In September 2005, the National Museum of African Art received a transforming gift of one of the world’s finest collections of traditional African art: the Walt Disney-Tishman Collection.

Annual Report to the Board of Regents
Fiscal Year 2005

January 2006
Visits to the Smithsonian

In fiscal year 2005, the Institution counted 29.5 million visitors to its museums, traveling exhibitions, and National Zoo—a number equivalent to approximately 10 percent of the population of the United States. This was divided as follows:

- **24.2 million** visits to Smithsonian museums in Washington and New York, plus the National Zoo and Udvar-Hazy Center—up 24 percent from the previous year.
- **5.3 million** visits to traveling exhibitions mounted by the Smithsonian Institution Traveling Exhibition Service, Smithsonian American Art Museum, and National Portrait Gallery—up 26 percent from the previous year.

This rebound from fiscal year 2004 figures reflects factors such as the easing of fears about terrorism in the nation's capital and the first full year of operation for the immensely popular National Museum of the American Indian facility on the Mall, which drew nearly 2.5 million visitors in fiscal year 2005.

Visits to Smithsonian Museums and Traveling Exhibitions
Fiscal Years 2003, 2004, and 2005

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Smithsonian Online

Virtual visitorship to Smithsonian websites—including the main website at [www.si.edu](http://www.si.edu) and more than 80 other sites—increased to **109.3 million**, surpassing by about 10 percent the figure of 97.6 million recorded in fiscal year 2004.

Much of the increase can be attributed to heavy visitation of the National Zoo website. The Zoo’s live web feeds of its new panda cub proved hugely popular, as did online videos and photos documenting the cub’s growth, veterinary exams, and other activities. The Zoo also used its website to conduct a panda-naming contest in which 202,045 votes were cast from around the world. The winning name, Tai Shan, means “peaceful mountain” in Chinese.
In addition to creating new virtual exhibitions, education sites, and research sites, Smithsonian units received numerous awards and other forms of recognition for their Web offerings in fiscal year 2005:

- The National Museum of Natural History’s *Lakota Winter Counts* won the International Academy of Digital Arts and Sciences’ prestigious “Webby” award in the cultural institutions category and the United Nations World Summit Award in the c-culture category.

- The National Museum of American History’s *America on the Move* virtual exhibition was the featured site of the day on www.techlearning.com, and its *Price of Freedom* website received honorable mention in the American Association of Museums’ Muse Awards.

- The Smithsonian Institution Traveling Exhibition Service’s *Doodles, Drafts and Designs* site was named a “hot site” by USA Today, a “site of the day” by Freelists, and a “pick of the day” by Yahoo!

- The Center for Folklife and Cultural Heritage’s *Global Sound*, a virtual encyclopedia of the world’s musical traditions, was praised as “the ethnographic answer to iTunes” by the New York Times.

- The Smithsonian American Art Museum’s *Ask Joan of Art* was the recipient of the American Library Association’s Thomson Gale Award.

- The Center for Latino Initiatives’ Latino Virtual Gallery *¡Sabor! Salsa Music in the United States* was selected for the 2005 National Board for Professional Teaching Standards conference.

- The Smithsonian Astrophysical Observatory’s *Astrophysics Data System (ADS)* was praised by the United Nations General Assembly.

- The Smithsonian Environmental Research Center’s *Mangal Cay: A Caribbean Mangrove Island Virtual Tour* site was a National Science Foundation “feature of the week.”

- *Conservation Central*, an education website developed by the National Zoo, Friends of the National Zoo, and Fujifilm, was honored by the National Association for Interpretation with its top award in the interactive multimedia category.

**Exhibition Highlights**

*The Price of Freedom: Americans at War* was unveiled on November 11, 2004, in the new Kenneth E. Behring Hall of Military History at the National Museum of American History. The 18,200-square-foot permanent exhibition examines the nation’s military engagements from the Revolutionary War to the present.

The 2005 *Smithsonian Folklife Festival*—featuring *Oman: Desert, Oasis, and Sea; Food Culture USA; Forest Service Culture and Community;* and *Nuestra Musica: Music in Latino Culture*—drew over one million visitors. The Oman program was the first in the Festival’s history to feature an Arab nation.

The National Air and Space Museum launched the *James S. McDonnell Space Hangar*—housing the space shuttle Enterprise and other space-related artifacts—at its Steven F. Udvar-Hazy Center on November 1, 2004.

