

AM  
101  
S663  
CRLSSI



SMITHSONIAN YEAR • 1978

*Statement by the Secretary*



*Smithsonian Year • 1978*

---

STATEMENT BY THE SECRETARY

*Smithsonian Year 1978, Programs and Activities*, a detailed report,  
is available from the Superintendent of Documents, U.S. Government  
Printing Office, Washington, D.C. 20402



SMITHSONIAN YEAR • 1978

# *To knit the ravelled sleeve . . .*

STATEMENT BY THE SECRETARY

S. DILLON RIPLEY

*The Smithsonian Institution • 1979*

*Library of Congress Catalog Card Number 77-649523*

---

FRONTISPIECE: This wood and bronze figurine of an ibis, the Egyptian symbol of Thoth, god of science and patron of scribes, was a gift to President Dwight D. Eisenhower from the Egyptian government. It is included in the permanent exhibit hall, "Western Civilization: Origins and Traditions," at the Smithsonian's National Museum of Natural History. Photo: Kim Nielsen.

For sale by the Superintendent of Documents, U.S. Government Printing Office  
Washington, D.C., 20402 (paper cover) Stock Number: 047-000-00355-5

## *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

Jimmy Carter, *President of the United States*  
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*  
Harold Brown, *Secretary of Defense*  
Griffin B. Bell, *Attorney General*  
Cecil D. Andrus, *Secretary of the Interior*  
Bob S. Bergland, *Secretary of Agriculture*  
Juanita M. Kreps, *Secretary of Commerce*  
F. Ray Marshall, *Secretary of Labor*  
Joseph A. Califano, Jr., *Secretary of Health, Education and Welfare*  
Patricia Roberts Harris, *Secretary of Housing and Urban Development*  
Brock Adams, *Secretary of Transportation*  
James R. Schlesinger, *Secretary of Energy*

## Board of Regents and Secretary • September 30, 1978

---

### REGENTS OF THE INSTITUTION

Warren E. Burger, *Chief Justice of the United States, Chancellor*  
Walter F. Mondale, *Vice President of the United States*  
Henry M. Jackson, *Member of the Senate*  
Barry Goldwater, *Member of the Senate*  
Robert B. Morgan, *Member of the Senate*  
George H. Mahon, *Member of the House of Representatives*  
Elford A. Cederberg, *Member of the House of Representatives*  
Leo J. Ryan, *Member of the House of Representatives*  
Anne Armstrong, *citizen of Texas*  
J. Paul Austin, *citizen of Georgia*  
John Nicholas Brown, *citizen of Rhode Island*  
William A. M. Burden, *citizen of New York*  
Murray Gell-Mann, *citizen of California*  
Caryl P. Haskins, *citizen of the District of Columbia*  
A. Leon Higginbotham, Jr., *citizen of Pennsylvania*  
Thomas J. Watson, Jr., *citizen of Connecticut*  
James E. Webb, *citizen of the District of Columbia*

### EXECUTIVE COMMITTEE

Warren E. Burger, *Chancellor (Board of Regents)*  
William A. M. Burden  
Caryl P. Haskins  
James E. Webb (*Chairman*)

### THE SECRETARY

S. Dillon Ripley  
Dorothy Rosenberg, *Executive Assistant to the Secretary*  
Michael Collins, *Under Secretary*  
John F. Jameson, *Assistant Secretary for Administration*  
Charles Blitzer, *Assistant Secretary for History and Art*  
David Challinor, *Assistant Secretary for Science*  
Paul N. Perrot, *Assistant Secretary for Museum Programs*  
Julian T. Euell, *Assistant Secretary for Public Service*  
T. Ames Wheeler, *Treasurer*  
Peter G. Powers, *General Counsel*  
Richard L. Ault, *Director, Support Activities*  
James McK. Symington, *Director, Membership and Development*  
Lawrence E. Taylor, *Coordinator, Public Information*



*Smithsonian Year • 1978*

---

STATEMENT BY THE SECRETARY



An aerial photograph shows the twenty-one new Crane-breeding yards at the National Zoo's Conservation and Research Center near Front Royal, Virginia. Designed to encourage breeding among Cranes, which are notoriously difficult to breed in captivity, each yard is provided with a flowing stream, a small marsh and a source of water to maintain its vegetation, a freeze-proof waterer for cold weather, and a heated shelter. The yards are being stocked with Crane pairs. Photo: Larry Collins.

## *To knit the ravelled sleeve . . .*

---

S. DILLON RIPLEY

IN A YEAR OF UNCERTAINTY two important facts have come home to us at the Smithsonian. We have a moral responsibility to speak out for conservation, and time is not quantifiable, at least to most Americans. Of course we can speak of time, of our yesterdays and tomorrows, and of the quality of today, and whether or not tomorrow will be like it. But time, at least in Washington, tends to be measured in very short spans, two years for example, the space between Congressional elections. At the longest such a time may be measured in a term of four years. Who dares dream of eight is greatly daring and can only dream.

If time then is measured in such short terms, how can we speak of conservation? This past year we have been advocating the creation of a support facility, so-called, for our museums, most especially the National Museum of Natural History on the Mall. The building, finished in World War I time, 67 years ago, is chock-a-block, with cases of specimens stacked out in the hallways, and with some 200,000 square feet of public exhibition space now crammed with more and ever more storage. It is the typical fate of a museum, especially a working museum with a large and productive staff, deeply committed to tabulating the secrets of the universe. Anthropologists are there and all their trappings of present or past cultures, or, what is worse, vanishing cultures, tribes particularly who are physically disappearing before our eyes, blowing away like tumbleweed across the prairie before we have even measured the quality or the uniqueness of their lives and their adaptations to a harsher style of living. Harsher—well perhaps not, but a distinctive tribal style of life while beautiful and lived close to nature seems at least physically harsher than an urban slum.

Others are there, the study of whose collections may unlock secrets for us in the future. Invertebrates, corals, insects by the million, geological specimens, larger animals of all kinds. The museum has long ago outgrown its appropriate storage ability. For ten years now we have been planning a secure and appropriate back-up, a support facility we call it, fifteen minutes away in Suitland, Maryland. The space is ours already, and the plans have now been so refined that we feel sure they are the best for the money. This new support facility will house our overflow, provide area space for research as well, and, what is perhaps most important, provide additional space for work in conservation.

The problem of speaking about conservation in almost any rational terms is that the subject is one that people always want to put off—next year, the year after. Museums have traditionally tended to neglect conservation, so busily have their curators been acquiring things. It is far more exciting to collect than it is to conserve what we already have. Most museums of an older day have a farcical amount of space devoted to conservation care or laboratories. Conservation seems unglamorous, like housekeeping. The need for it only comes home to us slowly. It creeps up on one, over the years. It cannot be measured easily in terms of time.

Year by year, textiles fragment, paper crumbles, glass decomposes chemically, bronze becomes "sick" with its own strange disease, metals rust, and wood crumbles into dust. It all happens gradually, but not number by number in an arithmetic sense. Materials decline by the power, in an exponential sense, doubling instead of merely adding. And yet the time involved stretches ahead in an unfathomable way, a limitless horizon of trying to make up, to put things right. These objects we possess are all we have of history, the history of ourselves, the history of the planet. When they are gone we will have lost the evidence. In our own case the poor fragments of history, like the bundle of a man's possessions gathered up after his death, a suitcase full, are the merest remnants of all the power and the creations of mankind. And yet every fragment is precious to us as a testament to creativity, to the impress of culture and civilization on our history, and its example for ourselves.

And so we have planned for ten years, and for a number of these have pressed our case with the Congress. At last it appears that our

urgency has been repaid, for in the current session, we have had hearings, planning money has been awarded, and the Budget officers have approved. The eventual creation of this resource should not only provide greatly expanded exhibition space in the National Museum of Natural History, but also give us an invaluable extension of work in conservation, both for Smithsonian collections as well as training for conservators in the museum field. There are only some four or five places in the United States where such training is effectively given at present. There are less than a thousand conservators in this country, and less than a third of these engaged full time in the more complex research or practical activities of this highly demanding profession. New conservators, coming into the field, are barely replacing those who, for one reason or the other, retire from it. In the face of this vast mountain of slow deterioration, the labors of Hercules pale by comparison. And so hurrah for our supporters in the government, and for those who have been able to take, for once, a longer view.

If long-distance time is so difficult to care about, how much more so is environmental conservation. Just as the Smithsonian is concerned with the preservation of artifacts, objects made by the hand of man, so we must be concerned with natural objects and the evidence that they represent. Ecology is the study of the environment. For years ecologists have rather placidly been tabulating natural phenomena in order to develop principles for understanding the gradual changes in that environment under whatever conditions of climate, of terrestrial or aquatic setting in which this may occur. A whole dramatic field has developed in which the interplay between the living organisms, animals and plants, and the chemical and physical setting in which they play out their roles can be measured. History is involved, and evolution, as well as adaptations caused by external pressures leading to rapid expansion, or to extinction.

Today the measurements taken by ecologists seem to have been so speeded up by the changes wrought by mankind, the proliferation of chemical compounds, the release of oil, nuclear activities, the destruction of forests, especially in the tropical zones of the world, that time, which is essential in ecology, is being abandoned. Ecologists thus seem to be driven to measuring changes brought about by people, rather than by nature. This is not the way the science began, nor is it the healthiest way of proceeding. Unfor-

fortunately we are witnessing today the aftereffects at short range of our own ability to change the environment in a monumental sense. For the first time people have the technological means to create mega-changes in the environment. Ecologists have been nearly caught short in this race against time, before their science has fully matured, and before public understanding and appreciation of the time involved in ecological research has had a chance to evolve.

Environmental impact studies are largely fruitless unless performed over a period of years. But we are too impatient for results to be able to afford the extra time. Such studies cannot be rigorous in an ecological sense for the most part.

Where then to turn? There is no such thing as a quick fix in an environmental impact study except in the very simplest or more direct form such as a known single chemical measured already over years for its effect in a limited environment. But even here the ramifications and side effects may be unmeasured, the mosaic of interactions uninterpreted. How then can we possibly develop answers, for the long haul, to reactions in nature which will satisfy American impatience and lack of a real sense of time? It is part and parcel of our instinct in regard to government policy to put out the brush fires which were developing last year rather than attempt to plan for where the next ones may break out three or four years from now.

In such an atmosphere government activity occurs by inertia. Only a shock of some sort will produce a response, often a twitch as if the body were asleep. Collectively perhaps this is a wise maneuver, for over-reaction sometimes exacerbates the cause of the trouble in the first place. Meanwhile, however, conservation of itself is overlooked. The influences which affect conservation adversely continue to grow and develop. Human population pressure increases relentlessly, and at the same time human expectations continue to rise as education and the spread of communications develop.

In this climate there is perhaps one final moral responsibility left for us collectively as human beings. Aside from any personal ethical responsibilities which we may have as individuals, kindness to others, a faith, self-discipline as we occupy smaller and smaller niches of space, is there a single aspiration to which we should subscribe? For while we delve and span, the planet spins, time passes,





The R.V. *Benjamin*, a gift from a donor in New Orleans, is shown off Swan Island en route to Panama where it is being overhauled for research use. It will augment the work of marine scientists at the Smithsonian Tropical Research Institute.

each day there is change, and in all there is the pressure of life itself, the heartbeat of self in us all.

I believe there is one ethic, one principle left out of our consciousness. It is conservation. It is perhaps the last larger responsibility, bigger than us all. Museum people are singularly reminded of mortality, like priests and doctors, by the deterioration of objects created by the hand of man. Is it possible to transfer this reminder to the rest of our known space, the earth itself? Conservation of that in which we ourselves had no part in creating is an even greater moral charge. It is a harder task for it is all the more impersonal. We can care for our own possessions, our house, our cave, and we can fight for our allotment, our quarter acre, but can we bring ourselves to feel responsible for all of nature in the context of time? It is an impersonal, larger responsibility, but it is incumbent on us all, now that we know for the first time we have tipped the scales, changing it all inexorably in a time frame which is not apparent to our generation.

The planet may spin but we are not aware of it. In the slow turning of the earth the ineffably minute changes that collectively make a difference become meaningless to us. So what if we read that fifty acres of tropical forest are being destroyed each minute, or each hour or each day. What does that have to do with us? Someone else will notice it eventually. It seems as inconceivable that such a statistic could ever affect us as that some day we would be issued the last gallon of gas that we would use—ever.

A museum keeps a roster and a tally of extinction. The Smithsonian maintains the National Herbarium. Five years ago we were charged with developing and maintaining a list of the endangered plants of the United States. We can also tell how many plants have gone extinct in the last hundred years, and of those how many have disappeared in the last twenty-five compared to the preceding seventy-five. We can do the same for a number of animals as well. Abroad we can support some evidence of the numbers of species that are probably going extinct before we have even discovered that they exist. The rate of extinction is a matter of the deepest concern. It means that our environment is becoming impoverished, even as there are more of us humans with our expectations to co-exist with it. But the diversity of species is a measure of the tolerableness of the environment. Impoverishment means a harsher and





Secretary Ripley holds a Bald Eagle chick hatched in an incubator at the Zoo. The species is endangered in several parts of the United States. *Below.* Père David's Deer at the Conservation and Research Center is an example of a species which survives only through captive breeding. Long extinct in the wild, the last herd was found in the Royal Hunting Park near Peking in 1865, and became extinct in China by the end of the century. Fortunately a few of the deer had gone into European collections, surviving from successful captive breeding by the Duke of Bedford in England. The herd is thriving in its favorable habitat of thirty-two acres at the Center. Under the changing dominance of the strongest male, it grew by eight surviving births in 1978.



harsher atmosphere and space in which to live. And so at the same moment that humans are doubling and trebling, the world is being robbed of some of those very expectations on which our future may depend. Cannot conservation then be described as the ultimate responsibility for us all? Museums have it in their power to act as long-range environmental impact advisors, monitoring the rates at which species may be expected to tell us of the survival value of our allotted space on earth.

