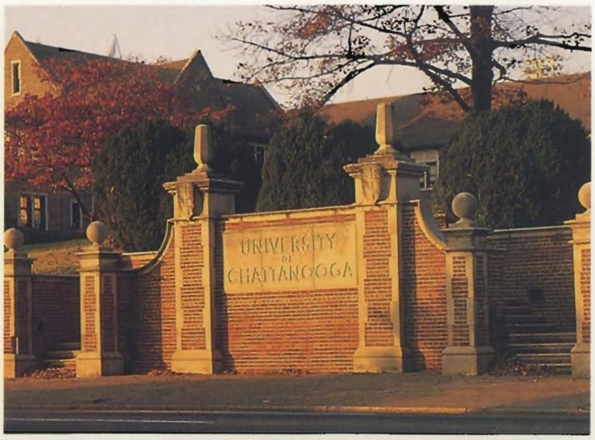
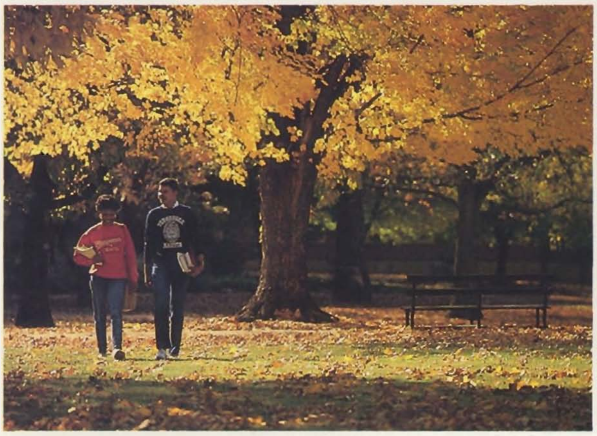
ONE FRESHMAN'S PERSPECTIVE





1988-89 ANNUAL REPORT / THE UNIVERSITY OF TENNESSEE / LAMAR ALEXANDER, PRESIDENT

Photographs on the front cover showing the Knoxville, Chattanooga, Martin, and Memphis campuses are by Robin Hood (UTC '63).

ONE FRESHMAN'S PERSPECTIVE

1988-89 Annual Report
The University of Tennessee
Lamar Alexander, President

I am at the end of my freshman year as president of the University of Tennessee. One of the things I'm supposed to do is make a report describing those first 12 months—what I've found out about UT—the things I've done.

I feel like I think most freshmen do at the University of Tennessee toward the end of their first year—they love it. That's one of the things that struck me—whether I'm on the Knoxville campus or on any of the other campuses—the students really do love it. That's what they tell me, and that's what they tell their parents.

I feel exactly the same way about UT. How to describe that feeling is another matter. I've discovered it's almost impossible to *tell* people about a university. You have to *show* it to them. So this annual report will be a little different. Rather than overwhelm you with facts and figures, I'm going to first share with you my goals, and then use photographs and stories to show you a little of my freshman year, to give you a taste of UT.

During the first year, I've been focusing on three things. The first thing is what you do in any new job. You just sink into it and learn as much as you can. If you try to do much more than that you're bound to make a lot of mistakes. And, the second thing you do is figure out what the main job is. I think I knew that coming in because everybody—the alumni, the faculty, the students, the governor—gave me marching orders. They said *I should help the University of Tennessee continue to improve its academic quality.* That's the main thing we have to do. And the third thing in the first year that I've been working on is responding to some very important changes in UT's leadership that were occurring because of retirements.

I've also been looking at the team of people in key positions at UT and making some decisions about where the players fit in as we get ready to make some changes of our own. I think it's fair to say change comes slower in a university than in most other institutions. Some people think I've been trying to move the University a little faster than a university might ordinarily move. Most everyone would agree: this has been a year of change at UT.

For next year, there are three things that I'll be spending most of my time doing. First, goal setting for the University's 200th birthday. That comes along in 1994. It's not a bit too early to begin thinking about UT '94. We know our overall goal: We are working hard to build for Tennesseans one of America's best state universities. But whether we reach our overall goal will depend upon thousands of personal goals, and those have to be set campus by campus, department by department. It's going to take some time because I know I shouldn't set those goals myself. The goals have to be set like they were set for Tennessee Homecoming '86. People have to set their own goals for themselves. Goals have to bubble up. If that's going to happen, we have to establish a process that causes everyone in the University community to want to set goals for themselves. Then they can plan to celebrate what they have to celebrate and get on with it.

To start getting ready for UT '94, I've asked the executive vice president—Dr. Joe Johnson—and the senior vice president—Homer Fisher—to begin thinking about our 200th birthday and how we can set our goals and get everyone in the University community involved. They'll be working on that hard for the next 12 months.

The second thing that I will spend more time on in the next year is helping the public understand our goals and our accomplishments. I'm convinced that most Tennesseans don't know how good their state university is. Now that's not to say we just need to be cheerleaders. The best way to be *thought* of as good is to *be* good. So we've got to important changes in UT's leadership that were occurring because of retirements.

I've also been looking at the team of people in key positions at UT and making some decisions about where the players fit in as we get ready to make some changes of our own. I think it's fair to say change comes slower in a university than in most other institutions. Some people think I've been trying to move the University a little faster than a university might ordinarily move. Most everyone would agree: this has been a year of change at UT.

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The third thing I'm going to focus on is determining where we'll find the money we'll need to reach our goals. How do we pay the bill? We're not going to start by asking people for more money. We're going to start by looking within ourselves for ways to save money on administration and to shift those savings to faculty salaries or other academic purposes. There may be some things we're doing now that we don't need to do. If we didn't do them, we could do some other things better.

To help in this process, some of us in administration are going to school. We're going because I'm constantly meeting top executives of some of America's best-managed corporations who come up to me and say, "We send our top people to your College of Business at UT Knoxville to learn about how to be better managers so we can compete with the Japanese." For example, the vice president for research at Procter & Gamble told me that. So did the president of Martin-Marietta Aeronautics and the chief financial officer for Campbell Soup. And so I've asked the obvious question, "Well, if they're so good why aren't we their client? Our own client?" So some of us who are administrators are going to see if we can learn anything from ourselves, at our own Institute for Quality through Productivity, so we can be better managers.

Goal setting, letting the world know how good UT is, and figuring out how to pay the bill—that's where my focus will be this coming year.

Throughout my first 12 months we've been talking about how important it is that we keep the students and faculty in front of people when we're trying to talk about the University. There wasn't a better example of that than when we went to Chattanooga a few months ago for a meeting of the UT gift societies. The high point of the evening was the introduction of three UT Chattanooga seniors . . .


FLETCHER

Joel "J.G." Fletcher from Athens, Ga., was the first senior introduced. A fascinating guy, J.G. was a Cub Scout den leader and a cellist in the campus orchestra. Now he's going to Harvard Medical School.

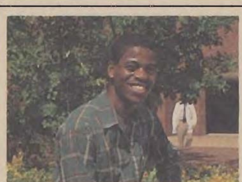

POWELL

Jayne Powell, from the Chattanooga suburb of Red Bank, sat across the table from me that evening. She applied to nine law schools and has been accepted by seven. Of the five children in Jayne's family, she is the first to graduate from college.


CHRISTIE

The third senior introduced was Karen Christie from Oak Ridge. She took a double major in molecular biology and chemistry—4.0 average on a scale of 4.0. She's going to graduate school at Berkeley. Students like J.G., Jayne and Christie are everywhere at UT.

For example, Jerry Lovelace and Cynthia Cross are in medical school at UT Memphis. Jerry started with the class of 1986. He wants to earn a Ph.D. and an M.D. and dreams of someday being on the faculty of a medical school.


LOVELACE

Cynthia Cross, a fourth-year medical student, was elected by her classmates to receive the College of Medicine's Outstanding Community Service Award. Jerry and Cynthia are representative of the changes occurring in the student body of UT Memphis. Chancellor James Hunt has worked hard for those changes. Until just a few years ago, there were very few black medical students at UT Memphis. Last year, 17 of the 150 students admitted were black. Chancellor Hunt told me that all 17 successfully completed their first year of classes and are moving on to their second. Chancellor Hunt also likes to talk about a survey of 28 southern medical schools—schools which traditionally have had few black faculty members. In that survey UT Memphis ranked second in employment of black faculty.


CROSS

Another outstanding senior, Cary Martin, is a communications major at UT Martin. Members of the UT Development Council met Cary when they visited the Martin campus. This summer Cary headed to New York on a fellowship to work in news reporting at one of the three major television networks. Of the 700 students from across the country who applied for the fellowship, 15 were chosen. I don't think any member of the Development Council doubts that Cary will make the most of this rare opportunity.


MARTIN

John Claybrooks is a marketing major at UT Knoxville and president of the campus' Student Government Association. He's also been governor of the American Legion's Boys' State and Youth Mayor of Nashville. John recently began an internship in Procter & Gamble's Food Management Division.


CLAYBROOKS

Some of John Claybrooks' classmates at UT Knoxville this year were winners of the General Motors Methanol Marathon. GM challenged some of the top engineering schools in the country to figure out how to take a Chevy and rework it so that the car could use methanol efficiently. The UT team did it, and they drove the car in competition all the way from Detroit to Washington, D.C. First place went to the engineering students from UT Knoxville.


METHANOL TEAM

I remember my very first day at UT Chattanooga. I was there for my campus visit, the visits almost all members of the UT Board of Trustees made this year to each campus. At UTC, I spent the day with Ben Gross, who was described to me as "just your typical professor." That afternoon, the Council for the Advancement and Support of Higher Education picked Ben as its state Teacher of the Year! He's a wonderful teacher of chemistry, and he's someone well worth meeting.


GROSS

I grew up with Howard Horn, who is now professor and vice chairman of medicine at UT Memphis. Members of the Board of Trustees this year met him at one of their meetings. He played trombone at Oak Ridge High School and went on to Harvard Medical School. At one time Howard weighed about 250 pounds. Now he's lost about 80 pounds and he's come to UT Memphis to teach. The students love him.


HORN

My former dean at New York University Law School says Marilyn Yarbrough, dean of our law school, is really first rate. That's saying something, considering he's the chairman of the American Bar Association's Legal Education Committee and is supposed to know about such things. The UT law school is a very competitive place right now, and it has a bright future because Marilyn Yarbrough is doing a great, great job.


YARBROUGH

Chancellor Margaret Perry is a familiar face in the UT community. Margaret Perry didn't just give a bunch of orders about recruiting students. She got busy on the telephone herself. Every day this fall, she called students to tell them about

UT Martin. She did a lot of special things like that, including a videotape for student recruiting. As a result, enrollment at UT Martin is up.


