

KNOXVILLE

CHATTANOOGA

MARTIN

MEMPHIS

TULLAHOMA

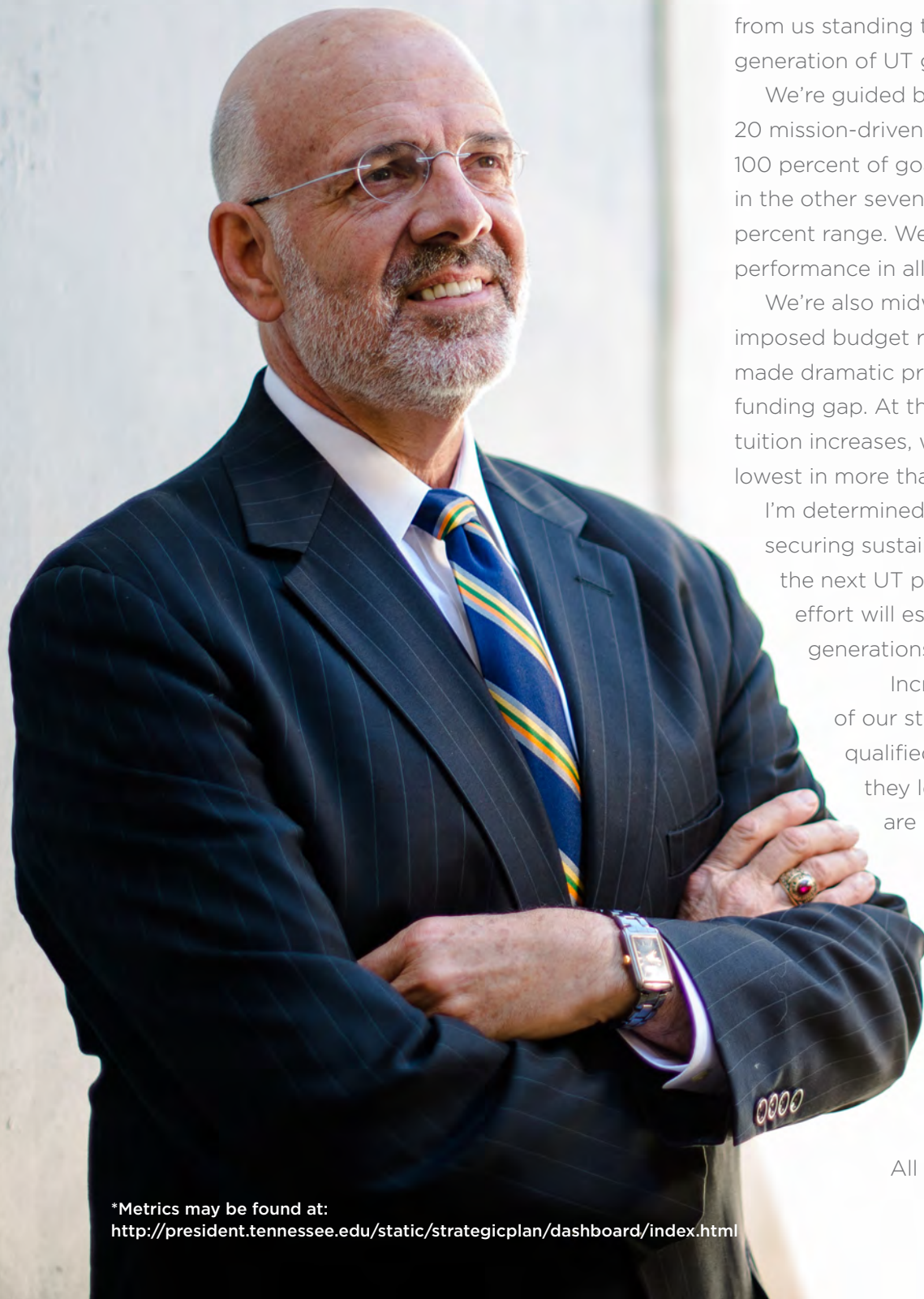
we are one



THE UNIVERSITY OF
TENNESSEE

PRESIDENT'S REPORT

we are one



I am honored to lead the statewide University of Tennessee system, which proudly fulfills its mission to serve all Tennesseans every day. We know our success – the University’s and Tennessee’s – comes from us standing together to educate the next generation of UT graduates.

We’re guided by a strategic plan* built around 20 mission-driven metrics and we meet or exceed 100 percent of goal in 13 cases, while performance in the other seven metrics is in the 80-90 percent range. We are committed to maximizing performance in all of these areas.

We’re also midway through two years of self-imposed budget restrictions and we’ve already made dramatic progress in narrowing a future funding gap. At the same time, we’re holding down tuition increases, which in fiscal 2016-2017 are the lowest in more than 30 years.

I’m determined not to leave the challenge of securing sustainable, long-term funding for the next UT president. Our success in this effort will establish a stronger University for generations to come.

