Hat Boi Opera performers from Vietnam were part of the Mekong River program at the 2007 Smithsonian Folklife Festival. This year’s Festival drew over one million visitors.

Report to the Board of Regents
Third Quarter, Fiscal Year 2007

September 2007
Public Impact

Visits to the Smithsonian

In the first nine months of fiscal year 2007, the Institution counted 17.3 million visits to its museums in Washington, D.C., and New York, plus the National Zoo and Udvar-Hazy Center—up nearly 6 percent from the same period in fiscal year 2006, despite the closing of the National Museum of American History for renovations.

Visitation at the Smithsonian’s most popular venue, the National Museum of Natural History, was up by an impressive 38 percent in comparison with the first nine months of fiscal year 2006. For the same period, visits to the National Zoo increased by 12 percent over the fiscal year 2006 figure and by 61 percent over the fiscal year 2005 figure. Art museum attendance continued a strong surge, with visitorship up 26 percent at the Freer and Sackler Galleries, 48 percent at the National Museum of African Art, and 21 percent at Cooper-Hewitt, National Design Museum. For all art museums combined (excluding those in the Reynolds Center), nine-month fiscal year 2007 visitation figures rose by 11 percent relative to fiscal year 2006 and by 39 percent relative to fiscal year 2005. Visitation rebounded at the National Air and Space Museum (up 11 percent) and Smithsonian Castle (up 26 percent) after falling off last year. Attendance was up slightly at the National Museum of the American Indian and Udvar-Hazy Center, suggesting that visitation to these new venues may have stabilized.

The Smithsonian also counted approximately 3.4 million visits to traveling exhibitions mounted by the Smithsonian Institution Traveling Exhibition Service, very similar to last year’s figure of 3.5 million.
Smithsonian Online

Smithsonian Web sites logged **136.8 million** visits in the first nine months of fiscal year 2007, up **24 percent** from fiscal year 2006.

In May, the International Academy of Digital Arts and Sciences honored several Smithsonian Web sites with its **2007 Webby Awards**. Dubbed the “Oscars of the Internet” by the *New York Times*, the Webby Awards are the leading international accolade for excellence in Web site design and content.

- In the Cultural Institution category, the **Smithsonian Photography Initiative** Web site won the judged competition and the **Smithsonian Center for Education and Museum Studies** Web site won the People’s Voice Award (based on popular voting).
- In the Art category, **Cooper-Hewitt’s 2006 People’s Design Award** Web site won the People’s Voice Award, and the Museum’s main Web site was an Official Honoree in the judged competition.
- In the Education category, the **Smithsonian Center for Education and Museum Studies** Web site and the **Smithsonian American Art Museum** Web site *idel Corazón! Latino Voices in American Art* were Official Honorees.
- In the Navigation/Structure category, **Cooper-Hewitt’s** Web site for its exhibition *Feeding Desire* was an Official Honoree.

Among other online milestones for the Smithsonian in the third quarter were the following:

- The Freer and Sackler Galleries’ *Encompassing the Globe* Web site was selected by Google for a gallery of featured Google Earth projects.
- The Smithsonian’s SIRIS/Art Inventories catalog won the 2007 Building Better Communities Award for its innovative use of technology to meet community needs.
- A series of video podcasts from the Chandra Education and Public Outreach group of the **Smithsonian Astrophysical Observatory** received the 2007 Pirelli International Award—honoring excellence in the diffusion of scientific and technological culture via the Web—for physics.
- The **Smithsonian Latino Center** Web site won a bronze SABRE (Superior Achievement in Branding and Reputation) Award for excellence in technical aspects of communication.
- The **Archives of American Art** added nine digitized collections, consisting of 41,500 digital images, to its Collections Online Web site.
- Eight **Smithsonian Contributions** series are now publicly available online, and an additional two series (zoology and astrophysics) will be digitized this summer.

