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SMITHSONIAN YEAR • 1977

Statement by the Secretary

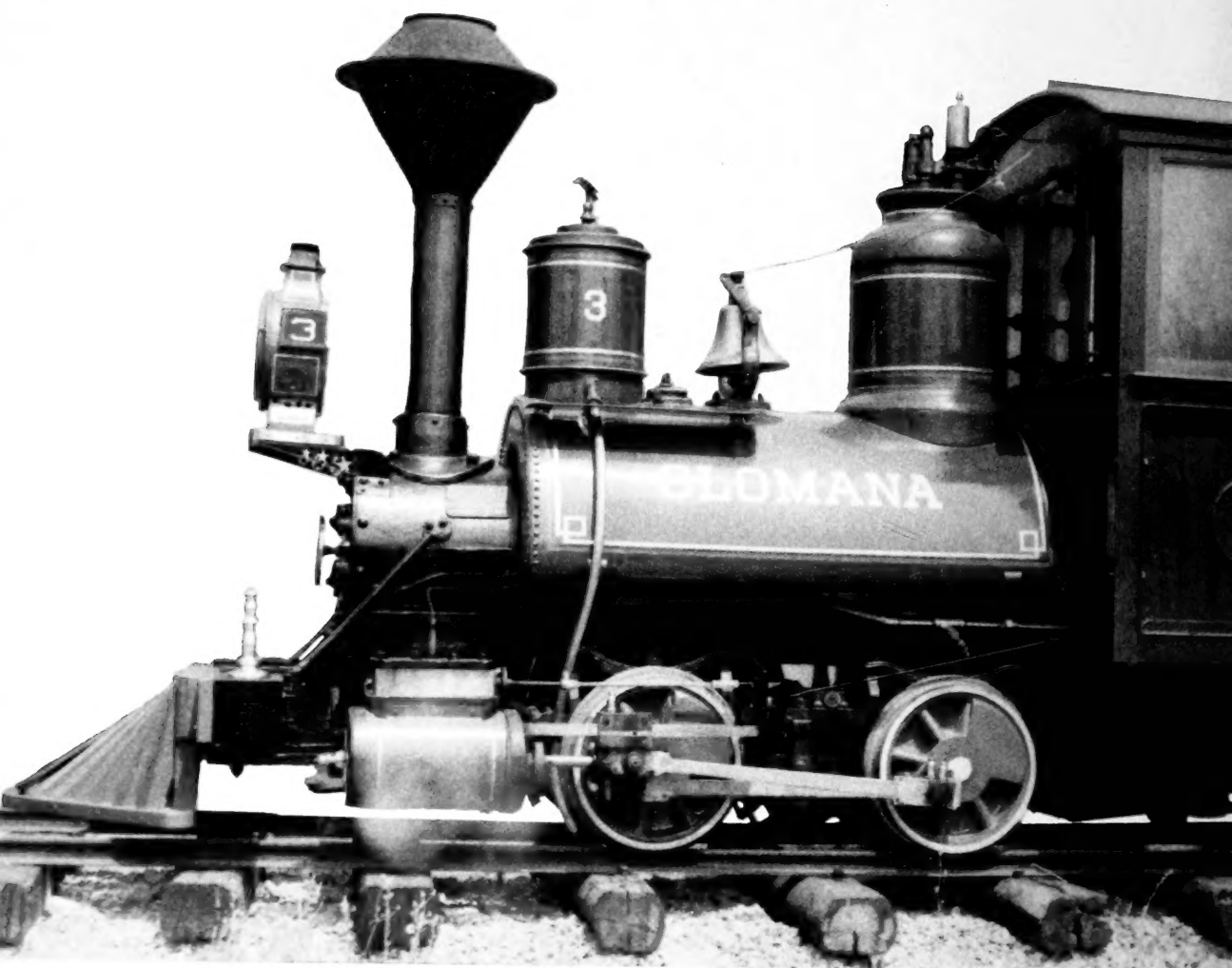


Smithsonian Year • 1977

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Smithsonian Year 1977, Programs and Activities, a detailed report, is available from the Superintendent of Documents, U. S. Government Printing Office, Washington, D.C. 20402.





The Years Ahead

STATEMENT BY THE SECRETARY

S. DILLON RIPLEY

The Smithsonian Institution • 1977

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FRONTISPIECE: Olomana: Hawaiian sugar plantation locomotive built by Baldwin Locomotive Works in 1883 was presented to the National Museum of History and Technology by Mr. and Mrs. Gerald M. Best. (Photo by G. M. Best)

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The Smithsonian Institution

The Smithsonian Institution was created by act of Congress in 1846 in accordance with the terms of the will of James Smithson of England, who in 1826 bequeathed his property to the United States of America "to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men." After receiving the property and accepting the trust, Congress incorporated the Institution in an "establishment," whose statutory members are the President, the Vice President, the Chief Justice, and the heads of the executive departments, and vested responsibility for administering the trust in the Smithsonian Board of Regents.

THE ESTABLISHMENT

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Walter F. Mondale, *Vice President of the United States*
Warren E. Burger, *Chief Justice of the United States*
Cyrus R. Vance, *Secretary of State*
W. Michael Blumenthal, *Secretary of the Treasury*
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Board of Regents and Secretary • September 30, 1977

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Smithsonian Year • 1977

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The Victorian Garden is the setting for one of the takes of the new film overview of the Smithsonian Institution with Secretary Ripley as the narrator.

The Years Ahead

S. DILLON RIPLEY

AS THE YEARS OF THE Bicentennial proceed—Lexington and Concord to Yorktown and the Treaty of Paris—1775-1783, it is astonishing to think that in a mere fifteen years, America will have come to another milestone, the five-hundredth anniversary of Columbus's voyage to the New World. Chicago celebrated that anniversary last, with a great mid-continental fair, representing the four-hundredth anniversary of the discovery of America. The World's Columbian Exposition in Chicago, held in 1893 (a year late), was the greatest of its kind ever produced in this country, an exhilarating outpouring of creativity in the arts—architecture especially—in the proofs of our new technological genius, and in an evocation of the spirit which has gone to make America what it is. Last year in a speech in Chicago, I urged the citizens of the mid-continent to think at once if they had any intention of replicating that enlivening occasion, for it is never too early to plan for such a celebration. The Chicago World's Columbian Exposition was visited by twenty-seven and a half million people in 1893, at a time when the population of the United States was about sixty-seven million. How could it have been possible that the equivalent of forty-one percent of the citizens of the country could have visited Chicago in six months?

In 1976 at our own Bicentennial celebrations in Washington, we estimated that 20,458,250 people visited the Smithsonian. We had thought that at least we could equal Chicago's figure. There are planes and cars now, where there were simply trains and wagons before. But it was not to be. Of course our Bicentennial exhibits like the new Air and Space Museum itself, and the smashing 1876 Show at the Arts and Industries Building, will go on for several

years—for a generation or more at least in the case of the Air and Space Museum, at the moment the most popular museum of its kind in the world. But meanwhile, the population of the United States is more than two hundred and ten million, and so our proportion of visits to the capital of the country seems pale by comparison. Why was the turnout so small compared to expectations? Everyone seems to say that travelers stayed away from Washington in 1976 because of the general belief that huge masses of tourists were coming, and there would be immense and fatiguing crowds. Well, the crowds stayed away, which made our Festival of American Folklife, all twelve weeks of it, the best and easiest ever to enjoy.

Meanwhile, people have been coming to the capital in droves since the late autumn of 1976, and our visitation has climbed astoundingly, topping 27 million in 1977. There is no doubt that the museums of Washington continue to draw immense crowds and to maintain their traditional popularity. In spite of the expense of travel these days, the difficulties of parking (the new METRO promises to be an immense boon here), and the stay-at-home lure of television—not a satisfactory substitute in any case, at least in its present form—the people come, and most of them seem to feel it highly worthwhile from the reports we receive.

The number of our Smithsonian Associates continues to grow, well exceeding one and a half million at present. Last winter I wrote a letter to a random sample of Associates, and received, according to our circulation experts, an astonishing number of replies. With five or six exceptions, the answers were extremely encouraging. "You're doing great. Keep it up!" was a familiar refrain. With an organization spread all over the country it is important to have some feeling of a link back and forth, to know what people might like, what could be improved, and how to make our public services better.

For some years we maintained visitors books in the museums, asking people to comment and make suggestions. The procedure was cumbersome and relatively unrewarding. We could not service the comments effectively to assess the data received. It is always hard to know how people feel. Normally, we only hear complaints about visits to the buildings, small discourtesies (rare), loss of copies of the magazine, or subscription mix-ups.

People complain bitterly about missing out on some of our tours,

and I know that our small Associates staff finds this as nagging a regret as I do. Who would not like to go on a tour that was small and well-managed, with an intelligent guide? If quality is to be maintained then this is the way our tours must be conducted, and so heartaches result when the lists of applicants are filled out in a twinkling. All I can do is insure that there has been no prejudice or bias in favoring one associate over another. In this age of assumptions, brought on by the conviction that somehow comforts and conveniences are our birthright, a constant reminder of the inconsistency of life—as we shall point out later in this report—is the breakdown in human communications.

In spite of the glories of the Bicentennial year, the successful openings, so long planned, so efficiently executed by Smithsonian curators, exhibits specialists, and the myriad of helpers in the wings, from janitors, cleaning forces to directors and supervisors of security, the latter part of the year has had a sort of "morning after the night before" feeling. It is like cleaning up the trash at the fairgrounds after the circus has left. One wonders if it has all been worthwhile? As the haze of autumn days shortened to the deep darkness of the most extraordinarily cold winter of '76-'77, as the government reformed itself with a new President, hailed as a fresh voice from the hinterland to lead us into green pastures, a certain sourness, generated by uncertainty perhaps, pervaded the Washington scene. No one seemed to know quite where they were, and it was easy and characteristic under such circumstances to blame someone else.

It has been several years now since the end of the Vietnam War, and nearly half as many years since the bewildering period that culminated in Watergate. In these cynical and disillusioned years numerous young people have grown up, are now in their thirties, working hard for a living in a tough time. Behind them they have left college years, often unhappy, filled with unanswered questions, frustrating and destructive of idealism. The processes of education have been badly eroded in these years. Pessimism about education and the virtues of science has taken over. Our surveys of standard tests tell us that the majority of college graduates cannot read or reckon properly for the level of their ages or the anticipated qualifications which presume the degrees they hold. Language, history, and mathematics have suffered particularly, and stereotyped grunt-

ing interjections such as “like” or “right” and the inevitable “OK” outnumber most of the words of any of our sentences these days.

Ten years later, then, with idealism as a commodity at its nadir, with disillusion as a norm, is it any wonder that to this generation the existence of *institutions* is questioned, whether they be intellectual practices such as the pursuit of science, or structures such as foundations, colleges, or places of learning? Government itself is suspect in the same terms. It is not only massive and growing at an exponential rate, but is conducted by “bureaucrats,” (whoever they are), faceless drones, whose honesty is in question, and whose stupidity is taken for granted, or so the current thinking goes. Similarly, government is perceived as administered by venal hucksters called politicians, surrounded by henchmen and toadies.

In this atmosphere of disillusionment which seems to have surged again, post-Bicentennial, a new President—fresh from a rural setting, speaking of honesty, morality, and the essential humanity of human rights—has had a powerful impress upon us. I, for one, have been captured anew by a dream of the restoration of confidence that could come with a renewed sense of faith in our institutions and a humbling sense of the duty of our government to work for all our citizens. Surely the Bicentennial must have reminded us of the necessity of history. This must have been part of the vital reawakening of interest in our roots, which made our latest seminar at the Smithsonian on “Kin and Communities: The Peopling of America” so popular.

I have the impression, however, that many people in their thirties, working hard as they may be—or studying esoteric religions, or just doing nothing to celebrate their ingrained disillusionment—have not regained any convictions. Underneath, they may lack any real feelings for the worth of our system, the value of our culture, the essential role of science in helping to make a better world. They have become steeped in myths generated by a profound cynicism, even while they may be at work in the system. One area where this can be seen is in the media, where careers now depend upon alleged triumphs of investigative reporting, based upon the principle that all persons in leadership roles have arrived there by corrupt means, and must constantly be undressed in public to discern what new warts or moles of roguery have grown upon their backs overnight.

This is sad for our country. It combines with the new administration's strictures about morality to imply that all old established institutions are somehow elitist or autocratic *per se*. It accompanies a wave of neo-populism, always present in American thought, allied both to the frontier spirit on the one hand and a revival of mysticism on the other. Curiously, the Know-Nothing political party of the 1850s flourished also in an aura of agnosticism. Certainly we live in secular times. Cynicism and iconoclasm go hand in hand. As a scientist I enjoy honest skepticism, but I question the rise of materialism, the carelessness for facts and honesty, the disrespect for learning which have overtaken our communications, our speech, and our human congress one with another. Is democracy itself somehow hostile to intellectual talent as John Hope Franklin suggested in his 1976 Jefferson Lecture for the National Endowment for the Humanities? We extol "elitists," i.e., "the cream of the crop" in business, in sports, or the entertainment world, or even politicians, especially if they become statesmen. Somehow intellectuals get shafted with the slogan "elitist" while golf champions escape. This is an abnegation in our rationale of culture, akin to the present problems with education testing. It could be a foretaste of mediocrity.

As an institution, the Smithsonian epitomizes the very essence of the best of American cultural evolution, that unique marriage of public and private support for intellectual pursuits which marks our history. Historically, the earlier attempts in this country to rally the powers of government in the support of cultural activities generally failed. George Washington nurtured hopes for a national university. John Quincy Adams tried to create a great national observatory and could find no public support for it. It was always philanthropy which even in the early days was called upon to support spiritual or unmaterial concepts. Even the monument built to honor the Father of our Country, George Washington, was started with a popular subscription. When this early philanthropy failed, an unabashed Congress let the stump of the Washington Monument stand unfinished for forty years before finally authorizing funds to complete it in the 1870s and 1880s.

The Smithsonian felt some of this lack of sympathy in its early relations with the Congress. Once the Institution had been authorized—by a narrow margin of votes after eight long years of arguing

whether to accept the philanthropic bequest of the Englishman, James Smithson, as a governmental trust—the United States national museum collections were foisted on the new creation. Presumably, the then Congress thought that the Smithsonian, created by a private bequest for original study and exchange of information for human good, would relieve the government of the expense of meeting its former accepted and proper responsibilities. Fortunately Joseph Henry, the first administrator of the Institution, with help from its new board of trustees, the Regents, was able to steer a course for justice. By the 1850s, Congress had agreed to authorize annual appropriations for the maintenance of the collections which would be exhibited as part of the Smithsonian's museum functions for the public good.

As Henry put it in his annual report for 1858: "every civilized government of the world has its museum which it supports with a liberality commensurate with its intelligence and financial ability, while there is but one *Smithsonian Institution*—that is, an establishment having expressly for its object the increase and diffusion of knowledge among men." If we perform the museum functions for our government then, we do it in partnership with the Congress, the Smithsonian employing its best expertise to "increase and diffuse knowledge," while at the same time curating and exhibiting the national treasures that we have been given, with appropriations granted us for the public good.

This sort of partnership has worked very well and, indeed, it has been an unique contribution of America, the blending of public and private or trust funds for education and for cultural activities, providing at once great flexibility and full accountability. The rise of the state college system in this country in the 1860s, through land grant and other indirect support, was a pioneering venture. Perhaps the example of the Smithsonian should be considered more important historically than it has been. That gift, accepted somewhat reluctantly in 1846, was the first in a gradual awakening of government interest in supporting education and culture. By the 1880s and 1890s, the college system was in full swing. By the post-World War II years of this century the trend had become overwhelming, although in the process museums and nondegree-granting institutions like our own had lagged far behind in the amount of public support or of clear recognition of their value to general education.

