A Legacy of Progress

1987-88 ANNUAL REPORT
THE UNIVERSITY OF TENNESSEE
EDWARD J. BOLING, PRESIDENT

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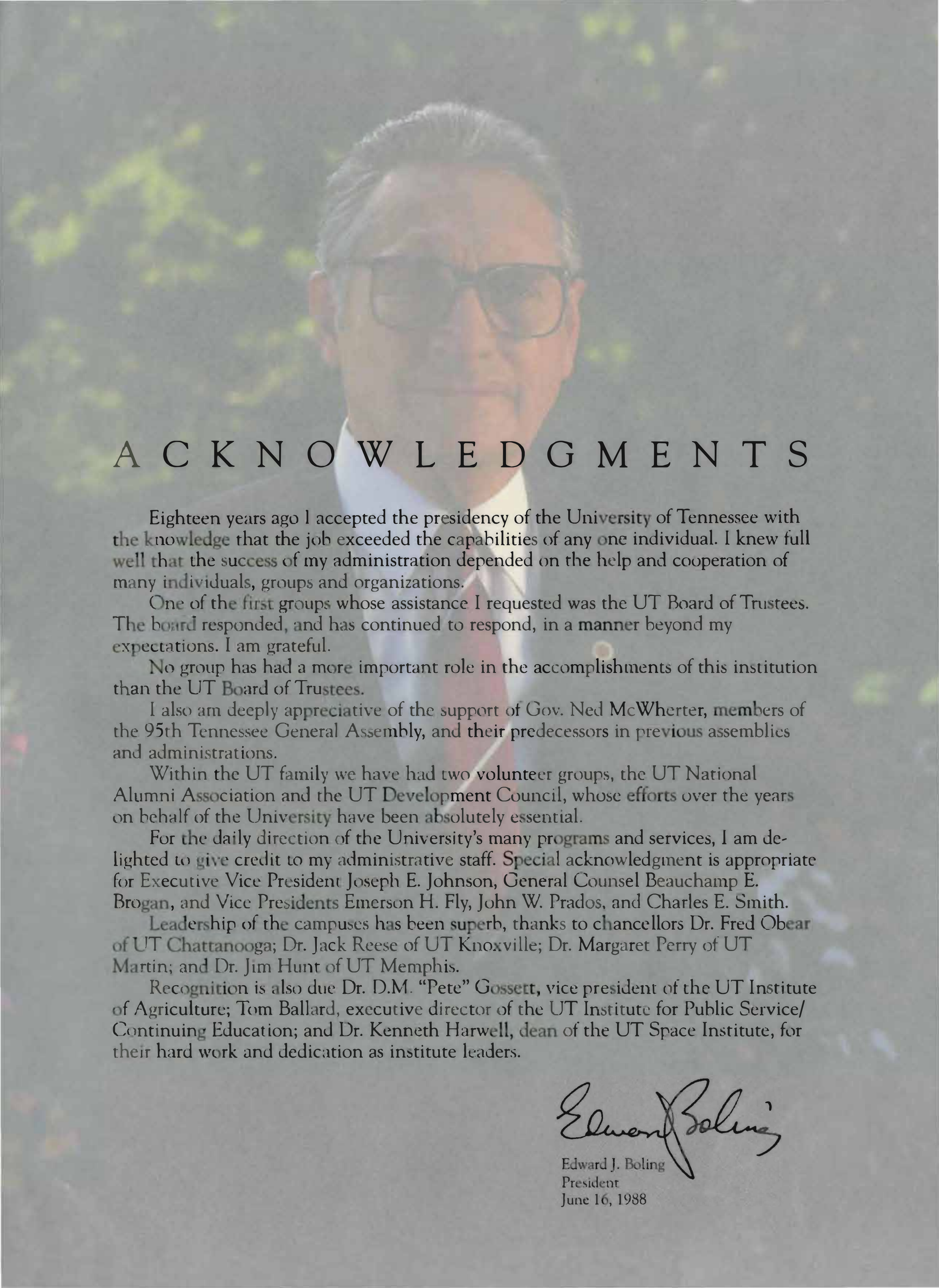

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No group has had a more important role in the accomplishments of this institution than the UT Board of Trustees.

I also am deeply appreciative of the support of Gov. Ned McWherter, members of the 95th Tennessee General Assembly, and their predecessors in previous assemblies and administrations.

Within the UT family we have had two volunteer groups, the UT National Alumni Association and the UT Development Council, whose efforts over the years on behalf of the University have been absolutely essential.

For the daily direction of the University's many programs and services, I am delighted to give credit to my administrative staff. Special acknowledgment is appropriate for Executive Vice President Joseph E. Johnson, General Counsel Beauchamp E. Brogan, and Vice Presidents Emerson H. Fly, John W. Prados, and Charles E. Smith.

Leadership of the campuses has been superb, thanks to chancellors Dr. Fred Obear of UT Chattanooga; Dr. Jack Reese of UT Knoxville; Dr. Margaret Perry of UT Martin; and Dr. Jim Hunt of UT Memphis.

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A Legacy of Progress

As president of the University of Tennessee, this is my 18th and final annual report to the UT Board of Trustees. I feel especially appreciative toward the Board of Trustees whose hard work and thoughtful leadership have made the presidency of UT seem more like a privilege than a job.

With the board, and with the help of our many friends—governors, legislators, alumni, development council members, faculty, and students—we have accomplished a great deal for the University and for the people of Tennessee. UT programs and initiatives moved forward during each of the past 18 years, although progress was greater in some than in others.

Especially difficult were those years during the late 1970s and early '80s when we experienced annual inflation rates as high as 18 percent. The double-digit increases quickly eroded the University's buying power—losses we were several years recovering.

The years of greatest progress were the most recent five or six. UT's financial advancement is now the envy of many sister institutions and our programs in academics, research and public service are at all-time high levels. The powerful combination of adequate state appropriations and the generous support given to UT by individuals, corporations and foundations, will continue to have a positive impact on UT's future.

UT's potential for greater achievement is a source of special satisfaction as I close out my administration, comfortable in the knowledge that the University is moving forward.

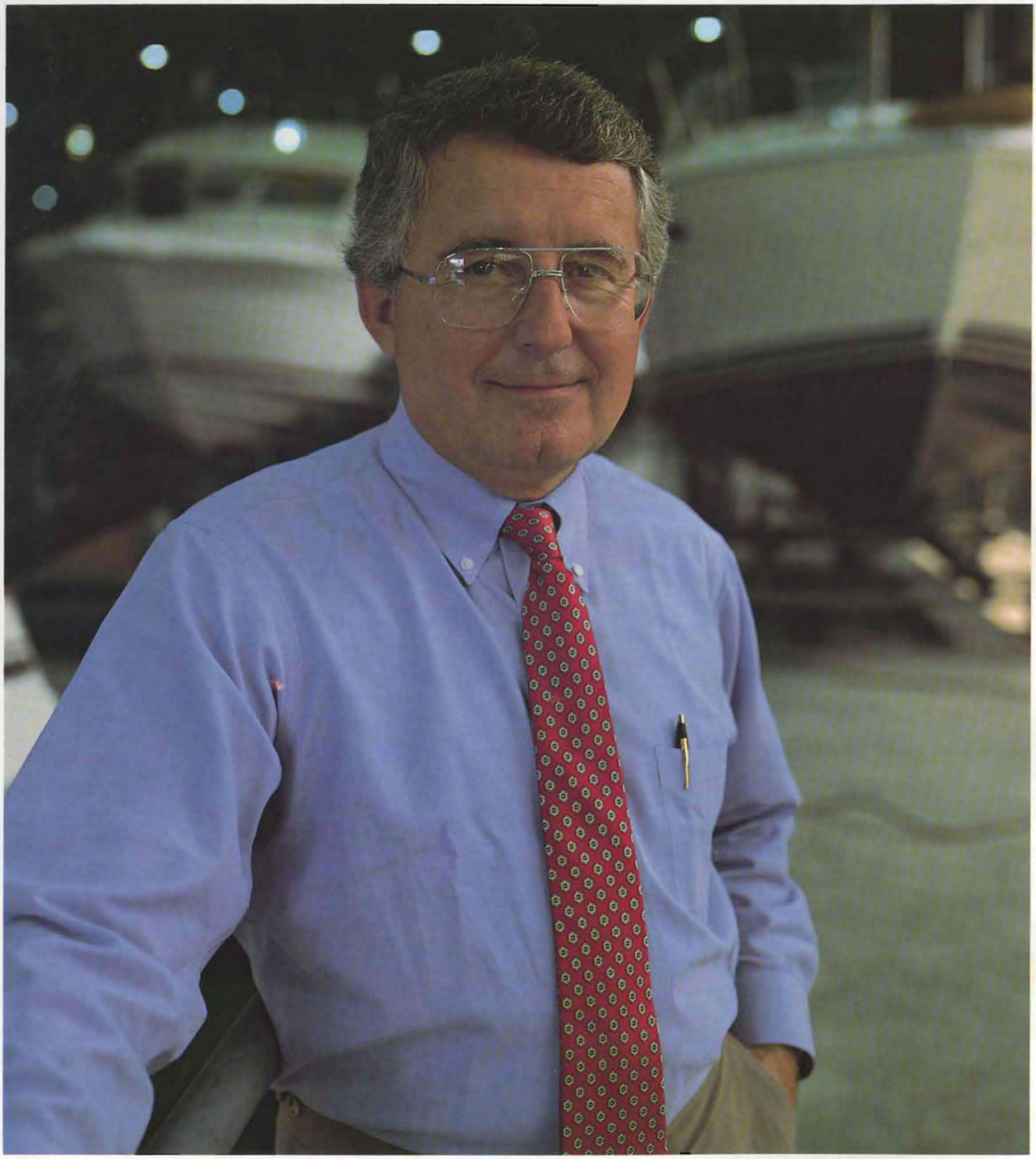
One of the most significant events and accomplishments of 1987-88 was full funding for the second consecutive year of the Tennessee Higher Education Commission's appropriations formula. We also were fully funded during 1986-87, but that was the first year in the nearly 20-year history of the formula. While the second year was not precedent setting, it remained very significant.

Looking ahead to 1988-89, the legislature has adopted Gov. Ned McWherter's budget giving UT full funding a third straight year. A trend is developing that promises further progress.

In terms of program, I am grateful my administration has been able to focus less in recent years on quantitative growth than on qualitative improvements.

I also was pleased to have the opportunity during my administration to help the University become a full partner in the economic development of Tennessee. The University's role in economic development is both necessary and appropriate—a natural extension of UT's mission as a land-grant institution. This year we offered business and industry a wide range of educational programs, assisted local governments to meet the service requirements of new enterprises, and encouraged transfer to the private sector of technologies developed in UT laboratories.

Within this report additional noteworthy accomplishments are described in more detail as public service, undergraduate instruction, graduate and professional instruction, research, and private giving. These important endeavors also are reflected in the profiles of a few individuals whose work is representative of the University.



PROFILE

Ron Rader

Ron Rader is a teacher without a classroom. He serves Tennessee industries by bringing instruction directly to the workplace.

In a very real sense, Rader takes the "going" out of "going to college." He is manager of the UT Center for Extended Learning, part of the University's Institute for Public Service and Division of Continuing Education.

Rader teaches communications and problem-solving skills to first-line supervisors anywhere there's space to set up a few folding chairs. Conference room, cafeteria, or factory floor—Rader has taught in all.

"Our series is tailor-made for Tennessee industries that are too big for the trial-and-error school, but not big enough to justify the expense of their own training programs," Rader said.

Rader said his classes have broad application because the problems of industry are universal.

Class topics include leadership, team building, decision making, and conflict resolution. All are designed to control costs, increase production, and assure quality.

Public Service

Public service sets UT apart from most higher education institutions and helps define this institution's dual role as the state university and the state's land-grant university. Only 21 other universities in the United States share UT's same, broad mission.

The UT Institute for Public Service was created in 1971and joined with the Division of Continuing Education to make the University's resources more available to all Tennesseans. Through IPS/CE, the non-agricultural knowledge and capabilities of UT faculty and staff this year were offered through technical assistance programs, non-credit instruction, correspondence courses, and media services. (Tennessee farm families and the state's agriculture industry also were served by the Extension Service of the UT Institute for Agriculture.)

Representative of the programs offered during 1987-88 was Super-Train, provided to Tennessee industries such as Sea Ray Boats of Knoxville and Vonore, by IPS/CE's Center for Extended Learning. Through the program, Sea Ray supervisors learned such skills as team building, conflict resolution, and decision making to address situations encountered on their jobs.

Other IPS/CE agencies and departments are the Center for Government Training, Center for Industrial Services, County Technical Assistance Service, Municipal Technical Advisory Service, Center for Educational Video and Photography, Division of Continuing Education, and Radio Services.

Typical programs offered through IPS/CE included:

- Critical care education for registered nurses through professional development programs;
- Consultation and technical assistance for hazardous waste reduction and cleanup;
- Orientation programs for newly elected city and county officials;
- Educational television programming on subjects as diverse as college chemistry and kindergarten French; and
- Wastewater treatment expertise for local governments.

The Center for Industrial Services helped Tennessee businesses earn $6 million during 1987 by matching U.S. Defense Department purchase contracts with products manufactured in the state. CIS provided technical assistance, including bid preparation tips, to teach Tennessee business and industry how to compete for military contracts.

Another way in which IPS responded to needs for higher education capability involved an initiative by the Center for Government Training. At the request of the Tennessee Emergency Management Agency, CGT helped communities comply with a 1986 federal law which required local governments to develop response plans for use in a variety of emergencies.

Compared with university-affiliated public service programs in other states, UT's remained an acknowledged leader. IPS/CE's leadership position can be attributed to the higher priority given public service by this administration and to funding by state government. IPS/CE was unique among service programs of public universities for the state funding it received.

UT Institute of Public Service was created in 1971 and joined with the Division of Continuing Education to make the University's resources more available to all Tennesseans.

Public service was not the exclusive province of IPS/CE. With the Tennessee Valley Authority and state government, UT helped prepare a proposal for the U.S. Department of Energy's Super Collider project. The proposal, which called for construction of the $5 billion collider in Middle Tennessee, remains on the energy department's "short list" of possible sites.

The UTK Office of the Provost and the UTK Physics Department continue to provide follow-up information to support Tennessee's bid for the project. The Super Collider would help scientists study the origins of the universe, learn more about high energy physics, and advance one of science's newest fields, superconductivity.

Another example of UT's public service commitment was the continued development of the University's partnership agreement with the Saturn Corporation in Spring Hill. Representatives of all four primary campuses, the Institute of Agriculture, and the Space Institute participated in meetings and joint projects to benefit both UT and Saturn. The Institute of Agriculture participated in landscape planning at the Saturn plant site, while the Space Institute shared technology with Saturn engineers. Four UT graduates are now employed at Saturn and 23 students have had, or are having, internships and work/study opportunities with the company.

Other projects involved the Wellness Program at UT Memphis, UTK Graduate School of Library and Information Science, UTK College of Business, and UTK College of Engineering. UT Martin this spring entered into an agreement to offer management training for mid-level executives of the Goodyear Tire and Rubber Company.

Public service highlights also included UT Agricultural Extension Service's participation in the statewide 4-H club program. Tennessee youths—for the ninth straight year—earned more awards than any other state at the National 4-H Congress in Chicago.

UT Center for Industrial Services helped Tennessee businesses earn $6 million.

UT Memphis this spring sponsored with Digital Equipment Corp., Apple Computer Inc., South Central Bell, and Siemens Medical Systems, Inc., the third annual Information Technology in the Health Sciences Conference. Keynote speakers were Fred Smith, chairman of Federal Express Corp., and John Sculley, chairman of Apple Computer Inc. Utilizing the capabilities of the UT Biomedical Information Transfer Center, conference participants were linked at their hotels and at the convention center to their offices around the world.

Faculty of UT Chattanooga offered a three-day theater workshop for 50 area high school students. Classes were conducted in acting, auditioning, musical theater, costumes and makeup, and scenery and lighting.

The UTC Center for Economic Education and the Marion County School District were among 20 university centers and school districts chosen nationally as winners of the 1988 award for Outstanding Developmental Economic Education Programs.

Research

An increase in sponsored research at UT Memphis from $6.3 million in 1970 to approximately $25 million during 1987-88 was indicative of the University's expanding research program.

Reflected in the increase was an understanding of the benefits of technology transfer from University laboratories to the private sector and the University's commitment to strengthening the scholarship of faculty and academic programs.

Total UT research expenditures this fiscal year were approximately $110-$115 million, but action taken by three professors at UTK could, within a few years, raise that figure significantly. The UTK scientists filed applications, with requests for $71.1 million, for three research centers to be part of a national research program of the National Science Foundation.

The proposals were submitted by Drs. Paul Huray, George Kabalka and Gary Sayler, professors in UTK's Science Alliance Center of Excellence. Sayler, who asked for $16.6 million, proposed a center for environmental biotechnology and microbial systems analysis. With a $25.6 million request, Kabalka would establish a center for biomaterial imaging. Huray submitted a $29.5 million proposal for materials instrumentation.

NSF has received 325 proposals, but only 12 to 15 are expected to be funded the first year. President Reagan has requested $150 million in the 1989 fiscal year budget to fund the first of the centers. Huray, who is also a consultant for the White House Office of Science and Technology Policy, said UTK's proposals stand a "higher chance of getting funded than the numbers would indicate." The NSF centers, if approved, will work on basic and applied research in biotechnology, imaging, and instrumentation.

At UT Memphis, research grant and contract support for $25 million this year represented an increase of approximately $7 million compared with the previous year.

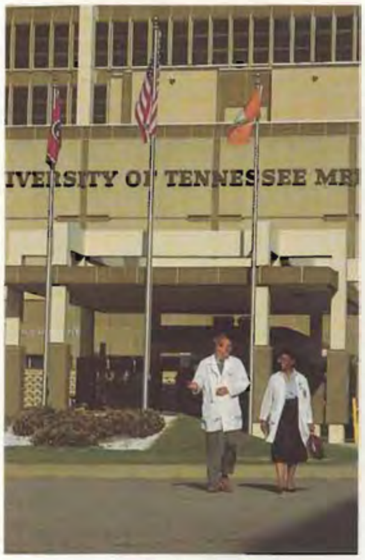
The National Institutes of Health awarded UT Memphis a $5 million grant for rheumatoid arthritis research. The campus was one of only three research centers in the United States to receive the grant. An estimated 3 to 5 million Americans suffer from the disease. Its economic impact is great because many rheumatoid arthritis sufferers are unable to work.

