1994

Annual Report of the President, the University of Tennessee to the Board of Trustees, 1993-1994: Celebrating 200

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1993-94 Annual Report of Dr. Joseph E. Johnson, President, to the Board of Trustees

CELEBRATING 200
THE UNIVERSITY OF TENNESSEE / 1794-1994
Proud.
That's how people feel about the University of Tennessee during this, our Bicentennial year. Tradition and emotion ignited the flame of pride. Determination will carry it into the University's third century.

We are proud of 200 years of rich history.
Cadets practiced formations on the Hill.
Medical students learned anatomy in the sweltering heat of a Memphis summer.
Women carved a niche in the all-male University domain.

We are proud of 200 years of teaching and learning.
Professors of music, marketing, medicine, mathematics handed down their knowledge to students even while continuing to learn themselves.
Students became educated adults, successful professionals, intelligent parents, productive citizens.

We are proud of 200 years of research and service.
Scientists bred the hardiest crops possible for Tennessee soils. Extension agents helped farmers put the new strains into production.
Consultants helped a small business save thousands of dollars by streamlining its manufacturing process.

We are proud of 200 years of partnership with the great state of Tennessee. The two have grown together, though UT's forerunner, Blount College, actually is two years older than the state.

UT trained lawmakers and public servants, helped the state foresee its economic trends, clean up its water, teach its teachers, train its employees.

We deserve to feel proud. Everyone who is a part of UT—trustees, students, faculty, staff, alumni, contributors, no matter the connection—has helped build this 200-year tradition. For every governor or trustee or president whose name is in the history books, there are a thousand others less visible who worked as hard and cared as much. None of us is about to quit. We are eager to teach better and do more relevant research. We are committed to helping our state—its businesses, its schools, its people. We intend to build hundreds more years of UT history and tradition.

Proud.
That's how people feel about UT during this Bicentennial year.
The Making of the Bicentennial

When we began 1993-94, the Bicentennial celebration was yet to take shape. No doubt UT was going to be 200, but how would we recognize such a rare event?

Plans evolved quickly. People got interested, and excitement began to build. Ideas rushed into action. A symbol was designed. There followed Bicentennial medallions, lapel pins, chocolates, billboards, histories, soft drink bottles, commemorative prints, T-shirts, TV spots, airport displays, telephone books, coffee mugs, lectures, sculpture, information kiosks, liberty jugs, hats, and an opening ceremony complete with fireworks and a marching band.

That ceremony was a kickoff worth the 200-year wait. About 5,000 people came to Thompson-Boling arena at UTK for breakfast, and hundreds more at the other UT campuses joined in via satellite television transmission. Governor Ned McWherter talked about his respect for UT and augmented his comments with the announcement that he would recommend funding for the new College of Law building at UTK.

Those who still might have been drowsy at the breakfast hour received a dramatic wake-up call when indoor fireworks lit the upper reaches of the arena and the Pride of the Southland Band burst into spirited versions of “Rocky Top” and other favorites.

Just two days earlier, another once-in-two-centuries event occurred when the two houses of the Tennessee General Assembly met in special session to recognize UT’s 200th birthday. The House and Senate passed a joint resolution praising the University, and at this ceremony as well, Governor McWherter made gracious remarks about UT.

It would be hard to top those two Bicentennial spectacles. But so many other things were happening that the pace never slowed. Tennessee Senators Jim Sasser and Harlan Mathews recognized the University’s Bicentennial with a resolution in the Congressional Record. A traveling exhibit of historic University photographs debuted. Our first electronic information kiosk, which features Bicentennial events, went into operation. The campuses and institutes of the University also held events in keeping with the 200th birthday theme.

Looking toward Century Three

Though the Bicentennial has been the showiest accomplishment of the year, it has not been the only one. Federal and state funds paid for more than $150 million in UT research. The estate of Clarence and Marian Brown provided $12 million to the University—our largest gift ever. Dwayne McCay took over as vice president at the Space Institute.

Our Bicentennial celebration will continue through the end of 1994. Much is yet to come in this year-long birthday party. As we celebrate, though, planning is well under way for our future. We are proud of our past, but we cannot rest on previous accomplishments. Each campus and institute this year established a new five-year plan.

Goals for the statewide University are:

- Public awareness that UT is a high-quality institution.
- Extending UT’s reputation for quality to national and international scope.
- An ever-improving quality of students entering and graduating from the University.
- Selecting outstanding new faculty and honoring and rewarding the excellent faculty the University already has.
- Greater achievement by those UT units engaged in research.
- A more intimate and vital partnership with Tennessee agriculture, business, arts, industry, and government.

Each campus and institute of the University has its own accomplishments and aspirations. The following pages feature highlights of 1993-94 as well as some of the major goals from the five-year plans.
UT CHATTANOOGA
Much to celebrate in UTC’s 25th year

UT Chattanooga celebrated its 25th birthday as the statewide University celebrated its 200th. UTC became a part of the University of Tennessee in 1969 after a distinguished history as a private institution, the University of Chattanooga.

Among the highlights of 1993-94 were several major grants. The College of Engineering and Computer Science received a three-year $500,000 award from the Environmental Protection Agency to establish a research and training center on petroleum underground storage tanks. Dr. Philip Kazemersky will direct the center, which will offer seminars and other educational efforts that will attract participants from throughout the Southeast and across the nation.

Grant To Link Schools
The Annenberg Foundation/Corporation for Public Broadcasting Math and Science Education Project made a $418,000 three-year grant to UTC to establish and direct a computer network to link rural school districts in southeastern Tennessee to national and international sources of information, instruction, and mentoring.

Sue Goodwin of UTC’s Center of Excellence in Computer Applications directs the effort, called the Tennessee Valley Project. Partners in the project are the Challenger Learning and Teaching Center of Chattanooga, TVA, the Tennessee Aquarium, and the Oak Ridge Institute for Science and Education. Annenberg/CPB wants the project to be a model for regional and national expansion and development.

Dr. James McDonnell, head of social work, will direct the Student Mentoring Corps, which is supported by a $35,000 grant from the U.S. Department of Education. UTC students will work with youngsters weekly to improve social skills, self-management skills, and self-esteem. The goal is to improve grades, attendance, and behavior in schools. The UTC students will receive academic credit for their participation and related studies.

The Southeast Center for Education in the Arts worked to match a $470,000 challenge grant from the National Endowment for the Arts. When matched 3-to-1 by other contributions, the grant will
serve as a substantial part of an endowment for the SCEA and its programs in discipline-based arts education.

Chattanooga-area participation in the National Writing Project has been established through the Lookout Writing Project, headquartered at UTC and directed by Dr. Elizabeth Campbell of the English department. The program draws together teachers from all disciplines and grade levels to share techniques and philosophies in writing instruction.

A program developed by the mathematics department expanded into every high school in Tennessee. The Tennessee Early Mathematics Placement Test, directed by UTC’s Robert Wynegar, tells high school juniors the importance of math, then administers a placement test that generates a college math placement level for each student.

A special event of the 200/25th anniversary was the campus premiere in March of an original ballet, *Amethyst*, composed by Mario Abril, UTC professor of guitar and music theory. The ballet was produced for television and should reach national audiences before the end of 1994.

**MBA Students, Faculty Learn in Japan**

Students and faculty of the new Executive MBA program spent several weeks last summer studying manufacturing and management in Japan. The Executive MBA targets mid-level executives and is offered by the School of Business Administration.

A nurse anesthesia program has been approved under the M.S.N. degree and will admit students next year. This concentration helps address one of the most severe shortages in health delivery in the U.S. When fully operational, about 60 students will be enrolled. Another new program in the College of Health and Human Services is a bachelor’s degree in legal assistance studies, which will admit students this fall.

Dr. Martin Daly, a specialist in the history of the modern Middle East, received a Fulbright Award. He will spend 1994-95 at Tel Aviv University.

The College of Engineering and Computer Science won three awards: the National Leadership Excellence Award for Engineering Management Education, given by the American Society for Engineering Management for leadership, innovation, and creativity in programs; the National Professional Development Award, given by the National Society of Professional Engineers, a faculty award for the development of programs, professionalism, and ethics; and an outstanding computer science program in the Southeast award, given by the Data Processing Management Association.

The art department earned full accreditation from the National Association of Schools of Art and Design. Only about 20 percent of college and university art programs earn NASAD accreditation.

In sports, the UTC men’s basketball team went to the NCAA postseason tournament. The campus hosted its second women’s SEC basketball tournament and signed a long-term contract with the SEC to return the tournament to Chattanooga in subsequent years.

**GOALS**

- To expand and enhance recruitment and retention to achieve an academically qualified and diverse student body of at least 9,550 by fall 1998.

- To expand and allocate faculty/staff and technological resources needed to keep pace with enrollment growth and new curricular and program initiatives; to enhance the academic environment for faculty; to enhance the work environment for faculty, staff, and students through recognition of the dignity and worth of each individual, improvement of salaries and benefits, and advancement of the commitment to affirmative action.

- To fulfill UTC’s mission as a metropolitan university by providing quality student-oriented education and offering courses that respond to student and community needs.
A couple of miles from where Blount College was founded in 1794, about 5,000 students, faculty, staff, alumni, and other friends gathered in Thompson-Boling arena on the morning of January 13 to kick off the University Bicentennial celebration.

Samuel Carrick, Blount College founder, and his handful of students would have marveled as fireworks illuminated the vast arena and the Pride of the Southland Band raised the roof with “Rocky Top.”

Governor Ned McWherter told the audience—and hundreds more at the other UT campuses that “attended” the kickoff via satellite television transmission—that the ideal behind UT’s founding 200 years ago still lives.

“It is the simple belief that every man and woman in this state, without regard to wealth and without regard to where they were born, deserves the chance for the best education we can provide,” the governor said.

The Bicentennial celebration continues throughout 1994. Events have included a ceremony marking the addition of the two-millionth volume to the UTK libraries and a traveling photographic exhibit of University history. A major academic convocation took place September 12.

**Law College Expands**

When Governor McWherter spoke at the Bicentennial kickoff, he surprised and delighted the audience with the announcement that he would include in his budget $21 million for adding to and renovating the College of Law. The General Assembly followed his lead and appropriated the money, and the project will get under way soon.

To make way for the expansion of the law college, the International House had to be sacrificed. A new International House will be built near Hodges Library, and no state funds will be used for the project.

The Science and Engineering Building, a huge new structure on the Hill, should be completed this fall.

Efforts to make UTK an even better place for students took shape in a couple of major projects.
Registration, that long-dreaded, beginning-of-school test of patience, became a social event last fall and spring semesters. Some students returned to Thompson-Boling arena two or three times just to visit with friends. Schedule pick-up, the financial aid process, and fee payment were streamlined by a planning committee of staff and students. Long lines were reduced, but if students had to wait, they munched on free snacks and were entertained by the UTK band and other performers.

**Task Force Examines First-Year Experience**

Another student-focused effort found a 13-member task force reporting on ways to improve students’ first-year experience at UTK. The group reported to Chancellor Bill Snyder that success or failure in college often is determined in a student’s first year. The task force’s research found that the “first two days of a first-year student’s experience with any campus environment are crucial to the impression that the student will form of his or her academic career.”

The task force recommended more attention to classroom instruction, stronger advising and orientation programs, more social activities to make students feel a part of the University, and improvement in the campus intellectual climate.

Other campus climate issues were in the news this year. The Gender in the Workplace survey, released in the fall, reported on perceptions about professional opportunities for women on campus, sexual harassment, safety, and child care. The survey found women believe their opportunities for advancement are not as great as their male counterparts, and Chancellor Snyder pledged quick and sustained action on the study’s findings. The chancellor and his staff also completed and released an update of the 1988 Task Force on Race Relations.

Chancellor Snyder recently published his views on enhancing diversity and multi-culturalism on campus. The chancellor’s “Climate Paper” commits UT to cultivating and enriching the human mind and spirit, developing its human resources, and repudiating discrimination.

**Industry Partnerships Emphasized**

The chancellor also committed himself and the campus to forging partnerships with business and industry. The partnerships allow better communication of industry needs that the university can satisfy. Pilot Corporation signed a partnership agreement to work with UTK on environmental issues, continuing and executive education, telecommunications, and information technology. The University and Eastman Chemical Company strengthened their partnership when 50 faculty and staff spent three days at Eastman’s Kingsport, Tennessee, headquarters learning about the firm’s quality improvement program.

University researchers continued to attract record dollars to support scholarly activities. UTK’s research expenditures in fiscal 1992, the latest year for which numbers are available, were $68 million, up $7 million. Most of the money comes from federal and state contracts, grants, state appropriations, institutional support, industry, and private sources.

In the area of private support, the University received its largest gift ever, about $12 million, from the estate of Hollywood director Clarence Brown and his wife, Marian. Brown graduated from UTK in 1910 with an engineering degree. The $12 million established an endowment for the theatre department, and the income will support theatre programs and activities.

The campus this year welcomed Dr. John Peters as vice chancellor for academic affairs. He came from the University of Nebraska, where he was dean of arts and sciences. He is the first permanent head of UTK’s academic program in five years. Matters that claimed Peters’ attention included Board of Trustees approval for restructuring the College of Education,
the 50th anniversary of the College of Social Work, and setting up instructional technology awards and faculty development awards.

Another important new face around campus was that of Kevin O'Neill, head coach of the basketball Volunteers. O'Neill came from the head coaching position at Marquette University to replace Wade Houston, who resigned.