If in this past year we have been preoccupied with the concept of conservation, how have we been facing the immediacy of life in Washington, our business of being? On the one hand, we have been preparing plans for a new Museum Support Facility in nearby Maryland, as I have mentioned. On the other hand, we have been assessing our management, making sure that our household was in order. In the last two years this management has come under question—in the processes of our annual appropriations requests to the Congress, with appropriate echoes in the press. The Smithsonian is popular, vastly so throughout the country. Its activities have increased along with its popularity. New buildings have been added, and new activities, especially in the form of so-called “out-reach,” have multiplied in response to this very popularity. For in fact we are knitting together a countrywide community of people who want a sense of owning this Institution, this place which should be part and parcel of every American. It is a way to validate our life, our aspirations for our country and our common heritage. We are proud of the diversity of that heritage, of our ethnic roots, of the multifold and various ways that we have come here, but let no one be mistaken in thinking that that very diversity is not part of our common strength as Americans.



The Smithsonian provides a variety of impressions for young visitors, among them a climb on the dinosaur Triceratops. The fiberglass replica on the Mall is popularly known as "Uncle Beasley" after a character in the children's book *The Enormous Egg*. Below. Children benefit from books provided by Reading is Fundamental, Inc., a nationwide program affiliated with the Smithsonian.







Typical of the Smithsonian's countrywide community of diverse interests is the Renwick Gallery, which brings to its exhibitions and activities a mixture of our cultural heritage. *Facing page.* Austrian Ambassador and Mrs. Schober arrive at the Renwick Gallery to attend the "Viennese Waltz," held in the Gallery's Grand Salon to honor Donor members of the Contributing Membership of the Smithsonian National Associates. This special occasion was sponsored by the National Associate Program with the assistance of the Smithsonian Women's Committee and the Austrian Embassy. *Above.* Mrs. Walter F. Mondale, wife of the Vice President of the United States, greets Maria Montoya Martinez at the Renwick Gallery. "Maria the Potter," a Tewa Indian from the San Ildefonso Pueblo near Santa Fe, New Mexico, is internationally recognized as the foremost Native American potter. Now 96 years of age, her craft tradition is carried on by her family. Pottery made by five generations of the Martinez family was exhibited at the Renwick in 1978.



IN MY STATEMENT for *Smithsonian Year 1977* (pages 19–21) I summarized the results of reviews of the Institution's operations conducted by the General Accounting Office (GAO) and by the Audit and Review Committee of the Board of Regents. Recommendations resulting from those reviews dealt largely with actions to improve the accountability of the Smithsonian to the Congress and to strengthen its internal management. In response to these studies, a number of actions have been taken by the Board of Regents and the staff of the Institution over the past year. We have, for example, developed alternative administrative procedures for the research and education programs previously administered by the Smithsonian Research Foundation. The Foundation itself is in abeyance. The matter of the future status of the Smithsonian Science Information Exchange, including its organizational placement, was referred to the Office of Management and Budget (OMB) where it has been taken up by the President's Reorganization Project. For our part we have felt that we could not take unilateral action to dissolve the Exchange from its present corporate status, given its history and purpose. By year end, it appeared that the OMB and the Congress had agreed to transfer the Exchange to the Department of Commerce as a more appropriate affiliation, given that Department's other responsibilities for the management of technical data.

Concerning other matters raised by the GAO, the Institution has strengthened its procedures for providing full information to the Office of Management and Budget and to the Congress on the sources and expenditures of grant, contract, and trust funds at the time that federal budgets are submitted. We have developed policy statements on the use of federal and trust funds. Meanwhile the Congressional appropriations committees have developed and issued revised procedures for all agencies to allow a systematic approach to making necessary adjustments during the year to congressionally approved amounts of funds for individual organization units or projects.

Actions are well along on all the recommendations in the Regents' Audit and Review Committee report, which was accepted by the full Board of Regents at its September 27, 1977, meeting. A policy of seeking specific authorization for all significant new programs and projects potentially involving the use of federal funds

is in effect. Thanks to the participation and cooperation of our staff, a five-year perspective on the Institution's operations, covering the period 1980-1984, has been prepared and approved by the Board of Regents at its September 25, 1978, meeting for review by the OMB, Congress, and others. This plan will be updated annually and should be useful for communications and management purposes. A procedure has been placed in effect for the review by the Regents, or their Executive Committee, of any research awards which might be perceived by the Congress or the public as inappropriate.

Another recommendation stemming from the Regents' review has resulted in a comprehensive inventory and description of programs and activities, with organization charts that will provide useful background information in connection with the five-year perspective. Additionally, we have appointed Michael Collins to the permanent position of Under Secretary and we have added staff to strengthen the internal audit function.

Subsequent to the GAO review and while the Audit and Review Committee study was in progress, the Appropriations Committee of the United States House of Representatives decided that a further examination of the Institution's statutory authority, accountability to Congress, and policies and practices in administering and funding programs would provide useful information to the Committee and to the Congress. This examination, conducted by the Committee's Surveys and Investigations Staff, was documented in a report dated December 20, 1977. Several recommendations emerged from the review. The Institution prepared a detailed response to these and other matters contained in the Surveys and Investigations Staff's report.

The report recommended that the Committee consider legislation or specific appropriations language defining the status of the Smithsonian Institution as a federal instrumentality with accountability, as a federal agency, for all funds, both federal and private, and defining the status of private-role employees with respect to coverage by federal employee benefit programs. In our reply, we stressed that we have affirmed our full accountability as a federal establishment to the Congress for all funds. Implementation of the recommendations in the GAO and Audit and Review Committee reports, including the development of a five-year program perspective and

the provision of full budget information on the sources and applications of funds (with special emphasis on those cases where proposed uses of trust funds could result in the need for appropriations) would appear to help establish the Institution's status and to assure full and timely information and accountability to the Congress. Furthermore, we explained that we foresaw problems in actions that would change the status of our trust-fund employees given the well-defined personnel management system under which these employees now work, the low number of conversions (criticized in the report) between the trust and federal systems which are reviewed carefully, the fact that many of the trust-fund employees are assigned to the auxiliary activities, and our complete willingness to make all financial and personnel information available for review. We feel most strongly that efforts possibly resulting in a change to the Institution's character would have serious consequences with regard to the public's perception of the Institution and their continued generosity in supporting it with important objects for the national collections, with gifts and bequests of funds for special and unrestricted purposes, and with support through the Associates' program.

It was further recommended that the Smithsonian Institution submit future federal appropriation requests with comparative private fund availability projections on a side-by-side basis for the Committee's consideration in determining federal funding levels. We replied that for several years, the Institution has provided, as an appendix to the federal budget justification to the Congress, bureau-by-bureau information on comparative appropriations, federal grants and contracts, and trust fund expenditures for the preceding fiscal year. Recognizing, however, that these historical data were of limited help for a review of the proposed federal budget, we had already provided trust fund projections to the Congress prior to receiving this recommendation. This information will be updated each year and, with the five-year outlook, should afford the basis for a full review of the Institution's programs and resource requirements. We will provide whatever additional information is required by OMB and the Congress to enable those bodies to exercise their oversight responsibilities.

The investigative staff made two recommendations that they felt would strengthen internal management and congressional over-



sight. They recommended that the Board of Regents publish a set of bylaws that would contain specific thresholds for management discretion in Smithsonian Institution program and project initiation, reprogramming of private funds from activities specified in the budget, establishment of a definitive program funding source policy, and a mechanism for Regents' approval of organizational change. The bylaws should also specify the authorities vested in the Executive Committee as well as the full Board of Regents. This study recommended that the appointment of members of the Board of Regents be limited to twelve years or two consecutive terms, to increase Regent participation, and to provide additional periodic policy and program stimulation. At its meeting on September 25, 1978, the Board of Regents gave preliminary consideration to the matter of bylaws and also discussed possible dates for meetings in the ensuing year. The Board also requested the Regents to consider whether they wished to prescribe a limitation on terms of service of the nine citizen regents to two consecutive six-year terms or twelve years.

As a final recommendation, the Investigation Staff suggested that the Committee consider authorizing the Smithsonian Institution to continue to compete as a "private" educational activity for grants and contracts from federal, state, local, and private organizations, and authorizing a research grant award program with specified internal and external peer review to encourage and stimulate the continued research endeavors of the Institution. In our response, we note that, except for limitations recently established by the Appropriations Committees (i.e., seeking grants from the National Endowments for the Arts and the Humanities), the Institution has authority to compete for many grants and contracts. The Smithsonian strongly concurred with the recommendation for a competitive research awards program, based on our continuing system of objective, external peer review.

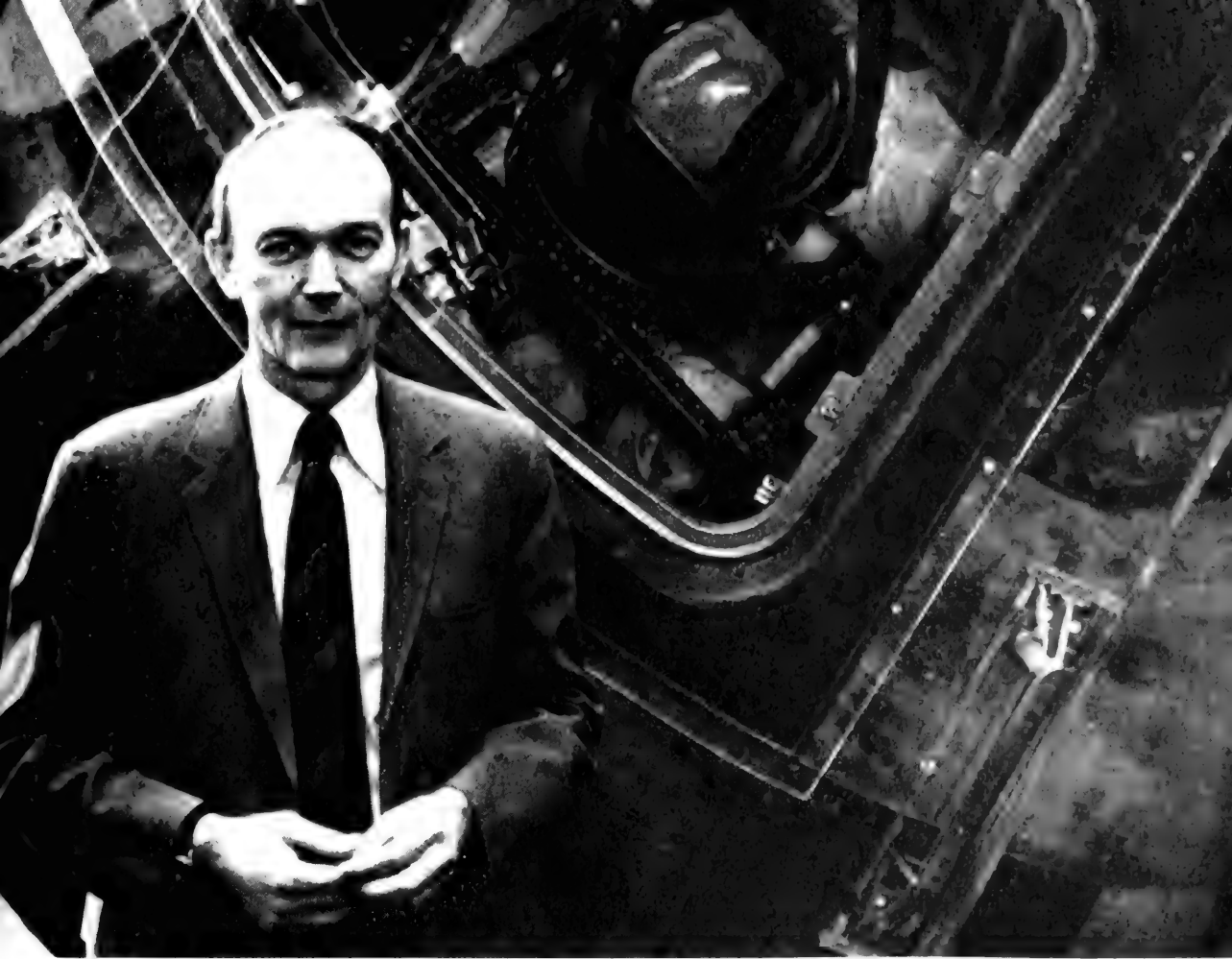
As I noted a year ago, this period of reviews of the Institution's policies and operations has been most helpful. It has afforded us opportunities to examine and strengthen some of our procedures. The explanations that we have provided the Congress have helped to clarify the nature of the Smithsonian. Our efforts will continue to keep the OMB and the Congress fully informed of our activities and plans. In this time of searching scrutiny of almost everything

in Washington, we are proud of the manner in which the Congressional committees, their staffs and our staffs have shared in looking at this great Institution, and in suggesting, positively and affirmatively, ways in which our services to the public can be maintained and continued. It is a measure of our popularity that these reviews have been so searching. It is a measure of our success that the spirit of these reviews, while thorough, has been so ungrudgingly cordial. We can do no less than be aware of the special responsibility which all in the Smithsonian bear to live up to this charge. We can do no less as keepers of America's testament.

During the past year there have been many changes in the organization of the Institution. An important appointment to the central staff has been that of Michael Collins, formerly director of the National Air and Space Museum, as Under Secretary of the Institution. Additionally, Thomas Lawton has been appointed Director of the Freer Gallery to succeed our late beloved friend, Harold P. Stern, whose untimely death resounded through the field of oriental art.

With regrets we accepted the resignation of Brooke Hindle as Director of the National Museum of History and Technology. He had helped most effectively in piloting that institution through the rigors of the Bicentennial. Silvio Bedini, Deputy Director of that Museum, has resigned in order to assume the position of Keeper of Rare Books of the Institution. The Chairman of the Department of History of Science, Otto Mayr, has effectively assumed the post of Acting Director of the National Museum of History and Technology, while the innovative Deputy Director of the National Air and Space Museum, Melvin Zisfein, has assumed the Acting Directorship of that bustling Museum.

Gretchen Gayle Ellsworth has been appointed Director of the Office of Fellowships and Grants, a link of primary importance with our academic colleagues across the country. In a cognate activity, we greatly welcome the appointment of the Reverend Francis B. Sayre, Jr., former Dean of the Washington Cathedral, as Associate Director of the Woodrow Wilson International Center for Scholars. We have lost a co-worker and gained a Washington colleague in the appointment of Peter Marzio, formerly Curator of Graphic Arts at the National Museum of History and Technology, as Director of this city's Corcoran Gallery of Art, an important post



Michael Collins, Director of the National Air and Space Museum for seven years, was appointed Under Secretary of the Smithsonian Institution on April 24, 1978. *Below.* The first annual "Robert A. Brooks Award for Excellence in Administration" is presented to Mary Grace Potter (center), shown here with Mrs. Robert A. Brooks and Secretary Ripley. Mrs. Potter is Director of the Visitor Information and Associates' Reception Center.



for which he is highly qualified. Similarly John Dobkin, our effective administrative officer of the Cooper-Hewitt Museum in New York, has left us for the significant post of Director of the National Academy of Design, and John Whitelaw, the equally effective administrative officer of the National Air and Space Museum, has left to become the Deputy Chairman for Management at the National Endowment for the Humanities.

