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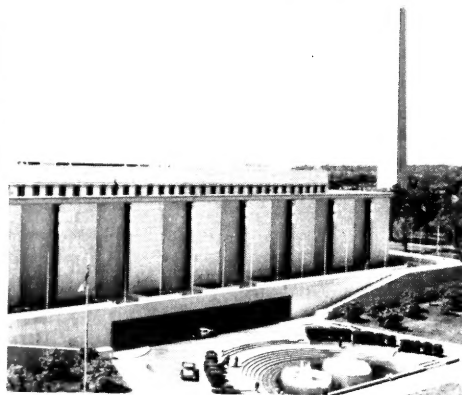
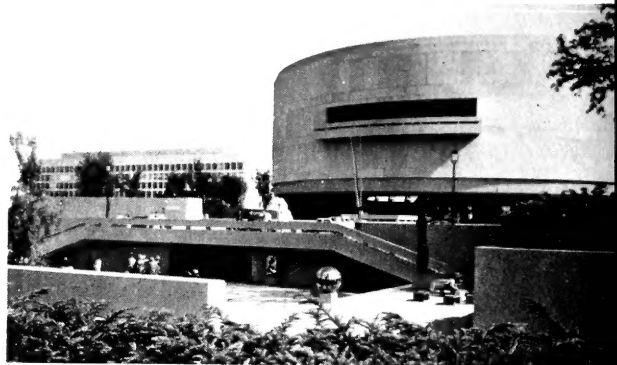
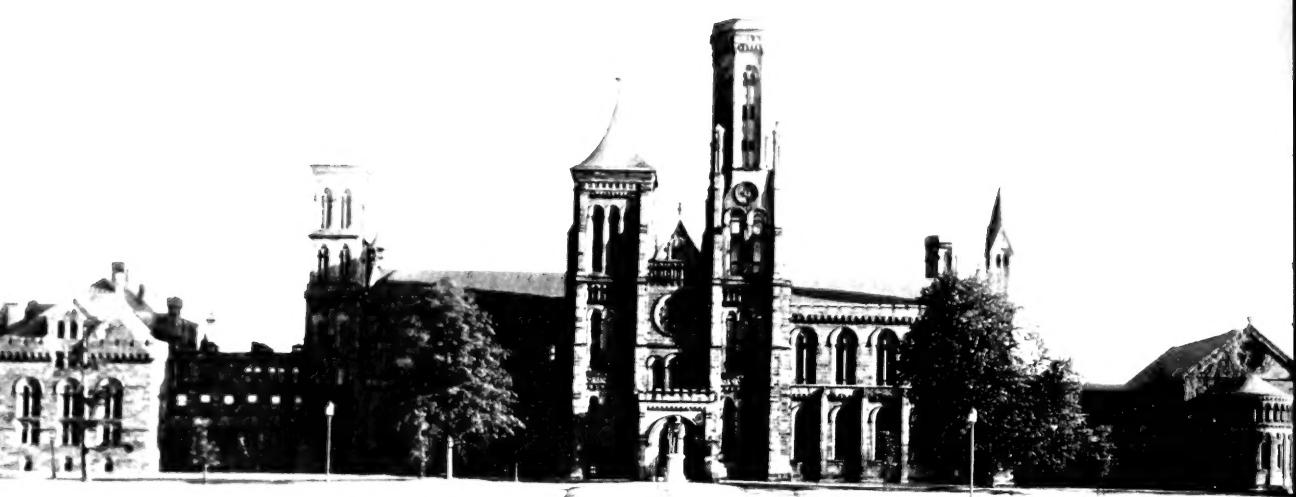
SMITHSONIAN YEAR • 1979

Statement by the Secretary



Smithsonian Year . 1979

STATEMENT BY THE SECRETARY



SMITHSONIAN YEAR · 1979

In the Nation's Service

STATEMENT BY THE SECRETARY

S. DILLON RIPLEY

The Smithsonian Institution · 1980

FRONTISPIECE: The programs and facilities of the Smithsonian Institution are located in many different parts of this country and the world. Shown here are Smithsonian buildings situated on or near the Mall in Washington, D.C. From the top: the Smithsonian Institution "Castle" Building; the National Air and Space Museum; the Hirshhorn Museum and Sculpture Garden; the National Museum of Natural History; the National Museum of History and Technology; the Arts and Industries Building; the Freer Gallery of Art; the Renwick Gallery; the Fine Arts and Portrait Gallery Building; the Museum of African Art; and the Anacostia Neighborhood Museum.

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*
G. William Miller, *Secretary of the Treasury*
Harold Brown, *Secretary of Defense*
Benjamin R. Civiletti, *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*
Patricia Roberts Harris, *Secretary of Health, Education, and Welfare*
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Charles W. Duncan, *Secretary of Energy*

Board of Regents and Secretary · September 30, 1979

REGENTS OF THE INSTITUTION Warren E. Burger, *Chief Justice of the United States, Chancellor*
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Barry Goldwater, *Member of the Senate*
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Norman Y. Mineta, *Member of the House of Representatives*
Silvio O. Conte, *Member of the House of Representatives*
Frank Thompson, Jr., *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*

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William A. M. Burden
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Paul N. Perrot, *Assistant Secretary for Museum Programs*
Julian T. Euell, *Assistant Secretary for Public Service*
Christian C. Hohenlohe, *Treasurer*
Peter G. Powers, *General Counsel*
James McK. Symington, *Director, Membership and Development*
Lawrence E. Taylor, *Coordinator, Public Information*

Smithsonian Year . 1979

STATEMENT BY THE SECRETARY



Flying plastic discs of all sizes and colors filled the sky at the third annual Smithsonian Frisbee Disc Festival. The September 2 festival, which was sponsored by the National Air and Space Museum, attracted over 11,000 spectators. *Below.* Students from the James Ryder Randall Elementary School's summer program toured the Silver Hill Museum in July 1979. To the left is the Curtiss P-40 E Warhawk, one of the best-known fighters of World War II.



In the Nation's Service

S. DILLON RIPLEY

BEING HISTORY-MINDED, I tend to believe that time is the only true touchstone of merit. What merit lay in the enigmatic bequest of money by James Smithson to the nation in 1826? No one could be sure. The resulting hubbub in the Congress over whether to accept the "tainted" British money has long since become part of the dust of yesteryear. But my own feeling is that the creation of the Smithsonian started a chain reaction which has since touched every American.

It would be better to characterize the "diffusion of knowledge among men," to quote Smithson's words describing the purpose of his bequest, as being in the service of the people rather than in the nation's service. "In the nation's service" bespeaks the many national service organizations of our government—the Postal Service, the Health Service, the services for veterans, for unemployment compensation, Social Security, the Internal Revenue Service, the Forest Service, the Fish and Wildlife Service. "In the service of the nation" calls to mind the tremendous body of men and women in the federal government employed to perform *services* for us all. These servants of the people, often maligned by the public and politicians alike, are devoted, zealous, and conscious of a calling, a calling of service.

Most of them find a career reward of a genuine and compelling nature in working for the benefit of us all. We rub elbows with them every day at the Smithsonian. They are our best audience, for they live for the most part near Washington. Thousands of them are Associates of the Institution, and many thousands are our friends, for they find a host of rewards in the experiences that we have to offer. We can speak with conviction of those who dedicate their

careers to the civil, military, and kindred services, such as our great Foreign Service, for these are people, devoted to the cause of national service, of whom we can all feel proud.

Yet few people realize what the Smithsonian is all about. A collection of large buildings on or about the Mall in Washington—it is easy to assume that we are “government” in some way. Our buildings seem for the most part large, impressive monuments to the expenditure of taxpayers’ money. (The majority of people may not realize the amount of nontaxpayer money that has gone into a number of these buildings and will continue to do so in the future. The names Smithson, Freer, Mellon, and Hirshhorn all spell donations for construction, just as more grants in the future will help defray the costs of new galleries to be built.) Our museums, some large, some small, consort in procession with the majestic, monolithic array of huge government bureaux on the opposite sides of Constitution and Independence Avenues. These government buildings brood over the scene in the sunlight, like a pride of lions stretched out, panting in the heat, while their single lordly leader rears his heavily maned head on Capitol Hill. It is a setting of sedate splendor, awe-inspiring to some, crushing with monotonous repetition to others. But within there is a continuing sense of vitality.

No, we of the Smithsonian are not “feds.” We never “regulate” anybody. We don’t publish mysterious orders in the *Federal Register*. To be sure, we receive appropriated funds each year, but even though they may represent two-thirds of our annual budget, the sums keep our buildings and our technical and service staffs in operation so that we can perform our *services* for all.

Nor are we an island. People in the government often fancy themselves isolated, being in Washington. “Oh, it’s so valuable to get *out*, to get out into the country,” they say, as if life in Washington were unreal, perhaps almost un-American. (People in New York are sometimes thought of as foreigners in a strange way, “not real Americans,” at any rate.) So people in Washington, in government anyway, are always paying lip service to the concept that life in Washington is different. It is not *real* America. This is especially true, perhaps, among politicians, who after all have to pretend at least not to be dismayed to be “home” with their constituents. From there the mood is catching. Government servants often complain

about being immured in Washington and not getting to sense the needs of the people.

In fact, Washington is an immensely popular place to visit, perhaps ahead of New York these days. Those who live here in service of one kind or another should take comfort from this. It cannot be so strange, so un-American, such an island. It is the hub, packed with bits and pieces and stuff of everyman's America.

In the *Annual Report* of the Institution for 1852, six years after the commencement of operations in 1846, Joseph Henry, the first Secretary, summed it up:

The prominent idea embraced in the Smithsonian organization, is that of cooperation and concerted action with all institutions and individuals engaged in the promotion of knowledge. Its design is not to monopolize any part of the wide fields of nature or of art, but to invite all to partake in the pleasure and honor of their cultivation. It seeks not to encroach upon ground occupied by other institutions, but to expend the funds [i.e., the Smithsonian endowment income] in doing that which cannot be as well done by other means. It gives to the words of Smithson their most liberal interpretation, and "*increases and diffuses knowledge among men*" by promoting the discovery of new truths, and by disseminating these in every part of the civilized world.

Thus Joseph Henry enunciated the concept of service toward all people in "every part of the civilized world," in words which he constantly strove to impress on the minds of the Congress and Executive alike: the Smithsonian had a task, a task of original study and research to promote the dissemination of knowledge for all mankind. Thinking back over the years, we have seen the Institution grow to include numerous museums with museum collections, a growth which to many minds tends to obscure the meaning of Henry's words.

How can one "discover new truths" as the proprietor of a dozen or more museums? Fortunately, these times have seen a new realization of what museums are all about, powerhouses of the mind, not old dustbins into which is cast the detritus of history. Museums serve today as educational centers, headquarters from which are sent out messages, communications of all kinds. As Lewis Thomas

says in his *Lives of a Cell* (1974), present genetic theory assumes that

human beings are all born with a genetic endowment for recognizing and formulating language. . . . As human behavior derives from the central mechanism of language, the same sets of genes are, at least indirectly, responsible for governing such astonishing behavior as in the concert hall, where hundreds of people crowd together, silent, head-tilted, meditating, listening to music as though receiving instructions, or in a gallery, moving along slowly, peering, never looking at each other, concentrating as though reading directions. . . . If language is at the core of our social existence, holding us together, housing us in meaning, it may also be safe to say that art and music are functions of the same universal, genetically determined mechanism.

Beyond these everyday experiences, so concisely delineated by Thomas, there are all the other outward-flowing connections. Day by day we communicate without the awareness of it. Often the question is asked "Why doesn't the Smithsonian move out into the country at large? Why is everything all confined here in Washington?" Almost every year some one of our congressional committees asks the question during a hearing. This is usually coupled with two other questions: "Why don't we get our products out into the country at large, show our riches to the world?" and "Why do we have all these museums?" Is there no way to stop this inexorable, octopus-like growth?

It is frustrating to realize how general this impression is, how it persists in spite of all our efforts. We *do* spread our message across the country. We *do* get our message out. Our "riches" tend to be more in ideas than in things. But we show both to the world. What are our riches? We have only one of George Washington's uniforms, only one desk on which the Declaration of Independence was drafted, only one flag that flew over Fort McHenry. We do *not* have a single Philadelphia Chippendale camelback sofa, or a Newport Townsend-Goddard lowboy with cabriole legs and relief scrollwork carving. We do not have ten Remington sculptures or even Gilbert Stuart portraits of the Founding Fathers! So what *are* the riches? They exist in the mind, not in dozens of examples of



Richard Fiske (NMNH) explains concepts of plate tectonics to Associates at the Denver Museum of Natural History during the Regional Events series in Denver, March 1979. The geology exhibition was produced by the Regional Events Program to complement Dr. Fiske's lectures on geological processes.



As always, larger than life, Albert Einstein welcomes a group of visitors to his exhibit at the National Museum of History and Technology. *Below.* A young visitor enjoying the "Play and Inventiveness" celebration, sponsored by the Office of Smithsonian Symposia and Seminars. The celebration, which explored the links between play and creativity, was the Institution's major contribution to the observance of the International Year of the Child in 1979.



decorative arts or sculptural objects, except for a few symbolic collections that have been given us, because our charter calls us, among other things, the *national museum* of the United States.

I spend hours explaining to those interested enough to have any attention span that our seventy-five or eighty million objects have, to a large extent, *intangible* value. In this money-oriented culture of ours, it is harder to understand that a collection of insects, or fossils, or potsherds, or even portraits of famous people, may be of great intangible value to us, the keepers of the nation's collections, and should be preserved rather than be thrown away or allowed to deteriorate. But most of these invaluable (without a dollar sign attached to them) collections of ours could not justify being "riches" to be shown across the world. As exhibits "to furnish dozens of museums" (another stock phrase) they would lay an egg.

No, our service is of a different kind. If we put on an exhibit, we may draw from the collections, but the very process is an idiosyncratic one, illustrating some theme, some historical sequence of events, or some set of ideas which must be thought through subjectively, with an aim to broad public education.

In such service there is fulfillment, just as in the profession of teaching. There is little money in it, and the objects involved may have no monetary value in the marketplace, but they become priceless when placed in juxtaposition because they convey ideas. Emerson said in his *Lectures*: "This time, like all other times, is a very good one, if we but know what to do with it." So an exhibit represents time used in putting thoughts together, thoughts delineated by objects, which in sum convey a message. Such time is of great value, for we are programmed to receive messages in this form, and messages may finally teach.

How then do we serve the country? It is relevant to say, first of all, that enormous numbers of our citizens come to Washington each year, aside from local residents, and that the combined museums and exhibits of the Institution attract perhaps a tenth of our population each year, over twenty-five million annually at last approximation. Beyond that we do have attractions in other states: a museum in New York; laboratories in Massachusetts, Florida, and Arizona; and an environmental study center and a colloquium center in Maryland. We have laboratories abroad in several countries, among which the most famous is the biological station

in Panama. But there are others besides, and the respect engendered by the Smithsonian tradition of service in the search for knowledge is worldwide, crossing without stress into the Second and Third Worlds.