The first UTK Teaching Scholars were appointed in 1993. Dr. Jan Allen, associate professor of child and family studies, and Dr. Schuyler Huck, professor of educational psychology and guidance, spent the year working with faculty and graduate teaching assistants to improve teaching across campus. New teaching scholars will be appointed annually.

A visit by Vice President and Mrs. Albert Gore Jr. was a highlight of the year. The vice president came to campus to announce the Nancy Gore Hunger Chair of Excellence in Environmental Studies, named for his late sister. Gore made the first gift to the $1 million chair, funded jointly by state and private dollars. The vice president's contribution came from royalties from his best-selling book, *Earth in the Balance: Ecology and the Human Spirit*.

**GOALS**

- To enhance the student environment by improving academic programs and support services, by keeping undergraduate enrollment about as is and effecting some increases in transfer and graduate student enrollment, by building and renovating facilities where students can develop a sense of community, by increasing African-American enrollment, by increasing teaching assistants to improve teaching across campus. New teaching scholars will be appointed annually.

- To have more outstanding and diverse faculty and staff and increase support of scholarly activities.

- To enhance academic programs, recognize and reward good teaching, rigorously review the quality of programs, emphasize diversity in the curriculum, expand joint ventures with business, agencies, governments and schools.
UT Martin has grounds for bragging. A highlight of the year came when the campus received the Grand Award from the Professional Grounds Management Society and Grounds Maintenance magazine—the highest recognition given for school and university grounds. UTM competed against universities throughout the U.S., regardless of size or budget.

Inside campus classrooms, honors accrued as well. The National Science Foundation awarded a grant of nearly $50,000 to the Center of Excellence for Science and Mathematics Education. The aim is to improve the way science is taught in elementary schools. The Center of Excellence will subcontract with eight universities in the UT and Board of Regents systems to plan training centers for teachers. Another grant would be needed to implement the plan, which would include eight regional centers at the participating universities. Each center would serve about ten counties.

Two student groups held on to top national rankings. The American Chemical Society rated the Student Affiliates Chapter at UTM as outstanding for the sixteenth consecutive year. No other school in the nation has received more outstanding ratings than UTM. And Beta Chi chapter of Phi Chi Theta Professional Business Fraternity continued as the number one collegiate chapter in the U.S., a rating it has enjoyed for 25 of its 27 years of eligibility.

Professor Choong Soon Kim of the Department of Sociology and Anthropology is another award winner. Kim lectured and did research at Yonsei University in Korea on his second Fulbright grant. And E.J. Eaton, associate professor of music, was recognized by the Governor's School for the Arts as one of Tennessee's Outstanding Teachers.

The halls are decked as Chancellor Margaret Perry salutes the Bicentennial.

Chancellor Margaret Perry was named vice chair of the Executive Council of the Southern Association of Colleges and Schools Commission on Colleges. A very special faculty member, Dr. N.W. “Doc” Robinson, was memorialized when the arena in the West Tennessee Agricultural Pavilion was named for him.
The Lady Pacers tennis team was in the winner's circle, too, claiming the University's first Ohio Valley Conference championship in UTM's second year as a Division I and OVC member. Coach Dennis Taylor was named OVC coach of the year. Also in the athletics realm, Benny Hollis was named UTM athletics director, heading both men's and women's programs.

**Gifts Make a Difference**

Other very important people made gifts to the campus. Governor Ned McWherter gave more than $300,000 to fund the Lucille and Harmon McWherter Scholarship Endowment. The Golightly Foundation of Memphis pledged $300,000 for the Golightly Education Research and Teaching Center. This gift leveraged state funding of $3.7 million to establish a Swine Research Center in Martin.

Major gifts also came from these alumni and friends: Robert and June Baker, Jimmie Corbitt, James Cunningham, Slick and Freda Frazier, Desdemona Reasner, Phil and Nettie Roseman, William Tice, and Tom and Pat Wade. Also, spouses of two faculty members established scholarship endowments. The Carl Seale Student Teacher Award Endowment Fund was begun with a $10,000 gift from Margie Seale. Carl Seale was a faculty member from 1971 to 1992. The Kellie Jones English Scholarship Endowment Fund received a $10,000 gift from Bert Jones. Kellie Jones taught at UTM from 1966 to 1989.

The Paul Meek Library will be bigger and better this fall, when a $9.7 million expansion should be completed.

**GOALS**

- To have a superior learning environment so students can achieve educational objectives, faculty who are on the cutting edge of their disciplines, and a curriculum that allows students to experience their majors inside the classroom and outside in internships, assistantships, co-ops, part-time work, and other yet-to-be-determined arrangements.

- To facilitate student recruitment; provide good customer service to students and help departing students find jobs or opportunities to further their education.

- To identify needs and initiate services and educational programs to enhance quality of life for individuals, public entities, and private and professional organizations.

The National Science Foundation awarded a grant of nearly $50,000 to the Center of Excellence for Science and Mathematics Education. The aim is to improve the way science is taught in elementary schools.
Implementation of TennCare and national health care reform proposals strongly impacted UT Memphis last year. In response to TennCare, the UT Medical Group and the Regional Medical Center at Memphis (the MED) developed a managed care organization in which the MED provides medical facilities and UTMG provides physicians. Changes in health care delivery are expected to require changes in curriculum as well as residency program training.

Primary care physicians or generalists are the cornerstone of health care reform; but even before TennCare and other new systems were announced, the University and the state recognized Tennessee needed more primary care physicians.

The federal government has designated 85 of Tennessee's 95 counties as "underserved" with respect to health care professionals and services. An Underserved Areas Program begun in 1991 will admit its third and largest class this year. Students receive stipends from the state if they agree to set up primary care practices in underserved areas. Interest grew this year in arrangements where a student agrees to practice in a community or hospital that sponsors the student's education. Thirty-five students were accepted into this program, compared to 18 the year before. The American Association of Medical Colleges ranks UT Memphis 21st among the nation's 127 medical schools in the percentage of graduates entering primary care specialties—a significant increase in the past three years.

The College of Nursing reaches underserved areas by taking its master's degree program to rural West Tennessee, where there are few primary care nurses or physicians. Family nurse practitioners working with family physicians serve many people who otherwise would not have access to health care. This year the College of Nursing graduated 19 family nurse practitioners who completed all their course requirements in interactive video classrooms in Dyersburg and Jackson.

Dental students were recognized for their research
and for leadership in national organizations. Junior Tara Milligan was an award winner at the UT Dental Seminar and will represent UT in competition at the meeting of the American Dental Association. Other student researchers have been invited to present at meetings in Ireland and Scotland.

The College of Graduate Health Sciences traditionally has ranked among the top graduate colleges in medical centers in numbers of doctoral degree students. In 1993, a new high of 25 doctoral students graduated, placing UT Memphis among the top third of graduate colleges located in medical universities. In April 1994 there were 650 applicants for admission. Enrollment was 175 during fall 1993 as compared to 74 in 1986. The retention rate is near 70 percent. Almost all full-time graduate students receive full support, which makes UT Memphis competitive with the best research universities.

Although the number of students in master's and doctoral programs has increased, during the past 20 years the number pursuing Ph.D.s in pharmaceutical sciences has declined steadily. The American Association of Colleges of Pharmacy predicts a shortage of 600 Ph.D.-prepared scientists in pharmacy education by 2000. To attract students, a dual Pharm.D./Ph.D. program was begun and this year enrolled eight students, including three minority students.

Applications to the College of Medicine reached a record high this year with the fall entering class of 165 selected from 896 applicants. Applications from black students rose 37 percent.

Some scientists and students who are on campus during the summer have yet to grow into their lab coats. The youngsters, some as young as 14, are part of seven summer enrichment programs targeted toward Shelby County area junior high and high school students who are interested in health science careers. More than 200 students participated this year.

The UT Bowld Hospital has implemented a strategic plan that focuses on increasing business by strengthening areas of expertise and adding other specialty services. The hospital will concentrate on organ transplants and add islet cell transplantation, which produces insulin and could provide a cure for diabetes. The federally funded Clinical Research Center at the hospital received renewal of its grant and plans to expand and improve its facilities. Patients and revenues have increased as physicians and improved facilities have been added.

Gifts Provide Better Facilities

Private support for research was a highlight during the past year.

The Crippled Children's Foundation gave $5 million for a Crippled Children's Foundation Research Center that will consolidate researchers from Le Bonheur Children's Medical Center and UT Memphis in one building, the new Le Bonheur West Patient Tower. The research center will award grants annually to investigators who are faculty of UT Memphis. Members of the UT Department of Pediatrics, with six chairs of excellence and four endowed professorships, are headquartered at Le Bonheur. The chairman and vice chairman of the UT department serve as vice president of academic affairs and senior vice president of medical affairs at Le Bonheur.

An anonymous gift of $1 million, matched by private gifts to UT Memphis, will allow the Department of Physiology and Biophysics to renovate laboratories for cellular and molecular research and will establish a Neurodegenerative Disease Research Fund in the Department of Neurology to further study treatment of Parkinson's Disease.

An additional $3.2 million from the estate of Memphis businessman Ben Spears, founder of Lucky Heart Cosmetics, will fund the Spears Research Laboratory, an addition to the Van Vleet Cancer Center.

GOALS

- To graduate health professionals and scientists who are professionally competent and in whom high ethical standards have been instilled, with appropriate emphasis on underrepresented groups and on meeting the health workforce needs of Tennessee.
- To maintain an increasingly distinguished, respected, productive, and diverse faculty.
- To promote the health science and biomedical research mission of UT Memphis.
The Medical Center at Knoxville also devoted much time to examining changes in the health care system and how the changes would affect the Medical Center clinically and academically.

The administrations of UT and the Medical Center, along with the medical staff, studied the need to create a managed care organization and to develop a health coverage program for TennCare. Thus, The University of Tennessee Health Plan Incorporated was developed.

A great deal of time also was spent looking at how health care reform measures will shift care from the hospital setting to the outpatient setting. As a result of this shift, attention turned to adapting the Medical Center's residency training programs to provide increased experience in the ambulatory setting as well as the hospital setting.

Other significant events included accreditation of the Pediatric Residency Program and two major gifts. The Pediatric Residency Program did well in the resident match, attracting six new residents. Dr. Eddie Moore, chairman of the Pediatrics Department, his staff, the Medical Center, and the pediatric community deserve credit for the program's national standing.

Since 1962, University Hospital Auxiliary members have freely given their time and resources. Financial contributions by the auxiliary to the Medical Center since 1962 total more than $1 million. Through fund raising activities, the auxiliary has provided scholarships, equipment, and financial assistance to numerous departments. Volunteer hours since the program's inception total 472,000.

Twelve anesthesiologists at the Medical Center pledged $1 million for an endowment for medical education and research. The doctors, eight of whom are alumni of the UT Graduate School of Medicine, will give the money over a five-year period. The twelve are Steve Morris, head of the anesthesiology department, Don Pearson, David G. Adams, Steve Patteson, James Langdon, Arthur Smith, Michael G. Smith, Bobby Millard, Jerry Epps, Warren Bagley, Daniel Bustamante, and John Chesney.

Dr. George Kabalka was honored as the Medical Center's first endowed professor of the Robert H. Cole Chair of Neuroscience. The endowment for the chair was given by Monica Cole, widow of Robert Cole, who founded Cole Drug Stores. Dr. Kabalka is developing new methods to diagnose neurological diseases such as Parkinson's and Alzheimer's.

MEDICAL CENTER GOALS

• To broaden the base of primary care physicians.

• To further develop the University of Tennessee Health Plan to offer commercial health coverage.

• To develop a system to improve prenatal care; to offer outreach activities to physicians, community hospitals, and the public for educational purposes and to help medical staffs of outlying hospitals provide the highest quality care.
Dr. Dwayne McCay became vice president of the Space Institute last December, filling the position that had been vacant since Dr. Wesley Harris resigned in January 1993.

Dr. McCay has been on the Space Institute faculty since 1986 and is a professor of engineering science and mechanics.

There was progress on many other fronts. A team of UTSI students placed first in a competition to design a Near-Earth Asteroid Rendezvous Mission. Team members collected $1,000 prizes for themselves and their adviser, Dr. Gary Flandro. The Lockheed Corporation Graduate Team Space Design Competition was administered by the American Institute for Aeronautics and Astronautics.

Another award-winning team included Professors Ahmad Vakili and John Caruthers. They were members of the jet/facility acoustic interactions investigation team that won Arnold Engineering Development Center’s Technical Achievement Award for the third quarter of 1993 and then for the year.

Through a video interactive network called UT-EDNET, the Space Institute began offering classes in which students see, listen to, and talk with professors at other campuses. The system plays a major part in UTSI’s Engineering Management Program and has also been used to communicate with high school students in other parts of the state during career days. UTK and UTSI are exchanging graduate courses, and UT Chattanooga’s MBA program is being offered in Tullahoma.

Faculty Excel

Faculty accomplishments highlighted the year. Professor John Caruthers won a NASA grant to develop a system for very fast numerical solutions to equations governing the propagation of sound. Dr. Dennis Keefer, B.H. Goethert Professor, presented the “Best Paper” at the Seventh Symposium on Electromagnetic Launch Technology in San Diego in April. Professor Basil Antar co-authored with his wife a 300-page book, Fundamentals of Low Gravity Fluid Dynamics and Heat Transfer. The Highland Rim ASME Section
announced the election of Dr. George Garrison as an ASME Fellow. Garrison is executive director of CSTAR and professor of mechanical and industrial engineering.