Education in this country with its accompanying degrees has always had a magic appeal of its own, as a kind of personal ticket of admission, an opportunity for every disadvantaged child to make its own way upward, ever upward, by its bootstraps, to a great welcoming plateau of achievement, success, and happiness. Whatever the eventual results, the juggernaut of education with its own built-in megastructure of associations, societies for the promotion of this and that, faculties of every kind, and lobbies, has created the vast Health, Education and Welfare Department, largest in the world, to evoke this promise of our boundless land of plenty. No wonder our system has also spawned the largest outpouring of studies in social psychology in history, as we peer into the records of the past for statistics and project them toward the future, attempting to find out where we went wrong. What happened along the way to the paraphernalia of learning, the ability to read, to assimilate and to progress intellectually—even beyond the mere ability to master the complicated machines and technologies of our station in life? What happened to happiness?

None of us knows the answer to these riddles, but I sometimes feel that we started off with a set of assumptions that was crude at best. History, and some acquaintance with philosophy and mathematics, should have taught us to be prepared. It is an interesting phenomenon of our times that the public, which often senses things better than those who think they know better, is visibly entranced by learning outside of the classroom, by open education, by new concepts of continuing education, and by the evident paradox of increasing interest in learning as a process. This can now be extended over many years of adulthood, even as the age of physical maturation is pushed further into the realms of preconceived childhood. What a dilemma for educators dealing with children, who are capable of creating children of their own, while still not ready for education in preparation for the stereotyped roles of adult life. It is clear that the distinction between "child" and "adult" must be redefined morally and philosophically, even as it is being redefined physically.

One of the obvious ways for educators, administrators, and planners alike to address the problem of when, how, and why to educate anybody is to strengthen support for our cultural organizations as distinct from the traditional patterns of education. From

kindergarten (and I have always believed that the Montessori system was by far the best) on through the ever briefer rites of childhood into adulthood, people are telling us that they want more support for cultural activities which can be enjoyed together, communally, all ages—extended families—everyone. Government has responded with rapid rises in the support for the arts and the humanities, the National Endowments, a new Museum Services Act, and surprisingly vigorous support for the Smithsonian itself. All these indications at the federal level of government show to what an extent there has been a response to these movements toward the restoration of family, to the study of folkways, to history, and to museum education and the performing arts.

These interests are far greater and more pervasive than our government leaders had thought until recently. They will continue to grow for they speak to an essential need, almost as great as hunger. There is the need to recreate a sense of kinship, of belonging to something, beyond merely someone.

On the surface, it may appear odd to associate museums with the innate needs of human beings. But I believe that it is true that museums provide a setting for open education in which all ages can participate together, in which the lessons of history can be wholly understood, and in which there are no barriers between people owing to age. People of all ages, and especially families, find museums a self-generating experience. Museums and their affiliate organs of experience and education—the arts in all forms—become thus a priority, not a frill or an indulgence. Museum exhibits are a testament to the need to reinterpret the past, to correct errors, to act in awareness of the constant need for measured truth and relevance. Like collections, exhibits lose their value if they are not nurtured, just as a history teacher's lectures go stale if they are not constantly reassessed.

A good example of our current revisions is a hall now being designed in the National Museum of Natural History/Museum of Man. It is on the history of what we know as "culture," the history of aggregations of peoples, hunting parties, family groups living in shelters, on to clans, tribes, the beginnings of towns and cities. A few years ago, design of this hall would have been a far more static process. Now, with the new knowledge brought by studies in animal domestication and the cultivation of plants, we



John Singleton Copley, self-portrait in oil on canvas executed circa 1780-1784. The acquisition by the National Portrait Gallery of this portrait was made possible by a matching grant from The Morris and Gwendolyn Cafritz Foundation.



Rockets reach for the stars in this unusual view of the National Air and Space Museum's Space Hall.



Director Michael Collins with the 1976 and 1977 World Freestyle Frisbee Champions, Erwin (left) and Jens (right) Velasquez at the National Air and Space Museum's first Smithsonian Frisbee Festival which was held on September 4, 1977. Thousands of people attended the day-long Festival which featured demonstrations by Frisbee champions and instructional workshops taught by Frisbee aficionados from several states.



Female Atlas lion, one of several on loan from the National Zoo of Rabat, Morocco, watches over her cub at the National Zoological Park's new big-cat complex. The Atlas lion has been extinct in the wild since the 1930s.



At the National Museum of Natural History's new Naturalist Center, botanical specimens are inspected by Irene Magyar, who directs the Center's operation for the Museum's Office of Education. (Photo by Richard K. Hofmeister)

are pushing back the limits of such aggregations in time, beginning to understand the temporal threshold between hunting and agriculture and domestic life. At the same time, studies by biologists and animal-behavior research bring us to another focus, from the biological side, toward an understanding of the social aspects of animal populations, the refinements of animal psychology, trial-and-error learning, skills and tool-using by animals, the threshold between innate behavior and the dawn of reasoning. So one hall will flow into another now, and the separation between our knowledge of ancestral man as part of fossil deposits laid down two or three million years ago and the earlier levels of integration of higher primate species as a living part of the environment are all beginning inexorably to flow together as a series of object lessons in the development of man and his place and his time.

The latest hall of the origin of cultures, which follows the hall of ice-age life in the earlier Pleistocene period, follows in turn a hall of organic evolution. In the cultural layer of our tale to tell, our exposition of open education, we have been fascinated to find that the Museum already possesses a number of small but cogent collections from classical times. We had thought the Smithsonian deficient in classical archeological material not actively collected by ourselves at the turn of the century. This was the period when the Metropolitan, the Philadelphia Museum, and many others, reflecting a new interest by wealthy patrons in Bible lands, Egyptian civilization, and Homeric times, had begun to follow the British, French, and Germans on the march to the lands of antiquity for treasure. We have recently found to our delight, however, a small but significant collection of material from Troy, presented to the National Museum by Mrs. Heinrich Schliemann in 1893, a small but lovely collection of Greek glass and materials of Hittite times, as well as a few significant Cycladic and even Egyptian artifacts.

Thus, buried treasure can sometimes be unearthed in museums themselves, given the impetus toward new concepts of organizing exhibits and new intellectual syntheses. These halls, into which Dr. Porter Kier and the curators of natural history fields and anthropology alike have been delving, reflect great credit on the new modes of interdisciplinary thinking which produce them. They are as powerful in their potential effect as any teaching. Like a splendid thesis, they evoke correlations and eventually new levels of cognition.

Few people realize how active the research programs of the Smithsonian are, or how they impinge on university training. This year's research group at Washington and in Panama numbers forty-seven graduate and postdoctoral students from thirty-seven universities here and abroad, while at Smithsonian/Harvard, at the Center for Astrophysics, another ninety are at work, with programs reaching downward, as in Washington, to the high school level for interns working with some of the fellowship recipients. All of this study is being performed under an equivalent number of Smithsonian staff, curators, and teachers alike.

The subjects may be esoteric, or concerned with seemingly remote research, but some of it has highly applied by-product use, as in studies on ultraviolet radiation from the sun (skin cancers), and our long-range, important work at Chesapeake Bay.

The Chesapeake Bay Center for Environmental Studies on land donated or acquired wholly with grants and private donations, has enjoyed close working relations with local schools and universities as well as such federal bodies as the Environmental Protection Agency. Recently Dr. Correll, the Associate Director of the Center, has concluded, after three years of research, that herbicides, specifically two, atrazine (aatrax) and linuron (lorax) used in vast quantities on corn and soybean crops, are carried into the saline water as runoff, and eventually reach the bottom sediments of mud and clay, from which they are transported at random by storms and wind currents all over the Bay. The result has been a recent sharp decline in aquatic weeds, key plants in shellfish, fin-fish, and waterfowl food. Such plants are also helpful in fighting erosion, a serious problem especially on the windward sides of the Bay. This research, a by-product of our long-range attempt to document the life and succession and turnover of Chesapeake Bay's environment, shows once more how often pure or basic research blends nowadays into applied uses. It is particularly true in the field of environmental conservation.

Ecology is one of the most tedious of sciences from the point of view of planners or administrators or government bureau heads concerned with budgets. Nothing ever can be proven in a hurry. Fifteen years is not a bad average. In today's world, budgets are just not planned that way, and so some of the more easily quantifiable sciences usually get the research grants and funds, while the

ecologists, concerned with developing the truth, have to admit that they cannot come up with quick solutions. They may thus earn the displeasure or disbelief of their sources of support. It will probably still be years before this aspect of environmental understanding is fully comprehended. Meanwhile the environmental-impact firms, anxious for a quick buck or a quick "fix" often do a considerable disservice to the science of ecology by producing answers to the search for rationales in doing things, development especially, with a farrago of half-truths.

Suffice it to say that we are proud of our Chesapeake Bay research station, part of a network of coastal research sponsored by the Smithsonian almost continuously since the days of the second Secretary, Spencer F. Baird, whose industry while Secretary, helped to found the United States Fish Commission, ancestor of the Bureau of Commercial Fisheries and also parts of what is now the National Oceanographic and Atmospheric Administration, as well as the pioneer laboratories at Woods Hole, Massachusetts.

Do people like Baird exist any more? I sometimes wonder. How is it possible to be interested in so many things, and to be so effective? We seem to live in an era of diminishing horizons in intellectual capacity these days, even when the boundaries of our universe are ever expanding. The common perception of an "expert," or otherwise an educated person, is that he or she can only possibly know one thing. Of course, special knowledge may require intense training. Why should not specialists be interested in other things? With a little reflection, we all realize that this can be true. The human mind is capable of being endlessly stretched, involved in a way that would overload a computer. It is merely practice that does it. People like Spencer Baird need to be remembered as an example that *people* can be interested in a whole array of things at the same time, can know about the world of art and science in a fashion that is never out of date. It can never be inappropriate to be what is sometimes called a generalist in the best sense of that word.

The distinguished sculptor, Leonard Baskin, has created a statue of Baird, which we hope to erect soon in the garden south of the Smithsonian Building. A statue had been planned in 1896 after Baird's death in office, but the Congressional bill appropriating the funds for the work failed in the Senate when, somewhere along

the line, a pension for Mrs. Baird was tacked on. In spite of this disappointment, Mrs. Baird, who perhaps did not need the pension, left a Spencer Fullerton Baird Fund, one of three such left to the Institution by three of the former Secretaries and their wives. Now, one hundred years after the Centennial exhibitions, which he created for the United States in Philadelphia, and with the triumphant recreation of them in our Arts and Industries Building next door, it seems wholly appropriate to finish the memorial to the second Secretary.

Just as we have a tradition of research, so we have had an equal tradition for dissemination. The Institution has been proud of its role of collating and disseminating information to all the world. In 1878 the Smithsonian advised the Department of State on how to set up a protocol for exchange of research and publications abroad, under the authority of what would be called today a "Freedom of Information Act." At that time it was a novelty. Recently, with advances in information exchange, we have been discussing the giving up or transfer of our International Exchange Service, one of the oldest of our bureaux, in favor of a more streamlined method through one of the government agencies.

Similarly, after some thirty-three years of pioneering the collection of information on current research in progress among the government agencies, scientists in universities and private laboratories, and scientists abroad, our congressional appropriations committees have decided that our methods of performing this herculean task are inappropriate. We had been contracting out the work in effect with appropriated funds, and so we hope that some government bureau can take on this important tradition of banking science information for the good of all.

On March 31, 1977, the General Accounting Office, (GAO) issued a report "Need to Strengthen Financial Accountability to the Congress—Smithsonian Institution." This report resulted from a request made in June of 1976 by the Chairman and Ranking Minority Member of the Senate Appropriations Subcommittee on the Department of the Interior and Related Agencies, the subcommittee that is responsible for the Smithsonian's appropriations. The GAO was requested to review generally the fiscal policies and practices of the Institution to determine if these appropriated funds were being used effectively and properly. Items of specific interest were cited in

the request, and particular concern was expressed about the use of the private funds of the Institution to establish facilities that later required appropriated funds support.

Following several months' review of our operation, the GAO recommended the dissolution of two nonprofit corporations established for specific purposes by the Institution: the Smithsonian Research Foundation (SRF) and the Smithsonian Science Information Exchange (SSIE), and the development of alternative procedures for the SRF to be carried out with the Smithsonian's regular organization structure, or for the disbandment altogether of the SSIE. The report also recommended that the Institution provide the appropriate committees with information concerning the planned use of private funds in conjunction with requests for federal appropriations; that the Smithsonian establish clear policies governing the use of federal and private funds; and that we work with the appropriation subcommittees to develop a systematic approach to making necessary adjustments during the year to congressionally approved budget amounts. Subsequent action by the Congress indicated its acceptance of these recommendations.

In responding to the GAO and the Congress on these matters, we have become aware of a semantics problem of the Institution's own creation. For a great many years, the Smithsonian has used the term "private funds" to identify a particular category of funds among its several sources of financial support. Included in this category is income from our endowments (largely restricted to purposes specified by the donors), generous gifts and bequests, and income produced from activities such as the *Smithsonian* magazine and the Museum Shops. Clearly, as we now realize, the word "private" nowadays has the connotation of secret or confidential, an intention nowise in keeping with our foundation over a hundred years ago. Consequently, a more appropriate contemporary identification is "trust funds" in consonance with the Smithsonian's role as a public trust.

While the GAO review was underway, the Board of Regents voted at its January 1977 meeting to enlarge its subcommittee structure by creating an Audit and Review Committee, primarily of its membership, to conduct a study of the Smithsonian's relationship to the federal government. The Chairman of this Com-

mittee is our Regent, Senator Henry M. Jackson. Mr. Phillip S. Hughes, a consultant with a broad career of senior management service with the Office of Management and Budget and the General Accounting Office, was selected by the Audit and Review Committee to conduct the study. Following extensive conversations with members of the Congress, their staffs, and others, Mr. Hughes completed his report which was reviewed and approved by the Board of Regents at its September 27, 1977, meeting.

The report concludes that while discussions with concerned persons in and outside of government disclosed a rather overwhelming approbation of the Smithsonian Institution's programs as a whole and a general feeling that their quality is high, a number of steps should be taken to eliminate congressional concerns. A principal step would be the definition, in as clear terms as possible, of the relationship between the Institution and the Congress. Mr. Hughes concluded that recognition and general acceptance of the Smithsonian as a federal "establishment" (to use the term of the Smithson will and 1846 Act), which was created by Congress to carry out the trust objectives of the Smithson will, spending funds from a variety of sources according to differing statutes and operating practices, would clarify and simplify relationships between the Smithsonian and the Congress without adversely affecting the interests of either. The oversight rights and responsibilities of the Congress with respect to appropriated as well as nonappropriated funds would be preserved. The Smithsonian's unique characteristics would also be preserved, including management by the Regents and the Secretary of general endowment and other trust funds.

On a more specific basis, Mr. Hughes recommended a number of actions to improve the accountability of the Smithsonian to the Congress and to strengthen its internal management. The report recommended that the Regents and the Secretary adopt the policy of seeking specific authorizations of any significant new programs or projects involving the use of federal funds; the Regents and the Secretary should establish a five-year, forward-planning process covering all of the Institution's activities; and that with regard to various research awards programs, the Institution should adopt the practice of a special review by the Regents or by their Executive Committee of any awards which the Secretary believes might

be perceived by the Congress or the public as self-serving or inappropriate.

Concerning internal management matters, Mr. Hughes recommended that the Institution develop and keep current a comprehensive list of activities which it carries on, and that an organization chart be maintained accurately and completely reflecting the structure of the Institution; that the Smithsonian develop and set forth in concise written form general policies for the use of its trust funds; that the Institution should fill the permanent position of Under Secretary, presently vacant; and that the internal audit function should be strengthened. Mr. Hughes concluded his report by indicating that the GAO's recommendations appear generally sound.

As the final review event of the year, on September 20, 1977, the General Accounting Office issued its report on the Smithsonian Institution's trust funds banking practices—which had been requested by the Senate Appropriations Subcommittee—and concluded that over the years the Smithsonian has adopted entirely adequate procedures for the management of cash in its trust funds.

Our feeling at the Smithsonian is that these reports and the enhanced communication that they have occasioned with the staff and members of congressional committees have done much to clarify the relationship of the governing Board of Regents to the federal government and the Congress. Those in the service of the Institution are dedicated to strengthening this relationship and to maintaining these enhanced communications. As the fiscal year drew to a close, implementing action was well along on most of the recommendations in the GAO and Audit and Review Committee reports. Our efforts will be continued in the new year, for as I have pointed out before, communications, in a cyclic rhythm of their own, like sunspots, continue to bedevil human enterprise.

