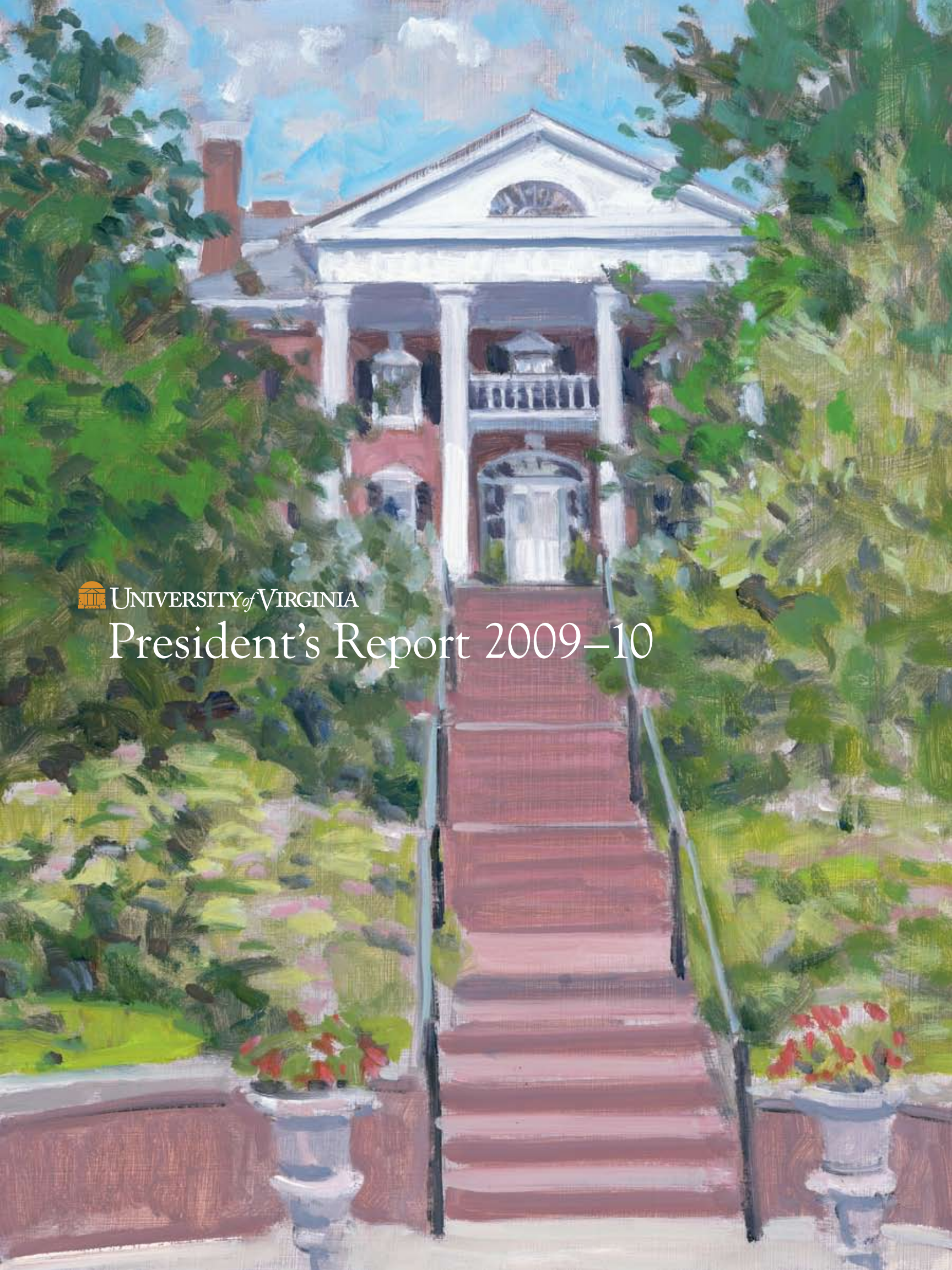




UNIVERSITY of VIRGINIA

President's Report 2009–10

ART IN THE PRESIDENT'S REPORT

The images of new buildings on the Grounds in the 2009–10 *President's Report* were captured by architectural photographer Scott Smith (Architecture '94). Mr. Smith spent several days over the spring and fall visiting recently constructed University facilities made possible by private support. Many of those buildings are included here. Thanks in large part to the Campaign for the University of Virginia, these new facilities for teaching and research are serving U.Va. students and faculty today. The buildings, which house various disciplines across the Grounds, are essential investments in higher education and the future of the University.

ABOUT THE COVER

The front cover is *Carr's Hill* by Richard Crozier, professor of painting and drawing in the McIntire Department of Art. Mr. Crozier also painted the view of the Rotunda from Carr's Hill for the Financial Report interior cover on page thirty-five.

At right:

FAYERWEATHER HALL | *College and Graduate School of Arts & Sciences*

A long skylight is among the original architectural features restored in the renovated Fayerweather Hall, which houses the art history program and encompasses the Carl H. and Martha S. Lindner Center for Art History. Natural light brightens offices and other interior areas. The renovation provided offices for faculty and graduate students, an archaeology study facility, and additional space for the program.

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Final Address of John T. Casteen III



When John T. Casteen III became the seventh president of the University of Virginia in 1990, his inaugural address opened the President's Report for that year. An adapted version of his address at Final Exercises on May 23, 2010, appears in the 2009–10 *President's Report* as Mr. Casteen's final annual report to the University community.

On the 20th of August, 2006, at six o'clock in the evening, at the University's first Exercise, the convocation welcoming new undergraduate students, what was then our entering class in the undergraduate schools gathered at the other end of the Lawn, and they sat through the gathering twilight facing north toward the Rotunda. They did it to hear my words of welcome, and to join the Honor System, and to become acquainted with one another as we began the academic year that for most of you who graduate today was the beginning of your time here.

Today, once again, on the occasion of these Final Exercises, you gather as a larger class, pulling together all of the graduates of all of the undergraduate and graduate schools, here on this end of the Lawn, but now you face the other way, you face south. In a sense this is a day of looking back on your time as a student here. I hope that it is for you a day of expressing gratitude to the persons who have made this day possible for you: parents, family members, teachers, mentors, close friends. This is also a day to celebrate you and your achievements.

During your time here, you have made your mark both as individual scholars and as a class. You have participated in discourse defined by academic rigor and by the decree that we will "follow truth wherever it may lead" and that we will "tolerate any error so long as reason is left free to combat it."

You have wrestled with complexities and ambiguities. In the process, if you have been fortunate, perhaps you have also developed or discovered within yourself a measure of one element of the modern mind, one that became a part of the language of intellectual discourse in this country in the early nineteenth century, when as a very young man the English poet John Keats wrote to his brother and sister-in-law a letter that gave shape and substance to the modern mind. He described in that letter what he called "negative capability"—the capacity to live in a state of uncertainty, in a state in which not every incongruity is resolved, and yet despite the fact that all is not demonstrable, to live truth itself.

During your years here you have learned independence; you have lived a life of self-reliance. You have belonged to a unique culture defined by principles of honor, civility, mutual respect, and service to the common good. You do not leave this culture behind when you leave this place; you take it with you to the communities and careers you will enter after this day.

In thinking about this speech and thinking about you, I began thinking about two founding figures of our own American culture who also contributed first to our national narrative and then to the ways in which our minds work: Thomas Jefferson and Ralph Waldo Emerson. Each in his own way shaped our early Republic and helped

define the American experience: Jefferson, as political leader, author of the Declaration of Independence and other documents on which we ground our concept of democracy, and father of this University; Emerson, as philosopher, essayist, and great poet of transcendentalism. Both men, in distinctive ways, set the mold for what it means to be an intellectual, to live the life of the mind, in America.

In August 1837, eleven years after Jefferson's death, Emerson spoke to the Phi Beta Kappa Society at Harvard on the topic, "The American Scholar." At that time, six decades after we had achieved our independence from England, America and its culture were still heavily influenced by Europe. Emerson and other thinkers were eager to break those bonds, to turn away from the Old World and to forge a new national identity. In his address, Emerson described a framework for building a distinctly American cultural identity. Oliver Wendell Holmes later called the speech our "intellectual Declaration of Independence."

In the speech, Emerson encouraged American scholars to learn from the past through the study of great literature and art, but also to think independently to avoid becoming what he called a "parrot of other men's thinking." In the ultimate point of the speech, he encouraged scholars to convert their study into action. He said, "The true scholar grudges every opportunity of action



John T. Casteen III, the seventh president of the University of Virginia

passed by, as a loss of power.” The statement echoes Jefferson’s arguments that all science, all learning in the American university must be “useful” and that “knowledge is power.” If we turn around Mr. Jefferson’s argument, we may assert that learning becomes worthless when left unused, that knowledge not converted into action loses its power.

Now, this raises a question for those of you in this graduating class: What will you do with the knowledge you have acquired here? How will you act in the world? Will you use your learning? Will you derive power from your new knowledge? And if you do that, how will you use that power, and what difference will it make to the world in the generation for which you become responsible as you go from here today?

These questions occur within contexts, of course, and the contexts include the

realities of good and evil. I’m using the terms here in the secular sense. They have to do with both personal and public concepts of good and evil. Just as our University has not been perfect in your time here, the world to which you go is flawed and, in some senses, corrupt. In many parts of the world, evil rules and visits destruction and inhuman conditions of life on those least deserving of it and least able to protect themselves from harm. Unjust war and civic unrest, political oppression and military atrocities, acts of senseless violence that dumbfound us with their cruelty and disregard for human life—these have been front-page stories for most of the last century, and longer.

And yet, goodness also has existed here in your time as a student, and it exists also in the world to which you go now. It exists, though, with the condition that good in the

world to which you go is yours to foster, to create. You have the capacity and the obligation to fight evil and inequity. Albert Camus wrote that “The evil that is in the world almost always comes out of ignorance ...” Knowledge, then, is evil’s first enemy and good’s first line of defense. The challenge, of course, is for you to use what you have learned here in the role of agent for good.

Earlier in these remarks, I mentioned John Keats. When Keats was twenty-two years old—the age that many of you are today—he wrote a letter to John Hamilton Reynolds comparing human life to a “mansion of many apartments.” He described the first room in this mansion as the “infant or thoughtless chamber,” where we remain for as long as we do not think. When we begin to think and to consider the world around us, we enter the second “chamber of maiden-



thought,” where our understanding of the world sharpens, and we are intoxicated by the beauty around us—but also where we come to see that the world contains misery, pain, and heartbreak. Just as we acquire this knowledge of the world’s disappointments and complexities, the second chamber goes dim, and on all sides, many doors swing open. These doors lead to dark, unexplored passageways. At this point of choice, we feel “the burden of the mystery,” as Keats describes it. Here we must decide for ourselves whether or not to act—whether we will step out courageously to explore those dark passages. Keats believed that he himself was at this in-between moment of deciding what to do when he wrote the letter. Implicitly, he argued that the step out into the darkness, into unknowns, is the first step into the world where each person can discover, create, make,

do—the place where good becomes possible because for the first time, we—you—must choose which way you go.

Like Keats at twenty-two, you know now something of the world’s beauty and also something of its evils. Now doorways are swinging open all around you, leading to unexplored passages. Opportunities abound, but you must act, and the first action is to choose your door and step boldly through it. Our role as your faculty has been to push you to be alert, eager, intellectually capable, and tested women and men. We know what you can do. We believe in you. We have had the responsibility to prepare you to take charge, to exercise every right and to fulfill every responsibility. We hope that we have taught you to flourish, to prosper.

What goes away as you leave this place, but comes back in memory and comes back

in reality when you come back to visit here: the murmur that you hear in libraries or in study groups as people work together in the evening. The sounds of music. The sounds of people talking to their parents on cell phones as they walk through corridors or down the Lawn. The sound of ROTC units running past on their morning workouts. The sounds of the marching band practicing at Carr’s Hill Field. The sounds of student life—sorority rush, being together in the groups that define the community of student existence. The sounds of carols sung right at the end of the semester, as you would rather go home, but then you hear that music and you stay a bit longer. The sounds of children on the Lawn during Halloween. The Chapel’s bells. The cheers at games, no matter what the sport. And the name of Yeardeley Love. 🏛️

Year at a Glance

SEPTEMBER 2009–SEPTEMBER 2010

Alexander Calder's *Untitled* 1976



SEPTEMBER 2009

After completing a five-month renovation, the University of Virginia Art Museum reopens with a series of exhibitions including “Thomas Jefferson’s Academical Village: The Creation of an Architectural Masterpiece.” Now hanging in the entry gallery is an Alexander Calder mobile, loaned by the Calder Foundation.

U.Va.’s new MR-Guided Focused Ultrasound Surgery Center opens. The center uses a hybrid technology that integrates the visualization capabilities of MRI with the intense energy of precisely focused ultrasound.

Nobel Peace Prize laureate Muhammad Yunus, an advocate for microfinance, speaks at University Hall. His concept of collateral-free microloans to the poor has led to a global movement that has disbursed more than \$20 billion to nearly 100 million households in more than fifty countries, including the United States.

OCTOBER 2009

The Thomas Jefferson Award, the University’s highest honor, is given at Fall



Convocation. The award for service goes to President John T. Casteen III, and the award for scholarship is given to J. Thomas Parsons, the F. Palmer Weber Professor of Medical Research and chair of the Department of Microbiology.

The Carter G. Woodson Institute for African-American and African Studies hosts a symposium celebrating the 100th anniversary of the National Association for

the Advancement of Colored People. Julian Bond, professor of history and chairman of the NAACP, gives the keynote address.

The University of Virginia’s Creative Writing Program ranks third among 140 full-residency programs, according to a survey by *Poets & Writers* magazine.

NOVEMBER 2009

To decrease congestion and reduce demand for parking, the University brings Zipcar car-sharing service to the Grounds. Zipcars are available twenty-four hours a day, seven days a week, to faculty, staff, and students who subscribe.

A team including Joe Bozzay (Engineering ’10), Maria Fini (Engineering ’11), Brandon Freshcorn (Engineering ’10), Rohini Manaktala (Engineering ’11), Dan Tarjan (College ’10), and Thaddeus Webb (College ’10) travels to Cambridge, Massachusetts, to compete in the International Genetically Engineered Machine competition. Their project, which involves the manipulation of bacteria to absorb arsenic commonly found worldwide in groundwater, wins a gold medal—the first for a U.Va. team.



DECEMBER 2009

ecoMOD, a collaboration between the Schools of Architecture and Engineering and Applied Science along with the City of Charlottesville and Habitat for Humanity, dedicates a fourth house in Charlottesville on Elliott Avenue. ecoMOD's goal is to design, build, and evaluate affordable, pre-fabricated homes using sustainable design principles. The ceremony also kicks off the new ecoREMOD program. Architectural history students will collaborate on the ecoREMOD project, which focuses on sustainable historic preservation of previously built structures.

The University launches the Asia Institute, which unites activities of the East Asia, South Asia, and Tibet Centers, and the Asian Pacific American Studies program. Housed in Minor Hall, the Asia Institute positions U.Va. among the nation's leading universities in the field by promoting a long-term relationship with the Asian world.

ecoMOD4



U.Va. researchers lead the Commonwealth with \$58.3 million in funding through the American Recovery and Reinvestment Act of 2009 to date. The 137 funded projects range from thousands of dollars to millions and include a \$3.2 million grant to study diabetes and dyslipidemia in African Americans, a study to improve healing of diseased or damaged vascular systems, a study of extrasolar planets, and an investigation into the connections between classical and quantum mechanics.

JANUARY 2010

The BioLevigator is named by the *Scientist* magazine as one of the ten most exciting tools for life sciences research in 2009. Invented by pathology professors Robin Felder and John Gildea, the BioLevigator's three-dimensional cell culture system allows for growth of more cells in less time than it takes with two-dimensional systems and better represents the natural *in vivo* environment.

For the second year, the *Princeton Review* with *USA Today* ranks U.Va. as the best value of all public colleges and universities in the nation. AccessUVA, the University's financial aid program, is cited as an important factor in their decision. *Kiplinger's Personal Finance* magazine ranks U.Va. third among public institutions in its annual "best value" issue.

The University community responds to the earthquake in Haiti with various fund-raising efforts across the Grounds and by collecting for the Red Cross and other organizations. Several student groups, such as Hoos for Haiti, help mobilize the relief effort.

FEBRUARY 2010

To date, \$392,000 is contributed by the University's employees to the 2009 Commonwealth of Virginia Campaign (CVC). Since 1999, U.Va. employees have contributed nearly \$7.5 million to charities through the CVC. By the campaign end, the total raised is \$945,749.

Drawing on the holdings of its Clifton Waller Barrett Library of American Literature, the Albert and Shirley Small Special Collections Library mounts an exhibit marking the centennial of Mark Twain's death. Students in Professor of English Stephen Railton's graduate seminar on Twain identify items from the Barrett collection to display.

For the fifth time in four years, the U.S. Supreme Court agrees to hear a case brought by the Supreme Court Litigation Clinic in the School of Law. The Supreme Court has upheld the clinic's position in two of the previous cases, with one ruling still pending.

"Race to the South" in New Orleans and at Central High School in Little Rock, Arkansas



MARCH 2010

Led by civil rights pioneer and history professor Julian Bond, the fourth Civil Rights South Tour, "Race to the South: From the Klan to Katrina," travels from Memphis to sites in Arkansas and Mississippi, and ends in New Orleans.

U.S. Senator Mark Warner and U.S. Representative Tom Perriello join some of the nation's leading venture capitalists and U.Va. faculty members at the second annual Venture Summit to discuss ways the United States can promote innovation and maintain its leadership in science and technology.

The University dedicates its first LEED-certified building, a 15,000-square-foot addition to the Printing and Copying Services facility. It is the first building on the Grounds to be certified since the Board of Visitors declared in 2007 that all future U.Va. buildings would meet LEED standards. The Town Center Three building at the University Foundation's Research Park received gold certification in September 2009.

Business Week ranks the McIntire School of Commerce second among the nation's undergraduate business programs, naming it the top-rated program among public institutions.

APRIL 2010

The University's Board of Visitors names the arts precinct for President John T. Casteen III and his wife, Betsy Casteen. The area will be known as the Betsy and John Casteen Arts Grounds.

More than 100 students, faculty members, and guests showcase the U.Va. Bay Game, an interactive computer simulation that models the effect of human decisions on the Chesapeake Bay and its watershed. Philippe Cousteau, grandson of famed ocean explorer and conservationist Jacques Cousteau, helps host the event.

The University marks the 125th anniversary of the dedication of the McCormick Observatory. Built in 1885, it was the second largest in the world and the largest in the United States at the time.

U.S. News & World Report again lists five U.Va. graduate schools among the top fifty in its latest rankings. The School of Law ranks tenth. The Darden School of Business is ranked thirteenth, up from fifteenth last year, while the Curry School of Education is



McCormick Observatory

twenty-first, up three places from last year. The School of Medicine is ranked twenty-fifth for research and thirty-ninth in primary care. The Engineering School comes in at thirty-ninth.



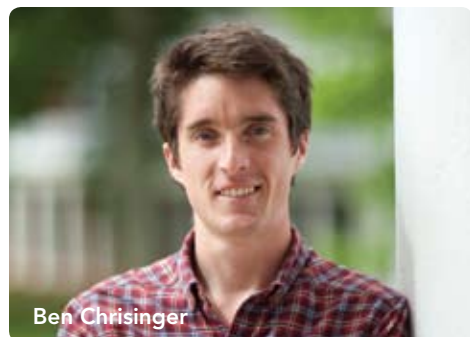
U.Va. Bay Game

MAY 2010

The Algernon Sydney Sullivan Awards are presented to undergraduates Courtney



Courtney Mallow



Ben Chrisinger

Mallow (College '10) and Ben Chrisinger (Architecture '10) and head swimming and diving coach Mark Bernardino. The awards recognize their remarkable character, integrity, and commitment to serving the University community and others.

U.Va.'s student-initiated composting program receives a silver medal in the 2010 Governor's Environmental Excellence Awards. The program is one of many student-initiated sustainability efforts.

Executive Vice President and Chief Operating Officer Leonard W. Sandridge is presented with a joint resolution of the Virginia General Assembly, citing his "integrity, competence, hard work, and willingness to take on any task." A joint resolution of the General Assembly presented in March recognized President John T. Casteen III for his leadership in higher education.

JUNE 2010

Kathryn Thornton, retired NASA astronaut and associate dean of graduate programs at the Engineering School, is inducted into the Astronaut Hall of Fame at the Kennedy Space Center.



Kathryn Thornton

The Miller Center of Public Affairs hosts a Presidential Sites and Libraries Conference that features speeches by Pulitzer Prize-winning presidential biographers.

President-elect Teresa Sullivan is named by the National Academies of Sciences and Engineering and the president of the Institute of Medicine to a national committee that will study and make recommendations on the state and future of the American research university.