Two of the important galleries of the Institution either celebrated or will celebrate Tenth Anniversaries this year, both in the same building, formerly the Patent Office in Washington. Their opening date was from 1968, although the National Collection of Fine Arts is an old bureau, dating back to the commencement of this century. The National Portrait Gallery, only chartered in 1962, has had similarly ten years of visibility in this splendid, redecorated building. Both museums, the one a stimulating panorama of American art, the other one of the most important historical documentation centers in the nation, share with the Archives of American Art what has now become a very crowded building indeed.

We have beseeched the General Services Administration, the cultural advisors of the President, and our Congressional friends, for assistance in recognizing this problem for which a perfect solution lies at hand: the adjacent period building across F Street, presently the home of the International Trade Commission. Connected by underground tunnels, the building could serve as an ideal museum and curation area, and we earnestly hope that, in a solemn and stately manner, an appropriate game of musical chairs can be played to find a new home for our friends of the International Trade Commission, so that a leavening of space can reward our own two splendid museums.

Elsewhere in this annual report and indeed in the newspapers, magazines, and accounts across the land, this year has been celebrated by the opening of the most splendid museum edifice created in a generation, the new East Building of the National Gallery of Art. Opened to critical acclaim, this trapezoidal structure sets a capstone to the gallery space on the Mall. It will be a fascinating, popular attraction for many years to come. The East Building represents a special tribute to the persistence and courage of Andrew Mellon's children, the late Mrs. Ailsa Mellon Bruce, and the President of the Board of the Gallery, Paul Mellon. Few men in this gen-



A view from the southeast of the National Gallery of Art's East Building, which opened June 1, 1978. In addition to art galleries, the building will provide space for a Center for Advanced Study in the Visual Arts, to open at a later date. The Study Center will house approximately two million photographs and 300,000 books as well as curatorial and administrative offices for Gallery staff and study facilities for visiting scholars.

eration have done as much for the preservation of cultural values in the nation as Mr. Mellon.

In all the museums this has been a year of vibrant activity in exhibitions, from the Renwick Gallery with its innovative craft exhibits to the Museum of Natural History/Museum of Man with its thrilling exhibition of Mexican archeological art and artifacts dating from early prehistory to recent colonial times. This latter brilliant display was made possible through the generosity of the Mexican Government and the munificence of our friend, Dr. Armand Hammer. The Cooper-Hewitt has had three major exhibitions and at the same time received numerous awards for the renovation of the splendid Carnegie house as a museum. The Hirsh-

horn had two major exhibitions of great quality, while the National Museum of History and Technology opened its new Maritime Hall, and the National Museum of Natural History completed its hall of the history of early human endeavors at aggregations and civilization. In the latter connection it could be said that this is a continuing process for mankind.

Important acquisitions by gift and purchase rained in upon us this year, not least of which was the gift of a major part of the first balloon which managed to cross the Atlantic with three intrepid passengers. Appropriately, it reached our National Air and Space Museum, which celebrates the history of ballooning so effectively as part of our history of human flight.

In April 1784, General George Washington wrote to one of his war-time colleagues, the French engineer M. Duportail, regarding balloon aeronautics (for the French were the leaders in this field at the time): “. . . I have only newspaper accounts of the Air Balloons, to which I do not know what credence to give as the tales related of them are more marvellous and lead us to expect that our friends at Paris in a little while, will come flying through the air, instead of ploughing the ocean to get to America, . . .” A foresighted thought, for our General was merely 194 years ahead of his time.

Much of our research, and a detailed list of publications as well as collections acquisitions will be found in the cognate volume of the Annual Report under the sections on science, history and art, public service, and museum programs, but one project should be singled out as a major step in reinforcing our understanding of the decline of human environments on the planet. This is the work of Farouk El-Baz, research director in our National Air and Space Museum, in the interpretation of space photographs for mapping the advance of deserts as against the possibility of reclaiming land in overpopulated countries of the desert belts of the world. So important is this work that the Egyptian President, Mr. Sadat, has requested that Dr. El-Baz serve in an adjunct capacity as Science Advisor to that government, a position we are delighted to endorse.

It is a paradox that as the Smithsonian has engaged in research in Egypt in the past dozen years involving hundreds of research projects, supported with counterpart dollar funds deposited in Egyptian pounds, as we have undertaken the United States support

of the international campaign for the salvage of Nubian monuments, especially Philae, as we are so recognized internationally that our research workers travel freely during times of tension such as the Six-Day War, so now there is a drying up of funds available in Egypt for our work. At the same time the governments of Israel and Egypt, even now negotiating a fragile peace, a priority of the highest kind, think of searching for an impartial organization of their common basic science interests in the vast expanse of desert that lies between their borders. The Smithsonian can play its part in the international reassurance that such science serves to play, and has in the past in other places. We should be recognized as such a force for civilized life and activity at all times.

Years ago Mark Twain, in his *Innocents Abroad*, characterized us as the recipient “. . . of seeds and uncommon yams and extraordinary cabbages and peculiar bullfrogs for that poor, useless, innocent, mildewed old fossil the Smithsonian Institute (sic), . . .” Come then in 1978 to our Victorian Garden on the south façade of the original “castle” building, where now on the parterre are ornamental purple and green cabbages surrounding the new statue of Spencer Fullerton Baird, second Secretary of the Institution, and see how old, useless, mildewed, and naive we are. I daresay there is not a better example of persistent style in all Washington than this fossil-studying Institution, Mr. Clemens!





Leonard Baskin's bronze statue of Spencer Fullerton Baird, second Secretary of the Smithsonian Institution and one of America's greatest nineteenth-century scientists and scientific administrators, was unveiled in the Smithsonian's Victorian Garden, south of the "Castle," on May 4, 1978. To accommodate the statue, the Office of Horticulture relandscaped the Garden, designing a perennial border along the west side of the embroidery parterre, installing four cast-iron urns, and using plants typical of the nineteenth century.





## *Board of Regents*

---

During the past year, three formal meetings of the Board have been held. The first occurred on JANUARY 16, 1978. That winter meeting of the Board of Regents convened in the Regents Room of the Smithsonian Institution Building. The Regents and the staff of the Smithsonian Institution joined the family and friends of Hubert H. Humphrey and the nation in mourning his death. The Regents resolved that their tribute to Hubert H. Humphrey be spread upon the records of the Institution:

Hubert H. Humphrey — 1911–1978 — leader, humanitarian, legislator, advocate of justice and civil rights, supporter of education and international understanding, man of character and vision, dedicated to his family, his nation and his fellow human beings. In his final public appearance at the Smithsonian Institution on June 14, 1977, Hubert Humphrey told us:

“When I speak of morality I am talking about every kind of human behavior, toward ourselves, toward our fellow human beings, other living creatures and even the earth itself. Environmental protection is morality. Conservation of our resources is morality. Abuse and waste of our resources is immoral. And the abuse and waste of ourselves is the worst of the immoralities.”

And he told us:

“If we do not live by some standards of truth and justice, of kindness and respect for the integrity and the rights of others, we will perish, we will lose our humanity.”

And he told us:

“I have heard it said that we have lost our way. Maybe so, but possibly what we ought to be saying is that we are looking for a better way.”

This is his legacy to us. We shall remember.

A search committee had been appointed to consider candidates to succeed Regent Robert F. Goheen, who resigned to become Am-

bassador to India. A unanimous recommendation was made to propose Mrs. Anne Legendre Armstrong as citizen Regent, subject to action by the Congress.

The financial report was summarized and included details of the pending budget submission to the Office of Management and Budget for fiscal year 1979 and a complete review of the nonappropriated funds of the Institution. A revised draft statement of the policies and procedures governing the use of Smithsonian funds was approved by the Board, subject to reconsideration and revision upon further discussion with concerned members of our Congressional committees. A general survey was recommended by the Investment Policy Committee to determine the adequacy of our investment managers.

The Regents approved the establishment of a pooled income fund which permits a donor to contribute to the fund while at the same time retaining a lifetime interest income for the donor or a named beneficiary. The Regents also approved the selection of the United Virginia Bank as Trustee for this pooled income fund, with the Smithsonian retaining the right to replace the Trustee.

The Board of Regents recognized the opportunity to support a number of important unmet needs of the Institution and approved the expenditure of an amount up to \$2,000,000 for fiscal year 1978 for acquisition of collections, the increase of knowledge through scholarly programs, and the diffusion of knowledge through educational programs. Future years' allocations for these purposes will be considered annually by the Regents, with the expectation that the acquisitions program will continue at the same level for five years, subject to the availability of funds.

Favorable progress was reported in implementing the recommendations of the Hughes Report concerning recruitment for an Under Secretary, a five-year planning process, an inventory of programs and activities, procedures for administering programs formerly in the Smithsonian Research Foundation, and action on the Smithsonian Science Information Exchange. The Secretary discussed the continuing review of Smithsonian operations by the Surveys and Investigations staff of the House Appropriations Committee.

The Board expressed its support of legislation to authorize the Smithsonian Institution to acquire the Museum of African Art. The Secretary was authorized to conclude an agreement with the

Trustees of the Museum on terms consistent with the recommendations of the ad hoc Committee of the Regents and to accept the instrument of donation as contained in the legislation.

Stemming from a 1961 bequest to the Institution, an apartment building was authorized to be sold and the net proceeds placed in the Atherton Seidell Endowment fund, the income of which is to be used to make "the published results of scientific research more widely available to those able to use them for the advancement of science," as stipulated by the donor.

Legislative measures introduced in the Ninety-sixth Congress included a bill to authorize construction of the Museum Support Center; a bill transferring to the Library of Congress responsibility for the distribution of United States Government publications to foreign governments and institutions; and a bill to increase the amount of appropriations authorized for Barro Colorado Island.

The Institution accepted an invitation from the Institute for Advanced Study to join with the American Council of Learned Societies, the American Institute of Physics, the National Academy of Sciences, Princeton University, and others, as an honorary sponsor of the Einstein Symposium at Princeton in March of 1979. The Smithsonian will also schedule kindred activities in Washington at the same time.

The Regents received reports concerning acquisitions of the National Collection of Fine Arts Commission, the National Portrait Gallery Commission, and the Board of Trustees of the Hirshhorn Museum and Sculpture Garden.

The Secretary reported that the Regents had ratified action taken to develop a general interest book entitled *The Smithsonian Experience*, which was published and sold very well. Two other books, tentatively titled *A Flash of Genius: The Smithsonian Book of Invention and Innovation* and *The Magnificent Foragers*, were scheduled for feasibility studies.

The Secretary and the Regents discussed possible acquisition of the Tariff (Trade) Commission Building, when the current occupants no longer require use of the building, to provide for the future needs of the National Collection of Fine Arts, the National Portrait Gallery, and the Archives of American Art.

Further study of the development of Mall underground garages indicated various methods of financing the project, and the Regents agreed that the study should be continued.

Programs created and produced by or for the Smithsonian for external educational, informational, and associated purposes include such projects as *Smithsonian World*, a series of one-hour television programs with a magazine concept being developed; a *Place of Dreams*, a documentary dealing with the history of flight; a 30-minute film about the conception, design, construction, and eventual operation of the Multiple Mirror Telescope at Mount Hopkins, Arizona; and *Radio Smithsonian*, a weekly half-hour series broadcast nationwide, touching upon diverse happenings throughout the Institution.

An intensive review of the Institution's equal employment opportunity policies and programs was begun by Mr. Will Douglas, Jr., the new staff director of the Office of Equal Opportunity. He was also assigned responsibility for coordinating the Institution's programs for the handicapped.

A report to the Regents from the National Armed Forces Museum Advisory Board listed the variety of activities taking place in the National Museum of History and Technology relating to armed forces history, including postdoctoral studies, scholarly conferences, and work toward an expanded Hall of the Armed Forces.

Among the most noteworthy additions to the National Numismatic Collections in 1977 was the 1913 Liberty Head Nickel, a significant piece virtually completing the Smithsonian's collection of United States coins of the twentieth century.

Following the meeting the Regents attended a signing ceremony where an agreement between the Smithsonian Institution and the Chase Manhattan Bank was executed accepting the Chase Manhattan Bank historic money collection for the Institution.

MAY 5, 1978, MEETING: The Spring meeting of the Board of Regents was held in the Regents Room and was called to order by the Chancellor who welcomed the newly appointed Regent, Senator Robert B. Morgan, who replaced Senator Claiborne Pell, resigned. The Chancellor also introduced the new Under Secretary, Michael Collins, unanimously selected by the Secretary and the Regents.

The financial reports indicated that preliminary allowances on the federal budget were favorable. The nonappropriated trust funds budget reflected increases in projected interest income from short-term investments, shops and mail order catalogue, the book *The Smithsonian Experience*, and music record albums. The Secretary,

acting for the Permanent Committee of the Regents, was authorized to accept for the Institution gifts of securities and to sell such securities in the best interests of the Institution to make funds available for the purposes intended by the donor.

Guidelines were presented for the administration of the special allocation of \$2 million of trust funds previously approved by the Regents for collections acquisitions and for scholarly and educational programs.

The Investment Policy Committee reported that in keeping with its policy of monitoring the performance of the three investment counselors over time, the decision was made that a change was desirable. The Board of Regents accepted the recommendation of the Investment Policy Committee and authorized the Secretary to make the recommended changes.

The Board of Regents approved publication of the Smithsonian book of inventions and a book about Smithsonian explorations in the natural sciences, contingent on confirmation by the Executive Committee that satisfactory test mailing results had been received. To aid in future planning a market survey was conducted to seek interests of readers in a variety of topics for future publications such as flight, transportation, the American land and people, time, the National Zoo, anthropology, dinosaurs, and diamonds.