**Exhibition Highlights**

The **41st Smithsonian Folklife Festival** opened on the National Mall on June 27, featuring programs on Northern Ireland, the Mekong River region, and the roots of Virginia culture. More than 700 artists and performers speaking 32 languages engaged the public in more than 1,400 performances and demonstrations. Attendance topped one million.
The largest exhibition ever displayed in the Sackler Gallery, *Encompassing The Globe: Portugal and the World in the 16th and 17th Centuries* (June 23–September 16) explored the diversity of cultures—in Africa, Brazil, the Indian Ocean, China, and Japan—in Portugal’s trading empire. The show spilled over into the neighboring National Museum of African Art, which hosted the Africa module.

The National Museum of Natural History’s new *Korea Gallery* opened on June 8. It illustrates Korea’s history and culture through ceramics, paintings, textiles, and sculpture from the sixth century B.C. to the present.


The Smithsonian American Art Museum also unveiled three new shows. *Saul Steinberg: Illuminations* (April 6–June 24) featured works by the artist whose drawings adorned the *New Yorker* for six decades; *Variations on America: Masterworks from American Art Forum Collections* (April 13–July 29) showcased selections from the private collections of individuals affiliated with the Museum through its American Art Forum collectors group; and *The Prints of Sean Scully* (May 18–October 8) presents a selection of master prints from the internationally acclaimed abstract artist.

The National Zoo’s new *Zoo in Your Backyard* exhibit acquaints visitors with the wildlife they may encounter around their own homes.

The National Museum of Natural History is displaying the *Tiffany Diamond* (April 12–September 23) to celebrate the opening of the New Acquisitions Case in the Geology, Gems, and Minerals Hall. On loan from Tiffany & Co., the gem is one of the largest yellow diamonds ever discovered.

*Fly Now!*, an exhibition of colorful aeronautical posters from the days of the first hot air balloon to the present, opened at the National Air and Space Museum on June 1. It is based on Joanne Gernstein London's book of the same name, which was recently published by the Museum and National Geographic.

Two exhibitions opened at Cooper-Hewitt. *Design for the Other 90 Percent* (May 4–September 23) highlights affordable and socially responsible products created for populations that traditionally have not been served by professional designers and *IDEO Selects* (June 22, 2007–January 20, 2008), the fourth in a series of exhibits of works from the permanent collection selected by guest curators, explores the theme of “design thinking.”

On display at the Hirshhorn Museum and Sculpture Garden were *Wolfgang Tillmans* (May 10–August 12), featuring photographic works from one of the most significant artists to emerge in the 1990s, and the films of Takeshi Murata in *Black Box: Takeshi Murata* (May 28–September 9).
Two new exhibitions opened at the Anacostia Community Museum. *A Creative Profile: Artist of the East Bank* (May 13–August 12) brings together contemporary works from the artistic community of Washington, D.C.; *Voices and Visions of Thea Bloc: An Exhibition by Ellis L. Marsalis III* combines a photo documentary essay on youth in a Baltimore community with original poetry.

In May, the National Air and Space Museum placed on display a Congressional Gold Medal bestowed by President Bush upon members of the Tuskegee Airmen, America’s first African American military aviators. It now resides in the Pioneers of Flight Gallery.

*Inscribing Meaning: Writing + Graphic Systems in Africa* (May 9–August 26) at the National Museum of African Art displayed works dating from ancient to modern times that incorporate script and graphic forms of communication.

The Museum Conservation Institute presented *Within the Emperor’s Garden: The Ten Thousand Spring Pavilion* from April 18 through June 3 in the Ripley Center, featuring a superbly crafted model of the pavilion that stands within the Forbidden City in Beijing. A reception on May 30, hosted by Acting Secretary Cristián Samper, was attended by the ambassador of the People’s Republic of China; the U.S. Deputy Secretary of State; the President of Savannah College of Art and Design, which sponsored the exhibit; and Dr. Chan Laiwa of the China Red Sandalwood Museum, which donated the central model.

**Education, Event, and Program Highlights**

Cooper-Hewitt celebrated the winners and finalists of the 2007 National Design Awards at a White House luncheon hosted by First Lady Laura Bush. Twenty-one Cooper-Hewitt and Smithsonian staff were in attendance, along with trustees, journalists, VIPs, and honored guests.

The Smithsonian Associates presented the program series *Japan WOW! From Traditions to Trends*, providing audiences of all ages with opportunities to experience the history and cultural heritage of Japan through presentations by scholars, experts, and master craftsmen.