U.Va.'s Office of Community Relations created and administers the Day in the Life Program, which is coordinated by AmeriCorps VISTA members who work with U.Va. students, area schools, and community organizations to provide tutoring and mentoring. In 2009–10, 650 U.Va. students provided 7,205 hours of tutoring and mentoring to more than 2,090 local youth through the program.

JULY 2010

David E. Smith, professor of environmental sciences, and Shaw L. Yu, professor emeritus of environmental engineering, co-lead an international workshop at Nanchang University

in China. Participants include U.S. Environmental Protection Agency representatives, researchers from the University of Maryland, Auburn University, the University of Minnesota, the University of Hawaii, and Chinese engineers and researchers. Funded by the National Science Foundation's Environmental Engineering Program, the workshop focuses on developing joint environmental and engineering research projects between the United States and China.

Governor Robert McDonnell appoints four new members to the Board of Visitors. The new appointees are Hunter E. Craig of Charlottesville; Marvin W. Gilliam, Jr. (College '78), of Bristol; Sheila C. Johnson of The Plains; and Mark Kington (Darden '88) of Alexandria.

The School of Medicine launches Memory Commons (www.memorycommons.org), a first-of-its-kind interactive educational website focusing on Alzheimer's disease and dementia. The site includes tutorials, interactive case discussions, open case consults, blogs, and an innovative interactive simulation of outpatient clinic encounters.



AUGUST 2010

The School of Medicine inaugurates a new building, launches a new curriculum, and welcomes the 155 members of the Class of 2014, the largest in the history of the school. Approximately 3,246 new undergraduates move onto the Grounds, with more than 90 percent of the incoming students ranking in the top 10 percent of their high school graduating classes.

As oil continues to ooze into the Gulf region's marshy bays, first-year MBA students at the Darden School of Business debate two new case studies about the environmental disaster. The multimedia cases are the work of Darden professor and author Erika James, case writer Gerry Yemen (College '95), and multimedia producer Stace Carter.



The University of Virginia ties for No. 25 with the University of California-Los Angeles and Wake Forest University in the 2011 *U.S. News* rankings. U.Va. continues to rank No. 2 in the best public university category. For the seventh year in a row, *U.S. News* ranks U.Va.'s College at Wise as the top public national liberal arts college whose students graduate with a low debt load.

The U.Va. iPhone app is released August 28 and by August 30 is listed as the No. 1 "New and Noteworthy" app in the education section of the iTunes store.

SEPTEMBER 2010

The University holds a Day of Dialogue for reflection and discussion about issues related to violence and responsibility. Events include a public art project, "Lines of Darkness and Light," and remarks by President Teresa A. Sullivan and Michael Suarez, professor of English and a Jesuit priest. The event continued a conversation that began in May when Yeardley Love (College '10) was murdered, allegedly by a fellow student.

Governor Robert McDonnell announces the members of six task forces working in coordination with the Virginia Health Reform Initiative Advisory Council. U.Va. Health System members include Ed Howell, vice president and chief executive officer (Medicaid Reform); Dorrie Fontaine, dean of the School of Nursing and Sadie Heath Cabaniss Professor of Nursing (Service Delivery and Payment Reform); and Dr. Karen Rheuban, medical director of the Office of Telemedicine (Technology).

A \$2 million National Science Foundation grant is awarded to a multidisciplinary research team to develop "smart building" energy systems for residential and commercial buildings. Team members include faculty and students from the Engineering and Architecture Schools, as well as Darden. The researchers will develop affordable, energy-reducing technology and systems that will be tested in various buildings such as the new Rice Hall, Charlottesville-area homes, and a disaster recovery home built through the Architecture School's Initiative reCOVER.

The Eighth President of the University of Virginia



Teresa A. Sullivan, former provost and executive vice president for academic affairs at the University of Michigan, became the eighth president of the University of Virginia on August 1, 2010. The interview below took place on September 7, 2010, shortly after the beginning of the fall 2010 semester.

Q. *In the months prior to taking office, you spent six weekends on the Grounds—meeting with former President Casteen and all of the deans and other leaders, attending student dinners and faculty meetings, and talking with local education officials. What was the process like for you, and how did it prepare you?*

President Sullivan: The transition gave me an opportunity to learn about U.Va., to study intensively, and to reflect on what I was learning while also talking with presidents at other universities. I went to the Harvard Seminar for New Presidents—there I had an opportunity to interact with forty-nine other new presidents and distinguished faculty and to talk about the state of college and university presidencies. In terms of the presidency generically and this particular one, I feel that I was very well prepared. Also the staff here was extraordinary in terms of preparing briefings for me on every conceivable issue.

Q. *Now that you're here, what are your highest priorities?*

President Sullivan: Two executive vice presidents will be leaving next June. So one priority is to reassemble the senior management team, and that involves initially looking for a successor to Leonard Sandridge.

Q. *Mr. Sandridge has been executive vice president and chief operating officer since 1999 and has been working at the University since 1967. What qualities are you looking for in your search for his replacement?*

President Sullivan: Able to leap tall buildings at a single bound ... [Laughs.] What I value so much in Leonard, and what I would like to see in his successor, is both strong leadership and management skills. I'd like someone who has strong substantive knowledge in at least one area inside that portfolio and then the ability to find people who have the appropriate knowledge in the other areas. As Leonard himself will tell you, he came in very strong in finance, but in other areas of the portfolio, which he recognized he didn't know as much about, he was able to recruit strong leaders. That is what has made him so successful.

Q. *The other executive vice president [and provost] you mentioned, Tim Garson, is leaving for the University of Texas at the end of this academic year. What are your expectations for a new provost for the University?*

President Sullivan: I will look for someone who has a strong academic background, so that they know what it means to teach and

to conduct research, and someone who is broad-minded in terms of understanding or openness to disciplines other than his or her own. Tim is a cardiologist and also a public health expert, but he's also very open to other fields. That's what you need in a provost.

Q. *You mentioned that some of the challenges ahead are in raising and sustaining financial resources and retaining faculty whose salaries have fallen during the recession. The Campaign for the University of Virginia, which seeks to address these changes, had raised about \$2.2 billion as of late July. How do you see your role in the Campaign for the University?*

President Sullivan: The job now is to finish the campaign. The needs that we had at the beginning of the campaign are not only still there, in some cases, they've become much more urgent. So we do need to finish this campaign, and to finish strong. I think that the alumni and donors are exceptionally attached to this institution and want to see it succeed.

Q. *What do you see ahead that requires major fund-raising efforts?*

President Sullivan: An important issue for us right now is increasing annual giving, and there are a couple of reasons for this. One

is that annual giving broadens the base of support. Annual giving is used by external groups such as foundations, and even *U.S. News & World Report*, as an indication of how happy alumni are with the institution; we are actually more likely to get a gift from a foundation if we have robust annual giving.

But the other thing that is advantageous about annual giving for the deans is this is often the only money they raise that they can use for their most urgent needs, because annual giving money is typically not tied to any specific philanthropic object; it is left to the dean's discretion how to spend it.

We also know that as we broaden the base of giving now, we set the stage for later success. An alumnus who graduated just four or five years ago may be raising a new family and might not have that much money. If that alumnus can send \$25 this year, that's a huge vote of confidence in us. We'd like to get alumni more engaged with us early on, just after they leave the Grounds.

Q. Are there other specific projects you will address?

President Sullivan: We must hire faculty in science and engineering. This is important to us for a number of reasons. Certainly, the governor wants to increase the number of graduates in science and engineering. Many of our current faculty members are nearing retirement age and we will need to replace them. Two brand-new laboratory buildings are opening next year, so we have the space for those new faculty members. What we do not have is the one-time money needed to equip their laboratories. We need start-up package money so we can hire some of America's best young scientists and engineers.

Another priority is we must renovate the Rotunda. Parts of the Rotunda are in critically deteriorating condition, and it's going to take a lot of money, frankly, to repair it. The reason there is a black shroud around the capitals on the columns of the Rotunda is because that marble is doing what architects call—and this is a horrible word—“sugarizing.” That means the marble is actually turning granular and flaking off.

The Rotunda also needs a new roof, among other things. This building is part



of the UNESCO World Heritage Site. It's part of Jefferson's original vision of the Academical Village. We can't let the Rotunda deteriorate.

Q. What's required of the University as a public institution in the next decade that might not be required if it were private?

President Sullivan: An important requirement is accountability. Our Board of Visitors meets in public. The boards of private institutions meet in private, so we're affected by the Virginia Freedom of Information Act. We act in the sunshine. That means if you want to know how much money we spend on financial aid, you can find that out; you might not be able to find that out at a private institution. If you want to know what salaries we pay our faculty, you can learn that; you might not be able to find out at a private university.

Q. What do you think distinguishes U.Va. from other public institutions?

President Sullivan: What distinguishes us is both our general history—certainly our founder—and our strong emphasis on honor. I believe U.Va. is self-consciously preparing students for citizenship in a way that maybe other institutions have not

considered so important. We speak of the community of trust, which is part of the Honor System. This emphasis distinguishes us from many other public institutions.

Q. What is U.Va.'s role within a global society in the next decade?

President Sullivan: The students who take their degrees from U.Va. need to be prepared to enter a workplace that will be increasingly global. They will work on teams in their companies with not only Americans, but also with people from other parts of the world. They need to be able to talk with them, work with them, and feel comfortable in that setting. Our faculty needs to be able to understand and participate in important developments that happen in research and in higher education around the world. We need opportunities for both our students and our faculty to interact with others and we need to give the other leading universities in the world an opportunity to interact with U.Va.

Q. Dubby Wynne, the rector of the University, has said that you were the right person for the University at the right time. What does that mean to you?

President Sullivan: It's a little scary. Certainly, I will work very hard to do the best possible job that I can. I take very seriously my role as steward and as chief servant of the University. I have had the advantage of being at some of the nation's other great universities. I think that gives me a rich background. I have had a successful academic career. I love teaching. I've been a successful researcher. I understand the challenges that faculty members face. But I'm also a mom who's had two sons go through college, so I understand what a college education looks like from the other side, too.

Those traits are important because many people are looking to the University of Virginia to meet their needs. The governor and our legislators are looking to us. The people in southwest Virginia who need new job opportunities are looking to us. The families of the patients we treat in the hospital are looking to us. The parents of our students are looking to us. 

A Challenging Educational Experience

The University of Virginia continues to attract top high school seniors to the Grounds. Of the students offered admission to the Class of 2014, 93.3 percent ranked in the top 10 percent of their graduating classes and their average combined SAT verbal and math scores increased by 8 points over last year. Each year, the University finds ways to challenge these students while also addressing changing needs for higher education in the twenty-first century.

Introducing new courses, better technology, and wide-ranging initiatives are some of the ways to offer students opportunities to advance their studies and improve their educational experience. New programs in 2009–10 included a Global Development Studies major in the College of Arts & Sciences, the Peace Corps' Master's International Program in the Curry School of Education, and the Schools of Nursing and Medicine's Initiatives in Compassionate Care. The new Student Information System (SIS)—a comprehensive system for admission, student finance, advising, enrollment, and records—became the official record system for all U.Va. students beginning in fall 2009. SIS is linked to the University's financial and human resources system.

Excellent teaching by committed faculty also engages students in leading-edge scholarship and research. Faculty members and graduate teaching assistants, while scholars themselves, seek the best ways to reach out to students in the classroom and take advantage of resources through the University's Teaching Resource Center, which celebrated its twentieth anniversary this year.

Throughout students' time here, the

University helps them define their own paths in life and gain the knowledge and the skills to pursue their goals successfully. Graduates take their education and the variety of their experiences with them as they embark on their careers and lives after U.Va. At the 2009–10 Final Exercises, the University awarded 6,256 degrees, including 3,570 bachelor's degrees; 517 first professional degrees; and 2,169 graduate degrees.

Supporting Scholarship and Research

Scholarship and research activities are fundamental to the U.Va. student experience, providing an enriching and broad education for undergraduate, graduate, and professional students. With the creation of the Center for Undergraduate Excellence in 2002 and support from the Harrison Undergraduate Research Awards, first presented in 2000, the University strengthened its commitment to encourage and support student participation in research. Altogether, more than 50 percent of U.Va. undergraduates are involved in some sort of research, including classroom and independent work.

In February 2010, the University gave thirty-seven undergraduate research awards for projects encompassing a broad range, from using bioremediation to remove pollutants in drinking water to analyzing the reliability of official Chinese statistics. These projects allow students to engage in

significant scholarly work with the guidance of a faculty advisor.

Eight Double Hoo awards were granted this year to pairs of undergraduate and graduate students collaborating on research projects. Double Hoo awards are particularly valuable for graduate students interested in academic careers because they provide them the experience of serving as a research mentor.

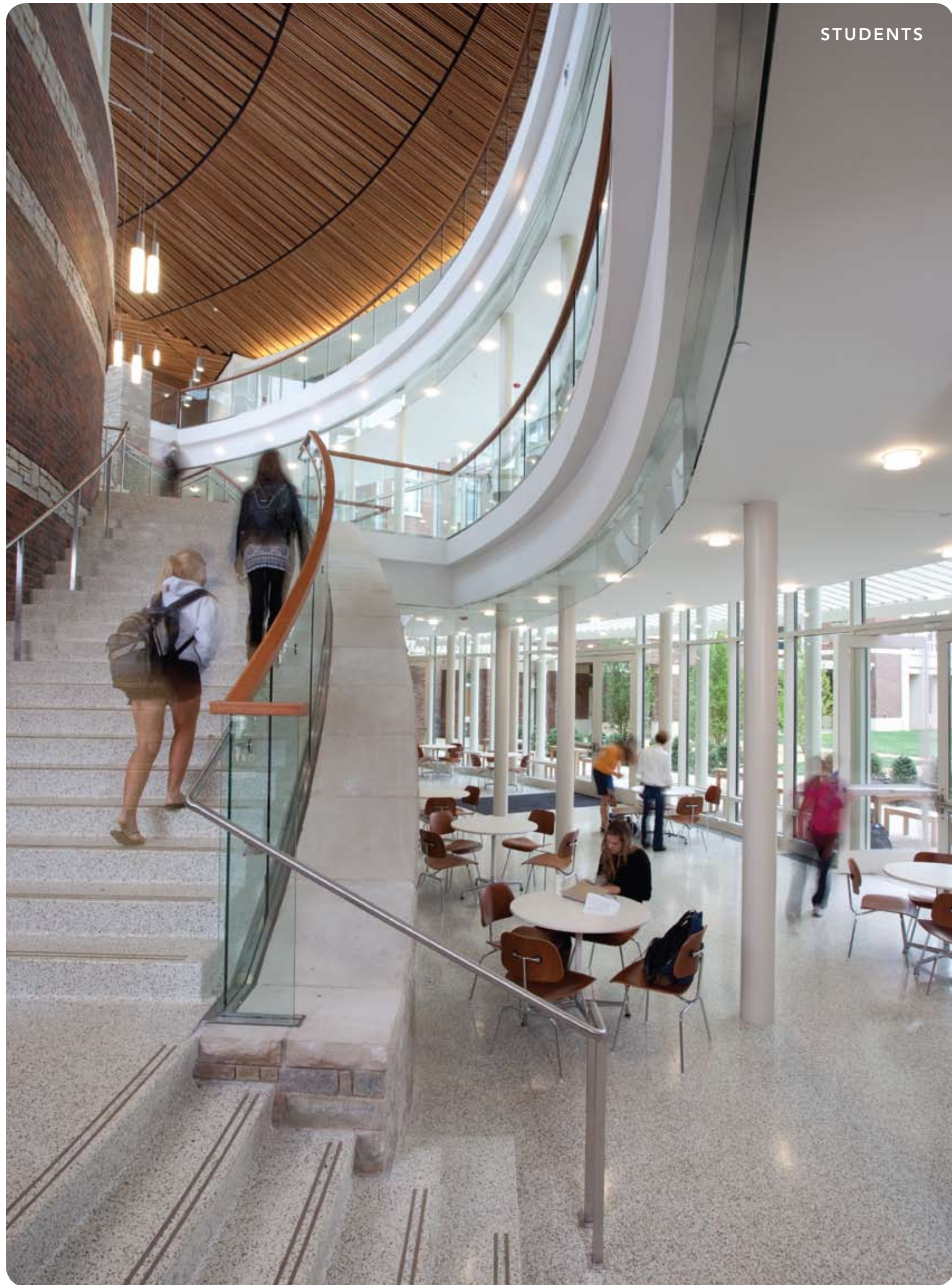
The University has also created facilities that enable students to translate their ideas into working designs and prototypes. The Darden School of Business's new i.Lab has been stocked with equipment to promote experiential, team-based, and collaborative learning, and serves as a design-based studio where students can transform ideas into physical prototypes. Students gain a hands-on understanding of the product development process, which helps them become more entrepreneurial and innovative thinkers. When completed in summer 2011, Rice Hall at the School of Engineering and Applied Science will itself be a teaching tool, in which data on energy use in the building will be analyzed by faculty and student researchers to advance knowledge in the fields of information technology engineering and green building practices.

Opening a Window on the World

The University also is expanding the international experiences available to students,

SOUTH LAWN PROJECT | *College and Graduate School of Arts & Sciences*

At the south end of the new South Lawn is the Commons Building, which features a 250-seat octagonal lecture hall, a café with three-story glass walls, and a grassy terrace that stretches over Jefferson Park Avenue and connects with New Cabell Hall.



ROUSS HALL | *McIntire School of Commerce*

The McIntire School moved back to the Lawn in 2008, thanks to support through the Campaign for the University of Virginia and a lead gift from John A. Griffin (McIntire '85) honoring distinguished financier Julian H. Robertson, Jr., and his wife, Josie. The new academic complex features the University's first environmentally "green" roof.



providing ways to broaden their experiences through academic exposure, working opportunities, and daily life in diverse and multicultural international settings. In November 2009, the College and Graduate School of Arts & Sciences opened an office at Peking University, setting the stage for exchanges with universities in China. The partnership with Peking University, one of Asia's top research universities, will extend to involve undergraduate and graduate programs.

In spring 2010, with the Institute for Shipboard Education, the University launched a new Semester at Sea program focusing on China-U.S. relations. Led by faculty in residence from U.Va. and Fudan University in Shanghai, the program is one of many offerings within the Semester at Sea 2010 theme of sustainability, in which students learn about the socio-political objectives of particular areas and regions to understand how global communities work together for mutual benefit.

U.Va. students' international experiences often include service components. Before students leave the Grounds, however, they learn to create bridges with local communities so the projects they undertake can be sustained after they leave. Many undergraduates take "Ethics, Protocols, and Practices of International Research," a course offered during January Term by Robert Swap, research associate professor of environmental sciences, and Carol Anne Spreen, assistant professor in the Curry School of Education. This year, students were joined by twenty international scholars from countries such as Botswana and Brazil who contributed to the course discussions and class activities.

Applying Knowledge for the Common Good

Involving students in community and public service is another way that the University prepares students. Projects such as the Learning Barge, a floating environmental

classroom christened in September 2009 in Portsmouth, and ecoMOD4, a fourth-generation modular, sustainable, and affordable house erected in Charlottesville, allow students to tackle technical issues while learning to collaborate with local citizens. These projects—and classes like the Neighborhood Planning Workshop in the School of Architecture or University of Virginia History: Race and Repair—bridge the gap between town and gown and unite the community. In fact, half the participants in Race and Repair were members of the Charlottesville community who met with U.Va. students in the downtown area.

Student involvement in community service is given form and direction through the Jefferson Public Citizens program (JPC), which integrates students' service and research throughout their four years and provides funding for selected student projects. In 2010, eighty-one undergraduates received JPC awards to join forces with



community partners such as the Albemarle County Public Schools, Heifer International, and Inner Mongolia Medical College. Among the many JPC projects, student teams helped create a new educational radio show in Nicaragua, monitored the health of Charlottesville's waterways, and developed and tested designs for transitional disaster recovery housing.

Introducing New Teaching Initiatives and Tools

None of these efforts would be successful without faculty members who not only are committed to meeting the educational needs of students but who also find time to develop new teaching initiatives and classes. This year, members of the Department of Middle Eastern and South Asian Languages and Cultures introduced courses in Bengali, a language rarely taught at U.S. universities although it is spoken by 230 million people around the world. The Engineering School

launched an accelerated master's program in systems engineering for military veterans, and the Faculty Senate approved a new master's program in Middle Eastern and South Asian Studies.

In creating their courses, faculty members make ingenious use of University resources. Members of the departments of environmental sciences, history, landscape architecture, and architecture saw in Morven Farm, donated to the University in 2001 by benefactor John W. Kluge, an opportunity to offer classes that examine how a large tract of land and historic property can be adapted for academic purposes. On the Grounds, civil engineering and environmental sciences faculty members now use the Dell Pond to teach students how biofiltration cleanses runoff.