We are also mobile. Years ago, in 1951, we started the Smithsonian Institution Traveling Exhibition Service (SITES), with a venture capital outlay of \$100,000. Partially self-liquidating through the imposition of small transport and rental fees, SITES now has some 175 exhibitions on the road or being planned or refurbished, reaching a public of another four to five million viewers a year in an average of 366 cities in 48 states. A few shows travel abroad and some come here from overseas, but this part of our outreach, which should be more actively developed, is much more expensive, although we could and should coordinate with many more of the nation's major art galleries. We do help on occasion, willingly when asked to do so by a foreign nation, especially when the exhibit involves a clarification of history rather than a trumpetry of Barnumism. (There is a tendency today to finance "blockbuster" exhibitions, often from abroad, requiring large expenditures of money which attract huge crowds, provide immense temporary occupancy of the museum involved, and which often produce huge coffee-table catalogues, later advertising the prescience of the owner in having visited the show, which, in the end, may serve as a status symbol rather than a lasting residuum in the mind. Often such exhibitions may be of mixed quality, may be almost impossible to view, and thus may fail to perform the ultimate transmission of meaning.)

Fortunately our Traveling Exhibition Service has simpler goals and a mission of reaching smaller, less "show-biz" institutions. Low-cost exhibits reaching historical associations, libraries, cultural centers, high schools, and local galleries and museums, are in the nation's service. This is a goal never to be underestimated. In addition, we have our Associates program, started in 1965, expanded in 1970, now reaching a reading and radio audience of millions through leaflets, scripts, our *Smithsonian* magazine, books, a science service to the news media, and through our folk and performing-arts festivals.

Few people, perhaps, realize the seminal influence of the Smithsonian's Folklife Festival series, begun on the Mall in 1967, now dif-



As part of the Festival of American Folklife, Maxwell Tyler, a waterman from the Chesapeake Bay area, tells visitors in front of the National Museum of Natural History how he catches soft-shell crabs.



Training time for sea lions: a keeper rewards one of her young charges with a piece of fish. Such training helps develop a rapport between keeper and animal and provides stimulating activity for the sea lion or seal. *Below.* As part of the Smithsonian Resident Associate Program, Associates of all ages enjoy a guided tour of the new Beaver Valley installation at the National Zoo with the Zoo's Kayce Cover, Leader-Keeper of Aquatic Animals.



fusing an enthusiasm for festivals all over the states and even abroad. Few realize the enormous influence of our phonographic recordings of American folk and popular music, documenting a purely American art form, recordings which are available through subscription or at our museum shops. This diffusion has been immensely popular, so much so that if it did not exist it would long since have had to be invented. But who could have invented the Smithsonian and its services for people?

We live in what appears to be an uncertain age. Many people foresee the gradual decay of our civilization, forced on us by willful, wasteful ways, and the impression that we are imbued with sloth in this country. It is a sense of malaise which has become almost a way of thought among our economists and planners. So-called liberal thought abounds with it. Conservative thought is possessed with it. Philosophers are afflicted with a sense of fatalism. Buddhism prepares us for acceptance of this sort, but it is a far cry from the exuberance of hope which lies at the heart of much of Judaeo-Christian inspiration. It is almost as if we were resigning ourselves to a premature sense of death or encroaching senility. Can a culture become senile? I am inclined to think not. The malaise is more apparent than real. Part of the difficulty is that we have lost touch with history, with our time scale, of which I have written before. In the pseudo-joyousness of "now" and of "me," we are even affronting the precepts of those other, less-familiar religions, made temporarily popular.

If time is the only true touchstone of merit, then time requires a communication of history. To achieve this should be our service to the people. Such understanding involves work. In the Bhagavad Gita, Krishna explains that work is its own reward. It should thus be of virtue. As I have quoted before, "From food are all creatures; from rain is the production of food; rain is produced from sacrifice; and sacrifice is the outcome of work." Here then lies salvation, and any reward, if reward is needed, for service.

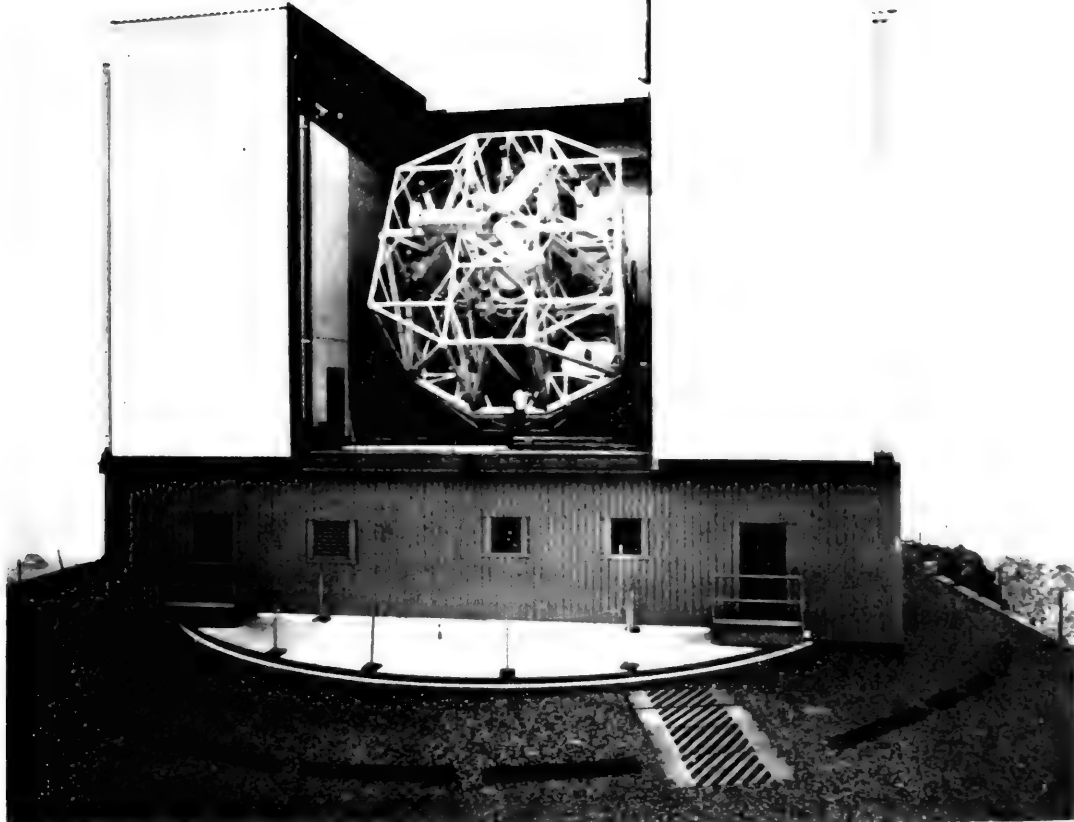
In this past year it is certainly fair to say that our "diffusion" has reached a new peak, through visits, the Associates, traveling exhibitions, the regional events program to a number of cities, foreign and domestic tours, guidelines and programs for school teachers, radio and tv services, books of all sorts published by ourselves or in conjunction with major publishing houses, reprints of

classic texts, the Bicentennial project *The Handbook of North American Indians* (of which the first two volumes have received widespread acclaim), phonograph albums—all these offerings serve to touch the lives of untold millions of people both now and in the future. Our art museums alone lent more than a thousand works to museums and galleries throughout the country for special exhibitions.

A curious example of the present effects of Smithsonian diffusion was the inclusion of the *Smithsonian* magazine in a survey of influential commercial media by *The Wall Street Journal*. For some reason, unknown to us, the *Journal* included our Associates' official publication along with a number of prominent newspapers (including the *Journal*, of course), news magazines, and similar widely read, over-the-counter publications. The *Smithsonian* was the only publication included which is available to a membership, in contrast to commercial methods of distribution. So startling were the results of the survey that we understand they had to be repeated by the researchers. In every area where credibility was a factor (except where we hardly qualify, in politics or economics), *Smithsonian* led the "thunderers" of the world of the news media. Thus, our kind of diffusion is an intangible, a kind of word-of-mouth dispersal, and is accepted as an unspoken certification of authenticity.

When we speak of the effect of the diffusion of information by the *Smithsonian* to millions in the future, we can think of two highly significant events of this past year: the completion and operation of two new astronomical instruments, the Multiple Mirror Telescope and the HEAO-2 (*Einstein*) satellite. Both open windows on new realms of knowledge of the universe, stages in Smithsonian research in astronomy and astrophysics which began over one hundred years ago with the personal research of one of my predecessors, Samuel P. Langley, and which has been sponsored by the Institution ever since.

The Multiple Mirror Telescope, first of its kind, developed in conjunction with the University of Arizona, is the prototype for optical telescopes of multiple-mirror construction perhaps as large as 1,000 inches in diameter. The *Einstein*, developed with NASA, led by the Center for Astrophysics in conjunction with the Massachusetts Institute of Technology, Columbia University, and the Goddard Space Flight Center, is the first true focusing telescope for



The Multiple Mirror Telescope, a joint facility of the Smithsonian Astrophysical Observatory and the University of Arizona, located on the summit of Mt. Hopkins, Arizona, was officially dedicated on May 9, 1979. *Below.* One of the stops on the twice-weekly guided tours of SAO's Mt. Hopkins Observatory is the ten-meter gamma-ray reflector. The bus tours are provided free to the public by the observatory.



x-rays to be flown as a satellite. While already increasing sensitivity by a factor of ten over the best earlier detectors, this satellite suggests that an instrument even ten times more sensitive is feasible. The successful completion of both instruments this year marks the culmination of many years of design, testing, and planning by teams of Smithsonian scientists working in cooperation with other scientists around the world. Thus it can be said that new eras have begun in both optical and x-ray astronomy as a result of these new inventions. In this way, more millions of people in the future will receive information diffused through Institution efforts.

Another method of expressing the inexpressible, making the connections and the harmony out of what we do, is indeed solving the problem of what we collect. As some of our scientists invent strategies for sensing the phenomena of the universe, others develop plans for documenting and cataloguing the immense data banks represented by our collections in the natural sciences. For many years, I have been at pains to talk and write about the importance of this service of ours to Americans and to all people. To preserve fragments at least of the stuff of our world, the *materia mundi* as we can know and identify it, is of inestimable importance to our future and to the future of mankind. At last, after more than ten years of planning for this need, the Smithsonian has been granted the right and the funds by the Congress to construct a Museum Support Center in nearby Maryland, fifteen minutes away from the Mall. This building, to cost between \$20 and \$21 million, will be of the most modern design, incorporating energy-saving and solar-heating devices appropriate to the Institution's pioneering efforts in such matters. (Dr. C. G. Abbot, my predecessor, did not preoccupy himself with solar-energy research in the 1940s to no purpose.) We hope it will provide a safe haven for millions of our objects now stored in increasingly crowded and hence inefficient spaces on the Mall, free up ample new exhibit space in the National Museums of Natural History and of Man, and provide a center for conservation, study, and research that should be exemplary, a model for our peers. Here, too, is a paradigm of service to people.

The dimensions of what people are finally able to do to transform our natural environment from one state—a state of nature—to another—a state of man's creation—are incalculable. As best we

can, while we chart this untraveled course, we should preserve fragments of testimony of what the state of nature was like, so that we can measure our path into change. As mankind moves along this path of manipulation of the environment, it is better, as if descending into the darkness of an abandoned mineshaft, to leave a silken cord behind, with markers at intervals. Just as we keep specimens of fossils to tell us of the world of aeons past, we should keep the evidence of what tropical forests were like, what birds were like, and reptiles, and sea creatures.

Perhaps we could even develop an early-warning system, as if carrying a caged canary with us into the abandoned mineshaft, to warn us of the unknown presence of carbon-monoxide gas. We might develop a system in our markers. When half the bird species of the tropical habitats have become extinct, should we pause to look backward or should we measure the consequences of forging ahead? Perhaps in such a way some measure of rational, disciplined thought about where we are going might intervene. "Jiminy-cricket," we might say to ourselves, "look out, there's a sheer drop ahead. I see the crack in the wall of the House of Usher. I see the stone legs of Ozymandias protruding from the sand."

And what of the anthropological collections of our National Museum of Man? I know that in the future, people everywhere will be grateful that we have preserved the *evidence* of how different we all are, for in this recaptured sense of diversity there is pride and identity. These two words also speak eloquently to the collections of the Museum of African Art, which in August became a member of the Smithsonian family by an Act of Congress, inspired by our former Regent Hubert H. Humphrey. The art objects in this newest of the Smithsonian's museums capture with striking force and beauty the symbolic richness and cohesiveness of the societies which created them, and form today a substantial part of the cultural heritage of millions of our citizens. Whether through objects or films, documents or symbols, we will always hunger to know who we are and were so that we may take comfort in being ourselves and not anyone else.

All these things and many more embody our perceptions of service to people. They are diffused outwards in a continual stream, helping to evoke our past, preserve our present, and lend conviction to our future.

There have been a number of changes in senior staff positions at the Institution this year. Our accomplished treasurer for a decade, T. Ames Wheeler, retired June 30, though he will continue to serve as a member of the Regents' Investment Policy Committee. Mr. Wheeler has been succeeded as treasurer by Christian C. Hohenlohe, the former assistant treasurer and former executive assistant to the Secretary. Mr. Richard Ault, our energetic director of Support Activities, retired to Arizona in July to pursue his lifelong interest in aviation. His former responsibilities have been assumed in large measure by the very able Tom L. Peyton, our director of the Office of Facilities Services, who came to the Institution this year from the General Services Administration. The very resourceful Porter Kier resigned in June as director of the National Museum of Natural History to resume his research activities and has been succeeded temporarily by James F. Mello as acting director, while the search for a permanent director continues. Off for other vineyards went Dennis Gould of our Traveling Exhibition Service, Carl Larsen, our director of Public Affairs (succeeded by Alvin Rosenfeld), and Edward Kohn, the assistant director of the National Zoo. The skillful and diplomatic Dean Francis B. Sayre retired this year from the Woodrow Wilson International Center for Scholars, and his colleague George Packard, the center's assistant director, has left to become the dean of the Johns Hopkins School of Advanced International Studies. As always, we are sorry to have lost these and other industrious co-workers at the Institution, but we rejoice in having them as colleagues in the vital cultural pursuits of America.