Increasingly, current generations of our students are not only more well-qualified, they are more diverse. When they leave with diploma in hand, they are part of UT’s one family.

By focusing on diversity and inclusion as core values and establishing high standards for student conduct and campus civility, our graduates will make Tennessee and the world better.

We are one. We are UT.

All the best,

A handwritten signature in black ink, reading "Joseph A. Stewart".

*Metrics may be found at:
<http://president.tennessee.edu/static/strategicplan/dashboard/index.html>



The Tennessee State Capitol is lit in orange for UT Day on the Hill in 2015.

NARROWING THE GAP

One year into a two-year period of self-imposed budget priorities and boundaries, the University has made dramatic progress in closing a projected funding gap while keeping tuition increases to their lowest levels in more than three decades.

Upon discovering a 10-year projected funding gap of \$377 million in 2014, UT President Joe DiPietro took action. He created the Budget Advisory Group – made up of leaders inside and outside the University – to develop a plan to maximize effectiveness, efficiency and be more entrepreneurial. And to do it all without hampering the University's striving toward educational excellence.

In 2015, the Board of Trustees approved budget restrictions toward re-allocating \$68 million at the end of two fiscal years. By June 2016, \$61 million already had been realized by cutting costs, maximizing non-traditional resources and efforts that secured new revenue.

Late in 2016, the Budget Advisory Group reconvened to assess progress so far, and to identify strategy adjustments toward sustaining the University's business model for at least two more years.





UT Martin Ripley Center students work together in a chemistry lab.

DIVERSITY LEADERSHIP

In emphasizing the importance of diversity and inclusion, UT President Joe DiPietro named Noma Anderson to the role of special adviser to the president on diversity and inclusion. Anderson, former dean of the UT Health Science Center College of Health Professions since 2010, also has served as chair of the president's Diversity Advisory Council since 2012.

"We believe very, very much in the value of diversity and inclusion at the University of Tennessee," DiPietro said. "A diverse and inclusive culture equates to success. When students feel connected, included and supported by their communities, that results in higher graduation and retention rates, as well as greater competency in the workplace after graduation."

Anderson will be:

- Aligning initiatives with the mission and goals of the University
- Enhancing the University's reputation as an employer of choice
- Evaluating the University's climate for students, faculty and staff
- Developing programs and policies for the System
- Assessing productivity and success



Noma Anderson, Special Adviser to the President on Diversity Inclusion; and Professor, UT Health Science Center Department of Audiology and Speech Pathology.



we are educators.

*Cody Jarman, left, plays Friar Laurence while
Dillon Davis plays Juliet in The Complete Works of
William Shakespeare (Abridged) at UT Martin.*

educate.



*Cody Jarman plays Hamlet in
The Complete Works of William
Shakespeare (Abridged) at UT Martin.*

ALL THE WORLD'S A STAGE

When Cody Jarman (UT Martin, '15) traveled to Ireland in 2013, he had no idea that trip across the Atlantic would change his life.


Now, a Fulbright Scholarship, one of the first awarded to a UT Martin graduate, is sending Jarman back to the Emerald Isle to study Irish literature and film at University College Cork.

“Being able to see firsthand Ireland’s struggle to find and define itself through its art drew me in,” he said. “From Jonathan Swift and Oscar Wilde to James Joyce and William Butler Yeats, it’s difficult to study English without being inundated with Irish literature.”

The Cumberland Furnace, Tennessee-native began his journey in September and will return to begin a doctoral program in English at the University of Texas at Austin in fall 2017.

“I actually hope to end up teaching at a small, primarily undergraduate university, ideally something like UT Martin, where I can be the same kind of supportive mentor that many of my UT Martin professors have been to me,” he said.



A photograph of three students on a green lawn at UT Chattanooga. A young man with a backpack is walking from left to right. Two other students, a young man and a young woman, are sitting on the grass, looking at each other. In the background is a large brick building with a central archway and two towers. The sky is blue with white clouds.

**“The object
of education
is to prepare
the young
to **educate**
themselves
throughout
their lives.”**

—ROBERT M. HUTCHINS

Students hang out on Chamberlain Quad at UT Chattanooga.



*Cody Barnes has found success with help from
UTC's Disability Resource Center.*

educate.

TRANSFORMATIVE POWER OF SUPPORT

"Without the Disability Resource Center, I definitely would not be employed as I am and as successfully socially as I am," said UT Chattanooga senior engineering major Cody Barnes. "I was quite an anxious person, nervous about everything, horribly terrified to even speak to people."

Today, Barnes is on schedule to graduate in May 2017 and works a new job in the IT department at a Fortune 500 company.

Success stories like Barnes's landed UTC's Disability Resource Center national recognition for the services it provides to all students. The College Choice recently ranked UT Chattanooga among the top 50 universities in the country—and the only Tennessee university to make the list—for serving students with disabilities.