The Regents considered steps taken to date regarding the possibility of underground Mall parking. The staff had held discussions with all potentially interested organizations in the city, and their expressions of interest were solicited. While previous feasibility and visitation studies provided a sound basis for discussion and consideration, next steps would sharpen the focus on specific significant issues, including methods of financing the project, support for the project from interested agencies, and seeking appropriate legislation from the Congress to authorize the use of the Mall for the development of underground parking facilities. The Regents approved an amount of \$70,000 of nonappropriated funds to pursue the project.

The Secretary reported that hearings were held by the Senate Committee on Rules and Administration on legislation to authorize a construction appropriation for the Museum Support Center, and a favorable report was received. Action on the legislation could be expected this session in the House of Representatives.

The Secretary described the legislation introduced in the House and Senate to authorize the Smithsonian to acquire the Museum of African Art. Hearings held by the Senate Committee on Rules and Administration included such witnesses as Senator Muriel Humphrey, Senator Hayakawa, and former Senator Moss, as well as the Secretary of the Smithsonian and the Director of the Museum of African Art. The legislation was reported favorably and action by the House is expected soon.

In the early 1970s planning had begun to enclose the quadrangle formed by the Arts and Industries Building on the west, the Smithsonian Building on the north, and the Freer Gallery of Art on the east. A general preliminary building program and site evaluation study had been prepared in 1975 and revised in 1978 in anticipation of various funding possibilities. The Regents approved a contract for the preparation of a design for a building or buildings, including a study model, to express the general design concept. In a related action, the Regents also approved installation of the James Renwick gates along the south axis of the Smithsonian Building.

The Secretary reviewed the Collections Management Study relating to the analysis of conservation needs of the museums as well as inventory controls. Methods being developed in the study will provide a model which in future years will allow for more easily maintained controls.

The Secretary reported to the Regents on various programs, including projects under way in the Smithsonian's continuing commitment to reach out to the American people beyond Washington; plans for the observance of the centennial of the birth of Albert Einstein in 1979; the International Year of the Child and the Smithsonian's seventh symposium in 1981 (tentatively titled "Biology and Culture in Human Adaptation"); reorganization and establishment of a fellowship and grant office; the status of building restoration and renovation projects; activities of the National Board of the Smithsonian Associates; establishment of a new Council at the Cooper-Hewitt Museum to help with promotion and support of museum activities; the Laserium show at the National Air and Space Museum; and the conversion in 1978 of the Institution's measurement procedures to the metric system.

The Executive Committee, having held a number of meetings, thoroughly considered the recommendations contained in the Re-



port of the Surveys and Investigations Staff of the House Appropriations Committee and the Institution's response. Discussions centered on ways and means of clarifying the responsibilities of the Regents and their relationships with the Secretary, and preliminary work was begun on codifying the operating procedures for the Board of Regents and the Secretary.

The Regents reviewed specific actions undertaken by the staff in response to recommendations and criticisms contained in the management studies. The first of the recommendations resulted in a draft document titled "Smithsonian Institution Programs and Activities," which was considered by the Regents to be an excellent inventory of Smithsonian activities. The development of a five-year perspective of Smithsonian future plans was also undertaken and was expected to be completed soon.

The Regents agreed to employ a consultant to the Executive Committee, Mr. Hermann P. Bretsch, on an as-needed basis to analyze various procedures used by the Board of Regents in performing its oversight functions. A Regents' Liaison Group was organized to discuss various Smithsonian matters and to keep the Regents apprised of Smithsonian programs and activities. Meeting monthly, their activities were considered to be most worthwhile.

Following the meeting the Regents participated in the dedication of the statue of Spencer Fullerton Baird, which took place in the Victorian Garden where the statue stands facing the south side of the Smithsonian Institution Building.

SEPTEMBER 25, 1978 MEETING: The fall meeting of the Board of Regents had a record attendance of Regents who had advance review of agenda material. Primary subjects on the agenda related to financial reports and policy issues resulting in a decision to prepare a consolidated budget of all resources of the Institution. The Regents reviewed federal appropriations enactment and designation of the Secretary's authority to expend those funds. The Board also reviewed the budgeted allocations from nonappropriated funds, promulgated guidelines for reprogramming of those funds, and considered the level of the Institution's endowment funds.

It was reported that in compliance with previous recommendations the Smithsonian Science Information Exchange will be transferred to the Department of Commerce before July 1, 1979.



A Five-year Perspective of Smithsonian programs was prepared to indicate the level of activities contemplated for the future with appropriated and nonappropriated resources. A policy statement on the Use of Nonappropriated Funds approved by the Regents underscored the need for the development of the unrestricted trust fund endowment which serves to enhance the programs undertaken for the benefit of the public.

The Lindbergh Chair of Aerospace History Endowment was authorized to be established and funded through transfers of receipts from the auxiliary activities of the National Air and Space Museum.

The Regents reviewed financial data and work to date on two popular publications, *The Smithsonian Book of Invention* and *The Magnificent Foragers*. Future planning was authorized for proposed Smithsonian books relating to such subjects as the American land and the National Zoo.

The Board of Trustees of the Hirshhorn Museum and Sculpture Garden unanimously adopted a resolution of appreciation of the action taken by the Board of Regents in establishing a Collections Acquisition Program to enable the Museum to acquire important works. In connection with the matching of funds requirement of the program, it was noted with pleasure that gifts had already been pledged by the Hirshhorn Trustees.

The Regents reviewed the various stages of progress on pending legislation, work on a number of projects relating to administrative matters, the collections management study, Mall underground parking, construction projects, the selected studies program of the National Associates, and the Smithsonian symposia and seminars.

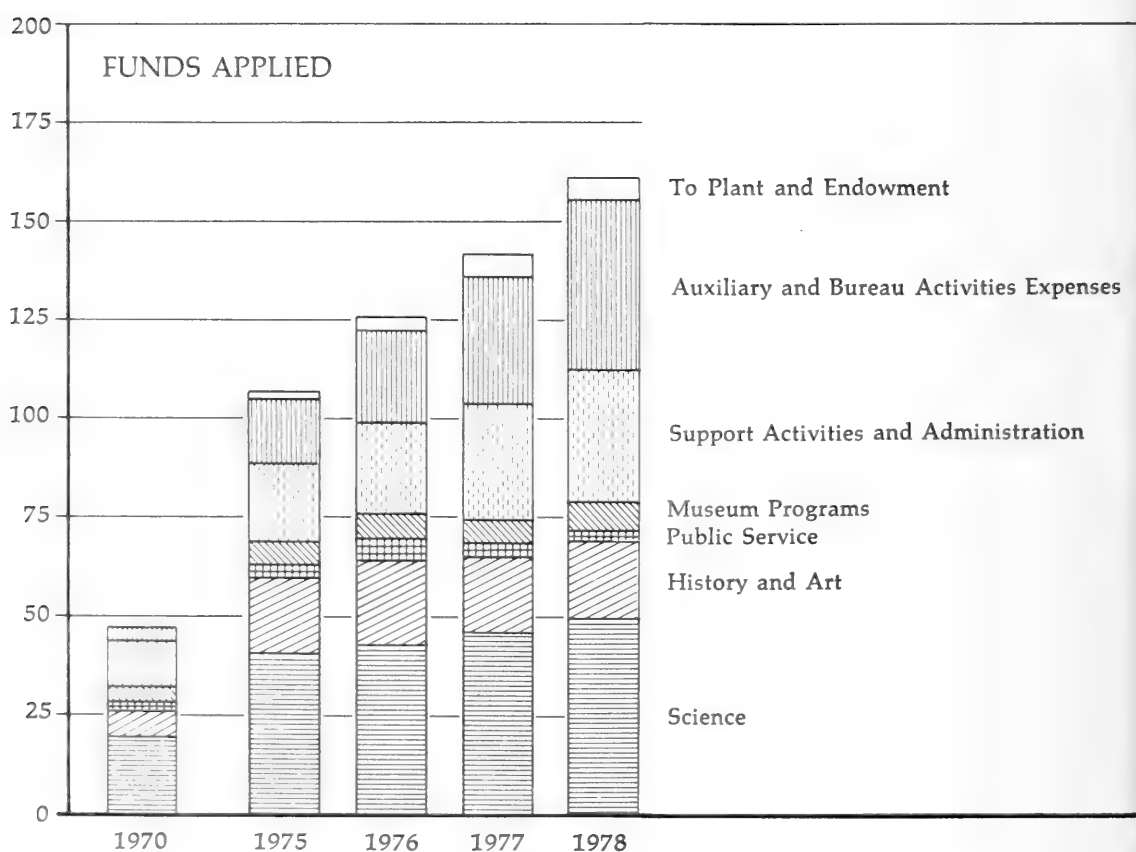
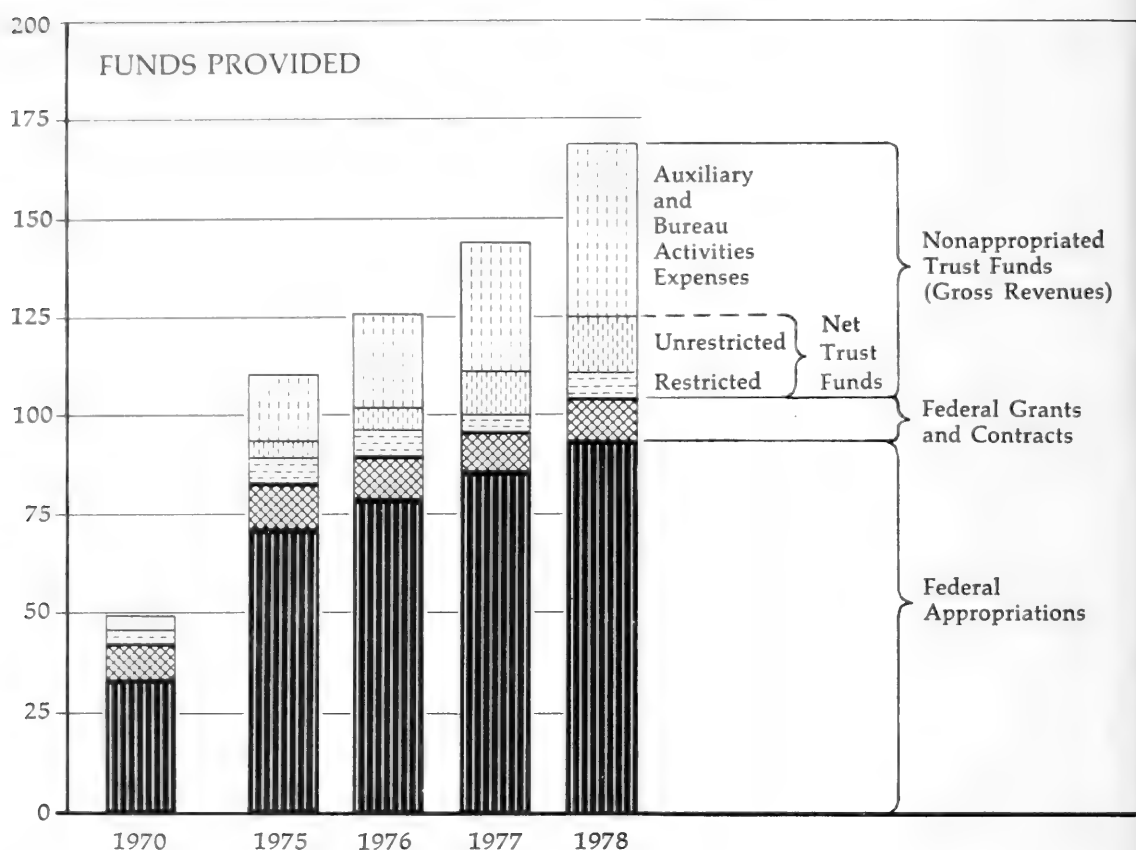
Representative George H. Mahon, Regent of the Smithsonian since 1964, retiring from the Congress, was presented a gift and citation for his distinguished service as a Regent and for the profound effect his leadership has had on our nation through forty-four years in the Congress of the United States.

Mr. James E. Webb was honored at a dinner held at the Supreme Court by the Chancellor of the Smithsonian Institution for his exceptional services as Chairman of the Executive Committee of the Board of Regents.

# SMITHSONIAN INSTITUTION OPERATING FUNDS

Fiscal Years 1970 and 1975-1978

[ In \$1,000,000's ]



## FINANCIAL REPORT

T. AMES WHEELER, TREASURER

**SUMMARY:** In reviewing the Smithsonian's financial progress for fiscal year 1978, note should be taken of important matters which have received much attention from financial and other management personnel over this past year. These dealt with responses to recommendations generated by extensive studies of Institutional operations by the General Accounting Office, the Surveys and Investigations Staff of the House Appropriations Committee and the Smithsonian Board of Regents—essentially the result of the Institution's increased "visibility" following years of physical and financial growth. All of these studies substantiated the integrity of Smithsonian finances. At the same time they made a number of constructive recommendations to strengthen administrative procedures as outlined in Secretary Ripley's statements in both this year's and last year's annual reports. The resulting Smithsonian responses include expanded efforts to provide more extensive financial information to the Congress, the Regents, and the public.

As a part of these efforts some modifications have been made in this financial report. Whereas, it has been the practice in the past to consider federal appropriations separately from nonappropriated trust funds, the Regents, like the Congress, are now emphasizing approval of consolidated budgets which include all types of Institutional funds and clarify the relationships between them. Table 1 in this report, therefore, now sets forth the sources and application of all funds available to the Institution. Other tables in this report, for the most part, provide clarifying detail for this overall summary.

As to the financial results themselves for the fiscal year 1978, they demonstrate the continued strong appreciation and support of the Institution by the Congress and the public as a whole. Federal appropriations totaling \$104.5 million overall were expanded sufficiently to furnish protection against inflationary operating cost increases, strengthen maintenance and protection services, and fund a limited number of urgent additional program needs. Construction appropriations were lower than in the previous year but those for the Foreign Currency Program increased.

Results for our nonappropriated trust funds were equally satisfactory, with further increases in income from investments, gifts and bequests, and auxiliary activities. Restricted purpose funds alone supplied over \$5.0 million for activities and provided a \$1.2 million addition to endowment funds largely dedicated to assistance for Smithsonian scientific publications. The higher level of unrestricted nonappropriated trust funds income made it possible to establish a new \$2-million-per-year program for major collection acquisitions, research, and public education, with an extra \$2 million reserve set aside this year in further support of such future purchases for the collections. In addition, \$869,000 of nonappropriated monies were used for construction, equipment, and land purchases, and over \$3.0 million for a multitude of other bureau and Institution needs, including the inflation-bred rise in administrative costs. Remaining surplus for the year allowed a further prudent addition to endowment funds to guard against possible less satisfactory financial results in future years.