Over 380 guests, including the President of Portugal, several ambassadors, a Supreme Court Justice, and members of Congress attended the Freer and Sackler Galleries’ Annual Gala, which raised over $500,000 for the Galleries.


More than four dozen aircraft visited the Udvar-Hazy Center on June 16 for the third annual *Become a*
Pilot Family Day, which was attended by over 17,000 visitors.

Washington, D.C.’s Downtown Business Improvement District awarded the 2007 Momentum Award to the Donald W. Reynolds Center for its contribution to the downtown experience.

During the week of June 25, Cooper-Hewitt hosted 40 teachers and principals from New Orleans for a week-long City of Neighborhoods professional development program. Lesson plans emerging from the program will be made available to teachers nationwide via the Web.

In cooperation with the National Museum of African American History and Culture, Smithsonian Folkways Recordings initiated a new African American Legacy Series with the titles On My Journey: Paul Robeson’s Independent Recordings and On the Right Road Now, a gospel album by the Paschall Brothers.

The Smithsonian Center for Education and Museum Studies publication Smithsonian in Your Classroom won a first-place Blue Pencil Award in the category of Publications/Booklets by the National Association of Government Communicators.

This summer, the Smithsonian Institution Fellowship Program offered awards to 83 scholars, scientists, and students. The Latino Studies Fellowship Program offered three fellowships. The Minority Awards Program invited 22 students to participate in research projects or other museum-related activities. The Native American Awards Program gave awards to four interns, three students, and one community scholar. And eight students were accepted into the James E. Webb Internship Program to promote excellence and diversity in the management of not-for-profit scientific and cultural institutions.

National Outreach

Smithsonian Affiliations signed agreements with five new Affiliates in the third quarter. At the end of this period, there were 156 Affiliates in 39 states, the District of Columbia, Puerto Rico, and Panama. Affiliations’ National Conference took place in June; representatives from 61 Affiliates attended. Twenty Capitol Hill attendees from 13 Congressional offices and committees, including two Senators and three U.S. Representatives, attended the Congressional Reception on June 5.

The Smithsonian Institution Traveling Exhibition Service collaborated with the National Oceanic and Atmospheric Administration to produce a poster exhibit, From Sea to Shining Sea: 200 Years of Charting America’s Coasts. The exhibit was unveiled at 199 locations across the country on June 21 after a preview in the Senate Russel Room on June 4.

On May 8, in collaboration with Ball State University, the National Museum of the American Indian broadcast a live, one-hour television program, Listening to Our Ancestors, from Juneau, Alaska. Over 20 million elementary and middle-school students were registered to view the program.

The trilingual (English/French/Spanish) exhibition Jamestown, Québec, Santa Fe: Three North American Beginnings, co-organized by the National Museum of American History, ran from March 17 through September 3 at the Virginia Historical Society and will now travel to the Missouri Historical Society,

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The Smithsonian Scholars in the Schools program visited three school districts in California’s Coachella Valley as part of a new initiative funded by the Ford Motor Company Fund.

The 14th Annual World Affairs Institute, planned by The Smithsonian Associates for Indiana University’s School of Continuing Studies, focused on the growing role of Brazil, Russia, India, and China in the global economy.

On May 5, the Asian Pacific American Program, in collaboration with the Bay Area Filipino Centennial Committee and the Filipino American National Historical Society, presented a symposium at California State University, San Francisco, on 100 years of Filipino American history.

The National Science Resources Center conducted two week-long Science Education Strategic Planning Institutes for 27 school districts; sponsored a Science Institute for lead teachers in New Orleans; and published the thirteenth book in its Science and Technology for Children (STC) series, *STC Rocks and Minerals*.

**Focused, First-Class Scholarship**

**Science Units**

Michael Lang, Scott Miller, and Igor Krupnik are coordinating the Smithsonian’s involvement in the International Polar Year (IPY) initiative organized by the International Council for Science and the World Meteorological Organization. The initiative aims to educate scientists and nonscientists alike about how environmental changes taking place in the remote poles affect everybody. The Smithsonian launched its IPY activities in May with a two-day scientific symposium funded jointly with the National Science Foundation that showcased the work of scholars working around six themes: polar astronomy; systematics and biology of polar organisms; environmental change and polar marine ecosystems; the history of IPY; under-ice research; and Arctic cultural studies.