College Choice particularly noted UTC's MoSAIC program, which serves students with Autism Spectrum Disorders. MoSAIC provides mentoring and academic/life coaching and prepares students for careers beyond the classroom.

"The curriculum was a transformative process. Basically I didn't have any innate tools that most people have for social interactions—reading body language, being able to hear things in people's tone, things of that nature. Over time, they helped me create tools that I could use to succeed," said Barnes.

"They will absolutely never give up on you, even if you have given up on yourself. There were times that I went through some very traumatic situations. And despite everything that I might have felt about myself and my situation, they would always assure me that there was a future for me."



“Education is the most powerful weapon which you can use to change the world.”

—NELSON MANDELA



UT Knoxville students show their support for the Vols at the Rock.

educate.

4,825 freshmen welcomed onto UTK campus fall 2016	UTK total enrollment more than 28,000	class of 2020 largest first-year class in at least three decades	incoming freshmen average ACT score of 27	3.88 average high school GPA of incoming freshmen
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CHANGES IN THE EAST

Students and staff returned to Rocky Top, this fall, to find the \$1 billion campus makeover still going strong. Two new residence halls opened, another neared completion while two new academic buildings took shape, and the second phase of the Student Union rose at the corner of Cumberland Avenue and Phillip Fulmer Way.

Also taking form is *Experience Learning*, a new campus-wide initiative that will provide students with an increasing number of courses that use real-world problem-solving and hands-on experiences to enhance learning. The key agent of all this change—the campus’s Journey to the Top 25—marked its five-year point in 2015 with significant success in key areas, including a 9 percent increase in the six-year graduation rate and a 3 percent increase in retention.

A refreshed version of the plan, Vol Vision 2020, sets goals for the next five years to continue improvement in undergraduate and graduate education, faculty and staff, research and engagement, and resources and infrastructure. It also adds diversity and inclusion as a new priority area and emphasizes the “Volunteer Difference,” the unique set of strengths that sets UT Knoxville apart from its peers.



A student studies in the Humanities Amphitheater at UT Knoxville.

we are discoverers.



Oak Ridge National Laboratory's Additive Manufacturing Integrated Energy (AMIE) 3D-printed building and vehicle on display in Oak Ridge.

discover.

BIG QUESTIONS

Governor's Chairs at the University of Tennessee wrestle with big questions, looking for life-changing answers through research.

Philip Enquist, UT-ORNL Governor's Chair for Energy and Urbanism, posed big questions alongside 17 other expert partners including UT, Oak Ridge National Laboratory and Chicago architecture firm Skidmore, Owings and Merrill.




Together, they produced AMIE (Additive Manufacturing and Integrated Energy) 1.0. That's a house and a vehicle that share energy with each other—and off the electric grid—and that were 3-D printed out of carbon fiber-reinforced plastic.

At only 210 square feet, the AMIE house looms large for the future of integrated design and energy.

“What we were doing was something that was disruptive to possibilities,” said Roderick Jackson, ORNL building envelope systems research group leader and technical lead for the project. “This was not incremental change to how we build buildings or vehicles.”

Instead, it's a leap into new possibilities that could change how houses are built and powered.

*An illustration of uses for the AMIE
3D-printed building and vehicle.*

An architectural rendering of a modern multi-story building at dusk. The building features a mix of dark brick and large glass panels. The brick section has a grid of rectangular windows, some of which are illuminated from within. The glass section reveals interior spaces with people. A large, glowing orange 'UT' logo is mounted on a vertical panel on the right side of the building. In the foreground, there are trees, a sidewalk with people walking, and a street with a blurred car. The sky is a deep twilight blue with some clouds.

**“Education
is the process
in which we
discover that
learning adds
quality to our
lives. Learning
must be
experienced.”**

WILLIAM GLASSER

The \$36.7 million Interprofessional Simulation and Patient Safety Center is set to open in 2017 at the UT Health Science Center in Memphis.

discover.

MAKING A DIFFERENCE

The University of Tennessee Health Science Center's commitment to serving the entire state and beyond is evident in new construction, clinical initiatives and student engagement.

The **\$36.7 million** Interprofessional Simulation and Patient Safety Center **opening in 2017** in Memphis will train students from **all six colleges** through simulation settings to provide team-based patient care—the model for quality care delivery.

The College of Medicine launched the world's largest Mobile Stroke Unit to speed treatment for stroke victims, opened a Center for Addiction Science to combat substance abuse and a Center for Health in Justice-Involved Youth to address the mental health of young people.

Student Louis “Nick” Saïtes of the College of Graduate Health Sciences received the 2016 Harold Love Award for Community Service for his help to people overcoming addictive behaviors. Occupational Therapy students staff the Rachel Kay Stevens Therapy Center, the only student-run, faculty-supervised, pro-bono pediatric occupational therapy clinic in the country. Medical students Jacob Basham and Terrence Terrell Jones are among just 66 students worldwide to receive Howard Hughes Medical Institute fellowships. Basham researches gene therapy for acute myeloid leukemia, while Jones works in South Africa on tuberculosis and HIV.