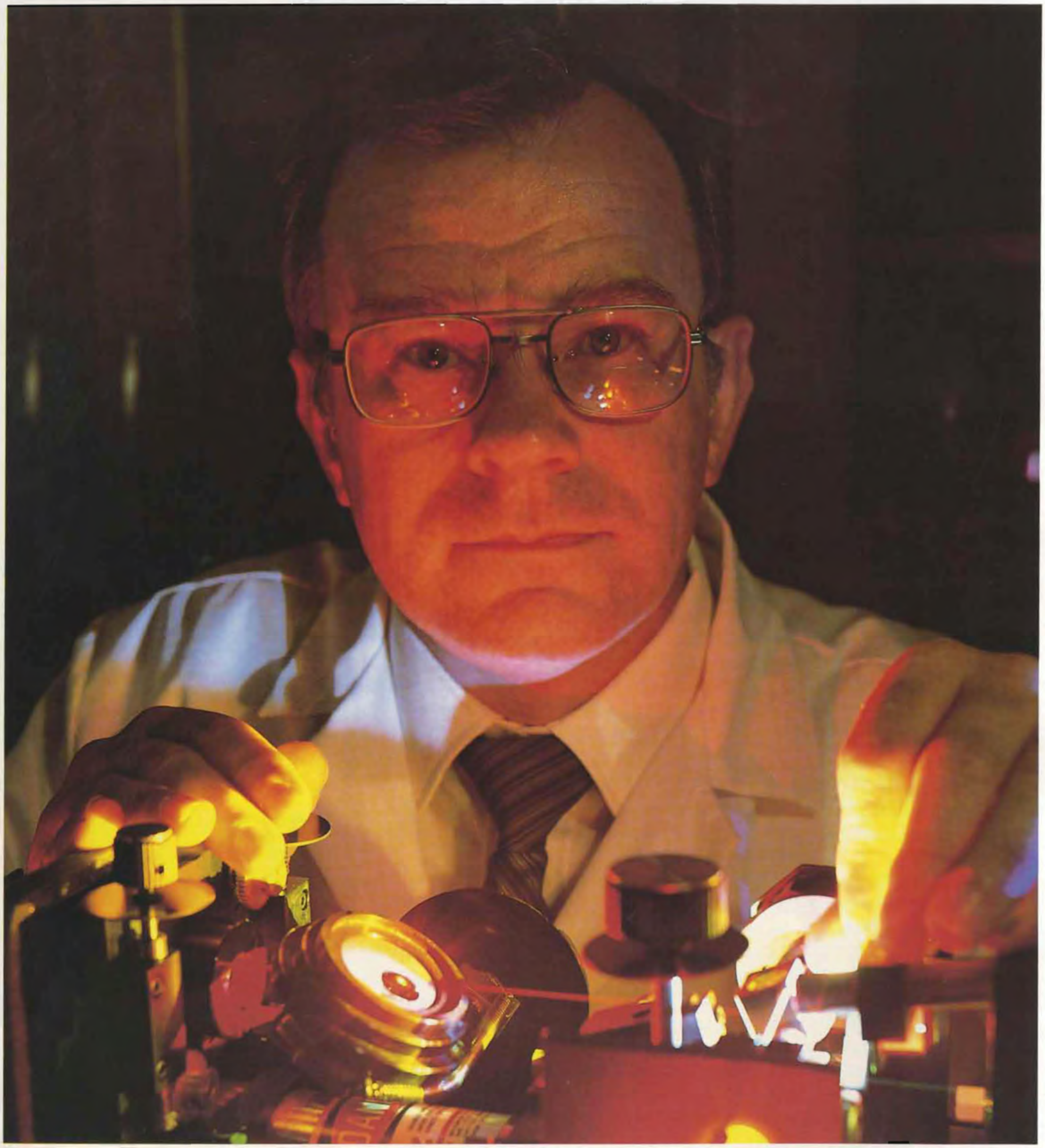
One of the most unusual research efforts conducted at UT Memphis was a cooperative project with Memphis State University to examine a 2,300-year-old mummy. Using non-invasive techniques such as bone densitometry, radiography, and CT scans, investigators determined the mummy was a young adult male and that death was probably due to complications of an ear infection.

Other research developments included NASA's selection of the UT-Calspan Center for Aerospace Research at the UT Space Institute as a Center for Advanced Space Propulsion. Under terms of the NASA/UT-Calspan agreement, the center will receive research funds up to $1 million annually for five years. The Center for Advanced Space Propulsion will conduct research toward development of space propulsion technologies for the next century.

From $6.3 million in 1970 to approximately $25 million during 1987-88, sponsored research increased at UT Memphis.

UT-Calspan Center at UT Space Institute was selected by NASA for advanced space propulsion research.





PROFILE

Dr. Terry Cooper

It must be like being all dressed up with no place to go—a Flow Cytometry and Cell Sorting Facility without a Virtual Array Extended Cluster Hookup.

Fortunately, the Molecular Resource Center at UT Memphis has both—the ability to screen cells at the rate of 10,000 per second, plus a VAX computer system to analyze the results.

With a cytometry and sorting facility linked to a VAX computer system, UT Memphis leads Harvard, Stanford, and MIT in this technology.

Dr. Terry Cooper, director of the center, said access to the computer system's analytical capacity is very important.

"The data analysis is what takes so much time," said Cooper. "With the equipment linked to the VAX, data acquisition and manipulations can be done from any computer work station on the system."

If you think that's not a matter of life and death, consider the system's capacity to identify rejection of transplanted organs.

"We can identify organ rejection several weeks before there are clear clinical signs of damage to the transplanted organ," Cooper said, describing one application. "We can see it coming, before the organ is dead, while something can still be done about it."

The U.S. Department of Energy awarded UTSI a contract valued at $1.3 million to develop a combustion system to facilitate the use of coal in small industrial boilers.

One of the most significant research accomplishments of UTSI during the year was the setting of a new world record for operation of a coal-fired magnetohydrodynamics (MHD) system. The new record was 205 hours. The previous long test run was 77 hours, also set by UTSI in 1986. The MHD research is funded by the U.S. Department of Energy and is one reason UTSI ranked fifth among the nation's universities in DOE contracts. UTSI had seven contracts with the federal department worth $8.4 million. This spring DOE renewed the Space Institute's MHD contract for $9.2 million through April, 1989.

At the UT College of Veterinary Medicine an intensive care unit for newborn large animals was completed. The unit will permit development of improved diagnostic and treatment methods for critically ill calves and foals, exotic breeds, and endangered species. On-site equipment allows monitoring of cardiac parameters, inhaled oxygen, and blood gas variables.

At UT Chattanooga a research team determined that young children usually have a limited understanding of the nation's court system and probably are not prepared to be witnesses in child abuse and other cases. Dr. Amye Warren-Leubecker, an associate professor of psychology, said information developed by the researchers was important because children are more frequently asked to testify in court as abuse cases increase.

UT Medical Center at Knoxville this year became the first clinical facility in the nation to operate a positron emission tomography (PET) scanner. The PET scanner completed the Medical Center's Institute for Biomedical Imaging. With two magnetic resonance imagers, CT scanners, ultrasound, and now the PET scanner, the institute offers more imaging tools in one location than anywhere else in the world.

Magnetohydrodynamics research contract worth $9.2 million was awarded UT Space Institute.

PROFILE

Dr. B. Kelly Leiter

Regular readers of the weekly newspaper column, "The Public Scold," know the writer pulls few punches in his one-man crusade against the shortcomings of humankind.

Behind the reprimands and acid wit is Dr. B. Kelly Leiter, dean of the UT Knoxville College of Communications and a far more sympathetic person than Leiter, the cantankerous columnist.

While Leiter's writing classes tend to be no-holds-barred affairs, the professor is careful to leave intact his students' self-respect.

Only the work of anonymous strangers, gleaned from newspapers and saved for writing class in a worn manila folder, receives the full brunt of Leiter's critiques.

Students thus learn hard lessons, but are spared personal embarrassment and humiliation.

In recognition of Leiter's concern for students and his commitment to high journalistic standards, Sigma Delta Chi, the Society of Professional Journalists, this year awarded the dean its national Distinguished Teaching in Journalism Award.

Instruction

Throughout the University during 1987-88 there was evidence of improved programs for instruction. We saw better prepared students, taught by better faculty, in better facilities, with better equipment.

Less discernible were the actual improvements. They did not begin this year and did not end this year. They were at work, nonetheless.

Take, for example, the Tennessee Higher Education Commission's formula for determining state appropriations to public institutions. The formula has changed considerably since its implementation nearly 20 years ago. With the University of Tennessee's help and support, the formula created by THEC began as a very simple, very basic instrument. It multiplied factors, such as enrollment and square footage, by a certain number of dollars. The total was the formula basis of the THEC's funding recommendation to the legislature.

In its earliest form, the formula made no comparisons with the higher education programs of other states or peer institutions. Considering that UT campuses compete on many levels (for faculty and students, etc.) with institutions throughout the region and nation, the omission was significant. Gradually, over a period of years, the formula was fashioned into the instrument we have today—one which identifies UT's peer institutions and allows UT to move with them.

UT programs for instruction also were enhanced this year by the state's continued emphasis on measures that tie higher education appropriations to qualitative improvements. Tennessee's Performance Funding Program, for example, gave UT and other public colleges and universities the opportunity to earn additional appropriations by achieving certain goals.

Through Performance Funding, UTK continued to develop methods for outcomes assessment to evaluate the quality of instructional programs. Outcomes assessment includes a general knowledge or value-added test to determine how much students learn between enrollment and graduation. The test results have been comparable from year to year and they have also compared favorably with scores of students at other institutions.

In addition to the general knowledge test, tests are administered in the students' major field. Although the sum of these tests provided tremendous amounts of information, they were by no means comprehensive. We supplement the tests with surveys of alumni, enrolled students, and formerly enrolled students. We also closely monitor student performance on professional licensing exams.

Instructional improvement can also be attributed to other factors.

The Centers and Chairs of Excellence, both creations of the state legislature, had a very positive impact by making UT campuses more attractive to top faculty, researchers, and students.

UT Chattanooga's program for instructional excellence this year was featured in a publication of the American Association of State Colleges and Universities.The publication included a collage of program ideas selected for creative approaches to such educational concerns as teaching, learning, student retention, and curriculum improvement. The UTC program was one of 79 chosen for inclusion in the publication from hundreds of AASCU institutions.

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PROFILE

Dr. Barbara Huddleston Mattai

"As long as there are people at risk—people in danger of succumbing to life's conflicts and crises—there will always be a demand for trained social workers," said Dr. Barbara Huddleston Mattai.

Mattai, an associate professor at UT Martin, was drawn to the field of social work by her desire to help people. The joy she felt working with students convinced her to be a teacher.

"I love teaching; I love the interaction with students," Mattai said. "You feel wonderful when your students go out and do well—when you can say 'I had some part in it.'"

A native of Trenton, Tenn., Mattai earned her doctorate at the University of California at Los Angeles (UCLA). She returned to West Tennessee because she considered the area a better place to rear a family.

UTC'S Computer Science Department captured top honors in the "Four-Year Institution" category of a nation-wide computer science competition. The Data Processing Management Association and the DPMA Education Foundation selected the computer science department the winner of the Institution Recognition Award. The award was made for computer curriculum, job placement of graduates, academic achievements of computer faculty, and UTC commitment to the department.

Recognition was also given UTC by the Chattanooga Area Urban League for its efforts in recruiting minority faculty and staff members. Jerome Page, president of the Urban League, said the C.C. Bond Minority Professorship in Education was one example of UTC progress in minority recruiting.

UT Martin and UT Knoxville completed the transition from an academic calendar based on the quarter system to the semester system. The transition, which has been several years in progress, involved substantial curriculum review and revision. Both campuses start the semester calendar later this summer.

In addition, a workbook developed by UT Martin's Center of Excellence for the Enrichment of Science and Mathematics Education gained wide acceptance among public school teachers. Called the *Science Activities Manual K-6*, the workbook this year was in use in about 25 percent of Tennessee elementary school classrooms. Teachers follow the workbook to provide students a "hands-on" opportunity to learn science principles using simple, readily available materials.

Students in the UTK College of Education completed the first year of a new five-year teacher education program. The students actually will receive a bachelor's degree after the traditional four years of training, but the fifth or professional year must be completed for teacher certification. Dr. Richard Wisniewski, dean of the college, said UTK is part of a national trend toward five-year programs, although his college is one of the few which has actually made the change.

At UTK, the Learning Research Center published results of student surveys indicating graduate teaching assistants are becoming more effective. The center attributed the improvement to more emphasis at the department level, the SPEAK testing for international GTAs, and the center's teaching skills seminar for GTAs.

UT Knoxville student surveys indicated graduate teaching assistants are becoming more effective.

PROFILE

Dr. Eileen Meagher

Dr. Eileen Meagher could never quite concede the notion that good writing is a God-given talent, even when she was frustrated by the results of her own teaching methods.

Convinced there had to be a better way, Meagher enrolled in a New York college which offered a doctoral degree in a new method of writing instruction.

The innovation, based on the concept of writing as a process, differed fundamentally from conventional writing instruction. UT Chattanooga hired Meagher to bring the method to the UTC campus.

"The way writing is often taught, it's always game day and the coach is confined to the sidelines," said Meagher, explaining that an instructor's first look at a student's paper often is only after it is turned in for grading.

"Our approach emphasizes practice," Meagher said. "The instructor helps and coaches the students throughout the writing exercises."

Meagher sometimes goes further, taking the role of player-coach by writing along with the students. They benefit by observing first-hand that writing is not a quick and easy task, even for an instructor.

In addition, Meagher takes students through specific writing steps—steps that help marshal thought and facts to the writing task. Step one: Don't think before writing, write in order to think.

Graduate and Professional Instruction

The UT Chattanooga Graduate School of Business and the UT Knoxville Management Development Center this year earned high rankings in surveys by two publications.

U.S. News and World Report said UTC's school of business ranked third in the South in a survey of deans at 139 accredited business schools. UTC ranked behind George Mason University and Rice University in the survey, which took into consideration the quality of faculty, strength of curriculum, and how well the school prepares students professionally.

UTK Management Development Center led all higher education institutions in the United States in a survey of functional management development programs for executives. The *Bricker Bulletin of Executive Education* ranked UTK first in functional management programs with 808 executive participants and 2,067 participant-weeks. UTK was followed by the University of Pennsylvania's Wharton School of Business with 750 executives and Columbia University with 658. In participant weeks, UTK was followed by Harvard, 922, and Wharton, 750.

UT Martin earned approval by the UT Board of Trustees of its proposal to offer master's degrees in business administration and accountancy. When classes begin this fall, UT Martin will become the second university in West Tennessee to offer graduate programs in business.

UT Memphis, through its College of Allied Health Sciences, joined UT Chattanooga in an agreement which will provide education of physical therapy students in East Tennessee, beginning next year. The two UT campuses will offer physical therapy instruction in association with the Siskin Foundation and Erlanger Medical Center, Chattanooga.

The state's first teleconference in the health professions was broadcast via satellite this year from UT Memphis. The telecast was transmitted to dentists at 11 receiving stations in Tennessee, Mississippi, and Arkansas. The dentists watched as advanced dental bonding techniques were demonstrated. Using telephones, the dentists communicated directly with the instructor and were able to have their questions answered during the telecast.

The UT College of Medicine joined a select group of medical schools when it decreased lecture time in favor of more faculty-run discussion groups. For example, in January, the College of Medicine reduced first-year physiology lecture time from 130 hours to 60 hours. In place of the lectures, 60 to 65 hours of faculty-run discussion groups were added.

Similar changes are planned for pathophysiology. Twenty to 30 hours of this 200-hour, second-year course will be reserved for independent study, followed up by faculty-led, small discussion groups.

In addition, many second-year courses were shortened or rearranged so that students now spend an average of 22 hours in class lectures each week. Three years ago, the time spent in lectures averaged 31 hours each week. Dick Peppler, associate dean for academic and faculty affairs, said substituting faculty-led discussion groups for some lectures should help students to learn materials better.

Deans ranked UT Chattanooga Graduate School of Business third in the South.

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PROFILE

Marilyn Yarbrough

What motivates students to study law is a special interest of Marilyn Yarbrough, dean of the University of Tennessee College of Law.

"If people just want to make money—if that's what they're worried about—I have some real concerns," Yarbrough said.

"When that becomes the driving force, people see that the law becomes a means to an end. And then people adopt all sorts of short cuts, or less than desirable behaviors, to get to the end."

Better to be a lawyer whose primary concern is helping people by providing them with good legal representation. As Yarbrough put it, "With doing good, rather than doing well."

Yarbrough came to UT this year from the University of Kansas where she was an associate vice chancellor. She is a former president of the national Law School Admissions Council and a former member of the NCAA Committee on Infractions.

In Memoriam

The University family this year mourned the deaths of a former president and seven of the University's closest friends and strongest supporters. These notable individuals were Clayton Arnold, Clarence Brown, A.E. McClanahan, Ruth Lee Parker, V. Hal and Alma Reagan, B. Ray Thompson, and Dr. Andrew D. Holt.

Clayton Arnold, a retired rural mail carrier, shunned personal luxury to save and invest his income for the education of school teachers. "A person will have three or four outstanding teachers in a lifetime," Mr. Arnold once said, "and one (teacher) can make a big difference in a student's future." Mr. Arnold's gifts totaled more than $1 million. More than 300 students at UT Knoxville, UT Martin, and UT Chattanooga have already benefited from his generosity.

Clarence Brown, whose career as a motion picture director made him one of UT's most famous alumni, also was one of the University's greatest friends. Mr. Brown's $500,000 commitment to UT in 1968 made possible the Clarence Brown Theatre on the Knoxville campus. He said the 1970 dedication of the theater eclipsed even the thrill of his six Academy Award nominations. In years following the dedication, Mr. Brown and his wife, Marian, gave the University personal memorabilia, original movie scripts, photographs, scrapbooks, and other materials. A graduate of the UT Knoxville College of Engineering, Mr. Brown's film successes included "National Velvet" and "The Yearling."

Mr. McClanahan, president of the Davidson County Farm Bureau for 51 years, gave UT 189 acres of land valued in 1970 at $500,000. The gift to UT was through a life income agreement by which Mr. McClanahan received the income from a trust created by his gift. The income will now provide scholarships for the UT College of Agriculture.

Ruth Lee Parker was the wife of Gilbert F. Parker, the Lake County farmer and former state legislator, who died in 1976, leaving a sizeable sum of money to UT Martin. Mrs. Parker continued to receive income from the gift, which matured under the guidance of the University investment council. Upon her death in October, the trust was worth $1.12 million.

UTM plans to use $500,000 of the funds to create the Gilbert F. Parker Chair of Excellence in Food and Fiber Industries by matching a state appropriation for the professorship. The remaining $500,000 will create the Gilbert F. Parker Agriculture Endowment. Half the income from that endowment will fund scholarships and the rest will be split evenly between UTM faculty development and equipment purchases.

Hal Reagan died in August, followed by the death of his wife, Alma, in November. In 1977, the Reagans made what was at the time the single largest gift ever received by UT—3,335 acres of farm land in Alabama and Mississippi valued at $2.7 million.

Following the wishes of B. Ray Thompson, the University has never publicly acknowledged the full extent of this good friend's generosity. One gift by Mr. Thompson of $5 million became public knowledge this year when the UT Board of Trustees named a multi-purpose arena at UT

Knoxville in his honor. We can also say that Mr. Thompson enabled the University to attain levels of achievement not otherwise possible in many programs—particularly business, engineering, and agriculture.

Dr. Holt devoted his life to education—beginning in the 1920s as a teacher, principal, and school system superintendent, then as president of the National Education Association, college professor, and ultimately as the University's 16th president. During Dr. Holt's 11-year administration, UT's enrollment, research, and alumni support more than tripled, while state appropriations increased more than 400 percent by 1970.

With the death of Dr. Holt, the nation lost one of its most inspiring educators and leaders.

"I sincerely hope that as I endeavor to administer the affairs of The University of Tennessee, I shall regard every person as being the most important person in the world."

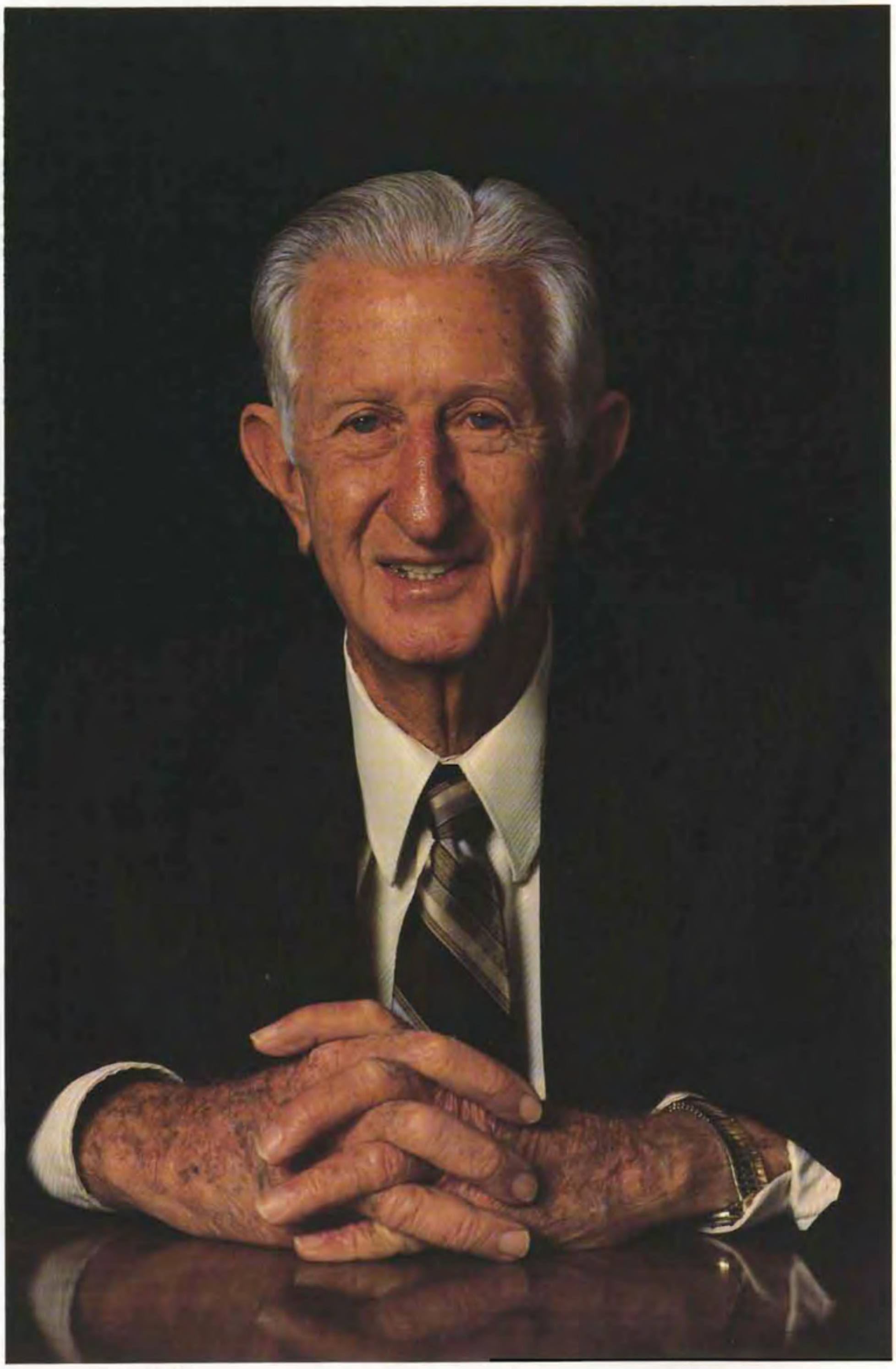


Photo of Andy Holt by J.T. Miller

Private Giving

The state's visionary Better Schools Program and a gift to the University of Tennessee convinced Dr. Peter M. Gresshoff this year to move his multi-million dollar soybean research project from Australia to Knoxville. Gresshoff is one of 16 teachers/researchers now holding UT Chairs of Excellence, the endowed professorships begun as part of the state's Better Schools Program in 1984.

