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SMITHSONIAN YEAR • 1981

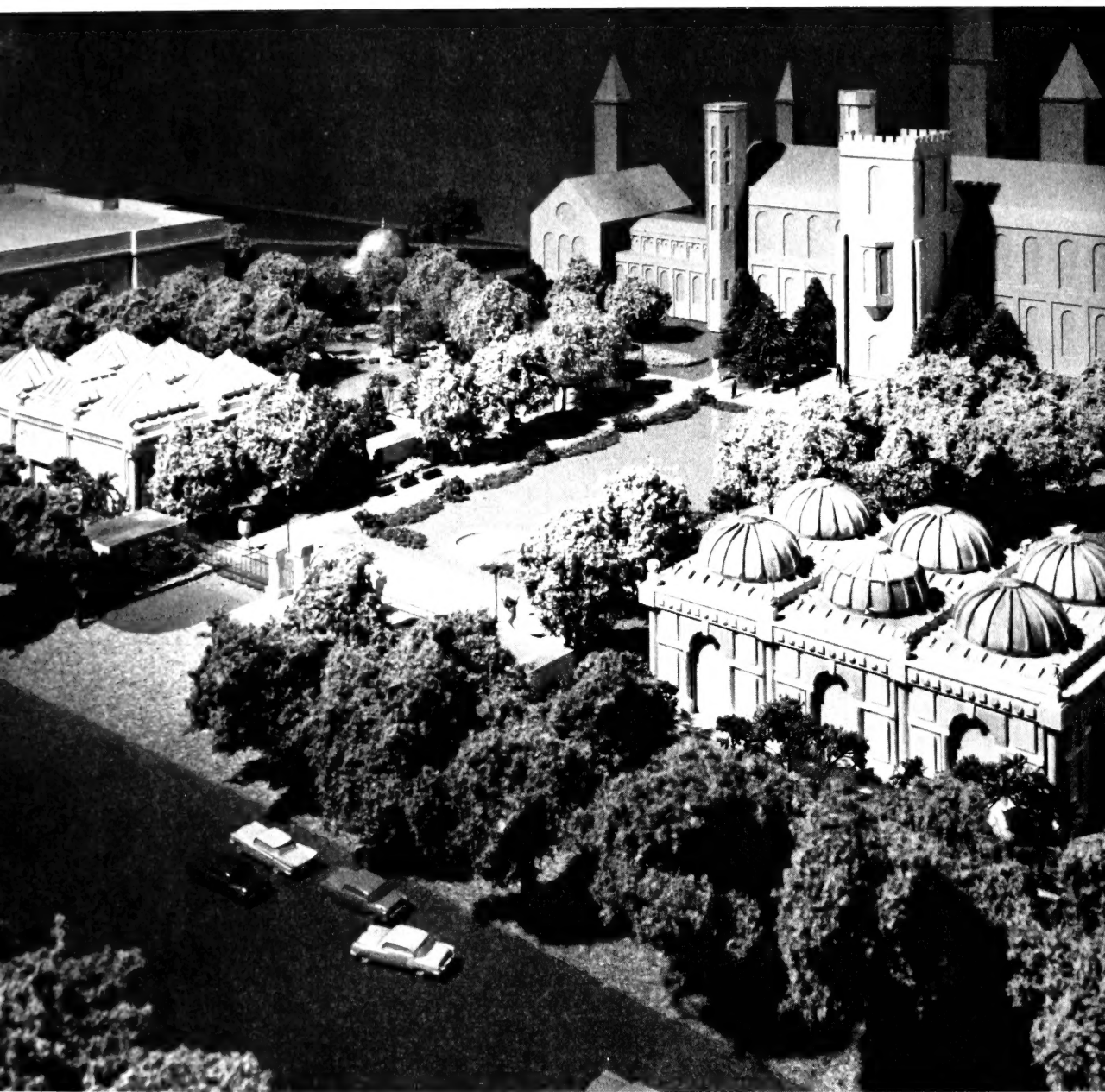
*Statement by the Secretary*



*Smithsonian Year • 1981*

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STATEMENT BY THE SECRETARY



SMITHSONIAN YEAR • 1981

*Conservation  
in Nature and in Culture*

STATEMENT BY THE SECRETARY  
S. DILLON RIPLEY

*The Smithsonian Institution • 1982*

JUN 30 1982

FRONTISPIECE

If a sheathed sword is a symbol of peace, so too will be our Quadrangle, a center for illumination, and for hope. . . . This conceptual model shows the Quadrangle project, with the Smithsonian Castle historically defining the northern boundary of the Quadrangle, and Independence Avenue edging it to the south. In this view, the Freer Gallery of Art is *to the far left*, and the Arts and Industries Building stands *to the far right*.

## *The Smithsonian Institution*

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

### THE ESTABLISHMENT

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Andrew L. Lewis, Jr., *Secretary of Transportation*  
James B. Edwards, *Secretary of Energy*

*Board of Regents and Secretary • September 30, 1981*

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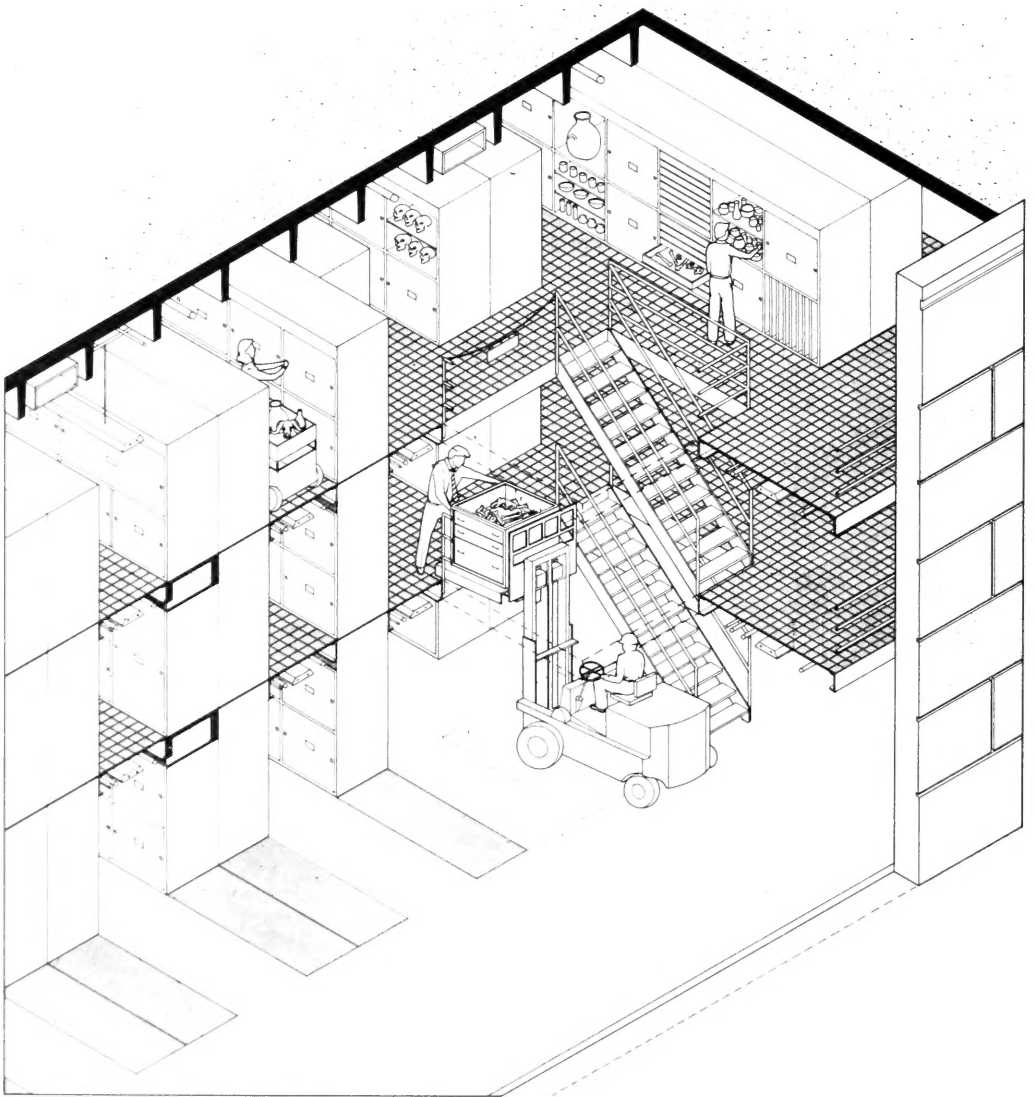
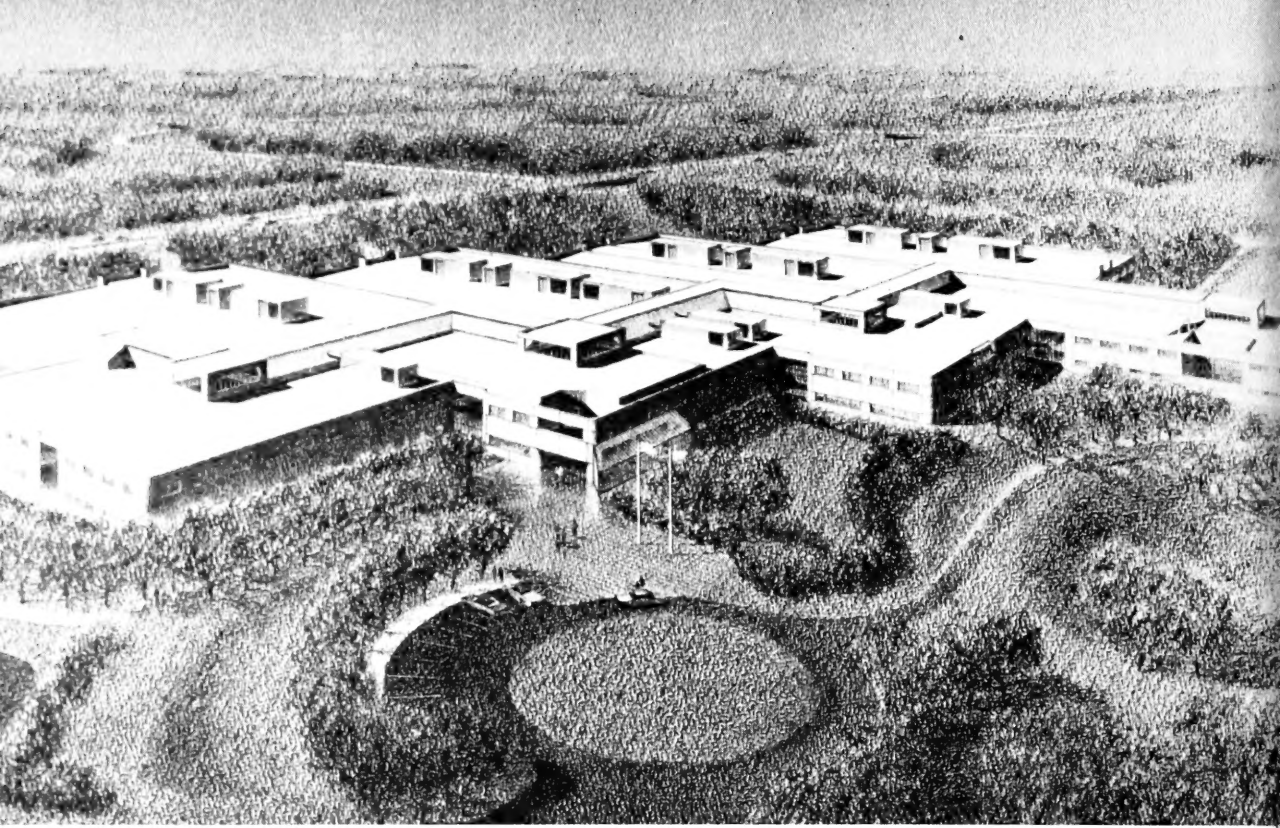
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*Smithsonian Year • 1981*

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STATEMENT BY THE SECRETARY



The Museum Support Center, shown here in rendering and in isometric projection, is under construction at Silver Hill, Maryland, with opening planned for 1983.

## *Conservation in Nature and in Culture*

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S. DILLON RIPLEY

*"The future is something which everyone reaches at the rate of sixty minutes an hour, whatever he does, whoever he is."* C. S. LEWIS

IN THIS MOMENTOUS YEAR just past, the Smithsonian has seen the fulfillment of an epoch of planning. Shifting uncomfortably like a hen sitting on too many eggs, making a little tuck here and a ruffle of feathers there, trying to encompass an ever-larger nest, the Institution has been stretched and pushed into an imminent state of disarray. For years, like all museums, loathe to give up what may be the remainders of the past, we have had to make do with cramped corridors, ever-shrinking attic spaces, the imminent loss of knowing what it is we have or where we started. Our collections have threatened to lose their utility, sinking under the very weight of accretion. Last year saw the final breakthrough with a generous Congress agreeing to expressed needs of the past many years. The Institution got off to a running start in January 1981; we now are proceeding at a record pace, ahead of schedule, and—dare we admit it—narrowly under budget to create the best, biggest, and most sophisticated and efficient atmospherically controlled storage and retrieval center in the Union.

Can we achieve this monumental task? I believe we can, and the portents so far are with us. The Museum Support Center as it is titled, all 308,566 square feet of it, will be opened in 1983. Say what one may, this "trip" has been necessary. If anywhere, if anyone, the Smithsonian must realize its destiny to build a storage and retrieval center second to none, to preserve the materials, the evidence of all that has made this Nation, rich, proud, careless and

vainglorious, the extraordinary creation that it is. Somewhere within this heap, this litter, lies the truth. For that we must keep this material with care, conserve it as if life would depend on it—for our future and for life itself.

Curiously enough almost no one these days understands what the word "conservative" means. The so-called media, TV, press, radio, the varieties of slogan-peddling called "communications," all readily define "conservative" in political terms: *conservative* versus *liberal*. This fashionable interpretation is of course meaningless, conjuring up stereotype visions, Grant Wood's famous portrait of the middle western farm couple outside their American Gothic farmhouse, opposed to a shaggy, curly-haired professor with horn-rims, smoking almost anything.

Conservatives—both men and women—are supposed to wear business clothes, lips pursed tightly in expressions of determination and discipline, and virtually march when they walk or jog to the beat of a predetermined drum. Nonconservatives, dressed loosely, always informally, in mussy clothes smile in a relaxed friendly manner, thinking always of others, moving by impulse perhaps, "making it" to a distant threnody of wood notes wild.

In museum circles, as in research circles, "conservative" means something entirely different, symbolizing a profession, a whole career. Museum people do not really pursue their careers mostly in attics, although the popular slogan for the Smithsonian, "the Nation's Attic," serves up endless images of dusty, dark crannies stuffed with old-fashioned trunks, old clothes, abandoned radio sets and broken toys. "Conservative" in museum terms means conservation, the care of thousands of objects, testaments to man's creativity, or evidences of creation, the hand of nature or of God, which lie about us always.

In America, museum people and many research people lead lives of quiet desperation, buoyed up only by the inner conviction of the importance of their task. Conservation of at least part of mankind's creation before it all vanishes on the dust heaps of history becomes a sacred task, the dictates of which marry totally disparate components. On the one hand things must be preserved with exquisite care; on the other, time is of the essence, before what is to be cared for floats away in the inexorable process of decay. In this work the curator always loses something, a little piece here and there, a

fragment of the evidence. But to keep something is better. To conserve even bits and pieces of history is a measure of the curator's success. Speed connotes haste, and haste connotes waste. But without some measure of speed too much is lost, for America is a continuing example at every level of wastefulness. Humans are consumers more than creators. We all live unconsciously on mounds or heaps of the debris of past lives. All our history or what is left of it can be found in dry privies or charnel heaps. There is an old New England maxim at the very heart of American prudence and thrift which assumes some degree of carelessness:

"Use it up, wear it out  
make it do, or do without."

The last two words are the most important if you think about it. They convey our mood. "Conservative," then, means to conserve. But what an anomaly that is in popular terms. People in business or government tend not to be able to conserve. Business means forward momentum. Dollars imply development. Government moves forward erratically, a juggernaut, propelled by legislation often read through a glass darkly, mirroring forgotten crises. Business and government both proceed on the understanding that growth is the only truth. In such a context "conservative" is a recessive word.

Today the mood of America is "conservative." I hope it augurs well for what the word really means: "to take care, to mind the lessons of history, to keep the testament of the past." Perhaps America has turned an invisible corner. We who live with museum principles in mind should take heart that at last Americans and nationals of other nations who throng our halls, seem to have a new respect for what we can demonstrate through the conservation of objects, retrieved with speed but with care, before it is too late.

The other side of the term should be of equal or greater value, conservation of nature. Here again museum workers and our associated colleagues in biological research bring home the contrast between endless growth and the preservation of what is left. These past twenty years have demonstrated, even to poll-takers, the existence of a solid block of public concern in favor of conservation of our environment. In political terms what an anomaly this is! Here for once the terms contravene each other. Conservatives, i.e.,

“business,” in favor of endless growth, are following a spendthrift trail. Liberals, i.e., “fiddlers,” living on organic food, careless of the future or of economics, are becoming ecofreaks—crazy for conservation. But how silly this is. It cannot be the sign of a liberal to be a conservator of the environment, any more than it need be a sign of a conservative to be a disciple of conspicuous waste. Let conservatives and liberals (in the political sense—if indeed the labels are valid any more?) take heart from the fact that conservation is here to stay, a way of life on which our future will be judged. What greater obligation do we have than to be conservators of the things of mankind or of nature? Without the one we become rootless, adrift, undisciplined even, lost amid shifting sands. Without the other we have with certainty lost our future.

