




useful science



THE UNIVERSITY OF VIRGINIA PRESIDENT'S REPORT



2006-07

ART IN THE PRESIDENT'S REPORT

Images of scientific phenomena ranging from the distant reaches of space to the innermost workings of neurons are featured in this year's report. Taken from the work of University researchers across Grounds, these images and their related research have practical applications in health care, environmental studies, engineering, and many other disciplines. With private support generated by the Campaign for the University of Virginia and other resources, the University is strengthening its capacity to produce innovative science and technology programs to educate the leaders who will use new knowledge to shape the future.

THE COVER

The image of brain nerve cells shows structural changes that help scientists and physicians understand the development of epileptic seizures. Researchers in the Department of Neuroscience have identified key neural events that are precursors to certain types of epileptic seizures. By knowing what changes to look for in the brain, physicians may be able to better predict and prevent epileptic seizures. The research group, led by Kevin Lee, chairman of the Department of Neuroscience, published its work in the October 18, 2006, issue of the *Journal of Neuroscience*. U.Va. Health System faculty members are working daily to discover next-generation diagnostics and new treatments to improve lives.

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Useful Science



John T. Casteen III

Thomas Jefferson believed that knowledge should be useful. In an 1813 letter to John Adams, he described the University he was planning to build as a place “where all the useful sciences should be taught.” His insistence on the practical aspects of learning was grounded in a pressing necessity: the American Republic urgently needed educated young people who could apply their new knowledge to the governance of the nation.

Nearly 200 years after the University’s founding, we continue to believe in the importance of teaching “useful sciences,” and we continue to meet the needs of the nation—and now the world—by graduating broadly and deeply educated women and men who are prepared to shape the communities they enter when they leave this place.

Universities meet the needs of a changing society by reinventing themselves perpetually. Mr. Jefferson knew this. In an 1804 letter to his friend Larkin Smith, he wrote, “Science is progressive. What was useful two centuries ago is now become useless ... what is now deemed useful will in some of its parts become useless in another century.” We have been working in the past year to ensure that the knowledge created and shared at the University continues to be useful. The Commission on the Future of the University, cochaired by Leonard Sandridge and Tim Garson, is outlining directions for the University for the next decade

and beyond. The commission is defining strategies to enhance excellence in teaching, research, faculty and student affairs, global programming, and to seize opportunities and obligations related to the University’s public mandates and its service to Virginia.

Planning of this kind has a long and honorable history here. Beginning with the Rockfish Gap Commission in 1818, commissions have repeatedly given direction to the University. In recent years, two commissions were formed: one to assess the issues of the late 1960s (coeducation, desegregation, enrollment growth, and graduate programs), and a second in the early 1990s to plot our course after cuts in state tax appropriations, leading eventually to our 1995–2000 capital campaign. The work of the current commission is equally important to the University’s future, and the time is right for this type of planning. The restructured relationship with the state, a stable financial base for the first time since the early 1980s, triple-A bond ratings, investments from the last capital campaign, and an endowment that stands among the top twenty in the nation let us plan now from a position of strength that we may not have had when similar projects began in the past.

When Mr. Jefferson was making final plans for the University in 1821, he wrote that he wished to see its students “rising under a luminous tuition, to destinies of

**“Nature intended me for the tranquil pursuits of science,
by rendering them my supreme delight.”** —THOMAS JEFFERSON

high promise.” Today, the University’s exceptional students work hard to fulfill the destinies that Mr. Jefferson wished for them. They regularly win national awards and scholarships recognizing their achievement. During the 2006–07 academic year, undergraduate students received seven Fulbright Scholarships, one Marshall Scholarship, three Goldwater Scholarships, one Udall Scholarship, and one National Security Education Program (NSEP) Boren Scholarship. Our graduate students received five National Science Foundation Fellowships, as well as many other awards and honors. The many examples of exceptional student performance that appear in the pages of this report give us great hope for their future and also for the future of our nation and our world.

Our faculty are perhaps the University’s strongest asset. They create new knowledge, conduct important research, teach students and guide their research, and enhance the University’s reputation nationally and internationally. The University’s faculty includes one Nobel Prize winner, three MacArthur Fellows, and twenty-three fellows of the American Academy of Arts and Sciences. Four are members of the National Academy of Sciences, twelve are members of the National Academy of Engineering, and fourteen are members of the Institute of Medicine of the National Academy of Sciences. Fifteen faculty members in the School of Nursing hold eighteen national

academy fellowships, most of which are specific to nursing.

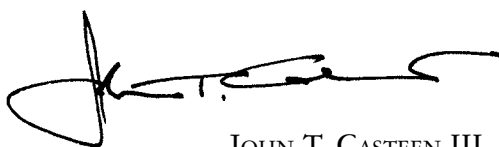
Diversity is important to us here because it enriches human experience and because it is a core principle of University life—the modern realization of our founder’s dream of attracting the youth of all states to come and drink the cup of knowledge with us. This year’s entering class was the most diverse in the University’s history. Participation in AccessUVA, our financial aid program that removes barriers for low- and middle-income students, continues to rise. Some 848 students in this year’s entering class are participating, up from 739 last year. Since joining us in 2005 as the University’s first vice president and chief officer for diversity and equity, Bill Harvey has led our efforts to promote diversity among students, faculty, and administrators.

We continue to make steady progress in the Campaign for the University of Virginia. As of September 30, 2007, current commitments reached \$1.4 billion, and future support totaled \$1.1 million. The combined \$1.5 billion surpasses the \$1.43 billion raised in our last campaign. A remarkable \$100-million gift from Frank Batten, Sr.—the single largest gift in the University’s history—will enable us to create the Frank Batten School of Leadership and Public Policy. Mr. Jefferson saw this University as the “future bulwark of the human mind in this hemisphere.” Our obligation to our founder and our purpose

with this campaign are to fulfill Mr. Jefferson’s vision, and to secure for the University a permanent position among the top universities in the nation and in the world.

The feature section in this report focuses on science and technology. Guided by the Commission on the Future of the University, we are investing strategically in science and engineering by building new research facilities, attracting world-class researchers, and creating programs that will stand as models of excellence. This is entirely appropriate at a university founded by Thomas Jefferson, who saw himself as a scientist first. “Nature intended me for the tranquil pursuits of science, by rendering them my supreme delight,” he wrote in an 1809 letter to Pierre Samuel du Pont de Nemours. We are fortunate as a people that Mr. Jefferson found time for additional pursuits—building this University, establishing our Republic, and articulating the fundamental principles of human freedom.

With deep gratitude to Mr. Jefferson, and with great hope for the future, faculty members here go on teaching useful knowledge to strengthen young minds and to ensure freedom in our time and beyond.



JOHN T. CASTEN III
President

The Year at a Glance

Sep 06

► With the explosion of brilliant fireworks over the Rotunda, the University launches its \$3 billion campaign. At the kickoff it is announced that gifts and pledges of more than \$1 billion have been received toward the \$3 billion goal.

► As part of continuing efforts to increase accessibility for low-income students, the University ends its early decision admissions program beginning with students entering in fall 2008. Because financial aid decisions are announced after acceptance, students seeking financial aid could not make a commitment to early decision.

► The Curry School of Education's teacher education program is cited as a national model by the Edu-

cation Schools Project. The Curry School's five-year B.A./M.T. program, the high quality of its students, the balance between theory and practical experience, and the reputation of the faculty are all given high marks.

► Lisa Goff, Jack Schermerhorn, Rachel Shapiro, and Eric Stoykovich, doctoral candidates in the Corcoran Department of History, are awarded research fellowships by the Gilder Lehrman Institute of American History. The fellowships will support work in one of five archives in New York City including the New-York Historical Society and the New York Public Library.



Mohammad Khatami

► Mohammad Khatami, the former president of Iran, urges a "dialogue among civilizations" before an audience of 140 assembled in the Dome Room. Charlottesville is one of just five cities President Khatami visits during his tour of the United States.

► The Jefferson Scholars Foundation makes major enhancements to its graduate fellowship program, raising its annual stipend for winners to \$30,000 and more than doubling research funds. These increases allow U.Va. to compete more effectively for top graduate students across a broad range of disciplines.

Oct 06



Actors Robert Duvall, Morgan Freeman, and Liev Schreiber answer questions at the Virginia Film Festival's annual Actors Forum.

► Leonard Sandridge, executive vice president and chief operating officer, is honored by the Board of Visitors for his thirty years of dedicated service with the naming of Leonard Sandridge Road and the Leonard W. Sandridge Portal, the entrance to the John Paul Jones Arena.



New signs announce the naming of Leonard Sandridge Road, which leads to the North Grounds and John Paul Jones Arena.

► The *Virginia Quarterly Review* adds two more honors to its list of accolades—a Gold Award for Editorial Excellence, nicknamed the "Eddie," from *FOLIO*: magazine and a nomination for an Independent Press Award for Best Writing from *Utne Reader* magazine.

► U.Va. gridiron standouts give back to their *alma mater*. Thomas Jones (College '99), star running back for the Chicago Bears who later joined the New York Jets, establishes a scholarship fund for students from Southwest Virginia. All-pros Rondé McIntire '97 and Tiki Barber (McIntire '97) establish the Barber Challenge with an initial \$500,000 gift.

► For four days, Charlottesville finds itself at the intersection of Hollywood and Vine, courtesy of the nineteenth annual Virginia Film Festival. Morgan Freeman, Robert Duvall, and Liev Schreiber join more than 15,000 enthusiastic film fans—a record—who attend thirty-two sold-out screenings, discussions, and concerts.

► Four graduates of the School of Law begin clerking for the U.S. Supreme Court, more than from any other law school except Harvard and Yale. The Law School alumni include Gordon Todd ('00), who is clerking for Justice Samuel Alito; John Adams ('03) and David Bragdon ('02), who are clerking for Justice Clarence Thomas; and Dan Bress ('05), who is clerking for Justice Antonin Scalia.

A GREENER GROUNDS

In resolving that all new and renovated buildings at the University receive LEED (Leadership in Energy and Environmental Design) certification, the Board of Visitors made a major commitment to University-wide sustainability programs. LEED certification, based on a rating system developed by the U.S. Green Building Council, is the nationally accepted benchmark for the design, construction, and operation of high-performance green buildings. One of the first facilities to receive LEED certification will be the South Lawn Project. The board also established the Grounds Improvement Fund, designed to accommodate pedestrian and bicycle traffic and reduce automobile use at the University.

Nov 06

► The University of Virginia Library extends its global reach as part of the Google Books Library Project. Google will digitize hundreds of thousands of books from the library, including selected portions of American history, literature, and humanities works collections. Other partners in the project include the University of California, Harvard University, Stanford University, the New York Public Library, and Oxford University.



Christopher Goyne

► Christopher Goyne, director of the Aerospace Research Laboratory at the School of Engineering and Applied Science, presents the Hy-V Project at the AIAA/AHI Space Planes and Hypersonic Systems and Tech-

nologies Conference in Canberra, Australia. Several U.Va. aerospace engineering students are working with colleagues at Virginia Tech, William and Mary, Hampton University, and Old Dominion University to design a scramjet engine that will fly at five times the speed of sound, or 3,700 miles per hour—a feat that could revolutionize air transport. “Hy” stands for hypersonic and “V” represents Virginia and the Roman numeral five, as in the Mach 5 speed of the scramjet.

► Eight graduate students at the School of Nursing win National Research Service Award fellowships, more winners than at any other nursing school in the nation. The highly competitive fellowships cover tuition and fees and provide a stipend and other funds for five years of predoctoral study.

► A total of 3,736 University employees contribute a record \$813,125 to the Commonwealth of Virginia Campaign, receiving the Award of Excellence for leading the state in giving. The amount given by employees surpasses U.Va.’s goal of \$650,000 and represents approximately one-fifth of the statewide total, more than any other state agency.

Dec 06



From left, President John T. Casteen III, Virginia Education Secretary Thomas Morris, Sheila Johnson, and Governor Timothy M. Kaine at a news conference announcing Ms. Johnson’s gift to the Curry School of Education

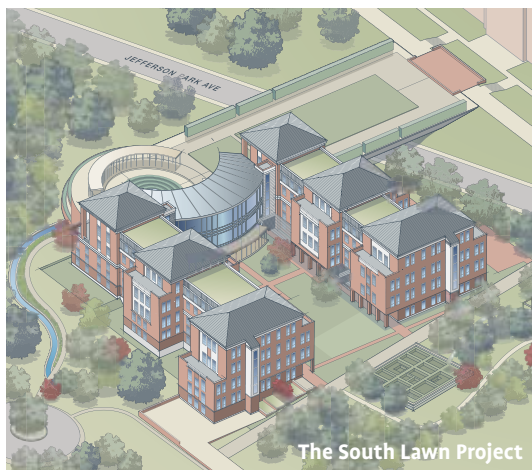
dress in nineteenth-century India. Politics major Ross Baird presents his study of voter participation in his home state of Georgia.

► Businesswoman Sheila C. Johnson, an advocate for the protection of children and cofounder of BlackEntertainmentTelevision, pledges \$5 million to the Curry School of Education to establish the Sheila C. Johnson Center for Human Services. The

center will include clinics that specialize in communication disorders, reading and literacy acquisition, counseling and career development, and clinical psychological services.

► Robert L. Pressey, internationally acclaimed conservation biologist and pioneer of systematic environmental planning, is appointed to a Thomas Jefferson Foundation Visiting Professorship in the School of Architecture.

► Three fourth-year students, all Harrison Research Award recipients, travel to the University of Queensland in Australia to make presentations at the Universitas 21 conference on undergraduate research. Astronomy-physics and mathematics major Rachael Beaton presents her research on the structure of the Andromeda Galaxy. History major Lindsay Friedman discusses her work on British and Indian women’s relationships to



A TRANSCENDENT PHYSICAL LEGACY

Each generation is entrusted with extending and adapting Thomas Jefferson’s architectural and intellectual legacy to meet the needs of the day. Nowhere is the need to honor that legacy more pressing than in the South Lawn Project, an ambitious complex of buildings and grounds that will extend the axis of the original Lawn across Jefferson Park Avenue. In fall 2006, ground was broken for the first, \$105 million phase of the project, which will add 109,000 gross square feet of classrooms, offices, and gathering spaces. The University also is moving ahead on several other con-

struction projects. The list of buildings under way includes

- The Arts Grounds Parking Garage
- Bavaro Hall
- Campbell Hall additions
- Carter-Harrison Research Building
- Claude Moore Medical Education Building
- Claude Moore Nursing Education Building
- Hospital expansion and renovation
- Observatory Hill Residence Hall
- Rouss Hall renovation and addition
- Ruffin Hall
- Varsity Hall renovation

Jan 07

RIDING LIKE A CHAMPION

Law student Mark Hardman, riding with a broken hand, overcomes steep odds to repeat as U.S. Collegiate National Champion at the 2007 USA Cycling Collegiate National Championships in Lawrence, Kansas. During the first day of the two-day competition, Mr. Hardman was unable to use both hands during the final sprint to the finish line of the eighty-four-mile road race and was passed by five riders in the final 500 meters. The next day he won nearly every bonus sprint and the overall race to take the championship.



Mark Hardman



Hedda Sterne's *Machine 5*, 1950

► The University of Virginia Art Museum opens two exhibits to start the new year. A retrospective of works by abstract impressionist Hedda Sterne brings together some 100 pieces from museums across the country and the artist's own collection. The special exhibition "Fernand Léger: Contrasts of Forms," curated by Matthew Affron, director of special curatorial projects and associate professor in the McIntire Department of Art, features works that reveal the rise of cubism and the beginning of abstract art.

► The number of J-term classes increases to thirty-six this year, including eight study-abroad sessions. J-term classes attract the participation of some of the most respected faculty on Grounds. Stephen Plog,

the David A. Harrison III Professor of Historical Archeology, offers a course on modern and historic Pueblo culture in New Mexico; Thomas Jeffer-



Robert E. Johnson



Robert Bland, the first African American to receive an undergraduate degree from U.Va., speaks at an event sponsored by the Office of African American Affairs.

son Foundation Visiting Professor Robert L. Pressey explores ideas for systematic environmental planning and protection.

► U.Va. astronomers and collaborators at the University of California Santa Cruz and UCLA discover an enormous halo of red giant stars around the Andromeda Galaxy. The discovery suggests that Andromeda is as much as five times larger than previously thought.

► The first African American to receive an undergraduate degree from the University of Virginia, Robert Bland (Engineering '59), is the keynote speaker as part of a celebration of the thirtieth anniversary of the Office of African American Affairs.

► Robert E. Johnson, the John L. Newcomb Professor of Engineering and Applied Science, is chosen for a NASA team that will develop a concept for an orbiting space mission to Mars slated to launch in 2011. The "Great Escape Mission," one of two finalists selected by NASA, will include measuring the structure and dynamics of the Martian upper atmosphere.

Feb 07 Mar 07

► The University Library acquires *Rambles of a Runaway from Southern Slavery*, a previously unknown African American slave narrative. Now a part of the Albert and Shirley Small Special Collections Library at U.Va., the seventy-two page autobiographical account relates the experiences of Henry Goings, a Virginia-born slave who escaped to freedom in Canada.

► President Casteen establishes the Commission on the Future of the University to set priorities for the next decade. Among the areas that the commission will address are the University's competitive posture, academic infrastructure, and physical plant. It is the third such commission in the University's history.

► The 2005 Nobel Prize winner in physics, Theodor Hansch, presents his talk "A Passion for Precision" to faculty and students in the Dome Room as part of the Nobel Laureate Science Lecture Series sponsored by the Office of the Vice President for Research and Graduate Studies.

► Law professors A. E. Dick Howard, Michael Klarman, and G. Edward White are featured in the first major television series to trace the story and influence of America's highest court. *The Supreme Court*, is a four-hour PBS series produced by Channel 13/WNET New York.

► The University is saddened to learn of the death of former University Rector Hovey Dabney. Mr. Dabney served on the Board of Visitors from 1992 to 1998 and helped lead a \$1.4 billion capital campaign that fundamentally changed the University's financial structure. The Charlottesville native was also the founder of the Health Services Foundation.



Interior view of the first ecoMOD project, now in Charlottesville's historic Fiveville neighborhood

► Men's head basketball coach Dave Leitao is named the 2007 Atlantic Coast Conference Coach of the Year. He is the first Virginia men's head basketball coach to receive the award since Terry Holland in 1982 and only the third U.Va. coach to receive the honor. Bill Gibson was honored in 1972.

► ecoMOD, the innovative housing initiative directed by John Quale, assistant professor of architecture, becomes the first project ever to receive all three major architectural education awards in the same year. It receives the grand prize from the National Council of Architectural Registration, having earlier won the American Institute of Architects National Education Honor Award and the American Collegiate Schools of Architecture Collaborative Practice Award. With student teams, Professor Quale and his collaborators across the University are creating and evaluating prototypes for affordable housing that combine principles of prefabrication and environmental sustainability.

► U.Va. receives high marks for undergraduate business. *Business Week*

names the McIntire School of Commerce the second best undergraduate business school in the nation, just behind the Wharton School. In several areas, such as student satisfaction and percentage of graduates going on to top MBA programs, McIntire ranks highly.

► The School of Architecture is ranked first among the nation's graduate architecture programs for sustainable design practices and principles in the eighth annual "America's Best Architecture and Design Schools" study conducted by the Design Futures Council. The graduate architecture program ranks sixth, tied with the University of Michigan and the Rhode Island School of Design.

► The Office of the Architect issues its first comprehensive look at U.Va.'s numerous programs in support of environmental sustainability and cites initiatives such as adding energy-efficient lighting and using biodiesel blend for the University Transportation System. The report comes on the heels of a Board of Visitors decision to require LEED certification from the U.S. Green Building Council on all new and renovated buildings.



History professor Julian Bond leads travelers to landmark sites of the civil rights movement.

CIVIL RIGHTS SOUTH TOUR

In March 2007, U.Va.'s first-ever Civil Rights South tour led thirty-two participants to landmark civil rights sites across Georgia and Alabama. Led by history professor Julian Bond, the trip was sponsored by Virginia Voyages, a University travel program for alumni, parents, and friends.

Trip highlights included dinner in Atlanta with U.S. Congressman and civil rights activist John Lewis; lunch with Fred Gray, the attorney who represented Rosa Parks during the Montgomery, Alabama, bus boycott; and a walk across the Edmund Pettus Bridge in Selma, where in 1965 state police beat and chased hundreds of marchers starting their historic Selma-to-Montgomery march. The infamous "Bloody Sunday" clash spurred Congress to pass the Voting Rights Act of 1965.

Apr 07

➤ Frank Batten, Sr. (College '50), makes an unprecedented gift of \$100 million to create the Frank Batten School of Leadership and Public Policy, the first new school established at the University since the Darden School of Business was created fifty-three years ago. Mr. Batten's gift is the largest in the University's history.



Robert Pianta

➤ Robert Pianta, the US Novartis Foundation Professor and a nationally acclaimed expert on early childhood education and teacher quality, is named to become the next dean for the Curry School of Education, succeeding David W. Breneman, who will step down in June after serving for twelve years. Mr. Breneman, the Newton and Rita Meyers Professor of the Economics of Education, with Eric Patashnik, associate professor of politics and associate director of the public policy

program, will oversee the planning for the new Batten School.

➤ On Founder's Day, the Board of Visitors passes a resolution expressing the University's regret for its use of enslaved persons from 1819 to 1865 and recommits the University to the principles of equal opportunity and human freedom and learning.

➤ Pioneering international relations attorney and educator Anne-Ma-

rie Slaughter is the recipient of the Thomas Jefferson Foundation Medal in Law. Visionary architect Zaha Hadid receives this year's Medal in Architecture, first awarded in 1966 to Ludwig Mies van der Rohe. Renowned economist and former Federal Reserve Chairman Alan Greenspan is given the inaugural Thomas Jefferson Foundation Medal in Citizen Leadership, which was created to honor personal leadership and lasting influence on our common culture.

➤ The Carter G. Woodson Institute celebrates its twenty-fifth anniversary. One of the nation's premier centers of research and writing on African American and African studies, the institute reflects the University's efforts to integrate the black experience fully into the life of the academy.



Austin Ligon

➤ Governor Timothy M. Kaine appoints CarMax cofounder Austin Ligon to the Board of Visitors and reappoints Susan Y. Dorsey (Architecture '82, Darden '87) of Mechanicsville, L. F. Payne (Darden '73) of Charlottesville, and John O. Wynne (Law '71) of Virginia Beach. First-year law student Carey Mignerey (College '04) is the incoming student representative.

➤ The University names Dr. Arthur "Tim" Garson, Jr., executive vice president and provost. Dr. Garson, the Robert C. Taylor Professor of Health Science and Public Policy and an internationally recognized pediatric cardiologist, has served as vice president and dean of the School of Medicine since 2002. He succeeds Gene D. Block, a biologist who is leaving to become chancellor of the University of California Los Angeles.

THE UNIVERSITY RESPONDS TO THE VIRGINIA TECH TRAGEDY

At a candlelight vigil honoring those who were killed and injured in the shooting rampage at Virginia Tech in April, President John T. Casteen III urged the crowd to continue moving forward to change the world "with the hope that we can make such incidents rarer." The University community quickly offered its support to Virginia Tech in several key ways:

- U.Va.'s Web Communications Office created a Web site housing news podcasts, statements of support, and a slide show of U.Va. events for Virginia Tech. The site also featured community resources that had been made available, including counseling.
- A Public Affairs team traveled to Blacksburg to assist Virginia Tech with the deluge of media calls in the hours after the incident.

• Groups around Grounds set up message boards and memorials for public use.

Other responses included painting Beta Bridge with "Hoos for Hokies," painting the Z on the Rotunda stairs in Virginia Tech's colors, and setting up funds to accept contributions designated for the victims' families.