Drs. Narendra Dahotre, Mary Helen McCay, and Dwayne McCay are hoping to patent a technique they have invented for bonding ceramic materials to other ceramics and to metal. Their process is cheaper, quicker, and more effective than other methods.

Dr. K. C. Reddy, dean for academic affairs, was elected president of the Tennessee Conference of Graduate Schools. Reddy, who is also a professor of math, is serving a one-year term.

**UTSI Hosts Specialists**

Twenty-seven ignition specialists from throughout the United States attended a two-day UTSI workshop aimed at discovering ways to develop better ignition systems for gas turbine engines. Jim Few and Professor J.W.L. Lewis demonstrated equipment and outlined the Center for Laser Applications' diagnostic and data acquisition capabilities.

The faculty established a Morris L. Simon Fellowship endowment for graduate students in honor of the lifetime vice chairman of the UTSI Support Council. More than $20,000 was pledged.

**GOALS**

- To seek to attract and support exceptionally bright, full-time graduate students and be responsive to the needs of part-time graduate students.
- To enhance academic programs to support graduate education and continuing education; emphasize aerospace propulsion and aeronautics, computational mechanics, laser applications and materials processing, energy conversion and environmental science, aviation systems, and engineering management.
- To enhance selected research programs to compete with the outstanding U.S. research universities and to stress research that has commercial pay-offs.
The Bicentennial year has been busy and productive for the Institute of Agriculture’s programs of teaching, research, and extension.

• The College of Agricultural Sciences and Natural Resources has both undergraduate and graduate programs with approximately 1,200 students.

• The College of Veterinary Medicine offers the DVM degree and intern and residency programs as well as conducting research.

• The Agricultural Experiment Station researches problems and opportunities in agriculture and closely related fields.

• The Agricultural Extension Service offers educational programs on agriculture, home economics, and community and resource development, while also sponsoring 4-H.

Enrollment continued its yearly increases, which have totaled 44 percent over the past five years. More than 1,350 students are expected to enroll this fall.

Concurrently, programs have been improved. The B.S. degree program in ornamental horticulture and landscape design now has three concentrations—business, technology, and science. Major changes in the wood utilization concentration in the forestry program made it suit student needs better, as did changes in graduate courses in animal science and agricultural economics and rural sociology.

Student organizations distinguished themselves. The
Career Day, which attracted more than 400 students and faculty from 30 universities as well as industry representatives. The Wildlife and Fisheries Society received a Chancellor's Citation for community service. The Soils Judging Team placed fourth nationally. The three and one-half year Saturn/UT Landscape Linkage Project came to a successful conclusion. Six graduate assistants, seven faculty advisers, and eight undergraduate interns were exposed to new ideas and skills in an environment that emphasized teamwork. Project resources funded a new course in computer-aided landscape design.

The Racheff Chair in Plant Molecular Genetics made significant strides in genetic manipulation of the soybean to adapt it to modern agricultural, commercial, and environmental demands.

GOALS
- To increase student quality and diversity, continue focused recruitment, increase undergraduate scholarships and graduate assistantships.
- To develop and maintain a diverse, highly competent, and adequately compensated faculty of increasing professional stature that gives effective teaching and out-of-class interaction with students a high priority; to add needed faculty.
- To enhance teaching, research, and public service by such means as equipping at least three classrooms for multimedia instruction and increasing courses in certain subject areas by 1996.

AGRICULTURAL EXPERIMENT STATION
- An increase in grant support was a major accomplishment. During 1993, research grants totaled $3.8 million, a 240 percent increase since 1990.
- Field day attendance and other interactions with clientele also rose. In 1993, field day attendance was nearly 9,900, with 6,000 attending Milan No-Till Field Day.

The Blasingame Chair of Excellence in Agriculture Policy and the associated Agriculture Policy Analysis Center continued to flourish. The Center attracted $319,000 in grants and contracts and staged the second Tennessee Agriculture Policy Conference.

Sufficient state and federal funding was secured to begin construction this fall on part of the long-awaited Agricultural, Biological, and Environmental Research Complex to be built on the agriculture campus at Knoxville. A livestock research facility located on Cherokee Farm will be the initial phase of the total research complex estimated to cost $38 million.

Research yielded useful results including a better process for drying lumber in kilns; a beneficial soil fungus that makes plants more drought resistant; release of a new variety of white corn and a new apple variety; and a process to delay fruit tree budding to minimize freeze damage.
GOALS

• To help the College of Agricultural Sciences and Natural Resources, the College of Veterinary Medicine, and the UT Martin College of Agriculture and Home Economics to fulfill their teaching mission by providing access to branch stations and to work experiences.

• To help develop quality graduate programs in agriculture, natural resources, and human ecology by developing strong faculty research, by helping recruit and support graduate students, and by providing laboratory and field environments to train graduate students.

• To complete the Systems Improvement Program to identify ways to make research more efficient and focused on Tennessee's needs; create incentives to encourage project leaders and interdisciplinary teamwork; increase the availability and quality of technical support personnel to increase research output.

AGRICULTURAL EXTENSION SERVICE

The Extension Service helped solve numerous problems for farmers, homeowners, and others.

Clean water is the focus of 33 water quality/waste management demonstrations implemented statewide since 1988. In one instance, Extension helped a West Tennessee farmer who faced health department fines because his swine lagoon was overflowing. Extension developed a plan that was accepted by the health department. Twenty-five farmers attended a demonstration field day at the farm, and two installed animal waste management systems.

At a demonstration site in Bedford County, an alternative septic system made it possible to build housing on property with soil that couldn't support a conventional system. Extension produced an educational video tape and two publications to help others learn about the pilot project. Representatives from more than 20 counties have visited the demonstration site.

Extension home economists offered pilot programs on affordable housing. Agents in 52 counties worked with Habitat for Humanity, Tennessee Housing Development Agency, and Farmers Home Administration. The agents taught how to acquire and maintain homes.

More than 1,200 children in Murfreesboro participated in an afterschool program called 4-H BEST (Building Esteem Through Science and Technology). The program is a positive influence for at-risk youth. The students averaged a 20 percent increase in subject matter knowledge as the result of 4-H BEST. In addition to Extension, other sponsors are the Murfreesboro Extended School Program, the Patterson Community Center, and Extension Service USDA.

GOALS

• To strengthen Tennessee agriculture, families, health, and environment through various methods of education.

• To increase faculty productivity and improvement and fully fund all positions to achieve program objectives.

• To establish a Center for Agricultural Development and a Family Resource Educational Center, begin an Agricultural Leadership Initiative for the 21st century, expand parenting programs, improve agricultural sustainability, and expand programs to enhance rural entrepreneurship.
The Bicentennial year found the public service and continuing education units celebrating UT’s past while pushing forward with projects for a better future.

The Institute for Public Service agencies

- Municipal Technical Advisory Service
- County Technical Assistance Service
- Center for Government Training
- Center for Industrial Services
- Center for Telecommunications and Video

were active in extending the University beyond its campuses and serving people throughout Tennessee.

IPS agencies began a series of public policy forums in celebration of the Bicentennial. Experts discuss issues such as juvenile crime and health care reform, and interaction among local policy makers is increased.

The Center for Industrial Services will play a major role in a $3.2 million Department of Commerce grant to help state industry expand. The two-year grant will be administered by the Tennessee Department of Economic and Community Development. The Center for Industrial Services will add staff in such areas as electronic commerce, industrial engineering, and waste reduction to help implement the grant.

**EDNET Spans State**

Staff of both public service and continuing education focused on UT’s statewide video network, EDNET. The network extends degree programs, credit courses, and non-credit professional development programs throughout the state. The University now has “smart classrooms” in Chattanooga, Jackson, Kingsport, Knoxville, Memphis, Nashville, Oak Ridge, and Tullahoma.

Examples of courses shared via the EDNET include UT Chattanooga’s criminal justice program in Knoxville and UT Knoxville’s library and information science program in Memphis. The system allows a professor to teach...
interactive classes at as many as eight sites at once. Faculty and staff from each UT campus and institute serve on the Distance Education Council, which oversees telecommunications policy. UT is discussing ways its statewide network can help other educational institutions, public agencies, and community organizations improve Tennessee’s economy, education system, and quality of life.

The Center for Telecommunications and Video produced several national and state teleconferences for professional groups of nutritionists and pharmacists, for the Department of Energy and Martin Marietta Energy Systems, and for the Southern Environmental Enforcement network, among others.

**Government Training Attracts Thousands**

Two of the Institute’s programs for local government officials flourished. More than 2,000 municipal officials and staff across the state attended the UT Municipal Training Program, a joint effort of the Center for Government Training and the Municipal Technical Advisory Service. The first class of the program’s capstone Leadership Forum graduated. The County Officials Certificate Training Program had more than 2,500 participants, in addition to the 240 officials who have graduated from this 115-hour program and who continue 12 hours of professional renewal each year. The program is a joint effort of the Center for Government Training and the County Technical Assistance Service.

The Institute for Public Service played a major role in the Telecommunications Rural Applications Center project. The effort is led by the Tennessee Elk River Development Agency with $1.5 million in funding from the Tennessee Valley Authority. The project will allow ten largely rural counties to improve their quality of life and their economic development potential.

An interesting example of the business assistance offered by the Center for Industrial Services involves a Madison County industry that needed help disposing of 80,000 pounds a month of damaged ceramic tile. The landfill was near capacity, and other alternatives were costly. A local concrete block manufacturer was asked to evaluate the tile as an alternative to the stone aggregate it was using. The two companies signed a two-year agreement that is expected to be extended indefinitely. Eighty-thousand pounds a month of waste was 100 percent diverted to another raw material use.

Continuing Education held its second annual statewide conference in Chattanooga, attracting more than 100 UT professionals. The participants from all UT campuses and institutes explored “partnering” in areas such as telecommunications, alumni programs, leadership, health and medical fields, and business and industry.

Statewide Continuing Education also sponsored a funding workshop. Representatives from the National Science Foundation, the Kellogg Foundation, the Alfred P. Sloan Foundation, and TVA discussed priorities and guidelines for grants.

**GOALS**

**Institute for Public Service**

- To ensure that key customers see IPS as the responder of choice when they need technical, managerial, professional development, and telecommunications services.

- To continue to emphasize the program priorities identified by the Institute and its agencies while maintaining quality in traditional services.

- To develop and nurture partnerships with individuals and organizations that most directly affect the success of the Institute and its agencies.

**GOALS**

**Continuing Education**

- To establish a budget for the Statewide Continuing Education Office to add staff and provide seed money for continuing education programs statewide.

- To strengthen UT’s outreach mission by helping develop a strategic plan for extending the academic programs of UT’s campuses and institutes using telecommunications technologies.

- To explore establishing a database of continuing education programs offered by all UT’s campuses and institutes and making that database accessible anywhere in the world using the Internet.
Alumni and other friends continued to give generously of their time and other resources to the University of Tennessee last year. Many took part in Bicentennial activities, helped in student recruitment, served as volunteers for their colleges or schools, and mentored younger alumni.

Many individuals, as well as corporations, foundations, and other organizations, made gifts. Without this generous support, the University would be unable to provide students and faculty with the "extras" that generate high quality education and research.

Private gifts support academic enrichment efforts such as student scholarships, faculty teaching awards and professorships, and library improvement. Contributors can designate their gifts for any purpose, program, or campus they choose.

Several national rankings attest to the generosity of those who support UT: the University ranks in the top 15 public institutions in the United States in endowed funds, seventh among public universities in total number of contributors, and 16th among peer institutions in participation rate of alumni contributors.

Two volunteer organizations — the Development Council and the Board of Governors of the National Alumni Association — continued to play strong roles in development and alumni affairs. The men and women who are members of these two groups give thousands of hours of time to UT and set a standard of volunteerism few can match. The 1993-94 leaders, Ben Kimbrough of the Development Council and Lyle Key of the NAA—continued the hardworking habits set by their predecessors and merit special thanks for all they have done.
DEVELOPMENT

The University of Tennessee enjoys outstanding support from alumni, friends, corporations, foundations, and other organizations. The 1993-94 fiscal year ended with a record $49.9 million in gifts received, an increase of $14.7 million over the previous year. For the past six years, the University has averaged more than $35 million annually in the support it receives for scholarships, faculty recognition, and other important programs. Total gifts since the establishment of a formal private giving program in 1961 now exceed $429 million. The University's endowment has grown to more than $300 million, thanks to many generous friends.

Individuals, corporations, and foundations make gifts and investments in people and programs they believe in. The University appreciates the vote of confidence demonstrated by the support it receives. As we approach the 21st century and enter the University's third century of service to the people of Tennessee, we believe the partnership will continue. We are optimistic that with special efforts our annual flow of private gift dollars will continue to increase.

ALUMNI AFFAIRS AND ANNUAL GIVING

As UT celebrated its Bicentennial, the UT National Alumni Association marked its 159th year of service to alumni. Founded in 1836 at Knoxville, the association grew along with the University to welcome former students of all UT campuses statewide.

Significant alumni events were held this year on each campus and in more than 100 alumni club areas in Tennessee and across the United States. More than 66,000 persons participated in those activities.

Gifts to UT through the Annual Giving Program in 1993-94 totaled $10.4 million from almost 47,000 contributors.