One of the advantages of the new Museum Support Center is that we shall for the first time be able to “decompress,” to spread out most everything, to see what we have altogether and in what condition. Whether going to the new center or staying in one of the museums, we will have room to examine everything. Already the Institution is in the throes of a giant inventory, supported now for three years with a special appropriation. In some collections, the inventory is completed, one hundred percent; in others, only partially so. Over all, we are a little more than half-way through. As a result, the numbers of objects are beginning to appear in fact, in contrast to the educated guesswork of the past.

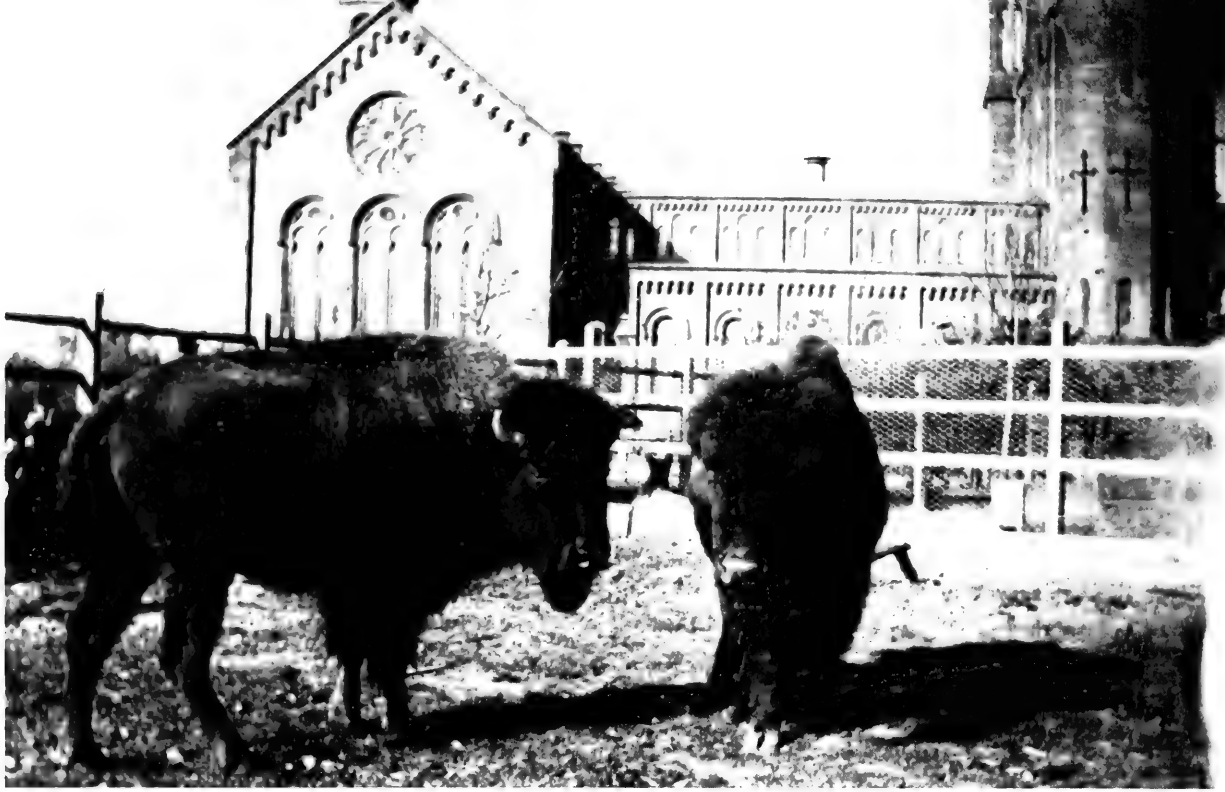
Only now can we begin to form a comprehensive listing of objects or lots of objects in certain collections to be conserved, to be studied for loans or possibly to be disposed of as duplicates, and to make all the future curatorial decisions that will have to be made in the next quarter century. In the end, we will not only know what we have for the first time in every department, but we will have a rational idea of what to do with it. I believe that we will save money in the long run by being able to make valid and wholly merited decisions on what to *keep* once we are totally sure of what we *have*. This of course excludes the obviously priceless or unique objects. These we know already, and most of them are well cared for and well documented. But on the fringes of all collections there are hard decisions to be made about objects that surface, come to a curator’s attention, because they had just been put away a while back for a decision later on.

This next generation, in time, will be a voyage of discovery for our own curators, rediscovering things so put aside. It will be an enormous job and a very heavy responsibility for working curators to dig in and excavate in the collections themselves. We welcome it as a test of the staff and their aptitude in the work.

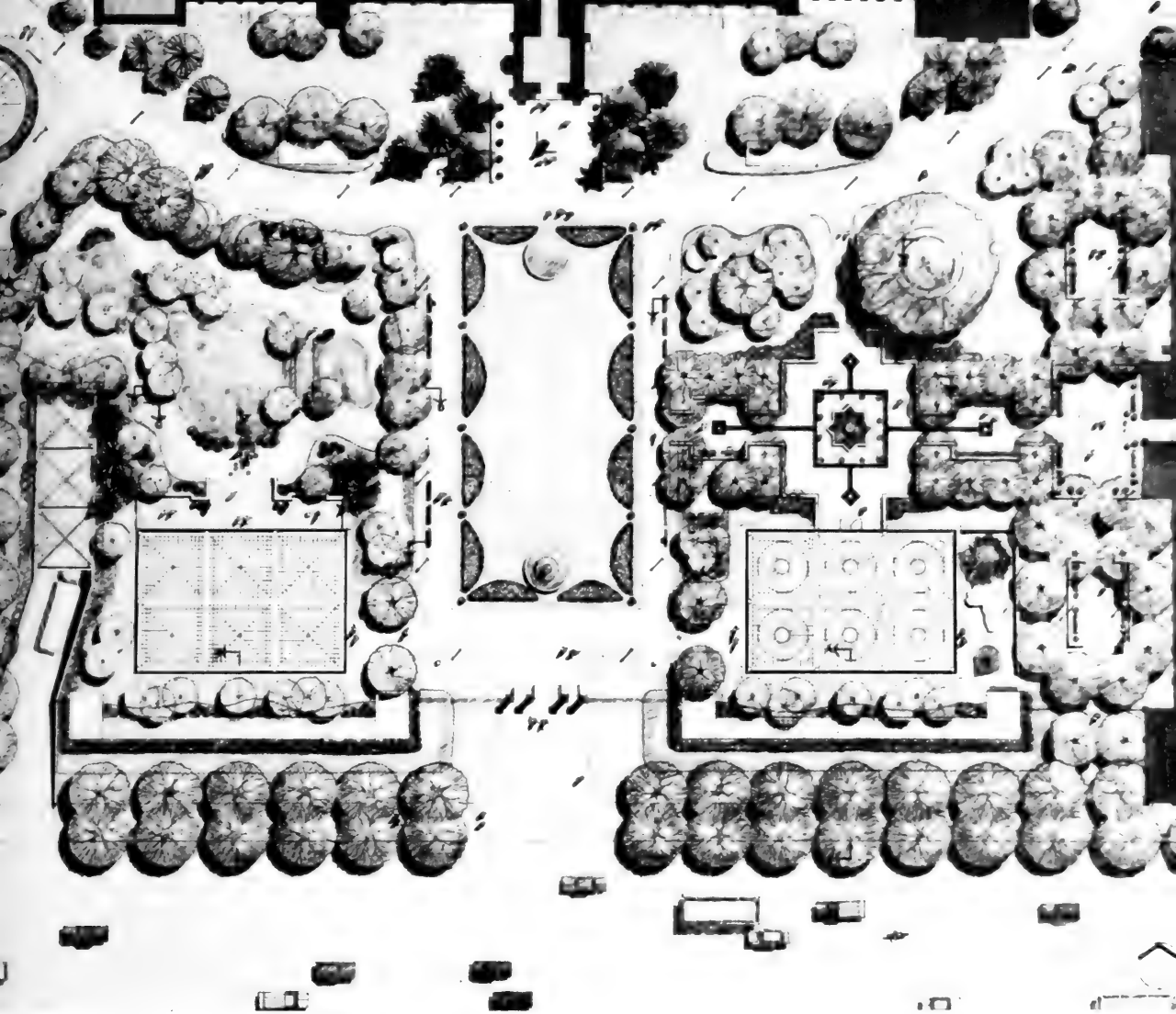
If the future catches up with us all too speedily, we can certainly realize that life admits of no delays. These are parlous days for building anything. We in the Smithsonian have been lucky in that we have created buildings with minimal overruns, sometimes indeed under budget. But inflation is all around us. It is a cancer that has been creeping up on us "on little cat feet" since the 1890s, according to an elderly cousin of mine. But it is here, and we can only hope that these years will finally see a realization of what Hemingway called "the first panacea for a mismanaged country." That relentless liberal said, "The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin." He should have lived on to see the complex of conflicting pressures we live under today.

These are hard years in which to summon the resolve to build anything. And yet the Smithsonian has an extraordinary opportunity to perform a signal service for the nation and it is our hope that we can do so, with imagination and understanding for the future. Another realm of space, another project to build may seem uncalled for in these uncertain days, but we have ample reasons to do so. On the one hand our government is committed to strengthening the peace through marshaling the power and military strength to maintain it. On the other hand we conceive a need to strengthen understanding with the vast arc of nations stretching from the Atlantic shores of Africa across Eurasia, as the geographers term it, "the eastern Mediterranean," and on to the shores of the Pacific. Here live two-thirds of the world's population, too few nations among which are really understood by Americans. In the city of Washington there are more than eighty embassies whose occupants represent the majority of peoples of the world. Yet they have no real means for representing their cultural history and traditions to Americans. We lack a theater, a window from which to demonstrate their long and fundamental role in our own history. Whether because of the roots of intellectual development for the









The Quadrangle project, pictured here in a plan showing Independence Avenue (at bottom, foreground) and the Smithsonian Castle (at top, background), addresses the need to strengthen our nation's understanding of the vast arc of nations stretching from Africa across Eurasia and on to the shores of the Pacific. The Quadrangle space, the old South Yard of the Smithsonian, has had a multitude of uses over the years. In the 1880s, bison (facing page, at top) and other live animals were kept (for study by Smithsonian taxidermists) in pens on the south side of the Castle—here the beginnings of our National Zoo! In the center (facing page) is a view from Independence Avenue in late 1975, just before the area was cleared, showing various buildings behind the Castle: the Victorian carriage house to the left, the first Smithsonian observatory buildings dating from the 1890s towards the right, and the World War I "quonset" hut originally erected by the U.S. Army Air Service for development of World War I aircraft and later used by the National Air Museum (now NASM) to display historic aircraft. At bottom (facing page) is a contemporary view of the Castle showing the Freer Gallery of Art to the left, the Arts and Industries Building to the right, and the Castle itself at center—with the existing parking lot and adjacent Victorian Garden (first developed in 1976).

Western world in mathematics, medicine and astronomy in the Arab tradition, whether in religion, law and philosophy in Judaism and the roots of Christianity, whether in philosophy and invention and technology in Asia and Africa, Americans are still unaccustomed to understanding the close cultural links between themselves and the worlds of Africa and Asia. Only with such understanding can peace come through mutual respect coupled with the urgency of the need for environmental survival, the new conservatism of which I have written.

The speed at which we live, the triumphs of invention have done nothing to assuage our need for mutual understanding on which peace must depend. Speed of communication seems to exacerbate tension. Instant television replays of events abroad, usually colorful events such as riots or warfare, excite us into an eventual state of satiety. We spend most of our lives today receiving short-range signals of despair, starvation, disease, war—apocalyptic visions circulate through the air, in the name of keeping up with the news. More often than not, these are the only signals emanating from Africa or Asia which reach the public mind.

Nor does transportation and its miracles assist us in the search for understanding. Jet-assisted tour groups take the place of time for contemplation or for reading history or biography. "I've done southern Asia" or "I've been to Africa" is the answer as one comes back exhausted from a ten-day all-packaged tour, bulging shopping bags and kaleidoscopic impressions replacing reflection or appreciation. This manic approach to travel seems to replace contemplation. It is no recipe for understanding.

Our hope is to create a Quadrangle space adjacent to the Smithsonian buildings in our south garden area. Here in an atmosphere of quiet mini-parks we hope to create two adjoining museums, interlocking below the surface, lighted by skylights, with ceremonial entrance pavilions symbolizing the worlds of Africa and Asia, and their riches, their fundamental meaning for us all. Is it not vastly important that the annual visitors to the Mall, representing nearly ten percent of our population, should have an opportunity to assimilate some of the significance of this luminous majority, a majority who are too little understood or valued for their vital interconnections with us at every level? James Smithson spoke of his hope for the increase and diffusion of knowledge

among *all* mankind. This Institution was to benefit all, not merely Americans, but how better could we thus benefit Americans?

Our Quadrangle plan calls for the centering here of educational programs to spread out across the country, of exhibitions to travel to far places, of meetings, discussions, seminars, occasions at which representatives of all these nations could foregather and communicate. The strength of our nation comes from understanding, not merely from weapons. We need reminders of the origins of civilization in two-thirds of the world, of its diffusion spreading out through the moral suasion of religion as it evolved across the Middle East and Asia and the unequivocal force it remains today. If a sheathed sword is a symbol of peace, so too will be our garden, our Quadrangle, a center for illumination, and for hope.

This Institution must reaffirm what is our conviction, that all mankind is our concern. Our folk festival has demonstrated our concern for interpreting the minority interests and cultures here. The Woodrow Wilson Center next door in the Castle has demonstrated the wisdom of discourse, of debate freed from politics. In the same way, cultural history and tradition must be defused, stayed from politicization, if any degree of understanding is to be achieved. The certain death of our Quadrangle plan would be to have it seem to be *used*, to assume political meaning. These are dangerous days, and passions and suspicions lie close to the surface of man's thinking, exacerbated by technology, fed by fears of ultimate destruction. To survive we must revive respect for historical and religious traditions of all kinds, and for self-discipline. It should be the goal of every government. We persist, rightly I think, in believing that it is our own goal, the conviction of Americans.

Several of our exhibitions this year past gave a foretaste of those to be seen in the Quadrangle's galleries: *Renaissance of Islam: The Art of the Mamluks*, which opened at the Smithsonian and is now circulating under the auspices of the Smithsonian Institution Traveling Exhibition Service, is an unprecedented exhibition of diverse arts produced in the most creative age in medieval Islam. *The Arts of Ancient Egypt: Treasures on Another Scale*, a collection of pharaonic treasures, was part of the "Egypt Today" symposium sponsored in the Washington area in part by the Resident

Associates Program. And *5000 Years of Korean Art*, the inaugural exhibition in the Thomas M. Evans Gallery, illustrated with some 345 objects the richness and diversity of Korean artistic traditions.

Other exhibitions, not so directly tied to efforts at developing an understanding of other cultures, but an understanding of our own, were unveiled in measured pace, freshening our face and adding rich new experiences to the cumulative identity of the Smithsonian. Each is a testament to the fulfillment of our mandate to conserve that part of mankind's creation entrusted to us.

At the National Museum of American History (formerly the National Museum of History and Technology) *Jefferson and Science* highlighted the scientific pursuits of Thomas Jefferson; *Perfect in Her Place* traced the struggles and successes of women at work in industrial America; and *Images of Labor* commemorated the one-hundredth anniversary of the founding of the American Federation of Labor. At the Hirshhorn Museum, *The Avant-Garde in Russia, 1910–1930: New Perspectives*, presented art from the tumultuous pre-Revolutionary period. The National Portrait Gallery opened *Champions of American Sport*, an eye-catching tribute to one hundred athletes from the 1830s to the present, including such personalities as Babe Ruth, Willie Shoemaker, Ben Hogan, Sonja Henie, Muhammed Ali, Billie Jean King, Jesse Owens, Johnny Weismuller, and Jack Nicklaus. After leaving the gallery, the exhibition began its travels to Chicago, Los Angeles, and New York. *Jet Aviation*, summarizing the first forty years of jet aviation (1930–70) by tracing the evolution of commercial and military jet aircraft and highlighting the careers and contribution of jet-age engineers and designers, opened at the National Air and Space Museum. *Anna J. Cooper: A Voice from the South*, an exhibition bringing this remarkable woman to life in the broad context of her time—the several decades before and after the turn of the century—opened to much critical acclaim at the Anacostia Neighborhood Museum.

Conservation does not mean “sealed away or removed from experience.” Some objects must even be brought to life so that we may experience their meaning more completely. So it was with our celebration of the birthday of the 150-year-old locomotive, *John Bull*, which operated under its own steam before the public along the Chessie System tracks near Georgetown. Bellowing smoke, steam, and cinders, the train chugged out of the past, recreating an experience of the earliest days of rail travel.



Dr. Esin Atil (*back to camera*), exhibition curator for the show titled *Renaissance of Islam: Art of the Mamluks*, points out a detail to Mr. and Mrs. Harry Grey of United Technologies, Ambassador of the Arab League Clovis Maksoud, and Mrs. Alfred Atherton, wife of the U.S. ambassador to Egypt.