A new permanent exhibition, *Whatever Happened to Polio?*, opened at the National Museum of American History to mark the 50th anniversary of the polio vaccine.

Collections Highlights

On July 9, 2005, the National Zoo's female giant panda, Mei Xiang, gave birth to a male cub, Tai Shan. In another success for the Zoo's reproductive biology program, a litter of four cheetah cubs was born November 23, 2004—the first in the Zoo's history. A second litter of five was born in April.

The National Museum of African Art received a transforming gift of one of the world's finest private collections of traditional African art: the Walt Disney-Tishman Collection, with 525 pieces representing 75 peoples and including most major styles.

SpaceShipOne, the first privately built and piloted vehicle to reach space, now hangs in the Milestones gallery of the National Air and Space Museum on the Mall, between Charles Lindbergh’s Spirit of St. Louis and Chuck Yeager’s Bell X-1.

Soon after Hurricane Katrina struck on August 29, the National Museum of American History began field collecting. Curator David Shayt and photographer Hugh Talman were dispatched to the Gulf area, returning after five days with 935 digital photographs and 17 documented artifacts.

The National Postal Museum acquired John Lennon’s childhood stamp album, which, in addition to over 550 stamps from around the world, bears the name, address, and signature of the young Lennon.

The Smithsonian Institution Libraries acquired the extraordinary Russell E. Train Africana Collection, a collection of over 2,000 books plus manuscripts, photographs, watercolors, sketches, maps, newspaper clippings, artifacts, and other ephemera.

Education, Event, and Program Highlights

Over 35,000 people attended the National Museum of the American Indian’s first National Powwow at the MCI Center in Washington, D.C., from August 12 to 14, featuring hundreds of native artisans, singers, and dancers.

On June 30, 2005, President George W. Bush arrived at the Freer Gallery’s Meyer Auditorium to speak on the upcoming G8 Summit. Joining him were First Lady Laura Bush, Secretary of State Condoleezza Rice, and other honored guests.

The NASA–Smithsonian Astrophysical Observatory’s Universe Education Forum partnered with 14 museums and planetariums nationwide to present programs celebrating the centennial of Einstein’s theory of special relativity.

On May 23, Freer and Sackler Galleries Director Julian Raby escorted Hamid Karzai, president of the Islamic Republic of Afghanistan, through the Galleries, with Vice President Dick Cheney in attendance.

In partnership with the Fairfax Network, the National Air and Space Museum beamed a live Space Day broadcast from its Udvar-Hazy Center to 33,000 classrooms.

In May, the National Museum of American History staged a festival to mark the opening of its exhibition ¡Azúcar! The Life and Music of Celia Cruz. Over 14,000 visitors participated.

Five Smithsonian Folkways recordings were nominated for Grammies, including the winner in the children's music category, cELLabration: A Tribute to Ella Jenkins.

The annual Smithsonian Teachers’ Night was held on November 5, 2004, at the National Museum of the American Indian. Simultaneous events were held at five Affiliates. In all, 4,000 educators attended.
The National Air and Space Museum exhibition *The Wright Brothers and the Invention of the Aerial Age* won the 2005 John Wesley Powell Prize, presented by the Society for History in the Federal Government.

**National Outreach**

**Smithsonian Affiliations**

Agreements were signed with **11 new Affiliates**, including one in previously unrepresented Wisconsin. At the end of the fiscal year, there were **144 Affiliates** in 40 states, the District of Columbia, Puerto Rico, and Panama. The sixth annual Smithsonian Affiliations National Conference was held on June 5–8, with 65 affiliates from 30 states (plus the District of Columbia and Puerto Rico) represented.

**Smithsonian Center for Education and Museum Studies (SCEMS)**

In fiscal year 2005, 964 interns participated in SCEMS-administered internships at the Smithsonian. Interns came from 45 states, the District of Columbia, Puerto Rico, Guam, and 28 countries.

SCEMS publications during fiscal year 2005 included the *Grandparents’ Guide to the Smithsonian* (a joint project with the Smithsonian National Board Education Committee) and the booklet *Teachers’ Guide to Smithsonian Exhibits*.

A new SCEMS website, *Smithsonian Source: Resources for Teaching American History*, offers a pan-Institutional approach to teaching American history. It includes lesson plans, images of primary sources, and videos that spotlight treasures from Institution collections.