In July, the University hosted the fourth public meeting of the Virginia Tech Review Panel, convened by Governor Timothy M. Kaine to review the incident and related procedures and safety issues.

Prior to the incident, U.Va. added an emergency text messaging system as part of its ongoing emergency preparedness program. In August 2007, Marjorie L. Sidebottom, director of emergency preparedness for the U.Va. Health System since 1993, was named the University's director of emergency preparedness, a new post.

May 07



Boyd Tinsley inspires graduates with his valedictory address on Finals Weekend.

➤ President John T. Casteen III is elected sixth chairman of Universitas 21, a global educational consortium comprising twenty major research universities in twelve countries. Among his first official duties will be to welcome undergraduate students from eighteen nations to the Universitas 21 Student Summer Conference 2007, which U.Va. will host in July.

➤ Daniel Meyers, a Boston businessman and chair of the Curry School of Education Foundation board, pledges a \$1 million challenge gift to name the courtyard between the current and future education buildings in honor of outgoing dean, David W. Breneman.

➤ Violinist Boyd Tinsley of the Dave Matthews Band speaks at Valedictory Exercises on Finals Weekend. At Final Exercises, best-selling novelist and master of the legal thriller John Grisham delivers the Commencement address and shares some lessons about life.

➤ Three alumni of the Darden School of Business are named to *Black MBA Magazine's* Top 50 Under 50 list. They

are Eric P. Brown (Darden '84), Octavia Matthews (Darden '89), and Lewis M. Warren, Jr. (Darden '87, Law '87).



Richard Herskowitz

➤ The Charlottesville Albemarle Convention and Visitors Bureau awards Richard Herskowitz, director of the Virginia Film Festival, its 2007 Tourism Person of the Year Award. The award recognizes his artistic vision and leadership in the success of the Virginia Film Festival.

➤ The inaugural cohort of the School of Continuing and Professional Studies Post-Baccalaureate Pre-Medical program successfully completes the program. More than 140 applications are received for the 2007–08 program, with twenty-two students beginning in June.

Jun 07



Kenneth A. Schwartz

➤ Citing a desire “to promote closer ties with the faculty and more faculty involvement” with its deliberations, the Board of Visitors passes a resolution inviting a faculty representative to be a nonvoting member of three key board committees. Beginning July 1, the immediate past chair of the Faculty Senate will sit on the Educational Policy Committee, the External Affairs Committee, and the Special Committee on Diversity. The first faculty representative will be architecture professor Kenneth A. Schwartz.

➤ Alumnus and astronaut Patrick Forrester boards the space shuttle at NASA's Kennedy Space Center for an eleven-day mission. Mr. Forrester received his master of science degree in mechanical and aerospace engineering in 1989 from the School of Engineering and Applied Science. The mission will deliver and help install a new set of giant solar panels on the International Space Station.

➤ Virginia tennis player and NCAA singles champion Somdev Dev-

varman is named Men's National Player of the Year by the Intercollegiate Tennis Association.

➤ The University's Office for Diversity and Equity and School of Engineering and Applied Science are awarded a five-year, \$5 million grant from the National Science Foundation's Louis Stokes Alliances for Minority Participation Program. University members will lead a cooperative program among eight colleges and universities throughout Virginia and North Carolina that will focus on increasing the number of students from underrepresented groups who pursue degrees in science, technology, engineering, and mathematics.

➤ The University's recycling program receives the Virginia Recycling Association's top award for colleges and universities. It is the sixteenth recycling award the University has received since 1994.



Somdev Devvarman

Jul 07



Novelist John Casey, left, and poet Rita Dove, right, are faculty in the Creative Writing Program, ranked by *Atlantic* as among the nation's best.



FULBRIGHT SENIOR SPECIALIST GOES INTERNATIONAL

Sharon Davie, the director of the Women's Center, has traveled around the globe to study women and violence. Named a Fulbright Senior Specialist in 2006, she will now be able to take one trip a year for five years to a foreign university where she will work as a faculty consultant.

The Fulbright award was designed to allow faculty to take part in an international program in the midst of academic or professional commitments. Although the purpose of the award is not individual research, Ms. Davie plans to stay in the locations longer than the two to six weeks covered by the grant to conduct interviews for her book on international women activists working on issues of violence.

Her recent travels have taken her to El Salvador, Kenya, Serbia, and Bosnia to record women's stories. Ms. Davie has built strong relationships with female activists in these countries and hopes to visit some of them again through the Fulbright program. She received the news about getting the Fulbright award when "sitting in a tiny Internet café in Nairobi," where she was a visiting faculty member in the University of Nairobi's Institute for African Studies.

► The University's Creative Writing Program is among the top ten graduate writing programs in the country, according to *Atlantic*. The magazine's special fiction issue cited the quality of the program's alumni and faculty, its selectivity, and its resources. Among the faculty are novelist Ann Beattie, National Book Award winner John Casey, past U.S. Poet Laureate Rita Dove, short story writer and playwright Deborah Eisenberg, poet Gregory Orr, fiction writer Christopher Tilghman, and Pulitzer Prize and National Book Award winner Charles Wright.



Karen Ryan

► President John T. Casteen III appoints Karen Ryan as the interim dean for the College of Arts and Sciences. She has served as associate

dean of the College since 2001. Ms. Ryan begins her new assignment on July 1 while the search continues for a permanent successor to Edward L. Ayers, who was named president of the University of Richmond.

► A landmark Supreme Court anti-trust ruling strikes down a ninety-six-year-old rule that resale price maintenance agreements are an automatic violation of the Sherman Antitrust Act. Kenneth Elzinga, the Robert C. Taylor Professor of Economics, plays a key role as the lead economic expert for the winning side in *Leegin Creative Leather Products, Inc., vs. PSKS, Inc.* Professor Elzinga, who has been a member of the University faculty since 1971, specializes in industrial organization, antitrust economics, and economics and fiction.

► Michael Menaker, Commonwealth Professor of Biology and international leader in the field of circadian rhythm research, receives the Peter C. Farrell Prize in Sleep Medicine from the Harvard Medical School Division of Sleep Medicine. The award recognizes his groundbreaking research on circadian clocks—the internal timers that regulate rhythmic behaviors and functions of organs.

Aug 07



Move-in day marks a new beginning for the Class of 2011.

➤ The Class of 2011 arrives on the Grounds. Of the 3,289 students anticipated in the class, 33.5 percent identify themselves as either minorities or international students—which makes it the most diverse class in U.Va.'s history. Women comprise 57 percent of the class, and 68.6 percent of expected students are from Virginia.

➤ Former Treasury Secretary John W. Snow begins his one-year appointment at the Miller Center of Public Affairs as its Newman Visiting Fellow. The chairman of Cerberus Capital Management, L.P., one of the world's leading private investment firms, Mr. Snow will work with the Governing America in a Global Era program to address matters related to international and fiscal aspects of governance. He served as U.S. secretary of the treasury from 2003 to 2006.

➤ Dr. Cato T. Laurencin, the Lillian T. Pratt Distinguished Professor and chair of orthopaedic surgery, with a research team of faculty from five departments, begins work on a first-of-its-kind, \$2 million project to explore novel methods for regeneration of musculoskeletal tissue for the growth of new limbs. The grant from the National Science Founda-

tion is known as an EFRI grant—Emerging Frontiers in Research and Innovation.



Dr. Cato T. Laurencin

➤ Semester at Sea voyagers return to San Diego after two months of exploring Latin America. Students climbed the Pyramid of the Sun in Teotihuacán, Mexico; met with artists, playwrights, and musicians in Santiago, Chile; and visited Machu Picchu in the Andes Mountains of Peru. The voyage is the first on which a member of the U.Va. faculty, Commonwealth Professor of Spanish David Gies, serves as the academic dean.

➤ Lynda Phillips-Madson is named interim dean of the School of Continuing and Professional Studies. The associate dean for academic affairs at the school for six years, she takes the reins from Sondra Stallard, who departs to become the thirteenth president of Strayer University.

Sep 07

➤ The Miller Center of Public Affairs with MacNeil/Lehrer Productions produces the first in its National Discussion and Debate Series. The series, which is webcast live and carried by PBS affiliates throughout Virginia, addresses major issues facing the United States, including its role in the world, its responsibilities to its citizens, and how it fulfills its founding principles. Visit <http://millercenter.virginia.edu/public/debates> to view the debates.

➤ The French Academy awards its *Grand Prix Moron* to Trinh Thuan, professor of astronomy, for his book *The Ways of Light*, published in March by Editions Fayard. The academy's *Grand Prix Moron*, roughly equivalent to the American Pulitzer Prize or National Book Award, recognizes the distinguished philosophical work of an author involving a new ethic or aesthetic.

➤ The McIntire Department of Music presents a free, live broadcast of the Washington National Opera's production of Puccini's *La Bohème*. U.Va. is one of thirty-two schools across the country presenting the live simulcast from the Opera House stage at the Kennedy Center in Washington, D.C. More than 45,000 viewers are expected—the largest-ever simultaneous viewing of an opera in the world.

➤ Architecture students win awards in two categories in the American Society of Landscape Architects 2007 Student Awards program. Toshihiko Karato, graduate student in architecture and landscape architecture, receives the Award of Excellence in the General Design category for his project "Plugging In: Bringing the Stream Back to Watts." Graduate student editors of the second volume of the online journal *Lunch: Di-*

allect—Shanti Levy, David Malda, and Ryan Moody—win an Honor Award in the Communications category.



A legacy of fighting for equal justice in Virginia: Oliver Hill, Jr., accepts the inaugural Oliver W. Hill, Sr., Lifetime Achievement Award.

➤ The late Oliver W. Hill, Sr., noted civil rights attorney who played a crucial part in the integration of both secondary and higher education, is honored by the School of Law for his role in the civil rights movement. The event, held in the Caplin Pavilion, includes a panel discussion and the presentation of the inaugural Oliver W. Hill, Sr., Lifetime Achievement Award by the Center for the Study of Race and Law. Oliver Hill, Jr., accepts the award on his father's behalf.

KEEPING THE FOSTER LEGACY

As part of the South Lawn Project, the homestead of Catherine "Kitty" Foster will be preserved as a one-acre park. A free black woman, Kitty Foster bought the property along Venable Lane near Jefferson Park Avenue in 1833, and her descendants lived there until 1906. She was a seamstress who also did laundry for the University's faculty and all-male student population in the early to mid-19th century. The park will include the footprint of her house as well as an adjacent thirty-two-grave cemetery.



The Orion Nebula is one of the best known nebulae in the sky, easily visible to the naked eye from nearly everywhere in the world. This image was taken with specialized infrared technology that allows a deeper view into the star-forming region and reveals otherwise hidden stars. The reddest objects pictured are invisible to the eye due to obscuring dust but become apparent in the more penetrating infrared view. Michael F. Skrutskie, professor of astronomy, helped develop the telescope and instruments used for capturing the image.

A Foundation for the Future

One hundred and eighty-seven years after Thomas Jefferson's dream of establishing the University of Virginia was realized, the University stands as one of the most prestigious universities in the country. *U.S. News & World Report* continues to rank the University among the top twenty-five universities, public and private, in the country, tied with Georgetown University at number twenty-three. Among public institutions, only the twenty-first-ranked University of California-Berkeley placed higher.

Recognition extends to many areas of the University. This is the thirteenth consecutive year in which U.Va. has been recognized for the highest graduation rate for African American students among major public institutions. The University is ranked number one among comparably sized universities in sending graduates into service with the Peace Corps. And last year the American Nurses Credentialing Center awarded the University of Virginia Medical Center the acclaimed Magnet Recognition for nursing excellence.

On the financial side, the University also fares well. The strategic management of the University's endowment has resulted in a consistently strong performance. At \$4.4 billion, U.Va.'s long-term pool ranks among the five largest endowments of public universities and among the thirty largest



Graduating AccessUVA students celebrate on May 20, 2007.

of all colleges and universities in the nation. Equally important, the endowment per student continues to rank among the largest of the nation's public universities.

At the same time, the University of Virginia ranks fourth among the top 100 values in public colleges, according to an annual survey in Kiplinger's *Personal Finance* magazine. In addition to its overall ranking at number four, when financial aid is taken into consideration, U.Va. ranks second in offering the lowest cost to in-state students. This standing reflects the impact of the University's AccessUVA program,

which guarantees that the University will meet 100 percent of demonstrated need for all admitted undergraduate students.

BROADENING STUDENT EXPERIENCES

The University has made strides in addressing the need for greater access by students from across the economic spectrum, additional study-abroad opportunities, implementing environmental sustainability, and focusing on diversity. Recent initiatives now contributing to the student experience on Grounds and beyond include the following:



From left, Vice Rector of the Board of Visitors John O. Wynne; Frank Batten, Sr.; President John T. Casteen III; and Provost Gene Block at the announcement of the Frank Batten School of Leadership and Public Policy

- AccessUVA, our financial aid program designed to keep a higher education affordable for all admitted students regardless of economic circumstance
- J-term, the new two-week January program that includes several classes abroad among its offerings
- Semester at Sea, the global study-abroad program on board a floating campus
- ecoMOD, a collaborative project by architecture and engineering students that is developing a series of ecological, modular, and affordable house prototypes

The inaugural symposium, “In Katrina’s Wake: Racial Implications of the New Orleans Disaster,” in the new Symposium on Race and Society series was held in fall 2006. Sponsored by the Office of the Vice President and Chief Officer for Diversity and Equity, the event brought together experts from across the nation to discuss racial inequity and marked a new era in diversity at the University.

CAMPAIGN PROGRESS

The Campaign for the University of Virginia has continued to make impressive progress since its public launch on September 29, 2006. With commitments in excess of \$1.35 billion as of June 2007, the campaign total is nearing the \$1.43 billion raised in the last campaign. A transformational gift from Frank Batten, Sr. (College ’50), announced on the eve of Founder’s Day, will create the Frank Batten School

of Leadership and Public Policy. Mr. Batten’s is the single largest gift in the history of the University and will create the first new school at the University since the Darden School of Business was founded in 1954. Other major gifts this year include the following:

- A gift from Richard and Sherry Sharp of Richmond, Virginia, to the University’s Health System to accelerate cancer research, help build a new women’s oncology clinic within the new Emily Couric Clinical Cancer Center, and support nursing education
- A pledge from Sheila C. Johnson of The Plains, Virginia, to establish the Sheila C. Johnson Center of Human Services at the Curry School of Education
- A commitment from Richmond-based Philip Morris USA to the School of Medicine and the McIntire School of Commerce that will create a partnership supporting independent medical research in a number of key areas as well as supporting leadership development and recruitment programs

Many of the building projects that are supported by campaign gifts are moving ahead. By the end of the 2007 fiscal year, private funding for Phase I of the South Lawn Project reached \$59.5 million of the \$61.2 million goal. The project’s cost is \$105 million. Construction is well under way on the building, which is scheduled

for completion in 2010. The “Back to the Lawn” building and renovation project for the McIntire School of Commerce is in its final stages, with completion expected in December 2007. Some \$53 million in private funding was received for the \$61 million project by the end of the 2007 fiscal year.

THE PRESIDENT’S COMMISSION ON THE FUTURE OF THE UNIVERSITY

The University is clearly at a turning point, a time when aspirations can be defined and a clear vision of the University’s future achieved. The Restructuring Act, which became effective in July 2006, called for a major adjustment of the institution’s relationship to state regulatory agencies and has afforded the University added financial flexibility that is already producing positive results. With this newly gained flexibility, the continued success of fundraising, and the distinction that U.Va. has attained nationally and internationally, the University has embarked on a multifaceted planning process embracing virtually every aspect of the academic enterprise. This process culminates in the President’s Commission on the Future of the University, which will lay the foundation for the institution for the years ahead and guide tomorrow’s leaders of Mr. Jefferson’s University.

The President’s Commission on the Future of the University began its work in March 2007. Cochaired by Leonard W. Sandridge, executive vice president and chief operating officer; and Dr. Arthur Garson, Jr., executive vice president and provost, the group of planners has been charged with proposing strategic directions for the University. The commission comprises four committees:

- The Committee on Schools and the Medical Center, cochaired by Carl P. Zeithaml, dean of the McIntire School of Commerce and the F. S. Cornell Professor of Free Enterprise; and James H. Aylor, dean of the School of Engineering and Applied Sci-



THE UNIVERSITY OF VIRGINIA TODAY

U.S. NEWS & WORLD REPORT RANKINGS

- The University ranks second among public universities and twenty-third among all national universities.

- Five schools at the University are ranked in the top twenty:

Architecture	6th
McIntire	9th
Law	10th
Darden	12th
Nursing	19th

- The McIntire School of Commerce tied for number nine in the Best Business Schools category, while the School of Engineering and Applied Science was in a four-way tie for number thirty-three in Best Undergraduate Engineering Programs.
- The University ranks sixteenth among national universities on the Great Schools, Great Prices list. Inclusion is based on a formula that relates a school's academic quality, as indicated by its *U.S. News* ranking, to the net cost of attendance for a student who receives the average level of need-based financial aid.
- The University's College at Wise, which is one of twenty-seven public institutions ranked among the nation's 266 liberal arts colleges, is number one among the publics in the Least Debt category and number two among all liberal arts colleges in that category.
- Seven medical specialties at the University were ranked by *U.S. News & World Report's* eighteenth annual survey of "America's Best Hospitals," published July 2007.

Endocrinology	8th
Gynecology	22nd
Cancer	27th
Neurology/neurosurgery	29th
Respiratory diseases	39th
Digestive disorders	47th
Urology	49th

OTHER RANKINGS

- For the fifth consecutive year, the University ranks number one among comparably sized universities in the number of graduates who enter the Peace Corps.
- In 2006, U.Va. ranked in the top ten among all U.S. colleges and universities for study-abroad participation among students.
- The American Nurses Credentialing Center bestowed the acclaimed Magnet Recognition for nursing excellence on the University of Virginia Medical Center. Only 3 percent of U.S. hospitals have achieved this recognition.
- The Scientific Registry of Transplant Recipients ranked the University of Virginia Medical Center number one in the nation for its high lung transplant survivability rate of 98.08 percent.
- The University's graduation rate of 87 percent for African American students is the highest of any major public university in the country, according to an annual survey by the *Journal of Blacks in Higher Education*.
- In a survey conducted with the *Princeton Review*, *PC Magazine* recognized the University of Virginia as one of its 2007 Top 20 Wired Colleges.
- For the fourth consecutive year, the executive education faculty of the Darden School of Business was ranked as the best in the world by *Financial Times*. The faculty teaching Darden's

executive education classes also teach the school's MBA courses. Darden was ranked number one for course design and teaching materials. Other top-four rankings for the program included food and accommodations, aims achieved, facilities, and new skills and learning. The school was ranked third overall in the open-enrollment provider category.

- Kiplinger's *Personal Finance* ranked the University of Virginia fourth in its list of Top 100 Values in Public Colleges. U.Va. also ranks second in the cost to in-state students once financial aid is applied. Virginia also has the highest four-year (84 percent) and six-year (93 percent) graduation rates of all the institutions in Kiplinger's Top 100 rankings.
- The Darden School of Business is ranked number four in *Forbes* magazine's biennial ranking of top U.S. business schools. This represents a jump of four spots for Darden since *Forbes'* last ranking in 2005.
- The John Paul Jones Arena was named the Best New Concert Venue at the Eighteenth Annual POLLSTAR Concert Industry Awards Ceremony. The home court of Virginia's men's and women's basketball teams, the multipurpose arena hosted some of the biggest names in entertainment during its first year, including Dave Matthews Band, Eric Clapton, George Strait, and Billy Joel.



THE UNIVERSITY AT A GLANCE

ENROLLMENT, FALL 2007

Undergraduate	13,636
Graduate	4,830
First Professional (law and medicine)	1,724
On-Grounds Continuing Education	644
Total	20,834

FACULTY AND STAFF, 2007-08

Full-time instructional and research faculty	2,140
Full-time other staff in the Academic Division	5,779

Visit the Facts at a Glance site at www.virginia.edu/Facts/ for more University statistics.

ence and the Louis T. Rader Professor of Electrical Engineering

- The Committee on Programmatic Initiatives, cochaired by Robert D. Sweeney, senior vice president for development and public affairs; and J. Milton Adams, vice provost for academic programs
- The Committee on Student and Faculty Life, cochaired by Gertrude J. Fraser, vice provost for faculty advancement; and Rachel Most, assistant dean and director of advising in the College of Arts and Sciences
- The Committee on Funding and Other Resources, cochaired by Colette Sheehy, vice

president for management and budget; and Karin Wittenborg, University librarian

Preliminary reports produced by the commission and its committees were posted in June 2007 on the commission's Web site, www.virginia.edu/planningdocuments/ commission. The University community has been invited to read and comment on the reports. The committee chairs posted revised reports in November, with a final report to be submitted for approval by the Board of Visitors in February 2008.

This is the third such institutional plan-

ning commission in the University's history. The first commission helped plan the University's desegregation, coeducation, and expansion of graduate programs in the 1960s. The second, in the 1990s, responded to the state's request for budget reductions by creating plans that undergirded the University's last capital campaign. The 2007 commission's work is similarly critical to the University's future, as it examines ways to distinguish the University among its national and international peers and assesses the resources needed to support the University's aspirations. ♦

At the Forefront of Exploration and Discovery

Research universities such as the University of Virginia play a vital role in our society: providing answers to fundamental questions about the world around us. As a national research university we must contribute to the creation of knowledge, using it in turn to create world-class educational programs and improve science and technology literacy programs. The University is investing strategically in science and engineering, capitalizing on its distinctive areas of strength to create programs that place it at the forefront of exploration and discovery.

ATTRACTING WORLD-CLASS RESEARCHERS

Outstanding leaders in their fields have the capacity to energize the research enterprise at the University in a number of ways. In addition to bringing to the University large and well-funded research programs of their own, with their presence they attract talented young faculty and graduate students and provide existing faculty opportunities for additional collaboration. The University has hired five world-leading scientists in 2006–07 alone:

- Stephen S. Rich, the Harrison Distinguished Teaching Professor, joined the University's highly regarded research program in diabetes. Professor Rich, a genetic epidemiologist, is the principal investiga-

tor or co-principal investigator in eight federally funded grants including the Insulin Resistance Atherosclerosis Family Study. He is a member of the American Association for the Advancement of Science among other organizations.

- Christine and Bernard Thisse, internationally renowned for their work in embryonic development and genetics, joined the faculty from the Institute of Genetic, Molecular, and Cellular Biology in Strasbourg, France. Their pioneering work will enhance and expand interdisciplinary work now taking place at the University's Morphogenesis and Regenerative Medicine Institute.
- John T. Yates, Jr., is one of the world's leading investigators in surface chemistry and physics. His work has wide-ranging implications for nanotechnology, semiconductor fabrication, astronomy, and chemical catalysis, all fields in which U.Va. has highly regarded research programs. He is a member of several prominent scientific organizations including the National Academy of Sciences. This year, the American Chemical Society named Professor Yates the 2007 recipient of the coveted Peter Debye Award in Physical Chemistry.
- Mark Yeager, a practicing cardiologist, was a professor at the Scripps Research Institute in La Jolla, California, before coming to the University to serve as chair



Christine and Bernard Thisse

of the Department of Molecular and Biological Physics. His research interests are in structural virology and the molecular bases and processes of heart attacks.

The ability to attract and retain faculty of this stature demonstrates how far the University has come since its founding. When he recruited the University's first faculty, Jefferson said, "We do not expect to engage the high characters . . . who are at the head of their schools, established in offices, honors, and emoluments which can be bettered no where." Today we do.

The latest in imaging technology enables U.Va. researchers to study cellular metabolism in mice using ^{19}F -fluorodeoxyglucose positron emission tomography (FDG PET). Images from the School of Medicine's Molecular Imaging Core facility show the progression of scar formation in mouse hearts after myocardial infarction. These FDG PET and magnetic resonance imaging scans help investigators in radiology, biomedical engineering, and medicine understand the heart's response to damage and are being used to identify drugs effective against heart attack and heart failure.