The Board of Regents and the Secretary, in conjunction with Congressional representatives, have now concluded that the Institution should assume in future years, with the use of nonappropriated funds, some program costs previously supported from federal appropriations. Such actions, together with the substantial amounts of nonappropriated funds already being devoted to Institutional operations, will reduce support needed from United States taxpayers and provide strong evidence of the value to the government itself of the Institution's "self-help" auxiliary activities—over and above the very real cultural values these activities present for the public.

**TABLE 1. Financial Summary**  
[\$1,000's]

	FY 1977	FY 1978
<b>INSTITUTIONAL OPERATING FUNDS</b>		
<b>FUNDS PROVIDED:</b>		
Federal Appropriations—Salaries & Expenses ..	\$ 85,236	\$ 93,393
Federal Agency Grants & Contracts .....	10,515	11,157
Nonappropriated Trust Funds:		
For Restricted Purposes .....	4,407	6,538
For Unrestricted & Special Purposes:		
Auxiliary & Bureau Acts. Revenues—Gross ..	41,923	55,201
Less Related Expenses .....	(32,838)	(43,570)
Auxiliary & Bureau Activities Net Income ..	9,085	11,631
Other Unrest. & Special Purp. Income .....	1,637	2,229
Total Net Unrest. & Spec. Purp. Income ..	10,722	13,860
Total Nonapprop. Trust Funds*—Gross .....	47,967	63,968
—Net .....	15,129	20,398
Total Operating Funds Provided—Gross .....	143,718	168,518
—Net .....	\$110,880	\$124,948
<b>FUNDS APPLIED:</b>		
Science .....	\$ 45,677	\$ 49,744
History & Art .....	18,688	19,620
Public Service .....	2,807	2,576
Museum Programs .....	6,820	7,454
Support Activities .....	22,523	26,175
Administration—Federal .....	5,644	6,161
—Nonappropriated Trust Funds .....	5,373	5,875
Less Overhead Recovery .....	(4,592)	(5,200)
Total Operating Funds Applied .....	102,940	112,405
Transfers (Nonapprop. Trust Funds)		
Unrestricted Funds:		
To Plant .....	559	869
To Endowments .....	5,521	3,271
Restricted Funds: To Endowments .....	171	1,261
Total Operating Funds Applied & Transferred Out .....	\$109,191	\$117,806
<b>CHANGES IN NONAPPROPRIATED TRUST FUND BALANCES:</b>		
Restricted Purpose (Incl. Fed. Agency Gr. & Contr.) .....	\$ (194)	\$ 980
Unrestricted—General Purpose .....	8	850
—Special Purposes .....	1,875	5,312
Total .....	\$ 1,689	\$ 7,142
<b>YEAR-END BALANCES—NONAPPROPRIATED TRUST FUNDS:</b>		
Restricted Purpose .....	\$ 3,560	\$ 4,540
Unrestricted—General Purpose .....	4,082	4,932
—Special Purpose .....	4,292	9,604
Total .....	\$ 11,934	\$ 19,076
<b>OTHER FEDERAL APPROPRIATIONS</b>		
Smithsonian Science Information Exchange .....	\$ 1,972	\$ 1,857
Foreign Currency Program .....	3,481	4,000
Construction .....	9,530	5,250
Total Federal Appropriations (Incl. Salaries & Expenses above) .....	\$100,219	\$104,500

\* Figures do not include gifts and other income directly to Plant and Endowment Funds: FY 1977—\$239,000; FY 1978—\$185,000.

## *Operating Funds—Source and Application*

As may be seen from Table 1 and the chart on page 34, total operating revenues of the Institution from all sources increased in fiscal year 1978 to \$168.5 million, compared with \$143.7 million in the preceding year. *Net* funds received (i.e., after expenses incurred in generating the revenues of our auxiliary activities) increased by more than \$14 million to \$124.9 million. These funds are of three principal kinds: federal appropriations (55 percent), grants and contracts received from federal agencies (7 percent) and nonappropriated funds from a variety of sources (38 percent), the percentages shown relating to gross revenues received. While all monies coming to the Institution are dedicated to the same broad objectives of increasing and diffusing knowledge, there are important differences in the specific uses and in the restrictions imposed on these funds. Further detail as to their uses is shown in Table 2.

### *FEDERAL APPROPRIATION*

Of the \$14-million increase in net receipts, about two-thirds was accounted for by the \$8.2-million rise in the federal appropriation to \$93,393,000, equaling 75 percent of total *net* operating revenues. Approximately \$6.3 million of this increase was required merely for the inflationary rise in salaries and utility rates. The remaining \$1.9 million represented additional program support, including provision for higher equipment maintenance costs at the Zoo, expanded computer needs at the Astrophysical Observatory, a major increase for the programs of the National Anthropological Film Center, and added protection services.

### *FEDERAL AGENCY GRANTS AND CONTRACTS*

Grants and contracts from federal agencies amounting to \$11.2 million (8.9 percent of net operating revenues) were slightly higher than in the preceding year. These funds contribute importantly to the scientific research efforts of the Institution in areas of special capability. Again, as in preceding years (see Table 3), the Astrophysical Observatory, under numerous contracts with the National Aeronautics and Space Administration, accounted for about three-fourths of the total. Some examples of these projects are: research

in medical entomology and cancer in lower animals at the National Museum of Natural History, geological studies of the lunar surface at the National Air and Space Museum, studies on the molecular processes of comets at the Astrophysical Observatory, and research on the effects of radiation on plant metabolism at the Radiation Biology Laboratory.

#### NONAPPROPRIATED TRUST FUNDS

Nonappropriated trust funds are now the second largest source of operating support. In fiscal year 1978, their gross revenues rose by 33 percent, and net revenues after costs incurred in the *Smithsonian* magazine, museum shops, and other auxiliary activities which generate income, including those in some individual bureaux, increased 35 percent to \$20,398,000. This amounted to 16.3 percent of total *net* operating revenues compared to 13.6 percent in fiscal year 1977. These included funds provided for both restricted and unrestricted purposes of the Institution.

*Restricted funds* income, totaling \$6,538,000 in fiscal year 1978, as detailed in Table 4, was received for specific purposes designated by the donors and was derived principally from gifts (\$3,478,000) and investment income (\$2,022,000); also included was \$1,038,000 of income from such diverse activities as the Freer Gallery shop and memberships, museum classes, and fund-raising auctions of the Cooper-Hewitt Museum and the Archives of American Art. In fiscal year 1978 we were fortunate to receive a \$1.2-million bequest from the estate of Dr. Atherton Seidell, which, as a part of the Institution's restricted purpose endowment funds, will henceforth provide income for the publication of scientific papers. Major shares of restricted purpose endowment investment income are dedicated to the support of the Freer Gallery of Art, oceanographic research at the Fort Pierce Bureau in Florida, and other specified areas of science. Important uses of gift funds in the past year, as shown in Table 4, include: completion and opening of the Marine Hall in the National Museum of History and Technology, important additions to the mineral collection of the National Museum of Natural History, portrait acquisitions at the National Portrait Gallery, support of research fellowships at numerous bureaux, as well as a great diversity of research and education activities at all levels of Smithsonian operations.



**TABLE 2. Source and Application of Operating Funds**  
**Year Ended September 30, 1978**  
 [Excludes SSIE, Special Foreign Currency Funds, Plant Funds and Endowments]  
 [In \$1,000's]

Funds	Nonfederal Funds							
	Federal funds	Total non- federal funds	Unrestricted			Restricted		
			Gen- eral	Aux- iliary activ- ities	Spe- cial pur- pose	Gen- eral	Grants and con- tracts	
FUND BALANCES—								
1 October 1977 .....	\$ -0-	\$11,934	\$ 4,082	\$ -0-	\$ 4,292	\$ 3,518	\$ 42	
FUNDS PROVIDED								
Federal Appropriations .....	93,393	—	—	—	—	—	—	
Investment Income .....	—	3,597	1,400	—	175	2,022	—	
Grants and Contracts .....	—	11,157	—	—	—	—	11,157	
Gifts .....	—	4,046	112	442	14	3,478	—	
Sales and Revenue .....	—	54,759	—	53,432	1,327	—	—	
Other .....	—	1,566	36	—	492	1,038	—	
Total Provided .....	\$93,393	\$75,125	\$ 1,548	\$53,874	\$ 2,008	\$ 6,538	\$11,157	
Total Available .....	\$93,393	\$87,059	\$ 5,630	\$53,874	\$ 6,300	\$10,056	\$11,199	
FUNDS APPLIED								
Science:								
Natl. Museum of Nat. History .	\$12,447	\$ 1,892	\$ 125	\$ —	\$ 282	\$ 474	\$ 1,011	
Astrophysical Observatory ...	4,613	8,439	15	—	40	130	8,254	
Tropical Research Institute ...	1,743	183	49	—	79	41	14	
Radiation Biology Lab. ....	1,721	117	—	—	6	19	92	
Chesapeake Bay Center .....	626	633	108	—	37	1	487	
Natl. Air and Space Museum .	5,777	1,185	31	—	939	39	176	
Natl. Zoological Park .....	7,584	271	33	—	51	96	91	
Center for Study of Man .....	843	80	3	—	—	15	62	
Fort Pierce Bureau .....	—	338	—	—	—	338	—	
Fellowships and Grants .....	691	28	17	—	—	11	—	
Other .....	755	525	73	—	—	34	418	
Total Science .....	36,800	13,691	454	—	1,434	1,198	10,605	
History and Art:								
Natl. Museum of History and Technology .....	6,405	777	10	—	243	501	23	
Natl. Collection of Fine Arts .	2,928	211	96	—	65	55	(5)	
Natl. Portrait Gallery .....	2,128	258	18	—	22	118	100	
Hirshhorn Museum .....	2,034	51	17	—	15	19	—	
Freer Gallery of Art .....	576	957	—	—	1	956	—	
Archives of American Art ....	458	300	—	—	—	300	—	
Cooper-Hewitt Museum .....	349	1,323	363	—	21	900	39	
American & Folklife Studies ..	276	240	134	—	30	16	60	
Other .....	243	129	77	—	2	1	49	
Total History and Art .	15,397	4,246	715	—	399	2,866	266	

**TABLE 2. Source and Application of Operating Funds—continued**  
**Year Ended September 30, 1978**  
[In \$1,000's]

Funds	Nonfederal Funds						
	Federal funds	Total non- federal funds	Unrestricted			Restricted	
			Gen- eral	Aux- iliary activ- ities	Spe- cial pur- pose	Gen- eral	Grants and con- tracts
<i>Public Service:</i>							
Anacostia Museum .....	557	108	24	—	15	69	—
Smithsonian Press .....	717	583	—	551	—	—	32
Performing Arts .....	299	1,882	12	1,752	37	21	60
Exposition Books .....	—	2,546	—	2,546	—	—	—
Other Public Service .....	638	390	95	285	11	14	(15)
Total Public Service ...	2,211	5,509	131	5,134	63	104	77
<i>Museum Programs:</i>							
Conservation Analytical Lab. .	510	—	—	—	—	—	—
Libraries .....	2,204	144	144	—	—	—	—
Exhibits .....	1,141	10	—	—	15	(5)	—
Traveling Exhibition Svc. ....	154	620	—	575	—	—	45
National Museum Act .....	793	—	—	—	—	—	—
Other Museum Programs .....	2,319	143	31	—	11	101	—
Total Museum Programs	7,121	917	175	575	26	96	45
<i>Other Activities:</i>							
Associates Program .....	—	27,328	—	27,285	2	(5)	46
Business Management .....	—	9,382	—	9,380	2	—	—
Total Other Activities .	—	36,710	—	36,665	4	(5)	46
Support Activities .....	25,703	817	324	334	127	32	—
Administration .....	6,049	5,892	1,065	1,762	264	506	2,295
Overhead Recovery .....	—	(5,200)	(590)	(1,762)	(171)	(430)	(2,247)
<i>Transfers Out/(In):</i>							
Treasury .....	112*	—	—	—	—	—	—
Coll. Acq., Research, Education	—	—	2,000	—	(2,000)	—	—
Collect. Acquis. Reserves .....	—	—	2,000	—	(2,000)	—	—
Liability Reserves .....	—	—	1,000	—	(1,000)	—	—
Net Auxiliary Activities .....	—	—	(11,166)	11,166	—	—	—
Other Designated Purposes ...	—	—	700	—	(700)	—	—
Plant .....	—	869	869	—	—	—	—
Endowment .....	—	4,532	3,021	—	250	1,261	—
Total Transfers .....	112	5,401	(1,576)	11,166	(5,450)	1,261	—
Total Funds Applied ...	\$93,393	\$67,983	\$ 698	\$53,874	\$ (3,304)	\$5,628	\$11,087
FUND BALANCES 9/30/78 ..	\$ -0-	\$19,076	\$ 4,932	\$ -0-	\$ 9,604	\$4,428	\$ 112

\* Unobligated funds returned to Treasury.