**Smithsonian Institution Traveling Exhibitions Service (SITES)**

In fiscal year 2005, SITES circulated **56 exhibitions** to **211 locations** in 45 states and territories, including the District of Columbia and Puerto Rico, as well as Canada. Attendance was approximately **4.6 million**.

Two new SITES exhibitions went on the road in the fourth quarter of fiscal year 2005:

- **Visionary Anatomies** opened on September 17 at the Monmouth Museum in Lincroft, New Jersey. It brings together 18 works by 11 artists whose art incorporates anatomical images and concepts.

- **Between Fences**, the latest “Museum on Main Street” exhibition for underserved audiences in rural America, debuted in five states in September and October. It features images and objects that encourage visitors to consider how and why we build fences, and what they reflect about us.

Five other SITES exhibitions were launched in fiscal year 2005: *Sports: Breaking Records, Breaking Barriers; Diana Walker: Photojournalist; Robert Rauschenberg, Artist-Citizen: Posters for a Better World; Art of the Stamp; and First Ladies: Political Role and Public Image*. Three former first ladies—Rosalynn Carter, Barbara Bush, and Hillary Rodham Clinton—have visited *First Ladies*.

SITES also launched an interactive, bilingual website, *Beyond Baseball: The Life of Roberto Clemente*, in collaboration with the Museo de Arte de Puerto Rico and Carimar.
The Smithsonian Associates (TSA)

During fiscal year 2005, TSA offered 1476 programs in the Washington, D.C., area and 32 programs (featuring 330 presentations) in 15 other cities across the United States, featuring such outstanding personalities as physicist Stephen Hawking; Pulitzer-prize winning author Jared Diamond; historian Arthur Schlesinger; Justice Sandra Day O'Connor; retired General Electric CEO Jack Welch; former Senator and presidential candidate Bob Dole; storyteller Garrison Keillor; and Nobel laureate Elie Wiesel.

Focused, First-Class Science

In fiscal year 2005, Smithsonian science units published 555 scientific articles, papers, and other publications in peer-reviewed journals, including such prestigious venues as Science, Nature, the Astrophysical Journal, and Proceedings of the National Academy of Sciences. This represents a 43 percent increase from fiscal year 2004.

National Air and Space Museum Center for Earth and Planetary Studies (CEPS)

CEPS scientists participated on science teams for several planetary missions, including the Mars Exploration Rovers (MER), the MESSENGER mission to Mercury, the European Mars Express, and the Mars Reconnaissance Orbiter.

National Museum of Natural History (NMNH)

In the July 29 issue of Science, NMNH paleontologist Hans Sues and his colleagues announced the discovery of a clutch of eggs containing embryos of a 190-million-year-old herbivorous dinosaur, Massospondylus—the earliest known embryos for any terrestrial vertebrate.

In February, at the First International Conference on the Barcoding of Life in London, NMNH botanist John Kress and his co-authors gave a groundbreaking presentation proposing the first workable barcoding system for plants.

Museum Director Cristián Samper was among 15 scientists leading the four-year, $22 million Millennium Ecosystem Assessment—a comprehensive study of the world’s ecosystems involving 1300 scientists from 95 countries. The project report issued in spring 2005 was hailed by United Nations Secretary General Kofi Annan as “an unprecedented contribution.”

Smithsonian Tropical Research Institute (STRI)

With support from Frank Levinson and the Peninsula Community Foundation, STRI is establishing a research program on evolutionary neurobiology under the leadership of staff scientist William T. Wcislo. Following an international search, STRI selected two five-year fellows to participate in this initiative.

STRI’s Bocas del Toro Research Station on the Caribbean coast of Panama received a 2005 Federal Energy and Water Management Award. The guiding principle of the main building’s design was “net zero impact”—collecting its own water, treating its own waste, and generating its own energy.

Participants in the Third Annual Marine Taxonomy workshop at STRI’s Bocas del Toro Research Station in August surveyed the biodiversity of 25 sites, discovering both species not previously reported in Panama and new, unnamed species.
National Zoological Park (NZP)

In partnership with the Zoological Park Organization of Thailand, the Nashville Zoo, and the Clouded Leopard Species Survival Plan, the Zoo is developing a Clouded Leopard breeding program in Thai zoos. Twelve cubs have been born, and selected cubs will be imported to the United States for genetic augmentation of the North American population.