Gresshoff's appointment illustrates well the positive things that can happen when state support and private gifts come together. The former senior lecturer in genetics at Australian National University, Gresshoff arrived at the UT Institute of Agriculture in January to assemble a team of scientists and oversee renovation and construction of research facilities.

Joining Gresshoff at the UT Institute of Agriculture will be an international team of 14 scientists, including Australian, German, English, Mexican, Indian, Canadian, and Chinese researchers. Eventually the research team may improve many plant varieties and even create new ones. Discoveries could lead to new medicines, fibers for clothing, and more abundant food supplies.

Private funds for Gresshoff's Chair of Excellence came from a $2.3 million bequest to UT by the late Knoxville industrialist Ivan Racheff. The gift permitted UT to put up $500,000 to match the state's half million dollar appropriation for the chair.

Similar stories can be told about other Chairs of Excellence, but the best news may be yet to come. Twenty-two additional chairs are now funded and searches are underway to fill them. UTK has funded 12 Chairs of Excellence and filled seven; UTC has funded nine chairs and filled two; UT Memphis has funded 15 chairs and filled six; UT Martin has funded and filled one chair; and UT Space Institute has funded one unfilled chair.

We also may have the opportunity to fund as many as eight new Chairs of Excellence, which will add to the legacy of endowed scholarships, faculty development opportunities, special research programs, and library improvements made possible by generous friends, foundations, and corporations. Our success matching the Chairs of Excellence endowments underscores the growth and achievement of UT's private fund-raising programs during the past 25 years.

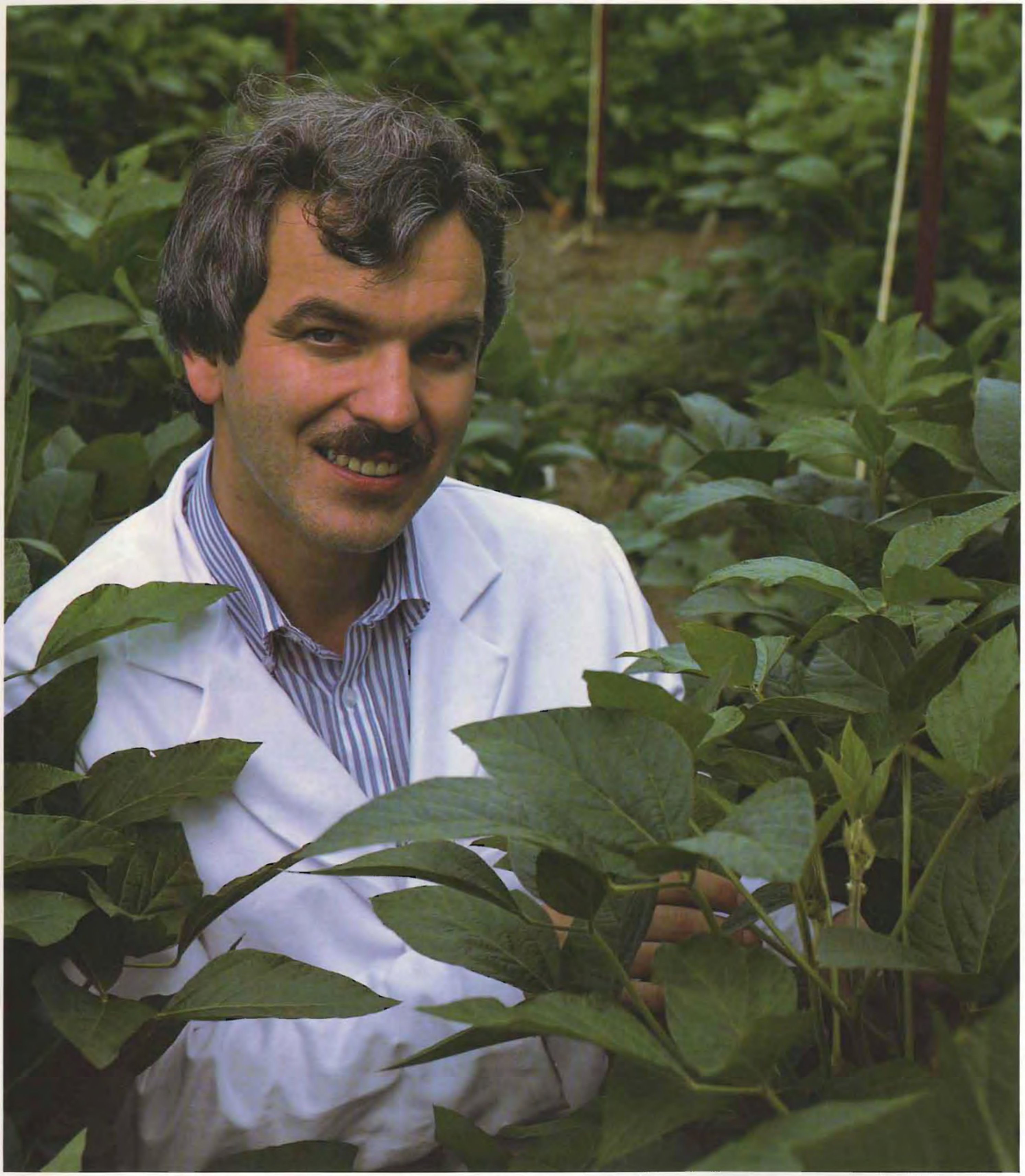
Since the UT fund-raising program's reorganization in the early 1960s, private gifts of more than $250 million have been made for programs at Martin, Memphis, Chattanooga, Knoxville, the Space Institute at Tullahoma, and the Institute of Agriculture.

UT Memphis provides a perspective on the progress that's been made in private giving. Gifts to that campus totaled $32,000 in 1970 compared with $8.5 million in 1987.

Total giving to UT programs this year was $29.6 million. The amount includes more than $6 million from the Annual Giving Program of the UT National Alumni Association. Final giving totals for the year will be reported this fall at meetings of the UT Development Council and the Board of Governors of the UTNAA.

Since the early 1960s, private gifts to UT campuses and institutes have totaled more than $250 million.

Gifts to UT Memphis totaled $32,000 in 1970 compared with $8.5 million in 1987.



PROFILE

Dr. Peter Gresshoff

Dr. Peter Gresshoff and his soybean research provide an excellent example of how private gifts to the University of Tennessee are put to work.

Gresshoff, a plant geneticist, this January moved his research from Australia to the UT Institute of Agriculture.

Many factors entered into Gresshoff's decision to relocate, but a Chair of Excellence was a major inducement.

A portion of the money for Gresshoff's chair, or endowed professorship, came from a $500,000 gift by the late Ivan Racheff, a Knoxville industrialist. The Racheff gift was then matched by $500,000 from Tennessee taxpayers under the legislature's Chairs of Excellence Program.

Gresshoff chose soybeans for his research because the plant is self-fertilizing. It is also a top cash crop and of major economic importance worldwide.

He hopes to determine, among other things, if the soybean's ability to make its own fertilizer can be transferred genetically to other plants—wheat, for example.

This year the UT Institute of Agriculture's "Campaign for Agriculture," which ends in December, neared its $10 million goal with $8.7 million in gifts and pledges. Major gifts included $461,000 by Mr. and Mrs. Harley Irwin for agricultural economics. Mr. and Mrs. Hubert Nicholson contributed $55,000 for the ornamental horticulture and landscape design program.

An endowment for support of the judging teams in memory of Profs. William E. Cole and E.R. Lidvall, Jr. received more than $100,000 in gifts from friends and former judging team members.

UT Chattanooga was winding up its Centennial Campaign with $18 million in gifts and pledges, well ahead of the $15 million goal set for the fund-raising effort. Gifts to UTC included $515,000 worth of computer hardware and software by the Hewlett-Packard company and an anonymous contribution of $750,000 to establish an endowment for the UTC Library. The Southeast Center for Arts Education at UTC received commitments of $625,000 from the Getty Foundation of California, $1.5 million from the Lyndhurst Foundation, and a $250,000 anyonymous gift.

UT Chattanooga Centennial Campaign is well ahead of its $15 million goal.

UT Martin received a gift commitment of $250,000 from the family of the late Horace Dunagan, a former member of the UT Development Council. The Dunagan gift will be matched by West Tennessee financial institutions to establish an endowed professorship in banking.

Outstanding gifts to UT Knoxville included $100,000 from entertainer Roy Acuff for music, band, and choral scholarships.

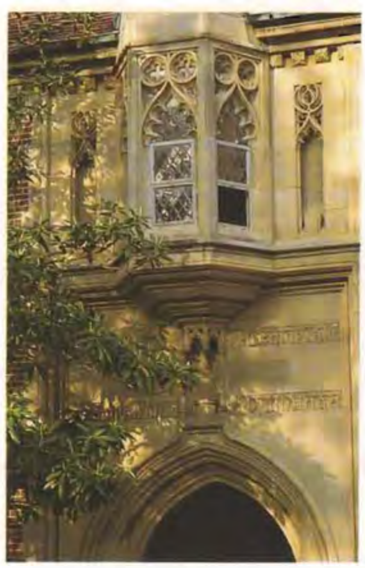
UTK College of Engineering reported several major gifts to its Bridge to the Future Campaign: $454,000 from Allied Signal, $100,000 from Tenneco, $100,000 from the South Central Bell Foundation, and $100,000 from Texas Instruments in honor of S.T. Harris, a UT alumnus and retiring TI general director.

The college also established the Henry C. Goodrich Chair of Excellence with gifts of $250,000 from Arthur Temple, $100,000 from the Temple Inland Foundation, $50,000 from Time, Inc., $10,000 from the Henley Group, $10,000 from Lazard Freres, and a $30,000 commitment from the Ball Corporation.

Goodrich is a member of the UT Development Council and an alumnus of the College of the Engineering. During the leadership phase of the college's Bridge to the Future Campaign, Goodrich and his wife committed $150,000.

Giving highlights at UT Memphis include the following:

- $500,000 by LeBonheur Children's Medical Center for a second LeBonheur Professorship in Pediatrics at UT Memphis.
- Buckman Laboratories International and the John D. Buckman Charitable Trust each committed $250,000 toward the John Dustin Buckman Endowed Professorship in Pediatrics.
- The College of Medicine received $550,000 from the estate of Dr. Arthur F. Porter, surgeon and professor at UT Memphis. The money will be used for merit scholarships.
- A gift of $125,000 established the Belz Family Research Scholarship Fund for use by the College of Graduate Health Sciences.



An Overview

Between 1970 and April 1988 the legislature's capital outlay or construction expenditures at UT totaled nearly $550 million.

Enrollments and new facilities at UT Chattanooga have almost doubled during the past 18 years.

The accomplishments of this administration during the past 18 years started with the late UT President Dr. Andrew D. Holt and his concept of *friend-raising*. Dr. Holt believed the University belonged to the people of Tennessee, and he said that it was impossible to raise funds—public or private—unless UT first had friends. Most people called it fund-raising, but Andy called it friend-raising.

Dr. Holt instructed his staff to get out of their offices and get involved with people. He wanted his staff to know about the people of the state and the people to know about the University.

That's how we began. We started in the 1960s, but we were fighting so hard just to keep up with enrollment increases, we didn't really get going until the '70s and '80s. Following Dr. Holt's philosophy, we sought to involve the University in anything that was good for the state.

The University is helping the Saturn Corp. in Spring Hill and we are also working with the Tennessee Valley Authority, the Technology Corridor in East Tennessee, the Biomedical Research Zone in Memphis, and with various groups and organizations at UT Martin, UT Chattanooga, and the UT Space Institute.

Our efforts have given Tennesseans a new appreciation of the benefits of a strong University—an appreciation reflected in increased public and private support for UT. Between 1970 and this year (through April) the legislature's capital outlay or construction expenditures at UT totaled nearly $550 million.

At UT Memphis in 1971 there was approximately 1.5 million square feet of space. On June 30 of this year, the campus will have 2.8 million square feet.

Physical plant expansion at UT Martin also has been vigorous. More than 52 percent of all square footage under roof at the campus was built under this administration. Enrollments and new facilities at UT Chattanooga have approximately doubled. The '60s was the construction decade at UT Knoxville, but two major projects—the John C. Hodges Library and the Thompson-Boling Arena—opened on the campus this year.

State appropriations for the operation of the University were $46 million in 1970-71 compared with $269.5 million for 1987-88. The market value of UT endowments, funded primarily through gifts, increased from $15 million in 1970-71 to $162 million this fiscal year.

Friend-raising also has been important to the University's deferred giving program, the results of which are just beginning to unfold. Many people have written the University into their wills or set up trusts and these will be maturing for years to come. As a result—if our total giving programs each year are annually in the range of $25 to $30 million—they could very well be $60, $70, maybe even $100 million in the near future.

Evidence of the friend-raising philosophy can also be found in the way the University system relates as a support structure to the UT campuses. Although the system was created at the end of Dr. Holt's administration, this administration helped make the system work.

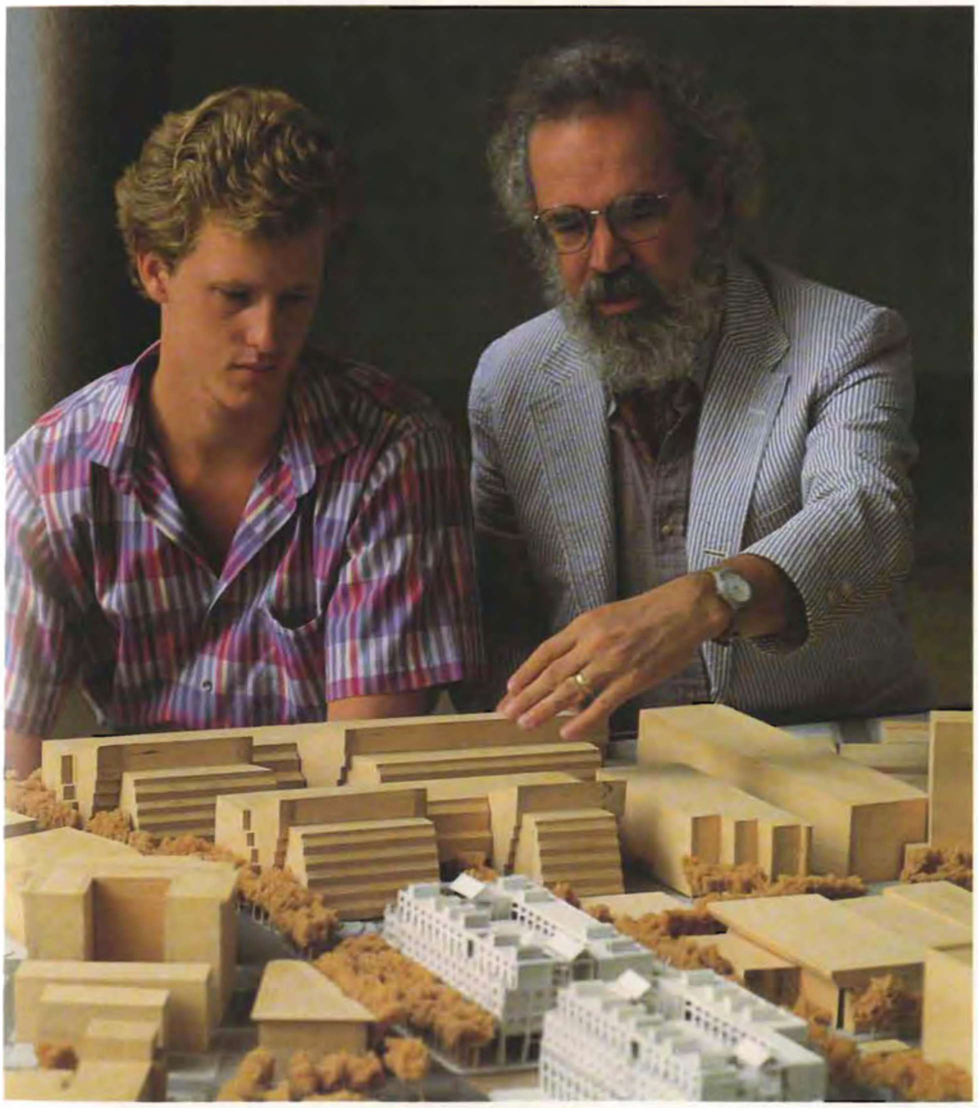
We found that, like a corporation, there were certain things that needed to be highly decentralized and there were certain things that needed to be centralized. To save money and improve efficiency, certain services such as planning, architecture, bookkeeping, payrolls, and investments were concentrated in the system.

The system also was designed to serve the campuses by representing the University to the state legislature, the U.S. Congress, and other external audiences. And, although there has always been cooperation with campus administrations, the system has been very involved in alumni affairs and fund-raising—providing certain expert services, such as estate planning and organization of alumni chapters.

Believing that a president cannot effectively lead four campuses, we placed direct responsibility for these entities in the hands of chancellors. The president and the system staff can help, but campus leadership must come from the chancellor because the chancellor is the person who is working day to day with faculty and students.

This administration will be remembered for putting together an efficient UT system, for the solid funding levels achieved through the state, for its impressive private giving programs, and for major construction projects.

These accomplishments combined to make possible significant academic progress with better teachers, better students, better classrooms and laboratories, better equipment, more scholarships, more professorships, and more competitive faculty salaries.



Of the buildings under roof today at UT Martin, 52 percent were constructed during this administration.

State appropriations for the operation of the University were $269.5 million in 1987-88 compared with $46 million in 1970-71.

Financial Perspective

Increased state appropriations, generous private giving, and sound management during 1987-88 helped the University of Tennessee earn revenues of $763 million.

Current revenues at the University of Tennessee have increased more than $267 million during the past four years, due in part to the Better Schools Program of the Tennessee General Assembly.

State appropriations for operating purposes totaled $269.5 million during 1987-88, a 56 percent increase over the $173.1 million appropriation four years ago.

Legislative support for major construction and renovation projects and the Chairs of Excellence program for funding endowed professorships provided UT an additional $110 million in funds during the past four years.

The funding increases have allowed the University to correct some deficiencies and respond to several major priorities for improving the quality of academic programs and support services.