A DISTINGUISHED SENIOR FACULTY

A powerful inducement for these distinguished faculty members is the opportunity to collaborate with outstanding researchers already on Grounds. Indeed, our faculty already includes more than two dozen members of national academies, and their ranks are growing every year. In 2007, John J. Dorning, the Whitney Stone Professor of Nuclear Engineering, was elected to the National Academy of Engineering, while Stephen Plog, the David A. Harrison Professor of Historical Archeology, was elected to the National Academy of Sciences. Professor Dorning is known for developing advanced computational methods for nuclear reactor analysis. Professor Plog's research on the Chaco Canyon region of northwestern New Mexico has challenged prevailing views about early Native American peoples and the massive population shifts near the end of the thirteenth century.

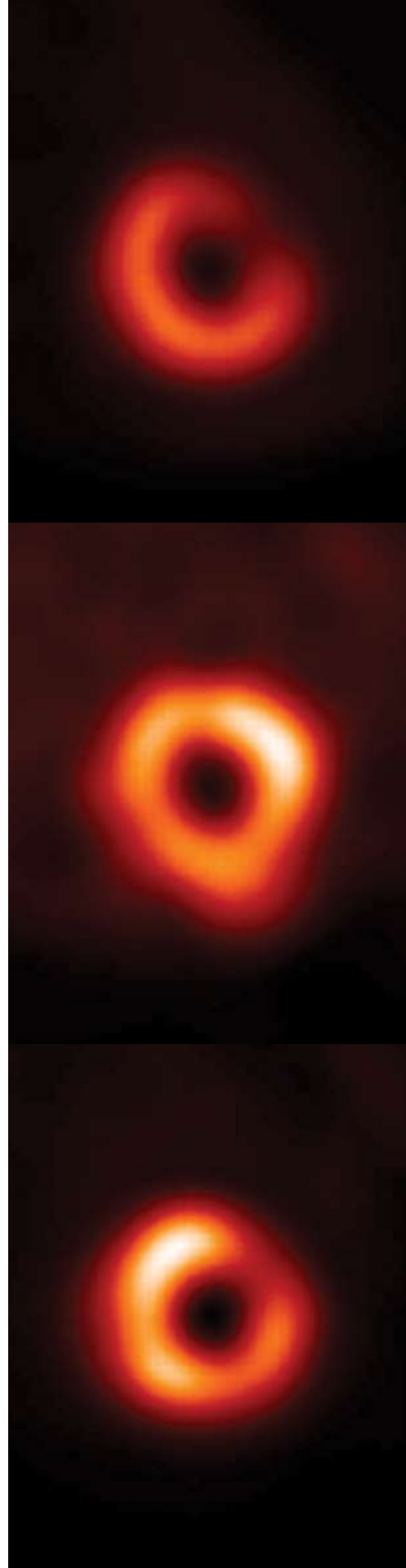
Other senior U.Va. scientists and engineers were singled out for high honors this year:

- Lester Andrews, professor of chemistry, was presented the George Pimentel Award for lifetime contributions to the spectroscopy of matrix isolated species.
- Robert J. Davis, chair of the Department of Chemical Engineering, received the 2007 Paul H. Emmett Award from the North American Catalysis Society. His colleague Matthew Neurock received last year's award, making it the first time that the society has honored faculty from the same university two years in a row.

- George M. Hornberger, the Ernest H. Ern Professor of Environmental Sciences, was named by Governor Timothy M. Kaine as one of five Outstanding Scientists and Industrialists of 2007. Professor Hornberger's research has led to better understanding of the effects of acid rain on the Blue Ridge, pollution in the Chesapeake Bay, and agricultural chemicals on water supply in the Shenandoah Valley and Piedmont.
- Donald F. Hunt, University Professor of Chemistry, had a special issue of the *International Journal of Mass Spectrometry* devoted to his work on the occasion of his sixty-fifth birthday and in recognition of his forty years of research in mass spectrometry.
- Anita K. Jones, University Professor and the Lawrence R. Quarles Professor of Computer Science, was named the recipient of the 2007 Founders Medal by the Institute of Electrical and Electronics Engineers. Professor Jones served as director of defense research and engineering at the Department of Defense from 1993 to 1997, overseeing the department's science and technology program, research laboratories, and the Defense Advanced Research Projects Agency.



Donald F. Hunt



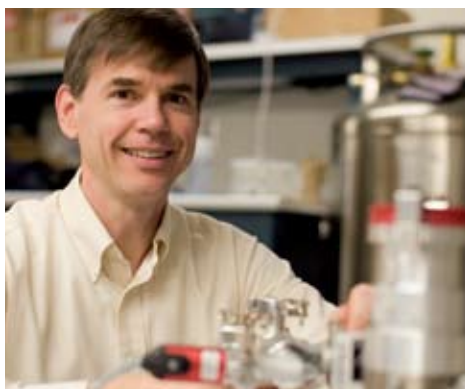
- John C. Knight, professor of computer science, received the 2006 Harlan D. Mills award from the Institute of Electrical and Electronics Engineers. His research focuses on the software and architecture of high-value systems such as financial networks and avionics.
- James A. Marshall, the Thomas Jefferson Professor of Chemistry, was the recipient of the Centenary Medal of the Royal Society of Chemistry. This is the highest honor the society can bestow on a chemist not a citizen of the United Kingdom.
- James G. Simmonds, emeritus professor of structural and solid mechanics,

ENGINEERS WIN COMPETITIVE GRANTS FOR INTERDISCIPLINARY RESEARCH

This year, U.Va. engineers brought together teams of experts from around the nation and submitted proposals for three of the thirty-six projects funded by the federal Multidisciplinary University Research Initiative (MURI) program. These projects will receive almost \$20 million over five years. The competition for these awards is intense, and receiving just one MURI is considered a significant accomplishment.

The projects themselves reflect areas of strength in engineering. John C. Knight, professor of computer science, is exploring novel methods to protect critical networks from attack; Pamela M. Norris, professor of mechanical and aerospace engineering, is developing new methods to reduce chip temperatures in electronic systems; and Haydn N. Wadley, University Professor in Materials Science and the Edgar A. Starke, Jr., Research Professor of Materials Science, is developing new concepts to protect vehicles from explosive devices.

was awarded the Worcester Reed Warner Medal by the American Society of Mechanical Engineers. He was cited for making substantial and enduring contributions to the literature of engineering.



Michael F. Skrutskie

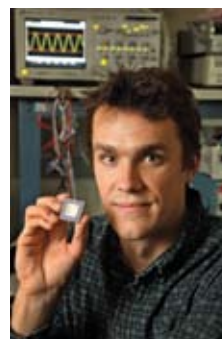
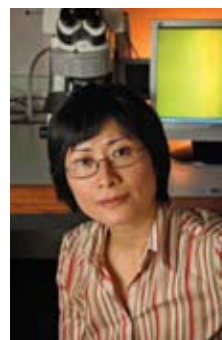
- Michael F. Skrutskie, professor of astronomy, was awarded the James Craig Watson Medal by the National Academy of Sciences. He was recognized for his leadership of a major project that surveyed the entire sky in the infrared spectrum, providing the first-ever “bird’s-eye view” of the Milky Way.
- William A. Wulf, University Professor and the AT&T Professor of Engineering and Applied Science, was elected to the American Philosophical Society, the oldest learned society in the United States. Professor Wulf recently stepped down as president of the National Academy of Engineering.

This year, the University inaugurated its own Distinguished Scientist Award to highlight longtime U.Va. faculty who have made extensive contributions to their fields of study. The award this year was shared by Brian R. Duling, who serves as the Robert M. Berne Professor of Cardiovascular Research, and Herman H. “Hank” Shugart, Jr., the William W. Corcoran Professor. Both Professors Duling and Shugart have

published hundreds of articles, received millions of dollars in research funding, and led multiuniversity research efforts.

RISING YOUNG FACULTY STARS

Young researchers early in their professional development bring to the University their energy, creativity, and ambition. The ability of the University to nurture these faculty members as they launch their first major projects is as critical to the long-term health of its research programs as its ability to attract eminent senior scholars.

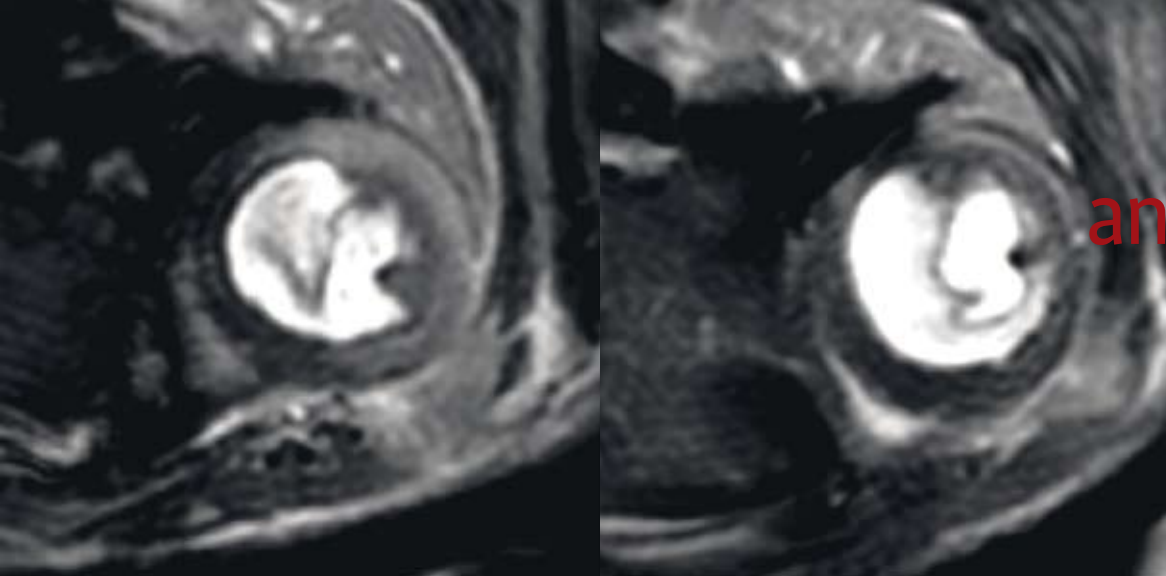


FEST award winners, above, Xiaowei Lu, and below, Benton Calhoun

Three years ago, the University created Distinguished Young Investigator Grants for junior faculty members as part of the Fund for Excellence in Science and Technology (FEST). These grants of \$50,000, awarded on a competitive basis, are designed to help young researchers produce stronger proposals for outside funding. Winners for the 2006–07 academic year were cell biologist Xiaowei Lu, chemist Jill Venton, electrical engineer Benton

Calhoun, and mechanical and biomedical engineer Silvia Salinas Blemker.

Thanks in part to this FEST seed money, these faculty members have succeeded in securing additional funding for their research. Professor Calhoun received a Young Faculty



Award from the Defense Advanced Research Projects Agency to further develop his research on a type of semiconductor chip called a “field programmable gate array.” Professor Venton won a Faculty Early Career Development (CAREER) Award from the National Science Foundation for research on neurotransmitters—the chemical substances used for communication among brain cells.

The University’s ability to attract talented young faculty was confirmed by the following young faculty selected for CAREER awards this year:

- David Green, assistant professor of chemical engineering, received his grant for breakthrough research in polymer nanocomposites. Ultimately, Professor Green’s work will enable engineers to create new composite materials with specific mechanical, thermal, optical, and electrical properties.
- Steven McIntosh, assistant professor in chemical engineering, will apply his funding to developing more effective anodes for solid oxide fuel cells (SOFCs). Because they can use any combustible fuel, not just hydrogen, to produce energy, SOFCs are likely to be commercialized in the near future.
- Jason Papin, assistant professor of biomedical engineering, was recognized for his innovative use of systems biology and computer modeling to investigate infectious disease processes. He will use his grant to study leishmaniasis, a parasitic disease that afflicts twelve million people, and can lead to disability, deformity, or death.
- Todd Scanlon, assistant professor of environmental sciences, specializes in atmospheric science. With his CAREER award, Professor Scanlon will measure nitrous oxide emissions on the Eastern Shore of Virginia and investigate mercury transformation in both the air and water in the Shenandoah National Park. ♦




Todd Scanlon

Anheuser-Busch Coastal Research Center on the Eastern Shore

For twenty years, the University of Virginia has set the research and educational agenda at the 35,000-acre Virginia Coast Reserve, one of the oldest sites in the National Science Foundation’s Long-Term Ecological Research Network. During this time, U.Va. environmental scientists have uncovered many of the fundamental relationships that shape this irreplaceable landscape—the barrier islands, lagoons, tidal marshes, and watersheds of Virginia’s Eastern Shore.

This year, the University launched an even more ambitious research program, officially opening the \$2.5 million Anheuser-Busch Coastal Research Center, a new facility located on forty-two acres in the town of Oyster. The

center includes more than 9,400 square feet of laboratory space; a 5,800-square foot residence building that can accommodate thirty people; and a dock for its fleet of four shallow-water research vessels. The new center, which replaces the aging farmhouse used previously as a station, is expected to draw top environmental scientists from across the United States. John L. Nau III (College ’68), president and chief executive officer of an Anheuser-Busch distributorship, played an instrumental role in securing a gift from the Anheuser-Busch Companies to help build the center. Other funding included support from Paul Tudor Jones II (College ’76) and the National Science Foundation.



This image is a visualization of the view from inside an accretion disk, looking toward the central black hole and the jet. This accretion disk is formed by orbiting gas as it is transferred from a star to a black hole. The data for this image come from an accretion disk computer simulation done by John Hawley, chair of the Department of Astronomy. The image, rendered with the Black Hole Flight Simulator of Andrew Hamilton at the University of Colorado, is from NOVA's "Monster of the Milky Way," broadcast October 31, 2006, on PBS.

The Education of a Lifetime

The University of Virginia has always been distinguished by the quality of the educational experience we offer our students, particularly undergraduates. Our faculty prides itself on the quality of teaching and commitment to mentoring and advising here. Not surprisingly, one of the most anticipated moments of the academic year for the faculty is the announcement of the annual awards for outstanding teaching.

U.Va., however, is not alone among colleges and universities in encouraging the pedagogical skills of its faculty. What sets us apart are the inventive ways in which our faculty members capitalize on their research to enrich their students' educational experience. We have introduced a series of innovative educational programs with the potential to change the way our students think about their world, precisely because we are a research university.

ADDRESSING INEQUITIES IN HEALTH CARE

The activities of the Center for Global Health illustrate a research university's educational advantages. Dr. Richard L. Guerrant, the Thomas Harrison Hunter Professor of International Medicine, created the center in 2001. The center supports an ambitious research program—Dr. Guerrant and his colleagues are acknowledged leaders in the

field. Equally important, the center offers Global Health Scholarships to more than fifty undergraduate, graduate, and professional students at the University each year. These competitive scholarships partially fund six-to-eight-week research and service projects in Africa, Latin America, Asia, and underserved areas of the United States. Student research projects have included investigating the relationship between diarrhea and antiretroviral drug resistance in Brazilian HIV patients, measuring the prevalence of hypertension among the working poor in India, and assessing the health effects of water resources in South Africa.

The positive impact of this scholarship program cannot be overstated. Global Health Scholars return to Grounds with a deep appreciation of the struggles that define daily existence in most of the world, an insight that changes their lives. For some, this experience is so profound that it has led them to change the focus of their studies and pursue careers in medical research, public health, or international assistance.

DESIGN THAT WORKS FOR THE ENVIRONMENT

In her research, Phoebe Crisman embraces complexity. An associate professor of architecture, she is interested in developing ecologically sensitive designs that incorporate



Medical students Matthew Harrington and Peter Volsky, shown with a family in the Dominican Republic, studied grassroots methods for connecting isolated communities with specialty health care.

complicated infrastructure systems, greater land use density, site specificity, and community planning. She has just completed work funded by a Virginia Environmental Endowment Grant on a sustainable revitalization plan for 330 acres of industrial land at Monney Point, Virginia, in collaboration with the Elizabeth River Project and U.Va.'s Institute for Environmental Negotiation.

This research project has an educational counterpart. While working on the revitalization plan, Professor Crisman and colleague Paxton Marshall, professor of



The Learning Barge team erecting a fragment of the barge on the National Mall in Washington, D.C.

electrical and computer engineering, assembled an interdisciplinary team of more than a dozen students from the School of Architecture and the School of Engineering and Applied Science to design and build the Learning Barge—a floating, self-sustaining environmental education field station on

the Elizabeth River, one of the most polluted estuaries of the Chesapeake Bay. Powered by solar and wind energy, the floating field station collects rainwater, filters gray water with native plants, and uses recycled and renewable materials. This project gives K-12 schoolchildren from around Virginia

the opportunity to experience the river firsthand and engage in hands-on exploration and learning.

With their students, Professors Crisman and Marshall have garnered a series of awards in national design competitions. Most recently, the project team won a P3 Award in the U.S. Environmental Protection Agency's sustainability competition on the National Mall in Washington, D.C. It was one of only six projects to be recognized with a Sustainability Design Award of \$75,000.

LAW STUDENTS TAKE IT TO THE TOP COURT

The expertise that Daniel R. Ortiz, the John Allan Love Professor of Law, has acquired in constitutional law inspired him to start a Supreme Court clinic at U.Va. The course, one of just five like it in the United States, introduces students to all aspects of Supreme Court practice through current cases. Students comb through federal appellate and state court decisions,

Sullivan Winners Exemplify the Character of the University



Sarah Strunk

THE SULLIVAN AWARD WAS CREATED MORE than eighty years ago to honor Algernon Sydney Sullivan, a philanthropist and founder of the law firm of Sullivan & Cromwell. The generations of Sullivan Award winners have now come to epitomize the spirit of humanitarian service at U.Va. This year's winners are no ex-



Jesimiel Jenkins

ception. Sarah Strunk (College '07) served as chair of Project Serve, a fall orientation event that introduces incoming students to community service opportunities, and as a member of the board of directors of Madison House. Jesimiel Jenkins (College '07) was a University Guide, summer orientation leader, and peer



Bill Wilson

advisor in the Office of African American Affairs. Bill Wilson, an associate dean in the College of Arts and Sciences, has led the international studies program, the Echols Scholars program, and the Center for Undergraduate Excellence during his nineteen-year tenure at the University.

looking for inconsistencies and requesting a review from the high court by filing a petition for a writ of *certiorari* or cert petition. Typically, the court agrees to hear just 100 cases from among the 7,000 cert petitions filed each year. In 2006, two of those petitions accepted by the Court were from U.Va., and law students will help prepare the cases for oral argument. Under ordinary circumstances, a lawyer could not expect to litigate a Supreme Court case before attaining senior partnership in a law firm.

RETHINKING THE CURRICULUM

The curriculum Jefferson proposed for his university marked a departure from that found at most universities of the time. Rather than look backward, he looked forward, designing an educational experience

that would prepare students to meet the challenges of their age. This continues to be a priority at the University, and accordingly, we look for opportunities to make the education we offer more relevant to the needs of society.

Over the next fifteen years, as more of the Baby Boomer generation retires from public office, the demand for talented public leaders will increase. Leaders from a range of professional backgrounds, including law, medicine, business administration, and the social sciences, will be needed to assume the responsibilities and opportunities of public service. Thanks to the unprecedented generosity of Frank Batten, Sr. (College '50), the former chairman of Landmark Communications in Norfolk and one of the University's most loyal supporters, U.Va. will help meet this need by creating the Frank

Batten School of Leadership and Public Policy. Mr. Batten's \$100 million gift is the largest single gift in the history of the University. The Batten School is the first new school to be established at the University since the Darden Graduate School of Business Administration was created fifty-three years ago. At the same time, the University inaugurated a five-year master's degree program in public policy. The accelerated, interdisciplinary program will be open to U.Va. undergraduates who have finished three years of study and are interested in pursuing careers in government and the nonprofit sector.

The nation also faces a shortage of qualified engineers. To address this need, the School of Engineering and Applied Science joined with Central Virginia Community College (CVCC) and AREVA NP, a nuclear energy company, to offer a pilot program that would allow students to earn a four-year engineering degree from U.Va. without



Fayerweather and Cocke Halls Are Back

Two historic buildings, Fayerweather Hall on Rugby Road and Cocke Hall on the Lawn, returned to service in 2006 after extensive renovation. Fayerweather, built in the 1890s as a gymnasium, houses the McIntire Department of Art and the Carl H. and Martha S. Lindner

Center for Art History. A re-created monitor, or skylight, runs along much of the building. The Department of Classics and the Corcoran Department of Philosophy occupy Cocke Hall, designed by Stanford White as a mechanical laboratory in 1898.



COCKE HALL CLOCK RESUMES ITS DAILY ROUND

Thanks to the generosity of a descendent of John Hartwell Cocke, friend of Thomas Jefferson and member of the original Board of Visitors, the Cocke Hall Clock has been restored to working order. The discovery of many of the clock's original parts in the building's attic helped with the process of renovation.

leaving the Lynchburg community. Having earned an associate of science in engineering degree from CVCC, students would take third- and fourth-year classes in selected engineering disciplines at the University, primarily through distance learning.

A GENERATION OF EXCEPTIONAL PROMISE

Students who choose the University are among the nation's brightest. Talented, ambitious, and idealistic, they bring with them high expectations of both the University and themselves. In the Jeffersonian tradition, their curiosity about the world comes from a desire to apply the knowledge they gain to shaping that world. The University is not simply a community of learners, but one of leaders.

This leadership can be gauged by the initiatives students have created to make life better on Grounds and around the world. In some cases, it is a matter of helping other students take advantage of all the University has to offer. For instance, Emily Ewell (Engineering '07), inspired by the professors

ATTRACTING MINORITY STUDENTS TO SCIENCE AND ENGINEERING

The University of Virginia's Office for Diversity and Equity and School of Engineering and Applied Science will lead a program among eight colleges and universities throughout Virginia and North Carolina that will focus on increasing the number of students from underrepresented groups who pursue degrees in science, technology, engineering, and mathematics. The initiative is supported by a five-year, \$5 million grant from the National Science Foundation's Louis Stokes Alliances for Minority Participation (LSAMP) Program.



Students Jocelyn Spaar and Sebastijan Jemec designed posters that combined student poetry and art for display on University Transit System buses.

of a class she took as a University Guide, spearheaded the creation of LASE 360: U.Va.'s Unforgettable Lectures. Working



Emily Ewell

from a list of student recommendations, she recruited a dozen professors in fields ranging from religious studies to politics to architecture to give one-hour presentations. The class, offered during the fall semester, proved so popular that all one hundred places were taken by the second day of registration.

Jocelyn Spaar (College '09) and Sebastijan Jemec (Architecture '08) wanted to highlight the talents of their peers. They collected student poetry and photos of artwork and designed posters for University Transit System buses. "Kinetics: UVaArt & Poetry in Motion" created a new way to showcase talent while exposing the University community to a wider array of student art and poetry.

For an increasingly large contingent of U.Va. students, spring break means not a trip to the tropics but an opportunity to make a difference. This year, Alternative

Spring Break, an independent student-run organization, sent 550 students in thirty groups to work on global projects ranging from invasive plant removal in Saguaro National Park in Arizona to microfinance projects with women in Honduras. Student site leaders are selected each April for the next year's trips.

RECOGNIZED FOR INDIVIDUAL ACCOMPLISHMENT

U.Va.'s talented and committed students routinely win national awards for their scholarship and service. This year was no different.