Faculty members also develop digital tools for their classrooms to help students work more efficiently with their course materials and with each other. Matthew Burner,

associate professor of music, helped create the Network-Operational Mobile Applied Digital System (NOMADS). The system allows students to send questions during class or participate in performances of computer-generated music from their laptops, as was the case at the May 2010 Digitalis Festival where 300 audience members interacted with music composed by students and the MICE (the Mobile Interactive Computer Ensemble) Orchestra. In classes, students hold virtual discussions and question the professor without interrupting the lecture. NOMADS can be used to poll or quiz the class on lecture material. NOMADS also enables more playful and exploratory forms of interaction through such applications as "Thought Cloud," "Swarm Synthesizer," and "Sand Pointer."

Faculty members in the Curry School of Education and the Center for Digital History collaborated to develop PrimaryAccess, an online tool that allows users to combine



RUFFIN HALL | *College and Graduate School of Arts & Sciences*

Ruffin Hall, the new home of studio art, is the first new building constructed on the Arts Grounds since the Drama Department Building opened in 1974. The facility was financed with state and private support, including a leadership gift from the Peter B. and Adeline W. Ruffin Foundation, and is named for the 1926 College of Arts & Sciences alumnus and his wife.

their own text, historical images from primary sources, and audio narration to create online documentaries. In addition, U.Va. faculty members are helping public interest organization Fairness.com to test and develop NowComment, a web-based tool that allows dozens of students to comment on individual sentences in a text, which can help the professor then generate more in-depth discussion during class time.

Recognizing a Commitment to Teaching

The emphasis faculty place on teaching, a core value of the University, helps provide students with the high-quality education that forms the basis of the University's national reputation. Every year, members of the faculty are singled out for excellence in teaching. At the Darden School of Business, Gregory Fairchild, associate professor of business administration, and Michael Lenox, the Samuel L. Slover Research Professor,

were named 2009 Faculty Pioneers by the Aspen Institute Center for Business Education. The award celebrates business school faculty who have demonstrated leadership and risk taking in integrating ethical, environmental, and social issues into the MBA curriculum.

Edward Berger, associate professor of mechanical engineering, was selected to participate in the National Academy of Engineering's first Frontiers of Engineering Education Symposium held in November 2009. Engineering faculty in the first part of their careers who are developing innovative educational programs shared their ideas, exchanged best practices, and returned with a charter to initiate improvements at their home institutions.

Faculty members also receive honors for the educating they do off Grounds. Astronomy professor Trinh Xuan Thuan won the 2009 Kalinga Prize, offered each year by UNESCO for promoting public

awareness of science. Mr. Thuan, who writes in French, published a series of best-selling books on science and nature. Past Kalinga winners include Arthur Clarke, Margaret Mead, and Bertrand Russell.

Setting New Standards for Achievement

Students thrive in a setting where there are challenging programs and inspiring faculty. An African-American and African Studies minor in the Political and Social Thought Program, Stephanie de Wolfe (College '10) helped establish an African Studies minor, organized a human rights film festival, and helped plan the Bill T. Jones arts residency at U.Va. In addition, she performed



Rahul Gorawara



community service in Cameroon and wrote her thesis on the relationship of the corporate food industry to high rates of diet-related chronic illness.

Both a Jefferson and a Rodman Scholar, Rahul Gorawara (Engineering '09, Batten '10) made the most of his four years, earning his bachelor's degree with highest distinction, as a triple major in electrical engineering, computer engineering, and economics. In his fourth year he earned a master's degree from the Frank Batten School of Leadership and Public Policy, while completing enough accounting and business classes at the McIntire School of Commerce to take the certified public accountant exam. He also served as the

Board of Visitors student representative, a resident advisor, and the president of the McIntire Investment Institute.

Mr. Gorawara was joined by many other students this year in compiling an outstanding record of achievement:

Selam Asihel (College '11) and Razan Osman (College '11) were awarded a Davis Projects for Peace Award for their program to bring together Muslim and Coptic Christian orphans in Egypt.

Civil engineering major Ethan Heil (Engineering '11) received a Morris K. Udall Scholarship, which is given to young scholars committed to careers in the environment, health care, or tribal public policy; and who demonstrate leadership potential and academic achievement.

Michelle Henry, who graduated in 2010 with master's and bachelor's degrees in environmental sciences, received a Luce Scholarship, which provides a stipend, language training, and individualized professional placement in Asia.

Anthropology graduate student Jason Hickel received a Charlotte W. Newcombe Doctoral Dissertation Fellowship, the largest award for doctoral candidates in the humanities and social sciences.

Jefferson and Rodman Scholar Will Jacobs, an engineering and physics major, received a Gates Cambridge Scholarship for study at the University of Cambridge. His doctoral research will focus on computer modeling of molecular motors that convert chemical energy into mechanical energy.

Four University undergraduates—all third-year students—received Goldwater Scholarships to pursue careers in mathematics, the natural sciences, or engineering. They are Stuart Charles Keech, an aerospace engineering major; Matthew Taylor Aronson, a chemical engineering major; Ruffin Eley Evans, a physics and chemistry double major; and Jeneva Anne Laib, a biomedical engineering major.

David Malda, a graduate student in the School of Architecture, is the 2009–10 Olmstead Scholar, an honor given to the one student nationwide who best exemplifies the ideals of leadership in sustainable design and planning.

Tyler Spencer (College '08) received a Rhodes Scholarship. Since graduating from the University, Mr. Spencer founded and directs Athletes United for Social Justice, a nonprofit organization that trains college athletes to be HIV educators.



Selam Asihel and Razan Osman

Advancing the Pursuit of Knowledge

In 2008, the President's Commission on the Future of the University identified five core values: faculty excellence, innovation and collaboration in the pursuit of knowledge, leadership for the public good, diversity, and honor and ethics. The University's distinguished faculty members demonstrate their commitment to these values in their teaching, scholarship, public service, and research.

The University relies on faculty for this strong intellectual and creative leadership. The world looks to higher education, with its scholarship, research, and innovation, for solutions to the complex issues society faces now and in the future. The research and discovery process, which is central to U.Va.'s educational initiatives, is guided by faculty whose common goal is to add to the store of knowledge and advance the research enterprise, for the benefit of all society.

Taking a Multidisciplinary Perspective

In 2009–10, the University launched a number of institutes and centers to promote multidisciplinary research and education. The new Center on Education Policy and Workforce Competitiveness, a joint venture of the Batten School and the Curry School, brings together faculty from education, public policy, sociology, economics, and law. These faculty members will collaborate on research efforts to increase the availability and quality of early childhood education, enhance teacher effectiveness, and increase college attendance, particularly among low-income and underrepresented groups. The center director is James Wyckoff, professor of education at the Curry School and

a renowned economist noted for his educational policy research.

The new Asia Institute builds on the University's substantial resources in Asian studies, which span language studies, the humanities, and the social sciences. The creation of the institute formalizes and unifies existing initiatives that include the activities of the Tibet, East, and South Asia Centers, and the Asian Pacific American Studies program.

To develop a long-term plan for multidisciplinary research, the Office of the Vice President for Research has assembled a planning group, V-RISE (Virginia-Research, Innovation, Science, Engineering). "The University's long-term investment in the core sciences, in the arts and humanities, in engineering, and in medicine and health, is a powerful force for creating positive societal change in Virginia and for the national and global economy," said Thomas Skalak, vice president for research. V-RISE draws stakeholders from across the Grounds to formulate a pan-University vision for U.Va.'s research enterprise and its contributions across the globe.

Reaching Consumers of Knowledge

Faculty scholarship and research are shared beyond the University through various means, such as publishing results in journals and databases, working on joint projects with colleagues at other institutions, serving on national policymaking bodies, forming collaborative partnerships with corporations and other organizations, and participating in conferences on public and academic issues.

Martin Wu, assistant professor of

biology, is one of the scientists who contributed to the genomic encyclopedia recently established by the U.S. Department of Energy's Joint Genome Institute. Bacteria play a fundamental role in everything from human health to the biosphere, yet researchers have sequenced the genomes of just a tiny fraction of the 150 million species. Mr. Wu and his colleagues are contributing newly sequenced genomes to this database to create a more balanced catalog of the diversity of genomes present on the planet, which in turn will broaden the study of bacterial life.

Thousands of previously unpublished documents from the nation's founders,





including James Madison, John Adams, and Thomas Jefferson, can now be found online, thanks to ROTUNDA, the digital imprint of the University of Virginia Press. By posting these documents in searchable format on the Founders Early Access portion of its site, the Press places these documents in the hands of researchers who would otherwise have to wait until authoritative printed editions were published.

Timothy Beatley, the Teresa Heinz Professor of Sustainable Communities in the School of Architecture, has written extensively on sustainability and green cities. He is now turning to film to introduce his ideas to a wider audience. Working with Boulder,

CAMPBELL HALL | *School of Architecture*

Recent additions to Campbell Hall include the Elmaleh East Wing and the South Wing, which have added review rooms, faculty offices, seminar rooms, and a technology bridge. The renovated Fine Arts Café located on the first floor offers local and organic foods. Victor Elmaleh (Architecture '42) and his wife, Sono, provided major funding for the east addition.

Colorado-based filmmaker Chuck Davis, he produced a documentary called *The Nature of Cities*, which shows how the built environment and nature can work together to sustain and rejuvenate life.

Several faculty members serve on professional boards and policymaking bodies. In May 2010, President Obama appointed John D. Arras, the Porterfield Professor of Biomedical Ethics and professor of

philosophy, to the Presidential Commission for the Study of Bioethical Issues. Mr. Arras has published extensively on such topics as physician-assisted suicide, the ethical dilemmas raised by public health catastrophes, and the conduct of international drug trials.

Secretary of Health and Human Services Kathleen Sebelius appointed School of Medicine Vice President and Dean Steven T. DeKosky, M.D., to the National

WILSDORF HALL | *School of Engineering and Applied Science*

Wilsdorf Hall was completed in 2006 with the support of University resources, private gifts, and corporate funding. Gregory H. Olson (Engineering '71) made a lead gift to construct the five-story research building, which honors the late Professor Heinz G. F. Wilsdorf, first chair of the Department of Materials Science, and his wife, the late University Professor Emerita Doris Kuhlmann-Wilsdorf.



Institutes of Health National Advisory Council for Complementary and Alternative Medicine (NACCAM). Dr. DeKosky led the 2000–08 Ginkgo Evaluation of Memory Study and studies the development of Alzheimer's disease.

James Aylor, dean of the School of Engineering and Applied Science and the Louis T. Rader Professor of Electrical Engineering, was appointed a director on the Engineering Deans Council of the American Society of Engineering Education. The council meets to assess and recommend policies affecting the overall administration of accredited engineering institutions.

Translating Ideas into Innovation

Over the past five years, U.Va. researchers have reported the invention of 885 new technologies, 302 of which have been

licensed to companies and institutions for further development. The University is now reaching out to other stakeholders to help drive this process of research and development. Construction began in Prince George County on Crosspointe, the largest Rolls-Royce manufacturing facility built from the ground up in the United States. Crosspointe will house the Commonwealth Center for Advanced Manufacturing, a joint research center supported by the University of Virginia, Virginia Tech, the Commonwealth of Virginia, and Rolls-Royce. Engineering School research in coatings, corrosion, and magnetic bearings will be applied to improve jet engine technology development at the facility.

In Bedford, Virginia, construction is under way on the new Center for Advanced Engineering Research (CAER), which will

focus on nuclear energy research and distance education. The engineering school, along with other collaborators such as nuclear power company AREVA and Virginia Tech, proposed the research agenda for the center and sponsored the Center for Safe and Secure Nuclear Energy, to be housed at CAER. The Virginia Tobacco Commission provided \$7.6 million to build the facility.

The University hosted its second annual Venture Summit in March 2010, attracting venture capitalists who represent roughly \$20 billion in capital. The summit highlighted the need for innovation in such areas as energy, water, and mobile information technology. Attending faculty and students presented their start-up companies, networked, and discussed research funding. This event showcases U.Va.'s position as a destination for technology-based ventures



and connects investors with researchers who generate innovative ideas for new processes, products, and technology.

The appointment of W. Mark Crowell as the first executive director of innovation partnerships underscores the University's commitment to corporate, private, and government partnerships. Mr. Crowell, former vice president for business development at the Scripps Research Institute, will build partnerships to enhance licensing, entrepreneurship, and commercialization at U.Va.

Recognition for Rising Faculty

The University strives to provide an environment that supports the entrepreneurial ability and energy of rising U.Va. faculty members. The recognition for faculty achievements below reflects how efforts to support faculty have been successful, and

also demonstrates the high level of productivity of talented young faculty members.

Kevin Janes, assistant professor of biomedical engineering, received multiple honors this past year. He was one of fifty-five engineers and scientists to receive a 2009 National Institutes of Health New Innovator Award. And he received a



Kevin Janes

Packard Fellowship, which allows promising professors to pursue science and engineering research early in their careers. Mr. Janes uses a systems approach to study the signaling processes within cells, research that could lead to new diagnostic techniques and improved treatments for a variety of cancers.

Assistant Professor Randy Jones, another faculty member at the beginning of his career, received a three-year Nurse Faculty Scholar award from the Robert Wood Johnson Foundation. Mr. Jones is devising a protocol to help patients with advanced-stage disease make better decisions about treatments that affect their quality of life.

Linda Columbus, assistant professor of chemistry, received a National Institutes of Health grant along with a National Science Foundation Faculty Early Career



Linda Columbus

Development award to support her study of the membrane proteins that serve as gatekeepers for cells.

Assistant Professor of Computer Science Kamin Whitehouse received a National

Science Foundation CAREER Award for a project that will make it easier for scientists and engineers to sense and manipulate the physical world with small wireless devices. This work will enable unprecedented data collection for environmental, agricultural, and social sciences. The project's outcome will be a new software paradigm called Macrolab that will enable hundreds or thousands of sensors and actuators to be programmed and deployed while requiring novice users to write only a few lines of code.

Examples of Faculty Achievement

One of the critical factors influencing a young scholar's decision to come to the University is the opportunity to work

closely with eminent faculty whose work has shaped their fields. The honors senior faculty members received this year demonstrate that groundbreaking work has been sustained here over decades of hard work.

Karen Van Lengen, the William R. Kenan, Jr., Professor of Architecture, was elected to the College of Fellows of the American Institute of Architects. Ms. Van Lengen, who was the school's dean from 1999 to 2009, is known for her research on sound, communication, and the built environment.

Michael Menaker, Commonwealth Professor of Biology, was awarded an honorary doctorate from the University of Groningen in the Netherlands. He was cited for his pioneering work on the circadian rhythms



that regulate the function of virtually all living things.

The University's creative writing program has long been considered one of the best in the nation, ranking third among all full-residency programs by *Poets & Writers* magazine. Deborah Eisenberg, a short-story writer and English professor, was among the twenty-four creative individuals singled out to receive a 2009 MacArthur Fellowship, the so-called genius grant. The award will allow her to reserve more of her time for writing. Her latest collection of short stories is *Twilight of the Superheroes*.

Three faculty members were elected this year to the American Academy of Arts and Sciences—John C. Jeffries, Jr., David and Mary Harrison Distinguished Professor of

Law; Dean of the School of Law Paul G. Mahoney, David and Mary Harrison Distinguished Professor of Law and the Arnold Leon Professor of Law; and Gerald L. Clore, Commonwealth Professor of Psychology.

Continuing to Break New Ground

The University's ability to accomplish leading-edge research and scholarly endeavors depends in large part on the faculty members' ability to attract funding from corporate and government sources. David Grissmer and Andrew Mashburn, two research scientists at the Curry School, received a federal stimulus grant distributed by the National Institutes of Health to study the connection between fine motor skills and the development of mathematical skills.

The School of Law received a grant to study recent changes to state mental health law recommended by a commission formed after the 2007 Virginia Tech tragedy. The Robert Wood Johnson Foundation directed the funds to a team led by Richard Bonnie, the Harrison Foundation Professor of Medicine and Law and the Hunton & Williams Professor of Law. The team's findings will help improve the implementation and positive impact of the Health Care Decisions Act, and will be disseminated nationally, according to the foundation's Public Health Law Research program.

In the Engineering School, Sudhanva Gurmurthi, assistant professor of computer science, joined a multiuniversity team that won a \$1 million Google Focused Research Award to conduct research on creating energy-efficient Internet data centers. Without improvements in efficiency, data centers in the United States are expected to consume more than 100 billion kilowatt hours annually in 2011.

BAVARO HALL | *Curry School of Education*

Bavaro Hall, which opened in fall 2010, nearly doubles the Curry School's work space. Private gifts funded construction, with generous support from Daniel M. Meyers, chair of the Curry Foundation Board of Directors. The building is named for Mr. Meyers' friend, the late Anthony D. "Wally" Bavaro, who played professional football then became a history teacher and coach in Massachusetts public schools.



Buildings Inspired by Our Heritage

Thomas Jefferson's Academical Village with its Rotunda, ten pavilions and gardens, and ranges initially served as the classroom, library, and living space for 123 students, taught by eight faculty members. Today the University owns 15,840,742 gross square feet of space on 1,700 acres. The University now occupies 549 buildings, with close to 21,000 enrolled students pursuing degrees in more than fifty different fields and taught by more than 2,000 faculty members.

The pace of construction on the Grounds has increased in recent years, as University planners take advantage of low interest rates and highly competitive bids that lower the overall costs of construction. Expansion plans are made with regard not only to the University's traditions but also to the educational needs of future students and faculty.

Extending and Preserving Jefferson's Legacy

The South Lawn Project, through its name and physical placement, underscores the University's aspirations for the new suite of buildings for Arts & Sciences, the most ambitious undertaking on Central Grounds in a century. The project is influenced, both in style and in its mix of office, classroom, and common spaces, by Jefferson's design for the Lawn. In January 2009, the history, politics, and religious studies departments moved into new offices in Nau and Gibson Halls, while the Commons Building and connecting terrace to New Cabell Hall opened for students returning in August 2010.

Even as the University extends the Lawn, it continues to preserve and protect its original structures. Pavilion IX, one of the most distinctive pavilions on the Lawn, is undergoing thorough renovation, and a parapet was erected in front of the roof of Pavilion X, replacing one removed in the nineteenth

century. Adding finishing touches to the first renovation of Pavilion II in fifty years, the University used lasers to strip 180 years of grime and atmospheric pollution from its Ionic capitals. The Office of the Architect has commissioned an assessment to determine how best to restore the deteriorated Corinthian columns and roof on the Rotunda. The work is part of a planned phased restoration of the Rotunda.

These efforts require generous private support. This year, the University received its largest-ever bequest for historic preservation, a \$4.9 million legacy from Richard K. Ernst (College '43, Law '50).

Accommodating Growth in the Health System

New construction in the Health System area is proceeding according to a comprehensive and unified plan. The new Claude Moore Medical Education building, currently the most technologically advanced medical school facility in the nation, opened in August 2010. In the adjacent McLeod Hall, the research hub for the School of Nursing, renovation is under way. The buildings' proximity will allow greater collaboration between the two schools.

At the same time, the Medical Center is being reconfigured to add capacity while dramatically improving access for patients and staff. In the summer of 2010, a new Transitional Care Hospital opened for long-term patients. A major hospital bed expansion, scheduled for completion within the next two years, will place new rooms above the main entrance to the Medical Center. Just across the street, the Emily Couric Clinical Cancer Center will open in the spring of 2011, helping employees coordinate and deliver care more efficiently.

Work begins in 2011 on the Barry and Bill Battle Building at U.Va. Children's

Hospital. The new building will consolidate and expand outpatient services for children and be physically connected to U.Va. Children's Hospital pediatric inpatient services to provide easy access for patients, families, and medical staff.

Expanding Space on the Grounds

The University is also making more efficient use of land on either side of Emmet Street at the Curry School and the Central Grounds Parking Garage. The new Bavaro Hall, which doubles the space for the Curry School, opened for fall semester classes.





Renovation of Ruffner Hall, the school's original building, will follow.

A major expansion and renovation to Newcomb Hall that began May 2010 will double the capacity of its dining facilities. The plan also calls for improving the entrance for visitors walking from the Central Grounds Parking Garage. The University Bookstore is also being expanded. Newcomb Hall will operate throughout the renovations, to be completed by November 2012.

Adding capacity within existing land area is a main theme of the multiphase plan to replace the Alderman Road residence

SOUTH LAWN PROJECT | *College and Graduate School of Arts & Sciences*

To the left of the connecting Commons Building is Gibson Hall, named for David E. Gibson (College '62, Law '65) and home to the politics and religious studies departments. Nau Hall, at right, is named for John L. Nau III (College '68) and houses the Corcoran Department of History. Both alumni are key donors and longtime benefactors of the University.

houses. Since the opening of Kellogg House in 2008, three buildings have been demolished to make way for two more residence halls and a commons building. Over the next three years, five more halls will be razed and three new ones built to replace them.

Several other projects are also under way that will add space for academic programs

and research. New buildings include the new Arts & Sciences Physical and Life Sciences Research Building, the Engineering School's Rice Hall, and the Band Rehearsal Hall. The Drama Building addition will include a new thrust-stage theatre and renovations in Garrett Hall will ready the space for the Batten School. 

