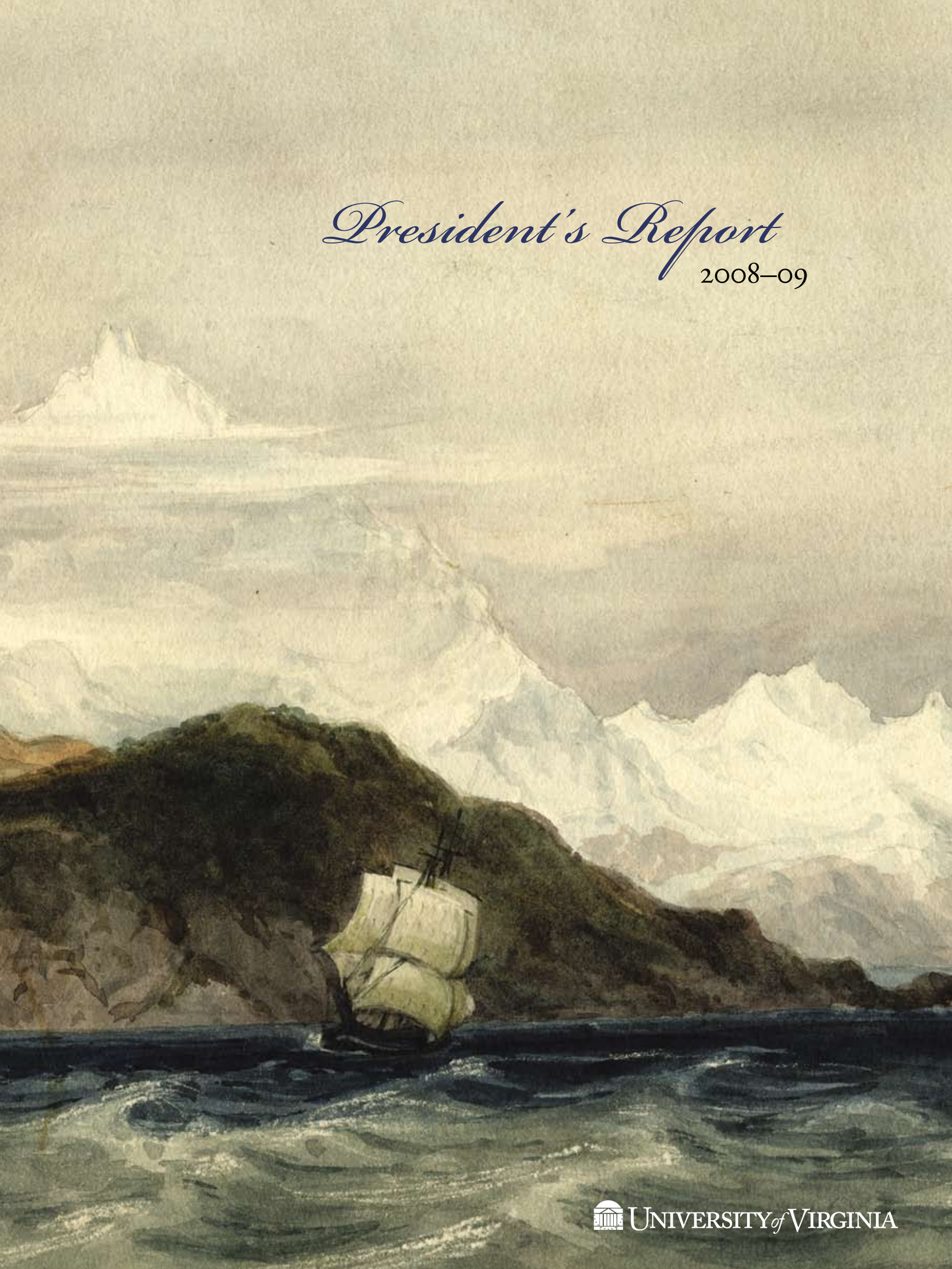
President's Report

2008–09



UNIVERSITY *of* VIRGINIA

Art in the President's Report

The artwork accompanying the 2008–09 President's Report is drawn from various University collections in the Albert and Shirley Small Special Collections Library, the University of Virginia Art Museum, Kluge-Ruhe Aboriginal Art Collection, and the Tibetan and Himalayan Digital Library. Art from around the world was selected to illustrate the report's section devoted to global programs. One of several priorities identified by the President's Commission on the Future of the University in February 2008, the expansion of global programs is well under way. Curricular and extracurricular programs have been broadened to feature international themes. Faculty members are working with students to address issues of global consequence and promote understanding of the differences among nations and cultures. International scholars and public figures frequently visit the Grounds to conduct research and share their expertise with the U.Va. community. Other initiatives, described in the report, are also being launched. As a result of these efforts to foster a global education and give students a global perspective, members of the Academical Village are becoming committed citizens of a village that extends to the far reaches of the globe.

About the Cover

The image on the cover of the report is a watercolor of Charles Darwin's ship, the H.M.S. *Beagle*, by Conrad Martens, from the Paul Victorius Evolution Collection at the Small Special Collections Library. The painting is from an exhibit at the Special Collections Library, "On the Origin of Species at 150: The Evolution of an Idea," commemorating the 150th anniversary of *On the Origin of Species by Means of Natural Selection*, and Darwin's 200th birthday. Martens's sketches were included in the first and second volumes of *The Voyage of the Beagle*. On its groundbreaking scientific expedition and second voyage, the *Beagle* circumnavigated the world, departing in December 1831 from Plymouth Sound to South America and returning via New Zealand, Sydney, and Hobart Town, to Falmouth, Cornwall, England in October 1836.

Inside front and back cover
Detail from John Speed, *A new and accurate map of the world*.
London, 1676 (orig. pub. 1627)
The Seymour I. Schwartz Collection of North American Maps, 1500–1800
Courtesy of Dr. Seymour I. Schwartz
Albert and Shirley Small Special Collections Library
University of Virginia Library

▶ **Mali**
Female Headdress (chi wara)
Twentieth century
Bamana peoples, Segou
Anonymous gift, 1979.44.14
University of Virginia Art Museum

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Continuing Mr. Jefferson's Work

The past year was a challenging one for the University as we managed the consequences of the historic meltdown in the U.S. economy while also contending with repeated rounds of reductions in state support. At the time of this writing in October 2009, the governor has announced a $19 million cut in state support for the University (but with federal stimulus funds offsetting part of the reduction—the actual cut will be $10.3 million). This comes on top of $32 million in cuts during the last three years. Our endowment suffered losses during the past year, as other major endowments did. During the twelve-month period that ended June 30, 2009, the Long-Term Pool, which includes the endowment and foundation assets, was down 21 percent—though recent positive returns have restored some of these losses. The recession and its various effects now promise to be the University's most serious financial setback of modern times, indeed perhaps of all times. Our mission and functions are larger and more complex than they were in 1929. Despite these daunting realities, and against all reasonable expectations, the University continues to thrive in most measurable ways. In the past year, we have seen a new generation of deans settle into leadership positions and begin building new strengths for their schools; new academic programs come into existence; new buildings take shape across the Grounds; and—perhaps most extraordinary, given the state of the economy—continued success in our capital campaign. This report includes details on these issues as well as a full report on the achievements of our students, faculty members, and staff.

As we manage the aftershocks of the economic crisis and look forward to recovery, we benefit daily by the presence here in Madison Hall and throughout the University of expert fiscal managers whose solid work has helped us maintain stability throughout this recession. The rating agencies see us as financially strong: all three major rating agencies confirmed our AAA bond rating this year. In April, we became the first university to issue Build America Bonds, partially subsidized by the U.S. Treasury through the American Recovery and Reinvestment Act (ARRA)—$250 million for nineteen construction projects, saving the University $60 million in interest over a thirty-year term. Our researchers have aggressively pursued ARRA funding made available through federal agencies. As of late September, we had submitted more than 500 separate funding proposals and secured $30.8 million in federal stimulus funds over a two-year period. We started developing the University's treasury function four years ago. New flexibility afforded by the 2007 investment legislation and our still-growing internal bank have successfully managed a large pool of operating funds with efficiency and rates of return not previously seen in universities. The internal bank function has enabled the University and UVIMCO to better manage liquidity during this difficult time.

Implementation of restructuring continued this year, and the University renewed its management agreement during the 2009 General Assembly session. We continued to fulfill our responsibilities to the Commonwealth by fostering economic development in southwest Virginia, improving public schools, and meeting students' need for financial aid. The Rector and Visitors' AccessUVA program continues to be a national model of success. This program enabled 882 new students to enter in 2008. Some 225 students in May's graduating class received full scholarships during their years here. AccessUVA is a massive commitment, and the cost has increased dramatically in this economy. As the recession continues, the number of qualified students increases almost daily, and average need has increased. Overall, 32.1 percent of the undergraduate student body now qualifies for financial aid, up from 23.8 percent in AccessUVA's first year and up from 27.2 percent just last year. We are raising funds now to meet this predictable need. The John A. Blackburn Endowed Scholarship for AccessUVA, established to honor the late Jack Blackburn, our longtime dean of admission, now totals more than $1.8 million. Our agreement with the Virginia Community College System (required under the restructuring program) guarantees admission, based on satisfactory grades in specified required courses, to graduates of Virginia's twenty-three community colleges. This agreement brought some 333 new VCCS transfers to us in 2008–09, up from 193 in 2005–06. In accord with the restructuring agreements, the new University Staff Human Resources Plan has come into service. The new plan enables us to invest in employee development, align the goals and objectives of individual persons with our organizational strategic plans, and recognize and reward the successes and contributions of employees.

Led by provost Tim Garson, a new generation of deans has assumed leadership of the academic enterprise. In the roughly two years since Dr. Garson became provost in July 2007, seven new deans have taken office: Paul Mahoney in Law; Meredith Woo in the College and Graduate School; Dorrie Fontaine in Nursing; Steven DeKosky in Medicine; Billy Cannaday in Continuing and Professional Studies; Kim Tanzer in Architecture; and Harry Harding in the new Batten School. Collaborating with vice president for research Tom Skalak, vice provost for international programs Gowher Rizvi, and vice provost for the arts Beth Turner, these new deans have made an immediate impression as aggressive, charismatic leaders. As academic planning has given way to implementation, we are seeing the fruits of the rigorous work of the Commission on the Future of the University and in the prior decade or so, in the VA2020 planning projects. One prominent example is our recently established Jefferson Public Citizens program that integrates service with academics. The inaugural group of Jefferson Public Citizens consists of sixteen teams of four to five students working with community partners and faculty advisors to complete academically based service projects. These student teams began work last summer in Charlottesville, southwest Virginia, Honduras, South Africa, Belize, Argentina, and Nicaragua.

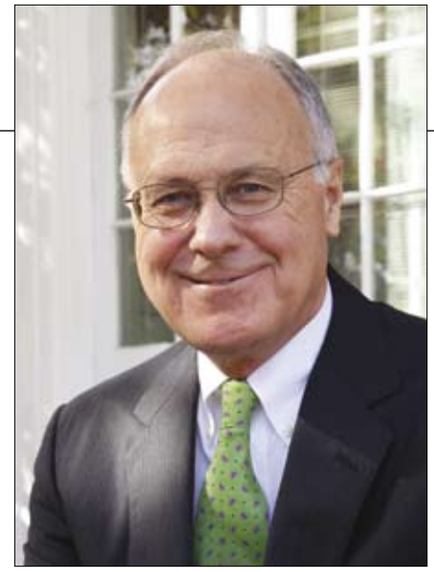
As part of both the VA2020 initiative and the Commission on the Future of the University, we made commitments to expanding international activities, and we continued this work in 2008–09. Although the economic downturn has had a negative

impact on many study-abroad activities, increasing numbers of students are undertaking research overseas, and development of overseas opportunities for students in the professional schools along with increased need-based scholarships have mitigated declines. The number of participants in study-abroad activities dropped less than 6 percent in 2008–09 from 2007–08. Spain, the U.K., Italy, France, and China were the top destinations for our students. Semester at Sea saw record enrollments in the past year, and added several new ports to its itineraries. Fifteen University faculty members and four graduate teaching assistants taught in the program in 2008–09. The summer 2009 voyage focused on the development of human rights around the Mediterranean, with Thomas C. Sorenson Professor of Policy and Social Thought Michael J. Smith serving as academic dean for the voyage. Professor of biology Reginald Garrett led the spring 2009 voyage, which emphasized science. Professor of politics Leonard Schoppa led the fall 2008 voyage, with a focus on the rise of China. Six University students sailed on the fall 2008 voyage; twenty on the spring voyage; and thirty-five last summer. These student numbers are nearly double those of 2007–08.

Building diversity in our student body creates a richer experience for all of our students and prepares them to participate in the diverse global economy. This year, approximately 35 percent of first-year students identified themselves as either minority persons or international students. In 2009, for the fifteenth straight year, the University posted the highest six-year graduation rate for African-American students among major public institutions. In May, Bill Harvey resigned as vice president and chief officer for diversity and equity to become director of the International Reading Association. Dr. Marcus Martin is serving as interim. Dr. Martin has led numerous diversity and public service initiatives within the University and in neighboring communities. Last year, Diversity and Equity collaborated with Student Affairs to inaugurate a chapter of the Ralph Bunche Society. We are only the second predominantly white university to host a chapter of the Ralph Bunche Society. In the past year we continued our commitment to working with small, women-owned, and minority-owned businesses—a commitment that is both our own and the state's. Our total SWaM construction spending increased to 63 percent from last year's total of 54 percent.

Efforts to reduce the University's environmental impact and improve energy conservation and energy efficiency continued in the past year. We have now upgraded more than four million square feet of our facilities with energy-efficient lighting systems, resulting in significant energy savings and reduction of greenhouse gases. The Rector and Visitors endorsed Leadership in Energy and Environmental Design, or LEED, certification for major building renovations and for new construction, including the South Lawn Project. Sustainability activities extend to teaching and research as well. Teams of faculty members and students from the Schools of Architecture, Engineering, Commerce, and the College design and build ecological and affordable modular housing in the ecoMOD project. Students and faculty members have launched the Learning Barge, a floating field station powered by solar and wind energy and used to promote environmental education in the Elizabeth River and its tributary creeks near Norfolk. A Presidential Committee on Sustainability advises other University leaders and me on the quality, diligence, and progress of the University's sustainability programs. This committee is preparing a ten-year plan, scheduled for delivery next summer, to reduce further our greenhouse gas emissions.

Despite the economic crisis, we continue to make progress in the Campaign for the University of Virginia. In September, we passed the $2 billion mark in our effort to raise $3 billion. This remarkable success is a testament to the sense of purpose shared by some 150,000 alumni, friends, and parents around the nation and the world who have made gifts to this campaign. To complete this campaign in the current economic climate will require renewed commitment from all who care about the University and its future. Predicting the final stretch is difficult because this campaign has run counter



to national trends since it began. I am optimistic: we will raise the $3 billion in our target and more by relying on one another and by working together toward our common goals. Like our University in our time, this campaign is inevitable and essential.

Looking back on a year in which many of us—alumni, parents, and friends—have made personal sacrifices to sustain the University in this bleak economy, I am reminded of Mr. Jefferson's determination and perseverance in conceiving, building, and funding the University. Many of you have heard Josh Darden (College '58) read his letter to Mr. Jefferson—a document that is at once an acknowledgment of our debt to the past and a ringing endorsement of the public and private values that the University embodies. (The letter is available on the Web at www.campaign.virginia.edu/casteen). Josh's letter pulls together for me many of the basic principles that have shaped the University's character, even in our time. In an 1821 letter to his friend and collaborator Joseph Cabell, Jefferson expresses his gratitude for his and others' relentless work to find and build support for the University, "The exertions and the mortifications are temporary; the benefit eternal."

Faculty members, staff, students, parents of students, alumni, friends in government, and others who share an interest in the University and its future help carry forward the work that Jefferson began nearly 200 years ago. What was true then is true now: The exertions are temporary, the benefits eternal.

John T. Casteen III
President

The Year at a Glance

SEPTEMBER 2008–SEPTEMBER 2009

September 2008

▶ Reinforcing its commitment to sustainability, the University appoints Andrew J. Greene as sustainability planner for the Office of the Architect. He will work with others on the Grounds to coordinate sustainability planning, building design, carbon reduction, recycling, and utility conservation.

◀ The University of Virginia Women's Center presents Yvonne Hubbard, director of Student Financial Services, with this year's Zintl Award. The award recognizes an extraordinary female employee who has shaped the lives of faculty, staff, and students. It is named for Elizabeth Zintl, chief of staff in the President's Office until her death in 1997.

October 2008

▶ The Board of Visitors approves seed funding for initiatives in three priority areas identified by the President's Commission on the Future: the student experience; science, technology, and research; and global programs. The initiatives include the Jefferson Public Citizens program, the Institute for Faculty Advancement, the Center for International Studies, and the expansion of the Center for Advanced Study of Teaching and Learning.

▶ With *Aliens!* as its theme, the twenty-first Virginia Film Festival weekend launches with Sissy Spacek's new film, *Lake City*, produced by Mark Johnson (College '71). Co-starring in the film is Troy Garity, son of Jane Fonda. A special film series includes the seventieth anniversary rebroadcast of the Orson Welles' "War of the Worlds" radio program in the McCormick Observatory.

November 2008

▶ At the twentieth Virginia Public Procurement Forum, U.Va.'s Facilities Management Division receives a SWaM (small, women, and minority) award for its efforts to incorporate supplier diversity in the construction process. In fiscal 2008, $108.7 million, or 56.8 percent of all construction spending, was with SWaM firms.

◀ Tony Award-winning dancer and choreographer Bill T. Jones arrives on the Grounds as artist in residence. With his Bill T. Jones/Arnie Zane Dance Company, Mr. Jones gives a workshop that explores his new piece, *Fondly Do We Hope—Fervently Do We Pray . . .*, a dance/theater piece commemorating the bicentennial of Abraham Lincoln's birth. His workshop is one of several events in U.Va.'s Inaugural Assembly for the Arts, "Opening the Door to Creativity."

▶ Larry Sabato, the Robert Kent Gooch Professor of Government and Foreign Affairs, predicts a landslide victory for Barack Obama and Democrats in Congress. His Crystal Ball Web site at www.centerforpolitics.org/crystalball/ scores a nearly perfect record for accuracy in predicting the 2008 election outcomes.

▼ More than 1,200 University employees take part in the United Way-Thomas Jefferson Area's Laurence E. Richardson Day of Caring. They tackle a list of some 250 projects—ranging from painting to reading to schoolchildren—proposed by local schools and nonprofits.

▶ Michelle Obama, wife of presidential candidate Barack Obama; and Jill Biden, wife of vice-presidential candidate Joe Biden, appear at a rally in the Newcomb Hall Plaza to support their husbands' campaigns and raise awareness of women's issues.

▶ For the second straight year, admissions officers from U.Va., Harvard, and Princeton begin touring the nation to explain how qualified students from low-income backgrounds can afford to attend college, thanks to financial aid programs such as AccessUVA. As of October 21, more than 2,500 students in twenty-seven cities register for the sessions.

▶ In a break with tradition, the University names two winners of the Thomas Jefferson Award, its highest honor for members of the University community: John A. "Jack" Blackburn, dean of admission for twenty-three years; and Dr. Sharon L. Hostler, the McLemore Birdsong Professor of Pediatrics, who has served as medical director at the Kluge Children's Rehabilitation Center, interim dean of the Medical School, and interim vice provost for faculty advancement.

▶ A panel of hedge fund managers at the McIntire School of Commerce Fall Forum, "Investment Strategies in Turbulent Times" draws more than 1,000 attendees. The discussion is led by John A. Griffin (McIntire '85), president and founder of Blue Ridge Capital, and features Richard M. Gerson (McIntire '97), managing director of Blue Ridge Capital LLC; Julian H. Robertson, co-founder of legendary hedge fund Tiger Management; Chris W. Shumway (McIntire '88), founding partner of Shumway Capital Partners; and Paul Touradji (McIntire '93), president and chief investment officer of Touradji Capital Management.

◀ University Police Chief Michael A. Gibson is named Police Chief of the Year by the National Alliance on Mental Illness' Crisis Intervention Team, a national organization assisting police officers in defusing difficult situations, particularly with the mentally ill.

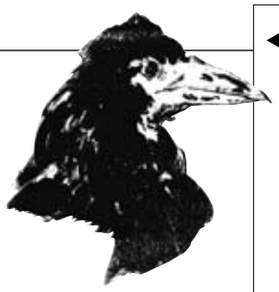
▶ *Encyclopedia Virginia*, a free and interactive electronic resource at www.encyclopediavirginia.org/, goes live. Created by the Virginia Foundation for the Humanities, the digital encyclopedia features content covering twentieth-century history, literature, and the Civil War.

December 2008

▶ Several faculty members organize a teach-in on issues surrounding the terrorist attacks in Mumbai, India. Faculty with expertise in areas related to South Asia, such as history, economics, literature, and anthropology, as well as representatives of various religious communities and Pakistani and Indian expatriates living in the community, discuss the events in Mumbai and the background and context in which they occurred.

▶ Despite the struggling economy, U.Va. is number one in the state in giving to the Commonwealth of Virginia Campaign, with approximately 3,800 University employees contributing a record $933,700 to local and national nonprofit organizations. U.Va. contributions account for more than 20 percent of the $4.2 million contributed by employees statewide.

▶ Four area legislators attend the University's annual Legislative Forum—Senator R. Creigh Deeds, D-Bath; Senator Emmett W. Hanger, Jr., R-Augusta; Delegate Robert B. Bell, R-Albemarle, and Delegate David Toscano, D-Charlottesville. Discussion focuses on Governor Timothy M. Kaine's proposed 2009–10 state budget.



◀ Commemorating the 200th birthday of one of its most famous students, the University presents "From Out That Shadow: The Life and Legacy of Edgar Allan Poe" featuring manuscripts, books, art, and personal effects. The exhibit is a partnership between the Mary and David Harrison Institute of American History, Literature, and Culture and the Albert and Shirley Small Special Collections Library at the University of Virginia, and the Harry Ransom Center at the University of Texas at Austin.

▶ Jack Blackburn, dean of admission, dies at sixty-seven. His legacy at U.Va. is distinguished by both the quality and the diversity of its student body. A campaign to create the John A. Blackburn Endowed Scholarship for AccessUVA in his honor for low-income students draws more than $1.5 million in just three months.

February 2009

▶ The Virginia Theatre Association awards drama professor LaVahn Hoh its Lifetime Achievement Award for his thirty-three years of service to the arts. Mr. Hoh is best known nationally for his expertise as a circus historian; he teaches the only accredited course in America on the circus.

◀ Jason Franasiak (Medicine '09) receives the American Medical Association Leadership Award. He founded the University's chapter of Building Tomorrow: Destination Kampala, a nonprofit organization that raises funds and awareness for the construction of schools in Kampala, Uganda. In May Dr. Franasiak receives the Algernon Sydney Sullivan Award for service to others and the community, along with Tamira Dawn Roberson (College '09) and Carol Wood, assistant vice president for public affairs for the University.

March 2009

▶ The University forms a new partnership with the Peace Corps as it joins its Master's International program. The Curry School of Education will offer a master of education degree in conjunction with a Peace Corps international placement to candidates who have been accepted to both institutions.

▶ During Earth Hour, a global event intended to create awareness of energy use and conservation, U.Va. turns off nonessential lights and electronics, achieving a savings of more than 1,000 kilowatt hours and reducing carbon emissions by about 1,200 pounds.

▶ The Center for Politics announces an international initiative aimed at enhancing dialogue among democracies around the world and exploring avenues for improving civic engagement within democratic societies. In partnership with the U.S. Department of State and other organizations, Global Perspectives on Democracy will invite international citizens to participate in either in-country workshops or programmed citizen-exchange trips to the United States.

January 2009

▶ More than 170 people pack the Art Museum to launch the University's new Science & Art Project. This initiative recognizes the commonality of creativity in art and science and promotes interchanges between scientists and artists.

▶ Harry Harding, one of America's preeminent China scholars, is appointed the first dean of the Frank Batten School of Leadership and Public Policy. Mr. Harding serves as the dean of the Elliott School of International Affairs at George Washington University.

▶ For the first time in sixty-two years, the collection of French modern art assembled by T. Catesby Jones (Law 1902) is reunited, thanks to the efforts of U.Va. Art Museum curator Matthew Affron. The show, titled "Matisse, Picasso, and Modern Art in Paris," also includes works by Marc Chagall, Georges Braque, Raoul Dufy, Juan Gris, and Jacques Lipchitz.

▶ Bruce Ambler Boucher, curator of European sculpture at the Art Institute of Chicago, is appointed director of the University of Virginia Art Museum. He is an expert on the sixteenth-century Italian architect Andrea Palladio, whose work had a profound influence on Thomas Jefferson's design for the Academical Village.

▶ The University launches its Tibet Center, the culmination of more than four decades of international leadership in Tibetan Studies. The center will provide a forum for constructive analysis and action on the pressing issues confronting the country.

▶ Rahul Gorawara is named the student member of the Board of Visitors. A third-year student, Mr. Gorawara graduates in May with a triple major in electrical engineering, computer engineering, and economics. He is also working toward a master's degree in the Batten School.

▶ Kicking off the first exchange program tailored for U.Va. studio art students, Zhou Jin, associate professor of fine art at the Chinese University of Hong Kong, travels to the University with graduate student Tang Kwok Hin. Mr. Zhou demonstrates traditional Chinese painting techniques and shares work done by his colleagues and students. Megan Marlatt, a professor in the McIntire Department of Art; and fourth-year studio art distinguished major Sarah Dylla reciprocate the exchange and travel to Hong Kong in late May.

▶ The Student Information System goes live, giving students and other users a more efficient way to sign up for courses, manage progress toward a degree, and access academic records. It is the latest step in the three-year Student Systems Project, designed to create a single electronic record of a student's progress from application to graduation.

▶ *BackStory with the American History Guys*, a radio show produced by the Virginia Foundation for the Humanities, receives a development grant from the National Endowment for the Humanities. The show, which links American history to current social issues, features Peter Onuf, Thomas Jefferson Foundation Professor of History; Brian Balogh, associate professor of history; and Ed Ayers, former dean of the College of Arts and Sciences and now president of the University of Richmond.