As part of the opening festivities of the exhibition *5000 Years of Korean Art* in the Thomas M. Evans Gallery at NMNH and dedication of the gallery, Korean musicians performed there and in the museum's rotunda. *Below*. Professor Milo Cleveland Beach of Williams College—a scholar chosen in 1980 as fourth Smithsonian Regents Fellow—prepares works for the Freer's exhibition on *The Imperial Image: Paintings for the Mughal Court*. Focus of this exhibition is the great body of work produced in northern India in the 100-year period from 1560 on.



While our exhibition program conserves for all that part of mankind's creation entrusted to us, our colleagues in biological research provide the foundation for conservation of what remains.

The Radiation Biology Laboratory's continued study of photosynthetic utilization efficiency in plants growing under artificial lights shows that lamps developed commercially for horticultural applications yield no higher photosynthetic utilization efficiencies than some of the most common lamps developed for lighting applications.

Our curator of invertebrate zoology, Meredith Jones, during innovative research on giant sea worms off the Galapagos, discovered that bacteria in the worms' guts produced an enzyme that could transform sulfur and use the resulting energy to make ATP—a chemical crucial to the formation of carbohydrates.

The National Zoological Park opened its new Ape House, creating an environment that will promote social interaction among our apes and help insure their survival in captivity. The Zoo received the Edward H. Bean award from The American Association of Zoological Parks and Aquariums for notable breeding accomplishment with captive Chinese alligators, and John Eisenberg was presented the Merriam Award by the American Mammal Society.

Taking notice of years of this endeavor to conserve our past and future, the Smithsonian Astrophysical Observatory celebrated the twenty-fifth anniversary of its move to Cambridge, and the National Air and Space Museum the fifth anniversary of its opening.

International research and collaboration by Smithsonian scholars, an embodiment of Joseph Henry's concept of global correspondents, reaches into almost every country on the earth. Although the exchange of letters, objects, and scientists has greatly expanded with the advent of modern transportation and technology, the scholar-to-scholar basis envisioned by Henry is, in general, maintained. The pursuit of knowledge blurs all distinctions and ideologies that may exist among scholars. During the course of the year, the Office of International Activities arranged 82 programs for visiting foreign dignitaries, numbering 276 persons, including 16 groups totaling 117 from the People's Republic of China alone. Thirty-eight programs of other institutions at home and abroad were assisted in developing contacts with the Institution. In December 1980, following a proposal to Vice Premier Fang Yi, an agreement to foster

joint research with the Chinese Academy of Sciences, People's Republic of China, was signed. Collaborative research was started in July 1981 when Chinese scholars joined the Smithsonian's Pleistocene archeological excavation in Colorado. In the fall, Smithsonian scientists from the National Museum of Natural History/Museum of Man and Tropical Research Institute conducted research in marine invertebrate biology and paleobiology in China.

During the course of the year, we were pleased to welcome special guests to the Smithsonian. The Prime Minister of Korea was here to present the Smithsonian with a check for \$1 million as an earnest of Korean support for our Quadrangle project, and the Prime Minister of Japan and Mrs. Suzuki planted a beautiful flowering cherry, *Prunus incisa*, to symbolize our partnership in its development. Mrs. Jihan El-Sadat opened our exhibitions celebrating "Egypt Today." Their Imperial Highnesses Prince and Princess Hitachi, His Royal Highness Prince Charles, and His Highness the Aga Khan and Princess Sarilla were here to learn of us and added luster by their presence.

Recognizing that not everyone can travel to us for our exhibitions, performances, and activities centered here, we endeavored, through many means, to reach our national and international constituency. Our book and record publishing activities are part of this effort to make our many faces available throughout the land. This year saw the release of *Classic Country*, an eight-record anthology of this important American musical idiom. Smithsonian Exposition Books' *Fire of Life: The Smithsonian Book of the Sun*, with contributions by many of our staff, traced man's understanding of the sun from his early worship through today's developments in solar technology.

Performing arts events at the Smithsonian brought lecture demonstrations and performances by troupes—from all over the world—like the Kathakali Music Drama from India, the Philippine Dance Company, and Japanese Kabuki dancers, which added explanations of their origins for contrast with our own. Music of earlier ages was played on authentic instruments as the composers intended. Instruments like the Servais violoncello created by Stradivari in 1701, donated this year to the Division of Musical Instruments by Charlotte V. Bergen, were brought to life again.

The Festival of American Folklife continued to appeal to a vast





Quadrangle development brought many important visitors and a bustle of activities providing a glimpse of our dream for the site. Prime Minister of Japan and Mrs. Suzuki saw the model and planted a flowering cherry tree (*top*). Prime Minister Begin of Israel visited with Vice-President and Mrs. Bush (*center*). Prince and Princess Hitachi of Japan (*bottom*) restated their country's partnership with ours in working toward the goals affirmed in the Quadrangle.





Secretary Ripley and Qian Sanqiang, Vice-President of the Chinese Academy of Sciences, People's Republic of China, sign an agreement to foster joint research and exchanges (top). Mrs. Sadat (center) is shown with Director Lawton at the Freer Gallery during "Egypt Today" symposium activities. Below. His Excellency Lee Kwang-Pyo, Minister of Culture and Information of the Republic of Korea, and Secretary Ripley open the major exhibition 5000 Years of Korean Art.





His Royal Highness Prince Charles (Great Britain) is shown inspecting the historic Albatros D.Va during his May 1st visit to the National Air and Space Museum. He is accompanied by Secretary Ripley and NASM Assistant Director Walter Boyne. *Below.* President Reagan visited the exhibition *George Catlin: The Artist and the American Indian* with Catlin expert William Truettner, Curator of 18th and 19th Century Painting and Sculpture at the Smithsonian's National Museum of American Art.



audience, and in addition to the usual demonstrations and exhibition of crafts, ethnic food, and musical performances, this year we had a special exhibition on Folklore for the Deaf. Visitors learned something about what it is like to grow up deaf through dramas by deaf actors and instruction in American sign language as well as displays of flashing-light alarm clocks and other ingenious signaling devices.

Few have been as persistent in the furtherance of culture in America as Joseph Hirshhorn, with whose sudden death on August 31 we have suffered an irreparable loss. History will recall this great man for his magnificent contribution to the Smithsonian, and through the Institution to people the world over. In the annals of the Smithsonian he has earned, and he shall always have, a special place of his own. But Joe has been an irresistible presence in all our lives, and it is almost impossible to imagine Washington, the Smithsonian, and his museum without him. He was—as he was apt to say of anyone from a guard at the museum to the president of the United States—truly a darling man.

It seems that never a year passes at the Smithsonian without a number of changes in our senior staff, and this year has been no exception. We were sorry to receive the resignation of Marvin Sadik, the vivacious, scholarly, and articulate director of the National Portrait Gallery since 1969, who left to labor in other cultural vineyards—but only after we could present him with the Secretary's Gold Medal for Exceptional Service. Nearly simultaneously, we were all extremely shocked and saddened by the untimely death of Joshua Taylor, the Director of the National Museum of American Art (formerly the National Collection of Fine Arts). Josh's contributions to Smithsonian life will be surfacing for years to come. Professor and scholar, Josh's greatest legacy has been the interdependent roles of public education and scholarship in the museum setting.

Another sad departure this year resulted from the death of Raymond Mondor, a former personnel expert who became our first ombudsman in 1977. Ray pioneered in this important office, and his compassionate demeanor and thorough knowledge combined to establish the ombudsman as an effective tool in employee relations. We were pleased to appoint John Lang, formerly of the General Counsel's Office, to take up where Ray had left off.

During the last year, we were fortunate to attract two outstanding officials from the International Communication Agency. Dr. John Reinhardt, the former director of ICA, has agreed to serve as acting director of the National Museum of African Art during Warren Robbins's absence on sabbatical. (It should be noted, too, that Jean Salan of the museum has been serving as the acting deputy director.) And Dr. Alice Ilchman, formerly associate director for educational and cultural affairs at the ICA, served as a consultant to the Institution on the subject of overseas research institutions. She has gone on, now, to become the president of Sarah Lawrence College. We had to give up the invaluable services of another senior woman, Miss Jean Smith, who retired this year as deputy director for the Smithsonian Libraries. For more than twelve years a steady force in the development of our library system, Miss Smith has earned the time she will now devote to her own intellectual pursuits as a research associate in the library.

The Smithsonian lost a very special friend this year in the death of Margaret McNamara, the founder, key proponent, and chairman of Reading Is Fundamental, Inc. This year's and previous annual reports delineate the remarkable achievements of this organization, now only fifteen years old. We shall all miss Margaret's presence in RIF affairs, but shall be going on, from strength to strength, with our new chairman, Anne Richardson, in the spirit of Margaret and with her vision for literacy in America.

## *Board of Regents*

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THE BOARD OF REGENTS held three formal meetings during the last year. Additional meetings of the Regents' Executive Committee, the Audit and Review Committee, the Personnel Committee, and the Investment Policy Committee were held throughout the year and reported at the Regents' meetings.

The first meeting of the Board of Regents was held on January 26, 1981, in the Regents' Room of the Smithsonian Castle and was called to order by the Chancellor. The Personnel Committee reported finding no evidence of conflict of interest in the financial statements of the senior staff of the Institution. In recognition of his work on behalf of the Audit and Review Committee, in addition to his continuing role on that committee and on the National Portrait Gallery Commission, the Regents conferred upon former Regent Senator Robert B. Morgan the title of Regent Emeritus, with all the rights and responsibilities thereof.

The Treasurer reviewed financial developments since the last Regents' meeting in September 1980, and summarized the fiscal year 1980 results, which are presented in *Smithsonian Year 1980*. It was noted that federal funds totaling \$137,144,000 were appropriated to the Institution for fiscal year 1981, including an unanticipated \$5 million provided for the Museum Support Center to permit its construction as originally planned. The Regents were briefed on the Office of Management and Budget allowance for fiscal year 1982 and the Institution's consolidated budget as submitted to the Congress. The Investment Policy Committee reported on its meeting of December 8, 1980, and analyzed the performances of the three investment managers. With the Board's approval the Chancellor appointed Regent Emeritus Thomas J. Watson, Jr., to the Investment Policy Committee.

The Regents discussed and approved the Five-Year Prospectus for fiscal years 1982-1986. It was noted that the projected increases

in the Institution's budget during that time are primarily due to inflation. The Regents agreed with the Secretary's suggestion that in the future the Prospectus would include projections beyond a five-year period for certain activities.

Noting the historical significance of the "Smithsonian Park" and its suitability for underground development, the Secretary discussed a revised model of the Quadrangle and the need to accommodate therein a Center for Eastern Art, the National Museum of African Art, the Smithsonian Institution Traveling Exhibition Service, the Resident and National Associate programs, and kindred activities. He reported that rising construction costs are necessitating reconfigurations of the proposed structure, and that efforts are being made to stay within original estimates. The Secretary also reported that domestic and foreign committees had been formed to raise funds from corporations and foundations. Of paramount importance was the approval of the Quadrangle concept by the National Capital Planning Commission.

With the Board and the Congress appropriating the additional funds needed to meet escalated costs, the Smithsonian was able to sign a contract for construction of the Museum Support Center as planned. The Secretary outlined the steps which resulted in full funding and assured the Regents that complete progress reports would be available.

The Regents approved revised bylaws of the Commission of the National Museum of American Art, recommended by the commission at its meeting on December 4, 1980, to reflect the Regents' delegation of authority to the Secretary for approving accessions and dispositions, and other policies and procedures adopted by the Regents in 1970. The Regents also approved the bylaws recommended by the National Portrait Gallery Commission on January 15, 1981, similarly recognizing the Regents' delegation to the Secretary of authority for approving accessions and dispositions in accord with the policies and procedures laid down by the Board. The latter bylaws also increased the membership from eleven to fifteen and provided for standing committees.

In other actions, the Regents appointed Senator Goldwater to the National Portrait Gallery Commission and to its chairmanship and appointed Dr. Milton Ratner to the National Museum of African Art Commission.

In recognition of his timely donation, which enabled the Institution to develop a special exhibitions gallery in the National Museum of Natural History/Museum of Man, the Regents named the new facility the Thomas M. Evans Gallery.

The Secretary presented a series of status reports on the Museum of Man, the Equal Opportunity Program, major construction projects, the Smithsonian Tropical Research Institute, litigation, legislation, publishing, and television.

A dinner for the Regents was held in the Renwick Gallery on Sunday evening, January 25. The Chancellor welcomed new Regents, Vice President Bush and Congressman Boland, and introduced the Secretary, who presented the Smithsonian Associates' Corporate Founders' Medal to Mr. David Rockefeller and the Chase Manhattan Bank in recognition of their donation to the Smithsonian of the magnificent "Chase Manhattan Bank Money Collection." The Secretary also presented to the Honorable Lucien N. Nedzi, retiring from the U.S. House of Representatives, a piece of smithsonite and a citation of gratitude for his fine service as chairman of the House Subcommittee on Libraries and Memorials (1971-1981).

The spring meeting of the Board of Regents, May 4, 1981, was preceded that morning by the dedication of the Langley Theater in the National Air and Space Museum. Senator Goldwater spoke of the significant aeronautical work of Samuel P. Langley, third Secretary of the Smithsonian, and of Messrs. Burden's and Webb's great achievements in promoting what is now considered the world's most popular museum. Dr. Hinners, director of the museum, awarded certificates of appreciation to Messrs. James Greenwell and Wolfgang Gadson, National Air and Space Museum staff, who heroically rescued a woman from the Metro tracks.

Following the dedication, the Regents' meeting was called to order by the Chancellor, who welcomed the new Senator Regent E. J. "Jake" Garn. The Executive Committee reported on its meeting of April 6, 1981, where, in addition to considering the entire array of agenda items, the committee noted with pleasure that in a poll the Regents had unanimously voted to award the Henry Medal to Mr. Burden in recognition of his manifold services to the Smithsonian as a friend and Regent since 1962. The medal was presented at the May 3 Regents' Dinner (see below).



The Audit and Review Committee reported on its meeting of April 28, 1981, where it reviewed with Coopers and Lybrand the Smithsonian's trust fund financial statements for fiscal year 1980 and the recommendations to management for "fine tuning" accounting procedures and automatic data processing operations. Briefed by the Treasurer and Assistant Secretary for Administration on the scope of operations and controls in auxiliary activities, the committee suggested that these activities are integral to successful educational outreach and, properly managed, are stimuli to the market for educational products.

The Treasurer reported that, as part of the government-wide budget reductions, the Office of Management and Budget reduced the Institution's pay supplemental request by \$732,000 to a total of \$4,613,000, and reduced the federal full-time permanent employment ceiling by 113 positions, from 3,340 to 3,227. It was noted that a hiring freeze would be continued indefinitely to meet the reduced ceiling and that savings from that freeze and other OMB restrictions would be used to cover the unfinanced portion of the supplemental requirement. The Board approved the Secretary's recommendation that \$500,000 of unrestricted trust funds be set aside as a reserve for possible television production costs. With respect to fiscal year 1982, the Treasurer noted that OMB deferred until fiscal year 1983 the Quadrangle construction money, but allowed the Institution to request from the Congress an amount of \$1 million for Quadrangle planning. In further action by OMB, the full-time permanent employment ceiling previously allowed for fiscal year 1982 was reduced by ninety-six and an associated reduction of \$1.8 million was also applied, reducing the salaries and expenses request from \$136,886,000 to \$135,086,000. The Secretary commented on the friendly and constructive congressional appropriations hearings.

Referring to the growth of budget figures in the Five-Year Prospectus, the Secretary introduced a study which discounted those budget estimates into constant 1981 dollars and thus gave a measure of the real growth of the Institution. Real growth of gross operating funds from 1970 to 1981 was at a compound annual rate of 6.5 percent; for the next five years, with gross revenues from auxiliary activities increasing at a more modest rate, real growth is expected to decline to a rate of 4 percent. Net operating funds,



exclusive of trust fund auxiliary activity expenses, are expected to continue at approximately the same 4 percent growth rate as from 1970 to 1981.

The Investment Policy Committee reported that, as of March 31, 1981, the total value of the Institution's endowment under outside management was \$86,761,000. It was noted that the total Smithsonian endowment funds have been out-performing standard market indices for the first time since December 1979.

The Secretary reviewed the status of the Quadrangle project, lamenting the fact that the deferral of construction from fiscal year 1982 to 1983 would lead to increased costs due to inflation. He noted that all requirements under the National Historic Preservation Act have been completed and that progress has been made in raising funds from American corporations, individuals, and foundations. The Secretary also outlined strategies for eliciting support in the Far East, Middle East, and Africa.

The Secretary reported that the Council of the Cooper-Hewitt Museum, established in 1978 to advise the Secretary on the museum's activities, had drafted its bylaws, and the Secretary recommended a list of members of the council. To formalize the role of the council, the Regents approved the bylaws and appointed the following individuals to the council: Rosemary Corroon, Joanne du Pont, Harmon Goldstone, August Heckscher, Karen Johnson Keland, Russell Lynes, Gilbert C. Maurer, Kenneth Miller, Amanda Ross, Arthur Ross, Robert Sarnoff, and Marietta Tree. In a separate action, the Regents appointed Professor Barbara Novak to the Commission of the National Portrait Gallery.

