INTRODUCTION

This report presents Smithsonian Institution data and highlights for fiscal year 2001. The report also includes information from the 1st quarter of fiscal year 2002, including information on how the terrorist attacks of September 11, 2001, and their aftermath have affected the Institution.

PUBLIC IMPACT

VISITS TO THE SMITHSONIAN

As a result of the September 11 tragedy, visits to the Smithsonian Institution museums in Washington, D.C. and New York in October and November dropped 45 percent, compared to visits during those months in 2000. The museums were closed on September 11, but reopened on schedule the following day in keeping with President Bush’s call to prevent the terrorist threat from curtailing normal activity. The George Gustav Heye Center of the National Museum of the American Indian, located 1/4 mile away from the 1/4 mile high Trade Center, reopened on October 1. Although tourism has begun to pick up slightly in the months since the tragedy, visits remain down and are not expected to rebound to fiscal year 2001 levels for some time.

Smithsonian museums and traveling exhibitions had 40 million visits in fiscal year 2001–30.8 million visits to museums; 2.8 million visits to the National Zoo (NZP); and 6.4 million visits to traveling exhibitions organized by the Smithsonian Institution Traveling Exhibition Service (SITES), the Smithsonian American Art Museum (SAAM), and the National Portrait Gallery (NPG).

Visits to Smithsonian Museums and Traveling Exhibitions
Fiscal Years 2000 and 2001

Five of the museums listed in the chart had an increase in attendance over fiscal year 2000. Visits to the Ripley Center were up 10.5% and the National Air and Space Museum (NASM) registered a 9.2% increase in attendance over the prior fiscal year. On July 4, NASM recorded its highest attendance day ever with 126,436 visitors.
Most notably, visits to the Arts and Industries Building (A&I) rose 34.5% over fiscal year 2000. The increase was due in large part to two popular exhibitions that opened in the summer: *Brain: The World Inside Your Head* and *Game Face: What Does a Female Athlete Look Like?*

From its opening day on July 14 through September, *Brain* had 361,865 visitors. The exhibit attracted mostly families but also many school groups. A retired research professor of neurological surgery and physiology at George Washington University, who is a docent every Friday, has been a great hit with visitors. *Game Face*, an exhibition of 139 powerful photographs that celebrates females in sports, from the girl-next-door to the well-known super athlete, had 445,231 visitors from its opening on June 26th through September 30th.

**VIRTUAL ATTENDANCE**

Virtual visitors have increased at the Smithsonian's web sites, including the main web site at (www.si.edu) and more than 70 other Smithsonian museum, zoo, and exhibit-specific web sites. Web traffic surpassed the fiscal year 2000 total of 29 million visitor sessions, with over 43.4 million visitor sessions at the end of September 2001. The highest month for fiscal year 2001 was January, with more than 6 million visitor sessions; of those, 2.7 million were attributable to the Giant Panda web site (http://pandas.si.edu) with its popular live “PandaCams.”

Fiscal year 2001 saw the addition of other innovative web sites. The National Museum of American History, Behring Center (NMAH) launched the site *History Wired: A Few of Our Favorite Things* (http://historywired.si.edu) in August. Virtual visitors can access 450 objects from the museum’s collections that are not usually on public display. History Wired also links objects to Smithsonian artifacts and information from other sources such as a portrait from the National Portrait Gallery, an article in *Smithsonian* magazine, an excerpt from a SITES exhibit script, and an audio clip from Smithsonian Folkways Recordings.

The Smithsonian Center for Education and Museum Studies (SCEMS) introduced two new web sites: *Textiles of the North American Southwest* (http://educate.si.edu/textiles), a collaborative project with the Department of Anthropology at the National Museum of Natural History (NMNH), and *Smithsonian Kids: Collecting* (http://kids.si.edu/collecting), which was supported in part by a grant from the Smithsonian Women’s Committee.

Smithsonian Institution Libraries (SIL) launched a new public-oriented version of its web site, *Galaxy of Knowledge* in October (www.sil.si.edu). The web site serves as a virtual portal to SIL’s extensive collections and resources, and features online exhibitions, digitized editions of publications, and staff-authored biographies.

**FISCAL YEAR 2001 EXHIBITION HIGHLIGHTS**

The much heralded arrival at the National Zoo of two giant pandas from China occurred in December 2000. The popular couple – a female panda, “Mei Xiang” and a male, “Tian Tian” made their debut at the renovated Panda House on January 10. Since their arrival at the Zoo, the pandas have gained a collective 92 pounds, have been visited by 2.3 million people, and have boosted souvenir and food sales by $3.7 million.
The pandas have some formidable competition in the “adorable” department from the recent zoo babies, including “Jana” a female calf born January 18, 2001 to the Zoo’s 18-year-old Masai giraffe “Griff;” a baby lowland gorilla born November 5 to “Mandara,” a 19-year-old lowland gorilla that is an endangered species; and the latest arrival, a male Asian elephant calf born to mother “Shanthi” November 25 and weighing in at 325 pounds.