TABLE 3. *Grants and Contracts—Expenditures*  
[In \$1,000's]

<i>Federal Agencies</i>	<i>FY 1976</i>	<i>Transition quarter</i>	<i>FY 1977</i>	<i>FY 1978</i>
Department of Commerce .....	\$ 218	\$ 90	\$ 82	\$ 63
Department of Defense .....	800	212	998	968
Department of Energy .....	85	48	157	266
Department of Health, Education and Welfare .....	255	79	282	311
Department of Interior .....	272	48	155	4
Department of Labor .....	162	177	33	1
Department of State .....	1,252	242	282	15
Environmental Protection Agency .....	118	45	452	422
National Aeronautics and Space Administration .....	6,222	1,845	6,346	7,324
National Endowments for the Arts and Humanities ....	451	174	356	226
National Science Foundation ...	432	128	315	400
Other .....	1,258	899	1,113	1,087
Total .....	<u>\$11,525</u>	<u>\$3,987</u>	<u>\$10,571</u>	<u>\$11,087</u>

*Unrestricted purpose funds* include both those for general operating purposes of the Institution and a smaller category designated as *Special Purpose Funds*. In the latter are included funds handled principally by individual bureaux and derived either from activities of the bureaux themselves or received from shares of income from shops and concessions. Detail on income and application of Special Purpose Funds is set forth in Table 5. As shown therein, a major portion of these funds is generated by the National Air and Space Museum; the largest portion of such revenues and expenditures relate to operation of the NASM theater and the substantial reduction in revenues this year results from its 50 per cent cut in admission fees in July 1977. From this source, and a number of other aviation-related auxiliary activities, however, this bureau was able in fiscal year 1978 to transfer \$250,000 to endowment funds toward a \$900,000 goal of funding a Lindbergh Chair of Aerospace History. NASM also supports from these funds a recently established newsletter on aeronautical subjects. Also included in these Special Purpose Funds are reserves set aside for possible additional magazine expenditures and the unspent portion

TABLE 4. *Restricted Operating Trust Funds Fiscal Years 1976-1978*  
[In \$1,000's]

<i>Item</i>	<i>Invest- ment</i>	<i>Gifts</i>	<i>Misc.</i>	<i>Total in- come</i>	<i>Deduc- tions</i>	<i>Trans- fers in (out)</i>	<i>Net in- crease (de- crease)</i>	<i>Fund balance end of year</i>
FY 1976 and Transition Quarter—								
Total .....	\$2,137	\$4,965	\$ 686	\$7,788	\$8,357	\$ 179	\$ (390)	\$3,984
FY 1977—Total .....	\$1,690	\$1,724	\$ 993	\$4,407	\$4,901	\$ 354	\$ (140)	\$3,518*
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
FY 1978:								
Museum of								
Natural History ...	\$ 121	\$1,463	\$ 8	\$1,592	\$ 474	\$ (1,099)	\$ 19	\$ 506
Astrophysical								
Observatory .....	3	155	1	159	130	79	108	8
National Air and								
Space Museum ....	90	—	—	90	39	(15)	36	1,012
Fort Pierce Bureau ...	594	—	—	594	338	—	256	377
Museum of History								
and Technology ...	41	276	10	327	501	(7)	(181)	366
National Collection								
of Fine Arts .....	23	97	18	138	55	—	83	147
Freer Gallery of Art .	767	15	222	1,004	956	—	48	260
Archives of								
American Art .....	28	97	172	297	300	—	(3)	175
Cooper-Hewitt								
—Operating .....	9	136	544	689	685	4	8	8
—Other .....	36	76	31	143	215	(5)	(77)	319
National Portrait								
Gallery .....	18	424	—	442	118	6	330	339
Hirshhorn Museum ..	3	254	—	257	19	—	238	253
Anacostia								
Neighborhood								
Museum .....	—	79	—	79	69	—	10	3
Other .....	289	406	32	727	468	(224)	35	655
Total FY 1978 .	<u>\$2,022</u>	<u>\$3,478</u>	<u>\$1,038</u>	<u>\$6,538</u>	<u>\$4,367</u>	<u>\$ (1,261)</u>	<u>\$ 910</u>	<u>\$4,428</u>

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

of fiscal year 1978 commitment toward a new \$2.0 million per year program for Collection Acquisitions, Research, and Education, discussed below. In fiscal year 1978 an additional \$2,000,000 was also reserved for partial prefunding of commitments toward new collection acquisitions. These added reserves account for the substantial rise in the year-end balance of these funds.

TABLE 5. *Unrestricted Special Purpose Funds*  
*Fiscal Years 1976-1978*  
[In \$1,000's]

<i>Item</i>	<i>Invest- ment</i>	<i>Bu- reau activ- ities</i>	<i>Gifts and other reve- nue</i>	<i>Total income</i>	<i>Trans- fers in/(out)</i>	<i>Pro- gram ex- pense</i>	<i>Bu- reau activ- ity ex- pense</i>	<i>Net in- crease (de- crease)</i>	<i>Fund balance end of year</i>
FY 1976 and Transition Quarter	\$ 3	\$ 630	\$787	\$1,420	\$1,245	\$ 952	\$296	\$1,417	\$2,488
FY 1977 .....	<u>\$ 3</u>	<u>\$1,721</u>	<u>\$387</u>	<u>\$2,111</u>	<u>\$ 828</u>	<u>\$ 447</u>	<u>\$617</u>	<u>\$1,875</u>	<u>\$4,292*</u>
Museum of Natural History ..	\$ 7	\$ 3	\$ 30	\$ 40	\$ 544	\$ 281	\$ 1	\$ 302	\$ 440
Astrophysical Observatory .....	1	—	17	18	174	40	—	152	173
Tropical Research Institute .....	—	67	—	67	71	17	62	59	76
National Air and Space Museum ...	79	1,152	94	1,325	(26)	255	684	360	1,931
National Zoological Park .....	29	—	128	157	70	51	—	176	619
Museum of History and Technology ..	21	8	36	65	190	238	5	12	449
National Collection of Fine Arts .....	10	4	45	59	23	60	5	17	200
Hirshhorn Museum .	5	—	9	14	55	15	—	54	122
Exhibits Central ....	3	—	10	13	—	15	—	(2)	47
Liability Reserves ...	—	—	—	—	1,000	—	—	1,000	1,900
Unallocated Coll. Acquisition Research and Education .....	—	—	—	—	1,042	—	—	1,042	1,042
Collections Acq. Reserve .....	—	—	—	—	2,000	—	—	2,000	2,000
Support Activities and Other .....	<u>20</u>	<u>93</u>	<u>137</u>	<u>250</u>	<u>307</u>	<u>312</u>	<u>105</u>	<u>140</u>	<u>605</u>
FY 1978 Total	<u>\$175</u>	<u>\$1,327</u>	<u>\$506</u>	<u>\$2,008</u>	<u>\$5,450**</u>	<u>\$1,284</u>	<u>\$862</u>	<u>\$5,312</u>	<u>\$9,604</u>

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

\*\* Includes transfer of \$250,000 to Lindbergh Chair Endowment.

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

<i>Item</i>	<i>FY 1976</i>	<i>Transition quarter</i>	<i>FY 1977</i>	<i>FY 1978</i>
<b>INCOME</b>				
General Income:				
Investments .....	\$1,107	\$ 263	\$1,154	\$1,400
Gifts .....	66	16	48	112
Miscellaneous .....	54	13	45	36
Total General Income	1,227	292	1,247	1,548
Auxiliary Activities (net):				
Associates .....	3,256	1,011	6,416	7,441
Shops, Product Develop- ment, and Mail Order Division .....	521	261	828	738
Press .....	(146)	(46)	(108)	(199)
Performing Arts .....	(110)	(9)	(343)	253
Exposition Books .....	—	—	(131)	2,105
Concessions .....	657	517	1,651	1,567
Other Activities .....	(131)	(70)	(332)	(739)
Total Activities .....	4,047	1,664	7,981	11,166
Total Income .....	5,274	1,956	9,228	12,714
<b>EXPENDITURES AND TRANSFERS</b>				
Administrative and				
Program Expense .....	5,024	1,530	6,382	7,474
Less Administrative Recovery	4,558	1,201	4,592	5,200
Net Expense .....	466	329	1,790	2,274
Less Transfers:				
To Special Purpose and Restricted Funds for Program Purposes .....	1,151	499	1,350	5,700
To Plant Funds .....	2,495	207	559	869
To Endowment Funds ....	1,021	755	5,521	3,021
NET GAIN (LOSS) .....	141	166	8	850
ENDING BALANCE .....	\$3,908	\$4,074	\$4,082	\$4,932

TABLE 7. *Auxiliary Activities for Fiscal Year 1978*  
[In \$1,000's]

<i>Item</i>	<i>Total</i>	<i>Museum shops*</i>	<i>Smithsonian Press**</i>	<i>Smithsonian Associates</i>	<i>Performing Arts</i>	<i>Exposition Books</i>	<i>Concessions</i>	<i>Other***</i>
Sales and								
Other Revenue ..	\$53,432	\$9,560	\$ 352	\$34,285	\$2,005	\$4,651	\$1,685	\$894
Gifts .....	442	—	—	442	—	—	—	—
Less Cost of Sales	23,536	5,141	240	16,013	664	1,449	—	29
Gross Income .	30,338	4,419	112	18,714	1,341	3,202	1,685	865
Expenses .....	17,410	3,245	299	10,330	965	1,033	100	1,438
Administrative Costs .....	1,762	436	12	943	123	64	18	166
Income (Loss)								
Before Transfers .	11,166	738	(199)	7,441	253	2,105	1,567	(739)
Transfers In/(Out) .	(390)	(210)#	—	—	—	—	(180)#	—
Net Income .....	\$10,776	\$ 528	\$ (199)	\$ 7,441	\$ 253	\$2,105	\$1,387	\$ (739)

\* 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, and Business Management Office.

# Allocations to the Smithsonian bureaux participating in this program.

A far larger category of unrestricted purpose nonappropriated trust fund income is that for *General Institutional Purposes*, including auxiliary activities, (refer to Tables 2 and 6). Investment income applicable to these funds rose by \$246,000 to \$1,400,000 as the result of previous years' income-generating transfers to endowment funds plus larger invested current fund balances. More importantly, however, net revenues from auxiliary activities rose this year by \$3.2 million to equal \$11,166,000. The Smithsonian Associates Program, including the *Smithsonian* magazine, continues to account for the major share of this income (see Tables 6 and 7). In fiscal year 1978, however, important increases in income were realized from sales of the first Smithsonian Exposition Books (*The Smithsonian Experience* and *The Magnificent Foragers*) and from a major promotion of musical records developed by the Division of Performing Arts. Income from concessions and from museum shops, including the promising new Mail Order Division, continue to provide important contributions.



These general unrestricted funds traditionally support a portion of the Institution's administrative costs, provide income sharing to bureaux for their discretionary uses, make possible a great variety of small but urgent operating or construction allotments, and in a few cases, such as the Cooper-Hewitt Museum, furnish a portion of basic operating support. In more recent years, as described in previous reports, sizeable amounts have also been transferred to endowment funds to provide for future needs. The increase in net revenues occurring in fiscal year 1978 allowed the Board of Regents to establish a new program calling for the expenditure of \$2 million per year. Of this, \$1 million would be to provide for major acquisitions for collections of the Smithsonian's museums and art galleries; until now only very limited funds have been available for this purpose either from federal appropriations or from nonappropriated funds. The other \$1 million per year would consist of two allotments of \$500,000 each to provide for special research projects and public education improvements. Procedures approved by the Regents governing the allotment of these funds call for some matching monies from outside sources and for careful selection and reporting of all projects funded in the three categories.

Other applications of general unrestricted funds in fiscal year 1978 included nearly \$900,000 for construction improvements and land purchase at the Chesapeake Bay Center and elsewhere. Another \$2 million for future collection acquisitions was transferred to Special Purpose Fund reserves, as outlined previously. The transfer to endowment funds to provide income for future needs consisted of \$3 million in the current year, compared to \$5.5 million in fiscal year 1977.

### *Other Operating Programs*

Not included in the general operating funds described above are two other programs, listed at the bottom of Table 1, supported entirely from separate federal appropriations. *The Smithsonian Special Foreign Currency Program* provides grants to institutions in this country for field research in other countries where "excess" foreign currencies are available. Funding in fiscal year 1978 was in-

TABLE 8. *Special Foreign Currency Program*  
Fiscal Year 1978—Obligations

Country	Archeology	System- atic and environ- mental biology	Astro- physics and earth sciences	Museum programs	Grant adminis- tration	Total
Burma .....	\$ —	\$ 76	\$ —	\$ —	\$ —	\$ 76
Egypt .....	2,132,335	102,449	73,192	9,962	6,297	2,324,235
India .....	1,344,603	69,728	32,156	54,735	58,472	1,559,694
Pakistan .....	74,082	147,057	—	1,268	—	222,407
Guinea .....	—	—	—	2,813	—	2,813
TOTAL ...	\$3,551,020	\$319,310	\$105,348	\$68,778	\$64,769	\$4,109,225*

\* An additional \$21,000 was obligated through the National Science Foundation for the translation and printing of scientific publications in India requested by the Smithsonian Institution.

creased to \$4 million, including \$1 million for the fourth and final contribution to the campaign to save the monuments of Nubia. The general areas of research and geographical activities of this program may be seen in Table 8.

The *Smithsonian Science Information Exchange* also received a \$1,857,000 appropriation in fiscal year 1978, slightly lower than in the previous year. This appropriation, together with fees and contract income received from services provided by the Exchange, is normally sufficient to cover operating costs of this organization which has been operated for the benefit of the government as a Smithsonian subsidiary for a number of years. (See also page 54.)

### *Construction*

The federal appropriation of \$5,250,000 in fiscal year 1978 for construction projects was smaller than in recent years. As shown in Table 9, however, it provided for continued work on the Master Plan of the National Zoological Park in Rock Creek and for renovation at its Front Royal Conservation and Research Center. About an equal amount of money was appropriated for continued widespread restoration and renovation projects, including added improvements for handicapped visitors and employees.