**Smithsonian Astrophysical Observatory (SAO)**

Using the Infrared Array Camera (IRAC) on the Spitzer Space Telescope, SAO researchers have been studying the atmosphere of a planet outside our solar system, finding evidence for a “hot spot” about twice as big as the Great Red Spot on Jupiter and powerful winds blowing at 1000 kilometers per second.

SAO astronomers spearheaded an international survey of distant galaxies in one region of the sky using data from all major wavelengths. The group has published over 19 peer-reviewed papers this quarter.
John P. Huchra has been elected president of the American Astronomical Society. His term will conclude in 2010.

In a paper still being peer-reviewed, researchers using SAO’s HATNet (Hungarian-made Automated Telescope) telescopes in Arizona have reported the discovery of a extremely dense planet orbiting a nearby star. With a radius slightly smaller than that of Jupiter but a mass over nine times greater, this planet is more dense than a rocky planet like Earth.

SAO astronomers conducted a detailed study of a stellar nursery using the IRAC camera, uncovering about 60 previously unknown young stars. They calculate that new stars have been forming at a rate of about one every 20,000 years for several million years.

National Zoological Park (NZP)

In mid-June, NZP’s Conservation and Research Center reported the hatching of a female white-naped crane chick by artificial insemination. Zoo scientists successfully employed a new technique that allowed them to choose the chick’s sex prior to hatching.

In an article in *Nature*, Shannon LaDeau and Peter Marra of the Zoo’s Migratory Bird Center and A. Marm Kilpatrick reported on the impact of West Nile virus on 20 species of North American birds, demonstrating continental-scale declines in seven species.

In a recent article in *BioScience*, the NZP team of Peter Leimgruber, John Seidensticker, and Melissa Songer—in collaboration with researchers from the World Wildlife Fund and the Wildlife Conservation Society—have presented the most comprehensive review of the status of wild tigers ever undertaken.

Smithsonian Tropical Research Institute (STRI)

STRI scientists produced 132 publications in the third quarter of fiscal year 2007, including four in *Science*, two in *Nature*, and two in *Proceedings of the National Academy of Sciences*

Panama has designated the Pacific Ocean’s Las Perlas Archipelago as a special coastal-marine management zone. This designation was based on several studies conducted under the leadership of STRI’s Héctor Guzmán and James Mair from Heriot-Watt University of Scotland.

The book *Ecología y evolución en los tropicos*, edited by STRI staff scientists E. Allen Herre, Jeremy B.C. Jackson, Egbert Giles Leigh, Jr., and Fernando Santos-Granero, includes 63 chapters that investigate topics such as adaptation, behavior, cooperation, environmental change, diversity, and anthropological studies.

National Museum of Natural History (NMNH)

The Encyclopedia of Life project, officially launched in May with grants of $20 million from the John D. and Catherine T. MacArthur Foundation and $5 million from the Alfred P. Sloan Foundation, aims to create an online database of all of the Earth’s known species of animals, plants, and other life forms. The project will rely on the work of scientists from NMNH (and other institutions) to ensure that information in the species profiles is up-to-date. NMNH curators and collections managers will also
prepare digital images of animal and plant specimens from the Museum’s vast collections to illustrate many profiles.

In a recent paper in Science, NMNH’s Kenneth Wurdack and a team led by Harvard’s Charles Davis present the precise phylogenetic placement of rafflesiae species. Rafflesiae possess the world’s largest flowers—up to one meter in diameter—yet their evolutionary relationships have been elusive.

**Museum Conservation Institute (MCI)**

MCI Director Robert Koestler and Office of Policy and Analysis Director Carole Neves received a $40,000 grant from the Trust for Mutual Understanding to facilitate the training of conservators from the Republic of Georgia’s National Museum and Parliamentary Library. The training will take place at MCI and at two Smithsonian paper conservation centers.

On April 23 and 24, MCI hosted the symposium “Mitigation of Pesticides on Museum Collections,” the first step in a research program aimed at dealing with the accumulation of toxic substances on cultural and natural history artifacts. The program is a collaboration with the National Museum of Natural History and National Museum of the American Indian.