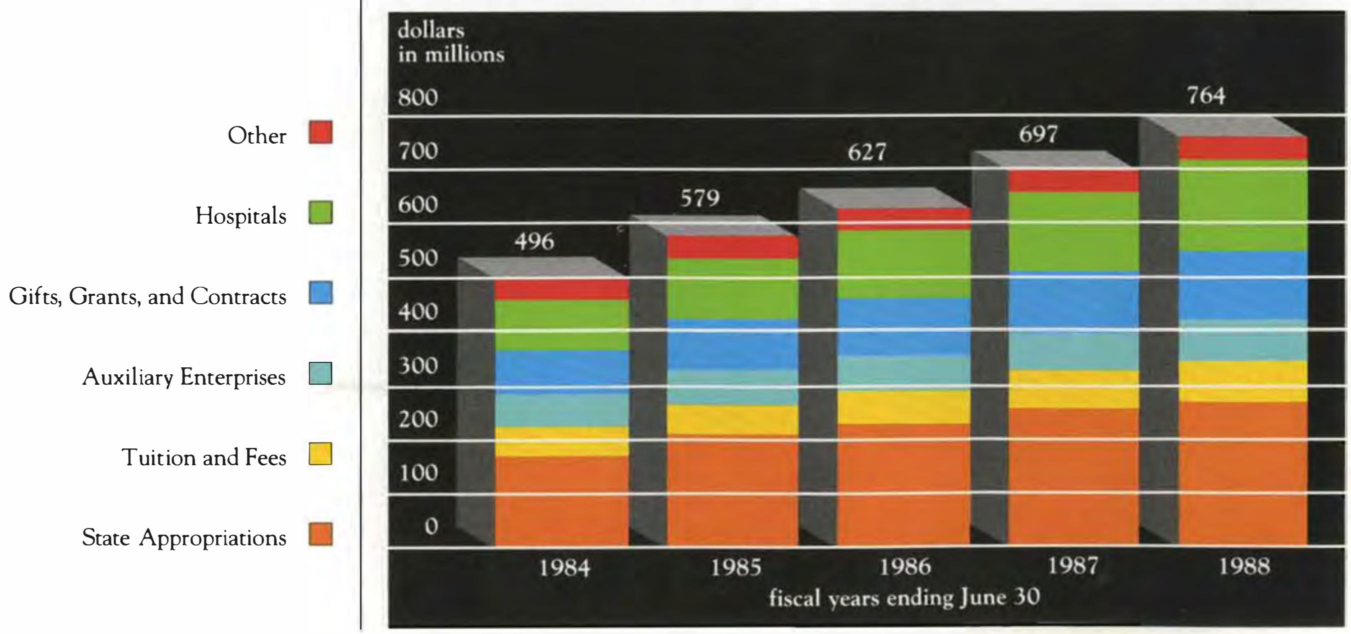
Student fees were raised approximately 7 percent during the year to comply with Tennessee Higher Education Commission policy which recommends a 70/30 ratio between state funding and student fees.

Total revenues also included $418.3 million earned through UT auxiliary enterprises which included hospitals, grants, contracts, private gifts, and other sources.

The market value of UT endowment and other investment funds surpassed $160 million during 1987-88. The chart on page 25 illustrates this growth from $50 million in 1982 to $162 million at June 30, 1988. UT's endowment now ranks in the top 20 among public universities in the U.S.

The University's philosophy for investment of endowment funds related directly to the perpetual nature of the funds. Consideration was

GROWTH IN CURRENT REVENUES



given to current programs, spending demands, and the need to protect the purchasing power of the funds over an unending time horizon.

The University's investment policies reflected an emphasis on increasing the value of individual endowment funds to offset inflation while generating sufficient income to meet the spending needs of programs.

The University's Consolidated Investment Pool consisted of 772 endowment funds which represented the core of UT's invested funds. By pooling the 772 endowed funds for investment purposes, closer supervision was possible and each eligible endowment and quasi-endowment had the advantage of participation in a well-diversified portfolio of investments.

The endowment pool has more than quadrupled in value during the past six years, from a total market value of $16 million in 1982 to $69 million at June 30, 1988, exclusive of income. The growth resulted from $35 million in new gifts for endowment and $18 million from investment performance.

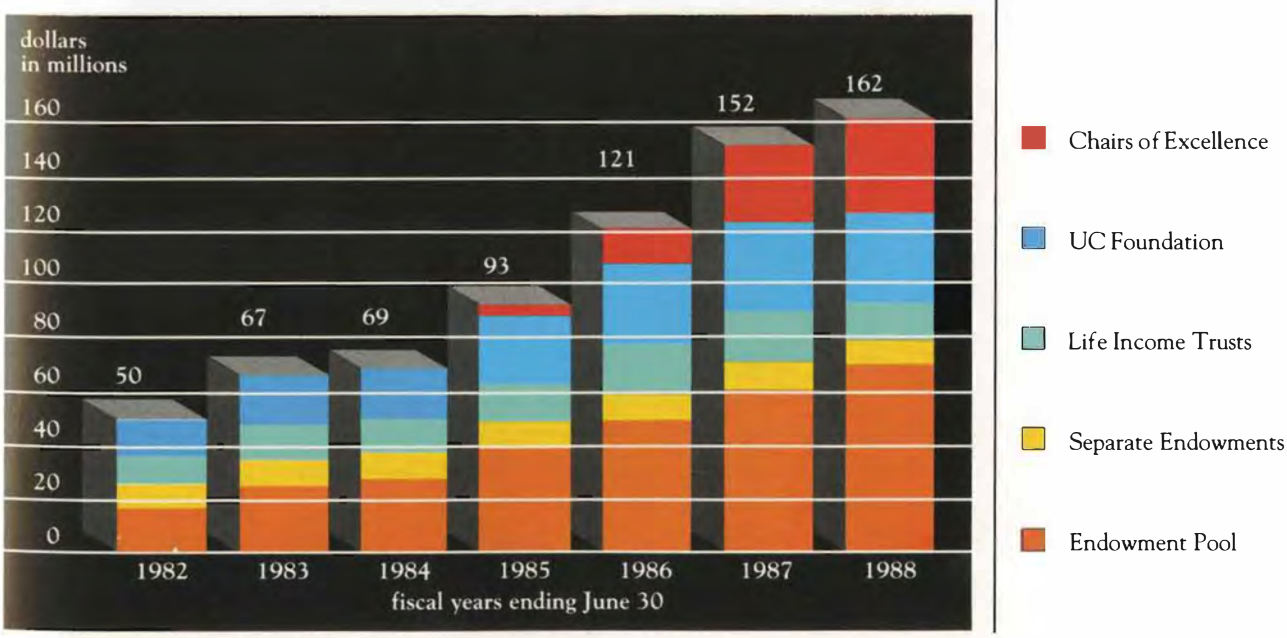
The pooled fund allowed each contributing endowment fund to participate in the income and capital appreciation of the pool on a per share basis equal to its contribution into the pool.

Poor performance of the stock market during the fiscal year (which included the collapse of stock prices on Oct. 19, 1987) was responsible for disappointing investment returns for the pooled endowment fund.

Despite the unfavorable environment for stocks, the fund achieved a small positive return for the year of 1.1%. Broad diversification of assets, a rather defensive posture prior to the market collapse, and excellent relative performance for components of the portfolio was responsible.

The total return for the year ranked favorably with results of other funds reported by various performance measurement services. The various

FUNDS INVESTED FOR BENEFIT OF UT



component portfolios were generally in the top 25 percent of similar funds.

The average annual return for the pooled endowment fund was 17.9 percent over the six years ended June 30, 1988. This investment performance is illustrated by the chart on page 29. The chart illustrates a typical endowment fund with a market value of $100,000 at June 30, 1982. Assuming that this endowment fund purchased shares in the pooled fund at that date, the current market value of the endowment fund at June 30, 1988, would be $173,000.

In addition to market value appreciation, the fund would have earned $57,000 in income. The cumulative income added to the market value growth yielded a total return represented by the top line on the chart. The total investment return was $130,000 over six years on the original investment of $100,000.

The University also had $9 million in separately invested endowment funds. These funds were separately invested due to donor restrictions, characteristics of the investments, or other considerations.

For six consecutive years UT has ranked first among public institutions in the total market value of funds in charitable remainder trusts, according to the National Association of College and University Business Officers. At June 30, 1988, the University had $14 million in remainder trusts.

These trusts represent donations made to the University with the stipulation that periodic payments be made to either the donor or other designated recipients from the income earned by the fund. Upon the death of the beneficiaries of the trust, the trust is terminated and the principal is used for the benefit of the University according to the wishes of the donor.

The University endowment funds of $78 million, with the $14 million in charitable remainder trusts, provided a total market value of $92 million for investments reflected on the financial statements.

University of Chattanooga Foundation

The University of Tennessee at Chattanooga is the sole income beneficiary of the University of Chattanooga Foundation. The Foundation is a separately incorporated, not-for-profit entity organized for the purpose of promoting the educational mission of UTC.

The activities of the Foundation are governed by a board of trustees. The financial statements of the University do not include financial data of the Foundation.

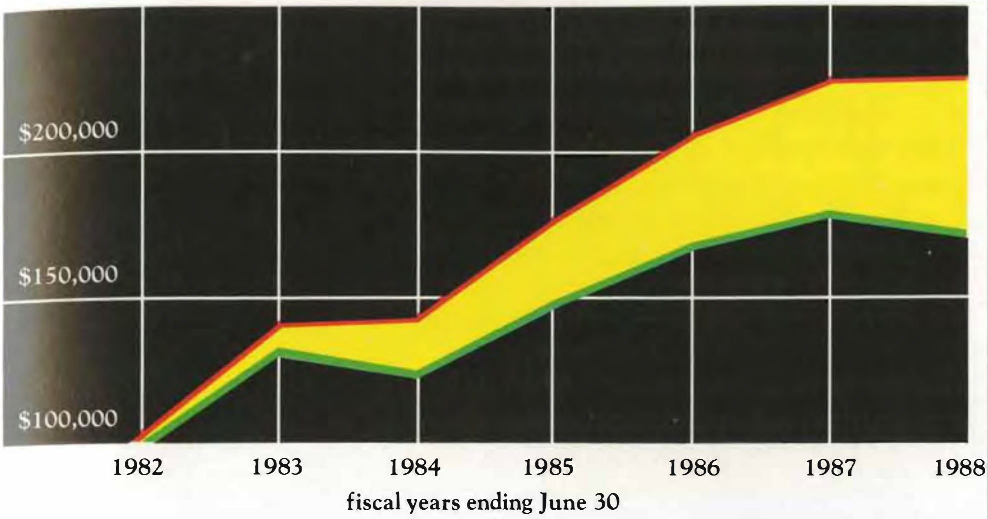
The market value of the Foundation assets at June 30, 1988, was approximately the same as last year, $33 million. During the year, the Foundation provided $1.6 million to UTC for support of designated projects. Since the Foundation was created 19 years ago, it has contributed more than $15.8 million to UTC.

Chairs of Excellence Endowment

The Tennessee General Assembly appropriated $4 million to be added during 1988-89 to the Chairs of Excellence Endowment for the University of Tennessee. Between 1984 and 1986 the legislature appropriated $17.5 million for the endowment. The appropriations provided that the Chairs of Excellence Endowment be designated an irrevocable trust in the office of the State Treasurer.

For the University to activate the state's portion of the endowment, it must match the appropriation on a one-to-one basis. While the University was raising the match money for these chairs, the state's funding earned

ILLUSTRATION OF ENDOWMENT INVESTMENT PERFORMANCE



sufficient interest to provide additional chairs for the University. When all state appropriations are matched, the UT Chair of Excellence Endowment will be $46 million.

As of June 30, 1988, the University had matched 35 Chairs of Excellence, each endowed by $1 million. The University has commitments pending to match the remaining chairs from the original appropriation and has begun efforts to secure additional matching funds for the 1988-89 appropriation. The financial statements of the University do not include financial data of the Chairs of Excellence Endowment.

Cash Management

The University of Tennessee, unlike many public universities in other states, has direct responsibility for management of its financial resources.

Because the University directly benefits from interest earnings, the University has carefully structured a centralized cash management program to keep every dollar constantly at work.

Temporary investment of idle cash was an important revenue source for UT. All campuses and units shared in returns generated by the program.

The average return on cash management assets during 1987-88 was 7.2 percent compared with 6.5 percent paid by representative money market mutual funds during the period. During the past five years, the average return on UT's cash management program was 8.8 percent compared to the 7.8 percent return provided by money market funds.

A key factor in the ability to generate this additional return resulted from an investment strategy initiated in 1983. The higher average returns provided by the strategy allowed the University to earn more than $6.4 million in additional interest since 1983 with no significant increase in risk.

Another factor in cash management success was a system which provided for deposits to be made in local banks statewide, then automatically concentrated in a Knoxville bank account for immediate investment.

In addition, the University treasurer's office has installed a Treasury Management Information System to allow computerized daily monitoring of bank balances and transaction activity.

All UT budget entities share in a pro-rata distribution of the general fund interest income.

Self-Supporting Operations

The UT Medical Center at Knoxville and the William F. Bowld Hospital at UT Memphis are self-supporting operations with income provided from patient care activities. Both hospitals closed the 1987-88 year with a profit.

The Bowld Hospital, which incurred a $10 million debt to finance working capital in 1983, repaid the remaining debt during 1987-88, five years ahead of schedule.

Other self-supporting operations of the University include residence halls, dining facilities, parking, bookstores, and the men's intercollegiate athletics program at UT Knoxville. Auxiliary enterprise operations produced a profit this year on revenues of $73.1 million.

Capital Outlay Programs

Expansion of University facilities continued at a record pace during the year. Expenditures for capital projects totaled $63.5 million. Twenty-four projects were completed at a cost of $50.0 million.

In addition, 21 projects worth $69.5 million were under construction. Funded for construction (design phase) were an additional 21 projects with an estimated value on completion of $40.2 million.

All active projects, including those completed during 1987-88 and at various stages of completion, totaled $159.7 million. A summary of the major capital construction completed and underway can be found on pages 48 and 49 of this report.

UT's major capital maintenance projects were funded by the legislature through a program of restricted appropriations. The program has helped preserve the state's investment in educational facilities by providing for repairs and renovations.

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Management Responsibility for Financial Statements

The financial statements on the following pages have been prepared in general conformance with *College and University Business Administration*, which sets forth generally accepted accounting principles for colleges and universities. The management of The University of Tennessee is responsible for the integrity and objectivity of these financial statements.

Management believes that the University's highly developed system of internal accounting controls provides reasonable assurance that assets are protected and that transactions and events are properly recorded. The system of internal controls is maintained by establishment and communication of fiscal policies and procedures, careful selection of qualified financial staff, and an extensive program of internal audits and management reviews.

The financial statements have been audited by the State of Tennessee, Comptroller of the Treasury, Division of State Audit. The auditors' report, as shown on page 41, is based on audit procedures described in the first paragraph of their report, which include obtaining an understanding of University systems, procedures and internal controls, and performing tests and other auditing procedures sufficient to provide reasonable assurance that the financial statements neither are materially misleading nor contain material errors.

The statements contained in this report are intended to provide a picture of the flow of financial resources of the University during the fiscal year 1987-88 and the balances available for the future. A separate publication entitled *Report of the Treasurer 1988* contains additional details, supporting schedules, and appendices and is designed to supply analysis of important items summarized or consolidated in the financial statements of this report. The publication is available for those who wish to make a more extensive analysis of the University's operations.

Respectfully submitted,

A. David Martin
Treasurer

Emerson H. Fly
Vice President for Business and Finance

Balance Sheet

June 30, 1988 — **With Comparative Figures at June 30, 1987**

ASSETS

CURRENT FUNDS	1988	1987
Unrestricted		
General		
Cash and Cash Equivalents (Note 4)	$ 29,628,332.01	$ 31,319,225.57
Investments (Note 4)	40,399,598.83	30,171,009.86
Interest Receivable	2,189,725.90	1,583,445.58
Accounts Receivable (Net After Allowance of $1,161,669.99 at June 30, 1988)	5,921,561.02	5,000,817.73
Inventories (Notes 3 and 5)	3,732,203.76	8,392,664.67
Prepaid Expenses and Deferred Charges	1,256,898.43	921,509.80
Due From Life Income Funds	38,754.35	50,290.78
Total General	$ 83,167,074.30	$ 77,438,963.99
Auxiliary Enterprises		
Cash and Cash Equivalents (Note 4)	$ 12,114,731.58	$ 11,323,337.88
Accounts Receivable (Net After Allowance of $1,491,952.04 at June 30, 1988)	1,545,054.57	1,805,417.17
Inventories (Note 5)	3,855,209.37	3,593,308.44
Deferred Charges	72,050.52	80,787.20
Total Auxiliary Enterprises	$ 17,587,046.04	$ 16,802,850.69
Hospitals		
Cash and Cash Equivalents (Note 4)	$ 12,633,670.38	$ 13,308,865.01
Accounts Receivable (Net After Allowance of $24,140,087.80 at June 30, 1988)	29,978,752.75	22,347,345.24
Inventories (Note 5)	1,674,467.23	1,380,718.78
Deferred Charges	176,386.60	192,466.00
Stocks (Note 4)	33,250.00	33,250.00
Total Hospitals	$ 44,496,526.96	$ 37,262,645.03
Total Unrestricted	$145,250,647.30	$131,504,459.71
Restricted		
Cash and Cash Equivalents (Note 4)	$ 12,094,385.93	$ 16,269,541.67
Accounts Receivable - Educational and General	21,265,771.48	15,868,025.17
Accounts Receivable - Hospital	674,525.16	639,722.22
Bonds (Note 4)	8,197.00	13,147.00
Stocks (Note 4)	86,522.00	9,013.37
Other Assets (Note 4)	92,031.29	24,000.00
Total Restricted	$ 34,221,432.86	$ 32,823,449.43
TOTAL CURRENT FUNDS	$179,472,080.16	$164,327,909.14
LOAN FUNDS		
Cash and Cash Equivalents (Note 4)	$ 2,693,550.20	$ 2,289,732.48
Interest Receivable	292,278.12	246,746.26
Notes Receivable (Net After Allowance of $1,938,063.62 at June 30, 1988)	22,656,652.67	22,088,334.40
TOTAL LOAN FUNDS	$ 25,642,480.99	$ 24,624,813.14

LIABILITIES AND FUND BALANCES

CURRENT FUNDS	1988	1987
Unrestricted		
General		
Salaries and Wages Payable	$ 10,066,919.60	$ 9,579,246.66
Account Payable	32,490,740.40	24,383,978.02
Payroll Taxes Payable	7,662,464.83	7,061,211.06
Deposits and Advance Payments	1,625,968.70	921,969.89
Deferred Revenue	7,956,208.87	7,665,508.79
Fund Balances		
Reserve for Unemployment Compensation (Note 3)	879,284.54	983,179.31
Reserve for Revolving Accounts (Note 3)	1,188,191.95	3,053,571.11
Reserve for Working Capital (Note 7)	9,629,326.46	13,721,235.65
Reserve for Encumbrances (Note 15)	4,328,075.73	3,579,661.30
Reserve for Unexpended Gifts	984,795.21	1,210,311.82
Allocated for Reappropriation	1,799,536.00	1,624,952.34
Unallocated	4,555,562.01	3,654,138.04
Total General	$ 83,167,074.30	$ 77,438,963.99
Auxiliary Enterprises		
Accounts Payable	$ 1,518,914.42	$ 1,322,446.88
Deferred Revenue	7,787,562.16	7,787,114.55
Fund Balances		
Reserve for Revolving Accounts (Note 3)		3,512.37
Reserve for Working Capital (Note 7)	5,400,263.94	5,398,725.61
Reserve for Encumbrances (Note 15)	793,922.38	489,989.45
Unallocated	2,086,383.14	1,801,061.83
Total Auxiliary Enterprises	$ 17,587,046.04	$ 16,802,850.69
Hospitals		
Accounts and Notes Payable	$ 9,209,739.42	$ 8,906,996.61
Accrued Wages Payable	1,865,086.72	1,249,270.26
Fund Balances		
Reserve for Revolving Accounts (Note 3)	10,753.53	25,251.17
Reserve for Working Capital (Note 7)		
Memorial Hospital - Knoxville	27,474,130.55	21,431,250.36
William F. Bowld Hospital - Memphis	4,179,089.43	2,296,813.66
Reserve for Encumbrances (Note 15)		
Memorial Hospital - Knoxville	1,106,396.97	2,786,836.87
William F. Bowld Hospital - Memphis	588,224.43	551,252.16
Unallocated		
Memorial Hospital - Knoxville	587,166.87	637,187.12
William F. Bowld Hospital - Memphis	(524,060.96)	(622,213.18)
Total Hospitals	$ 44,496,526.96	$ 37,262,645.03
Total Unrestricted	$145,250,647.30	$131,504,459.71
Restricted		
Salaries and Wages Payable	$ 248,736.00	$ 219,739.00
Accounts Payable	2,058,129.42	1,750,042.38
Fund Balances		
General	30,361,916.74	29,614,129.87
Auxiliary Enterprises	179,469.18	164,259.64
Hospitals	1,373,181.52	1,075,278.54
Total Restricted	$ 34,221,432.86	$ 32,823,449.43
TOTAL CURRENT FUNDS	$179,472,080.16	$164,327,909.14
LOAN FUNDS		
Fund Balances		
Privately Sponsored Loan Funds - Restricted	$ 2,350,820.74	$ 2,297,223.63
Institutional Loan Funds - Restricted	1,611,948.51	1,591,000.10
Federal Participation Loan Funds - Restricted	21,679,711.74	20,736,589.41
TOTAL LOAN FUNDS	$ 25,642,480.99	$ 24,624,813.14