Fiscal year 2001 saw the rescue of one of the Smithsonian’s and the nation’s greatest treasures – the Lansdowne portrait of George Washington by Gilbert Stuart. In March, just short of an April 1 deadline, the Smithsonian announced that a single donation of $20 million from the Donald W. Reynolds Foundation would enable it to purchase the portrait, which was to be sold by its owner, Lord Dalmeny of London. The portrait had been on long-term loan to the National Portrait Gallery since 1968. An additional $10 million from the Donald W. Reynolds Foundation will fund a dedicated space for the portrait in NPG and will pay for a national tour of the portrait during the renovation of the Patent Office Building. The eight-venue tour will kick off at the Museum of Fine Arts, Houston, on February 15, 2002, and close January 15, 2005, at the Metropolitan Museum of Art in New York at a Gilbert Stuart exhibition co-curated by NPG.

Coinciding with the media hoopla surrounding the presidential election in November was the opening of The American Presidency: A Glorious Burden, a new permanent exhibition at the National Museum of American History, Behring Center. The exhibition, mounted in a record nine months, tells the stories of the country’s 41 presidents and presents the Office of the Presidency as “at once incomparably grand and irreducibly human.” The more than 900 artifacts in the exhibition, most of which came from the museum’s own collections, include such iconic objects as George Washington’s military uniform, Thomas Jefferson’s wooden lap top desk on which he wrote the Declaration of Independence, and the top hat worn by Abraham Lincoln on the night he was assassinated. The American Presidency had 663,296 visits from its opening date of November 15, 2000 through September 30, 2001.

NMAH opened another new permanent exhibition in May. Within These Walls features the museum’s largest artifact – an 18th century, Georgian-style house that stood at 16 Elm Street in Ipswich, Massachusetts. The exhibition relates the changes wrought by such historic events as the colonization of America, the American Revolution, the abolitionist movement, the industrial era, and World War II, through the stories of five of the families who occupied the house from the mid-1760s through the 1960s.
The International Art Museum Division (IAMD) museums opened several well-received Smithsonian-originated exhibitions during the fiscal year, and brought in some outstanding exhibitions from other venues:

The Arthur M. Sackler Gallery’s *Worshiping the Ancestors: Chinese Commemorative Portraits* had one of the largest audiences ever at a weekend exhibition opening at the Sackler. The exhibition was organized around 38 near life-size formal ancestor portraits that came into the collection in 1989 “out of the blue” with a call from an unknown collector. *The New York Times* reviewed the exhibition, calling it a “stately procession of a show.”

The Hirshhorn Museum and Sculpture Garden was the sole venue for its exhibition, *Clyfford Still: Paintings, 1944-1960*, drawn from more than 25 museum and private collections. Still (1904-1980), a major figure in post-war American painting, and his fellow abstract expressionists Jackson Pollock, Mark Rothko, and others, are credited with revolutionizing 20th century art by creating heroically scaled, evocative abstractions.

The National Museum of African Art presented an exhibition of rare African masterpieces from an important European collection that had never before been seen in the United States. *In the Presence of Spirits: African Art from the National Museum of Ethnology, Lisbon* was organized by the Museum for African Art, New York, in cooperation with the National Museum of Ethnology in Lisbon, Portugal. It examined more than 140 objects dating from around 1850 to the mid-20th century that reflect the influences of the supernatural world in both public and private life throughout sub-Saharan Africa.

Two beautiful, crowd-pleasing exhibitions of Decorative Arts and American Craft opened near the end of the fiscal year – in August, the Cooper-Hewitt National Design Museum in New York brought *Glass of the Avante-Garde: From Vienna Secession to Bauhaus*, and in September, *The Furniture of Sam Maloof* opened at the Renwick Gallery of the Smithsonian American Art Museum. The Cooper-Hewitt show had 186 pieces from the Torsten Borhan collection of late 19th and early 20th century art glass from Austria, the Czech Republic and Germany. *The New York Times* gave the exhibition a glowing review in a two-page color spread in its August 24 Fine Arts & Leisure section. The Sam Maloof show is the first full scale retrospective of the “MacArthur genius” woodworker, best known for his all-wood rocking chairs commissioned by three former U.S. Presidents. An authoritative book on Maloof by curator Jeremy Adamson accompanies the exhibition. In an extraordinary turnout, 1,000 people attended the lecture and book signing by Sam Maloof on December 1.