The Secretary gave a detailed report on the construction of the Museum Support Center and progress in the Institution-wide inventory. Dr. Gell-Mann pointed out that the Museum Support Center affords the Smithsonian a great opportunity to develop a first-rate program in archeometry, which the Regents affirmed in passing Dr. Gell-Mann's resolution.

The Regents noted the death of Joshua C. Taylor on April 26, and voted to record their profound regret: "Scholar, educator, and connoisseur, his manifold contributions to the National Museum of American Art will be of lasting significance both in the Smithsonian and in the world of learning."

The Secretary reported that Ambassador John Reinhardt will

serve as Acting Director of the National Museum of African Art, while Warren Robbins takes a sabbatical for purposes of studying, collecting, and writing. He also reported that Tom Wolf, formerly Director of Cultural Affairs at ABC-TV News, will come to the Institution for six months to study possible Smithsonian television programming from marketing and production points of view.

Other reports from the Secretary included the International Year of Disabled Persons, the Security of the National Collections, the Equal Opportunity Program, the Museum of Man, legislation, litigation, and construction projects. It was noted that the Secretary had received Belgium's highest civilian honor, the Order of Leopold, on April 22, and the Medal of Honor from the National Society for the Daughters of the American Revolution on April 30; the Regents offered their unanimous consent and congratulations to Mr. Ripley.

The Regents' Dinner was held on Sunday evening, May 3, at the Paul E. Garber Facility of the National Air and Space Museum in Suitland, Maryland. The Chancellor presented the Henry Medal to William Armistead Moale Burden: ". . . In grateful salute to this perceptive man, the Regents of the Smithsonian Institution are proud to present to him the Henry Medal for his outstanding service." As approved by the Regents at their January meeting, the Secretary then presented Langley medals for aerodromics to Drs. Robert T. Jones and Charles Stark Draper.

On behalf of the Chancellor, Mr. Webb, Chairman of the Executive Committee, called the Regents' autumn meeting to order in the Regents' Room at 9:30 A.M., September 14, 1981. The meeting began with a memorial tribute to the late Joseph H. Hirshhorn, "a friend, a colleague, and an incomparable patron who shared with us all his passion for art." The Regents noted his extraordinary gift of contemporary art to the nation and sent their best wishes to Mrs. Hirshhorn and the family.

Reporting on the Executive Committee meeting of August 17, 1981, Mr. Webb said that the committee reviewed all the business before the Institution and commended to the Regents' attention the agenda papers for the autumn meeting. The Executive Committee lamented the recent death of Harold F. Linder, a founding member of the Regents' Investment Policy Committee whose counsel and interest would be sorely missed.



The late Joseph H. Hirshhorn is shown at a reception in his museum with Director and Mrs. Abram Lerner in June 1981. *Below.* Joshua C. Taylor, Director of the National Museum of American Art from 1970 until his death on April 26, 1981, was scholar, university professor, educator, mentor, beloved presence at the Smithsonian. A scholarship fund is established in his name to support research in American art at NMAA.



The Regents noted with interest that the Audit and Review Committee and the Personnel Committee planned a joint meeting in October 1981 to review the Smithsonian's procedures for personal financial disclosure and related standards of professional conduct. Other items on the committees' agenda will include a mid-audit conference with Coopers and Lybrand, consideration of recommendations on an indemnity bylaw and insurance against personal liability of individual Regents, and a review of computer services at the Institution. The committees also looked forward to discussing procedures for guaranteed construction and repair services.

The Treasurer noted that the Institution is receiving the full amount of the fiscal year 1981 supplemental federal budget request, and is also receiving an unsolicited \$200,000 for the celebration of President Franklin Delano Roosevelt's one hundredth birthday. He also reported that the fiscal year 1981 trust funds would conclude the year at the break-even level with certain stated variances from earlier projections. The Treasurer summarized the varying House and Senate actions in the budget request for fiscal year 1982, which actions were being appealed to the conference committee. With projections that net income will be lower than in the previous year, the general fund budget expenditures would also be lower, and a break-even budget is in sight; the Regents approved a fiscal year 1982 trust fund budget and authorized the Secretary to expend funds provided in the fiscal year 1982 federal budget.

The Regents also approved the fiscal year 1983 consolidated budget forwarded to the Office of Management and Budget. The federal budget recognizes stringent budget restraints throughout the government and proposes no new programmatic starts, but rather emphasizes the security and maintenance of the Smithsonian buildings and the national collections, the requirements of the Museum Support Center, and the computerization and modernization of equipment.

The Investment Policy Committee though reporting a slight decline in the total value of the Smithsonian endowment funds for the quarter ended June 30, 1981, was pleased to note the favorable performance of all three investment management firms in the last three years.

The Regents discussed the fact that the Act of August 10, 1846 (20 U.S.C. 41 *et seq.*), which established the Smithsonian, provided

for the payment of 6 percent per year on funds deriving from the bequest of James Smithson that are on permanent loan to the United States Treasury. It was noted that inflation and rising interest rates have rendered the statutory rate uncompetitive, and the Regents therefore voted to seek legislation to adjust that rate to the current average yield of the outstanding marketable securities of the United States Government, less 25 basis points (with a minimum of 6 percent).

The staff presented the Regents with a draft and summary tables of the Five-Year Prospectus for fiscal years 1983–1987. The text highlighted progress over the past year in Smithsonian's programs and delineated expectations for fiscal year 1982 and for the planning and budget period of fiscal years 1983–87. At the Secretary's suggestion, a new chapter forecast program and facility aspirations through 1995. The Regents looked forward to commenting on the draft and to approving a revised draft in January 1982.

The Secretary noted progress in the prospective authorization and appropriation of \$1 million for Quadrangle planning in House and Senate actions to date. He reported that additional technical and design studies, recent unexpectedly high levels of construction industry cost escalations, and a year's delay in the proposed starting date indicate that the earlier estimate for the Quadrangle, despite certain reductions in the scope of the project, will increase by about 50 percent to a new total of \$75 million. Reporting on fund-raising, the Secretary acknowledged recent donations and pledges which amounted to over \$7 million, including unrestricted trust fund transfers and interest. Additional pledges appeared imminent from the Middle East and other sources. Since the Institution will be seeking through the OMB and the Congress the federal share of Quadrangle construction funds, \$36 million, in its fiscal year 1983 budget request, the Regents requested their congressional members to introduce and support legislation authorizing the Board to construct the Quadrangle.

In recognition of his great scientific achievements and outstanding leadership of the Smithsonian Astrophysical Observatory, the Regents voted to name the Mount Hopkins, Arizona, Observatory "The Fred Lawrence Whipple Observatory." The Regents also appointed Mrs. Joan Kaplan Davidson to a three-year term on the Council of the Cooper-Hewitt Museum and asked their con-



*John Bull*, oldest operable locomotive in the world, steams along tracks near the C&O Canal in Washington as part of the engine's 150th anniversary celebration.

gressional members to seek legislation reauthorizing the National Museum Act at \$1 million annually for fiscal years 1983–1985.

The Secretary outlined a series of status reports on the Museum Support Center, the inventory, and collections management; legislation; other major construction projects; the Smithsonian Science Information Exchange; museum security; litigation; television; and personnel matters.

Following the meeting, the Regents were driven to Georgetown where they boarded the National Museum of American History's 1836 railroad passenger car for a ride behind that museum's 150-year-old *John Bull* locomotive to Fletcher's Landing, where they enjoyed an alfresco luncheon with a period menu.

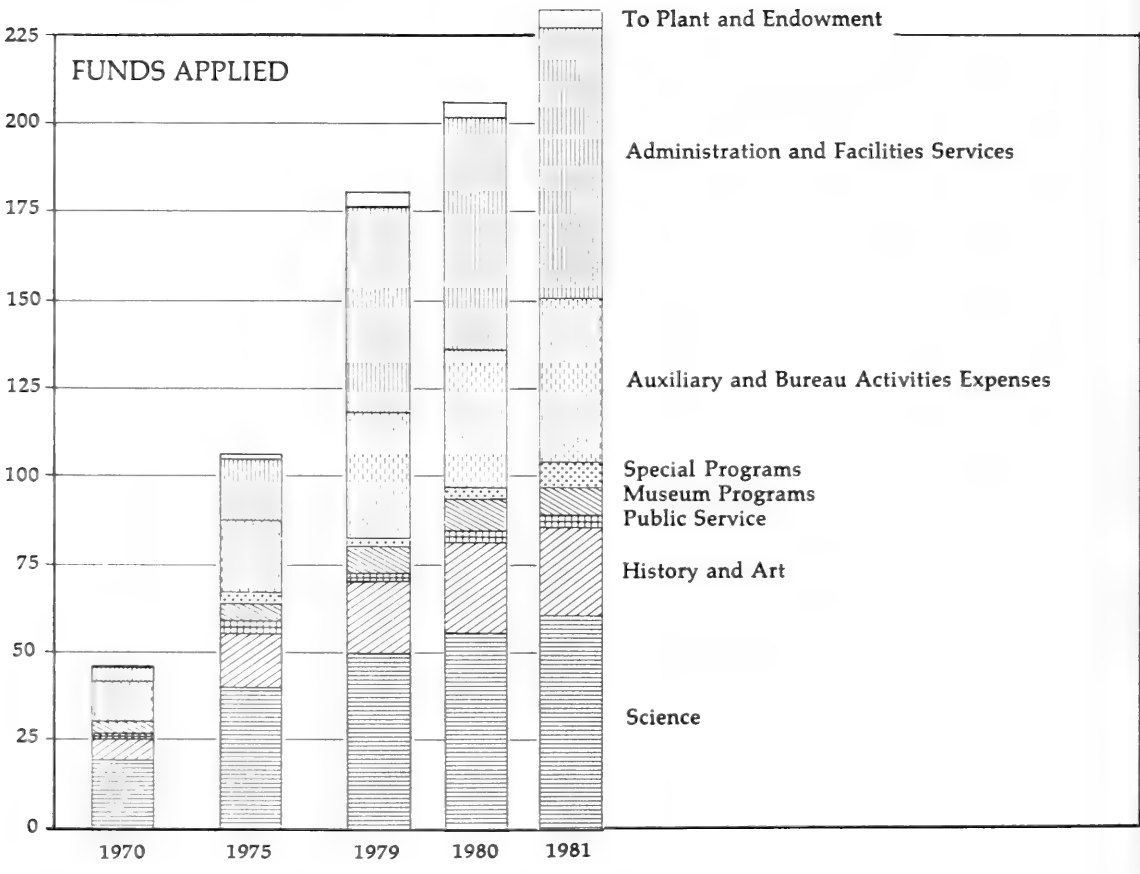
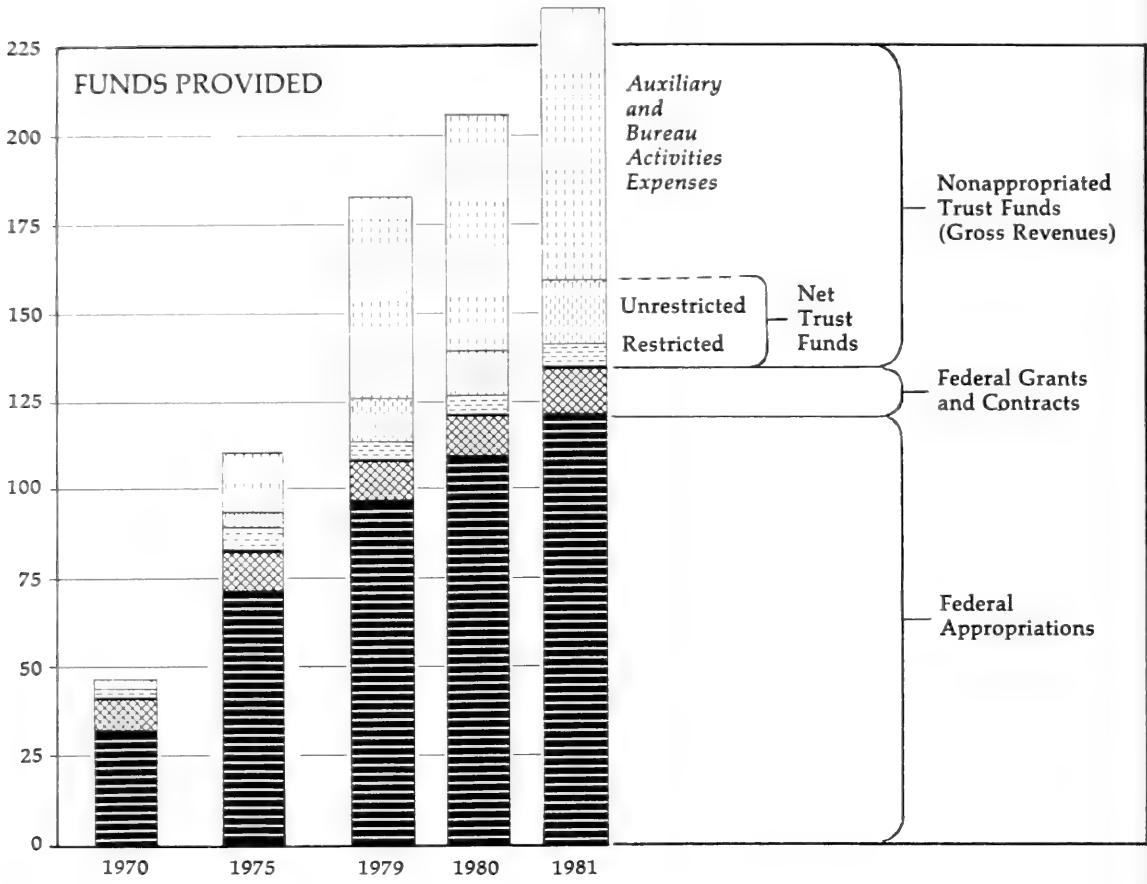
The traditional Regents' dinner was held the preceding evening, Sunday, September 13, 1981, in the Balcony Gallery of the Hirshhorn Museum and Sculpture Garden. Of special interest was the dedication of the renovated sculpture garden, which now features improved aesthetics and full accessibility to the handicapped.



# SMITHSONIAN INSTITUTION OPERATING FUNDS

Fiscal Years 1970, 1975, and 1979-1981

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





## FINANCIAL REPORT

CHRISTIAN C. HOHENLOHE, TREASURER

**SUMMARY:** During this past fiscal year, the Smithsonian continued its wide range of activities in exhibits, research, publication, and public education. The diversity of the Institution's programs is reflected in the diversity of funding sources which support these endeavors. While the majority of the operating budget is provided annually from federal appropriations, indispensable support is also obtained from gifts and grants, from investment income, and from earned revenues of auxiliary activities. This combination of support from Congress, foundations, federal agencies, individuals, and the general public, has enabled the Institution to perform significant accomplishments during the year, as reported elsewhere in this volume.

The bar chart on the facing page outlines the overall source and application of the Institution's operating budget for fiscal year 1981 and prior periods. While the growth pattern of past years is evident again in fiscal year 1981, these increased revenues were more a function of inflation than expansion of programs and were therefore devoted in large measure to offsetting the higher costs of personnel, supplies, utilities, maintenance, and acquisitions. Due to a hiring freeze during most of the year on civil service personnel as well as self-imposed limitations on other hires, the full-time staff of the Institution grew only one percent, primarily in the areas of facilities protection and maintenance and the auxiliary activities.

In the current climate of budgetary restraint, the Institution was treated by Congress with supportive understanding. The total federal appropriation of \$142 million, of which \$122 million was for

operating purposes, provided base resources for research and education, for conservation and study of the national collections, for renovation and maintenance of Smithsonian facilities, and for administrative and support services, as well as assisting the Institution in meeting unavoidable cost increases due to inflation. The appropriation also provided further significant funding for constructing and equipping the Museum Support Center in Suitland, Maryland, which will provide essential storage and conservation facilities for the national collections, and program funding for selected exhibition and collection management projects.

While federal appropriations provide the core support for the Institution's programs, and are expected to do so in the future, non-appropriated trust funds from various sources are also vital to the research and outreach efforts. In recognition of this need as well as of the value of services provided, strong public financial support continued last year through the Smithsonian Associates programs, other educational auxiliary activities, gifts from individuals, and grants from foundations and corporations. Net revenues from these nonappropriated sources, after deduction of operating expenses and the sales cost of auxiliary activities, were higher than the prior year. Thus in addition to meeting ongoing program commitments—such as the Regents' Collections Acquisition, Scholarly Studies, and Educational Outreach programs, pre- and post-doctoral fellowships, and operating allotments to certain bureaux—the Institution followed the practice of prior years in transferring some \$2.5 million of unrestricted trust funds into endowment. Funds were also made available for the Museum Support Center to augment the federal contribution to this endeavor.

There was further progress during the year in raising nonappropriated funds for the Quadrangle, the future site of two museums of the cultures of Asia and Africa. With a \$1 million gift from the Government of Korea during the year, as well as gifts from individuals, foundations, and corporations and unrestricted moneys designated to the project, total nonappropriated funds received for the project in fiscal year 1981 were \$3,455,000. The partnership of federal appropriations with direct public support, evident in other Smithsonian programs, will be an essential part of the financial plan for this venture.