We have been fortunate in welcoming some fine new senior staff to the Smithsonian this year. Two new museum directors, Noel Hinnners from NASA and Roger Kennedy from the Ford Foundation, have been selected and promise to give fresh new leadership to their very popular museums, the National Air and Space Museum and the National Museum of History and Technology, respectively. Dr. Robert Maloy has come to head the Smithsonian Libraries unit, and Glen Ruh has joined us in the new position of Coordinator of Publications. With the help of these exceptional personalities, the Smithsonian will move positively and smoothly into the future.

On December 7th, the Institution suffered an immeasurable loss in the death of its sixth Secretary (1945-52) and long-time associate, Alexander Wetmore. I will always remember Alex as a friend

and inspiration in ornithology and as an able, practical administrator as Secretary. Having assumed the Secretaryship amidst the trying times of the war, he went on to lay the groundwork for two additional Smithsonian museums, the National Museum of History and Technology and the National Air and Space Museum. During his tenure, the Institution also assumed control of the biological research station in Panama (now part of the Smithsonian Tropical Research Institute), celebrated its own centennial in 1946, and undertook significant construction of the National Zoo.

Dr. Wetmore's career at the Smithsonian began in 1924, when he joined the Institution as superintendent of the National Zoo, and then, less than a year later, he became assistant secretary for science and director of the National Museum of Natural History. A museum man, he was also a man of the world of birds, and he served both with remarkable devotion. He was a scholar of inspired intensity and a proud man with a gift of humility and understanding. He enriched this Institution and the lives of those who knew him; his pursuit of his life's work somehow never interfered with his capacity for compassion and friendship.

The Smithsonian is one of those rare places in the world that still clings to its memories of the wonderful people who helped to build and shape it—none more so than Alex Wetmore, who shared his genius with the past and the future, and who will always be respected for his scientific contributions and loved for himself. In Coventry Patmore's phrase, he lived in the "traditions of civility." He shall not be forgotten.

Board of Regents

The Board of Regents held three formal meetings during the last year, as well as a number of additional executive committee meetings. The JANUARY 22, 1979, meeting of the Board of Regents was designated The Alexander Wetmore Memorial Meeting in honor and in memory of the late sixth Secretary of the Smithsonian Institution, who died on December 7, 1978. The Regents noted that "This gentle and affectionate man, loved by all who knew him, made invaluable contributions to the Smithsonian and to biological science."

The Regents recognized both the distinguished services of Representative Elford A. Cederberg as a Regent of the Institution and his profound effect on our nation through his twenty-six years in the Congress of the United States. This recognition was bestowed at the conclusion of Representative Cederberg's term in Congress.

The board memorialized the untimely death of Representative Leo J. Ryan, who, although a Regent for only a short period, had expressed an intense interest in the affairs of the Institution.

The Board of Regents welcomed newly appointed Regents from the House of Representatives, Messrs. Silvio O. Conte of Massachusetts, Norman Y. Mineta of California, and Frank Thompson, Jr., of New Jersey.

The financial report was reviewed in detail and a special oral presentation was made concerning past, present, and future projections of all Institution funds. The board approved the revised statement of investment objectives recommended by the Investment Policy Committee for the guidance of the investment managers.

The Regents approved the Five-Year Perspective (later known as the Five-Year Prospectus) covering fiscal years 1980-84. The planning process continues in tandem with the annual budget cycles, and the five-year plan will be updated annually.

The Regents approved continued study of the proposed development of the quadrangle in the south garden area and authorized

the use of \$100,000 of nonappropriated funds for continuing the development of preliminary plans and program details leading to the presentation of an appropriate legislative proposal.

The Regents considered proposed bylaws that they plan to adopt in the near future.

The Secretary was authorized to continue negotiations with the Boston Athenaeum for acquisition of the Gilbert Stuart portraits of George and Martha Washington.

The Regents approved a Program of Regents' Fellowships. These fellows, perhaps two or three scholars of great distinction, would enrich the intellectual atmosphere of the Institution and would explore areas of scholarship not already intensively studied here. The program would be evaluated periodically.

The board expressed its support of legislation to raise the statutory budget ceiling for programs at Barro Colorado Island, part of the Smithsonian Tropical Research Institute in Panama.

The Regents approved reports concerning the membership and acquisitions of the National Collection of Fine Arts Commission and the National Portrait Gallery Commission. The Regents also received the report of the Hirshhorn Museum and Sculpture Garden.

The chairman of the National Armed Forces Museum Advisory Board (NAFMAB) recommended a change in the status of the board to reflect its current advisory role with the Eisenhower Institute for Historical Research in the National Museum of History and Technology. The matter was to be considered by NAFMAB.

The Institution's continuing attention to the recommendations of the General Accounting Office report, the report of the Regents' Audit and Review Committee, and the report of the Surveys and Investigations Staff of the House of Representatives, has resulted in implementation of virtually all of the recommendations.

Progress reports on continuing projects of the Institution included the Museum Support Center status of planning; Smithsonian Exposition Books plans; Mall Parking Study, Phase II; a description of approved projects under the special program for collections acquisitions and scholarly and educational outreach projects; transfer of the Trade (Tariff) Commission Building; Equal Opportunity Program describing Affirmative Action Plans; the status of major renovation and repair projects of various Smithsonian buildings; the

status of the collections inventory project; participation by the Institution in the celebration of the Einstein Centennial and the International Year of the Child; Smithsonian Television Programs; and the National Associates Program.

The Board of Regents voted to confer the title of Regent Emeritus upon George H. Mahon for his long and faithful service to the Institution. Mr. Mahon retired from the Congress of the United States and had been a Regent since 1964.

MAY 7, 1979, MEETING: The spring meeting of the Board of Regents was held in the Regents Room and was called to order by the chancellor, and notice of the Executive Committee meeting held on April 18, 1979, was taken.

The board considered a draft of bylaws which will be acted on at the next meeting. It was noted that the enabling statute for the Smithsonian Institution, codified as subchapter 1 of Chapter 3, Title 20, U.S. Code, defines with considerable specificity many of the procedures and policies usually set forth in an organization's bylaws, and the bylaws of the Board of Regents will convey the methods and rules by which the board intends to conduct its supervisory and fiduciary activities.

The financial reports indicated that preliminary hearings on the federal budget for fiscal year 1980 were favorable. The nonappropriated trust-funds budget, when initially presented, proved to be somewhat conservative, and projections for the future showed a higher return on investment income, as well as results of auxiliary activities. As a result of an earlier recommendation to select a new certified public-accounting firm to conduct the annual audit of the nonappropriated trust funds, the selection of Coopers and Lybrand, made by the Executive Committee, was ratified by the Board of Regents to begin with fiscal year 1979. It was pointed out that the change in the auditing firm, a common practice in financial business, was not in any way a criticism of the present auditors, but rather a desire to have a new look at the accounting and financial operations of the Institution.

The Secretary submitted a written report on progress to date concerning the South Quadrangle development, detailing particularly the recent pledge of \$1 million from the Japanese government toward the cost of the project. The revised architectural con-

cept was described and the new model was shown, and the review of legislative action to authorize and fund further action revealed that favorable action by the Congress was anticipated. The Secretary advised the Regents of the creation of an ad hoc committee to assist in raising funds for the project.

With the Regents' consent, the Smithsonian and the Boston Athenaeum decided to postpone a final agreement concerning acquisition of the Gilbert Stuart portraits of George and Martha Washington, pending the result of a Boston-based fundraising campaign.

The Board of Regents approved publication of the Smithsonian Exposition books entitled *Animals Alive* and *The American Land*, contingent on confirmation by the Executive Committee that satisfactory test-mailing results have been received. Three other projects, selected for preliminary development based on reader surveys, include a book on the sun and a series of children's books.

The research at the Chesapeake Bay Center for Environmental Studies is presently being conducted on land holdings sufficient to enable the Institution to control and monitor the Rhode River estuary and enable the center to pursue its research in upland ecology, watershed studies, and estuarine ecology. It was reported that scientific integrity of the area could be protected by acquisition of additional land, and the Secretary was authorized to pursue the matter.

The board approved the acquisition and operation of aircraft for research purposes in connection with a coral-reef project, to be conducted by the National Museum of Natural History in the Pacific and Indian oceans.

The board expressed its approval of the introduction of legislation to extend the existing appropriations authority of the National Museum Act. Also, the Regents are supporting pending legislation to raise the ceiling on appropriations for Barro Colorado Island at the Smithsonian Tropical Research Institute.

The Regents approved the award of the Henry Medal to Dr. Porter M. Kier in recognition of his important contributions to the Smithsonian Institution and his successful stewardship of the National Museum of Natural History.

The Secretary reported to the Regents on various programs. The Museum Support Center project is progressing and an appro-

priations request for construction funds is pending in the 1980 federal budget; the National Armed Forces Museum Advisory Board generally agreed that the board should continue in its present form and meet at more frequent periodic intervals to offer advice and assistance to Smithsonian programs concerned with armed-forces history; the transfer to the Smithsonian of the Museum of African Art was proceeding and the necessary transfer arrangements were being worked out. Status reports were presented on major plant-improvement projects: the National Museum of the Building Arts, the Trade (Tariff) Commission Building, the Mall Parking Study, television programs, the Smithsonian Science Information Exchange, and the National Associates Program.

On the evening preceding the Regents meeting, at the Regents dinner, the Secretary, on behalf of the Board of Regents, presented to T. Ames Wheeler, retiring treasurer, the Secretary's Gold Medal for Exceptional Service. The Regents wished to record their special appreciation to Mr. Wheeler in recognition of the substantial contributions he made to strengthening the Institution's financial-management systems and controls, in guiding and directing its increasingly significant auxiliary activities, and in providing constant wise counsel to the Secretary and the board on financial and administrative matters. The Regents approved the appointment of Mr. Christian C. Hohenlohe to succeed Mr. Wheeler as treasurer of the Institution.

SEPTEMBER 17, 1979, MEETING: The autumn meeting of the Board of Regents took place in the Regents Room and was called to order by the chancellor. It was noted that the Executive Committee met on August 20, 1979.

The board had previously considered a draft of bylaws by which the Regents would administer the Institution. The board adopted the bylaws and authorized their printing and distribution. Appointments to the Regents' Audit and Review Committee, established in the bylaws, and to the Regents' Personnel Committee, were affirmed.

A detailed report on the financial affairs of the Institution disclosed the status of the fiscal year 1980 and 1981 federal appropriation requests, the supplemental request for 1979, and the non-appropriated funds budget. The proposed federal budget for fiscal



This row of nine Capitol Hill townhouses, including the one-time residence of Frederick Douglass, comprises the Museum of African Art. *Below.* A young visitor to the museum admires a sculpture of the Luba people of Zaire. (Photo credit for both pictures: Eliot Elisofon Photo Archives, Museum of African Art.)



year 1981 was reviewed and approved for submission to the Office of Management and Budget, together with a preliminary budget of the nonappropriated funds for fiscal year 1981. The board voted to confirm the authority of the Secretary to establish on behalf of the Institution and any of its bureaus such commercial bank accounts as are necessary for the conduct of its business.

A draft update of the Five-Year Prospectus of the Institution for fiscal years 1981–85 was circulated for review and consideration by the Regents, and a report by the Investment Policy Committee was received.

P.L. 96-36 was signed by the President on July 20, 1979, authorizing planning and up to \$500,000 to be appropriated for the South Quadrangle Project. The Secretary reviewed the status of the Institution's budget request for the planning in the current appropriation bill and reviewed plans for fundraising in the private sector. The Institution expects to seek authorization to complete planning and to construct the project in the Second Session of the Ninety-sixth Congress.

The Museum of African Art officially became a bureau of the Smithsonian on August 13, 1979. In accordance with P.L. 95-414, the Regents appointed ten members to the Commission for the Museum from its former board, and the Regents will appoint five remaining commission members at the January meeting.

Publication of *The Smithsonian Book of the American Land* was approved.

A draft of an updated survey of Smithsonian property was presented for the Regents' review. For each Smithsonian facility, the survey provides identification and purpose; location; size; date, type, and cost of acquisition; and details of major repairs, renovations, or improvements. Revised and updated as required, the survey will supplement the Five-Year Prospectus and the *Programs and Activities* book and will provide a useful cross-reference to the Institution's annual budget request.

The Regents voted to approve the naming of the Silver Hill facility of the National Air and Space Museum "The Paul E. Garber Preservation, Restoration, and Storage Facility" in honor of Mr. Garber's sixty years of service at the Smithsonian.

The Secretary reported on the status of:
—the Museum Support Center, on which construction may soon begin;

—transfer of the Smithsonian Science Information Exchange to the Department of Commerce;

—special programs for collections acquisition, scholarly studies, and educational outreach.