Balance Sheet

June 30, 1988 — With Comparative Figures at June 30, 1987

ASSETS

ENDOWMENT AND SIMILAR FUNDS	1988	1987
Cash and Cash Equivalents (Note 4)	$ 12,258,679.50	$ 11,610,967.77
Accounts Receivable		270,988.32
Notes Receivable (Note 4)	478,166.77	577,633.90
Bonds (Notes 4 and 6)	26,431,371.27	20,933,318.50
Assets With The University of Chattanooga Foundation, Inc. (Note 4)	1,000,000.00	1,000,000.00
Assets Held By Others (Note 4)	125,690.00	125,690.00
Stocks (Notes 4 and 6)	30,595,174.86	23,915,085.06
Real Estate (Notes 4 and 6)	1,804,068.50	2,963,880.00
Other Assets (Note 4)	1,753,200.00	927,000.00
TOTAL ENDOWMENT AND SIMILAR FUNDS	$ 74,446,350.90	$ 62,324,563.55
LIFE INCOME FUNDS		
Cash and Cash Equivalents (Note 4)	$ 865,345.12	$ 1,116,204.87
Accounts Receivable	88,563.87	1,677.40
Notes Receivable (Note 4)	134,663.17	84,899.26
Bonds (Notes 4 and 6)	8,566,286.20	10,702,696.67
Stocks (Notes 4 and 6)	2,946,506.91	4,712,632.75
Real Estate (Notes 4 and 6)	1,060,650.00	732,912.00
TOTAL LIFE INCOME FUNDS	$ 13,662,015.27	$ 17,351,022.95
PLANT FUNDS		
Unexpended Plant		
Cash and Cash Equivalents (Note 4)	$ 13,339,981.89	$ 24,303,563.00
Accounts Receivable	315,105.00	242,125.00
Notes Receivable (Note 4)	36,773.07	2,768,310.97
Stocks (Note 4)	11,500.00	5,000.00
Real Estate (Note 4)	390,050.00	184,650.00
State Education Building Bond Appropriations	2,883,918.15	1,011,427.89
Authorized Bond Issues - Tennessee State School Bond Authority	11,890,173.24	12,329,494.72
Total Unexpended Plant	$ 28,867,501.35	$ 40,844,571.58
Retirement of Indebtedness and Renewal and Replacement		
Cash and Cash Equivalents (Note 4)	$ 22,863,912.28	$ 18,110,934.20
Assets With Trustees		
Tennessee State School Bond Authority	21,393,939.75	21,559,065.28
Telephone System Reserve Funds	2,846.38	1,121,602.55
Total Retirement of Indebtedness and Renewal and Replacement	$ 44,260,698.41	$ 40,791,602.03
Investment in Plant (Note 9)		
Land	$ 26,572,108.86	$ 26,537,425.86
Buildings	659,822,007.61	610,438,737.74
Improvements Other Than Buildings	36,856,520.15	32,812,938.22
Equipment	209,152,811.16	165,554,831.86
Library Books (At $20.00 Per Volume)	52,918,180.00	51,690,840.00
Livestock (At Market)	1,356,756.00	1,309,067.30
Total Investment in Plant	$ 986,678,383.78	$ 888,343,840.98
TOTAL PLANT FUNDS	$1,059,806,583.54	$ 969,980,014.59
AGENCY FUNDS		
Cash and Cash Equivalents (Note 4)	$ 359,258.44	$ 614,616.92
Accounts Receivable	124,321.43	81,476.08
Bonds (Note 4)	98,750.00	98,750.00
Stocks (Note 4)	3,505,446.00	3,505,446.00
TOTAL AGENCY FUNDS	$ 4,087,775.87	$ 4,300,289.00

LIABILITIES AND FUND BALANCES

ENDOWMENT AND SIMILAR FUNDS	1988	1987
Accounts Payable	$ 433,700.00	$ 800,903.00
Fund Balances		
Reserve for Losses on Consolidated Investment Pool	10,927,828.18	9,329,483.99
Endowment - Restricted	58,769,253.25	48,228,984.27
Quasi-Endowment - Restricted	170,318.70	148,102.72
- Unrestricted	4,145,250.77	3,817,089.57
TOTAL ENDOWMENT AND SIMILAR FUNDS	$ 74,446,350.90	$ 62,324,563.55
LIFE INCOME FUNDS		
Due To Unrestricted Current Funds	$ 38,754.35	$ 50,290.78
Fund Balances - Restricted	13,623,260.92	17,300,732.17
TOTAL LIFE INCOME FUNDS	$ 13,662,015.27	$ 17,351,022.95
PLANT FUNDS		
Unexpended Plant (Note 14)		
Accounts Payable	$ 3,911,915.26	$ 4,830,311.77
Fund Balances		
Restricted	6,920,348.28	15,500,397.21
Unrestricted		
Designated	18,024,809.69	20,465,697.55
Undesignated	10,428.12	48,165.05
Total Unexpended Plant	$ 28,867,501.35	$40,844,571.58
Retirement of Indebtedness and Renewal and Replacement Fund Balances		
Reserve for Interest Payable	$ 2,319,487.45	$ 2,630,015.41
Unallocated - Restricted	21,527,075.81	21,406,246.22
- Unrestricted	20,414,135.15	16,755,340.40
Total Retirement of Indebtedness and Renewal and Replacement	$ 44,260,698.41	$ 40,791,602.03
Investment in Plant		
Tennessee State School Bond Authority Indebtedness (Note 7)	$ 235,395,806.18	$ 205,877,661.58
Notes and Liens Payable		13,845,645.00
Bonds Payable (Note 7)	155,000.00	180,000.00
Leaseholds Payable (Note 10)	3,437,447.90	8,142,677.77
Fund Balance		
Net Investment in Plant	747,690,129.70	660,297,856.63
Total Investment in Plant	$ 986,678,383.78	$ 888,343,840.98
TOTAL PLANT FUNDS	$1,059,806,583.54	$ 969,980,014.59
AGENCY FUNDS		
Accounts Payable	$ 7,682.74	$ 19,409.49
Deposits Held in Custody for Others	4,080,093.13	4,280,879.51
TOTAL AGENCY FUNDS	$ 4,087,775.87	$ 4,300,289.00

Statement of Changes in Fund Balances

Year Ended June 30, 1988

	Current Funds			
	General	Auxiliary Enterprises	Hospitals	Total
FUND BALANCE JULY 1, 1987 AS PREVIOUSLY STATED	$ 23,790,299.15	$ 7,689,776.89	$ 27,081,126.99	$ 58,561,203.03
Cumulative Adjustment (Note 3)	4,036,750.42	3,512.37	25,251.17	4,065,513.96
RESTATED FUND BALANCE JULY 1, 1987	$ 27,827,049.57	$ 7,693,289.26	$ 27,106,378.16	$ 62,626,716.99
REVENUES AND OTHER ADDITIONS				
Unrestricted Current Funds Revenues	$ 395,135,209.55	$ 73,079,277.27	$ 166,189,279.65	$ 634,403,766.47
Revenue Transferred From Restricted Current Funds	126,275,662.08	4,429.00	2,803,530.58	129,083,621.66
Restricted Gifts and Grants				
National Direct Student Loan Funds				
Federal Nursing and Health Professions Loan Funds				
Interest on Notes				
Endowment Income				
Income on Investments				
Net Gain (Loss) on Investments				
State Appropriations for Capital Outlay				
Tennessee State School Bond Authority				
Capital Leases				
Gifts and Other Sources				
Student Debt Service Fees				
Federal Interest Subsidy Grants				
Special State Legislature Appropriations				
Plant Acquisitions and Adjustments (Including $32,649,515.47 charged to current fund expenditures)				
Bonds and Notes Issued and Retired				
TOTAL REVENUES AND OTHER ADDITIONS	$ 521,410,871.63	$ 73,083,706.27	$ 168,992,810.23	$ 763,487,388.13
EXPENDITURES AND OTHER DEDUCTIONS				
Unrestricted Current Funds Expenditures	$ 390,838,175.91	$ 63,412,219.98	$ 150,490,626.44	$ 604,741,022.33
Restricted Current Funds Expenditures	126,275,662.08	4,429.00	2,803,530.58	129,083,621.66
Transferred to Current Funds Revenues				
Indirect Cost Recoveries to Current Funds				
Other Deductions				
Revolving Account Funding (Net)	4,932.44	3,512.37	14,497.64	22,942.45
Collection Expense				
Bad Debt Expense				
Payments to Beneficiaries				
Plant Additions				
Retirement of Bonds and Notes				
Interest Payments				
Disposal of Land and Adjustments				
Buildings Written Off and Adjustments				
Physical Inventory Adjustments				
Capital Leases				
Bonds and Notes Issued				
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	$ 517,118,770.43	$ 63,420,161.35	$ 153,308,654.66	$ 733,847,586.44
TRANSFERS				
Mandatory				
Debt Service Requirements	$ (5,437,556.20)	$ (5,109,282.38)	$ (7,616,992.47)	$ (18,163,831.05)
Matching Loan Funds	(21,403.60)			(21,403.60)
Restricted Current Funds	43,500.00			43,500.00
Endowment Adjustment	(206,698.19)			(206,698.19)
Non-Mandatory				
Operating Transfers	1,629,331.13	(736,431.13)	(892,900.00)	
Capital Project Transfers	(10,518,884.83)	(680,267.55)	(858,940.44)	(12,058,092.82)
Debt Maintenance Reserves	5,757,332.82	(2,550,283.66)		3,207,049.16
TOTAL TRANSFERS	$ (8,754,378.87)	$ (9,076,264.72)	$ (9,368,832.91)	$ (27,199,476.50)
NET INCREASE (DECREASE) FOR THE YEAR	$ (4,462,277.67)	$ 587,280.20	$ 6,315,322.66	$ 2,440,325.19
FUND BALANCE JUNE 30, 1988	$ 23,364,771.90	$ 8,280,569.46	$ 33,421,700.82	$ 65,067,042.18

				Plant Funds		
Restricted Funds	Loan Funds	Endowment and Similar Funds	Life Income Funds	Unexpended	Retirement of Indebtedness and Renewal and Replacement	Net Investment In Plant
$ 30,853,668.05	$ 24,624,813.14	$ 61,523,660.55	$ 17,300,732.17	$ 36,014,259.81	$ 40,791,602.03	$660,297,856.63
$ 30,853,668.05	$ 24,624,813.14	$ 61,523,660.55	$ 17,300,732.17	$ 36,014,259.81	$ 40,791,602.03	$660,297,856.63
$139,471,443.59	$ 19,508.25	$ 5,192,354.12	$ 1,997,171.68			
	427,423.00					
	256,220.00					
	627,042.73					
3,705,622.31	5,520.97	226,658.42				
	97,892.59		1,041,649.57	$ 1,341,898.61	$ 3,898,303.66	
		1,860,054.22	197,110.74			
				14,090,877.33		
				23,598,381.65	15,200,000.00	
						$ 6,879,273.72
	2,961.14			11,021,317.45	11,145.81	6,266,319.52
					1,952,977.00	
					206,078.00	
					366,279.04	
						94,169,414.93
						22,971,290.40
$143,177,065.90	$ 1,436,568.68	$ 7,279,066.76	$ 3,235,931.99	$ 50,052,475.04	$ 21,634,783.51	$130,286,298.57
$129,083,621.66						
12,963,473.38						
175,362.11	$ 278,007.93	$ 142,092,38	$ 504.32	$ 2,742,782.58		
	71,146.10					
	90,561.81					
			957,188.20			
				60,784,062.92	$ 735,836.54	
					22,971,290.40	
					14,733,929.05	
						$ 182,650.00
						248,629.18
						1,669,912.47
					4,985,000.00	2,174,043.85
						38,618,790.00
$142,222,457.15	$ 439,715.84	$ 142,092.38	$ 957,692.52	$ 63,526,845.50	$ 43,426,055.99	$ 42,894,025.50
					$ 18,163,831.05	
	$ 21,403.60					
$ 106,290.64	(133.40)	$ (809,947.88)	$ (445.06)	$ 547,296.70	113,439.00	
		6,161,963.85	(5,955,265.66)			
	(455.19)			455.19		
				1,867,944.85	10,190,147.97	
					(3,207,049.16)	
$ 106,290.64	$ 20,815.01	$ 5,352,015.97	$ (5,955,710.72)	$ 2,415,696.74	$ 25,260,368.86	
$ 1,060,899.39	$ 1,017,667.85	$ 12,488,990.35	$ (3,677,471.25)	$ (11,058,673.72)	$ 3,469,096.38	$ 87,392,273.07
$ 31,914,567.44	$ 25,642,480.99	$ 74,012,650.90	$ 13,623,260.92	$ 24,955,586.09	$ 44,260,698.41	$747,690,129.70

Statement of Current Funds Revenues, Expenditures and Other Changes

Year Ended June 30, 1988 — **With Comparative Figures at June 30, 1987**

CURRENT REVENUES	1988 Unrestricted	1988 Restricted	1988 Total	1987 Total
General Funds				
Tuition and Fees	$ 75,228,384.67		$ 75,228,384.67	$ 69,317,467.77
Federal Appropriations	11,415,013.30		11,415,013.30	10,699,168.94
State Appropriations	259,845,000.00	$ 9,637,234.51	269,482,234.51	256,896,268.62
Local Appropriations	1,473,881.96		1,473,881.96	1,209,271.14
Federal Gifts, Grants and Contracts	10,939,700.14	59,511,140.15	70,450,840.29	61,569,957.52
State Gifts, Grants and Contracts	514,802.04	10,534,256.17	11,049,058.21	10,171,176.32
Local Gifts, Grants and Contracts	2,099,063.31	2,413,486.47	4,512,549.78	3,718,993.87
Private Gifts, Grants and Contracts	3,380,266.10	38,927,852.53	42,308,118.63	41,900,194.16
Endowment Income - University and Other	97,728.63	5,251,692.25	5,349,420.88	4,493,857.32
Sales and Services of Educational Activities	18,641,658.40		18,641,658.40	17,807,044.73
Other Sources	11,499,711.00		11,499,711.00	11,157,718.58
TOTAL GENERAL FUNDS	$395,135,209.55	$126,275,662.08	$521,410,871.63	$488,941,118.97
Auxiliary Enterprises Funds	73,079,277.27	4,429.00	73,083,706.27	65,508,699.85
Hospital Funds	166,189,279.65	2,803,530.58	168,992,810.23	142,561,501.99
TOTAL CURRENT REVENUES	$634,403,766.47	$129,083,621.66	$763,487,388.13	$697,011,320.81
CURRENT EXPENDITURES AND TRANSFERS				
General Funds Expenditures				
Instruction	$176,641,120.42	$ 27,505,226.16	$204,146,346.58	$193,413,564.83
Organized Research	25,012,452.00	60,820,433.45	85,832,885.45	75,459,325.20
Public Service	32,743,543.07	18,340,082.77	51,083,625.84	48,005,806.25
Academic Support	46,515,839.61	3,435,268.19	49,951,107.80	46,507,977.30
Student Services	22,528,048.54	636,317.00	23,164,365.54	22,090,928.70
Institutional Support	44,431,278.74	660,796.63	45,092,075.37	45,896,740.73
Operation and Maintenance of Physical Plant	36,697,010.50	39,841.84	36,736,852.34	35,450,719.31
Student Aid	6,268,883.03	14,837,696.04	21,106,579.07	19,498,461.51
General Funds Mandatory Transfers				
To Retirement of Indebtedness Funds	5,437,556.20		5,437,556.20	4,285,164.31
To Loan Funds	21,403.60		21,403.60	10,644.84
To Endowment Funds	206,698.19		206,698.19	528,914.52
From Restricted Funds	(43,500.00)		(43,500.00)	213,000.00
General Funds Non-Mandatory Transfers				
From Retirement of Indebtedness Funds	(5,757,332.82)		(5,757,332.82)	
To Plant Funds	10,518,884.83		10,518,884.83	368,626.92
From Auxiliary Enterprises Funds	(736,431.13)		(736,431.13)	(169,439.99)
From Hospital Funds	(892,900.00)		(892,900.00)	(586,000.00)
Revolving Accounts Adjustments (Net)	4,932.44		4,932.44	(5,995,547.50)
TOTAL GENERAL FUNDS EXPENDITURES AND TRANSFERS	$399,597,487.22	$126,275,662.08	$525,873,149.30	$484,978,886.93
Auxiliary Enterprises Funds				
Expenditures	$ 63,412,219.98	$ 4,429.00	$ 63,416,648.98	$ 57,517,253.26
Mandatory Transfers				
To Retirement of Indebtedness Funds	5,109,282.38		5,109,282.38	4,912,995.47
Non-Mandatory Transfers				
To Retirement of Indebtedness Funds	2,550,283.66		2,550,283.66	1,970,354.92
To Plant Funds	680,267.55		680,267.55	172,531.21
To General Funds	736,431.13		736,431.13	169,439.99
Revolving Accounts Adjustments (Net)	3,512.37		3,512.37	
TOTAL AUXILIARY ENTERPRISES FUNDS EXPENDITURES AND TRANSFERS	$ 72,491,997.07	$ 4,429.00	$ 72,496,426.07	$ 64,742,574.85
Hospitals Funds				
Expenditures	$150,490,626.44	$ 2,803,530.58	$153,294,157.02	$127,946,068.17
Mandatory Transfers				
To Retirement of Indebtedness Funds	7,616,992.47		7,616,992.47	6,553,011.90
Non-Mandatory Transfers				
To General Funds	892,900.00		892,900.00	586,000.00
To Plant Funds	858,940.44		858,940.44	5,640,545.58
Revolving Accounts Adjustments (Net)	14,497.64		14,497.64	
TOTAL HOSPITALS FUNDS EXPENDITURES AND TRANSFERS	$159,873,956.99	$ 2,803,530.58	$162,677,487.57	$140,725,625.65
TOTAL CURRENT EXPENDITURES AND TRANSFERS	$631,963,441.28	$129,083,621.66	$761,047,062.94	$690,447,087.43
EXCESS (DEFICIT) CURRENT REVENUES OVER CURRENT EXPENDITURES AND TRANSFERS				
General Funds	$ (4,462,277.67)		$ (4,462,277.67)	$ 3,962,232.04
Auxiliary Enterprises Funds	587,280.20		587,280.20	766,125.00
Hospitals Funds	6,315,322.66		6,315,322.66	1,835,876.34
OTHER ADDITIONS AND TRANSFERS				
Restricted Receipts in Excess of Expenditures		$ 14,093,444.24	14,093,444.24	14,633,479.91
Indirect Costs Recovered		(13,138,835.49)	(13,138,835.49)	(11,180,691.84)
Restricted Gifts Transferred to Other Funds		106,290.64	106,290.64	15,731.94
NET INCREASE IN FUNDS BALANCES	$ 2,440,325.19	$ 1,060,899.39	$ 3,501,224.58	$ 10,032,753.39

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

The significant accounting policies, as summarized below, and the financial statements for The University of Tennessee are in accordance with generally accepted accounting principles as prescribed by (1) the National Association of College and University Business Officers in *College and University Business Administration* (1982) and (2) the American Institute of Certified Public Accountants in *Audits of Colleges and Universities* (1973).