In July, the *2001 Smithsonian Folklife Festival* offered cultural samplings from Bermuda, New York City and “Masters of the Building Arts.” The New York City program brought more than 300 practitioners of contemporary urban traditions to the Mall – from bagel makers, bus drivers, and Broadway actors to skyscraper builders, stickball players, and neon sign makers. The Building Arts program brought together a coalition that included the National Trust for Historic Preservation, the Building Museum, building trades unions, and a variety of sponsors. The Bermuda program was lauded by participants, sponsors, and the Bermudan government as a landmark achievement in bringing together different segments of that society for a unified presentation.
A new National Air and Space Museum permanent exhibition, *Explore the Universe*, opened September 21. It illustrates how our understanding of the universe has evolved as the tools we use to study the universe – from the naked eye to telescopes, photography, spectroscopy, and digital technology – have changed. The show includes the original tube from William Herschel’s 20-foot telescope, the observing cage from Mount Wilson’s 100-inch Hooker Telescope, the flawless backup mirror from the Hubble Telescope, models of the COBE spacecraft and Hubble Space telescope, and the Hopkins Ultraviolet Telescope, which was flown aboard the Space Shuttle.

On May 24, the National Museum of Natural History unveiled a new mount of *Triceratops*. The new skeleton is a product of traditional bone replication by molding and casting, and three-dimensional laser scanning and prototyping that fixes many inaccuracies in the original mount. The posture of this skeleton is also new, arrived at by prototyping a miniature of the skeleton that scientists analyzed bone by bone. Triceratops is the first digital dinosaur and can be shared with researchers as easily as by email.

Also in fiscal year 2001, NMNH was the first museum in the country to introduce *Immersion Cinema*. The $2 million attraction is the latest exhibit created for the museum’s $42 million Discovery Center. The interactive theater, designed by Immersion Studios in Toronto, employs state-of-the-art interactive technology that allows visitors to control the story line while playing alongside, or competing against, their fellow storytellers.

**NATIONAL OUTREACH**

In 2001, the Office of National Programs (ONP) enjoyed its first full year of operation as the core provider of Smithsonian outreach activities. Comprising four unique, yet complementary program units, ONP has gone from discretely planned and delivered programs and services to a network of collaborative efforts. During this year the Office disseminated nationally its inaugural publication "Bringing the Smithsonian to You" a brochure describing the four units – Smithsonian Affiliations (SA), The Smithsonian Associates (TSA), Smithsonian Center for Education and Museum Studies (SCEMS), and the Smithsonian Institution Traveling Exhibition Service (SITES). Working together, the Units presented more than 2,000 programs in 48 States, the nation's Capital, and destinations around the world. In addition, efforts were increased to reach diverse audiences through targeted marketing to urban schools and communities; through innovative traveling exhibits designed to reach rural communities and non-traditional museum venues like shopping centers and city halls; and through workshops, web sites, and interactive programs designed for teachers and school children across the country, aimed at improving literacy and greater understanding of museum-related skills and subject areas.

In fiscal year 2001, Smithsonian Affiliations signed Memoranda of Understanding with 44 new affiliates and reached 11 previously unrepresented areas (Alabama, Hawaii, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Montana, Puerto Rico, Washington, and Panama). A total of 25
affiliates (or 28.7%) are now fully implemented, with significant collaborations in place; 11 implementations occurred during the fiscal year.

In the realm of exhibitions and collections, Smithsonian-produced exhibitions were on display at 23 affiliates during the past year and a total of 182 artifacts were committed for loans. Affiliates reciprocated by sending their exhibitions to the Smithsonian for display on the National Mall. During fiscal year 2001, *On Gold Mountain* from the Autry Museum of Western Heritage (Los Angeles, CA) went on view in the Arts and Industries Building, and *Forwarding Address Required* featuring collections from the Japanese American National Museum (Los Angeles, CA) opened at the National Postal Museum.

The third Affiliations National Conference held in June brought 203 affiliate participants to Washington, D.C. and its congressional reception on Capitol Hill drew 28 U.S. senators, representatives, and Capitol Hill staff members.

SITES circulated 54 exhibitions to 283 communities during this reporting period, up from 44 exhibitions in 176 locations in the last fiscal year. Visitor attendance for SITES exhibitions was approximately 5 million. Attendance for individual exhibitions ranged from 136,000 people in Houston who attended *Star Wars: The Magic of Myth*, to 600 people in Bowdle, South Dakota (population 571) who visited *Barn Again!*. *Barn Again!* is part of the popular Museum on Main Street (MoMS) program that, along with humanities councils, brings exhibitions for year-long tours to rural communities.