PERRY

At the UT Space Institute, Dr. Firouz Shahrokhi has been finding applications for space-age technology. He developed a transmitter so small that an eagle can carry it, yet powerful enough to send information about the bird's location to a satellite. He hopes the transmitter will help scientists learn more about the migratory habits of these rare birds. The transmitter also might be used someday by freight companies to track the movement of tractor-trailer trucks over the nation's highways.


SHAHROKHI

Another newsmaker from the animal kingdom is Clancy, an Anheuser-Busch Clydesdale now retired to East Tennessee. In his heyday, Clancy was a celebrity. I remember when Francis, the Talking Mule, came to Blount County. Everybody turned out to see that mule, even though there are mules all over the county, because the mule had been on television. Well, Clancy has been a star of television, countless parades and other special occasions for Budweiser. When reporters started writing about Clancy, they found out that the UT College of Veterinary Medicine cares for the Anheuser-Busch Clydesdales. If you're a land-grant college and one of your businesses is caring for large animals, that's about as well-advertised a compliment as you can receive.


CLANCY

An important part of the UT tradition is athletics. After the Lady Vols this year won their second national women's basketball championship in three years, Bridgette Gordon and her teammates were invited to meet President George Bush in the White House. Bridgette presented President Bush with *her* autographed picture. I don't know anybody else who could do that, but she did. For his part, President Bush spent more time talking about the Lady Vols' 100 percent graduation rate over the past 14 years than about the team's national championships.


GORDON

From Union City, the hometown of UT Trustee Tom Elam, came Mark Griffin to make basketball history for the Tennessee Volunteers. Mark is in a tie for the school record for the most three-point shots scored in a single game. He's also a great student, with a 3.0 point average in a demanding area of study. He graduates this year.


GRIFFIN

Another piece of good news reported this year was the announcement by the College Football Association of a survey of graduation rates at member colleges and universities. Based on football players who started college in 1983 and graduated in 1988, UT Knoxville's graduation rate is in the top 13 of CFA's 63 member institutions. That puts us in a category with schools like Notre Dame, Penn State, North Carolina and UCLA—right where we want to be. I also want to emphasize that most members of the Class of '83 played in three or four bowl games, and some of them helped the Vols to win the Sugar Bowl in 1986. They are good athletes and good students.

The results of the CFA survey points to a tremendous turnaround in the academic performance of the UT Knoxville football team during the past three years. I had lunch one day this spring with Athletic Director Doug Dickey and the academic advisor to the football team, Carmen Tegano. They told me that three years ago half the football players had averages of less than 2.0—that's less than a "C" average. This year only 10 percent have less than a 2.0. It's obvious there's been some hard work done and its made a big difference.


TEGANO

A similar success story is at UT Martin. Of the 19 football players eligible to graduate this year, everyone will receive diplomas. We're very proud of that.

I previously mentioned the national championship of the Lady Vols basketball team, coached by Pat Summitt. I want to mention Pat again in this section because of all the other things she did this year. Besides playing a murderer's row schedule on her way to the NCAA Final Four, Pat Summitt took an enormous amount of time to serve on the Chancellor's Search Committee at UT Knoxville.


SUMMITT

Now I'd like to begin a section that might be subtitled, "Familiar Faces in New Places."

My predecessor, Dr. Edward J. Boling, is alive and well. This spring he was honored with the Brotherhood Award of the Knoxville Roundtable of Christians and Jews. As chairman of the Greater Knoxville Chamber of Commerce, Dr. Boling is extremely active in the community. As a university and president emeritus, he's wonderful. He helps me when I ask for it, and he's just been terrific this year.


BOLING

Jack Reese is in a special category all his own. He's going to be a familiar face in a new


REESE

place; he has rejoined the faculty to teach English. He's done a first-rate job for 17 years as chancellor of the Knoxville campus.


PRADOS

John Prados, former vice president for academic affairs, is another familiar face in a new place. He's teaching engineering now. He led the search for the new vice president at the UT Space Institute in Tullahoma.

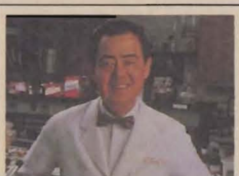
Sammie Lynn Puett, former associate vice president for university relations, is now UT vice president responsible for public service and university relations.


PUE


FISHER

Homer Fisher is another familiar face in a new place. He's gone from the Knoxville campus to UT senior vice president, a job I call "vice president for where we're going."

Andy Kang is a little different in the sense that he's been at UT Memphis for a few years as chairman of the Department of Medicine. He's an expert in rheumatoid arthritis and he's a new Chair of Excellence holder there. The Chairs of Excellence have made an enormous difference.


KANG

We talk a lot about students and faculty, but that doesn't mean that administrators aren't important, too. Take Susie Orr, for example. Susie works with UT gift clubs and helps with fund raising, and I see her at a lot of our dinners. She does a great job and she's symbolic of several hundred administrators around this University who work hard to create a good environment for our "stars"—faculty and students.


ORR

Mike and Arie Nettles are some new faces, although many UT people know them well already. Mike is a new vice president of UT and Arie is joining the faculty. They are both UT graduates.


MR. & MRS. NETTLES


HOUSTON

A celebrated new arrival is Wade Houston, the new men's basketball coach at the Knoxville campus. Wade Houston is a wonderful success story. He grew up in Alcoa and has been a pioneer in a lot of ways. If he's half the coach that he is a man, he'll be a great coach. Since his arrival, that's the kind of impression he's made on people.

John Quinn is on the job as the new chancellor of UT's Knoxville campus. John is a nationally known physicist who was dean of faculty at Brown University in Rhode Island. John and his wife, Betsy, are good, down-to-earth people and a welcome addition. Betsy just received her degree from Brown three years ago. She didn't go back to school until after all four of her kids graduated from college.


QUINN

I also should mention something I've always known about, but didn't really appreciate in terms of its significance to UT. I would call it the "sister campus" for the University of Tennessee, Knoxville—Oak Ridge National Laboratory. I call it that because, if you were to look at one asset which UT Knoxville has and which is probably its greatest ally in the effort to become nationally recognized, ORNL is it.

There are about 1,400 Ph.D. holders at Oak Ridge National Laboratory. They do some of the best research in the world there. One of the things Chancellor Reese has been proudest of in the past several years—and he ought to be—is the new connections we have with ORNL. Through such programs as the Science Alliance and Distinguished Scientists, at any given time we have 400 faculty and students at ORNL. There are about as many Ph.D. holders at ORNL as there are at the University. And leading the laboratory is Dr. Al Trivelpiece, the former head of the American Association for the Advancement of Science. The fact that he is at ORNL and that he is so interested in our University is a big asset for us.


TRIVELPIECE

To close this report, I want to recognize two of the University's most distinguished alumni, Chris Whittle and Betty Gill. Chris ought to get a gold star because on the anniversary of his graduation from UT 20 years ago, he gave us \$5.2 million. The gift was for scholarships. We're grateful to Chris because we're going to use those Whittle scholarships to attract outstanding students to UT who have his same drive and imagination.


WHITTLE

I'm going to close with Betty Gill because she ought to get a gold star, too. One reason UT is doing so well is because so many people work for free to make it better. A lot of them are UT graduates, but many of them are not. As president of the UT National Alumni Association, Betty has been the leader of those volunteers this year. She's done a wonderful job.


GILL

Lamar Alexander

July 1, 1989

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 20, 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 1988-89 and the balances available for the future. A separate publication entitled *Report of the Treasurer 1989* 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,

Charles M. Peccolo, Jr.

Charles M. Peccolo, Jr.
Acting Treasurer

Emerson H. Fly
Vice President for Business and Finance.

Balance Sheet

June 30, 1989 — **With Comparative Figures at June 30, 1988**

ASSETS

CURRENT FUNDS	1989	1988
Unrestricted		
General		
Cash and Cash Equivalents (Note 3)	$ 21,625,068.88	$ 29,628,332.01
Investments (Note 3)	39,933,755.10	40,399,598.83
Interest Receivable	2,117,556.64	2,189,725.90
Accounts Receivable (Net of Allowance of $1,185,317.54 at June 30, 1989, and $1,161,669.99 at June 30, 1988)	6,050,154.67	5,921,561.02
Inventories (Note 4)	3,681,124.98	3,732,203.76
Prepaid Expenses and Deferred Charges	1,230,383.15	1,256,898.43
Due From Life Income Funds	38,858.18	38,754.35
Total General	$ 74,676,901.60	$ 83,167,074.30
Auxiliary Enterprises		
Cash and Cash Equivalents (Note 3)	$ 9,962,402.98	$ 12,114,731.58
Accounts Receivable (Net of Allowance of $1,853,750.43 at June 30, 1989, and $1,491,952.04 at June 30, 1988)	2,302,371.74	1,545,054.57
Inventories (Note 4)	4,395,431.87	3,855,209.37
Deferred Charges	41,881.18	72,050.52
Total Auxiliary Enterprises	$ 16,702,087.77	$ 17,587,046.04
Hospitals		
Cash and Cash Equivalents (Note 3)	$ 5,838,327.20	$ 12,633,670.38
Accounts Receivable (Net of Allowance of $29,186,340.37 at June 30, 1989, and $24,140,087.80 at June 30, 1988)	38,359,394.22	29,978,752.75
Inventories (Note 4)	1,746,924.13	1,674,467.23
Deferred Charges	151,511.60	176,386.60
Stocks (Note 3)	33,250.00	33,250.00
Total Hospitals	$ 46,129,407.15	$ 44,496,526.96
Total Unrestricted	$137,508,396.52	$145,250,647.30
Restricted		
Cash and Cash Equivalents (Note 3)	$ 12,610,760.07	$ 12,094,385.93
Accounts Receivable - Educational and General	21,431,470.13	21,265,771.48
Accounts Receivable - Hospitals	1,070,345.36	674,525.16
Bonds (Note 3)	8,197.00	8,197.00
Stocks (Note 3)	206,458.00	86,522.00
Other Assets (Note 3)	19,118.79	92,031.29
Total Restricted	$ 35,346,349.35	$ 34,221,432.86
TOTAL CURRENT FUNDS	$172,854,745.87	$179,472,080.16
LOAN FUNDS		
Cash and Cash Equivalents (Note 3)	$ 2,962,543.04	$ 2,693,550.20
Interest Receivable	323,487.10	292,278.12
Notes Receivable (Net of Allowance of $2,094,922.28 at June 30, 1989, and $1,938,063.62 at June 30, 1988)	23,114,732.33	22,656,652.67
TOTAL LOAN FUNDS	$ 26,400,762.47	$ 25,642,480.99