Accrual Basis—The financial statements of The University of Tennessee have been prepared on the accrual basis except that depreciation on plant assets is not recorded. The statement of current fund revenues, expenditures, and other changes is a statement of financial activity related to the current reporting period. It does not purport to represent results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Fund Accounting—The accounts of The University of Tennessee are maintained in accordance with the principles of "fund accounting". Fund accounting is a procedure by which resources for various purposes are classified for accounting and reporting into funds that are in accordance with specified activities or objectives. This enables the institution to ensure observance of limitations and restrictions placed on the use of the resources available. 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.

All unrestricted funds are reported as revenue in the year they are received or accrued, with the exception of certain gifts. All restricted funds are recorded as additions to the fund balances of the appropriate fund groups. Restricted current funds are then recorded as revenues during the period in which they are expended.

A. *Current Funds*—Unrestricted current funds consist of those funds over which the governing board retains full control to use in achieving any of its authorized institutional purposes, as distinguished from externally restricted funds which may be utilized only in accordance with the purposes established by their source.

B. *Loan Funds*—Loan funds consist of resources which have been made available for financial loans to students.

C. *Endowment Funds*—Endowment funds are funds with respect to which donors have stipulated, as a condition of the gift, that the principal is to be maintained inviolate and invested for the purpose of producing income.

Quasi-endowment funds are funds which the governing board of the University, rather than a donor, has determined are to be retained and invested. Since these funds are internally designated rather than externally restricted, the governing board retains the right to alter or amend such designation.

D. *Life Income Funds*—Life income funds are funds held in trust by the University under agreement with donors whereby designated beneficiaries receive specified interests in annual income of the trust. Upon death of the beneficiaries or other termination of the trust, such trust assets become available to the University for use as set forth in each agreement.

E. *Plant Funds*—The plant funds consist of (1) unexpended plant funds which are to be used for the construction or acquisition of physical properties for institutional purposes; (2) retirement of indebtedness and renewal and replacement funds, which are funds set aside for debt service charges and major maintenance items on institutional properties; and (3) investment in plant funds expended for and thus invested in institutional properties.

F. *Agency Funds*—The University acts solely as an agent in the handling of these funds. Consequently, transactions of these funds do not affect the operating statements of the University.

Note 2: Compensated Absences

Financial Accounting Standards Board Statement No. 43, "Accounting for Compensated Abs nces", which was determined to be applicable to The University of Tennessee beginning with the year ended June 30, 1983, requires that certain accrued vacation benefits, the effects of which are material to the financial statements, be recorded as earned. The University's policy is to record such benefits as paid. This policy is considered not a material departure from Statement No. 43 in that the effect of accruing the $25,931,351.56 of such benefits (of which approximately $5,092,810.28 would be reflected as an adjustment of beginning Current Unrestricted Fund balances, and the remainder would be funded from other sources) is considered not material.

Note 3: Accounting Change

The University changed its reporting practice for revolving accounts and unemployment compensation loss reserve. Prior financial statements reflected these amounts as Current Unrestricted Fund liabilities. Revolving accounts consists primarily of two types of accounts: reserves set aside for future financial claims against the University ($1,235,284.06) and the cumulative results of service center operations ($1,847,050.59). The unemployment compens tion reserve ($983,179.31) consists of the accumulation of estimated unemployment compensation claims charged to University's budget entities in the current and prior years but not remitted to the State of Tennessee. The University is under the direct reimbursement plan with the State for unemployment compensation claims. However, since these type accounts do not meet all the criteria to be shown as liabilities, the University changed its reporting practices as follows. Revolving account balances and the unemployment compensation reserve have been reclassified as Fund Balance reserves. The prior year's Balance Sheet has been restated for comparative purposes as follows:

Balance Sheet
June 30, 1987

	As Stated in June 30, 1987 Audited Statements	Adjustments For Accounting Change	June 30, 1987 Balances As Adjusted
Current Funds			
General			
Revolving Accounts	$ 3,053,571.11	$ (3,053,571.11)	
Unemployment Compensation Reserve	983,179.31	(983,179.31)	
Fund Balance			
Reserve for Unemployment Compensation		983,179.31	$ 983,179.31
Reserve for Revolving Accounts		3,053,571.11	3,053,571.11
Total General	$ 77,438,963.99		$ 77,438,963.99
Auxiliary Enterprise			
Revolving Accounts	$ 3,512.37	$ (3,512.37)	
Fund Balance			
Reserve for Revolving Accounts		3,512.37	$ 3,512.37
Total Auxiliary Enterprise	$ 16,802,850.69		$ 16,802,850.69
Hospitals			
Revolving Accounts	$ 25,251.17	$ (25,251.17)	
Fund Balance			
Reserve for Revolving Accounts		25,251.17	$ 25,251.17
Total Hospitals	$ 37,262,645.03		$ 37,262,645.03
Total Unrestricted Funds	$131,504,459.71		$131,504,459.71

During fiscal year 1988, service center depreciable equipment previously accounted for as "inventory" in Current Unrestricted Funds was transferred and capitalized in the Invested in Plant group of accounts. Service center equipment shown as Current Unrestricted Fund inventory at June 30, 1987 totaled $4,973,355.33. Also, amounts set aside for repair and replacement of service center equipment previously accounted for as revolving account balances has been transferred to the Retirement of Indebtedness and Renewal and Replacement Funds. The amount transferred from Current Unrestricted Funds as of June 30, 1988 was $1,215,768.94.

Note 4: Deposits and Investments

Investment Policy.

The University of Tennessee maintains in Current Unrestricted Funds a cash management investment pool that is available for use by all fund groups. State statutes and University investment policies authorize the University's cash management pool to invest in collateralized Tennessee bank or savings and loan association certificates of deposit, U.S. treasury obligations, U.S. government agency obligations, and repurchase agreements of those securities.

In accordance with state statutes, commercial banks and savings and loan associations have pledged securities with third parties as collateral in face amounts of 110% of University time and demand deposits less so much of such amount as is protected by the federal deposit insurance corporation or the federal saving and loan insurance corporation. Market values of these securities are regularly monitored to ascertain that 100% of University deposits are secured.

There are two categories of University funds which are subject to long term investment, the Endowment and Quasi-Endowment Funds and the Life Income Funds. The investment of these funds is governed by the gift instrument and the investment policies established by the Board of Trustees. For a more complete description of these investments, please refer to footnote 6, "Endowment and Life Income Funds".

Cash and Cash Equivalents.

The balance sheet classification "cash and cash equivalents" includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposits and temporary investments in marketable securities with maturities less than one year, and interfund receivables. Petty cash funds at June 30, 1988 totaled $872,719.16. Securities previously shown as investments, "bonds", at June 30, 1987, in the amounts of $4,950.00 for Restricted Funds and $2,250.00 for Unexpended Plant Funds have been reclassified as "cash and cash equivalents" for comparative balance sheet purposes.

Deposits.

At June 30, 1988, the carrying amount of University deposits was $36,193,217.31 (time deposits in the form of certificates of deposit totaling $34,031,500.00 at cost and demand deposits totaling $2,161,717.31); whereas, the balances per bank statements totaled $35,290,429.21. Time deposits of $12,100,000.00 with maturities beyond one year are shown as investments on the balance sheet. All deposits were secured by federal depository insurance or collateral pledged to secure University deposits. Total face amount and market value of these collateral securities at June 30, 1988 was $71,990,492.02 and $70,115,472.41 respectively.

The University's deposits are categorized in accordance with Governmental Accounting Standards Board (GASB) Statement 3 which defines the level of risk assumed by the University for its time deposits. All University deposits are level 1, consisting of deposits that are insured or collateralized with securities held by the University's agent in the University's name.

Marketable Securities and Government Repurchase Agreements.

Eligible investment securities with maturities less than one year (carrying amount $93,885,910.86 and market value $94,444,711.30) are included as cash and cash equivalents on the balance sheet. These securities are categorized as described below to indicate the level of risk assumed by the University. The University's standard "General Terms and Conditions of Repurchase Agreements" require that the securities underlying repurchase agreements have market values between 95% and 110% of the cost of the repurchase agreement and be delivered to its agents' trust account at the Federal Reserve Bank - Memphis. The market value of securities underlying repurchase agreements at June 30, 1988 was $31,462,969.99.

Investments.

The Current Fund balance sheet classification "Investments" includes all temporary investments with maturities beyond one year and is comprised of $12,100,000.00 certificates of deposit and $28,299,598.83 U.S. government and agency securities. Securities previously shown as Current Fund "cash and cash equivalents" at June 30, 1987, in the amount of $30,171,009.86 have been reclassified as "investments" for comparative balance sheet presentation.

Other investments shown on the balance sheet are classified by type of investment (bonds, stocks, real estate, and etc.) and are valued at cost or in the case of gifts, fair market value on the date of gift.

GASB Statement 3 requires that investments be categorized to indicate the level of risk a sumed by the University. Category 1 consists of investments that are insured or registered or for which the securities are held by the University or its agent in the University's name. Category 2 consists of uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the University's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent but not in the University's name. Detailed below are these categorizations.

	Category 1	Category 2	Category 3	Carrying Amount	Market Value 6/30/88
Cash Equivalents					
Government Securities	$ 64,085,910.86			$ 64,085,910.86	$ 64,644,711.30
Repurchase Agreements	25,000,000.00	$ 4,800,000.00		29,800,000.00	29,800,000.00
	$ 89,085,910.86	$ 4,800,000.00		$ 93,885,910.86	$ 94,444,711.30
Investments					
Domestic Securities					
Government Securities	$ 50,894,794.45			$ 50,894,794.45	$ 51,612,733.73
Corporate Bonds	11,931,661.35	$ 4,897.00		11,936,558.35	11,583,762.23
Corporate Stocks	35,913,146.73	2,180,671.99		38,093,818.72	44,268,110.65
Mortgages and Notes	668,234.30			668,234.30	646,987.36
Real Estate	3,326,168.50			3,326,168.50	3,326,168.50
Other Investments		130,890.00		130,890.00	160,438.98
International Securities					
Government Bonds	572,850.50			572,850.50	558,255.00
Corporate Stocks	1,834,581.05			1,834,581.05	2,154,353.28
	$ 105,141,436.88	$ 2,316,458.99		$ 107,457,895.87	$ 114,310,809.73
	$ 194,227,347.74	$ 7,116,458.99		$ 201,343,806.73	$ 208,755,521.03

Note 5: Inventories

Inventories are valued at cost, which is low r than market, based on the retail method or the average cost method. Cost methods are applied on a basis consistent with prior years.

Note 6: Endowment and Life Income Funds

There are two categories of University funds which are subject to long term investment, the Endowment and Quasi-Endowment Funds and the Life Income Funds. The investment of these funds is governed by the gift instrument and the investment policies established by the Board of Trustees.

Effective July 1, 1954, the University adopted the policy of investing Endowment and Quasi-Endowment Funds over which it had full investment discretion (on which the donor or governing gift instrument do not require separate investment) in the Consolidated Investment Pool. This pooling of investments affords closer supervision of the investment portfolio and provides, regardless of size, the advantages of participation in a well diversified portfolio of investments. All Endowment and Quasi-Endowment Funds not invested as part of the Consolidated Investment Pool are separately invested to observe requirements or limitations imposed by donors. Income realized on the investment of the Endowment Funds for the year totaled $4,038,089.87.

Life Income Funds are separately invested entities requiring detailed accounting to reflect specific compliance with terms of each trust and applicable Federal regulations. The investment objectives as reflected in each agreement vary widely since they are affected by the age, income level, and needs of the beneficiaries as well as motives and objectives of the donors. Income realized in these funds for the year amounted to $1,041,649.57.

Investments of Endowment and Life Income Funds are carried at cost or, if acquired by gift, at market value on date of acquisition. The book values of Endowment Funds at June 30, 1988 was $74,446,350.90, and the market value was $78,453,567.87. This compares with a June 30, 1987 book value of $62,324,563.55 and market value of $70,332,105.16. The book value of Life Income Funds at June 30, 1988 was $13,662,015.27 and market value of $14,046,991.65. This compares with a June 30, 1987 book value of $17,351,022.95 and market value of $19,052,752.72.

Note 7: Allocation for Working Capital

The unrestricted fund balance is allocated for the amount of working capital defined as the total of all petty cash, accounts receivable, and inventories in the unrestricted fund at the balance sheet date except for student receivables, accrued interest, and amounts due on federal letters of credit. This is in compliance with the recommendations of the Tennessee Higher Education Commission.

Note 8: Bonds and Notes Payable

University of Tennessee and Tennessee State School Bond Authority bond issues, with rates ranging from 3.25% to 9.5% are due serially to 2015, and are secured by pledges of revenue of facilities to which they relate and certain other revenues and fees of the University. The total outstanding bonded indebt dness for the University at June 30, 1988 was $187,898,236.18.

Included in the total outstanding indebtedness is a $22,100,000.00 Daily Variable Rate Demand Bond (VRDB) issue which was completed in January, 1985. These variable rate bonds are due serially over the next fifteen years with monthly interest payments. However, the University is committed to retire the bonds in 10 years. This daily VRDB issue was for the purpose of acquiring and installing equipment for the University's Memorial Hospital in Knoxville. The outstanding balance at June 30, 1988 is $14,600,000.00.

Annual maturities subject to mandatory redemption for the next five years ending June 30 are as follows:

1989	$ 6,980,039.57
1990	7,435,186.63
1991	7,989,697.39
1992	8,571,911.02
1993	9,175,620.58
Subsequent Years	147,745,780.99
	$ 187,898,236.18

Short-term financing for various University projects has been secured through the Tennessee State School Bond Authority. On March 2, 1988, all previous forms of temporary financing were consolidated under the CHAMPS (Changeable Multiple Put Securities) program with Chemical Bank. These notes have a daily variable interest rate that requires interest payments monthly and a portion of principal each year until March 1, 1993, at which time the remaining principal is due. The outstanding balance at June 30, 1988 of the five year notes is $47,652,570.00. Including the short term financing, the total indebtedness of the University at June 30, 1988 is $235,550,806.18.

Note 9: Plant and Equipment

Physical plant and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts.

Note 10: Operating Leases

The University has entered into vatious operating leases for buildings and equipment. It is expected that in the normal course of business, such leases will continue to be required. Net expenditures for rentals under leases for the years ended June 30, 1988 and June 30, 1987 amounted to $5,816,823.58 and $4,881,488.84 respectively.

Note 11: Capital Lease Obligations

The University is acquiring two buildings under lease agreements which provide for the University to purchase the buildings over a period of years. The University also leases certain items of equipment which are classified as capital leases. Minimum lease payments under capital leases together with the present value of the net minimum lease payments are:

1988-89	$ 739,344.33
1989-90	785,160.05
1990-91	785,160.05
1991-92	774,353.16
1992-93	362,011.68
Later Years	668,716.65
Total	$ 4,114,745.92
Less Amounts Representing Interest and Executory Costs	677,298.02
	$ 3,437,447.90

Note 12: Insurance Coverage

Effective July 1, 1986, the Public Employees Blanket Bond issued to the State of Tennessee provides coverage for loss resulting from infidelity of University employees in the amount of $100,000 per occurrence. In addition to the blanket bond, there is a Named Position Bond also issued to the State of Tennessee covering losses arising from the infidelity of certain employees of the University in the amount of $1,000,000 per position.

Since July 1971, insurance coverage on University property has been provided through the State Property Pool Self-Insurance Program. The scheduled value of building coverage under this program is $1,137,295,900, and contents coverage is $292,742,500. Boiler insurance coverage of $5,000,000 is carried on all boiler and major pressure vesels. Eight University-owned aircraft are covered by individual policies for physical damage and public liability. Additional insurance coverage for accidental death and disability of crew and passengers of University-owned or leased aircraft in the amount of $100,000 is in force at June 30, 1988.

As an agency of the State of Tennessee, The University of Tennessee is subject to the provisions of the Tennessee Claims Commission Act, TCA 9-8-(101) to (406). As such, the liability of The University of Tennessee is limited to the provisions of this Act. Such liability for the negligence of the University for bodily injury and property damage as may be determined under this Act is limited to $300,000 per person and $1,000,000 per accident.

Note 13: Retirement Programs

The University of Tennessee offers three retirement plans fully described herewith. All regular full-time employees are required to participate in one of these plans. Regular part-time faculty and staff have the option to participate. Term employees are eligible to join a retirement plan upon completion of six months continuous active service.

a. *Tennessee Con ol dated Retirement System*

All University of Tennessee regular faculty and staff, except those on Federal appointments, are eligible to participate in the Tennessee Consolidated Retirement System (TCRS), a multiple-employer public employee retirement system. The payroll for employees covered by the system for the year ended June 30, 1988 was $148,923,479.99. The University's total payroll was $400,352,516.10.

All participating employees who retire at or after age 60 with ten years of creditable service are entitled to a retirement benefit payable monthly for life (unless available options for joint and survivor benefits are selected) based upon the member's average final compensation, years of creditable service and the Social Security Integration Level (SSIL). The annual benefit is equal to the sum of 1.5% of the employee's average final compensation up to the SSIL plus 1.75% of the employee's average final compensation in excess of the SSIL, times years of creditable service. Average final compensation is the average of the employee's highest five consecutive years of salary. Creditable service is determined as membership service under TCRS plus any other periods of service for which TCRS has acknowledged credit. Benefits are fully vested after ten years of service if employment date was on or after July 1, 1979 (if employment was before that date, benefits vest after four years). TCRS also provides death and disability benefits. Benefits are established by State statute. Effective July 1, 1981, the University assumed full responsibility for the payment of all contributions to TCRS. Prior to that date, TCRS participants contributed 5% of their salary, and the University contributed remaining amounts necessary to pay benefits when due. The University's contribution requirement for the year ended June 30, 1988 was $16,456,049.54 which represented 11.05% of covered payrolls.

The "pension benefit obligation" is the standardized disclosure measure of the present value of pension benefits adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee's service to date. The measure which is the actuarial present value of credited projected benefits is intended to help users assess the system's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits, when due, and make comparisons among public employee retirement systems and employers. TCRS does not make separate measurements of assets and pension benefit obligations for individual employers. Please refer to the June 30, 1988 State of Tennessee Comprehensive Annual Repor for the pension benefit obligation for TCRS as a whole and the net assets available for benefits on that date. The University's 1988 contribution represented 12.1% of total contributions required of all participating entities.

Ten years historical trend information showing TCRS's progress in accumulating sufficient assets to pay benefits when due is presented in TCRS's June 30, 1988 annual report.

b. *Teachers Insurance and Annuity Associat on—College Retirement Equities Fund*

All regular University employees who are classified as staff exempt, faculty or other academic may enroll in an optional retirement plan through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). This is in lieu of participation in the Tennessee Consolidated Retirement System (TCRS) detailed above. The optional retirement plan offered through TIAA-CREF is a defined contribution plan. Accordingly, benefits depend solely on amounts contributed to the plan plus investment earnings.

Effective July 1, 1981, the University assumed full responsibility for the payment of all contributions to TIAA-CREF. The participants have personal contracts with TIAA-CREF and personally own the annuities. This full vesting allows participants to transfer to other employers which participate in TIAA-CREF and continue to accumulate retirement benefits.

The University's total payroll in fiscal year 1988 was $400,352,516.10. The University contributions to TIAA-CREF were calculated using the base salary amount of $178,759,394.00 and resulted in contributions of $17,950,947.28 for 4,789 employees electing this optional retirement plan.

c. *Federal Civil Service Retirement*

All regular full time employees of The University of Tennessee Agricultural Extension Service who hold federal appointments for 51% or more of their time are required to participate in the Federal Civil Service Retirement System (FCSRS). The payroll for employees covered by FCSRS for the year ended June 30, 1988 was $15,832,307.22. The University's total payroll was $400,352,516.10.

The Federal Civil Service Retirement System is a multiple-employer retirement system and is composed of two retirement programs: The Civil Service Retirement System for participants employed prior to January 1, 1984 and the Federal Employees Retirement System for participants employed after D cember 31, 1983. Both programs are defined benefit programs.

Employees who retire under the Civil Service Retirement System will receive annual benefits for life equal to 1.5% of the "high-three" average pay for each service year up to five years, 1.75% of the same "high-three" average pay for service year between five and ten years and 2% of the same "high-three" average pay for each service year greatet than ten. The "high-three" average pay is the highest pay obtainable by averaging the rates of basic pay in effect during any three consecutive years of service. Benefits fully vest on reaching five years of service. Participating employees and the University are required to contribute 7% of salary to the plan. The contribution requirement for the year ended June 30, 1988 was $1,928,073.92 which consisted of $958,377.37 from the University and $969,696.55 from the employees.