In fiscal year 2001, SCEMS served more than 3,000 educators through its programs and began long-term relationships with leading educational organizations. In partnership with the Advanced Placement Program of the College Board and the National Museum of American History, the Center launched a three-part initiative that includes teacher training and instructional materials available in print and on the Internet. As a member of the International Literacy Network, the Center produced a broad variety of events on International Literacy Day. The Hirshhorn Museum and Sculpture Garden, the Sackler/Freer Galleries, the Smithsonian American Art Museum, and the Smithsonian Early Enrichment Center were included in the presentations. External partners include the International Reading Association, the United Nations Educational, Scientific and Cultural

### Office of National Programs – Fiscal Year 2001
**Summary Report**
**Distribution of Affiliations and Activities**

<table>
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<tr>
<th></th>
<th>New Affiliations members</th>
<th>SCEMS programs*</th>
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<td>13</td>
<td>40</td>
<td>33</td>
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*In FISCAL YEAR 2001, SCEMS distributed publications in all 50 States, including more than 125,000 publications delivered to educators, and reached approximately 1.2 million visitors through its website. **The sum of 273 SITES bookings includes 92 stops of the mobile exhibit, *Wade in the Water*, to schools, events and commercial locations nationwide.
Organization (UNESCO), the National Coalition for Literacy, Verizon Communications, and the U.S. Department of Education.

In fiscal year 2001 TSA created 1,770 different educational programs designed to reach interested learners of all ages. Because of the range, depth, and reach of its programs, TSA consistently provides a national resource for lifelong learning. Its programs were attended by over 350,000 Americans, with others participating through on-line streaming audio programs.

For people in the Washington-Baltimore area, TSA's Resident Associate Program offered 1,370 different courses, seminars, lectures, performances, and studio arts workshops and study tours. Highlights included a star-studded list of luminaries including Carol Burnett, Yogi Berra, James Watson, Rosalynn Carter, Pete Seeger, Elie Wiesel, Cornel West, Maya Lin, Scott Crossfield, Bob Newhart and Ed Asner, and a variety of courses, lectures, and seminars to complement The American Presidency exhibition at NMAH, including a seminar that brought together former Presidential Chiefs of Staff in discussion with historian Michael Beschloss.

**OTHER SMITHSONIAN EVENTS**

Milo Beach, retiring director of the Freer Gallery of Art and Arthur M. Sackler Gallery, delivered the annual Smithsonian Secretary's Distinguished Research Lecture on October 17. His lecture was entitled "The Emperor Jahangir's Rosegarden Album." Dr. Beach, considered one of the foremost scholars of Mughal painting, is the second honoree to give the Secretary's Distinguished Research Lecture, established in 2000 to promote public awareness of the scope of Smithsonian research. A committee of 10 distinguished Smithsonian scholars oversees the selection process. Dr. Beach came to the Smithsonian in 1980 as a Smithsonian Regents Fellow. He orchestrated the concept, design, and development of the Sackler Gallery and became director of the Smithsonian's two Asian art museums in 1988.

The October 23, 2001, fund raising farewell gala for retiring Hirshhorn Museum and Sculpture Garden director James T. Demetrion was highly successful. Titled "Celebrating Art: A Salute to Jim Demetrion," it netted in excess of $560,000 to establish the Jim and Barbara Demetrion Endowment Fund for exhibitions and programs. More than 300 guests – including such art-world luminaries as Agnes Gund, Frank Stella and Anthony d'Offay – viewed the “Juan Muñoz” exhibition and then dined by the fountain while HMSG Board Chairman Robert Lehrman, National Gallery of Art Director Earl A. "Rusty" Powell, and Smithsonian Secretary Lawrence Small praised Mr. Demetrion. Secretary Small capped the evening by presenting the honoree with the Secretary's Gold Medal for Distinguished Service.

**FOCUSED, FIRST-CLASS SCIENCE**

**SCIENCE COMMISSION**

In July, the Smithsonian appointed a Science Commission to guide the Institution's new strategic direction for science. The 18 commission members, whose areas of academic interest span the disciplines from anthropology to zoology, come from universities, research institutions, museums, and government agencies in the United States and the United Kingdom, as well as from the Smithsonian. Jeremy Sabloff, the Williams Director of the University of Pennsylvania Museum of Archaeology and Anthropology, serves as chairman. The Commission met on September 6 and 7, November 13, and December 13 and 14 at the Smithsonian.
SCIENTIFIC ACHIEVEMENTS

National Museum of Natural History

- W. John Kress, botanist at NMNH, has named a new genus of ginger. The genus Smithatris, in the plant family Zingiberaceae, joins 50 other genera and over 1,200 species. Discovery of a new plant genus is unusual, unlike the more frequent naming of new species. Kress first noticed the new ginger in a flower display in Singapore, and collected it in the wild in 1998 in the limestone hills in the Saraburi Province north of Bangkok, Thailand. Kress notes that "...the fact that this ethnobotanically important plant has remained unknown to taxonomists until now suggests that our knowledge of the flora of tropical Asia is still rudimentary."

- Paleontologist Alan Cheetham was notified that he will be awarded the Paleontology Society's Medal for a lifetime of meritorious performance as a scientist. This is the highest recognition given to a scientist by the Paleontological Society.

- Department of Anthropology physical anthropologists Douglas Owsley and Douglas Ubelaker are at the Dover Airforce Base participating in the forensic identification of victims of the September 11, 2001, tragic events at the Pentagon. David Hunt is in Pennsylvania to assist with the identification of victims at the crash site in Pennsylvania.