▶ A monumental sculpture by Alexander Calder is installed in front of Peabody Hall, inaugurating the new public sculpture program. The twelve-foot-tall work, "Tripes," is on long-term loan from the Calder Foundation in New York.

April 2009

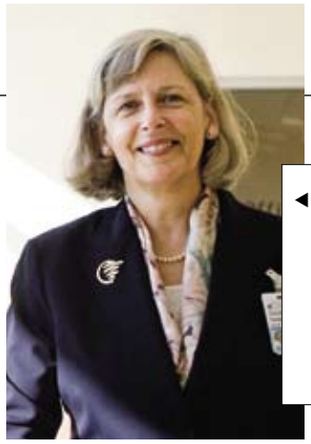
▶ At Founder's Day, the University presents its highest honors, the Thomas Jefferson Medals in Architecture, Civic Leadership, and Law to Robert Irwin, an American artist; Warren M. Christopher, former secretary of state; and Barry C. Scheck and Peter J. Neufeld, co-founders of the Innocence Project, respectively.

▶ The first-ever student Sustainability Project Competition, organized by the President's Committee on Sustainability, is held in the Rotunda's Dome Room and showcases twenty-four projects focused on creating a more sustainable future. Judges choose the top three projects for prizes: "U.Va. Bikes" by McIntire School of Commerce students, "Learning Barge" by School of Architecture and School of Engineering and Applied Science students, and "Management and Reuse of Salt-Contaminated Stormwater Runoff" from the School of Engineering.

▶ U.Va. and the Institute for Shipboard Education announce a new Semester at Sea program focusing on China-U.S. relations. The global, comparative, study-abroad experience aboard a "floating campus," the *MV Explorer*, will begin in spring 2010. The program will focus on sociocultural, policy, and economic interactions between Chinese and Americans.

May 2009

▶ Dr. Bankole Johnson, the Alumni Professor of Psychiatric Medicine, receives the Solomon Carter Fuller Award from the American Psychiatric Association for his work on physiological basis of substance abuse. He leads a team with Ming D. Li, the Jean and Ronald Butcher, M.D., Eminent Scholars Professor of Behavioral Medicine and Psychiatry, studying variants of a gene that could help account for why some people have a propensity for heavy drinking.

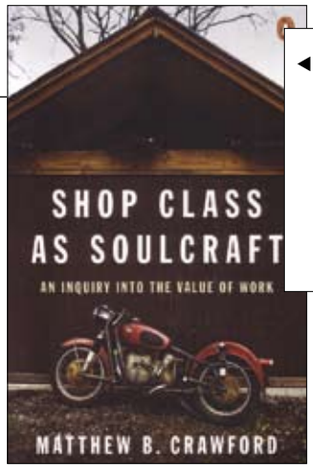


◀ Dorrie Fontaine, dean of the School of Nursing and the Sadie Heath Cabaniss Professor of Nursing, rings the NASDAQ closing bell to observe National Nurses Week.

▶ Governor Timothy M. Kaine delivers the keynote address during Commencement exercises at U.Va.'s College at Wise.

▶ "Priorities for a New President," the second season of the Miller Center of Public Affairs' National Discussion and Debate Series, features a discussion about developing a national infrastructure policy. Panelists include Pennsylvania Governor Edward G. Rendell and California Governor Arnold Schwarzenegger. The panel moderator is Robert MacNeil, founder and former co-anchor of the "MacNeil/Lehrer News Hour."

▶ With private support, as part of a $2 million restoration of Pavilion X and adjacent student rooms, an eight-and-a-half foot parapet, part of Jefferson's original design, will once again define the roofline. The original was removed in the 1890s.



◀ Matthew Crawford's book, *Shop Class as Soulcraft*, heads to the top of the bestseller lists. A meditation on the value of manual labor, it reflects his experience running a motorcycle repair shop in Richmond. Mr. Crawford is a fellow at the Institute for Advanced Studies in Culture.

▶ The University opens the 102,000-square-foot Carter-Harrison Research Building, which will house nearly 240 scientists and lab personnel. It is an essential step in U.Va.'s efforts to bolster science at the University.

▶ Sylvia Terry, associate dean of African-American affairs and director of the award-winning Peer Advisor Program, retires after twenty-nine years at the University.

▶ A two-day research symposium on links between climate change and public health is held. In the tradition of Thomas Jefferson, who held community days for the University to share knowledge with the local community, the Sustainability Symposium on Climate Change and Health is open to the public.

▶ For the fourth time in three years, the U.S. Supreme Court agrees to hear a case presented by the School of Law's Supreme Court Litigation Clinic. Clinic instructor Mark Stancil argues *Bloate v. United States* before the justices in November.

▶ The second annual John W. and Maria T. Kluge Distinguished Lecture in Arts and Humanities is held at Morven Farm. Sponsored by the Kluge-Ruhe Aboriginal Art Museum, the lecture is delivered by Dr. Howard Morphy, director of the Research School for the Humanities at Australian National University.

▶ Undeterred by threatening weather, graduates walk the Lawn for the University's 180th Final Exercises. J. Harvie Wilkinson III, federal appeals court judge and graduate of the Law School, urges them to spurn the paths that others lay out for them. The University awards the first doctorate of nursing practice and the first master's degrees in public policy.

▶ Kim Tanzer, a highly regarded teacher, researcher, and community advocate, is appointed dean of the School of Architecture, succeeding Karen Van Lengen, who is stepping down after ten years. Formerly a professor at the University of Florida, Ms. Tanzer has received local and national awards for her community-based architecture practice.

June 2009

▶ Fifty-two of the University's 2009 graduates will go on to teach in urban and rural public schools across the country through the Teach for America program—the seventh-highest total among large colleges and universities. A record 35,000 students applied to the 2009 Teach for America corps, with the number of U.Va. students participating doubling from 2008.

▶ Vice President and Chief Financial Officer Yoke San Reynolds receives the Distinguished Business Officer award from the National Association of College and University Business Officers for her work in University financial management.

July 2009

▶ U.Va. is already complying with much of Governor Timothy M. Kaine's newly signed executive order No. 82, designed to reduce state government's environmental impact. Among the steps the University has taken are the creation of a presidential advisory committee on sustainability and adoption of Leadership in Energy and Environmental Design standards for new construction.

▶ A U.Va. team heads to Congo to educate clinicians who collect evidence and provide care for the many rape victims they see daily. The team includes Sarah Anderson, a forensic nurse in the Department of Emergency Medicine; Barbara Parker, the Theresa A. Thomas Professor of Primary Care Nursing; and nursing doctoral student Jamela Martin. They are joined by a team from Johns Hopkins University.

▶ The Curry School of Education receives a grant from Philip Morris USA, an Altria Company, to establish the Center for Positive Youth Development. The center is being created to design and evaluate school- and community-based programs intended to improve youths' health, well-being, civic engagement, and academic achievement.

▶ John O. "Dubby" Wynne (Law '71) begins his term on the Board of Visitors as the University's fortieth rector, succeeding W. Heywood Fralin (College '85), who will remain on the board until 2012. Daniel R. Abramson (College '70), recently named vice rector, will succeed Mr. Wynne in 2011. Governor Timothy M. Kaine names Randal J. Kirk (Law '79) of Pulaski County to the board to replace Thomas F. Farrell II (College '76, Law '79) and appoints three current members to second terms: A Macdonald Caputo (College '63, Law '66) of Fairfield County, Connecticut; Alan A. Diamonstein (McIntire '55, Law '58) of Newport News; and Vincent Mastracco, Jr. (College '61), of Norfolk.

▲ Drama professor Michael Rasbury is selected to premier his musical about autism, "Max Understood," at the 2009 New York Musical Theatre Festival. Mr. Rasbury wrote and composed the pieces, inspired by his nine-year-old son, Max, who has autism, with director and actor Nancy Carlin of Berkeley, California.

August 2009

▶ The Semester at Sea Program departs on its 100th global voyage from Halifax, Nova Scotia. A new Web site featuring photos, interactive media, and alumni stories is produced as part of the celebration. See www.semesteratsea.org/our-100th-voyage/.

September 2009

▶ Husain Haqqani, Pakistan's ambassador to the United States, kicks off the University's Ambassador Forum Lecture Series for the 2009–10 academic year. The series brings the world to the Grounds and gives students direct exposure to global affairs.

▶ Using PrimaryAccess, a Web-based teaching tool developed at the Curry School's Center for Technology and Teacher Education, students can create documentaries on a new educational Web site, "Picturing the 1930s," launched September 2 by the Smithsonian Institution's American Art Museum. Visit http://americanart.si.edu/education/picturing_the_1930s. Visitors can select images, write text, and record narration in the style of a documentary filmmaker. They can then screen their video in a virtual theater. PrimaryAccess was recognized in July as one of twenty-five "Best Web Sites for Teaching and Learning."

President John T. Casteen III

President John T. Casteen III announces that he will step down on August 1, 2010, after twenty years as president. Now sixty-five, he arrived at the University at seventeen, earned three degrees here, and served as dean of admission before returning to U.Va. in 1990 as president. During his tenure, he has overseen major restructuring of administrative and governance structures; significant improvements in academic programs; two major fundraising campaigns; the creation of the University's groundbreaking financial aid program, AccessUVa; and expansions of physical facilities (some 132 buildings altogether, representing 41 percent of the University's total gross square footage, including major additions).

President Casteen is among the nation's longest-serving and most-respected university presidents. "These years have been all but magical for my family and me," he said. "We have had the pleasure of living and working among students, staff members, faculty members, alumni, other backers of the University, and the women and men of a community that we see as America's best. These have been years of working with legislators, board members, and others who care about the roles of universities in promoting and sustaining the common good, and of imagining with them how to cultivate a University capable of making Virginia's and the Republic's future worthy of their past."

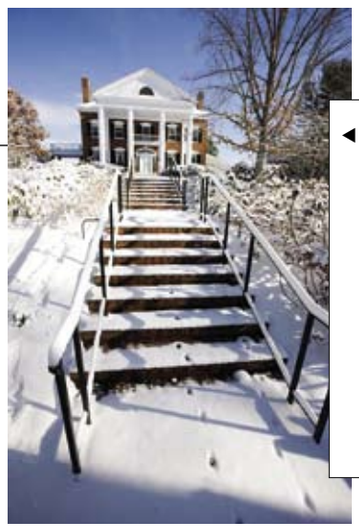
The many past students and future generations of students are the beneficiaries of President Casteen's achievements over his two decades as president. The nearly 94,000 students who have earned degrees at the University during his presidency now represent nearly 48 percent of its total population of living alumni. The Board of Visitors begins a search for President Casteen's successor in late July.

September 2008–September 2009

▶ President John T. Casteen III welcomes the Class of 2013, the largest first-year class in U.Va.'s history. The class includes 3,260 students from forty-six states and the District of Columbia, and seventy-six countries. Sixty-eight percent are Virginians; half of those from Northern Virginia, and 315 transferred from Virginia's community colleges. More than 1,000 students are supported in some measure by AccessUVA, the University's financial aid program. Nearly a third of the students identified themselves as coming from minority backgrounds.

▶ The University of Virginia Foundation is awarded LEED Gold certification by the U.S. Green Building Council for its newest building, Town Center Three, located in the U.Va. Research Park. Gold recognition requires construction and design standards such as using 95 percent Forest Stewardship Council-certified wood and a construction waste management program that recycled and/or salvaged at least 56 percent of construction waste.

▶ The University arts community gathers on the Arts Grounds to celebrate the new academic year. A series of events called "Playing the Space" includes the Cavalier Marching Band, a faculty art show, and a dance party hosted by the School of Architecture. The marching band, part of the McIntire Department of Music, is the newest member of the University arts community to physically join the Arts Grounds. The band will move into the rehearsal hall on the Arts Grounds' north side until its new facility, funded in part by a gift from longtime benefactor Hunter J. Smith, is constructed.



◀ The University celebrates the centennial of Carr's Hill, the president's residence and the last of the University buildings designed by McKim, Mead & White. As part of the celebration, the Mary and David Harrison Institute for American History, Literature, and Culture/Albert and Shirley Small Special Collections Library opens "From Village to Grounds: Architecture After Jefferson at the University of Virginia" and the University of Virginia Art Museum hosts "Thomas Jefferson's Academical Village: The Creation of an Architectural Masterpiece." The Museum and the Departments of Architectural History and Art History, along with the Harrison Institute/Small Special Collections Library, present a scholarly symposium, "Jefferson, Palladio, and the Fine Arts in America."

▶ At the fall Board of Visitors meeting, President John T. Casteen III announces reaching the $2 billion mark in the $3 billion Campaign for the University of Virginia. Launched in October 2004, the campaign's final phase is focusing on support for strong academic programs, leading-edge research, and financial aid.

John T. Casteen III and Betsy Casteen

Global Scholarship and Citizenship

Globalization poses a major challenge for higher education, with ramifications for what students are taught and what experiences they are offered. The critical question of how to build knowledge that advances understanding of today's global society guides the plans and actions of University leaders.

The President's Commission on the Future of the University identified global programs as one of its top priorities in the coming decade and beyond. In an increasingly competitive global market, the University's future depends on a strengthened commitment to internationalization. Key steps in U.Va.'s long-term strategic plan to prepare students for success in the global economy and public life are in progress: bringing the world to the Grounds of the University, extending the University's reach around the globe, and building knowledge that encompasses a global perspective and insights from multiple disciplines.

The Commission on the Future is acting on the Virginia 2020 Commission on International Activities recommendations proposed ten years ago. Today, University students, faculty, and staff interact with institutions and communities around the world. The University offers students a broader global outlook, bringing international experts to the Grounds to share their knowledge, and providing faculty and students greater opportunities to study and conduct research and service projects abroad.

The new Jefferson Public Citizens program, an academic public service program that integrates students' service and research experiences, encourages students to perform undergraduate research locally, nationally, and internationally. Of the sixteen projects that began in fall 2009, one-third will take place in other countries and include topics such as the study of water, health, and sanitation in La Gracia, Belize; and the use of computer technology to empower rural development in three villages in Honduras.

A gift from the estate of Gertrude Greenslade, a University professor of economics from 1969 to 1993, supports international studies programs at the East Asia Center and the Center for South Asian Studies in the College of Arts and Sciences. The College will hire faculty in related social science and humanities fields and add support staff for the two centers. The gift will help elevate the centers to federally designated National Resources Centers, resulting in increased federal support for graduate fellowships and a higher profile for U.Va.'s language and social science programs in these critical areas. The endowment will also support new exchange programs with the University of Rome, École normale supérieure de Paris, and l'École des hautes études en sciences sociales.

The University's newest major, Global Development Studies, reflects the strong student interest in social justice, sustainable development, global interconnection, and public service. Undergraduates in the Global Development Organization led the planning for the major, an interdisciplinary program in the College of Arts and Sciences that gives students a firm grounding in fundamental development issues and the opportunity to research an issue of their own choosing. Majors begin by diving deep into foundational social theory and its modern interpreters in the field of development studies. Next, majors build on this base with a survey of current development "practice" by academics, nongovernmental organizations, governments, and the private sector. Finally, fourth-year students apply their learning to an independent research project guided by a faculty member.

Faculty members share students' commitment to global education. Vivian Thomson, assistant professor in the environmental sciences and politics departments, directs the Panama Initiative, a research and teaching collaboration between the University and the City of Knowledge,

▲ **Turkey, Ottoman Empire**
Koran, hand written and decorated
1276 Hijri (1860)
Mohammed Rashid al-Rashidi (scribe)
Homer S. Cummings Papers, 1886–1956
Albert and Shirley Small Special Collections Library
University of Virginia Library

an educational organization in Panama. She and her colleagues, environmental sciences professor Jay Zieman and Dr. Richard Guerrant, the Thomas Harrison Hunter Professor of International Medicine and director of the Center for Global Health, work with counterparts in Panama on sustainable development and environmental health issues. Stanley Heckadon Moreno, a Panamanian researcher working for sustainable development to ease poverty, delivered a public lecture on the Grounds and led a session of Ms. Thomson's environmental thought and practice senior seminar.

Reem Alamiri, a 2008 graduate in environmental thought and practice who is now pursuing a master's degree in public policy at the University, was the first Panama Initiative Student Fellow at the Smithsonian Tropical Research Institute's Galeta Research Station. She completed a month-long fellowship to help professor Thomson study municipal solid waste management in Colón. Federico Humbert, Panama's ambassador to the United States, visited the University twice in 2008–09.

Fifteen students in architecture professor Anselmo Canfora's Studio reCOVER workshop created a design for a new 2,800-square-foot school in Gita, Uganda. Studio reCOVER focuses on designing architectural structures for disaster relief and humanitarian purposes and has evolved into a full program—called Initiative reCOVER. Members of the University's student chapter of Building Tomorrow, an international nonprofit organization that encourages young people to raise funds for children in sub-Saharan Africa, helped to fund the school in Gita. This is the first time the same university provided funding and design for a single project.

Learning and Serving Abroad

The University has seen significant growth in students' study abroad participation in the last decade. In 2008–09, 1,337 undergraduates studied overseas, as compared to 504 in 2000–01. And, for the second year in a row, the Institute of International Education has ranked U.Va. fourteenth among all U.S. colleges and universities in the number of students who study abroad, ahead of such larger schools as the University of Southern California and Arizona State University.

Students take advantage of semester-long programs in London, Lima, Lyon, and Siena among other locations. U.Va.'s Hispanic Studies Program in Valencia, which celebrated its twenty-fifth anniversary this year, illustrates the impact these programs

can have. Since the Valencia program's inception, more than 6,000 U.Va. students have benefited—living and studying in Spain while immersing themselves deeply in everyday language and culture.

For students interested in shorter study-abroad commitments, the University offers two-and-a-half week January-term courses overseas as well as nine-week summer courses. Students spent part of January learning about disaster preparedness in the West Indies as part of a course taught in St. Kitts and Nevis by Dr. Marcus Martin, professor of emergency medicine. Another group traveled to Guatemala to study the effects of the natural and built environment on public health.

The University is the only U.S. institution to belong to Universitas 21, an international network of twenty-one leading research-intensive universities in thirteen countries. U.Va. has created exchange programs with most of these universities. The University also has created exchange programs with universities in cities such as Auckland, Brisbane, Paris, Tokyo, and Helsinki.

A number of schools, including the Darden School of Business, the McIntire School of Commerce, and the School of Architecture, have made study abroad an integral part of their curriculum. James G. Maxham, associate professor in the McIntire School of Commerce, created Marketing Strategy in Global Markets, an undergraduate course for Commerce majors that includes a two-week visit in Shanghai and Beijing. Designed to provide students a close-up view of consumer behavior and cross-cultural marketing strategies, it includes presentations by business executives, visits to companies, and informal excursions that expose students to marketing on a street level.

The University as a Global Destination

Another component of the University's effort to internationalize the Grounds is to attract the best international students and faculty to study, teach, and conduct research here. The University has bolstered its administrative support for international students and faculty, providing individualized help with required visa paperwork, registering for courses, securing housing, and adjusting to life in the United States.

◀ **China**
Chinese Document Seal
800 B.C.–1800 A.D.
Albert and Shirley Small Special Collections Library
University of Virginia Library

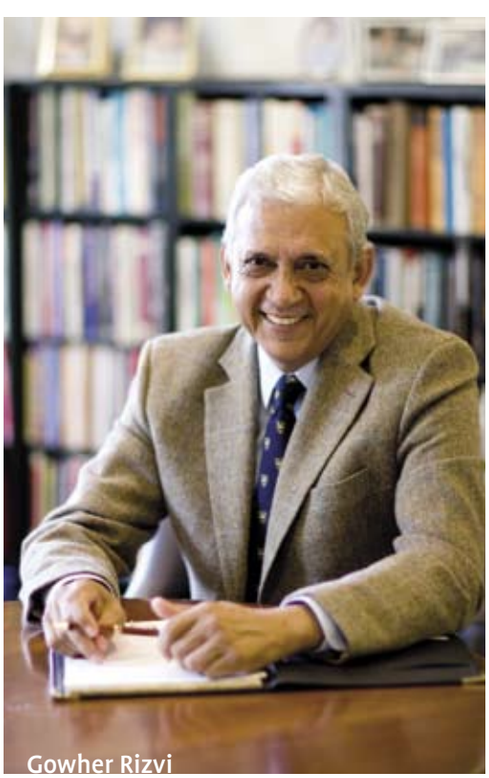
Las Minas, Honduras

▲ Honduras is the site of various public service projects. The Jefferson Public Citizens group "Computer Technology Empowering Rural Development" is part of a collaboration that is setting up self-sufficient Internet kiosks in three small villages in Honduras. The kiosks will give villagers access to health care information, markets for selling goods, and increased communication opportunities.

This year, eight students from Kaohsiung Medical University College of Nursing in Taiwan spent a month at the School of Nursing, taking classes and improving their English language skills. Many full-time students also come from abroad. Of the 6,280 graduates who marched down the Lawn during Finals, 678 came to the University from other countries.

The University also attracts scholars, diplomats, and politicians from abroad and from the Washington, D.C., area who see the University as an important forum for exchanging ideas. Humayun Kabir, the Bangladeshi ambassador to the United States; Klaus Scharioth, the German ambassador; Sir Nigel Sheinwald, the British ambassador; and Pierre Vimont, the French ambassador, addressed University audiences. In front of a standing-room-only audience at the Darden School of Business, Mexico's former president, Vicente Fox, spoke about the North American Free Trade Act and the current Mexican administration's handling of the swine flu epidemic, among other topics.

Conferences at the University also attracted an international audience. The Frank Batten School of Leadership and Public Policy and the Miller Center of Public Affairs hosted a conference on the prospects for democracy in Africa featuring a keynote address by Jendayi Frazer, former U.S. assistant secretary of state for African affairs and former U.S. ambassador to South Africa. The Department of Middle Eastern and South Asian Languages and Cultures hosted UrduFest, a three-day celebration of the fourth most common language in the world and the national language of Pakistan. The conference highlight was a reading by Shamsur Rahman Faruqi, a world-renowned Urdu writer.



Gowher Rizvi

Bringing International Initiatives into Focus

The appointment of internationally renowned political scientist Gowher Rizvi to serve as U.Va.'s vice provost for international programs underscores the importance of these and other initiatives. Mr. Rizvi is former director of the Ash Institute for Democratic Governance and Innovation at Harvard University's John F. Kennedy School of Government.

As vice provost, Mr. Rizvi oversees the International Studies Office. He also has a central role in strengthening the University's connections with universities abroad, hosting international delegations, representing U.Va. in various international settings, and internationalizing student life on the Grounds in curricular and extracurricular offerings.

Humayun Kabir

Vicente Fox

Pierre Vimont

Educated for the Useful Sciences

The University has, from its earliest days, sought to educate young people in what Thomas Jefferson called the "useful sciences"—the knowledge and skills needed to ensure the health of democracy and govern a new republic. This view of education remains the defining characteristic of the University. The useful sciences are keeping pace with changes in technology, theories, and practices and continue to guide the educational experience at U.Va.

Jeff O'Dell

Juan Mendez

Students attending the University are better prepared academically than ever before, typically entering with a semester or more of advanced placement credit. Entering professional school students often have experience in the working world. The School of Law's Class of 2011 reflects both these trends. The class had the best median Law School Admissions Test score (170) and grade point average (3.80) of any entering Law School class at U.Va. At the same time, students have lived and worked in forty-four countries and have pursued a range of careers from presidential speechwriter to assistant to Maya Angelou.

U.Va. students quickly develop a sophisticated understanding of the nature of knowledge. They see it as something not just to be received but examined and incorporated into their view of the world. The University prepares these students to make meaningful contributions as citizens.

Majoring in Public Service

U.Va. students are distinguished by their commitment to public service. They enter the University eager to contribute and ready to make a difference. The University, in response, offers opportunities and instruction that help students develop their ethical and civic commitment.

Acting on Commission on the Future recommendations, the University launched the Jefferson Public Citizens program (JPC) in fall 2009. JPC, which combines scholarship and service, enables students and a faculty mentor to design, plan, and lead a team in a public service project in Charlottesville or elsewhere in the world. With University funding, the inaugural JPC cohort—eighty-six students, including graduate-student mentors—will carry out sixteen projects. The projects include a GED class for the homeless; a study of the social, political, and technical barriers to alleviating groundwater contamination in an Argentinean town; and an initiative allowing the Young Women's Leadership Program, a joint project of the Women's Center and Curry School researchers, to expand to area ninth-grade girls.

Outside the classroom, U.Va. students are equally committed to public service. As part of the student-run Alternative Spring Break program, about 550 students this year participated in forty-three projects. Ten students traveled to New York City to work at a soup kitchen, food pantry, and referral center, while another group set up a weeklong afterschool computer lab with Charlottesville's Computers 4 Kids program. The students offered nutritional information as well as computer instruction.

The U.Va. chapter of Nursing Students Without Borders has established a long-term relationship with the Red Cross Clinic in San Sebastian, El Salvador. Thanks to the $50,000 the chapter raised, the clinic broke ground on a new facility this year. U.Va. student members of Bridging the Gap, one of eighteen student-run programs of Madison House, offer mentoring and tutoring to refugee youth who have resettled in the Charlottesville-Albemarle area. The children come from many countries, including Somalia, Kenya, Congo, Russia, Liberia, Thailand, and Burma.

„Такъ", подтвердила Аня. „Я не могу вспомнить вещи, которыя всегда знала, и мѣняю свой ростъ каждыя десять минутъ".

„Какія вещи?" спросила Гусеница.

„Вотъ, напримѣръ, я попробовала прочесть наизусть: „Птичка Божія не знаетъ", а вышло совсѣмъ не то", съ грустью сказала Аня.

„Прочитай-ка «Скажи-ка, дядя, вѣдь не даромъ»", приказала Гусеница.

41

▲ **Russia**
Cover and inside illustrations by S. Zalshupin
Adventures of Alice in Wonderland, Lewis Carroll
Translation by Vladimir Nabokov, 1923
Albert and Shirley Small Special Collections Library
University of Virginia Library

These are emblematic of the many volunteer efforts cited this year when the Corporation for National and Community Service honored the University by naming it "with distinction" to the President's Higher Education Community Service Honor Roll.

Engaging in the Process of Discovery

More than 50 percent of University students engage in some form of research, including classroom and independent work, during their University career. Thanks to programs like the Harrison Undergraduate Research Awards and the Double Hoo research program, many students each year conduct original research projects with faculty guidance on topics such as Parkinson's disease, gene therapy, and the interplay of domestic violence and the economy in Nicaragua.