On September 18, the American Zoo and Aquarium Association (AZA) honored the National Zoo with its Edward H. Bean Award for the Zoo’s Golden Orb Spider Long-Term Propagation Program.

Smithsonian Astrophysical Observatory (SAO)

The first of six off-axis mirrors for the Giant Magellan Telescope (GMT)—8.4 meters (27.5 feet) in diameter—was successfully cast. When completed, the GMT will be the largest optical telescope in the world. It is a joint project of SAO and seven other universities and research institutions.

The November 20, 2004, issue of Astrophysical Journal Letters was dedicated to research results from the Submillimeter Array (SMA) on Mauna Kea, Hawaii, a joint project of SAO and the Academia Sinica Institute of Astronomy and Astrophysics in Taiwan.

SAO astronomers and their colleagues held a press conference on March 23 to announce the detection of light coming directly from a planet around a star other than our sun. The New York Times reported this remarkable result under the “National News” banner, rather than in its “Science Times” section.

Smithsonian Environmental Research Center (SERC)

SERC joined with Portland State University (PSU) to establish the Aquatic BioInvasion Research and Policy Institute. Led by SERC’s Gregory Ruiz and PSU’s Mark Sitzma, the Institute combines SERC’s strength in marine ecosystems with PSU’s expertise in freshwater ecosystems.

Smithsonian Center for Materials Research and Education (SCMRE)

SCMRE staff were invited to work on restoring the Lodge of Retirement within the Forbidden City in Beijing, a rare example of a Chinese emperor’s private quarters.

A Smithsonian team including SCMRE senior objects conservator Rae Beaubien and SCMRE post-graduate fellow Vicky Karas trekked to Mongolia to do preservation work on the mysterious Deer Stones monuments and to capture pictorial information on them with 3D laser scanning.

Management Excellence

Toward the end of fiscal year 2005, the Smithsonian mourned the deaths of two distinguished leaders: William H. Rehnquist, Chief Justice of the U.S. Supreme Court and chancellor of the Smithsonian’s Board of Regents, died of thyroid cancer on September 3, 2005, at the age of 80.

Stephen E. Weil died at the age of 77 on August 9, 2005. Weil had been the founding deputy director of the Hirshhorn and was Emeritus Senior Scholar with the Smithsonian Center for Education and Museum Studies.
New Directors

**John Berry** became director of the National Zoo, effective October 1. Berry brings strong management skills and experience in animal conservation issues to his new post, having most recently served as executive director of the National Fish and Wildlife Foundation.

**Lonnie Bunch** returned to the Smithsonian in July 2005 as the founding director of the National Museum of African American History and Culture. Most recently, Bunch was president of the Chicago Historical Society. He previously served in various posts at the National Museum of American History.

**Anson “Tuck” Hines** was appointed director of the Smithsonian Environmental Research Center (SERC). Hines was SERC’s assistant director for the past 17 years, in addition to serving as its marine ecologist and principal investigator of the Fish and Invertebrate Ecology Laboratory for the past 26 years.

**Pilar O’Leary** became director of the Smithsonian Center for Latino Initiatives on August 22. Prior to joining the Smithsonian, O’Leary was an executive at Fannie Mae, where she spearheaded several development efforts geared toward the Latino community.

**Olga Viso** was elevated from deputy director at the Hirshhorn Museum and Sculpture Garden to become its fourth director on September 1. She succeeds Ned Rifkin, who will concentrate his efforts on his role as Under Secretary for Art.

Major Construction and Renovation Projects

**Patent Office Building**

384,000 gross sq. ft.  $298 million total estimated project and program cost

The historic Patent Office Building, now known as the Donald W. Reynolds Center for American Art and Portraiture, will reopen in 2006. The project includes renewal of the 168-year-old building and creation of a 346-seat auditorium, open conservation labs, and storage areas. The physical plant renewal is approximately 90 percent complete.

The anticipated opening date for the privately funded courtyard enclosure is late fall 2007. A construction delay occurred when the National Capital Planning Commission (NCPC) rejected the final design submission at its June 2005 hearing. A revised design was approved by the NCPC in September.

The $298 million total project cost includes $166 million in Federal funds for revitalization of the original building; $72.6 million for the courtyard enclosure, landscape, and F Street stairs; and the remainder for exhibits, programs, and support costs. An appropriation of $44.4 million for fiscal year 2005 completed the Federal funding of the project.