Achieving Goals for Health Care

The U.Va. Health System met several key goals to distinguish 2009–10 as one of its most successful and productive years. A large part of that success is due to the Campaign for Health and the people, research, programs, and buildings it is supporting. In April 2010, the Campaign for Health exceeded its \$500 million fund-raising goal, more than a year ahead of schedule. The campaign benefited every area of the Health System, through gifts to support medical and nursing education, leading-edge research, and lifesaving patient care initiatives. A selection of campaign accomplishments below gives an idea of the scope of this generous support to the Health System.

- Twenty-three professorships established for the Schools of Medicine and Nursing
- More than \$11.8 million raised in medical and nursing scholarships
- Research support in cancer, diabetes, immunology, and pediatrics
- Completion of the Claude Moore Nursing Education Building and the Claude Moore Medical Education Building
- Construction of the Emily Couric Clinical Cancer Center nearing completion, along with advanced planning for the Barry and Bill Battle Building at U.Va. Children's Hospital, and initial renovations of the School of Nursing's McLeod Hall
- New interdisciplinary programs in integrative medicine and in palliative and compassionate care

The Health System is now moving forward on a bridge campaign focused on new strategic directions, including translational research, clinical performance education, and interdisciplinary compassionate care programs. The bridge campaign will also address ongoing core needs, such as scholarship, fellowship, and professorship endowments, along with the completion of key capital projects, including the Battle Building and renovation of McLeod Hall.

Maximizing Innovation and Quality Care

New health care legislative reform will affect many areas of health, including research, education, and patient care. At the U.Va. Health System, a lasting commitment to innovation and high-quality care is evident throughout patient clinics, hospital rooms, classrooms, and laboratories. This commitment will remain a strong Health System priority. The appointment of Robert “Bo” Cofield as associate vice president for hospital and clinics operations supports the Health System's continued emphasis on high-quality patient care delivery and the need to recognize strong customer service.

U.Va. physicians and clinical staff bring the latest advances in care to their patients and offer sophisticated interventions available only at the nation's very best hospitals. They also lead medical and basic science research in many fields to understand how the body works, while setting the stage for new lifesaving therapies and treatments. The Health System also sustains innovation by encouraging students—future physicians, nurses, and scientists—to discover new

ways to improve the practice of medicine and nursing.

The success of these efforts can be attributed to the quality of the U.Va. Health System staff—from the physicians, nurses, and therapists who take responsibility for the care of patients and their families to the scientists who lead its many laboratories, and to the clinical and administrative staff who ensure that the entire enterprise runs smoothly. The Health System has attracted an outstanding team that is widely recognized for its accomplishments and consistent success over the years.





This year seven medical specialties were ranked in the twenty-first annual survey of “Best Hospitals” from *U.S. News & World Report*, including: diabetes and endocrinology (11); ear, nose and throat (26); urology (31); cancer (32); gastroenterology (33); gynecology (37); and neurology and neurosurgery (41). More U.Va. physicians than ever before—186 doctors—were included in the 2009–10 list of Best Doctors in America, a 43 percent increase in just four years. Forty-seven physicians were included in the latest edition of *America’s Top Doctors*. And for the sixth time, Thomson Reuters

CARTER-HARRISON RESEARCH BUILDING | *U.Va. Health System*

The Carter-Harrison Research Building, which opened in 2009, provides new laboratory space for biomedical science. Made possible by donor support, University resources, and state bond funding, the building is named for the families of the late Beirne B. Carter (McIntire ’48) and the late David A. Harrison III (College ’39, Law ’41), both instrumental in advancing medical research at the University.

recognized the U.Va. Medical Center as one of the nation’s top 100 hospitals for cardiovascular care.

Among the many Health System physicians and nurses honored in 2009–10 was Stephen Rich, a Harrison Distinguished Teaching Professor and the director of the University of Virginia Center for Public

Health Genomics. Mr. Rich was presented with the David Rumbough Award for scientific excellence by the Juvenile Diabetes Research Foundation. His interest in the genetic basis of Type 1 diabetes has led to the identification of more than forty regions in the human genome that contain genes affecting Type 1 diabetes risk.



Dr. Thomas Platts-Mills, the Oscar Swineford, Jr., Professor of Allergy, was elected a fellow of the Royal Society for his pivotal research on the causes of asthma and allergic disease. The Royal Society, which elects only forty-four fellows each year, is the oldest scientific academy in the world.

At its 2009 annual conference, the American Academy of Nursing named Barbara Brodie, professor emerita of nursing, a “living legend.” She was cited as a pioneer in developing pediatric nurse practitioner

CARTER-HARRISON RESEARCH BUILDING | *U.Va. Health System*

Scientists in Carter-Harrison are making advances in the field of immunology and the treatment of cancer, infectious diseases, and many other diseases. The building offers state-of-the-art, multitask lab space, as well as easy access to intellectual and technological resources of the Health System and other areas of the University.

programs and for being among the first to make nursing the subject of serious historical inquiry. Her colleague Arlene Keeling, the Centennial Distinguished Professor of Nursing, was inducted as a fellow of the American Academy of Nursing.

edition of this device, the Gamma Knife eXtend. He also supervises the Gamma Knife Fellowship Training program as he helps instruct students and oversees their clinical activities.

Also this year, the U.Va. Medical Center installed the latest da Vinci Surgical System. In the last seven years, U.Va. surgeons have performed more than 7,000 surgical procedures with this robotic system, which offers the benefits of high precision, minimal blood loss, reduced likelihood of infection, and fast recovery times. The newest model is used for advanced procedures such as removing the bladder and reconstructing the urinary tract. The Paul Mellon Urologic Cancer Institute purchased the first da Vinci system for U.Va., while the Ward Buchanan Fund



Stephen Rich

Better Technology and Health Care Approaches

The Health System not only offers the latest high-tech medical devices, it invests in the extensive training to support their use. For more than twenty years, Health System physicians have used Gamma Knife stereotactic radiosurgery to treat tumors lodged deep in the brain. In January 2010, neurosurgeon Jason Sheehan conducted the first operation in the United States using the latest



provided funds for related expenses, such as training, additional equipment, and operating room renovations.

Advanced care, however, is not always high-tech care. As part of its commitment to patients' emotional and spiritual needs, the U.Va. Medical Center became the first hospital in Virginia to sponsor the conference "Cancer as a Turning Point: From Surviving to Thriving." The program encourages participants to view illness in the context of the whole person and as a transformative experience.

The way care is delivered is as important as its sophistication. The newly opened Hand Center brings together all specialists—physicians, nurses, therapists, physician assistants, cast technicians, and access specialists—needed to provide comprehensive and integrated care. The easier coordination of care results in better treatment outcomes. Patients also benefit from the convenience of reporting to a single outpatient clinic. The Health System's

new Spine Center will follow the Hand Center model.

The Health System's new electronic medical record system is another comprehensive way to manage health care. The system uses a single database of patient records, accessible by doctors and nurses. Patients may also view their own records through a feature called MyChart. Nearly \$122 million has been budgeted for development, implementation, and five years of tailoring the system. The new record system will be in use throughout the U.Va. Health System in spring 2011.

Twenty-First-Century Medical and Nursing Education

While the transition to the electronic record system will require some adjustment on the part of current employees, for the next generation of health care providers it will be second nature. Integrating the system into the medical and nursing curricula is an important part of the plan. This is but one aspect of the comprehensive curricular revision under way at both schools. Beginning with the Class of 2014, the School of Medicine curriculum will provide a system-based learning experience that more deeply integrates basic sciences into clinical medicine, is oriented to clinical performance, and uses the best evidenced-based models for medical education. In a departure from tradition, students will gain clinical experience starting in their first year.

The Schools of Nursing and Medicine also have launched an initiative to promote compassionate care. The goal of this initiative is to enlarge the perspective of caregivers, helping them better appreciate patient individuality while preserving caregivers' resiliency and capacity for empathy. Compassionate care is now part of both schools' curricula and research is being conducted about how to best integrate compassionate care into practice. Longtime U.Va. benefactors Tussi and the late John Kluge created endowed professorships in the Schools of Medicine and Nursing in this field and sponsor a compassionate care lecture series to support this work.

These curriculum changes, which stress mentoring and faculty-student interaction, make skillful teaching even more essential than before. This year, Eugene C. Corbett, Jr., the Anne L. and Bernard B. Brodie Teaching Professor of Internal Medicine, received

one of the nation's highest teaching honors for physicians, the Alpha Omega Alpha Robert J. Glaser Distinguished Teacher Award. He was recognized for exceptional teaching at U.Va. and developing national curriculum models for all medical students.

Building Partnerships for Research

Declining budgets for research at federal agencies as well as corporations have led to research activities that emphasize moving discovery out of the laboratory and translating it into products and processes that improve the well-being and health of patients.

U.Va. began such a project in March 2010, drawing on expertise in reproductive cell and molecular biology within the University's Center for Research in Contraceptive and Reproductive Health and screening resources of Merck Research Laboratories' drug discovery and development groups in the Netherlands. The collaboration will lay the groundwork for a nonsteroidal contraceptive that targets a precursor of a mature egg cell.

Another collaboration, conducted with AstraZeneca, will accelerate the development of new treatments for coronary heart disease and peripheral vascular disease. AstraZeneca was attracted by the quality of research being conducted at the Robert M. Berne Cardiovascular Research Center. One focus of the research is to find better ways to stabilize, slow, or reverse the buildup of atherosclerotic plaque on blood vessel walls.

Despite intense competition for limited funding from federal agencies, Health System researchers secured a number of major grants in 2009–10. Investigators led by Dr. Thomas Braciale, the Beirne B. Carter Professor of Immunology and director of the Beirne B. Carter Center for Immunology Research, received an \$8.2 million grant from the National Institute of Allergy and Infectious Diseases to study how the immune system's efforts to attack viruses can damage the body.

A team led by Dr. John C. Marshall, the Andrew D. Hart Professor of Internal Medicine and director of the Center for Research in Reproduction, received a \$7 million National Institutes of Health grant to study polycystic ovary syndrome, the most common hormonal disorder among women of reproductive age.



CLAUDE MOORE NURSING EDUCATION BUILDING | *School of Nursing*

A lead gift from the Claude Moore Charitable Foundation helped construct the new education building for the School of Nursing. The Claude Moore Nursing Education Building supports the most up-to-date teaching methods, including the use of advanced technologies in nursing practices. The additional space is helping the School of Nursing accommodate the growth necessary to address the national nursing and nursing educator shortage.

Creating Public Service and Health Care Alliances

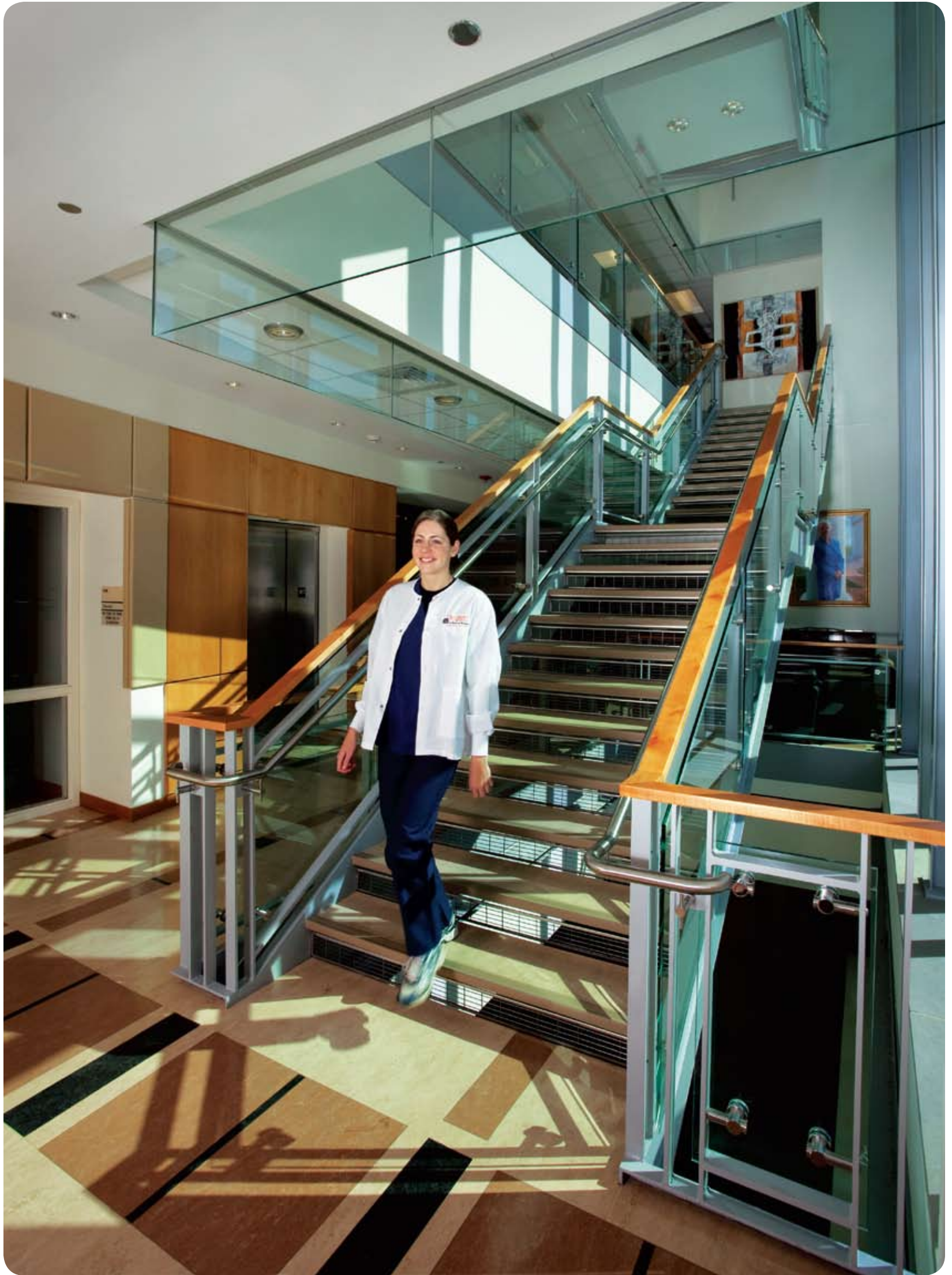
Although the Medical Center offers some of the most advanced health care in the nation, access to health care of any kind is often difficult for people living in remote areas. After the earthquake in Haiti in February 2010, the U.Va. Health System partnered with the University of Miami Health System through the Swinfen Charitable Trust to provide remote treatment for patients in Port-au-Prince. The Swinfen Trust connects physicians and their patients in poor or remote parts of the world through telemedicine with specialists who offer medical advice on specific cases. Patients' clinical histories and other information, such as x-rays and MRIs, are shared with partnering specialists, who review cases and provide feedback.

The Medical Center's MERCI (Medical Equipment Recovery of Clean Inventory) program also organized bandages, gauze, and other medical supplies to send to Haiti. In addition, MERCI and Health System Community Relations helped collect other supplies, such as canned foods, powdered milk, and tarps from U.Va. Health System employees for earthquake victims. MERCI also sends a trailer full of supplies to the Remote Area Medical Clinic (RAM) in Wise every year.

For the last ten years, the Health System has sent an ever-larger contingent of volunteers to provide medical care at the annual RAM Clinic in Wise County. More than 240 Health System volunteers treated almost 1,400 patients at the July 2010 RAM Clinic. These relationships developed at the clinic—with patients, providers, and government—help create a more sustained network of care.

This year saw the inauguration of the Healthy Appalachia Institute, a partnership among U.Va., the U.Va. College at Wise, the Southwest Virginia Graduate Medical Education Consortium, and the Appalachian Regional Commission to develop strategies to promote a healthier region. The partners work together to offer direct outreach and clinical programs funded by the Virginia Tobacco Commission and organized through U.Va.'s Cancer Center and Office of Telemedicine.

The School of Nursing expanded its graduate education outreach to rural areas with a \$1.2 million grant from the Health Resources and Services Administration to its Nursing Leadership in Rural Health Care project. The project helps nurses in rural settings gain expertise in community and public health leadership, health systems management, and psychiatric mental health. The School of Nursing also offers scholarships for rural nurses pursuing nurse practitioner certification and has received federal stimulus funding to support undergraduate and graduate student interns at the Rural Health Center. 



Setting an Example in Competition

Success in sports, through self-discipline, courage, integrity, and a commitment to the greater good, exemplifies the ideals of leadership and citizenship that the University hopes to inspire in its students. U.Va.'s student-athletes develop these qualities during practice and display them in competition. In the process, they become highly visible role models who are respected for their achievements.

The University's athletics program recorded its highest finish in the seventeen-year history of the Learfield Sports Directors' Cup, coming in third in the annual all-sports competition. Top-tier placement in the Directors' Cup requires national-level performance in several sports, and Virginia teams delivered. In fall 2009, the men's soccer team won the NCAA championship for the sixth time in the program's history. Men's soccer was unbeaten in its last sixteen games of the season, including a 3-2 penalty kick shootout win over a determined and talented University of Akron team in the championship final.

The women's rowing team won the 2010 NCAA championship for the first time, led by an undefeated varsity four. The varsity four was the seventh crew in school history to take home a national championship in its event and the first since 2007. Three rowers—Desiree Burns, Jennifer Cromwell, and Katrin Reinert—were named first-team all-Americans by the Collegiate Rowing Coaches Association.

Like the rowing team, the men's tennis team has consistently performed at a high level at national events. This season, it won its third consecutive Intercollegiate Tennis Association Men's National Team Indoor Championship. The second-seeded Cavaliers used strong singles play to overcome an early deficit and defeat the



Men's soccer team at the NCAA championship finals





DAVENPORT FIELD | *Athletics*

Privately funded renovations to Davenport Field have created better opportunities for player development, enhanced the recruiting experience for prospective players, and have better positioned the baseball program to host NCAA Regionals and Super Regionals. Improvements included a weight room, film room, meeting room, a renovated clubhouse, and indoor batting facility, named the Ryan Zimmerman Indoor Hitting Area for former U.Va. star Ryan Zimmerman (College '06). Locker rooms for the visiting team and umpires were also added.



Monica Wright

fifth-seeded Volunteers from the University of Tennessee.

Virginia came close to winning additional national championships as the field hockey team, men's lacrosse team, and men's tennis team reached the NCAA championship semifinals. In the process of qualifying for the NCAA Tournament and winning its opening games in the tournament, the field hockey team won twenty games, the most in program history. The baseball team was similarly successful, reaching the Super Regionals, while the softball team received its first-ever NCAA bid.

Five different Virginia teams (baseball, men's lacrosse, women's rowing, men's soccer, and men's tennis) were ranked number one during the 2009–10 athletics year.

Move from national to league competition, and the depth of the University's athletics program is even more evident.

Virginia won seven Atlantic Coast Conference team championships, more than any other school in the league. Men's teams won championships in soccer, swimming and diving, wrestling, tennis, and lacrosse, while women's teams took championships in swimming and diving and in rowing.

Outstanding Individual Efforts

The success of these teams rests squarely on the talent and drive of individual student-athletes. Their determination to make that extra effort, game after game, is epitomized by Monica Wright, a guard on the women's basketball team, who completed her U.Va. career in 2009–10. Ms. Wright averaged 23.7 points a game in her last season and finished her career as the women's basketball team's all-time leading scorer with 2,540 points, ranking third in ACC history. She was a first-team All-America selection by the Associated



Emil Heineking

Press, the U.S. Basketball Writers Association, and the Women's Basketball Coaches Association (WBCA). She was also named the 2010 ACC Player of the Year, the ACC Defensive Player of the Year, and the WBCA National Defensive Player of the Year.

This same consistency has made Chris Henrich the first two-time All-American wrestler in U.Va. history. He finished the year with a 35-3 record, including a third-place performance at the NCAA Championships. He needs just sixteen wins next season to become the wrestling program's all-time wins leader.

Men's tennis players Michael Shabaz and Drew Courtney represent a consistently excellent program. They won the NCAA men's tennis doubles title, marking the fourth consecutive year U.Va. has

won a singles or doubles title at the NCAA Championships. The Intercollegiate Tennis Association named Mr. Shabaz, Mr. Courtney, and Sanam Singh 2010 All-Americans.

A number of athletes from other squads also had successful seasons. First-year student Robby Andrews won the NCAA Indoor Track and Field Championship in the 800 meters with a time of 1:48.39. At the Penn Relays during the outdoor season, he used his kick to pass Oregon Olympian Andrew Wheating down the homestretch, as he anchored the Cavaliers' 4x800-meter relay team of Alex Bowman, Lance Roller, and Steve Finley to Virginia's first Championship of America relay title since 1943.

As a result of performances like these, Mr. Andrews was named the ACC Men's Outdoor Track Performer of the Year and Freshman of the Year in both indoor and outdoor track. Other Cavaliers received similar accolades. Mei Christensen repeated as ACC Swimmer of the Year, just the fourth time that a member of the women's program has won this award twice. Golfer Ben Kohles shared ACC Player of the Year honors in his sport. He led U.Va. and the ACC with a 71.32 stroke average.