Students also fund and conduct their own independent research. Engineering and biology students are taking advantage of an emerging biotechnology—using standardized, modular biological parts called biobricks to assemble synthetic organisms—in their group research projects. They are modifying *E. coli* bacteria to produce plastic, creating a sustainable product rather than one derived from fossil fuels. Their group, the Virginia Genetically Engineered Machine team, is working to institute synthetic biology as a vital research area at U.Va. This year, they created a new Biological Systems Design seminar to explain their efforts to other students and won a bronze medal at the 2008 International Genetically Engineered Machine conference. Team members are Patrick Gildea (Engineering '09), Eyad Lababidi (Engineering '09), Dan Tarjan (College '10), George Washington (Engineering '09), and Brandon Freshcorn (Engineering '09).

Jeff O'Dell (Engineering '09) teamed with fellow biomedical engineering students to develop a new type of body armor, an improvement on the protection he wore during his deployment in Iraq in 2005 and 2006. Standard-issue armor can stop a single armor-piercing bullet, but a second shot in the same area could kill. The team has created armor from a unique configuration of ceramic plates. At a ballistics-testing lab, the armor stopped as many as eight of ten rounds.

Music major Juan Mendez (College '09) set out to discover the sound of DNA. In her computer composition class, Judith Shatin, the William R. Kenan, Jr., Professor of

▲ **Tibet**
View of Lhasa
Provided by the American Geographical Society
Undated
Anonymous gift
The Tibetan and Himalayan Library

Music, encouraged students to enter the "renew" international digital arts competition in Denmark, which called for "sonifying" a DNA segment. Mr. Mendez created a computer composition that translates the patterns created by the double helix into sound. His piece, "Twisting," won first place.

Making the Most of Opportunities

The University has limited time to equip students with the knowledge, skills, and perspectives they need to lead wisely and act decisively for the public good. U.Va. students take advantage of the opportunity to learn and develop during their years here.

Vinu Ilakkuvan (Engineering '09) used her time at the University to challenge herself in multiple ways. The winner of the Engineering School's Outstanding Student of the Year Award, she worked at the American Association for the Advancement of Science while participating in the school's Science and Technology Policy Internship Program in Washington, D.C. She also won a Harrison Award to travel to India to study compliance among the country's diabetics and worked with biomedical engineering students to develop a clamp to treat uterine atony, a complication of Cesarean childbirth. Ms. Ilakkuvan served as the copresident of the Hindu Student Council, an associate editor for the *Cavalier Daily*, and vice chairwoman of the University Guide Service.

Courtney Mallow (College '10) and Evelyn Hall (College '09) received a Davis Projects for Peace prize for a proposal to empower women in Bluefields, Nicaragua. Working with community partners, the two developed business, health, and gender equality training as part of an effort to establish a women's microcredit institution, the Caribbean Women's Savings and Credit Cooperative. With access to microcredit loans, women in the area may become economically independent and less vulnerable to violence. A team of students, including Ms. Mallow, received funding through the JPC program to extend this work in a study of sustainable social enterprises in the Bluefields region.

The accomplishments of the University's students are extraordinary, as reflected in their success in national scholarship competitions:

- Thushara Gunda (College '10), an environmental sciences major, received a Morris K. Udall Scholarship to support her research in the hydrogeological sciences. She was one of eighty winners nationwide.
- Doctoral students Rosemary Ann Cox-Galhotra and Elizabeth Anne Hart

received three-year National Science Foundation graduate fellowships. An engineering student, Ms. Cox-Galhotra is working on solid oxide fuel cells while Ms. Hart, an anthropology student, is researching several 4,000-year-old sites in Egypt.

- Chemistry major Courtney Schroeder (College '09), an Echols Scholar, received a Winston Churchill Foundation Scholarship, which will enable her to study structural biology at the University of Cambridge in England.
- William A. Callison (College '09), a political and social thought major, won a scholarship from the German Academic Exchange Service to continue his study of German philosophy in Berlin after graduation.
- Graduate education student Noah Egge received a Knowles Science Teaching Fellowship for exceptional early career teachers.
- Todd Gerarden (Engineering '10) was named a 2009 Truman Scholarship winner. The award is given to students who exhibit exceptional leadership potential and are committed to careers in government, nonprofit or advocacy work, education, or public service.
- Graduate English student Christine Schott, who studies medieval reading practices, was awarded a Leifur Eiriksson Foundation Scholarship for study in Iceland. The driving force behind the creation of the foundation was the late Robert Kellogg, English professor and dean of the College of Arts and Sciences.
- William Jacobs (Engineering '10, College '10), an engineering science and physics major and a Jefferson and Rodman scholar, received a scholarship from the Barry M. Goldwater Scholarship and Excellence in Education Foundation. It is awarded to students pursuing degrees in science, mathematics, and engineering.
- Rebecca Vallas was named a Skadden Fellow, a public service fellowship for recent law school graduates. She will receive an annual salary while working on a program of her own design at Community Legal Services of Philadelphia, which offers legal assistance to low-income Philadelphians.

Welcoming the Best

This year, a record 21,839 students applied for only 3,240 places in the class of 2013. In these difficult economic times, the University is committed to ensuring that all students who qualify for admission to the University, regardless of their economic circumstances, can attend. The Bachelor of Interdisciplinary Studies (BIS) degree program administered by the School of Continuing and Professional Studies for part-time students, and AccessUVa, the University's pioneering financial aid program, guarantee that the nation's most capable men and women will gain the knowledge needed for leadership, much as Jefferson envisioned. The Bernard Osher Foundation recently gave $1 million to support students in the BIS program, while the University reaffirmed its commitment to AccessUVa, raising its support to qualifying undergraduates from $14.1 million in 2003–04 to $31.3 million in 2008–09.

An Osher Reentry Scholarship is helping BIS student Amber Brister (School of Continuing and Professional Studies '09), a project manager on major construction projects, to attend U.Va. For Ms. Brister, the BIS degree is the first step in attaining her lifelong ambition to become a veterinarian. AccessUVa made it possible for Chalais Massard (College '09) and Kimberly Diaz (College '09) to attend the University. With a firsthand appreciation for the difference an education can make, both joined the Teach for America program after graduation.

William Jacobs

Kimberly Diaz

Chalais Massard

Vinu Ilakkuvan

Courtney Schroeder

Distinguished Teachers and Leaders

Seeking professors for a newly conceived university, Thomas Jefferson wrote that he was "anxious to receive none but of the highest grade" for his founding faculty. Today, as then, the quality of its teachers, researchers, clinicians, and scholars defines the University's worth. The President's Commission on the Future of the University recognizes faculty excellence as a key element of the outstanding U.Va. student experience, one of three priorities the commission identified.

David Evans

Marcia Invernizzi

Enriching the Student Experience

One way the commission proposes to enrich the student experience is by creating new opportunities for undergraduate research, international study, and public service. Faculty members translate their research interests into meaningful and challenging educational experiences for students. At the same time, they develop new ways for students to collaborate with them and fellow students as part of the learning process.

The University's ability to draw on first-class research for educational purposes is evident in the U.Va. Bay Game, a unique large-scale simulation of the Chesapeake Bay watershed designed to teach students how the actions of different stakeholders—such as farmers, land developers, watermen, and citizens—affect its environment. Faculty members from ten departments and seven schools compiled the data and thousands of equations needed to create this high-tech teaching tool. Structured like a game with role playing, collaborative teamwork, and simulated systems, the Bay Game is a model for sustainability efforts and for identifying novel solutions for restoring watersheds worldwide. Students in two courses taught by Mark White, associate professor of commerce, and a January-term course taught by David Smith, professor of environmental sciences, tested early versions of the game, which was presented to the public on Earth Day.

David Evans, associate professor of computer science, uses examples from his National Science Foundation-funded research on improving the security of RFID chips—now used for everything from remote car locks to reusable fare cards—to demonstrate theoretical principles in his courses—and students respond enthusiastically. Three have been finalists for the national Computing Research Association's Outstanding Undergraduate Awards, recognizing excellence in computing research. Their projects include studying privacy vulnerabilities in Facebook and demonstrating a security hole in the world's most popular RFID chip. Since joining the School of Engineering and Applied Science in 2000, Mr. Evans has won five U.Va. teaching awards and was named a 2009 Outstanding Faculty Award winner by the State Council of Higher Education for Virginia.

U.Va.'s faculty commitment to education is reflected in the University's rankings. Five U.Va. schools are in the top fifty in *U.S. News & World Report*'s 2010 edition of America's Best Graduate Schools: law (tenth), business (fifteenth), education (twenty-fourth), medicine (twenty-fourth), and engineering (thirty-seventh). For the first time, *BusinessWeek* named the McIntire School of Commerce the nation's best undergraduate business program. And for the second consecutive year, the *Princeton Review* ranked the faculty at the Darden School of Business as the best in the country for their commitment to teaching.

As part of the Commission on the Future's initiatives, the Curry School of Education's Center for Advanced Study of Teaching and Learning (CASTL) will extend its scope to include higher education. Led by Robert Pianta, dean of the Curry School, CASTL researchers now conduct research

▲ **Native America**
Rug with Yé'ii Figures (detail)
First half of the twentieth century
Diné (Navajo peoples),
probably Lukachukai, Arizona
Bequest of Mrs. Anne Brossman Sweigart, 2007.9.1
University of Virginia Art Museum

in more than 475 schools in twelve states to help improve learning outcomes in prekindergarten through twelfth grade. Once employed in selected classrooms, CASTL's model of evidence-driven evaluation will transform student experiences at U.Va. and will be offered to educators worldwide.

Adding to the Store of Knowledge

In such diverse fields as medicinal chemistry, Tibetan studies, U.S. colonial history, special education, and a score of others, University faculty members conduct some of the leading research in the world. The quality of these research programs is indicated by the funding they attract. Research proposals are subject to intense scrutiny by panels of reviewers and face stiff competition.

At the Curry School of Education, Commonwealth Professor of Education Carolyn Callahan and assistant professor Holly Hertberg-Davis received funds from the U.S. Department of Education to implement a new program to support low-income and minority high school students in advanced placement courses. Associate professors Tonya Moon and Catherine Brighton were awarded a grant from the Department of Education to improve minority representation in gifted programs and interest those students in math and science. In partnership with the American Psychological Association, associate professor Robert Tai received a National Science Foundation grant to study the contributions of specialized public high schools to the development of scientific researchers.

Marcia Invernizzi, the Edmund H. Henderson Professor of Education; and research scientist Karen Ford at the Curry School received National Center for Education Research funds to create a Spanish

version of their successful Phonological Awareness Literacy Screening Assessment. The program will help teachers determine whether Spanish-speaking children are having difficulty reading English because the language is unfamiliar or because they might have underlying reading problems.

Outside funding is often directed to well-established programs with a proven track record. For the fourth time, the Lilly Endowment awarded a grant to U.Va.'s Project on Lived Theology, a long-term research program directed by religious studies professor Charles Marsh. The project explores the relation between Christian spiritual beliefs and social practice. Mr. Marsh also received a Guggenheim Fellowship that will support his biographical work on German theologian Dietrich Bonhoeffer.

With grant funding from NASA and the U.S. Air Force, mechanical and aerospace engineering professor James McDaniel will lead an ambitious effort to develop the analytical tools needed to design jet engines that can propel aircraft to twelve times the speed of sound. These aircraft are one element in NASA's plans to replace the aging space shuttle.

Funding for a new Center for Catalytic Hydrocarbon Functionalization is advancing U.Va.'s research on alternative energy. A U.S. Department of Energy grant established the center, headed by Brent Gunnoe, professor of chemistry, who is developing technologies for converting methane gas and other hydrocarbon and fossil resources into readily transportable, higher-value, liquid fuels.

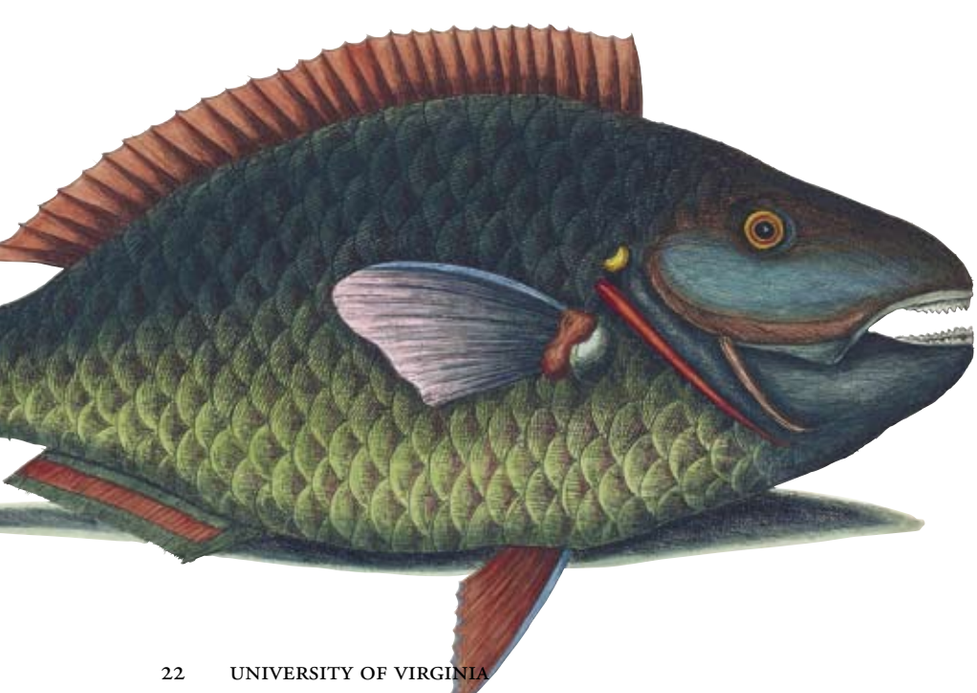
Brooks Pate, the William R. Kenan, Jr., Professor of Chemistry, received an initial grant from the National Science Foundation (NSF) to create a new multi-institutional research center: the Center for Chemistry of the Universe. The center will provide insight into the chemical reactions occurring under extreme conditions in space, such as ultracold temperatures and intense radiation. Studying these reactions, which yield molecules that make up the building blocks of life, will increase understanding of life's origins. The center forges a collaboration between leading scientists in the field of astrochemistry from U.Va., the University of Arizona, Ohio State University, the Harvard-Smithsonian Center for Astrophysics, the National Institute of Standards and Technology, and the National Radio Astronomy Observatory.

Finding Solutions

The University strengthens society and serves the public by conducting the fundamental research that provides the foundation for technological, economic, and social progress. Faculty members apply their expertise to address issues of current concern.

Rob Kelly, professor of materials science and engineering, advised the committee overseeing the memorial to the victims of the 9/11 terrorist attacks on the Pentagon. Using his knowledge of corrosion, he helped select the type of stainless steel for the 184 metal benches at the heart of the memorial. Charles A. Holt, the A. Willis Robertson Professor of Political Economy; and William Shobe, director of the Center for Economic and Policy Studies at the University's Weldon Cooper Center for Public Service, helped design the nation's first auction of carbon dioxide emission allowances held by the Regional Greenhouse Gas Initiative. The initiative regulates emissions from power plants in ten northeastern states.

Faculty members also convene groups to exchange ideas. During the year, conferences included a Miller Center of Public Affairs panel featuring California Governor Arnold Schwarzenegger and Pennsylvania Governor Edward G. Rendell, who spoke on the nation's infrastructure needs; a School of Law panel on the international role of the United States in the global credit crisis; an Institute on Aging conference on Alzheim-



◀ **Bahamas**
The Parrot-Fish
Mark Catesby
The Natural History of Carolina, Florida and the Bahama Islands
Hand-colored engraving, c. 1731
Albert and Shirley Small Special Collections Library
University of Virginia Library

Falmouth, Jamaica

▲ Falmouth, Jamaica, is celebrated by historians as one of the Caribbean's last locales with intact colonial architecture. At the Falmouth Field School in Historic Preservation, directed by architecture professor Louis Nelson, students earn credit in applied historic preservation during a unique hands–on learning experience in historic building documentation and renovation.

er's disease; and the Women in Leadership and Philanthropy program's first Women in Leadership Conference, featuring a keynote address by entrepreneur Sheila C. Johnson.

The University also held the Sustainability Symposium on Climate Change and Health as well as the inaugural U.Va. Venture Summit, a gathering to promote the translation of information and discovery from the University into products and services that benefit society.

Honoring Their Accomplishments

Several eminent individuals have made their intellectual home at the University of Virginia, including Julian Bond, chairman of the board of the National Association for the Advancement of Colored People and professor of history; former Governor Gerald Baliles, now director of the Miller Center for Public Affairs; and Rita Dove, Pulitzer Prize winner, former poet laureate of the United States, and the Commonwealth Professor of English.

Recognition these faculty members gained this year reflects a lifetime of service to society. In 2008–09, Mr. Bond was named a Living Legend by the Library of Congress, Governor Baliles was selected Virginian of the Year by the Virginia Press Association, and Ms. Dove received a Lifetime Achievement Award from the Library of Virginia.

Other faculty members were recognized for contributions that advanced knowledge in their disciplines. Retired chemical engineering professor Elmer L. Gaden, Jr., won the Fritz J. and Delores H. Russ Prize for pioneering research that enabled large-scale manufacture of antibiotics. The Russ Prize is the engineering equivalent of the Nobel Prize.

Kenneth Abraham, the David and Mary Harrison Distinguished Professor of Law; Judy S. DeLoache, the William R. Kenan, Jr., Professor of Psychology; and Timothy Wilson, the Sherrell J. Aston Professor of Psychology; along with President John T. Casteen III, were among 229 new fellows elected to the American Academy of Arts and Sciences. Four University professors were named fellows by the American Association for the Advancement of Science, an honor bestowed on current members by their peers. They are Robert G. Bryant, Commonwealth Professor of Chemistry; Shu Man Fu, the Margaret M. Trolinger Professor of Rheumatology; Gabor Szabo, the Charles Slaughter Professor of Physiology; and Judith M. White, professor of cell biology.

In 2008–09, five U.Va. faculty members were selected for Guggenheim Fellowships, the most ever awarded to the University in a single year: Francesca Fiorani, assistant professor of art history; Risa Goluboff, law school professor; Deborah Lawrence, associate professor of environmental sciences; Charles Marsh, professor of religious studies; and Lisa Russ Spaar, associate professor of English. Ms. Lawrence also received a Fulbright Fellowship to extend her studies to focus on land-use transitions in the tropical forests of mainland Southeast Asia. She was also named a Jefferson Science Fellow by the U.S. State Department. The program brings six to eight tenured professors of science and engineering to the State Department to advise officials on science issues.

Another award for promising young faculty is the Pew Scholarship in the Biomedical Sciences. Kevin Janes, assistant professor of biomedical engineering, was one of just seventeen researchers nationwide to be selected for this award. John Quale, assistant professor of architecture, was awarded a Fulbright Fellowship to conduct research in Japan in the summer of 2010. He will also be the Thomas Jefferson Fellow at Downing College, University of Cambridge, during the 2010 spring semester.

Rob Kelly

Charles Holt

Rita Dove

Restoring a Sense of Place

Thomas Jefferson's design for the Academical Village complemented his educational program as the setting for a community dedicated to knowledge, discovery, and the exchange of ideas. The buildings were not only places to learn, but part of the curriculum. As the University has grown into the dynamic community Jefferson envisioned, aspects of Jefferson's design have been changed or lost.

This year, the University made a commitment to restore and reinforce Jefferson's original vision with a new Grounds Plan overseen by David J. Neuman, architect for the University. Designed to guide the University's development for the next twenty years, the plan calls for restoring green areas, adding multi-use buildings, and integrating transportation links. To more closely tie programs and facilities together in this way, the University can accommodate growth within its existing boundaries while preserving open space.

Redeveloping the Arts Precinct

Construction under way at the University reflects the principles enunciated in the Grounds Plan. The Arts Precinct is an example of a carefully concentrated development that establishes a sense of place, builds communities, and strengthens programs. Recently completed projects include the renovation of Fayerweather Hall for the Department of Art History; Ruffin Hall, the new home of the McIntire Department of Art's studio art program; and the 12,000-square-foot additions to Campbell Hall, the School of Architecture building.

Having completed work on the academic buildings, the University is moving forward with renovating the Thomas H. Bayly Building, home of the U.Va. Art Museum. As part of the renovation, upgrades will be made to the building's lighting, fire alarm, electrical, and climate-and-humidity systems. Funding is being sought for a four-level, 20,000-square-foot addition to the west side of the building that will provide additional galleries, improved art storage, and art conservation facilities.

Plans also call for a band rehearsal hall across from Ruffin Hall. Hunter J. Smith has pledged $10.7 million for construction of the building. Mrs. Smith, along with her husband, the late Carl W. Smith (College '51), made a gift to the University in 2003 to help fund the Cavalier Marching Band. She has also been a major supporter of the Marching Highland Cavaliers band at the College at Wise.

Alderman Road Residence Area

Concentrating on Sciences and Engineering

An important element in the University's efforts to raise the status of science and engineering at U.Va. is adding to the laboratory and office space in buildings between McCormick and Stadium roads. The new facilities will help the University attract and retain outstanding researchers, and their clustered arrangement will promote the interdisciplinary collaboration that lies at the heart of many discoveries.

Construction began on Rice Hall, the School of Engineering and Applied Science's information technology building, and the Physical and Life Science Building for the College and Graduate School of Arts and Sciences. Both buildings will be LEED certified at the silver level, recognizing their sustainable design and construction.

The Health System

The Health System precinct includes the hospital and primary clinics, as well as the School of Medicine, the School of Nursing, and the Health System Library. Maintaining excellence in patient care, research, and education requires thoughtful planning. Room for expansion is limited. Redevelopment of the precinct will accommodate state-of-the-art facilities, and create clear, functional relationships between buildings as well as inviting places.

The Health System is acting boldly with several transformational projects already under way. The parking garage located across from the Primary Care Center was demolished and the Emily Couric Clinical Cancer

▶ **Australia**
Yarrpany (Dhuwa Honey) Story, Andre Margululu
Arnhem Land Bark Painting, 1990
Kluge-Ruhe Aboriginal Art Collection
© 2009 Artists Rights Society (ARS), New York/Viscopy, Australia

Center is currently under construction in its place. The University Hospital is adding seventy-two beds, expanding existing floors above the main lobby and entrance. The Health System made a substantial addition to its research space when it opened the new $70.7 million 102,000-square-foot Carter-Harrison Research Building in June 2009. The new Claude Moore Nursing Education Building is complete and renovations to the School of Nursing's McLeod Hall began in fall 2009. Construction on the new Claude Moore Medical Education Building is well under way, and will be complete in summer 2010.

New Options for Residence Life

Construction on the Grounds is changing student life. This year, Kellogg House welcomed its first class of students. Named for the late Robert Kellogg, former dean of the College of Arts and Sciences, Kellogg House is the first in a series of new student residence halls that will replace the eleven aging residence halls built in the mid-1960s on Observatory Hill. The new residence halls feature many new amenities absent in the old buildings, such as air conditioning. Spaces designed for student gatherings, instruction, and group study will enrich the living-learning experience. The landscape will make all of the buildings accessible and will create a variety of welcoming community spaces. Sustainable designs reduce energy and water use while creating healthy, vibrant living environments.

The second stage of the project began at the end of the academic year. Dobie, Balz, and Watson houses were demolished, to be replaced by two six-story dorms and a Student Commons building. The residences will be the first U.Va. housing projects to meet LEED certification standards for environmental sustainability. An accelerated construction schedule will allow the University to take advantage of low construction costs brought about by the sagging economy. The cycle of residence hall demolition and construction is expected to be completed by 2017.

Other Progress around the Grounds

The University's South Lawn project, the most significant undertaking on U.Va.'s Central Grounds in a century, has passed the halfway mark and students will be taking classes in Nau and Gibson halls by January 2010. The South Lawn buildings will provide classroom and office space for Arts and Sciences.

The Curry School of Education's Bavaro Hall is nearing the halfway point of construction. Masonry and structural steel are in place and the building is taking form. Completion of the new four-story building is anticipated for the fall of 2010.

Looking Ahead in Health Care

As health care comes under greater scrutiny by policymakers, this is a pivotal moment for the United States and those who are involved in medical and nursing care, research, and education. As an academic medical center, the University of Virginia Health System has a responsibility not simply to deliver care but to help invent the future of care.

The U.Va. Health System does more than introduce the latest innovations in medical and nursing care in its hospitals and clinics. Researchers find ways to make new treatments more effective and more widely available. They work with others to translate recent insights gained in the laboratory into better therapies and cures. And in classrooms, faculty and instructors are determined to devise better ways to prepare students to practice medicine and nursing well into the twenty-first century.

Through innovation in care, discovery, and education, the Health System is doing its part to ensure that, despite the many challenges, the next fifty years of medical progress are successful, with the ultimate goal of providing the best health care for all who need it.

Delivering Next-Generation Care

The U.Va. Medical Center is creating an environment of care to meet future patient needs. Currently, the Medical Center is at full capacity several days a week. In response, a $500 million expansion is under way, which will modernize facilities and allow the Health System to make better use of space. The Emily Couric Clinical Cancer Center, now under construction, will improve the integration of services to patients and their families by offering the latest therapies and comprehensive cancer care all under one roof. Planning is also progressing for the Barry and Bill Battle Building at U.Va. Children's Hospital, which will bring together outpatient services for pediatric patients. A long-term acute care hospital next to the Northridge clinic will provide service to patients who require long-term care while freeing space for shorter-term acute patients at the Medical Center. The Medical Center also broke ground on a six-story, seventy-two-bed, glass-fronted addition above the University Hospital lobby. In addition, efforts to update the environment of the University's health care facilities are reflected in the refurbishment of all inpatient care areas and expansions, including two new operating rooms, where new technology is being added. The addition of new equipment and technology requires many changes and reinforcements to infrastructure. The goal of these projects is not simply to enlarge the Medical Center but to create an environment that reinforces staff efforts to provide the best possible care to patients and their families.

The Health System is also introducing an electronic medical record (EMR) system. Medical records have been divided between paper and electronic files housed in several locations and systems. A centralized EMR system will allow providers across locations and specialties instant access to the same records. The benefit for patients: fewer forms to fill out, a more comprehensive record of their health and medical treatments, and a greater ability to participate in their own care. For staff: timely, accurate information at their fingertips and the ability to share information quickly.