Employees who retire under the Federal Employees Retirement System will receive annual benefits for life equal to 1.0% (1.1% if the employee retires at age 62 or later with 20 years service) of the "high-three" average pay for each year of creditable service (Basic Benefit Plan) plus Social Security benefits, plus an amount from a defined contribution plan (denoted as Thrift Savings Plan managed by the Federal Retirement Thrift Investment Board). The "high-three" average pay is the highest pay obtainable by averaging the rates of basic pay in effect during any five years of service. Participating employees are required to contribute. 94% and the University 12.86% of their salary to the Basic Benefit Plan. In addition, the University is required to contribute 1.0% of participant's salary to the Thrift Savings Plan plus up to an additional 4% depending upon employee's contribution which can range from 0 to 10% of their salary. The contribution requirements for the year ended June 30, 1988 was $289,510.46 which consisted of $22,301.41 from employees and $267,209.05 from the University for the Basic Benefit Plan and $126,927.90 from employees and $60,284.40 from the University for the Thrift Savings Plan.

Pension benefit obligation and ten year historical trend information is not available to the University.

Note 14: Funds Held In Trust By Others

The University of Chattanooga Foundation, Inc. maintains an endowment fund of which the University of Tennessee at Chattanooga is the sole income beneficiary. During the year ended June 30, 1988, the foundation transferred $1,595,001.68 to the University for support of designated projects at the Chattanooga campus. In addition, $46,849.24 was expended directly by the foundation for the benefit of The University of Tennessee at Chattanooga.

The Tennessee General Assembly appropriated $17.5 million during fiscal years 1984— 1986 to begin a Chairs of Excellence Endowment for The University of Tennessee. The appropriation provided that the Chairs of Excellence Endowment be established as an irrevocable trust with the State Treasurer and requires the University to match the appropriation on a dollar for dollar basis. The University has fully matched 35 Chairs as of June 30, 1988. The financial statements of the University include as restricted expenditures the amounts expended in the current year to match the State appropriations. The University's balance sheet does not include the amounts held in trust by the State Treasurer.

Note 15: Contingencies and Commitments

The University has contractual obligations for the construction of new buildings, additions to, and renovations of existing buildings. The outstanding commitments under such contracts at June 30, 1988 were $27,199,260.01. The University receives capital appropriations from the State of Tennessee and proceeds from Tennessee State School Bond Authority bond issues for the construction, renovation and maintenance of the University's physical plant. At June 30, 1988, amounts to be provided by the State for capital construction, renovations, and maintenance totaled $63,146,237.51.

Encumbrances which represent commitments of prior year funds for goods or services that have been ordered for which delivery has not been made or services have not been rendered as of June 30, 1988 are recorded as a reserve of the Current Fund balances. The Reserve for Encumbtances at June 30, 1988 is $6,816,619.51.

The University of Tennessee has entered into financing agreements for the construction of an Assembly Center and Arena to be built on the Knoxville Campus. Under the terms of the financing agreement, Knox County will contribute $10,000,000 towards construction of the Assembly Center and Arena. This contribution represents the net proceeds from revenue bonds issued in October 1983 by the Public Building Authority of the County of Knox and the City of Knoxville, Tennessee. The principal and in erest on these revenue bonds is to be paid from available Knox County "us r taxes" as defined in and in accordance with the terms of the financing agreement. The University of Tennessee guarantees to the Trustee of the revenue bonds, for the benefit of the Authority, the full and prompt payment of principal, interest, and any premium when and after the same shall become due. It is expressly understood and agreed that for purposes of the Guaranty, funds legally available to the Guarantor shall not include funds appropriated by the Tennessee General Assembly for The University of Tennessee academic budgets and salaries.

Va ious litigation has arisen in the course of conducting University business. The outcome of such litigation is not expected to have a material effect on the financial position of the University.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37219
PHONE (615) 741-3697

October 7, 1988

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37219

Dear Mr. Snodgrass:

We have examined the balance sheet of the University of Tennessee at June 30, 1988, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended. Our examination was made in accordance with generally accepted government auditing standards, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As described in Note 2 to the financial statements, the university has excluded the liability for accrued vacation leave from the accompanying balance sheet. In our opinion, accrued vacation leave should be included to conform with generally accepted accounting principles. The recognition of this liability would reduce the unallocated fund balances of the unrestricted current fund by $25,931,351 at June 30, 1988.

In our opinion, except for the effects of excluding the liability for accrued vacation leave in the accompanying balance sheet, the financial statements referred to above present fairly the financial position of the University of Tennessee as of June 30, 1988, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change, with which we concur, in the method of accounting for revolving accounts and unemployment compensation, as described in Note 3 to the financial statements.

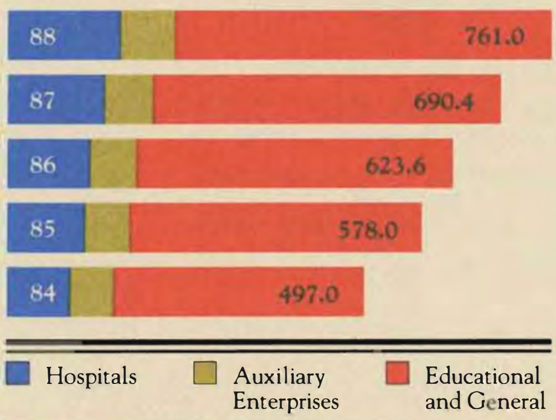
Sincerely,

Arthur A. Hayes, Jr.

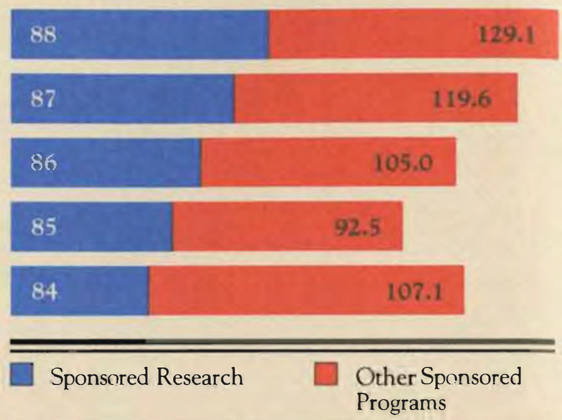
Arthur A. Hayes, Jr., CPA, Acting Director
Division of State Audit

AAH/db

Total Current Expentidures and Transfers
(in millions of dollars)



Current Restricted Expentidures
(in millions of dollars)



1987-88 Financial Report

The financial report of The University of Tennessee is prepared to provide a public accounting of the financial affairs of the University for the fiscal year ended June 30, 1988.

The University employs available resources to meet its primary missions of instruction, research, and public service. This report is designed to provide financial information that will assist the reader in determining how effectively resources are managed to meet institutional objectives.

UNIVERSITY FINANCIAL ACCOUNTING

Since the University uses available resources to provide services rather than to make a profit, the purpose of the University's financial reporting is to account for resources received, held, and used rather than to determine net income. To achieve this objective, the institution employs "Fund" accounting. There are six fund groups: Current Funds, Loan Funds, Endowment and Similar Funds, Life Income Funds, Plant Funds, and Agency Funds. Fund accounting provides the control characteristics needed to ensure that limitations and restrictions placed on the use of available resources by external parties and by the University Board of Trustees will be observed. For additional information on University accounting principles, please refer to Notes to the Financial Statements presented on page 39.

SUMMARY OF FINANCIAL OPERATIONS FOR THE YEAR

Current Funds

Current Funds are expendable for current operating needs and are further segregated between those for general, auxiliary, and hospital purposes. Current Restricted Funds refer to resources that carry an external restriction and may only be utilized for the purposes stipulated by the source of such funds. This is in contrast to Current Unrestricted Funds over which the Board of Trustees retains full control to use in the achievement of institutional goals.

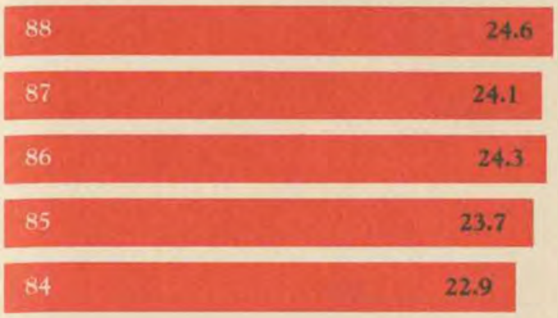
Total Current Funds revenues in 1987-88 increased by 9.5 percent over the prior year to $763.5 million. This increase represents continued improvements in the University's ability to maintain and enhance current operating levels. Moderate inflation during 1987-88 allowed the University to realize improvements in its purchasing power.

The state of Tennessee, through legislative appropriations, continues to provide the most significant amount of University operating funds. Unrestricted state appropriations in 1987-88 amounted to $259.8 million compared to $247.0 million in 1986-87, an increase of 5.2 percent. The state appropriations for 1987-88 provided full funding of the Tennessee Higher Education Commission funding formula for the second year in a row. The formula has been utilized by the legislature for nineteen years to determine the level of state support for higher education in Tennessee. Full formula funding together with new funds generated internally permitted the University to provide modest faculty and staff salary increases, to meet increased fixed costs, and to make modest improvements in some areas. The University is optimistic that the full formula funding will continue with the support of the state administration and legislature.

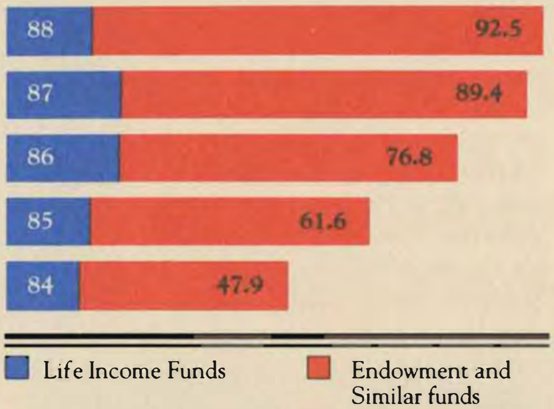
Revenues received from student tuition and fees amounted to $75.2 million, an increase of 8.5 percent over the prior year. This change resulted primarily from higher tuition and maintenance fees, approximately 7.0 percent at all campuses, and slightly higher enrollments at UT Knoxville and Memphis. Increased student fees were assessed to keep the University in line with the state's 70-30 ratio of state support to student fees.

Federal government appropriations increased 6.7 percent to $11.4 million. The amounts received from federal agencies in the form of gifts, grants, and contracts increased 14.4 percent to an all time high of $70.5 million.

Student Loan Funds
Notes Receivable (in millions of dollars)



Total Market Value of Endowment and Similar Funds, and Life Income Funds (in millions of dollars)



Sales and services of educational activities increased 4.7 percent to $18.6 million. Income from other sources amounted to $11.5 million in 1987-88, an increase of 3.1 percent from the $11.2 million in 1986-87. Improved earnings from short-term investments, $700 thousand, coupled with decreased conference revenue, $400 thousand, provided the increase. Revenue generated from short-term investments and bank account interest totaled $7.8 million in 1987-88 compared to $7.1 million in 1986-87. Although the average yield on temporary investments declined in 1987-88 to 7.2 percent from 7.4 percent in 1986-87, amounts invested for the benefit of the University increased providing the additional interest earnings.

Total Current Fund expenditures and transfers in 1987-88 increased 10.2 percent to $761.0 million. A schedule of Current Fund expenditures by function (purpose) is provided on page 38.

All Unrestricted Funds revenues are reported in the year received or accrued. All Restricted Funds receipts are recorded as additions to the fund balance of the appropriate fund group. Restricted Current Funds are then recorded as revenues in Current Funds during the period in which they are expended. Total expenditures of Restricted Funds amounted to $129.1 million in 1987-88 compared to $119.6 million in 1986-87, a 7.9 percent increase. The most significant increase, $8.3 million, resulted from increased sponsored research activity.

Auxiliary Enterprises Funds reflect transactions and funds for activities conducted to provide facilities and services for students, faculty, and staff such as housing, food service, bookstores, parking, and intercollegiate athletics at UT Knoxville. Total revenues of auxiliary enterprises during 1987-88 amounted to $73.1 million, an increase of 11.6 percent from the prior year's total revenue of $65.5 million. Expenditures and mandatory transfers to meet debt service requirements amounted to $68.5 million, an increase of 4.6 percent from 1986-87.

The University of Tennessee operates two hospitals, the UT Memorial Hospital located in Knoxville and the William F. Bowld Hospital located in Memphis. The transactions and funds for these medical facilities are presented separately in the financial statements as Hospital Funds.

Total current revenues from operations of hospitals during 1987-88 amounted to $169.0 million, an increase of 18.5 percent. The revenue increase, $22.7 million at Memorial Hospital is attributable to higher patient census and the resulting patient fees and $3.7 million at William F. Bowld Hospital is primarily attributable to patient fees. Hospital expenditures and transfers increased 15.6 percent over 1986-87 expenditure levels to $162.7 million. The William F. Bowld Hospital shows a slight deficit fund balance due to a significant amount of working capital and encumbrance reserves.

Loan Funds

Loan Funds consist of resources made available for financial loans to students of the University. The principal amount of such funds increased $1.0 million to $25.6 million. During 1987-88, 2,551 loans amounting to $3.9 million were made to students.

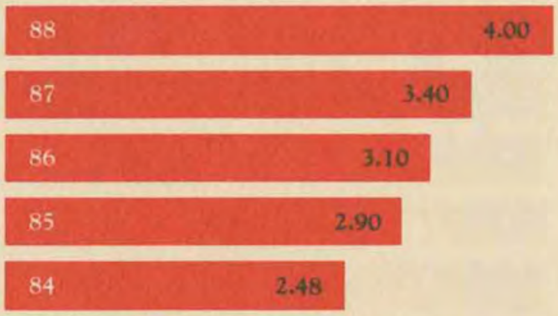
The primary source of student loans was provided through federal programs. At June 30, 1988, $21.7 million (or 84.5%) of the assets of all University loan funds had been provided by the federal government. University sources, in conjunction with matching requirements for the federal loan program, provided $1.6 million (or 6.3%) of student loan funds. The remaining $2.4 million (or 9.2 %) represented loan funds established by private donations.

Student loans outstanding at June 30, 1988, totaled $24.6 million, an increase of $514 thousand over the previous year.

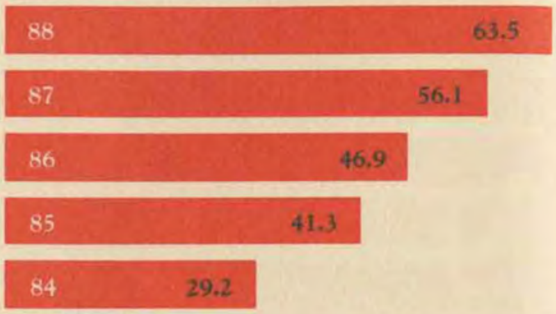
Endowment and Similar Funds

The Endowment and Similar Funds group consists of funds that have been received from donors with t e stipulation that the principal is to be maintained inviolate and remain invested to produce income for the purposes specified. Quasi-Endowment Funds are funds designated by the Board of Trustees of the University to function as endowment funds. The income earned through the investment of endowment funds is recorded in the

Endowment Income
(in millions of dollars)



Plant Funds Expenditures
(in millions of dollars)



appropriate fund group and is available for expenditure according to the purposes specified. If the income is to be added to principal per donor agreement and is not available for expenditure, it is recorded as income in the Endowment and Similar Funds. Assets of this fund group are recorded at book value which is established by the market or appraised value at the time of the gift or by the cost at the time investments are purchased.

The book value of the assets of the Endowment and Similar Funds group at June 30, 1988, was $74.4 million, and the market value was $78.4 million. The book value at June 30, 1987, was $62.3 million, and the market value was $70.3 million. Income earned from investment of funds amounted to $4.0 million for the fiscal year, an increase of 19.7 percent over the amount earned during the prior year. The income represents a return of 5.9 percent on average book value and 5.4 percent on average market value.

Effective July 1, 1954, the University adopted the policy of investing Endowment and Similar Funds over which it had complete investment discretion (those which the donor, the governing gift instrument, or other considerations do not require or warrant separate investment) in a consolidated investment pool. This practice affords closer supervision of the investment portfolio and makes available to all eligible endowment and similar funds, regardless of size, the advantages of participation in a diversified portfolio of carefully selected investments. Each contributing endowment fund participates in the income and capital appreciation of the pool on a per share basis commensurate with its contribution to the pool. Shares are revalued each month in accordance with market changes, and new funds or additions to existing funds are admitted to the pool at the current market share value.

The consolidated Investment Pool consists of funds from 772 separate endowments with a total book value of $65.5 million at June 30, 1988, and a total market value of $69.0 million. The market value increased by $9.5 million during 1987-88. The market value of a participating share was $1.644 at June 30, 1988, compared to $1.719 at June 30, 1987, a decrease of 4.3 percent. The income earned per share was $.087, which was 5.06 percent on beginning market value.

Life Income Funds

The Life Income Funds group consists of funds contributed to the University with the stipulation that designated beneficiaries receive specified interest in the income produced by the assets of the funds. The income payments terminate at a specified time, usually upon death of the beneficiaries, and the assets become available for use by the University as provided in the donor agreement.

The book value of Life Income Funds at June 30, 1988, amounted to $13.7 million compared to $17.3 million the prior year. The large decrease was attributable to the difference between $6.0 million transfers to Endowment Funds resulting from the death of income beneficiaries and $2.0 million addition of new life income trusts. Income payments to beneficiaries during the year amounted to $957 thousand.

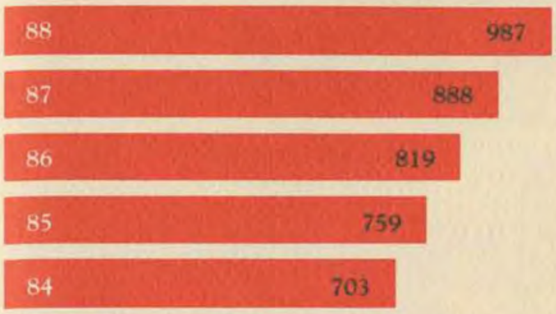
Plant Funds

The Plant Funds group of accounts consists of (1) Unexpended Plant Funds which are to be used for the acquisition or construction of physical properties; (2) Retirement of Indebtedness and Renewal and Replacement Funds which are funds set aside for debt service charges and major maintenance projects on facilities that are revenue generating; and (3) Investment in Plant which represents funds expended for and thus invested in institutional properties.

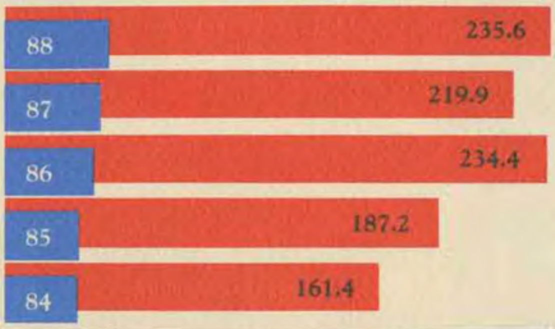
Unexpended Plant Funds balances at June 30, 1988, representing funds previously authorized or provided for additions to the University's physical plant, were $28.9 million. Of this amount $2.9 million represents state capital outlay appropriations which have been expended by the University but not reimbursed by the state treasurer at the balance sheet date, and $11.9 million represents unexpended Tennessee State School Bond Authority funding.

Total expenditures and deductions in Unexpended Plant Funds amounted to $63.5 million in

Investment in Plant
in millions of dollars)



Bonds and Notes Payable
and Reserve Funds for Debt Retirement
(in millions of dollars)



1987-88. Twenty-four projects have been completed including the $30.0 million Assembly Center and Arena, the $9.3 million Neyland Stadium Improvements, and the $1.1 million Outdoor Pool Replacement, all at UT Knoxville. Other projects completed consisted of the $1.2 million Campus Improvements at UT Martin; the $1.5 million Library/Nursing Building Completion and the $1.2 million Pathology Building Renovation at UT Memphis; the $1.7 million Central Energy Facility Expansion Phases II and III at UT Chattanooga; and the $450 thousand Advanced Technology Laboratory at the UT Space Institute. Twenty-one projects were under construction at June 30, 1988, including the $5.8 million Gibbs Hall Renovation and the $12.0 million Football Facility at UT Knoxville; the $20.8 million Professional Office Building and Garage at UT Medical Center-Knoxville; and the $4.2 million Office Building at Jackson. Additional projects under construction consisted of the $13.2 million Nash Building Renovation, the $3.4 million Pathology Building Renovation -phase V, and the $4.9 million Single Student Housing at UT Memphis; various heating and cooling system upgrades totaling $1.5 million at UT Chattanooga; and a $477 thousand project for roof replacements at UT Martin. Additional information regarding the University's capital outlay program is provided on page 48.