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

	FY 1979	FY 1980	FY 1981
INSTITUTIONAL OPERATING FUNDS			
FUNDS PROVIDED:			
Federal Appropriations—Salaries & Expenses .....	\$ 98,202	\$107,764	\$122,478
Federal Agency Grants & Contracts .....	11,412	12,947	14,172
Nonappropriated Trust Funds:			
For Restricted Purposes .....	4,577	5,339	6,378
For Unrestricted & Special Purposes:			
Auxiliary & Bureau Activities Revenues—Gross .....	67,360	75,150	88,381
Less Related Expenses .....	(57,557)	(65,933)	(75,924)
Auxiliary & Bureau Activities Net Revenue .....	9,803	9,217	12,457
Investment, Gift, and Other Income .....	3,394	3,825	4,887
Total Net Unrest. & Special Purpose Revenue .....	13,197	13,042	17,344
Total Nonappropriated Trust Funds*—Gross .....	75,331	84,314	99,646
—Net .....	17,774	18,381	23,722
Total Operating Funds Provided—Gross .....	184,945	205,025	236,296
—Net .....	<u>\$127,388</u>	<u>\$139,092</u>	<u>\$160,372</u>
FUNDS APPLIED:			
Science .....	\$ 53,002	\$ 57,907	\$ 62,703
Less SAO Overhead Recovery .....	(1,850)	(2,196)	(2,470)
History & Art .....	20,245	26,224	25,614
Public Service .....	2,927	3,129	3,421
Museum Programs .....	8,003	8,974	8,084
Special Programs .....	2,692	3,204	7,284
Associates and Business Management .....	304	345	312
Administration—Federal** .....	7,071	8,048	8,782
—Nonappropriated Trust Funds .....	4,134	4,937	5,740
Less Smithsonian Overhead Recovery .....	(4,038)	(4,379)	(5,014)
Facilities Services .....	27,790	30,630	36,501
Total Operating Funds Applied .....	120,280	136,823	150,957
Transfers (Nonappropriated Trust Funds)			
Unrestricted Funds—To Plant .....	1,857	1,342	2,550
—To Endowments .....	2,671	2,031	2,550
Restricted Funds—To Endowments .....	413	757	108
Total Operating Funds Applied & Transferred Out .....	<u>\$125,221</u>	<u>\$140,953</u>	<u>\$156,165***</u>
CHANGES IN NONAPPROPRIATED TRUST FUND BALANCES:			
Restricted Purpose (Incl. Fed. Agency Gr. & Contracts) ...	\$ 171	\$ (225)	\$ 1,276
Unrestricted—General Purpose .....	33	36	42
—Special Purpose .....	1,963	(1,672)	2,704
Total .....	<u>\$ 2,167</u>	<u>\$ (1,861)</u>	<u>\$ 4,022</u>
YEAR-END BALANCES—			
NONAPPROPRIATED TRUST FUNDS:			
Restricted Purpose .....	\$ 4,900	\$ 4,675	\$ 5,951
Unrestricted—General Purpose .....	4,965	5,001	5,043
—Special Purpose .....	11,567	9,895	12,599
Total .....	<u>\$ 21,432</u>	<u>\$ 19,571</u>	<u>\$ 23,593</u>
OTHER FEDERAL APPROPRIATIONS			
Smithsonian Science Information Exchange .....	\$ 2,063	\$ —	\$ —
Special Foreign Currency Program .....	3,700	4,200	3,650
Construction .....	6,575	32,100	15,829
Total Federal Appropriations (Incl. S&E above) .....	<u>\$110,540</u>	<u>\$144,064</u>	<u>\$141,957</u>

\*Figures do not include gifts and other income directly to Plant and Endowment Funds: FY 1979—\$96,000; FY 1980—\$1,211,000; FY 1981—\$2,696,000.

\*\*Includes unobligated funds returned to Treasury: FY 1979—\$47,000; FY 1980—\$267,000; FY 1981—\$64,000.

\*\*\*Excludes \$185,000 available for FDR Centennial through FY 1982.

## *Operating Funds—Sources and Application*

Once again, the overall operating budget of the Institution has shown substantial growth over the past year, as displayed in Table 1 as well as the bar chart. Total gross operating funds grew from \$205,025,000 in fiscal year 1980 to \$236,296,000 in fiscal year 1981, an increase of \$31,271,000 or 15 percent. Of the total available operating funds, 52 percent were derived from federal appropriations, 6 percent from federal agency grants and contracts, and 42 percent from nonappropriated sources, approximately the same ratios as in recent years.

The growth in net operating funds, after deduction of the expenses of the nonappropriated auxiliary and bureau activities, was also 15 percent, or \$21,280,000 over the prior year. Those net operating funds, which support a wide range of Smithsonian programs, were obtained 76 percent from federal appropriations, 9 percent from federal agency grants and contracts, and 15 percent from nonappropriated sources. Application of these funds by all Smithsonian bureaux is outlined in Table 2, with further supporting detail in other tables.

### *FEDERAL APPROPRIATION*

The Institution received a federal appropriation for operating purposes in fiscal year 1981 of \$122,478,000, an increase of \$14.7 million, or 14 percent, over fiscal year 1980. The apparent growth represented by this increase was in large part attributable to inflation in the areas of pay, utilities, rent, and other objects of expense, which, following the pattern of recent years, continued to absorb the major portion, over \$9.6 million, of increased funding. Beyond these inflationary increases, however, \$5.1 million was allowed for a number of program needs throughout the Institution. While almost half of the programmatic increase was for the purchase of equipment for the Museum Support Center, to be phased over a period of several years, significant support also was received for the development of major new exhibitions in the History and Art museums; for expenses of the Tropical Research Institute resulting from implementation of the Panama Canal Treaty; for protection, administrative, and maintenance requirements; and for a variety of other

needs primarily related to the conservation and management of the collections.

In order to meet a reduced federal personnel ceiling imposed by the Office of Management and Budget, the Institution maintained a hiring freeze throughout most of the year. Dollar savings of \$1.4 million resulted from this employment freeze as well as other spending limitations imposed by the Office of Management and Budget.

#### FEDERAL AGENCY GRANTS AND CONTRACTS

Support from federal agencies, in the form of grants and contracts, primarily for the Institution's research programs, totaled \$14.2 million for fiscal year 1981, an increase of 9 percent over fiscal year 1980. As may be seen in Table 3, the major source of grant and contract support was the National Aeronautics and Space Administration, primarily for research programs of the Smithsonian Astrophysical Observatory (SAO). Significant programs at SAO were experiments in high energy astrophysics, hydrogen maser construction, and satellite tracking. Other important research programs receiving support were the medical entomology project at the National Museum of Natural History, supported by the Department of the Army; research into conservation of wild primates conducted by the National Zoological Park with funds from the United States Fish and Wildlife Service; and the National Science Foundation support to the Chesapeake Bay Center for Environmental Studies (via the Chesapeake Research Consortium) for ecological studies on a major tributary of the Chesapeake Bay.

#### NONAPPROPRIATED TRUST FUNDS

The Institution's nonappropriated trust fund revenues totaled \$99,646,000 in fiscal year 1981, while net revenues available for support of Institutional programs, after exclusion of expenses necessary to generate auxiliary and bureau activity revenues, totaled \$23,722,000. Displayed in Tables 2, 4, and 5 are the bureaux of the Institution utilizing these funds.

*Restricted* fund revenues, which may only be used for specific purposes, were \$6,378,000 for the year, made up of \$2,978,000 from gifts and grants, \$2,591,000 from investment income, and \$809,000 from other sources, primarily fund-raising activities at the Archives of American Art and sales desk activities at the Freer Gallery of

TABLE 2. *Source and Application of Operating Funds*  
*Year Ended September 30, 1981*

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

Funds	Nonfederal Funds						
	Federal funds	Total non-federal funds	Unrestricted			Restricted	
			General	Auxiliary activities	Special purpose	General	Grants and contracts
FUND BALANCES 10/1/80 ...	\$ —	\$ 19,571	\$ 5,001	\$ —	\$ 9,895	\$ 4,574	\$ 101
<b>FUNDS PROVIDED</b>							
Federal Appropriations .....	122,478	—	—	—	—	—	—
Investment Income .....	—	6,303	3,123	—	589	2,591	—
Grants and Contracts .....	—	14,172	—	—	—	—	14,172
Gifts .....	—	4,421	15	1,329	99	2,978	—
Sales and Revenue .....	—	87,052	—	83,719	3,333	—	—
Other .....	—	1,870	55	—	1,006	809	—
Total Provided .....	122,478	113,818	3,193	85,048	5,027	6,378	14,172
Total Available .....	<u>\$122,478</u>	<u>\$133,389</u>	<u>\$ 8,194</u>	<u>\$85,048</u>	<u>\$14,922</u>	<u>\$10,952</u>	<u>\$14,273</u>
<b>FUNDS APPLIED</b>							
<i>Science:</i>							
Assistant Secretary .....	\$ 328	\$ 366	\$ 28	\$ —	\$ 11	\$ 140	\$ 187
Natl. Mus. of Nat. History ....	15,677	2,539	206	—	680	531	1,122
Astrophysical Observatory ....	5,370	14,416	2,479	—	432	101	11,404
Less Overhead Recovery .....	—	(2,470)	(2,470)	—	—	—	—
Tropical Research Inst. ....	2,773	339	59	—	202	78	—
Radiation Biology Lab. ....	1,999	169	—	—	98	13	58
Natl. Air & Space Museum ....	6,152	2,001	14	—	1,765	109	113
Chesapeake Bay Center .....	869	522	83	—	141	34	264
Natl. Zoological Park .....	9,221	416	21	—	118	28	249
Center for Study of Man .....	603	18	—	—	—	18	—
Fort Pierce Bureau .....	—	389	—	—	—	389	—
Total Science .....	<u>42,992</u>	<u>18,705</u>	<u>420</u>	<u>—</u>	<u>3,447</u>	<u>1,441</u>	<u>13,397</u>
<i>History and Art:</i>							
Assistant Secretary .....	351	117	86	—	17	1	13
Natl. Mus. Am. History .....	8,072	974	96	—	647	231	—
Natl. Mus. American Art .....	3,557	422	207	—	149	34	32
Natl. Portrait Gallery .....	2,613	378	36	—	44	297	1
Hirshhorn Museum .....	2,431	1,197	26	—	677	494	—
Freer Gallery of Art .....	727	1,296	10	—	45	1,241	—
Archives of American Art .....	542	451	1	—	3	447	—
Cooper-Hewitt Museum .....	702	1,464	364	—	788	287	25
Natl. Mus. of African Art. ....	621	420	163	—	170	83	4
Total History and Art ..	<u>19,616</u>	<u>6,719</u>	<u>989</u>	<u>—</u>	<u>2,540</u>	<u>3,115</u>	<u>75</u>
<i>Public Service:</i>							
Assistant Secretary .....	184	1	1	—	—	—	—
Reception Center .....	20	395	395	—	—	—	—
Telecommunications .....	55	305	237	—	68	—	—
Anacostia Museum .....	529	48	26	—	20	2	—
Intl. Exchange Service .....	346	—	—	—	—	—	—
Performing Arts .....	387	4,813	—	4,561	114	130	8
Smithsonian Press .....	847	2,146	—	2,091	—	55	—
Exposition Books .....	—	4,725	—	4,725	—	—	—
Total Public Service ....	<u>2,368</u>	<u>12,433</u>	<u>659</u>	<u>11,377</u>	<u>202</u>	<u>187</u>	<u>8</u>

TABLE 2. Source and Application of Operating Funds—continued  
Year Ended September 30, 1981

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

Funds	Nonfederal Funds						
	Fed- eral funds	Total non- federal 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 .....	747	149	45	—	25	18	61
Registrar .....	126	—	—	—	—	—	—
Conserv. Analytical Lab. ....	788	2	—	—	2	—	—
Libraries .....	2,976	217	207	—	—	10	—
Exhibits .....	1,312	14	—	—	14	—	—
Traveling Exhib. Service .....	192	1,491	—	1,166	55	244	26
Archives .....	430	44	43	—	1	—	—
National Museum Act .....	795	—	—	—	—	—	—
Total Museum Programs .....	<u>7,366</u>	<u>1,917</u>	<u>295</u>	<u>1,166</u>	<u>97</u>	<u>272</u>	<u>87</u>
<i>Special Programs:</i>							
Am. Studies & Folklife Pgm. ...	534	793	540	—	51	17	185
Intl. Environmental Pgm. ....	468	—	—	—	—	—	—
Academic & Educational Pgm. .	562	856	129	—	691	36	—
Collections Mgt./Inventory ....	587	—	—	—	—	—	—
Major Exhibition Program .....	739	—	—	—	—	—	—
Museum Support Center .....	2,767	—	—	—	—	—	—
Total Special Programs .....	<u>5,657</u>	<u>1,649</u>	<u>669</u>	<u>—</u>	<u>742</u>	<u>53</u>	<u>185</u>
Associate Programs .....	—	44,533	260	44,219	13	11	30
Business Management .....	—	16,769	—	16,769	—	—	—
Administration .....	8,718	5,888	5,365	148	96	193	86
Less Overhead Recovery .....	—	(5,014)	(5,014)	—	—	—	—
Facilities Services .....	35,512	989	1,014	—	(48)	23	—
<i>Transfers Out/(In):</i>							
Treasury .....	64*	—	—	—	—	—	—
Coll. Acq., Schol. St., Outrch. .	—	—	2,000	—	(2,000)	—	—
Liability Reserves .....	—	—	230	—	(230)	—	—
Net Auxiliary Activities .....	—	—	(10,979)	10,979	—	—	—
Other Designated Purposes .....	—	—	2,196	390	(2,589)	3	—
Plant .....	—	2,550	2,526	—	24	—	—
Endowment .....	—	2,658	2,521	—	29	108	—
Total Transfers .....	<u>64</u>	<u>5,208</u>	<u>(1,506)</u>	<u>11,369</u>	<u>(4,766)</u>	<u>111</u>	<u>—</u>
Total Funds Applied .....	<u>\$122,293</u>	<u>\$109,796</u>	<u>\$ 3,151</u>	<u>\$85,048</u>	<u>\$ 2,323</u>	<u>\$ 5,406</u>	<u>\$13,868</u>
FUND BALANCES 9/30/81 ....	\$ 185**	\$ 23,593	\$ 5,043	\$ —	\$12,599	\$ 5,546	\$ 405

\*Unobligated funds returned to Treasury.

\*\*Funds available for FDR Centennial through FY 1982.



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

<i>Federal Agencies</i>	FY 1979	FY 1980	FY 1981
Department of Defense .....	\$ 1,079	\$ 1,078	\$ 703
Department of Energy .....	304	340	407
Department of Health and Human Services	288	280	283
Department of Interior .....	65	197	244
National Aeronautics and Space Administration* .....	8,919	9,832	10,663
National Endowments for the Arts and Humanities .....	105	118	57
National Science Foundation** .....	385	651	784
Other .....	345	386	727
Total .....	<u>\$11,490</u>	<u>\$12,882</u>	<u>\$13,868</u>

\*Includes \$583 (FY 1979), \$554 (FY 1980), and \$813 (FY 1981) in subcontracts from other organizations receiving prime contract funding from NASA.

\*\*Includes \$112 (FY 1980), and \$208 (FY 1981) in NSF subcontracts from the Chesapeake Research Consortium.

Art. Endowment income, as detailed more fully below, provides funding to the Fort Pierce Bureau for research in oceanography, major operating support to the Freer Gallery of Art, as well as a number of other specific research projects at the Institution. Significant gifts were received during the year for exhibitions of the National Museum of American History, the National Museum of Natural History, the National Portrait Gallery, the Smithsonian Institution Traveling Exhibition Service, and the Cooper-Hewitt Museum. Major collection acquisition support was received by the Hirshhorn Museum and Sculpture Garden and the National Museum of American Art, which also obtained a large grant for collections conservation.