Emil Heineking was the ACC Men's Cross Country Performer of the Year after winning the 2009 individual championship at the conference meet, and Danny Hultzen compiled an 11-1 record with a conference-low 2.78 earned run average to become Virginia's first ACC Pitcher of the Year. The rowing team's varsity eight crew (coxswain Sidney Thorsten, Jennifer Cromwell, Katrin Reinert, Desiree Burns, Kristine O'Brien, Martha Kuzzy, Helen Tompkins, Nora Phillips, and Summers Nelson) was the ACC Crew of the Year.

Recognizing Coaching Leadership

Attaining these accolades requires superior coaching. Rowing coach Kevin Sauer, men's soccer coach George Gelnovatch, and field hockey coach Michele Madison were all named national coaches of the year in 2009–10. This is an extraordinary achievement at any university.

Six U.Va. coaches earned a total of seven Coach of the Year awards in the ACC. They were baseball coach Brian O'Connor, men's golf coach Bowen Sargent, men's tennis coach Brian Boland, rowing coach Kevin Sauer, wrestling coach Steve Garland, and men's and women's swimming and diving coach Mark Bernardino (received the honor for both men's and women's swimming and diving).

Mr. Bernardino, now in his thirty-second season, was also honored for his service to the U.Va. community. He received an Algernon Sydney Sullivan Award at the 2010 Valedictory Exercises. He has led teams to twenty-one Atlantic Coast Conference Championships, including eleven of the last twelve men's championships and the last three women's championships. Mr. Bernardino has been named ACC Coach of the Year twenty-nine times, twelve for the women's team and seventeen for the men's team. Equally important, more than 450 students on his teams have been named to the ACC Academic Honor Roll, and two of Mr. Bernardino's swimmers have been semi-finalists for Rhodes Scholarships.

After serving twice as an assistant coach at U.Va., Mike London returned to Charlottesville as head football coach. In his two years as head coach at the University of Richmond, he compiled a 24-5 record, and his 2008 team won the Football Championship Series national title.



Mark Bernardino



Field hockey coach Michele Madison and team



UNIVERSITY of VIRGINIA

Financial Report 2009–10

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A Fond Farewell and Warm Welcome to New Leaders

It is with special appreciation for my time with you and confidence in our University's future that I write this letter for the last time. We are in the midst of a very effective transition. John Casteen gave us twenty years of remarkable leadership. He successfully improved the University's physical surroundings, private support, and academic reputation. He established a strong foundation on which we can build. I now look ahead to the vision and energy of Teresa A. Sullivan. I see the wealth of experience she brings and her commitment to help us achieve the University's potential. This is a unique time in our history when we build on the accomplishments of President Casteen and commit to the aspirations of President Sullivan.

President Sullivan joined the University as its eighth president on August 1 just as we had concluded an unprecedented fiscal year. In 2009–10 we began the recovery from a significant economic downturn, realized in new ways the benefits of Virginia's restructuring act of 2005, and invested more than ever in our building program. The Campaign for the University of Virginia reached a significant milestone during the year—the \$2 billion mark of a \$3 billion campaign.

During the fiscal year ended June 30, 2010, we managed our resources carefully, continued to operate efficiently, and lived within our budget. We have managed to maintain our sound financial position during these tough times in large part because of the commitment of faculty, health care providers, and staff who have gone above and beyond reasonable expectations to protect the quality and level of services provided to students, patients, and our customers. The institution's financial strength was confirmed this summer when our AAA or the equivalent bond ratings were reaffirmed by the three major credit-rating institutions—Standard & Poor's, Fitch Investors Service, and Moody's Investors Service.

President Sullivan assumes the leadership at a time when a focus on priorities

and more predictable revenues are essential if we are to sustain the quality of teaching, research, and service that the citizens of the Commonwealth and beyond deserve and have come to expect.

Faced with a continuing decline of state support and an unprecedented demand for a broad range of academic and health care services, we have taken on the development of a new financial model to protect the quality of the institution going forward.

Focusing on Priorities

The President's Commission on the Future of the University continues to be a primary blueprint for the University's strategic efforts in areas identified as priorities: student and faculty experience; international programs; and science, technology, engineering, and research. Funding for current commission initiatives was protected during budget reductions, and investments approved earlier by the Board of Visitors are being maintained. These top priorities are a major focus of the Campaign for the University of Virginia as well.

Funding for student financial aid is an increasing challenge as the recession and rising education costs have increased the demand for support through AccessUVA. Rated in 2010 by the *Princeton Review* as the best aid program among public institutions in the nation and second among all institutions, AccessUVA remains a critical priority for the University. The projected 2010–11 cost of AccessUVA will be \$80.1 million, an increase of \$10 million over the previous year. We remain committed to ensuring that a U.Va. education is available to all admitted students regardless of their ability to pay.

Through the federal stimulus package, Congress invested \$21.5 billion for research and development. At U.Va., researchers have been awarded more than \$67 million as of June 30, 2010, in new grants through the stimulus program, leading all other public universities in the Commonwealth. The University



received an additional \$10.7 million in federal stimulus funds to offset state budget cuts, and those resources are being used to moderate tuition increases for in-state students.

The University is also directly involved in economic activity in our region. U.Va. and Virginia Tech recently formed the Commonwealth Center for Advanced Manufacturing (CCAM), which will work directly with advanced manufacturing firms to reduce costs, speed time to market, and remain competitive through new innovations in surface engineering and manufacturing processes. Through CCAM, U.Va. expects to work with dozens of advanced manufacturing member companies from a variety of industries, creating new research and education opportunities for faculty and students. At the same time we look forward to the arrival of the federal Defense Intelligence Agency, which is in the process of relocating more than 800 positions to the Charlottesville area and opening a facility near the U.Va. Research Park in fall 2010.

We continue to invest significantly in buildings and infrastructure for both the University's academic side and its Health

System. In 2009–10 we spent nearly \$208 million on capital construction, almost three times the investment of just ten years ago. I expect that capital construction spending will reach approximately \$200 million in the 2010–11 fiscal year and stay within the \$125 million to \$150 million range for the next several years as projects in the pipeline are completed.

Financing the University

The Board of Visitors approved a \$2.38 billion 2010–11 operating budget for the Academic Division, the Medical Center, and the College at Wise. This represents an increase of about 4 percent over the 2009–10 fiscal year. State appropriations make up just 10.2 percent of U.Va.'s Academic Division budget, compared to 23.5 percent ten years ago and nearly 30 percent twenty years ago. By contrast, tuition and fees will provide nearly 31 percent of the 2010–11 Academic Division budget.

Since 2000–01, state funding per in-state student has fallen from almost \$15,000 to \$8,470 in inflation-adjusted 2010–11 dollars. For the first time, an in-state U.Va. undergraduate student will contribute more through tuition than the state will contribute in General Fund support. Cumulatively, U.Va. has incurred a \$36.8 million, or 25 percent, reduction in the state appropriation over the past three years. Although the University does not anticipate a reduction in state appropriations for fiscal year 2010–11, an additional \$14.7 million reduction is expected in fiscal year 2011–12. We have sustained these cuts without layoffs, although our faculty and staff are facing a third year without raises in salaries.

Governor Bob McDonnell has established a Commission on Higher Education Reform, Innovation, and Investment to determine how the Commonwealth can produce more degrees at an affordable price for Virginians. To achieve these objectives, we all must be more efficient and effective

in the delivery of academic programs. This will require that we reshape the financial model and focus more intently on quality and productivity. In the months ahead, we must examine our size, our pricing, and our approach to the delivery of teaching, research, and patient care.

Through our loyal alumni and supporters, we continue to raise money despite the challenges of the economic downturn. By June 30, 2010, the campaign total reached \$2.18 billion, representing nearly 72.6 percent in campaign achievement in 81.2 percent of campaign time elapsed. We rely increasingly on philanthropic support to achieve our aspirations, and this is evidence that our alumni and supporters are standing by us.

From its high point of \$5.3 billion in May 2008, the University's long-term investment pool, which includes the long-term investments (including endowment) of the Rector and Visitors and most related foundations, fell to \$3.8 billion in February 2009 before recovering to \$4.7 billion by September 30, 2010. The endowment has enjoyed an annualized return of 11.7 percent over the past twenty years, comfortably exceeding both endowment spending requirements and the returns available from a traditional equity and bond portfolio over the same time period. For the year ended June 30, 2010, the return was 15.1 percent. We take seriously the responsibility to be good stewards of the endowment entrusted to U.Va., which ranks among the top five public institutions in the nation in endowment size.

Promoting Sustainability

Along with a larger physical footprint, the University has increased both operational sustainability and community outreach. We have completed the first phase of the Committee on Sustainability's Environmental Footprint Reduction Plan, achieved LEED silver certifications on two new buildings, and stepped up retro-commissioning to reduce energy costs and carbon emissions

in existing energy-intensive facilities during the last fiscal year.

U.Va.'s Housing and Dining divisions earned the highest levels ever awarded to a Virginia college or university through Virginia's Department of Environmental Quality's Exemplary Environmental Enterprise certification. In November 2009, Parking and Transportation brought Zipcars to the Grounds. Sustainability was the theme of the spring 2010 Semester at Sea voyage, which offered almost 600 undergraduates courses and site visits related to sustainable communities, green businesses, energy generation, and environmental ethics. These programs and more are detailed on our new sustainability website at www.virginia.edu/sustainability.

Welcoming New Leadership

It has been an incredible honor for Jerry and me to be allowed to serve the University of Virginia and the College at Wise for so many years. I am grateful to the Boards of Visitors and five presidents who have allowed me to work for the Commonwealth, our students, and our patients. Ray Hunt and Vincent Shea showed me how to do the job with integrity and fairness. The U.Va. faculty and those with whom I have worked have been consistently outstanding. I have special admiration and respect for the University's staff, who care for the University and make it the best it can be every day. I will miss them. But, it is time for this old soldier to fade away and let the capable team that follows carry on with new vigor and relentless commitment. Our University deserves nothing less. Thank you for being such an important part of my family's life.



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, 2010. Comparative information for the year ended June 30, 2009, 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 20,895 students and 2,159 full-time instructional and research faculty members in eleven separate schools in 2009–10, 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 570-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 1,986 students and 90 full-time instructional and research faculty. It offers thirty majors and six 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, 2010:

- The University received a 15.1 percent return on its endowment during 2009–10. Overall, the endowment assets increased by \$308 million. The University made a 5.5 percent spending distribution to its departments, totaling \$136.5 million.
- Through June 30, 2010, the University had been awarded \$67 million of funding from federal stimulus (ARRA) grants. Of that total, \$58.7 million was awarded during fiscal year 2009–10. \$21.8 million of those awards was expended in 2009–10.
- In addition to ARRA grants, the University received \$6.7 million in federal stimulus funding that came from the Commonwealth of Virginia, as part of the State Fiscal Stabilization Funds program. That funding was used to offset reductions in state appropriations.
- In June 2010, the University transferred \$57.1 million of operational funds to the Commonwealth. Out of that total, \$49 million was given in exchange for proceeds of Commonwealth of Virginia debt, and are included as part of capital appropriations revenue. The remainder included remittances to the Commonwealth for suspended VRS payments, and the University's expense for a state furlough day, imposed by the Commonwealth.
- During fiscal year 2009–10, the University surpassed the \$2 billion mark of its \$3 billion campaign. As of June 30, 2010, the campaign total stood at \$2.18 billion.
- As of July 1, 2009, the University's F&A (Facilities and Administrative) rate increased from 51.5 percent to 54.0 percent. The rate increase results from an earlier negotiated agreement with the federal government. That agreement is in effect for fiscal years 2009–10 and 2010–11, after which a new agreement will be negotiated.

The University's net assets increased by \$555 million, or 11.6 percent. Some of the contributing factors to this increase are outlined in the summary table below.

Summary of the Change in Net Assets <i>(in thousands)</i>	2010	2009	INCREASE	
			AMOUNT	PERCENT
Total revenues before investment income	\$ 2,343,221	\$ 2,229,683	\$ 113,538	5.1%
Total expenses	2,255,228	2,214,805	40,423	1.8%
Increase in net assets before investment income	87,993	14,878	73,115	491.4%
Investment income	467,024	(850,753)	1,317,777	154.9%
TOTAL CHANGE IN NET ASSETS	\$ 555,017	\$ (835,875)	\$ 1,390,892	166.4%

- When net assets change significantly in a given year, either up or down, the predominant factor is the change in market value of investments. That is the case this year, as investment income was a positive \$467 million, compared to the unusually high negative investment income of \$851 million in fiscal year 2008–09. The University’s long-term investments earned a 15 percent positive return for the fiscal year, compared to the abnormally high 21 percent loss in fiscal year 2008–09.
- Revenues before investment income and total expenses increased by a 5.1 and a modest 1.8 percent, respectively.

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, 2010, and June 30, 2009 (restated), follows.

Summary of the Statement of Net Assets <i>(in thousands)</i>	2010	2009	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Current assets	\$ 616,343	\$ 720,512	\$ (104,169)	(14.5%)
Noncurrent assets				
Endowment and other long-term investments	3,584,120	3,024,517	559,603	18.5%
Capital assets, net	2,522,807	2,305,632	217,175	9.4%
Other	155,866	250,513	(94,647)	(37.8%)
Total assets	6,879,136	6,301,174	577,962	9.2%
Current liabilities	483,535	478,348	5,187	1.1%
Noncurrent liabilities	1,037,840	1,020,082	17,758	1.7%
Total liabilities	1,521,375	1,498,430	22,945	1.5%
NET ASSETS	\$ 5,357,761	\$ 4,802,744	\$ 555,017	11.6%

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled \$616 million as compared with the previous year’s \$721 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 just \$5 million, or 1.1 percent. While the net change in current liabilities was small, some of the individual components had more sizeable changes. Accounts payable was approximately \$27 million less in 2009–10, while the commercial paper and current portion of long-term liabilities increased by \$14 million and \$18 million, respectively. Later cutoffs for June payables explain the decrease in accounts payable. Increases in accrued leave and accrued overtime pay account for the increase to the current portion of long-term liabilities.

From a liquidity perspective, current assets cover current liabilities 1.3 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage decreased slightly from 1.5 last year. Current assets cover 3.4 months of total operating expenses, including depreciation. For 2009–10, one month of operating expenses is approximately \$180 million.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2010, 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 a positive 15.1 percent, compared to a 21.0 percent decline experienced last year. This performance figure includes realized and unrealized gains and losses, along with cash income. With this return, total investment income for all funds was positive \$467 million. That represents a substantial recovery from the negative investment income of \$851 million sustained in 2008–09.

Distribution. The University distributes endowment earnings in a way that balances the annual funding needed to support the endowed programs 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 \$136.5 million, a decrease of \$27 million from last year's distribution of \$163.5 million. To mitigate the severe decline in market value of the endowment since 2008, the Board of Visitors raised the distribution percentage from 5.0 percent to 5.5 percent for the 2009–10 distribution. This was the first time in the University's history that it saw a drop in the distribution between years; however, the \$136.5 million is still the second highest distribution ever.

Endowment investments. The total for endowment investments on the Statement of Net Assets is \$2.8 billion, a \$300 million increase over the prior year total of \$2.5 billion. Most of that increase is attributable to the significant recovery in the investment markets during the year.

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 \$896 million, or 32 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 \$3.8 billion as of June 30, 2010.

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 2010. They amounted to \$158 million for buildings, and \$31 million for infrastructure. The University also added \$59 million for capital equipment. The largest project coming to fruition during the year was the South Lawn Arts & Sciences project, which includes a number of buildings. The South Lawn Arts & Sciences Building was still under construction at the end of the fiscal year and will be completed in 2010–11, while both the Gibson and Nau buildings, as well as the Terrace Crossing, were completed during the year. Major renovation projects completed included Jordan Hall, Brown/Withers Hall, and the Carter-Harrison Medical Research Building. Additions to utilities infrastructure included projects for multiple chilled water plants. The University's College at Wise added three new buildings to its campus. They were the Drama Building, Science and Engineering Building, and Residence Hall #3.

There were a number of large projects in progress at June 30, 2010, as the University invested more than \$330 million on capital construction in fiscal year 2009–10. Some of the largest projects in progress include the Claude Moore Medical Education Building, 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, and the Alderman Road (replacement) residence halls. The College at Wise has the new Dining Hall, Multi-purpose Building, and Smiddy Hall renovation projects under construction.

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 July 2010 in conjunction with the University's issuance of its Series 2010 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 acknowledgment 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 issuing a combination of 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-approved interest rate risk management policy. The seven foundations reported as component units held \$192 million of long-term debt outstanding at June 30, 2010.

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, 2010, and 2009 (restated), are summarized below.

Net Assets <i>(in thousands)</i>	2010	2009	INCREASE	
			AMOUNT	PERCENT
Invested in capital assets, net of related debt	\$ 1,577,969	\$ 1,458,203	\$ 119,766	8.2%
Restricted				
Nonexpendable	494,201	459,247	34,954	7.6%
Expendable	1,938,361	1,785,372	152,989	8.6%
Unrestricted	1,347,230	1,099,922	247,308	22.5%
TOTAL NET ASSETS	\$ 5,357,761	\$ 4,802,744	\$ 555,017	11.6%

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 \$1.6 billion at June 30, 2010. It increased by \$119.8 million, or 8.2 percent, in the current fiscal year compared with 3.6 percent growth in the previous year. This increase reflects the ongoing and unprecedented investment by the University in buildings and infrastructure. Capitalized assets increased by over \$200 million, while related debt increased by almost \$100 million, as the University makes strategic use of its debt capacity to fund new assets.

Restricted nonexpendable net assets comprise the University's permanent endowment funds. This category totaled \$494 million at June 30, 2010. Overall, nonexpendable net assets increased by nearly \$35 million. New gifts of \$25 million account for most of the increase. An additional \$10 million of increase occurred as a write-up in value of a number of endowments whose market value had fallen below their historic dollar value during the 2008 market decline.

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 \$1.9 billion at June 30, 2010. These net assets increased by \$153 million, or 8.6 percent. The increase is attributable to the 15.1 percent investment returns on the University's endowment and other investments. That increase is offset by reductions for endowment spending distribution of 5.5 percent, as well as expenditures of previously recorded gifts for capital projects.

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 because they can be used for any University initiative. Unrestricted net assets totaled \$1.3 billion at June 30, 2010. They increased by \$247 million, or 22.5 percent. As with restricted funds, much of the increase results from the 15.1 percent return in market value on long-term investments. In addition, the Medical Center realized a significant positive operating margin of about \$75 million that contributed to the increase.

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, 2010, and 2009 (restated).

Summary of the Statement of Revenues, Expenses, and Changes in Net Assets <i>(in thousands)</i>	2010	2009	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Operating revenues	\$ 1,850,974	\$ 1,788,824	\$ 62,150	3.5%
Operating expenses	2,155,758	2,157,848	(2,090)	(0.1%)
Operating loss	(304,784)	(369,024)	64,240	(17.4%)
Nonoperating revenues (expenses)				
State appropriations	152,115	170,178	(18,063)	(10.6%)
State stabilization (ARRA)	6,657	—	6,657	100.0%
Gifts	131,208	140,078	(8,870)	(6.3%)
Investment income	467,024	(850,753)	1,317,777	154.9%
Pell grants	9,695	7,024	2,671	38.0%
Interest on capital asset related debt	(34,389)	(24,251)	(10,138)	41.8%
Other net nonoperating expenses	(7,892)	(32,706)	24,814	(75.9%)
Net nonoperating revenues (expenses)	724,418	(590,430)	1,314,848	222.7%
Income before other revenues, expenses, gains or losses	419,634	(959,454)	1,379,088	143.7%
Capital appropriations, gifts, and grants	167,728	74,367	93,361	125.5%
Additions to permanent endowments	24,844	49,212	(24,368)	(49.5%)
Transfers to Commonwealth	(57,189)	—	(57,189)	100.0%
Total other	135,383	123,579	11,804	9.6%
Increase (decrease) in net assets	555,017	(835,875)	1,390,892	166.4%
Net assets—beginning of year	4,802,744	5,638,619	(835,875)	(14.8%)
NET ASSETS—END OF YEAR	\$ 5,357,761	\$ 4,802,744	\$ 555,017	11.6%

Under GASB principles, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations, state stabilization from ARRA funds, and gifts, are considered nonoperating, as defined by GASB Statement No. 34. Consequently, the operating loss of \$305 million occurs before the appropriation of these important revenue sources. Adding these revenue sources, which total \$290 million for the fiscal year, negates most of the operating loss, and results in an adjusted income amount of negative \$15 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 decreases its dependence on specific revenue types and allows it to adapt during difficult economic times.

