian to tens of millions of cable television households.
- Thanks to a new partnership with **EF Travel**, SBV expanded its travel business to include student tours to destinations throughout the United States, including to the Smithsonian and Washington.

Other highlights of the year included the following:

- A record number of travelers took a trip with **Smithsonian Journeys** in 2006, with more than 7,000 members and friends experiencing an educational tour to destinations in the United States and around the world.
- Several **new visitor services** were opened this year, such as a museum gift shop and book store at the new Donald W. Reynolds Center and a café to serve visitors at the Smithsonian Castle.
- ***Smithsonian* magazine** added new departments and made dynamic design changes for its more than seven million monthly readers, such as the new "Around The Mall" section that features expanded coverage of news from the Smithsonian and is set apart with its own cover and table of contents. Enhancements to the **SmithsonianMagazine.com** website include the daily features "Photo of the Day," "Did You Know?," and "Today in History."
- **Smithsonian Books** enjoyed its second successful year with upcoming offerings to include *Smithsonian Treasures of American History,* featuring 150 icons from the National Museum of American History; *After Sputnik: 50 Years of the Space Age*, which uses artifacts in the collection of the National Air and Space Museum to tell the story of space exploration; and *Letters On The Wall: Offerings and Remembrances from the Vietnam Veterans Memorial*, a moving collection of tributes left at the Memorial.