*Unrestricted Special Purpose* funds are comprised of bureau activity revenues, such as the membership and educational programs at the National Museum of African Art and the Cooper-Hewitt Museum, sales shops at the Cooper-Hewitt Museum and the National Air and Space Museum (NASM), and the theaters at NASM; investment income earned on bureau fund balances; shared revenues for those bureaux housing centrally run concession and museum shop activities; and continuing allocations of funds for fellowship awards (\$948,000), the Regents' Collections Acquisition, Scholarly Studies,

TABLE 4. *Restricted Operating Trust Funds\**  
*Fiscal Years 1979-1981*  
(In \$1,000's)

<i>Item</i>	<i>Invest- ment</i>	<i>Gifts</i>	<i>Misc.</i>	<i>Total rev- enue</i>	<i>Deduc- tions</i>	<i>Trans- fers in (out)</i>	<i>Net in- crease (de- crease)</i>	<i>Fund bal- ance end of year</i>
FY 1979—Total .....	<u>\$2,075</u>	<u>\$1,775</u>	<u>\$ 727</u>	<u>\$4,577</u>	<u>\$3,983</u>	<u>\$ (345)</u>	<u>\$ 249</u>	<u>\$4,864</u>
FY 1980—Total .....	<u>\$2,349</u>	<u>\$2,257</u>	<u>\$ 733</u>	<u>\$5,339</u>	<u>\$4,856</u>	<u>\$ (773)</u>	<u>\$ (290)</u>	<u>\$4,574</u>
FY 1981:								
National Museum of Natural History .....	\$ 189	\$ 440	\$ (4)	\$ 625	\$ 531	\$ 13	\$ 107	\$ 576
Astrophysical Observatory .....	13	130	(30)	113	101	(3)	9	20
Tropical Research Institute .....	20	57	10	87	78	—	9	65
National Air and Space Museum .....	60	4	—	64	109	(12)	(57)	90
Chesapeake Bay Center ....	11	—	—	11	34	—	(23)	82
Fort Pierce Bureau .....	761	—	—	761	389	—	372	813
Other Science .....	220	149	84	453	199	(79)	175	530
National Museum of American History .....	59	294	4	357	231	—	126	458
National Museum of American Art .....	63	254	3	320	34	—	286	341
National Portrait Gallery ..	42	82	(3)	121	297	—	(176)	233
Hirshhorn Museum .....	39	235	—	274	494	—	(220)	280
Freer Gallery of Art .....	910	32	476	1,418	1,241	—	177	810
Archives of American Art .....	28	210	212	450	447	—	3	271
Cooper-Hewitt Museum ...	36	253	55	344	287	—	57	313
National Museum of African Art .....	2	11	1	14	83	—	(69)	4
Traveling Exhibition Service .....	25	224	—	249	244	—	5	154
All Other .....	<u>113</u>	<u>603</u>	<u>1</u>	<u>717</u>	<u>496</u>	<u>(30)</u>	<u>191</u>	<u>506</u>
Total FY 1981 .....	<u>\$2,591</u>	<u>\$2,978</u>	<u>\$ 809</u>	<u>\$6,378</u>	<u>\$5,295</u>	<u>\$ (111)</u>	<u>\$ 972</u>	<u>\$5,546</u>

\*Does not include Federal Agency Grants and Contracts.

TABLE 5. *Unrestricted Special Purpose Funds*  
*Fiscal Year 1981—Obligations*  
(In \$1,000's)

Item	Revenue				Trans- fers in (out)	Deductions			Fund bal- ance end of year
	In- vest- ment	Bu- reau activ- ities	Gifts and other rev- enue	Total rev- enue		Pro- gram ex- pense	Bu- reau activ- ity ex- pense	Net in- crease (de- crease)	
FY 1979 .....	\$254	\$2,039	\$ 661	\$2,954	\$3,707	\$3,262	\$1,436	\$ 1,963	\$11,567
FY 1980 .....	\$430	\$2,049	\$ 771	\$3,250	\$4,252	\$7,361	\$1,813	\$ (1,672)	\$ 9,895
FY 1981:									
National Museum of Natural History .....	\$ 46	\$ —	\$ 65	\$ 111	\$ 637	\$ 680	\$ —	\$ 68	\$ 334
Astrophysical Observatory ..	6	112	104	222	414	320	112	204	534
Tropical Research Institute .....	—	66	—	66	158	140	62	22	90
National Air and Space Museum Chesapeake Bay Center .....	268	2,183	77	2,528	(365)	498	1,267	398	2,838
National Zoo- logical Park ..	132	—	230	362	52	118	—	296	1,295
Other Science ...	24	—	27	51	109	109	—	51	148
National Museum of American History .....	24	32	25	81	394	596	51	(172)	273
National Museum of American Art .....	15	6	132	153	82	146	3	86	197
National Portrait Gallery Hirshhorn Museum .....	4	8	30	42	35	36	8	33	62
Freer Gallery of Art .....	16	—	8	24	679	677	—	26	149
Cooper-Hewitt Museum .....	—	—	—	—	49	45	—	4	32
Cooper-Hewitt Museum .....	8	661	116	785	12	304	484	9	33
National Museum of African Art Liability Reserves Unallocated Coll. Acq., Schol. St. and Outreach .	—	130	7	137	(15)	(5)	175	(48)	2
Fellowships .....	—	—	—	—	230	—	—	230	3,330
Museum Support Center Equip. .	—	—	—	—	(232)	—	—	(232)	270
Other .....	—	—	—	—	696	630	—	66	473
Museum Support Center Equip. .	—	—	—	—	750	—	—	750	750
Other .....	46	103	273	422	972	432	60	902	1,764
Total FY 1981	\$589	\$3,333	\$1,105	\$5,027	\$4,766	\$4,844	\$2,245	\$ 2,704	\$12,599

and Educational Outreach programs (\$2 million per year), as well as funds provided for other designated purposes.

*Unrestricted General Purpose* funds revenue, which is available for general Institutional purposes, is derived primarily from investment income and auxiliary activity net revenues. As displayed in Table 6, net general unrestricted funds, after deduction of auxiliary activity expenses, totaled \$14,562,000 in fiscal year 1981, a somewhat better result than the prior year. This improved performance was due to the higher interest rates during the year, which benefited the short-term investments of the Institution, and to the auxiliary activities. These activities are listed in Table 7, and as may be seen therein, the Smithsonian Associates programs, including the *Smithsonian* magazine, generate the majority of the revenues on both a gross and net basis. The magazine continued to enjoy widespread acceptance, increasing once again the number of subscribing National Associates; the Contributing Associates program, providing unrestricted gift support to the Institution, also showed modest growth.

Important educational products and public services are provided as well by the other auxiliary activities, such as the Smithsonian Institution Press, Smithsonian Institution Traveling Exhibition Service, and the Smithsonian Exposition Books. On an overall basis, these other activities provided a financial return to the Institution at approximately the same rate as in fiscal year 1980.

The growth in unrestricted funds allowed continued support for a number of administrative and programmatic activities as well as some contributions towards new endeavors and facilities development. Activities receiving major operating support include the Visitor Information and Associates' Reception Center, the Folklife Program, the Cooper-Hewitt Museum, and the Office of Telecommunications, while smaller amounts for specific programs were allotted to numerous other units. Special emphasis was placed on affirmative action efforts with funding allotted for the establishment of a cooperative education program. In addition to the operating support provided the Office of Telecommunications, an amount of \$500,000 was set aside in fiscal year 1981 for future exploration of potential television production by the Institution. Special funding was also provided for the major exhibition, *5,000 Years of Korean Art*, in

TABLE 6. *Unrestricted Trust Funds—General and Auxiliary Activities*  
*Fiscal Years 1979–1981*  
(In \$1,000's)

<i>Item</i>	<i>FY 1979</i>	<i>FY 1980</i>	<i>FY 1981</i>
<b>FUNDS PROVIDED</b>			
<b>General Income:</b>			
Investments .....	\$ 2,276	\$ 2,470	\$ 3,123
Gifts .....	163	14	15
Miscellaneous .....	40	140	55
Total General Income .....	<u>2,479</u>	<u>2,624</u>	<u>3,193</u>
<b>Auxiliary Activities Income (Net):</b>			
Associates .....	6,429	6,113	8,691
Business Management			
—Museum Shops .....	287	1,022	631
—Concessions and Parking .....	1,641	1,938	1,978
—Other .....	(245)	(191)	(251)
Performing Arts .....	177	(75)	(186)
Smithsonian Press .....	292	252	231
Exposition Books .....	1,036	305	536
Traveling Exhibitions .....	(142)	(268)	(226)
Photo Services .....	(275)	(115)	(35)
Total Auxiliary Activities .....	<u>9,200</u>	<u>8,981</u>	<u>11,369</u>
Total Funds Provided (Net) .....	<u>11,679</u>	<u>11,605</u>	<u>14,562</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Administrative and Program Expense .....	9,231	10,535	12,141
Less Administrative Recovery .....	5,888	6,575	7,484
Net Expense .....	<u>3,343</u>	<u>3,960</u>	<u>4,657</u>
<b>Less Transfers:</b>			
To Special Purpose			
for Program Purposes .....	3,879	4,307	4,816
To Plant Funds .....	1,853	1,281	2,526
To Endowment Funds .....	2,571	2,021	2,521
<b>NET ADDITION TO FUND BALANCE ..</b>	<u>33</u>	<u>36</u>	<u>42</u>
<b>ENDING FUND BALANCE .....</b>	<u>\$ 4,965</u>	<u>\$ 5,001</u>	<u>\$ 5,043</u>

TABLE 7. *Auxiliary Activities Fiscal Years 1979-1981*  
(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 revenue*** (loss)</i>
FY 1979 .....	\$64,846	\$ 475	\$31,884	\$33,437	\$24,237	\$ 9,200
FY 1980 .....	\$72,203	\$ 898	\$41,569	\$31,532	\$22,551	\$ 8,981
FY 1981:						
Associates .....	\$51,581	\$1,329	\$34,551	\$18,359	\$ 9,668	\$ 8,691
Business Management:						
—Museum Shops* .....	16,074	—	8,335	7,739	7,108	631
—Concessions/Parking .	2,682	—	35	2,647	669	1,978
—Other** .....	371	—	—	371	622	(251)
Performing Arts .....	4,375	—	1,113	3,262	3,448	(186)
Smithsonian Press .....	2,322	—	688	1,634	1,403	231
Exposition Books .....	5,261	—	1,101	4,160	3,624	536
Traveling Exhibitions ....	940	—	—	940	1,166	(226)
Photo Services						
(Administration) .....	113	—	43	70	105	(35)
Total FY 1981 .....	\$83,719	\$1,329	\$45,866	\$39,182	\$27,813	\$11,369

\*Includes Museum Shops and Mail Order.

\*\*Includes Business Management Office and Belmont.

\*\*\*Before revenue-sharing transfers to participating Smithsonian bureaux of \$397,000 (FY 1979); \$381,000 (FY 1980); and \$390,000 (FY 1981).

the new Thomas Mellon Evans Special Exhibits Gallery in the National Museum of Natural History. Transfers to special purpose funds included continuing allotments for the Collections Acquisition, Scholarly Studies, and Educational Outreach programs (\$2 million), the Fluid Research program of small grants to Smithsonian scientists (\$200,000), and the Smithsonian Fellowship program, which provides stipend support to pre- and post-doctoral fellows (\$948,000), as well as a one-time transfer of \$750,000 for conservation equipment at the Museum Support Center.

Some \$2.5 million was added to the Institution's unrestricted endowment funds to ensure a stable source of current revenues for future years. As described below, transfers were also made to plant

funds to support facilities development, notably \$750,000 towards construction of the Museum Support Center and \$1.3 million towards Quadrangle development.

### *Special Foreign Currency Program*

A separate appropriation was received for the Special Foreign Currency Program of \$3,650,000 equivalent in excess foreign currencies. These currencies, accumulated from sales of surplus agricultural commodities under Public Law 83-480, have been determined by the Treasury Department to be in excess of the normal needs of the United States. Some \$2.9 million of this appropriation was used to provide grants to United States institutions for field research and advanced professional training in the countries of Burma, Egypt, India, and Pakistan, in fields of traditional Smithsonian interest and competence. The remaining \$750,000 was added to a reserve of Indian rupees, established in fiscal year 1980 to support future programs of the American Institute of Indian Studies after the supply of excess rupees is depleted. Obligation of these funds by research discipline and country is provided in Table 8.

### *Construction*

Funds appropriated for construction and renovation projects at the Institution totaled \$15,829,000 in fiscal year 1981, as shown in Table 9. With the support and encouragement of the Congress, the Institution continued to accelerate its efforts to meet the essential renovation needs of a large and complex physical plant. An appropriation of \$7,539,000 under the Restoration and Renovation of Buildings account represented a 44 percent increase over the previous year. The funding permitted progress in facade, roof, and terrace repairs; systems and structural modifications to further energy efficiency; renovations to comply with legislative requirements on occupational health and safety as well as the needs of disabled persons; and modification and improvement of existing facilities for



TABLE 8. *Special Foreign Currency Program*  
*Fiscal Year 1981—Obligations*  
(In \$1,000's)

Country	Archaeology	Systematic and environmental biology	Astrophysics and earth sciences	Museum programs	Grant administration	Total
Burma .....	\$ 20	\$ —	\$ —	\$ —	\$ 1	\$ 21
Egypt .....	286	50	150	41	242	769
India .....	2,318*	268	24	175	44	2,829
Pakistan .....	—	84	—	—	—	84
Total ....	<u>\$2,624</u>	<u>\$ 402</u>	<u>\$ 174</u>	<u>\$ 216</u>	<u>\$ 287</u>	<u>\$3,703</u>

\*Includes the obligation of \$750,000 for a forward-funded reserve for the American Institute of Indian Studies.

TABLE 9. *Construction and Plant Funds Fiscal Years 1979–1981*  
(In \$1,000's)

Sources	FY 1979	FY 1980	FY 1981
<b>FUNDS PROVIDED</b>			
<b>Federal Appropriations:</b>			
National Zoological Park .....	\$ 3,900	\$ 6,250	\$ 3,290
Museum Support Center .....	575	20,600*	5,000
Restoration & Renovation of Buildings ..	<u>2,100</u>	<u>5,250</u>	<u>7,539</u>
Total Federal Appropriations .....	<u>6,575</u>	<u>32,100</u>	<u>15,829</u>
<b>Nonappropriated Trust Funds:</b>			
<b>Income—Gift and Other</b>			
Cooper-Hewitt Museum .....	—	104	175
Horticulture Greenhouse .....	—	—	11
Special Exhibits Gallery .....	—	—	307
Quadrangle .....	<u>5</u>	<u>1,051</u>	<u>2,115</u>
Total Income .....	<u>5</u>	<u>1,155</u>	<u>2,608</u>
<b>Transfers from Current Funds:</b>			
Chesapeake Bay Center .....	411	39	300
National Museum of African Art .....	4	22	24
Museum Support Center .....	—	—	750
East Garden .....	10	241	110
Quadrangle .....	<u>1,385</u>	<u>1,040</u>	<u>1,340</u>
Tropical Research Institute .....	<u>47</u>	<u>—</u>	<u>26</u>
Total Transfers .....	<u>1,857</u>	<u>1,342</u>	<u>2,550</u>
Total Funds Provided .....	<u>\$ 8,437</u>	<u>\$34,597</u>	<u>\$20,987</u>

\*Obligation authority of \$19 million deferred until FY 1981 on instructions from Office of Management and Budget.

program or safety needs. An amount of \$3,290,000 was received for renovation and construction of Zoo facilities, including construction of the Monkey Island Exhibit, which is the final project in the development of the Central Area of Rock Creek Park; construction of a small mammal breeding facility and design of hardy bird yards at the Front Royal Conservation and Research Center; and the necessary restoration and renovation work at both Rock Creek and Front Royal. And finally, an additional \$5 million was provided for construction of the Museum Support Center. Construction bids received by the Institution for this project exceeded the Institution's original estimate by some \$7 million. This appropriation, together with the \$20.6 million appropriated in fiscal year 1980 and \$2.5 million committed from the Institution's nonappropriated trust funds, provides sufficient funding to complete the project as planned.

During the year, nonappropriated trust funds totaling \$2,550,000 were transferred from operating accounts to construction and land acquisition, and a further \$2,608,000 was received from gifts and investment income. The majority of these funds—\$3,455,000—was for Quadrangle development, and a further \$775,000 of pledges was received toward the project. Major gifts were also received for construction of the Special Exhibits Gallery in the National Museum of Natural History as well as for renovation work at the Cooper-Hewitt Museum. An amount of \$750,000 was allocated to Museum Support Center construction for which, as noted above, the Institution has committed an amount of \$2.5 million in nonappropriated trust funds. Transfers also were made for major land acquisition at the Chesapeake Bay Center, mortgage payments on property occupied by the National Museum of African Art, construction of a greenhouse at the Tropical Research Institute in Panama, and additional costs associated with development of the garden area to the east of the Arts and Industries Building.

### *Endowment and Similar Funds*

As of September 30, 1981, the market value of the Smithsonian Endowment Funds was \$79,025,000, as compared to \$78,390,000 on September 30, 1980. Of this total, \$77,972,000 is invested in the

TABLE 10. *Endowment and Similar Funds September 30, 1981*

	<i>Book value</i>	<i>Market value</i>
<b>ASSETS</b>		
Pooled Consolidated Endowment Funds:		
Cash and Equivalents .....	\$ 715,006	\$ 715,006
Bonds .....	16,029,705	14,849,789
Convertible Bonds .....	461,550	560,000
Stocks .....	<u>57,204,501</u>	<u>61,847,366</u>
Total Pooled Funds .....	<u>74,410,762</u>	<u>77,972,161</u>
Nonpooled Endowment Funds:		
Notes Receivable .....	35,794	35,794
Loan to U.S. Treasury in Perpetuity .....	1,000,000	1,000,000
Bonds .....	9,769	8,600
Common Stocks .....	<u>1,999</u>	<u>8,100</u>
Total Nonpooled Funds .....	<u>1,047,562</u>	<u>1,052,494</u>
Total Endowment and Similar Fund Balances ..	<u>\$75,458,324</u>	<u>\$79,024,655</u>
<b>FUND BALANCES</b>		
Unrestricted Purpose: True Endowment .....	\$ 2,808,369	\$ 3,480,402
Quasi Endowment .....	<u>28,054,405</u>	<u>27,813,668</u>
Total Unrestricted Purpose .....	<u>30,862,774</u>	<u>31,294,070</u>
Restricted Purpose: True Endowment .....	33,513,631	36,216,512
Quasi Endowment .....	<u>11,081,919</u>	<u>11,514,073</u>
Total Restricted Purpose .....	<u>44,595,550</u>	<u>47,730,585</u>
Total Endowment and Similar Fund Balances ..	<u>\$75,458,324</u>	<u>\$79,024,655</u>

Pooled Consolidated Endowment Fund under outside investment management; \$1 million is on permanent deposit with the United States Treasury; and the remaining \$53,000 is held in miscellaneous securities. As shown in Table 10, restricted endowment funds, the income of which may be used only for purposes specified by the donor, comprise 60 percent of the total, or \$47,731,000. The remaining 40 percent, or \$31,294,000, are unrestricted endowment funds with the income available for general Institutional purposes. Certain of these unrestricted funds, such as the Lindbergh Chair of Aerospace History Endowment at the National Air and Space Museum, have been designated internally for specific purposes, as noted in Table 13, which lists all endowments of the Institution.