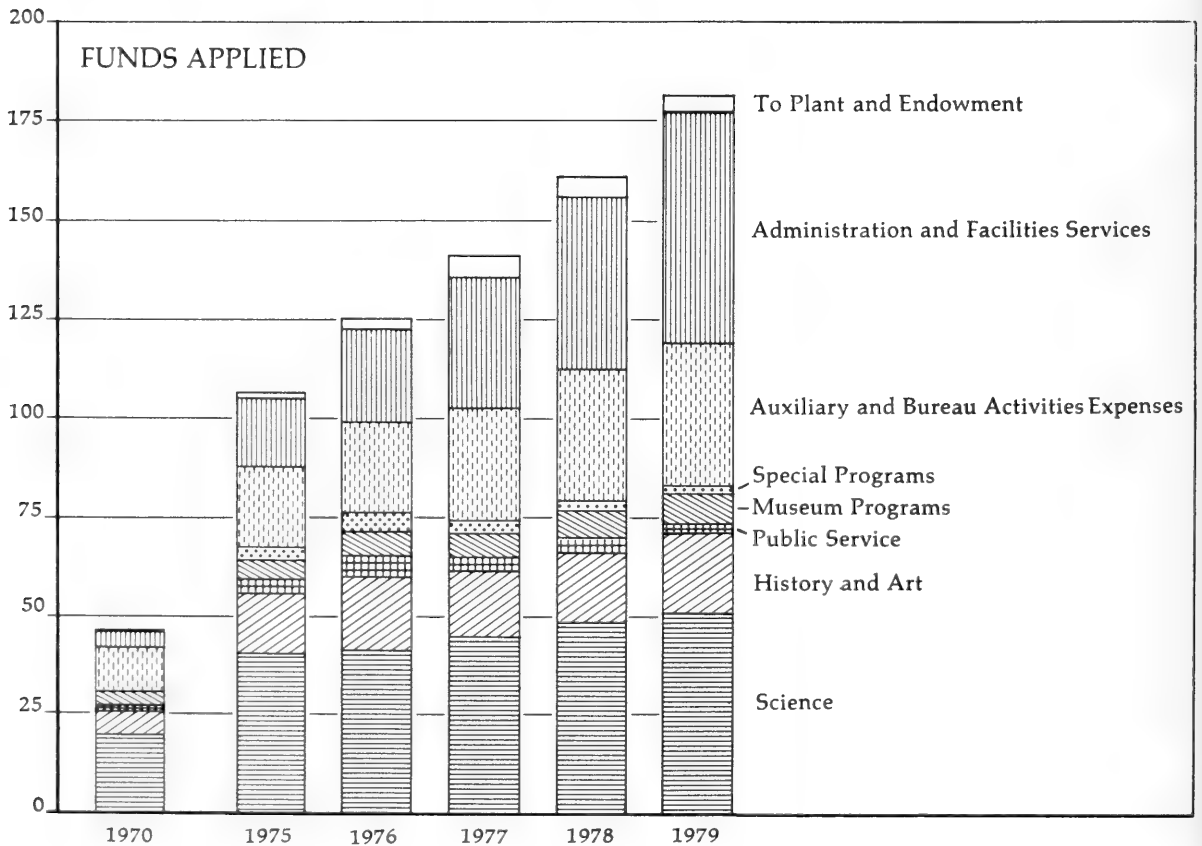
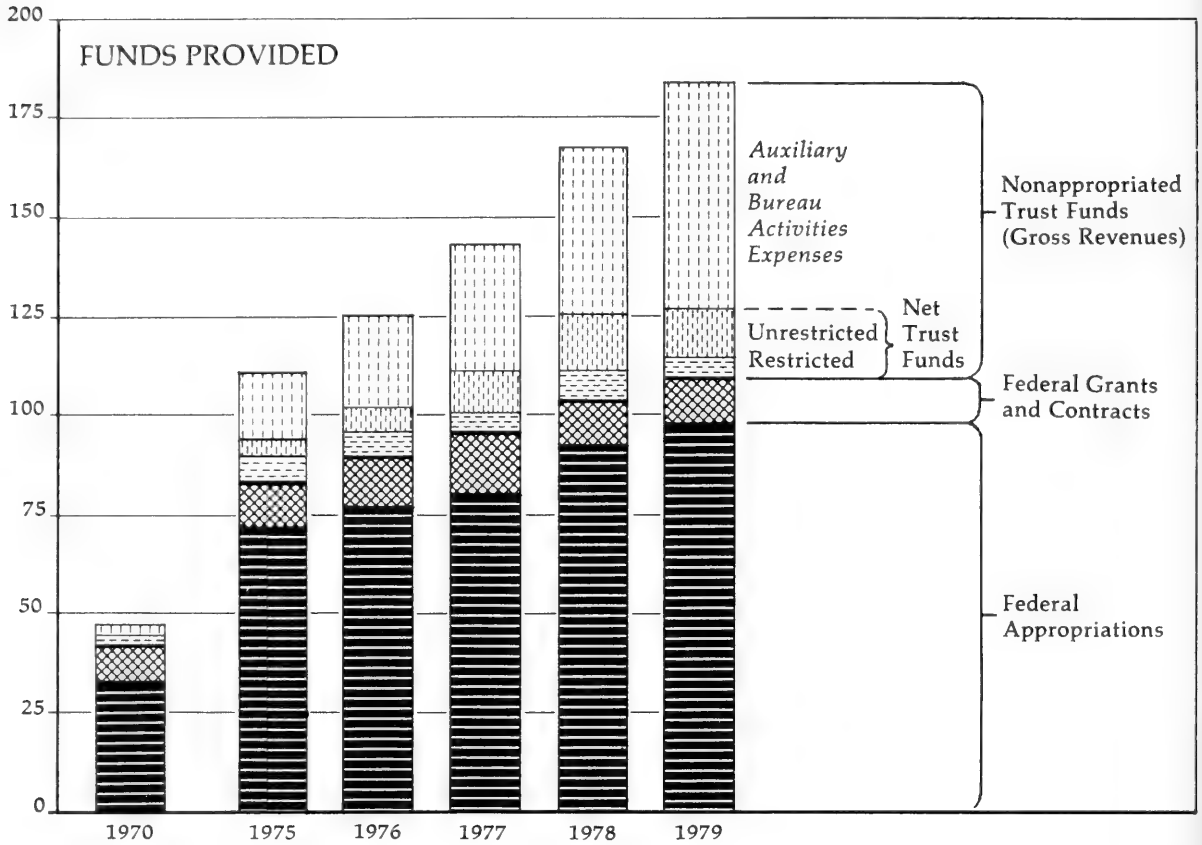
The board approved presentation of the James Smithson Medal to Pope John Paul II on his visit to the United States in October 1979.

The Regents noted the award of the Secretary's Medal for Exceptional Service to Dorothy Rosenberg and approved their own resolution recognizing her effective work for over two decades.

SMITHSONIAN INSTITUTION OPERATING FUNDS

Fiscal Years 1970 and 1975-1979

(In \$1,000,000's)



FINANCIAL REPORT

CHRISTIAN C. HOHENLOHE, TREASURER

SUMMARY: Fiscal year 1979 was a generally favorable year for the Smithsonian, with substantial financial support from all sources and better-than-balanced budgets. As demonstrated by the chart on the facing page, there was again overall growth in the Institution's funds, sufficient primarily to continue existing programs but also, in a few cases, to pursue new initiatives. A welcome newcomer to the Smithsonian family during the year was the Museum of African Art. A federal appropriation to the Institution for the museum's operating support permitted the acquisition to take place on August 13, 1979, and the financial activities of the museum since that date are incorporated in this report.

Generous congressional support of the Institution continued in fiscal year 1979, with overall appropriations totaling over \$110.5 million, an increase of more than \$6 million over the previous year. These federal appropriations provide core support for the Institution's basic research, exhibition, and education programs; for acquisition, care, documentation, and study of the national collections; and for construction, maintenance, restoration, and protection of all Smithsonian facilities. While much of the increase over the prior year was necessary to cover the inflationary costs felt throughout Smithsonian operations, additional funds were provided for high-priority needs, such as collection inventories and the multiple-mirror telescope. Appropriations also permitted substantial progress on the National Zoo Master Plan construction and on planning for the Museum Support Center in Suitland, Maryland. Congressional understanding and backing of the Institution's research and education programs are deeply appreciated.

In recent years, as these financial reports have indicated, the enthusiastic public acceptance of the Smithsonian Associates Pro-

gram and other educational auxiliary activities, as well as gifts and grants from individuals and foundations, have enabled the Institution to support a significant portion of its programs from nonappropriated funds. Net revenues from these sources declined in fiscal year 1979 but were sufficient to continue the \$2-million-per-year program established last year for major collections acquisition, scholarly studies, and educational outreach, as well as numerous operating allotments to Smithsonian bureaus and programs, and reserves for construction and land acquisition. But for the success of auxiliary activities, appropriations would have been sought for many of these projects. Because of favorable projections for unrestricted fund activities and as a measure to reduce directly the Smithsonian's costs to taxpayers, the Board of Regents approved the application this year of \$1 million of nonappropriated funds to support expenses for the Smithsonian fellowship program and costs of certain leased space that previously had been covered by appropriated funds. In recognition, however, that current financial successes are not guaranteed in the future, a transfer of the unrestricted fund surplus of over \$2.5 million to endowment was also authorized, in order to ensure the Institution's continued ability to provide nonappropriated funds for research and educational programs.

This combination of congressional and private financial support, of grant funds and earned revenues, has been a source of strength to the Institution in meeting its goals and seizing new opportunities. A major new priority of the Institution, the South Quadrangle, will seek to draw further on this dual public/private partnership. The anticipated financial plan for this project, which will include construction of an Oriental Gallery and a new building for the Museum of African Art in the area south of the Smithsonian "Castle," will rely on contributions, self-generated funds from auxiliary activities, and appropriated funds. As an initial commitment to the project, the Board of Regents authorized a transfer of \$1,385,000 to plant funds from unrestricted nonappropriated trust funds for ongoing and future planning and design effort. The government of Japan informed the Institution during the year that it will provide \$1 million towards construction of the Oriental Gallery.

In an ongoing effort to provide full financial information on Smithsonian activities in this report, minor changes have again been made in Table 1 and the supporting tables that follow.

TABLE 1. *Financial Summary*
(In \$1,000's)

	FY 1977	FY 1978	FY 1979
INSTITUTIONAL OPERATING FUNDS			
FUNDS PROVIDED			
Federal Appropriations—Salaries & Expenses	\$ 85,236	\$ 93,393	\$ 98,202
Federal Agency Grants & Contracts	10,515	11,157	11,412
Nonappropriated Trust Funds:			
For Restricted Purposes	4,407	6,538	4,577
For Unrestricted & Special Purposes:			
Auxiliary & Bureau Activities Revenues—Gross	41,884	55,189	67,360
—Less Related Expenses	(32,485)	(43,070)	(57,557)
Auxiliary & Bureau Activities Net Revenue ..	9,399	12,119	9,803
Investment, Gift, and Other Income	1,676	2,241	3,394
Total Net Unrest. & Special Purpose Revenue..	11,075	14,360	13,197
Total Nonappropriated Trust Funds*—Gross ...	47,967	63,968	75,331
—Net	15,482	20,898	17,774
Total Operating Funds Provided—Gross	143,718	168,518	184,945
—Net	<u>\$111,233</u>	<u>\$125,448</u>	<u>\$127,388</u>
FUNDS APPLIED			
Science	\$ 46,513	\$ 50,396	\$ 53,002
—Less SAO Overhead Recovery	(1,599)	(1,841)	(1,850)
History & Art	17,639	19,105	20,245
Public Service	2,724	2,799	2,927
Museum Programs	6,820	7,454	8,003
Special Programs	2,248	1,981	2,692
Associates and Business Management	194	244	304
Administration—Federal**	5,851	6,346	7,071
—Nonappropriated Trust Funds	3,571	3,795	4,134
—Less Smithsonian Overhead Recovery	(2,993)	(3,359)	(4,038)
Facilities Services	22,325	25,985	27,790
Total Operating Funds Applied	103,293	112,905	120,280
Transfers (Nonappropriated Trust Funds)			
Unrestricted Funds—To Plant	559	869	1,857
—To Endowments	5,521	3,271	2,671
Restricted Funds—To Endowments	171	1,261	413
Total Operating Funds Applied & Transferred Out	<u>\$109,544</u>	<u>\$118,306</u>	<u>\$125,221</u>
CHANGES IN NONAPPROPRIATED TRUST FUND BALANCES			
Restricted Purpose (Incl. Fed. Agency Grants & Contracts)	\$ (194)	\$ 980	\$ 171
Unrestricted—General Purpose	8	850	33
—Special Purpose	1,875	5,312	1,963
Total	<u>\$ 1,689</u>	<u>\$ 7,142</u>	<u>\$ 2,167</u>
YEAR-END BALANCES—NONAPPROPRIATED TRUST FUNDS			
Restricted Purpose	\$ 3,560	\$ 4,540	\$ 4,900***
Unrestricted—General Purpose	4,082	4,932	4,965
—Special Purpose	4,292	9,604	11,567
Total	<u>\$ 11,934</u>	<u>\$ 19,076</u>	<u>\$ 21,432</u>
OTHER FEDERAL APPROPRIATIONS			
Smithsonian Science Information Exchange	\$ 1,972	\$ 1,857	\$ 2,063
Foreign Currency Program	3,481	4,000	3,700
Construction	9,530	5,250	6,575
Total Federal Appropriations (Incl. S&E above)..	<u>\$100,219</u>	<u>\$104,500</u>	<u>\$110,540</u>

* Figures do not include gifts and other income directly to Plant and Endowment Funds:
FY 1977 - \$239,000; FY 1978 - \$185,000; FY 1979 - \$96,000.

** Includes unobligated funds returned to Treasury: FY 1977 - \$150,000; FY 1978 - \$112,000;
FY 1979 - \$47,000.

*** Includes addition to fund balance to reflect acquisition of Museum of African Art restricted
purpose fund balance of \$189,000.

Operating Funds—Sources and Application

As indicated in Table 1, as well as the chart on page 28, there has been substantial and sustained growth in gross operating revenues to the Institution in recent years. Total gross operating funds increased over \$16,000,000, or 10 percent, from \$168,518,000 in fiscal year 1978 to \$184,945,000 in fiscal year 1979. Federal appropriations constitute 53 percent of total gross operating funds provided, federal agency grants and contracts 6 percent, and nonappropriated funds 41 percent.

The growth in *net* operating funds, after deducting the necessary expenses of the nonappropriated fund auxiliary activities, was a more moderate 2 percent. These funds, available to support the wide range of Smithsonian programs, are 77 percent from federal appropriations, 9 percent from federal agency grants and contracts, and 14 percent from nonappropriated sources. Application of these monies by all Smithsonian bureaus is displayed in Table 2, with further supporting detail contained in other tables.

FEDERAL APPROPRIATION

Federal appropriations provided \$98,202,000 toward the Institution's operating needs in fiscal year 1979, an increase of \$4.8 million over the previous fiscal year. As in the past, much of this increase (\$3,300,000) was required to fund legislated salary increases; several program areas, however, received significant new funding, including an Institution-wide collections inventory program, the newly acquired Museum of African Art, the multiple-mirror telescope project of the Smithsonian Astrophysical Observatory, and the Research Awards Program. In addition, some \$160,000 was appropriated directly to the Smithsonian for programs previously supported through grants awarded by the National Endowments for the Arts and Humanities. As referred to above, \$1,000,000 of nonappropriated funds was applied in fiscal year 1979 to reduce the cost to the federal appropriation of leased space (\$400,000) and the Institution's fellowship program (\$600,000).

FEDERAL AGENCY GRANTS AND CONTRACTS

Grants and contracts from federal agencies totaled \$11,412,000 for fiscal year 1979, a slight increase over the previous year. These

funds, representing 9 percent of net operating revenue, continue to constitute a very important source of support for the Institution's research. As in previous years (see Table 3: Grants and Contracts—Expenditures), the National Aeronautics and Space Administration provided the majority of the awards (about 73 percent of the total), primarily for research and experimentation at the Smithsonian Astrophysical Observatory. Some examples of the projects supported by federal agency grants are: studies of biological systems in the Antarctic, research in medical entomology and establishment of a lower mammal tumor registry directed by the National Museum of Natural History, analysis of lunar geological features by the National Air and Space Museum, experiments in high-energy astronomy by the Smithsonian Astrophysical Observatory, and investigations of the chemical components of marsh water at the Chesapeake Bay Center for Environmental Studies.

NONAPPROPRIATED TRUST FUNDS

Nonappropriated trust funds continue to be the second-largest source of operating support for the Smithsonian. During fiscal year 1979, gross trust funds provided rose by 18 percent over fiscal year 1978; however, net funds provided, after deduction of costs incurred by central auxiliary and bureau activities, decreased 15 percent to a level of \$17,774,000, compared to \$20,898,000 in fiscal year 1978. This decrease was due to reduced gifts and grants for restricted purposes, as well as a decreased net revenue from auxiliary activities. The net revenue, for both restricted and unrestricted purposes, constitutes 14 percent of total net operating funds provided to the Institution.