**Smithsonian Environmental Research Center (SERC)**

SERC has been investigating and educating the public about a high-profile invasive species story. Chinese mitten crabs, first reported in the Chesapeake Bay in 2005 and never before seen in the coastal waters of the United States, now appear to be more widespread than initially thought, with four caught in the Delaware Bay during the last week of May 2007.

In the *Proceedings of National Academy of Sciences*, SERC researchers reported the results of a six-year experiment in which atmospheric carbon dioxide levels were observed to have doubled in a Florida scrub oak ecosystem. The findings suggest that elevated levels of carbon dioxide, a greenhouse gas, may alter microbiol communities in a way that turns soil from a carbon sink into a carbon source.

**Art Units**

The first of three planned volumes to accompany the Sackler’s *Encompassing the Globe: Portugal and the World in the 16th and 17th Centuries* was published in June. It features illustrations of more than 250 exhibition objects and overview essays by leading experts. Also appearing this quarter were the proceedings of a conference held at the Freer, “Scientific Research on the Sculptural Arts of Asia,” edited by Janet Douglas, Paul Jett, and John Winter.

*Artists in Their Studios: Images from the Smithsonian’s Archives of American Art*, by Archives curatorial staff Liza Kirwin and Joan Lord, was published by Collins Design.

Scholarly publications from Cooper-Hewitt included catalogues for the exhibitions *Design Life Now: National Design Triennial 2006* and *Design for...*
the Other 90 Percent, as well as a brochure for IDEO Selects: Works from the Permanent Collection, 11,000 copies of which were provided free to the public.


History and Culture Units
More than 100 researchers from five nations worked to document cultural traditions along the Mekong River in preparation for the 2007 Smithsonian Folklife Festival. The results will reside in the Smithsonian’s Rinzler Archives and in host-nation institutions.

In the third quarter, National Museum of American History researchers produced 34 publications in print and electronic formats, gave 47 presentations (including invitational papers, colloquium talks, and lectures), and were recognized on six occasions with scholarly awards or memberships to honorary societies—including a National Endowment for the Humanities Award, a Peterson Scholarship from the Victorian History Society, and a council membership in the History of Science Society.

National Museum of the American Indian scholars launched “Mother Earth,” a research initiative on indigenous cosmological tradition and natural resource management; published the book Identity by Design: Tradition, Change and Celebration in Native Women’s Dresses to accompany the exhibition of the same name; published articles on topics ranging from collective Native identities of the Chesapeake region to media analysis of American Indian issues; and led a panel at the United Nations Indigenous Forum on May 17 entitled “The Birth of Human Rights.”

Smithsonian Institution Libraries is one of 10 institutions collaborating to produce the Biodiversity Heritage Library—a component of the Encyclopedia of Life project that will provide an online catalog of all known species. The project was unveiled on May 9 at the National Press Club.

National Postal Museum curators and conservators published five articles and delivered five presentations at scholarly meetings.

Management Excellence

Leadership Milestones
Eldredge Bermingham became Acting Director of the Smithsonian Tropical Research Institute, taking the place of Ira Rubinoff, who is currently serving as Acting Under Secretary for Science. Bermingham joined the Institute’s scientific staff in 1989 and has served as deputy director since 2003.

Paul Risser was named Acting Director of the National Museum of Natural History, replacing Cristián Samper while the latter serves as Acting Secretary of the Smithsonian. Risser’s previous leadership positions include Chancellor of the Oklahoma State System of Higher Education, President of Oregon State University, and President of Miami University of Ohio.
Major Construction, Renovation, and Facilities Projects

Donald W. Reynolds Center for American Art and Portraiture

$298 million total estimated project and program cost

The privately funded courtyard enclosure for the Reynolds Center will open in November. The roof enclosure was completed in February; installation of stone paving and planters is currently under way; and landscape materials will arrive on site in late September. The revised concept design for the exterior landscape, perimeter security, and F Street stair reconstruction was finalized in December 2006 and received conditional approval from the Commission of Fine Arts and the National Capital Planning Commission in March 2007. Preliminary designs for the exterior landscape, perimeter security, and F Street stair reconstruction will be submitted to both agencies in early fall 2007.