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

<i>Fund</i>	9/30/77	9/30/78	9/30/79	9/30/80	9/30/81
Unrestricted . . . . .	\$12,525	\$18,114	\$22,614	\$28,384	\$30,399
Freer . . . . .	15,410	16,807	18,303	20,771	20,472
Other Restricted . . .	<u>18,944</u>	<u>22,109</u>	<u>24,639</u>	<u>28,175</u>	<u>27,101</u>
Total . . . . .	<u>\$46,879</u>	<u>\$57,030</u>	<u>\$65,556</u>	<u>\$77,330</u>	<u>\$77,972</u>

The investment of the Pooled Consolidated Endowment Fund is managed by three outside professional investment advisory firms under the oversight of the Investment Policy Committee and the Treasurer and subject to policy guidelines established by the Board of Regents. At the conclusion of fiscal year 1981, the firms (with their respective portion of the Fund) were Fiduciary Trust Company of New York (50 percent), Batterymarch Financial Management Corp. (31 percent), and Torray Clark & Company (19 percent). During fiscal year 1981, the total rate of return for these funds, as calculated by an independent investment measurement service, was +2.8 percent (including interest and dividend yield as well as market value depreciation), as compared to -3.4 percent for the Dow Jones Industrial Average and -2.7 percent for the Standard & Poor's 500 Average (both calculated on the same basis). Market values of the major components of this fund for prior years are shown in Table 11, and activity during the past year, in Table 12.

The Smithsonian utilizes the Total Return Income policy which defines total investment return as yield (interest and dividends) plus appreciation, including both realized and unrealized capital gains. A portion of this return is made available for expenditure each year, and the remainder is retained as principal. This total return income payout is determined in advance each year by the Board of Regents based on studies of anticipated interest and dividend yields, the In-

TABLE 12. *Changes in Pooled Consolidated Endowment Funds for Fiscal Year 1981*  
(In \$1,000's)

<i>Fund</i>	<i>Market value 9/30/80</i>	<i>Gifts and transfers</i>	<i>Interest and dividends*</i>	<i>Income paid out</i>	<i>Sub-total</i>	<i>Market value increase (decrease)</i>	<i>Market value 9/30/81</i>
Unrestricted . . . . .	\$28,384	\$ 2,529	\$ 1,611	\$ 1,157	\$31,367	\$ (968)	\$30,399
Freer . . . . .	20,771	—	1,164	839	21,096	(624)	20,472
Other Restricted . . .	28,175	(760)	1,568	1,132	27,851	(750)	27,101
Total . . . . .	<u>\$77,330</u>	<u>\$ 1,769</u>	<u>\$ 4,343</u>	<u>\$ 3,128</u>	<u>\$80,314</u>	<u>\$ (2,342)</u>	<u>\$77,972</u>

\*Income earned less managers' fees of \$363,000.

stitution's programmatic needs, inflationary factors, and the five-year running average of market values adjusted for capital additions or withdrawals. The income payout rate for fiscal year 1981 to endowments in the Pooled Consolidated Endowment Fund constituted a 10 percent increase over the previous year, and a further increase of 8 percent for restricted endowments has been approved for fiscal year 1982. Even after the income payout of \$3,128,000 in fiscal year 1981, \$1,215,000 of excess interest and dividend yield was available for reinvestment into endowment principal.

Included in Table 12 as additions to the endowment funds were approximately \$2.5 million transferred from unrestricted funds, as mentioned above, and gifts of \$116,000. These additions were partially offset by a withdrawal of \$976,000 from the Johnson Fund, which, together with the Hunterdon Fund, was formerly described as Endowment Number 3. This withdrawal, representing prior year income that had accumulated in principal, was made to reimburse the Harbor Branch Foundation for support of the Johnson Sea-Link submersible program, and similar funding from the Johnson Fund will be provided in the future.

A full listing of all endowment funds is shown on Table 13. Detail of the securities held in the Pooled Consolidated Endowment Fund as of September 30, 1981, may be obtained upon request from the Treasurer of the Institution.

TABLE 13. Endowment Funds September 30, 1981

Fund	Principal		Income	
	Book value	Market value	Net income	Unexpended balance
<b>UNRESTRICTED PURPOSE—TRUE:</b>				
Avery Fund* . . . . .	\$ 89,352	\$ 113,989	\$ 4,940	\$ —0—
Higbee, Harry, Memorial* . . . . .	25,024	31,864	1,423	—0—
Hodgkins Fund* . . . . .	72,318	78,587	10,183	—0—
Morrow, Dwight W. . . . .	263,547	312,004	8,037	—0—
Mussinán, Alfred . . . . .	48,746	57,320	2,350	—0—
Olmsted, Helen A. . . . .	1,574	2,001	82	—0—
Poore, Lucy T. and George W.* . . . . .	337,774	444,498	18,734	—0—
Porter, Henry Kirke, Memorial . . . . .	546,178	723,771	29,680	—0—
Sanford, George H.* . . . . .	2,798	3,348	158	—0—
Smithson, James* . . . . .	541,380	541,380	32,483	—0—
Walcott, Charles D. and Mary Vaux, Research (Designated)* . . . . .	879,678	1,171,640	48,023	48,979
Subtotal . . . . .	<u>2,808,369</u>	<u>3,480,402</u>	<u>156,093</u>	<u>48,979</u>
<b>UNRESTRICTED PURPOSE—QUASI:</b>				
Forrest, Robert Lee . . . . .	2,509,445	2,181,148	89,442	—0—
General Endowment* . . . . .	23,379,368	23,553,292	880,174	—0—
Goddard, Robert H. . . . .	19,853	17,273	708	—0—
Habel, Dr. S.* . . . . .	500	500	30	—0—
Hart, Gustavus E. . . . .	1,170	1,292	53	—0—
Henry, Caroline . . . . .	2,902	3,188	131	—0—
Henry, Joseph and Harriet A. . . . .	117,129	127,514	5,229	—0—
Heys, Maude C. . . . .	239,183	212,238	8,703	—0—
Hinton, Carrie Susan . . . . .	61,299	62,010	2,543	—0—
Lambert, Paula C. . . . .	109,434	113,905	4,671	—0—
Medinus, Grace L. . . . .	2,362	2,111	87	—0—
Rhees, William Jones* . . . . .	1,722	1,826	86	—0—
Safford, Clara Louise . . . . .	108,079	99,134	4,065	—0—
Smithsonian Bequest Fund . . . . .	40,501	37,096	601	—0—
Taggart, Ganson . . . . .	933	1,208	49	—0—
Abbott, William L. (Designated) . . . . .	284,473	309,165	12,678	1,424
Barstow, Frederic D. (Designated) . . . . .	2,384	2,584	106	3,285
Lindbergh Chair of Aerospace History (Designated) . . . . .	1,155,986	1,070,774	43,909	51,538
Lindbergh, Charles A. (Designated) . . . . .	7,648	8,198	961	4,115
Lyon, Marcus Ward, Jr. (Designated) . . . . .	10,034	9,212	378	776
Subtotal . . . . .	<u>28,054,405</u>	<u>27,813,668</u>	<u>1,054,604</u>	<u>61,138</u>
Total Unrestricted Purpose . . . . .	<u>\$30,862,774</u>	<u>\$31,294,070</u>	<u>\$ 1,210,697</u>	<u>\$ 110,117</u>
<b>RESTRICTED PURPOSE—TRUE:</b>				
Arthur, James . . . . .	\$ 76,298	\$ 101,264	\$ 4,153	\$ 8,854
Baird, Spencer Fullerton . . . . .	69,700	90,519	3,712	8,166
Barney, Alice Pike, Memorial . . . . .	54,711	72,566	2,976	17,413
Batchelor, Emma E. . . . .	77,648	75,062	3,078	34,158
Beauregard, Catherine, Memorial . . . . .	93,459	101,405	4,158	18,082
Brown, Roland W. . . . .	62,364	69,595	2,854	16,477
Canfield, Frederick A. . . . .	74,528	111,570	4,575	214
Casey, Thomas Lincoln . . . . .	29,922	32,510	1,333	1,847
Chamberlain, Frances Lea . . . . .	53,717	71,251	2,922	11,954
Cooper Fund for Paleobiology . . . . .	27,688	27,662	1,101	959
Division of Mammals Curators Fund . . . . .	4,103	4,267	175	3,171
Drake Foundation . . . . .	383,447	384,778	15,686	45,832
Dykes, Charles, Bequest . . . . .	102,757	111,603	4,576	21,819
Eickemeyer, Florence Brevoort . . . . .	20,733	27,492	1,127	11,661
Freer, Charles L. . . . .	18,908,174	20,471,689	839,484	572,009
Grimm, Sergei N. . . . .	73,364	63,979	656	669
Guggenheim, Daniel and Florence . . . . .	280,426	261,285	10,714	11,460
Hamilton, James* . . . . .	3,277	3,596	195	399
Henderson, Edward P., Meteorite Fund . . . . .	753	900	37	261
Hewitt, Eleanor G., Repair Fund . . . . .	16,524	16,427	674	726
Hewitt, Sarah Cooper . . . . .	97,777	96,965	3,976	4,253
Hitchcock, Albert S. . . . .	3,017	4,057	166	851
Hodgkins Fund* . . . . .	100,000	100,000	6,000	13,073

TABLE 13. Endowment Funds September 30, 1981—continued

Fund	Principal		Income	
	Book value	Market value	Net income	Unexpended balance
Hrdlicka, Ales and Marie .....	112,961	126,069	5,170	7,492
Hughes, Bruce .....	36,518	48,487	1,988	17,237
Johnson, Seward, Trust Fund for Oceanography .....	7,803,670	8,514,478	375,889	619,376
Kellogg, Remington, Memorial .....	58,276	52,513	2,141	6,459
Kramar, Nada .....	6,375	6,628	272	1,471
Lindsey, Jessie H.* .....	11,380	10,272	799	4,209
Maxwell, Mary E. ....	37,421	49,679	2,037	10,982
Milliken, H. Oothout, Memorial .....	488	483	20	20
Mineral Endowment .....	220,977	223,111	9,149	124
Mitchell, William A. ....	30,050	30,521	1,252	2,705
Natural History and Conservation .....	39,872	39,722	1,539	—0—
Nelson, Edward William .....	44,982	56,258	2,307	2,477
Petrocelli, Joseph, Memorial .....	14,150	18,844	773	15,628
Reid, Addison T.* .....	53,452	57,105	2,551	12,182
Roebing Fund .....	230,223	303,901	12,462	266
Rollins, Miriam and William .....	431,978	506,336	20,520	21,191
Shryock Endowment for Docents .....	1,516	1,440	59	94
Sims, George W. ....	5,186	4,452	91	91
Sprague Fund .....	3,007,384	3,027,731	122,707	2,317
Springer, Frank .....	34,482	45,349	1,860	25,423
Stern, Harold P., Memorial .....	317,303	321,329	13,170	19,038
Stevenson, John A., Mycological Library ...	11,495	12,390	508	320
Walcott, Charles D. and Mary Vaux, Research .....	277,444	315,443	12,762	15,615
Walcott Research Fund, Botanical Publications .....	109,852	141,144	5,788	7,657
Zerbee, Frances Brinckle .....	1,809	2,385	98	2,945
Subtotal .....	<u>33,513,631</u>	<u>36,216,512</u>	<u>1,510,240</u>	<u>1,599,627</u>
RESTRICTED PURPOSE—QUASI:				
Armstrong, Edwin James .....	6,260	6,159	253	253
Au Panier Fleuri .....	48,050	41,962	1,721	1,831
Bacon, Virginia Purdy .....	213,564	210,609	8,636	31,556
Becker, George F. ....	367,310	364,524	14,948	—0—
Desautels, Paul E. ....	22,725	24,938	999	—0—
Gaver, Gordon .....	2,844	2,964	121	1,608
Hachenberg, George P. and Caroline .....	9,714	11,080	454	950
Hanson, Martin Gustav and Caroline R. ....	21,219	23,045	945	4,338
Hillyer, Virgil .....	15,690	17,049	699	5,972
Hunterdon Endowment .....	6,956,321	7,417,421	308,383	191,781
Johnson, E. R. Fenimore .....	18,687	17,063	700	9,219
Loeb, Morris .....	208,781	228,556	9,372	19,717
Long, Annette E. and Edith C. ....	1,040	1,412	58	328
Myer, Catherine Walden .....	48,226	52,382	2,148	4,932
Noyes, Frank B. ....	2,336	2,640	108	1,314
Noyes, Pauline Riggs .....	22,623	19,773	811	853
Pell, Cornelia Livingston .....	17,728	19,338	793	625
Ramsey, Adm. and Mrs. Dewitt Clinton* ...	693,040	648,079	26,762	5,145
Rathbun, Richard, Memorial .....	25,425	27,707	1,136	17,724
Roebing Solar Research .....	58,285	59,572	2,443	5,740
Ruef, Bertha M. ....	72,870	66,494	2,727	7,733
Schultz, Leonard P. ....	18,510	20,043	821	9,172
Seidell, Atherton .....	1,459,261	1,440,168	59,057	160,147
Smithsonian Agency Account .....	439,627	430,981	17,059	—0—
Strong, Julia D. ....	23,898	26,036	1,068	1,623
Witherspoon, Thomas A., Memorial .....	307,885	334,078	13,700	6,666
Subtotal .....	<u>11,081,919</u>	<u>11,514,073</u>	<u>475,922</u>	<u>489,227</u>
Total Restricted Purpose .....	<u>\$44,595,550</u>	<u>\$47,730,585</u>	<u>\$ 1,986,162</u>	<u>\$ 2,088,854</u>
TOTAL ENDOWMENT FUNDS .....	<u>\$75,458,324</u>	<u>\$79,024,655</u>	<u>\$ 3,196,859</u>	<u>\$ 2,198,971</u>

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

\*\*Total Return Income payout; does not include \$218,000 of interest income for investment of unexpended income balances.



## *Related Organizations*

The Smithsonian Science Information Exchange, Inc. (SSIE) has served as a national source for information on research in progress since its founding in 1949. Incorporated by the Smithsonian in 1971 as a nonprofit entity, SSIE received funding through an annual contract from the Smithsonian, equal to the appropriation provided the Smithsonian for this purpose. Since fiscal year 1980, appropriations for the exchange have been made to the Department of Commerce in anticipation of the integration of the functions of SSIE into the National Technical Information Service. During this period, the Smithsonian has continued to provide the exchange with administrative and fiscal services on a contract basis. As a result of federal hiring freezes and budgetary reductions, plans for integration have been indefinitely postponed. In view of the substantial financial uncertainty faced by SSIE and its effect on the future ability of the exchange to operate in an effective manner, the SSIE Board of Directors resolved that SSIE would cease operations no later than October 30, 1981. The database and other physical assets of the exchange are scheduled to be transferred to the Commerce Department, and plans are proceeding to dissolve the corporation.

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 Department of Education to operate the federal Inexpensive Book Distribution Program. Administrative services are provided by the Institution on a contract basis.

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 prepared 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 approximately \$202,000 during calendar year 1980 (FONZ's fiscal year). In addition, FONZ contributed other important financial and volunteer support to Zoo programs. Financial affairs of this organization are disclosed separately elsewhere in *Smithsonian Year 1981*.

### *Accounting and Auditing*

The nonappropriated trust funds of the Institution are audited annually by an independent public accounting firm; the report of Coopers & Lybrand is contained in the following pages. Additional reviews are conducted annually on a number of Smithsonian activities by the internal audit staff. Additionally, the Defense Contract Audit Agency conducts an annual audit of grants and contracts received from federal agencies, as well as their allocated administrative costs.

The Audit and Review Committee of the Regents met during the year pursuant to their responsibility, under the bylaws of the Institution, for reviewing the Smithsonian's accounting systems and internal financial controls; for facilitating communication between the Board of Regents and auditors from the internal audit staff, the independent accounting firm, and the General Accounting Office; and for reviewing operations of the Institution for compliance with approved programs and policies.



Traditional music, dance, crafts, and demonstrations are presented at the Festival of American Folklife, an annual celebration of the cultural traditions of this country. Supported by a combination of outside gifts and grants, the Institution's non-appropriated trust funds, and federal appropriations, the Festival reflects the diversity of funding sources for the Institution's programs. Sampled here, from the 1981 Festival, are dancers whose performances were designed to introduce hearing audiences to concepts of deaf communication (*top*), and Ojibwa Indians from the Upper Peninsula of Michigan who demonstrated canoe making on the National Mall.



# COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Regents  
Smithsonian Institution

We have examined the balance sheet of the Trust Funds of Smithsonian Institution as of September 30, 1981 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. We previously examined and reported upon the statements of the Trust Funds of Smithsonian Institution for the year ended September 30, 1980, totals of which are included in the accompanying financial statements for comparative purposes only.