Retirement of Indebtedness and Renewal and Replacement Funds at June 30, 1988, amounted to $44.3 million of which $21.5 million is restricted to meet minimum contractual reserve requirements of loan, bond, and lease agreements. The remainder of these funds represent debt service and maintenance reserves required by prudent institutional management policy.

Revenues, other additions, and transfers exceeded the amounts deducted for debt service payments and transfers for capital projects by $3.5 million during 1987-88.

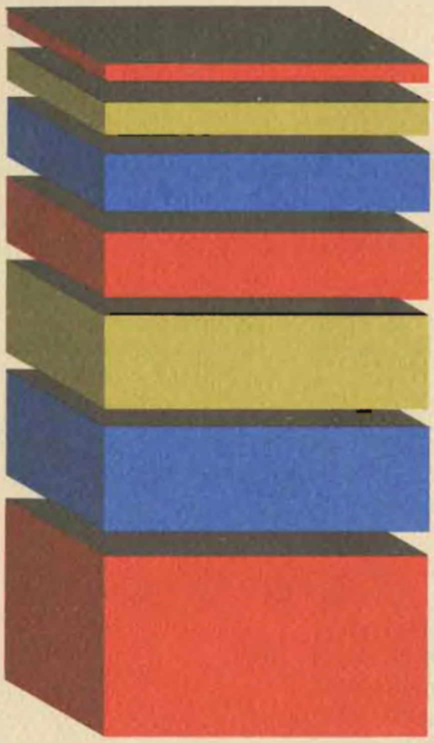
Total indebtedness for the University of Tennessee at June 30, 1988, amounted to $235.6 million, and retirement obligations continued to be met on schedule. Additional information on the University indebtedness is provided in Notes to the Financial Statements on page 39.

With the exception of real estate held as investments in Endowment and Similar Funds and Life Income Funds, the Investment in Plant section is used to account for capital assets owned by the University including land, buildings, equipment, library books, and livestock. Investment in Plant as of June 30, 1988, amounted to $984.0 million, an increase of $95.7 million over the prior year.

Agency Funds

The Agency Funds group consists of funds held by the University as fiscal agent for various third parties. Agency Funds are reflected on the Balance Sheet only and not on the Statement of Changes in Fund Balances since the net balances in each Agency Fund represents liabilities rather than fund balances. The balance of funds held for third parties at June 30, 1988, amounted to $4.1 million as compared to $4.3 million at June 30, 1987. The largest part of these funds, $3.7 million, represents charitable lead trusts. Under the terms of these lead trust agreements, the annual income earned from the trusts while held by the University is provided for University purposes. Upon expiration of these trusts, the principal will be returned to the individuals specified by the donors.

Sources of Current Revenues

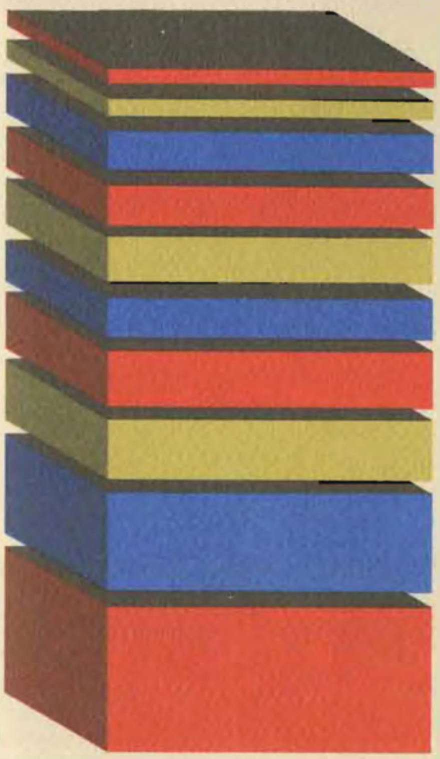


	1987-88	1986-87
Federal and Local Appropriations	1.7%	1.7%
Other	4.6%	4.8%
Tuition and Fees	9.9%	9.9%
Auxiliary Enterprises	9.6%	9.4%
Gifts, Grants, and Contracts	16.8%	16.8%
Hospitals	22.1%	20.5%
State Appropriations	35.3%	36.9%

Current Revenues

	1987-88			1986-87		
CURRENT REVENUES (in thousands of dollars)	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
General Funds						
Tuition and Fees	$ 75,228		$ 75,228	$ 69,318		$ 69,318
Federal Appropriations	11,415		11,415	10,699		10,699
State Appropriations	259,845	$ 9,637	269,482	247,002	$ 9,894	256,896
Local Appropriations	1,474		1,474	1,209		1,209
Federal Gifts, Grants, and Contracts	10,940	59,511	70,451	9,592	51,978	61,570
State Gifts, Grants, and Contracts	515	10,534	11,049	484	9,687	10,171
Local Gifts, Grants, and Contracts	2,099	2,414	4,513	1,767	1,952	3,719
Private Gifts, Grants, and Contracts	3,380	38,928	42,308	2,996	38,904	41,900
Endowment Income	98	5,252	5,350	88	4,406	4,494
Sales and Service of Educational Activities	18,641		18,641	17,807		17,807
Other Sources	11,500		11,500	11,158		11,158
Total General Funds	$ 395,135	$ 126,276	$ 521,411	$ 372,120	$ 116,821	$ 488,941
Auxiliary Enterprises Fund	73,079	4	73,083	65,486	23	65,509
Hospitals Funds	166,189	2,804	168,993	139,822	2,739	142,561
Total Current Revenues	$ 634,403	$ 129,084	$ 763,487	$ 577,428	$ 119,583	$ 697,011

Uses of Current Funds



	1987-88	1986-87
Student Aid	2.8%	2.8%
Student Services	3.0%	3.2%
Physical Plant	4.9%	5.1%
Institutional Support	6.0%	6.6%
Academic Support	6.7%	6.7%
Public Service	6.8%	6.9%
Auxiliary Enterprises	9.6%	9.4%
Organized Research	11.4%	10.9%
Hospitals	21.7%	20.4%
Instruction	27.1%	28.0%

Current Expenditures and Transfers

CURRENT EXPENDITURES AND TRANSFERS (in thousands of dollars)	1987-88 Unrestricted	1987-88 Restricted	1987-88 Total	1986-87 Unrestricted	1986-87 Restricted	1986-87 Total
General Funds						
Instruction	$ 176,641	$ 27,505	$ 204,146	$ 163,388	$ 30,026	$ 193,414
Organized Research	25,013	60,820	85,833	22,958	52,501	75,459
Public Service	32,744	18,340	51,084	32,194	15,812	48,006
Academic Support	46,516	3,435	49,951	43,478	3,030	46,508
Student Services	22,528	636	23,164	21,558	533	22,091
Institutional Support	44,431	661	45,092	44,794	1,103	45,897
Operation and Maintenance of Physical Plant	36,697	40	36,737	35,447	4	35,451
Student Aid	6,269	14,838	21,107	5,686	13,812	19,498
Transfers	8,759		8,759	(1,345)		(1,345)
Total General Funds, Expenditures and Transfers	$ 399,598	$ 126,275	$ 525,873	$ 368,158	$ 116,821	$ 484,979
Auxiliary Enterprises Fund						
Expenditures	$ 63,412	$ 4	$ 63,416	$ 57,495	$ 23	$ 57,518
Transfers	9,080		9,080	7,225		7,225
Total Auxiliary Enterprises Fund, Expenditures and Transfers	$ 72,492	$ 4	$ 72,496	$ 64,720	$ 23	$ 64,743
Hospitals Funds						
Expenditures	$ 150,491	$ 2,803	$ 153,294	$ 125,207	$ 2,739	$ 127,946
Transfers	9,383		9,383	12,780		12,780
Total Hospitals Funds, Expenditures and Transfers	$ 159,874	$ 2,803	$ 162,677	$ 137,987	$ 2,739	$ 140,726
Total Current Expenditures And Transfers	$ 631,964	$ 129,082	$ 761,046	$ 570,865	$ 119,583	$ 690,448

Major Capital Construction Programs 1987-88

(in thousands of dollars)

SOURCE OF FUNDS

Major Capital Construction Completed 1987-88	State Appropriation	TSSBA	Local Appropriation	Federal Grant
Assembly Center and Arena - Knoxville	$ 7,000	$ 8,000	$ 10,000	
Improvements to Neyland Stadium - Knoxville		9,300		
Unfinished Space in Walters Life Sciences Building - Knoxville				
Electrical Distribution System - East White Avenue - Knoxville	750			
Replacement of Outdoor Swimming Pool - Knoxville				
Dougherty Engineering Building Roof Replacement - Knoxville	210			
Central Energy Facility - Phase II & III - Chattanooga	1,720			
Math Building and Holt Hall Roof Replacement - Chattanooga	133			
Library/Nursing Building - Completion of Two Floors - Memphis	1,500			
Pathology Building Renovation - Phase VI - Memphis	1,500			
First Floor Renovation of Doctors' Office Building - Memphis				
Cooling Tower Replacement at Child Development Center - Memphis	180			
PET Facility - Memorial Hospital				
Professional Office Building and Parking Garage - Memorial Hospital		17,200		
Relocation of Admitting Office - Memorial Hospital				
R.O.T.C. Firing Range and Pacer Stadium - Martin	1,200			
Roof Replacement on Residential Buildings - Phase I & II - Martin				
Advanced Technology Laboratory - UTSI	450			
College of Veterinary Medicine Space Renovation - Institute of Agriculture				
Highland Rim Headquarters Building Renovation - Institute of Agriculture	50			
Tobacco Experiment Station Headquarters Building Renovation - Institute of Agriculture	50			
Spinning Laboratory and Fiber Research Laboratory Renovation - Institute of Agriculture	270			
Ellington 4-H Center Swimming Pool Renovation - Institute of Agriculture	165			
MAJOR CAPITAL CONSTRUCTION COMPLETED	**$14,828**	**$34,500**	**$10,000**	

Major Construction in Progress at June 30, 1988 (estimated completion date)	State Appropriation	TSSBA	Local Appropriation	Federal Grant
Alterations and Addition to Gibbs Hall - Knoxville (July 1988)	$ 5,750			
Football Facility - Knoxville (July 1989)	7,000			
Glocker Business Building Chiller Replacement - Knoxville	450			
Replacement and Disposal of PCB Contaminated Electrical Transformers - Knoxville (September 1988)	994			
Roof Replacements - Martin (November 1988)	477			
Improvements to Building Systems - Harrison Building - Memphis (December 1988)	400			
Nash Building Renovation - Phase I - Memphis (January 1990)	13,175			
Pathology Building Renovation - Phase VII - Memphis (January 1990)	3,425			
Single Student Housing - Memphis (August 1988)	4,450			
Wittenborg Building Renovation - Level 3 (January 1989)				
Improvements to Electrical and Air Conditioning Systems in Founders Hall - Chattanooga (October 1988)	650			
Installation of Heating and Cooling System in Patten Chapel - Chattanooga (August 1988)	170			
North Stadium Dormitory Heating and Cooling System - Chattanooga (August 1988)				$ 243
Grote Hall Air Conditioning Upgrades - Chattanooga (August 1988)	275			70
Reroofing of 605 Oak Street - Chattanooga (July 1988)	50			
MAJOR CAPITAL CONSTRUCTION IN PROGRESS	**$37,266**			**$ 313**

University Funds			
Current Unrestricted	Current Restricted	Maintenance Reserve	Project Total
	$ 5,000		$ 30,000
			9,300
	592		592
			750
		$ 1,130	1,130
			210
			1,720
			133
			1,500
			1,150
	147		147
			180
$300			300
3,580			20,780
240			240
	201		1,401
		310	310
			450
	170		170
			50
			50
			270
			165
$ 4,120	$ 6,110	$ 1,440	$70,998

			$ 5,750
	$ 5,000		12,000
			450
			994
			477
			400
			13,175
			3,425
		$ 473	4,923
$ 173	202		375
			650
			170
	57		300
			345
			50
$ 230	$ 5,202	$ 473	$43,484

The University of Tennessee Ten Year Summary

For the Fiscal Year	1987-88	1986-87	1985-86	1984-85
Sources of Operating Revenues (,000)				
State Appropriations	$269,482	$256,896	$228,664	$208,917
Student Fees	75,228	69,318	62,371	57,524
Federal Appropriations	11,415	10,699	11,427	11,018
Other (Gifts, Grants, Sales and Services, etc.)	165,286	152,028	139,883	128,588
Total General Funds	$521,411	$488,941	$442,345	$406,047
Auxiliary Enterprises	73,083	65,509	62,483	60,480
Hospitals	168,993	142,561	121,828	112,332
Total Revenues–Current Funds	$763,487	$697,011	$626,656	$578,859
Current Expenditures and Transfers (,000)				
Instruction	$204,146	$193,414	$175,090	$163,432
Organized Research	85,833	75,459	65,354	58,136
Public Service	51,084	48,006	45,792	41,836
Academic Support	49,951	46,508	45,543	39,747
Student Services	23,164	22,091	19,920	16,972
Institutional Support	45,092	45,897	41,193	36,091
Operation and Maintenance of Physical Plant	36,737	35,451	33,508	31,505
Student Aid	21,107	19,498	19,091	17,492
Transfers	8,759	(1,345)	(1,093)	238
Total General Funds-Expenditures and Transfers	$525,873	$484,979	$442,398	$405,449
Auxiliary Enterprises Expenditures and Transfers	$ 72,493	$ 64,742	$ 62,427	$ 60,625
Hospital Expenditures and Transfers	$162,678	$140,726	$118,777	$111,940
Total Current Expenditures and Transfers	$761,044	$690,447	$623,602	$578,014
Expenditures Converted to 1988	x1.000	x1.041	x1.064	x1.095
Equivalent by Consumer Price Index Factor	$761,044	$718,755	$663,513	$632,925
Current Unrestricted Fund Assets (,000)				
Educational and General	$ 83,167	$ 77,439	$ 59,918	$ 55,382
Auxiliary	17,587	16,803	16,292	15,512
Hospital	44,497	37,262	35,017	34,225
Total Current Funds	$145,251	$131,504	$111,227	$105,119
Student Loan Funds				
Notes Receivable (,000)	$ 24,595	$ 24,081	$ 24,272	$ 23,661
Loans Issued (by year)	2,551	2,576	2,885	2,708
Endowment Funds (,000)				
Market Value	$ 78,454	$ 70,332	$ 57,952	$ 47,680
Life Income Funds				
Market Value	$ 14,047	$ 19,053	$ 18,856	$ 13,922
Plant Funds (,000)				
Long-term Debt	$235,551	$219,903	$234,434	$187,233
Reserves for Debt Service	$ 44,261	$ 40,792	$ 38,041	$ 31,672
Net Invested in Plant	$745,006	$660,298	$574,442	$556,569
Capital Outlay Expenditures	$ 63,527	$ 56,126	$ 46,884	$ 41,265
General Data				
Total Enrollment	39,890	39,955	39,814	40,881
Knoxville	25,987	25,842	25,397	26,158
Chattanooga	7,355	7,484	7,564	7,474
Martin	4,785	4,923	5,053	5,366
Nashville				
Memphis	1,763	1,706	1,800	1,883
Degrees Granted	7,259	6,988	7,292	7,682
Full-Time Employees	13,579	13,042	12,679	12,340
Full-Time Faculty	2,794	2,716	2,638	2,675
% tenured	61.3%	61.1%	63.2%	63.4%
Total Private Gifts (,000)	$ 29,636	$ 30,922	$ 27,867	$ 22,489
Academic Year Student Fees (Knoxville)				
Instate	$ 1,404	$ 1,323	$ 1,125	$ 999
Out of state (additional)	$ 2,604	$ 2,433	$ 2,154	$ 1,974
State Appropriation/FTE	$ 4,919	$ 4,666	$ 4,331	$ 4,016

1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
$173,149	$165,890	$154,284	$144,384	$134,761	$126,003
52,254	51,693	46,254	40,050	34,054	31,975
11,411	10,812	10,595	9,662	9,401	8,423
110,825	107,751	104,771	97,718	90,221	76,973
$347,639	$336,146	$315,904	$291,814	$268,437	$243,374
56,851	57,780	52,815	49,192	44,068	39,735
91,779	93,042	84,889	72,993	56,895	50,669
$496,269	$486,968	$453,608	$413,999	$369,400	$333,778
$141,213	$134,983	$125,808	$112,916	$102,631	$ 95,454
47,971	44,392	44,676	49,339	43,977	37,725
35,003	36,456	34,514	33,433	31,426	28,730
31,296	31,187	27,722	26,060	22,931	20,712
15,569	15,084	13,188	12,207	10,556	9,691
31,944	30,599	27,304	24,406	22,643	22,107
28,729	26,925	26,364	23,821	20,928	19,234
16,839	16,103	16,000	8,707	7,852	7,046
(1,835)	(1,181)	7	(187)	6,191	64
$346,729	$334,548	$315,583	$290,702	$269,135	$240,763
$ 57,629	$ 57,659	$ 52,014	$ 47,932	$ 43,494	$ 40,233
$ 92,606	$ 86,433	$ 81,623	$74,0798	$ 56,540	$ 46,431
$496,964	$478,640	$449,220	$412,713	$369,169	$327,427
x1.138	x1.180	x1.231	x1.338	x1.492	x1.691
$565,545	$564,795	$552,990	$552,210	$550,800	$553,679
$ 49,123	$ 46,778	$ 69,806	$ 61,222	$ 62,271	$ 54,825
15,835	15,427	14,757	13,447	12,920	10,303
36,173	36,942	29,576	28,923	18,584	15,844
$101,131	$ 99,147	$114,139	$103,592	$ 93,775	$ 80,972
$ 22,927	$ 22,150	$ 20,896	$ 19,760	$ 18,256	$ 17,098
2,961	2,919	2,498	2,814	3,073	3,504
$ 35,899	$ 33,768	$ 24,616	$ 24,165	$ 20,800	$ 17,325
$ 11,974	$ 12,578	$ 9,638	$ 9,511	$ 10,690	$ 10,292
$161,368	$164,250	$129,280	$113,860	$105,559	$108,325
$ 30,813	$ 30,533	$ 21,529	$ 20,155	$ 18,881	$ 17,748
$525,415	$484,827	$487,072	$434,259	$395,347	$373,788
$ 29,242	$ 33,539	$ 33,330	$ 37,229	$ 19,887	$ 15,339
42,535	42,136	43,740	45,402	45,223	49,485
27,018	27,041	28,601	30,282	30,391	29,720
7,839	7,544	7,483	7,600	7,545	7,104
5,690	5,525	5,538	5,328	5,163	5,090
					5,419
1,988	2,026	2,118	2,192	2,124	2,152
7,618	7,477	7,950	8,071	8,184	8,128
11,980	11,410	11,952	12,202	11,707	12,121
2,679	2,635	2,681	2,805	2,808	2,909
63.4%	63.6%	60.0%	57.5%	56.2%	54.6%
$ 15,724	$ 11,691	$ 12,078	$ 12,893	$ 17,899	$ 10,376
$ 867	$ 867	$ 741	$ 657	$ 558	$ 510
$ 1,761	$ 1,761	$ 1,530	$ 1,224	$ 1,002	$ 936
$ 2,991	$ 2,868	$ 2,521	$ 2,279	$ 2,172	$ 2,043

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University Relations

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Kathy Aycock, Editor
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Robert L. Blackwell
Vice Chancellor for Business and Finance
University of Tennessee, Memphis

William R. Rice
Associate Vice President for Health Affairs

O. Clinton Shelby
Director of Business Affairs
Institute of Agriculture

Gary W. Baskette
Business Manager
Institute for Public Service and State-Wide Division of Continuing Education

Additional detailed financial information is provided in the *Report of the Treasurer 1988*, available upon request.

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University Relations
467 Communications Building
The University of Tennessee
Knoxville, TN 37996-0340