Total gifts since the establishment of a formal private giving program in 1961 now exceed $429 million.
Where UT’s Money Comes From

UT is widely known as a “state-aided” university and, in fact, the largest part of its $1.1 billion 1993-94 budget came from state appropriations.

State funds amounted to about 29 percent of UT revenues. But what other sources support UT?

- About 27 percent of revenues came from the University hospitals at Knoxville and Memphis.
- A combination of gifts, grants, and contracts was the third largest source of revenue, about 18 percent.
- Auxiliary enterprises and some smaller miscellaneous categories provided about 16 percent.
- Student fees were about 10 percent of total revenues.

Though total revenues grow every year, the percentages change only gradually. While state funding usually increases annually, it accounted for about 5 percent less of 1993-94 revenues than it did five years earlier. Meanwhile, UT’s hospitals have become a more significant part of the total UT revenue picture. Hospital revenues were up $13 million last year. Private giving took a healthy jump, growing more than $5 million. Federal contracts increased $3 million.

Though student fees have increased several times in recent years, they have continued to provide about 10 percent of UT revenue.

Where the Money Goes

University educational and general expenditures grew by 8.7 percent during fiscal year 1994. The major expenditure classifications paralleled the University’s three-fold mission of education, research, and service. Auxiliary enterprise and hospital expenditures increased also but in smaller increments, 6.5 percent and 1.1 percent respectively.

A Word about Investments

The market value of UT’s endowment funds and other funds invested for the benefit of the University increased to $304 million in 1993-94.

The centerpiece of the UT endowment investment program is the Consolidated Investment Pool, which combines almost 1,250 endowment funds for investment purposes. The pool’s market value grew by more than $14 million to $154 million in 1993-94. Investment performance of the University’s Pool reflected the volatile capital markets, but the Pool managed a strong return relative to applicable capital market indexes. UT endowment funds that must be invested separately were valued at $11 million and life income trusts at $23 million.

Two other major funds invested for the benefit of UT are:

- The Chairs of Excellence Trust. Since 1984, the state has appropriated funds for the Chairs of Excellence endowment. The University has matched the state funds for a total of 47. State funding remains for two additional chairs to be matched by the University. The state of Tennessee manages the trust, which had a market value of $63 million at the end of fiscal 1994. The trust distributed $3.3 million to support University programs during the year.

- The University of Chattanooga Foundation. The foundation benefits the University of Tennessee at Chattanooga and for fiscal year 1994 distributed $3 million for scholarships and programs at UTC. UT financial statements do not include financial data of the UC Foundation. Market value of the foundation’s assets on June 30, 1994, was $53 million.

More detailed information on University finances is available beginning on page 25 of this report.
UT REVENUE SOURCES

TOTAL FUNDS INVESTED FOR THE BENEFIT OF UT

$ (millions)

$304 million

- Chairs of Excellence
- UC Foundation
- Life Income Trusts
- Separate Endowments
- Endowment Pool
Thanks to the governor and his administration, the members of the General Assembly, and the Tennessee congressional delegation for all they have done for the University of Tennessee this year. We are especially grateful to our Board of Trustees for its guidance and involvement. We appreciate our alumni and other friends, particularly the members of our Development Council and National Alumni Association Board of Governors. Thanks to the members of my staff and to the University’s faculty and staff throughout the state. And thank you to our students, without whom there would be no University of Tennessee.

We are proud of our University in its Bicentennial year. Two hundred years as a part of Tennessee, growing and changing with our state and its people, have made UT part of the fabric of state history as no other university could be. This partnership between the state and its university has produced a greater Tennessee and better educated, healthier, more prosperous Tennesseans.

The accomplishments of 200 years have prepared us for a third century of distinction. A major private fund raising effort promises continued excellence. The University of Tennessee is alive, eager, and determined to remain Tennessee’s best. Our potential knows no bounds.

President Joe Johnson (center) toasts UT’s 200th birthday with Vice Presidents Homer Fisher (left) and Eli Fly.

Joseph E. Johnson
President
# FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

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Independent Auditor's Report

September 23, 1994

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capital
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of the University of Tennessee as of June 30, 1994, and June 30, 1993, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year ended June 30, 1994. 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 $45,009,059 at June 30, 1994, and $40,963,721 at June 30, 1993, and increased the unrestricted current fund expenditures by $4,045,338 for the year ended June 30, 1994.

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, 1994, and June 30, 1993, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year ended June 30, 1994, in conformity with generally accepted accounting principles.

The schedules and statistical data presented outside of the basic financial statements were not audited by us, and accordingly, we express no opinion on them.

Sincerely,

[Signature]

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

AAH/sdr
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' opinion, as shown opposite this page, is based on audit procedures described in the first paragraph of their opinion letter, 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 1993–94 and the balances available for the future. A separate publication entitled Report of the Treasurer 1994 contains detailed supporting schedules and appendices and is available for those who wish to make a more extensive analysis of University operations. The supporting schedules and appendices are designed to supply analysis of important items summarized or consolidated in the financial statements of this report.

Respectfully submitted,

Emerson H. Fix
Executive Vice President and
Vice President for Business and Finance

Charles M. Peccolo
Treasurer
# Balance Sheet

**June 30, 1994**

## ASSETS

### CURRENT FUNDS

<table>
<thead>
<tr>
<th>Note</th>
<th>1994</th>
<th>1993</th>
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<tr>
<td><strong>General</strong></td>
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<tr>
<td>Cash and Cash Equivalents (Note 3)</td>
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<td>Interest Receivable</td>
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<td>Accounts Receivable (Net of Allowance of $2,735,520.68 at June 30, 1994, and $2,497,615.84 at June 30, 1993)</td>
<td>12,699,039.45</td>
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<td>Inventories (Note 1)</td>
<td>4,580,871.80</td>
<td>4,244,131.44</td>
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<td>Prepaid Expenses and Deferred Charges</td>
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<td>Due From Life Income Funds</td>
<td>55,019.26</td>
<td>55,271.73</td>
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<tr>
<td><strong>Total General</strong></td>
<td>$108,294,334.94</td>
<td>$100,298,323.35</td>
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<thead>
<tr>
<th>Note</th>
<th>1994</th>
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<tbody>
<tr>
<td><strong>Auxiliary Enterprises</strong></td>
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<td>Cash and Cash Equivalents (Note 3)</td>
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<td>Accounts Receivable (Net of Allowance of $2,161,429.65 at June 30, 1994, and $2,249,664.67 at June 30, 1993)</td>
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<td>Inventories (Note 1)</td>
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<td>Deferred Charges</td>
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<td><strong>Total Auxiliary Enterprises</strong></td>
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<td><strong>Hospitals</strong></td>
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<td>Cash and Cash Equivalents (Note 3)</td>
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<td>Accounts Receivable (Net of Allowance of $40,472,721.61 at June 30, 1994, and $32,442,830.82 at June 30, 1993)</td>
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<td>Inventories (Note 1)</td>
<td>2,207,665.96</td>
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<td>Deferred Charges</td>
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<td><strong>Total Hospitals</strong></td>
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<td><strong>Total Unrestricted</strong></td>
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### Restricted

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<td>Accounts Receivable - Educational and General</td>
<td>38,342,190.93</td>
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<td>Accounts Receivable - Hospitals</td>
<td>1,168,138.19</td>
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<td>Bonds (Note 3)</td>
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<td>Stocks (Note 3)</td>
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<td>Other Assets (Note 3)</td>
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<td><strong>Total Restricted</strong></td>
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<td><strong>TOTAL CURRENT FUNDS</strong></td>
<td>$302,027,357.14</td>
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### LOAN FUNDS

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<tr>
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<td>Notes Receivable (Net of Allowance of $1,805,078.21 at June 30, 1994, and $1,949,394.57 at June 30, 1993)</td>
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<td><strong>TOTAL LOAN FUNDS</strong></td>
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<td>$30,574,319.33</td>
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### LIABILITIES AND FUND BALANCES

#### CURRENT FUNDS

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<tr>
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<tr>
<td><strong>Unrestricted</strong></td>
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<tr>
<td>General</td>
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<tr>
<td>Salaries, Wages and Benefits Payable</td>
<td>$11,153,309.50</td>
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<td>Accounts Payable</td>
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<tr>
<td>Payroll Taxes Payable</td>
<td>$12,591,433.20</td>
<td>$11,213,951.41</td>
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<td>Deposits and Advance Payments</td>
<td>$1,321,488.62</td>
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<td>Deferred Revenue</td>
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<td><strong>Fund Balances</strong></td>
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<tr>
<td>Allocated for Unemployment Compensation</td>
<td>$867,457.41</td>
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<tr>
<td>Allocated for Revolving Accounts</td>
<td>$4,074,547.98</td>
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<td>Allocated for Working Capital (Note 1)</td>
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<td>Allocated for Encumbrances (Note 12)</td>
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<td>$7,055,061.73</td>
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<td>Allocated for Unexpended Gifts</td>
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<td>$1,340,889.95</td>
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<tr>
<td>Allocated for Reappropriation</td>
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<td>Unallocated</td>
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<td><strong>Total General</strong></td>
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<td>$100,298,323.35</td>
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<tr>
<td><strong>Auxiliary Enterprises</strong></td>
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<tr>
<td>Salaries, Wages and Benefits Payable</td>
<td>$590,471.80</td>
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<td>Accounts Payable</td>
<td>$2,186,084.14</td>
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<tr>
<td>Deposits and Advance Payments</td>
<td>$1,164,193.83</td>
<td>$1,033,842.03</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$10,188,175.70</td>
<td>$10,602,842.91</td>
</tr>
<tr>
<td><strong>Fund Balances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocated for Working Capital (Note 1)</td>
<td>$7,578,387.87</td>
<td>$8,313,303.54</td>
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<tr>
<td>Allocated for Encumbrances (Note 12)</td>
<td>$739,914.02</td>
<td>$950,802.26</td>
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<tr>
<td>Unallocated</td>
<td>$4,629,071.69</td>
<td>$3,349,321.93</td>
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<tr>
<td><strong>Total Auxiliary Enterprises</strong></td>
<td>$27,075,299.05</td>
<td>$26,347,699.38</td>
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</tbody>
</table>

#### Hospitals

<table>
<thead>
<tr>
<th>Description</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$19,419,905.20</td>
<td>$11,314,001.75</td>
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<tr>
<td>Salaries, Wages and Benefits Payable</td>
<td>$4,527,150.28</td>
<td>$4,185,039.49</td>
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<tr>
<td><strong>Fund Balances</strong></td>
<td></td>
<td></td>
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<tr>
<td>Allocated for Revolving Accounts</td>
<td>$574,310.45</td>
<td>$272,850.57</td>
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<tr>
<td>Allocated for Working Capital (Note 1)</td>
<td>$66,580,433.95</td>
<td>$61,629,435.38</td>
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<tr>
<td>Memorial Hospital - Knoxville</td>
<td>$9,072,188.92</td>
<td>$9,370,798.17</td>
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<tr>
<td>William F. Bowld Hospital - Memphis</td>
<td>$1,184,193.83</td>
<td>$1,033,842.03</td>
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<td><strong>Total Hospitals</strong></td>
<td>$106,511,335.11</td>
<td>$94,821,709.59</td>
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<tr>
<td><strong>Unrestricted</strong></td>
<td>$241,880,969.10</td>
<td>$221,467,732.32</td>
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#### Restricted

<table>
<thead>
<tr>
<th>Description</th>
<th>1994</th>
<th>1993</th>
</tr>
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<tbody>
<tr>
<td>Salaries, Wages and Benefits Payable</td>
<td>$904,726.45</td>
<td>$878,043.91</td>
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<td>Accounts Payable</td>
<td>$2,307,792.73</td>
<td>$2,449,486.74</td>
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<td><strong>Fund Balances</strong></td>
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<td>$80,000.00</td>
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<td>General</td>
<td>$54,084,254.05</td>
<td>$48,794,200.37</td>
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<td><strong>Auxiliary Enterprises</strong></td>
<td>$245,822.47</td>
<td>$218,956.55</td>
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<td><strong>Total Restricted</strong></td>
<td>$60,146,388.04</td>
<td>$54,469,824.24</td>
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#### TOTAL CURRENT FUNDS

<table>
<thead>
<tr>
<th>Description</th>
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<th>1993</th>
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<tbody>
<tr>
<td><strong>TOTAL CURRENT FUNDS</strong></td>
<td>$302,027,357.14</td>
<td>$275,937,356.56</td>
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#### LOAN FUNDS

<table>
<thead>
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<th>1993</th>
</tr>
</thead>
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<tr>
<td>Fund Balances</td>
<td></td>
<td></td>
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<tr>
<td>Privately Sponsored Loan Funds - Restricted</td>
<td>$3,185,765.53</td>
<td>$3,039,810.71</td>
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<td>Institutional Loan Funds - Restricted</td>
<td>$1,954,648.61</td>
<td>$1,886,086.79</td>
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<td>Federal Participation Loan Funds - Restricted</td>
<td>$26,798,897.11</td>
<td>$25,648,421.83</td>
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<td><strong>TOTAL LOAN FUNDS</strong></td>
<td>$31,939,311.25</td>
<td>$30,574,319.33</td>
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### Balance Sheet