Louis “Nick” Saïtes poses with some of his research.

“The only way to **discover the
limits of the possible is to go
beyond them into the impossible.”**

—ARTHUR C. CLARKE



*The Joint Institute for Advanced Materials
at Cherokee Farm.*

discover.

GROWING MOMENTUM

From the seed of an idea, the Cherokee Farm Innovation Campus has begun to bloom.

In 2005, leaders secured \$20 million in federal funding for a major research center to be jointly operated by UT and Oak Ridge National Laboratory and built on 77 acres of rolling hills on the Tennessee River adjacent to UT Knoxville.

This year, Cherokee Farm reached two milestones with the opening of the Joint Institute for Advanced Materials building and breaking ground on the first privately funded building.

“Conducting research that advances knowledge and solves problems is a critical part of the mission of the University of Tennessee system,” said David Millhorn, University of Tennessee executive vice president and vice president for research. “At the same time, it’s important to have partners in the private sector that are located here at Cherokee Farm. Most of the research infrastructure being developed at Cherokee Farm is to support this interface—which is to enhance research and, in doing so, create jobs.”



Ground was broken for Civil & Environmental Consultants, Inc. at the Cherokee Farm Innovation Campus in May.

we are connectors.



*Lauderdale County Extension Director and
Agricultural Agent JC Dupree Jr.*

connect.

GROWING IDEAS

The University of Tennessee Research Foundation (UTRF) promotes the commercialization of UT intellectual property and encourages an entrepreneurial culture across the UT system. UTRF guides promising inventions from the laboratory to the marketplace by partnering with entrepreneurs, industry and investors. Through these partnerships, UT's ideas are developed into new products and services that benefit Tennesseans, while also generating income for the inventors and UT.

In the past year, UTRF:

.....
Earned in licensing revenue: **\$3.32 million**
.....

Paid to UT inventors: **\$1.2 million**
.....

Returned to colleges and departments: **\$178,000**
.....

Assisted inventors: **43 licenses and options**
.....

Helped start: **4 companies**
.....

UTRF-based companies raised: **\$54 million** in outside
venture-type capital in Tennessee
.....

*UT Martin student Daniel Wiggins, center, with
UT College of Agricultural Sciences and Natural
Resources graduate students Austin Scott (left)
and Shawn Butler.*



ENTREPRENEURS

INVESTORS

INDUSTRY



“Creativity is the power to **connect**
the seemingly unconnected.”

—WILLIAM PLOMER



A 4-H participant
poses on a farm.

connect.

A PLACE OF PURPOSE

Across 1,200 West Tennessee acres in Hardeman County, the woods, pastures, lakes and farmland have been imbued with a sense of purpose since previous owners stitched the parcels together into one farm. Now, the shouts and laughter of children echo across the acres as the land fulfills a new mission.

Thanks to **\$16 million** in state funding, UT's new 4-H Youth and Education Center in West Tennessee is helping children learn life skills and, perhaps, make self-discoveries that will change their futures.

But it also does more. In addition to hosting 4-H youth programming, Lone Oaks is open to companies and organizations to rent for retreats and conferences. , helping adults reimagine what could be possible and to find new purpose in their work and lives.





“We cannot
live only for
ourselves.
A thousand
fibers **connect**
us with our
fellow men.”

—HERMAN MELVILLE

*Dunlap Industries marked 50 years of manufacturing
zippers in Dunlap, Tennessee in 2016.*

connect.

THE UT INSTITUTE FOR PUBLIC SERVICE

provides expert training and consulting to local and state government, business and law enforcement, and has done so since 1971, when former UT President Edward Boling had a vision to extend that help.

Through its five agencies, IPS:

Helped Tennessee businesses generate more than
\$1 billion



in customer-reported economic impact to benefit the Tennessee economy

Answered more than



28,000
requests for requests for assistance

Trained
14,000
employees, citizens and officials



The institute's Law Enforcement Innovation Center trained more than **400** law enforcement officials from around the country



Law enforcement members clean up after a car explosion exercise during LEIC-NFA training at the UT Arboretum in Oak Ridge.

The state of the University

As 2016 began, so did a new tradition. President Joe DiPietro delivered the inaugural “State of the University” address to a capacity crowd of alumni, friends and elected officials in Nashville — with hundreds more watching live online.

DiPietro noted that the University has woven itself into the fabric of everyday life through its efforts to move Tennessee forward.

“But we also exist for a broader and more noble purpose,” he said, “one that has less to do with generating dollars and cents and more to do with contributing to the development of productive and responsible citizens.”

DiPietro cited a long string of successes achieved by UT campuses and institutes throughout the state, and assessed challenges being met.

The event also featured presentation of the President’s Awards, established by DiPietro in 2015 to recognize employees whose exceptional contributions fulfill one aspect of the university’s three-part mission: education, research and outreach. Each winner receives a commemorative plaque and \$3,000 cash award.