E. Ross Baird (College '07) was named a 2007 Marshall Scholar, one of just forty-



E. Ross Baird

three selected from colleges and universities in the United States. Last year, he was named a Truman Scholar. Mr. Baird also has accumulated accolades from the University. A Jefferson Scholar, he received the Gray-Carrington Leadership Award and the Robert Kent Gooch Award. He was president of the Raven Society as well as president of the Class of 2007. Pursuing his interest in political science, he researched voter participation in Italy, Croatia, Austria, and England on a Harrison Undergraduate Research grant and received a second Harrison grant



to study voter turnout in his home state of Georgia. Mr. Baird will use his Marshall Scholarship to study comparative politics at the University of Oxford.

The three U.Va. students who were among the 317 Barry M. Goldwater Scholarship recipients for 2007 highlight the strength of the University's science, mathematics, and engineering programs. These are one- and two-year scholarships for students who intend to pursue careers in these fields. Jennifer Cano (College '09) and Sean Cantrell (College '09), both physics majors, plan to earn doctorates and conduct research in mathematics or physics. Gary Shambat (Engineering '07)



Goldwater Scholars, from top, Jennifer Cano, Sean Cantrell, and Gary Shambat

hopes to pursue a Ph.D. in electrical engineering, focusing on emerging renewable energy technologies.

Tyler S. Spencer (College '07), an international health and environmental sustainability major, won a 2007 Udall Scholarship. He was one of eighty students selected by



Tyler S. Spencer

a twelve-member independent review committee on the basis of commitment to careers in the environment, health care, or tribal public policy; leadership potential; and academic achievement. The recipient of two Harrison Undergraduate Research grants, Mr. Spencer has conducted research in Africa examining the attitudes of Westerners and Africans toward the theory and practice of conservation.



Isabelle Stanton

Graduate students in the sciences also earned national honors. Five students—Erin Reed, Hilary Schaefer, Jennie Doberne, Adam Watson, and Niccolo Fiorentino—secured National Science Foundation fellowships for original research in diverse fields, from archaeology in Chaco Canyon to the neurobiology of emotion. Computer science graduate students Isabelle Stanton and Wei Le were among twenty students nationwide who received Google's Anita Borg Memorial Scholarships, which were established to

encourage women to pursue careers in computer science and technology.

COLLECTIVE ACHIEVEMENT

Success in the twenty-first century requires the ability to collaborate with others. The challenges we face are of a magnitude and complexity that transcend the efforts of individuals and require cross-disciplinary expertise. At the same time, globalization demands that we work side by side with people from other countries and other cultures. Seen in this light, the recognition U.Va. students have earned for their collaborative efforts is especially significant.

The McIntire School of Commerce curriculum's emphasis on teamwork pays off. This year, a team of students finished in first place in the final round to win the inaugural KPMG National Audit Case Competition. Sharing knowledge and responsibility, they devised an auditing strategy for a complex financial transaction that was then presented to a mock audit committee for review.

Teamwork is also important for lawyers. This year the American Bar Association awarded the student-run *Virginia Law Weekly* its Best Newspaper prize. The *Weekly's* staff credits improvements across the publication—in layout, photography, and creative writing—as the deciding factor in their win. Collaboration was instrumental for the University's undergraduate Mock Trial program to succeed in the twenty-third annual collegiate National Championship Tournament. Repeating their performance from 2006, the program's A team defeated Harvard in the championship round. The team members work together to prepare an entire case from opening statement to closing argument. ♦



Virginia Law Weekly

Champions for the Power of Knowledge

A university's ability to realize its aspirations rests squarely on the shoulders of its faculty. Undergraduate students spend four years on Grounds, but faculty members spend up to four decades here. During that time, they are instrumental in shaping the University and advancing its reputation, not only through their research and scholarship, but also by inspiring others and building lasting institutions to promote research and education.

HONORED FOR THEIR CONTRIBUTIONS

The faculty's extraordinary role in sustaining and strengthening the University is recognized through University-wide awards. Edward L. Ayers, dean of the College and Graduate School of Arts and Sciences and the Hugh P. Kelly Professor of History, received the University's highest honor, the Thomas Jefferson Award. The annual award is given to a member of the University community who has exemplified in character, work, and influence the principles and ideals of Jefferson. Dean Ayers, who joined the faculty in 1980, is a superb teacher, honored by the State Council of Higher Education in Virginia as well as the American Historical Association. He also has written or edited nine books and received a 2004 Bancroft Prize for his book, *In the Presence of Mine*

Enemies: War in the Heart of America, 1859-1863. And as cofounder of the Virginia Center for Digital History, he is a leader in the use of digital technologies to promote teaching and learning in history.

James F. Childress, the Hollingsworth Professor of Ethics, professor of medical education, and winner of this year's Jefferson Scholars Faculty Prize, shows similar depth of commitment to his field and to the University. During the nearly forty years he has been in residence at U.Va., Professor Childress has been chair of the Department of Religious Studies, principal of Monroe Hill College, and codirector of the Virginia Health Policy Center. He is director of the Institute for Practical Ethics and has served on numerous national task forces on such issues as organ sharing, recombinant DNA, and gene therapy. The Jefferson Scholars



James F. Childress

Faculty Prize recognizes and celebrates the commitment of outstanding University of Virginia faculty members to leadership, scholarship, and citizenship.

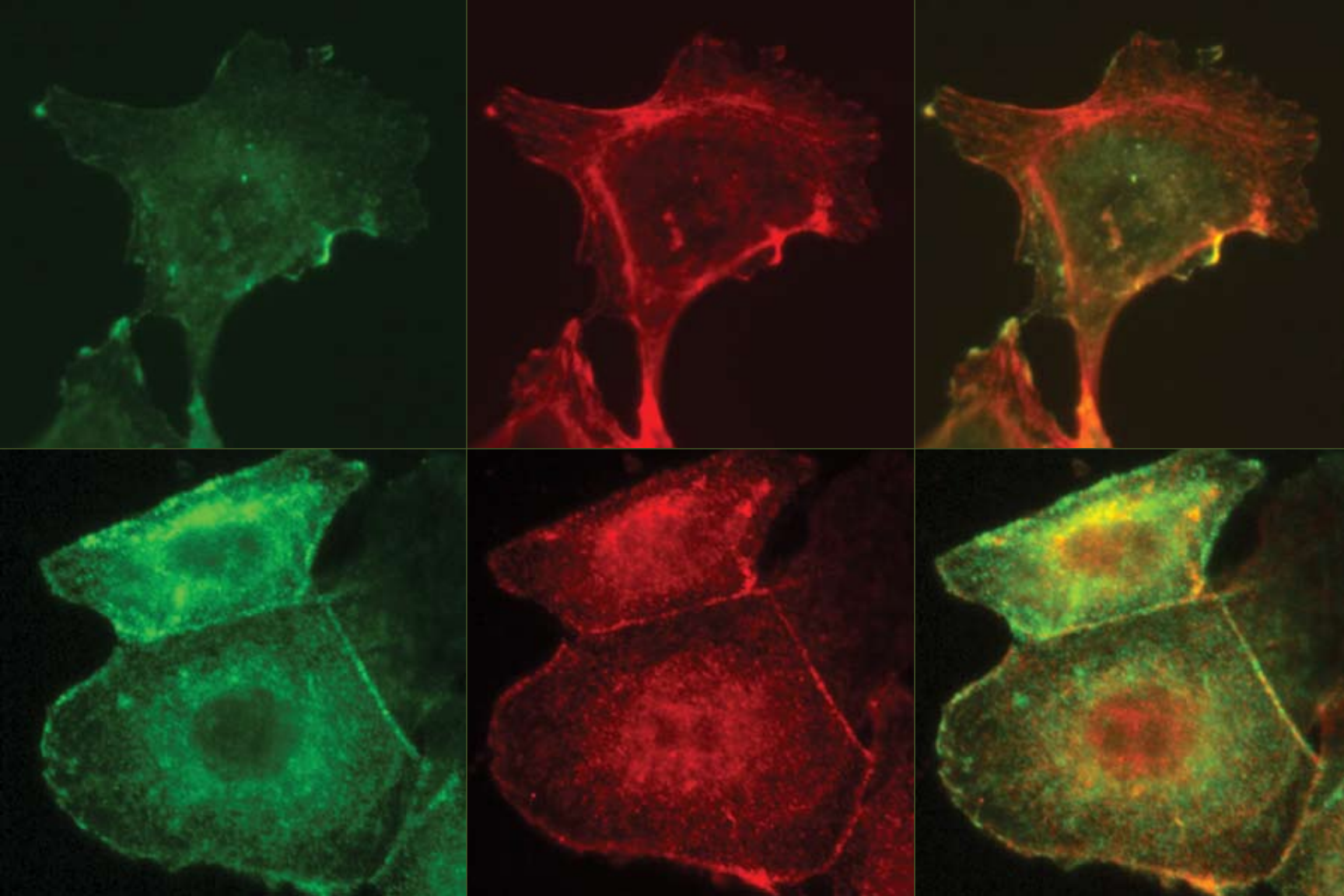


V. Shamim Sisson

Faculty Prize recognizes and celebrates the commitment of outstanding University of Virginia faculty members to leadership, scholarship, and citizenship. Another award for service to the University is the Elizabeth Zintl Leadership Award, which was established by the Women's Center in memory of Elizabeth Zintl, chief of staff in the Office of the President. This year the center recognized V. Shamim Sisson, who was honored for her professionalism, creativity, and commitment to the University. Dean Sisson, who retired in June 2006 as senior associate dean of students and director of the Office of Student Life, had served in student affairs at the University since 1988, bringing to her roles longstanding professional interests in women's education, communication between men and women, leadership development, and interracial understanding.

ADVANCING SCIENCE AND THOUGHT

Jefferson's colleague Benjamin Franklin founded the American Philosophical Society



Immunofluorescence microscopy reveals the locations of scaffolding protein IQGAP1 (green images) and other proteins (red images) with which it works cooperatively to allow cells to move. These activities of individual cells are critical for processes as diverse as embryonic development, wound healing, and tumor metastasis. NIH-sponsored research under way in the departments of Biology and Cell Biology is focusing on how IQGAP1 triggers cellular migration in response to extracellular clues.

to provide a forum for the free exchange of ideas among the nation's most creative thinkers. This year, Cora Diamond joined William A. Wulf, University Professor and the AT&T Professor of Engineering and Applied Science (see page 18), in being inducted into the society. Ms. Diamond is professor emerita in the Department of Philosophy and professor of law in the School of Law. Her principal scholarly interests include Wittgenstein, Frege, and the philosophy of language, moral and political philosophy, and philosophy and literature. Election to the society puts Professor Diamond in exalted company. The society has just 960 elected members; since 1900 more than 260 members have received the Nobel Prize.

Judy S. DeLoache, the William R. Kenan, Jr., Professor of Psychology, was similarly honored this year. She was elevated to the rank of fellow by her peers in the American Association for the Advancement of Science. Professor DeLoache was singled out for her "insights into the development of children's memory, representation, and use of symbols." She was one of only seven fellows named this year in psychology.

DISTINCTION FOR SCHOLARSHIP AND SERVICE

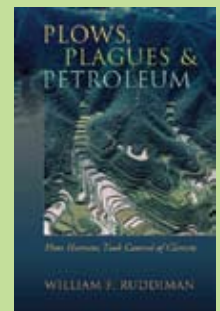
Each year, faculty members devote their talents to achieving exceptional standards of scholarship and service. The awards faculty members received for their scholarly and creative work reflect outstanding abilities and dedication to the creation of knowledge in disciplines across the Grounds.

- Sociologist Joseph E. Davis received the Cooley Award for his recent book, *Accounts of Innocence: Sexual Abuse, Trauma, and the Self*. The award is presented by the Society for the Study of Symbolic Interaction.
- *Strategy + Business* magazine hailed a new book by Paul Farris, the Landmark

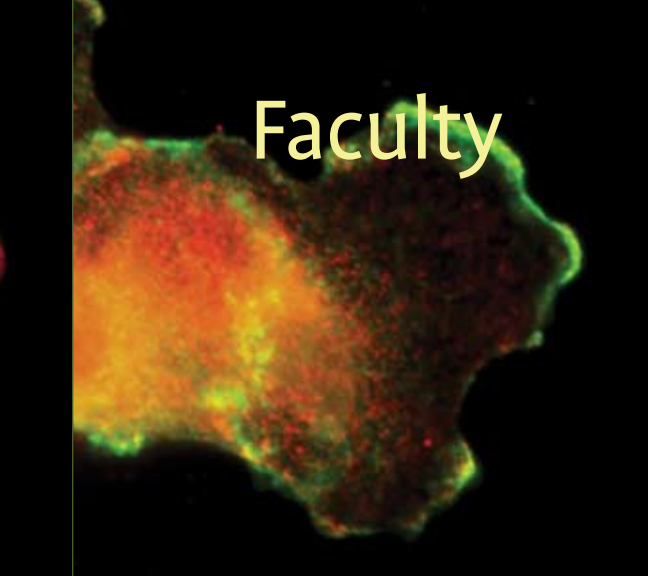
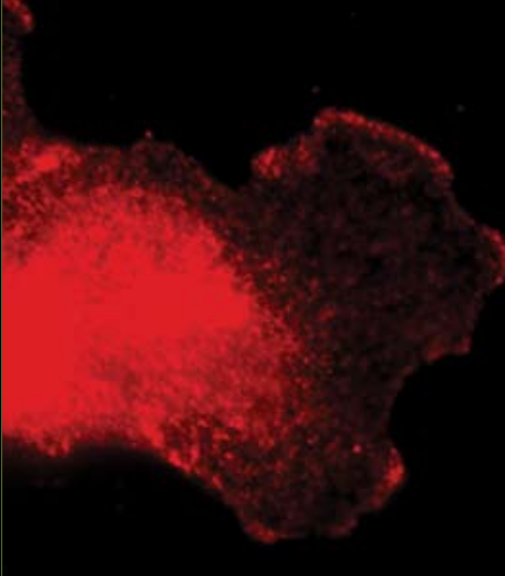
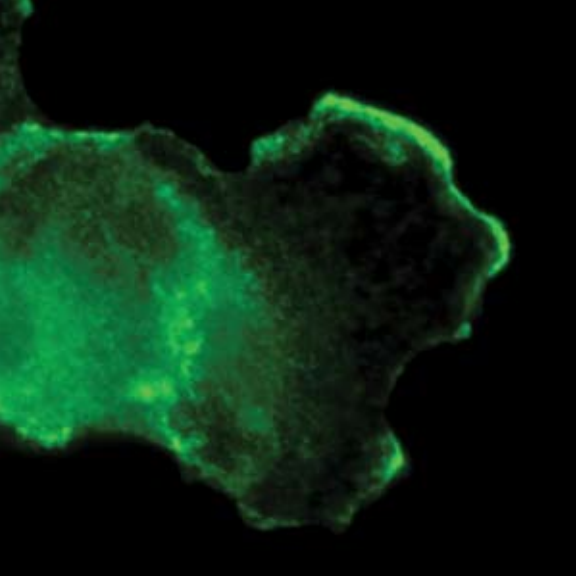
Communications, Inc., Professor of Business Administration, and Darden professor Phil Pfeifer as the best marketing book of the year. *Marketing Metrics: 50 Metrics Every Executive Should Master* provides clear explanations for key indicators used to evaluate virtually every aspect of marketing and sales.

THE CLIMATE CONNECTION

Twelve hundred years ago, human beings invented agriculture and in the process wrested control of the climate from the natural world. *Plows, Plagues, and*



Petroleum: How Humans Took Control of the Climate by William F. Ruddiman, professor emeritus of environmental sciences, is the first book to trace the full historical sweep of human interaction with Earth's climate. It received the 2006 Science Award from the Phi Beta Kappa Society.



Faculty

- Assistant Professors of Architecture Nataly Gattegno and Jason Johnson received the Honor Award for Design from the Boston Society of Architects for their collaborative Energy Farm project.

- University of Virginia writing instructor Charlotte Matthews won the 2007 Fellowship of Southern Writers' New Writing Award for Poetry for her collection, *Green Stars*.



Charlotte Matthews

- Charles Wright, the Souder Family Professor of Arts and Sciences, won the 2007 International Griffin Poetry Prize for his volume *Scar Tissue*. The Griffin Poetry Prize is given for a single volume of poetry.

Other faculty members assumed leadership roles in professional societies. William B. Harvey, vice president and chief officer for diversity and equity, was elected the first

president of the National Association of Diversity Officers in Higher Education. Jenny Strauss Clay, the William R. Kenan, Jr., Professor of Classics, is president of the American Philological Association, the principal learned society in North America for the study of ancient Greek and Roman languages, literatures, and civilizations. And



William B. Harvey



Julian M. Bivins, Jr.

Julian M. Bivins, Jr., assistant vice president for advancement in the University's Office of Development and Public Affairs, is chairman of the board of trustees for the Council for Advancement and Support of Education, an international organization created to advance and support educational institutions through alumni relations, communications, marketing, and fund raising. ♦



Matthew Burtner

2007 Teaching Awards

At this year's teaching awards banquet, the University presented the first Faculty Mentoring Awards to Sherwood C. Frey, Jr., the Ethyl Corporation Professor of Business Administration, and Janet S. Herman, professor of environmental sciences. Mitchell S. Green, associate professor of philosophy, received the Cavaliers' Distinguished Teaching Professorship; Stephen D. Arata, associate professor of English, received the Richard A. and Sara Page Mayo NEH Distinguished Teaching Professorship; Dr. John Kattwinkel, the Charles I. Fuller, Jr., Professor of Neonatology, received the Alumni Association Distinguished Professor Award; and Margarita Nafpaktitis, assistant

professor of Slavic languages and literature, received the Alumni Board of Trustees Teaching Award.

All-University Teaching Awards went to Randy L. Bell, associate professor of science education; Edward J. Berger, associate professor of structural and solid mechanics; Emily J. Blanchard, associate professor of economics; Mary Margaret Frank, assistant professor of business administration; Clare R. Kinney, associate professor of English; Stephen A. Macko, professor of environmental sciences; Louis P. Nelson, associate professor of architectural history; J. H. (Rip) Verkerke, professor of law; and Dr. Brian Wispelwey, professor of internal medicine.

The Natural World of Music

Matthew Burtner, an assistant professor of composition and computer music, was born in Alaska, and his heritage shapes his view of music as a force of nature. His quest to connect music to the natural world has, paradoxically, drawn him to technology, which offers an infinite palette of sound as well as an impersonal quality that he finds has its counterpart in the natural world. Professor Burtner's music has earned accolades from around the world, including first prize in the Musica Nova International Electroacoustic Music Competition.

Knowledge in the Service of the People

As scholars and teachers, the faculty members of the University of Virginia are deeply engaged in addressing the challenges of our time, helping us see the world in fresh ways. Take a study by William H. Lucy, the Lawrence Lewis, Jr., Professor of Architecture and David L. Phillips of the Department of Urban and Environmental Planning, for example. Their work showed that, contrary to popular belief, middle- and upper-income whites have not left the cities for the suburbs and that the per capita income of non-Hispanic whites is substantially higher in cities. At the same time, they found the value of housing in cities is on the rise, as is condominium construction. As a whole, they argue, the nation's cities are staging a remarkable comeback.

Our faculty members have both the standing and the resources to take on vexing

national issues. The Miller Center of Public Affairs provides an outstanding service to the country, having convened a series of distinguished commissions during the last quarter century to address issues such as federal election reform, the separation of powers, and the selection of federal judges. Now under the leadership of former Virginia Governor Gerald L. Baliles (Law '67), the Miller Center announced the formation of the National War Powers Commission, a private bipartisan panel led by former Secretaries of State James A. Baker III and Warren Christopher. The commission will examine how the U.S. Constitution allocates the powers of beginning, conducting, and ending war.

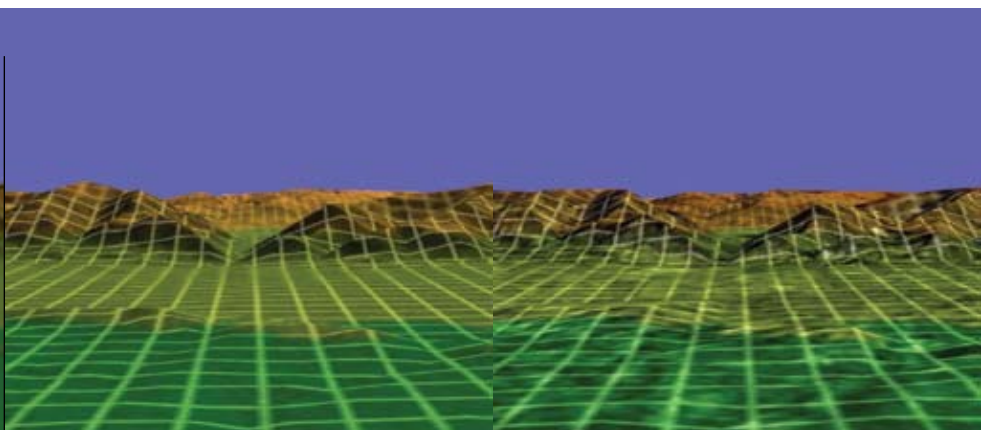
In some cases the line between public service and research is hard to define. University of Virginia law professor Thomas

Hafemeister and psychiatry professor Shelly Jackson received a grant of nearly \$300,000 this year from the National Institute of Justice to investigate financial abuse and other forms of mistreatment of the elderly in Virginia. An estimated one to two million Americans age sixty-five and older—about 4 to 6 percent of the nation's elderly—are injured, exploited, or otherwise mistreated by someone they depend on for care or protection each year. Professors Hafemeister and Jackson will contact recent victims of abuse about the cause of the abuse and the effectiveness of the state's response.

AT THE LEADING EDGE OF DIGITAL SCHOLARSHIP

Research conducted at the University increasingly has a digital component. For

Ellen Bass, assistant professor in the Department of Systems and Information Engineering, and graduate student Matthew Bolton, designed this synthetic vision system, computerized representations of terrain designed for placement in cockpit navigation and primary flight displays, to help enhance pilots' awareness of terrain, particularly under low-visibility conditions. For such displays, it is critical that the pilot be able to judge accurately his or her position relative to the represented terrain. Professor Bass's research will determine which display features help to achieve this goal.



IATH SECURES IBM GRANT

A grant from IBM will place the University at the forefront of a worldwide effort to develop academic applications for IBM's Cell Broadband Engine, an advanced processor that offers ultrafast performance for virtual reality, real-time video chat and other image-intense computer environments. The U.Va. team is led by Bernard Frischer, director of the Institute for Advanced Technology in the Humanities and professor of art history and classics, and Grigori R. Humphreys, assistant professor of computer science.

scholars, the Internet offers a host of compelling advantages. It provides computational tools to organize, visualize, and analyze ideas in ways that were unimaginable just a decade ago. It transforms what had primarily been a solitary activity into a collaborative one. And it gives researchers the ability to present information with unequaled immediacy. Through organizations such as the Institute for Advanced Technology in the Humanities (IATH) and the Center for Digital History (CDH), the University has been a leader in harnessing the power of the Web for research, education, and public service. A number of projects launched or under development this year illustrate this point.

David Gies, Commonwealth Professor of Spanish, launched an innovative Web

site that uses Spanish-language films to teach language and culture. Aimed at high school students and their teachers, *Cine con Clase!* features one- to two-minute clips from twenty-five different films along with additional content, ranging from scripts to vocabulary to suggested activities and exercises. In developing the site, Professor Gies worked with Ruth M. Ferree, assistant professor of foreign language education at the Curry School of Education, and Michael Tuite, head of the Digital Media Lab at the Robertson Media Center and, through a series of summer institutes, with high school teachers from throughout the Commonwealth. The construction of the site was funded by a \$250,000 grant from the National Endowment for the Humanities.