Revenue for *Restricted* purposes totaled \$4,577,000 this past year (see Table 4) and was derived from gifts (\$1,775,000), investment income (\$2,075,000), and other sources (\$727,000), including fundraising activities of the Archives of American Art and the museum shop of the Freer Gallery of Art. Endowment investment income, as discussed below, provides major support for the Freer Gallery of Art and oceanographic research at the Fort Pierce Bureau, as well as funding a large number of specific research and educational projects annually. Major gift support was received during the year for important collection acquisitions at the Hirshhorn Museum and Sculpture Garden, National Collection of Fine Arts,

TABLE 2. *Source and Application of Operating Funds*
Year Ended September 30, 1979

(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	
			General	Auxiliary activities	Special purpose	General	Grants and contracts
FUND BALANCES—							
1 October 1978	\$ -0-	\$ 19,076	\$ 4,932	\$ -0-	\$ 9,604	\$ 4,428	\$ 112
FUNDS PROVIDED							
Federal Appropriations	98,202	—	—	—	—	—	—
Investment Income	—	4,605	2,276	—	254	2,075	—
Grants and Contracts	—	11,412	—	—	—	—	11,412
Gifts	—	2,457	163	475	44	1,775	—
Sales and Revenue	—	66,885	—	64,846	2,039	—	—
Other	—	1,384	40	—	617	727	—
Total Provided	98,202	86,743	2,479	65,321	2,954	4,577	11,412
Total Available	<u>\$98,202</u>	<u>\$105,809</u>	<u>\$ 7,411</u>	<u>\$65,321</u>	<u>\$12,558</u>	<u>\$ 9,005</u>	<u>\$11,524</u>
FUNDS APPLIED							
<i>Science:</i>							
Assistant Secretary	\$ 294	\$ 237	\$ 46	\$ —	\$ 4	\$ 21	\$ 166
Natl. Mus. of Nat. History ..	13,248	2,319	116	—	703	519	981
Astrophysical Observatory ..	4,803	11,663	1,883	—	180	65	9,535
Less Overhead Recovery ..	—	(1,850)	(1,850)	—	—	—	—
Tropical Research Inst.	2,025	215	55	—	133	26	1
Radiation Biology Lab.	1,714	158	—	—	36	18	104
Natl. Air & Space Museum ..	5,363	1,481	40	—	1,192	167	82
Chesapeake Bay Center	672	529	259	—	114	4	152
Natl. Zoological Park	7,854	297	48	—	92	54	103
Center for Study of Man	550	89	1	—	—	62	26
Fort Pierce Bureau	—	504	—	—	—	504	—
Total Science	<u>36,523</u>	<u>15,642</u>	<u>598</u>	<u>—</u>	<u>2,454</u>	<u>1,440</u>	<u>11,150</u>
<i>History and Art:</i>							
Assistant Secretary	290	79	61	—	1	—	17
Natl. Mus. of Hist. & Tech. ..	6,421	585	26	—	313	251	(5)
Natl. Collect. of Fine Arts ..	3,069	611	49	—	290	272	—
Natl. Portrait Gallery	2,265	292	122	—	18	147	5
Hirshhorn Museum	2,080	459	62	—	387	10	—
Freer Gallery of Art	554	1,072	17	—	—	1,055	—
Archives of American Art ..	459	341	—	—	40	301	—
Cooper-Hewitt Museum	467	1,434	302	—	690	346	96
Museum of African Art	100	25	—	—	12	13	—
Total History and Art	<u>15,705</u>	<u>4,898</u>	<u>639</u>	<u>—</u>	<u>1,751</u>	<u>2,395</u>	<u>113</u>
<i>Public Service:</i>							
Assistant Secretary	256	313	284	—	27	2	—
Reception Center	—	238	238	—	—	—	—
Anacostia Museum	556	28	21	—	6	1	—
Intl. Exchange Service	232	—	—	—	—	—	—
Performing Arts	294	3,139	140	2,903	24	—	72
Smithsonian Press	774	1,690	—	1,690	—	—	—
Exposition Books	—	2,841	—	2,841	—	—	—
Total Public Service ..	<u>2,112</u>	<u>8,249</u>	<u>683</u>	<u>7,434</u>	<u>57</u>	<u>3</u>	<u>72</u>

TABLE 2. *Source and Application of Operating Funds—continued*
 Year Ended September 30, 1979

(Excludes SSIE, Special Foreign Currency Funds, Plant Funds and Endowments)
 (In \$1,000's)

Funds	Fed- eral funds	Total non- federal funds	Nonfederal Funds				
			Unrestricted			Restricted	
			Gen- eral	Aux- iliary activ- ities	Spe- cial pur- pose	Gen- eral	Grants and con- tracts
<i>Museum Programs:</i>							
Assistant Secretary	2,095	127	22	—	85	20	—
Registrar	107	—	—	—	—	—	—
Conserv. Analytical Lab.	627	—	—	—	—	—	—
Libraries	2,397	152	152	—	—	—	—
Exhibits	1,167	26	—	—	19	7	—
Traveling Exhib. Service	145	881	1	820	24	4	32
Archives	324	30	29	—	1	—	—
National Museum Act	792	—	—	—	—	—	—
Total Museum Programs	7,654	1,216	204	820	129	31	32
<i>Special Programs:</i>							
Am. Studies & Folklife Pgm.	346	358	212	—	67	13	66
Intl. Environmental Pgm. ...	382	—	—	—	—	—	—
Academic & Educational Pgm.	451	294	92	—	176	26	—
Research Awards	386	—	—	—	—	—	—
Collection Mgt./Inventory ...	482	—	—	—	—	—	—
Total Special Programs	2,047	652	304	—	243	39	66
Associates Program	—	34,554	245	34,249	1	4	55
Business Management	—	13,199	—	13,199	—	—	—
Administration	7,024	4,569	4,007	419	70	71	2
Less Overhead Recovery ..	—	(4,038)	(4,038)	—	—	—	—
Facilities Services	27,090	694	701	—	(7)	—	—
<i>Transfers Out/(In):</i>							
Treasury	47*	—	—	—	—	—	—
Coll. Acq., Schol. St., Outrch.	—	—	2,000	—	(2,000)	—	—
Liability Reserves	—	—	500	—	(500)	—	—
Net Auxiliary Activities	—	—	(8,803)	8,803	—	—	—
Other Designated Purposes ..	—	—	982	397	(1,311)	(68)	—
Plant	—	1,857	1,853	—	4	—	—
Endowment	—	3,084	2,571	—	100	413	—
Total Transfers	47	4,941	(897)	9,200	(3,707)	345	—
Total Funds Applied ..	\$98,202	\$ 84,576	\$ 2,446	\$65,321	\$ 991	\$4,328	\$11,490
Adjustment to Opening Bal.** \$	—	\$ 189	\$ —	\$ —	\$ —	\$ 187	\$ 2
FUND BALANCES 9/30/79..	\$ —	\$ 21,432	\$ 4,965	\$ —	\$11,567	\$4,864	\$ 36

* Unobligated funds returned to Treasury.

** Addition to fund balance to reflect acquisition of Museum of African Art fund balance of \$189,000.

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

<i>Federal Agencies</i>	FY 1977	FY 1978	FY 1979
Department of Defense	\$ 998	\$ 968	\$ 1,079
Department of Energy	157	266	304
Department of Health, Education, and Welfare	282	311	288
Department of Interior	155	4	65
Department of State	282	15	—
Environmental Protection Agency	452	422	31
National Aeronautics and Space Administration	6,346	7,324	8,336
National Endowments for the Arts and Humanities	356	226	105
National Science Foundation	315	400	385
Other	1,228	1,151	897
Total	<u>\$10,571</u>	<u>\$11,087</u>	<u>\$11,490</u>

and the National Museum of Natural History; for documentation of the Catalogue of American Portraits at the National Portrait Gallery; for exhibits at the Cooper-Hewitt Museum and the National Museum of History and Technology; and for a range of research and other projects supporting virtually every aspect of Smithsonian interests.

The *Special Purpose* fund category of Unrestricted Nonappropriated Funds includes moneys generated by various bureau activities, and allotments to bureaus as shares of income from shops and concession activities. Table 5 details the source and application of these funds by bureaus. The major sources of revenues are the National Air and Space Museum, with a new film, *Living Planet*, drawing large attendance at its theater, and the Cooper-Hewitt Museum in New York, which enjoys continued success with its membership and educational programs, fundraising auction, and museum shop sales. Also accounted for as transfers to special purpose funds are the allocations authorized for Collections Acquisition, Scholarly Studies, and Educational Outreach (\$2,000,000); the fellowship program, previously funded from federal appropriations (\$600,000); a reserve for potential magazine liabilities; and support

TABLE 4. *Restricted Operating Trust Funds* Fiscal Years 1977-1979*
(In \$1,000's)

Item	Revenue				Deductions	Transfers in (out)	Net increase (decrease)	Fund balance end of year
	Investment	Gifts	Misc.	Total revenue				
FY 1977—Total	\$1,690	\$1,724	\$ 993	\$4,407	\$4,901	\$ 354	\$ (140)	\$3,518
FY 1978—Total	\$2,022	\$3,478	\$1,038	\$6,538	\$4,367	\$ (1,261)	\$ 910	\$4,428
FY 1979:								
Museum of Natural History	\$ 166	\$ 315	\$ 7	\$ 488	\$ 519	\$ 140	\$ 109	\$ 547
Astrophysical Observatory	2	16	1	19	65	150	104	36
National Air and Space Museum	101	10	—	111	167	(10)	(66)	946
Fort Pierce Bureau	610	—	—	610	504	(340)	(234)	142
Other Science	243	109	1	353	185	(350)	(182)	295
Museum of History and Technology	35	217	(10)	242	251	7	(2)	365
National Collection of Fine Arts	37	227	(11)	253	272	54	35	179
National Portrait Gallery	23	99	2	124	147	14	(9)	332
Hirshhorn Museum	32	237	—	269	10	—	259	512
Freer Gallery of Art	756	57	334	1,147	1,055	—	92	352
Archives of American Art	14	96	356	466	301	—	165	340
Cooper-Hewitt Museum	41	290	10	341	346	—	(5)	322
Museum of African Art	—	—	—	—	13	—	(13)	174
All Other	15	102	37	154	148	(10)	(4)	322
Total FY 1979 ...	\$2,075	\$1,775	\$ 727	\$4,577	\$3,983	\$ (345)	\$ 249	\$4,864**

* Does not include Federal Agency Grants and Contracts.

** Includes addition to fund balance to reflect acquisition of Museum of African Art fund balance of \$187,000.

for a number of other Institutional endeavors. Due to the success of its bureau activities, the National Air and Space Museum was able during the year to make a further transfer of \$100,000 to the Lindbergh Chair of Aerospace History Endowment Fund, for a total amount transferred of \$350,000 to date toward a goal of \$900,000.

TABLE 5. Unrestricted Special Purpose Funds
Fiscal Years 1977-1979
(In \$1,000's)

Item	Revenue					Deductions			
	Investment	Bureau activities	Gifts and other revenue	Total revenue	Transfers in/(out)	Program expense	Bureau activity expense	Net increase (decrease)	Fund balance end of year
FY 1977	\$ 3	\$1,721	\$387	\$2,111	\$ 828	\$ 447	\$ 617	\$1,875	\$4,292
FY 1978	\$175	\$1,327	\$506	\$2,008	\$5,450	\$1,284	\$ 862	\$5,312	\$9,604
FY 1979:									
Museum of Natural History..	\$ 11	\$ 2	\$ 53	\$ 66	\$ 542	\$ 696	\$ 7	\$ (95)	\$ 345
Astrophysical Observatory	1	—	29	30	298	180	—	148	321
Tropical Research Institute	—	40	—	40	107	87	46	14	90
National Air and Space Museum ..	130	1,284	13	1,427	16	241	951	251	2,181
National Zoological Park	44	—	139	183	104	92	—	195	813
Other Science	1	7	20	28	150	145	9	24	145
Museum of History and Technology ..	24	4	61	89	232	299	14	8	456
National Collection of Fine Arts	11	2	79	92	103	290	—	(95)	108
Hirshhorn Museum.	7	—	6	13	394	387	—	20	141
Cooper-Hewitt Museum	2	542	145	689	1	355	335	—	3
Museum of African Art	—	17	—	17	(4)	—	12	1	1
Exhibits Central ...	2	1	5	8	—	34	(15)	(11)	36
Liability Reserves ..	—	—	—	—	500	—	—	500	2,400
Unallocated Acquisition, Schol. St., and Outreach	—	—	—	—	345	—	—	345	1,386
Collections Acq. Reserve	—	—	—	—	—	—	—	—	2,000
Support Activities and Other	21	140	111	272	919	456	77	658	1,141
FY 1979 Total	\$254	\$2,039	\$661	\$2,954	\$3,707	\$3,262	\$1,436	\$1,963	\$11,567

General Unrestricted Purpose funds include all unrestricted moneys provided for general Institutional purposes, including auxiliary activity revenues (Tables 6 and 7). Net General Unrestricted Purpose funds provided were lower in fiscal year 1979 than the prior year by approximately \$1,500,000 (see Table 6). While investment income was substantially higher, due both to rising short-term interest rates as well as to prior-year additions to unrestricted endowment, the net gains from auxiliary activities declined by almost \$2,500,000. Contributing to this decrease were the application, for the first time, of rental charges to auxiliary activities occupying space in Smithsonian buildings, higher central administrative overhead fees, and severe inflationary cost pressures. As shown in Table 7, the majority of auxiliary activity revenue comes from the Associates Program, primarily through the *Smithsonian* magazine, which continues to enjoy a widespread and enthusiastic reception. Also important in generating net revenue for other Institutional needs are Smithsonian Exposition Books, which benefitted this past year from the newly published *Smithsonian Book of Invention* as well as continued sales of earlier publications, and the Division of Performing Arts, which released nine recordings for sale to the public. The decline in net revenue from the Museum Shops, due to continued start-up costs of the Mail Order Division, was offset by the gain of the Smithsonian Institution Press, primarily from its mail sales of the new book *The National Air and Space Museum*. Significant financial support was also received from public concessions in various Smithsonian buildings.