National Zoological Park

- Dr. Lucy Spelman, director, twice visited the three giant panda reserves in China where the National Zoo has agreed to support giant panda conservation projects to document current conditions in the reserves. Joint collaboration between the China Wildlife Conservation Association and the National Zoo will focus on setting up reserve patrolling procedures, establishing reserve headquarters for staff, and training reserve personnel.

Smithsonian Astrophysical Observatory (SAO)

- An international team including SAO scientists announced the discovery of 11 new planetary companions to solar-type stars. The sizes of these new planets range from slightly less than the mass of the planet Jupiter to about ten times that mass.

- The New York Times this past year featured the remarkable discovery of an "extreme galaxy" by an international team led by SAO astronomers...a trillion times more energetic than visible light, and even more energetic than X-ray light.

Smithsonian Environmental Research Center (SERC)

- Peter Marra was awarded the first part of a three-year grant of $542,288 from the Center for Disease Control to study migratory birds as dispersers of the West Nile Virus.

Smithsonian Tropical Research Institute (STRI)

- An article by J.B.C. Jackson and others appeared in Science (July 27) on "Historical Overfishing and the Recent Collapse of Coastal Ecosystems." Reuters and EFE published dispatches, many newspapers ran exclusive articles and the topic was discussed on several radio and TV stations, especially in Europe. This study reveals how much and how long ago humans first caused dramatic changes in the world's coastal marine ecosystems such that most contemporary studies have no pristine examples for reference.
Several Smithsonian unit directors and other senior staff announced their departures in Fiscal Year 2001, and some new faces have arrived at the Institution:

- James T. Demetrion, director of the Hirshhorn Museum and Sculpture Garden, retired in early October after 17 years at the post. In November, it was announced that Ned Rifkin was selected to be the the third director of the Hirshhorn. Mr. Rifkin is currently director of the Menil Collection and Foundation in Houston. He will begin work here on February 1, 2002.

- Milo Beach retired from his position of director of the Arthur M. Sackler Gallery and the Freer Gallery of Art on October 1, 2001. Dr. Vidya Dehejia has been named acting director of the Freer and Sackler Galleries. Since 2000, Dehejia has served as the Galleries’ deputy director and chief curator.

- Robert Fri, director of the National Museum of Natural History, left the museum in the fall. The Secretary has asked Under Secretary for Science, Dennis O’Connor, to serve as acting director.

- Spencer Crew, director of the National Museum of American History, Behring Center, left the Institution in November to become the executive director and CEO of the National Underground Railroad Freedom Center in Cincinnati, OH. Crew began his career at NMAH as a historian in 1981. Marc Pachter, director of the National Portrait Gallery, has been named as acting director. A nine-member search committee was named to select a new director of NMAH.

- Douglas Lapp, founding executive director of the National Science Resources Center, resigned his post on June 29. The NSRC was founded in 1985 as a joint initiative of the Smithsonian and the National Academy of Sciences. Sally Goetz Shuler has been appointed as executive director of the NSRC.

- Robert Hanle, director of development, departed on September 1. After four years as the Smithsonian’s senior fundraiser he returned to his home in St. Paul, MN, beginning a new job as senior vice president and managing consultant with Grenzebach Glier & Associates Inc. Mark Thoreson was appointed acting director of development until Bob Hanle’s replacement is installed. Since 1998, Thoreson served as the Smithsonian campaign development director.

- Stephanie L. Norby was named director, Smithsonian Center for Education and Museum Studies (SCEMS). She came to the Smithsonian in 1998 after having served as director of curriculum, professional development and assessment in the Kansas City, MO, school district.

- Carey Winfrey was named editor-in-chief of *Smithsonian* Magazine. He replaced Don Moser, who retired after 20 years as editor of *Smithsonian* at the end of July. Winfrey was previously a reporter at *Time* magazine and *The New York Times*; for the last four years he was an assistant managing editor at *People* magazine.
NAPA REPORT

In July, the National Academy of Public Administration published “A Study of the Smithsonian’s Repair, Restoration and Alteration of Facilities Program” in response to a request by the Senate and the House Subcommittees on Interior and Related Agencies. The Academy found that funds appropriated for repair, restoration and alteration (RR&A) from 1996 through 2000 had been properly used by the Smithsonian for the purposes requested in the budgets; that between $1.2 and $1.5 billion is needed over the next ten years to bring Smithsonian buildings into a good state of repair; and that the Smithsonian financial management and reporting systems need to be upgraded. The Academy also made a wide range of recommendations to help the Smithsonian improve its management systems and processes for both delivering RR&A services and reporting valid funding needs and obligations to Congress.