National Museum of American History, Kenneth E. Behring Center

Central core: $85.1 million total project cost

In September 2006, the National Museum of American History, Kenneth E. Behring Center, closed to the public for its largest public renovation in over 40 years, including relocation of the Star-Spangled Banner. Construction is estimated to be 23 percent complete; major demolition, hazardous materials abatement, and installation of the new mechanical system continue; and the central core roof has been opened for installation of the skylight. 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 has been received, as has the Trust contribution that will complete the construction for the central core area. The last Trust contribution for the Star-Spangled Banner exhibit is due in September. Reopening is scheduled for July 2008.

National Museum of African American History and Culture

Total project and program cost to be determined

A draft environmental impact statement (EIS) will be completed by the end of this fiscal year, and the EIS and historic preservation documentation phase will be completed by May 2008. The next major task will be a scope of work to support procurement of architectural programming services. The solicitation for architect/engineers for programming was released in July, and proposals were received in August.

National Zoological Park

$104.6 million total estimated project and program cost for Asia Trail, phases I and II

The first phase of the Asia Trail project, which provides new homes for the giant pandas and other Asian species, opened to the public in October 2006. It was completed at a cost of $52.7 million ($45.2 million Federal). The second phase, currently under design, will renovate the historic elephant house and expand the elephants’ habitat. The projected cost of this phase is
$51.9 million ($35.6 million Federal), with construction costs provided in fiscal years 2006 ($8 million), 2007 ($13 million), and 2008 ($9 million). A design-build contract (for both design and construction) was awarded in September 2006, and 95 percent design documents have been developed. The project has received final approval from both the Commission of Fine Arts and the National Capital Planning Commission. Pending Smithsonian review and approval of the 100 percent documents, construction will begin this fall and is scheduled for completion in April 2011.

**National Museum of Natural History, Ocean Hall Exhibition**

$46.1 million total estimated project and program cost

Following infrastructure renovation and restoration of the space that will house the Ocean Hall, installation of the exhibition began in April. The total estimated cost of the Ocean Hall is $46.1 million: $21.7 million in Federal funding for fiscal years 2002 through 2006 and $24.4 million from grants provided by the National Oceanic and Atmospheric Administration and other donors. Construction of the Federally funded portion is 94 percent complete. The exhibition will open in September 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 and was completed in April. Pod 5 is to house most of the alcohol collections currently in the Natural History Building and all collections from Pod 3 at MSC. With its state-of-the-art fire protection systems, the facility 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. Specimens in alcohol are now being transferred into Pod 5; these transfers are scheduled to be completed by December 2008.

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

$34.4 million total project cost (Federal), exclusive of tenant improvement allowance

All staff, programs, and furniture have been moved from the historic Arts and Industries building, and access is now limited to essential maintenance and security staff. A draft Request for Qualification for a public-private partnership to restore the building is currently under review in the Congress. OFEO is working with real estate consultants on ideas for the building’s future; 15 preservation, civic, and regulatory organizations have been contacted for input and comments.

**Victor Building Staff Relocation and Consolidation**

$15.4 million total estimated project cost

All moves from the Victor Building were completed in January, and consolidation of units remaining in the building was completed in March. A compressed design and construction schedule, late scope changes, and the unexpectedly high cost of the small business contracting strategy contributed to a $2.4 million cost overrun. To cover this, the Regents approved the use of an additional $1.7 million from the proceeds of the building’s sale, and $700,000 will be provided from Central Rent funds.
Permanent Physical Security Barriers

$55 million total project cost

Perimeter security improvements at the National Air and Space Museum were finished in December 2006. Construction of security barriers at the National Museum of Natural History is under way, and the first phase will be completed in spring 2008. The design contract for barriers at the National Museum of American History is complete and ready for pricing, with the award expected in early fiscal year 2008. Funds to design barriers for the Castle and Quadrangle area have been requested in the fiscal year 2009 budget.

Financial Strength

At the end of the third quarter of fiscal year 2007, the Smithsonian reports a sound financial position. Net income from Smithsonian Business Ventures (SBV) is on track to meet budget, private sector giving is stronger than expected, and the Endowment continues to perform well.