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, 1981, referred to above, present fairly the financial position of the Trust Funds of Smithsonian Institution as of September 30, 1981, 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. 20036  
December 2, 1981

SMITHSONIAN INSTITUTION—TRUST FUNDS  
Balance Sheet

September 30, 1981  
(with comparative totals for September 30, 1980)

	<i>Current funds</i>
<hr/>	
ASSETS:	
Cash .....	\$ 1,092,016
Investments (Notes 3 and 5) .....	28,526,435
Receivables (Note 4) .....	12,618,660
Interfund receivables .....	—
Merchandise inventory (Note 1) .....	7,464,010
Prepaid and deferred expense (Note 1) .....	7,534,919
Property and equipment (Notes 1 and 6) .....	1,420,486
	<u>\$58,656,526</u>
LIABILITIES:	
Accounts payable and accrued expenses .....	\$ 8,121,769
Deposits held in custody for other organizations (Note 2) .	1,958,329
Interfund payables .....	8,270,529
Deferred revenue (Note 1) .....	16,712,953
Total liabilities .....	<u>35,063,580</u>
FUND BALANCES (Note 1):	
Current:	
Unrestricted general purpose .....	5,042,459
Special purpose .....	12,599,061
Restricted .....	5,951,426
Endowment and similar funds (Note 5) .....	—
Plant funds (Note 6) .....	—
Total fund balances .....	<u>23,592,946</u>
	<u>\$58,656,526</u>
<hr/>	

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

*Endowment  
and similar  
funds*

*Plant funds*

*Total, all funds*

*Totals, 1980*

\$ 36,625	\$ —	\$ 1,128,641	\$ 81,122
74,707,523	—	103,233,958	85,693,264
35,794	—	12,654,454	11,089,622
678,382	7,592,147	8,270,529	4,272,661
—	—	7,464,010	6,244,380
—	—	7,534,919	7,294,999
—	14,024,283	15,444,769	14,012,745
<u>\$75,458,324</u>	<u>\$21,616,430</u>	<u>\$155,731,280</u>	<u>\$128,688,793</u>

\$ —	\$ 304,763	\$ 8,426,532	\$ 5,968,872
—	—	1,958,329	1,218,910
—	—	8,270,529	4,272,661
—	—	16,712,953	17,063,378
—	304,763	35,368,343	28,523,821

—	—	5,042,459	5,000,736
—	—	12,599,061	9,895,106
—	—	5,951,426	4,675,330
75,458,324	—	75,458,324	64,422,312
—	21,311,667	21,311,667	16,171,488
<u>75,458,324</u>	<u>21,311,667</u>	<u>120,362,937</u>	<u>100,164,972</u>
<u>\$75,458,324</u>	<u>\$21,616,430</u>	<u>\$155,731,280</u>	<u>\$128,688,793</u>

SMITHSONIAN INSTITUTION—TRUST FUNDS  
Statement of Financial Activity  
Year ended September 30, 1981  
(with comparative totals for the year ended September 30, 1980)

	<i>Current funds</i>			
	<i>Total current funds</i>	<i>Unrestricted</i>		
		<i>Total unrestricted funds</i>	<i>General purpose</i>	
<b>REVENUE AND OTHER ADDITIONS:</b>				
Auxiliary activities revenue .....	\$ 87,052,047	\$87,052,047	\$	—
Federal grants and contracts .....	14,171,827	—		—
Investment income (net of \$362,585 for management and custodian fees) .....	7,517,027	4,165,614		3,536,117
Net gain on sale of securities .....	—	—		—
Gifts, bequests and foundation grants .....	4,420,917	1,442,526		15,148
Additions to plant fund .....	—	—		—
Rentals, fees, commissions and other .....	2,540,536	1,731,527		725,081
Total revenue and other additions .....	<u>115,702,354</u>	<u>94,391,714</u>		<u>4,276,346</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>				
Research and educational expenditures .....	23,512,377	7,712,912		3,046,286
Administrative expenditures .....	9,095,394	5,731,672		2,281,093
Auxiliary activities expenditures .....	72,650,533	72,650,533		—
Expenditures for acquisition of plant .....	—	—		—
Retirement of indebtedness .....	—	—		—
Interest on indebtedness .....	—	—		—
Endowment reimbursement (Note 5) .....	—	—		—
Total expenditures and other deductions ..	<u>105,258,304</u>	<u>86,095,117</u>		<u>5,327,379</u>
Excess of revenue and other additions over (under) expenditures and other deductions	<u>10,444,050</u>	<u>8,296,597</u>		<u>(1,051,033)</u>
<b>TRANSFERS AMONG FUNDS—</b>				
<b>ADDITIONS (DEDUCTIONS):</b>				
Mandatory principal and interest on notes .....	(23,970)	(23,970)		—
Portion of investment yield appropriated (Note 5) .	(1,214,397)	(454,289)		(413,664)
Purchase of property and equipment for plant fund.	(242,598)	(242,598)		(242,598)
Future plant acquisitions .....	(2,243,524)	(2,243,524)		(2,243,524)
Income added to endowment principal .....	(107,988)	—		—
Appropriated as quasi endowment .....	(2,549,799)	(2,549,799)		(2,521,053)
For designated purposes .....	(40,000)	(36,739)		(4,465,160)
Net increase in auxiliary activities .....	—	—		10,978,755
Total transfers among funds .....	<u>(6,422,276)</u>	<u>(5,550,919)</u>		<u>1,092,756</u>
Net increase for the year .....	4,021,774	2,745,678		41,723
Fund balances at beginning of year .....	19,571,172	14,895,842		5,000,736
Fund balances at end of year .....	<u>\$ 23,592,946</u>	<u>\$17,641,520</u>	<u>\$</u>	<u>5,042,459</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>Totals, all funds</i>	<i>Totals, 1980</i>
\$83,719,087	\$ 3,332,960	\$ —	\$ —	\$ —	\$ 87,052,047	\$ 74,251,010
—	—	14,171,827	—	—	14,171,827	12,946,943
—	629,497	3,351,413	—	638,992	8,156,019	6,407,402
—	—	—	8,052,520	—	8,052,520	1,999,209
1,328,593	98,785	2,978,391	87,497	1,969,038	6,477,452	4,379,096
—	—	—	—	1,486,583	1,486,583	665,896
—	1,006,446	809,009	—	—	2,540,536	2,225,672
<u>85,047,680</u>	<u>5,067,688</u>	<u>21,310,640</u>	<u>8,140,017</u>	<u>4,094,613</u>	<u>127,936,984</u>	<u>102,875,228</u>
—	4,666,626	15,799,465	—	—	23,512,377	24,472,580
2,966,312	484,267	3,363,722	—	—	9,095,394	8,077,438
70,712,531	1,938,002	—	—	—	72,650,533	63,079,852
—	—	—	—	1,480,557	1,480,557	623,691
—	—	—	—	6,026	6,026	42,205
—	—	—	—	17,943	17,943	19,166
—	—	—	976,189	—	976,189	—
<u>73,678,843</u>	<u>7,088,895</u>	<u>19,163,187</u>	<u>976,189</u>	<u>1,504,526</u>	<u>107,739,019</u>	<u>96,314,932</u>
<u>11,368,837</u>	<u>(2,021,207)</u>	<u>2,147,453</u>	<u>7,163,828</u>	<u>2,590,087</u>	<u>20,197,965</u>	<u>6,560,296</u>
—	(23,970)	—	—	23,970	—	—
—	(40,625)	(760,108)	1,214,397	—	—	—
—	—	—	—	242,598	—	—
—	—	—	—	2,243,524	—	—
—	—	(107,988)	107,988	—	—	—
—	(28,746)	—	2,549,799	—	—	—
(390,082)	4,818,503	(3,261)	—	40,000	—	—
(10,978,755)	—	—	—	—	—	—
<u>(11,368,837)</u>	<u>4,725,162</u>	<u>(871,357)</u>	<u>3,872,184</u>	<u>2,550,092</u>	<u>—</u>	<u>—</u>
—	2,703,955	1,276,096	11,036,012	5,140,179	20,197,965	6,560,296
—	9,895,106	4,675,330	64,422,312	16,171,488	100,164,972	93,604,676
<u>\$ —</u>	<u>\$12,599,061</u>	<u>\$ 5,951,426</u>	<u>\$75,458,324</u>	<u>\$21,311,667</u>	<u>\$120,362,937</u>	<u>\$100,164,972</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 subfund 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 against 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.* Capital 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 three to ten years. All other capital improvements and equipment purchased with Trust Funds are expensed currently.

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 the 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.

Land, buildings, fixtures and equipment which were 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 year ended September 30, 1981:

Operating funds .....	\$122,478,000
Special foreign currency program .....	3,650,000
Construction funds .....	15,829,000
	<u>\$141,957,000</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 \$408,000 for the year ended September 30, 1981. The following summarizes the approximate expenditures of these organizations for the fiscal year ended September 30, 1981 as reflected in their individual financial statements and which are not included in the accompanying financial statements of the Institution:

Smithsonian Science Information Exchange .....	\$3,400,000
Reading Is Fundamental, Inc. ....	\$8,900,000
Woodrow Wilson International Center for Scholars—Trust Funds .....	\$3,200,000

The Institution is continuing to work with the U.S. Department of Commerce to effect a transfer of the Smithsonian Science Information Exchange (Exchange) operations to the U.S. Department of Commerce. The Exchange has ceased operations as of October 31, 1981 and is awaiting final approval of fiscal year 1982 appropriations to sustain them in perfecting an orderly liquidation.

### 3. Investments

Investments are recorded at cost, if purchased, or fair market value at date of acquisition, if acquired by gift. At September 30, 1981, investments are composed of the following:

	<i>Carrying value</i>	<i>Market value</i>
	<u>                    </u>	<u>                    </u>
Current funds:		
Certificates of deposit .....	\$ 12,307,814	\$ 12,307,814
Commercial paper .....	2,931,913	2,900,000
Overnight money market account .....	1,785,000	1,785,000
U.S. government and quasi-government obligations .....	11,276,081	10,679,338
Common stock .....	169,280	117,835
Preferred stock .....	56,347	41,034
	<u>28,526,435</u>	<u>27,831,021</u>

Endowment and similar funds:

Loan to U.S. Treasury .....	1,000,000	1,000,000
U.S. government and quasi-government obligations .....	8,487,773	7,984,259
Corporate bonds .....	7,959,718	7,434,129
Common stock .....	55,986,140	60,745,716
Preferred stock .....	1,273,892	1,109,750
	<u>74,707,523</u>	<u>78,273,854</u>
	<u>\$103,233,958</u>	<u>\$106,104,875</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 \$134.12, 289,797 units were owned by endowment and 291,564 units were owned by quasi-endowment at September 30, 1981.

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

	<u>Market</u>	<u>Cost</u>	<u>Net change</u>	<u>Market value per unit</u>
End of year .....	\$77,972,161	\$74,410,762	\$ 3,561,399	\$134.12
Beginning of year .....	\$77,329,906	\$63,371,084	13,958,822	136.08
Decrease in unrealized net gain for year .....			(10,397,423)	—
Realized net gains for year .....			8,052,520	—
Total net change for year .....			<u>\$ (2,344,903)</u>	<u>\$ (1.96)</u>

#### 4. Receivables

Receivables at September 30, 1981 included the following:

*Current funds*

Accounts receivable, auxiliary activities; net of allowance for doubtful accounts of \$539,769 in 1981 .....	\$ 9,624,382
Unbilled costs and fees from grants and contracts .....	626,972
Interest and dividends receivable .....	1,707,940
Other .....	659,366
	<u>12,618,660</u>

*Endowment and similar funds*

Notes receivable .....	35,794
Total, all funds .....	<u>\$12,654,454</u>

#### 5. Endowment and similar funds

Endowment and similar funds at September 30, 1981 are summarized as follows:

Endowment funds, income available for:	
Restricted purposes .....	\$33,513,631
Unrestricted purposes .....	2,808,369
	<u>36,322,000</u>
Quasi-endowment funds, principal and income available for:	
Restricted purposes .....	11,081,919
Unrestricted purposes .....	28,054,405
	<u>39,136,324</u>
Total endowment and similar funds .....	<u>\$75,458,324</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 1981 was \$5.50 per unit of fund participation. The total return applied for 1981 was \$3,128,478.

Endowment reimbursement represents payment of income, which had accumulated in principal of the endowment funds, in accordance with a settlement related to a lawsuit.

## 6. *Property and equipment*

At September 30, 1981, property and equipment which has been capitalized (see Note 1) is comprised of the following:

<i>Current funds</i>	
Capital improvements .....	\$ 1,712,318
Equipment .....	1,059,153
Leasehold improvements .....	179,962
Less accumulated depreciation and amortization .....	<u>1,530,947</u>
	1,420,486
<i>Plant funds</i>	
Land and buildings .....	<u>14,024,283</u>
Total, all funds .....	<u>\$15,444,769</u>

Depreciation and amortization expense reflected in expenditures of the current funds for 1981 was \$397,399.

The balance of the plant fund at September 30, 1981 includes \$7,463,658 of unexpended plant funds.

### *7. Pension plan*

The Institution has a retirement plan in which substantially all employees of the Trust Funds 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, 1981 was \$2,436,155. 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*

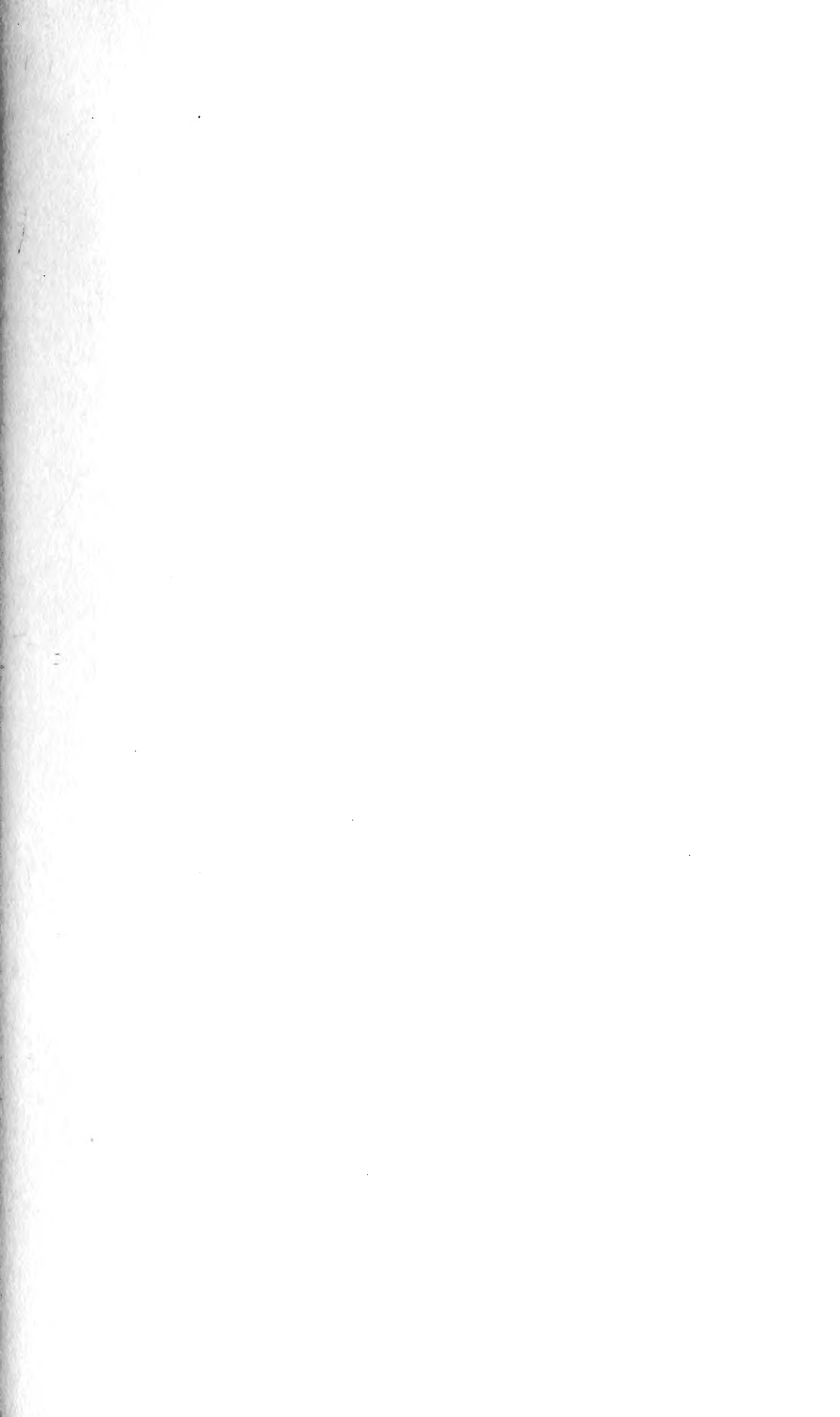
The Institution is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code. Organizations described in that section are taxable only on their unrelated business income. The Internal Revenue Service is presently considering a request for technical advice pertaining to whether income derived from several of the Institution's activities is subject to tax as unrelated business income. If the Institution's position is upheld, 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. The Institution has not yet sought 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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