INFORMATION TECHNOLOGY UPDATE

The Enterprise Resource Planning (ERP) project is under way with three workgroups formed to lead the implementation of the General Ledger, Accounts Payable, and Purchasing modules. The workgroups have been meeting regularly since September 13, 2001. The PeopleSoft software has been installed on the Smithsonian's ERP Development platform and is being used as part of the workgroup sessions to review the functionality provided by the PeopleSoft modules and define requirements, setup, and configuration information. The first phase of the project will be implemented by October 1, 2002, with a three-month parallel operating window ending on January 1, 2003.

STRATEGIC PLAN AND PERFORMANCE MEASUREMENT

The Smithsonian's five-year Strategic Plan for fiscal years 2003 through 2008 is in approval draft form, and the Institution is nearing completion of an Institutional-level Performance Plan that includes performance measures and targets that link to the goals, objectives and strategies in the Strategic Plan. Staff from throughout the Institution participated in developing indicators of museum-related accomplishments and outcomes, as well as measures for activities that support the Smithsonian. The Office of Policy and Analysis (OP&A) will work with Smithsonian units as they develop their unit strategic plans and performance measures. The Smithsonian will begin tracking performance consistently with a set of measures that have been adopted by the entire Smithsonian Institution community at the start of fiscal year 2003.
IN THIS SECTION, REGULAR FEATURE OF THE SECRETARY’S REPORTS TO THE REGENTS’ REPORT, READERS ARE INFORMED OF THE PROGRESS OF THE INSTITUTION’S MAJOR CONSTRUCTION AND REFURBISHMENT PROJECTS.

<table>
<thead>
<tr>
<th>PROJECT</th>
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<tr>
<td><strong>Patent Office Building (POB)</strong></td>
</tr>
<tr>
<td>382,000 sq. ft.</td>
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<tr>
<td>$216.0 million total estimated cost</td>
</tr>
<tr>
<td><strong>PROJECT STATUS</strong></td>
</tr>
<tr>
<td>• January 2000. The POB, which houses the Smithsonian American Art Museum and the National Portrait Gallery, was closed for renovation.</td>
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<tr>
<td>• September 20, 2001. Contract for $8.7 million awarded for the replacement of the windows in POB and the cleaning and repairing of the stone facing of the building.</td>
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<tr>
<td>• The Department of Interior and Related Agencies Appropriations Act; 2002 provides an additional $15 million for the POB, bringing the total Federal funding to date to $49 million.</td>
</tr>
</tbody>
</table>

| National Museum of the American Indian Mall Museum |
| 454,000 gross sq. ft. |
| $219.3 million total estimated cost |
| **PROJECT STATUS** |
| • June 20, 2001. Contract for $141.9 million awarded to Clark/TMR. $56.7 million funded in initial contract to cover base bid for foundation, structure, and purchase of Kasota stone. |
| • June 26, 2001. Welcome Center opened with mock-ups and other materials related to the new Museum. |
| • The Department of Interior and Related Agencies Appropriations Act; 2002 includes $30 million for the Mall Museum – the amount requested. |
| • Funds made available in FY 2002 will allow the Smithsonian to exercise contract options to enclose the building and install mechanical systems. |
| • Additional fundraising is required to allow the fitting out of the basement, ground, and first floors – an option SI must exercise by February 1, 2002. |
| • OMB has indicated that the President will request only $10 million in his FY 2003 request. |

| National Air and Space Museum Steven F. Udvar-Hazy Center |
| 761,000 sq. ft. |
| $309 million total estimated cost |
| **PROJECT STATUS** |
| • April 10, 2001. A construction contract for $125.6 million was awarded to Hensel Phelps Construction Company to begin Phase I; notice to proceed given April 23. |
| • As of October 31, construction remains on schedule. |
| • As a result of an inquiry by the U.S. Department of Labor, the general counsel determined that provisions of the Davis Bacon Act apply to the construction contract. That decision adds $10.3 million to the cost of the project. |

| National Museum of American History, Behring Center |
| 250,000 sq. ft. |
| $200.0 million total estimated cost |
| **PROJECT STATUS** |
| • The National Museum of American History, Behring Center is in the early stages of renovation/renewal. As a result of a number of large gifts and agreements, the museum is now in the process of planning for several exciting exhibits as well as for the extensive renovation of the building. |
| • With respect to the Behring gift to renew the public spaces in the Museum, a Blue Ribbon Commission, composed of historians, museum professionals, and others, has been appointed to advise the museum in planning exhibitions and to recommend timely and relevant themes and methods of presentation. The Commission, chaired by Richard Darman, held its initial meeting on June 29. |
| • Architectural concepts have been developed for the central core and visitor orientation within the museum. These drawings, along with other plans and input from the Blue Ribbon Commission, will form the basis of a Request for Proposal from architectural and engineering firms to design these public spaces. |
| • A project team was created in May to support the design and implementation of the Spirit of America exhibit funded by the Catherine B. Reynolds Foundation. Meetings occurred in June and late August to bring together the curatorial staff and the leadership of the museum, outside experts, and donors to assist in defining the core message and audience for the Spirit of America. |
FINANCIAL STRENGTH

FINANCIAL POSITION

During the late 1990s and in fiscal year 2000, the Smithsonian's net assets (or net worth) grew steadily, driven by a booming stock market, sharply increased fund raising and continued investments of federal funds in physical facilities. The total net assets of the Institution reflect the value of the endowment, investments, buildings and equipment, and outstanding pledges minus liabilities, for example, outstanding payments that we owe others.