In February 2017, the event will again be based in Nashville.

Plan now to watch online at www.tennessee.edu

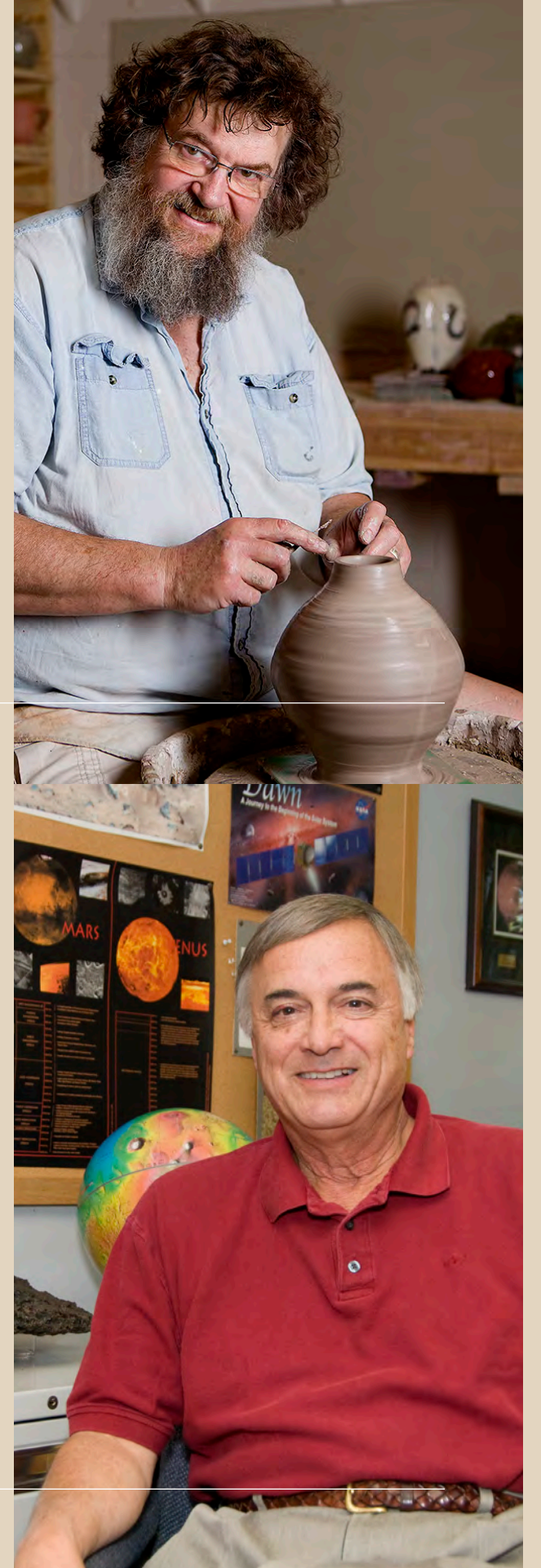
Julie Hill (Martin ’94), director of percussion studies at UT Martin, won the education category award. UT Martin Interim Chancellor Bob Smith nominated her “for reinvigorating UT at Martin’s music department and attracting students from across the nation.”

“The task of the modern educator is not to cut down jungles, but to irrigate deserts.”

—C. S. LEWIS

David McBeth, professor of art at UT Martin, won the outreach category award. In his nominating letter, Douglas Cook, UT Martin visual and theater arts department chair, said McBeth uses art “as a force for good.”

Harry “Hap” McSween, UT Knoxville distinguished professor of science, won the research category award. UT Knoxville Chancellor Jimmy Cheek nominated him for “pushing the boundaries of science and innovation into the solar system.”



Financials

SOURCES OF CURRENT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FEDERAL AND LOCAL APPROPRIATIONS
\$20,569,514.71

Appropriations received in support of the University’s land-grant missions, used primarily by the Agricultural Experiment Station and Tennessee Extension.

INDEPENDENT OPERATIONS
\$68,909,954.42

Revenues collected from UT Medical Center in Knoxville and the UT Foundation for leased employees.

OTHER
\$142,298,011.97

Revenues generated from sources not included in other classifications, such as sales and services by University departments and investment income.

AUXILIARY ENTERPRISES
\$243,291,225.13

Revenues from operations of auxiliary activities such as housing, dining halls, bookstores, parking and UT Knoxville athletics.