**National Zoological Park**

$111 million total estimated cost for Asia Trail, Phases I and II

The Asia Trail, a Federal/private partnership with more than $12 million in non-Federal funds raised to date, will upgrade nearly 25 percent of the developed area of the Zoo. Asia Trail I will provide a renovated home for the giant pandas, sloth bears, fishing cats, red pandas, giant salamanders, small clawed otters,
and clouded leopards. Asia Trail II will expand space for the Asian elephants. The Zoo is planning to open the exhibit in September 2006.

The total projected cost of Asia Trail I, including the otter habitat, is $52.7 million, to be funded with $45.2 million Federal and $7.5 million Trust. The fiscal year 2006 appropriations bill provided $9 million for the elephant facility and an additional $4.5 million for other Zoo facilities renewal efforts.

**National Museum of American History, Behring Center**

771,000 gross sq. ft.  $89.2 million total project and program cost

Progress in the early stages of a comprehensive renovation/renewal of the National Museum of American History, Behring Center continues. The $89.2 million total cost includes design and construction costs for infrastructure and architectural enhancements for the central core renovation and Star-Spangled Banner exhibit. The Federal contribution to the project is $4 million for design and $41.5 million for construction; the remaining amount will be Trust-funded.

Construction for the first package of improvements to public corridors and space surrounding the third floor east wing gallery was completed in conjunction with the opening of the *Price of Freedom* exhibition in November 2004. Schematic designs for the entrance pavilions, central core, 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 second package of improvements to public halls and spaces surrounding the central core of the Museum was completed in March 2005. Construction is planned to start in fall 2006 and to be completed by summer 2008.

**Museum Support Center, Pod 5**

119,500 gross sq. ft.  $42.7 million total estimated 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 collections currently preserved in alcohol at the Natural History building and all of the collections housed in Pod 3 at MSC. This will eliminate a major safety concern by removing approximately 365,000 gallons of alcohol from non-code-compliant facilities. Congress has provided $37.3 million of the total project cost of $42.7 million through fiscal year 2006.

**Arts and Industries Building Staff and Programs Relocation and Building Closure**

$34 million total project cost

$24.2 million of appropriated funds were spent in fiscal year 2005 to move programs and staff out of the Arts and Industries Building (AIB) and for activities required to mothball the AIB. Design and construction contracts for the relocation of 89 percent of the staff were obligated in fiscal year 2005, exceeding the established goal. All remaining staff will be moved by the end of 2006.

The Discovery Theater was moved to the S. Dillon Ripley Center in November 2004, and the Early Enrichment Center for infants and toddlers was moved to a site adjacent to the National Museum of American History in January 2005. 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 has been leased for others, including the Smithsonian Archives and Office of Protection Services. The Office of the Chief Information Officer Data Center and 121 of its staff will move to a leased facility in Herndon, Virginia. The planned relocation of units within existing Smithsonian facilities and negotiation of new long-term leases have resulted in projected savings (over previous estimates) of $10 million in total relocation costs.
National Museum of African American History and Culture

Total project and program cost to be determined

Once the Regents designate a site for the Museum, transfer of that site to Smithsonian control will be initiated. Programming and planning for the new museum facility will begin once funding becomes available. The 2007 budget request to OMB included $2 million for planning the Museum, but this amount was not included in the passback.

National Museum of Natural History, Ocean Hall Exhibit

39,000 sq. ft. (exhibition area only)       $43.9 million total estimated cost

The National Museum of Natural History is in the midst of its largest renovation of public space in the last 40 years. This major phase of the Museum’s master plan involves seven major halls, three retail shops, and replacement and relocation of the escalators. The installation of the Ocean Hall exhibit begins upon completion of this project in March 2007.

The total estimated cost of the Ocean Hall project is $43.9 million: $21.7 million from Smithsonian Federal funding for fiscal years 2002 through 2006 and $22.2 million from a National Oceanic and Atmospheric Administration grant. The target for opening the Ocean Hall exhibit is September 2008.

Permanent Physical Security Barriers—Multi-facility, Mall and off-Mall

$55 million total project and program cost

Temporary perimeter security barriers installed after September 11, 2001, will be replaced with more compatible permanent barriers. Planning, design, and construction are to be phased over multiple years, with Mall facilities taking precedence. Mall-wide, 35 percent design is complete.