Notwithstanding this decline in unrestricted funds provided, the Institution was able to continue the support of numerous programs and central administrative units with these funds. Major operating support was provided to the Cooper-Hewitt Museum, the Office of American and Folklife Studies, the Office of Fellowships and Grants, the Visitor Information and Associates Reception Center, and the Office of Telecommunications, in addition to a large number of small allocations to other bureaus of the Institution. Awards for program support, including collections acquisitions, were made to the Freer Gallery of Art, the National Air and Space Museum, the Smithsonian Tropical Research Institute, the Reception Center, the National Museum of History and Technology, and the National Portrait Gallery from funds raised by the Smithsonian Society

TABLE 6. *Unrestricted Trust Funds—General and Auxiliary Activities Fiscal Years 1977–1979*

(In \$1,000's)

<i>Item</i>	FY 1977	FY 1978	FY 1979
FUNDS PROVIDED			
General Income:			
Investments	\$1,154	\$ 1,400	\$ 2,276
Gifts	48	112	163
Miscellaneous	84	48	40
Total General Income	<u>1,286</u>	<u>1,560</u>	<u>2,479</u>
Auxiliary Activities (net):			
Associates	6,580	7,656	6,429
Business Management			
—Museum Shops	828	738	287
—Concessions	1,651	1,567	1,641
—Other	(112)	(169)	(245)
Performing Arts	(343)	253	177
Smithsonian Press	(108)	(199)	292
Exposition Books	(131)	2,105	1,036
Traveling Exhibitions	(79)	(112)	(142)
Photo Services	9	(185)	(275)
Total Auxiliary Activities	<u>8,295</u>	<u>11,654</u>	<u>9,200</u>
Total Funds Provided (Net)	<u>9,581</u>	<u>13,214</u>	<u>11,679</u>
EXPENDITURES AND TRANSFERS			
Administrative and Program Expense	6,735	7,974	9,231
Less Administrative Recovery	<u>4,592</u>	<u>5,200</u>	<u>5,888</u>
Net Expense	<u>2,143</u>	<u>2,774</u>	<u>3,343</u>
Less Transfers:			
To Special Purpose and Restricted Funds for Program Purposes	1,350	5,700	3,879
To Plant Funds	559	869	1,853
To Endowment Funds	<u>5,521</u>	<u>3,021</u>	<u>2,571</u>
NET ADDITION TO FUND BALANCE ...	<u>8</u>	<u>850</u>	<u>33</u>
ENDING FUND BALANCE	<u>\$4,082</u>	<u>\$ 4,932</u>	<u>\$ 4,965</u>

TABLE 7. *Auxiliary Activities Fiscal Years 1977-1979*

(In \$1,000's)

<i>Activity</i>	<i>Sales and other revenue</i>	<i>Gifts</i>	<i>Less cost of sales</i>	<i>Gross revenue</i>	<i>Ex-penses</i>	<i>Net reve-nue*** (loss)</i>
FY 1977	\$39,786	\$377	\$18,129	\$22,034	\$13,739	\$ 8,295
FY 1978	\$53,420	\$442	\$23,536	\$30,326	\$18,672	\$11,654
FY 1979:						
Associates	\$40,203	\$475	\$22,395	\$18,283	\$11,854	\$ 6,429
Business Management:						
—Museum Shops*	12,879	—	6,477	6,402	6,115	287
—Concessions	1,748	—	—	1,748	107	1,641
—Other **	255	—	—	255	500	(245)
Performing Arts	3,080	—	875	2,205	2,028	177
Smithsonian Press	1,982	—	751	1,231	939	292
Exposition Books	3,877	—	1,364	2,513	1,477	1,036
Traveling Exhibitions	678	—	—	678	820	(142)
Photo Services (Administration)	144	—	22	122	397	(275)
Total FY 1979	\$64,846	\$475	\$31,884	\$33,437	\$24,237	\$ 9,200

* Includes Museum Shops, Product Development, Mail Order.

** Includes Business Management Office, Belmont.

*** Before revenue-sharing transfers to participating Smithsonian bureaus of \$438,000 (FY 1977); \$390,000 (FY 1978); and \$397,000 (FY 1979).

of the Associates. Other allotments this year provided for the full equipping of the new Laboratory Wing at the Chesapeake Bay Center for Environmental Studies and the renovation of the Discovery Theatre in the Arts and Industries Building, at which puppet shows are held, primarily for younger visitors. As referred to above, the Regents authorized continuation of the \$2,000,000 annual program for major collections acquisitions (\$1,000,000), scholarly studies (\$500,000), and educational outreach (\$500,000). These moneys are reserved in the Special Purpose Funds until expended by the recipient Smithsonian bureaus.

Other major applications of unrestricted funds were transfers of over \$1,800,000 to Plant Funds (discussed below) and the addition of over \$2,500,000 to unrestricted endowment funds.

Other Operating Programs

Separate federal appropriations are also received for the Smithsonian Special Foreign Currency Program, which provides grants to United States institutions for field research in other countries in which "excess" foreign currencies are available, and the Smithsonian Science Information Exchange, which serves as a national source for the exchange of information on research in progress. The fiscal year 1979 appropriation for the Special Foreign Currency Program totaled \$3,700,000, or \$300,000 less than provided in fiscal year 1978. This amount reflected an increase of \$700,000 for grant awards and a reduction of \$1,000,000 for the United States' contribution to the campaign to save the Egyptian monuments at Nubia, the fourth and final payment of which was made in fiscal year 1978. The general areas of research and geographical activities of this program are contained in Table 8.

The Smithsonian received an appropriation for the Smithsonian Science Information Exchange of \$2,063,000 in fiscal year 1979, an increase of some \$200,000 over the previous fiscal year. This increase covered essentially the cost of inflation experienced over the past few years.

Construction

The Institution received a federal planning and construction appropriation of \$6,575,000 in fiscal year 1979, somewhat higher than that provided in the previous year. As shown in Table 9, the greater part of this appropriation was for the National Zoological Park, \$3,000,000 for construction of the Great Ape House, an important part of the National Zoo's continuing Master Plan, and \$900,000 for restoration and renovation of existing structures at Rock Creek Park and Front Royal. A further \$2,100,000 was appropriated for ongoing repair to all other Smithsonian facilities, including phased projects to improve access for handicapped visitors, to correct existing hazardous conditions, to continue facade and roof repairs, and to improve fire-detection and -suppression systems. Finally, \$575,000 was appropriated for use in association with fiscal

TABLE 8. Special Foreign Currency Program
Fiscal Year 1979—Obligations

Country	Archaeology	Systematic and environmental biology	Astro-physics and earth sciences	Museum programs	Grant administration	Total
Burma	\$ —	\$ 4,157	\$ —	\$ —	\$ —	\$ 4,157
Egypt	1,173,568	28,490	130,588	15,317	50,000	1,397,963
India	1,536,674	134,536	50,167	80,803	16,702	1,818,882
Pakistan	4,406	237,617	—	1,145	266	243,434
Guinea	—	—	—	1,104	—	1,104
Total	\$2,714,648	\$404,800	\$180,755	\$98,369	\$66,968	\$3,465,540*

* An additional amount of \$182,000 was obligated by the National Science Foundation, Science Information Program, for translations and printing of scientific publications requested by the Smithsonian Institution.

TABLE 9. Construction and Plant Funds Fiscal Years 1977-1979
(In \$1,000's)

Sources	FY 1977	FY 1978	FY 1979
FUNDS PROVIDED			
Federal Appropriations			
National Zoological Park	\$ 6,580	\$2,500	\$3,900
Museum Support Center	—	325	575
Restoration & Renovation of Buildings..	2,950	2,425	2,100
Total Federal Appropriations	9,530	5,250	6,575
Nonappropriated Trust Funds			
Income—Gift and Other			
Cooper-Hewitt Museum	3	60	—
Chesapeake Bay Center	2	—	—
South Quadrangle	—	—	5
Total Income	5	60	5
Transfers from Current Funds:			
Barney House	—	70	—
Chesapeake Bay Center	95	344	411
Cooper-Hewitt Museum	195	(10)	—
Museum of African Art	—	—	4
NMNH—West Court & Shops	269	—	—
National Zoological Park	—	110	—
Renwick Gates (Victorian Garden) ...	—	225	—
Sensory and East Gardens	—	100	10
South Quadrangle	—	30	1,385
Tropical Research Institute	—	—	47
Total Transfers	559	869	1,857
Total Funds Provided	\$10,094	\$6,179	\$8,437

year 1978 funds for architectural and engineering planning for the Museum Support Center. Construction of this facility, which will provide 302,000 gross square feet of storage, office, laboratory, and conservation space, is scheduled to begin in fiscal year 1980. The Institution is being assisted by the General Services Administration in the management of the design and construction of this project.

A total of \$1,857,000 was allocated to construction and land purchase from nonappropriated trust funds during the year, the majority of which (\$1,385,000) was for development of the South Quadrangle, described more fully above. A total of \$135,000 was transferred to this project for development of a conceptual study and preliminary engineering surveys, and the remaining \$1,250,000 will fund architectural plans in fiscal year 1981. The South Quadrangle will be a major funding priority, for both appropriated and nonappropriated funds, in the future.

Additional support (\$411,000) was provided for continued land acquisition at the Chesapeake Bay Center for Environmental Studies, and minor transfers to plant funds were also made for other construction projects.

Endowment and Similar Funds

The total market value of the Smithsonian Endowment Funds was \$66,619,000 on September 30, 1979, as compared to \$58,097,000 on September 30, 1978. These funds include \$65,556,000 invested in the Pooled Consolidated Endowment Fund, \$1,000,000 on permanent deposit in the United States Treasury, and \$63,000 of miscellaneous securities. Of this total, \$44,097,000 (66 percent) are Restricted Endowment Funds, with income to be used only for the purposes specified by the donor, and \$22,522,000 (34 percent) are Unrestricted Funds for the general support of the Institution (see Table 10). Table 13 is a listing of the Institution's Endowment Funds, the largest of which are the Freer Fund, supporting the operations of the Freer Gallery of Art, and Endowment Fund No. 3,

TABLE 10. *Endowment and Similar Funds September 30, 1979*

	<i>Book value</i>	<i>Market value</i>
ASSETS		
Pooled Consolidated Endowment Funds:		
Cash and Equivalents	\$ 504,075	\$ 504,075
Bonds	18,142,328	17,609,648
Convertible Bonds	1,579,425	2,057,125
Stocks	37,200,331	45,384,900
Total Pooled Funds	<u>57,426,159</u>	<u>65,555,748</u>
Nonpooled Endowment Funds:		
Notes Receivable	40,308	40,308
Loan to U.S. Treasury in Perpetuity	1,000,000	1,000,000
Bonds	9,769	9,100
Common Stocks	3,572	14,307
Total Nonpooled Funds	<u>1,053,649</u>	<u>1,063,715</u>
Total Endowment and Similar Fund Balances ..	<u><u>\$58,479,808</u></u>	<u><u>\$66,619,463</u></u>
FUND BALANCES		
Unrestricted Purpose: True Endowment		
Quasi Endowment	\$ 953,185	\$ 1,417,063
Quasi Endowment	19,579,590	21,105,273
Total Unrestricted Purpose	<u>20,532,775</u>	<u>22,522,336</u>
Restricted Purpose: True Endowment		
Quasi Endowment	34,349,831	40,277,533
Quasi Endowment	3,597,202	3,819,594
Total Restricted Purpose	<u>37,947,033</u>	<u>44,097,127</u>
Total Endowment and Similar Fund Balances ..	<u><u>\$58,479,808</u></u>	<u><u>\$66,619,463</u></u>

used for oceanographic research. The remainder of the Restricted and Unrestricted Funds support a wide variety of Institutional research and museum projects.

The Pooled Consolidated Endowment Fund is invested under the management of four professional advisory firms under the close supervision of the Investment Policy Committee and the Treasurer, subject to policy guidelines set by the Smithsonian's Board of Regents. These firms (with the portion of the Fund under their management) are BEA, Incorporated (23 percent), Batterymarch Financial Management Corp. (25 percent), Fiduciary Trust Co. of New York (43 percent), and Torray Clark & Company, Inc. (9 percent). During fiscal year 1979, the total rate of return of these

funds, as calculated by an independent investment measurement service, was +14.3 percent (including interest and dividend yield as well as market value appreciation), compared to +12.5 percent for the Standard & Poor's 500 average and +7.8 percent for the Dow Jones Industrial Average.

As outlined in prior reports, the Institution follows the Total Return policy, under which the total investment return of the Endowments is defined as yield (interest and dividends) plus appreciation (realized and unrealized gains). A prudent portion of this return is paid to each Endowment as income for current expenditures. Since 1973, this income payout has been at the rate of 4½ percent of the running five-year average of endowment market values, adjusted for additions or withdrawals of capital. During fiscal year 1979, the Board of Regents amended this policy to provide that the annual total return income payout set each year would be based not solely on the five-year market average but would also take into account anticipated dividend and interest yields, support needs of the Institution's bureaus, and inflationary factors. In accordance with these principles, and due largely to the increased yield of both debt and equity investments, the total return income payout approved by the Board of Regents for fiscal year 1979 was equivalent to 4.7 percent of the five-year market average. Even at this level, the payout was \$989,000 less than interest and dividends, and this difference was therefore reinvested into Endowment principal, in contrast to prior years, in which appropriation of capital gains was required to meet the required total return payout.

Included on Table 12 as additions to the Endowments were restricted gifts of \$91,000, primarily for the Harold P. Stern Memorial Fund, a transfer to Unrestricted Endowment Funds of \$2,650,000 approved by the Board of Regents, and additional transfers representing reinvestment of Endowment income pursuant to the terms of individual Endowments.

A listing of the securities held in the Pooled Consolidated Endowment Fund as of September 30, 1979, may be obtained upon request from the Treasurer of the Institution.

TABLE 11. *Market Values of Pooled Consolidated Endowment Funds*
(In \$1,000's)

<i>Fund</i>	6/30/75	9/30/76	9/30/77	9/30/78	9/30/79
Unrestricted	\$ 5,654	\$ 7,477	\$11,695	\$17,206	\$21,625
Freer	15,744	16,035	15,410	16,807	18,303
Endowment No. 3	12,321	12,701	12,343	13,462	15,022
Restricted	7,148	7,420	7,431	9,555	10,606
Total	\$40,867	\$43,633	\$46,879	\$57,030	\$65,556

TABLE 12. *Changes in Pooled Consolidated Endowment Funds
for Fiscal Year 1979*
(In \$1,000's)

<i>Fund</i>	Market value 9/30/78	Gifts and trans- fers	Inter- est and divi- dends*	Income paid out	Sub- total	In- crease in market value	Market value 9/30/79
Unrestricted	\$17,206	\$2,650	\$1,109	\$ 794	\$20,171	\$1,454	\$21,625
Freer	16,807	—	1,005	722	17,090	1,213	18,303
Endowment No. 3..	13,462	340	813	584	14,031	991	15,022
Restricted	9,555	188	578	416	9,905	701	10,606
Total	\$57,030	\$3,178	\$3,505	\$2,516	\$61,197	\$4,359	\$65,556

* Income earned less managers' fees.