STATE APPROPRIATIONS
\$518,655,492.94

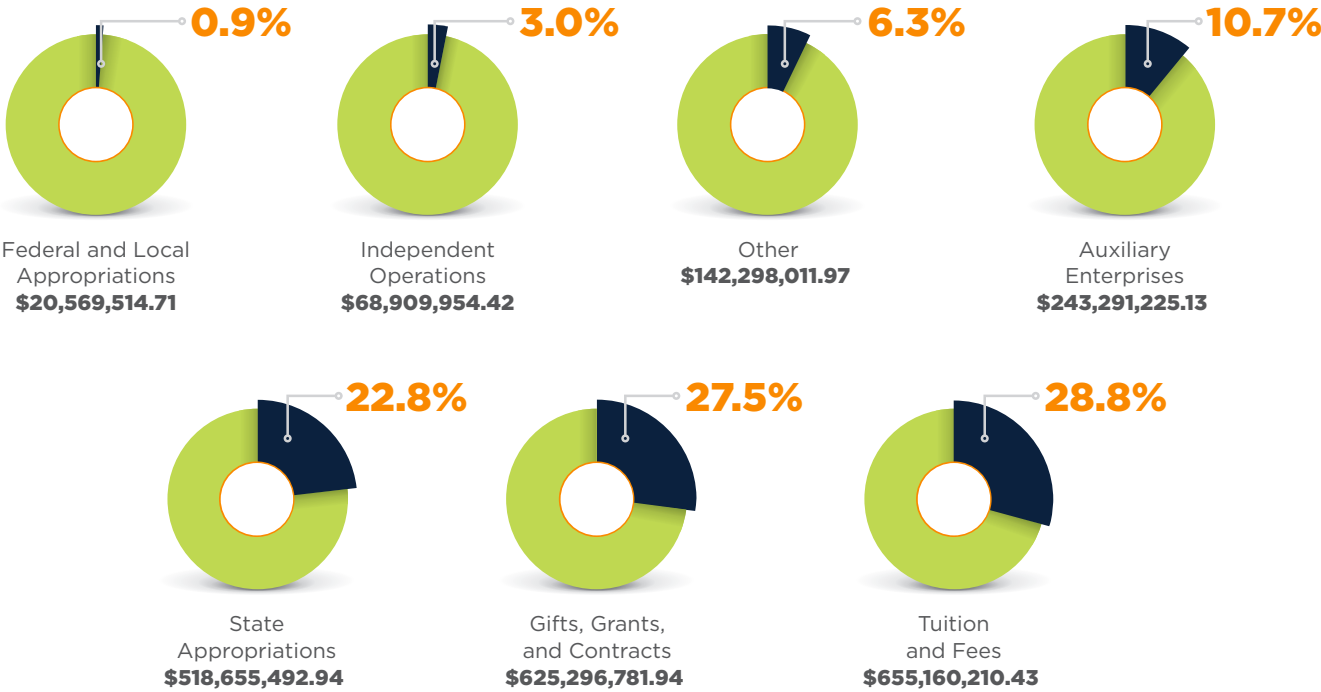
Legislative appropriations from the Tennessee General Assembly for current operations of the University.

GIFTS, GRANTS, AND CONTRACTS
\$625,296,781.94

Revenues from federal and non-federal granting entities and gifts restricted for specific purposes, primarily for sponsored research and training activities.

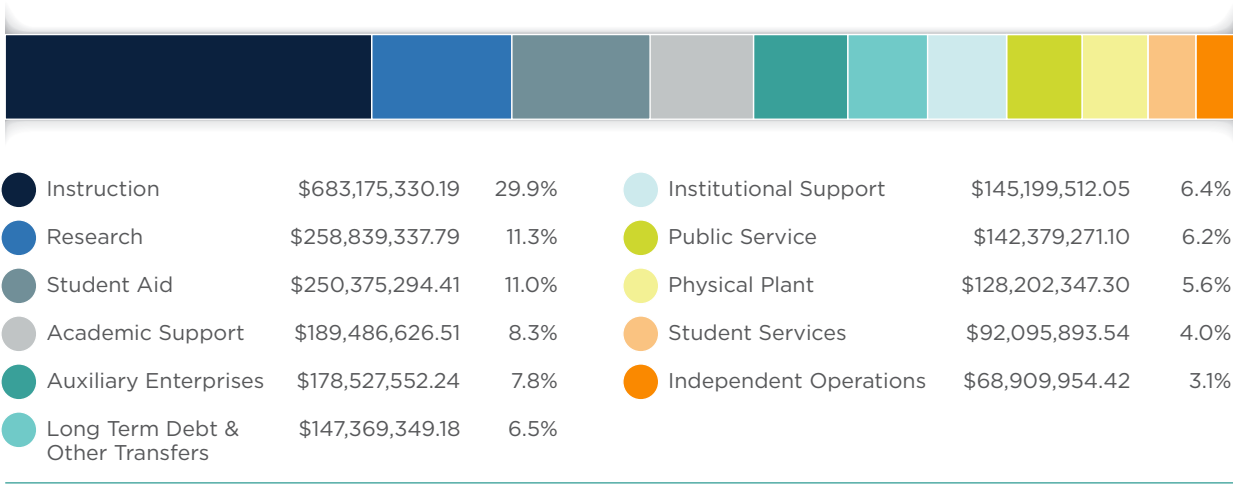
TUITION AND FEES
\$655,160,210.43

Revenues collected from students; includes resident enrollment fees, program and service fees, extension enrollment fees and other fees.