Project funding to date has come from $8 million in Federal anti-terrorism supplements. The fiscal year 2006 appropriations bill provided an additional $7.9 million for design and construction of security barriers around NMNH and $1 million for National Museum of American History barriers.

Financial Strength

Fiscal year 2005 was another solid year financially. The Endowment’s market value, an important bellwether of the Institution’s financial health, exceeded budget by $43 million at fiscal year-end, reaching $779 million after accounting for the payout, fees and expenses, and additions—a record high.

Smithsonian Institution Year-end Endowment Value

($ in millions)

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<th></th>
<th>FY00</th>
<th>FY01</th>
<th>FY02</th>
<th>FY03</th>
<th>FY04</th>
<th>FY05</th>
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</thead>
<tbody>
<tr>
<td>Value</td>
<td>741</td>
<td>626</td>
<td>552</td>
<td>638</td>
<td>697</td>
<td>779</td>
</tr>
</tbody>
</table>
Financial Performance

In final action on the Institution’s appropriation for fiscal year 2005, Congress approved less funding than requested and took no action to provide funding for the mandated Federal staff pay raise. In response, management imposed a Federal hiring freeze and embarked on a workforce planning process. Revenues for fiscal year 2005 exceeded the budget by $92 million. This was largely due to increases in restricted contributions and in Smithsonian Business Ventures income. Overall revenues increased despite a decrease in Federal revenues, reflecting delays in relocating staff from the Arts and Industries Building; delays in constructing the new storage facility in Suitland, Maryland; across-the-board reductions of 1.4 percent imposed by Congress after the budget was prepared; and adjustments in the phasing of work performed on NASA grants by the Smithsonian Astrophysical Observatory.

Expenses for fiscal year 2005 were below the budget by $65 million, due largely to slower-than-planned spending of Trust funds raised and recognized in prior years; decreased spending associated with across-the-board reductions in Federal appropriations imposed by Congress after the budget was prepared; and the slower rate of work performed on NASA awards to SAO (which affected revenue as well).

A number of transactions not anticipated in the budget contributed to the positive budget variance: the sale of the National Museum of the American Indian’s warehouse property in the Bronx, New York, netted $10.7 million; auctions by the National Postal Museum of its revenue stamp collection netted $3.2 million; the reassignment to a local real estate developer of the “option to purchase” a Washington, D.C., warehouse rented by the Smithsonian netted $2.0 million; and Smithsonian Business Ventures netted an unanticipated sum from the settlement upon termination of the MBNA affinity credit card program.

Adding in the proceeds from real estate transactions and a few other relatively minor activities, the increase in the Institution’s overall net worth ($247 million) was $99 million more than the increase in fiscal year 2004—a positive budget variance of $215 million.

Smithsonian Institution Financial Performance for Fiscal Year 2005

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY2005 Budget</th>
<th>FY2005 Actual</th>
<th>Variance to Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>898</td>
<td>990</td>
<td>92</td>
</tr>
<tr>
<td>Expenses</td>
<td>872</td>
<td>807</td>
<td>65</td>
</tr>
<tr>
<td>Endowment Return</td>
<td>14</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>Reinvested</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(8)</td>
<td>7</td>
<td>15</td>
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<tr>
<td>Growth in Net Assets</td>
<td>32</td>
<td>247</td>
<td>215</td>
</tr>
</tbody>
</table>

In addition, the November 2005 sale of the Victor Building in downtown Washington for $157 million, while not reflected in fiscal year 2005 financial statements, portends a strong financial position in fiscal year 2006. The Victor Building was purchased in 1999 to provide office space for Patent Office Building employees during and after that facility’s renovation and to consolidate Washington, D.C.–based administrative employees working at a number of rental locations. The recent development boom and associated increase in the Building’s value prompted the Institution to monetize appreciation of the property and repay the existing debt.
Financial Summary

The Smithsonian remains focused on the revitalization of its aging physical infrastructure. While Federal funding for such revitalization in fiscal year 2005 ($118 million) was a marked increase over prior years, it remained insufficient to support the Smithsonian’s needs. Unfortunately, the fiscal year 2006 facilities budget has declined by 31 percent (to $81 million)—at a time when there is a growing recognition, documented in the national media, of the Institution’s facilities funding crisis.