A \$186,000 grant from the NEH allowed Professor Gies's colleague, Deborah Parker, professor of Italian, to upgrade her highly regarded World of Dante Web site, which she created eight years ago as a fellow with IATH. The site, focusing on Dante's *Divine Comedy*, features searchable text

(both in Italian and English), illustrations, and other visual materials. The extended World of Dante will boast a new interface design, courtesy of researchers at Microsoft's New Media Research Laboratory, additional engravings, maps, iconography, photos, and a virtual tour through the *Inferno*. Music professor Paul Walker is recording all the hymns mentioned in the poem that inspired the poet, sung by the Charlottesville early music ensemble Zephyrus. Those, too, will be posted on the site, which is at www3.iath.virginia.edu/dante/.

Faculty members are also at the forefront of investigating the potential of the Internet to foster new forms of research and scholarship. This year, the Andrew W. Mellon Foundation awarded Jerome McGann, University Professor and the John Stewart Bryan Professor of English, almost \$800,000 to develop new technological tools for interpreting and analyzing works of art and literature. Professor McGann is a widely recognized leader in this field. As a founding member of IATH, he developed the highly influential Web site *The Complete Writings and Pictures of Dante Gabriel Rossetti: A Hypermedia Archive*, at www.rossettiarchive.org.

Wilsdorf Hall Marks Commitment to Nanotechnology

When research is conducted on materials at scales of a billionth of a meter, a stray vibration or even the slightest bit of electrical interference can be disastrous. This is one concern addressed in the planning for Wilsdorf Hall, the new \$43.4 million Engineering School building, which opened in November 2006. Designed to suppress vibration and isolate electrical impulses, it has already proved to be a powerful attraction for new faculty and graduate students from various disciplines.



Research and Public Service



A tour of the Coliseum (background) on *Rome Reborn 1.0* begins outside with details of the Arch of Constantine (right) and the Meta Sudans fountain (left).

Perhaps no other event this year highlights Virginia's leadership in digital scholarship better than the first public viewing of *Rome Reborn 1.0*, a ten-year project now based at the University of Virginia. Rome's Mayor Walter Veltroni officiated at the ceremony from Palazzo Senatorio. An international team of archaeologists, architects, and computer specialists from Italy, the United States,

Britain, and Germany, led by IATH director Bernard Frischer, professor of art history and classics, employed laser scanners and other high-tech tools to simulate contemporary cities and to build the biggest, most complete simulation of a historic city ever created.

Rome Reborn 1.0 shows almost the entire city within the thirteen-mile-long Aurelian Walls as it appeared in A.D.

REBUILDING STRONG BONES

Most people begin life with good bones. But time and trauma take their toll. Age makes bones brittle, while diseases like osteoporosis can make them soft or change their shape. Tissue engineers such as Edward Botchwey, assistant professor of biomedical engineering, are devising new ways not simply to repair bone but to restore it to health. They begin with a three-dimensional, biodegradable matrix, seeded with bone cells and infused with the nutrients and molecules that enable bone cells to organize themselves into functioning bone tissue. Professor Botchwey is finding ways to encourage these bone grafts to develop their own blood supply, increasing the likelihood of success.

320. Users can navigate through the 3-D model with complete freedom, moving up, down, left, and right at will. They can enter important public buildings such as the Roman Senate House, the Coliseum, or the Temple of Venus and Rome, the ancient city's largest place of worship. Visit www.romereborn.virginia.edu to experience the simulation of ancient Rome and its structures. ♦

Presidential Honors for Outstanding Public Service

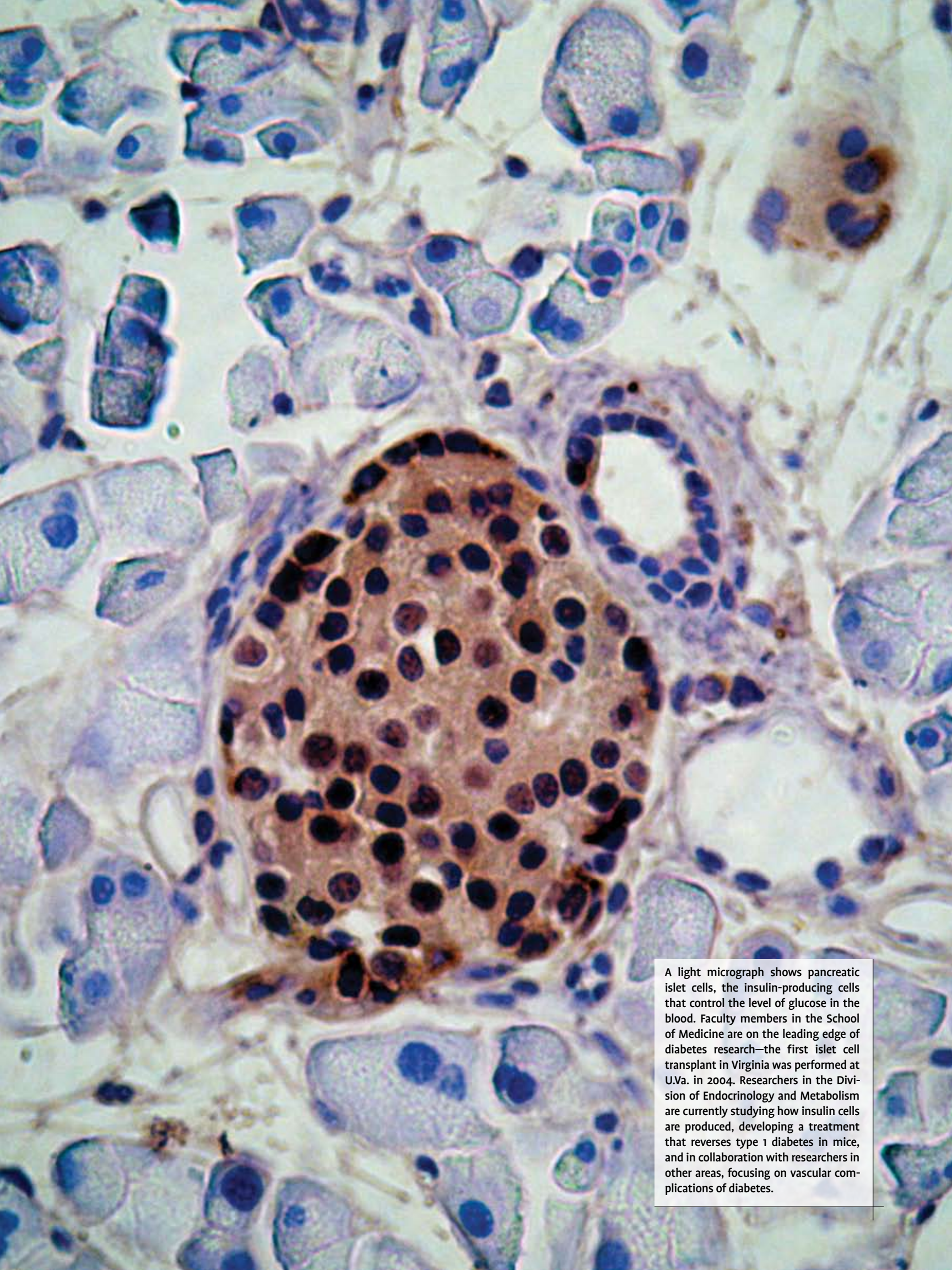
This year, the University of Virginia was named one of ten national finalists for the U.S. President's Higher Education Community Service Award for Excellence in General Community Service. The awards program cited five initiatives that exemplify the University's commitment to community service:

- Madison House, a student-run organization that coordinates the work of more than 3,300 student volunteers each week. In 2006, volunteers contributed 110,000 hours of service as tutors, construction workers, peer counselors, and day care and patient-service providers.
- The Day in the Life program, organized by the Office of Community Relations, which matches U.Va. students with local youth who attend academic, cultural, athletic, and social events. During the past year, 539 U.Va. students provided 9,522 hours of tutoring and mentoring to 473 local youth.
- The Remote Area Medical Clinic, a partnership serving the health care needs of residents of southwest Virginia. More than 130 student volunteers spent 5,700 hours serving approximately 3,000 uninsured patients.
- ecoMOD, a joint project of the Architecture and Engineering schools through which students contributed 10,000 hours to design, build, and evaluate eight modular homes that were transported to one of Charlottesville's low-income neighborhoods.



University volunteers provide health care to those in need in southwest Virginia.

- The University Internship Program, which last year contributed 55,000 hours of service to community projects.



A light micrograph shows pancreatic islet cells, the insulin-producing cells that control the level of glucose in the blood. Faculty members in the School of Medicine are on the leading edge of diabetes research—the first islet cell transplant in Virginia was performed at U.Va. in 2004. Researchers in the Division of Endocrinology and Metabolism are currently studying how insulin cells are produced, developing a treatment that reverses type 1 diabetes in mice, and in collaboration with researchers in other areas, focusing on vascular complications of diabetes.

Entrusted with the Health of Our Citizens

The University of Virginia Health System has articulated its longstanding vision to benefit human health and improve the quality of life in all of its undertakings. To achieve this vision, the U.Va. Health System recruits outstanding physicians, nurses, and staff and provides them with the most advanced technology to ensure that patients receive the best care available anywhere. The Health System serves future generations of patients by recruiting the brightest students and providing the education they will need to lead the professions of medicine and nursing through the first half of the century. And it supports a wide-ranging research enterprise, one that connects investigations into the fundamental processes of human life to the creation of new treatments that can give us unprecedented ability to heal and to alleviate suffering.

COMMITTED TO THE HIGHEST STANDARD OF CARE

By any measure, the U.Va. Health System has assembled an outstanding team of physicians. In 2006, fifty physicians were included in *America's Top Doctors*, sixth edition, a guide that recognizes physicians who are considered among the top one percent in the nation. Nineteen physicians were included in *America's Top Doctors for Cancer*, second edition. Seven medical specialties at

the Medical Center were listed in the eighteenth annual survey of America's Best Hospitals by *U.S. News & World Report*. U.Va. specialties ranked in this year's guide are endocrinology, gynecology, cancer, neurology/neurosurgery, respiratory diseases, digestive disorders, and urology. Out of 5,462 hospitals studied, only three percent, 173 in all, are ranked in one or more of the sixteen specialties reviewed.

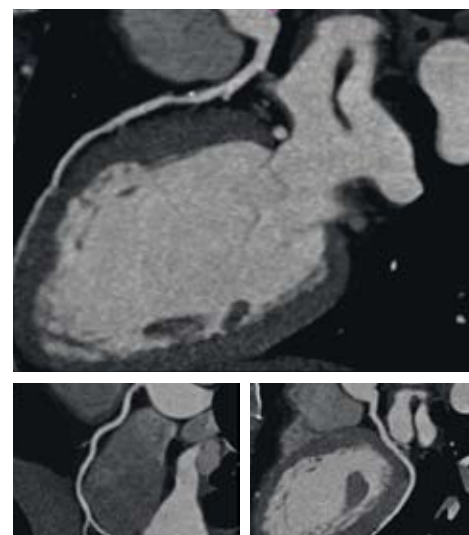
The Health System sustains this reputation by continuing to attract highly regarded physicians. This year, Dr. Robert E. O'Connor joined the University as the chair of the Department of Emergency Medicine. An innovator in incorporating teaching and research into the busy emergency setting, Dr. O'Connor has done work in emergency preparedness that will strengthen our abilities to respond to region-wide medical crises.

An \$8.6 million gift from the estate of Dr. Spencer Bass, Jr. (Medicine '49), will provide important support for highly ranked U.Va. medical faculty, including the creation of a professorship in family medicine. Endowed professorships enhance the scholarly strengths of the University's departments and programs and help attract distinguished faculty members.

U.Va.'s nursing services are also highly rated. Last year, the University received Magnet Recognition for nursing from the

American Nurses Credentialing Center, placing it in the top four percent of U.S. hospitals. In 2007, three of the Medical Center's intensive care units received the Beacon Award for Critical Care Excellence from the American Association of Critical-Care Nurses.

The Health System is committed to providing these skilled professionals the support and the advanced technology they need to provide the highest standards of care. This year, the University added a new dual source multidetector computed tomography scanner, the first of its kind in Virginia.



Views of coronary arteries produced with the U.Va. Health System's new MDCT scanner



Construction Cranes Rise above the Health System

This year there were almost as many construction workers as physicians on the grounds of the Health System. A new building rising across from McLeod Hall contains much-needed classrooms, offices, and conference rooms for the School of Nursing as well as student gathering spaces, space for entertaining, and a history center. Just a hundred yards away, the Carter-Harrison Research Building will house research programs in cancer, infectious diseases, allergy, and immunology. Its landscape design will continue the precedent set at the Medical Research Five building and provide improved connections to McLeod Hall.



Dean of the School of Nursing Jeanette Lancaster sits behind the wheel of a crane as work progresses on the Claude Moore Nursing Education Building.

AID FOR HEARING

Dr. Jeffrey Holt, associate professor of neuroscience and otolaryngology, and his research team have discovered a way to transfer genes into diseased tissue of the human inner ear. This important step brings scientists closer to curing genetic or acquired hearing loss using gene therapy.

Used primarily for heart imaging, it produces images of unprecedented clarity, allowing physicians to detect conditions such as congenital cardiac disease in their early stages. Stroke and brain surgery patients will be the key beneficiaries of U.Va.'s other new imaging device, a 3T magnetic resonance imaging scanner. Because its magnet is twice as strong as those in existing equipment, the 3T scanner can produce more detailed images to help surgeons locate brain tumors more precisely. Together, these scanners represent a \$5 million investment in medical technology.

The U.Va. Health System is among the first hospitals in the world to install the new Gamma Knife Perfexion, the first redesign in thirty years of the machine recognized as the gold standard in intracranial radiosurgery. Improvements offered by the minimally invasive Perfexion include reduced procedure time, better dose delivery, less background radiation, and the ability to treat more conditions.

Thanks to the skills of our physicians and the technology at their disposal, the Health System can offer patients procedures that are available at only the nation's best hospitals. The U.Va. Medical Center recently became the first hospital in Virginia to combine surgical treatment for pancreatic inflammation with techniques that prevent patients from developing diabetes. Known as autotransplantation, the procedure involves harvesting islet cells from the extracted portion of

the pancreas and injecting them into the patient's liver.

Islet transplants are just one part of the U.Va. Health System's transplant program, which celebrated its fortieth anniversary in June and is the busiest and most comprehensive in Virginia. U.Va. surgeons regularly perform heart, lung, liver, kidney, and pancreas transplants. In April, they completed the first intestinal transplant in Virginia. Intestinal transplants are a rare, yet effective, procedure available at only a handful of U. S. medical centers. Figures released this year for patients receiving transplants between January 1, 2005, and June 30, 2005, show that the lung transplant program achieved the best one-year patient survival rate in the nation, 98.08 percent. U.Va. physicians attribute this outstanding record to a switch to a less toxic immunosuppressant drug and highly effective teamwork among physicians, nurses, residents, occupational therapists, and psychologists.

Other Health System programs were recognized for excellence this year. The U.Va. Cancer Center earned a three-year approval with commendation from the Commission on Cancer of the American College of Surgeons. Such a rating is very difficult to achieve for a large teaching hospital, which

sees a higher number of seriously ill cancer patients. The U.Va. Sleep Disorders Center received a five-year accreditation from the American Academy of Sleep Medicine, making it the only area sleep laboratory operating at the nation's highest level of excellence.

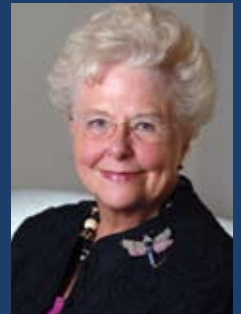
TEACHING THE PRACTICE OF HEALTH CARE

Health care is on the verge of a revolution. After decades of intensive research and progress in fields such as molecular biology, genetics, and immunology, new methods of diagnostics and treatment are emerging that will transform the practice of medicine and nursing. University faculty continue to develop more effective ways to convey the fundamentals of these professions, while preparing students for a future in which their powers to intervene constructively to cure and prevent illness will be expanded dramatically.

Medical and nursing students learn by doing—and in the past their learning was limited by the nature of the patients they happened to encounter. Today, the Univer-

CHANGING LEADERSHIP

Dr. Sharon L. Hostler, the McLemore Birdsong Professor of Pediatrics, was named interim vice president and dean at the School of Medicine, replacing Dr. Arthur Garson, Jr., who was named the University's executive vice president and provost and the Robert C. Taylor Professor of Health Science and Public Policy. Dr. Hostler, who also serves as senior associate dean for faculty development, joined the faculty in 1970 after completing both her residency in pediatrics and a fellowship in pediatric hematology at U.Va. She was the medical director of the U.Va. Children's Hospital Kluge Children's Rehabilitation Center for many years.



Dr. Sharon L. Hostler

sity has become a leader in simulation learning, which provides a structured and highly efficient way to teach clinical decision-making and problem-solving. As a result, when students see their first patient, they are already knowledgeable and confident in their skills. This year, the Mary Morton Parsons Foundation awarded the School of Nursing a \$1 million matching grant to expand and renovate the school's Clinical Simulation Learning Center.

Another way to ensure that students gain the knowledge they need is to provide the

NIH Funds DNA Discovery



Anindya Dutta

A U.Va. research team led by Anindya Dutta, the Harry Flood Byrd, Jr., Professor of Biochemistry, has uncovered a major secret in the mystery of how the DNA helix replicates itself time after time. The sequence of the bases (building blocks) in the DNA is important, but how loosely or tightly the chromatin (the material that

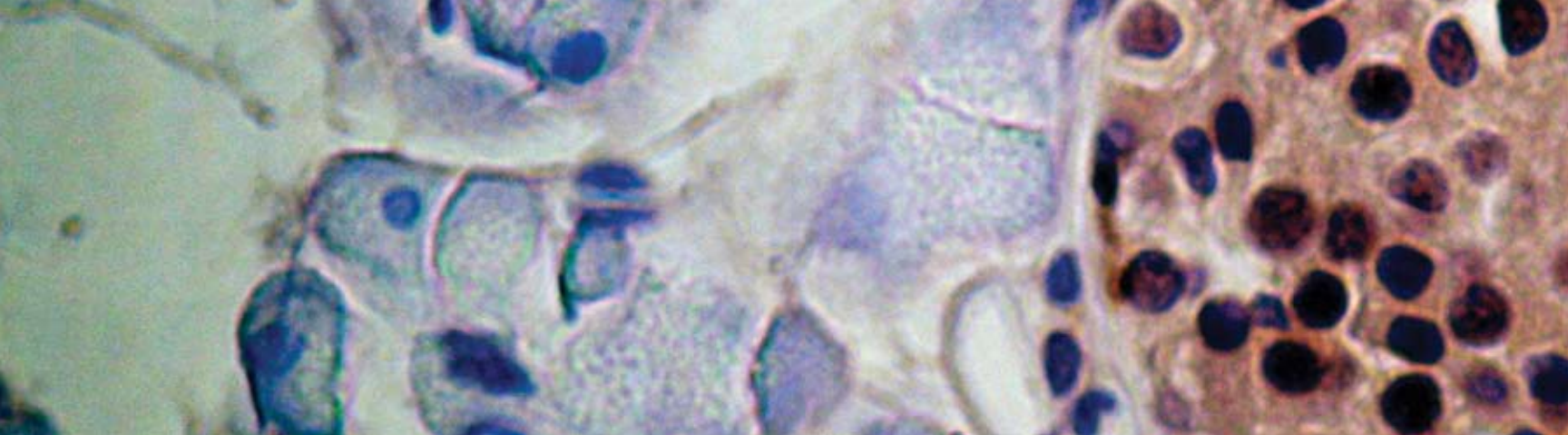
makes up chromosomes) is packed at different points of the chromosome is also critical.

Where chromatin is packed more loosely, the genes are replicated earlier than other genes and are expressed, or made manifest, at high levels. Where chromatin is dense, these genes are replicated later and are not expressed.

In a nationwide collaborative study (the Encyclopedia of DNA Elements, or ENCODE) that follows up on the initial Human Genome Project, researchers focused on two cell lines, cervical cancer and lymphocytic, which represent

1 percent of the human genome. They could predict which genes are in an environment that could be expressed and that cell's potential for taking different paths of differentiation.

The researchers are now seeking additional funding to study the remaining 99 percent of the human genome. "We used the 1 percent of the genome as a trial area," said Dr. Dutta. "It would be a tragedy if we couldn't expand this to the remaining 99 percent of the genome and to different cell lines. The difference between cell lines is where biology lies."



opportunity for advanced study. The School of Nursing recently became the first in Virginia to offer a new doctoral program, the Doctor of Nursing Practice. The first class of Clinical Nurse Leader students just graduated and about half of the nineteen graduates have accepted positions at the Medical Center. These programs will prepare nurses to address problems facing the health care system and to effect change in health care delivery and policy. In addition, the National Library of Medicine designated the University of Virginia as one of eighteen national sites providing training in medical informatics. The program, a joint effort of the School of Medicine and the School of Engineering and Applied Science, will support doctoral and postdoctoral researchers studying the application of systems engineering

techniques to improve health care delivery and quality. In the Medical Center, researchers received a highly competitive training grant from the National Institutes of Health to increase the number of clinicians and scientists in kidney disease, a rapidly growing health problem in the United States. The five-year grant will support four researchers each year who study kidney disease.

The ability to innovate and to attract funding for innovative programs are factors in the Medical and Nursing schools' continued climb in national rankings. In the first survey of graduate nursing programs since 2003, *U.S. News & World Report* ranked U.Va.'s School of Nursing nineteenth, seven spots higher than in the previous survey, putting the school among the nation's top five percent. In addition to the overall rank-

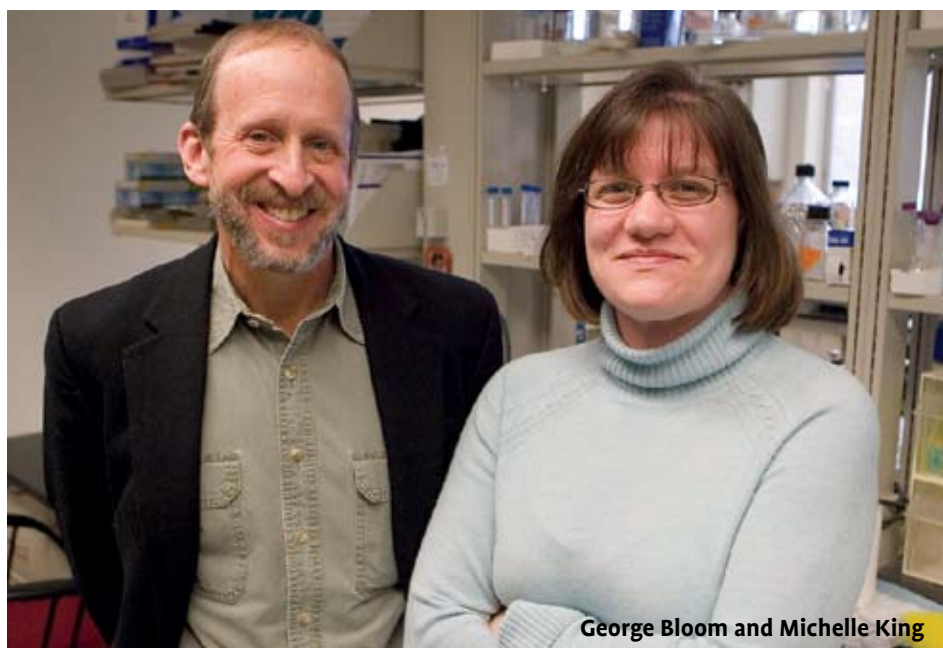
ing of master's degree programs, two of the Nursing School's Clinical Nurse Specialist programs were recognized among the nation's best: Psychiatric/Mental Health was ranked fifth, and Adult/Medical-Surgical was ranked sixth. The School of Medicine was tied for twenty-third in research, two places higher than last year and the highest ranking the school has ever received.

PUSHING THE BOUNDARIES OF MEDICAL KNOWLEDGE

Researchers at the University of Virginia are dedicated to advancing knowledge of the human body, unraveling the mysteries of disease, and pioneering cost-effective approaches that improve health and alleviate human suffering.