Reaching Out to New Partners

The Health System has also embarked on initiatives to ensure that comprehensive health care is more readily available to those who need it. The most efficient approach is to strengthen partnerships with local institutions in other regions of Virginia. This year, the Medical Center began a three-year, $40 million investment in Culpeper Regional Hospital, which equates to a 49 percent investment in the hospital. This funding will expand the emergency room and inpatient capacity, integrate clinical services so U.Va.'s Culpeper patients can receive care closer to home, and ultimately link radiology, laboratories, and medical records electronically.

Outreach efforts have been expanded to offer free health care in the underserved region of southwest Virginia. Specialty teams in neurology, pulmonary medicine, neurodevelopment, orthopedics, endocrinology, cardiology, and genetics regularly travel to the region to conduct clinics for adults and children. Nursing faculty and students regularly assist in providing primary and specialized care in the region. Each October, a volunteer team of doctors, nurses, medical and nursing students, social workers, pharmacists, and other Health System staff provides medical care to the Remote Area Medical (RAM) Clinic in Grundy,

▶ **Japan**
Night Scene at Matsuchiyama, Sanya Canal
from the series *One Hundred Views of Edo*, 1857
Utagawa Hiroshige, 1797–1858
Museum purchase with funds from the E. Rhodes and Leona B. Carpenter Foundation and the Robert Cross Bequest Fund, 2004.24
University of Virginia Art Museum

Quetzaltenango, Guatemala

▲ Jason Franasiak (Medicine '09) completed a rotation at Primeros Pasos, a clinic in Quetzaltenango (Xela), Guatemala, during his final year of medical school. Working side by side with Guatemalan medical students helped Dr. Franasiak improve his Spanish language skills while serving the residents of the Palajunoj Valley, a rural valley in western Guatemala with high rates of communicable diseases, malnutrition, and untreated chronic diseases.

while a larger contingent travels to Wise for a three-day clinic each July.

The Health System is the key health care provider to the RAM Clinic at Wise, providing vision, hearing, and medical care on a first-come, first-served basis to people who are uninsured, underinsured, unemployed, or cannot afford to pay. Typically, more than 500 people are in line at the start of each day. This year, the Health System received the Virginia Hospital and Healthcare Association's first Community Benefit Award for its role in the RAM Clinic. The clinic is a collaborative initiative organized and coordinated by the Health Wagon, a mobile health provider in Clinchco. The Lions Club, the Virginia Dental Association, and the Lenowisco Health District are also major partners in the event.

In December 2008, U.Va.'s Office of Telemedicine teamed up with U.Va.'s Cancer Center and Department of Radiology, the Health Wagon, and the Virginia Department of Health's Every Woman's Life program to offer free mammography screenings to women in rural Virginia. To provide faster mammography results, the Office of Telemedicine equipped the mobile digital mammography van with a new computer server. The server allows X-ray technologists and mammographers to transmit the digital images to Health System radiologists, who can then get screening results back to patients promptly. The team effort gives state-supported follow-up care to uninsured patients who need it.

High-Quality Performance

The Health System can embark on these outreach efforts because of the quality of the services already offered to Medical Center patients. The Medical Center has attained Magnet Recognition for nursing excellence from the American Nurses Credentialing Center. The designation reflects nurse satisfaction, quality improvement, nursing research, and an organization-wide commitment to patient care.

Dr. Richard L. Guerrant and Dr. William A. Petri, Jr.

Service to patients is a priority throughout the Health System, as indicated by national rankings. According to figures gathered by the American College of Cardiology and the American Heart Association, heart attack treatment times at the Health System are in the top 3 percent nationally. The latest *U.S. News & World Report* review of America's Best Hospitals ranked the Health System in three specialties. In addition, the Medical Center is one of only fifteen major teaching hospitals to be ranked among the nation's best, according to the Thomson Reuters 100 Top Hospitals: National Benchmarks study. The Health System has also assembled an outstanding group of physicians. Forty-seven physicians from the Health System were included in the 2009 edition of *America's Top Doctors*.

Health System physicians also lead national professional organizations. For example, Dr. John Dent, associate professor of medicine, is president of the American College of Cardiology; Dr. Irving Kron, the S. Hurt Watts Professor of Surgery, is president-elect of the American Association of Thoracic Surgery; and Dr. Karen Rheuban, professor of pediatrics, associate dean for continuing medical education, and medical director of the Office of Telemedicine, is president of the American Telemedicine Society. U.Va. medical faculty publish in high-impact scientific journals, such as *Cell, Nature, Science*, *Journal of the American Medical Association*, *New England Journal of Medicine*, and *Proceedings of the National Academy of Sciences*. Nursing faculty are well represented in leading journals, such as the *Journal of the American Academy of Nurse Practitioners*, *Public Health Nursing*, *Advances in Nursing Science*, and *Cancer Nursing*.

Tomorrow's Treatments

As scientists begin to understand the fundamental mechanisms that sustain life, gaining insights that will dramatically affect medical care in coming years, researchers at the U.Va. Health System play an important part.

Fraydoon Rastinejad, professor of pharmacology and biochemistry and molecular genetics and director of U.Va.'s Center for Molecular Design, has launched a study of the body's system of self-regulation. In this system, hormones turn genes on and off by docking with hormone receptors. In the

▲ **Olympic National Park, Washington**
This photograph of the Sea Stacks at Hole-in-the-Wall Beach on the Olympic Peninsula was taken by Dr. John Voss, director of education and associate professor of medicine at the School of Medicine. The photo, taken at dusk on August 17, 2005, was featured in the summer 2009 issue of *Hospital Drive*, an online journal produced by the School of Medicine.

case of diseases and conditions such as diabetes, breast cancer, osteoporosis, and high cholesterol, these interactions go awry—and scientists believe that controlling these hormone receptors represents an important step in managing these diseases more effectively. Mr. Rastinejad set the stage for this development by describing the structure of these receptors for the first time.

Research led by Boris Kovatchev, associate professor of psychiatry and neurobehavioral sciences and systems and information engineering in the School of Medicine, may change the lives of patients suffering from type 1 diabetes. Mr. Kovatchev's team conducted a pilot clinical study of an artificial pancreas, a computerized system that uses an individually "prescribed" control algorithm to regulate blood glucose levels. Diabetes patients in the study achieved excellent overnight control of glucose levels and a five-fold reduction of hypoglycemia, a condition produced by lower than normal blood sugar levels that can result in coma, seizures, and even death.

In many areas, Health System researchers are the most eminent in their fields and lead major research efforts. This year, the Bill & Melinda Gates Foundation made a $30 million multi-institution grant to the Foundation for the National Institutes of Health to fund a five-year study of the relationship between malnutrition and intestinal disorders in children and lifelong physical and emotional problems. The study will be led by Dr. Richard L. Guerrant (Medicine '68), the Thomas Harrison Hunter Professor of International Medicine and director of U.Va.'s Center for Global Health; and Dr. William A. Petri, Jr. (Graduate Arts and Sciences '80, Medicine '82), the Wade Hampton Frost Professor of Epidemiology and chief of the Division of Infectious Diseases and International Health. This year, Dr. Guerrant won the Walter Reed Medal from the American Society of Tropical Medicine and Hygiene.

U.Va. researchers are also developing and testing treatments and diagnostics for disease. Dr. Jason Sheehan (Engineering '92, Graduate Arts and Sciences '97, Medicine '98), associate professor of neurological surgery, radiation oncology, and neuroscience, has found that combining two emerging medical technologies, noninvasive focused ultrasound and controlled-release nanoparticles, is more effective in treating one of the most devastating forms of brain cancer, glioblastoma multiforme, than traditional drugs. He received the 2009 Young Investigator Award from the American Association of Neurological Surgeons.

In the School of Nursing, professor Randy Jones (Nursing '00, '02, Graduate Arts and Sciences '05) is principal investigator for a $305,963 grant focused on decision making in patients with advanced prostate cancer. The study is funded by the National Institutes of Health National Cancer Institute and the U.Va. Cancer Center. Another nursing professor, Marianne Baernholdt,

received a $238,707 NIH grant to lead an NIH National Institute of Nursing Research study on the impact of the nursing working environment on rural quality of care and clinical outcomes.

Other federally funded clinical research projects this year include a $1.3 million grant from the National Institute on Drug Abuse to test a smoking cessation application that can be used on handheld computers during routine office visits. In related studies, two nursing research teams are using $1.2 million in grants from the Virginia Tobacco Settlement Foundation to investigate new methods for preventing teen smoking. Health System researchers have also received a grant from the National Cancer Institute to develop new imaging agents for early detection of pancreatic cancer. Currently there is no screening like mammography or colonoscopy that can diagnose this deadly form of cancer.

Amy Boitnott

Randy Jones

Over the last decade, the University has developed many models to translate insights from basic research into clinical interventions. This year, the Ivy Foundation created the Biomedical Innovation Fund to promote translation research at U.Va. The fund is supporting a number of projects, including a new tool to diagnose early Alzheimer's disease and techniques to promote red blood cell formation in patients undergoing cancer therapy. An important characteristic of all these projects is that they pair basic researchers with clinicians. The hope is that this collaboration will increase the likelihood that the research project will produce a direct clinical impact.

This year, the School of Medicine also opened the Carter-Harrison Research Building, adding 102,000 square feet of new space, enough to house nearly 240 scientists and lab personnel.

▲ **Japan**
Japanese Fairy Tales (illustration)
Lafcadio Hearn, printed in color by hand from Japanese wood blocks
Tokyo, T. Hasegawa or Yosaku Nishimiya, 1898–1942
Clifton Waller Barrett Library of American Literature
Albert and Shirley Small Special Collections Library
University of Virginia Library

Educating Students for Twenty-first-Century Practice

Both the School of Nursing and the School of Medicine are highly selective and highly ranked. According to *U.S. News & World Report*, the School of Medicine is 24th among research universities and 29th among primary care programs. *U.S. News* ranks the School of Nursing among the country's top 5 percent, tied at nineteenth among 448 schools. Two of the school's graduate programs are ranked in the top ten: psychiatric/mental health and clinical nurse specialist.

Revamping the curriculum to better meet patient needs is an ongoing project at both schools. The School of Nursing developed the first doctor of nursing practice program in the Commonwealth, awarding its first degree to Amy Boitnott this year. Instead of writing a dissertation, a DNP candidate uses evidence-based research to develop interventions that may improve clinical practice. The School of Medicine is leading an effort to advance a new curriculum that is more learner-centered, content-integrated, and clinical performance-oriented. This new vision for medical education will be supported by the new Claude Moore Medical Education Building, currently under construction. In addition, a nineteen-member task force representing both the Schools of Medicine and Nursing is developing an Interprofessional Education curriculum for medical and nursing students.

Tremendous Depth of Field

One of the highest accolades in collegiate athletics is neither a bowl win nor an NCAA championship. It is rather the Learfield Sports Directors' Cup, developed by the National Association of Collegiate Directors of Athletics and *USA Today* to measure excellence across an entire athletic program—in the case of Division I schools, ten men's and ten women's sports. The Cavaliers have finished in the top thirty every year since the program's inception sixteen years ago. This year, the University of Virginia finished eighth among all Division I schools, tying its best finish ever recorded in 1999. In this competition, U.Va. placed ahead of such perennial sports powerhouses as Louisiana State, Ohio State, UCLA, and Duke.

U.Va.'s record in championship play indicates how demanding Directors' Cup competition is. Teams or individuals in twenty of Virginia's twenty-five athletic programs advanced to postseason competition. Virginia won six Atlantic Coast Conference championships, the most of any league member. U.Va.'s ACC titles were in men's cross country, men's and women's swimming and diving, men's tennis, men's outdoor track and field, and baseball.

A Shining Season for Baseball

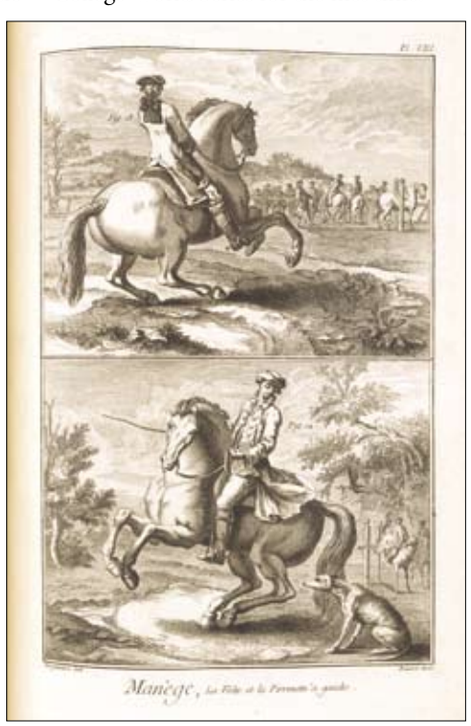
Baseball fans are fond of statistics—and this year's U.Va. team statistics show the best season of any Virginia baseball team since the program began in 1889. The Cavaliers established eleven program records during the 2009 season, including 507 runs scored, 767 hits, and 593 batters struck out by Virginia pitchers in forty-nine victories. The Cavaliers won the ACC Baseball Championship, captured regional and super regional titles, and made it all the way to the College World Series for the first time.

This level of play was unanticipated, considering the Cavaliers entered the season with a roster that included several inexperienced players. Widely hailed for his successful efforts in helping his talented players realize their potential, Brian O'Connor was named National Coach of the Year by the National Collegiate Baseball Writers Association and CollegeBaseballInsider.com. The American Baseball Coaches Association recognized Mr. O'Connor as the Atlantic Region Coach of the Year.

Cavalier Grit

Maintaining momentum through the regular season and into the postseason is difficult even for the most seasoned of athletes. This year, a series of Cavalier teams demonstrated their determination. The men's swimming and diving team finished ninth at the NCAA Championships, the best finish for the squad in its history. The women's golf team also outdid itself, with its highest-ever finish—eighth place—at its NCAA Championships, thanks to Calle Nielson's performance, which landed her in sixth place nationally.

The men's lacrosse team reached the semifinals of the NCAA Championship for the fourth time in the last five seasons, ending the year 15-3, while the women's rowing team finished fourth at the NCAA



◀ **France**
Images from *Encyclopédie; ou Dictionnaire raisonné des sciences, des arts et des métiers, par une société de gens de letters*
Denis Diderot and Jean le Rond d'Alembert, 1751–65
The Douglas H. Gordon Collection
Albert and Shirley Small Special Collections Library
University of Virginia Library

Michael Shabaz and Dominic Inglot

Jason Vigilante

Barbara Kelly

Championships, with the Varsity Eight coming in second in that event.

The men's tennis team also had a stellar year, compiling a 32-1 record overall and reaching the quarterfinals of the NCAA Championships. The team won the Intercollegiate Tennis Association's Men's National Team Indoor Championship for the second consecutive year, while Dominic Inglot and Michael Shabaz became the first doubles team from the ACC to win the NCAA Men's Doubles Championship.

The men's track and field/cross country program also had a strong year. The combined teams finished eleventh in the inaugural NCAA Division I John McDonnell Program of the Year Award, and the cross country and outdoor track and field teams won ACC Championships. Among the standouts were Ryan Foster, who became the first Cavalier to win the men's individual title at the ACC Cross Country Championships, and Yemi Ayeni, the first Cavalier to win an NCAA track and field regional title in the discus by finishing first.

Team Leaders

In many instances, the quality of the University's coaching made the decisive difference in the Directors' Cup rankings. Four Virginia coaches won a total of six ACC Coach of the Year awards: Mark Bernardino in men's and women's swimming, Brian Boland in men's tennis, Dom Starsia in men's lacrosse, and Jason Vigilante in men's cross country and men's outdoor track and field. In his first year at Virginia, Mr. Vigilante also was named both the NCAA Southeast Region Women's Cross Country Coach of the Year and the NCAA Men's Southeast Region Head Track and Field Coach of the Year.

The University named Tony Bennett men's head basketball coach in April of 2009. Mr. Bennett was the men's head basketball coach at Washington State University for the last three years, compiling a 69-33 record. In his first season at Washington State, he took a squad projected to finish last in its conference to second place in the league standings.

A Question of Balance

The University strongly supports its student-athletes' success in the classroom as well as in competition. In 2008–09, the Atlantic Coast Conference Honor Roll recognized 216 U.Va. student-athletes for their participation in a varsity-level sport while maintaining a grade point average of 3.0 or better for the full academic year. In addition, Virginia had two individuals named ACC Scholar-Athlete of the Year in their sports.

Men's lacrosse players Mike Timms and Danny Glading exemplify the tradition of scholar-athletes at Virginia. The two economics majors were named Scholar All-Americans by the United States Intercollegiate Lacrosse Association. Mr. Glading was also a first-team All-American, while Mr. Timms received honorable mention All-America recognition.

U.Va. athletics director Craig Littlepage has said Virginia's future challenge is to be an athletics program that consistently performs among the nation's top ten in the Directors' Cup standings and ranks among the national leaders in the academic achievements of our student-athletes.

Losses in the Athletics Community

As associate director of athletics and executive director of intramural/recreational sports, Mark E. Fletcher oversaw four major indoor centers and several outdoor facilities and supervised a staff of forty and hundreds of part-time student employees. What is more important, he touched almost every member of the University community. At least 94 percent of all undergraduate students participate in intramural/recreational sports and faculty and staff participation is the highest in the country. Mr. Fletcher died unexpectedly in June at the age of fifty-seven.

The death of Mike Colley (McIntire '85), longtime assistant director of media relations, was also a great loss to athletics. Mr. Colley's responsibilities included arranging interviews for Cavalier football and men's lacrosse players and serving as chief statistician at U.Va. football, men's lacrosse, and men's and women's home basketball games. He worked at the University for eighteen years.

Barbara Kelly, a pioneer of women's sports at U.Va., retired this year. She was hired in 1971 to develop a women's athletics program to include intramural, club, and intercollegiate sports. By 1973–74, U.Va. offered three women's varsity sports: basketball, field hockey, and tennis. Ms. Kelly was the first coach of the women's basketball team and was the founder and first tournament director of the ACC Women's Basketball Tournament.

Financial Report
2008–09

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Prepared for the Challenges We Face

The global economic crisis made this an extraordinary year for the University of Virginia and institutions of higher education everywhere. But even as University leaders took steps to understand and manage the downturn, we recognized that real advantages can be gained in times of financial crisis. Focusing on core missions provides an occasion to assess the University's areas of strength and emerge from the recession a stronger and smarter institution.

This University has several advantages that have helped us through this period. U.Va. has tended to be more conservative in its business practices than many of its peers and, as a result, is able to be more resourceful and flexible during lean times. We successfully reduced expenditures this year but did so in ways designed to protect students and patients—our ultimate customers—from the impact of the cutbacks.

The Diversity of Revenues

The University's revenue streams are well diversified and predictable, and can be managed in concert to maximum advantage. Although the University's endowment was affected by the decline in equity markets, the University was relatively well positioned because of exceptional returns over many years. It is important to note, however, that unlike many other institutions, U.Va. is not overly dependent on endowment spending. Funds from the endowment account for just 4.8 percent of the University's $2 billion budget.

Revenue support from the Commonwealth of Virginia is another important component of our operating budget. General appropriations declined in 2008–09 to $165.3 million, or 13.4 percent, of the Academic Division budget. For 2009–10, the Academic Division initially received $141 million—only 11.5 percent—of its budget from the state, and we are likely to face additional cuts before the current year ends. But U.Va. is much less dependent on state support than many of its public counterparts. We were able to accommodate these cuts in part because we anticipated them and began reducing spending from state funds even before the reductions were formally announced by the governor.

Tuition and fees are also critical revenue sources for the University. Under the Restructured Higher Education Financial and Administrative Operations Act of 2005, the Board of Visitors can adjust tuition and fees to preserve the financial stability of the University. At the same time, any increases in tuition are tempered by a sensitivity to the worsening financial situation many U.Va. students and their parents are experiencing.

The University received $10.7 million in American Recovery and Reinvestment Act (ARRA) funds, commonly known as federal stimulus funds, to partially mitigate increases in tuition for in-state students. U.Va. is also pursuing ARRA funds from federal agencies such as the National Institutes of Health and the National Science Foundation. University researchers have applied for competitive grants to date that total more than $29.2 million and have received awards of $29.7 million over two years. Overall, sponsored research funding from a variety of public and private sources reached $296 million in 2008–09.

The recession also has affected patient revenues, which are the primary source of support for the Medical Center. The Medical Center saw a decline in admissions that appears to be related to the national trend of patients deferring elective care. The Health System has taken several steps to adjust to this decline in revenue without compromising quality of care. The Medical Center reduced supply and pharmaceutical costs by more than $11.4 million annually through a hospital-wide project that focused on product acquisition cost and use. The Medical Center also reduced discretionary spending in instances where there would be no impact on patient care.

The University has the option of issuing debt but has limited its use of debt to capital projects that are supported with specific future revenue streams. It has not been necessary to borrow for operations, and we have no plans to do so in the future. U.Va. has an excellent credit rating, in large measure because of the diversity of its revenue sources. Despite a struggling economy and state budget cuts, the University again received AAA bond ratings from the top three rating agencies.

Focusing on the Long Term

The University's diverse revenue stream has helped cushion the impact of the weakened economy. U.Va.'s leaders also stand by their track record of protecting the jobs of faculty and staff in difficult times. Scheduled raises were deferred, but the University has avoided layoffs, reducing employee numbers through attrition and consolidating

Previous page
◀ **India**
Leaf from a Ragamala Series: Asavari Ragini, c. 1750 (detail)
Rajasthan, Amber/Jaipur
Gift of Neville and Donna Mobarakai, 1998.19.8
University of Virginia Art Museum

the work of units where appropriate. With an extraordinary display of teamwork, employees across the Grounds have taken on more duties. Beyond any measure, our employees' contributions to help keep down costs will make the University more productive and stronger in the years ahead.

At the same time, the University has not curtailed its building program and, in some cases, has accelerated it to take advantage of decreases in construction costs. For example, our original budget for two new dormitories is now projected to pay for three. Nor was the 2008–09 payout from the endowment reduced—in fact, it increased. And U.Va. was able to respond to the economic difficulties many students and their parents experienced by expanding its commitment to AccessUVa. The share paid from University funds and endowments has more than doubled over the last six years, from $14.1 million in 2003 to $31.3 million in 2009.

Our diverse and predictable revenue streams and our conservative management philosophy give us the ability to focus not just on what is best for the next several months, but on what is best for the next twenty years. Although the interest rate for the University's variable-rate bonds reached near-historic lows this year of 0.15 percent, these interest rates are vulnerable to the effects of inflation in future years. Although fixed rates are higher, they too are near historic lows. During 2008–09, we issued $250 million in bonds at an effective fixed interest rate of 4.04 percent over a thirty-year term.

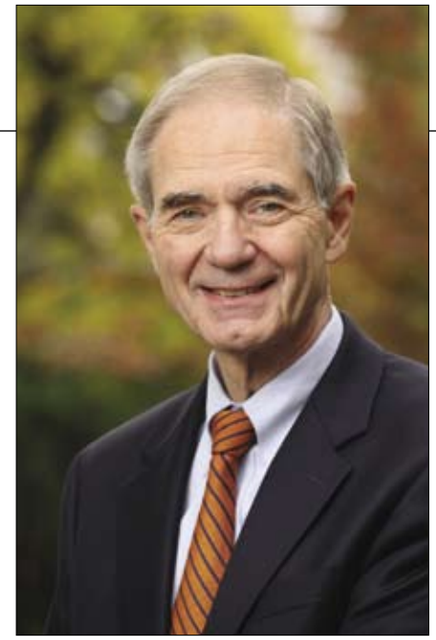
The University was the first institution of higher education in the nation to offer benchmark-level taxable Build America Bonds, which are partially subsidized by the U.S. Treasury through the ARRA. Savings from this program are approximately $2.1 million annually and more than $60 million over the life of the bonds.

At the same time, current economic conditions offer the opportunity to reexamine practices in every area of the University, rethink priorities, cut back on nonessential spending, and find less expensive ways of achieving critical goals. U.Va.'s Web site at www.virginia.edu/budgetimpact keeps employees, alumni, friends, and constituents informed about the latest budget developments and the steps University leadership is taking to respond to them. When we look back over this year, we want to be able to report that we have made the necessary reductions without our students or our patients knowing that we were under stress.

Imagining Our Third Century

We look to the future with confidence. The University is in the midst of a generational change in its senior leadership, providing a solid platform on which new initiatives can thrive. New leaders include recently named deans for a majority of the schools, a new provost, and a new vice president for research. Never has this institution had the advantage of such an accomplished and talented team.

After twenty years as president, John Casteen will be stepping down in the summer of 2010. Under his extraordinary leadership, the University has evolved into the premier educational institution it is today. He has put in place the management structure and team for the University to succeed in the decades ahead. While we are confident that the University will attract a new president of the highest quality, we are grateful to John for providing the vision and direction the University has needed to achieve excellence.



President Casteen's perspective and planning have been invaluable in assembling a management team with bench strength in administrative areas. This team of new leaders will make the strategic decisions necessary for the University to become an outstanding world-class institution. Under their leadership, the University will gradually gain critical mass, expand the Medical Center, amass strength in selected areas of science and engineering, bolster the arts, and deploy an extensive global presence. Continuing to improve facilities and finding better, sustainable financial models for the future will further strengthen the academic community.

Great undertakings demand hard work and commitment. We are devoted to this work, and we are fortunate in the dedication, professionalism, and creativity of our faculty and staff. Thanks to them, this University will emerge from this period of adversity stronger and more resilient than ever before and ready for the challenges of our third century.

Leonard W. Sandridge
Executive Vice President
and Chief Operating Officer

Management's Discussion and Analysis (Unaudited)

INTRODUCTION

This discussion and analysis provides an overview of the financial position and results of activities of the University of Virginia for the year ended June 30, 2009. Comparative information for the year ended June 30, 2008, has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the footnotes that follow this section.

The University of Virginia is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. The Commonwealth prepares a separate financial report that incorporates all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University, consisting of three major divisions, is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth. The University of Virginia's three divisions are its Academic Division, Medical Center, and the College at Wise.