**June 30, 1994**  
With Comparative Figures at June 30, 1993

#### ASSETS

<table>
<thead>
<tr>
<th>ENDOWMENT AND SIMILAR FUNDS (Note 4)</th>
<th>1994</th>
<th>1993</th>
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<tbody>
<tr>
<td>Cash and Cash Equivalents (Note 3)</td>
<td>$6,159,534.86</td>
<td>$8,216,304.65</td>
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<tr>
<td>Accounts Receivable</td>
<td>440,353.93</td>
<td>224.30</td>
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<tr>
<td>Notes Receivable (Note 3)</td>
<td>364,253.19</td>
<td>363,622.17</td>
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<td>Bonds (Note 3)</td>
<td>62,430,143.69</td>
<td>55,616,939.56</td>
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<tr>
<td>Stocks (Note 3)</td>
<td>66,927,977.09</td>
<td>54,214,133.97</td>
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<tr>
<td>Venture Capital (Note 3)</td>
<td>4,797,564.34</td>
<td>4,229,327.43</td>
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<tr>
<td>Assets With The University of Chattanooga Foundation, Inc. (Note 3 and Note 10)</td>
<td>1,257,638.00</td>
<td>1,246,551.00</td>
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<tr>
<td>Assets Held By Others (Note 3)</td>
<td>200,465.00</td>
<td>200,465.00</td>
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<tr>
<td>Real Estate Gifts (Note 3)</td>
<td>4,028,056.28</td>
<td>2,397,316.28</td>
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<tr>
<td>Real Estate Equity (Note 3)</td>
<td>5,403,700.00</td>
<td>4,690,000.00</td>
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<tr>
<td>Other Assets (Note 3)</td>
<td>26,892.00</td>
<td>2,006.00</td>
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<tr>
<td><strong>TOTAL ENDOWMENT AND SIMILAR FUNDS</strong></td>
<td><strong>$152,037,378.38</strong></td>
<td><strong>$131,176,920.36</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>LIFE INCOME FUNDS (Note 4)</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents (Note 3)</td>
<td>$951,554.33</td>
<td>$609,912.97</td>
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<tr>
<td>Accounts Receivable</td>
<td>635.78</td>
<td>132.00</td>
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<tr>
<td>Notes Receivable (Note 3)</td>
<td>942,055.91</td>
<td>425,834.46</td>
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<tr>
<td>Bonds (Note 3)</td>
<td>17,568,284.00</td>
<td>16,814,798.68</td>
</tr>
<tr>
<td>Stocks (Note 3)</td>
<td>1,986,124.02</td>
<td>1,813,151.58</td>
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<tr>
<td>Real Estate Gifts (Note 3)</td>
<td>1,456,000.00</td>
<td>2,763,073.00</td>
</tr>
<tr>
<td><strong>TOTAL LIFE INCOME FUNDS</strong></td>
<td><strong>$22,905,254.04</strong></td>
<td><strong>$22,426,904.59</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>PLANT FUNDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unexpended Plant</td>
<td></td>
</tr>
<tr>
<td>Notes Receivable (Note 3)</td>
<td>$272,093.92</td>
</tr>
<tr>
<td>Real Estate Gifts (Note 3)</td>
<td>99,530.00</td>
</tr>
<tr>
<td>State Capital Outlay and Maintenance Receivable</td>
<td>1,603,592.04</td>
</tr>
<tr>
<td>Tennessee State School Bond Authority</td>
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</tr>
<tr>
<td>Debt Proceeds Receivable</td>
<td>6,413,623.24</td>
</tr>
<tr>
<td><strong>Total Unexpended Plant</strong></td>
<td><strong>$8,388,839.20</strong></td>
</tr>
<tr>
<td>Retirement of Indebtedness and Renewal and Replacement</td>
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</tr>
<tr>
<td>Cash and Cash Equivalents (Note 3)</td>
<td>$92,531,374.27</td>
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<tr>
<td>Due From Unexpended Plant</td>
<td>1,622,814.98</td>
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<tr>
<td>Assets With Trustees</td>
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<tr>
<td>Tennessee State School Bond Authority</td>
<td>23,046,207.00</td>
</tr>
<tr>
<td>Department of Education Student Housing Reserve</td>
<td>239,438.67</td>
</tr>
<tr>
<td><strong>Total Retirement of Indebtedness and Renewal and Replacement</strong></td>
<td><strong>$117,491,834.92</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment in Plant (Note 1)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$30,034,041.21</td>
</tr>
<tr>
<td>Buildings</td>
<td>861,742,205.69</td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>55,507,407.87</td>
</tr>
<tr>
<td>Equipment</td>
<td>358,286,231.71</td>
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<tr>
<td>Library Books</td>
<td>60,583,240.00</td>
</tr>
<tr>
<td>Livestock</td>
<td>1,750,539.00</td>
</tr>
<tr>
<td><strong>Total Investment in Plant</strong></td>
<td><strong>$1,370,903,665.48</strong></td>
</tr>
<tr>
<td><strong>TOTAL PLANT FUNDS</strong></td>
<td><strong>$1,496,784,339.60</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>AGENCY FUNDS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents (Note 3)</td>
<td>$2,164,928.21</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>260,247.99</td>
</tr>
<tr>
<td>Bonds (Note 3)</td>
<td>198,750.00</td>
</tr>
<tr>
<td>Stocks (Note 3)</td>
<td>3,505,446.00</td>
</tr>
<tr>
<td><strong>TOTAL AGENCY FUNDS</strong></td>
<td><strong>$6,129,372.20</strong></td>
</tr>
</tbody>
</table>

See notes to financial statements.
## LIABILITIES AND FUND BALANCES

### ENDOWMENT AND SIMILAR FUNDS

<table>
<thead>
<tr>
<th>Item</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>$250,000.00</td>
<td>$250,000.00</td>
</tr>
<tr>
<td>Fund Balances</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allocated for losses on consolidated investment pool</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment—Restricted</td>
<td>$28,037,536.30</td>
<td>$24,917,787.69</td>
</tr>
<tr>
<td>Quasi-Endowment—Restricted</td>
<td>$109,672,639.54</td>
<td>$92,944,632.02</td>
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<tr>
<td>Quasi-Endowment—Unrestricted</td>
<td>$315,868.47</td>
<td>$303,975.43</td>
</tr>
<tr>
<td>Total Retirement of Indebtedness and due to current unrestricted general funds</td>
<td>$13,761,334.07</td>
<td>$12,760,525.22</td>
</tr>
</tbody>
</table>

**TOTAL ENDOWMENT AND SIMILAR FUNDS** $152,037,378.38 $131,176,920.36

### LIFE INCOME FUNDS

<table>
<thead>
<tr>
<th>Item</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to current unrestricted general funds</td>
<td>$55,019.26</td>
<td>$55,271.73</td>
</tr>
<tr>
<td>Fund Balances—Restricted</td>
<td>$22,850,234.78</td>
<td>$22,371,632.86</td>
</tr>
</tbody>
</table>

**TOTAL LIFE INCOME FUNDS** $22,905,254.04 $22,426,904.59

### PLANT FUNDS

<table>
<thead>
<tr>
<th>Item</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unexpended plant (Note 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$3,267,212.57</td>
<td>$1,837,956.73</td>
</tr>
<tr>
<td>Due to retirement of indebtedness funds</td>
<td>$1,622,814.98</td>
<td>$7,606,052.24</td>
</tr>
<tr>
<td>Fund balances—restricted</td>
<td>$1,913,593.20</td>
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<tr>
<td>Unrestricted</td>
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<tr>
<td>Designated</td>
<td>$1,540,947.59</td>
<td>$949,175.08</td>
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<td>Undesignated</td>
<td>$44,270.86</td>
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<tr>
<td>Total unexpended plant</td>
<td>$8,388,839.20</td>
<td>$10,393,184.05</td>
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</tbody>
</table>

**Retirement of indebtedness and renewal and replacement**

<table>
<thead>
<tr>
<th>Item</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td></td>
<td>$233,131.04</td>
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<tr>
<td>Fund balances—unrestricted</td>
<td>$23,436,468.48</td>
<td>$23,288,374.25</td>
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<tr>
<td>Total retirement of indebtedness and renewal and replacement</td>
<td>$23,459,906.44</td>
<td>$73,495,450.46</td>
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</table>

**Investment in plant**

<table>
<thead>
<tr>
<th>Item</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee state school bond authority</td>
<td>$227,210,981.90</td>
<td>$231,236,902.79</td>
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<tr>
<td>Notes payable (Note 5)</td>
<td>$158,740.53</td>
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<td>Interest payable</td>
<td>$2,322,605.25</td>
<td>$2,418,456.69</td>
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<tr>
<td>Leaseholds payable (Note 7)</td>
<td>$425,037.77</td>
<td>$627,123.79</td>
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<td>Fund balance</td>
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</tr>
<tr>
<td>Net investment in plant</td>
<td>$1,140,786,300.03</td>
<td>$1,061,561,162.98</td>
</tr>
</tbody>
</table>

**Total investment in plant** $1,370,903,665.48 $1,296,018,556.37

**Total plant funds** $1,496,784,339.60 $1,403,428,696.17

### AGENCY FUNDS

<table>
<thead>
<tr>
<th>Item</th>
<th>1994</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$95,505.66</td>
<td>$46,200.14</td>
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<tr>
<td>Deposits held in custody for others</td>
<td>$6,033,866.54</td>
<td>$4,785,826.36</td>
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</tbody>
</table>

**Total agency funds** $6,129,372.20 $4,832,026.50
# Statement of Changes in Fund Balances

## Year Ended June 30, 1994

<table>
<thead>
<tr>
<th>Current Funds</th>
<th><strong>Unrestricted</strong></th>
<th><strong>General</strong></th>
<th><strong>Auxiliary Enterprises</strong></th>
<th><strong>Hospitals</strong></th>
<th><strong>Total</strong></th>
<th><strong>Restricted</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES AND OTHER ADDITIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$227,140.58</td>
</tr>
<tr>
<td>Unrestricted Current Funds Revenues</td>
<td>$525,008,834.39</td>
<td>$97,397,951.86</td>
<td>$306,957,973.43</td>
<td>$929,364,759.68</td>
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<tr>
<td>Restricted Gifts and Grants</td>
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<td>$222,140.58</td>
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<td>Federal Perkins Loan Funds</td>
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<tr>
<td>Federal Nursing and Health Professions Loan Funds</td>
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<tr>
<td>Interest on Notes</td>
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<td>Endowment Income</td>
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<td>5,670.58</td>
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<td>Income on Investments</td>
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<td>11,571.16</td>
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<td>Net Gain (Loss) on Investments</td>
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<td>State Appropriations for Capital Outlay</td>
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<tr>
<td>Tennessee State School Bond Authority</td>
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<td></td>
</tr>
<tr>
<td>Capital Lease Payments and Additions</td>
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<tr>
<td>Gifts and Other Sources</td>
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<tr>
<td>Student Debt Service Fees</td>
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<tr>
<td>Federal Interest Subsidy Grants</td>
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<tr>
<td>Special State Legislature Appropriations</td>
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<td></td>
</tr>
<tr>
<td>Plant Acquisitions and Adjustments</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Including $31,149,491.97 charged to current fund expenditures)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Bonds and Notes Issued and Retired</td>
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</tr>
<tr>
<td>Decrease in Bad Debt Expense</td>
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<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REVENUES AND OTHER ADDITIONS</strong></td>
<td>$525,008,834.39</td>
<td>$97,397,951.86</td>
<td>$306,957,973.43</td>
<td>$929,364,759.68</td>
<td></td>
<td>$227,140.58</td>
</tr>
</tbody>
</table>

| **EXPENDITURES AND OTHER DEDUCTIONS** | | | | | | $205,118.90 |
| Unrestricted Current Funds Expenditures | $515,108,269.52 | $80,141,014.10 | $269,487,609.11 | $864,736,892.73 | | |
| Restricted Current Funds Expenditures | | | | | | $205,118.90 |
| Indirect Costs Recovered | | | | | | 18,545.91 |
| Other Deductions | | | | | | 5,374.59 |
| Collection Expense | | | | | | |
| Payments to Beneficiaries | | | | | | |
| Plant Additions | | | | | | |
| Retirement of Bonds and Notes | | | | | | |
| Interest Payments | | | | | | |
| Disposal of Land and Adjustments | | | | | | |
| Buildings and Improvements Written Off and Adjustments | | | | | | |
| Physical Inventory Adjustments | | | | | | |
| Bonds and Notes Issued | | | | | | |
| Loss on Investments | | | | | | |
| **TOTAL EXPENDITURES AND OTHER DEDUCTIONS** | $515,108,269.52 | $80,141,014.10 | $269,487,609.11 | $864,736,892.73 | | $205,118.90 |

| **TRANSFERS AMONG FUNDS—ADDITIONS (DEDUCTIONS)** | | | | | | $2,374,108.25 |
| Mandatory | | | | | | |
| Debt Service Requirements | ($1,971,718.86) | ($8,684,463.23) | ($8,943,718.00) | ($19,599,900.09) | | |
| Matching Loan Funds | (70,144,53) | | | | | |
| Endowment and Similar Funds | | | | | | |
| Restricted Current Funds | | | | | | |
| Non-Mandatory | | | | | | |
| Unrestricted Current Funds | 3,431,167.62 | (2,007,844.04) | (1,397,570.08) | 25,753.50 | | $2,374,108.25 |
| Restricted Current Funds | (495,900.00) | (1,517,113.98) | (2,013,013.98) | | | |
| Endowment and Similar Funds | (24,799.55) | (136,663.00) | (161,462.55) | | | |
| Unexpended Plant | (1,289,776.10) | (2,365,577.12) | (6,233,687.98) | (9,889,041.20) | | |
| Retirement of Indebtedness | (7,497,850.97) | (3,911,107.52) | (16,000,000.00) | (27,408,958.49) | | |
| **TOTAL TRANSFERS** | ($7,919,022.39) | ($16,968,991.91) | ($34,228,733.04) | ($59,116,767.34) | | $2,374,108.25 |

| **NET INCREASE (DECREASE) FOR THE YEAR** | | | | | | $5,850,393.74 |
| $1,981,542.48 | $287,945.85 | $3,241,611.28 | $5,511,009.61 | | $5,850,393.74 |

| FUND BALANCE JULY 1, 1993 | | | | | | $51,118,911.92 |
| $43,137,369.44 | $12,658,427.73 | $79,322,688.35 | $135,118,465.52 | | $51,118,911.92 |

| FUND BALANCE JUNE 30, 1994 | | | | | | $56,969,311.63 |
| $45,118,911.92 | $12,946,373.58 | $82,564,279.63 | $140,629,565.13 | | $56,969,311.63 |