TABLE 13. Endowment Funds September 30, 1979

Funds	Principal		Income	
	Book value	Market value	Net income	Unexpended balance
UNRESTRICTED PURPOSE—TRUE				
Avery, Robert S. and Lydia*	\$ 73,006	\$ 103,395	\$ 4,370	\$ -0-
Habel, Dr. S.*	500	500	30	-0-
Hamilton, James*	3,098	3,480	189	-0-
Higbee, Harry*	20,696	30,995	1,184	-0-
Morrow, Dwight W.	115,505	175,237	6,920	-0-
Mussinan, Alfred	39,375	51,246	2,024	-0-
Olmsted, Helen A.	1,247	1,789	71	-0-
Poore, George W. and Lucy T.*	269,469	400,227	16,351	-0-
Porter, Henry Kirke	427,858	647,085	25,552	-0-
Sanford, George H.*	2,431	3,109	145	-0-
Subtotal	953,185	1,417,063	56,836	-0-
UNRESTRICTED PURPOSE—QUASI				
Abbot, William L.	29,331	35,143	1,388	-0-
Forrest, Robert Lee	2,152,881	1,950,046	77,004	-0-
General Endowment*	16,045,105	17,679,494	656,849	-0-
Goddard, Robert H.	17,029	15,443	610	-0-
Hackenberg, George P. and Caroline	7,903	9,906	391	-0-
Hart, Gustavus E.	959	1,155	46	-0-
Henry, Caroline	2,381	2,850	113	-0-
Henry, Joseph and Harriet A.	96,283	114,003	4,502	-0-
Heys, Maude C.	204,487	189,750	7,493	-0-
Hinton, Carrie Susan	51,162	55,440	1,642	-0-
Hodgkins, Thomas G.*	175,471	186,260	9,734	-0-
Lambert, Paula C.	90,813	101,837	4,021	-0-
Lindbergh Chair of Aerospace History (Dedicated)	356,370	371,971	10,740	-0-
Medinus, Grace L.	2,017	1,887	74	-0-
Rhees, William Jones*	1,520	1,695	79	-0-
Safford, George H.	91,872	88,632	3,500	-0-
Taggart, Gansen	735	1,080	43	-0-
Witherspoon, Thomas A.	253,271	298,681	11,794	-0-
Subtotal	19,579,590	21,105,273	790,023	-0-
Total Unrestricted Purpose	\$20,532,775	\$22,522,336	\$ 846,850	\$ -0-
RESTRICTED PURPOSE—TRUE				
Arthur, James	\$ 59,743	\$ 90,534	\$ 3,575	\$ 848
Baird, Spencer Fullerton	54,903	80,928	3,196	170
Barney, Alice Pike	42,848	64,878	2,562	9,201
Beaugard, Catherine, Memorial Fund	76,883	90,661	3,580	10,439
Brown, Roland W.	50,988	62,221	2,457	10,605
Canfield, Frederick A.	56,289	99,748	3,939	3,131
Chamberlain, Frances Lea	42,070	63,701	2,515	8,266
Cooper, G. Arthur, Curator's Fund	13,918	15,573	530	4
Div. of Mammals Curator Fund	3,405	3,815	151	2,820
Div. of Reptiles Curator Fund	2,359	2,650	102	286
Drake, Carl J.*	313,675	336,679	13,173	28,704
Eickenmeyer, Florence Brevoort	16,239	24,579	971	7,895
Endowment No. 3	13,010,009	15,022,092	588,334	142,257
Freer	15,561,540	18,302,629	722,825	295,569
Guggenheim, David and Florence	237,713	233,601	9,225	-0-
Henderson, Edward P., Meteorite Fund	606	805	32	180
Hewitt, E. G.	13,838	14,687	580	-0-
Hewitt, S. C.	81,925	86,691	3,423	-0-
Hitchcock, Albert S.	2,354	3,627	143	631
Hodgkins, Thomas G.*	100,000	100,000	6,000	5,521
Hrdlicka, Ales and Marie	92,352	112,712	4,451	6,651
Hughes, Bruce	28,592	43,350	1,712	13,410
Kramar, Nada	5,292	5,925	234	805

TABLE 13. *Endowment Funds September 30, 1979—Continued*

<i>Funds</i>	<i>Principal</i>		<i>Income</i>	
	<i>Book value</i>	<i>Market value</i>	<i>Net income</i>	<i>Unexpended balance</i>
Lindsey, Jessie A.*	11,107	10,595	789	2,619
Long, Annette E. and Edith C.	810	1,262	50	205
Maxwell, Mary E.	29,299	44,416	1,754	9,100
Milliken, Oothout H.	409	432	17	—0—
Mineral Endowment	184,504	199,472	7,877	3,796
Mitchell, William A.	25,061	27,288	1,078	1,179
Natural History and Conservation	22,406	24,959	826	2
Nelson, Edward William	35,785	50,297	1,986	—0—
Petrocelli, Joseph, Memorial	11,069	16,847	665	11,352
Roebing Collection	180,543	271,701	10,729	12,420
Rollins, Miriam and William	331,009	434,241	16,962	9,045
Sprague, Joseph White	2,404,176	2,597,198	101,454	21,284
Springer, Frank	27,068	40,544	1,601	22,220
Stern, Harold P., Memorial	218,100	240,672	8,151	11,018
Stevenson, John A.	9,469	11,077	437	529
Walcott, Charles D.	213,816	269,867	10,540	2,822
Walcott, Charles D. and Mary Vaux..	689,467	1,046,258	41,388	12,093
Walcott Botanical Publications*	86,779	126,190	4,983	7,890
Zerbe, Francis Brinckle	1,413	2,132	84	2,220
Subtotal	34,349,831	40,277,534	1,585,081	677,187
RESTRICTED PURPOSE—QUASI				
Abbott, William L.	204,601	241,264	9,527	—0—
Armstrong, Edwin James	5,033	5,266	203	—0—
Au Panier Fleuri	41,191	37,516	1,481	—0—
Bacon, Virginia Purdy	179,135	188,293	7,435	25,527
Barstow, Frederic D.	1,961	2,310	91	2,552
Batchelor, Emma E.	65,377	67,109	2,650	22,417
Becker, George F.	307,719	325,901	12,869	57,809
Casey, Thomas Lincoln	24,607	29,066	1,148	2,305
Desautels, Paul E.	16,898	20,524	793	4
Dykes, Charles	84,513	99,778	3,940	17,099
Hanson, Martin Gustav and Caroline Runice	17,452	20,603	814	2,472
Hillyer, Virgil	12,903	15,242	602	3,920
Johnson, E. R. Fenimore	15,898	15,255	602	8,841
Kellogg, Remington, Memorial	48,179	45,529	1,798	6,162
Lindbergh, Charles A.	6,308	7,330	640	1,870
Loeb, Morris	171,417	204,340	8,069	5,248
Lyons, Marcus Ward	8,528	8,236	325	—0—
Myer, Catherine Walden	39,663	46,832	1,849	3,179
Noyes, Frank B.	1,904	2,360	93	1,929
Noyes, Pauline	19,391	17,678	698	—0—
Pell, Cornelia Livingston	14,566	17,289	683	1,879
Ramsey, Admiral and Mrs. Dewitt Clinton*	568,463	558,902	22,683	10,474
Rathbun, Richard, Memorial	20,896	24,772	979	13,159
Reid, Addison T.*	45,915	52,220	2,288	8,871
Roebing Solar Research	48,546	53,260	2,103	405
Ruef, Bertha M.	62,000	59,448	2,348	1,912
Schultz, Leonard P.	15,234	17,920	1,070	9,379
Seidell, Atherton	1,223,827	1,287,577	51,985	57,478
Smithsonian Agency Account	305,436	324,495	12,505	9,486
Strong, Julia D.	19,641	23,278	919	1,039
Subtotal	3,597,202	3,819,593	153,190	275,416
Total Restricted Purpose	\$37,947,033	\$44,097,127	\$1,738,271	\$952,603
TOTAL ENDOWMENT FUNDS	\$58,479,808	\$66,619,463	\$2,585,130**	\$952,603

* Invested all or in part in U.S. Treasury or other nonpooled investments.

** Total Return Income Payout; does not include \$84,000 of interest income for investment of unexpended income balances.

Related Organizations

The Smithsonian Science Information Exchange, Inc., was incorporated by the Smithsonian in 1971 as a separate nonprofit entity. Its purpose is to facilitate the planning, management, and coordination of the nation's research efforts through the collection, processing, and dissemination of information about ongoing research. In addition to an annual contract from the Smithsonian, equal to the appropriation provided the Smithsonian for this purpose, the exchange also receives substantial revenues from users of its services. In fiscal year 1979, these user revenues totaled \$1,133,000 and accounted for 35 percent of the operating costs of the exchange. As a step toward the transfer of the exchange's operations to the Department of Commerce, the appropriation for support of the exchange will be made to this department in fiscal year 1980, rather than to the Smithsonian. To assist in the transition, the Institution will continue to provide administrative and fiscal services.

Reading is Fundamental, Inc. (RIF), associated with the Institution since 1968, is an independent, separately incorporated entity dedicated to the improvement of reading abilities in children. Primary support is derived from private contributions and a federal contract with the United States Office of Education to operate the Federal Inexpensive Book Distribution Program. Administrative services are provided by the Institution on a contract basis.

During the year, action was taken to close out the books of the Smithsonian Research Foundation, and this corporation will be legally dissolved in the near future.

The Woodrow Wilson International Center for Scholars, the National Gallery of Art, and the John F. Kennedy Center for the Performing Arts, were established by Congress within the Institution but are administered by separate Boards of Trustees. Independent financial reports are presented by each of these organizations. Office space and fiscal and other administrative and support services are provided the Woodrow Wilson International Center for Scholars on a reimbursement basis.

The Friends of the National Zoo (FONZ) is an independent, nonprofit corporation working closely with the National Zoological Park. It operates under contract a number of beneficial concessions

for the National Zoo. FONZ provided concession and rental fees to the zoo amounting to more than \$164,000 during calendar year 1978 (FONZ's fiscal year). In addition, FONZ contributed other important financial and volunteer support for zoo programs. Financial affairs of this organization are disclosed separately elsewhere in *Smithsonian Year 1979*.

Accounting and Auditing

An audit of the nonappropriated trust funds of the Institution is conducted annually by independent public accountants, and their fiscal year 1979 report is contained in the following pages. For over thirty years, this work had been performed in a competent and professional manner by Peat, Marwick, Mitchell & Co. In January 1979, the Board of Regents authorized its Executive Committee to invite audit proposals from other major accounting firms as well. After extensive proposal review and interviews with the nation's eight largest firms, Coopers & Lybrand was selected to perform the Institution's audit for 1979 and the succeeding four years. During the year, the internal audit staff continued their reviews of various operations of the Institution. Additionally, grants and contracts received from federal agencies, as well as their allocated overhead costs, were audited by the Defense Contract Audit Agency.

The Audit and Review Committee of the Regents, under the By-laws of the Institution, has the responsibility for reviewing the Smithsonian's accounting systems and internal financial controls; of facilitating communication between the Board and internal auditors, independent auditors, and auditors of the General Accounting Office; and of reviewing operations of the Institution for compliance with approved programs and policies.



This collection of eighteenth-century Italian fiddles was a major acquisition of the National Museum of History and Technology's Division of Musical Instruments. These rare instruments were acquired for the division through the Major Collections Acquisition Program. *Below.* The instruments are here being played by the Smithsonian Chamber Players. From left to right: Marilyn McDonald, Mary Price, Melissa Graybeal, and Kenneth Slowik.



COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

A MEMBER FIRM OF
COOPERS & LYBRAND (INTERNATIONAL)

To the Board of Regents
Smithsonian Institution

We have examined the balance sheet of the Trust Funds of Smithsonian Institution as of September 30, 1979 and the related statement of financial activity for the year then ended. 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. The statements of the Trust Funds of Smithsonian Institution for the year ended September 30, 1978, totals of which are included in the accompanying financial statements for comparative purposes, were examined by other auditors whose report dated December 15, 1978 expressed an unqualified opinion on those statements.

The statements of the Trust Funds of Smithsonian Institution 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 programs administered by the Smithsonian Institution under federal appropriations as detailed in Note 2 to the financial statements.

In our opinion, the financial statements for the year ended September 30, 1979, referred to above, present fairly the financial position of the Trust Funds of Smithsonian Institution as of September 30, 1979, and the results of operations and changes in 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.

COOPERS & LYBRAND

1800 M Street, N.W.
Washington, D.C.
November 27, 1979

SMITHSONIAN INSTITUTION—TRUST FUNDS

Balance Sheet

September 30, 1979

(with comparative totals for September 30, 1978)

	<i>Current funds</i>
ASSETS:	
Cash	\$ 1,067,242
Investments (Notes 3 and 5)	21,192,559
Receivables (Note 4)	9,833,100
Interfund receivables	1,863,862
Merchandise inventory (Note 1)	4,505,523
Prepaid and deferred expense (Note 1)	6,414,963
Property and equipment (Notes 1 and 6)	1,283,732
	<u>\$46,160,981</u>
 LIABILITIES:	
Accounts payable and accrued expenses	\$ 5,427,060
Deposits held in custody for other organizations (Note 2) ..	1,745,609
Interfund payables	4,308,574
Deferred revenue (Note 1)	13,247,924
Total liabilities	<u>24,729,167</u>
 FUND BALANCES (Note 1):	
Current:	
Unrestricted general purpose	4,964,511
Special purpose	11,567,125
Restricted	4,900,178
Endowment and similar funds (Note 5)	—
Plant funds (Note 6)	—
Total fund balances	<u>21,431,814</u>
	<u>\$46,160,981</u>

The accompanying notes are an integral part of the financial statements.