An amount of \$325,000 was provided for initial planning work

TABLE 9. *Construction and Plant Funds Fiscal Years 1976-1978*  
[In \$1,000's]

<i>Sources</i>	<i>FY 1976</i>	<i>Transition quarter</i>	<i>FY 1977</i>	<i>FY 1978</i>
<b>FUNDS PROVIDED</b>				
<b>Federal Appropriations:</b>				
National Zoological Park .....	\$ 8,390	\$1,440	\$ 6,580	\$2,500
National Air & Space Museum .	2,500	—	—	—
Museum Support Center .....	—	—	—	325
Restoration & Renov. of Bldgs.	1,192	400	2,950	2,425
<b>Total Federal Appropriations .....</b>	<b>\$12,082</b>	<b>\$1,840</b>	<b>\$ 9,530</b>	<b>\$5,250</b>
<b>Nonappropriated Trust Funds:</b>				
<b>Income—Gift and Other</b>				
Cooper-Hewitt Museum .....	\$ 425	\$ 30	\$ 3	\$ 60
Chesapeake Bay Center .....	5	—	2	—
National Zoological Park ....	100	—	—	—
<b>Total Income .....</b>	<b>\$ 530</b>	<b>\$ 30</b>	<b>\$ 5</b>	<b>\$ 60</b>
<b>Transfers from Current Funds:</b>				
Cooper-Hewitt Museum .....	\$ 425	\$ —	\$ 195	\$ (10)
Chesapeake Bay Center .....	70	12	95	344
NMNH-West Court & Shops .	2,000	195	269	—
S.I. Building Improvements ..	—	—	—	355
Barney House .....	—	—	—	70
National Zoological Park ....	—	—	—	110
<b>Total Transfers .....</b>	<b>\$ 2,495</b>	<b>\$ 207</b>	<b>\$ 559</b>	<b>\$ 869</b>
<b>Total Trust Funds .....</b>	<b>\$ 3,025</b>	<b>\$ 237</b>	<b>\$ 564</b>	<b>\$ 929</b>
<b>Total Funds Provided .....</b>	<b>\$15,107</b>	<b>\$2,077</b>	<b>\$10,094</b>	<b>\$6,179</b>

for an important new Museum Support Center for storage and research purposes to be located at the Silver Hill facility near Washington. Additional federal monies for completion of the planning are being provided in fiscal year 1979, and it is hoped that construction of this facility, already authorized by the Congress, can be funded in fiscal year 1980. The sum of \$869,000 in nonappropriated trust funds was also provided in the past fiscal year toward construction projects. This made possible the completion of a new laboratory building at the Chesapeake Bay Center as well as its

TABLE 10. *Endowment and Similar Funds\**  
*Summary of Investments September 30, 1978*

<i>Accounts</i>	<i>Book value</i>	<i>Market value</i>
<b>INVESTMENT ACCOUNTS</b>		
Consolidated Endowment Funds:		
Cash and Equivalents .....	\$ 356,677	\$ 356,677
Bonds .....	15,913,468	16,030,543
Convertible Bonds .....	1,065,522	1,105,375
Stocks .....	35,412,095	39,537,817
Total .....	<u>\$52,747,762</u>	<u>\$57,030,412</u>
Miscellaneous:		
Cash .....	\$ -0-	\$ -0-
Bonds .....	9,769	9,400
Common Stocks .....	3,572	14,780
Total .....	<u>\$ 13,341</u>	<u>\$ 24,180</u>
Total Investment Accounts .....	<u>\$52,761,103</u>	<u>\$57,054,592</u>
Other Accounts:		
Notes Receivable .....	\$ 42,370	\$ 42,370
Loan to U.S. Treasury in Perpetuity .....	1,000,000	1,000,000
Total Other Accounts .....	<u>\$ 1,042,370</u>	<u>\$ 1,042,370</u>
Total Endowment and Similar Fund		
Balances .....	<u>\$53,803,473</u>	<u>\$58,096,962</u>

\* 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.

continued land purchase payments. Additional funds were either paid, or encumbered by transfer to plant funds, for physical improvements in the area of the Smithsonian Castle and for purchase of a parcel of land surrounded by the present Front Royal holding of the Zoo.

### *Endowment and Similar Funds*

As of September 30, 1978, the Smithsonian endowment funds had a total market value of \$58,097,000 (see Table 10) which included \$57,030,000 in the Consolidated Endowment Fund, \$1,000,000 on permanent deposit in the United States Treasury, and \$67,000 of

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

<i>Fund</i>	<i>6/30/74</i>	<i>6/30/75</i>	<i>9/30/76</i>	<i>9/30/77</i>	<i>9/30/78</i>
Unrestricted .....	\$ 3,906	\$ 5,654	\$ 7,477	\$11,695	\$17,206
Freer .....	14,250	15,744	16,035	15,410	16,807
Endowment No. 3 ....	11,128	12,321	12,701	12,343	13,462
Restricted .....	6,266	7,148	7,420	7,431	9,555
Total .....	<u>\$35,550</u>	<u>\$40,867</u>	<u>\$43,633</u>	<u>\$46,879</u>	<u>\$57,030</u>

\* 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 1978*  
[In \$1,000's]

<i>Fund</i>	<i>Market value 9/30/77</i>	<i>Gifts and trans- fers</i>	<i>Interest and divi- dends*</i>	<i>Income paid out</i>	<i>Sub- total</i>	<i>In- crease in market value</i>	<i>Market value 9/30/78</i>
Unrestricted funds .....	\$11,695	\$3,250	\$ 592	\$ 637	\$14,900	\$2,306	\$17,206
Freer Fund .....	15,410	—	672	724	15,358	1,449	16,807
Endowment No. 3 .	12,343	—	538	580	12,301	1,161	13,462
Restricted funds ..	7,431	1,409	334	362	8,812	743	9,555
Total** ....	<u>\$46,879</u>	<u>\$4,659</u>	<u>\$2,136</u>	<u>\$2,303</u>	<u>\$51,371</u>	<u>\$5,659</u>	<u>\$57,030</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.

miscellaneous securities. Of this total, 69 percent are restricted, with income to be used only for the purposes originally specified by the donor. The Consolidated Endowment Fund consists of the Freer Fund, supporting operations 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 (detailed in Table 13) which support a variety of research and museum programs. The market values of the Consolidated Endowment Fund, which is pooled for investment purposes, are shown in Table 11 while Table 12 shows the change over the past year due to transfers, reinvestment of income, gifts, and values in

TABLE 13. *Consolidated Endowment Funds*  
September 30, 1978

<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>Unex- pended balance</i>
UNRESTRICTED FUNDS:				
General .....	\$16,264,419	\$16,956,569	\$ 637,157	\$ -0-
Dedicated-Lindbergh Chair of Aerospace History .....	250,000	250,000	-0-	-0-
Total Unrestricted Funds ..	\$16,514,419	\$17,206,569	\$ 637,157	\$ -0-
FREER .....	15,132,866	16,806,877	723,758	208,613
ENDOWMENT NO. 3 .....	12,323,203	13,462,028	579,718	376,441
RESTRICTED FUNDS:				
Abbott, William L. ....	198,950	221,548	9,541	-0-
Armstrong, Edwin James .....	4,708	4,646	195	-0-
Arthur, James .....	57,623	83,135	3,580	450
Bacon, Virginia Purdy .....	174,725	172,905	7,446	23,518
Baird, Spencer Fullerton .....	53,007	74,314	3,200	134
Barney, Alice Pike .....	41,328	59,575	2,566	6,063
Barstow, Frederic D. ....	1,907	2,121	91	2,339
Batchelor, Emma E. ....	63,805	61,624	2,654	18,732
Beauregard, Catherine Memorial Fund .....	74,759	83,251	3,573	6,764
Becker, George F. ....	300,086	299,267	12,887	11,241
Brown, Roland W. ....	49,530	57,136	2,452	8,194
Canfield, Frederick A. ....	53,953	91,596	3,944	1,094
Casey, Thomas Lincoln .....	23,926	26,690	1,149	1,087
Chamberlain, Frances Lea .....	40,577	58,495	2,519	7,434
Cooper, G. Arthur, Curator's Fund .....	7,401	7,965	282	1
Cooper-Hewitt Museum .....	153,077	144,170	6,195	-0-
Desautels, Paul E. ....	15,630	18,124	755	3
Div. of Mammals Curator Fund ..	3,316	3,503	149	2,080
Div. of Reptiles Curator Fund ....	2,198	2,333	100	209
Drake, Carl J. ....	299,036	303,023	12,851	48,067
Dykes, Charles .....	82,176	91,623	3,946	12,457
Eickemeyer, Florence Brevoort ....	15,664	22,570	972	6,437
Guggenheim, David & Florence ..	232,241	214,510	9,207	64
Hanson, Martin Gustav and Caroline Runice .....	16,969	18,919	815	2,513
Henderson, Edward P. Meteorite Fund .....	587	739	32	141
Hillyer, Virgil .....	12,546	13,996	603	5,574
Hitchcock, Albert S. ....	2,269	3,330	143	756
Hrdlicka, Ales and Marie .....	89,712	103,500	4,457	3,973
Hughes, Bruce .....	27,576	39,806	1,714	10,867
Johnson, E. R. Fenimore .....	15,540	14,008	603	7,816
Kellogg, Remington, Memorial ...	46,942	41,624	1,790	6,592
Kramar, Nada .....	5,153	5,441	234	528
Lindbergh, Charles A. ....	6,136	6,730	290	1,166

TABLE 13. Consolidated Endowment Funds  
September 30, 1978—Continued

Funds participating in pool	Principal		Income	
	Book value	Market value	Net income	Unex- pended balance
Lindsey, Jessie H. ....	\$ 1,303	\$ 1,372	\$ 59	\$ 2,030
Loeb, Morris .....	166,632	187,640	8,080	2,626
Long, Annette E. and Edith C. ...	780	1,158	50	147
Lyons, Marcus Ward .....	8,335	7,563	339	3
Maxwell, Mary E. ....	28,259	40,784	1,756	6,806
Mineral Endowment .....	179,831	183,170	7,862	5,563
Mitchell, William A. ....	24,421	25,057	1,075	2,143
Myer, Catherine Walden .....	38,566	43,004	1,852	1,910
Natural History and Conservation	14,431	15,529	356	—0—
Nelson, Edward William .....	34,607	46,186	1,989	3,064
Noyes, Frank B. ....	1,849	2,167	93	1,743
Pell, Cornelia Livingston .....	14,162	15,875	684	1,132
Petrocelli, Joseph, Memorial .....	10,675	15,470	666	9,951
Ramsey, Admiral and Mrs.				
DeWitt Clinton .....	504,072	463,943	19,686	9,460
Rathbun, Richard, Memorial .....	20,316	22,747	980	12,786
Reid, Addison T. ....	33,949	37,888	1,616	6,214
Roebbling Collection .....	174,179	249,497	10,744	9,644
Roebbling Solar Research .....	47,299	48,907	2,106	415
Rollins, Miriam and William .....	312,424	391,023	16,610	1,242
Ruef, Bertha M. ....	60,608	54,590	2,351	4,321
Schultz, Leonard P. ....	24,703	25,634	1,104	8,588
Seidell, Atherton .....	1,193,671	1,182,351	7,899	10,562
Smithsonian Agency Account ....	276,899	276,366	11,406	6,323
Sprague, Joseph White .....	2,293,121	2,338,805	99,187	18,324
Springer, Frank .....	26,119	37,230	1,603	20,112
Stern, Harold P., Memorial .....	134,190	141,178	3,088	2,454
Stevenson, John A. ....	9,210	10,171	437	82
Strong, Julia D. ....	19,096	21,375	921	1,161
Walcott, Charles D. ....	202,217	242,963	10,321	586
Walcott, Charles D. and				
Mary Vaux .....	663,104	955,244	41,136	13,107
Walcott Botanical Publications ...	83,823	115,877	4,990	7,064
Zerbee, Francis Brinckle .....	1,370	1,957	84	1,992
Total Restricted Funds ....	\$ 8,777,274	\$ 9,554,938	\$ 362,065	\$367,849
Total Consolidated Endowment Funds .....	\$52,747,762	\$57,030,412	\$2,302,698	\$952,903



the securities market. Income paid out under the total return policy, which was in addition to managers' and custodial fees, was \$2,303,000; this included \$167,000 from accumulated capital gains. Gifts and transfers to the Endowment Funds included the transfer to Unrestricted Endowment referred to above (\$3,000,000), the creation of the Lindbergh Chair of Aerospace History (\$250,000), the restricted gift from Dr. Seidell which the Regents have voted to set aside in Endowment (\$1,179,000), and other gifts and reinvestment of income pursuant to terms of gift (\$230,000).

The investment management of the Consolidated Endowment Fund is conducted by professional advisory firms under the close supervision of the Investment Policy Committee and the Treasurer, subject to the policy guidelines approved by the Smithsonian's Board of Regents. During the year, after an extensive review by the Committee of investment performance since 1971, the services of two of these firms were terminated, and three new advisors were selected, in addition to the one retained.

A listing of the individual investments held in the Consolidated Endowment Fund as of September 30, 1978, may be obtained upon request to the Treasurer of the Institution.

### *Related Organizations*

The Smithsonian Science Information Exchange, Inc., referred to in "Other Operating Programs" above, is a separate nonprofit entity incorporated by the Smithsonian in 1971. It receives as an annual contract from the Smithsonian, the separate appropriation received from Congress for this purpose. Ongoing research information obtained by the Exchange from Government agencies and other sources is catalogued and stored in a computerized data base to permit the answering of thousands of inquiries on these subjects. In return the Exchange also receives substantial revenues from users of its services, totaling about \$1,300,000 in fiscal year 1978, to cover service costs. At the request of the Congress, the Exchange will now be transferred by fiscal year 1980 to the Department of Commerce, which will thereafter assume responsibility for its program.

As mentioned in the financial report for last year, activities of the Smithsonian Research Foundation have now been terminated and incorporated in the Smithsonian's general administrative offices.

The Institution is continuing to provide administrative services for Reading is Fundamental, Inc., an organization which now operates independently after being associated with the Institution since 1968. This organization, dedicated to improvement of reading abilities in children, has grown substantially and is now financed not only by private contributions but also by extensive federal support.

The Woodrow Wilson International Center for Scholars, established by Congress "in the Smithsonian Institution" operates in office space and with support services provided by the Institution but is separately administered under its own Board of Trustees. During the past year the Institution assisted the Center in its launching of the new *Woodrow Wilson Quarterly*. The funds of the Center, administered by the Smithsonian, are included as part of "Agency Funds" like those of the organizations mentioned above.

The National Gallery of Art and the John F. Kennedy Center for the Performing Arts were established legally as bureaux of the Institution to be administered, however, by separate Boards of Trustees. These organizations, therefore, present their own independent financial reports.

The Friends of the National Zoo (FONZ) is an independent, non-profit corporation working closely with the National Zoological Park under contract with the Smithsonian. It operates a number of beneficial concessions at the Zoo, from which it contributed concession and rental fees amounting to over \$115,000 during calendar year 1977 (FONZ's fiscal year), as well as important program support for Zoo programs. Financial affairs of this organization are disclosed separately elsewhere in the *Smithsonian Year 1978, Programs and Activities*.

### *Balance Sheet*

The audit report of the Institution's independent audit firm includes detailed comparative balance sheets for the years 1978 and 1977, shown on pages 58, 59. In accordance with practice governing non-profit organizations, asset and liability accounts for current funds,

endowment and similar funds, plant funds, and agency funds are set forth in separate sections of this balance sheet.