Many of these researchers focus on the intricate, overlapping cellular and genetic mechanisms that manage the processes that sustain life—and that threaten our existence when something goes amiss. Scientists at the U.Va. Cancer Center studying melanoma tumors discovered that more than half of the tumors activated a gene that produces sperm protein associated with nucleus in the X chromosome, or SPANX. John C. Herr, professor of cell biology, and his colleagues recently found that SPANX is also expressed in the male testis at the time sperm is formed. While the overall role SPANX proteins play in reproduction and disease is not known, they could be a useful target for drugs that could selectively kill a melanoma tumor.

Another group at U.Va., led by Kevin S. Lee, the Harrison Foundation Professor of Neuroscience and chair of the Department of Neuroscience, has identified key events in the brain that are related to epileptic seizures. These events keep the brain from regulating electrical activity properly, producing seizures. Knowing what changes in the brain to look for may make it possible for doctors to better predict and prevent seizures.



George Bloom and Michelle King

Scientists Identify Missing Link in Alzheimer's Disease

The hallmarks of Alzheimer's disease are plaques made of a protein called beta-amyloid and tangles composed of a different protein, called tau. George Bloom, professor of biology and cell biology, and his colleague, Michelle King, research assistant professor of biology, have found that the interaction of

a specific kind of beta-amyloid and tau can lead to the destruction of nerve cells, which accounts for the loss of memory and cognitive skills that characterize the disease. They will proceed to trace all the steps in the process, in hopes of revealing potential new drug targets for Alzheimer's treatment.

Researchers also focus on testing new treatments. Health System neurologists are now working with two technologies to treat epilepsy. The first is a small flat device that is implanted under the scalp and delivers a mild electrical shock when a seizure is detected, stopping the seizure. The other is a deep brain stimulation device, similar to what physicians are using for Parkinson's disease. It sends signals to the part of the brain responsible for the majority of seizures.

Some of these devices were developed at U.Va. Dr. Randall Moorman, a cardiologist at U.Va., helped devise a system to monitor babies in neonatal intensive care units (NICUs) that can predict, based on the pattern of the babies' heartbeats, the development of sepsis, a serious bloodstream infection, before symptoms develop. This system gives physicians extra time to combat the infection before it becomes life-threatening. A National Institutes of Health-sponsored study is focusing on monitoring heart rate characteristics to determine whether it improves outcomes for NICU babies.

Dr. Dan Theodorescu, the Paul Mellon Professor of Urology, and Jae Lee, associate professor of public health sciences, have pioneered an algorithm known as the coexpression extrapolation (COXEN) system, which could help rapidly sort molecular information about a patient's particular tumor and could help match this information to the right drug treatment. Based on findings from sixty cell lines at the National Cancer Institute, this accelerated selection process helped predict drug sensitivity for bladder cancer cell lines to two common chemotherapies.

This is just a small sample of U.Va. Health System research. At a time when most universities are experiencing significant declines in research funding from the National Institutes of Health, faculty members at the Health System have been able to demonstrate the exceptional promise of

their research, as grants from the NIH and its constituent institutions illustrate:

- The National Heart, Lung, and Blood Institute renewed a \$9.15 million grant to Dr. Jerry Nadler, the Kenneth R. Crispell Professor of Internal Medicine and chief of the Division of Endocrinology and Metabolism. The grant will support four ongoing projects that examine possible relationships among obesity, diabetes, and atherosclerosis.



Dr. Jerry Nadler

- The National Institutes of Health awarded a \$5.5 million grant to the U.Va Health System to develop imaging methods that may be used during simple ultrasound examinations to detect atherosclerotic plaque and develop treatments. The research team is led by Dr. Klaus Ley, the Harrison Medical School Teaching Professor of Biomedical Engineering and director of the Robert M. Berne Cardiovascular Research Center.
- The National Cancer Institute awarded \$1.5 million to a group led by Dr. Dennis Templeton, the Walter Reed Professor of Pathology and chair of the Department of Pathology, to develop simple office-based tests that could indicate the presence of cancer or other diseases. The institute also awarded Dr. Templeton and Janet V. Cross, assistant professor of pathology, a \$1.3 million grant to study how specific nutrients in vegetables work to prevent cancer.
- The National Institutes of Neurological Disorders and Stroke awarded Dr. Jaideep

Kapur, the Harrison Distinguished Teaching Professor, a \$2.3 million grant to develop treatments for nerve agent-induced seizures.

- The National Institute of Child and Human Development awarded Dr. Richard Guerrant, the Thomas Harrison Hunter Professor of International Medicine and director of the Center for Global Health, and his colleagues at Brazil's Federal University of Ceará a \$1.3 million grant to study the link between a gene implicated in Alzheimer's disease and the protection that gene affords children subject to early childhood diarrhea.
- Ann Gill Taylor, the Betty Norman Norris Professor of Nursing and director of the Center for the Study of Complementary and Alternative Therapies, was awarded a \$1.7 million grant from the National Center for Complementary and Alternative Medicine to support a training program to prepare postdoctoral trainees for successful careers in complementary therapies.



Dr. Jaideep Kapur



Patricia Hollen

- The National Institute of Nursing Research granted \$1.046 million to Patricia Hollen, the Malvina Yuille Boyd Professor of Oncology Nursing, to test a decision aid for cancer-surviving adolescents that targets difficult decisions about engaging in risk behaviors. ♦

A Well-Rounded Performance

The U.S. Sports Academy Directors' Cup is the ultimate measure of the depth and equity of a university's athletic program. Points are awarded based on each institution's record in up to twenty sports—ten women's and ten men's. This year, Virginia finished thirteenth out of more than 300 schools in the Division I competition. This is the second-highest ranking achieved by the Cavaliers and marks the fourteenth consecutive year since the program's inception that U.Va. has finished in the top thirty.



The women's varsity four NCAA champions

Our success in the Director's Cup reflects the high caliber of coaching and athletic talent in the U.Va. sports program. Individuals in twenty-one of Virginia's twenty-five sports advanced to postseason competition, including twenty in NCAA championship events. The women's lacrosse and women's rowing teams finished second in NCAA championships, while the men's soccer and men's tennis teams both reached the NCAA semifinals. In addition, the Cavaliers' Somdev Devvarman became the first men's tennis player from the Atlantic Coast Conference to win the NCAA singles championship, and the women's rowing team's varsity four won the NCAA championship in that event for the third time in four years.

INSPIRED COACHING

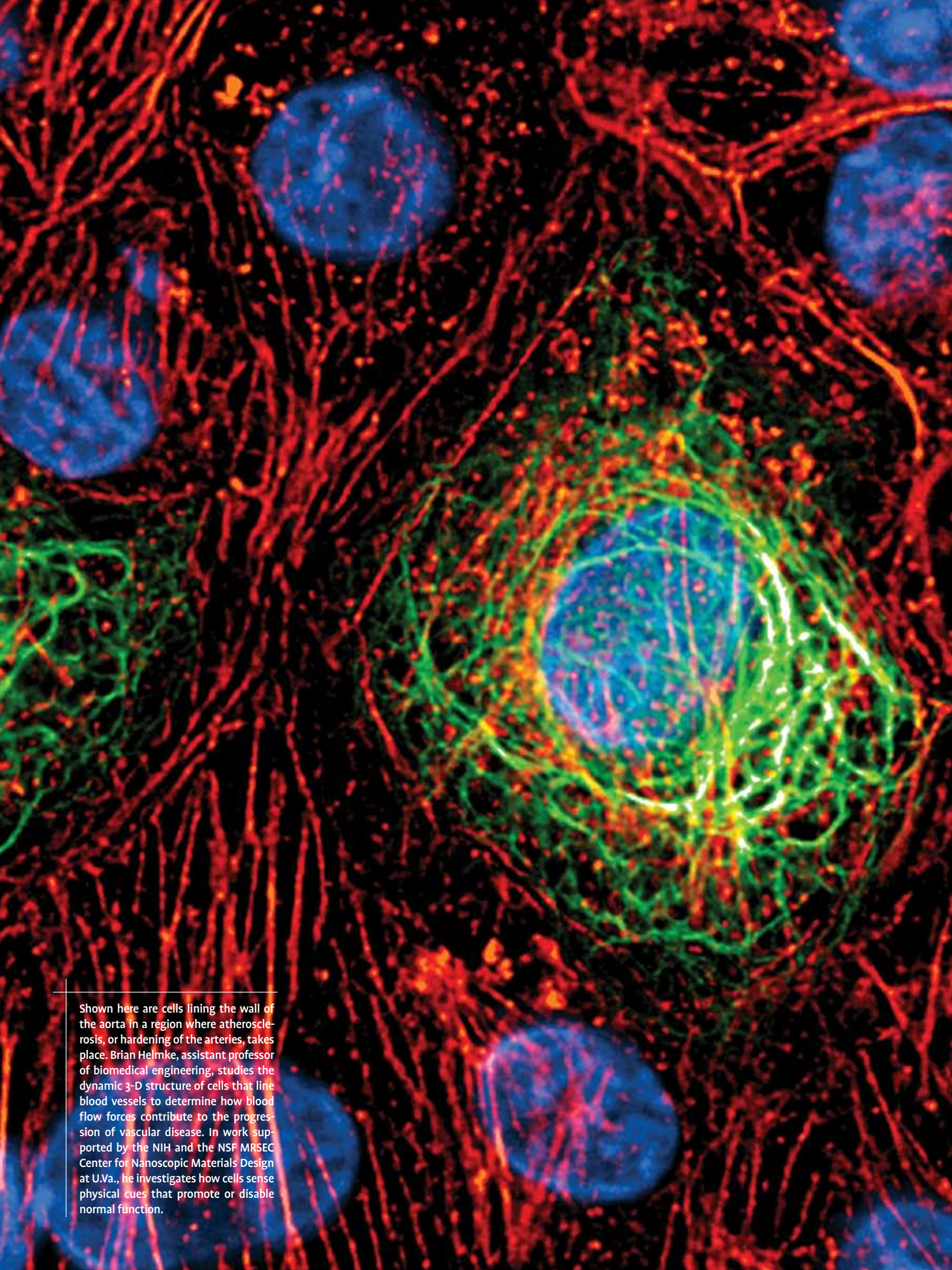
A great team—one that performs at a high level over the long term—doesn't happen without smart, dedicated coaching. Mark Bernardino, head swimming and diving coach, is a case in point. Mr. Bernardino has been head coach of the men's and women's teams at Virginia for almost three decades. During that time he has coached more than 100 All-Americans, including Olympic medalists and world championship finalists. Under his leadership, the women's swimming and diving team won five ACC titles, while the men's team won nine. Coach Ber-



Twenty-two-time winner of the ACC Coach of the Year Award, Mark Bernardino

nardino himself was named ACC Coach of the Year twenty-two times. His secret: his extensive knowledge of ACC competition, the passion he brings to the job, and his deep personal concern for his athletes.

The difference a coach can make also was demonstrated this year by Virginia men's head basketball coach Dave Leitao. Last year, Mr. Leitao's first as head coach at Virginia, the Cavaliers tied for seventh in the ACC and finished the year with a 15-15 re-



Shown here are cells lining the wall of the aorta in a region where atherosclerosis, or hardening of the arteries, takes place. Brian Helmke, assistant professor of biomedical engineering, studies the dynamic 3-D structure of cells that line blood vessels to determine how blood flow forces contribute to the progression of vascular disease. In work supported by the NIH and the NSF MRSEC Center for Nanoscopic Materials Design at U.Va., he investigates how cells sense physical cues that promote or disable normal function.

NEW ARENA INSPIRES MEN'S BASKETBALL

The Virginia men's basketball team capped a successful year with an invitation to the NCAA tournament, the first time in six years that the team has been selected for March Madness. The Cavaliers' number-four seed marks another accomplishment for Dave Leitao, ACC Coach of the Year. Coach Leitao led Virginia to a 20-10 record (11-5 in the ACC) in only his second year with the program.

cord. This year, the Cavaliers tied for the ACC regular season championship with a conference record of 11-5 and compiled an overall record of 20-9. For his leadership, Coach Leitao was named the 2007 Atlantic Coast Conference Coach of the Year, the first Virginia coach to earn the honor since Terry Holland received the award twenty-five years ago.

While guiding the Cavaliers to a 19-15 overall record and a twenty-fifth postseason appearance, women's basketball head coach Debbie Ryan received a very special honor. During halftime of the inaugural game in the John Paul Jones Arena, Director of Athletics Craig Littlepage announced that the women's locker room would be dubbed the "Debbie Ryan Locker Room." During her thirty years at the University, Coach Ryan has coached teams to more than 600 victories, making her the winningest coach in Atlantic Coast Conference history. Coach Ryan and North Carolina State's Kay Yow shared the 2007 "Bob Bradley Spirit and Courage Award" for their perseverance and leadership in the fight against cancer while being valuable contributors to their universities.

Other Virginia coaches are at the start of their careers. This year, Steve Garland, a former All-American at U.Va., became head wrestling coach. Coach Garland served the last six seasons as an assistant coach at Cornell University, where he honed his skills by working with seventeen All-Americans, four NCAA finalists, and forty-six NCAA qualifiers. He returns to the University with a strong desire to help the wrestling program become one of the top programs in the nation. **Sean Singletary**

TALENT AND DETERMINATION

Inspired coaching is essential for success on the playing field, but coaches need talented athletes to build winning programs. The two winners of U.Va.'s top student-athlete award highlight the caliber of athlete the University attracts and the care we take with their development.

Men's basketball standout Sean Singletary, a third-year guard from Philadelphia, finished the season with averages of 19.0 points, 4.7 assists, and 4.6 rebounds a game. He ranked second in the Atlantic Coast Conference in three-point field goals and free throws, third in scoring, fifth in assists, and tenth in minutes played. Mr. Singletary, who was a Virginia cocaptain each of the last two seasons, earned numerous All-America honors and was a first-team All-Atlantic Coast Conference selection for the second consecutive year in 2007. Although he briefly considered joining the National Basketball Association, he has decided to complete his fourth year at Virginia.

Leah Wigger, a member of the women's golf team, won her first collegiate tournament this year in March and earned All-ACC honors for the fourth consecutive season. Ms. Wigger has a school record of twenty-four top-ten finishes and was the runner-up at the 2005 NCAA championships.

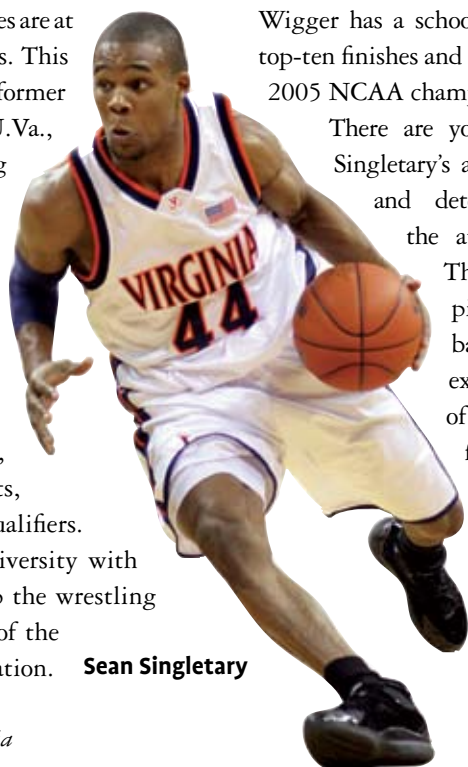
There are young athletes with Mr. Singletary's and Ms. Wigger's talent and determination throughout the athletic program. Jacob Thompson, a second-year pitcher on the Cavalier baseball team, is a good example. He recorded one of the finest seasons ever for a Virginia pitcher, going 11-0 with a 1.50 ERA. In 114 innings, he surrendered just seventy-nine hits and twenty-three runs (nineteen

earned). He walked thirty-two and struck out 101. He also recorded two shutouts while allowing just thirteen extra-base hits all season. For his efforts, Mr. Thompson was named a First-Team All-American by *Baseball America*. This marks the third All-America honor that he earned for the 2007 season, which also saw him winning Louisville Slugger and rivals.com First-Team All-America honors.

A FOUNDATION OF SOLID ACADEMICS

At Virginia, athletic performance is not the only measure of success. U.Va. athletes are students first. This year, six of Virginia's athletic programs were honored by the NCAA with public recognition for their Academic Progress Rate (APR) scores. Those teams are men's golf, women's golf, women's lacrosse, women's soccer, softball, and volleyball. To receive the award, those programs posted multiyear APR scores in the top ten percent of all squads in their respective sports. The APR calculation figures in eligibility, retention, and graduation provide a realistic picture of the current academic culture in each sport.

Individual athletes were also singled out for scholastic achievement. Andrew Dumm (men's track/cross country), Sarah Kirkwood (volleyball), Meghan O'Leary (softball), Pat Mellors (men's swimming), Ben Rubeor (men's lacrosse), and Leah Wigger (women's golf) were honored by the Virginia Sports Information Directors Association for their performances both in the classroom and in competition. Mr. Dumm, who majored in foreign affairs, also was named a Fulbright Scholar and will spend the 2007-08 academic year studying in Jordan. ♦



2006-07

financial report



THE UNIVERSITY OF VIRGINIA

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Readying the University for Its Third Century



Leonard W. Sandridge

The University of Virginia is at a pivotal moment in its history. A new relationship with the state, an endowment that is among the top twenty in the United States, a stable financial base reflected by our AAA bond ratings, and a successful ongoing capital campaign give the University an extraordinary opportunity to set its own direction. At the same time, a number of factors—including the high expectations of our students, the continuous impact of information technology on research and education, an unprecedented demand for health care, and the expectations that will arise from the capital campaign—make this the opportune moment to act.

Accordingly, in March 2007 the president created the Commission on the Future of the University. Executive Vice President and Provost Tim Garson and I cochair the commission, which comprises faculty and administrators, students and staff, deans and vice presidents. We are examining our physical and fiscal resources, plans for our schools, the future of the U.Va. Medical Center, our commitment to athletic excellence achieved in the right way, and the rising expectations of our students and faculty. The commission's work will provide a comprehensive view of where we are and where we can make a difference going forward. We will submit a strategy to the Board of Visi-

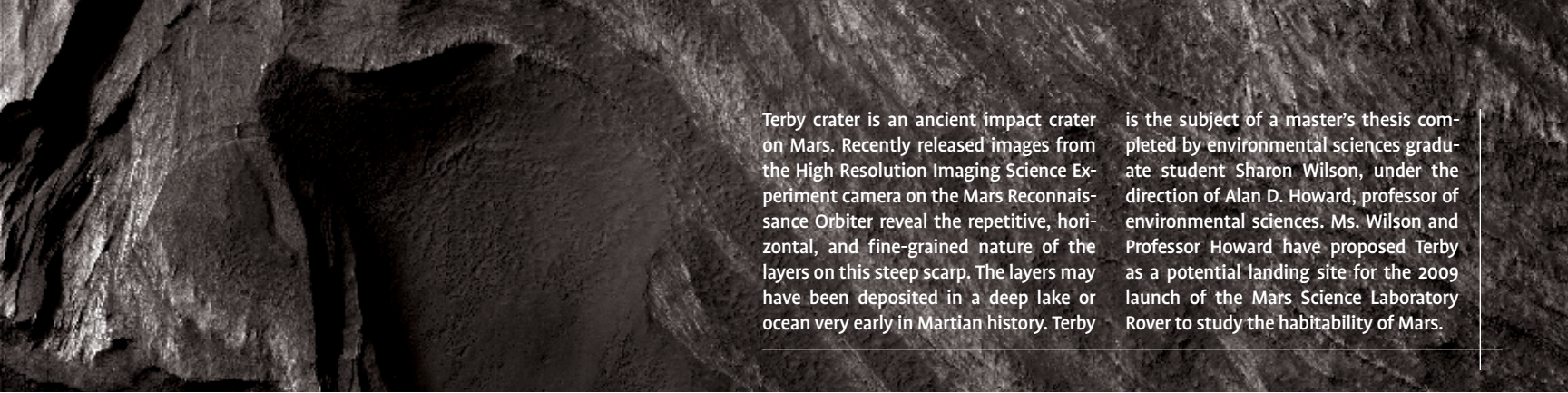
tors early in 2008 and will work with the president and board to evaluate, revise, and finalize the plan.

I expect that the final report will contain many good alternatives. From these alternatives, we must have the discipline to make hard choices and the courage to focus selectively on those proposals that will build on our strengths. By any measure, the Commission on the Future of the University will paint a picture of the future that will challenge all of us.

FUNDING CHANGE

The strength of this institution arises from the diversity of our revenues, including tuition income, state general funds, private gifts, and distributions from our endowment. In the past, private support provided our margin of excellence and was the “icing on the cake.” Today, philanthropic support plays as large a role as—or an even larger role than—state general funds in our budget.

Our confidence in our ability to act decisively to realize ambitious aspirations is underscored by the \$2.1 billion budget that the Board of Visitors approved for 2007–08, the first time ever the University budget has exceeded \$2 billion. It includes \$1.1 billion for the University's academic division, \$930 million for the U.Va. Medical Center, and \$33.3 million for U.Va.'s College at Wise.



Terby crater is an ancient impact crater on Mars. Recently released images from the High Resolution Imaging Science Experiment camera on the Mars Reconnaissance Orbiter reveal the repetitive, horizontal, and fine-grained nature of the layers on this steep scarp. The layers may have been deposited in a deep lake or ocean very early in Martian history. Terby

is the subject of a master's thesis completed by environmental sciences graduate student Sharon Wilson, under the direction of Alan D. Howard, professor of environmental sciences. Ms. Wilson and Professor Howard have proposed Terby as a potential landing site for the 2009 launch of the Mars Science Laboratory Rover to study the habitability of Mars.

In the academic division, private support continues to outpace state funding. State funds will account for \$170.9 million, or 14.9 percent, of the academic division budget, while private-source revenue will amount to \$193.4 million, or 16.8 percent.

Our growing reliance on private funding highlights the importance of the ongoing capital campaign and the performance of our endowment. At the end of June 2007, we had raised \$1.35 billion toward the campaign goal; we ended the year with \$302 million in philanthropic cash flow. The University endowment returned more than 25 percent for the year and has exhibited a ten-year annual return of 14.9 percent. These private funds have strengthened the University in a number of ways. Large gifts—such as the \$100 million from Frank Batten, Sr., to create a school of leadership and public policy—enable us to act boldly.

At the same time, the capital campaign builds major expectations. The campaign thrives on new ideas and opportunities. In many ways, the campaign both stretches us to find the resources to support new initiatives and challenges us to provide for our core activities related to teaching, research, and service. Building a solid foundation for our core needs will help assure that the campaign's expectations are sustainable over time.

LOOKING FORWARD

Even as we await the findings of the Commission on the Future of the University, we will continue to make progress in activities that strengthen the University. In 2007–08, we will begin to replace ISIS, the Integrated Student Information System, a mainframe-based system that dates to 1990. Other initiatives will be the final implementation of AccessUVA, continued reduction in the University's deferred maintenance backlog, additional steps to keep faculty and staff salaries at competi-

tive levels, renewed efforts to enhance the University's research program by strengthening our commitment to the sciences, and an uncompromised obligation to the safety of the University community.

We are also taking the opportunity to increase the capacity of the U.Va. Medical Center, which has become a crucial resource in central and southwest Virginia for critically ill patients. Last year, more than 30,000 people were treated as inpatients, and our physicians conducted almost 18,000 surgeries. To meet the expected demand for our services over the next decade, we will add seventy-two intensive-care-capable beds to our hospital as well as thirty beds in a long-term acute care hospital facility. In 2006, the professional nursing staff in the Medical Center was awarded Magnet Status from the American Nurses Credentialing Center. This prestigious designation helps us recruit and retain nurses, who are in ever-increasing demand. Building on this success, we are focused on how best to support our extraordinary healthcare providers with what they need to provide safe care to those entrusted to us. Our sound financial results in fiscal year 2006–07 allow us to continue our commitment to patient safety and quality of care.