Academic Division

A public institution of higher learning with 21,057 students and 2,171 full-time instructional and research faculty members in eleven separate schools in 2008–09, the University offers a diverse range of degree programs, including doctorates in fifty-five disciplines. The University is recognized internationally for the quality of its faculty and for its commitment to the primary academic missions of instruction, research, public service, and medical care. The University consistently ranks among the nation's top public colleges and universities, both for its general academic programs and for its strengths in specific disciplines. Its emphasis on the student experience is extraordinary among major public institutions, and its dedication to new advances in research permeates all of its schools and colleges.

Medical Center

The University of Virginia Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a 577-bed hospital in a state-designated Level 1 trauma center located in Charlottesville. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities.

College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with 2,015 students and 94 full-time instructional and research faculty. It offers thirty majors and seven preprofessional programs, including dentistry, forestry, law, medicine, physical therapy, and veterinary medicine. Degrees include the bachelor of arts, the bachelor of science, and the bachelor of science in nursing.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2009:

- The University sustained a negative 21 percent return on its endowment during 2008–09. Overall, the endowment assets decreased by $733 million. However, the University still made a 5.0 percent spending distribution to its departments, which totaled $163.5 million.
- Despite the difficult economic times, the University had its AAA bond rating reaffirmed by the top three rating agencies in April 2009. This enabled the University to issue debt at the lowest possible rates, to finance new and ongoing capital projects.
- In April 2009, the University issued $250 million of general revenue pledge bonds. These bonds were issued as Build America Bonds, under the federal American Reinvestment and Recovery Act (ARRA) of 2009. The bonds were issued with an interest rate of 6.2 percent. But the University will receive a 35 percent subsidy rebate from the U.S. government, effectively reducing the rate to 4.04 percent. U.Va. was the first public university to issue Build America Bonds. The proceeds will be used to acquire and construct a number of important projects that will advance the University's mission. Projects include the Arts and Sciences Research Building, Hospital Expansion, Snyder Translational Research Building Life Sciences Annex, Heart and Vascular Center, Emily Couric Clinical Cancer Center, Intraoperative Operating and MRI Rooms, and others.
- As of June 30, 2009, the University had been awarded $8.8 million of funding from ARRA grants. Additional ARRA funding will be received during fiscal year 2009–10.
- The University sustained a $10.4 million budget cut from the Commonwealth during fiscal year 2008–09. In addition, there were no salary increases for the second consecutive year.
- In fiscal year 2008–09, the State Council of Higher Education for Virginia (SCHEV) certified that the University met the management standards established under Restructuring. Therefore, the University will continue to operate with the increased independence granted under the act.
- In December 2008, the Medical Center entered into a partnership with Culpeper Regional Hospital, which gave the Medical Center approximately 49 percent of the voting board seats and supermajority voting rights applicable to approval for strategic decisions for the Culpeper Regional Hospital.
- In April 2009, the University negotiated a new F&A rate agreement with the U.S. Department of Health and Human Services. Effective July 1, 2009, the University's organized research rate will increase from 51.5 percent to 54.0 percent, until June 30, 2011.

The University saw a significant decrease in net assets of $836 million. Some of the contributing factors to this decrease are outlined in the summary table below.

Summary of the Change in Net Assets *(in thousands)*	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percent
Total revenues before investment income	$ 2,229,683	$ 2,153,354	$ 76,329	3.5%
Total expenses	2,214,805	2,113,040	101,765	4.8%
Increase in net assets before investment income	14,878	40,314	(25,436)	(63.1%)
Investment income (loss)	(850,753)	243,280	(1,094,033)	(449.7%)
TOTAL INCREASE (DECREASE) IN NET ASSETS	**$ (835,875)**	**$ 283,594**	**$ (1,119,469)**	**(394.7%)**

- The predominant causal factor was the market decline in investments. Annual investment income decreased by almost $1.1 billion, going from $243 million in 2007–08 to an $851 million loss in 2008–09. The University's endowment investments earned a negative 21 percent return for the fiscal year, compared with a positive 5.9 percent return in fiscal year 2007–08.
- Revenues before investment income rose by 3.5 percent, while total expenses increased by 4.8 percent. The overall increase in net assets before investment income was $14.9 million in 2008–09 compared with $40.3 million in the prior year.

Overall, the primary factor in the University's net asset growth or decline continues to be the performance of the endowment and its resultant investment income.

USING THE FINANCIAL STATEMENTS

The University's financial report includes five financial statements and related notes:

1. The Statement of Net Assets for the University of Virginia
2. The Combined Statements of Financial Position for the Component Units of the University of Virginia
3. The Statement of Revenues, Expenses, and Changes in Net Assets for the University of Virginia
4. The Combined Statements of Activities for the Component Units of the University of Virginia
5. The Statement of Cash Flows for the University of Virginia

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. These principles require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Please note that although the University's foundations identified under guidance from GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, are reported in the component unit financial statements, this Management's Discussion and Analysis excludes them except where specifically noted.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2009, and June 30, 2008 (restated), follows.

Summary of the Statement of Net Assets *(in thousands)*	2009	2008	Increase (Decrease) Amount	Increase (Decrease) Percent
Current assets	**$ 720,512**	**$ 657,141**	**$ 63,371**	**9.6%**
Noncurrent assets				
Endowment and other long-term investments	3,024,517	3,960,739	(936,222)	(23.6%)
Capital assets, net	2,305,632	2,015,314	290,318	14.4%
Other	250,513	202,906	47,607	23.5%
Total assets	**6,301,174**	**6,836,100**	**(534,926)**	**(7.8%)**
Current liabilities	**478,348**	**411,868**	**66,480**	**16.1%**
Noncurrent liabilities	**1,020,082**	**785,613**	**234,469**	**29.8%**
Total liabilities	**1,498,430**	**1,197,481**	**300,949**	**25.1%**
NET ASSETS	**$ 4,802,744**	**$ 5,638,619**	**$ (835,875)**	**(14.8%)**

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled $721 million as compared with the previous year's $657 million, consist primarily of cash and cash equivalents, short-term investments, and accounts receivable.

Current liabilities, which consist primarily of accounts payable, deferred revenue, and the current portion of long-term liabilities, increased by $66.5 million, or 16.1 percent. Two reasons account for this change, with both related to debt financing. First, the commercial paper liability increased by almost $39 million as the University positioned itself for the issuance and use of new debt. Commercial paper provides bridge financing for capital projects. Second, the Medical Center entered into a partnership with Culpeper Regional Hospital, resulting in a new long-term liability, of which $14 million is current.

From a liquidity perspective, current assets cover current liabilities 1.5 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage decreased slightly from 1.6 last year. As it did in 2007–08, current assets cover four months of total operating expenses, including depreciation. For 2008–09, one month of operating expenses is approximately $180 million.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2009, the major portion of the University's endowment was maintained in a long-term investment pool managed by the University of Virginia Investment Management Company (UVIMCO). The annual return for the long-term investment pool this year was negative 21.0 percent, a large decline from last year's positive 5.9 percent. This performance figure includes realized and unrealized gains and losses, along with cash income. With this return, total investment income for all funds was negative $851 million. Compared with 2007–08's positive investment income of $243 million, this is a decrease of almost $1.1 billion.

Distribution. The University distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. The total distribution for the University's endowment was $163.5 million, an increase of $30 million over last year's distribution of $133 million.

Endowment investments. The total for endowment investments on the Statement of Net Assets is $2.5 billion, a large decrease from last year's $3.2 billion. Like most other institutions, the University experienced significant market declines in the value of its investments.

From a net assets perspective, earnings from the endowment, while expendable, are mostly restricted as to use by the donors. It is important to note that of the University's endowment funds, only $768 million, or 31 percent, is classified as unrestricted net assets. From this unrestricted endowment, a significant portion of the income is internally designated by the University for scholarships, fellowships, professorships, and research activities.

Including endowment investments held by the seven related foundations reported as component units, the combined University system endowment was approximately $3.6 billion as of June 30, 2009.

CAPITAL AND DEBT ACTIVITIES

One of the critical factors in sustaining the quality of the University's academic and research programs and residential life is the development and renewal of its capital assets. The University continues to implement its long-range plan to modernize its older teaching and research facilities, construct new facilities, and fund its deferred maintenance obligations.

Capital additions primarily consist of replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment, including information technology.

A number of major capital projects were completed or acquired during 2009. They totaled $308 million for buildings, and $111 million for infrastructure. The University also added $53 million for capital equipment. Completed building projects included the Carter-Harrison Research Building (MR-6), Ruffin Hall (Studio Art), the new Kellogg House residence hall, the Campbell Hall additions, the Claude Moore Nursing Education Building, and Crockett Hall at the College at Wise. The Heating Plant and Health Sciences Chiller Plant were two major infrastructure projects completed during the year. The University also acquired properties that included the Snyder Translational Research Building Life Sciences Annex, the Emerging Technology Vivarium Building, and the 11th Street Parking Garage.

Projects that were in progress at June 30, 2009, included the Claude Moore Medical Education Building, the Emily Couric Clinical Cancer Center, the Bavaro Hall School of Education Building, the Medical Center bed expansion and infrastructure project, the Rice Hall Information Technology and Engineering Building, the Physical and Life Sciences Research Building, the South Lawn, the Arts and Sciences Building, and the College at Wise's Dining Hall and Residence Hall #3 projects.

Other projects in the design stage at June 30, 2009, include the Ivy Translational Research Building, the North Chiller Plant replacement, the Alderman Road (replacement) residence halls, and the JAG School addition.

Financial stewardship requires the effective management of resources, including the use of debt to finance capital projects. As evidence of the University's effective stewardship, the University has received the highest long-term and short-term debt ratings from all three major rating agencies, including Moody's Investors Service (Aaa/P-1), Standard and Poor's (AAA/A-1+), and Fitch Ratings (AAA/F1+). These ratings were reaffirmed in April 2009 in conjunction with the University's issuance of its Series 2009 General Revenue Pledge Bonds. The University of Virginia is one of only two public institutions with the highest long-term debt ratings from all three agencies. Besides being an official acknowledgement of the University's financial strength, these ratings enable the University to obtain future debt financing at optimum pricing. In addition to issuing its own bonds, the University utilizes its commercial paper program for short-term bridge financing.

The University's debt portfolio contains a strategic mix of both variable- and fixed-rate obligations. The University achieves this mix through a combination of issuing fixed- and variable-rate debt, including commercial paper. It also adjusts its debt mix through the use of interest rate swaps executed according to its Board of Visitors-approved interest rate risk management policy. The seven foundations now required by GASB Statement No. 39 to be reported as component units held $248 million of long-term debt outstanding at June 30, 2009.

NET ASSETS

The four net asset categories represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2009, and 2008 (restated), are summarized below.

NET ASSETS *(in thousands)*	2009	2008	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Invested in capital assets, net of related debt	$ 1,458,203	$ 1,407,111	$ 51,902	3.6%
Restricted				
Nonexpendable	459,247	429,619	29,628	6.9%
Expendable	1,785,372	2,254,581	(469,209)	(20.8%)
Unrestricted	1,099,922	1,547,308	(447,386)	(28.9%)
TOTAL NET ASSETS	**$ 4,802,744**	**$ 5,638,619**	**$ (835,875)**	**(14.8%)**

Net assets invested in capital assets, net of related debt, represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net capital assets totaled $1.5 billion at June 30, 2009. It increased by $51.9 million, or 3.6 percent, in the current fiscal year compared with 14.7 percent growth in the previous year. While capital assets increased by almost $300 million, the related debt increased by nearly as much, resulting in the slight increase for the year.

Restricted nonexpendable net assets comprise the University's permanent endowment funds. This category totaled $459 million at June 30, 2009. Overall, nonexpendable net assets increased by $29.6 million. Although new gifts of $49 million were received, that increase was partially offset by the $20 million amount of endowments that were below their historic dollar value at June 30, 2009.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes permanent endowment fund earnings that can be spent, but only in accordance with restrictions imposed by external parties. It totaled $1.8 billion at June 30, 2009. These net assets decreased by $469 million, or 20.8 percent. This was almost entirely attributable to the negative investment performance of the University's endowment and other investments.

Unrestricted net assets are not subject to externally imposed stipulations. The majority of the University's unrestricted net assets have been designated for various instruction and research programs and initiatives, as well as capital projects. Unrestricted funds are particularly important since they can be used for any University initiative. Unrestricted net assets totaled $1.1 billion at June 30, 2009. They decreased by $447 million, or 28.9 percent. As with restricted funds, the decrease results from the loss in market value on long-term investments, as well as losses on short-term investments.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's results of activities for the year. Presented below is a summarized statement of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2009, and 2008 (restated).

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS *(in thousands)*	2009	2008	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Operating revenues	**$ 1,788,824**	**$ 1,716,673**	**$ 72,151**	**4.2%**
Operating expenses	**2,157,848**	**2,082,134**	**75,714**	**3.6%**
Operating loss	**(369,024)**	**(365,461)**	**(3,563)**	**1.0%**
Nonoperating revenues (expenses)				
State appropriations	170,178	183,020	(12,842)	(7.0%)
Gifts	140,078	147,269	(7,191)	(4.9%)
Investment income (loss)	(850,753)	243,280	(1,094,033)	(449.7%)
Pell Grants	7,024	5,271	1,753	33.3%
Other net nonoperating expenses	(56,957)	(30,906)	(26,051)	84.3%
Net nonoperating revenues (expenses)	**(590,430)**	**547,934**	**(1,138,364)**	**(207.8%)**
Income (loss) before other revenues, expenses, gains, or losses	**(959,454)**	**182,473**	**(1,141,927)**	**(625.8%)**
Capital appropriations, gifts, and grants	74,367	42,048	32,319	76.9%
Additions to permanent endowments	49,212	59,073	(9,861)	(16.7%)
Total other revenues	**123,579**	**101,121**	**22,458**	**22.2%**
Increase (decrease) in net assets	**(835,875)**	**283,594**	**(1,119,469)**	**(394.7%)**
Net assets, beginning of year	5,638,619	5,355,025	283,594	5.3%
NET ASSETS, END OF YEAR	**$ 4,808,744**	**$ 5,638,619**	**$ (835,875)**	**(14.8%)**

Under GASB principles, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations and gifts, are considered nonoperating, as defined by GASB Statement No. 34. Consequently, the operating loss of $369 million does not account for these important revenue sources. Adding these two revenue sources, which total $310 million for the fiscal year, mostly offsets the operating loss and results in an adjusted income amount of negative $59 million. This provides a more accurate picture of the University's scope and results of operations.

REVENUES

The University strives to maintain a diverse stream of revenues, which allows it to weather difficult economic times.

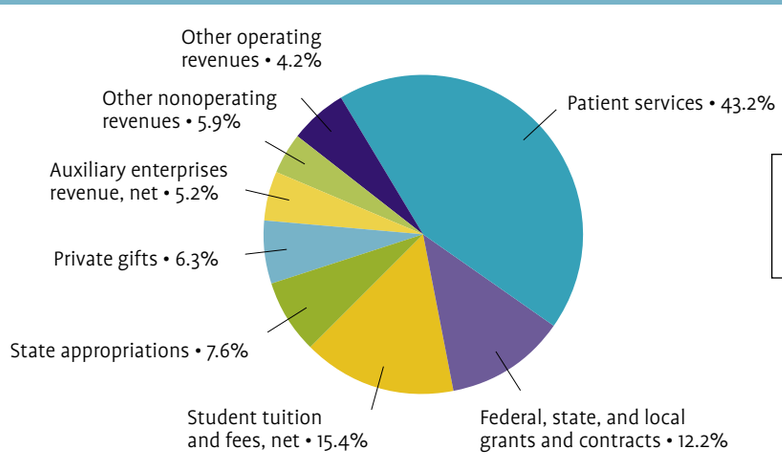
SUMMARY OF REVENUES, TOTAL UNIVERSITY

A summary of the University's revenues, for the years ended June 30, 2009, and 2008 (restated).

SUMMARY OF REVENUES *(in thousands)*	2009			2008			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues								
Student tuition & fees, net	$ 342,619	$ —	$ 342,619	$ 316,332	$ —	$ 316,332	$ 26,287	8.3%
Federal, state & local grants and contracts	271,793	—	271,793	263,185	—	263,185	8,608	3.3%
Nongovernmental grants and contracts	45,516	—	45,516	38,965	—	38,965	6,551	16.8%
Sales & services of educational departments	20,488	—	20,488	21,743	—	21,743	(1,255)	(5.8%)
Auxiliary enterprises revenue, net	116,437	—	116,437	116,644	—	116,644	(207)	(0.2%)
Other operating revenues	—	27,625	27,625	(1)	24,967	24,966	2,659	10.7%
Patient services	—	964,346	964,346	—	934,838	934,838	29,508	3.2%
Total operating revenues	**$ 796,853**	**$ 991,971**	**$ 1,788,824**	**$ 756,868**	**$ 959,805**	**$ 1,716,673**	**$ 72,151**	**4.2%**
Nonoperating revenues								
State appropriations	$ 170,178	$ —	$ 170,178	$ 183,020	$ —	$ 183,020	$ (12,842)	(7.0%)
Private gifts	139,312	766	140,078	146,411	858	147,269	(7,191)	(4.9%)
Investment income (loss)	(788,267)	(62,486)	(850,753)	209,843	33,437	243,280	(1,094,033)	(449.7%)
Other nonoperating revenues	130,603	—	130,603	128,515	(22,123)	106,392	24,211	22.8%
Total nonoperating revenues	**$ (348,174)**	**$ (61,720)**	**$ (409,894)**	**$ 667,789**	**$ 12,172**	**$ 679,961**	**$ (1,089,855)**	**(160.3%)**
TOTAL REVENUES	**$ 448,679**	**$ 930,251**	**$ 1,378,930**	**$ 1,424,657**	**$ 971,977**	**$ 2,396,634**	**$ (1,017,704)**	**(42.5%)**

Below is a graph of revenues by source (both operating and nonoperating), which were used to fund the University's operating activities for the fiscal year ended June 30, 2009. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and other significant revenues to be treated as nonoperating revenues.

TOTAL UNIVERSITY REVENUES • FISCAL YEAR 2009 *(in thousands)*



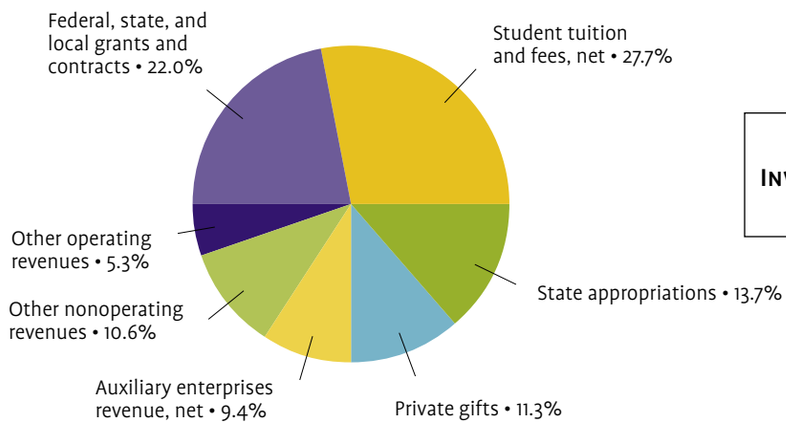
TOTAL REVENUE EXCLUDING INVESTMENT INCOME *(in thousands)*
$2,229,683

Patient services revenues accounted for 53.9 percent of the University's operating revenues and 43.2 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 7.6 percent and 15.4 percent, respectively, of the University's total revenues, are used to fund current operations.

State appropriations decreased by $12.8 million, or 7.0 percent. The decrease results primarily from a $10.4 million budget cut imposed by the state government. Net tuition and fees increased by $26.3 million, or 8.3 percent. Tuition increases were approved by the Board of Visitors during the year.

Excluding the Medical Center data provides a clearer picture of the academic revenue streams. Major sources for 2009 included net tuition and fees, 27.7 percent; federal, state, and local grants and contracts, 22.0 percent; state appropriations, 13.7 percent; and private gifts, 11.3 percent. Excluding patient revenue, tuition and fees revenue comprises the single largest source of revenue to the University. In fact, tuition and fees revenue was slightly more than double the amount of state appropriations revenue.

Academic and Wise Revenues • Fiscal Year 2009 *(in thousands)*



Total Revenue Excluding Investment Income *(in thousands)*
$1,236,946

The University continues to emphasize revenue diversification, along with cost containment, as ongoing priorities. This is necessary as the University continues to face significant financial pressure resulting from increased compensation and benefit costs, and escalating technology and energy prices. In 2009, investment income was actually a negative number for the first time in several years. Like most institutions, the University's investments suffered large losses in market value. Private support has been, and will continue to be, essential to maintaining the University's academic excellence. Private support comes in the form of gifts and additions to permanent endowment. Private gifts totaled $140 million in 2009, a slight decrease of $7.2 million, or 4.9 percent, from the prior year. At the same time, the Campaign for the University of Virginia continued its progress toward its $3 billion target, surpassing the $2 billion mark.

Revenues for all sponsored programs increased this year by almost $15.2 million, or 5.0 percent, to a total of $317 million in 2009. This includes $66.1 million of Facilities and Administrative (F&A) recoveries. It also includes less than $1 million of ARRA funding, most of which will be received in the next two fiscal years.

EXPENSES

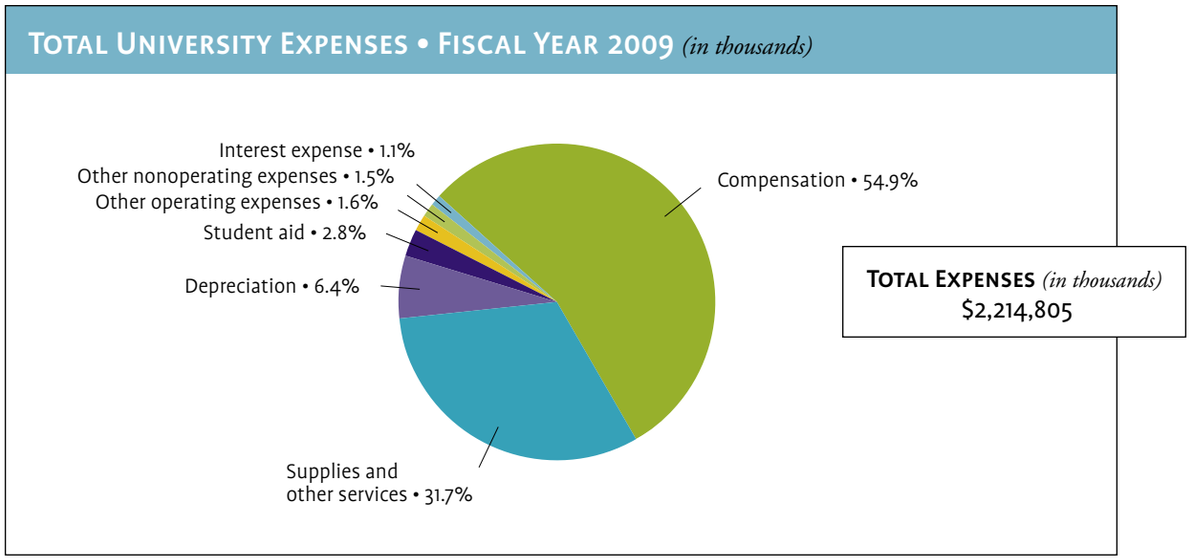
The University continues to be a good steward in the judicious expenditure of funds.

SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses, for the years ended June 30, 2009, and 2008 (restated).

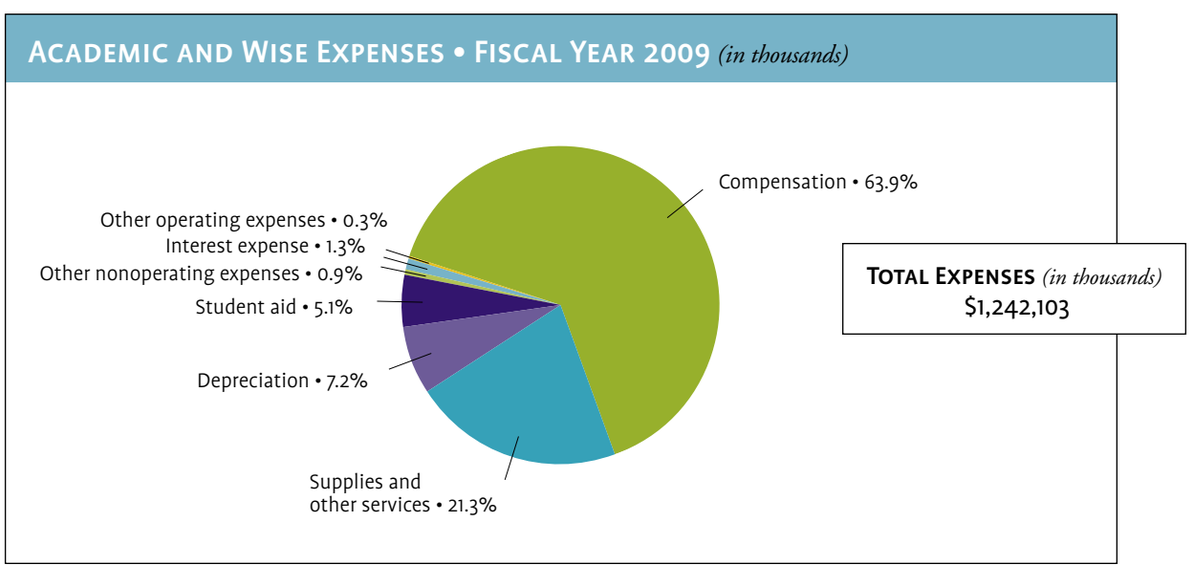
Summary of Expenses *(in thousands)*	2009			2008			Total Institution Increase (Decrease)	
	Academic Division & WISE	Medical Center	Total Institution	Academic Division & WISE	Medical Center	Total Institution	Amount	Percent
Operating expenses								
Compensation	$ 794,065	$ 421,169	$ 1,215,234	$ 758,571	$ 407,523	$ 1,166,094	$ 49,140	4.2%
Supplies and other services	265,138	438,924	704,062	276,736	421,388	698,124	5,938	0.9%
Student aid	62,750	—	62,750	54,768	—	54,768	7,982	14.6%
Depreciation	89,025	52,313	141,338	76,416	51,273	127,689	13,649	10.7%
Other operating expense	3,653	30,811	34,464	3,987	31,472	35,459	(995)	(2.8%)
Total operating expenses	**1,214,631**	**943,217**	**2,157,848**	**1,170,478**	**911,656**	**2,082,134**	**75,714**	**3.6%**
Nonoperating expenses								
Interest expense	16,574	7,677	24,251	12,999	8,214	21,213	3,038	14.3%
Other nonoperating expense	10,898	21,808	32,706	3,816	5,877	9,693	23,013	237.4%
Total nonoperating expenses	**27,472**	**29,485**	**56,957**	**16,815**	**14,091**	**30,906**	**26,051**	**84.3%**
TOTAL UNIVERSITY EXPENSES	**$ 1,242,103**	**$ 972,702**	**$ 2,214,805**	**$ 1,187,293**	**$ 925,747**	**$ 2,113,040**	**$ 101,765**	**4.8%**

Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2009.