LIABILITIES AND FUND BALANCES

CURRENT FUNDS	1989	1988
Unrestricted		
General		
Salaries and Wages Payable	$ 5,345,656.71	$ 10,066,919.60
Accounts Payable	30,601,438.48	32,490,740.40
Payroll Taxes Payable	8,800,826.54	7,662,464.83
Deposits and Advance Payments	1,639,405.05	1,625,968.70
Deferred Revenue	5,304,518.79	7,956,208.87
Fund Balances		
Allocated for Unemployment Compensation	787,683.55	879,284.54
Allocated for Revolving Accounts	1,401,661.48	1,188,191.95
Allocated for Working Capital (Note 6)	10,310,229.36	9,629,326.46
Allocated for Encumbrances (Note 14)	3,994,583.28	4,328,075.73
Allocated for Unexpended Gifts	917,258.27	984,795.21
Allocated for Reappropriation	1,424,623.00	1,799,536.00
Unallocated	4,149,017.09	4,555,562.01
Total General	$ 74,676,901.60	$ 83,167,074.30
Auxiliary Enterprises		
Accounts Payable	$ 1,682,763.07	$ 1,518,914.42
Deferred Revenue	7,695,324.03	7,787,562.16
Fund Balances		
Allocated for Working Capital (Note 6)	6,697,803.61	5,400,263.94
Allocated for Encumbrances (Note 14)	389,921.97	793,922.38
Unallocated	236,275.09	2,086,383.14
Total Auxiliary Enterprises	$ 16,702,087.77	$ 17,587,046.04
Hospitals		
Accounts and Notes Payable	$ 8,308,528.12	$ 9,209,739.42
Accrued Wages Payable	2,292,528.36	1,865,086.72
Fund Balances		
Allocated for Revolving Accounts	10,862.25	10,753.53
Allocated for Working Capital (Note 6)		
Memorial Hospital - Knoxville	36,066,652.34	27,474,130.55
William F. Bowld Hospital - Memphis	4,039,666.01	4,179,089.43
Allocated for Encumbrances (Note 14)		
Memorial Hospital - Knoxville	1,468,708.52	1,106,396.97
William F. Bowld Hospital - Memphis	997,900.66	588,224.43
Unallocated		
Memorial Hospital - Knoxville	(5,825,656.77)	587,166.87
William F. Bowld Hospital - Memphis	(1,229,782.34)	(524,060.96)
Total Hospitals	$ 46,129,407.15	$ 44,496,526.96
Total Unrestricted	$137,508,396.52	$145,250,647.30
Restricted		
Salaries and Wages Payable	$ 162,985.00	$ 248,736.00
Accounts Payable	1,606,499.89	2,058,129.42
Fund Balances		
General	32,014,398.08	30,361,916.74
Auxiliary Enterprises	199,808.90	179,469.18
Hospitals	1,362,657.48	1,373,181.52
Total Restricted	$ 35,346,349.35	$ 34,221,432.86
TOTAL CURRENT FUNDS	$172,854,745.87	$179,472,080.16

LOAN FUNDS	1989	1988
Privately Sponsored Loan Funds - Restricted	$ 2,452,801.91	$ 2,350,820.74
Institutional Loan Funds - Restricted	1,653,864.36	1,611,948.51
Federal Participation Loan Funds - Restricted	22,294,096.20	21,679,711.74
TOTAL LOAN FUNDS	$ 26,400,762.47	$ 25,642,480.99

Balance Sheet

June 30, 1989 — With Comparative Figures at June 30, 1988

ASSETS

ENDOWMENT AND SIMILAR FUNDS (Note 5)	1989	1988
Cash and Cash Equivalents (Note 3)	$ 16,859,360.09	$ 12,258,679.50
Accounts Receivable	145,275.39	
Notes Receivable (Note 3)	492,462.61	478,166.77
Bonds (Note 3)	28,263,047.28	26,431,371.27
Stocks (Note 3)	29,557,520.05	30,595,174.86
Venture Capital (Note 3)	2,108,654.00	1,750,000.00
Assets With The University of Chattanooga Foundation, Inc. (Note 3)	1,000,000.00	1,000,000.00
Assets Held By Others (Note 3)	125,690.00	125,690.00
Real Estate Gifts (Note 3)	2,187,635.50	1,804,068.50
Real Estate Equity (Note 3)	1,190,000.00	
Other Assets (Note 3)	3,200.00	3,200.00
TOTAL ENDOWMENT AND SIMILAR FUNDS	$ 81,932,844.92	$ 74,446,350.90

LIFE INCOME FUNDS (Note 5)	1989	1988
Cash and Cash Equivalents (Note 3)	$ 1,228,058.87	$ 865,345.12
Accounts Receivable	500.50	88,563.87
Notes Receivable (Note 3)	116,456.97	134,663.17
Bonds (Note 3)	11,050,911.98	8,566,286.20
Stocks (Note 3)	2,790,707.96	2,946,506.91
Real Estate (Note 3)	1,265,900.00	1,060,650.00
TOTAL LIFE INCOME FUNDS	$ 16,452,536.28	$ 13,662,015.27

PLANT FUNDS	1989	1988
Unexpended Plant		
Cash and Cash Equivalents (Note 3)	$ 9,299,529.00	$ 13,339,981.89
Accounts Receivable		315,105.00
Notes Receivable (Note 3)	24,764.95	36,773.07
Stocks (Note 3)	11,500.00	11,500.00
Real Estate (Note 3)	110,050.00	390,050.00
State Education Building Bond Appropriations	2,792,780.65	2,883,918.15
Authorized Bond Issues - Tennessee State School Bond Authority	1,791,604.80	11,890,173.24
Total Unexpended Plant	$ 14,030,229.40	$ 28,867,501.35
Retirement of Indebtedness and Renewal and Replacement		
Cash and Cash Equivalents (Note 3)	$ 22,398,014.65	$ 22,863,912.28
Assets With Trustees		
Tennessee State School Bond Authority	21,173,166.72	21,393,939.75
Telephone System Reserve Funds		2,846.38
Department of Education Student Housing Reserve Fund	274,419.90	
Total Retirement of Indebtedness and Renewal and Replacement	$ 43,845,601.27	$ 44,260,698.41
Investment in Plant (Note 8)		
Land	$ 27,292,814.42	$ 26,572,108.86
Buildings	704,574,330.25	659,822,007.61
Improvements Other Than Buildings	40,041,720.57	36,856,520.15
Equipment	239,443,705.77	209,152,811.16
Library Books (At $20.00 Per Volume)	54,808,940.00	52,918,180.00
Livestock (At Market)	1,694,421.00	1,356,756.00
Total Investment in Plant	$1,067,855,932.01	$ 986,678,383.78
TOTAL PLANT FUNDS	$1,125,731,762.68	$1,059,806,583.54

AGENCY FUNDS	1989	1988
Cash and Cash Equivalents (Note 3)	$ 1,026,996.86	$ 359,258.44
Accounts Receivable	154,882.90	124,321.43
Bonds (Note 3)	98,750.00	98,750.00
Stocks (Note 3)	3,505,446.00	3,505,446.00
TOTAL AGENCY FUNDS	$ 4,786,075.76	$ 4,087,775.87

LIABILITIES AND FUND BALANCES

ENDOWMENT AND SIMILAR FUNDS	1989	1988
Accounts Payable	$ 225,000.00	$ 433,700.00
Fund Balances		
Allocated for Losses on Consolidated Investment Pool	11,921,475.86	10,927,828.18
Endowment - Restricted	64,942,364.28	58,769,253.25
Quasi-Endowment - Restricted	194,606.11	170,318.70
Quasi-Endowment - Unrestricted	4,649,398.67	4,145,250.77
TOTAL ENDOWMENT AND SIMILAR FUNDS	$ 81,932,844.92	$ 74,446,350.90
LIFE INCOME FUNDS		
Due To Current General Funds	$ 38,858.18	$ 38,754.35
Fund Balances - Restricted	16,413,678.10	13,623,260.92
TOTAL LIFE INCOME FUNDS	$ 16,452,536.28	$ 13,662,015.27
PLANT FUNDS		
Unexpended Plant (Note 14)		
Accounts Payable	$ 3,008,883.52	$ 3,911,915.26
Fund Balances		
Restricted		6,920,348.28
Designated	11,021,345.88	18,024,809.69
Undesignated		10,428.12
Total Unexpended Plant	$ 14,030,229.40	$ 28,867,501.35
Retirement of Indebtedness and Renewal and Replacement Fund Balances		
Allocated for Interest Payable	$ 2,467,109.27	$ 2,319,487.45
Unallocated - Restricted	21,553,970.01	21,527,075.81
Unallocated - Unrestricted	19,824,521.99	20,414,135.15
Total Retirement of Indebtedness and Renewal and Replacement	$ 43,845,601.27	$ 44,260,698.41
Investment in Plant		
Tennessee State School Bond Authority Indebtedness (Note 7)	$ 232,771,766.60	$ 235,395,806.18
Notes and Liens Payable (Note 7)	234,981.74	
Bonds Payable (Note 7)	125,000.00	155,000.00
Leaseholds Payable (Note 10)	3,100,962.59	3,437,447.90
Fund Balance		
Net Investment in Plant	831,623,221.08	747,690,129.70
Total Investment in Plant	$1,067,855,932.01	$ 986,678,383.78
TOTAL PLANT FUNDS	$1,125,731,762.68	$1,059,806,583.54
AGENCY FUNDS		
Accounts Payable	$ 1,165.42	$ 7,682.74
Deposits Held in Custody for Others	4,784,910.34	4,080,093.13
TOTAL AGENCY FUNDS	$ 4,786,075.76	$ 4,087,775.87