Meanwhile, other aspects of dissemination flourish. Our present outreach extends all over this country through the Associates, traveling exhibitions, regional meetings, tours, and publications of all kinds. We are currently planning two television programs, to be shown on public broadcasting. Their release, hopefully, should be no more than a year away, given the difficulties that surround our ambitions for excellence. A principal part of this work is a direct outgrowth of the organization of the Associates, under their own

board and committees. The growth of this organization, whose medium of communication has been the *Smithsonian* magazine, continues well and most fruitfully realizes our tradition of public service. We are currently preparing a background book on the Smithsonian, *The Smithsonian Experience*, our first since 1965, to bring up to date some of our activities and thoughts for the public. If this volume generates appropriate interest, we may continue with a series of specialist publications on our fields of knowledge—something that we have always hoped to be able to provide for our Associates as an extension of the service of dissemination.

Can we do more? We must, for the Smithsonian belongs to all Americans: its public service is a continuing responsibility for those who administer it. In these closing years of this turbulent century, how well are we performing this task? The Institution certainly has a glorious history guided faithfully all these years by its past Secretaries. It is alive and well, its heartbeat mirroring the times. New buildings have risen for public service, new research programs suit the tides of events. Solar radiation studies were begun in 1907 when only visionaries like Secretary Abbot would conceive of them as being worthwhile. Studies in ecology and environmental monitoring were thought of by Secretary Wetmore before the word "ecology" had come into scientific parlance. Work had been started in the history of science and medicine and technology under Secretary Carmichael when university departments of history found such specialties remote, away from the "cutting edge" of historical research.

Today we are vigorously promoting the study of the history of American art, as well as the archives of artists, a new development of the past few years which the administration of the Smithsonian, under my own direction, has helped to foster. In all these realms of maintaining tradition as well as rounding out bygone ambitions, I am greatly dependent on my Assistant Secretaries and Executive Committee, Messrs. Charles Blitzer, David Challinor, Ames Wheeler, Paul Perrot, Julian Euell, and John Jameson, as well as Messrs. Powers, Ault, Symington, and Mrs. Rosenberg. They manage to assist me, and their work with bureaux directors has been outstanding. For it is the center of our organization which must give the drive, the impetus to these programs if they are to succeed, just as over the history of the Institution, the understanding of that history

by each Secretary has maintained the vital momentum of the place.

In the same way, because of the tradition established under Secretary Baird with his associate Major Powell, we are vigorously pursuing studies in American Indian history and culture, reviewing as we do so the encyclopedic publications of the Institution on all the tribes of North America in order to bring the classic *Handbook of North American Indians* into a new, updated edition. Being redone, this material on American Indian culture will benefit from two developments: the great increase in cultural studies on Indian tribal life by Native American anthropologists themselves, and the developments in social anthropology and field techniques and interpretation in recent years. Those same traditions created a kind of paradigm in the fields of the natural sciences as practiced in natural history collections and museum research. Only recently, with new dating techniques derived from geology and paleobiology, have there been real breakthroughs in the evolutionary field that have prepared us for a scientific revolution (in the sense of Thomas Kuhn), and made the point that collections must be maintained in order to be reworked to prove or disprove old theories. So we are preserving and documenting and studying objects of nature and their conservation, a task of considerable complexity and increasing priority with every tick of the clock.

It is sad that we cannot make more of an impress on the public consciousness about the importance of collections. From a budgetary point of view, the priority of maintaining collections and creating proper storage facilities lacks glamour or political punch. Who cares about old bones? And yet we must be deeply concerned with the fate of the living (or very recently dead) creatures of this earth. Our museum collections form a kind of national bureau of standards on the health of the planet itself. We can document that state of health as surely as a patient might have a physical checkup, through presence or absence of "marker" species, or through the rates of decline or disappearance of the living ecosystems of this earth.

Worthwhile? Why not? A person's own life seems worthwhile to most people. Why not take out some relatively inexpensive insurance? And so the opportunities that lie ahead for the Smithsonian exist not so much in novelties, as in refinements in maintaining our traditional excellence in doing what we do—preserving

and studying collections and the evidence that they contain for the future as well as our understanding of the past—and our obligation to tell people what we have found out, drawing where necessary the appropriate conclusions.

That is part of my dream for the future of the Smithsonian, to be able to show the past and the present so accurately that the course for the future will be plain. Not for nothing are museums thought to derive from the sacred grove of antiquity—another Delphi. I venture to think that institutions such as ours could only have arisen with a first impetus derived from private philanthropy—Mr. Smithson's gift in time generated both public confidence and government support, and this combination the Smithsonian has had in full measure. One has only to go into one of our great museum spaces to realize that these buildings, built in large part with public funds appropriated for the purpose, house almost entirely private gifts—objects, books, manuscripts, artifacts of every kind, as well as endowments of money as gifts for research. In the case of the new Air and Space Museum, all of this has poured in like a stream since Langley's experiments on the Potomac River in 1896 with his wobbly gas-engined, heavier-than-air "aerodrome." All of these extraordinary testaments to man's creativity in the frontiers of air and space have been donated freely to the Institution—hundreds of millions of dollars worth, free—to be shown in a building costing forty millions given by Congress from government funds appropriated for the purpose, and liberally endowed to be kept open for the delight and education of us all. It is a perfect combination and one that well suits Americans, those most generous and enthusiastic of people.

This then implies a coming to fruition of an enigmatic plan, inadvertent and unexpected, a whim if you will, of Mr. Smithson's. We exist then, and, in our ability to distill an essence of thought and *interest* for every human who enters our doors, we produce a dividend for all those who over the years have nurtured our progress and provided our support. Surely in that success lies our prospect for the years ahead.



Harold Phillip Stern, May 3, 1922-April 3, 1977. Dr. Stern's premature death was a serious loss to specialists in the field of Oriental art as well as to the Freer Gallery of Art of which he had been the Director since 1971.

Secretary Ripley and Senator Hubert H. Humphrey respond to enthusiastic applause after presentation of the Smithsonian's Joseph Henry Medal to Senator Humphrey on June 14, 1977. (Photo by Janet Stratton)





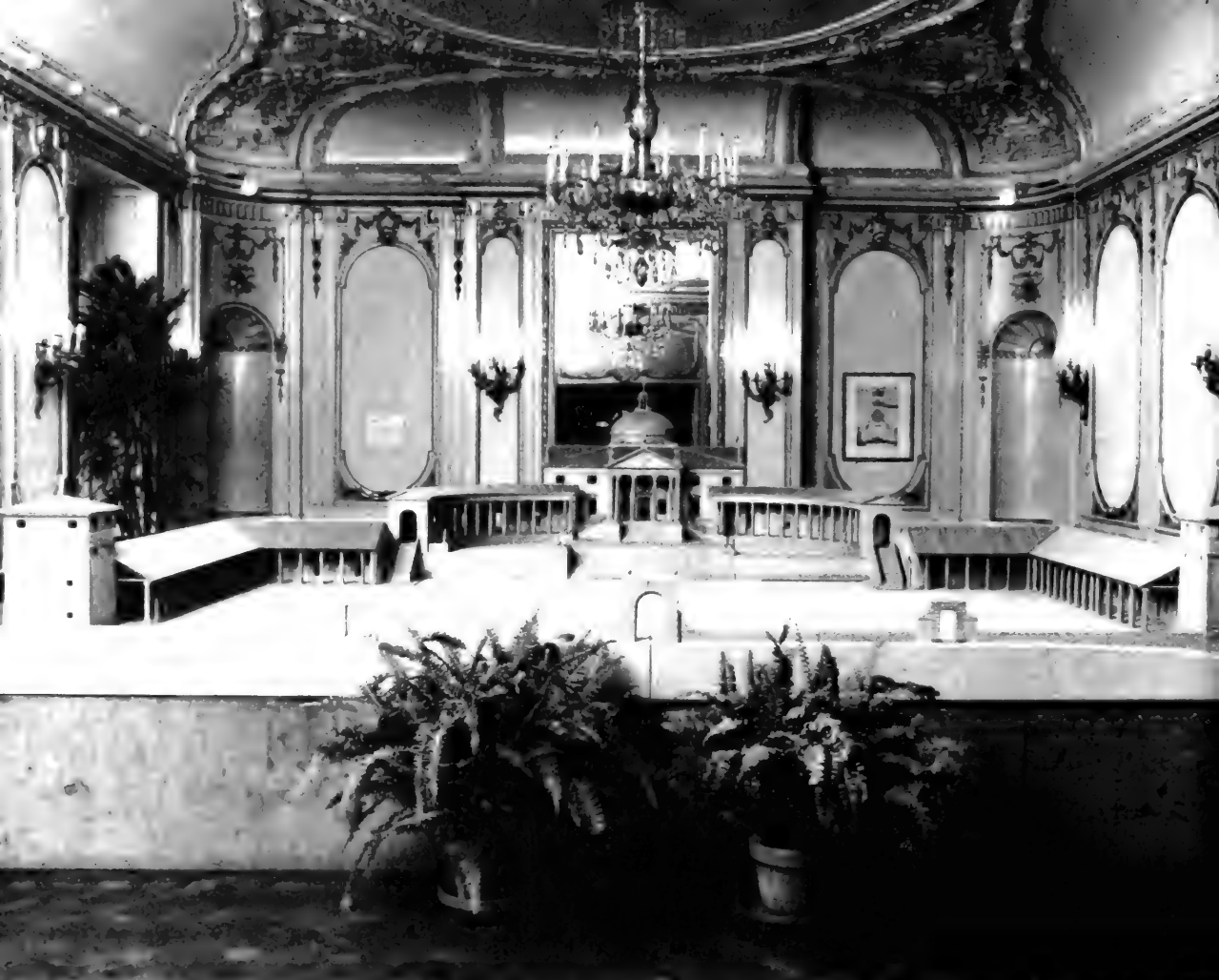
Examining a photomosaic of Landsat images are President Anwar el-Sadat of Egypt (seated facing camera), Dr. David Challinor (left), the Smithsonian's Assistant Secretary for Science, and Dr. Farouk El-Baz (back to camera), Research Director of the National Air and Space Museum's Center for Earth and Planetary Studies. *Below:* Her Royal Highness Princess Anne signs the guest book at the National Museum of History and Technology's Silver Jubilee exhibit. With her are Secretary Ripley, her husband Captain Mark Phillips, and Museum Director Brooke Hindle.





Carlos A. Perez, President of Venezuela, and Michael Collins, Director of the National Air and Space Museum, at the dedication of the sculpture *Delta Solar* by Alejandro Otero, a Bicentennial gift from the government of Venezuela to the people of the United States. Below: Secretary Ripley and Dr. Eugene I. Knez, Curator of Asian Ethnology, at the presentation of a red canary to His Holiness The Sixteenth Gyalwa Karmapa, head of the Kagyupa sect of Tibetan Buddhism, when he visited the Smithsonian on May 19, 1977.





A view of the model of the Villa Trissino, part of the Cooper-Hewitt Museum's exhibition of the works of Andrea Palladio.

Mrs. Joan Mondale and Joshua C. Taylor, Director of the National Collection of Fine Arts, at the opening of the "Robert Rauschenberg" exhibition on October 28, 1976. This popular exhibition continued until January 2, 1977.



In 1977 the Smithsonian Institution lost two people whose contributions to the Institution and to the world of art were significant and widely respected. Mr. David E. Finley, a member of the National Portrait Gallery Commission since its inception and the first Director of the National Gallery of Art, died February 1, 1977. Mr. Finley is generally recognized as the one person who, more than any other, was responsible for the existence of the Portrait Gallery. On April 3, 1977, Dr. Harold P. Stern, Director of the Freer Gallery of Art, died after a long illness. Dr. Stern came to the Freer as a graduate student in 1949. He became Assistant Director in 1962, and Director in 1971. He was an internationally noted scholar of Japanese art.

After years of planning and development, the Cooper-Hewitt Museum of Design and Decorative Arts opened in New York City on October 7, 1976, to wide media and public acclaim. The opening exhibition was "MAN transFORMS, Aspects of Design." In its first few months, the new Museum's average attendance was 5,000 a week.

The Dibner Library of the History of Science and Technology, installed in temporary quarters in the National Museum of History and Technology, was formally opened in October 1976. This great rare-book library contains the classics in the field, and represents a major research resource.

As one of its final presentations in its Bicentennial program, the National Collection of Fine Arts offered in October 1976 the most comprehensive exhibition ever held of the works of Robert Rauschenberg. The exhibition, which included some 200 works, was widely reviewed in the press, and was scheduled to travel to New York, San Francisco, Buffalo, and Chicago.

Also in October, the National Collection of Fine Arts opened a major new gallery, the John Gellatly Gallery. It includes many items from the large collection which Mr. Gellatly presented to the Institution in 1929.

Among the many exhibitions offered by the Hirshhorn Museum and Sculpture Garden, the most significant were "Chac-Mool: A Bicentennial Loan from Mexico" (November 1976) and "Acquisitions: 1974-1977" (March 1977). "Chac-Mool," one of Mexico's great national treasures, was seen for the first time outside its permanent home, the National Museum of Anthropology in Mexico

City. "Acquisitions" exhibited the more than one hundred and thirty works of art by ninety-six American and foreign artists acquired by the Museum since its opening in October 1974.

In January 1977, eighty-five free concerts were held in seven museums in celebration of the inauguration of President Carter and Vice President Mondale. The concerts were produced by the Division of Performing Arts and supported through the Inaugural Committee.

A major conference on Watershed Research in Eastern North America was held in February 1977, under the sponsorship of the Chesapeake Bay Center for Environmental Studies, and the National Science Foundation. The complete findings of the Center's Watershed Program through 1976 were a major contribution to the conference, which included some one hundred and twenty scientists and agency representatives.

The new Education-Administration Building at the National Zoological Park was occupied by the staff in February 1977, including the executive offices of the Friends of the National Zoo. The building also houses the Zoo's library, classrooms, and 300-seat theater for public education.

In March 1977, the Anacostia Neighborhood Museum opened its major exhibit for that year, "The Anacostia Story: 1608-1930," after four years of planning and work by the Museum's staff. The exhibition and its catalogue traced the history of the Anacostia community since its beginning. Present members of the community contributed memorabilia and their memories of local history which were taped and now are the nucleus of the Museum's oral-history archives.

During 1977, the National Museum of Natural History continued its full-time taxonomic studies on amphipods, the only such study by a major American science institution. By understanding the physiological tolerance of amphipods to oil and sewage, it is possible to determine the level at which pollution will disrupt the entire marine ecosystem. The Museum's research has so identified the biological characteristics of California amphipods that scientists there have made them an important part of their pollution safeguard technology.

The National Air and Space Museum celebrated the fiftieth anniversary of Charles Lindbergh's transatlantic flight with an exhi-

bition of Lindbergh memorabilia in May 1977. As part of the exhibition, a symposium was held at the Museum. Also celebrated that month was the contribution to flight of Amelia Earhart. The Lockheed Vega, in which she became the first woman to complete a transatlantic flight, was exhibited in the Museum together with certain objects associated with her career.

As another vehicle for informing the public on what the Smithsonian is all about, a new official film on the Institution was produced in 1977, with the Secretary as narrator. The twenty-five-minute color film attempts to survey both the outside and the non-public inside of the Smithsonian, to capture the wide range of its activities and spirit.

In June 1977, Sr. Carlos A. Perez, President of Venezuela, dedicated his nation's Bicentennial gift to the United States, the striking *Delta Solar* sculpture positioned on the west lawn of the National Air and Space Museum. The work of Venezuelan sculptor Alejandro Otero, the sculpture reflects light off stainless steel plates which turn in the wind.

The National Museum of History and Technology opened in June 1977 a special exhibition to honor the "Silver Jubilee" of Queen Elizabeth II of England. Its theme was the association of Americans with the British royal family from the first English colonies in North America. Its center was a collection of materials loaned by the Queen from personal collections in Windsor Castle. The exhibition was honored by the visit of Her Royal Highness Princess Anne and her husband Captain Mark Phillips.