Current funds, which include both restricted and unrestricted purpose operating funds, present a strong financial picture. The Endowment and Similar Funds, plus the Agency Fund sections of this statement have been referred to at length previously. Plant Funds include only fixed assets representing donations of or for land or buildings, plus nonappropriated funds supplied by the Institution itself for these purposes.

### *Accounting and Auditing*

As mentioned last year, efforts have been underway for some time to strengthen the Institution's accounting capability, culminating in fiscal year 1977 in the installation of a new accounting classification system and increased computerization of accounts, while at the same time, new, enlarged computer equipment was going through a shakedown period. Fortunately, the system was largely completed by the beginning of fiscal year 1978, and new information programs are now beginning to benefit the entire Institution. Such improvements will be continuing for years to come, and with present computer capabilities can produce further substantial benefits.

Some of these benefits have already been useful in responding to recommendations referred to at the beginning of this report, arising from the four important audits of the Institution carried out by external sources in the past two years. Complete resolution of the questions raised is expected within the near future.

During fiscal year 1978 also, the Institution has continued to be subject to the more usual type of audits, namely, those of the internal audit staff, the annual financial review by independent certified public accountants, and audits of grants and contracts received from federal agencies conducted by the Defense Contract Audit Agency.

PEAT, MARWICK, MITCHELL & CO.  
CERTIFIED PUBLIC ACCOUNTANTS  
1990 K STREET, N.W.  
WASHINGTON, D. C. 20006  
(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, 1978 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, 1978 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 year.

PEAT, MARWICK, MITCHELL & CO.

December 15, 1978

SMITHSONIAN INSTITUTION—TRUST FUNDS  
Balance Sheet

September 30, 1978  
(with comparative figures at September 30, 1977)

<i>Assets</i>	<i>1978</i>	<i>1977</i>
<b>CURRENT FUNDS:</b>		
Cash .....	\$ 2,692,918	1,223,287
Investments (note 3) .....	17,572,508	11,689,366
Receivables:		
Accounts and notes, less allowance for doubtful accounts of \$380,141 (\$459,000 in 1977) .....	6,823,230	4,324,341
Advances—travel and other .....	420,710	528,976
Unbilled costs and fees—grants and contracts ..	1,316,166	2,673,721
Due from agency funds .....	219,253	123,046
Total receivables .....	8,779,359	7,650,084
Inventories .....	3,950,770	2,455,538
Prepaid expenses .....	1,454,753	767,709
Deferred expenses .....	3,809,267	3,830,739
Capitalized improvements and equipment, used in income-producing activities, net of accumulated depreciation and amortization of \$585,349 (\$410,251 in 1977) .....	1,275,899	1,283,604
Total current funds .....	\$39,535,474	28,900,327
<b>ENDOWMENT AND SIMILAR FUNDS:</b>		
Cash, net of receivables and payables on securities transactions .....	157,760	219,381
Notes receivables .....	42,370	44,323
Due from current funds .....	198,916	374,442
Investments (note 3) .....	52,404,427	46,339,719
Loan to U.S. Treasury in perpetuity at 6% .....	1,000,000	1,000,000
Total endowment and similar funds .....	\$53,803,473	47,977,865
<b>PLANT FUNDS:</b>		
Due from current funds .....	542,738	38,340
Real estate (note 4) .....	10,701,349	10,343,345
Total plant funds .....	\$11,244,087	10,381,685
<b>AGENCY FUNDS:</b>		
Investments .....	10,000	10,000
Due from current funds .....	1,392,879	1,521,129
Total agency funds .....	\$ 1,402,879	1,531,129

See accompanying notes to financial statements.

<i>Liabilities and Fund Balances</i>	<i>1978</i>	<i>1977</i>
<b>CURRENT FUNDS:</b>		
Accounts payable and accrued liabilities .....	\$ 3,885,700	3,526,370
Due to plant funds .....	542,738	38,340
Due to agency funds .....	1,392,879	1,521,129
Due to endowment and similar funds .....	198,916	374,442
Deferred income:		
Magazine subscriptions .....	12,059,452	9,971,596
Other .....	2,379,668	1,534,228
Total liabilities .....	<u>20,459,353</u>	<u>16,966,105</u>
<b>Fund balances:</b>		
Unrestricted:		
General purpose .....	4,932,516	4,081,653
Special purpose .....	9,603,694	4,292,028
Total unrestricted .....	<u>14,536,210</u>	<u>8,373,681</u>
Restricted .....	<u>4,539,911</u>	<u>3,560,541</u>
Total fund balances .....	<u>19,076,121</u>	<u>11,934,222</u>
Total current funds .....	<u>\$39,535,474</u>	<u>28,900,327</u>
<b>ENDOWMENT AND SIMILAR FUNDS:</b>		
Fund balances:		
Endowment .....	33,833,103	32,879,201
Quasi-endowment:		
Restricted .....	3,486,862	2,211,891
Unrestricted .....	16,483,508	12,886,773
Total quasi-endowment .....	<u>19,970,370</u>	<u>15,098,664</u>
Total endowment and similar funds .....	<u>\$53,803,473</u>	<u>47,977,865</u>
<b>PLANT FUNDS:</b>		
Accrued liabilities .....	1,830	5,175
Mortgage notes payable (note 4) .....	83,200	129,800
Fund balances:		
Acquisition funds:		
Unrestricted .....	480,608	32,498
Restricted .....	60,300	668
Total acquisition funds .....	<u>540,908</u>	<u>33,166</u>
Investment in plant .....	<u>10,618,149</u>	<u>10,213,544</u>
Total plant funds .....	<u>\$11,244,087</u>	<u>10,381,685</u>
<b>AGENCY FUNDS:</b>		
Due to current funds .....	219,253	123,046
Deposits held in custody for others .....	1,183,626	1,408,083
Total agency funds .....	<u>\$ 1,402,879</u>	<u>1,531,129</u>

SMITHSONIAN INSTITUTION—TRUST FUNDS  
Statement of Changes in Fund Balances  
Year ended September 30, 1978

	<u>Total current funds</u>	<u>Total unrestricted funds</u>
REVENUE AND OTHER ADDITIONS:		
Auxiliary enterprises revenue .....	\$54,759,388	54,759,388
Federal grants and contracts .....	11,157,066	—
Investment income (net of \$167,721 management and custodian fees) .....	3,429,901	1,529,514
Gains on sale of securities .....	—	—
Gifts, bequests and foundation grants .....	4,046,505	568,357
Additions to equity in real estate .....	—	—
Rentals, fees and commissions .....	784,210	784,210
Other—net .....	1,371,431	333,219
Total revenue and other additions .....	<u>75,548,501</u>	<u>57,974,688</u>
EXPENDITURES AND OTHER DEDUCTIONS:		
Research and educational expenditures .....	15,759,210	2,981,311
Administrative expenditures .....	5,675,636	2,998,826
Auxiliary enterprises expenditures .....	41,737,456	41,737,456
Expended for real estate and equipment .....	—	—
Retirement of indebtedness .....	—	—
Interest on indebtedness .....	—	—
Total expenditures and other deductions .....	<u>63,172,302</u>	<u>47,717,593</u>
TRANSFERS AMONG FUNDS—ADDITIONS (DEDUCTIONS):		
Mandatory—principal and interest on notes .....	(54,841)	(54,841)
Portion of investment gain appropriated .....	166,548	45,168
For plant acquisition .....	(813,734)	(813,734)
Income added to endowment principal .....	(81,852)	(106)
Appropriated as quasi-endowment .....	(4,450,421)	(3,271,053)
For designated purposes .....	—	—
Net increase in auxiliary activities .....	—	—
Total transfers among funds—additions (deductions) ..	<u>(5,234,300)</u>	<u>(4,094,566)</u>
Net increase for the year .....	7,141,899	6,162,529
Fund balance at September 30, 1977 .....	11,934,222	8,373,681
Fund balance at September 30, 1978 .....	<u>\$19,076,121</u>	<u>14,536,210</u>

See accompanying notes to financial statements.



*Current funds*

*Unrestricted*

<i>General purpose</i>	<i>Auxiliary activities</i>	<i>Special purpose</i>	<i>Restricted</i>	<i>Endowment and similar funds</i>	<i>Plant funds</i>	
					<i>Acquisition</i>	<i>Investment in plant</i>
—	53,432,037	1,327,351	—	—	—	—
—	—	—	11,157,066	—	—	—
1,354,942	—	174,572	1,900,387	—	—	—
—	—	—	—	1,334,983	—	—
112,158	441,959	14,240	3,478,148	124,900	60,000	—
—	—	—	—	—	—	404,605
589,953	—	194,257	—	—	—	—
35,798	—	297,421	1,038,212	—	—	—
<u>2,092,851</u>	<u>53,873,996</u>	<u>2,007,841</u>	<u>17,573,813</u>	<u>1,459,883</u>	<u>60,000</u>	<u>404,605</u>
1,797,289	—	1,184,022	12,777,899	—	—	—
1,065,592	1,762,100	171,134	2,676,810	—	—	—
—	40,945,975	791,481	—	—	—	—
—	—	—	—	—	365,992	—
—	—	—	—	—	46,600	—
—	—	—	—	—	8,241	—
<u>2,862,881</u>	<u>42,708,075</u>	<u>2,146,637</u>	<u>15,454,709</u>	<u>—</u>	<u>420,833</u>	<u>—</u>
(54,841)	—	—	—	—	54,841	—
45,168	—	—	121,380	(166,548)	—	—
(813,734)	—	—	—	—	813,734	—
(106)	—	—	(81,746)	81,852	—	—
(3,021,053)	—	(250,000)	(1,179,368)	4,450,421	—	—
(5,310,104)	(390,358)	5,700,462	—	—	—	—
10,775,563	(10,775,563)	—	—	—	—	—
<u>1,620,893</u>	<u>(11,165,921)</u>	<u>5,450,462</u>	<u>(1,139,734)</u>	<u>4,365,725</u>	<u>868,575</u>	<u>—</u>
850,863	—	5,311,666	979,370	5,825,608	507,742	404,605
4,081,653	—	4,292,028	3,560,541	47,977,865	33,166	10,213,544
<u>4,932,516</u>	<u>—</u>	<u>9,603,694</u>	<u>4,539,911</u>	<u>53,803,473</u>	<u>540,908</u>	<u>10,618,149</u>

# SMITHSONIAN INSTITUTION—TRUST FUNDS

## Notes to Financial Statements

September 30, 1978

### 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 use in income-producing activities having a net carrying value of \$1,275,899 and \$1,283,604 at September 30, 1978 and September 30, 1977, 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 4-1/2% 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 \$181,942 for 1978 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 fiscal years ended September 30, 1978 and 1977:

	<u>1978</u>	<u>1977</u>
Operating funds	\$ 95,250,000	87,208,000
Special foreign currency program	4,000,000	3,481,000
Construction funds	5,250,000	9,530,000
	<u>\$ 104,500,000</u>	<u>100,219,000</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 \$409,000 for the year ended September 30, 1978. The following summarizes the approximate expenditures of these organizations for the fiscal years ended September 30, 1978, and September 30, 1977 as reflected in their individual financial statements and which are not included in the accompanying financial statements of the Institution:

	<u>1978</u>	<u>1977</u>
Smithsonian Research Foundation	\$ 120,000	2,100,000
Smithsonian Science Information Exchange	2,355,000	3,300,000
Reading Is Fundamental, Inc.	2,260,000	1,100,000
Woodrow Wilson International Center for Scholars	<u>2,079,000</u>	<u>1,500,000</u>

The Smithsonian Research Foundation for the year ended September 30, 1978 did not receive Federal grants and accordingly the corporate structure will be dissolved in fiscal year 1980. Also, in 1979 the Smithsonian Science Information Exchange operations are to be transferred to the U.S. Department of Commerce.

### 3. Investments

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

	<u>September 30, 1978</u>		<u>September 30, 1977</u>	
	<u>Carrying value</u>	<u>Market value</u>	<u>Carrying value</u>	<u>Market value</u>
Current funds	\$ 17,572,508	17,483,598	11,689,366	11,538,378
Endowment and similar funds	52,404,427	56,697,895	46,339,719	46,237,339
Total investments	<u>\$ 69,976,935</u>	<u>74,181,493</u>	<u>58,029,085</u>	<u>57,775,717</u>

Total investment performance is summarized below:

	<u>Net gains (losses)</u>		
	<u>Current funds</u>	<u>Endowment and similar funds</u>	<u>Total</u>
Unrealized gains (losses):			
September 30, 1978	\$ (88,910)	4,293,468	4,204,558
September 30, 1977	(150,988)	(103,381)	(254,369)
Unrealized net gains for period	62,078	4,396,849	4,458,927
Realized net gains for period	—	1,334,983	1,334,983
Total net gains for period	<u>\$ 62,078</u>	<u>5,731,832</u>	<u>5,793,910</u>

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 month within which the transaction takes place. Of the total units each having a market value of \$110.22 (\$100.24 in 1977), 341,798 units were owned by endowment, and 173,810 units by quasi-endowment at September 30, 1978.

The following tabulation summarizes the changes in the pooled investments during the year ended September 30, 1978:

	Carrying value	Market	Market value per unit
September 30, 1978 .....	\$52,548,845	56,831,475	110.22
September 30, 1977 .....	46,546,759	46,433,309	100.24
Increase .....	<u>\$ 6,002,086</u>	<u>10,398,166</u>	<u>9.98</u>

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:

	1978	1977
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 .....	\$ 53,200	79,800
6% mortgage note, payable in semiannual installments of \$10,000, plus interest, through November 7, 1979 ...	30,000	50,000
	<u>\$ 83,200</u>	<u>129,800</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, 1978 and 1977 was \$1,459,325 and \$1,134,312, respectively.

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 that section are subject to income taxation only on their unrelated business income as defined under Code Sections 512 et. seq. The Internal Revenue Service is presently considering a Request for Ruling filed by the Institution pertaining to the proper interpretation of the current regulations concerning the method of calculating certain unrelated business income. If the Institution's interpretation is approved, no tax would be imposed on this income. It is the opinion of the Institution that it is also exempt from taxation as an instrumentality of the United States as defined in Section 501(c)(1) of the Code. Organizations described in that section are exempt from all income taxation. Recognition of the dual status will be sought by the Institution. If the Institution's positions should not prevail, income taxes in a substantial amount could be imposed on certain unrelated business income.





SMITHSONIAN INSTITUTION LIBRARIES



3 9088 01571 0817