Total: \$2,274,181,191.54

USES OF CURRENT FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2016



Total: \$2,284,560,468.73

The sources and uses shown are not adjusted for tuition discounts of \$206,443,985.69

INSTRUCTION
\$683,175,330.19

Includes all expenditures, including faculty and staff salaries incurred in connection with instruction programs for credit and non-credit courses.

RESEARCH
\$258,839,337.79

Direct expenditures for sponsored research activities funded from federal, state, local and private sources.

STUDENT AID
\$250,375,294.41

Scholarships and fellowships awarded to students.

ACADEMIC SUPPORT
\$189,486,626.51

Expenditures for libraries, computing support and academic administration.

AUXILIARY ENTERPRISES
\$178,527,552.24

Activities that furnish goods and services to students, faculty and staff. Includes mandatory transfers for debt service.

LONG-TERM DEBT & OTHER TRANSFERS
\$147,369,349.18

Mandatory transfers for debt service and other transfers.

INSTITUTIONAL SUPPORT
\$145,199,512.05

Expenditures for executive management, financial operations, personnel services, security, public relations, development activities and alumni relations.

PUBLIC SERVICE
\$142,379,271.10

Expenditures for non-instructional programs beneficial to individuals and groups external to the University.

PHYSICAL PLANT
\$128,202,347.30

Expenditures for the operation and maintenance of physical plant including utilities and service related to grounds and facilities.

STUDENT SERVICES
\$92,095,893.54

Expenditures for student services including admissions, registrar, student activities, counseling, career guidance, student aid administration and health services.

INDEPENDENT OPERATIONS
\$68,909,954.42

Expenditures for leased employees for UT Medical Center in Knoxville and the UT Foundation.