An important bellwether of the Institution’s financial health, the Endowment’s market value (including additions) is forecast to achieve an all-time high of $1 billion. This reflects excellent performance of the Institution’s investment portfolio and the addition of donor-designated gifts. The total return on the Endowment over the last five years (11.9 percent) has exceeded the benchmark return (11.4 percent).

Financial Performance

The Smithsonian is on track to meet budget. Revenues for fiscal year 2007 are forecast to exceed budget by $16 million, due primarily to an increase in gifts, an increase in Federal revenues for operations (reflecting a better-than-budgeted outcome in budget negotiations with Congress), and an unbudgeted change in the manner in which proceeds from the sale of the Victor Building are recognized. These factors were partially offset by a decrease in Federal revenues for facilities (due to the late enactment of the continuing resolution that has funded the Institution) and the Congress’s decision to reduce facilities funding below the amount budgeted.

Expenses for fiscal year 2007 are forecast to exceed budget by $21 million, due primarily to an increase in Federal spending on operations as a consequence of the better-than-budgeted Congressional appropriation. This variance is also the result of an increase in spending associated with restricted Trust funds received and recognized as revenue in prior years.
Endowment return reinvested is forecast to exceed budget by $94 million, for a total of $123 million at fiscal year-end. The Endowment continues to diversify its assets to reduce risk and improve long-term expected returns. The fiscal year 2007 forecast projects an overall increase in the Institution’s net worth of $173 million, $81 million better than budgeted.

Financial Summary

The Smithsonian continues to make progress in achieving its stated goals, despite recent adverse publicity and ongoing fiscal challenges. Revitalization of the Institution’s aging infrastructure continues — albeit with somewhat less momentum, owing to the continuing resolution approved by the Congress in February for fiscal year 2007, which held overall facilities funding at fiscal year 2006 levels. Nonetheless, major capital projects such as the second phase of Asia Trail at the National Zoo, the revitalization of the National Museum of American History, and the Ocean Hall at the National Museum of Natural History are moving ahead on budget and on schedule. Construction of the new storage facility at the Museum Support Center in Suitland, Maryland, is complete and the relocation of collections stored in alcohol began in April 2007. Work on enhancing Smithsonian security, modernizing telephone systems and computers, and upgrading financial control infrastructure continues, despite considerable staff shortfalls due to insufficient Federal funding.

Efforts to increase funding for programmatic priorities and facility revitalization remain the Institution’s highest priorities. Unfortunately, the facilities capital appropriation for fiscal year 2007 was well short of what the Institution required. An April 2005 report prepared by the Government Accountability Office (GAO) noted that current funding levels are not sufficient to address an overall facilities requirement.
of $2.3 billion for the nine-year period of fiscal years 2005–13. Whereas the 2001 Congressionally mandated report by the National Academy of Public Administration (NAPA) established an average annual facilities revitalization funding requirement of $150 million, the GAO’s estimate was based on an updated inventory of facilities revitalization projects (including the Udvar-Hazy Center and the National Museum of the American Indian, which had not yet opened at the time of the NAPA report). More-recent discussions with the GAO have increased the estimate of the Institution’s facilities requirement to $2.5 billion for the six-year period of fiscal years 2008–13, including $1.9 million for facilities revitalization and construction and $600,000 for facilities maintenance.

Management remains committed to the revitalization of the Institution’s physical infrastructure and to clearly articulating the Institution’s pressing programmatic priorities. Securing and sustaining support for adequate Federal funding for infrastructure needs over the long term remains a great challenge, as does the need to secure sufficient operational funding to forestall erosion of the Institution’s core programs.

**External Affairs**

Through June 30, 2007, the Institution generated $126.3 million in private support from individual, foundations, and corporations. This substantially exceeds the goal for the year of $115 million and is ahead of the total for the same period last year of $85 million. At year-end, when the total amount raised appears in the Institution’s financial statements, it will be discounted in conformance with non-profit accounting principles.