Statement of Changes in Fund Balances

Year Ended June 30, 1989

	Current Funds			
	General	Auxiliary Enterprises	Hospitals	Total
FUND BALANCE JULY 1, 1988	$ 23,364,771.90	$ 8,280,569.46	$ 33,421,700.82	$ 65,067,042.18
REVENUES AND OTHER ADDITIONS				
Unrestricted Current Funds Revenues	$432,468,606.88	$ 73,355,965.39	$186,587,116.19	$692,411,688.46
Revenues Transferred From Restricted Current Funds	139,504,437.97	11,812.24	3,400,341.85	142,916,592.06
Restricted Gifts and Grants				
Perkins 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 Lease Payments and Additions				
Gifts and Other Sources				
Student Debt Service Fees				
Federal Interest Subsidy Grants				
Special State Legislature Appropriations				
Plant Acquisitions and Adjustments (Including $43,713,463.06 charged to current fund expenditures)				
Bonds and Notes Issued and Retired				
TOTAL REVENUES AND OTHER ADDITIONS	$571,973,044.85	$ 73,367,777.63	$189,987,458.04	$835,328,280.52
EXPENDITURES AND OTHER DEDUCTIONS				
Unrestricted Current Funds Expenditures	$429,538,800.42	$ 66,585,033.22	$176,302,224.27	$672,426,057.91
Restricted Current Funds Expenditures	139,504,437.97	11,812.24	3,400,341.85	142,916,592.06
Transferred to Current Funds Revenues				
Indirect Cost Recoveries to Current Funds				
Other Deductions				
Revolving Account Funding (Net)	(6,376,564.63)		(108.72)	(6,376,673.35)
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 Lease Additions				
Bonds and Notes Issued				
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	$562,666,673.76	$ 66,596,845.46	$179,702,457.40	$808,965,976.62
TRANSFERS				
Mandatory				
Debt Service Requirements	$ (6,509,275.02)	$ (5,911,475.81)	$ (9,246,114.87)	$ (21,666,865.70)
Matching Loan Funds	(42,494.85)			(42,494.85)
Restricted Current Funds	(165,575.00)			(165,575.00)
Endowment Adjustment	(404,281.40)	(60,000.00)		(464,281.40)
Non-Mandatory				
Operating Transfers	907,780.44	46,819.56	(954,600.00)	
Capital Project Transfers	(265,871.34)	(1,312,154.90)	2,022,364.08	444,337.84
Debt and Maintenance Reserves	(3,206,369.79)	(490,689.81)		(3,697,059.60)
TOTAL TRANSFERS	$ (9,686,086.96)	$ 7,727,500.96)	$ (8,178,350.79)	$ (25,591,938.71)
NET INCREASE (DECREASE) FOR THE YEAR	$ (379,715.87)	$ (956,568.79)	$ 2,106,649.85	$ 770,365.19
FUND BALANCE JUNE 30, 1989	$ 22,985,056.03	$ 7,324,000.67	$ 35,528,350.67	$ 65,837,407.37

				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
$ 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
$ 152,628,648.20	$ 49,486.59	$ 6,852,712.62	$ 3,184,925.06			
	522,518.00					
	5,973.98					
	629,952.02					
4,049,895.31	9,429.24	356,335.74				
	153,678.76		1,081,893.87	$ 1,374,914.54	$ 2,906,878.13	
		1,557,404.16	55,738.78	(105,370.16)		
				20,732,740.01		
				9,769,699.02		
						$ 854,033.31
				2,421,160.96	365,770.59	42,921.90
					1,925,625.68	
					206,078.00	
					379,541.44	
						90,168,116.59
						13,287,057.84
$ 156,678,543.51	$ 1,371,038.59	$ 8,766,452.52	$ 4,322,557.71	$ 34,193,144.37	$ 5,783,893.84	$ 104,352,129.64
$ 142,916,592.06						
13,696,512.62						
160,588.45	$ 217,000.59	$ (60,223.94)	$ 4,389.83	$ 4,778,529.66		
	53,992.19					
	383,524.83					
			1,048,108.79			
				45,672,323.79	$ 782,329.74	
					13,287,057.84	
					15,209,990.45	
						$ 73,900.00
						1,006,545.19
						8,211,819.07
						258,774.00
						10,868,000.00
$ 156,773,693.13	$ 654,517.61	$ (60,223.94)	$ 1,052,498.62	$ 50,450,853.45	$ 29,279,378.03	$ 20,419,038.26
					$ 21,666,865.70	
	$ 42,494.85					
$ 1,757,446.64	(155.35)	$ (1,825,346.75)	$ (250,059.00)	$ 349,596.46	134,093.00	
		693,864.31	(229,582.91)			
	(579.00)			579.00		
				1,973,293.41	(2,417,631.25)	
					3,697,059.60	
$ 1,757,446.64	$ 41,760.50	$ (1,131,482.44)	$ (479,641.91)	$ 2,323,468.87	$ 23,080,387.05	
$ 1,662,297.02	$ 758,281.48	$ 7,695,194.02	$ 2,790,417.18	$ (13,934,240.21)	$ (415,097.14)	$ 83,933,091.38
$ 33,576,864.46	$ 26,400,762.47	$ 81,707,844.92	$ 16,413,678.10	$ 11,021,345.88	$ 43,845,601.27	$ 831,623,221.08

Statement of Current Funds Revenues, Expenditures and Other Changes

Year Ended June 30, 1989 — **With Comparative Figures at June 30, 1988**

CURRENT REVENUES	1989 Unrestricted	1989 Restricted	1989 Total	1988 Total
General Funds				
Tuition and Fees	$ 82,943,997.01		$ 82,943,997.01	$ 75,228,384.67
Federal Appropriations	11,401,510.95		11,401,510.95	11,415,013.30
State Appropriations	284,211,600.00	$ 10,410,462.42	294,622,062.42	269,482,234.51
Local Appropriations	1,685,582.96		1,685,582.96	1,473,881.96
Federal Gifts, Grants and Contracts	11,551,993.87	64,245,586.20	75,797,580.07	70,450,840.29
State Gifts, Grants and Contracts	723,421.96	12,399,518.77	13,122,940.73	11,049,058.21
Local Gifts, Grants and Contracts	2,008,004.97	2,456,837.89	4,464,842.86	4,512,549.78
Private Gifts, Grants and Contracts	3,100,353.02	43,021,498.04	46,121,851.06	42,308,118.63
Endowment Income - University and Other	110,209.39	6,970,534.65	7,080,744.04	5,349,420.88
Sales and Services of Educational Activities	21,955,292.21		21,955,292.21	18,641,658.40
Other Sources	12,776,640.54		12,776,640.54	11,499,711.00
TOTAL GENERAL FUNDS	$432,468,606.88	$139,504,437.97	$571,973,044.85	$521,410,871.63
Auxiliary Enterprises Funds	73,355,965.39	11,812.24	73,367,777.63	73,083,706.27
Hospital Funds	186,587,116.19	3,400,341.85	189,987,458.04	168,992,810.23
TOTAL CURRENT REVENUES	$692,411,688.46	$142,916,592.06	$835,328,280.52	$763,487,388.13
CURRENT EXPENDITURES AND TRANSFERS				
General Funds Expenditures				
Instruction	$196,044,100.84	$ 31,952,306.73	$227,996,407.57	$204,146,346.58
Organized Research	29,572,583.01	65,756,822.02	95,329,405.03	85,832,885.45
Public Service	36,555,984.89	19,375,301.64	55,931,286.53	51,083,625.84
Academic Support	50,305,467.43	4,549,924.06	54,855,391.49	49,951,107.80
Student Services	24,727,008.26	889,838.13	25,616,846.39	23,164,365.54
Institutional Support	46,272,704.48	780,115.76	47,052,820.24	45,092,075.37
Operation and Maintenance of Physical Plant	38,830,524.35	20,723.34	38,851,247.69	36,736,852.34
Student Aid	7,230,427.16	16,179,406.29	23,409,833.45	21,106,579.07
General Funds Mandatory Transfers				
To Retirement of Indebtedness Funds	6,509,275.02		6,509,275.02	5,437,556.20
To Loan Funds	42,494.85		42,494.85	21,403.60
To Endowment Funds	404,281.40		404,281.40	206,698.19
To Restricted Funds	165,575.00		165,575.00	(43,500.00)
General Funds Non-Mandatory Transfers				
To Retirement of Indebtedness Funds	3,206,369.79		3,206,369.79	(5,757,332.82)
To Plant Funds	265,871.34		265,871.34	10,518,884.83
To Auxiliary Enterprises Funds	46,819.56		46,819.56	(736,431.13)
From Hospital Funds	(954,600.00)		(954,600.00)	(892,900.00)
Revolving Accounts Adjustments (Net)	(6,376,564.63)		(6,376,564.63)	4,932.44
TOTAL GENERAL FUNDS EXPENDITURES AND TRANSFERS	$432,848,322.75	$139,504,437.97	$572,352,760.72	$525,873,149.30
Auxiliary Enterprises Funds				
Expenditures	$ 66,585,033.22	$ 11,812.24	$ 66,596,845.46	$ 63,416,648.98
Mandatory Transfers				
To Retirement of Indebtedness Funds	5,911,475.81		5,911,475.81	5,109,282.38
Non-Mandatory Transfers				
To Retirement of Indebtedness Funds	490,689.81		490,689.81	2,550,283.66
To Plant Funds	1,312,154.90		1,312,154.90	680,267.55
From General Funds	(46,819.56)		(46,819.56)	736,431.13
Revolving Accounts Adjustments (Net)	60,000.00		60,000.00	3,512.37
TOTAL AUXILIARY ENTERPRISES FUNDS EXPENDITURES AND TRANSFERS	$ 74,312,534.18	$ 11,812.24	$ 74,324,346.42	$ 72,496,426.07
Hospitals Funds				
Expenditures	$176,302,224.27	$ 3,400,341.85	$179,702,566.12	$153,294,157.02
Mandatory Transfers				
To Retirement of Indebtedness Funds	9,246,114.87		9,246,114.87	7,616,992.47
Non-Mandatory Transfers				
To General Funds	954,600.00		954,600.00	892,900.00
From Plant Funds	(2,022,364.08)		(2,022,364.08)	858,940.44
Revolving Accounts Adjustments (Net)	(108.72)		(108.72)	14,497.64
TOTAL HOSPITALS FUNDS EXPENDITURES AND TRANSFERS	$184,480,466.34	$ 3,400,341.85	$187,880,808.19	$162,677,487.57
TOTAL CURRENT EXPENDITURES AND TRANSFERS	$691,641,323.27	$142,916,592.06	$834,557,915.33	$761,047,062.94
EXCESS (DEFICIT) CURRENT REVENUES OVER CURRENT EXPENDITURES AND TRANSFERS				
General Funds	$ (379,715.87)		$ (379,715.87)	$ (4,462,277.67)
Auxiliary Enterprises Funds	956,568.79		956,568.79	587,280.20
Hospitals Funds	2,106,649.85		2,106,649.85	6,315,322.66
OTHER ADDITIONS AND TRANSFERS				
Restricted Receipts in Excess of Expenditures		$ 13,761,951.45	13,761,951.45	14,093,444.24
Indirect Costs Recovered		(13,857,101.07)	(13,857,101.07)	(13,138,835.49)
Restricted Gifts Transferred to Other Funds		1,757,446.64	1,757,446.64	106,290.64
NET INCREASE IN FUNDS BALANCES	$ 770,365.19	$ 1,662,297.02	$ 2,432,662.21	$ 3,501,224.58

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* (1975).

Since the University is a component unit of the State of Tennessee, it is accounted for as college and university funds in the *Tennessee Comprehensive Annual Financial Report*.

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. The University's fund balance allocations and designations represent those portions of the fund balances that are reserved, restricted and/or otherwise designated for specific future use by legal covenants, state policies, or University policies.

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 Absences," 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 $28,176,308.63 of such benefits (of which approximately $5,798,780.91 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: 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, repurchase agreements of those securities, highest quality commercial paper, prime bankers acceptances, and money market mutual funds meeting certain criteria.

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 5, "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, 1989, totaled $981,623.40.

Deposits.