The University's total expenses increased a modest 4.8 percent, or $102 million, in 2008–09, reaching $2.2 billion. Compensation expenses accounted for $49 million of the increase, exceeding $1.2 billion. The University has been able to navigate the state budget cuts without layoffs, instead strategically leaving vacant positions open. At the same time, the Board of Visitors remains committed to its goal of raising faculty, staff, and health care employees' compensation to meet market conditions. This is a critically important issue following two years of no salary increases.

Student aid expense increased to $62.8 million, an increase of $8.0 million, or 14.6 percent, as the University continued its ongoing commitment to the increasingly costly AccessUVA program. Depreciation increased by $13.7 million, or 10.7 percent, as the University added more than $400 million in depreciable capital assets in 2008–09. Interest expense increased by $3.0 million, or 14.3 percent, to $24.3 million. There will continue to be significant increases in interest expense, as interest on both the fiscal year 2007–08 and fiscal year 2008–09 bond issuances come due. The University issued $250 million of revenue bonds in 2009, and based on current debt service schedules, interest expense will be in the $30 to $35 million range for the next few years.



In addition to their natural (object) classification, it is also informative to review operating expenses by function. A complete matrix of expenses, natural versus functional, is contained in the notes to the financial statements. Expenses for patient services, instruction, and research account for 43.7 percent, 14.5 percent, and 13.0 percent, respectively, of total operating expenses. When combined, these major functions account for 71.2 percent of the total, with the balance attributed to other costs that support these mission functions.

FUTURE ECONOMIC OUTLOOK

The past fiscal year was a tumultuous one for the University, as it was for all institutions of higher education. The global economic crisis, combined with another round of reduction in state support, challenged the University's leaders to manage the downturn. Each year this management discussion and analysis notes that the University has a well diversified stream of revenues. The state budget cuts have been deep, but fortunately the University is much less dependent on state support for its operating budget than its public counterparts. As Executive Vice President and Chief Operating Officer Leonard Sandridge noted, "We were able to accommodate these cuts in part because we anticipated them and began reducing spending from state funds even before the reductions were formally announced by the governor."

Short Term

Budget Crisis. To provide context, the Commonwealth of Virginia's revenue shortfalls from August 2007 to August 2009 have been over $7.0 billion. The University has been assessed its share of the state's budget reductions on four separate occasions since fiscal year 2007–08. The total state reduction has amounted to $51.5 million, or 31.8 percent of its fiscal year 2007–08 general fund appropriation. Further, in the first quarter of the new fiscal year, state revenues have not improved.

AccessUVa. AccessUVa continues to provide critical need-based financial aid. Since AccessUVa began, we have seen a major increase in the percentage of students qualifying for aid. Similarly, the cost of AccessUVa continues to grow. To help offset the rising costs, the AccessUVa program has been identified as one of the top institutional priorities for philanthropic support.

American Recovery and Reinvestment Act (ARRA). The University received its first ARRA (or federal stimulus) funds in spring 2009. These funds came in the form of federal grants and contracts. The Commonwealth of Virginia also received ARRA funds, which the governor utilized to help offset planned tuition increases and other budget reductions. These ARRA state stabilization funds should be distributed by the Commonwealth to state institutions later this winter. All ARRA funds require detailed reporting to the federal government and to the Commonwealth of Virginia. Finally, ARRA funding will be short-term in nature, and so will be spent fully within the next two years and are currently projected to run out in fiscal year 2011–12.

Endowment Investments. The 21 percent loss on the endowment in fiscal year 2008–09 was very significant but compared favorably to many of our peers. However, as of October 31, 2009, the University's endowment market value had risen about 7.3 percent during the first four months of fiscal year 2009–10. When applied to the June 30, 2009, balances, this translates into an increase of about $180 million.

Spending Distribution. Due to our revenue diversification, the endowment spending distribution of $163.5 million accounted for 7.6 percent of the University's $2.2 billion of operating expenses. To partially offset the reduction in market value sustained during fiscal year 2008–09, the Board of Visitors approved in September 2009 an increase in the fiscal year 2009–10 endowment spending rate, from 5.0 to 5.5 percent of the June 30, 2009, market value. Apart from the impact of new gifts and divestments, this will result in an estimated $134 million of spending distribution in fiscal year 2009–10.

Long Term

The University's Financial Model of the Future. At its 2009 retreat, the Board of Visitors began to develop a "financial model of the future," with the objective of establishing a better platform for financial success coming out of challenging economic conditions. In addition to cost containment measures, the board examined the University's various revenue streams and related areas: tuition and fees, state general funds, sponsored research, Medical Center revenues, debt and liquidity, endowment, annual giving, the capital campaign, intellectual property, sales and services, and student enrollment. Of these areas, two in particular were deemed to hold the potential for significant growth in order to provide the revenue necessary to make a difference in the University's future. These two areas were tuition and fees and private support (which includes gifts and endowment).

It is likely over the next several months that the board will carefully consider pricing the University's educational product relative to the value received by students. The board will take into account how to address financial need to continue ensuring that a University of Virginia education will remain affordable for all. And the board will likely discuss a longer-term objective for enrollment growth in the undergraduate program. The University has a long history of success in raising private support for restricted, expendable gifts and endowment. Its track record for raising unrestricted funds is less impressive. The board will consider how to expand private support by focusing on fund raising that: 1) addresses institutional priorities; 2) results in gifts for restricted purposes that relieve commitments on the unrestricted endowment; and 3) provides a more efficient approach to ensure that private support for particular purposes covers the full costs—e.g., operating and maintenance costs of new buildings.

The board plans to have its Special Committee on Planning address these issues of tuition, enrollment growth, and private support. By strategically examining its revenue streams and cost containment efforts, the Board of Visitors is ensuring the University's strong financial condition. In fact, the University has not only weathered the recession but has managed to take advantage of its strengths to position itself for the future.

Management Responsibility

November 20, 2009

To the President and Board of Visitors of the University of Virginia:

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2009. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. Financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

Management is responsible for maintaining the University's system of internal control that includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures augmented by a continuing internal audit program. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the University's system provides reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

The Auditor of Public Accounts for the Commonwealth of Virginia, using independent certified public accountants, provides an independent opinion regarding the fair presentation in the financial statements of the University's financial position. Their examination was made in accordance with generally accepted government auditing standards and included a review of the system of internal accounting controls to the extent they considered necessary to determine the audit procedures required to support their opinion. The Audit Committee of the Board of Visitors meets periodically and privately with the independent auditors, the internal auditors, and the financial officers of the University to review matters relating to the quality of the University's financial reporting, the internal accounting controls, and the scope and results of audit examinations. The committee also reviews the scope and quality of the internal auditing program.

Respectfully submitted,

Stephen A. Kimata
Assistant Vice President for Finance
and University Comptroller

Yoke San L. Reynolds
Vice President and Chief Financial Officer

Auditor's Opinion

November 20, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors
University of Virginia

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Virginia, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2009, which collectively comprise the University of Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University of Virginia, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University of Virginia, is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the University of Virginia's fiscal year 2008 financial statements, and in our report dated October 30, 2008, we expressed an unqualified opinion on the respective financial statements of the University of Virginia.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University of Virginia that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component units of the University of Virginia as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 36 through 43 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2009, on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Walter J. Kucharski
Auditor of Public Accounts

UNIVERSITY OF VIRGINIA

STATEMENT OF NET ASSETS *(in thousands)*

as of June 30, 2009 (with comparative information as of June 30, 2008)

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 241,142	$ 244,093
Restricted cash and cash equivalents (Note 2)	1	3
Short-term investments (Note 2)	273,257	209,904
Appropriations available	6,996	16,809
Accounts receivable, net (Note 3a)	158,658	144,853
Prepaid expenses	14,993	14,183
Inventories	21,152	22,685
Notes receivable, net (Note 3b)	4,313	4,611
Total current assets	**720,512**	**657,141**
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	30,060	28,813
Endowment investments (Note 2)	2,508,603	3,241,709
Other long-term investments (Note 2)	515,914	719,030
Deposit with bond trustee	170,354	121,779
Notes receivable, net (Note 3b)	30,202	27,498
Pledges receivable, net (Note 3c)	7,037	11,037
Capital assets—depreciable, net (Note 3d)	1,958,150	1,595,297
Capital assets—nondepreciable (Note 3d)	347,482	420,017
Goodwill (Note 3e)	12,860	13,302
Other	—	477
Total noncurrent assets	**5,580,662**	**6,178,959**
TOTAL ASSETS	**$ 6,301,174**	**$ 6,836,100**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3f)	$ 216,745	$ 213,870
Deferred revenue (Note 3g)	100,789	88,863
Deposits held in custody for others	19,308	24,848
Commercial paper (Note 4)	56,415	17,550
Long-term debt—current portion (Note 5a)	13,512	13,047
Long-term liabilities—current (Note 5b)	71,579	53,690
Total current liabilities	**478,348**	**411,868**
Noncurrent liabilities (Note 5)		
Long-term debt (Note 5a)	940,359	723,535
Other noncurrent liabilities (Note 5b)	79,723	62,078
Total noncurrent liabilities	**1,020,082**	**785,613**
TOTAL LIABILITIES	**$ 1,498,430**	**$ 1,197,481**
NET ASSETS		
Invested in capital assets, net of related debt	$ 1,458,203	$ 1,407,111
Restricted:		
Nonexpendable	459,247	429,619
Expendable	1,785,372	2,254,581
Unrestricted	1,099,922	1,547,308
TOTAL NET ASSETS	**$ 4,802,744**	**$ 5,638,619**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

COMPONENT UNITS

Combined Statements of Financial Position *(in thousands)*

as of June 30, 2009 (with comparative information as of June 30, 2008)

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 88,780	$ 536,384
Receivables	77,572	76,659
Other current assets	266,784	90,069
Total current assets	**433,136**	**703,112**
Noncurrent assets		
Pledges receivable, net of current portion of $27,141	53,273	78,276
Long-term investments	4,032,374	5,879,609
Capital assets, net of depreciation	329,777	342,873
Other noncurrent assets	25,369	69,029
Total noncurrent assets	**4,440,793**	**6,369,787**
TOTAL ASSETS	**$ 4,873,929**	**$ 7,072,899**
LIABILITIES AND NET ASSETS		
Current liabilities		
Assets held in trust for others	$ 3,374,576	$ 5,215,297
Other liabilities	169,565	194,526
Total current liabilities	**3,544,141**	**5,409,823**
Noncurrent liabilities		
Long-term debt, net of current portion of $12,706	235,399	318,562
Other noncurrent liabilities	131,267	110,354
Total noncurrent liabilities	**366,666**	**428,916**
TOTAL LIABILITIES	**$ 3,910,807**	**$ 5,838,739**
NET ASSETS		
Unrestricted	$ 214,420	$ 327,766
Temporarily restricted	354,233	521,688
Permanently restricted	394,469	384,706
TOTAL NET ASSETS	**$ 963,122**	**$ 1,234,160**
TOTAL LIABILITIES AND NET ASSETS	**$ 4,873,929**	**$ 7,072,899**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

Statement of Revenues, Expenses, and Changes in Net Assets *(in thousands)*

for the year ended June 30, 2009 (with comparative information for the year ended June 30, 2008)

	2009	2008
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $69,000 and $66,066)	$ 342,619	$ 316,332
Patient services (net of charity care of $1,388,014 and $1,166,868)	964,346	934,838
Federal grants and contracts	266,818	258,794
State and local grants and contracts	4,975	4,391
Nongovernmental grants and contracts	45,516	38,965
Sales and services of educational departments	20,488	21,743
Auxiliary enterprises revenue (net of scholarship allowances of $9,200 and $8,809)	116,437	116,644
Other operating revenues	27,625	24,966
TOTAL OPERATING REVENUES	**1,788,824**	**1,716,673**
EXPENSES		
Operating expenses (Note 8)		
Compensation and benefits	1,215,234	1,166,094
Supplies and other services	704,062	698,124
Student aid	62,750	54,768
Depreciation	141,338	127,689
Other	34,464	35,459
TOTAL OPERATING EXPENSES	**2,157,848**	**2,082,134**
OPERATING LOSS	**(369,024)**	**(365,461)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 9)	170,178	183,020
Gifts	140,078	147,269
Investment income (loss)	(850,753)	243,280
Pell grants	7,024	5,271
Interest on capital asset-related debt	(24,251)	(21,213)
Losses on capital assets	(17,079)	(3,473)
Other nonoperating expenses	(15,627)	(6,220)
NET NONOPERATING REVENUES (EXPENSES)	**(590,430)**	**547,934**
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**(959,454)**	**182,473**
Capital appropriations	30,462	6,348
Capital grants and gifts	43,905	35,700
Additions to permanent endowments	49,212	59,073
TOTAL OTHER REVENUES	**123,579**	**101,121**
INCREASE (DECREASE) IN NET ASSETS	**(835,875)**	**283,594**
NET ASSETS		
Net assets, beginning of year, restated (Note 1)	5,638,619	5,355,025
NET ASSETS, END OF YEAR	**$ 4,802,744**	**$ 5,638,619**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

COMPONENT UNITS

Combined Statements of Activities *(in thousands)*

for the year ended June 30, 2009 (with comparative information for the year ended June 30, 2008)

	2009	2008
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 21,998	$ 23,683
Fees for services, rentals, and sales	272,659	261,604
Investment income	(55,961)	27,063
Net assets released from restriction	45,553	81,780
Other revenues	75,232	70,446
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**359,481**	**464,576**
EXPENSES		
Program services, lectures, and special events	284,475	262,019
Scholarships and financial aid	43,194	57,509
Management and general	43,335	41,448
Other expenses	93,510	95,767
TOTAL EXPENSES	**464,514**	**456,743**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(105,033)**	**7,833**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	34,974	48,203
Investment and other income	(162,285)	33,989
Reclassification per donor stipulation	(1,277)	(1,347)
Net assets released from restriction	(44,972)	(81,909)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	**(173,560)**	**(1,064)**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	12,753	24,632
Investment and other income	(5,967)	(3,665)
Reclassification per donor stipulation	696	1,476
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**7,482**	**22,443**
CHANGE IN NET ASSETS	**(271,111)**	**29,212**
Net assets, beginning of year	$ 1,234,160	1,204,948
Cumulative effect of FMV option	73	—
NET ASSETS, END OF YEAR	**$ 963,122**	**$ 1,234,160**

Certain 2008 amounts have been restated to conform to 2009 reclassifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

UNIVERSITY OF VIRGINIA

STATEMENT OF CASH FLOWS *(in thousands)*

for the year ended June 30, 2009 (with comparative information for the year ended June 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 340,133	$ 318,459
Grants and contracts	308,536	309,078
Patient services	913,620	884,945
Sales and services of educational activities	18,129	39,296
Sales and services of auxiliary enterprises	115,645	116,663
Payments to employees and fringe benefits	(1,201,875)	(1,168,738)
Payments to vendors and suppliers	(707,406)	(702,288)
Payments for scholarships and fellowships	(62,750)	(54,786)
Perkins and other loans issued to students	(7,548)	(25,823)
Collection of Perkins and other loans to students	5,056	21,956
Other receipts	25,163	20,570
NET CASH USED BY OPERATING ACTIVITIES	**(253,297)**	**(240,668)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	183,612	178,870
Additions to true endowments	49,212	59,073
Federal Family Education Loan Program receipts	110,845	99,535
Federal Family Education Loan Program payments	(110,845)	(99,535)
Pell grants	7,024	5,271
Receipts on behalf of agencies	102,246	102,244
Payments on behalf of agencies	(101,873)	(102,408)
Deposits held in custody for others	(5,540)	(53)
Noncapital gifts and grants and endowments received	142,015	142,737
Other net nonoperating expenses	(7,980)	(1,408)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**368,716**	**384,326**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	33,933	68,186
Capital gifts and grants received	44,441	37,647
Proceeds from capital debt	401,330	324,031
Proceeds from sale of capital assets	104	471
Acquisition and construction of capital assets	(385,430)	(276,583)
Principal paid on capital debt and leases	(148,957)	(151,790)
Interest paid on capital debt and leases	(24,195)	(24,263)
Deposit with trustee	(48,575)	(107,837)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(127,349)**	**(130,138)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	518,004	607,763
Interest on investments	9,358	46,449
Purchase of investments and related fees	(334,494)	(854,335)
Other investment activities	(182,644)	(229,984)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	**10,224**	**(430,107)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,706)**	**(416,587)**
Cash and cash equivalents, July 1	272,909	689,496
CASH AND CASH EQUIVALENTS, JUNE 30	**$ 271,203**	**$ 272,909**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (369,024)	$ (365,461)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation expense	141,338	127,689
Provision for uncollectible loans and write-offs	81	196
CHANGES IN ASSETS AND LIABILITIES		
Receivables, net	(36,116)	(19,472)
Inventories	1,533	(3,570)
Other assets	11	10
Prepaid expenses	(3,019)	(2,438)
Notes receivable, net	(2,496)	(3,866)
Accounts payable and accrued liabilities	12,309	(2,280)
Deferred revenue	658	28,025
Accrued vacation leave	1,428	499
TOTAL ADJUSTMENTS	**115,727**	**124,793**
NET CASH USED BY OPERATING ACTIVITIES	**$ (253,297)**	**$ (240,668)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	$ 414,300	$ 313,405
Assets acquired through a gift	2,289	7,939
Change in fair value of investments	(786,524)	109,226
Increase in receivables related to nonoperating income	10,533	4,393
Loss on disposal of capital asset	3,719	2,408

Certain 2008 amounts have been restated to conform to 2009 reclassifications.

The accompanying Notes to Financial Statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

ORGANIZATION AND PURPOSE

The University of Virginia is an agency of the Commonwealth of Virginia and is governed by the University's Board of Visitors. A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a discretely presented component unit of the Commonwealth of Virginia and is included in the basic financial statements of the Commonwealth. The University consists of three divisions. The Academic Division and the University of Virginia's College at Wise generate and disseminate knowledge in the humanities, arts, scientific, and professional disciplines through instruction, research, and public service. The Medical Center Division provides routine and ancillary patient services through a full-service hospital and clinics.

REPORTING ENTITY

There are currently twenty-five related foundations operating in support of the interests of the University. These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following seven foundations qualify as component units because they hold significant resources for the benefit of the University. As such, they are included in the financial statements presented as of June 30, 2009:

- University of Virginia Law School Foundation
- University of Virginia Darden School Foundation
- Alumni Association of the University of Virginia
- Virginia Athletics Foundation
- University of Virginia Foundation
- University of Virginia Health Services Foundation
- University of Virginia Investment Management Company

The foundations' financial information is included in the accompanying financial statements. Condensed financial statements for each component unit are disclosed in Note 7. Information on the organization and nature of activities for each foundation is presented below.

The **University of Virginia Law School Foundation** was established as a tax-exempt organization to foster the study and teaching of law at the University of Virginia and to receive and administer funds for that purpose. The Foundation is affiliated with the University of Virginia and expends funds to support professorships, faculty benefits, financial aid, student activities, and other academic programs within the University's Law School. For additional information, contact the Treasurer's Office at Slaughter Hall, 580 Massie Road, Charlottesville, Virginia 22903.

The **University of Virginia Darden School Foundation** was established as a nonstock corporation created under the laws of the Commonwealth of Virginia. Its primary purposes are to promote the advancement and further the aims and purposes of the Colgate Darden Graduate School of Business Administration of the University of Virginia and to provide education for business executives. For additional information, contact the Finance and Administration Office at P.O. Box 7263, Charlottesville, Virginia 22906.

The **Alumni Association of the University of Virginia** was established as a legally separate, tax-exempt organization to provide services to all alumni of the University of Virginia, thereby assisting the University of Virginia and all its students, faculty, and administration in attaining the University's highest priority of achieving eminence as a center of higher learning. The consolidated financial information of the Alumni Association of the University of Virginia includes the operating activities and financial position of the Alumni Association and the Jefferson Scholars Foundation. The Jefferson Scholars Foundation is an awards program affiliated with the Alumni Association and was organized as a separate legal entity in 2001. For additional information, contact the Finance and Administration Office at P.O. Box 3446, Charlottesville, Virginia 22903.

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation**, was established as a tax-exempt organization to support intercollegiate athletic programs at the University of Virginia by providing student-athletes the opportunity to achieve academic and athletic excellence. The Foundation provides the funding for student-athlete scholarships at the University, funding for student-athlete academic advising programs at the University, operational support for various sports at the University, informational services to its members and the general public, and ancillary support to the athletic programs at the University. The Foundation has adopted December 31 as its year end. All amounts reflected are as of December 31, 2008. For additional information, contact the Gift Accounting Office at P.O. Box 400833, Charlottesville, Virginia 22904.

The **University of Virginia Foundation**, including the University of Virginia Real Estate Foundation, was established as a nonstock corporation under applicable Virginia statutes to provide administrative services to the University of Virginia and supporting organizations, engage in any and all matters pertaining to real property for the benefit of the University, and use and administer gifts, grants and bequests, and devises for the benefit of the University. For additional information, contact the Financial Services Office at P.O. Box 400218, Charlottesville, Virginia 22904.

The **University of Virginia Health Services Foundation** was established as a nonprofit group practice health care provider organization designed to assist medical education through teaching and research within the academic environment of the Health System of the University of Virginia, and to coordinate and develop superior patient care in the Health System. The Foundation entered into an affiliation agreement with the University of Virginia for the Foundation through its member clinical departments to provide patient care at the Health System. The Foundation provides patient care services to Health System patients, and in conjunction with the care of patients, provides teaching services. The University provides space and certain administrative services to the Foundation. The Foundation reimburses the University for the salaries and fringe benefits of classified and hourly employees of the clinical departments paid by the University, and not funded by the Commonwealth of Virginia or by gifts, grants, and contracts. For additional information, contact the Finance Office at 500 Ray C. Hunt Drive, Charlottesville, Virginia 22903.

The **University of Virginia Investment Management Company** was established to provide investment management services to the University of Virginia, independent foundations, and other entities affiliated with the University and operating in support of its mission. For additional information, contact the Administrative Office at P.O. Box 400215, Charlottesville, Virginia 22904.

REPORTING BASIS

The University of Virginia prepares its financial statements in conformity with accounting principles generally accepted in the United States of America. As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB), and additionally, to Financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, that do not contradict or conflict with GASB standards. It is the University's policy not to follow FASB standards after that date. The component units included herein continue to follow FASB pronouncements, and their financial statements are presented in accordance with those standards.

In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the University has elected to report as an entity engaged in business-type activities. Entities engaged in business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

GASB Statement No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of these assets.

Restricted Nonexpendable represents net assets subject to stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Restricted Expendable represents net assets whose use by the University is subject to stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted represents those net assets that are not classified either as capital assets, net of related debt or restricted net assets. Unrestricted net assets may be designated for specific purposes by management.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to evaluate these expenditures and apply resources on a case-by-case basis.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. Operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as specified by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis, for State and Local Governments*, including state appropriations, gifts, and investment income. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues from these nonexchange transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

CASH AND CASH EQUIVALENTS

In addition to cash on deposit in private bank accounts, petty cash, and undeposited receipts, this classification includes cash on deposit with fiscal agents and investments with original maturities of ninety days or less. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed FDIC insurance limits.

INVENTORIES

Inventories are valued at the lower of cost (generally determined on the weighted-average method) or market value.

INVESTMENTS

Investments in corporate stocks and marketable bonds are recorded at market value. All real estate investments are capital assets, and thus recorded at cost. Certain less marketable investments, such as private equity investments, are generally carried at estimated values as determined by management. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments.

ENDOWMENT

The major portion of the University's endowment is managed by the University of Virginia Investment Management Company Long-Term Pool. It is pooled using a market value basis, with each fund subscribing to or disposing of units (permanent shares) on the basis of the market value per unit at the end of the month within which the transaction takes place.

PLEDGES RECEIVABLE

The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance of $2,463,053 for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history and type of gift.

CAPITAL ASSETS AND DEPRECIATION

Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. Capital assets should be depreciated or amortized over their estimated useful lives unless they are inexhaustible, are intangible assets with indefinite useful lives, or are infrastructure assets. The University capitalizes construction costs that have a value or cost in excess of $250,000 at the date of acquisition. Renovations in excess of $250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division capitalizes moveable equipment at a value or cost of $5,000 and an expected useful life of one or more years.

The Medical Center Division capitalizes moveable equipment at a value or cost of $2,000 and an expected useful life of two or more years. Maintenance or renovation expenditures of $250,000 or more are capitalized only to the extent that such expenditures prolong the life of the asset or otherwise enhance its capacity to render service.

Depreciation of buildings, improvements other than buildings, and infrastructure is provided on a straight-line basis over the estimated useful lives ranging from ten to fifty years.

Depreciation of equipment is provided on a straight-line basis over estimated useful lives ranging from one to twenty years.

Amortization of intangible assets is also included in depreciation expense and is provided on a straight-line basis over the estimated useful lives ranging from one to forty years.

Depreciation of library books is calculated on a straight-line basis over ten years.

Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Assets are classified as Construction in Process. Construction-period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset.

Capital assets, such as roads, parking lots, sidewalks, and other nonbuilding structures and improvements are capitalized as infrastructure and depreciated accordingly.

In accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the University capitalizes computer software developed or obtained for internal use. Capitalization begins at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces.

COLLECTIONS

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are protected and preserved, neither disposed of for financial gain, nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

DEFERRED REVENUE

Deferred revenue consists primarily of cash received from grant and contract sponsors, which has not been earned under the terms of the agreement, and amounts received in advance of an event, such as student tuition, but not earned as of June 30.