Due to the decline in the stock market during fiscal year 2001, net asset growth was arrested. While the fiscal year 2001 financial plan anticipated net asset growth of $99 million to a total of $1.668 billion, we ended the year with net assets of $1.562 billion, a decline from our plan of $106 million. Compared to the previous year, the Institution's net assets declined by $7 million, or .4%. In essence, net assets stayed almost flat because strong fund raising and further federal investment in buildings offset the decline in the Institution's endowment.

We ended fiscal year 2001 with net assets of $1.562 billion, a decline of $7 million or .4% from the previous year. Our net assets are projected to grow in fiscal year 2002.

The fiscal year 2002 plan anticipates a less robust fund-raising environment, modest improvement in the stock market, and a continuation of federal investment in physical assets. Our goal for fiscal year 2002 is to have net assets resume their pattern of growth and increase by $115 million.
For fiscal year 2002, we project an increase in net assets of $115 million to a total of $1.677 billion, an increase of 7% from fiscal year 2001.

**FISCAL YEARS 2001 AND 2002 SOURCES AND USES OF FUNDS**

Fiscal year 2001 presented a mixed picture of financial activity. The operating surplus, which totaled $46 million, exceeded our plan by $37 million due to robust fund-raising efforts and higher dollar amounts of government grant awards. Conversely, a deficit in non-operating activity due to the decline in the stock market resulted in a decrease in net assets of $7 million.

The fiscal year 2002 plan has been adjusted to reflect the economic downturn, the decline in museum visitation due to the events of September 11 and the associated decline in Smithsonian Business Ventures revenue, and skepticism about when these trends will reverse themselves. An operating surplus for fiscal year 2002 is projected as a consequence of efforts to reduce spending, which are driven by a decline in business revenue.

**Smithsonian Institution Annual Financial Activity**

($ millions)

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2001 Plan</th>
<th>Fiscal Year 2001 Actual (Unaudited)</th>
<th>Fiscal Year 2002 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Sources</td>
<td>617</td>
<td>681</td>
<td>630</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>608</td>
<td>635</td>
<td>623</td>
</tr>
<tr>
<td>Operating Surplus</td>
<td>9</td>
<td>46</td>
<td>7</td>
</tr>
<tr>
<td>Total Non-Operating Surplus/(Deficit)</td>
<td>90</td>
<td>(53)</td>
<td>108</td>
</tr>
<tr>
<td>Increase/(Decrease) in Net Assets</td>
<td>99</td>
<td>(7)</td>
<td>115</td>
</tr>
</tbody>
</table>

*Source: Office of the Undersecretary for Finance and Administration*
DEVELOPMENT

Fiscal year 2001 was a record-setting year for the Smithsonian. During fiscal year 2001, $120.6 million in extraordinary gifts (those over $5 million) and $94.7 million in annual support was raised for a total of **$215.3 million** – beating our record-setting level of $206 million raised last year.

**Annual Giving and Extraordinary Gifts, Fiscal Years 2000 and 2001**

*Extraordinary gifts are those of $5 million or more.*

Extraordinary gifts of $5 million or more during fiscal year 2001 are listed below.

- $38 million from the Catherine B. Reynolds Foundation: $26 million for the Smithsonian Achievement Award, a cash prize for up to three people designated as worthy of the honor, and for the *Spirit of America*, an exhibition on great American achievers to be established at the National Museum of American History, Behring Center; and $12 million to establish an exhibition hall at NMAH, celebrating the life stories of heroic Americans and award recipients.

- $30 million from the Donald W. Reynolds Foundation: 24.1 million in a generous rescue of the Gilbert Stuart *Lansdowne* portrait of George Washington, to save the painting from going to public auction; and $5.9 million for the national tour of the Gilbert Stuart *Lansdowne* portrait of George Washington.

- $14.6 million from The Jerome and Dorothy Lemelson Foundation for a permanent endowment of the Lemelson Center for the Study of Invention and Innovation at the National Museum of American History, Behring Center. This brings the Lemelsons' cumulative Smithsonian total to more than $40 million, the third highest in the history of the Institution.

- $10 million from the Mohegan Indian Tribe of Connecticut for ongoing construction of the National Museum of the American Indian.

- $10 million from The Celerity Foundation to benefit the Smithsonian Tropical Research Institute.