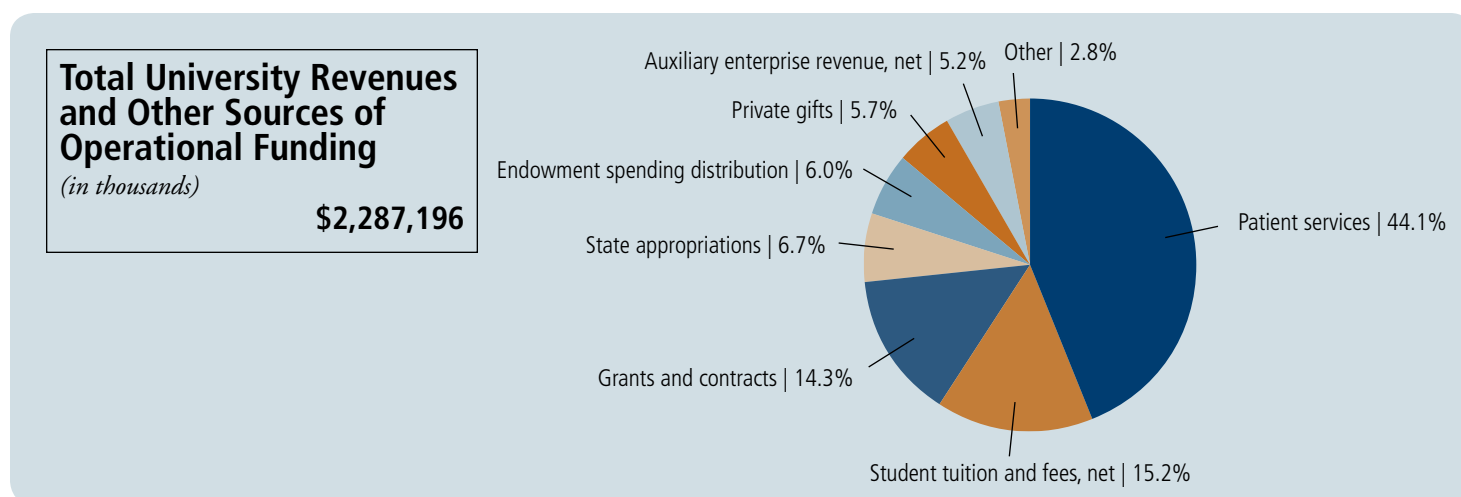
SUMMARY OF REVENUES, TOTAL UNIVERSITY

The University's revenues, for the years ended June 30, 2010, and 2009 (restated), are summarized as follows:

Summary of Revenues (in thousands)	2010			2009			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues:								
Student tuition and fees, net	\$ 348,436	\$ —	\$ 348,436	\$ 341,881	\$ —	\$ 341,881	\$ 6,555	1.9%
Patient services	—	1,008,858	1,008,858	—	964,346	964,346	44,512	4.6%
Federal, state, and local grants and contracts	281,083	—	281,083	271,793	—	271,793	9,290	3.4%
Nongovernmental grants and contracts	45,649	—	45,649	45,516	—	45,516	133	0.3%
Sales and services of educational departments	18,898	—	18,898	18,090	—	18,090	808	4.5%
Auxiliary enterprises revenue, net	118,002	—	118,002	119,573	—	119,573	(1,571)	(1.3%)
Other operating revenues	—	30,048	30,048	—	27,625	27,625	2,423	8.8%
Total operating revenues	\$ 812,068	\$1,038,906	\$1,850,974	\$ 796,853	\$ 991,971	\$1,788,824	\$ 62,150	3.5%
Nonoperating revenues:								
State appropriations	\$ 152,115	\$ —	\$ 152,115	\$ 170,178	\$ —	\$ 170,178	\$ (18,063)	(10.6%)
State stabilization (ARRA)	6,657	—	6,657	—	—	—	6,657	100.0%
Private gifts	130,563	645	131,208	139,312	766	140,078	(8,870)	(6.3%)
Investment income	423,206	43,818	467,024	(788,267)	(62,486)	(850,753)	1,317,777	154.9%
Other nonoperating revenues	140,144	62,123	202,267	130,603	—	130,603	71,664	54.9%
Total nonoperating revenues	\$ 852,685	\$ 106,586	\$ 959,271	\$(348,174)	\$ (61,720)	\$(409,894)	\$1,369,165	334.0%
TOTAL REVENUES	\$1,664,753	\$1,145,492	\$2,810,245	\$ 448,679	\$ 930,251	\$1,378,930	\$1,431,315	103.8%

REVENUES AND OTHER SOURCES OF OPERATIONAL FUNDING

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, 2010. As noted earlier, GASB Statement No. 34 requires state appropriations, state stimulus, current gifts, and other significant revenues to be treated as nonoperating revenues. Endowment spending distribution is not current-year revenue, but an appropriation of previously recognized revenue. Nonetheless, it is an important funding source for current operations and is included in the chart below to present a more accurate picture of the University's funding of current operations.



For purposes of this chart, the Medical Center is treated like a self-supporting auxiliary. Patient services revenues accounted for 44.1 percent of the University's revenues and operational funding sources. Student tuition and fees, and grants and contracts, which represent 15.2 percent and 14.3 percent, respectively, are the next largest revenues. After these three sources, the percentage of the total for the remaining sources drops off significantly. State appropriations now account for just 6.7 percent of funding for operations, followed closely by endowment spending distribution and private gifts, at 6.0 percent and 5.7 percent, respectively.

State appropriations decreased by \$18 million, and were nearly 11 percent less than last year. The decrease results from additional budget cuts imposed by the state government, as it continues to deal with the sluggish economy. Net tuition and fees increased by \$6.6 million, or 1.9 percent. In addition to the Board of Visitors' efforts to minimize tuition increases, the relatively small increase in net tuition and fee revenues is attributable to a significant increase in the scholarship allowance amount. 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.

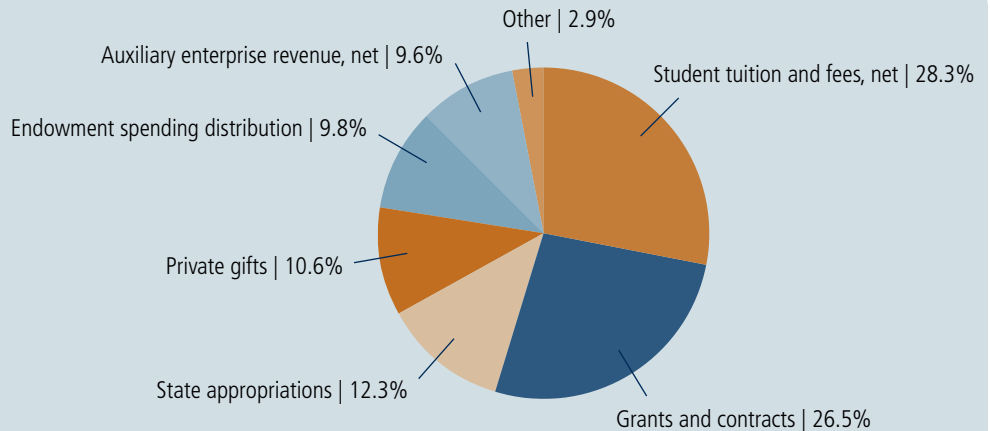
Financial Report

With the implementation of a new Student Information System (SIS), the scholarship allowance to students is now calculated using the direct method, which resulted in an increase of approximately \$13 million, or almost 19 percent.

Excluding the Medical Center's data helps provide a clearer picture of the academic revenue streams. Major sources include net tuition and fees at 28.3 percent; grants and contracts at 26.5 percent; state appropriations at 12.3 percent; private gifts at 10.6 percent; and endowment spending distribution at 9.8 percent. Excluding patient revenue, tuition and fees revenue comprises the single largest source of revenue to the University. The ratio of tuition and fees revenue to state appropriations was 2.3 in 2010, compared to a ratio of 2.0 in 2009. At 10.6 percent and 9.8 percent, respectively, private gifts and endowment spending distribution continue to be critical private sources of funding for University operations.

Academic and Wise Revenues and Other Sources of Operational Funding *(in thousands)*

\$1,231,952



The University continues to emphasize revenue diversification, along with cost containment, as ongoing priorities. 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 endowments, as well as the spending distribution made from endowments. Spendable current gift revenue totaled \$131 million in 2010, a decrease of \$8.9 million, or 6.3 percent from the prior year. At the same time, the Campaign for the University of Virginia continued its progress toward its \$3 billion target, standing at \$2.18 billion as of June 30, 2010. An endowment spending distribution of \$136.5 million was made during fiscal year 2009–10. Although that was less than the \$163.5 million distribution of the previous year, it was still the second highest ever total distribution.

Revenues for all sponsored programs increased this year by \$9 million, or 3.0 percent, to a total of \$327 million. However, this total includes \$19.3 million in ARRA grants revenue. If that is excluded, then overall sponsored programs revenue would have declined to \$308 million, or 2.8 percent less than last year's total of \$317 million. The \$327 million total includes \$71.1 million of Facilities and Administrative (F&A) recoveries. That amount is \$5 million more and 7.8 percent higher than last year, and reflects the increase in the University's negotiated F&A rate from 51.5 percent to 54.0 percent, effective July 1, 2009.

EXPENSES

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

SUMMARY OF EXPENSES, TOTAL UNIVERSITY

The University's expenses, for the years ended June 30, 2010, and 2009 (restated), are summarized as follows:

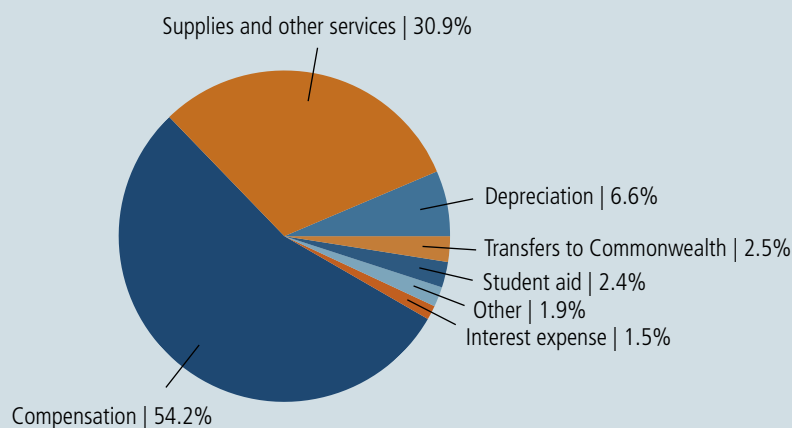
Summary of Expenses <i>(in thousands)</i>	2010			2009			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses:								
Compensation	\$ 795,348	\$ 425,791	\$ 1,221,139	\$ 794,065	\$ 421,169	\$ 1,215,234	\$ 5,905	0.5%
Supplies and other services	254,535	441,187	695,722	265,138	438,924	704,062	(8,340)	(1.2%)
Student aid	55,058	—	55,058	62,750	—	62,750	(7,692)	(12.3%)
Depreciation	95,280	54,052	149,332	89,025	52,313	141,338	7,994	5.7%
Other operating expense	3,559	30,948	34,507	3,653	30,811	34,464	43	0.1%
Total operating expenses	1,203,780	951,978	2,155,758	1,214,631	943,217	2,157,848	(2,090)	(0.1%)
Nonoperating expenses and other:								
Interest expense	26,976	7,413	34,389	16,574	7,677	24,251	10,138	41.8%
Loss on capital assets	749	706	1,455	3,719	13,360	17,079	(15,624)	(91.5%)
Other nonoperating expense	288	6,149	6,437	7,179	8,448	15,627	(9,190)	(58.8%)
Transfers to Commonwealth	13,755	43,434	57,189	—	—	—	57,189	100.0%
Total nonoperating expenses	41,768	57,702	99,470	27,472	29,485	56,957	42,513	74.6%
TOTAL UNIVERSITY EXPENSES	\$1,245,548	\$1,009,680	\$2,255,228	\$1,242,103	\$ 972,702	\$2,214,805	\$ 40,423	1.8%

Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2010.

Total University Expenses Fiscal Year 2010

(in thousands)

TOTAL EXPENSES (in thousands)
\$2,255,228



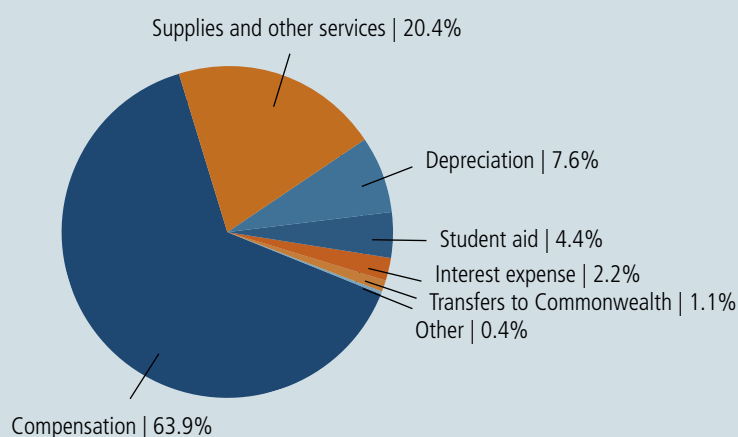
The University's total expenses increased just 1.8 percent or \$40 million in 2009–10, reaching almost \$2.3 billion. Compensation expenses increased just 0.5 percent, and totaled about \$1.2 billion. The University has been able to navigate the state budget cuts without layoffs, instead strategically leaving vacant positions open. At the same time, the Board of Visitors remains committed to its long-term goal of raising faculty, staff, and health care employees' compensation to meet market conditions. This is a critically important issue following three years of no salary increases.

Student aid is reported net of scholarship discount. While gross student aid expense (before discount) increased by \$7 million, net student aid expense (after discount) decreased by \$8 million. The \$15 million difference is accounted for by the change in the estimate for the discount amount, which went from \$78 million in 2008–09 to \$93 million in 2009–10. Implementation of a new student system enabled a more accurate methodology this year for calculating the estimated scholarship discount. The University's commitment to providing financial aid support to students continues, as evidenced by the growing costs of the AccessUVA program. On the nonoperating side, interest expense increased by \$10.1 million, or 42 percent, to \$34.4 million. This increase in debt service was expected, because the University issued \$250 million of revenue bonds in 2009. An increase in depreciation expense was also expected, given the large dollar amount of recently completed building and infrastructure projects. Depreciation expense was up \$8 million, or 5.7 percent.

Academic and Wise Expenses Fiscal Year 2010

(in thousands)

TOTAL EXPENSES (in thousands)
\$1,245,548



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, research, and public service account for 44.2 percent, 14.6 percent, 13.4 percent, and 1.3 percent, respectively, of total operating expenses. When combined, these core mission functions account for 73.5 percent of total operating expenses. The remainder is for costs incurred in support of these core mission functions, including academic support, libraries, student services, institutional support services, and operation and maintenance of facilities.

FUTURE ECONOMIC OUTLOOK

This past year was one of unprecedented change for the University of Virginia. As the University navigates its way through these difficult financial times, it is also seeing a dramatic change in its leadership. The University loses President John Casteen, who has led the University for the last twenty years. In the months to come, both Executive Vice President and Chief Operating Officer Leonard Sandridge and Executive Vice President and Provost Tim Garson will step down from their positions. The remarkable leadership they provided for so long will be difficult to replace. But they leave for the new leadership a University of Virginia that is solidly positioned. In August 2010, the University welcomed Teresa A. Sullivan as its eighth president. She was most recently the provost at the University of Michigan. She has served at some of the best universities in the country. She has been a teacher, a researcher, and in her own words "a mom who's had two sons go through college, so I understand what a college education looks like from the other side too." Her broad experience will serve the University well. President Sullivan faces many challenges, and has set as her top priority the replacement of the two executive vice presidents. Some of her long-term goals are detailed below, in the Long Term section of the Management's Discussion and Analysis.

Short Term

State Budget Crisis. Like most states, the Commonwealth continues to face revenue shortfalls, and the University has absorbed its share of the state's budget reductions. Over the past three years, the University has sustained \$36.8 million in budget cuts, which equates to a 25 percent reduction in state appropriations revenue. For the first time in four years, the University does not anticipate a reduction in state appropriations for the 2010–11 fiscal year. However, an additional reduction of \$14.8 million has been approved for 2011–12, with further cuts possible.

AccessUVA. Rated in 2010 by the *Princeton Review* as the best financial aid program among public institutions, 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. This factor, along with tuition increases to compensate partially for state budget cuts, causes the cost of AccessUVA to continue to grow. The projected 2010–11 cost of AccessUVA will be around \$80 million, which is about \$10 million higher than the previous year. 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). As of June 30, 2010, the University had been awarded \$67 million in ARRA research grants. At September 30, 2010, this amount had risen to \$71 million. The receipt of these funds has helped to offset what otherwise would be a decrease in sponsored programs awards. However, with the requirement to spend these funds over the next year or so, the University will face a decrease in research funding by fiscal year 2011–12. In addition to ARRA research grants, the University received \$6.7 million in ARRA state stabilization funds. This funding from the Commonwealth helped to partially offset the reduction in state appropriations in fiscal year 2009–10. An additional \$21.9 million in state stabilization funding will be received in 2010–11, and will be used for financial aid, to help offset tuition increases. ARRA funding is short-term, and most of it will be spent in 2010–11. Without other funding to replace it, fiscal year 2011–12 will be a very difficult year financially.

Build America Bonds/Debt. In July 2010, the University issued \$190 million of new bonds to fund new construction on the Grounds of the University. The Series 2010 Bonds were issued as Build America Bonds (BAB) for purposes of the American Recovery and Reinvestment Act of 2009 with a coupon rate of 5.00 percent. The University will receive a 35 percent interest subsidy payment from the U.S. Treasury on the amount of each interest payment made on the Series 2010 Bonds, resulting in an effective yield to the University of 3.2 percent. This is the second issuance of Build America Bonds by the University. The earlier series of \$250 million was issued in 2009 as the first benchmark-sized BAB issued by any entity. By taking advantage of the BAB opportunities, the University has been able to accelerate construction and reduce future interest expense. It is unclear whether the BAB program will extend beyond December 2010.

Endowment and Spending Distribution. With a return of 15 percent, the University's endowment recovered two-thirds of the 21 percent loss it sustained in fiscal year 2008–09. The fiscal year 2009–10 spending distribution of \$136.5 million accounted for 6.3 percent of the University's \$2.2 billion of operating expenses. At its September 2010 meeting, the University's Board of Visitors approved the fiscal year 2010–11 spending distribution. The board's spending policy calls for an increase in the previous year's distribution by an inflationary factor, as long as the result is between 4 percent on the low end, and 6 percent on the high end, of the market value. In accordance with the policy, the 2010–11 spending distribution will be 3.8 percent higher than the 2009–10 spending amount. Apart from the impact of new gifts and divestments, this will result in an estimated \$142 million of spending distribution in fiscal year 2010–11, or about 5.2 percent of the June 30, 2010 endowment market value.

Long Term

New Leadership. President Sullivan joins the University at a time of tremendous financial pressures. The slow economic recovery has resulted in a continued decline in state support that will likely continue into fiscal year 2011–12, if not beyond. President Sullivan and the University's Board of Visitors will focus, in part, on attaining more predictable revenue streams, as they look to develop a "financial model for the future." The president has also launched an initiative to explore a new University budget model. She would like to build a resource allocation model that will allow the deans to plan strategically, that will incorporate incentives to reward good stewardship of resources, and provide accountability for program success and cost management. President Sullivan will also make fund-raising a priority, including a successful conclusion of the ongoing campaign. She has emphasized the need to broaden the base of annual support, which is frequently the source of funding that provides for the most urgent current needs of the deans and schools.

Governor's Commission. Governor Robert McDonnell formed the Commission on Higher Education Reform, Innovation and Investment, an initiative that will look at how the Commonwealth can produce more degrees at affordable prices for citizens of Virginia. Increasing the number of graduates in science and engineering will be especially targeted. While the governor has recently called on the legislature to boost higher education funding, cost containment will be a primary goal of the commission. At its July retreat, the University's Board of Visitors began to consider strategically these issues, and to contemplate a new funding model for the future, focusing in particular on two major sources of revenue, tuition and private funds.

Capital Construction. The University continues to invest in additional buildings and infrastructure. In fiscal year 2009–10, the University added more than \$89 million of newly completed buildings, and more than \$28 million in completed infrastructure projects. As of June 30, 2010, the University had more than \$400 million of capital projects under construction. Several projects have already been or will be completed during the 2010–11 fiscal year, including the Curry School's Bavaro Hall, the Claude Moore Medical Education Building, the Physical and Life Sciences Research Building, the remainder of the South Lawn Arts & Sciences complex, and new Alderman residence halls.