INTEREST CAPITALIZATION

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The University incurred capital project interest expense of $6,090,168 and earned capital project interest income of $551,598 for the fiscal year ended June 30, 2009, resulting in net interest capitalized of $5,538,570.

ACCRUED COMPENSATED ABSENCES

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, 2009, all unused vacation leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

REVENUE RECOGNITION

Revenues, as reflected on the Statement of Revenues, Expenses, and Changes in Net Assets, include all exchange and nonexchange transactions earned and in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

Student tuition and auxiliary fees are presented net of scholarships and fellowships applied to student accounts.

Certain auxiliary operations provide goods and services to internal customers. These auxiliary operations include activities such as central stores, the print shop, and other auxiliaries with interdepartmental activities. The net effect of these internal transactions has been eliminated in the Statement of Revenues, Expenses, and Changes in Net Assets to avoid inflating revenues and expenses.

MEDICAL CENTER SALES AND SERVICE

A significant portion of the Medical Center services is rendered to patients covered by Medicare, Medicaid, or other third-party payors. The Medical Center has entered into contractual agreements with these third parties to accept payment for services in amounts less than scheduled charges. In accordance with these agreements, the difference between the contractual payments due and the Medical Center scheduled billing rates results in contractual adjustments. Patient care revenues are reported net of contractual allowances in the Statement of Revenues, Expenses, and Changes in Net Assets in the period in which the related services are rendered.

Certain annual settlements of amounts due for Medical Center services covered by third parties are determined through cost reports that are subject to audit and retroactive adjustment by the third parties. Provisions for possible adjustments of cost reports have been estimated and reflected in the accompanying financial statements. Because the determination of settlements in prior years has been based on reasonable estimation, the difference in any year between the originally estimated amount and the final determination is reported in the year of determination as an adjustment to Medical Center revenues.

REVENUE AND EXPENSE CLASSIFICATIONS

The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from activities having the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include student tuition and fees, net of scholarship discounts and allowances; sales and services of auxiliary enterprises, net of scholarship discounts and allowances; federal, state, local, and nongovernmental grants and contracts; and sales and services of educational departments. With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

Nonoperating revenues include activities having the characteristics of nonexchange transactions, meaning revenues are received for which goods and services are not provided. Nonoperating revenues include revenues from gifts; state appropriations; investment and interest income; and other revenue sources.

SCHOLARSHIP ALLOWANCE

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discount and allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. Financial aid to students is reported using the alternative method as recommended by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship discount and allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

DISCOUNTS, PREMIUMS, AND BOND ISSUANCE COSTS

Bonds payable on the Statement of Net Assets are reported net of related discounts and premiums, which are expensed over the life of the bond. Similarly, bond issuance costs are reported as a noncurrent asset that is amortized over the life of the bond on a straight-line basis.

INCOME TAX STATUS

The University of Virginia is an agency of the Commonwealth of Virginia and is exempt from Federal Income tax under Section 115(a) of the Internal Revenue Code. The University Related Organizations are 501(c)(3) organizations and are exempt from Federal Income tax under the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

COMPARATIVE DATA

The University presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior-year information should be read in conjunction with the University's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

RESTATEMENTS AND RECLASSIFICATIONS

Certain amounts from the prior fiscal year have been restated and reclassified to conform to current-year presentation. The July 1, 2008, beginning net assets as originally reported were overstated by $134,741 as a result of the misclassification of a building at the University's College at Wise as a nondepreciable capital asset. The building has been reclassified and the prior years' accumulated depreciation of $134,741 has been adjusted. The following summarizes restatements that have been made to the ending balance of fiscal year 2008 (in thousands):

Net Assets reported at June 30, 2008	$	5,638,754
Reclassification of nondepreciable capital asset to depreciable, net of accumulated depreciation		(135)
BEGINNING NET ASSETS AT JULY 1, 2008, AS RESTATED	**$**	**5,638,619**

Note 2: Cash, Cash Equivalents, and Investments

The University of Virginia Investment Management Company (UVIMCO) administers and manages the majority of the University's investments in a long-term investment pool. The Long-Term Pool (LTP) includes endowment assets. Operating funds are primarily invested for short periods of time and are managed by the University in the Aggregate Cash Pool.

UVIMCO is governed by a board of ten directors, three of whom are appointed by the Board of Visitors of the University of Virginia and one of whom is appointed by the University president.

The University monitors and receives periodic reports on the long-term investment policy executed by UVIMCO. It is the policy of the University to comply with the Investment of Public Funds Act, Code of Virginia Section 2.2 4500-4517, when investing tuition and educational fees that are used or required for the day-to-day operations, as permitted under the Code of Virginia Section 23-76.1.

RISK

Custodial Credit Risk is the risk that in the event of a bank failure, the University's deposits will not be honored. The University had no investments exposed to custodial credit risk as of June 30, 2009.

Interest Rate Risk is when the fair market value is adversely affected by changes in interest rates. The longer the duration of an investment, the greater the interest rate risk. Investments subject to interest rate risk at June 30, 2009, are outlined in the accompanying chart.

Credit Risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the investment of certain nonendowed assets to short-term commercial paper, certificates of deposit, asset-backed securities, and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs) and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2009, are outlined in the accompanying chart.

Concentration of Credit Risk is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed income securities. The University minimizes this risk by diversifying its investments. The University does not have investments exposed to concentration of credit risk as of June 30, 2009.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no foreign investments or deposits as of June 30, 2009.

DEPOSITS

Deposits include bank account balances and are governed by the Virginia Security of Public Deposits Act. The Act includes a cross guarantee among approved financial institutions eligible to hold public funds. In the event of a default by one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits of the defaulting entity. This cross guarantee significantly diminishes custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled $60 million at June 30, 2009. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying chart.

Credit Quality and Interest Rate Risk *(in thousands)*	Fair Value	Credit Rating	Investment Maturities (in years)			
			Less than 1 year	1–5 years	6–10 years	Greater than 10 years
CASH EQUIVALENTS						
Short-term investment pool	$ 477	Aaa				
University of Virginia Investment Management Company Aggregate Cash Pool	196,197	Unrated				
State Non-Arbitrage Program	170,354	AAAm				
TOTAL CASH EQUIVALENTS	**$ 367,028**					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities						
Demand notes due from related foundation, noninterest bearing	$ 11,633	Unrated	$ 11,633			
Note receivable, 9%	161	Unrated				$ 161
Other investments						
Federal Home Loan Bank	9,999	Aaa	9,999			
Federal Home Loan Mortgage Corporation		Aaa				
Federal National Mortgage Association	34,999	Aaa	34,999			
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISKS	**$ 56,792**		**$ 56,631**			**$ 161**
	100.0%		99.7%	0.0%	0.0%	0.3%

INVESTMENTS

For endowment investments, the University's policy is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, the University participates in the UVIMCO Long-Term Pool (LTP), which attempts to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk.

The LTP invests in a variety of asset classes, including common stocks, fixed-income, foreign investments, derivatives, private equity, and hedge funds. These assets are subject to a variety of risks. Common stocks are subject to risk that the value may fall (market risk), while fixed-income investments are subject to interest rate and credit risk. Foreign investments are subject to currency exchange rates (foreign exchange risk), political and economic developments, limited legal recourse, and markets. Derivatives such as futures, options, warrants, and swap contracts involve risks that may result in losses. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility. Hedge funds are subject to the risks contained in the underlying investments and can limit liquidity.

The Aggregate Cash Pool commingles the short-term investments of the University. The investments are valued on a daily basis by the custodian bank. Deposits and withdrawals may be processed daily. An income factor is calculated daily and includes interest and dividends earned, realized gains and losses, the change in unrealized gains and losses, and fees. Income factors are totaled on a monthly basis, and income is reinvested on the first business day of the following month.

Biannual distributions are made from the University's endowment to departments holding endowment investments. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board of Visitors may recommend increasing or decreasing the spending rate. The current policy calls for the Board of Visitors to review the inflation factor every five years. This will next occur in 2010, unless the distribution falls outside of the current 4.0 percent to 6.0 percent range. For fiscal year 2009, the endowment distribution was adjusted to 5.0 percent of the fund's market value at June 30, 2008. For fiscal year 2009, for endowments invested in the LTP, the total distribution was $163.5 million and the market value of the LTP endowment at June 30, 2009, was $2.4 billion.

At June 30, 2009, the University's investment in the LTP was $3.1 billion, representing 83 percent of invested assets. At June 30, 2009, the University's investment in the Aggregate Cash Pool was $196 million, representing 5 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

For the year ended June 30, 2009, the University had the following endowment-related activities:

Summary of Endowment Activity *(in thousands)*	Type of Endowment Fund			
	Donor-Restricted	Quasi	Trusts	Total
Investment earnings	$ (325,617)	$ (380,401)	$ (10,977)	$ (716,995)
Contributions to permanent endowment	49,212	—	—	49,212
Other gifts	—	—	2,409	2,409
Spending distribution	(76,700)	(86,831)	—	(163,531)
Transfers in/(out) *	741	103,811	(2,960)	101,592
Total Change in Endowment Funds	**$ (352,364)**	**$ (363,421)**	**$ (11,528)**	**$ (727,313)**

**Transfers into donor-restricted endowments include donor-directed income capitalizations, and transfers out of trusts include payments to income beneficiaries.*

Note 3: Statement of Net Assets Details

a. Accounts receivable: The composition of accounts receivable at June 30, 2009, is summarized as follows:

Accounts Receivable *(in thousands)*	
Patient care	$ 310,960
Grants and contracts	35,006
Pledges	18,311
Institutional loans	3,387
Equipment Trust Fund reimbursement	10,556
Auxiliary	4,168
Related foundation	2,731
Other	7,761
Less: Allowance for doubtful accounts	(234,222)
Total	**$ 158,658**

b. Notes receivable: The composition of notes receivable at June 30, 2009, is summarized as follows:

NOTES RECEIVABLE *(in thousands)*	
Perkins	$ 19,390
Nursing	1,403
Health	6
Institutional	13,735
Fraternity loan	770
House Staff loan	13
Less: Allowance for doubtful accounts	(802)
Total notes receivable, net	**34,515**
Less: Current portion, net of allowance	(4,313)
TOTAL NONCURRENT NOTES RECEIVABLE	**$ 30,202**

c. Pledges: The composition of pledges receivable at June 30, 2009, is summarized as follows:

PLEDGES *(in thousands)*	
GIFT PLEDGES OUTSTANDING	
Operations	$ 13,584
Capital	14,725
TOTAL GIFT PLEDGES OUTSTANDING	**28,309**
Less:	
Allowance for uncollectible pledges	(2,463)
Unamortized discount to present value	(2,124)
Total pledges receivable, net	**23,722**
Less current portion, net of allowance	(16,685)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 7,037**

d. Capital assets: Activity for the year ended June 30, 2009, is summarized as follows:

INVESTMENT IN PLANT—CAPITAL ASSETS *(in thousands)*	BEGINNING BALANCE JULY 1, 2008	ADDITIONS	DISPOSITIONS	ADJUSTMENTS	ENDING BALANCE JUNE 30, 2009
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 38,192	$ 341	$ —	$ (561)	$ 37,972
Construction in process	371,506	267,827	2,411	(340,867)	296,055
Software in development	10,881	11,054	—	(8,480)	13,455
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**420,579**	**279,222**	**2,411**	**(349,908)**	**347,482**
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,852,584	111,385	5,157	243,798	2,202,610
Equipment	615,882	53,304	38,331	(14,437)	616,418
Infrastructure	214,440	—	—	110,895	325,335
Improvements other than buildings	138,209	16	23	1,182	139,384
Capitalized software	32,790	—	—	8,480	41,270
Library books	105,191	3,682	376	—	108,497
Total depreciable capital assets	**2,959,096**	**168,387**	**43,887**	**349,918**	**3,433,514**
Less accumulated depreciation for:					
Buildings	(683,863)	(62,086)	(3,168)	(17,580)	(760,361)
Equipment	(389,703)	(55,026)	(25,436)	17,160	(402,133)
Infrastructure	(112,320)	(10,212)	—	374	(122,158)
Improvements other than buildings	(72,839)	(6,059)	(23)	(93)	(78,968)
Capitalized software	(24,362)	(2,592)	—	(26)	(26,980)
Library books	(81,139)	(4,002)	(377)	—	(84,764)
Total accumulated depreciation	**(1,364,226)**	**(139,977)**	**(29,004)**	**(165)**	**(1,475,364)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**1,594,870**	**28,410**	**14,883**	**349,753**	**1,958,150**
TOTAL	**$ 2,015,449**	**$ 307,632**	**$ 17,294**	**$ (155)**	**$ 2,305,632**

e. Goodwill: In May 2000, the Medical Center acquired from Augusta Health Care, Inc., the kidney dialysis assets in a transaction accounted for as a purchase. Accordingly, $987,188 was recorded as goodwill for the purchase of the assets and was amortized over five years. An additional $800,000 was recorded as goodwill for a noncompetition agreement and is being amortized over its ten-year life.

In July 2004, the Medical Center purchased Virginia Ambulatory Surgery Center (VASI), now known as Virginia Outpatient Surgery Center. As a result of the purchase, the Medical Center recorded $6,980,198 of goodwill to be amortized over a period of forty years.

In November 2004, the Medical Center purchased Amherst and Lynchburg renal facilities. As a result of the purchase, the Medical Center recorded goodwill of $3,476,068 and $4,017,321, respectively, for the Amherst and Lynchburg facilities. The goodwill is to be amortized over a period of forty years.

f. Accounts payable: The composition of accounts payable at June 30, 2009, is summarized as follows:

Accounts Payable *(in thousands)*	
Accounts payable	$ 115,102
Accrued salaries and wages payable	62,784
Other payables	38,859
TOTAL	**$ 216,745**

g. Deferred revenue: The composition of deferred revenue at June 30, 2009, is summarized as follows:

Deferred Revenue *(in thousands)*	
Grants and contracts	$ 49,073
Student payments	12,144
Other tuition and fee payments	9,778
Medical Center gift revenues	18,733
Other deferred revenues	11,061
TOTAL	**$ 100,789**

Note 4: Short-Term Debt

Short-term debt at June 30, 2009, is summarized as follows:

Short-Term Debt *(in thousands)*	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
Commercial paper, tax-exempt	$ 17,550	$ 149,585	$ 110,720	$ 56,415
TOTAL COMMERCIAL PAPER	**$ 17,550**	**$ 149,585**	**$ 110,720**	**$ 56,415**

The University has a combined taxable and tax-exempt commercial paper program that provides for bridge financing for capital projects up to a board-approved limit. The University Board of Visitors approved the current commercial paper program limit of $300,000,000 in April 2008. In fiscal year 2009, the average days to maturity for outstanding commercial paper were ninety-eight and the weighted-average effective interest rate was .62 percent.

Note 5: Long-Term Obligations

a. Long-term debt: The composition of long-term debt at June 30, 2009, is summarized as follows:

Long-Term Debt *(in thousands)*	Interest Rates	Final Maturity	Beginning Balance July 1, 2008	Additions	Reductions	Ending Balance June 30, 2009
BONDS AND NOTES PAYABLE						
Revenue bonds						
Medical Center Series 1999A (9d)	4.5% to 5.3%	2013	$ 18,935	$ —	$ 18,935	$ —
University of Virginia Series 2003A (9d)	3.31% to 3.97%	2034	82,010	—	—	82,010
University of Virginia Series 2003B (9d)	4.0% to 5.0%	2033	110,815	—	2,365	108,450
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	185,495	—	2,700	182,795
University of Virginia Series 2008 (9d)	5.0%	2040	231,365	—	—	231,365
University of Virginia Series 2009 (9d)	4.04%*	2040	—	250,000	—	250,000
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	25,077	5,555	9,787	20,845
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	2,910	—	1,420	1,490
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	12,360	—	1,985	10,375
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	37,105	—	115	36,990
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	11,010	—	255	10,755
Other	various	2009	298	—	77	221
TOTAL BONDS AND NOTES PAYABLE			**$ 717,380**	**$ 255,555**	**$ 37,639**	**$ 935,296**
Less current portion of debt			(13,047)	(465)	—	(13,512)
Bond premium			23,898	—	1,024	22,874
Deferred loss on early retirement of debt			(4,696)	—	(397)	(4,299)
NET LONG-TERM DEBT			**$ 723,535**	**$ 255,090**	**$ 38,266**	**$ 940,359**

**The University of Virginia Series 2009 (9d) revenue bonds are Build America Bonds, issued at 6.2%. With the ARRA rebate, the effective rate is reduced to 4.04%.*

On April 22, 2009, the University of Virginia issued $250,000,000 in Taxable General Revenue Pledge Bonds, Series 2009 ("Series 2009 Bonds"). The Series 2009 Bonds were issued as Build America Bonds for the purposes of the American Reinvestment and Recovery Act of 2009 (the "Act") to fund new construction on the grounds of the University of Virginia. The Series 2009 Bonds were issued with a coupon of 6.20 percent. Pursuant to the Act, the University will receive a cash subsidy payment from the United States Treasury equal to 35 percent of the interest payable on the Series 2009 Bonds on each interest payment date. The Series 2009 Bonds are due September 1, 2039, and, after taking into account the cash subsidy, were issued at a yield to maturity of 4.044 percent.

On June 15, 2009, the University called all $18,935,000 of its outstanding General Revenue Pledge Bonds, Series 1999A. The University issued tax-exempt commercial paper to finance the call. The refunding of the bonds is estimated to reduce aggregate debt service by $1,820,204, representing a net present-value savings of $1,776,146 and an accounting loss of $189,350.

During the fiscal year ended June 30, 2009, the Commonwealth of Virginia, on behalf of the University of Virginia, issued bonds of $5,554,959 to advance refund $5,556,651 of Series 1998 Bonds. The advance refunding reduced the aggregate debt service by $173,812, representing a net present-value savings of $159,035 and an accounting loss of $192,662.

The University of Virginia has a revolving credit agreement with a maximum principal amount of $82,010,000 to provide liquidity for its General Revenue Pledge Bonds, and another revolving credit agreement with a maximum principal amount of $167,990,000 to provide liquidity for all other variable-rate obligations of the University. There were no advances outstanding under either credit agreement as of June 30, 2009.

Maturities and interest on notes and bonds payable for the next five years and in subsequent five-year periods are as follows:

Maturities *(in thousands)*	Principal	Interest
2010	$ 13,512	$ 39,626
2011	13,327	39,875
2012	12,862	39,905
2013	13,385	38,555
2014	12,855	37,910
2015–2019	69,085	179,478
2020–2024	50,205	165,051
2025–2029	27,195	156,430
2030–2034	110,045	148,725
2035–2039	281,910	117,906
2040	330,915	9,083
TOTAL	**$ 935,296**	**$ 972,544**

PRIOR YEAR REFUNDINGS

In previous fiscal years, bonds and notes were issued to refund a portion of previously outstanding bonds and notes payable. Funds relating to the refundings were deposited into irrevocable trusts with escrow agents to provide for future debt service on the refunded bonds. The trust account assets and liabilities for the defeased bonds are not included in the University's financial statements. At June 30, 2009, the outstanding balance of the prior years' in-substance defeased bonds and notes totaled $46,950,000.

DERIVATIVES

At June 30, 2009, the University had two fixed-payor interest rate swaps totaling $100 million in notional amount. The underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The swaps mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated.

As of June 30, 2009, the $100 million notional amount of swaps outstanding had a negative market value of approximately $7 million, representing the amount the University would pay if the swaps were terminated on that date. The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2009, the University's swap counterparties were rated A+ and A from Standard & Poor's and Aa3 and A2 by Moody's. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. All counterparties are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2009, no collateral was required to be posted by the counterparties.

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's, respectively. The University or the counterparty may also terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, the University would be liable to the counterparty for a payment equal to the swaps' market value.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2009, is summarized as follows:

LONG-TERM LIABILITIES *(in thousands)*	BEGINNING BALANCE JULY 1, 2008	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2009
Investments held for related entities	$ 18,472	$ 60	$ 5,833	$ 12,699
Accrual for compensated absences	50,127	55,216	52,369	52,974
Perkins loan program	15,860	102	—	15,962
Investment in Culpeper Regional Hospital	—	42,264	4,567	37,697
Other postemployment benefits	6,766	867	—	7,633
Other	24,543	13,939	14,145	24,337
Subtotal	**115,768**	**112,448**	**76,914**	**151,302**
Less current portion of long-term liabilities	(53,690)	(17,889)	—	(71,579)
NET LONG-TERM LIABILITIES	**$ 62,078**	**$ 94,559**	**$ 76,914**	**$ 79,723**

NOTE 6: AFFILIATED COMPANIES

UNIVERSITY OF VIRGINIA IMAGING, L.L.C.

On March 26, 2002, the Medical Center entered into an agreement with Outpatient Imaging Affiliates of Virginia, L.L.C. (OIA) to establish University of Virginia Imaging, L.L.C. (UVI). The limited liability corporation was formed to operate an outpatient diagnostic imaging center to help respond to the need for radiology services in the Charlottesville area.

The Medical Center currently operates an outpatient imaging department offering MRI, plain film radiography, fluoroscopy, and ultrasound in office space at the Fontaine Research Park. Although available to all Medical Center physicians, the site principally serves orthopaedic physicians located at the Fontaine Office Park. UVI also provides services to outpatients from the Medical Center's primary and secondary service areas. Because the Medical Center owns 80 percent of UVI, its financial activity is presented under the consolidation method.

COMMUNITY MEDICINE, L.L.C.

On November 14, 2000, the University of Virginia established Community Medicine University of Virginia, L.L.C. (Community Medicine). Community Medicine was established as a limited liability corporation (L.L.C.) under the laws of the Commonwealth of Virginia to house physician practices. This model gives physicians an organizational structure that allows them the opportunity to practice independently in a virtual private practice environment with all the risks and gains associated with an independent model. As an L.L.C., which is a wholly-owned subsidiary of the University, Community Medicine is considered a disregarded entity for tax purposes and its financial activity is accounted for under the consolidation method.

Community Medicine commenced operations on July 1, 2001, and as of June 30, 2009, the Medical Center's investment totaled $1,810,000.

CENTRAL VIRGINIA HEALTH NETWORK, INC.

In May 1995, the Medical Center joined the Central Virginia Health Network, Inc. (CVHN), a partnership of eight Richmond-area hospitals. CVHN was formed to provide an efficient and coordinated continuum of care, with services ranging from acute hospital treatment to primary physician care and home health services.

The Medical Center originally paid $100 for 10,000 shares of common stock and $109,900 as additional paid-in capital. In addition, the Medical Center is obligated for monthly dues to CVHN of $15,913. Complete financial statements can be obtained from the registered agent: Steven D. Gravely, Esq., Mezzullo and McCandlish, P.O. Box 796, Richmond, Virginia 23206.

UNIVERSITY OF VIRGINIA/HEALTHSOUTH, L.L.C.

The Medical Center entered into a joint venture with HEALTHSOUTH Corporation to establish an acute rehabilitation facility, located at the Fontaine Research Park in Charlottesville, Virginia, to provide patient services to the region. The Medical Center made a capital contribution of $2,230,000 to the joint venture in May 1996, which represents a 50 percent interest. Complete financial statements can be obtained from the managing member: HEALTHSOUTH Corporation, 7700 East Parham Road, Richmond, Virginia 23294.

VALIANCE HEALTH, L.L.C.

In November 1997, the Medical Center became a participant with Rockingham Memorial Hospital and Augusta Health Care, Inc., in Valiance Health, L.L.C. (Valiance), a joint venture integrating and coordinating the delivery of health care services in central and western Virginia. The Medical Center contributed $100,000 in initial capital, which entitles it to a pro-rata distribution of any profits and losses of Valiance. As of June 30, 2009, the Medical Center's investment totaled $500,000.

UNIVERSITY HEALTHSYSTEM CONSORTIUM (UHC)

In December 1986, the Medical Center became a member of the University HealthSystem Consortium (UHC). Founded in 1984, UHC is an alliance of the clinical enterprises of academic health centers. While focusing on the clinical mission, UHC is mindful of and supports the research and education missions. The mission of UHC is to advance knowledge, foster collaboration, and promote change to help members compete in their respective health care markets. In keeping with this mission, UHC helps members pool resources, create economies of scale, improve clinical and operating efficiencies, and influence the direction and delivery of health care. Accordingly, UHC is organized and operated on a cooperative basis for the benefit of its patron-member health systems.

UHC is a not-for-profit organization. It is incorporated as a nonstock corporation and designated as a nonexempt cooperative that is taxable under Subchapter T, section 1382–1388, of the Internal Revenue Code. As such, UHC's bylaws provide for distributions of patronage dividends to its patrons. This allocation is based on the value of business done with or for each patron by UHC. The Medical Center records the portion of the patronage dividends that were held by UHC as patronage equity.

CULPEPER REGIONAL HOSPITAL

On December 31, 2008, the University of Virginia Medical Center and Culpeper Regional Hospital entered into a partnership agreement, whereby the Medical Center obtained a 49 percent interest in Culpeper Regional Hospital, with a $41.2M investment. The Medical Center uses the equity method of consolidation in order to reflect the Medical Center's investment in Culpeper Regional Hospital.

As of June 30, 2009 *(in thousands)*	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	$ 687	$ 2,546	$ 3,233
Community Medicine, L.L.C.	1,810	(4,038)	(2,228)
Central Virginia Health Network, Inc.	232	(41)	191
HEALTHSOUTH, L.L.C.	1,355	6,558	7,913
Valiance, L.L.C.	—	1,276	1,276
University HealthSystem Consortium	—	647	647
Culpeper Regional Hospital	41,248	219	41,467

HEALTHCARE PARTNERS, INC.

In May 1995, HealthCare Partners, Inc. (HealthCare Partners), a nonstock, nonprofit corporation, was established to support networking, external business relationships with neighboring hospitals and physicians groups, and expansion of primary care activities. The Medical Center and the Health Services Foundation are the primary contributors to the funding of the corporation. The corporation is governed by a board of directors composed of Health System staff, community members, and University Board of Visitors appointees.

Note 7: Component Units

Summary financial statements and additional disclosures are presented below.