Also in June, the Smithsonian inaugurated its sixth international symposium, "Kin and Communities: The Peopling of America." The basic issue addressed by the week-long symposium was posed by Dr. Margaret Mead, the chairperson: "Is there any viable alternative to the family . . .?" Fortunately the answer was positive.

The more than four hundred portraits added to the collection of the National Portrait Gallery during 1977 included, as the most important, the glorious John Singleton Copley self-portrait, which was received in August.

The National Aeronautics and Space Administration in August 1977 launched the HEAO-1, an X-ray satellite carrying an experiment developed by the Smithsonian Astrophysical Observatory and Massachusetts Institute of Technology, as the first in a series

of three high-energy X-ray observatories. The HEAO-1 identified a bright X-ray nova in the constellation Ophiuchus, and a rapid X-ray burster at the galactic center.

Scientists at the National Museum of Natural History undertook two cruises in 1977 on National Oceanographic and Atmospheric Administration vessels to an industrial chemical-waste dump site one hundred miles off the New Jersey coast. Experience gained earlier in project "Ocean Acre," a massive study of the life histories and vertical distribution of deep-sea fishes in a column of ocean off Bermuda, is making possible a detailed analysis of the effect of wastes on the marine organisms sampled off New Jersey.

Planning continued in 1977 for the Museum Support Center, designed to relieve the severe crowding of museums and galleries and to provide for proper care of the national collections. Construction of the Center—if Congress approves—on recently acquired land adjacent to present activities in Suitland, Maryland, culminated in 1977 in an appropriation from Congress for fiscal year 1978 for design and planning of the facility.

In this connection, the Committee on Collections Policy and Management Study under the chairmanship of Philip Leslie has continued its study for the Office of Management and Budget. The recommendations contained in the report seemed to have received favorable reception by that office, and two task forces have been appointed consisting of members of the Committee with Smithsonian specialists in the area of the task forces' interest. One task force will conduct a survey of Institutional conservation practices and needs, and a second task force will study museum collections. The first task force will be chaired by Don Lopez of NASM and the second will be chaired by Nancy Kirkpatrick, HMSG.

Once again, support rendered to the Smithsonian by its dedicated volunteers was of major significance in 1977. There were 2,352 volunteers who contributed more than 216,900 volunteer-hours of invaluable assistance to the Institution and its millions of visitors.

Additional appointments to the staff besides Mr. Symington and Mr. Yellin, mentioned in the following Board of Regents section, include Mr. Will Douglas, who has been appointed as Director, Office of Equal Opportunity. Mr. James Wallace has been promoted to the position of Director, Office of Printing and Photo-

graphic Services. Mr. Lawrence E. Taylor, who previously worked for the House Judiciary Committee, has assumed the position of Coordinator of Public Information.

In this year, we have lost by retirement several important staff members, notably Mrs. Betty Morgan, Assistant Treasurer, who devoted twenty-nine years to the Institution, as well as Mr. Arthur Gauth, Director of Photographic Services, who retired after thirty-five years of government service. Dr. Russell Shank, Director of the Libraries of the Institution, who has performed yeoman service in recognizing the new importance of our science and art libraries, has left us to head the Library of the University of California at Los Angeles. Mr. Archie Grimmett, formerly head of our Office of Equal Opportunity, has transferred to the Department of the Army.

A more than passing note of Institutional pride should be the fact that our second staff member of recent years, Mr. William W. Warner, has received a Pulitzer Prize as well as other honors for his book on the Chesapeake Bay and its denizens, *Beautiful Swimmers*.

Board of Regents

OCTOBER 1, 1976, MEETING: The first meeting of the Board of Regents in our new fiscal year, 1977, was the autumn meeting, held in New York City, commemorating the impending opening of the Cooper-Hewitt Museum.

The Chairman of the Executive Committee reported that the matter of GAO audits had been discussed at its meeting on September 27, 1976, and a rather comprehensive review of the subjects under consideration took place. The usefulness of such a review was considered to be of unusual importance by the Board, and the Secretary and the Institution have been assisting the GAO to the fullest extent. The Regents expressed their strong support for the Secretary in carrying out the proper administration of the Institution's affairs.

The distinguished services of Vice President Nelson A. Rockefeller and Senator Hugh Scott as Regents of the Institution were acknowledged by the presentation of a citation by the Chancellor upon the termination of their terms as Regents.

The financial report of the Institution was presented by the Secretary, and a full accounting of the trust funds and federal funds will be found later in this report.

A discussion of the Museum Support Center project revealed continued progress on the transfer by the General Services Administration of excess land which is contiguous to property already in use by the Institution.

In pursuance of the expressed interest of the Board of Regents concerning the concept of Mall underground parking, the Secretary indicated that he will continue to study all possibilities for future consideration.

A small task force began a study of the feasibility of publishing a popular Smithsonian book as another benefit to the Associates membership program.

The President had approved legislation providing for the reappointment of Mr. James E. Webb as a member of the Board of

Regents on June 21, 1976, for the statutory term of six years. Other legislative enactments provided for an extension of the National Museum Act authorizing appropriations to the Institution annually through fiscal year 1980; and the President also approved on July 5, 1976, P.L. 94-338, the joint resolution expressing to Queen Elizabeth II the appreciation of the people of the United States for the gift of James Smithson. No action had been taken on measures which would authorize construction of the Museum Support Center or on increasing the authorized level of appropriations for Barro Colorado Island at the Smithsonian Tropical Research Institute in Panama.

The Regents voted to accept the gift of a George III gadrooned, footed, silver salver made in 1765, on which appears the crest of Sir Hugh Smithson, Bart, the father of James Smithson, presented to the Institution by the Duke of Northumberland as a token of his esteem in connection with the Bicentennial events in 1976.

The Board of Regents also approved the memorialization of the second Secretary of the Institution, Spencer Fullerton Baird, and authorized the creation of a statue to be placed on Smithsonian grounds.

The Board approved the acceptance of a number of honors bestowed on the Secretary. Her Majesty Queen Margrethe II of Denmark presented Mr. Ripley with the Commander's Cross of the Order of the Dannebrog because of his active and continuing role in cultural relations as well as his role in international conservation. His Majesty King Juan Carlos I of Spain, during his visit to Washington on June 3, decorated Mr. Ripley with the Great Cross of Civil Merit in recognition of his contribution to Spanish-American cultural relations. His Royal Highness the Prince of the Netherlands conferred on Mr. Ripley, with permission of Her Majesty Queen Juliana, the Order of the Golden Ark with the rank of Commander, for his more than twenty-five years of leadership in the field of international conservation. In accordance with procedures, the Chief of Protocol, Department of State, concurred in the retention of these awards by the recipient.

The Regents were advised of the receipt by Mr. Michael Collins, Director of the National Air and Space Museum, of the National Civil Service League Award for his superb leadership in opening the Museum.

Two new members of the staff were introduced to the Regents: James McK. Symington, who will be the Director of the Office of Membership and Development, concerned particularly with the National Board of the Associates and general development projects; and Mr. Jon E. Yellin who was appointed Director of the Office of Programming and Budget as the budget officer of the Institution.

Following the meeting, the members of the Board of Regents and their wives were given a tour through the Cooper-Hewitt Museum where the first temporary exhibition, "MAN transFORMS, Aspects of Design," was being prepared for the formal opening on October 5, 6, 7, 1976. At the traditional dinner following, Dr. E. Cuyler Hammond was presented the Hodgkins Medal of the Smithsonian Institution and a citation for his fundamental studies of the relation between the atmosphere about us and the health of humankind.

JANUARY 25, 1977, MEETING: At the winter meeting of the Board of Regents, held in the Regents Room, special recognition was given to the election of Vice President Walter F. Mondale and his appointment to the Board *ex officio* as well as to the new Regents, Senators Barry Goldwater and Claiborne Pell, who replaced Senators Hugh Scott and Frank Moss, Jr., retired. The financial report was summarized and included a complete review of the financial results which appeared in the *Statement by the Secretary* distributed at the meeting.

The Board of Regents approved the objective of increasing the endowment funds in order to strengthen trust fund yield in years to come for our essential services to the public.

A comprehensive presentation was made on the Museum Support Center describing its facilities for long-range care and use of the Institution's collections, provision of associated research and study space, and the incorporation of areas for conservation of the collections, related training, and the dissemination of conservation information. The Institution will continue to seek funds to complete planning and, subsequently, construction funds. Other legislative measures were approved for submission to the Congress, including a bill to increase the amount authorized to be appropriated for the Barro Colorado Island at the Smithsonian Tropical Re-

search Institute, and to make the film *Hirshhorn Museum and Sculpture Garden*, produced by the United States Information Agency, available for use within the United States.

The Secretary reported on the problems created by the shortage of convenient parking spaces for the public in and around the Mall, a subject of special interest to the Regents. Experience and past studies clearly established the need for convenient visitor parking, and two previously completed feasibility studies recommended the early development of underground parking. Further study being undertaken by the staff on underground parking facilities will provide information to those agencies having an interest and responsibility for the Mall.

A proposal for the Institution to assume responsibility for the Museum of African Art was to be studied by an *ad hoc* committee of the Board of Regents.

Progress reports on improvements to plant facilities indicated that the Victorian Garden was completed and opened to the public; the major restoration of the seventy-four-year-old Carnegie Mansion was completed in time for the public opening of the Cooper-Hewitt Museum on October 7, 1976; the construction improvement in the West Court of the Natural History Building was completed as a public service activity and includes a dining room for the Associates and for the Smithsonian staff; and interior restoration of the Arts and Industries Building was completed in time for the public opening of "1876: A Centennial Exhibition," on May 10, 1976. Construction at the National Zoological Park included the opening of the award-winning William Mann lion-and-tiger exhibit and completion of the renovated elephant-house yards and the bird-house plaza. Currently under construction is the new education and administration building located near the Connecticut Avenue entrance at the Zoo.

It was reported that the Office of Telecommunications is developing ideas toward the production of programs and series for public and commercial television and radio, films, and related video and audio material.

The Secretary discussed plans for celebrating the Silver Jubilee of Queen Elizabeth II to underline the special bonds that exist between the Institution and Great Britain. The Cooper-Hewitt will open an exhibition including original drawings and plans from the

Museum's collections for the "Pavilion at Brighton," as well as objects being loaned by Buckingham Palace and the Trustees of the Pavilion. Also, a commemorative medal bearing the portrait of the Queen will be struck and sold as a benefit for a fellowship fund, in conjunction with the Pilgrims and the English-Speaking Union, under a special committee created for the purpose.

The Board of Regents declared its deep appreciation for the outstanding leadership that Secretary Ripley has provided in bringing to fruition the valuable and enduring additions to programs of exhibition and research, including the appropriate events through which the Smithsonian Institution contributed so much to the nation's Bicentennial Celebration.

The Board of Regents attended the ceremony of the unveiling of the recently completed bust of former Secretary Leonard Carmichael by the sculptress, Mrs. Una Hanbury, which will be placed in the Carmichael Auditorium in the National Museum of History and Technology.

MAY 13, 1977, MEETING: At the spring meeting of the Board of Regents, held in the Regents Room, the Chancellor welcomed the newly appointed first woman Regent, Representative Corinne C. (Lindy) Boggs, who replaced Sidney R. Yates, resigned. This resignation and the resignation of Robert F. Goheen on his appointment as Ambassador to India were accepted with regret, and the Chancellor was authorized to designate a search committee for Dr. Goheen's successor.

An Audit and Review Committee as suggested by the Executive Committee was appointed by the Chancellor. At its initial meeting, the new Committee under the chairmanship of Senator Henry Jackson voted to undertake an independent study by a competent management consultant. The Institution was also apprised of a separate review to be conducted by the investigation staff of the House Committee on Appropriations. The questions raised in the Congress reflect a growing concern over the relationship of the Smithsonian to the federal government; its relationship to the Congress in particular; the place of the Institution in the federal establishment; the statutory authorities under which it operates; the ownership of its properties; and how all of this bears on Smithsonian financial and management accountability to the Congress. It was emphasized that nothing in the first General Account-

ing Office report of March 31, 1977, suggested any wrongdoing or misapplication of federal funds. It was felt that the objective of any audit committee study should be to preserve the unique, flexible, and creative qualities of the Smithsonian, to define its proper relationship with the federal government, and to encourage continued independent research by scholars.

Results of this undertaking were to be considered by the Board of Regents at its next meeting.

The Financial Reports indicated that the Institution received a favorable appropriation markup for fiscal year 1978 and the tentative budgets for both federal and trust funds were presented to the full Board. The Trust Fund budget was approved to be presented to the Senate and House Subcommittees for use in conjunction with the pending appropriation request. The Smithsonian Institution's policies governing the use of federally appropriated funds, federally and privately financed contracts and grants, and trust funds, will be developed and provided to the Senate Subcommittee on Appropriations.

Study on the desirability of acquiring the Museum of African Art was to be continued. One of the vital provisions necessary in further consideration of this project is the need for authorizing legislation.

The development of archaeometry at the Institution clearly indicates that for preservation to be effective much more needs to be known about the properties of materials, their origins, and the manner in which they were used in the creation of the artifacts now in our care. Continuing thought will be given to formal utilization of this discipline.

Legislative measures introduced in the Ninety-fifth Congress concerned the Museum Support Center, a bill to increase the amount of appropriations authorized for Barro Colorado Island, and a bill to make the Hirshhorn Museum and Sculpture Garden film available in the United States; these measures are still pending.

The Secretary reported a 9 percent increase in overall permanent employment between April 1975 and April 1977, and noted there had been a 15 percent increase in minority employment. There is optimism that, with increased emphasis throughout the Institution in attracting minority candidates, its career-development programs will have broadened the opportunities for minority and female em-

ployees. Through upward-mobility programs, an appreciable number of minority and female employees are making the transition from subprofessional to professional positions.

A request for a federal appropriation to add a sixth-floor Study Center and Library to the National Museum of History and Technology to house the Museum's collection of archival and graphic Americana has been denied for the time being.

Under an approved master plan, the Zoo continues its construction of the bear exhibits, a necropsy facility, and the beaver-valley project for beavers, otters, seals, sea lions, and wolves. The general services and parking facility which will provide new housing for the commissary, maintenance shops, and parking for 300 cars on its roof is scheduled to be completed in the fall of 1977. Currently in design are new facilities for the central area to provide for the great apes and monkey island, and at the Front Royal Conservation and Research Center miscellaneous improvements include installation of a new electrical distribution system, the Eld's deer facility, camel barn repairs, dormitory improvements, and a new shed for the onagers.

The Secretary reported that the feasibility study by the Institution Book Publishing Task Force had explored various avenues of book publishing for the Institution and is continuing to develop the program.

It was reported that the Smithsonian staff is reviewing the early development of Mall underground garages as the most useful solution to the visitor-parking dilemma. A preliminary concept to finance the plan without the use of federal funds depends on a lease-purchase arrangement for a turn-key project to involve financing, design, and construction using private funds. Discussions are underway with the District of Columbia, National Capital Planning Commission, National Park Service, Council of Governments, and other interested parties.

A Fourth of July celebration took place over that holiday weekend and the Festival of American Folklife was moved to the Columbus Day weekend, continuing the Smithsonian's practice of offering these entertaining and educational programs. The outdoor events, scaled down to pre-Bicentennial size, will involve museum curators in the development of indoor and outdoor simultaneous programs.

The Associates Regional activities have been planned to coincide with the National Associates Board meeting, the last one taking place in Minneapolis. These regional programs have become increasingly popular. Through the National Associates, invitations have been extended for membership in the James Smithsonian Society.

The Henry Medal, unanimously voted by the Board of Regents to be awarded to Senator Hubert H. Humphrey, was presented to him at the opening session of the symposium "Kin and Communities: The Peopling of America." This award commemorated not only his years of active service on the Board of Regents and his chairmanship of the Woodrow Wilson Center Board, but also his exemplary career in improving the quality of life for all people.