Management Responsibility

October 29, 2010

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, 2010. 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 the reports of independent certified public accountants for the component units, 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

October 29, 2010

THE HONORABLE ROBERT F. McDONNELL
Governor of Virginia

THE HONORABLE CHARLES J. COLGAN
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, 2010, 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 2009 financial statements, and in our report dated November 20, 2009, 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 aggregate discretely presented component units of the University of Virginia as of June 30, 2010, 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 38 through 45 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 October 29, 2010, 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

Statement of Net Assets *(in thousands)**as of June 30, 2010 (with comparative information as of June 30, 2009)*

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 365,165	\$ 241,142
Restricted cash and cash equivalents (Note 2)	1	1
Short-term investments (Note 2)	862	273,257
Appropriations available	7,078	6,996
Accounts receivable, net (Note 3a)	204,531	158,658
Prepaid expenses	13,169	14,993
Inventories	21,522	21,152
Notes receivable, net (Note 3b)	4,015	4,313
Total current assets	616,343	720,512
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	30,707	30,060
Endowment investments (Note 2)	2,816,356	2,508,603
Other long-term investments (Note 2)	753,988	515,914
Deposits with bond trustee	72,633	170,354
Notes receivable, net (Note 3b)	31,324	30,202
Pledges receivable, net (Note 3c)	8,771	7,037
Capital assets—depreciable, net (Note 3d)	2,077,566	1,958,150
Capital assets—nondepreciable (Note 3d)	445,241	347,482
Goodwill (Note 3e)	12,431	12,860
Total noncurrent assets	6,249,017	5,580,662
Deferred outflow of resources (Note 6)	13,776	—
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 6,879,136	\$ 6,301,174
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3f)	\$ 189,334	\$ 216,745
Deferred revenue (Note 3g)	94,143	100,789
Deposits held in custody for others	26,113	19,308
Commercial paper (Note 4)	70,700	56,415
Long-term debt—current portion (Note 5a)	13,427	13,512
Long-term liabilities—current portion (Note 5b)	89,818	71,579
Total current liabilities	483,535	478,348
Noncurrent liabilities		
Long-term debt (Note 5a)	926,777	940,359
Derivative instrument liability (Note 6)	13,776	—
Other noncurrent liabilities (Note 5b)	97,287	79,723
Total noncurrent liabilities	1,037,840	1,020,082
TOTAL LIABILITIES	\$ 1,521,375	\$ 1,498,430
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,577,969	\$ 1,458,203
Restricted:		
Nonexpendable	494,201	459,247
Expendable	1,938,361	1,785,372
Unrestricted	1,347,230	1,099,922
TOTAL NET ASSETS	\$ 5,357,761	\$ 4,802,744

Certain 2009 amounts have been restated to conform to 2010 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, 2010 (with comparative information as of June 30, 2009)

	2010	2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 91,054	\$ 88,780
Receivables	96,683	77,572
Other current assets	433,406	266,784
Total current assets	621,143	433,136
Noncurrent assets		
Pledges receivable, net of current portion of \$46,299	53,085	53,273
Long-term investments	4,378,165	4,032,374
Capital assets, net of depreciation	357,525	329,777
Other noncurrent assets	36,200	25,369
Total noncurrent assets	4,824,975	4,440,793
TOTAL ASSETS	\$ 5,446,118	\$ 4,873,929
LIABILITIES AND NET ASSETS		
Current liabilities		
Assets held in trust for others	\$ 67,229	\$ 58,188
Other liabilities	194,308	169,565
Total current liabilities	261,537	227,753
Noncurrent liabilities		
Long-term debt, net of current portion of \$9,537	200,401	235,399
Other noncurrent liabilities	3,923,230	3,447,655
Total noncurrent liabilities	4,123,631	3,683,054
TOTAL LIABILITIES	\$ 4,385,168	\$ 3,910,807
NET ASSETS		
Unrestricted	\$ 236,966	\$ 214,420
Temporarily restricted	412,735	354,233
Permanently restricted	411,249	394,469
TOTAL NET ASSETS	\$ 1,060,950	\$ 963,122
TOTAL LIABILITIES AND NET ASSETS	\$ 5,446,118	\$ 4,873,929

Certain 2009 amounts have been restated to conform to 2010 reclassifications.

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

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

for the year ended June 30, 2010 (with comparative information for the year ended June 30, 2009)

2010

2009

REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$82,144 and \$69,000)	\$ 348,436	\$ 341,881
Patient services (net of charity care of \$1,610,365 and \$1,388,014)	1,008,858	964,346
Federal grants and contracts	276,301	266,818
State and local grants and contracts	4,782	4,975
Nongovernmental grants and contracts	45,649	45,516
Sales and services of educational departments	18,899	18,090
Auxiliary enterprises revenue (net of scholarship allowances of \$11,008 and \$9,200)	118,002	119,573
Other operating revenues	30,047	27,625
TOTAL OPERATING REVENUES	1,850,974	1,788,824
EXPENSES		
Operating expenses (Note 9)		
Compensation and benefits	1,221,139	1,215,234
Supplies and other services	695,722	704,062
Student aid	55,058	62,750
Depreciation	149,332	141,338
Other	34,507	34,464
TOTAL OPERATING EXPENSES	2,155,758	2,157,848
OPERATING LOSS	(304,784)	(369,024)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 10)	152,115	170,178
State stabilization (ARRA)	6,657	—
Gifts	131,208	140,078
Investment income	467,024	(850,753)
Pell grants	9,695	7,024
Interest on capital asset-related debt	(34,389)	(24,251)
Losses on capital assets	(1,456)	(17,079)
Other nonoperating expenses	(6,436)	(15,627)
NET NONOPERATING REVENUES (EXPENSES)	724,418	(590,430)
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	419,634	(959,454)
Capital appropriations	112,420	30,462
Capital grants and gifts	55,308	43,905
Additions to permanent endowments	24,844	49,212
Transfers to the Commonwealth	(57,189)	—
TOTAL OTHER REVENUES	135,383	123,579
INCREASE (DECREASE) IN NET ASSETS	555,017	(835,875)
NET ASSETS		
Net assets—beginning of year	4,802,744	5,638,619
NET ASSETS—END OF YEAR	\$ 5,357,761	\$ 4,802,744

Certain 2009 amounts have been restated to conform to 2010 reclassifications.

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

Financial Report

UNIVERSITY OF VIRGINIA

COMPONENT UNITS

Combined Statements of Activities *(in thousands)*

for the year ended June 30, 2010 (with comparative information for the year ended June 30, 2009)

	2010	2009
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	\$ 21,050	\$ 21,998
Fees for services, rentals, and sales	290,679	272,659
Investment income	38,233	(55,961)
Net assets released from restriction	91,561	45,553
Other revenues	83,125	75,232
TOTAL UNRESTRICTED REVENUES AND SUPPORT	524,648	359,481
EXPENSES		
Program services, lectures, and special events	310,716	284,475
Scholarships and financial aid	60,240	43,194
Management and general	33,642	43,335
Other expenses	95,632	93,510
TOTAL EXPENSES	500,230	464,514
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	24,418	(105,033)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 62,015	\$ 34,974
Investment and other income	89,004	(162,285)
Reclassification per donor stipulation	(810)	(1,277)
Net assets released from restriction	(91,576)	(44,972)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	58,633	(173,560)
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	\$ 15,178	\$ 12,753
Investment and other income	(1,228)	(5,967)
Reclassification per donor stipulation	825	696
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	14,775	7,482
CHANGE IN NET ASSETS	97,826	(271,111)
Net assets, beginning of year	963,051	1,234,160
Cumulative effect of FMV option	73	73
NET ASSETS, END OF YEAR	\$ 1,060,950	\$ 963,122

Certain 2009 amounts have been restated to conform to 2010 reclassifications.

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

Statement of Cash Flows *(in thousands)**for the year ended June 30, 2010 (with comparative information for the year ended June 30, 2009)***2010****2009**

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 342,282	\$ 339,395
Grants and contracts	323,294	308,536
Patient services	943,923	913,620
Sales and services of educational activities	5,289	15,731
Sales and services of auxiliary enterprises	117,953	118,781
Payments to employees and fringe benefits	(1,231,919)	(1,201,875)
Payments to vendors and suppliers	(630,802)	(707,406)
Payments for scholarships and fellowships	(55,057)	(62,750)
Perkins and other loans issued to students	(8,000)	(7,548)
Collection of Perkins and other loans to students	6,694	5,056
Other receipts	15,967	25,163
NET CASH USED BY OPERATING ACTIVITIES	(170,376)	(253,297)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	151,320	183,612
State stabilization (ARRA)	6,657	—
Additions to true endowments	24,844	49,212
Federal Family Education Loan Program receipts	149,027	110,845
Federal Family Education Loan Program payments	(149,027)	(110,845)
Pell grants	9,695	7,024
Receipts on behalf of agencies	96,280	102,246
Payments on behalf of agencies	(96,027)	(101,873)
Deposits held in custody for others	6,805	(5,540)
Noncapital gifts and grants and endowments received	131,452	142,015
Transfers to the Commonwealth	(57,189)	—
Prior year Medical Center eliminations	(983)	—
Other net nonoperating expenses	(2,774)	(7,980)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	270,080	368,716
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	94,982	33,933
Capital gifts and grants received	49,871	44,441
Proceeds from capital debt	42,060	401,330
Proceeds (loss) from sale of capital assets	1,060	104
Acquisition and construction of capital assets	(380,445)	(385,430)
Principal paid on capital debt and leases	(36,054)	(148,957)
Interest paid on capital debt and leases	(38,247)	(24,195)
Deposit with trustee	97,721	(48,575)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(169,052)	(127,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	298,703	518,004
Interest on investments	4,459	9,358
Purchase of investments and related fees	(147,141)	(334,494)
Other investment activities	37,997	(182,644)
NET CASH PROVIDED BY INVESTING ACTIVITIES	194,018	10,224
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	124,670	(1,706)
Cash and cash equivalents, July 1	271,203	272,909
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 395,873	\$ 271,203
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (304,784)	\$ (369,024)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Depreciation expense	149,332	141,338
Provision for uncollectible loans and write-offs	473	81
CHANGES IN ASSETS AND LIABILITIES:		
Receivables, net	(57,608)	(36,116)
Inventories	(370)	1,533
Other assets	11	11
Prepaid expenses	1,358	(3,019)
Notes receivable, net	(1,307)	(2,496)
Accounts payable and accrued liabilities	24,835	12,309
Due to primary government	—	—
Deferred revenue	14,944	658
Accrued vacation leave—long term	2,740	1,428
Accrued vacation leave—current	—	—
TOTAL ADJUSTMENTS	134,408	115,727
NET CASH USED BY OPERATING ACTIVITIES	\$ (170,376)	\$ (253,297)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	\$ 29,482	\$ 414,300
Assets acquired through a gift	5,328	2,289
Change in fair value of investments	427,726	(786,524)
Increase in receivables related to nonoperating income	4,819	10,533
Loss on disposal of capital asset	750	3,719

Certain 2009 amounts have been restated to conform to 2010 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, 2010:

- 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 400314, Charlottesville, Virginia 22904.

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, 2009.

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 devise 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 (UVIMCO)** 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 UVIMCO 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 donor-imposed 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 PRESENTATION

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 non-exchange 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

Assets are held in the custody and control of UVIMCO on behalf of the University and Foundations within a unitized investment pool. The Long-Term Pool (LTP) commingles endowment, charitable trust, and other assets of the University and Foundations. Assets of the LTP are pooled on a fair value basis in accordance with U.S. generally accepted accounting principles and unitized monthly. Deposits and withdrawals are processed monthly. Each depositor subscribes to or disposes of units on the basis of the value per share at fair value as calculated on the last calendar day of the month in which a deposit or redemption request is received by UVIMCO.

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 \$2,033,903 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 are depreciated or amortized over their estimated useful lives unless they are inexhaustible, or are intangible assets with indefinite useful lives. 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 greater than one year.

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 non-building structures and improvements are capitalized as infrastructure and depreciated accordingly.

In accordance with GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, the University capitalizes intangible assets such as computer software developed or obtained for internal use, easements, patents, and trademarks. Capitalization begins when the asset is considered identifiable. For computer software, this is often 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 \$4,093,538 and earned capital project interest income of \$133,130 for the fiscal year ended June 30, 2010, resulting in net interest capitalized of \$3,960,408.

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, 2010, 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, discounts, 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 non-exchange 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 allowance 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. With the implementation of a new Student Information System (SIS), the scholarship allowance to students is now calculated using the direct method, as recommended by the National Association of College and University Business Officers (NACUBO). In the SIS, financial aid is applied to specific charges; therefore, the University can more accurately match up financial aid expenditures and their corresponding tuition, fees, room, board, and/or bookstore revenue.

DISCOUNTS, PREMIUMS, AND BOND ISSUANCE COSTS

Bonds payable on the Statement of Net Assets are reported net of related discounts and premiums, which are amortized 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's 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, 2009, from which the summarized information was derived. Certain amounts from the prior fiscal year have been reclassified to conform to current-year presentation.

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 the unitized Long-Term Pool (LTP). 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

Risks disclosed below are direct risks to the University. The risk disclosure does not include indirect risks incurred by investing in the UVIMCO LTP.

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, 2010.

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, 2010, 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, 2010, 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, 2010.

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, 2010.

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 of 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 \$59 million at June 30, 2010. Such deposits are not subject to foreign currency risk. Details of the University's investment risks are outlined in the accompanying chart.

Credit Quality and Interest Rate Risk <i>(in thousands)</i>	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	\$ 628	Unrated				
University of Virginia Investment Management Company Aggregate Cash Pool	177,037	Unrated				
State Non-Arbitrage Program	72,633	AAAm				
STIF Government Securities	1,397	P-1				
TOTAL CASH EQUIVALENTS	\$ 251,695					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities						
Demand notes due from related foundation, noninterest bearing	\$ 13,433	Unrated	\$ 13,433			
Note receivable, 9%	130	Unrated				\$ 130
Other investments						
Federal National Mortgage Association	7,007	Aaa	7,007			
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISK	\$ 20,570		\$ 20,440	\$ —	\$ —	\$ 130
	100.0%		99.4%	0.0%	0.0%	0.6%

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 market risks. 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 accounts. 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. For fiscal year 2010, the endowment distribution was adjusted to 5.5 percent of the fund's market value at June 30, 2009. For fiscal year 2010, for endowments invested in the LTP, the total distribution was \$136.5 million and the market value of the LTP endowment at June 30, 2010, was \$2.7 billion.

At June 30, 2010, the University's investment in the LTP was \$3.5 billion, representing 86 percent of the University's invested assets. At June 30, 2010, the University's investment in the Aggregate Cash Pool was \$177 million, representing 4 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

For the year ended June 30, 2010, the University had the following endowment-related activities:

Summary of Endowment Activity <i>(in thousands)</i>	TYPE OF ENDOWMENT FUND			
	DONOR-RESTRICTED	QUASI	TRUSTS	TOTAL
Investment earnings	\$ 163,969	\$ 187,169	\$ 5,501	\$ 356,639
Contributions to permanent endowment	24,844	—	—	24,844
Other gifts	—	—	1,795	1,795
Spending distribution	(63,744)	(72,803)	—	(136,547)
Transfers in/(out) *	300	63,613	(2,899)	61,014
TOTAL CHANGE IN ENDOWMENT FUNDS	\$ 125,369	\$ 177,979	\$ 4,397	\$ 307,745

*Transfers in to 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, 2010, is summarized as follows:

Accounts Receivable <i>(in thousands)</i>	
Patient care	\$ 342,922
Grants and contracts	39,358
Student payments	17,809
Pledges	14,621
Institutional loans	1,248
Equipment Trust Fund reimbursement	6,621
Auxiliary	4,003
Related foundation	1,967
Other	4,862
Less: Allowance for doubtful accounts	(228,880)
TOTAL	\$ 204,531

b. Notes receivable: The composition of notes receivable at June 30, 2010, is summarized as follows:

Notes Receivable <i>(in thousands)</i>	
Perkins	\$ 20,149
Nursing	1,362
Institutional	15,176
Fraternity loan	758
House Staff loan	15
Less: Allowance for doubtful accounts	(2,121)
Total notes receivable, net	35,339
Less: Current portion, net of allowance	(4,015)
TOTAL NONCURRENT NOTES RECEIVABLE	\$ 31,324

c. Pledges: The composition of pledges receivable at June 30, 2010, is summarized as follows:

Pledges <i>(in thousands)</i>	
GIFT PLEDGES OUTSTANDING	
Operations	\$ 8,023
Capital	18,425
TOTAL GIFT PLEDGES OUTSTANDING	26,448
Less:	
Allowance for uncollectible pledges	(2,034)
Unamortized discount to present value	(2,180)
Total pledges receivable, net	22,234
Less: Current portion, net of allowance	(13,463)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 8,771

d. Capital assets: The capital assets activity for the year ended June 30, 2010, is summarized as follows:

Investment in Plant— Capital Assets <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2009	ADDITIONS	DISPOSITIONS	ADJUSTMENTS	ENDING BALANCE JUNE 30, 2010
NONDEPRECIABLE CAPITAL ASSETS					
Land	\$ 37,972	\$ 3,230	\$ —	\$ (315)	\$ 40,887
Construction in process	296,055	330,398	—	(222,244)	404,209
Software in development	13,455	1,525	—	(14,835)	145
TOTAL NONDEPRECIABLE CAPITAL ASSETS	347,482	335,153	—	(237,394)	445,241
DEPRECIABLE CAPITAL ASSETS					
Buildings	2,202,610	10,773	113	147,302	2,360,572
Equipment	616,418	51,895	22,614	7,776	653,475
Infrastructure	325,335	—	—	30,594	355,929
Improvements other than buildings	139,384	5	—	683	140,072
Capitalized software	41,269	1,520	498	14,835	57,126
Library books	108,497	3,735	434	—	111,798
Total depreciable capital assets	3,433,513	67,928	23,659	201,190	3,678,972
Less accumulated depreciation for:					
Buildings	(760,361)	(72,795)	(110)	4,728	(828,318)
Equipment	(402,133)	(56,197)	(22,215)	26	(436,089)
Infrastructure	(122,158)	(6,307)	—	(4,713)	(133,178)
Improvements other than buildings	(78,968)	(6,140)	—	(4)	(85,112)
Capitalized software	(26,979)	(3,783)	(498)	—	(30,264)
Library books	(84,764)	(4,116)	(435)	—	(88,445)
Total accumulated depreciation	(1,475,363)	(149,338)	(23,258)	37	(1,601,406)
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	1,958,150	(81,410)	401	201,227	2,077,566
TOTAL	\$ 2,305,632	\$ 253,743	\$ 401	\$ (36,167)	\$ 2,522,807

Financial Report

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. An additional \$800,000 was recorded as goodwill for a noncompetition agreement and was amortized over its ten-year life, which ended in April 2010.

In July 2004, the Medical Center purchased Virginia Ambulatory Surgery Center, 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 and accrued liabilities: The composition of accounts payable at June 30, 2010, is summarized as follows:

Accounts Payable and Accrued Liabilities <i>(in thousands)</i>	
Accounts payable	\$ 86,062
Accrued salaries and wages payable	53,847
Other payables	49,425
TOTAL	\$ 189,334

g. Deferred revenue: The composition of deferred revenue at June 30, 2010, is summarized as follows:

Deferred Revenue <i>(in thousands)</i>	
Grants and contracts	\$ 49,988
Student payments	27,892
Medical Center unearned revenues	16,897
Other deferred revenues	(634)
TOTAL	\$ 94,143

NOTE 4: SHORT-TERM DEBT

Short-term debt at June 30, 2010, is summarized as follows:

Short-Term Debt <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2009	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2010
Commercial paper, tax-exempt	\$ 56,415	\$ 19,112	\$ 4,827	\$ 70,700
TOTAL COMMERCIAL PAPER	\$ 56,415	\$ 19,112	\$ 4,827	\$ 70,700

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 2010, interest rates on commercial paper ranged from 0.1 to 0.4 percent.

NOTE 5: LONG-TERM OBLIGATIONS

a. **Long-term debt:** The composition of long-term debt at June 30, 2010, is summarized as follows:

Long-Term Debt <i>(in thousands)</i>	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2009	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2010
BONDS AND NOTES PAYABLE						
Revenue bonds						
University of Virginia Series 2003A (9d)	0.14% to 0.24%	2034	\$ 82,010	\$ —	\$ —	\$ 82,010
University of Virginia Series 2003B (9d)	4.0% to 5.0%	2033	108,450	—	2,480	105,970
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	182,795	—	2,815	179,980
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	20,845	368	4,543	16,670
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	1,490	—	1,490	—
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	10,375	—	2,095	8,280
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	36,990	—	340	36,650
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	10,755	—	25	10,730
Other	various	2009	221	515	134	602
TOTAL BONDS AND NOTES PAYABLE			\$ 935,296	\$ 883	\$ 13,922	\$ 922,257
Less current portion of debt			(13,512)	85	—	(13,427)
Bond premium			22,874	—	1,025	21,849
Deferred loss on early retirement of debt			(4,299)	—	(397)	(3,902)
NET LONG-TERM DEBT			\$ 940,359	\$ 968	\$ 14,550	\$ 926,777

* 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%.