Statement of Financial Position *(in thousands)* *as of June 30, 2009*	University of Virginia Law School Foundation	University of Virginia Darden School Foundation	Alumni Association of the University of Virginia	Virginia Athletics Foundation*	University of Virginia Foundation	University of Virginia Health Services Foundation	University of Virginia Investment Management Company	Component Units Subtotal	Eliminations	Component Units Total
ASSETS										
Current assets										
Total current assets	**$ 25,215**	**$ 20,165**	**$ 49,627**	**$ 28,063**	**$ 20,933**	**$ 76,130**	**$ 213,003**	**$ 433,136**	**$ —**	**$ 433,136**
Noncurrent assets										
Long-term investments	225,746	177,117	277,744	47,851	64,235	126,240	3,829,859	4,748,792	(716,418)	4,032,374
Capital assets, net, and other assets	6,241	89,495	34,991	24,782	222,550	29,265	1,095	408,419	—	408,419
Total noncurrent assets	**231,987**	**266,612**	**312,735**	**72,633**	**286,785**	**155,505**	**3,830,954**	**5,157,211**	**(716,418)**	**4,440,793**
TOTAL ASSETS	**$ 257,202**	**$ 286,777**	**$ 362,362**	**$ 100,696**	**$ 307,718**	**$ 231,635**	**$ 4,043,957**	**$ 5,590,347**	**$ (716,418)**	**$ 4,873,929**
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	**$ 274**	**$ 7,001**	**$ 59,835**	**$ 634**	**$ 63,992**	**$ 94,687**	**$ 4,034,136**	**$ 4,260,559**	**$ (716,418)**	**$ 3,544,141**
Noncurrent liabilities										
Long-term debt, net of current portion of $12,706	—	49,347	18,003	—	127,399	40,650	—	235,399	—	235,399
Other noncurrent liabilities	521	—	21,201	683	42,779	62,345	3,738	131,267	—	131,267
Total noncurrent liabilities	**521**	**49,347**	**39,204**	**683**	**170,178**	**102,995**	**3,738**	**366,666**	**—**	**366,666**
TOTAL LIABILITIES	**$ 795**	**$ 56,348**	**$ 99,039**	**$ 1,317**	**$ 234,170**	**$ 197,682**	**$ 4,037,874**	**$ 4,627,225**	**$ (716,418)**	**$ 3,910,807**
NET ASSETS										
Unrestricted	$ 31,108	$ 72,540	$ 35,013	$ 35,698	$ 5,681	$ 28,297	$ 6,083	$ 214,420	$ —	$ 214,420
Temporarily restricted	123,702	50,535	81,763	39,486	53,091	5,656	—	354,233	—	354,233
Permanently restricted	101,597	107,354	146,547	24,195	14,776	—	—	394,469	—	394,469
TOTAL NET ASSETS	**256,407**	**230,429**	**263,323**	**99,379**	**73,548**	**33,953**	**6,083**	**963,122**	**—**	**963,122**
TOTAL LIABILITIES AND NET ASSETS	**$ 257,202**	**$ 286,777**	**$ 362,362**	**$ 100,696**	**$ 307,718**	**$ 231,635**	**$ 4,043,957**	**$ 5,590,347**	**$ (716,418)**	**$ 4,873,929**

**December 31, 2008, year-end*

PLEDGES RECEIVABLE

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units recorded an allowance against pledges receivable for estimated uncollectible amounts. The **Health Services Foundation** does not accept gifts. Unconditional promises to give at June 30, 2009, are as follows:

Summary Schedule of Pledges Receivable *(in thousands)* *as of June 30, 2009*	University of Virginia Law School Foundation	University of Virginia Darden School Foundation	Alumni Association of the University of Virginia	Virginia Athletics Foundation*	University of Virginia Foundation	University of Virginia Health Services Foundation	University of Virginia Investment Management Company	Component Units Total
Total pledges receivable	**$ 14,266**	**$ 19,108**	**$ 20,738**	**$ 44,112**	**$ —**	**$ —**	**$ —**	**$ 98,224**
Less allowance for uncollectible accounts	(886)	(1,682)	(1,672)	(4,655)	—	—	—	(8,895)
Less effect of discounting to present value	(2,609)	(2,258)	(2,223)	(1,495)	—	—	—	(8,585)
Net pledges receivable	**10,771**	**15,168**	**16,843**	**37,962**	**—**	**—**	**—**	**80,744**
Less current pledges	(4,805)	(3,447)	(4,808)	(14,411)	—	—	—	(27,471)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 5,966**	**$ 11,721**	**$ 12,035**	**$ 23,551**	**$ —**	**$ —**	**$ —**	**$ 53,273**

**December 31, 2008, year-end*

The **University of Virginia Law School Foundation** has received bequest intentions and certain other conditional promises to give of approximately $11 million at June 30, 2009. These intentions and conditional promises to give are not recognized as assets, and if they are received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for scholarships and professorships.

Pledges receivable for the **Virginia Athletics Foundation** are for several programs. The majority of these are for the Arena Campaign.

INVESTMENTS

Investments are recorded at market value, which is determined by readily available quotes on the stock exchange or as quoted by the **University of Virginia Investment Management Company (UVIMCO)**. Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class at June 30, 2009, for the component units are as follows:

Summary Schedule of Investments *(in thousands)* *as of June 30, 2009*	University of Virginia Law School Foundation	University of Virginia Darden School Foundation	Alumni Association of the University of Virginia	Virginia Athletics Foundation*	University of Virginia Foundation	University of Virginia Health Services Foundation	University of Virginia Investment Management Company	Component Units Total
Private placements and limited partnerships	$ 35	$ —	$ —	$ —	$ —	$ —	$ 1,190,280	$ 1,190,315
University of Virginia Investment Management Company	156,402	169,278	261,084	47,291	50,411	31,952	—	716,418
Equities	42	3,340	7,141	149	—	11,641	924,079	946,392
Other	89,367	8,737	9,524	1,083	24,466	96,830	1,927,283	2,157,290
Total investments	**$ 245,846**	**$ 181,355**	**$ 277,749**	**$ 48,523**	**$ 74,877**	**$ 140,423**	**$4,041,642**	**$ 5,010,415**
Less amounts shown in current assets	(20,100)	(4,238)	(5)	(672)	(10,642)	(14,183)	(211,783)	(261,623)
Less eliminations	(156,402)	(169,278)	(261,084)	(47,291)	(50,411)	(31,952)	—	(716,418)
LONG-TERM INVESTMENTS	**$ 69,344**	**$ 7,839**	**$ 16,660**	**$ 560**	**$ 13,824**	**$ 94,288**	**$3,829,859**	**$4,032,374**

**December 31, 2008, year-end*

UVIMCO has investments in limited-partnership hedge funds, private equity and venture capital investments, or similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at estimated fair market value, based on **UVIMCO**'s interest in the investee as determined and reported by the external manager of the investment. Such investments represent $1,427,091,895 (36 percent of investments held for others) at June 30, 2009. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

PROPERTY, FURNISHINGS, AND EQUIPMENT

The property, furnishings, and equipment of the **University of Virginia Foundation** and the **University of Virginia Darden School Foundation** are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over estimated useful lives of five to thirty-nine years using the straight-line method. As of June 30, 2009, capital assets consisted of (in thousands):

	University of Virginia Foundation	University of Virginia Darden School Foundation
Land	$ 60,772	
Buildings and improvements	188,453	$ 103,064
Furnishings and equipment	21,328	1,200
Total	**270,553**	**104,264**
Less accumulated depreciation	(64,673)	(26,841)
NET CAPITAL ASSETS	**$ 205,880**	**$ 77,423**

NOTES PAYABLE

The **University of Virginia Foundation** has established a line of credit with Wachovia Bank in the amount of $34 million. The outstanding balance at June 30, 2009, was $34 million. The Foundation has a second line of credit with Bank of America in the amount of $40 million. The outstanding balance on this line was $25 million at June 30, 2009.

The University has allocated up to $51 million of its quasi-endowment funds for use by the Foundation to acquire and develop real estate. As of June 30, 2009, the Foundation had borrowed $12 million of these funds to acquire properties on behalf of the University. These notes payable are noninterest bearing and due on demand.

LONG-TERM DEBT

The following table summarizes the long-term obligations of the **University of Virginia Darden School Foundation**, the **University of Virginia Foundation**, and the **University of Virginia Health Services Foundation** at June 30, 2009 (in thousands):

	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
University of Virginia Phase I and II Darden School Facilities	$ 52,780		
Operating loan		$ 25,407	
1997 Industrial Development Authority revenue bonds–Louisa		5,046	
1998 Refunding bonds			$ 13,800
1999 Mortgage note payable		6,695	
2000 Industrial Development Authority revenue bonds–Louisa			4,560
2001 Refinancing demand bonds		41,060	
2004 Refinancing note payable		9,744	
2006 Refinancing demand bonds		47,910	
2009 Economic Development Authority revenue bonds–Albemarle			23,100
Total	**52,780**	**135,862**	**41,460**
Less portion due within one year	(3,433)	(8,463)	(810)
LONG-TERM DEBT, NET OF CURRENT PORTION	**$ 49,347**	**$ 127,399**	**$ 40,650**

Principal maturities of all mortgages and notes payable after refinancing for the **University of Virginia Darden School Foundation**, the **University of Virginia Foundation**, and the **University of Virginia Health Services Foundation** are as follows (in thousands):

	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
Year ended June 30, 2010	$ 3,433	$ 8,463	$ 810
Year ended June 30, 2011	3,618	16,254	1,260
Year ended June 30, 2012	3,822	3,710	1,315
Year ended June 30, 2013	4,032	12,962	1,375
Year ended June 30, 2014	4,241	7,749	1,440
Years ended June 30, 2015–2033	33,634	86,724	35,260
TOTAL	**$ 52,780**	**$ 135,862**	**$ 41,460**

Statement of Activities *(in thousands)* *for the year ended June 30, 2009*	University of Virginia Law School Foundation	University of Virginia Darden School Foundation	Alumni Association of the University of Virginia	Virginia Athletics Foundation*	University of Virginia Foundation	University of Virginia Health Services Foundation	University of Virginia Investment Management Company	Component Units Total
UNRESTRICTED REVENUES AND SUPPORT								
Contributions	$ 2,196	$ 3,482	$ 600	$ 15,720	$ —	$ —	$ —	$ 21,998
Fees for services, rentals, and sales	—	25,337	2,307	744	41,797	202,474	—	272,659
Other revenues	(18,096)	(6,361)	15,691	4,778	7,476	50,497	10,839	64,824
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**(15,900)**	**22,458**	**18,598**	**21,242**	**49,273**	**252,971**	**10,839**	**359,481**
EXPENSES								
Program services, lectures, special events	12,692	37,146	28,749	11,094	—	237,988	—	327,669
Other expenses	4,266	4,155	5,115	23,749	47,184	42,396	9,980	136,845
TOTAL EXPENSES	**16,958**	**41,301**	**33,864**	**34,843**	**47,184**	**280,384**	**9,980**	**464,514**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(32,858)**	**(18,843)**	**(15,266)**	**(13,601)**	**2,089**	**(27,413)**	**859**	**(105,033)**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Contributions	$ 4,702	$ 961	$ 27,938	$ 1,373	$ —	$ —	$ —	$ 34,974
Other	(37,655)	(46,184)	(88,348)	(22,499)	(12,008)	(1,840)	—	(208,534)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**(32,953)**	**(45,223)**	**(60,410)**	**(21,126)**	**(12,008)**	**(1,840)**	**—**	**(173,560)**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS								
Contributions	$ 3,970	$ 24	$ 5,484	$ 3,275	$ —	$ —	$ —	$ 12,753
Other	1,277	—	(1,673)	(31)	(4,844)	—	—	(5,271)
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	**5,247**	**24**	**3,811**	**3,244**	**(4,844)**	**—**	**—**	**7,482**
CHANGE IN NET ASSETS	**(60,564)**	**(64,042)**	**(71,865)**	**(31,483)**	**(14,763)**	**(29,253)**	**859**	**(271,111)**
Net assets, beginning of year	316,971	294,471	335,188	130,789	88,311	63,206	5,224	1,234,160
Cumulative effect of FMV option	—	—	—	73	—	—	—	73
NET ASSETS, END OF YEAR	**$ 256,407**	**$ 230,429**	**$ 263,323**	**$ 99,379**	**$ 73,548**	**$ 33,953**	**$ 6,083**	**$ 963,122**

**December 31, 2008, year-end*

SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY OF VIRGINIA

The University provides certain services for the **University of Virginia Darden School Foundation** that are reimbursed by the Foundation monthly.

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2009, totaled $1 million. This amount includes gift transfers, payment for facilities and services, and other support for University activities.

The **University of Virginia Health Services Foundation** has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately $54 million for the year ended June 30, 2009. Approximately $20 million of the fiscal year payments received relates to disproportionate share funds paid for indigent patients served by the Foundation. The **University of Virginia Health Services Foundation** contributed $16 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2009.

Note 8: Expense Classification Matrix

Operating Expenses by Functional Classification *(in thousands)* *for the year ended June 30, 2009*	Compensation and Benefits	Supplies, Utilities, and Other Services	Student Aid	Depreciation	Other	Total
Instruction	$ 281,117	$ 26,173	$ 3,737	$ —	$ 1,098	$ 312,125
Research	171,168	93,255	16,478	—	352	281,253
Public service	14,794	12,494	701	—	700	28,689
Academic support	87,897	31,663	797	—	204	120,561
Student services	27,403	5,876	313	—	128	33,720
Institutional support	76,739	9,508	78	—	367	86,692
Operation of plant	67,231	7,337	6	—	109	74,683
Student aid	929	4,433	40,469	—	194	46,025
Auxiliary	64,688	63,269	171	—	501	128,629
Depreciation	—	—	—	89,025	—	89,025
Patient services	421,169	438,924	—	52,313	30,811	943,217
Other	2,099	11,130	—	—	—	13,229
TOTAL	**$ 1,215,234**	**$ 704,062**	**$ 62,750**	**$ 141,338**	**$ 34,464**	**$ 2,157,848**

Note 9: Appropriations

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

A summary of state appropriations received by the University and the University's College at Wise, including all supplemental appropriations and reversions, is provided in the chart below.

Appropriations *(in thousands)*	
Original legislative appropriation per Chapter 847	$ 162,278
Adjustments	
Financial Aid—General Fund	11,049
2009 Budget Reduction	(10,399)
Eminent Scholars	2,818
SWVA Public Education Consortium	298
Allot funds for Engineering Telecommunications Project	775
Financial Assistance for E&G	3,256
Employee benefits	(394)
Miscellaneous educational and general	497
TOTAL	**$ 170,178**

Note 10: Retirement Plans

Employees of the University are employees of the Commonwealth. Substantially all (96 percent) of salaried classified and University staff employees, 11 percent of faculty, and 20 percent of Medical Center employees participate in a defined-benefit pension plan administered by the Virginia Retirement System (VRS). The VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report (CAFR)*. The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2009. The Commonwealth, not the University, has overall responsibility for contributions to this plan.

Eighty-nine percent of teaching, research, and administrative faculty, 4 percent of University staff, and 80 percent of Medical Center employees participate in Optional Retirement Plans. The Optional Retirement Plan is a defined-contribution plan to which the University contributes an amount established by statute. Participants are fully vested immediately. The Medical Center Retirement Plan is a defined-contribution plan to which the University contributes an amount determined by the Board of Visitors. Medical Center employees are fully vested after one or two years of employment, depending on their date of hire.

Total pension costs under the Optional Retirement Plans were approximately $46 million, and contributions were calculated using base salaries of $524 million, for the year ended June 30, 2009. The contribution percentage amounted to 8.7 percent.

State employees may elect to participate in the Commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period, with the Commonwealth matching up to $20 per pay period. This dollar-amount match can change depending on the funding available in the Commonwealth's budget. The Deferred Compensation Plan is a qualified defined-contribution plan under section 401(a) of the Internal Revenue Code. Employer contributions under the Deferred Compensation Plan were approximately $8 million for the fiscal year ended June 30, 2009.

Note 11: Postemployment Benefits Other Than Pension Benefits

The University participates in the Commonwealth of Virginia-sponsored Virginia Retirement System-administered statewide group life insurance program, which provides postemployment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least fifteen years of state service. Information related to these plans is available at the statewide level in the Commonwealth's CAFR.

University of Virginia faculty who participate in the Optional Retirement Plan receive $10,000 in retiree life insurance. Medical Center employees who participate in the Optional Retirement Plan have a variety of retiree life insurance options depending on termination date and years of service. Benefit provisions for this plan are established and maintained by the University under the authority of the Board of Visitors. This Optional Retirement Plan is a single-employer plan administered by the University. The University does not issue stand-alone financial statements for this plan.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, calls for the measurement and recognition of the cost of other postemployment benefits (OPEB) during the periods when employees render their services. The statement also establishes more comprehensive disclosure for OPEB obligations. OPEB refers to postemployment benefits other than pension benefits and includes postemployment health care benefits and other types of postemployment benefits if provided separately from a pension plan. The University implemented GASB 45 prospectively as of June 30, 2008, with a zero net OPEB obligation at transition.

University employees who retire before becoming eligible for Medicare participate in the Retiree Health Plan, which mirrors the University's Health Plan for active employees, until they are Medicare-eligible. At that time, University retirees can participate in the Commonwealth's Medicare Supplement Plan.

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2009, the University contributed $3,520,504 to the plan for retiree claims. Retirees receiving benefits contributed $3,402,194, or approximately 49 percent of the total premiums, through their required contribution of $402 per month for retiree-only coverage and $817 per month for retiree-and-spouse coverage.

The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is discounted to determine the actuarial present value of total projected benefits. The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the plan.

Once the UAAL is determined, the ARC is determined as the normal cost and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Summary of Valuation Results *(in thousands)*	
Actuarial Accrued Liability by Category	
Current retirees, beneficiaries, dependents, and terminated vested members	$ 9,175
Current active members	38,120
Adjust to June 30, 2008	687
Total actuarial accrued liability as of June 30, 2009	**47,982**
Annual Required Contribution (ARC)	
ARC for June 30, 2009	7,029
Interest on net OPEB obligation	189
ARC adjustment to June 30, 2009	(262)
Actual contributions	(6,089)
Net increase in ARC for June 30, 2009	**867**
Actual ARC July 1, 2008	6,766
Total annual required contribution as of June 30, 2009	**$ 7,633**

As of June 30, 2009, the University has not funded this retirement plan.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the required annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the University and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2007, actuarial valuation, the University elected to use the Level Dollar Entry Age method. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and the University's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after five years. Both rates include a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009, was twenty-eight years.

Note 12: Self-Insurance

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments at June 30, 2009, was $37 million. The estimated liability for outstanding claims at June 30, 2009, was $12 million. The University has contracted with several third-party claims administrators: Southern Health Services, Inc., for its medical claims; United Concordia for its dental claims; and CVS/Caremark for its pharmacy claims.

University employees are covered by a self-insured workers' compensation benefits program administered by the Commonwealth of Virginia's Department of Human Resource Management. Information relating to this plan is available at the statewide level only in the Commonwealth's CAFR.

The University's Office of Risk Management manages all property and casualty insurance programs for the University, including the Health System and the College at Wise. At present, most insurance coverages are obtained through participation in the state risk management self-insurance plans, which are administered by the Virginia Department of the Treasury, Division of Risk Management. Risk management insurance includes property, boiler and machinery, crime, employee bond (employee dishonesty), general (tort) liability, professional liability (includes medical malpractice), aviation and watercraft coverage, and automobile liability. The University is self-insured for the first $100,000 of each property and boiler and machinery loss, and for physical damage on all vehicles valued up to $20,000. The University also maintains excess crime/employee dishonesty insurance and insurance for physical damage on vehicles valued in excess of $20,000. Separate insurance coverage is maintained as appropriate on subsidiary organizations owned by the Health System, such as Community Medicine University of Virginia, L.L.C.

Note 13: Funds Held in Trust by Others

Assets of funds held by trustees for the benefit of the University are not reflected in the accompanying Statement of Net Assets. The University has irrevocable rights to all or a portion of the income of these funds, but the assets of the funds are not under the management of the University. The market value of the funds held by trustees for the benefit of the University at June 30, 2009, was $105 million and income received totaled $6 million.

Note 14: Commitments

As of June 30, 2009, the University had outstanding construction contracts commitments of approximately $246 million.

The University has entered into numerous agreements to rent, lease, and maintain land, buildings, and equipment. With some of these agreements, the University is committed under various operating leases for equipment and space. In most cases, the University has renewal options on the leased assets for another similar term, and expects that, in the normal course of business, these leases will be replaced by similar leases. The total expense for the year ended June 30, 2009, was approximately $31 million.

The University's ongoing minimum commitments for operating leases for land, office and clinical buildings, and equipment are as follows:

Years Ending June 30 *(in thousands)*	Lease Obligation
2010	$ 12,523
2011	6,414
2012	4,172
2013	3,205
2014	2,559
2015–2019	8,636
2020–2024	4,217
2025–2029	823
2030–2034	823
2035–2039	823
2040–2044	823
2045–2049	823
2050–2054	165
TOTAL	**$ 46,006**

LITIGATION

The University is a defendant in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

UNIVERSITY of VIRGINIA

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University of Virginia President's Report

Produced by the Office of Public Affairs
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Raven illustration by Edouard Manet in *Le Corbeau*, the French translation of *The Raven*, Edgar Allan Poe. Courtesy of the Albert and Shirley Small Special Collections Library at the University of Virginia Library.

The University of Virginia is committed to equal employment opportunity and affirmative action. To fulfill this commitment, the University administers its programs, procedures, and practices without regard to age, color, disability, marital status, national or ethnic origin, political affiliation, race, religion, sex (including pregnancy), sexual orientation, or veteran status, and operates both affirmative action and equal opportunity programs, consistent with resolutions of the Board of Visitors and with federal and state requirements, including the Governor's Executive Order on Equal Opportunity. The University's policies on "Preventing and Addressing Discrimination and Harassment" and "Preventing and Addressing Retaliation" implement this statement. The Office of Equal Opportunity Programs has complaint procedures available to address alleged violations of these policies. The ADA coordinator and the Section 504 coordinator is Brad Holland, Office of Equal Opportunity Programs, 434-924-7819. The Title IX coordinator is Darlene Scott-Scurry, director, Office of Equal Opportunity Programs, 434-924-3200. The Office of Equal Opportunity Programs is in Washington Hall, East Range, P.O. Box 400219, Charlottesville, VA 22904-4219.

An online version of this report is available at www.virginia.edu/president/report09.

Produced with private funds.

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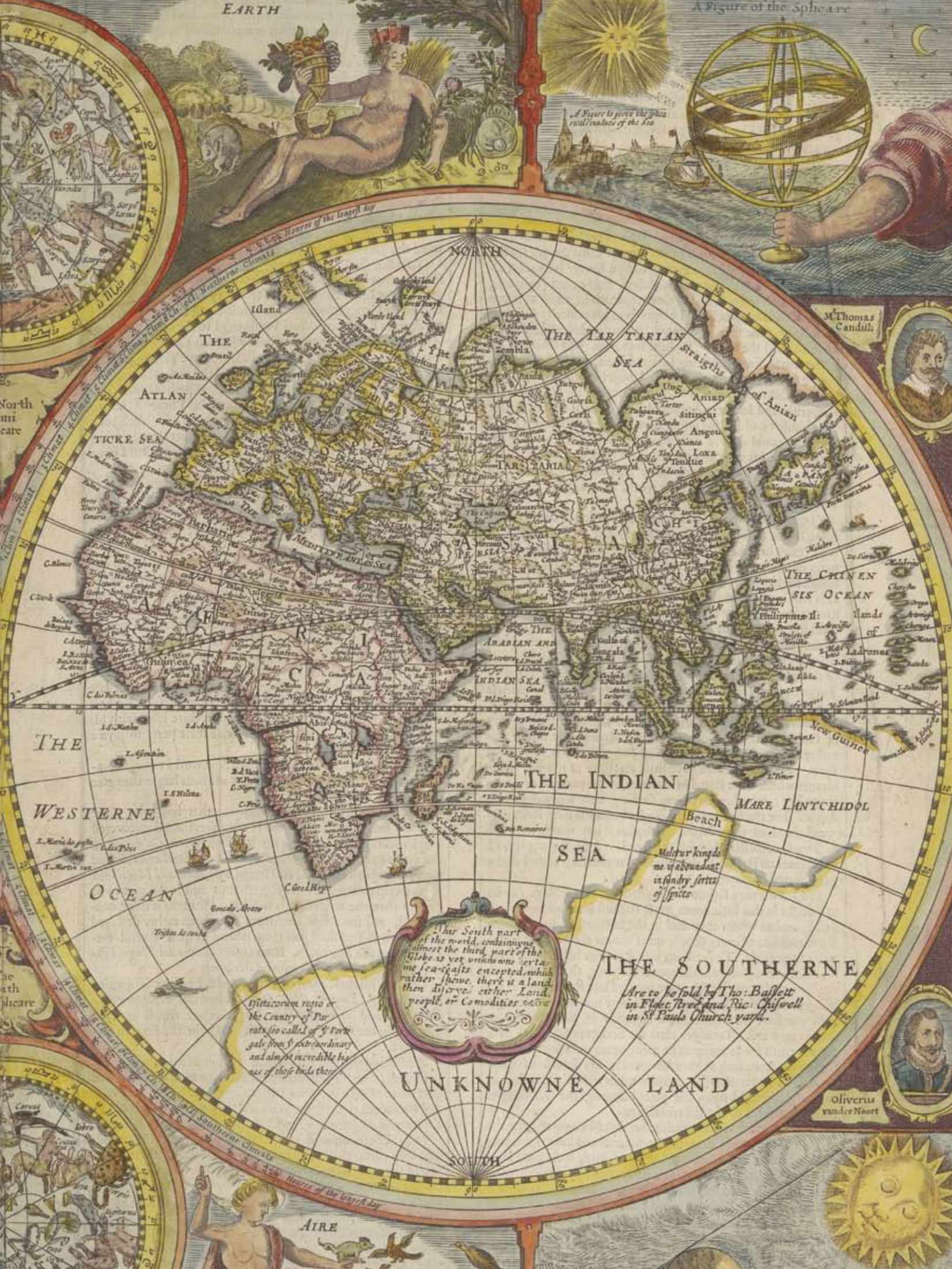
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Philippinæ Il:
Ilands of Ladrones
MEDITERRANEAN SEA
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Vittucorum regio or the Country of Parrots so called of ye Portugals from ye extraordinary and almost incredible bigness of those birds there
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