- $10 million from The Luce Foundation for a public collections facility for the study of American art, to be located in the Patent Office Building and directed by the Smithsonian American Art Museum.

- $5 million to benefit the National Museum of the American Indian with the sale of the new commemorative American Buffalo Coin, which was authorized by Congress last fall and went on sale in
June 2000. The coin sold out in record time. Ten dollars from the sale of each silver coin was directed to the NMAI for the opening of the Mall Museum.

- $5 million from Landon T. Clay to establish the Clay Fellowships Charitable Trust, for the benefit of Smithsonian Astrophysical Observatory to create four new postdoctoral fellowships.

- $5 million additional gift from Steven Udvar-Hazy for the Steven F. Udvar-Hazy Center at Dulles International Airport. Mr. Udvar-Hazy added $5 million to his original gift of $60 million to express his enthusiastic commitment to the project.

- $5 million from Airbus Inc. "to keep momentum high" for building the Steven F. Udvar-Hazy Center at Dulles International Airport.

**Smithsonian Business Ventures**

Smithsonian Business Ventures (SBV) – which includes *Smithsonian* and *Air & Space/Smithsonian* magazines; museum retail stores, restaurants, and IMAX theaters; the mail order catalogue and e-commerce; and licensing and media businesses – made progress despite reduced earnings in the magazine advertising and catalogue businesses due to the general economic downturn in 2001. The total financial contribution of SBV (net gain of $26.2 million) was slightly less than in fiscal year 2000. Following September 11, a significant reduction in museum visitation and temporary disruption of the flow of mail caused an estimated loss of $1 million of net gain during the last three weeks of the fiscal year.

The events of September 11 had an immediate significant impact. The most visible effect of the recent crisis was the dramatic reduction in museum visitation. Public concern about the safety of travel, air travel in particular, as well as the perception of Washington as a terrorist target, reduced visitation in the last three weeks of September by 64%, compared to September 2000. Management expects that public concerns will linger and that dramatically lower visitation in 2002 will result in a significant reduction in earnings for next fiscal year. Magazine advertising, already experiencing its worst year in decades, suffered a crippling blow on September 11, when virtually all travel advertising dried up (the Magazine's single, largest category). Total advertising in 2002 is forecasted to be off by 15%, consistent with industry outlook. Since September 11, SBV management has taken dramatic actions to reduce costs and maximize profitability to reflect the reduced volume of business. The staff has been reduced by 70 Full-Time Equivalents (FTEs), 11.6% of the SBV workforce. Fiscal year 2002 operating expenses have been cut by $7.2 million – an 8.4% reduction from the original budget.

**Fiscal Year 2001 Smithsonian Business Net Gain (Actual)**

![Net Gain (before G&A) chart](image)

Source: SBV
Highlights of SBV Accomplishments in fiscal year 2001:

- Smithsonian Magazine installed a new publisher, and a new editor-in-chief, and maintained its circulation at over 2 million subscribers.

- The SBV management team was strengthened by the appointment of a chief operating officer and a marketing and sales promotion manager for the museum retail operations.

- Museum stores opened a new store in connection with The American Presidency exhibition at NMAH; first year sales were $1.4 million. A new "Tricerashop" was opened adjacent to the dinosaur hall at NMNH with sales of $456,000 from March 31 through September.

- SBV, in conjunction with NASM, announced an agreement with McDonald's Corporation for a multi-million dollar renovation of NASM's food service facilities, which will allow the museum to better accommodate peak crowds, particularly families and large school groups. The new restaurant, operated by McDonald's will offer expanded dining at lower prices.

- SBV expanded educational publishing in collaboration with Dorling Kindersley Publishing, which produced several critically acclaimed books during 2001, including the children's books Presidents and First Ladies. Both contain images from the National Portrait Gallery and NMAH; Presidents won an educational award and was a best-seller in its category.

- Production work was completed on "Total Zoo," the first 13-episode series as part of a media partnership with Animal Planet network.

- SmithsonianStore.com, the virtual museum store, was launched in time for the holiday 2000 season, and has generated steadily increasing sales.

CONCLUSION

Fiscal year 2001 was a year of solid accomplishment at the Smithsonian in spite of the tragedies that occurred in September. The Institution is moving forward, prepared to take on future challenges and opportunities. In addition to dealing with the grave aftermath of the terrorist attacks, the Smithsonian’s staff faces the daunting task of having to raise billions of dollars from public and private sector sources and use them to modernize the Institution’s dilapidated buildings, aged exhibits and creaking infrastructure, complete several major new museum construction projects, and refocus Smithsonian scientific research activities into a coherent set of understandable, well known, well financed units with clear cut missions and priorities. In spite of the magnitude of such a huge revitalization effort, we have confidence that we can achieve what we have set out to do. Looking back on fiscal year 2001, the Smithsonian has demonstrated it has the capacity to accomplish a great deal.