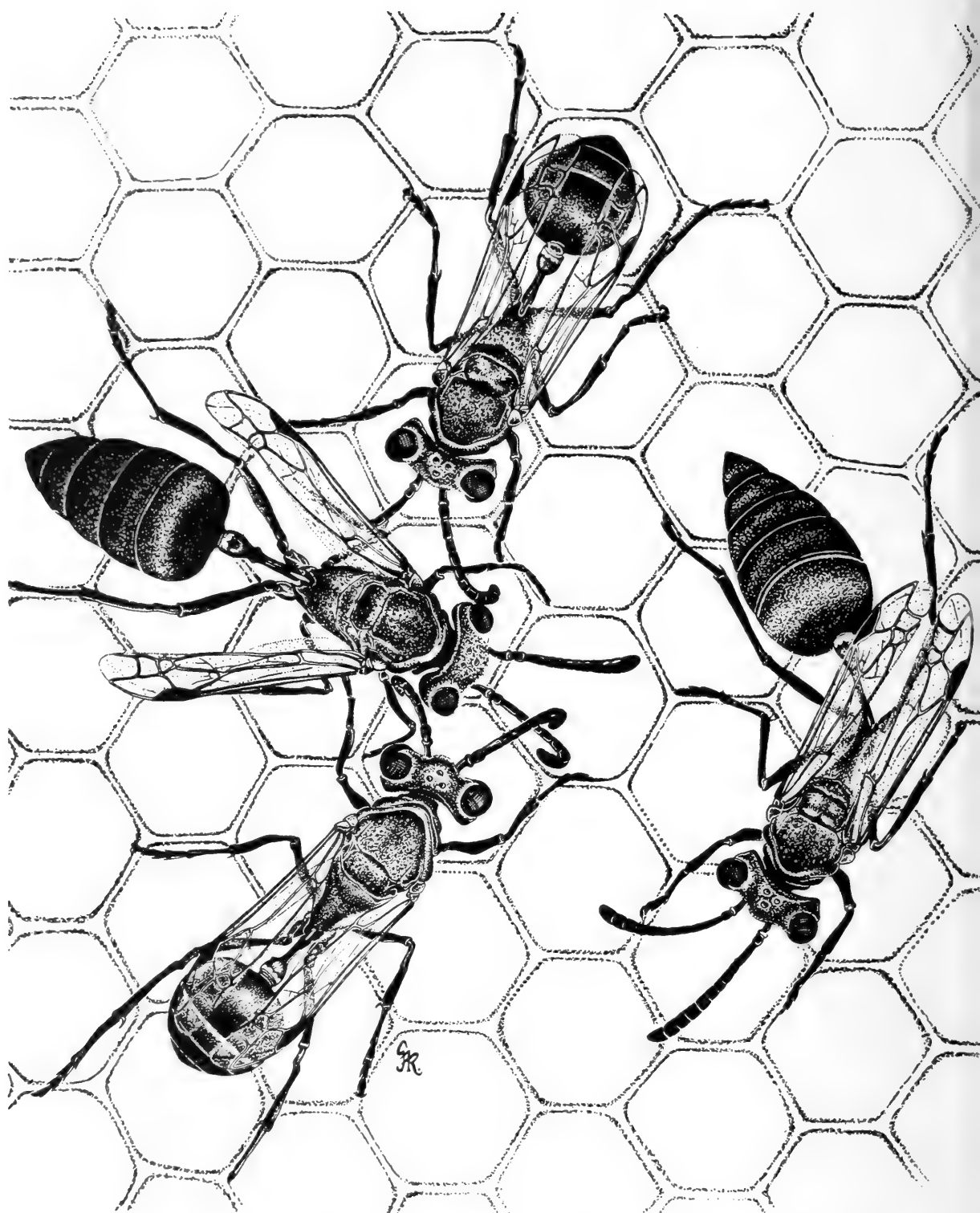
SEPTEMBER 27, 1977, MEETING: The last meeting of the fiscal year, convened in the Regents Room, covered in complete detail the report prepared by Mr. Phillip S. Hughes for the Audit and Review Committee of the Board of Regents under the chairmanship of Senator Henry M. Jackson, as discussed above.

It was reported that a testamentary trust benefiting the Smithsonian Institution was now to be transferred to the Smithsonian for the purpose of "making the published results of scientific research more widely available to those able to use them for the advancement of science." It was also reported that the Chase Manhattan Bank money collection, one of the finest in the United States, was offered to the Institution and accepted by the Board of Regents. An exhibit of the most important items from the collection will be mounted in the near future.

The feasibility study for producing a popular Smithsonian publication proved favorable, and the first book was to be *The Smithsonian Experience*.

Legislation to make the film produced by the United States Information Agency about the Hirshhorn Museum and Sculpture Garden available in the United States was approved by the President on August 17, 1977.

The award of the Hodgkins Medal to Professor Alexander Dalgarno, Associate Director for Theoretical Astrophysics at the Smithsonian Astrophysical Observatory, was approved by the Board of Regents in recognition of his important contributions in the field of atmospheric physics.



Important research into insect behavior and evolution continued at the Smithsonian Tropical Research Institute. Here, two workers "dance" near a *Metapolybia aztecoides* queen (left) while another queen (right) performs an aggressive threat display. (Drawing by Gerardo Ravassa)

FINANCIAL REPORT

T. AMES WHEELER, TREASURER

THE INSTITUTION'S FINANCIAL results this year were generally favorable, as shown in the following tables and explanations. Increased federal appropriations were received, primarily to cover a large share of inflationary cost increases and to restore the Foreign Currency Program to previous appropriated levels. Congressional authorizations for operating purposes other than the Foreign Currency Program totaled \$87.2 million, up 4 percent from the preceding year. Appropriations for construction added \$9,530,000. Research grants and contracts received from federal agencies continued at \$10.6 million.

During fiscal year 1977 also, income from the Institution's trust fund activities, particularly from the Associates program, rose impressively, reflecting enthusiastic and widespread acceptance of the *Smithsonian* magazine and its related programs and benefits. Auxiliary activities, such as the museum shops and restaurant and parking concessions, also contributed to improvement in trust fund financial results. Total net trust fund income, after deducting related costs of the auxiliary activities (see Table 1), was \$15.7 million, or 14 percent of total operating income, compared to 77 percent for federal appropriations, and 9 percent for grant and contract monies. While expenditures also rose, a favorable balance for unrestricted general purpose funds for this year permitted a further step forward in the program of making necessary additions to the Institution's unrestricted endowment funds to provide for future needs.

TABLE 1. Overall Sources of Financial Support
[In \$1,000's]

<i>Sources</i>	FY 1975	FY 1976	<i>Transition quarter</i>	FY 1977
OPERATING FUNDS				
Federal Appropriation:				
Salaries and expenses	\$ 70,706	\$ 81,564	\$22,629	\$ 85,236
Smithsonian Science Information Exchange	1,805	1,940	521	1,972
Special Foreign Currency Program	2,000	500	—0—	3,481
Subtotal	<u>\$ 74,511</u>	<u>\$ 84,004</u>	<u>\$23,150</u>	<u>\$ 90,689</u>
Research grants and contracts	12,292	11,525	3,987	10,571
Nonfederal funds:				
Gifts (excluding gifts to endowments and Plant Funds)				
Restricted purpose	4,177	4,307	658	1,724
Unrestricted purpose	253*	354*	66*	103*
Income from endowment and current funds investment**				
Restricted purpose	1,724	1,634	503	1,690
Unrestricted purpose	953	1,110	264	1,157
Auxiliary activities—Gross	19,017	26,939	8,718	40,202
Less related expenses	(16,494)	(22,892)	(7,054)	(32,221)
Net income	2,523	4,047	1,664	7,981
Miscellaneous Restricted purpose	636	474	212	993
Unrestricted purpose	554	693	452	2,098
Total Nonfederal Funds				
—Gross	27,314	35,511	10,873	47,967
—Net	10,820	12,619	3,819	15,746
Total Operating Support				
—Gross	114,117	131,040	38,010	149,227
—Net	<u>\$ 97,623</u>	<u>\$108,148</u>	<u>\$30,956</u>	<u>\$117,006</u>
CONSTRUCTION FUNDS				
Federal Construction Funds:				
National Zoological Park	\$ 9,420	\$ 8,390	\$ 1,440	\$ 6,580
National Air & Space Museum ..	7,000	2,500	—0—	—0—
Restoration & Renovation of Buildings	1,490	1,192	400	2,950
Total Federal Construction Funds	<u>\$ 17,910</u>	<u>\$ 12,082</u>	<u>\$ 1,840</u>	<u>\$ 9,530</u>
Nonfederal Plant & Land Acquisition Funds				
Cooper-Hewitt Museum	\$ 162	\$ 425	\$ 30	\$ 3
Chesapeake Bay Center	15	5	—0—	2
Anacostia Neighborhood Museum	10	—0—	—0—	—0—
National Zoological Park	—0—	100	—0—	—0—
Total Nonfederal Plant and Land Acquisition Funds	<u>\$ 187</u>	<u>\$ 530</u>	<u>\$ 30</u>	<u>\$ 5</u>
ENDOWMENT FUNDS				
Gifts	\$ —0—	\$ 45	\$ 24	\$ 234
Total Endowment Funds ...	<u>\$ —0—</u>	<u>\$ 45</u>	<u>\$ 24</u>	<u>\$ 234</u>

* Excluding gifts to Associates (included under Auxiliary Activities).

** Includes portion of investment gain appropriated to income under Total Return Policy.

Efforts have been underway for the past two years to strengthen the Institution's accounting capability to cope with the expansion and growing complexity of Smithsonian activities. Fiscal year 1977 witnessed a shakedown period of modernization of our entire accounting system, coupled with the installation and programming of new, enlarged computer equipment—a truly difficult experience which called for and received heroic measures of effort from dedicated staff. Fiscal Year 1978 and future years will thus acquire measurable benefits and levels of efficiency from this new program.

Federal Appropriations

Federal operating funds received by the Institution in fiscal year 1977, exclusive of funds for the Smithsonian Science Information Exchange, Inc., and the Special Foreign Currency Program, totaled \$85,236,000, an increase of \$3,672,000 over fiscal year 1976. Since the fiscal year 1976 appropriation included \$4,427,000 of non-recurring costs (largely Bicentennial-related) which were redirected in fiscal year 1977 for other purposes, the fiscal year 1977 appropriation actually provided some \$8,000,000 of additional funds for normal operations. Of this amount, however, over \$6,500,000 was required to meet uncontrollable cost increases (higher pay and health benefits, and utilities' charges and postage rate increases). The balance allowed modest research program improvements, implementation of a collections management study, increased collections purchase funds, and continued improvement of various technical and support services, including increments for guard services at the newly opened National Air and Space Museum. In considering the Institution's fiscal year 1977 federal budget request, the Congress directed the Institution to discontinue the previous practice of establishing a contingency fund to meet unexpected expenses and imposed a related 2 percent reduction, totaling some \$1,700,000 upon the otherwise approved appropriations for Smithsonian bureaux and activities. New reprogramming guidelines issued during fiscal year 1977 by the Interior Appropriations Subcommittees now provide the Institution the means for meeting such emergency expenses in a timely and efficient manner.

TABLE 2. Source and Application of Operating Funds
Year Ended September 30, 1977
 (Excludes Special Foreign Currency Funds, Plant Funds and Endowments)
 [In \$1,000's]

Funds	Nonfederal funds						
	Federal funds	Total non-federal funds	Unrestricted			Restricted	
			General	Auxiliary activities	Special purpose	General	Grants and contracts
FUND BALANCES—							
1 October 1976 *	\$ -0-	\$10,245	\$4,074	\$ -0-	\$2,417	\$3,658	\$ 96
FUNDS PROVIDED							
Federal Appropriations	\$87,208	—	—	—	—	—	—
Investment Income	—	\$ 2,847	\$1,154	\$ —	\$ 3	\$1,690	\$ —
Grants and Contracts	—	10,515	—	—	—	—	10,515
Gifts	—	2,203	48	376	55	1,724	—
Sales and Revenue.....	—	41,420	—	39,826	1,594	—	—
Other	—	1,497	45	—	459	993	—
Total Provided	<u>\$87,208</u>	<u>\$58,482</u>	<u>\$1,247</u>	<u>\$40,202</u>	<u>\$2,111</u>	<u>\$4,407</u>	<u>\$10,515</u>
Total Available	<u>\$87,208</u>	<u>\$68,727</u>	<u>\$5,321</u>	<u>\$40,202</u>	<u>\$4,528</u>	<u>\$8,065</u>	<u>\$10,611</u>
FUNDS APPLIED							
<i>Science:</i>							
Natl. Museum of Nat. History	\$11,411	\$ 1,360	\$ 13	\$ —	\$ 91	\$ 269	\$ 987
Astrophysical Observatory ..	3,837	7,430	83	—	38	369	6,940
Tropical Research Inst.	1,477	98	17	—	47	24	10
Radiation Biology Lab.	1,872	100	—	—	6	22	72
Chesapeake Bay Center	613	575	46	—	—	17	512
Natl. Air and Space Museum	6,091	823	12	—	502	20	289
Natl. Zoological Park	7,067	173	33	—	38	37	65
Center for Study of Man ...	399	191	73	—	—	52	66
Science Info. Exchange ** ...	1,972	—	—	—	—	—	—
Fort Pierce Bureau	—	424	1	—	—	423	—
Interdisciplinary Communi- cations Program	—	354	44	—	—	9	301
Other	1,260	602	76	—	(1)	94	433
Total Science	<u>35,999</u>	<u>12,130</u>	<u>398</u>	<u>—</u>	<u>721</u>	<u>1,336</u>	<u>9,675</u>
<i>History and Art:</i>							
Natl. Museum of History and Technology	5,944	470	12	—	81	373	4
Natl. Collections of Fine Arts	2,539	254	17	—	97	55	85
Natl. Portrait Gallery	1,921	229	118	—	27	13	71
Hirshhorn Museum	1,892	23	12	—	10	1	—
Freer Gallery of Art	492	973	—	—	—	960	13
Archives of American Art ..	349	288	—	—	—	288	—
Cooper-Hewitt Museum	415	1,457	37	—	—	1,399	21
Academic Studies	474	28	15	—	1	12	—
Bicentennial	419	—	—	—	—	—	—
Other	339	193	119	—	1	6	67
Total History and Art	<u>14,784</u>	<u>3,915</u>	<u>330</u>	<u>—</u>	<u>217</u>	<u>3,107</u>	<u>261</u>

TABLE 2. Source and Application of Operating Funds
Year Ended September 30, 1977—continued
[In \$1,000's]

Funds	Nonfederal funds						
	Federal funds	Unrestricted			Restricted		
		Total non-federal funds	General	Auxiliary activities	Special purpose	General	Grants and contracts
<i>Public Service:</i>							
Anacostia Museum	527	193	19	—	3	171	—
Smithsonian Press	650	394	—	349	—	—	45
Performing Arts	320	1,017	—	736	19	18	244
Other	532	448	113	189	1	134	11
Total Public Service	2,029	2,052	132	1,274	23	323	300
<i>Museum Programs:</i>							
Conservation Analytical Lab.	538	—	—	—	—	—	—
Libraries	2,033	132	132	—	—	—	—
Exhibits	1,037	—	—	—	—	—	—
Traveling Exhibition Service	101	752	—	518	—	—	234
Natl. Museum Act	788	—	—	—	—	—	—
Other	1,941	73	18	—	55	2	(2)
Total Museum Programs ..	6,438	957	150	518	55	2	232
<i>Other Activities:</i>							
Associates Programs	—	23,679	—	23,668	11	—	—
Business Management	—	6,502	—	6,502	—	—	—
Other	—	131	—	131	—	—	—
Total Other Activities	—	30,312	—	30,301	11	—	—
Support Activities	22,314	353	259	128	(34)	—	—
Administration	5,494	5,420	1,083	1,205	146	609	2,377
Overhead Recovered	—	(4,592)	(562)	(1,205)	(75)	(476)	(2,274)
Transfers for Designated Purposes—Out or (in) ...	150#	6,246	(551)	7,981	(828)	(354)	(2)
Total Funds Applied ...	\$87,208	\$56,793	\$1,239	\$40,202	\$ 236	\$4,547	\$10,569
FUND BALANCES							
30 September 1977	\$ -0-	\$11,934	\$4,082	\$ -0-	\$4,292	\$3,518	\$ 42

* Exclusive of funds of Woodrow Wilson International Center for Scholars (\$70,655 Special Purpose Unrestricted, \$326,414 General Restricted, \$4,152 Grants & Contracts) reclassified as Agency Funds.