See notes to financial statements.
<table>
<thead>
<tr>
<th>Restricted Funds</th>
<th>Loan Funds</th>
<th>Endowment and Similar Funds</th>
<th>Life Income Funds</th>
<th>Unexpended</th>
<th>Retirement of Indebtedness and Renewal and Net Investment in Plant</th>
</tr>
</thead>
<tbody>
<tr>
<td>$222,144,591.07</td>
<td>$403,129.00</td>
<td>$16,124,229.02</td>
<td>$2,051,135.55</td>
<td>96,49,855.32</td>
<td>$202,086.02</td>
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<tr>
<td>5,674,595.56</td>
<td>41,892.20</td>
<td>226,759.61</td>
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<td>116,089.31</td>
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<td>59,219.43</td>
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<td>$3,559,916.80</td>
<td>$42,341,298.41</td>
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<td>15,581,551.37</td>
<td>387,966.85</td>
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<td>4,975.00</td>
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<td>12,033.29</td>
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<td></td>
<td>1,502,954.27</td>
<td>46,109,476.92</td>
<td>$134,573.65</td>
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<td>14,127,090.48</td>
<td>11,993,153.64</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>10,085,000.00</td>
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<td>41,372.22</td>
</tr>
<tr>
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<td>$26,254,817.77</td>
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<td>$70,144.53</td>
<td>$960,729.14</td>
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<td>$2,006,092.76</td>
<td>(25,753.50)</td>
<td>(176,392.02)</td>
<td>161,462.55</td>
<td>251,287.24</td>
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</tr>
<tr>
<td>(31,974.00)</td>
<td>(176,392.02)</td>
<td>161,462.55</td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>$2,006,092.76</td>
<td>$12,417.03</td>
<td>$945,799.67</td>
<td>(1,332,013.39)</td>
<td>$16,245,591.82</td>
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<td>$5,791,575.27</td>
<td>$1,364,991.92</td>
<td>$20,860,458.02</td>
<td>478,601.92</td>
<td>2,549,636.57</td>
<td>20,708,010.21</td>
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<td>$130,926,920.36</td>
<td>22,371,632.86</td>
<td>949,175.08</td>
<td>96,783,824.71</td>
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<td>$56,853,868.86</td>
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<td>$151,787,378.38</td>
<td>22,850,234.78</td>
<td>3,498,811.65</td>
<td>$117,491,834.92</td>
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</table>

33
# Statement of Current Funds Revenues, Expenditures and Other Changes

## Year Ended June 30, 1994

With Comparative Totals at June 30, 1993

### Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Restricted</th>
<th>Unrestricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees</td>
<td></td>
<td></td>
<td>$114,704,368.39</td>
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<tr>
<td>Federal Appropriations</td>
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<td></td>
<td>13,608,241.92</td>
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<tr>
<td>State Appropriations</td>
<td></td>
<td></td>
<td>322,551,902.00</td>
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<tr>
<td>Local Appropriations</td>
<td></td>
<td></td>
<td>1,903,690.48</td>
</tr>
<tr>
<td>Federal Grants and Contracts</td>
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<td></td>
<td>15,059,184.36</td>
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<tr>
<td>State Grants and Contracts</td>
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<td></td>
<td>1,121,979.60</td>
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<tr>
<td>Local Grants and Contracts</td>
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<td></td>
<td>4,566,476.18</td>
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<tr>
<td>Private Gifts, Grants and Contracts</td>
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<td></td>
<td>4,309,025.02</td>
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<tr>
<td>Endowment Income-University and Other</td>
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<td></td>
<td>63,918.50</td>
</tr>
<tr>
<td>Sales and Services of Educational Activities</td>
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<td></td>
<td>33,565,202.77</td>
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<tr>
<td>Other Sources</td>
<td></td>
<td></td>
<td>14,543,121.33</td>
</tr>
<tr>
<td><strong>Subtotal for Other Transfers and Additions</strong></td>
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<td></td>
<td>$255,008,834.39</td>
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<tr>
<td><strong>Local Appropriations</strong></td>
<td></td>
<td></td>
<td>$200,575,142.72</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$275,583,977.11</td>
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</table>

### Expenditures and Transfers

<table>
<thead>
<tr>
<th>Description</th>
<th>Restricted</th>
<th>Unrestricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures and Transfers</td>
<td></td>
<td></td>
<td>$342,572,797.65</td>
</tr>
<tr>
<td>Educational and General</td>
<td></td>
<td></td>
<td>1,971,718.86</td>
</tr>
<tr>
<td>Instruction</td>
<td></td>
<td></td>
<td>242,031,546.39</td>
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<tr>
<td>Organized Research</td>
<td></td>
<td></td>
<td>33,102,262.62</td>
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<tr>
<td>Public Service</td>
<td></td>
<td></td>
<td>44,105,578.06</td>
</tr>
<tr>
<td>Academic Support</td>
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<td>75,690,047.48</td>
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<tr>
<td>Student Services</td>
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<td></td>
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<tr>
<td>Institutional Support</td>
<td></td>
<td></td>
<td>46,744,378.36</td>
</tr>
<tr>
<td>Operation and Maintenance of Physical Plant</td>
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<td>45,071,145.53</td>
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<tr>
<td>Scholarships and Fellowships</td>
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<td></td>
<td>14,902,391.65</td>
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<tr>
<td>Educational and General Expenditures</td>
<td></td>
<td></td>
<td>515,027,209.52</td>
</tr>
<tr>
<td>To Retirement of Indebtedness</td>
<td></td>
<td></td>
<td>1,971,718.86</td>
</tr>
<tr>
<td>To Loan Funds</td>
<td></td>
<td></td>
<td>70,144.53</td>
</tr>
<tr>
<td>Nonmandatory Transfers</td>
<td></td>
<td></td>
<td>7,497,850.97</td>
</tr>
<tr>
<td>To Retirement of Indebtedness</td>
<td></td>
<td></td>
<td>24,799.55</td>
</tr>
<tr>
<td>To Endowment and Similar Funds</td>
<td></td>
<td></td>
<td>495,900.00</td>
</tr>
<tr>
<td>To Unexpended Plant</td>
<td></td>
<td></td>
<td>1,289,776.10</td>
</tr>
<tr>
<td>From Loan Funds</td>
<td></td>
<td></td>
<td>25,753.50</td>
</tr>
<tr>
<td>From Auxiliary Enterprises</td>
<td></td>
<td></td>
<td>(2,007,844.04)</td>
</tr>
<tr>
<td>From Hospitals</td>
<td></td>
<td></td>
<td>(1,397,570.08)</td>
</tr>
<tr>
<td><strong>Total Educational and General Funds Expenditures</strong></td>
<td></td>
<td></td>
<td>$252,027,291.91</td>
</tr>
<tr>
<td><strong>Expenditures and Transfers</strong></td>
<td></td>
<td></td>
<td>$200,575,142.72</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>$723,602,434.63</td>
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<tr>
<td>Auxiliary Enterprises Expenditures</td>
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<td>80,141,014.10</td>
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<tr>
<td>Mandatory Transfers</td>
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<td>21,135.96</td>
</tr>
<tr>
<td>Nonmandatory Transfers</td>
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<td>8,684,463.23</td>
</tr>
<tr>
<td>To Retirement of Indebtedness</td>
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<td></td>
<td>3,911,107.52</td>
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<tr>
<td>To Unexpended Plant</td>
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<td>2,365,577.12</td>
</tr>
<tr>
<td>To Educational and General Funds</td>
<td></td>
<td></td>
<td>2,007,844.04</td>
</tr>
<tr>
<td><strong>Total Auxiliary Enterprises Expenditures and Transfers</strong></td>
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<td>$97,110,036.01</td>
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<tr>
<td><strong>Hospitals</strong></td>
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<td>269,487,609.11</td>
</tr>
<tr>
<td>Expenditures</td>
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<td>5,483,996.53</td>
</tr>
<tr>
<td>Mandatory Transfers</td>
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<td></td>
<td>8,943,718.00</td>
</tr>
<tr>
<td>To Retirement of Indebtedness</td>
<td></td>
<td></td>
<td>1,397,570.08</td>
</tr>
<tr>
<td>To Endowment and Similar Funds</td>
<td></td>
<td></td>
<td>136,663.00</td>
</tr>
<tr>
<td>To Restricted Current Funds</td>
<td></td>
<td></td>
<td>1,517,113.98</td>
</tr>
<tr>
<td>To Unexpended Plant</td>
<td></td>
<td></td>
<td>6,233,687.98</td>
</tr>
<tr>
<td>To Retirement of Indebtedness</td>
<td></td>
<td></td>
<td>16,000,000.00</td>
</tr>
<tr>
<td><strong>Total Hospital Expenditures and Transfers</strong></td>
<td></td>
<td></td>
<td>$303,716,362.15</td>
</tr>
</tbody>
</table>

**Total Current Expenditures and Transfers:** $923,853,660.07

**Total Current Revenues Over:** $1,129,033,935.28

**Excess Current Revenues:** $1,042,340,627.22

### Notes

See notes to financial statements.
Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

A. Basis of Presentation—The financial statements for The University of Tennessee are prepared in accordance with generally accepted accounting principles that prevail in the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants in Audits of College and Universities (1989).

B. The Financial Reporting Entity—The University is a component unit of the State of Tennessee, and is discretely presented and in Tennessee's Annual Financial Report. Although the University is a separate legal entity, the state is financially accountable for the University because of its constitutionally based governing body and is obligated to provide financial support.

The University of Tennessee System is comprised of the University of Tennessee, Knoxville, the University of Tennessee at Chattanooga, and the University of Tennessee at Martin. The University of Tennessee - Center for the Health Sciences, composed of the Memphis campus, the Memphis Research Centers, the University of Tennessee Institute of Agriculture, the College of Agriculture at Knoxville, the University of Tennessee College of Veterinary Medicine, the University of Tennessee College ofNatural Resources, the Tennessee Plant Industry Center at Chattanooga and Knoxville, Family Practice Centers at Jackson, Knoxville, and Memphis, and hospitals in Knoxville and Memphis, the University of Tennessee Space Institute at Tullahoma, the University of Tennessee Institute of Agriculture, the University of Tennessee College of Veterinary Medicine, and the University of Tennessee Tennessee Research Corporation, is a related organization for which the University appoints its board. Each of these organizations is legally independent and fully self-governing. Consequently, none of these organizations is included in the financial statements of the University.

C. Accounting Basis for Financial Statements—The University of Tennessee has been prepared on the accrual basis except that depreciation on plant assets is not recorded. Revenues for summer sessions are reported within the fiscal year in which the program is predominately conducted. All unrestricted accounts are reported as revenue. Student accounts who are charged more than the costs of providing instruction-related services and their costs are charged as revenue. The excess revenue is reported as unrestricted current funds.

D. Fund Accounting—The accounts of The University of Tennessee are comprised of several categories of 'fund accounting'. Fund accounting is a procedure by which resources for various purposes are classified for accounting and reporting purposes. These resources are grouped by function with specified activities or objects. This policy includes the establishment of limitations and restrictions placed on the use of the resources available. Separate accounts are maintained for each fund; however, in the accomplishment of its functions and in compliance with GASB standards, the University has grouped its funds and other resources with similar characteristics into fund groups. Accordingly, all financial transactions have been recorded and reported by fund. Each fund is required to maintain balance sheets, income statements, changes in fund balances, and statements of revenues, expenditures, and changes in fund balances. The University has established fund balances with respect to which donors have stipulated as a condition of gift, that these balances will be used exclusively for the purpose of producing income.

Revolving Accounts, Unexpended Gifts, and Reappropriation 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.

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

3. Endowment and Similar Funds—Endowment funds are funds with respect to which donors have stipulated, as a condition of gift, that the income therefrom be exclusively used for the purpose of producing income. Quasi-endowment funds are those designated by the governing board of the University, rather than a donor, have determined are to be retained and invested. Since these funds are internally designated by the University, the governing board retains the right to alter or amend such designation.

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

5. Plan 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, respectively, and (3) investment in plant funds expended for and thus invested in institutional properties.

Agency Funds—The University has been authorized to make gifts to various agencies and departments. Consequently, transactions involving these funds do not affect the operating statements of the University.

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

F. Investments—Investments are recorded at cost, if purchased, or fair market value at the date of receipt, if received as a gift.