*Endowment
and similar
funds*

Plant funds

Total, all funds

Totals, 1978

\$ 62,160	\$ —	\$ 1,129,402	\$ 2,850,678
57,935,425	—	79,127,984	70,986,935
40,308	—	9,873,408	8,602,476
441,915	2,002,797	4,308,574	2,353,786
—	—	4,505,523	3,950,770
—	—	6,414,963	5,264,020
—	11,920,035	13,203,767	11,977,248
<u>\$58,479,808</u>	<u>\$13,922,832</u>	<u>\$118,563,621</u>	<u>\$105,985,913</u>

\$ —	\$ 229,778	\$ 5,656,838	\$ 3,970,730
—	—	1,745,609	1,183,626
—	—	4,308,574	2,353,786
—	—	13,247,924	14,439,120
—	229,778	24,958,945	21,947,262

—	—	4,964,511	4,932,516
—	—	11,567,125	9,603,694
—	—	4,900,178	4,539,911
58,479,808	—	58,479,808	53,803,473
—	13,693,054	13,693,054	11,159,057
<u>58,479,808</u>	<u>13,693,054</u>	<u>93,604,676</u>	<u>84,038,651</u>
<u>\$58,479,808</u>	<u>\$13,922,832</u>	<u>\$118,563,621</u>	<u>\$105,985,913</u>

SMITHSONIAN INSTITUTION—TRUST FUNDS

Statement of Financial Activity

Year ended September 30, 1979

(with comparative totals for the year ended September 30, 1978)

	Current fund			
	Total current funds	Unrestricted		
		Total unrestricted funds	General purpose	
REVENUE AND OTHER ADDITIONS:				
Auxiliary activities revenue	\$66,884,616	\$66,884,616	\$	—
Federal grants and contracts	11,411,790	—		—
Investment income (net of \$278,655 for management and custodian fees)	5,598,435	2,849,787		2,591,658
Gain (loss) on sale of securities	(5,765)	(5,765)		(5,765)
Gifts, bequests and foundation grants	2,457,801	682,979		163,394
Additions to plant fund	—	—		—
Rentals, fees, commissions and other	1,983,617	1,255,508		638,264
Total revenue and other additions	<u>88,330,494</u>	<u>71,667,125</u>		<u>3,387,551</u>
EXPENDITURES AND OTHER DEDUCTIONS:				
Research and educational expenditures	18,375,482	5,534,719		2,389,110
Administrative expenditures	6,842,542	4,210,583		1,552,968
Auxiliary activities expenditures	55,015,797	55,015,797		—
Expenditures for acquisition of plant	—	—		—
Retirement of indebtedness	—	—		—
Interest on indebtedness	—	—		—
	<u>80,233,821</u>	<u>64,761,099</u>		<u>3,942,078</u>
Excess of revenue and other additions over (under) expenditures and other deductions	<u>8,096,673</u>	<u>6,906,026</u>		<u>(554,527)</u>
TRANSFERS AMONG FUNDS—				
ADDITIONS (DEDUCTIONS):				
Mandatory principal and interest on notes	(56,070)	(56,070)		(52,535)
Portion of investment yield appropriated (Note 5) ..	(988,573)	(314,694)		(310,496)
Purchase of property and equipment for plant fund	(348,921)	(348,921)		(348,921)
Future plant acquisitions	(1,451,617)	(1,451,617)		(1,451,617)
Income added to endowment principal	(423,331)	—		—
Appropriated as quasi endowment	(2,671,217)	(2,671,217)		(2,571,217)
Endowment released	10,000	—		—
For designated purposes	—	(68,081)		(3,481,809)
Net increase in auxiliary activities	—	—		8,803,117
Total transfers among funds	<u>(5,929,729)</u>	<u>(4,910,600)</u>		<u>586,522</u>
Net increase for the year	2,166,944	1,995,426		31,995
Acquisition of Museum of African Art	188,749	—		—
Fund balances at beginning of year	19,076,121	14,536,210		4,932,516
Fund balances at end of year	<u>\$21,431,814</u>	<u>\$16,531,636</u>	<u>\$</u>	<u>4,964,511</u>

The accompanying notes are an integral part of the financial statements.

<i>Auxiliary activities</i>	<i>Special purpose</i>	<i>Restricted</i>	<i>Endowment and similar funds</i>	<i>Plant funds</i>	<i>Total, all funds</i>	<i>Totals, 1978</i>
\$64,846,017	\$ 2,038,599	\$ —	\$ —	\$ —	\$66,884,616	\$54,759,388
—	—	11,411,790	—	—	11,411,790	11,157,066
—	258,129	2,748,648	—	—	5,598,435	3,429,901
—	—	—	511,866	—	506,101	1,334,983
475,178	44,407	1,774,822	91,348	5,000	2,554,149	4,231,405
—	—	—	—	395,971	395,971	404,605
—	617,244	728,109	—	—	1,983,617	2,155,641
<u>65,321,195</u>	<u>2,958,379</u>	<u>16,663,369</u>	<u>603,214</u>	<u>400,971</u>	<u>89,334,679</u>	<u>77,472,989</u>
—	3,145,609	12,840,763	—	—	18,375,482	15,759,210
2,369,500	288,115	2,631,959	—	—	6,842,542	5,675,636
53,751,742	1,264,055	—	—	—	55,015,797	41,737,456
—	—	—	—	348,921	348,921	365,992
—	—	—	—	47,049	47,049	46,600
—	—	—	—	9,021	9,021	8,241
<u>56,121,242</u>	<u>4,697,779</u>	<u>15,472,722</u>	<u>—</u>	<u>404,991</u>	<u>80,638,812</u>	<u>63,593,135</u>
<u>9,199,953</u>	<u>(1,739,400)</u>	<u>1,190,647</u>	<u>603,214</u>	<u>(4,020)</u>	<u>8,695,867</u>	<u>13,879,854</u>
—	(3,535)	—	—	56,070	—	—
—	(4,198)	(673,879)	988,573	—	—	—
—	—	—	—	348,921	—	—
—	—	—	—	1,451,617	—	—
—	—	(423,331)	423,331	—	—	—
—	(100,000)	—	2,671,217	—	—	—
—	—	10,000	(10,000)	—	—	—
(396,836)	3,810,564	68,081	—	—	—	—
(8,803,117)	—	—	—	—	—	—
<u>(9,199,953)</u>	<u>3,702,831</u>	<u>(1,019,129)</u>	<u>4,073,121</u>	<u>1,856,608</u>	<u>—</u>	<u>—</u>
—	1,963,431	171,518	4,676,335	1,852,588	8,695,867	13,879,854
—	—	188,749	—	681,409	870,158	—
—	9,603,694	4,539,911	53,803,473	11,159,057	84,038,651	70,158,797
<u>\$ —</u>	<u>\$11,567,125</u>	<u>\$ 4,900,178</u>	<u>\$58,479,808</u>	<u>\$13,693,054</u>	<u>\$93,604,676</u>	<u>\$84,038,651</u>

SMITHSONIAN INSTITUTION—TRUST FUNDS
Notes to Financial Statements

1. *Summary of Significant Accounting Policies*

Basis of presentation. The financial statements of Smithsonian Institution—Trust Funds (Institution) have been prepared on the accrual basis.

Fund accounting. To ensure observance of limitations and restrictions placed on the use of 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 established according to their nature and purposes. 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.

The assets, liabilities, and fund balances of the Institution are reported in self-balancing fund groups as follows:

Current funds, which include unrestricted and restricted resources, represent the portion of expendable funds that is available for support of Institution operations. Separate sub-fund groups of current unrestricted funds have been reflected in the financial statements for auxiliary activities (representing primarily the revenue and expenditures of the Smithsonian Associates Program, including the *Smithsonian* magazine, and museum shop sales) and for special purposes (representing internally segregated funds for certain designated purposes). Amounts restricted by the donor for specific purposes are also segregated from other current funds.

Endowment and similar funds include funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be used. Also classified as endowment and similar funds are gifts which will allow the expenditure of principal but only under certain specified conditions and quasi-endowment funds. Quasi-endowment funds are funds established by the governing board for the same purposes as endowment funds; however, 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.

Plant funds represent resources restricted for future plant acquisitions and funds expended for plant.

All gains and losses arising from the sale, collection or other disposition of investments are accounted for in the fund in which the related assets are

recorded. Income from investments is accounted for in a similar manner, except for income derived from investments of endowment and similar funds, which is accounted for in the fund to which it is restricted, or, if unrestricted, as revenue in unrestricted current funds.

Inventories. Inventories are carried at the lower of average cost, computed on a first-in, first-out method, or net realizable value.

Deferred revenue and expense. Revenue from subscriptions to *Smithsonian* magazine is recorded as income over the period of the related subscription, which is one year. Costs related to obtaining subscriptions to *Smithsonian* magazine are charged to income over the period of the subscription.

The Institution recognizes revenue and charges expenses of other auxiliary activities during the period in which the activity is conducted.

Works of art, living or other specimens. In accordance with the practice generally followed by museums, works of art and living or other specimens are not reflected in the accompanying financial statements.

Property and equipment. Capitalized improvements and equipment purchased with Trust Funds and utilized in income-producing activities are capitalized in the current unrestricted fund at cost and are depreciated on a straight-line basis over their estimated useful lives of five to ten years.

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. In accordance with the practice of many museums, depreciation on buildings is not recorded.

All other land, buildings, fixtures, and equipment which were principally acquired with federal funds are not reflected in the accompanying financial statements.

Government contracts. The Institution has a number of contracts with the U.S. Government, which primarily provide for cost reimbursement to the Institution. Contract revenue is recognized when billable or received.

Contributed services. A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Institution's programs. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement or valuation.

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, 1979 and 1978:

	<u>1979</u>	<u>1978</u>
Operating funds	\$100,265,000	\$ 95,250,000
Special foreign currency program	3,700,000	4,000,000
Construction funds	6,575,000	5,250,000
	<u>\$110,540,000</u>	<u>\$104,500,000</u>

The Institution provides fiscal and administrative services to several separately incorporated organizations in 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 \$422,000 for the year ended September 30, 1979. The following summarizes the approximate expenditures of these organizations for the fiscal years ended September 30, 1979 and 1978, respectively, as reflected in their individual financial statements and which are not included in the accompanying financial statements of the Institution:

	<u>1979</u>	<u>1978</u>
Smithsonian Research Foundation	\$ —	\$ 120,000
Smithsonian Science Information Exchange	\$3,293,000	\$2,355,000
Reading Is Fundamental, Inc.	\$4,042,000	\$2,260,000
Woodrow Wilson International Center for Scholars—Trust Funds	\$2,306,000	\$2,079,000

For the years ended September 30, 1979 and 1978, the Smithsonian Research Foundation did not receive federal grants, and the corporate structure will be dissolved in fiscal year 1980. The Institution is working with the U.S. Department of Commerce to effect a transfer of the Smithsonian Science Information Exchange operations to the U.S. Department of Commerce on October 1, 1980; until that date the Institution will continue to provide fiscal and administrative services.

3. Investments

Investments are recorded at cost, if purchased, or fair market value at date of acquisition, if acquired by gift. At September 30, 1979, investments are composed of the following:

	<u>Carrying value</u>	<u>Market value</u>
Current funds:		
Certificates of deposit	\$ 4,000,000	\$ 4,000,000
Commercial paper	1,974,858	2,000,000
Overnight money market account	1,200,000	1,200,000
U.S. Government and quasi-government obligations	13,789,494	13,932,400
Common stock	171,860	92,317
Preferred stock	56,347	45,797
	<u>21,192,559</u>	<u>21,270,514</u>

Endowment and similar funds:

Loan to U.S. Treasury	\$ 1,000,000	\$ 1,000,000
Commercial paper	4,063,235	4,075,000
U.S. Government and quasi-government obligations	5,469,632	5,364,809
Corporate bonds	10,202,227	10,226,965
Common stock	36,491,266	44,685,401
Preferred stock	709,065	699,500
	<u>57,935,425</u>	<u>66,051,675</u>
	<u>\$79,127,984</u>	<u>\$87,322,189</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 \$119.91, 346,315 units were owned by endowment and 200,396 units by quasi-endowment at September 30, 1979.

The following tabulation summarizes changes in relationships between cost and market values of the pooled investments:

	<u>Market</u>	<u>Cost</u>	<u>Net gains</u>	<u>Market value per unit</u>
End of year	\$65,555,748	\$57,426,159	\$8,129,589	\$119.91
Beginning of year	\$56,831,475	\$52,548,845	4,282,630	110.22
Unrealized net gains for year			3,846,959	—
Realized net gains for year			511,866	—
Total net gains for year			<u>\$4,358,825</u>	<u>\$ 9.69</u>

4. *Receivables*

Receivables at September 30, 1979 and 1978, included the following:

<i>Current funds</i>	<u>1979</u>	<u>1978</u>
Accounts receivable, auxiliary activities; net of allowance for doubtful accounts of \$258,000 in 1979 and \$262,000 in 1978	\$7,881,683	\$6,031,875
Unbilled costs and fees from grants and contracts..	658,318	1,316,166
Interest and dividends receivable	949,571	716,048
Other	343,528	496,017
	<u>9,833,100</u>	<u>8,560,106</u>
<i>Endowment and similar funds</i>		
Notes receivable	40,308	42,370
Total, all funds	<u>\$9,873,408</u>	<u>\$8,602,476</u>

5. Endowment and Similar Funds

Endowment and similar funds at September 30, 1979 are summarized as follows:

Endowment funds, income available for:	
Restricted purposes	\$34,349,830
Unrestricted purposes	953,185
	<u>35,303,015</u>
Quasi-endowment funds, principal and income available for:	
Restricted purposes	3,597,203
Unrestricted purposes	19,579,590
	<u>23,176,793</u>
Total endowment and similar funds	<u>\$58,479,808</u>

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. An amount equal to the difference between interest and dividends earned during the year and the amount computed under the total return formula is transferred to or from the current funds.

In applying this approach, it is the Institution's policy to provide, as being available for current expenditures, an amount taking into consideration such factors as, but not limited to: (1) 4½% of the five-year average of the market value of each fund (adjusted for gifts and transfers during this period), (2) current dividend and interest yield, (3) support needs for bureaus and scientists, and (4) inflationary factors as measured by the Consumer Price Index; 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. The total return factor for 1979 was \$4.74 per unit of fund participation. The total return applied for 1979 was \$2,516,098.

6. Property and Equipment

Property and equipment is comprised of the following:

	<i>September 30,</i>	
	<u>1979</u>	<u>1978</u>
<i>Current funds</i>		
Capital improvements	\$ 1,342,277	\$ 1,317,036
Equipment	602,777	446,086
Leasehold improvements	145,229	98,126
Less accumulated depreciation		
amortization	806,551	585,349
	<u>1,283,732</u>	<u>1,275,899</u>
<i>Plant funds</i>		
Land and buildings	11,920,035	10,701,349
Total, all funds	<u>\$13,203,767</u>	<u>\$11,977,248</u>

Depreciation and amortization expense reflected in expenditures of the current funds for 1979 and 1978 was \$221,202, and \$181,942, respectively.

The balance of the plant fund at September 30, 1979 includes \$1,997,525 of unexpended plant funds.

7. Pension Plan

The Institution has a retirement plan in which substantially all Trust Funds' employees are eligible to participate. Under the plan, both the Institution and employees contribute stipulated percentages of salary which are used to purchase individual annuities, the rights to which are immediately vested with the employees. The cost of the plan for the year ended September 30, 1979 was \$1,746,293. It is the policy of the Institution to fund plan costs accrued currently. There are no unfunded prior service costs under the plan.

8. Income Taxes

The Institution is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code. Organizations described in that section are taxable only on their unrelated business income. 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. It is the intent of the Institution to seek such dual status. Management believes that any income taxes required as a result of settlement of these matters would not have a material effect upon the financial position of the Institution.









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