Financials

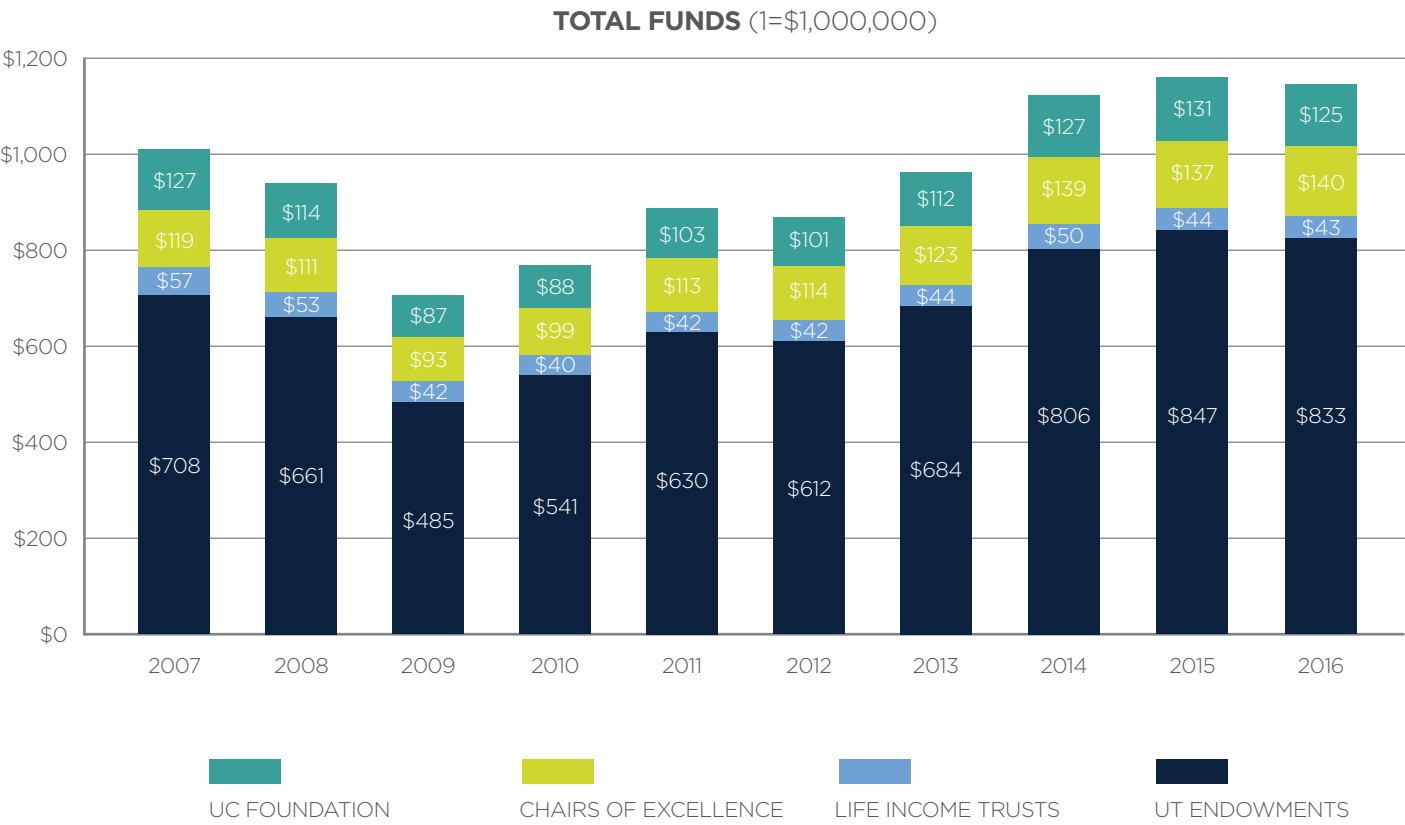
INVESTMENTS BENEFITING THE UNIVERSITY

For the fiscal period ending June 30, 2016, total assets invested for the benefit of the University of Tennessee stood at \$1.1 billion, having declined by \$9 million from the prior year. This change in value was driven by a challenging environment for diversified portfolios. With negative yields on roughly 38 percent of global investment-grade debt outstanding, investors chased “high-yield” assets but shunned riskier segments of the equity markets. Not surprisingly, U.S. large and mid-cap stocks generated positive returns, along with real estate and high-quality bonds. In contrast, international developed and emerging market equities, as well as commodities, declined sharply. Until the world’s major economies stabilize and fundamentals drive the markets again, central bank policy will continue to have an outsized effect on market performance and investors’ collective behavior.

The University’s capital base includes five separate investment vehicles. At June 30, endowments accounted for \$833 million, with \$820 million in the Consolidated Investment Pool and \$13 million in separate endowments. Chairs of Excellence were \$139 million, and the University of Chattanooga Foundation was \$125 million. Finally, Life Income Trusts stood at \$43 million. The accompanying chart displays these categories at each fiscal year-end for the past ten years.

The Consolidated Investment Pool (the Pool) is the largest component of invested funds and was established in 1954 to allow for the diversification and efficient investment of any endowment, regardless of size. With the dual mandate of generating long-term total returns above the spending rate while simultaneously managing downside risk, it maintains a globally diversified portfolio. For the fiscal period ending June 30, the one-year total estimated return was -2.4 percent and for the last 10 years +4.1 percent. The Pool distributed \$36 million in fiscal 2016, an increase of approximately \$3 million from the last fiscal year. The funds distributed in any given year equal four-and-a-half percent of the five-year rolling average of the Pool's market value at calendar year-end (December 31).

Finally, funds distributed by The Tennessee Chairs of Excellence and the University of Chattanooga Foundation were \$4 million and \$7 million, respectively, for the fiscal twelve-months. Both of these categories are managed outside the Pool. The Chairs of Excellence are administered by the treasurer of the state of Tennessee for the benefit of all UT campuses. The University of Chattanooga Foundation is managed by its foundation board and supports programs at UT Chattanooga only.



Fall enrollment

HEADCOUNT

UT SYSTEM	2012	2013	2014	2015	2016	5-Year Change
Undergraduate	38,401	38,504	38,656	38,647	38,875	1.2%
Graduate / Professional	10,843	10,623	10,442	10,489	10,512	-3.1%
Total	49,244	49,127	49,098	49,136	49,387	-0.3%

UT KNOXVILLE	2012	2013	2014	2015	2016	5-Year Change
Undergraduate	20,829	21,033	21,451	21,863	22,139	6.3%
Graduate Academic	5,407	5,349	5,219	5,259	5,244	-3.0%
Graduate / Professional	782	789	740	723	669	-14.5%
Total	27,018	27,171	27,410	27,845	28,052	3.8%

UT CHATTANOOGA	2012	2013	2014	2015	2016	5-Year Change
Undergraduate	10,159	10,297	10,315	10,084	10,170	0.1%
Graduate	1,501	1,377	1,355	1,304	1,363	-9.2%
Total	11,660	11,674	11,670	11,388	11,533	-1.1%

UT MARTIN	2012	2013	2014	2015	2016	5-Year Change
Undergraduate	7,326	7,025	6,677	6,435	6,279	-14.3%
Graduate	425	398	365	392	426	0.2%
Total	7,751	7,423	7,042	6,827	6,705	-1.1%

UT HEALTH SCIENCE CENTER	2012	2013	2014	2015	2016	5-Year Change
Undergraduate	87	149	213	265	287	229.9%
Graduate Academic	1,111	1,067	1,063	1,093	1,068	-3.9%
Graduate / Professional	1,617	1,643	1,700	1,718	1,742	7.7%
Total	2,815	2,859	2,976	3,076	3,097	10.0%

- Includes non-degree seeking and dual enrollment (high school) students
- Excludes students enrolled in audited classes and co-op courses
- UTK includes Space Institute and Veterinary Medicine students
- UTHSC excludes Residents in Health Sciences
- Graduate / Professional = Medicine: MD, Dentistry: DDS, Pharmacy: PHARMD, Law: JD, and Vet Med: DVM