From October 1 through June 30, the Institution has received 28 gifts of $1 million or more, an increase over the 24 gifts recorded in the same period last year. Notable new support includes $10 million from the John D. and Catherine T. MacArthur Foundation and $2.5 million from the Alfred P. Sloan Foundation for the Encyclopedia of Life; a bequest of $2.49 million from the estate of Raymond J. Horowitz, which establishes an endowment at the Smithsonian American Art Museum; $2 million from the Frank Levinson Family Foundation, matched by $1 million from the Andrew W. Mellon Foundation, to the Smithsonian Tropical Research Center’s Center for Tropical Forest Science; and $1.5 million from the Ocean Conservancy for the National Museum of Natural History’s Ocean Science Initiative. Million dollar gifts were received for the Institution’s priority projects, including the National Museum of African American History and Culture (from the Johnson Publishing Company, Inc.), the National Museum of American History’s Star-Spangled Banner Campaign (from the Merrill Lynch & Co. Foundation), and Cooper-Hewitt, National Design Museum’s campaign (from Mr. Harvey M. Kreuger). As of June 30, eight museums and research centers had exceeded their 2007 fund-raising goals.

The Contributing Membership so far this year has generated $10.5 million in unrestricted funds, 2% ahead of last year’s comparable figure of $10.3 million. The figure is 72% of its goal of $14.7 million. Member households now number 86,000.

The James Smithson Society continues to be an important component of the Contributing Membership. Smithson Society membership stands at 526 and year-to-date revenues at $1.1 million, placing the program at 69% of the annual goal of $1.575 million.

Smithsonian advisory boards continue to play important roles in the life of the Institution and its museums. In fiscal year 2007, museum board members donated over $35 million in financial support to the Institution. The members of the Smithsonian National Board, the pan-institutional board, have given $12.3 million this year, with $1.05 million in unrestricted funds. This is the first time National Board unrestricted giving has exceeded $1 million.
Smithsonian Business Ventures (SBV)

Through the first nine months of the fiscal year, Smithsonian Business Ventures’ Magazine Publishing and Museum Retail operations, its two largest business profit centers, are forecast to exceed fiscal year 2007 budgeted net gain by 2 percent and 9 percent, respectively, despite significant challenges in the national advertising market and the closure of the National Museum of American History. The Magazine division is projected to generate $0.8 million in online advertising revenue, up from practically nothing in the prior year, as SBV’s investment in a stronger Web presence begins to pay dividends.

SBV is budgeted to contribute $25.3 million in net gain in fiscal year 2007, a 5.8 percent increase over fiscal year 2006. Management is currently projecting fiscal year 2007 results within $0.2 million (a variance of 0.9 percent) of the budgeted target, despite the closure of the National Museum of American History, the challenges in the national advertising market, decreased year-over-year passenger bookings with Smithsonian Journeys, and a smaller-than-planned improvement in Catalogue earnings.

**Major Highlights**

The Louisiana Office of Culture, Recreation and Tourism has signed on as the sponsor of *Smithsonian* magazine’s *CultureFest* event, to be held in New Orleans. The weekend-long series of Smithsonian-programmed events will take place October 26–28 and feature experts from both *Smithsonian* magazine and the Institution.

The *Smithsonian Catalogue* division completed the transfer of its outsource fulfillment services from PFSweb to the AB&C Group in Ranson and Martinsburg, West Virginia, in July. SBV management expects this initiative will save $600,000 in the first 12 months and nearly $3 million over the four-year term of the agreement. AB&C is also expected to enhance the Catalogue’s operations by providing superior customer service and a successful up-sell and cross-sell program.

**Retail operations** are on track to post results 5 percent above forecast, driven by the strong performance of the National Museum of Natural History’s cafés, higher-than-anticipated sales at National Museum of the American Indian stores both on the Mall and in New York City, and continued reductions in operating expenses.

The *Smithsonian Networks* affiliate sales team is in advanced negotiations with a number of multi-platform distributors to finalize distribution agreements for a new channel launch. This includes potential distribution on both video-on-demand and linear (24/7 channel) platforms within the next few months. Cable, satellite, and telecommunications companies have all expressed interest in the all-high-definition package of programming the Network has developed and produced over the past year, which currently consists of more than 75 complete programs (including 15 “mission critical” programs), with more being produced on an ongoing basis.