During the fiscal year ended June 30, 2010, the Commonwealth of Virginia, on behalf of the University of Virginia, issued bonds of \$368,203 to refund \$350,000 of series 2001A bonds. The refunding reduced the aggregate debt service paid by the University on this series by \$16,755, representing a net present value savings of \$16,131, and an accounting loss of \$18,203. The proceeds of the bonds have been deposited in an irrevocable escrow account and will be used to pay all future debt service payments on the bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the University's financial statements. At June 30, 2010, \$350,000 of the defeased bonds was outstanding.

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, 2010.

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

Maturities <i>(in thousands)</i>	PRINCIPAL	INTEREST
2011	\$ 13,427	\$ 39,201
2012	12,963	39,231
2013	13,485	37,881
2014	12,955	37,236
2015	13,560	36,586
2016–2020	69,284	172,807
2021–2025	41,313	159,522
2026–2030	28,905	151,712
2031–2035	145,235	143,861
2036–2040	571,130	98,744
TOTAL	\$ 922,257	\$ 916,781

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, 2010, the outstanding balance of the prior years' in-substance defeased bonds and notes totaled \$46,953,000.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2010, is summarized as follows:

Long-Term Liabilities <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2009	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2010
Investments held for related entities	\$ 12,699	\$ 1,419	\$ 1,394	\$ 12,724
Accrual for compensated absences	52,974	63,175	59,904	56,245
Perkins loan program	15,962	392	—	16,354
Investment in Culpeper Regional Hospital	37,697	9,767	9,772	37,692
Other postemployment benefits	7,633	6,479	—	14,112
Accrual for overtime labor claims	—	10,102	—	10,102
Accrual for GE lawsuit contingency	—	17,900	—	17,900
Other	24,337	19,818	22,179	21,976
Subtotal	151,302	129,052	93,249	187,105
Less current portion of long-term liabilities	(71,579)	(18,239)	—	(89,818)
NET LONG-TERM LIABILITIES	\$ 79,723	\$ 110,813	\$ 93,249	\$ 97,287

NOTE 6: DERIVATIVES

The University implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, for the fiscal year ended June 30, 2010. At June 30, 2010, the University had two fixed-payer interest rate swaps totaling \$100 million in notional amount. The swaps are used as cash flow hedges by the University in order to provide a hedge against changes in interest rates on a similar amount of the University's variable-rate debt. The University's objective is to hedge the cash flow variability of a portion of its variable-rate debt. The underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The swaps were entered into in January 2007 and February 2007 and both 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.

RISK

The use of derivatives may introduce certain risks for the University, including:

Credit risk is the risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter. As of June 30, 2010, the \$100 million notional amount of swaps outstanding had a negative market value, net of any posted collateral and netting agreements, of approximately \$13.5 million, representing the amount the University would pay if the swaps were terminated on that date. The market value of the swaps has fallen by approximately \$6.5 million over the reporting period.

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. At June 30, 2010, the University had no credit risk related to its swaps. As of June 30, 2010, the University's swap counterparties were rated A by Standard & Poor's and A2 by Moody's Investors Service. 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, 2010, no collateral was required to be posted by the counterparties.

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. When viewed collectively, the hedges and the hedged item are subject to interest rate risk in that a change in interest rate will impact the collective market value of both the hedge and hedged item. Conversely, the collective effect of the hedges and the hedged item serve to reduce cash flow variability caused by changes in interest rates.

Basis risk arises when different indexes are used in connection with a derivative resulting in the hedge and hedged item not experiencing price changes in entirely opposite directions from each other. The University's swaps are deemed to be effective hedges of its variable-rate debt with an amount of basis risk that is within the guidelines for establishing hedge effectiveness.

Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on the University's strategy or could lead to potentially significant unscheduled payments. The University's 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.

Rollover risk arises when a derivative associated with a hedged item does not extend all the way to the maturity date of the hedged item, thereby creating a gap in the protection otherwise afforded by the derivative. The University's hedges serve to hedge all \$82.01 million of its variable-rate Series 2003A Bonds maturing in June 2034. The remaining \$19.99 million of hedges serves to hedge the University's outstanding commercial paper, which may have various maturities of no greater than 270 days each.

Market-access risk arises when an entity enters into a derivative in anticipation of entering the credit market at a later date, but is ultimately prevented from doing so. The University's derivatives have no market-access risk.

Foreign currency risk is the risk of a hedge's value changing due to changes in currency exchange rates. The University's derivatives have no foreign currency risk.

NOTE 7: 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 the 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, 2010, 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, 2010, 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 \$41.2 million 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, 2010 <i>(in thousands)</i>	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	\$ 687	\$ 2,066	\$ 2,753
Community Medicine, L.L.C.	1,810	(4,253)	(2,443)
Central Virginia Health Network, Inc.	232	(41)	191
HEALTHSOUTH, L.L.C.	27	8,040	8,067
Valiance, L.L.C.	—	1,276	1,276
University HealthSystem Consortium	—	647	647
Culpeper Regional Hospital	41,248	1,590	42,838

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 8: COMPONENT UNITS

Summary financial statements and additional disclosures are presented below.

Statement of Financial Position <i>(in thousands)</i> <i>as of June 30, 2010</i>	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	\$ 25,050	\$ 27,712	\$ 64,310	\$ 37,594	\$ 12,570	\$ 77,470	\$ 376,437	\$ 621,143	\$ —	\$ 621,143
Noncurrent assets										
Long-term investments	253,642	181,139	292,330	54,385	60,925	138,462	4,191,940	5,172,823	(794,658)	4,378,165
Capital assets, net, and other assets	12,730	91,834	41,827	26,360	228,826	44,406	827	446,810	—	446,810
Total noncurrent assets	266,372	272,973	334,157	80,745	289,751	182,868	4,192,767	5,619,633	(794,658)	4,824,975
TOTAL ASSETS	\$ 291,422	\$ 300,685	\$ 398,467	\$ 118,339	\$ 302,321	\$ 260,338	\$4,569,204	\$6,240,776	\$ (794,658)	\$ 5,446,118
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	\$ 294	\$ 9,816	\$ 68,701	\$ 2,129	\$ 73,854	\$ 105,284	\$ 1,459	\$ 261,537	\$ —	\$ 261,537
Noncurrent liabilities										
Long-term debt, net of current portion of \$9,537	—	45,729	18,000	—	99,457	37,215	—	200,401	—	200,401
Other noncurrent liabilities	642	—	22,955	644	55,797	77,939	4,559,911	4,717,888	(794,658)	3,923,230
Total noncurrent liabilities	642	45,729	40,955	644	155,254	115,154	4,559,911	4,918,289	(794,658)	4,123,631
TOTAL LIABILITIES	\$ 936	\$ 55,545	\$ 109,656	\$ 2,773	\$ 229,108	\$ 220,438	\$4,561,370	\$ 5,179,826	\$ (794,658)	\$ 4,385,168
NET ASSETS										
Unrestricted	\$ 45,632	\$ 73,390	\$ 38,987	\$ 31,594	\$ 2,350	\$ 37,179	\$ 7,834	\$ 236,966	\$ —	\$ 236,966
Temporarily restricted	135,141	63,761	96,000	59,025	56,087	2,721	—	412,735	—	412,735
Permanently restricted	109,713	107,989	153,824	24,947	14,776	—	—	411,249	—	411,249
TOTAL NET ASSETS	290,486	245,140	288,811	115,566	73,213	39,900	7,834	1,060,950	—	1,060,950
TOTAL LIABILITIES AND NET ASSETS	\$ 291,422	\$ 300,685	\$ 398,467	\$ 118,339	\$ 302,321	\$ 260,338	\$4,569,204	\$6,240,776	\$ (794,658)	\$ 5,446,118

*December 31, 2009, 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, 2010, are as follows:

Summary Schedule of Pledges Receivable <i>(in thousands)</i> <i>as of June 30, 2010</i>	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	\$ 10,979	\$ 21,914	\$ 17,130	\$ 64,903	\$ —	\$ —	\$ —	\$ 114,926
Less allowance for uncollectible accounts	(644)	(1,353)	(1,329)	(5,812)	—	—	—	(9,138)
Less effect of discounting to present value	(301)	(2,565)	(1,823)	(1,715)	—	—	—	(6,404)
Net pledges receivable	10,034	17,996	13,978	57,376	—	—	—	99,384
Less current pledges	(5,280)	(5,042)	(3,706)	(32,271)	—	—	—	(46,299)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 4,754	\$ 12,954	\$ 10,272	\$ 25,105	\$ —	\$ —	\$ —	\$ 53,085

*December 31, 2009, year-end

The **University of Virginia Law School Foundation** has received bequest intentions and certain other conditional promises to give of approximately \$18 million at June 30, 2010. 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, 2010, for the component units are as follows:

Summary Schedule of Investments <i>(in thousands)</i> <i>as of June 30, 2010</i>	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	\$ 3,070	\$ —	\$ 12,881	\$ 171	\$ 8,790	\$ 5,628	\$ 1,622,913	\$ 1,653,453
University of Virginia Investment Management Co.	179,546	176,867	295,579	53,853	52,135	36,680	—	794,660
Equities	40	4,273	8,599	50	—	30,134	438,873	481,969
Other	90,607	812	—	704	5,343	71,674	2,502,852	2,671,992
Total investments	\$ 273,263	\$ 181,952	\$ 317,059	\$ 54,778	\$ 66,268	\$ 144,116	\$4,564,638	\$5,602,074
Less amounts shown in current assets	(19,621)	(812)	(24,729)	(393)	(5,343)	(5,655)	(372,698)	(429,251)
Less eliminations	(179,546)	(176,867)	(295,579)	(53,852)	(52,135)	(36,679)	—	(794,658)
LONG-TERM INVESTMENTS	\$ 74,096	\$ 4,273	\$ (3,249)	\$ 533	\$ 8,790	\$ 101,782	\$4,191,940	\$4,378,165

*December 31, 2009, 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 \$1,822,684,789 (40 percent of investments held for others) at June 30, 2010. 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, 2010, capital assets consisted of (in thousands):

Property, Furnishings, and Equipment <i>(in thousands)</i> <i>as of June 30, 2010</i>	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION
Land	\$ 74,793	\$ —
Buildings and improvements	199,400	103,834
Furnishings and equipment	21,793	1,372
Total	295,986	105,206
Less accumulated depreciation	(72,987)	(29,704)
NET CAPITAL ASSETS	\$ 222,999	\$ 75,502

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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, 2010, was \$14 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 \$20 million at June 30, 2010. In addition, the Foundation established a line of credit with U.S. Bank National Association in the amount of \$25 million on March 8, 2010. The outstanding balance at June 30, 2010, was \$25 million.

The University has allocated up to \$53 million of its quasi-endowment funds for use by the Foundation to acquire and develop real estate. As of June 30, 2010, the Foundation had borrowed \$13 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, 2010 (in thousands):

Long-Term Debt <i>(in thousands)</i> <i>as of June 30, 2010</i>	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	\$ 49,347	\$ —	\$ —
1997 Industrial Development Authority revenue bonds - Louisa	—	4,698	—
1998 Refunding bonds	—	—	13,090
1999 Mortgage note payable	—	6,225	—
2000 Industrial Development Authority revenue bonds - Louisa	—	—	4,460
2001 Refinancing demand bonds	—	39,615	—
2004 Refinancing note payable	—	9,744	—
2006 Refinancing demand bonds	—	41,660	—
2009 Economic Development Authority revenue bonds - Albemarle	—	—	23,100
Total	49,347	101,942	40,650
Less portion due within one year	(3,618)	(2,484)	(3,435)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$ 45,729	\$ 99,458	\$ 37,215

Principal maturities of all mortgages and notes payable 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):

Maturities <i>(in thousands)</i> <i>as of June 30, 2010</i>	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA HEALTH SERVICES FOUNDATION
Year ended June 30, 2011	\$ 3,617	\$ 2,484	\$ 3,435
Year ended June 30, 2012	3,822	3,695	1,315
Year ended June 30, 2013	4,032	12,949	1,375
Year ended June 30, 2014	4,242	7,733	1,440
Year ended June 30, 2015	4,460	3,292	1,515
Years ended June 30, 2016–2034	29,174	71,789	31,570
TOTAL	\$ 49,347	\$ 101,942	\$ 40,650

Statement of Activities <i>(in thousands)</i> <i>for the year ended June 30, 2010</i>	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	\$ 3,306	\$ 3,081	\$ 664	\$ 13,999	\$ —	\$ —	\$ —	\$ 21,050
Fees for services, rentals, and sales	—	24,897	2,308	712	40,731	209,610	12,421	290,679
Other revenues	29,020	17,301	51,034	16,511	2,325	95,387	1,341	212,919
TOTAL UNRESTRICTED REVENUES AND SUPPORT	32,326	45,279	54,006	31,222	43,056	304,997	13,762	524,648
EXPENSES								
Program services, lectures, and special events	13,576	40,851	45,230	11,747	—	251,566	7,986	370,956
Other expenses	4,226	4,007	4,655	23,551	44,261	44,549	4,025	129,274
TOTAL EXPENSES	17,802	44,858	49,885	35,298	44,261	296,115	12,011	500,230
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	14,524	421	4,121	(4,076)	(1,205)	8,882	1,751	24,418
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS								
Contributions	6,114	5,619	22,749	\$ 27,333	—	200	—	62,015
Other	5,324	8,035	(8,660)	(7,941)	2,995	(3,135)	—	(3,382)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	11,438	13,654	14,089	19,392	2,995	(2,935)	—	58,633
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS								
Contributions	7,006	636	6,821	715	—	—	—	15,178
Other	1,110	—	456	156	(2,125)	—	—	(403)
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	8,116	636	7,277	871	(2,125)	—	—	14,775
CHANGE IN NET ASSETS	34,078	14,711	25,487	16,187	(335)	5,947	1,751	97,826
Net assets, beginning of year	256,408	230,429	263,324	99,306	73,548	33,953	6,083	963,051
Cumulative effect of FMV option	—	—	—	73	—	—	—	73
NET ASSETS, END OF YEAR	\$ 290,486	\$ 245,140	\$ 288,811	\$ 115,566	\$ 73,213	\$ 39,900	\$ 7,834	\$1,060,950

*December 31, 2009, 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, 2010, 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 \$53 million for the year ended June 30, 2010. Approximately \$16 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, 2010.

NOTE 9: EXPENSE CLASSIFICATION MATRIX

Operating Expenses by Functional Classification <i>(in thousands)</i> <i>for the year ended June 30, 2010</i>	COMPENSATION AND BENEFITS	SUPPLIES, UTILITIES, AND OTHER SERVICES	STUDENT AID	DEPRECIATION	OTHER	TOTAL
Instruction	\$ 281,947	\$ 27,477	\$ 4,799	\$ —	\$ 841	\$ 315,064
Research	171,421	99,603	17,118	—	464	288,606
Public service	14,885	12,680	397	—	498	28,460
Academic support	86,446	28,628	584	—	293	115,951
Student services	24,868	8,687	126	—	125	33,806
Institutional support	79,730	18,039	17	—	578	98,364
Operation of plant	68,792	1,506	1	—	129	70,428
Student aid	617	4,537	31,982	—	120	37,256
Auxiliary	64,613	69,656	34	—	509	134,812
Depreciation	—	—	—	95,280	—	95,280
Patient services	425,790	441,187	—	54,052	30,948	951,977
Other	2,030	320	—	—	2	2,352
Central services recoveries	—	(16,598)	—	—	—	(16,598)
TOTAL	\$ 1,221,139	\$ 695,722	\$ 55,058	\$ 149,332	\$ 34,507	\$ 2,155,758

NOTE 10: 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 for the year ended June 30, 2010, is provided in the chart below.

Appropriations <i>(in thousands)</i>	
Original legislative appropriation per Chapter 872	\$ 164,127
Adjustments	
Financial Aid—General Fund	11,278
2010 Budget Reduction	(32,998)
Eminent Scholars	1,597
SWVA Public Education Consortium	207
Allotment for Engineering Telecommunications Project	775
Financial Assistance for educational and general	3,105
Employee benefits	(1,482)
Miscellaneous educational and general	5,506
TOTAL	\$ 152,115

During fiscal year 2010, the University remitted several amounts to the Commonwealth totaling \$57.1 million. The University participated in a cash-for-debt swap with the Commonwealth in which the University transferred funds to the Commonwealth in exchange for Commonwealth debt proceeds totaling \$48.9 million. Those proceeds were received by the University as capital appropriations revenue. The University also transferred funds for the Virginia Sickness and Disability Program, the Virginia Retirement System, State Furlough Day, eVA rate reduction, motor pool cost savings, Virginia Information Technology Agency savings, health care credits, and life insurance totaling \$8.2 million.

NOTE 11: 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, 2010. 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 \$46.5 million, and contributions were calculated using base salaries of \$539.6 million, for the year ended June 30, 2010. The contribution percentage amounted to 8.6 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 457 of the Internal Revenue Code. The employer matching portion falls under section 401(a) of the Internal Revenue Code. Contributions under the Deferred Compensation Plan were approximately \$8.6 million in employee contributions and \$4.2 million in employer contributions for the fiscal year ended June 30, 2010.

NOTE 12: 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 2010, the University contributed \$3,159,621 to the plan for retiree claims. Retirees receiving benefits contributed \$3,414,119, or approximately 52 percent, of the total premiums through their required contribution of \$454 per month for retiree-only coverage and \$923 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 <i>(in thousands)</i>	
Actuarial accrued liability by category	
Current retirees, beneficiaries, dependents, and terminated vested members	\$ 9,175
Current active members	38,120
Adjust to June 30, 2010	30,665
Total actuarial accrued liability as of June 30, 2010	77,960
Annual required contribution (ARC)	
ARC for June 30, 2009	9,780
Interest on net OPEB obligation	344
ARC adjustment to June 30, 2010	(485)
Actual contributions	(3,160)
Net increase in ARC for June 30, 2010	6,479
Actual ARC July 1, 2009	7,633
Total annual required contribution as of June 30, 2010	\$ 14,112

As of June 30, 2010, 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, 2010, actuarial valuation, the University elected to use the Entry Age Normal Level Dollar 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 85 percent initially, reduced by decrements to an ultimate rate of 5 percent after seven years and a drug cost trend rate of 8 percent, reduced by decrements to an ultimate rate of 5 percent after six years. All rates include a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over a rolling thirty-year period.

NOTE 13: 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, 2010, was \$44 million. The estimated liability for outstanding claims at June 30, 2010, was \$13 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 14: 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, 2010, was \$112 million and income received totaled \$5.5 million.

NOTE 15: COMMITMENTS

As of June 30, 2010, the University had outstanding construction contracts commitments of approximately \$221 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, 2010, was approximately \$28 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 <i>(in thousands)</i>	LEASE OBLIGATION
2011	\$ 13,739
2012	9,642
2013	6,579
2014	5,481
2015	4,720
2016–2020	10,961
2021–2025	2,781
2026–2030	823
2031–2035	823
2036–2040	823
2041–2045	823
2046–2050	659
TOTAL	\$ 57,854

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.

NOTE 16: SUBSEQUENT EVENTS

On July 28, 2010, the University of Virginia issued \$190,000,000 par amount of Taxable General Revenue Pledge Bonds, Series 2010. The Series 2010 Bonds were issued to refund \$19,701,500 of the University's outstanding commercial paper and fund new construction on the Grounds of the University. The Series 2010 Bonds were issued as Build America Bonds for purposes of the American Recovery and Reinvestment Act of 2009 with a coupon rate of 5.00 percent. The University will receive a 35 percent interest subsidy payment from the U.S. Treasury on the amount of each interest payment made on the Series 2010 Bonds, resulting in an effective yield to the University of 3.2 percent.

University Administration, 2009–10

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Karin Wittenborg, *University Librarian*

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Susan Y. (Syd) Dorsey, Mechanicsville, Virginia

Helen E. Dragas, Virginia Beach, Virginia

W. Heywood Fralin, Roanoke, Virginia

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Laura N. Lingo, *Manager of Financial Reporting*

Internal Audit

Barbara J. Deily, *Chief Audit Executive*



University of Virginia President's Report

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P.O. Box 400229, Charlottesville, Virginia, 22904-4229.

E-mail cb2zf@virginia.edu

EDITOR Charity Boudouris

ART DIRECTOR Kim Wendel

WRITER Charlie Feigenoff

PHOTOGRAPHY Dan Addison, Tom Cogill, Jim Daves, Stacey Evans, Jane Haley, Jack Looney, Matt Riley, Andrew Shurtleff, Cynthia Smith, Scott Smith, and Virginia Media Relations

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/report10.

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CAMPBELL HALL | *School of Architecture*

Campbell Hall additions were designed by W. G. Clark (Architecture '65), the Edmund S. Campbell Professor of Architecture; and William Sherman, associate dean for academic affairs and associate professor of architecture, in collaboration with a team led by Will Scribner (Architecture '71) of SMBW Architects in Richmond. Professor Emeritus Warren Byrd (Architecture '65) of Nelson Byrd Woltz Landscape Architects created the landscape redesign.





Office of the President
Post Office Box 400229
Charlottesville, Virginia 22904-4229

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