At June 30, 1989, the carrying amount of University deposits was $24,740,248.57 (time deposits in the form of certificates of deposit totaling $19,170,000.00 at cost and demand deposits totaling $5,570,248.57); whereas, the balances per bank statements totaled $22,814,201.30. 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, 1989, was $45,771,263.76 and $44,336,186.59 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 $78,089,189.67 and market value $78,269,760.00) 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 "Master Repurchase Agreements" require that the securities underlying repurchase agreements have market values equal to or exceeding 100% 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, 1989, was $30,027,203.64.

Investments.

The Current Fund balance sheet classification "Investments" includes all temporary investments with maturities beyond one year and is comprised of $39,933,755.10 U.S. government and agency securities.

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 assumed 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	2	3	Carrying Amount	Market Value 6/30/89
Cash Equivalents					
Government Securities	$ 48,789,189.67			$ 48,789,189.67	$ 48,969,760.00
Repurchase Agreements	24,000,000.00	$ 5,300,000.00		29,300,000.00	29,300,000.00
	$ 72,789,189.67	$ 5,300,000.00		$ 78,089,189.67	$ 78,269,760.00
Investments					
Domestic Securities					
Government Securities	$ 65,503,713.61			$ 65,503,713.61	$ 67,162,075.32
Corporate Bonds	13,273,220.25	$ 4,897.00		13,278,117.25	13,083,986.96
Corporate Stocks	33,213,236.25	2,294,745.76		35,507,982.01	48,584,688.86
Mortgages and Notes	628,363.32	22,440.00		650,803.32	663,376.68
Real Estate—Gifts	3,563,585.50			3,563,585.50	3,563,585.50
Real Estate—Equity		1,190,000.00		1,190,000.00	1,190,000.00
Venture Capital	2,108,654.00			2,108,654.00	2,108,654.00
Other Investments	5,200.00	125,690.00		130,890.00	195,917.98
International Securities					
Government Bonds	572,830.50			572,850.50	558,214.99
Corporate Stocks	96,900.00	1,500,000.00		1,596,900.00	2,108,535.07
	$ 118,965,703.43	$ 5,137,772.76		$ 124,103,476.19	$ 139,219,035.36
	$ 191,754,893.10	$10,437,772.76		$ 202,192,665.86	$ 217,488,795.36

Funds on deposit with trustee of $21,173,166.72 in the Retirement of Indebtedness Fund consist of securities held in the Tennessee State School Bond Authority debt service reserve pool.

Note 4: Inventories

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

Note 5: 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 $4,529,787.77.

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 $1,081,893.87.

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, 1989, was $81,932,844.92 and the market value was $91,215,679.50. This compares with a June 30, 1988, book value of $74,446,350.90 and market value of $78,453,567.87. The book value of Life Income Funds at June 30, 1989, was $16,452,536.28 and market value of $17,550,838.83. This compares with a June 30, 1988, book value of $13,662,015.27 and market value of $14,046,991.65.

Note 6: 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 summer term 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 7: 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 indebtedness for the University was $180,918,196.60 at June 30, 1989, and $187,898,236.18 at June 30, 1988.

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 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 balances at June 30, 1989 and 1988, were $12,200,000.00 and $14,600,000.00 respectively.

Also included in the total outstanding indebtedness is a $242,000 note with the Department of Education which was issued in March 1989. The note carries an interest rate of 3% and is due semi-annually over the next fourteen years. The outstanding balance at June 30, 1989, is $234,981.74.

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

1990	$ 7,449,540.55
1991	8,004,485.16
1992	8,587,145.75
1993	9,191,315.78
1994	5,988,280.55
Subsequent Years	141,932,410.55
	$181,153,178.34

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 notes are subject to purchase by the remarketing agent on the demand of the holder on any business day pursuant to the conditions set forth in the Official Statement. The remarketing agent is authorized to use its best efforts to sell the repurchased notes. If it is unable to resell any notes that are "put," Fuji Bank, Limited, New York Branch, under the standby note purchase agreement, is required to buy the notes. Fuji Bank, subject to its right to resell the notes, may hold the notes until March 1, 1993 (the note maturity date). It is expected that a portion of these notes will be replaced with bonds at the end of the construction period. The authority is obligated to pay Fuji Bank .1% of the utilized commitment and .05% of the unutilized commitment on a quarterly basis to maintain the standby liquidity. The outstanding balance at June 30, 1989, of the five-year notes is $51,978,570.00. Including the short-term financing, the total indebtedness of the University at June 30, 1989, is $233,131,748.34.

Note 8: 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 9: Operating Leases

The University has entered into various 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, 1989, and June 30, 1988, amounted to $6,736,567.45 and $5,816,823.58 respectively.

Note 10: 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 shown in the table below:

	Buildings	Equipment	Total
1989-90	$ 224,564.52	$ 611,026.53	$ 835,591.05
1990-91	224,564.52	656,842.25	881,406.77
1991-92	224,564.52	605,933.56	830,497.08
1992-93	224,564.52	137,447.16	362,011.68
1993-94	224,564.52		224,564.52
Later Years	444,152.13		444,152.13
Minimum Lease Payments	$1,566,974.73	$2,011,248.50	$3,578,223.23
Less Amounts Representing Interest	$ 211,145.54	$ 266,115.10	$ 477,260.64
Present Value of Net Minimum Lease Payments	$1,355,829.19	$1,745,133.40	$3,100,962.59

Note 11: 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 $1,542,754,700, and contents coverage is $454,865,700. Boiler insurance coverage of $5,000,000 is carried on all boiler and major pressure vessels. Eight University-owned aircraft are covered by insurance policies for public liability and three of the eight for physical damage. 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 as of June 30, 1989.

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 12: Retirement Programs

The University of Tennessee offers four retirement plans and three deferred compensation 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 Consolidated 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, 1989, was $165,825,206.99. The University's total payroll was $443,344,507.34.

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, 1989, was $16,350,216.55 which represented 9.86% 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, 1989, State of Tennessee Comprehensive Annual Report for the pension benefit obligation for TCRS as a whole and the net assets available for benefits on that date. The University's 1989 contribution, as authorized by Tennessee Code Annotated (TCA) 8-39-301, represented 8.1% 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, 1989, annual report.

B. *Joint Contributory Retirement System—JCRS-A*

Employees who were enrolled in the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) before July 1977 were members of the Joint Contributory Retirement System Plan A (JCRS-A). Enrollment in this plan for new employees has been closed since July 1977.

As in the case of the TCRS and TIAA-CREF plans, the University since July 1981, pays all retirement premiums for those enrolled in JCRS-A. The primary difference in the JCRS-A plan and the present TIAA-CREF plan is that JCRS-A members, upon retirement, receive benefits from TIAA-CREF and may receive a supplement benefit from the State of Tennessee. To determine if a JCRS-A member is due a State supplement after retiring, a formula is used which considers years of creditable service and average salary for the highest five consecutive years. JCRS-A members may retire with unreduced formula benefits at age 60 or upon completion of 30 years of creditable service.

The University's total payroll in fiscal year 1989 was $443,344,507.34. The University's contributions, as authorized by TCA 8-39-301, for JCRS-A members were calculated using the base salary amount of $85,865,021.53 and resulted in contributions of $17,052,490.34, representing 19.9% of covered payrolls. Of this amount, $8,465,974.09 was paid to TCRS and $8,586,516.25 was paid to TIAA-CREF.

C. *Teachers Insurance and Annuity Association/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 1989 was $443,344,507.34. The University contributions as authorized by TCA 8-35-401 through 409, to TIAA-CREF were calculated using the base salary amount of $198,712,154.81 and resulted in contributions of $19,972,581.30 (10.1% of covered payrolls) for 4,937 employees electing this optional retirement plan.

D. *Federal Civil Service Retirement*

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 December 31, 1983. Both programs are defined benefit programs.

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, 1989, was $16,699,624.32. The total University contributions to the FCSRS, $1,414,836.86, represented 8.5% of covered payrolls.

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 greater 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 by federal statute to contribute 7% of salary to the plan. The contribution requirement for the year ended June 30, 1989, was $1,919,858.73 which consisted of $966,336.06 from the University and $953,522.67 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, 1989, was $400,241.99 which consisted of $27,262.86 from employees and $372,979.13 from the University for the Basic Benefit Plan and $156,627.00 from employees and $75,521.67 from the University for the Thrift Savings Plan.

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

E. *Deferred Compensation*

The University of Tennessee offers its employees three deferred compensation plans. The University, through the State of Tennessee, provides two plans, one established pursuant to Internal Revenue Code (IRC) Section 457, and the other pursuant to IRC Section 401(k). The third plan is administered by the University and was established in accordance with IRC Section 403(b). All costs of administering and funding these plans are the responsibility of plan participants.

Section 457 plan balances have been reported in the State of Tennessee financial statements. All amounts of compensation deferred under this plan, all property purchased with those amounts, and all income attributable thereto are, until paid or made available to the employee or other beneficiary, solely the property of the State of Tennessee, subject only to claims of the state's general creditors. Participants' rights under the plan are the same as those of general creditors in an amount equal to the fair market value of their deferred accounts. The state has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The state believes it is unlikely that it will use these assets to satisfy such claims in the future.

Since Section 401(k) plan assets remain the property of the contributing employees, they are not presented in the State of Tennessee financial statements.

In accordance with IRC, employee contributions through the 403(b) plan remain the assets of the employee; therefore, these employee contributions are not reflected in the University's financial statements.

In addition, a deferred compensation program was established for certain senior administrative officials in 1984. The University's Board of Trustees discontinued the program at its annual meeting on June 15, 1989. As of June 30, 1989, First Tennessee Bank in Knoxville, Tennessee, administrator of the plan, had disbursed all contributions and earnings to participants.

Note 13: 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, 1989, the foundation transferred $1,683,501.00 to the University for support of designated projects at the Chattanooga campus. In addition, $88,980.01 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 1985-1987 and $4.0 million in fiscal year 1989 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 41 Chairs as of June 30, 1989. 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 14: 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, 1989, were $27,666,009.66. 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, 1989, amounts to be provided by the state for capital construction, renovations, and maintenance totaled $58,633,497.50.

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, 1989, are recorded as an allocation of the Current Fund balances. The Allocation for Encumbrances at June 30, 1989 is $6,851,114.43.

The University of Tennessee has entered into financing agreements for the construction of an Assembly Center and Arena built on the Knoxville Campus. Under the terms of the financing agreement, Knox County has contributed $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 interest on these revenue bonds is to be paid from available Knox County "user 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.

The University's policy is to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there is no liability for sick leave at June 30, 1989. The approximate amount of unused sick leave at June 30, 1989, and June 30, 1988, was $85,025,460.75 and $78,039,719.69, respectively.