G. Invention and Development Funds, and land are stated at cost or at acquisition of fair market value or at date of donation in the case of gifts. Depreciation on physical plant and equipment is recorded. Purchases of library books are recorded as current fund expenditures and capitalized at a standardized cost of $20 per volume in the plant fund. Depreciation is charged to the plant fund at a standardized rate of $0.75 per volume per year.

H. Construction in Progress—Construction in progress is included in buildings in investment in plant. Twenty-seven projects were under construction at June 30, 1994. Construction in progress totaled $49,464,644.00 at June 30, 1994, and $34,184,316.74 June 30, 1993.

I. Non Vested Equipment—Equipment in the possession of the University as of June 30, 1994, is held in the University's investment pool. Equipment is valued at cost and is not reflected in these financial statements.

J. Accounts Payable—Included in unrestricted general funds are the University's accounts payable with the amount of $12,789,803.09. These amounts represent the sum of checks written in excess of the University's checking balance account because of the use of a controlled disbursement account.

In this way, the University maximizes interest income by transferring from an investment account only funds necessary to cover the checks that clear the bank daily.

K. 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 credited to deferred revenue, accrued interest, and revenues due on federal letter of credit. This allocation is in compliance with the recommendations of the Tennessee Higher Education Commission.

L. Income Taxes—The University, as a public corporation and an instrumentality of the State of Tennessee, is exempt from Federal Income Taxes under Section 115 of the Internal Revenue Code. Contributions to the University are deductible by donors under Section 170 of the Internal Revenue Code.

M. Pledges—Oustanding pledges amounted to $34,799,290.00 as of June 30, 1993. The University is an exempt organization under Section 501(c)(3) of the Internal Revenue Code as of June 30, 1993. The amounts of uncollected pledges are secured by liens on the assets pledged and are not reflected in the accompanying financial statements.

Note 2: Compensated Absences

Governmental Accounting Standards Board Statement No. 2, "Compensated Absences," requires the University to record 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. 16 in that the effect of accruing the $45,000,095.59 of such benefits, which are included in payroll expenses, would have been reflected as a reduction of current Unrestricted Fund balances, and the remainder would be funded from other resources.

The amount of compensated absences as of June 30, 1993 was $15,137,697.54. If the amount of compensated absences as of June 30, 1993, had been recorded, the amount of $17,125,054.54 would have been reflected as a reduction of beginning current unrestricted fund balances, and the remainder funded from sources.

Note 3: Deposits and Investments

Investment Policy—The University of Tennessee maintains a separate investment pool for financial institution investment pool that is available for use by all fund groups. State statutes and University investment policies authorize the University to invest 10% of University deposit accounts held with either the Tennessee bank or savings and loan association certificates of deposit, U.S. treasury obligations, U.S. government agency obligations, repurchase agreements of those securities, high-quality commercial paper, prime bankers' acceptances, and money market mutual funds meeting certain criteria.

In accordance with state statutes, commercial banks and savings and loans have pledged securities with third parties as collateral for the issuance of time and demand deposits. Market values of these securities are regularly monitored to ascertain that 105% of University deposits, less the amounts protected by the Federal Deposit Insurance Corporation, 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 policies established by the Board of Trustees. For a more complete description of these investments, please refer to footnote 4, "Endowment and Similar Life Income Funds."

Cash and Cash Equivalents—Cash and cash equivalents include all readily available sources of cash, including petty cash, demand deposits, and U.S. Government Treasury bills at June 30, 1994 totaling $1,252,137.00.

Note 4: Cash Management and Investments

C. Depreciation and Amortization—Depreciation is charged to the plant fund at a standardized rate of $0.75 per volume per year.

The amount of compensated absences as of June 30, 1993 was $15,137,697.54. If the amount of compensated absences as of June 30, 1993, had been recorded, the amount of $17,125,054.54 would have been reflected as a reduction of beginning current unrestricted fund balances, and the remainder funded from sources.

The University's policy is to record such benefits as paid. This policy is considered not a material departure from Statement No. 16 in that the effect of accruing the $45,000,095.59 of such benefits, which are included in payroll expenses, would have been reflected as a reduction of current Unrestricted Fund balances, and the remainder would be funded from other resources.

The amount of compensated absences as of June 30, 1993 was $15,137,697.54. If the amount of compensated absences as of June 30, 1993, had been recorded, the amount of $17,125,054.54 would have been reflected as a reduction of beginning current unrestricted fund balances, and the remainder funded from sources.
## INVESTMENTS

<table>
<thead>
<tr>
<th>Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>Carrying Amount</th>
<th>Market Value</th>
<th>6/30/94</th>
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<tbody>
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<td>13,993,110.24</td>
<td>13,993,110.24</td>
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<td>13,993,110.24</td>
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<td>Repurchase Agreements</td>
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<td>13,993,110.24</td>
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<td>13,993,110.24</td>
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<td>Commercial Paper</td>
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<td>Total Cash Equivalents</td>
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<td>13,993,110.24</td>
<td>13,993,110.24</td>
<td>13,993,110.24</td>
<td>13,993,110.24</td>
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<tr>
<td>Total Investments</td>
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<td>13,993,110.24</td>
<td>13,993,110.24</td>
<td>13,993,110.24</td>
<td>13,993,110.24</td>
<td>13,993,110.24</td>
</tr>
</tbody>
</table>

### Category 1
- consists of investments that are insured or registered or of which the securities are held by the University or its agent in the University’s name.
- includes unsecured or unregistered investments for which the securities are held by the University or its agent in the University’s name.
- includes unsecured or unregistered investments for which the securities are held by the University or its agent in the University’s name.

### Category 2
- includes unsecured or unregistered investments for which the securities are held by the University or its agent in the University’s name.
- includes unsecured or unregistered investments for which the securities are held by the University or its agent in the University’s name.

### Category 3
- includes unsecured or unregistered investments for which the securities are held by the University or its agent in the University’s name.

### Total Investments
- and Cash Equivalents
- $13,993,110.24

---

### Note 7: Capital Lease Obligations
The University is acquiring two buildings under lease agreements, which provide for the University to occupy the buildings over a period of years. Minimum lease payments are made in connection with capital leases. The total outstanding bonded indebtedness for the buildings is $1,651,108,993.94. This compares with a June 30, 1993 book value of $1,651,108,993.94. The total value of buildings capitalized under leasehold leases was $1,651,108,993.94 as of June 30, 1994 and 1993.

### Note 8: Insurance Related Activities
A. Risk Management—The University is exposed to various risks related to general liability, theft of, damage to, and loss of, real property and personal property, and liability to employes, former employes, and others due to the nature of the University’s activities. The University participates in the State of Tennessee’s self-insurance program for risks of general liability, theft of, and damage to, real property and personal property, and liability to employes, former employes, and others. The program is governed by the gift instrument and the investment policies established by the Board of Trustees.

### Note 9: Retirement Programs
The University of Chattanooga Foundation provides for four retirement plans and three deferred compensation plans.

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### Appendix
- including revenues and expenses for periods selected by the authority. Cur-
Tennessee Consolidated Retirement System—University of Tennessee regular faculty and staff employees, except those on Federal appointments, hold the Tennessee Consolidated Retirement System (TCRS), a cost-sharing multiple-employer public employee retirement system. The payroll for employees covered by the TIAA-CREF and/or VALIC and personally own the annuities with Company and The Variable Annuity Life Insurance Company and The TIAA-CREF plan in 1993.

Benefits are provided for 5,564 employees electing this optional retirement plan in 1993. The University contributions, as authorized by TCA 8-35-401 through 409, to ORP were calculated using the base salary and the University contributed remaining 2% or the same “high-three” average pay for each service year. Prior to that date, TCRS employees contributed 5% of their salary, and the University contributed remaining amounts as allowed by statute. The actuarial determined contribution requirements as provided by TCRS were $1,652,807.33, represented 4.88% of total contributions required of state and the School Bond Authority for capital construction, renovation, and maintenance of the University’s facilities. The costs, both direct and indirect, charged to these projects at the Chattanooga campus. In addition, $66,249.80 was expended directly by the Foundation for the benefit of eligible university retirees. This benefit is provided by and administered by the State of Tennessee. The University assumes no liability for retiree health care programs. Information on the retirement plans and the Tennessee Comprehensive Annual Financial Report.

Note 10: Affiliated Entities

The University of Chattanooga Foundation, Inc., a private non-profit corporation, maintains an endowment fund of which the University of Tennessee at Chattanooga is the sole beneficiary. Most of the contributions and other financial transactions are not managed by the University and accordingly are not included in these financial statements. The contributions provided that the Chairs of Excellence Endowment for The University of Tennessee and the State Treasurer would be required of an ordinary prudent investor. The State of Tennessee financial statements.

Note 12: Contingencies and Commitments

Construction Commitments—The University has contractual obligations for the construction of new buildings, and additions to and renovations of existing buildings. The outstanding commitments under such contracts at June 30, 1993 were $12,340,979.79. The University receives capital appropriations from the State of Tennessee and proceeds from Tennessee State Bond Authority bond issues for the construction, renovation, and maintenance of the University’s physical plant. At June 30, 1994, amounts to be provided by the State and the School Bond Authority for capital construction, renovations, and maintenance totaled $12,647,710.74 and $10,826,272.27, respectively.

B. Encumbrances—Encumbrances which represent commitments of prior-year funds for goods or services that have been obligated but not used. The balances charged to these grants and contracts are subject to audit and disallowance by the granting agency. The University administration believes that these obligations would not have a material effect on the University’s financial position.

C. Sick Leave—The University’s policy is to record the cost of sick leave when paid. Generally, since sick leave earned (one day for every two weeks of full-time service) is paid only for the first day of each case of the first three days of each year, or for the first day of each case, the State and the School Bond Authority for capital construction, renovations, and maintenance totaled $12,647,710.74 and $10,826,272.27, respectively.

The cost of the new buildings, additions, and renovations provide for the University’s long-range program. The University administers a Sick Leave Policy which is paid for when an employee is absent due to illness, injury, or related family death, there is no liability for sick leave at June 30, 1994, and the approximate amounts for 1993 at June 30, 1994, and June 30, 1993, were $30,049,842.65 and $62,097,024.00, respectively.

D. Liabilities—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.
University of Tennessee financial report is prepared to provide a public accounting of the University's financial affairs for the fiscal year ended June 30, 1994.

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 these resources are managed to meet institutional objectives.

UNIVERSITY FINANCIAL ACCOUNTING

Since the University uses available resources to provide services rather than make a profit, the purpose of the University's financial reporting is to account for resources received, held, and used rather than determine net income. To achieve this objective, the University employs "Fund" accounting, which involves the segregation of revenues and expenditures into separate funds by source and/or purpose. Each fund is a self-balancing set of accounts for recording assets, liabilities, fund balances, and changes in fund balances. The six fund groups include: 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. Additional information on University accounting principles is provided in the Notes to the Financial Statements on page 35.

SUMMARY OF FINANCIAL OPERATIONS FOR THE YEAR

Current Funds

Current Funds are expendable resources for current operating needs and are further segregated for general, auxiliary, and hospital purposes. Current Restricted Funds refer to resources that carry an external restriction and may only be used for the purposes stipulated by the source of such funds. Conversely, the Board of Trustees retains full control and discretion over Current Unrestricted Funds in achieving institutional goals.

For the second year in a row, the University's current fund revenues exceeded one billion dollars. Total Current Funds revenues for 1993-94 were $1.134 billion compared to $1.071 billion in 1992-93, an increase of 5.9%. These revenues consist of $725.6 million general funds, $97.4 million auxiliary funds and $311.5 million hospital funds.

Through legislative appropriations, the state of Tennessee continues to provide the most significant amount of University general funds. Unrestricted state appropriations in 1993-94 amounted to $322.5 million or 28.4% of total revenues.

The second largest source of general Current Funds revenues is gifts, grants and contracts which totals $204.7 million. These funds represent 18.1% of the total Current Funds revenues. Grants and contracts received from federal agencies increased 3.2% to an all-time high of $107.1 million.

The third largest source of general Current Funds revenues is student tuition and fees. These
fees amounted to $114.7 million, or 10.2% of the total Current Funds revenues. The increase from $108.7 million in 1993 resulted from higher tuition and maintenance fees, approximately 5% at all campuses.

Sales and services of educational activities increased 10.9% to $33.6 million. Income from other sources amounted to $14.5 million in 1993-94, a increase of 16.0% from $12.5 million in 1992-93. Improved earnings on short term investments and bank accounts provided most of the increase. Revenue generated from short-term investments and bank account interest totaled $7.8 million in 1993-94 compared to $6.6 million in 1992-93. The average yield on temporary investments decreased from 4.57% in 1992-93 to 4.13% in 1993-94.

Total Current Funds expenditures and transfers in 1993-94 increased 8.4% to $1.129 billion. A schedule of Current Funds expenditures by function (purpose) is provided on page 43.

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 $205.2 million in 1993-94 compared to $192.8 million in 1992-93, a 6.5% increase. The most significant increases occurred in sponsored research activity ($7.3 million), instruction (3.9 million), and public service (3.3 million).

Auxiliary Enterprises Funds reflect transactions and funds for activities that provide facilities and services for students, faculty, and staff such as housing, food service, bookstores, parking, and intercollegiate athletics at UT Knoxville. The revenues of auxiliary enterprises during 1993-94 totaled $97.4 million, an increase of 7.8% from the prior year’s total revenue of $90.4 million. Expenditures and mandatory transfers to meet debt service requirements amounted to $97.1 million, an increase of 8.1% from 1992-93.