An April 2005 report by the Government Accountability Office (GAO) validated the Institution’s overall facilities requirement of $2.3 billion for the nine-year period, fiscal years 2005–13. Whereas the 2001 Congressionally mandated report by the National Academy of Public Administration established an average annual facilities revitalization funding requirement of $150 million, the GAO added institutional maintenance and construction requirements to an updated inventory of required facilities revitalization projects and arrived at a more comprehensive average annual funding requirement of $255 million.

Without at least $150 million annually for facilities revitalization, the Smithsonian cannot expect to get ahead of the problem of its crumbling physical plant. The Board of Regents’ ad hoc Committee on Facilities Revitalization, established in September 2005, is evaluating options to address this problem.

External Affairs

In fiscal year 2005, the Institution generated $158.9 million in private support from individuals, foundations, and corporations. This is 24 percent ahead of the fiscal year 2004 total of $127.9 million and 77 percent ahead of the goal for the year ($90 million).

In October, the Institution announced a transformative $45 million gift from the Donald W. Reynolds Foundation. In recognition of this extraordinary generosity, the Smithsonian American Art Museum, the National Portrait Gallery, and the special purpose facilities of the Patent Office Building will collectively be known as the Donald W. Reynolds Center for American Art and Portraiture when they reopen in July 2006. With its 2001 gift of $30 million, the Reynolds Foundation now has given the Smithsonian $75 million, making it the second-largest donor since the founding of the Institution.

The Institution received 21 gifts of $1 million or more during fiscal year 2005. Many of these were for Institutional priority fund-raising projects, including the Reynolds Center, the Ocean Science Initiative, the National Museum of American History’s Star-Spangled Banner and facilities transformation, Phase II construction of the Steven F. Udvar-Hazy Center, and the creation of endowed museum directorships.
Private Funds Raised in Fiscal Year 2004 and Fiscal Year 2005

($ in millions)

The Contributing Membership raised $13.4 million in unrestricted funds, a 6 percent increase over last year’s $12.7 million; it added almost 5,000 members, bringing membership to just under 85,000.

The James Smithson Society, for individuals contributing $2,000 to $10,000 in annual dues, also recorded healthy growth. Its revenues grew from $1.1 million last year to just under $1.3 million this year, or 12 percent. Its membership grew from 358 to 479, an increase of 34 percent.

Overall giving by members of the Smithsonian National Board was over $11 million, a figure that includes gifts, pledges, and payments on pledges.

Smithsonian Business Ventures

Smithsonian Business Ventures’ net gain in fiscal year 2005 exceeded the fiscal year 2004 net gain by 17% and the budget by 6 percent. Higher-than-anticipated sales at the National Museum of the American Indian drove the strong budget performance, which partially offset a shortfall in budgeted advertising revenue growth. Overall, SBV achieved $171.7 million in revenues. SBV also contributed another net gain, largely from the early termination settlement with MBNA.

Specific SBV highlights for fiscal year 2005 included the following:

- During fiscal year 2005, SBV restructured vendor relationships and consolidated tour operators for the Smithsonian Journeys travel tour program to increase commissions, and outsourced the customer call center to improve sales and customer service. It also implemented new direct-marketing strategies for the program in Smithsonian magazine, which generated a 125 percent increase in customer prospects. As of September 30, with an estimated 45 percent of bookings complete for fiscal year 2006, gross traveler revenue is on track to exceed fiscal year 2005 performance by 46 percent.

- SBV formed a new strategic partnership with HarperCollins Publishers to publish and distribute up to 100 Smithsonian-branded nonfiction trade books a year in categories such as science, American history, natural history, aviation, Native American history, biography, reference, art, and design.

- In July, a new 10,600-square-foot McDonald’s restaurant opened at the Steven F. Udvar-Hazy Center, offering a full menu and seating for hundreds, as well as an adjacent coffee and sandwich bar.

- The Chesapeake Store of the National Museum of the American Indian, with its one-of-a-kind items and art objects, achieved record sales for a museum store, and the Museum’s Mitsitam Café, featuring Native American foods, continues to receive acclaim by food critics from around the nation.
• *Smithsonian* magazine kicked off festivities for its 35th anniversary year with a Museum Day on April 30, with 468 museums across the nation—including 42 Affiliate museums—offering free admission to *Smithsonian* readers.