** Figures do not include revenues to SSIE from other sources of approximately \$1,250,000.

Unobligated funds returned to Treasury.

TABLE 3. *Special Foreign Currency Program
Fiscal Year 1977—Obligations*

Country	Archeology	Systematic & environmental biology	Astro-physics & earth sciences	Museum programs	Grant administration	Total
Burma	\$ —	\$ 1,000	\$ —	\$ —	\$ —	\$ 1,000
Egypt	1,638,705	100,689	199,213	(59)	3,751	1,942,299
India	489,148	27,082	17,510	152,626	11,120	697,486
Pakistan . . .	24,556	56,607	2,829	—	325	84,317
Poland	55,434	53,950	79,841	70,927	54,360	314,512
Tunisia	383,000	360,418	—	2,415	168	746,001
Total	\$2,590,843	\$599,746	\$299,393	\$225,909	\$69,724	\$3,785,615*

* An additional \$181,000 was obligated through the National Science Foundation for the translation and printing of scientific publications in India requested by the Smithsonian Institution.

For the Smithsonian Science Information Exchange, \$1,972,000 was provided for fiscal year 1977. The Smithsonian's Special Foreign Currency Program, which provides grants to United States institutions for field research in those countries where "excess" foreign currencies are available, received a fiscal year 1977 federal appropriation of \$3,481,000 restoring this program to more normal levels compared to the \$500,000 provided in fiscal year 1976. The increased funding included allowance for the payment of the third of four \$1,000,000 annual contributions to the campaign to save the monuments of Nubia. For general categories and geographical areas of spending under the Foreign Currency Program, see Table 3.

Federal funds appropriated to the Institution for construction purposes in fiscal year 1977 totaled \$9,530,000. Of this amount approximately \$6,600,000 was provided for continuation of the approved master plan for renovation of the National Zoological Park. This includes exhibits for beavers, otters, seals, sea lions, bears, and wolves. An additional amount of almost \$3,000,000 was designated for needed repairs and renovation of other Smithsonian buildings, including installation of fire detection and control systems

TABLE 4. *Grants and Contracts*
[In \$1,000's]

<i>Federal agencies</i>	FY 1975	FY 1976	<i>Transition quarter</i>	FY 1977
Atomic Energy Commission	\$ 84	\$ 85	\$ 48	\$ 157
Department of Commerce	242	218	90	82
Department of Defense	799	800	212	998
Department of Health, Education and Welfare	219	255	79	282
Department of Interior	246	272	48	155
Department of Labor	87	162	177	33
Department of State	1,549	1,252	242	282
National Aeronautics and Space Administration	7,670	6,222	1,845	6,346
National Endowment for the Arts and Humanities	420	451	174	356
National Science Foundation	502	432	128	315
Other	474	1,376	944	1,565
Total	<u>\$12,292</u>	<u>\$11,525</u>	<u>\$3,987</u>	<u>\$10,571</u>

and repairs to the Arts and Industries Building roof, the Renwick Gallery exterior, and the History and Technology Building terrace.

Grants and Contracts

Federal agencies in fiscal year 1977 again provided substantial grant and contract support for the Institution's research programs. Such funds are sought to finance specific research and educational projects that are related to the Institution's trust mandate where such work can be accommodated within the performing bureau's total program responsibilities. Projects are also requested of Smithsonian scientists by the funding agencies because of the Institution's expertise in given areas. Amounts received from major granting agencies are listed in Table 4. Representative projects included a Smithsonian Astrophysical Observatory development of masers and a helium-cooled infrared telescope for Space Lab II; continued analysis by the National Air and Space Museum of geological features of the lunar surface; four touring exhibits

entitled "It's Your Coast" to promote a wider public understanding of the Coastal Zone Management Program; and an exhibit during the latest Festival of American Folklife of the many uses of energy.

Smithsonian Trust Funds

The trust funds of the Institution, established with the original Smithson bequest and increased over the years by many subsequent bequests and gifts, have recently grown more rapidly. Total gross operating revenues rose to \$48,000,000, compared with \$35,500,000 for fiscal year 1976; net income after deduction of related expenses was \$15,746,000 in 1977 against \$12,619,000 in 1976. Included therein, income from endowment fund and current investments rose modestly to \$2,847,000, while gifts for current operations declined to \$1,827,000 from the extraordinarily high level experienced during the prior two years in which wide support for Bicentennial-related activities was received. Total trust fund income for fiscal year 1977 is summarized in Table 5. The major increase was derived from auxiliary activities, as detailed below.

UNRESTRICTED PURPOSE TRUST FUNDS

Unrestricted purpose trust fund income continued to increase this year, as shown in Table 6. For this, the growth of auxiliary activities (see Table 7) was primarily responsible. National Associate Members now total more than 1,600,000, while Resident Associates, those living in the Washington metropolitan area and participating in a variety of cultural, educational, and entertainment programs, now number 43,000. Income from restaurant and parking concessions rose with the opening of the West Court in the Natural History Building and the National Air and Space Museum, along with admissions to the NASM film theater and spacearium shows. Reduced income from the Product Development program was offset by increased Museum Shops revenues. Sales from our third annual mail order Christmas catalogue, although not contributing to any large extent to fiscal year 1977 results, have also

TABLE 5. *Total Trust Funds Income Fiscal Year 1977*
[In \$1,000's]

Revenue sources	Unrestricted purposes			Total
	General & auxiliary activities	Special purpose *	Restricted purposes***	
FOR OPERATING PURPOSES:				
Investments	\$1,154	\$ 3	\$1,690	\$ 2,847
Gifts	48**	55	1,724	1,827
Auxiliary activities (net) ...	7,981	—	—	7,981
Miscellaneous	45	2,053	993	3,091
Total Operating Funds	<u>\$9,228</u>	<u>\$2,111</u>	<u>\$4,407</u>	<u>\$15,746</u>
FOR PLANT:				
Gifts—				
Cooper-Hewitt Museum ..	\$ —	\$ —	\$ 3	\$ 3
Chesapeake Bay Center ..	—	—	1	1
Total Gifts	—	—	4	4
Miscellaneous	—	—	1	1
Total Plant	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5</u>	<u>\$ 5</u>
FOR ENDOWMENT:				
Gifts	\$ —	\$ —	\$ 234	\$ 234
Total Endowment	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 234</u>	<u>\$ 234</u>
Grand Total	<u>\$9,228</u>	<u>\$2,111</u>	<u>\$4,646</u>	<u>\$15,985</u>

* Represents unrestricted income designated by management to be used only for specific purposes.

** Excluding gifts to Associates (included under Auxiliary Activities).

*** Excluding Grants and Contracts shown in Table 4.

expanded; this effort and a new venture in publishing, *The Smithsonian Experience*, should mean a continuation of the improvement in trust fund revenues in fiscal year 1978.

Smithsonian administrative costs rose with the growth of the Institution and increased salary scales commensurate with those mandated for federal employees. Distribution of portions of the income of museum shops, product development, and concessions to various bureaux also rose along with operating allotments for a great variety of urgent special programmatic needs. Funds were also transferred from the operating accounts to complete final payments on the construction of West Court facilities in the Natural

TABLE 6. *Unrestricted Trust Funds General and Auxiliary Activities*
 (Excluding Special Purpose Funds and Gifts to Endowment)
 [In \$1,000's]

<i>Item</i>	FY 1975	FY 1976	Transition quarter	FY 1977
INCOME				
General Income:				
Investments	\$ 950	\$1,107	\$ 263	\$1,154
Gifts	46	66	16	48
Miscellaneous	13	54	13	45
Total General Income	1,009	1,227	292	1,247
Auxiliary Activities (net):				
Associates	1,968	3,256	1,011	6,416
Shops and Product Development	635	521	261	828
Press	(96)	(146)	(46)	(108)
Performing Arts	(79)	(110)	(9)	(343)
Concessions	215	657	517	1,651
Other Activities	(120)	(131)	(70)	(463)
Total Activities	2,523	4,047	1,664	7,981
Total Income	3,532	5,274	1,956	9,228
EXPENDITURES AND TRANSFERS				
Administrative and Program Expense ..	4,780	5,024	1,530	6,382
Less Administrative Recovery	3,644	4,558	1,201	4,592
Net Expense	1,136	466	329	1,790
Less Transfers:				
To Special Purpose and Restricted Funds for Program Purposes	546	1,151	499	1,350
To Plant Funds	97	2,495	207	559
To Endowment Funds	1,463	1,021	755	5,521
NET GAIN (LOSS)	290	141	166	8
ENDING BALANCE	\$3,767	\$3,908	\$4,074	\$4,082

History Building, for additional renovation costs at the Cooper-Hewitt Museum, and for building program costs at the Chesapeake Bay Center. It was possible also to transfer \$5,500,000 to the Institution's unrestricted purpose endowment funds, a high-priority goal set by the Regents to increase the present relatively small amount of such funds available to deal with possible future emergencies. At the end of fiscal year 1977 such funds totaled about \$12,600,000.

TABLE 7. *Auxiliary Activities for Fiscal Year 1977*
[In \$1,000's]

Item	Total	Smithsonian Museum Shops*	Smithsonian Press**	Smithsonian Associates	Per- forming Arts	Con- ces- sions	Other ***
Sales and Revenues	\$39,689	\$6,848	\$ 241	\$29,683	\$ 393	\$1,717	\$ 807
Less Cost of Sales	18,129	3,516	131	14,394	88	—	—
Gross Income	21,560	3,332	110	15,289	305	1,717	807
Gifts	377	—	—	352	—	—	25
Other Income	136	87	—	49	—	—	—
Total Income	22,073	3,419	110	15,690	305	1,717	832
Expenses	12,887	2,249	206	8,616	581	61	1,174
Administrative Costs	1,205	342	12	658	57	5	121
Income (Loss)							
Before Transfers	7,981	828	(108)	6,416	(343)	1,651	(463)
Transfers In/(Out)	(424)	(254) #	—	—	14	(184) #	—
Net Income (Loss) \$	\$ 7,557	\$ 574	\$(108)	\$ 6,416	\$(329)	\$1,467	\$(463)

* Includes Product Development and Mail Order Programs.

** The privately funded activities of the Press as opposed to the federally supported publication of research papers.

*** Includes Traveling Exhibitions, Belmont Conference Center, Photo Sales, Telecommunications, Business Management Office, and Publishing Task Force.

Allocations to the Smithsonian bureaux participating in this program.

SPECIAL PURPOSE TRUST FUNDS

Special purpose trust funds include income received directly by individual bureaux for their general use and income set aside from Unrestricted General Purpose funds for bureau programs or other specific uses. Additional detail on special purpose funds is set forth this year in Table 8, as well as being included in Tables 2 and 5. Total income in fiscal year 1977 amounted to \$2,111,000, compared with \$1,420,000 in the preceding 15 months. Admission fees of \$1,249,000 to the NASM film theater and spacearium shows are responsible for most of the jump in income. Increased revenue sharing transfers to the bureaux from concession fees and museum shop income also added to this type of support which enabled bureaux to add to their purchases for collections, exhibit improvements, and other educational programs. In the case of NASM, net

TABLE 8. *Unrestricted Special Purpose Funds Fiscal Years 1975-1977*
 [In \$1,000's]

Item	Income			Transfers In/(Out)			Deduc- tions	Net in- crease (de- crease)	Fund balance end of year
	Gifts	Bureau activ- ities	Other	Total income	From unre- stricted	Other			
FY 1975: Total	\$207	\$ 339	\$205	\$ 751	\$ 323	\$ 42	\$ 505	\$ 611	\$1,071
FY 1976 and Transition Quarter: Total	\$338	\$ 630	\$452	\$1,420	\$1,202	\$ 43	\$1,248	\$1,417	\$2,488
FY 1977:									
Museum of Natural History ..	\$ 1	\$ 20	\$ 15	\$ 36	\$ 90	\$ —	\$ 91	\$ 35	\$ 137
Astrophysical Observatory	—	7	—	7	14	—	38	(17)	20
Tropical Research Institute	—	33	—	33	8	2	47	(4)	17
NASM—Theaters ..	—	1,249	—	1,249	—	(900)	334	14	236
—Other	—	101	98	199	151	900	168	1,082	1,335
National Zoological Park ..	—	85	10	95	18	—	38	75	443
Museum of History & Technology ...	4	38	6	48	176	—	81	143	437
National Collection of Fine Arts	5	106	77	188	15	—	97	106	183
Hirshhorn Museum .	1	4	3	8	23	—	10	21	68
Support Activities .	—	3	14	17	8	—	(34)	59	87
Liability Reserves ..	—	—	—	—	270	—	—	270	900
Exhibits Central ...	—	1	6	7	2	—	—	9	49
Other	44	74	106	224	69	(18)	194	81	380
FY 1977 Total	\$ 55	\$1,721	\$335	\$2,111	\$ 844	\$(16)	\$1,064	\$1,875	\$4,292*

* Exclusive of funds of Woodrow Wilson International Center for Scholars (\$70,655 as of 9/30/76) reclassified as Agency Funds.

income from admission fees has been set aside to finance future film replacements, while other amounts there are being designated for a future Lindbergh Chair in Aerospace History for an appointed scholar. Also included in special purpose funds are Zoo parking receipts reserved for future expansion of parking facilities and a reserve for possible additional costs relating to the *Smithsonian* magazine.

TABLE 9. *Restricted Operating Trust Funds Fiscal Years 1975-1977*
 [In \$1,000's]

Item	Income					Deductions	Transfers- in (out)	Net in- crease (de- crease)	Fund balance end of year
	Invest- ment	Gifts	Miscel- laneous	Total income					
FY 1975: Total	\$1,724	\$4,177	\$636	\$6,537	\$5,027	\$ 62	\$1,572	\$4,374	
FY 1976 and Transition Quarter: Total	<u>\$2,137</u>	<u>\$4,965</u>	<u>\$686</u>	<u>\$7,788</u>	<u>\$8,357</u>	<u>\$179</u>	<u>\$ (390)</u>	<u>\$3,984</u>	
FY 1977:									
Museum of Natural History	\$ 71	275	14	360	269	39	130	479	
Astrophysical Observatory	52	249	4	305	369	28	(36)	(48)	
National Air & Space Museum	28	11	3	42	20	48	70	976	
Fort Pierce Bureau ...	594	—	—	594	423	(138)	33	121	
Museum of History & Technology									
—Person to Person .	—	1	—	1	159	—	(158)	40	
—Marine Hall	—	130	—	130	76	19	73	312	
—Other	7	65	26	98	138	7	(33)	194	
National Collection of Fine Arts	13	57	2	72	55	2	19	64	
Freer Gallery of Art ..	746	20	207	973	960	6	19	213	
Archives of American Art	—	122	123	245	288	11	(32)	177	
Cooper-Hewitt									
—Operating	6	87	475	568	917	349	—	—	
—Other	—	185	66	251	482	69	(162)	395	
Anacostia Neighbor- hood Museum	—	97	—	97	171	2	(72)	(8)	
Other	173	425	73	671	574	(88)	9	603	
Total FY 1977 ...	<u>\$1,690</u>	<u>\$1,724</u>	<u>\$993</u>	<u>\$4,407</u>	<u>\$4,901</u>	<u>\$354</u>	<u>\$ (140)</u>	<u>\$3,518*</u>	

* Exclusive of funds of Woodrow Wilson International Center for Scholars (\$326,414 as of 9/30/76) reclassified as Agency Funds.

RESTRICTED PURPOSE TRUST FUNDS

As indicated in Table 5, a major portion of Smithsonian trust fund income each year is received for specific purposes designated by donors. In fiscal year 1977, total restricted purpose income amounted to \$4,407,000, of which \$1,690,000 was derived from restricted purpose endowment fund investment income, \$1,724,000 was in the form of gifts, and \$993,000 represented bureau income from their membership activities, sales desks, and special fund raising events. The Freer Gallery, Fort Pierce Bureau in Florida, the Cooper-Hewitt Museum, and the Archives of American Art are among the major recipients of this form of income. Detailed information on both income and uses of these restricted funds may be seen in Table 9.