Various 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 37219-5047
PHONE (615) 741-3697

Independent Auditor's Report

September 29, 1989

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

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the University of Tennessee as of June 30, 1989, and June 30, 1988, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year ended June 30, 1989. These financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the university has excluded the liability for accrued vacation leave from the accompanying balance sheets. In our opinion, accrued vacation leave should be included to conform with generally accepted accounting principles. The recognition of this liability would have increased the liabilities of the unrestricted current fund by $28,176,308 at June 30, 1989, and $22,586,367 at June 30, 1988, and increased the unrestricted current fund expenditures by $5,589,941 for the year ended June 30, 1989.

In our opinion, except for the effects of not including the liability for accrued vacation leave in the accompanying balance sheets, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Tennessee, as of June 30, 1989, and June 30, 1988, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year ended June 30, 1989, in conformity with generally accepted accounting principles.

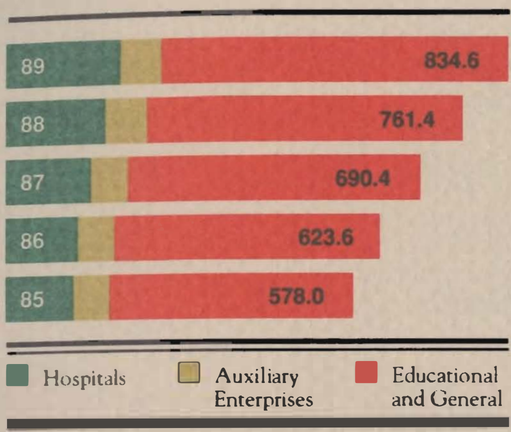
Sincerely,

Arthur A. Hayes Jr.

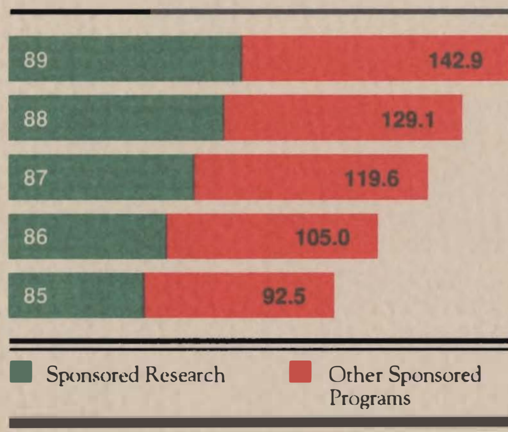
Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/db

Total Current Expenditures and Transfers
(in millions of dollars)



Current Restricted Expenditures
(in millions of dollars)



1988-89 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, 1989.

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 University 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 17.

SUMMARY OF FINANCIAL OPERATIONS FOR THE YEAR

Current Funds

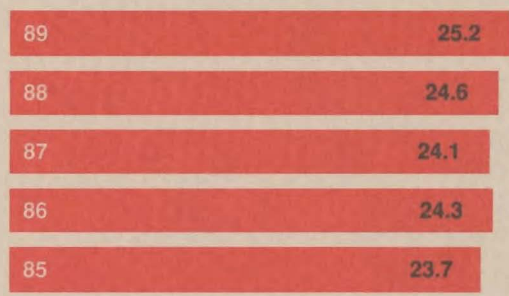
Current Funds are expendable for current operating needs and are further segregated between those for general, auxiliary, and hospital purposes. Current Restricted Funds refer to resources that carry an external restriction and may only be utilized for the purposes stipulated by the source of such funds. 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 1988-89 increased by 9.4 percent over the prior year to $835.3 million. This increase represents continued improvements in the University's ability to maintain and enhance current operating levels. Moderate inflation during 1988-89 allowed the University to realize improvements in its purchasing power.

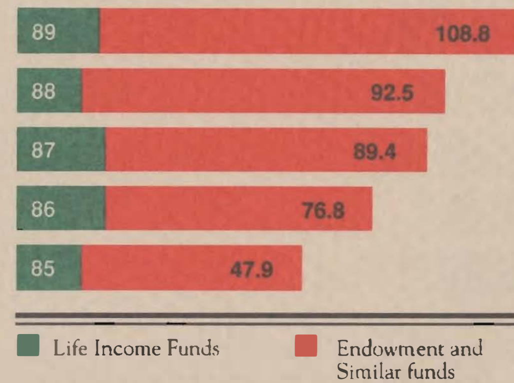
The state of Tennessee, through legislative appropriations, continues to provide the most significant amount of University operating funds. Unrestricted state appropriations in 1988-89 amounted to $284.2 million compared to $259.8 million in 1987-88, an increase of 9.4 percent. The state appropriations for 1988-89 provide full funding of the Tennessee Higher Education Commission funding formula for the third year in a row. The formula has been utilized by the legislature for twenty 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 $82.9 million, an increase of 10.3 percent over the prior year. This change resulted primarily from higher tuition and main-

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)



tenance fees, approximately 8.0 percent at all campuses. 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 remained the same as in 1987-88 at $11.4 million. The amounts received from federal agencies in the form of gifts, grants, and contracts increased 7.6 percent to an all time high of $75.8 million.

Sales and services of educational activities increased 17.8 percent to $21.9 million. Income from other sources amounted to $12.8 million in 1988-89, an increase of 11.3 percent from $11.5 million in 1987-88. Improved earnings from short-term investments, $800 thousand, coupled with increased conference revenue, $500 thousand, provided the increase. Revenue generated from short-term investments and bank account interest totaled $8.6 million in 1988-89 compared to $7.8 million in 1987-88. The average yield on temporary investments increased in 1988-89 to 8.4 percent from 7.2 percent in 1987-88.

Total Current Fund expenditures and transfers in 1988-89 increased 9.7 percent to $834.6 million. A schedule of Current Fund expenditures by function (purpose) is provided on page 16.

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 $142.9 million in 1988-89 compared to $129.1 million in 1987-88, a 10.7 percent increase. The most significant increases occurred in instruction, $4.5 million, and sponsored research activity, $4.9 million.

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 1988-89 amounted to $73.4 million, an increase of 0.4 percent from the prior year's total revenue of $73.1 million. Expenditures and mandatory transfers to meet debt service requirements amounted to $72.5 million, an increase of 5.8 percent from 1987-88.

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 facilities are presented separately in the financial statements as Hospital Funds.

Total current revenues from operations of hospitals during 1988-89 amounted to $190.0 million, an increase of 12.4 percent. The revenue increase, $20.9 million at Memorial Hospital is attributable to higher patient census and the resulting patient fees and $84 thousand at William F. Bowld Hospital, is primarily attributable to patient fees. Hospital expenditures and transfers increased 15.6 percent over the 1987-88 expenditures levels to $187.9 million. Both hospitals show deficit fund balances due to significant amounts allocated for working capital and encumbrances.

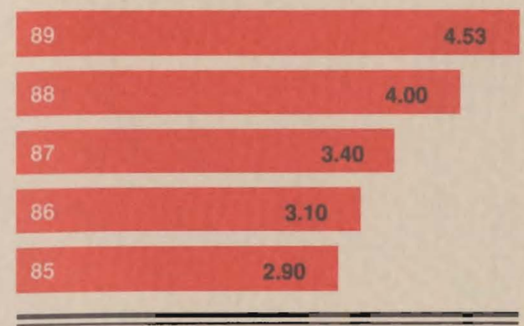
Loan Funds

Loan funds consist of resources made available for financial loans to students of the University. The principal amount of such funds increased $758 thousand to $26.4 million. During 1988-89, 2,303 student loans amounting to $3.8 million were made to students.

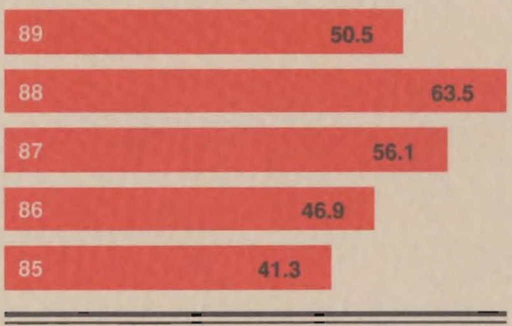
The primary source of student loans was provided through federal programs. At June 30, 1989, $22.3 million (or 84.5%) of the assets of all University loan funds had been provided by the federal government. University sources, in conjunction with matching requirements for the federal loan program, provided $1.7 million (or 6.4%) of student loan funds. The remaining $2.4 million (or 9.1%) represented loan funds established by private donations.

Student loans outstanding at June 30, 1989,

Endowment Income
(in millions of dollars)



Plant Funds Expenditures
(in millions of dollars)



totaled $25.2 million, an increase of $615 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 the 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 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, 1989, was $81.9 million, and the market value was $91.2 million. The book value at June 30, 1988, was $74.4 million, and the market value was $78.4 million. Income earned from investment of funds amounted to $4.5 million for the fiscal year, an increase of 12.2 percent over the amount earned during the prior year. The income represents a return of 5.8 percent on average book value and 5.3 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 852 separate endowments with a total book value of $72.7 million at June 30, 1989, and a total market value of $80.9 million. The market value increased by $11.9 million during 1988-89. The market value of a participating share was $1.779 at June 30, 1989, compared to $1.644 at June 30, 1988, an increase of 8.2 percent. The income earned per share was $.092, which was 5.61 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.

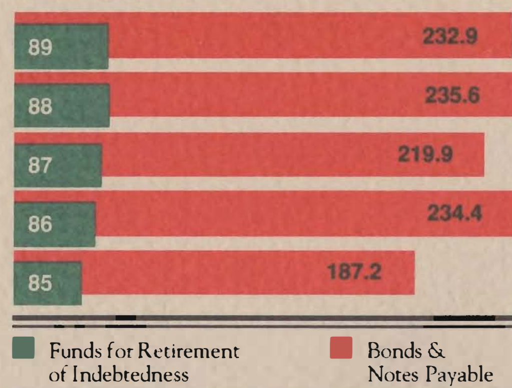
The book value of Life Income Funds at June 30, 1989, amounted to $16.5 million compared to $13.7 million the prior year. Income payments to beneficiaries during the year amounted to $1.05 million.

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

Investment in Plant
(in millions of dollars)

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



invested in institutional properties.

Unexpended Plant Funds balances at June 30, 1989, representing funds previously authorized or provided for additions to the University's physical plant, were $14.0 million. Of this amount $2.8 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 $1.8 million represents unexpended Tennessee State School Bond Authority funding.