In addition, we are recommitting ourselves as responsible stewards of our resources. It is reasonable for us to expect to lead in this regard. Because of the remarkable historic legacy that Thomas Jefferson built, our stewardship has tended to focus on preservation of physical structures, but we also have a responsibility to preserve the natural environment. This year, the Office of the Architect issued a report that provides the first comprehensive look at U.Va.'s numerous programs in support of environmental sustainability.

The sustainability report highlights an impressive number of faculty, administrators, and staff who are already weaving sus-

tainability into their daily work, providing quiet leadership in the areas of energy, water, recycling, and public transportation. The report also contains a road map for future initiatives designed to secure the University's position as a national leader among colleges and universities. Among other initiatives, the Board of Visitors passed a resolution requiring that all new and renovated buildings at the University meet Leadership in Energy and Environmental Design (LEED) certification under the rating system developed by the U.S. Green Building Council. LEED is the nationally accepted benchmark for the design, construction, and operation of high-performance green buildings.

A COMMUNITY SUSTAINED BY INDIVIDUAL COMMITMENT

Ultimately, the well-being of this institution depends, as it has since Jefferson's time, on the talent, character, and wisdom of the individuals who commit themselves to this remarkable enterprise. The quality of our faculty, professionalism of our administrators, and commitment of our employees ensure that the University will remain a top-ranked institution for learning, research, and health care. Our students and their families engage with us in exciting new ways. The generosity, support, and passion of our alumni and Board of Visitors inspire us to map out a future that we can hardly imagine. In short, we enjoy an unprecedented base of human talent and the best thinking by human minds today. It is our responsibility to use all these resources to maintain the University of Virginia's national and global leadership in higher education.

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, 2007. Comparative information for the year ended June 30, 2006, 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 Commonwealth's *Comprehensive Annual Financial Report*. 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 20,834 students and 2,140 instructional and research faculty members in ten separate schools, the University offers a diverse range of degree programs, including doctorates in fifty-eight disciplines. The University is recognized internationally for the quality of its faculty and for its commitment to the primary academic missions of instruction, research, and public service. 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 hospital with more than 500 beds in operation and a state-designated Level 1 trauma center. 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 1,911 students and 140 instructional faculty members. It offers twenty-nine majors, including preprofessional programs in 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.

Higher Education Restructuring

On July 1, 2006, Virginia higher education formally entered the new era created by the Restructured Higher Education Financial and Administrative Operations Act, which gives all sixteen public colleges and universities new freedom from state control in areas such as spending, tuition, and personnel management while also requiring the schools to meet specific goals set by the state. The University of Virginia has been granted the highest of three levels of autonomy available under the new system.

The management agreement that the University has executed with the state reestablishes its authority not only to set its own tuition for a more stable funding stream, but also makes possible the establishment of streamlined processes in the areas of finance and accounting, construction and leasing, information technology, procurement, and human resources. In exchange for greater autonomy, the University has agreed to meet several state goals, including submitting a six-year financial plan for General Assembly approval every two years, meeting financial and administrative performance standards, working actively with K-12 schools to improve student achievement, stimulating economic development in distressed areas of the state, meeting enrollment demands, making college affordable for all Virginia students, and enrolling more transfer students from Virginia's community colleges.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2007:

- The Board of Visitors has committed to increasing faculty compensation, with a goal to rank in the top twenty among the Association of American Universities (AAU) institutions. As a result of these compensation increases, the University has already raised its AAU faculty compensation ranking from thirtieth in 2002–03 to a tie for twentieth in 2006–07.
- The University received its largest single gift ever this past year from alumnus Frank Batten. With this \$100 million gift, the University will create a new school called the Frank Batten School for Leadership and Public Policy. The primary goal of the Batten School will be to supply the

nation with visionary leaders who can drive the policy innovation process, energize organizations, build inclusive coalitions and translate good ideas into action.

- The Board of Visitors approved our first debt derivatives, to lock in an interest rate for our anticipated bond issuance in spring 2008, using derivatives contracts established in 2003 and governed by the University's Debt and Interest Rate Risk Policies.
- The Board of Visitors adjusted the endowment spending rate to 4.5 percent after year end to provide additional restricted and unrestricted funds to its schools and departments beginning with the fiscal year ending June 30, 2008.

As a result of these strategic decisions and its day-to-day operations, the University realized a significant increase in net assets of \$907 million. Some of the factors that led to this increase in net assets are outlined in the summary table below.

SUMMARY OF THE INCREASE IN NET ASSETS <i>(in thousands)</i>	2007	2006	INCREASE	
			AMOUNT	PERCENT
Total revenues before investment income	\$ 2,124,426	\$ 1,871,207	\$ 253,219	13.5%
Total expenses	1,938,821	1,841,553	97,268	5.3%
Increase in net assets before investment income	185,605	29,654	155,951	525.9%
Investment income	721,505	367,761	353,744	96.2%
TOTAL INCREASE IN NET ASSETS	\$ 907,110	\$ 397,415	\$ 509,695	128.3%

- Revenues before investment income rose 13.5 percent against a rise in expenditures of 5.3 percent, leading to an overall increase before investment income of \$156 million.
- Annual investment income almost doubled from \$368 to \$722 million as the University's endowment investments earned a 25 percent return for the fiscal year.
- The investment income helped net assets increase by \$907 million, which was \$510 million, or 128 percent, more than last year's increase in net assets.
- The total return on net assets was 20.4 percent.

Overall, the primary factor in the University's net asset growth 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. Although seven related foundations are reported in the component unit financial statements, identified under guidance from GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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, 2007, and June 30, 2006 (restated), follows.

SUMMARY OF THE STATEMENT OF NET ASSETS <i>(in thousands)</i>	2007	2006	INCREASE	
			AMOUNT	PERCENT
Current assets	\$ 1,194,340	\$ 922,607	\$ 271,733	29.5%
Noncurrent assets				
Endowment and other long-term investments	3,354,704	2,773,862	580,842	20.9%
Capital assets, net	1,811,254	1,642,295	168,959	10.3%
Other	114,290	107,309	6,981	6.5%
Total assets	6,474,588	5,446,073	1,028,515	18.9%
Current liabilities	558,853	437,379	121,474	27.8%
Noncurrent liabilities	560,710	560,779	(69)	(0.0%)
Total liabilities	1,119,563	998,158	121,405	12.2%
NET ASSETS	\$ 5,355,025	\$ 4,447,915	\$ 907,110	20.4%

This summary shows that the University's financial condition continues to strengthen, primarily due to the increasing value of the endowment and the endowment's continued strong returns.

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled \$1.2 billion as compared to the previous year's \$923 million, consist primarily of cash and cash equivalents, short-term investments, and accounts receivable. The increase in current assets of \$272 million, or 29.5 percent, resulted primarily from an increase of \$140 million in cash and cash equivalents, and an increase of \$112 million in short-term investments. These increases were a direct result of an increase in gift revenues and a 5.4 percent aggregate cash performance with the University of Virginia Investment Management Company (UVIMCO).

Current liabilities, which consist primarily of accounts payable, obligations under securities lending, deferred revenue, and commercial paper, increased by \$121 million, or 27.8 percent. There were two major reasons for this change. The University issued additional commercial paper this year for bridge financing purposes on a number of construction projects, for an increase of \$38 million. Accounts payable and other accrued liabilities increased by \$52 million, or 27.5 percent. This increase was mainly due to additional accrued compensation at June 30.

From a liquidity perspective, current assets cover current liabilities 2.1 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage remains virtually unchanged from last year. Current assets also cover seven and a half months of total operating expenses, including depreciation, an increase over last year's six months of coverage.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2007, the major portion of the University's endowment was maintained in a long-term investment pool managed by UVIMCO. The annual return for the long-term investment pool this year was 25 percent, a significant improvement compared with last year's return of 14.6 percent. Included in the calculation of this performance figure are realized and unrealized gains and losses, along with cash income. With this return, total investment income rose \$354 million, or 96.2 percent.

Distribution. The University distributes endowment earnings with the objective of balancing the annual support needed for operational purposes against the preservation of the future purchasing power of the endowment. The endowment spending 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 \$100 million, an increase of \$8 million over last year's distribution of \$92 million. This increase is due to the continued growth of the University's endowment.

Endowment investments. The total for endowment investments on the Statement of Net Assets is \$3.1 billion, an increase from last year's \$2.5 billion.

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 \$864 million, or 28 percent, can be 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 \$4.4 billion as of June 30, 2007.

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 commitments.

Capital additions before depreciation were \$313 million in 2007. Capital additions primarily comprise replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment, including information technology.

Projects that were in progress at June 30, 2007, included the South Lawn Project, the Arts Grounds Parking Garage, the Rouss Hall Complex for the McIntire School of Commerce, the Carter-Harrison Research Building for the School of Medicine, the Campbell Hall additions, the Claude Moore Nursing Education Building, the Observatory Hill Residence Hall, Ruffin Hall, the U.Va. Hospital expansion and renovation, and the Varsity Hall renovation. Also, the John Paul Jones Arena was completed and opened for business in July 2006.

Other projects in the design stage at June 30, 2007, include Bavaro Hall, the Claude Moore Medical Education Building, the U.Va. Hospital bed expansion and infrastructure project, the Emily C. Couric Clinical Cancer Center, and the College at Wise's Arts Center and Crockett Hall.

Financial stewardship requires the effective management of resources, including the use of debt to finance capital projects. As evidence of the University's financial strength, Moody's Investors Service has assigned the University its highest credit rating (Aaa) for bonds backed by a broad revenue pledge. Standard and Poor's and Fitch Ratings have also assigned their AAA ratings to the University. The University of Virginia is one of only two public institutions with the highest bond ratings from all three agencies. Besides being an official acknowledgement of the University's financial strength, these ratings enable the University to obtain debt financing at optimum pricing. In addition to issuing its own bonds, the University is utilizing 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. In December 2006, when tax-exempt borrowing rates, both spot and forward rates, fell to thirty-year lows, the University executed its first debt derivative to hedge the anticipated bond issuance in spring 2008. The University executed a forward rate lock, which was permitted by University policy, to protect itself from potential future increases in interest rates.

NET ASSETS

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2007, and June 30, 2006 (restated), are summarized below.

NET ASSETS <i>(in thousands)</i>	2007	2006	INCREASE	
			AMOUNT	PERCENT
Invested in capital assets, net of related debt	\$ 1,226,529	\$ 1,116,746	\$ 109,783	9.8%
Restricted				
Nonexpendable	369,874	350,474	19,400	5.5%
Expendable	2,203,057	1,701,167	501,890	29.5%
Unrestricted	1,555,565	1,279,528	276,037	21.6%
TOTAL NET ASSETS	\$ 5,355,025	\$ 4,447,915	\$ 907,110	20.4%

Net assets invested in capital assets, net of related debt, represent 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 increased \$110 million, or 9.8 percent, in the current fiscal year compared with 10.2 percent growth in the previous year. This growth is largely due to the ongoing construction of several academic buildings.

Restricted nonexpendable net assets comprise the University's permanent endowment funds.

Restricted expendable net assets are subject to externally imposed restrictions on 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. This net asset category grew 29.5 percent, or a significant \$502 million, primarily due to the investment performance of the University's endowment.

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. This year, unrestricted net assets increased by 21.6 percent, or \$276 million. Increases in unrestricted funds are particularly important because they can be used for University priorities.

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, 2007, and June 30, 2006 (restated).

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS <i>(in thousands)</i>	2007	2006	INCREASE	
			AMOUNT	PERCENT
Operating revenues	\$ 1,610,313	\$ 1,537,029	\$ 73,284	4.8%
Operating expenses	1,911,742	1,807,858	103,884	5.7%
Operating loss	(301,429)	(270,829)	(30,600)	11.3%
Nonoperating revenues (expenses)				
State appropriations	170,439	158,192	12,247	7.7%
Gifts	148,073	116,023	32,050	27.6%
Investment income	721,505	367,761	353,744	96.2%
Other net nonoperating expenses	(27,079)	(33,695)	6,616	(19.6%)
Net nonoperating revenues	1,012,938	608,281	404,657	66.5%
Income before other revenues, expenses, gains, or losses	711,509	337,452	374,057	110.8%
Capital appropriations, gifts, and grants	176,651	43,031	133,620	310.5%
Additions to permanent endowments	18,950	16,932	2,018	11.9%
Total other revenues	195,601	59,963	135,638	226.2%
Increase in net assets	907,110	397,415	509,695	128.3%
Net assets—beginning of year	4,447,915	4,050,500	397,415	9.8%
NET ASSETS—END OF YEAR	\$ 5,355,025	\$ 4,447,915	\$ 907,110	20.4%

Under GASB principles, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations, gifts, and investment income, are considered nonoperating, as defined by GASB Statement No. 34. Consequently, the operating loss of \$301 million does not consider these revenue sources. Adding the net nonoperating revenues of \$1.0 billion for the fiscal year more than offsets the operating loss and results in an adjusted income figure of \$712 million. This provides a more accurate picture of the University's total scope and results of operations.

REVENUES

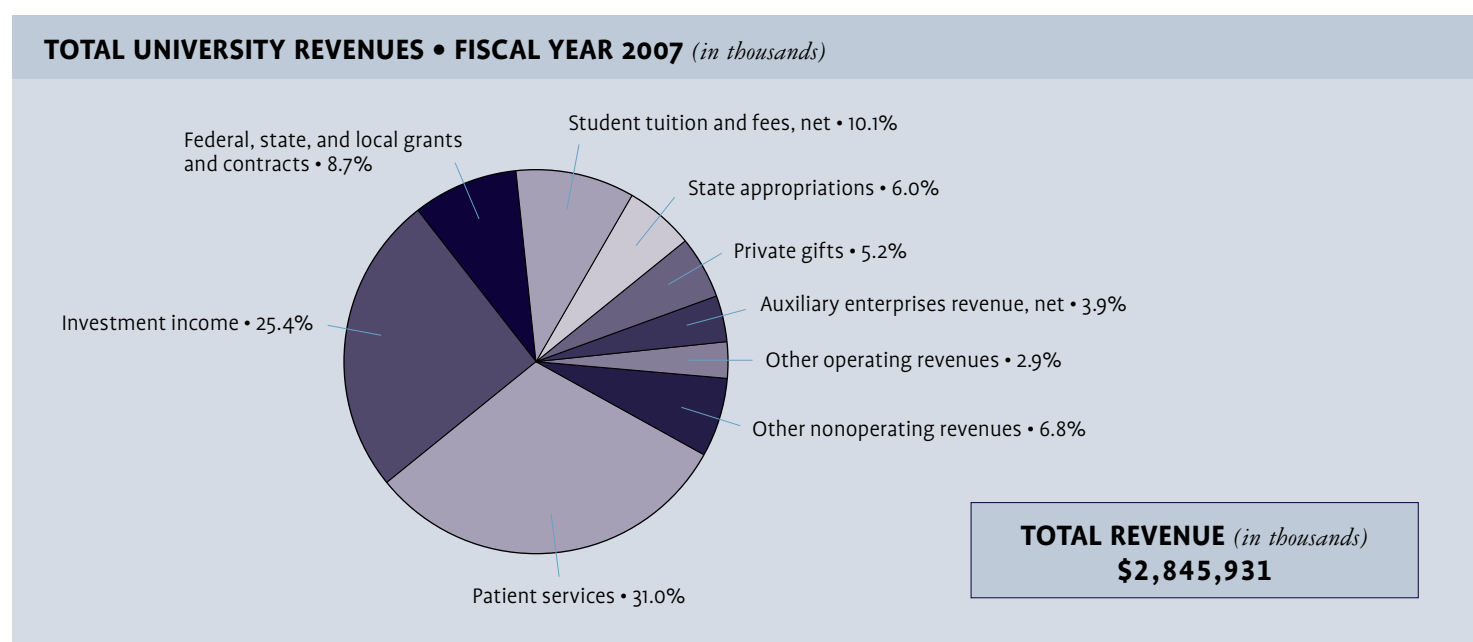
The University strives to maintain a diverse stream of revenues, which allows it to weather difficult economic times.

SUMMARY OF REVENUES, TOTAL UNIVERSITY

A summary of the University's revenues, for the years ended June 30, 2007, and 2006 (restated).

SUMMARY OF REVENUES (in thousands)	2007			2006			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	\$ 287,474	\$ —	\$ 287,474	\$ 263,728	\$ —	\$ 263,728	\$ 23,746	9.0%
Federal, state, and local grants and contracts	248,310	—	248,310	257,078	—	257,078	(8,768)	(3.4%)
Nongovernmental grants and contracts	39,174	—	39,174	39,358	—	39,358	(184)	(0.5%)
Sales and services of educational departments	19,540	—	19,540	18,866	—	18,866	674	3.6%
Auxiliary enterprises revenue, net	110,910	—	110,910	101,093	—	101,093	9,817	9.7%
Other operating revenues	210	22,294	22,504	—	37,414	37,414	(14,910)	(39.9%)
Patient services	—	882,401	882,401	—	819,492	819,492	62,909	7.7%
Total operating revenues	\$ 705,618	\$ 904,695	\$ 1,610,313	\$ 680,123	\$ 856,906	\$ 1,537,029	\$ 73,284	4.8%
Nonoperating revenues								
State appropriations	\$ 170,439	\$ —	\$ 170,439	\$ 158,192	\$ —	\$ 158,192	\$ 12,247	7.7%
Private gifts	142,252	5,821	148,073	115,252	771	116,023	32,050	27.6%
Investment income	663,364	58,141	721,505	338,801	28,960	367,761	353,744	96.2%
Other nonoperating revenues	171,030	24,571	195,601	59,963	—	59,963	135,638	226.2%
Total nonoperating revenues	\$ 1,147,085	\$ 88,533	\$ 1,235,618	\$ 672,208	\$ 29,731	\$ 701,939	\$ 533,679	76.0%
TOTAL REVENUES	\$1,852,703	\$ 993,228	\$ 2,845,931	\$ 1,352,331	\$ 886,637	\$ 2,238,968	\$ 606,963	27.1%

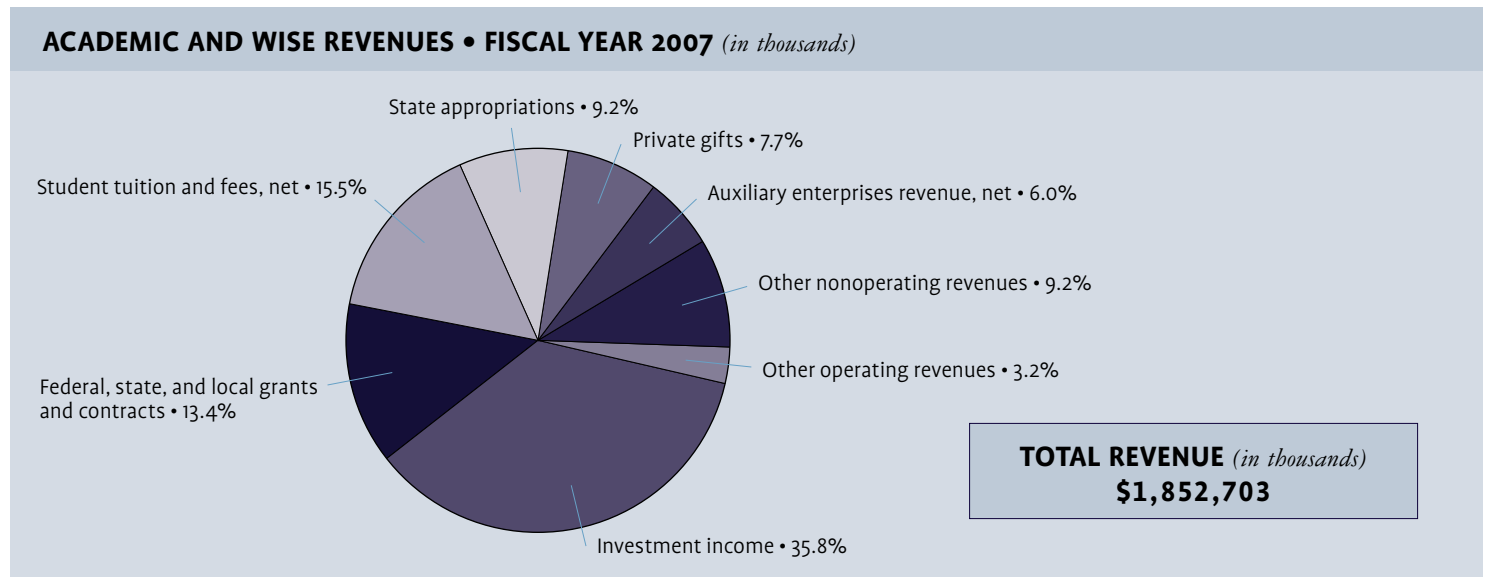
Below is a graph of revenues (by both operating and nonoperating sources), which were used to fund the University's operating activities for the fiscal year ended June 30, 2007. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and investment income to be treated as nonoperating revenues.



Patient services revenues accounted for 54.8 percent of the University's operating revenues and 31.0 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 6.0 percent and 10.1 percent, respectively, of the University's total revenues, are used to fund current operations.

State appropriations increased by \$12.2 million, or 7.7 percent. The increases were for faculty and staff salaries, research support, and operations and maintenance funding for new facilities. Net tuition and fees increased by 9.0 percent as the tuition increases were approved for the first time by both the General Assembly and the Board of Visitors under Restructuring. This increase is in accordance with the University's six-year plan as submitted to the state.

Excluding the Medical Center data provides a clearer picture of the academic revenue streams. Major sources for 2007 included investment income, 35.8 percent; federal, state, and local grants and contracts, 13.4 percent; net tuition and fees, 15.5 percent; and state appropriations, 9.2 percent. This year, the percentage of revenue from investment income is significantly higher due to the 25 percent return on the University's endowment.



The University continues to emphasize revenue diversification, along with cost containment, as ongoing priorities. This is necessary as the University continues to face significant financial pressure with increased compensation and benefit costs, particularly health insurance, as well as escalating technology, construction and energy prices. 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 including additions to permanent endowment. Private gifts increased by \$32 million, or 27.6 percent, as the capital campaign progressed.

Revenues from all sponsored programs decreased slightly this year by \$9 million, or 3.9 percent, to a total of \$287 million in 2007. The University fully anticipated this decrease, noting last year that the federal budget cuts in sponsors such as the National Institutes of Health and the Department of Health and Human Services would begin to take effect in fiscal year 2007. For the upcoming fiscal year, 2007–08, the University is projecting sponsored programs to recover and increase slightly.