Endowment and Similar Funds

The Endowment Funds of the Smithsonian had a market value on September 30, 1977, of \$47,583,000, which included \$46,511,000 in the Consolidated Endowment Fund, \$1,000,000 on permanent deposit in the United States Treasury, and \$72,000 of miscellaneous securities (See Table 10). The majority of these funds, 67 percent, at September 30, 1977, are restricted, with income to be used only for the purposes originally specified by the donor. The Consolidated Endowment Fund (detailed in Table 13) consists of the Freer Fund, which supports the operation of the Freer Gallery of Art; Endowment Fund No. 3 used for oceanographic research at the Fort Pierce Bureau; and a number of smaller restricted and unrestricted funds which support a variety of research and museum programs. In order to facilitate their management, these endowments have been pooled for investment purposes since July 1, 1974; separate accounting and administration continues, however, for each fund. Table 11 shows the market values of the Consolidated Endowment Fund since June 30, 1973, while Table 12 shows the changes over the past year due to transfers, reinvestment of income, gifts, and values in the securities markets. The decline in market value during this period was less than for the major stock market indexes. Income paid out under the total return

TABLE 10. Endowment and Similar Funds*
Summary of Investments September 30, 1977

<i>Accounts</i>	<i>Book value</i>	<i>Market value</i>
INVESTMENT ACCOUNTS		
Consolidated Endowment Funds:		
Cash and Equivalents	\$ 4,111,447	\$ 4,111,447
Bonds	7,141,220	7,179,344
Convertible Bonds	2,408,186	2,273,721
Stocks	33,259,348	33,314,316
Total	\$46,920,201	\$46,878,828
Miscellaneous:		
Cash	\$ -0-	\$ -0-
Bonds	9,769	10,000
Common Stocks	3,572	13,411
Total	\$ 13,341	\$ 23,411
Total Investment Accounts	\$46,933,542	\$46,902,239
Other Accounts:		
Notes Receivable	\$ 44,323	\$ 44,323
Loan to U.S. Treasury in Perpetuity	1,000,000	1,000,000
Total Other Accounts	\$ 1,044,323	\$ 1,044,323
Total Endowment and Similar Fund Balances	\$47,977,865	\$47,946,562

* Includes both true endowment, whose income only may be expended, and quasi endowments, whose principal as well as income may be used for current purposes on approval of the Board of Regents.

TABLE 11. Market Values of Consolidated Endowment Funds*
 [In \$1,000's]

<i>Fund</i>	<i>6/30/73</i>	<i>6/30/74</i>	<i>6/30/75</i>	<i>9/30/76</i>	<i>9/30/77</i>
Unrestricted	\$ 4,759	\$ 3,906	\$ 5,654	\$ 7,477	\$11,694
Freer	18,279	14,250	15,744	16,035	15,410
Endowment No. 3	13,196	11,128	12,321	12,701	12,343
Restricted	7,634	6,266	7,148	7,420	7,431
Total	\$43,868	\$35,550	\$40,867	\$43,633	\$46,879

* Not including Endowment Funds of \$1,000,000 held in the United States Treasury, carrying 6 percent interest, nor minor amount of miscellaneous securities treated separately.

TABLE 12. *Changes in Consolidated Endowment Funds
for Fiscal Year 1977*
[In \$1,000's]

<i>Fund</i>	<i>Market value 9/30/76</i>	<i>Gifts and trans- fers</i>	<i>Interest and divi- dends *</i>	<i>Income paid out</i>	<i>Sub- total</i>	<i>Decrease in market value</i>	<i>Market value 9/30/77</i>
Unrestricted funds ..	\$ 7,477	\$5,500	\$ 356	\$ 417	\$12,902	\$1,207	\$11,695
Freer Fund	16,035	-0-	630	746	15,901	491	15,410
Endowment No. 3 ..	12,701	138	499	592	12,732	389	12,343
Restricted funds	7,420	287	301	335	7,719	288	7,431
Total**	<u>\$43,633</u>	<u>\$5,925</u>	<u>\$1,786</u>	<u>\$2,090</u>	<u>\$49,254</u>	<u>\$2,375</u>	<u>\$46,879</u>

* Income earned less managers fees.

** Not including Endowment Funds of \$1,000,000 held in the United States Treasury, carrying 6 percent interest, nor minor amount of miscellaneous securities treated separately.

policy, net of managers' and custodial fees, was \$2,090,000, which included \$304,000 from accumulated capital gains.

The investment management of the Consolidated Endowment Fund is conducted by three professional advisory firms under the close supervision of the Investment Policy Committee and the Treasurer, subject to the policy guidelines set by the Smithsonian's Board of Regents. The Institution follows the total return policy, adopted by the Board of Regents in 1972, under which income is paid by each individual endowment fund at the annual rate of 4½ percent of the running five-year average of market values, adjusted for additions or withdrawals of capital.

A listing of the individual investments held in the Consolidated Endowment Fund as of September 30, 1977, may be obtained upon request to the Treasurer of the Institution.

Related Organizations

Not included in the preceding financial data are results of operations of several organizations affiliated in varying degrees with the Smithsonian Institution.

The Smithsonian Science Information Exchange, Inc., a nonprofit

entity incorporated in 1971, serves to facilitate the prompt exchange of information of ongoing research activities among Government agencies and the scientific community. While funded in large measure by the federal appropriation made to the Smithsonian Institution for the Exchange, it also receives substantial revenues from users of its services. Unaudited figures for 1977 show that in addition to the \$1,972,000 federal appropriation, SSIE received approximately \$1,250,000 from contract fees and charges to customers; preliminary estimates indicate that expenditures during the year exceeded total income. During the year, an audit of the Institution by the General Accounting Office recommended that the Exchange be dissolved as an independent corporation and that its operations be carried on as part of the Smithsonian's regular organizational structure or as a part of a federal government agency. At year's end, discussions were being held with the Office of Management and Budget regarding the resolution of this problem.

The Smithsonian Research Foundation was incorporated in 1966 in order to administer the Research Awards Program; these activities were paid for by federal appropriations to replace grants formerly received from the National Science Foundation in support of special research projects of Smithsonian scientists. In its audit, the General Accounting Office also recommended dissolution of the Research Foundation, and it is being phased out in fiscal year 1978. Its activities will thereafter be directly administered by the Institution.

Reading is Fundamental, Inc., an organization dedicated to the improvement of reading abilities in children, has been associated with the Smithsonian since 1968, but now operates as an independent, separately incorporated entity for which the Institution, on a contract basis, provides certain administrative services.

Although established by Congress "in the Smithsonian Institution," the Woodrow Wilson International Center for Scholars is separately administered under its own Board of Trustees; office space and support services are provided by the Institution. In order to reflect more properly the Center's independent status, the nonfederal funds of the Center, previously included within the Smithsonian's financial reports, have been reclassified to agency status and do not appear in preceding figures of this report.

TABLE 13. Consolidated Endowment Fund
September 30, 1977

<i>Funds participating in pool</i>	<i>Principal</i>		<i>Income</i>	
	<i>Book value</i>	<i>Market value</i>	<i>Net income</i>	<i>Unexpended balance</i>
UNRESTRICTED FUNDS	\$12,893,097	\$11,694,448	\$ 417,009	\$ -0-
FREER	14,798,076	15,410,247	745,806	193,664
ENDOWMENT NO. 3	12,055,002	12,342,776	591,919	86
RESTRICTED FUNDS:				
Abbott, William L.	194,621	203,137	9,831	6,610
Armstrong, Edwin James	4,421	4,069	191	-0-
Arthur, James	55,998	76,227	3,689	92
Bacon, Virginia Purdy	171,346	158,537	7,673	21,615
Baird, Spencer Fullerton	51,555	68,139	3,298	64
Barney, Alice Pike	40,164	54,624	2,644	7,640
Barstow, Frederic D.	1,866	1,945	94	2,117
Batchelor, Emma E.	62,601	56,503	2,735	15,089
Beauregard, Catherine				
Memorial Fund	72,698	75,910	3,192	4,727
Becker, George F.	294,238	274,398	13,280	5,830
Brown, Roland W.	48,115	52,097	2,191	9,104
Canfield, Frederick A.	52,163	83,985	4,065	-0-
Casey, Thomas Lincoln	23,405	24,472	1,184	396
Chamberlain, Frances Lea	39,435	53,633	2,596	7,267
Cooper, G. Arthur, Curator's				
Fund	4,389	4,285	158	-0-
Cooper-Hewitt Museum	149,773	131,714	5,833	-0-
Desautels, Paul E.	14,257	15,580	720	-0-
Div. of Mammals Curator Fund	3,154	3,115	131	1,758
Div. of Reptiles Curator Fund	2,140	2,127	63	183
Drake, Carl J.	285,874	270,643	11,233	41,120
Dykes, Charles	80,385	84,010	4,066	7,946
Eickemeyer, Florence Brevoort	15,223	20,694	1,002	5,129
Guggenheim, David & Florence	226,932	195,592	8,224	-0-
Hanson, Martin Gustav and				
Caroline Runice	16,599	17,347	840	2,390
Henderson, Edward P.				
Meteorite Fund	573	677	33	103
Hillyer, Virgil	12,272	12,833	621	4,818
Hitchcock, Albert S.	2,204	3,053	148	573
Hrdlicka, Ales and Marie	87,690	94,899	4,593	4,742
Hughes, Bruce	26,798	36,499	1,766	19,209
Johnson, E. R. Fenimore	15,267	12,844	622	6,783
Kellogg, Remington, Memorial	45,978	38,004	1,839	5,367
Kramar, Nada	5,018	4,961	240	301

TABLE 13. Consolidated Endowment Funds
September 30, 1977—continued

<i>Funds participating in pool</i>	<i>Principal</i>		<i>Income</i>	
	<i>Book value</i>	<i>Market value</i>	<i>Net income</i>	<i>Unexpended balance</i>
Lindbergh, Charles A.	6,005	6,171	141	491
Lindsey, Jessie H.	1,269	1,251	61	1,444
Loeb, Morris	162,965	172,047	8,327	—0—
Long, Annette E. and Edith C. ..	757	1,062	51	91
Lyons, Marcus Ward	8,187	6,934	336	14
Maxwell, Mary E.	27,462	37,396	1,810	6,023
Mineral Endowment	175,298	167,016	5,611	100,582
Mitchell, William A.	23,801	22,847	1,106	1,106
Myer, Catherine Walden	37,726	39,430	1,908	8
Natural History and Conservation	2,090	2,056	64	—0—
Nelson, Edward William	33,705	42,348	2,050	6,616
Noyes, Frank B.	1,806	1,987	96	1,555
Pell, Cornelia Livingston	13,851	14,556	705	1,793
Petrocelli, Joseph, Memorial	10,373	14,184	686	8,734
Ramsey, Admiral and Mrs. DeWitt Clinton	478,323	407,645	19,679	14,648
Rathbun, Richard, Memorial ...	19,871	20,857	1,009	12,201
Reid, Addison T.	33,210	34,705	1,680	3,639
Roebling Collection	169,304	228,764	11,071	8,447
Roebling Solar Research	46,344	44,843	2,170	—0—
Rollins, Miriam and William ...	296,433	350,210	16,722	1,058
Ruef, Bertha M.	59,541	50,053	2,422	3,158
Schultz, Leonard P.	24,203	23,504	1,137	14,232
Smithsonian Agency Account ..	250,303	232,123	10,705	3,630
Sprague, Joseph White	2,191,534	2,088,911	86,872	12,728
Springer, Frank	25,391	34,136	1,652	19,814
Stern, Harold P., Memorial	19,875	19,386	136	—0—
Stevenson, John A.	8,958	9,274	390	90
Strong, Julia D.	18,679	19,599	949	3,356
Walcott, Charles D.	192,282	217,603	9,032	194
Walcott, Charles D. and Mary Vaux	644,438	875,865	42,389	12,056
Walcott Botanical Publications .	81,559	106,247	5,142	7,327
Zerbee, Francis Brinckle	1,331	1,794	87	1,796
Total Restricted Funds ...	\$ 7,174,026	\$ 7,431,357	\$ 334,989	\$427,804
Total Consolidated Endowment Funds	\$46,920,201	\$46,878,828	\$2,089,723	\$621,554

Similarly, the National Gallery of Art and the John F. Kennedy Center for the Performing Arts, although legally bureaux of the Institution, are administered by separate Boards of Trustees, with financial reports prepared independently by these organizations.

Although closely tied to the National Zoological Park, the Friends of the National Zoo (FONZ) is an independent nonprofit corporation which, under contract with the Smithsonian, operates the restaurant, trackless train, gift shop, and restaurant concessions at the Zoo. A report on FONZ activities for calendar 1976 (their report period) is contained in the Smithsonian's 1977 report on programs and activities. During this period, FONZ paid concession fees to the Smithsonian of \$121,000, and in addition provided program support for Zoo programs of a value in excess of \$150,000. Members of FONZ contributed over 17,500 hours as tour guides, aides to keepers, and volunteers for the animal watches. As of December 31, 1976, FONZ had a fund balance of \$550,000, which is retained for future support of Zoo programs.

Accounting and Auditing

The nonfederal trust funds of the Institution are audited annually by independent public accountants, and their report for fiscal year 1977 is contained in the following pages. An audit of grant and contract monies received from federal agencies is conducted annually by the Defense Contract Audit Agency. During fiscal year 1977, the General Accounting Office undertook a thorough review of the Smithsonian's financial accountability to the Congress. In their report, dated March 1977, GAO recommended that the Smithsonian provide certain additional reports to Congress, in addition to those already regularly furnished. A separate report, issued in September 1977, reviewed the banking practices of the Institution for its trust funds, and concluded that adequate procedures for the management of cash were in effect.

An Audit Review Committee was established by the Board of Regents during this fiscal year to review the financial administration and audits of the Institution. The internal audit staff continued its audit program of various Smithsonian operations during the year.

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1025 CONNECTICUT AVENUE, N.W.

WASHINGTON, D. C. 20036

(202) 223-9525

The Board of Regents
Smithsonian Institution:

We have examined the balance sheet of the Trust Funds of Smithsonian Institution as of September 30, 1977 and the related statement of changes in fund balances for the year then ended. Such statements do not include the accounts of the National Gallery of Art, the John F. Kennedy Center for the Performing Arts, or other departments, bureaus and operations administered by the Institution under Federal appropriations as detailed in note 2 to the financial statements. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Trust Funds of Smithsonian Institution at September 30, 1977 and the changes in its fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PEAT, MARWICK, MITCHELL & CO.

December 20, 1977

SMITHSONIAN INSTITUTION—TRUST FUNDS
Balance Sheet

September 30, 1977
(with comparative figures at September 30, 1976)

<i>Assets</i>	1977	1976
CURRENT FUNDS:		
Cash:		
In U.S. Treasury	\$ 435,038	820,381
In banks and on hand	788,249	694,934
Total cash	1,223,287	1,515,315
Investments (note 3)	11,689,366	8,149,723
Receivables:		
Accounts and notes, less allowance for doubtful accounts of \$459,000 (\$446,000 in 1976)	4,324,341	4,821,815
Advances—travel and other	528,976	448,200
Unbilled costs and fees—grants and contracts ..	2,673,721	2,219,357
Due from agency funds	123,046	—
Total receivables	7,650,084	7,489,372
Inventories	2,455,538	1,937,426
Prepaid expenses	767,709	951,127
Deferred expenses	3,830,739	2,482,308
Capitalized improvements and equipment, used in income producing activities, net of accumulated depreciation and amortization of \$410,251 (\$724,198 in 1976)	1,283,604	1,069,862
Total current funds	\$28,900,327	23,595,133
ENDOWMENT AND SIMILAR FUNDS:		
Cash, net of receivables and payables on securities transactions	219,381	437,312
Notes receivables	44,323	46,169
Due from current funds	374,442	553,725
Investments (note 3)	46,339,719	40,296,458
Loan to U.S. Treasury in perpetuity at 6%	1,000,000	1,000,000
Total endowment and similar funds	\$47,977,865	42,333,664
PLANT FUNDS:		
Due from current funds	38,340	41,836
Real estate (note 4)	10,343,345	9,875,562
Total plant funds	\$10,381,685	9,917,398
AGENCY FUNDS:		
Investments	10,000	10,000
Due from current funds	1,521,129	371,990
Total agency funds	\$ 1,531,129	381,990

See accompanying notes to financial statements.