Total expenditures and deductions in Unexpended Plant Funds amounted to $50.5 million in 1988-89. Twenty-six projects have been completed including the $5.8 million Alterations & Additions to Gibbs Hall, and the $1.3 million Completion of Unfinished Space in the Thompson-Boling Arena, both at UT Knoxville. Other projects completed consisted of the $1.3 million Completion of Unfinished Space in the University Center at UT Chattanooga; the $5.0 million Single Student Housing at UT Memphis; and the $4.2 million Office Building at Jackson. Twenty-four projects were under construction at June 30, 1989, including the $6.7 million Parking Garage and the $12.0 million Football Facility at UT Knoxville; the $4.7 million Alterations & Additions to the Labor & Delivery Suite, and the $3.8 million Physicians Office Building III at UT Medical Center, Knoxville; the $13.2 million Nash Building Renovation and the $8.1 million Wittenborg Building Renovation at UT Memphis. Additional projects under construction consisted of the $1.9 million Correction of Code Deficiencies in Student Housing, the $1.2 million Elimination of Architectural Barriers to the Handicapped, the $1.4 million of Renovation of the Dabney-Buehler Complex-Phase I, all at UT Knoxville; the $1.0 million Cooper Hall Renovation at UT Martin; and various improvements at Bowld Hospital totaling $850 thousand. Additional information regarding the University's capital outlay program is provided on page 28.

Retirement of Indebtedness and Renewal and Replacement Funds at June 30, 1989, amounted to $43.8 million of which $21.6 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.

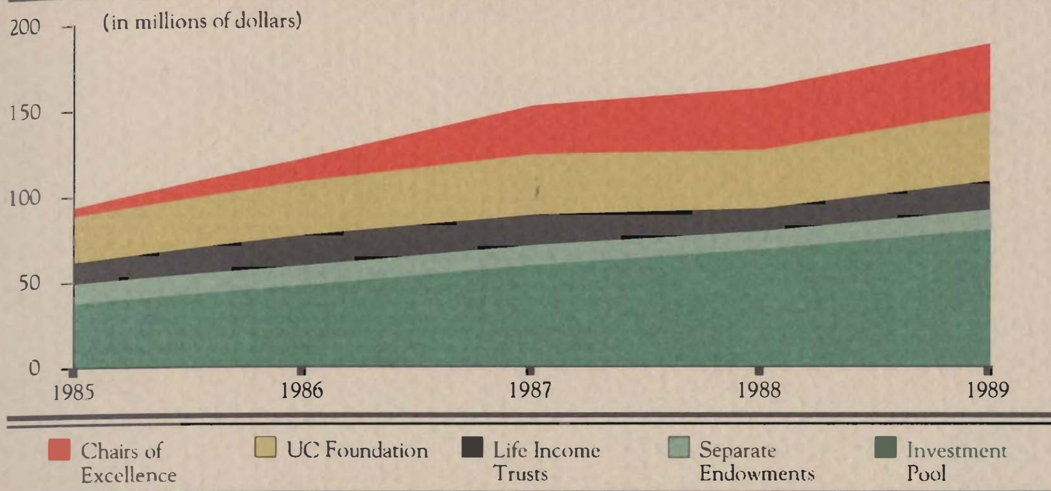
Debt service payments and transfers for capital projects exceeded revenues and other additions by $415 thousand during 1988-89.

Total indebtedness for the University of Tennessee at June 30, 1989, amounted to $233.1 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 17.

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, 1989, amounted to $1.1 billion, an increase of $81.2 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, 1989, amounted to $4.8 million as compared to $4.1 million at June 30, 1988. 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.



Funds Invested for Benefit of UT

The market value of UT endowment and other investment funds surpassed $185 million during 1988-89. The chart on this page illustrates this growth from $93 million in 1985 to $188 million at June 30, 1989. UT's endowment now ranks among the top 25 among public universities in the United States.

The University's Consolidated Investment Pool, consisting of 852 endowment funds, represents the core of UT's invested funds. The Pool has more than doubled since 1985, growing from $38 million in 1985 to $81 million at June 30, 1989, exclusive of income. This growth resulted from $30.3 million in new gifts for endowment and $12.7 million from investment performance. The Pool investment return for the year ended June 30, 1989, was 14.7%, slightly ahead of median returns for comparable balanced funds.

The University had $10 million in separately invested endowment funds. These funds were separately invested due to donor restrictions, characteristics of the investments, or other considerations.

UT continues to rank in the top 5 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, 1989, the University had $18 million in remainder trusts.

The University endowment funds of $91 million, with the $18 million in charitable remainder trusts, provided a total market value of $109 million for investments reflected on the financial statements. The remaining two chart segments, the UC Foundation and the Chairs of Excellence, are funds invested for the benefit of UT but not administered by the University.

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 missions of UTC. The financial statements of the University do not include financial data of the Foundation.

Funds provided by the Foundation throughout its 20-year history have greatly enriched the quality of teaching and learning at UTC. During the year, the Foundation provided $1.7 million to UTC for support of designated projects, bringing its 20-year total to more than $17.5 million. The market value of the Foundation assets at June 30, 1989, was approximately $38 million.

CHAIRS OF EXCELLENCE ENDOWMENT

The Chairs of Excellence program was initiated in 1984 when the Tennessee General Assembly appropriated monies to establish the Chairs of Excellence Endowment. The appropriations provide that the Chairs of Excellence Endowment be established as an irrevocable trust with the State Treasurer and requires the University to match the appropriations on a dollar-for-dollar basis. Except for 1988, the General Assembly has appropriated monies in each fiscal year to continue the Chairs of Excellence program. As of June 30, 1989, state funding has provided 47 Chairs of which the University has fully matched 41 Chairs.

Sources of Current Revenues

	1988-89	1987-88
Federal and Local Appropriations	1.6%	1.7%
Other	5.0%	4.6%
Tuition and Fees	9.9%	9.9%
Auxiliary Enterprises	8.8%	9.6%
Gifts, Grants, and Contracts	16.7%	16.8%
Hospitals	22.7%	22.1%
State Appropriations	35.3%	35.3%

Current Revenues

	1988-89			1987-88		
CURRENT REVENUES (in thousands of dollars)	**Unrestricted**	**Restricted**	**Total**	**Unrestricted**	**Restricted**	**Total**
General Funds						
Tuition and Fees	$ 82,944		$ 82,944	$ 75,228		$ 75,228
Federal Appropriations	11,402		11,402	11,415		11,415
State Appropriations	284,212	$ 10,410	294,622	259,845	$ 9,637	269,482
Local Appropriations	1,686		1,686	1,474		1,474
Federal Gifts, Grants, and Contracts	11,552	64,245	75,797	10,940	59,511	70,451
State Gifts, Grants, and Contracts	723	12,400	13,123	515	10,534	11,049
Local Gifts, Grants, and Contracts	2,008	2,457	4,465	2,099	2,414	4,513
Private Gifts, Grants, and Contracts	3,100	43,021	46,121	3,380	38,928	42,308
Endowment Income	110	6,971	7,081	98	5,252	5,350
Sales and Service of Educational Activities	21,955		21,955	18,641		18,641
Other Sources	12,777		12,777	11,500		11,500
Total General Funds	$ 432,469	$ 139,504	$ 571,973	$ 395,135	$ 126,276	$ 521,411
Auxiliary Enterprises Fund	73,356	12	73,368	73,079	4	73,083
Hospitals Funds	186,587	3,400	189,987	166,189	2,804	168,993
Total Current Revenues	$ 692,412	$ 142,916	$ 835,328	$ 634,403	$ 129,084	$ 763,487

Uses of Current Funds

	1988-89	1987-88
Student Aid	2.8%	2.8%
Student Services	3.1%	3.0%
Physical Plant	4.7%	4.9%
Institutional Support	5.7%	6.0%
Academic Support	6.6%	6.7%
Public Service	6.7%	6.8%
Auxiliary Enterprises	8.9%	9.6%
Organized Research	11.5%	11.4%
Hospitals	22.6%	21.7%
Instruction	27.4%	27.1%

Current Expenditures and Transfers

CURRENT EXPENDITURES AND TRANSFERS (in thousands of dollars)	1988-89			1987-88		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
General Funds						
Instruction	$ 196,044	$ 31,952	$ 227,996	$ 176,641	$ 27,505	$ 204,146
Organized Research	29,573	65,757	95,330	25,013	60,820	85,833
Public Service	36,556	19,375	55,931	32,744	18,340	51,084
Academic Support	50,305	4,550	54,855	46,516	3,435	49,951
Student Services	24,727	890	25,617	22,528	636	23,164
Institutional Support	46,273	780	47,053	44,431	661	45,092
Operation and Maintenance of Physical Plant	38,831	20	38,851	36,697	40	36,737
Student Aid	7,230	16,180	23,410	6,269	14,838	21,107
Transfers	3,309		3,309	8,759		8,759
Total General Funds, Expenditures and Transfers	$ 432,848	$ 139,504	$ 572,352	$ 399,598	$ 126,275	$ 525,873
Auxiliary Enterprises Fund						
Expenditures	$ 66,585	$ 12	$ 66,597	$ 63,412	$ 4	$ 63,416
Transfers	7,727		7,727	9,080		9,080
Total Auxiliary Enterprises Fund, Expenditures and Transfers	$ 74,312	$ 12	$ 74,324	$ 72,492	$ 4	$ 72,496
Hospitals Funds						
Expenditures	$ 176,302	$ 3,400	$ 179,702	$ 150,491	$ 2,803	$ 153,294
Transfers	8,179		8,179	9,383		9,383
Total Hospitals Funds, Expenditures and Transfers	$ 184,481	$ 3,400	$ 187,881	$ 159,874	$ 2,803	$ 162,677
Total Current Expenditures And Transfers	$ 691,641	$ 142,916	$ 834,557	$ 631,964	$ 129,082	$ 761,046

Major Capital Construction Programs 1988-89

(in thousands of dollars)

SOURCE OF FUNDS

Major Capital Construction Completed 1988-89	State Appropriation	TSSBA	Federal Grant	Federal Loan
Roof Replacements - Chattanooga	$ 460			
North Stadium Dormitory Heating and Cooling System - Chattanooga				$ 243
Grote Hall Air Conditioning Upgrades - Chattanooga	275		$ 70	
Installation of Heating and Cooling System in Patten Chapel - Chattanooga	170			
Improvements to Electrical and Air Conditioning Systems in Founders Hall - Chattanooga	650			
Improvements to Swimming Pool in Maclellan Gymnasium - Chattanooga	260			
Expansion of Central Energy Facility - Phase IV - Chattanooga	160			
Elimination of Architectural Barriers to Handicapped - Chattanooga	250			
Completion of Unfinished Space in Basement of University Center - Chattanooga		$ 1,350		
Improvements to Ellington 4-H Training Center, Milan Institute of Agriculture	370			
Office Building, Jackson - Institute of Agriculture	4,200			
Alterations and Addition to Gibbs Hall - Knoxville		5,750		
Thompson-Boling Arena Completion of Unfinished Space - Knoxville		1,000		
Glocker Business Building Chiller Replacement - Knoxville	450			
Renovation of South College - Knoxville	847			
Research Greenhouse - Knoxville				
Roof Replacements - Knoxville	225			
Asbestos Abatement - Engineering/Physical Sciences Building - Martin	175			
Livestock Pavilion Expansion - Martin	700			
Improvements to Building Systems - Harrison Building - Memphis	400			
Wittenborg Building Renovation - Level 3 - Memphis				
Single Student Housing - Memphis		4,450		
MAJOR CAPITAL CONSTRUCTION COMPLETED	$ 9,592	$ 12,550	$ 70	$ 243