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

Current Revenues from operations of hospitals during 1993-94 totaled $311.5 million, an increase of 4.5% from the prior year. The revenue increases of $3.0 million at Memorial Hospital and $9.6 million at the William F. Bowld Hospital resulted from higher patient census and fees. Hospital expenditures and transfers increased 9.4% over the 1992-93 expenditures levels to $308.3 million. The Bowld Hospital shows a deficit fund balance 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. These resources include federal funds, funds from other external sources, and required University matching funds. Total Loan Funds increased $1.3 million to $31.9 million in 1993-94. Two thousand and seven hundred sixty-five student loans totaling $4.4 million were made during 1993-94.

Federal programs provided the primary source of student loans. At June 30, 1994, the federal government had provided $26.8 million (or 84.0%) of the assets of all University loan funds. University sources, in conjunction with matching requirements for the federal loan program, provided $1.9 million (or 6.0%) of student loan funds. The remaining $3.2 million (or 10.0%) represented loan funds established by private donations.

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 be main
tained 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 established by the market or appraised value at the time of the gift, or cost at the time investments are purchased.

The book value of the assets of the Endowment and Similar Funds group at June 30, 1994, was $152.0 million, and the market value was $165.1 million. The book value at June 30, 1993, was $131.2 million, and the market value was $148.9 million. Income distribution from investment of funds amounted to $6.5 million for the fiscal year.

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. The Pool's approved spending plan consists of distributing a predetermined annual amount based upon 5% of a three-year average market value. 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 1,237 separate endowments with a total book value of $140.7 million at June 30, 1994, and a total market value of $154.4 million. The market value increased by $14.5 million during 1993-94. The market value of a participating share was $2.151 at June 30, 1994 compared to $2.168 at June 30, 1993, a decrease of 0.8%. The income earned per share was $.091, which was 4.2% on beginning market value.

Life Income Fund

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 funds' assets. 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, 1994, was $22.9 million compared to $22.4 million the prior year. Income payments to beneficiaries during the year amounted to $1.5 million.

Plant Funds

The Plant Funds group of accounts consists of (1) Unexpended Plant Funds, which are used for the acquisition or construction of physical properties; (2) Retirement of Indebtedness and Renewal and Replacement Funds, which are set aside for debt service payments on facilities financed through bonds or notes payable and contingency funds set aside to finance major maintenance projects in the future; and (3) Investment in Plant, which are expended for and invested in institutional properties. Investment in Plant represents the capitalized value of the physical property owned by The University of Tennessee.

Unexpended Plant Funds balances were $10.8 million at June 30, 1994, and represent funds previously authorized or provided for additions to the University's physical plant. These balances
include $1.6 million which 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 $8.8 million which represents unexpended Tennessee State School Bond Authority funding.

Total expenditures and deductions in Unexpended Plant Funds amounted to $56 million in 1993-94. Fifteen projects have been completed, including the $10.1 million Dabney-Buehler Complex Renovation Phase II at UT Knoxville, and the $3.5 million Parking Garage Expansion at UT Medical Center—Knoxville. Other projects completed consisted of the $4.4 million Single Student Housing at UT Chattanooga; the $1.0 million turf replacement improvements to Shields Watkins Field at UT Knoxville; the $910 thousand Tom Black Track Improvements at UT Knoxville; the $820 thousand Engineering Physical Science Building Improvements at UT Martin; and the $750 thousand Steam Line Replacements—Phase I at UT Martin. Twenty-seven projects were under construction at June 30, 1994, including the $28.4 million Science/Engineering Research Facility and the $1.8 million Steam Line Replacement at UT Knoxville; the $9.9 million Paul Meek Library Addition at UT Martin; the $1.1 million Food Technology Facilities Renovation at UT Institute of Agriculture; the $1.2 million Main Academic Building Improvements at the UT Space Institute; $1.2 million Nash Building—5th Floor Renovation at UT Memphis; the $1.2 million Residence Halls HVAC System Improvements—Phase I at UT Martin; and the $1.0 million Surgery Suite Expansion at the UT Medical Center—Knoxville. Additional information regarding the University’s capital outlay program is provided on page 44.

Retirement of Indebtedness and Renewal and Replacement Funds at June 30, 1994, amounted to $117.5 million, of which $23.4 million is restricted to meet minimum contractual reserve requirements of loan, bond, and lease agreements. The remainder of these funds represent debt service and maintenance reserves required by prudent institutional management policy.

Revenues and other additions exceeded debt service payments and transfers for capital projects by $20.7 million during 1993-94.

Total indebtedness for The University of Tennessee at June 30, 1994, amounted to $227.4 million, and the retirement obligations continued to be met on schedule. Additional information on the University indebtedness is provided in Notes to the Financial Statements on page 35.

With the exception of real estate held as investments in Endowments and Similar Funds and Life Income Funds, the Investment in Plants 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, 1994, amounted to $1.371 billion, an increase of $75.5 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, 1994 amounted to $61.1 million. The largest part of these funds, $36 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. The balance at June 30, 1994 of $61.1 million reflects an increase of $13 million over the June 30, 1993 balance. The increase resulted primarily from additional retainage on construction contracts earned by the contractors, but held by the University until completion and acceptance of the construction projects.
Sources of Current Funds

for the year ended June 30, 1994

State Appropriations $331,809,249
Legislative appropriations from the Tennessee General Assembly for current operations of the University.

Gifts, Grants, and Contracts $204,693,356
Revenues from federal and non-federal granting entities, restricted for specific purposes, primarily for sponsored research and training activities.

Tuition and Fees $114,704,368
Revenues collected from students; includes resident enrollment fees, program and service fees, extension enrollment fees, and other fees.

Other $58,865,071
Revenues generated from sources not included in other classifications, such as sales and services by University departments and endowment income.

Federal and Local Appropriations $15,511,932
Appropriations received in support of the University land-grant missions, used primarily by the Agricultural Experiment Station and Extension Service.

SUBTOTAL $725,583,976

Auxiliaries $97,419,088
Revenues from operations of auxiliary activities such as housing, dining halls, bookstores, parking, and UT Knoxville athletics.

Hospitals $311,541,970
Net patient revenues from the UT Memorial Hospital–Knoxville and the William F. Bowld Hospital–Memphis.

TOTAL $1,134,545,034
# Uses of Current Funds

for the year ended June 30, 1994

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$286,826,951</td>
</tr>
<tr>
<td>Research</td>
<td>$130,647,191</td>
</tr>
<tr>
<td>Public Service</td>
<td>$74,895,357</td>
</tr>
<tr>
<td>Academic Support</td>
<td>$61,392,129</td>
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<tr>
<td>Institutional Support</td>
<td>$47,240,714</td>
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<td>Physical Plant</td>
<td>$45,090,596</td>
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<td>Student Aid</td>
<td>$37,284,910</td>
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<tr>
<td>Student Services</td>
<td>$32,305,564</td>
</tr>
<tr>
<td>Transfers</td>
<td>$7,919,022</td>
</tr>
<tr>
<td>SUBTOTAL</td>
<td>$723,602,434</td>
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<tr>
<td>Auxiliaries</td>
<td>$97,131,142</td>
</tr>
<tr>
<td>Hospitals</td>
<td>$308,300,359</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,129,033,935</td>
</tr>
</tbody>
</table>

- **Instruction**: Includes all expenditures, including faculty and staff salaries incurred in connection with instruction programs for credit and noncredit courses.
- **Research**: Direct expenditures for sponsored research activities funded from federal, state, local, and private sources.
- **Public Service**: Expenditures for non-instructional programs beneficial to individuals and groups external to the University.
- **Academic Support**: Expenditures for libraries, computing support, and academic administration.
- **Institutional Support**: Expenditures for executive management, financial operations, personnel services, security, public relations, development activities, and alumni relations.
- **Physical Plant**: Expenditures for the operation and maintenance of physical plant including utilities and services related to grounds and facilities.
- **Student Aid**: Scholarships and fellowships awarded to students.
- **Student Services**: Expenditures for student services, including admissions, registrar, student activities, counseling, career guidance, student aid administration, and health services.
- **Transfers**: Mandatory transfers for debt service and other long-term capital project funding.
### Major Capital Construction Programs 1993-94
(in thousands of dollars)

#### SOURCE OF FUNDS

<table>
<thead>
<tr>
<th>Major Capital Construction Completed 1993-94</th>
<th>State Appropriation</th>
<th>TSSBA</th>
<th>Federal Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dabney-Buehler Complex Renovation-Phase II—Knoxville</td>
<td>$ 7,911</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clock Tower—Knoxville</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hodges Library Microcomputer Laboratory—Knoxville</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neyland Stadium Painting and Waterproofing Phase II—Knoxville</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Presidential Court Chiller Replacement—Knoxville</td>
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<td></td>
<td></td>
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<tr>
<td>Presidential Dormitory Complex Central Fire Pump—Knoxville</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tom Black Track Improvements—Knoxville</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turf Replacement Improvements to Shields Watkins Field—Knoxville</td>
<td></td>
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</tr>
<tr>
<td>Horticulture Propogation Building—Institute of Agriculture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single Student Housing—Chattanooga</td>
<td></td>
<td>$ 4,400</td>
<td></td>
</tr>
<tr>
<td>EPS Building Improvements—Martin</td>
<td>820</td>
<td></td>
<td></td>
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<tr>
<td>Steam Line Replacement—Phase I—Martin</td>
<td>750</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parking Garage Expansion—Memorial Hospital</td>
<td></td>
<td>3,500</td>
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<tr>
<td>Professional Office Building I Renovation of Space Phase II—Memorial Hospital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laboratory Modification Level 3 Faculty Building—Memphis</td>
<td></td>
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</tr>
</tbody>
</table>

**MAJOR CAPITAL CONSTRUCTION COMPLETED**

### Major Construction in Progress at June 30, 1994 (estimated completion date)

<table>
<thead>
<tr>
<th>Project Description</th>
<th>State Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical Substation and Distribution System Improvements—Knoxville (September 1994)</td>
<td>$ 1,010</td>
</tr>
<tr>
<td>Hess Hall Roof Replacement—Knoxville (August 1994)</td>
<td></td>
</tr>
<tr>
<td>Humanities Complex HVAC System Improvements—Knoxville (August 1994)</td>
<td>990</td>
</tr>
<tr>
<td>Laurel Apartments Improvements—Knoxville (July 1994)</td>
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</tr>
<tr>
<td>Melrose Hall International—Knoxville (July 1994)</td>
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</tr>
<tr>
<td>Music Building HVAC System Improvements—Knoxville (June 1995)</td>
<td>880</td>
</tr>
<tr>
<td>Residence Halls Shower Improvements Phase I—Knoxville (August 1994)</td>
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</tr>
<tr>
<td>Roof Repairs and Replacement 1992-93—Knoxville (July 1994)</td>
<td>940</td>
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<tr>
<td>Science/Engineering Research Facility—Knoxville (September 1994)</td>
<td>24,200</td>
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<tr>
<td>Steam Line Replacement—Knoxville (November 1994)</td>
<td>1,770</td>
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<tr>
<td>Sutherland Avenue Apartments Renovation Phase II—Knoxville (July 1994)</td>
<td>280</td>
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<tr>
<td>Food Technology Facilities Renovation—Institute of Agriculture (July 1994)</td>
<td>1,140</td>
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<tr>
<td>Roof Repairs and Replacement 1993-94—Institute of Agriculture (October 1994)</td>
<td></td>
</tr>
<tr>
<td>Siskin Property Renovation—Chattanooga (September 1994)</td>
<td>1,025</td>
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<tr>
<td>Entry Road Improvements—Memorial Hospital (September 1994)</td>
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<tr>
<td>Modular Buildings for Interim Lab Space—Memorial Hospital (September 1994)</td>
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<tr>
<td>Professional Office Building Renovation of Space Phase III—Memorial Hospital (October 1994)</td>
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<tr>
<td>Space Renovation in Original Hospital Building Phase I—Memorial Hospital (September 1994)</td>
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<tr>
<td>Staff Parking Lots Repaving—Memorial Hospital (September 1994)</td>
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<tr>
<td>Staff Parking Lots Repaving Phase II—Memorial Hospital (July 1994)</td>
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<td>Surgery Suite Expansion—Memorial Hospital (July 1994)</td>
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<td>Parking Lot Improvements—Martin (September 1994)</td>
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<tr>
<td>Paul Meek Library Addition—Martin (January 1995)</td>
<td>9,850</td>
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<td>Residence Halls HVAC System Improvements Phase I—Martin (September 1994)</td>
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<td>Elevator Improvements Phase I—Memphis (October 1994)</td>
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<td>Nash Building 5th Floor Renovation—Memphis (March 1995)</td>
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<tr>
<td>Main Academic Building Improvements—Space Institute (August 1994)</td>
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### MAJOR CAPITAL CONSTRUCTION IN PROGRESS

**$43,900** | **$ 6,000** | **$ 496**
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<th>University Funds</th>
<th>Current Unrestricted</th>
<th>Current Restricted</th>
<th>Maintenance Reserves</th>
<th>Project Total</th>
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<td>Current Project</td>
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<td>910</td>
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<tr>
<td>$ 3,850</td>
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<tr>
<td>$ 700</td>
<td>$ 23,961</td>
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</table>

- $ 3,850
- $ 330
- $ 700
- $ 23,961

$ 6,084 $ 200 $ 2,420 $ 59,100
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