SMITHSONIAN INSTITUTION—TRUST FUNDS
Balance Sheet

September 30, 1977
(with comparative figures at September 30, 1976)

<i>Liabilities and Fund Balances</i>	1977	1976
CURRENT FUNDS:		
Accounts payable and accrued liabilities	\$ 3,526,370	2,770,747
Due to plant funds	38,340	41,836
Due to agency funds	1,521,129	371,990
Due to endowment and similar funds	374,442	553,725
Deferred income:		
Magazine subscriptions	9,971,596	7,855,793
Other	1,534,228	1,354,519
Total liabilities	<u>16,966,105</u>	<u>12,948,610</u>
Fund balances:		
Unrestricted:		
General purpose	4,081,653	4,074,326
Special purpose	4,292,028	2,488,013
Total unrestricted	8,373,681	6,562,339
Restricted	3,560,541	4,084,184
Total fund balances	11,934,222	10,646,523
Total current funds	<u>\$28,900,327</u>	<u>23,595,133</u>
 ENDOWMENT AND SIMILAR FUNDS:		
Fund balances:		
Endowment	32,879,201	32,654,170
Quasi-endowment:		
Restricted	2,211,891	2,196,108
Unrestricted	12,886,773	7,483,386
Total quasi-endowment	15,098,664	9,679,494
Total endowment and similar funds	<u>\$47,977,865</u>	<u>42,333,664</u>
 PLANT FUNDS:		
Accrued liabilities	5,175	3,652
Mortgage notes payable (note 4)	129,800	204,822
Fund balances:		
Acquisition fund:		
Unrestricted	32,498	37,499
Restricted	668	685
Total acquisition funds	33,166	38,184
Investment in plant	10,213,544	9,670,740
Total plant funds	<u>\$10,381,685</u>	<u>9,917,398</u>
 AGENCY FUNDS:		
Due to current funds	123,046	—
Deposits held in custody for others	1,408,083	381,990
Total agency funds	<u>\$ 1,531,129</u>	<u>381,990</u>

SMITHSONIAN INSTITUTION—TRUST FUNDS
Statement of Changes in Fund Balances
Year Ended September 30, 1977

	<i>Total Current funds</i>	<i>Total unrestricted funds</i>
REVENUE AND OTHER ADDITIONS:		
Auxiliary enterprises revenue	\$41,419,793	41,419,793
Federal grants and contracts	10,514,916	—
Investment income (net of \$102,638 management and custodian fees)	2,543,532	1,096,596
Gains on sale of securities	—	—
Gifts, bequests and foundation grants	2,203,189	479,619
Additions to equity in real estate	—	—
Rentals, fees and commissions	723,120	723,120
Other—net	1,335,305	342,231
Total revenue and other additions	58,739,855	44,061,359
EXPENDITURES AND OTHER DEDUCTIONS:		
Research and educational expenditures	14,588,574	1,873,387
Administrative expenditures	4,932,340	2,182,826
Auxiliary enterprises expenditures	31,582,560	31,582,560
Expended for real estate and equipment	6,566	—
Retirement of indebtedness	—	—
Interest on indebtedness	—	—
Total expenditures and other deductions	51,110,040	35,638,773
TRANSFERS AMONG FUNDS—ADDITIONS (DEDUCTIONS):		
Mandatory—principal and interest on notes	(94,414)	(94,414)
Portion of investment gain appropriated	304,053	60,969
For plant acquisition	(464,220)	(464,220)
Income added to endowment principal	(196,609)	—
Appropriated as quasi-endowment	(5,521,053)	(5,521,053)
For designated purposes	5,000	(521,871)
Endowment released	26,347	—
Net increase in auxiliary activities	—	—
Total transfers among funds—additions (deductions) ..	(5,940,896)	(6,540,589)
Net increase (decrease) for the year	1,688,919	1,881,997
Reclassification (note 7)	(401,221)	(70,655)
Fund balance at September 30, 1976	10,646,524	6,562,339
Fund balance at September 30, 1977	\$11,934,222	8,373,681

See accompanying notes to financial statements.

Current funds

Unrestricted

Unrestricted				Plant funds		
General purpose	Auxiliary activities	Special purpose	Restricted	Endowment and similar funds	Acquisition	Investment in plant
—	39,825,302	1,594,491	—	—	—	—
—	—	—	10,514,916	—	—	—
1,093,768	—	2,828	1,446,936	—	—	—
—	—	—	—	23,253	—	—
47,764	376,293	55,562	1,723,570	233,686	4,000	—
—	—	—	—	—	—	542,804
562,409	—	160,711	—	—	—	—
44,568	—	297,663	993,074	—	950	—
<u>1,748,509</u>	<u>40,201,595</u>	<u>2,111,255</u>	<u>14,678,496</u>	<u>256,939</u>	<u>4,950</u>	<u>542,804</u>
1,450,776	—	422,611	12,715,187	—	—	—
903,236	1,205,200	74,390	2,749,514	—	—	—
—	31,015,277	567,283	—	—	—	—
—	—	—	6,566	—	469,188	—
—	—	—	—	—	75,022	—
—	—	—	—	—	19,392	—
<u>2,354,012</u>	<u>32,220,477</u>	<u>1,064,284</u>	<u>15,471,267</u>	<u>—</u>	<u>563,602</u>	<u>—</u>
(94,414)	—	—	—	—	94,414	—
60,969	—	—	243,084	(304,053)	—	—
(464,220)	—	—	—	—	464,220	—
—	—	—	(196,609)	196,609	—	—
(5,521,053)	—	—	—	5,521,053	—	—
(925,570)	(424,000)	827,699	526,871	—	(5,000)	—
—	—	—	26,347	(26,347)	—	—
<u>7,557,118</u>	<u>(7,557,118)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>612,830</u>	<u>(7,981,118)</u>	<u>827,699</u>	<u>599,693</u>	<u>5,387,262</u>	<u>553,634</u>	<u>—</u>
7,327	—	1,874,670	(193,078)	5,644,201	(5,018)	542,804
—	—	(70,655)	(330,566)	—	—	—
<u>4,074,326</u>	<u>—</u>	<u>2,488,013</u>	<u>4,084,185</u>	<u>42,333,664</u>	<u>38,184</u>	<u>9,670,740</u>
<u>4,081,653</u>	<u>—</u>	<u>4,292,028</u>	<u>3,560,541</u>	<u>47,977,865</u>	<u>33,166</u>	<u>10,213,544</u>

SMITHSONIAN INSTITUTION—TRUST FUNDS

Notes to Financial Statements

September 30, 1977

1. *Summary of Significant Accounting Policies and General Information*

a. **Accrual Basis**—The financial statements of Smithsonian Institution—Trust Funds have been prepared on the accrual basis, except for depreciation of plant fund assets as explained in note 1(h) below, and are in substantial conformity with generally accepted accounting principles included in the American Institute of Certified Public Accountants Audit Guide, "Audits of Colleges and Universities."

b. **Current funds** include capitalized improvements and equipment used in income-producing activities having a net carrying value of \$1,283,604 and \$1,069,862 at September 30, 1977 and September 30, 1976, respectively. Current funds used to finance the acquisition of plant assets and for provisions for debt amortization and interest are accounted for as transfers to the plant fund.

Separate sub-fund groups of current unrestricted funds have been reflected in the statement of changes in fund balances for auxiliary activities (representing primarily the revenues and expenditures of the Smithsonian Associates program, including the Smithsonian Magazine, and museum shop sales) and Special Purposes (representing internally segregated funds for certain designated purposes).

c. **Fund Accounting**—In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and income only be utilized. Also classified as endowment funds are gifts which will allow the expenditure of principal but only under certain specified conditions.

While quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of such

funds may be expended. Restricted quasi-endowment funds represent gifts for restricted purposes where there is no stipulation that the principal be maintained in perpetuity or for a period of time, but the governing board has elected to invest the principal and expend only the income for the purpose stipulated by the donor.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like, is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, endowment income, and other restricted resources are accounted for in the appropriate restricted funds.

- d. Investments are recorded at cost or fair market value at date of acquisition when acquired by gift.
- e. Inventories are carried at lower of average cost or net realizable value.
- f. Income and expenses with respect to the Institution's magazine and associates' activities are deferred and taken into income and expense over the applicable periods and are reported in the activities section of the current unrestricted funds.
- g. The Institution utilizes the "total return" approach to investment management of endowment funds and quasi-endowment funds. Under this approach, the total investment return is considered to include realized and unrealized gains and losses in addition to interest and dividends. In applying this approach, it is the Institution's policy to provide 4½% of the five year average of the market value of each fund (adjusted for gifts and transfers during this period) as being available for current expenditures; however, where the market value of the assets of any endowment fund is less than 110% of the historic dollar value (value of gifts at date of donation) the amount provided is limited to only interest and dividends received.
- h. Capitalized improvements and equipment used in income-producing activities purchased with Trust Funds are capitalized in the current unrestricted fund at cost (see note 1(b)), and are depreciated on a straight-line basis over their estimated useful lives of five to ten years. Depreciation expense of \$165,667 for 1977 is reflected in expenditures of the current funds.

Real estate (land and buildings) are recorded in the plant fund at cost, to the extent that restricted or unrestricted funds were expended therefor, or appraised value at date of gift, except for gifts of certain islands in Chesapeake Bay and the Carnegie Mansion, which have been recorded at nominal values. Depreciation on buildings is not recorded.

All other land, buildings, fixtures and equipment (principally acquired with Federal funds), works of art, living or other specimens are not reflected in the accompanying financial statements.

- i. The agency funds group consists of funds held by the Institution as custodian or fiscal agent for others.

- j. Pension costs are funded as accrued.
- k. The Institution has a number of contracts with the U.S. Government, which primarily provide for cost reimbursement to the Institution. Contract revenues are recognized as expenditures are incurred.

2. *Related Activities*

The Trust Funds reflect the receipt and expenditure of funds obtained from private sources, from Federal grants and contracts and from certain business activities related to the operations of the Institution.

Federal appropriations, which are not reflected in the accompanying financial statements, provide major support for the operations and administration of the educational and research programs of the Institution's many museums, art galleries and other bureaus, as well as for the maintenance and construction of related buildings and facilities. In addition, land, buildings and other assets acquired with Federal funds are not reflected in the accompanying financial statements.

The following Federal appropriations were received by the Institution for the year ended September 30, 1977 and the fifteen months ended September 30, 1976.

	1977	1976
Operating funds	\$ 87,208,000	106,654,000
Special foreign currency program	3,481,000	500,000
Construction funds	9,530,000	13,922,000
	<u>\$100,219,000</u>	<u>121,076,000</u>

The Institution provides fiscal and administrative services to certain separately incorporated organizations on which certain officials of the Institution serve on the governing boards. The amounts paid to the Institution by these organizations for the aforementioned services, together with rent for Institution facilities occupied, etc., totaled approximately \$427,000 for the year ended September 30, 1977. The following summarizes the approximate expenditures of these organizations for the year ended September 30, 1977, and fifteen months ended September 30, 1976 as reflected in their individual financial statements and which are not included in the accompanying financial statements of the Institution:

	1977	1976
Smithsonian Research Foundation	\$2,100,000	2,500,000
Smithsonian Science Information Exchange ...	3,300,000	3,900,000
Reading Is Fundamental, Inc.	1,100,000	650,000
Center for Natural Areas, Inc.	—	420,000
Woodrow Wilson International Center for Scholars (note 7)	1,500,000	—
	<u>1,500,000</u>	<u>—</u>

3. Investments

Quoted market values and carrying values of investments (all marketable securities) of the funds indicated were as follows:

	September 30, 1977		September 30, 1976	
	Carrying value	Market value	Carrying value	Market value
Current funds	\$11,689,366	11,538,378	8,149,723	8,093,625
Endowment and similar funds	46,339,719	46,237,339	40,296,458	42,667,967
Total investments	\$58,029,085	57,775,717	48,446,181	50,761,592

Total investment performance is summarized below:

	Net gains (losses)		
	Current funds	Endowment and similar funds	Total
Unrealized gains (losses):			
September 30, 1977	\$ (150,988)	(103,381)	(254,369)
September 30, 1976	(56,098)	2,371,509	2,315,411
Unrealized net losses for period	(94,890)	(2,474,890)	(2,569,780)
Realized net gains for period	—	23,253	23,253
Total net losses for period	\$ (94,890)	(2,451,637)	(2,546,527)

Substantially all of the investments of the endowment and similar funds are pooled on a market value basis (consolidated fund) with each individual fund subscribing to or disposing of units on the basis of the value per unit at market value at the beginning of the calendar quarter within which the transaction takes place. Of the total units each having a market value of \$100.24 (\$103.69 in 1976), 338,743 units were owned by endowment, and 124,478 units by quasi-endowment at September 30, 1977.

The following tabulation summarizes the changes in the pooled investments during the year ended September 30, 1977:

	Carrying value	Market	Market value per unit
September 30, 1977	\$46,546,759	46,433,309	100.24
September 30, 1976	40,720,429	43,079,172	103.69
Increase (decrease)	\$ 5,826,330	3,354,137	(3.45)

4. Mortgage Notes Payable

The mortgage notes payable are secured by first deeds of trust on property acquired in connection with the Chesapeake Bay Center. The details of the mortgage notes payable are as follows:

	<u>1977</u>	<u>1976</u>
Mortgage note, payable in semiannual installments of \$13,300, plus interest at the prevailing prime rate at the due date of the installment payment but not less than 8%, through July 1, 1980	\$ 79,800	106,400
6% mortgage, note payable, due in monthly installments of \$451 including interest	—	28,422
6% mortgage note, payable in semiannual installments of \$10,000, plus interest, through November 7, 1979 .	50,000	70,000
	<u>\$129,800</u>	<u>204,822</u>

5. Pension Plan

The Institution has a contributory pension plan providing for the purchase of retirement annuity contracts for those employees meeting certain age and length of service requirements who elect to be covered under the plan. Under terms of the plan, the Institution contributes the amount necessary to bring the total contribution to 12% of the participants' compensation subject to social security taxes and to 17% of the participants' compensation in excess of that amount. The total pension expense for the year ended September 30, 1977 was \$1,134,312 and \$1,404,788 for the fifteen months ended September 30, 1976.

6. Income Taxes

The Institution has been recognized by the Internal Revenue Service as exempt from income taxation as an organization described in Section 501 (c)(3) of the Internal Revenue Code. Organizations described in Section 501(c)(3) are subject to income taxation only on their unrelated business income as defined under Code Sections 522 et. seq. It is the opinion of the Institution that it is also exempt from taxation as an instrumentality of the United States as described in Section 501(c)(1) of the Code. Recognition of this dual status will be sought from the Internal Revenue Service. Should the Institution's position not prevail, income taxes in a substantial amount might be imposed on certain unrelated business income.

7. Reclassification

The Institution has classified all trust fund financial activities of the Woodrow Wilson International Center for Scholars (WWICS) in the agency fund during the year. Previously, WWICS's trust fund financial activities were shown as part of the Institution's current funds. During the year WWICS's financial activities were processed by the Institution, but such financial activities are not reflected in the Institution's current funds balance sheet or statement of changes in fund balances. The following summarizes the trust fund financial activities of WWICS as reflected in its individual financial statement and which is not included in the accompanying financial statement of the Institution:

Fund balance, September 30, 1976	\$ 401,220
Revenues and other additions	1,880,463
Expenditures and other deductions	<u>1,509,384</u>
Fund balance, September 30, 1977	<u>\$ 772,299</u>

The Institution will continue to provide financial and administrative services to WWICS for which the Institution will charge a fee.

SMITHSONIAN INSTITUTION LIBRARIES



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