Major Construction in Progress at June 30, 1989
(estimated completion date)

	State Appropriation	TSSBA	Federal Grant	Federal Loan
Arena Storm Drainage Modification - Chattanooga (December 1989)	$ 402			
Primary Electrical Distribution System Metering Center - Chattanooga (February 1990)	515			
Expansion of Sales Ring/Conference Room - Institute of Agriculture (December 1989)	90			
Replacement of Air Conditioning System at Building "A", Cherokee Farm Field Station - Institute of Agriculture (July 1989)	370			
Correction of Code Deficiencies in Student Housing - Knoxville (February 1990)				
Dabney-Buehler Complex Renovation - Phase I (September 1989)	1,400			
Football Facility - Knoxville (July 1989)		$ 9,000		
Elimination of Architectural Barriers to the Handicapped - Phase VI - Knoxville (July 1989)	1,140			
Parking Garage - Knoxville (August 1990)		6,500		
Roof Replacements - Knoxville (September 1989)	410			
Replacement and Disposal of PCB Contaminated Electrical Transformers - Knoxville (August 1989)	994			
Roof Replacements - Martin (November 1989)	477			
Cooper Hall Renovation - Martin (October 1989)	980			
Correction of Deficiencies in Physical Education/Convocation Center - Phase I - Martin (October 1989)	565			
Repair or Replacement of Exterior Brick Veneer - Gooch Hall - Martin (October 1989)	493			
Alterations and Addition to Labor and Delivery Suite - Memorial Hospital (September 1990)		4,650		
Physician's Office Building III - Memorial Hospital (November 1990)				
Energy Conservation Measures - Bowld Hospital (January 1990)			$ 189	
Installation of Emergency Generators - Bowld Hospital (January 1990)				
Exterior Repairs to Hyman Building - Memphis (October 1989)	280			
Nash Building Renovation - Phase I - Memphis (February 1990)	13,175			
Pathology Building Renovation - Phase VII - Memphis (January 1990)	3,425			
Roof Replacements - Memphis (October 1989)	187			
Wittenborg Building Renovation - Memphis (January 1991)	7,928		152	
MAJOR CAPITAL CONSTRUCTION IN PROGRESS	$ 32,831	$ 20,150	$ 341	

University Funds			
Current Unrestricted	Current Restricted	Maintenance Reserve	Project Total
			$ 460
$ 57			300
			345
			170
			650
			260
			160
			250
			1,350
			370
			4,200
			5,750
350			1,350
			450
			847
	$ 350		350
			225
			175
			700
			400
173	202		375
		$ 473	4,923
$ 580	**$ 552**	**$ 473**	**$24,060**
			$ 402
			515
			90
			370
		$ 1,900	1,900
			1,400
	$ 3,000		12,000
			1,140
$ 200			6,700
			410
			994
			477
			980
			565
			493
			4,650
3,750			3,750
189			378
460			460
			280
			13,175
			3,425
			187
			8,080
$ 4,599	**$ 3,000**	**$ 1,900**	**$62,821**

The University of Tennessee Ten Year Summary

For the Fiscal Year	1988-89	1987-88	1986-87	1985-86
Sources of Operating Revenues (,000)				
State Appropriations	$294,622	$269,482	$256,896	$228,664
Student Fees	82,944	75,228	69,318	62,371
Federal Appropriations	11,402	11,415	10,699	11,427
Other (Gifts, Grants, Sales and Services, etc.)	183,005	165,286	152,028	139,883
Total General Funds	$571,973	$521,411	$488,941	$442,345
Auxiliary Enterprises	73,368	73,083	65,509	62,483
Hospitals	189,987	168,993	142,561	121,828
Total Revenues--Current Funds	$835,328	$763,487	$697,011	$626,656
Current Expenditures and Transfers (,000)				
Instruction	$227,996	$204,146	$193,414	$175,090
Organized Research	95,330	85,833	75,459	65,354
Public Service	55,931	51,084	48,006	45,792
Academic Support	54,855	49,951	46,508	45,543
Student Services	25,617	23,164	22,091	19,920
Institutional Support	47,053	45,092	45,897	41,193
Operation and Maintenance of Physical Plant	38,851	36,737	35,451	33,508
Student Aid	23,410	21,107	19,498	19,091
Transfers	3,309	8,759	(1,345)	(1,093)
Total General Funds-Expenditures and Transfers	$572,352	$525,873	$484,979	$442,398
Auxiliary Enterprises Expenditures and Transfers	$ 74,324	$ 72,493	$ 64,742	$ 62,427
Hospital Expenditures and Transfers	$187,881	$162,678	$140,726	$118,777
Total Current Expenditures and Transfers	$834,557	$761,044	$690,447	$623,602
Expenditures Converted to 1989	x1.000	x1.046	x1.089	x1.113
Equivalent by Consumer Price Index Factor	$834,557	$796,052	$751,897	$694,069
Current Unrestricted Fund Assets (,000)				
Educational and General	$ 74,677	$ 83,167	$ 77,439	$ 59,918
Auxiliary	16,702	17,587	16,803	16,292
Hospital	46,129	44,497	37,262	35,017
Total Current Funds	$137,508	$145,251	$131,504	$111,227
Student Loan Funds				
Notes Receivable (,000)	$ 25,210	$ 24,595	$ 24,081	$ 24,272
Loans Issued (by year)	2,303	2,551	2,576	2,885
Endowment Funds (,000)				
Market Value	$ 91,216	$ 78,454	$ 70,332	$ 57,952
Life Income Funds				
Market Value	$ 17,551	$ 14,047	$ 19,053	$ 18,856
Plant Funds (,000)				
Long-term Debt	$232,897	$235,551	$219,903	$234,434
Reserves for Debt Service	$ 43,846	$ 44,261	$ 40,792	$ 38,041
Net Invested in Plant	$831,623	$745,006	$660,298	$574,442
Capital Outlay Expenditures	$ 50,451	$ 63,527	$ 56,126	$ 46,884
General Data				
Total Enrollment	38,936	39,890	39,955	39,814
Knoxville	24,985	25,987	25,842	25,397
Chattanooga	7,526	7,355	7,484	7,564
Martin	4,653	4,785	4,923	5,053
Memphis	1,772	1,763	1,706	1,800
Degrees Granted	6,981	7,259	6,988	7,292
Full-Time Employees	14,254	13,579	13,042	12,679
Full-Time Faculty	2,826	2,794	2,716	2,638
% tenured	61.1%	61.3%	61.1%	63.2%
Total Private Gifts (,000)	$ 32,159	$ 29,636	$ 30,922	$ 27,867
Academic Year Student Fees (Knoxville)				
Instate	$ 1,466	$ 1,404	$ 1,323	$ 1,125
Out of state (additional)	$ 2,734	$ 2,604	$ 2,433	$ 2,154
State Appropriation/FTE	$ 5,296	$ 4,919	$ 4,666	$ 4,331

1984-85	1983-84	1982-83	1981-82	1980-81	1979-80
$208,917	$173,149	$165,890	$154,284	$144,384	$134,761
57,524	52,254	51,693	46,254	40,050	34,054
11,018	11,411	10,812	10,595	9,662	9,401
128,588	110,825	107,751	104,771	97,718	90,221
$406,047	$347,639	$336,146	$315,904	$291,814	$268,437
60,480	56,851	57,780	52,815	49,192	44,068
112,332	91,779	93,042	84,889	72,993	56,895
$578,859	$496,269	$486,968	$453,608	$413,999	$369,400
$163,432	$141,213	$134,983	$125,808	$112,916	$102,631
58,136	47,971	44,392	44,676	49,339	43,977
41,836	35,003	36,456	34,514	33,433	31,426
39,747	31,296	31,187	27,722	26,060	22,931
16,972	15,569	15,084	13,188	12,207	10,556
36,091	31,944	30,599	27,304	24,406	22,643
31,505	28,729	26,925	26,364	23,821	20,928
17,492	16,839	16,103	16,000	8,707	7,852
238	(1,835)	(1,181)	7	(187)	6,191
$405,449	$346,729	$334,548	$315,583	$290,702	$269,135
$ 60,625	$ 57,629	$ 57,659	$ 52,014	$ 47,932	$ 43,494
$111,940	$ 92,606	$ 86,433	$ 81,623	$74,0798	$ 56,540
$578,014	$496,964	$478,640	$449,220	$412,713	$369,169
x1.146	x1.191	x1.234	x1.288	x1.399	x1.561
$662,404	$591,884	$590,642	$551,642	$577,385	$576,273
$ 55,382	$ 49,123	$ 46,778	$ 69,806	$ 61,222	$ 62,271
15,512	15,835	15,427	14,757	13,447	12,920
34,225	36,173	36,942	29,576	28,923	18,584
$105,119	$101,131	$ 99,147	$114,139	$103,592	$ 93,775
$ 23,661	$ 22,927	$ 22,150	$ 20,896	$ 19,760	$ 18,256
2,708	2,961	2,919	2,498	2,814	3,073
$ 47,680	$ 35,899	$ 33,768	$ 24,616	$ 24,165	$ 20,800
$ 13,922	$ 11,974	$ 12,578	$ 9,638	$ 9,511	$ 10,690
$187,233	$161,368	$164,250	$129,280	$113,860	$105,559
$ 31,672	$ 30,813	$ 30,533	$ 21,529	$ 20,155	$ 18,881
$556,569	$525,415	$484,827	$487,072	$434,259	$395,347
$ 41,265	$ 29,242	$ 33,539	$ 33,330	$ 37,229	$ 19,887
40,881	42,535	42,136	43,740	45,402	45,223
26,158	27,018	27,041	28,601	30,282	30,391
7,474	7,839	7,544	7,483	7,600	7,545
5,366	5,690	5,525	5,538	5,328	5,163
1,883	1,988	2,026	2,118	2,192	2,124
7,682	7,618	7,477	7,950	8,071	8,184
12,340	11,980	11,410	11,952	12,202	11,707
2,675	2,679	2,635	2,681	2,805	2,808
63.4%	63.4%	63.6%	60.0%	57.5%	56.2%
$ 22,489	$ 15,724	$ 11,691	$ 12,078	$ 12,893	$ 17,899
$ 999	$ 867	$ 867	$ 741	$ 657	$ 558
$ 1,974	$ 1,761	$ 1,761	$ 1,530	$ 1,224	$ 1,002
$ 4,016	$ 2,991	$ 2,868	$ 2,521	$ 2,279	$ 2,172

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

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