EXPENSES

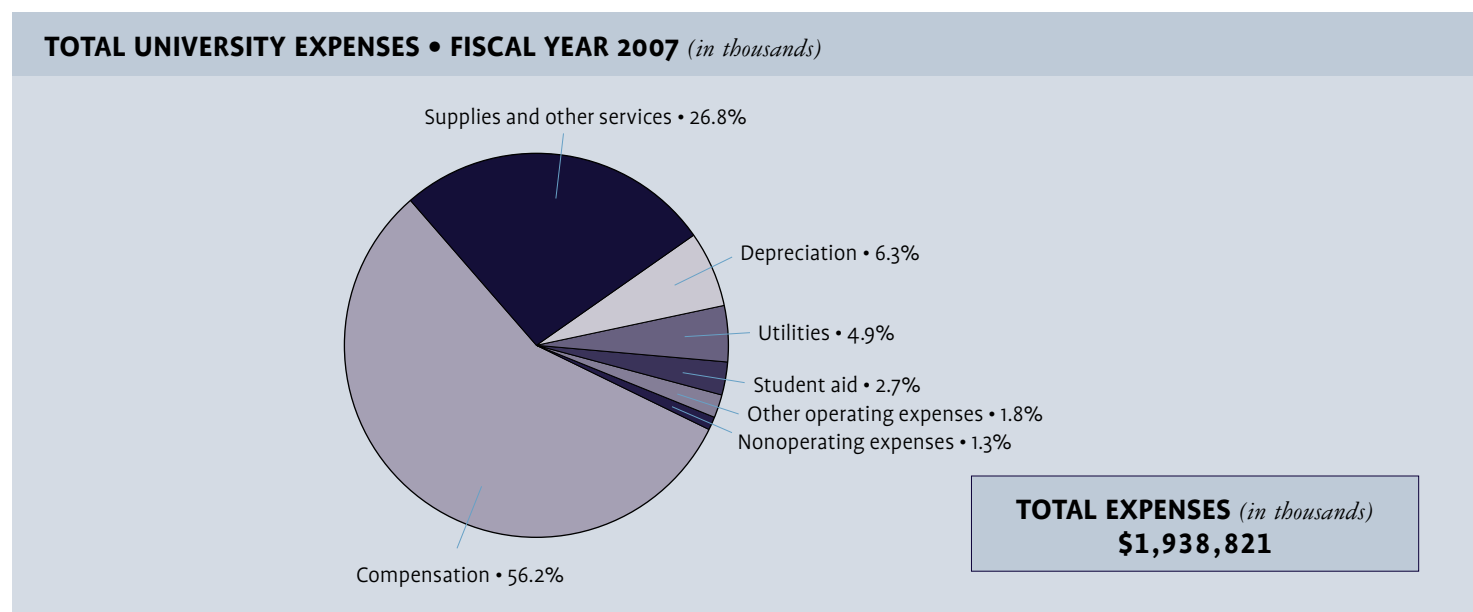
The University continues to be a good steward in the judicious expenditure of funds.

SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses, for the years ended June 30, 2007, and 2006 (restated).

SUMMARY OF EXPENSES (in thousands)	2007			2006			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses								
Compensation	\$ 712,847	\$ 376,787	\$1,089,634	\$ 663,025	\$ 352,088	\$1,015,113	\$ 74,521	7.3%
Supplies and other services	134,885	383,784	518,669	138,868	369,283	508,151	10,518	2.1%
Student aid	51,406	—	51,406	46,474	—	46,474	4,932	10.6%
Utilities	81,791	13,426	95,217	76,878	14,485	91,363	3,854	4.2%
Depreciation	73,503	48,267	121,770	65,692	45,962	111,654	10,116	9.1%
Other operating expense	2,203	32,843	35,046	2,817	32,286	35,103	(57)	-0.2%
Total operating expenses	1,056,635	855,107	1,911,742	993,754	814,104	1,807,858	103,884	5.7%
Nonoperating expenses								
Interest expense	17,935	5,954	23,889	10,484	4,712	15,196	8,693	57.2%
Other nonoperating expense	1,234	1,956	3,190	14,586	3,913	18,499	(15,309)	-82.8%
Total nonoperating expenses	19,169	7,910	27,079	25,070	8,625	33,695	(6,616)	-19.6%
TOTAL UNIVERSITY EXPENSES	\$1,075,804	\$ 863,017	\$ 1,938,821	\$ 1,018,824	\$ 822,729	\$ 1,841,553	\$ 97,268	5.3%

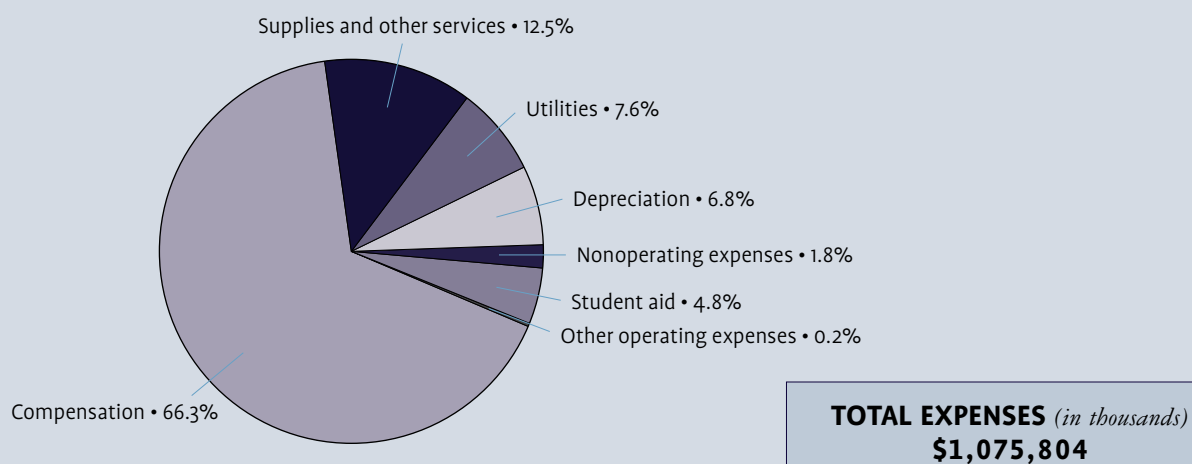
Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2007.



As a percentage of total expenses, compensation (salaries and benefits) remained almost constant. However, in dollars, compensation increased by \$75 million, or 7.3 percent, as the Board of Visitors continued its goal of raising faculty and staff compensation.

Student aid expense increased to \$51.4 million, a change of \$5 million, or 10.6 percent, as the University expanded its commitment to AccessUVA, our landmark financial aid program. Depreciation increased by \$10 million, or 9.1 percent, driven by the increase in depreciable capital assets. Interest expense increased by \$9 million, from \$15 million to \$24 million.

ACADEMIC AND WISE EXPENSES • FISCAL YEAR 2007 *(in thousands)*



In addition to their natural (object) classification, it is also informative to review operating expenses by function. A complete matrix of expenses, natural versus functional, is contained in the notes to the financial statements. Expenses for patient services, instruction, and research account for 44.7 percent, 14.2 percent, and 13.5 percent, respectively, of total operating expenses. When combined, these major functions account for 72.4 percent of the total, which is consistent with the mission-critical nature of instruction, research, and patient services for the University.

SUMMARY OF STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial results by reporting the major sources and uses of cash. GASB principles define four major categories of cash flows: cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing activities, and cash flows from investing activities.

SUMMARY OF THE STATEMENT OF CASH FLOWS <i>(in thousands)</i>	2007	2006	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Cash flows from operating activities	\$ (134,905)	\$ (149,551)	\$ 14,646	9.8%
Cash flows from noncapital financing activities	345,229	286,010	59,219	20.7%
Cash flows from capital and related financing activities	(87,821)	(158,283)	70,462	44.5%
Cash flows from investing activities	76,446	70,801	5,645	8.0%
NET INCREASE IN CASH AND CASH EQUIVALENTS	198,949	48,977	149,972	306.2%

Cash flows from operating activities are different from the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets because items such as depreciation expense do not have a cash effect and because the latter statement is prepared on the accrual basis, versus cash basis, of accounting. Another difference between the two statements is, that on the latter statement, state appropriations, gifts, and investment income are considered nonoperating revenues. However, on the Statement of Cash Flows, state appropriations and gifts are reflected under noncapital financing activities, while investment income resides under investing activities. For the fiscal year, cash flows from operating activities increased by \$15 million, or 9.8 percent, due primarily to increased tuition and fees and increased receipts from patient services.

Noncapital financing activities produced a cash flow increase of 20.7 percent, or \$59 million, over last year due to increased receipts in state appropriations and noncapital gifts, grants, and endowments. Gifts to the overall University system are likely to continue to increase as the capital campaign continues. Gift revenue for the significant affiliated foundations is reflected in the component unit financial statements.

Cash flows from capital and related financing activities increased by \$70 million, or 44.5 percent. In this category there were wide fluctuations between the two years as capital appropriations increased a substantial \$93 million while proceeds from capital debt decreased by \$174 million; this comparison was skewed by the University's bond issuance in fiscal year 2005. Correspondingly, there was a significant reduction in the principal paid on capital debt and leases.

FUTURE ECONOMIC OUTLOOK

The University remains well positioned financially to continue providing excellent programs and service to its constituents. The University's financial position, as evidenced by the highest credit rating obtainable, provides a high degree of accessibility to capital funds on the most competitive terms. The issuance of long-term bonds and the use of its expanded short-term commercial paper program, along with continued efforts toward revenue diversification, will enable the University to obtain the resources to support and maintain its level of excellence.

However, the University faces a period of unprecedented challenges with meeting the state's restructuring goals; the impending retirement of many faculty and staff; increasing expectations from all constituents, particularly our students and their parents; changes in the demographics of our incoming students; continuing capital construction; and increased compliance requests by the federal government.

To help plan for these challenges, the president created the Commission on the Future of the University. This commission is cochaired by the executive vice president and chief operating officer and the executive vice president and provost. Several subcommittees have been staffed and provided reports to the commission. The Subcommittee on Fiscal Resources has considered multiple facets of institutional resources and the University's capacity to support its long-term ambitions. Its report provides an overview of institutional and Medical Center financial planning, philanthropic capacity and strategies, and the advantages and disadvantages of the current school-based development foundation structure. The academic division's long-range plan goes through fiscal year 2015–16 and the Medical Center's extends through fiscal year 2012–13. Some of the initiatives and projects confirmed in the commission's report are given below:

AccessUVA. In the continued implementation of AccessUVA, as of the 2007–08 academic year, the University will offer 100 percent of demonstrated need to all undergraduates and will provide full grant funding for low-income undergraduate students. In addition, the University will cap need-based loans for all its undergraduate students and continue its financial literacy program.

Competitive Compensation. For the fiscal year 2006–07, the University's average faculty salary has increased to a tie for twentieth among its AAU peers. The goal first set by the Board of Visitors four years ago was to move into the top twenty of AAU institutions. The board continues to make this a top priority.

Deferred Maintenance. In February 2005, the Board of Visitors approved making ongoing maintenance investments to protect its education and general physical assets and make one-time investments to reduce the backlog of deferred maintenance to reasonable levels based on industry standards. Within ten years, annual maintenance spending will be increased by \$15 million. To achieve this, the University is adding \$1.5 million each year for the next ten years.

Investment in Student Information Technology. In June 2007, the Board of Visitors officially approved an investment in a new student information system. The University chose PeopleSoft Campus Solutions to replace its aging Integrated Student Information System to provide enhanced services to its students and faculty, and to provide stronger security over student data.

Implementation of the Health System Decade Plan. The Decade Plan is a joint planning effort of the School of Medicine, the School of Nursing, the Health Sciences Library, the Medical Center, and the Health Services Foundation. It outlines how the Health System will create innovation in the areas of patient service, translational research from cell to bedside, and professionalism in teaching and service to the community. Challenges exist due to cost pressure on pharmaceutical and medical devices, along with a shortage of health care workers. The Medical Center is adding seventy-two new beds, along with additional support space to meet growing demand for critical care at an average cost of \$1 million per bed.

Restructuring and New Investment Legislation. The University will receive additional financial benefits under its restructuring authority. Nongeneral fund balances previously deposited and invested with the State Treasury will be transferred to, and invested by, the University. With additional flexibility provided by investment legislation requested by the University in the spring of 2007, management will now have the ability to invest operating funds prudently in equities in addition to the previous portfolio of cash and fixed-income instruments.

To meet these and other challenges, University management launched the University's \$3 billion capital campaign in fiscal year 2007. It is one of the largest in higher education. Second, the University successfully negotiated its management agreement with the Commonwealth of Virginia under the Restructured Higher Education Financial and Administrative Operations Act. Now in effect, the Act provides for additional autonomy in the areas of procurement, capital projects, information technology, human resources, and finance. Creating and now implementing this new relationship with the Commonwealth of Virginia improves the outlook for the University's future. Third, the Commission on the Future of the University emphasizes and rededicates the institution to its varied public missions. It is very clear that the University of Virginia will remain a public institution, fulfilling the public educational vision of its founder, while using its additional autonomy to streamline operations and carry out its missions of excellent instruction, research, patient care, and public service.

Management Responsibility

October 12, 2007

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, 2007. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. Financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

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

The Auditor of Public Accounts for the Commonwealth of Virginia, using independent certified public accountants for the audits of 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 12, 2007

THE HONORABLE TIMOTHY M. KAINE
Governor of Virginia

THE HONORABLE THOMAS K. NORMENT, JR.
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, 2007, which collectively comprise the University's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the University'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, 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 the amounts included for the component units of the University, is based on the reports of the other auditors.

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 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 as of June 30, 2007, 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 44 through 53 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 12, 2007, 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 effectiveness of 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, 2007 (with comparative information as of June 30, 2006)*

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 719,263	\$ 559,578
Cash and cash equivalents, securities lending (Note 2)	16,323	36,452
Short-term investments (Note 2)	276,070	164,026
Accounts receivable, net (Note 3a)	142,052	124,800
Prepaid expenses	11,925	11,577
Inventories	21,694	18,391
Notes receivable, net (Note 3b)	7,013	7,783
Total current assets	1,194,340	922,607
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	48,548	9,284
Endowment investments (Note 2)	3,068,268	2,497,309
Other long-term investments (Note 2)	286,436	276,553
Deposits with bond trustee	13,942	43,386
Notes receivable, net (Note 3b)	21,437	19,625
Pledges receivable, net (Note 3c)	16,071	20,247
Capital assets—depreciable, net (Note 3d)	1,486,224	1,271,828
Capital assets—nondepreciable (Note 3d)	325,030	370,467
Goodwill (Note 3e)	13,744	14,186
Other	548	581
Total noncurrent assets	5,280,248	4,523,466
TOTAL ASSETS	\$ 6,474,588	\$ 5,446,073
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3f)	\$ 242,925	\$ 190,502
Deferred revenue (Note 3g)	78,284	59,826
Obligations under securities lending (Note 2)	80,630	72,524
Deposits held in custody for others	24,902	19,574
Commercial paper (Note 4)	64,200	26,000
Long-term debt—current portion (Note 5a)	17,149	16,784
Long-term liabilities—current portion (Note 5b)	50,763	51,908
Advance from Treasurer of Virginia	—	261
Total current liabilities	558,853	437,379
Noncurrent liabilities (Note 5)		
Long-term debt	504,207	522,119
Long-term liabilities	56,503	38,660
Total noncurrent liabilities	560,710	560,779
TOTAL LIABILITIES	\$ 1,119,563	\$ 998,158
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,226,529	\$ 1,116,746
Restricted		
Nonexpendable	369,874	350,474
Expendable	2,203,057	1,701,167
Unrestricted	1,555,565	1,279,528
TOTAL NET ASSETS	\$ 5,355,025	\$ 4,447,915

Certain 2006 amounts have been restated to conform to 2007 classifications.

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

<i>University of Virginia</i> COMPONENT UNITS COMBINED STATEMENTS OF FINANCIAL POSITION <i>(in thousands)</i> <i>as of June 30, 2007 (with comparative information as of June 30, 2006)</i>				
			2007	2006
ASSETS				
Current assets				
Cash and cash equivalents	\$	404,139	\$	218,195
Receivables		94,893		63,994
Other current assets		82,778		33,319
Total current assets		581,810		315,508
Noncurrent assets				
Pledges receivable (net of current portion of \$28,824 and \$12,959)		61,692		65,193
Long-term investments		5,149,397		3,898,503
Capital assets, net of depreciation		297,848		291,919
Other noncurrent assets		57,224		49,780
Total noncurrent assets		5,566,161		4,305,395
TOTAL ASSETS	\$	6,147,971	\$	4,620,903
LIABILITIES AND NET ASSETS				
Current liabilities				
Assets held in trust for others	\$	4,353,706	\$	3,230,308
Other liabilities		156,399		111,767
Total current liabilities		4,510,105		3,342,075
Noncurrent liabilities				
Long-term debt (net of current portion of \$5,911 and \$2,778)		307,091		158,567
Other noncurrent liabilities		125,827		107,228
Total noncurrent liabilities		432,918		265,795
TOTAL LIABILITIES	\$	4,943,023	\$	3,607,870
NET ASSETS				
Unrestricted	\$	323,857	\$	283,574
Temporarily restricted		521,753		391,927
Permanently restricted		359,338		337,532
TOTAL NET ASSETS	\$	1,204,948	\$	1,013,033
TOTAL LIABILITIES AND NET ASSETS	\$	6,147,971	\$	4,620,903

*Certain 2006 amounts have been restated to conform to 2007 classifications.
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, 2007 (with comparative information for the year ended June 30, 2006)

	2007	2006
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$61,943 and \$55,324)	\$ 287,474	\$ 263,728
Patient services (net of indigent care and contractual adjustments of \$986,035 and \$849,870)	882,401	819,492
Federal grants and contracts	245,124	253,596
State and local grants and contracts	3,186	3,482
Nongovernmental grants and contracts	39,174	39,358
Sales and services of educational departments	19,540	18,866
Auxiliary enterprises revenue (net of scholarship allowances of \$8,163 and \$7,432)	110,910	101,093
Other operating revenues	22,504	37,414
TOTAL OPERATING REVENUES	1,610,313	1,537,029
EXPENSES		
Operating expenses (Note 8)		
Compensation and benefits	1,089,634	1,015,113
Supplies and other services	518,669	508,151
Student aid	51,406	46,474
Utilities	95,217	91,363
Depreciation	121,770	111,654
Other operating expenses	35,046	35,103
TOTAL OPERATING EXPENSES	1,911,742	1,807,858
OPERATING LOSS	(301,429)	(270,829)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 9)	170,439	158,192
Gifts	148,073	116,023
Investment income	721,505	367,761
Interest on capital asset-related debt	(23,889)	(15,196)
Loss on disposal of capital assets	(1,227)	(4,815)
Other nonoperating expenses	(1,963)	(13,684)
NET NONOPERATING REVENUES	1,012,938	608,281
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	711,509	337,452
Capital appropriations	128,075	34,101
Capital grants and gifts	48,576	8,930
Additions to permanent endowments	18,950	16,932
TOTAL OTHER REVENUES	195,601	59,963
INCREASE IN NET ASSETS	907,110	397,415
NET ASSETS		
Net assets, beginning of year, restated (Note 1)	4,447,915	4,050,500
NET ASSETS, END OF YEAR	\$5,355,025	\$4,447,915

Certain 2006 amounts have been restated to conform to 2007 classifications.

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

<i>University of Virginia</i> COMPONENT UNITS COMBINED STATEMENTS OF ACTIVITIES <i>(in thousands)</i> <i>for the year ended June 30, 2007 (with comparative information for the year ended June 30, 2006)</i>				
			2007	2006
UNRESTRICTED REVENUES AND SUPPORT				
Contributions	\$	28,085	\$	26,060
Fees for services, rentals, and sales		247,069		245,659
Investment income		62,686		34,224
Other revenues		70,611		55,094
Net assets released from restriction		102,728		78,791
TOTAL UNRESTRICTED REVENUES AND SUPPORT		511,179		439,828
EXPENSES				
Program services, lectures, and special events		247,297		250,024
Scholarships and financial aid		81,000		15,355
Management and general		34,502		66,337
Other expenses		92,081		81,875
TOTAL EXPENSES		454,880		413,591
EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES		56,299		26,237
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions		83,632		67,121
Investment and other income		149,502		79,163
Reclassification per donor stipulation		(618)		(686)
Net assets released from restriction		(102,728)		(78,791)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		129,788		66,807
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS				
Contributions		20,629		24,891
Investment and other income		(54)		2,174
Reclassification per donor stipulation		618		686
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		21,193		27,751
CHANGE IN NET ASSETS		207,280		120,795
Net assets, beginning of year		1,013,033		892,462
Current year effect of activity on net assets		(19,472)		—
Prior period adjustment		4,107		(224)
NET ASSETS, END OF YEAR	\$	1,204,948	\$	1,013,033

Certain 2006 amounts have been restated to conform to 2007 classifications.
The accompanying Notes to Financial Statements are an integral part of this statement.

<i>University of Virginia</i> STATEMENT OF CASH FLOWS <i>(in thousands)</i> <i>for the year ended June 30, 2007 (with comparative information for the year ended June 30, 2006)</i>				
			2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$	287,563	\$	265,427
Grants and contracts		286,348		301,648
Patient services		865,055		827,606
Sales and services of educational activities		13,125		24,106
Sales and services of auxiliary enterprises		110,351		101,231
Payments to employees and fringe benefits		(1,057,480)		(1,052,795)
Payments to vendors and suppliers		(605,476)		(587,617)
Payments for scholarships and fellowships		(51,410)		(46,452)
Perkins and other loans issued to students		(6,937)		(8,893)
Collection of Perkins and other loans to students		6,548		9,130
Other receipts		17,408		17,058
NET CASH USED BY OPERATING ACTIVITIES		(134,905)		(149,551)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations		169,626		157,775
Additions to true endowments		18,950		16,933
Federal Family Education Loan Program receipts		76,521		80,463
Federal Family Education Loan Program payments		(76,521)		(80,463)
Receipts on behalf of agencies		82,966		85,520
Payments on behalf of agencies		(87,742)		(78,814)
Deposits held in custody for others		5,328		(4,099)
Noncapital gifts and grants and endowments received		138,523		123,199
Other net nonoperating revenues (expenses)		17,578		(14,504)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		345,229		286,010
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital appropriations		125,753		32,501
Capital gifts and grants received		37,757		22,242
Proceeds from capital debt		48,688		222,394
Proceeds from sale of capital assets		184		409
Acquisition and construction of capital assets		(276,779)		(243,163)
Principal paid on capital debt and leases		(22,993)		(170,499)
Interest paid on capital debt and leases		(29,876)		(22,167)
Deposits with trustee		29,445		—
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES		(87,821)		(158,283)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments		494,954		441,379
Interest on investments		80,653		45,200
Purchase of investments and related fees		(477,279)		(433,593)
Other investment activities		(21,882)		17,815
NET CASH PROVIDED BY INVESTING ACTIVITIES		76,446		70,801
NET INCREASE IN CASH AND CASH EQUIVALENTS		198,949		48,977
Cash and cash equivalents, July 1		568,862		519,885
CASH AND CASH EQUIVALENTS, JUNE 30	\$	767,811	\$	568,862
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating loss	\$	(301,429)	\$	(270,829)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Depreciation expense		121,770		111,654
Provision for uncollectible loans and write-offs		(664)		148
CHANGES IN ASSETS AND LIABILITIES				
Receivables, net		5,986		47,098
Inventories		(3,303)		140
Other assets		(874)		(1,082)
Prepaid expenses		(348)		(2,353)
Notes receivable, net		(387)		237
Accounts payable and accrued liabilities		23,791		(37,073)
Deferred revenue		18,488		1,198
Accrued vacation leave—long term		2,065		1,311
TOTAL ADJUSTMENTS		166,524		121,278
NET CASH USED BY OPERATING ACTIVITIES	\$	(134,905)	\$	(149,551)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY				
Assets acquired through assumption of a liability	\$	44,706	\$	225,625
Assets acquired through a gift		14,188		7,747
Change in fair value of investments		399,995		149,351
Increase (decrease) in receivables related to nonoperating revenues		(360)		29,007
Loss on disposal of capital assets		798		4,815

Certain 2006 amounts have been restated to conform to 2007 classifications. 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 component unit of the Commonwealth of Virginia and is included in the Commonwealth's *Comprehensive Annual Financial Report*. 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-six 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, 2007:

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

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

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

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

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

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation**, was established as a tax-exempt organization to support intercollegiate athletic programs at the University of Virginia by providing student-athletes the opportunity to achieve academic and athletic excellence. The Foundation provides the funding for student-athlete scholarships at the University, funding for student-athlete academic advising programs at the University, operational support for various sports at the University, informational services to its members and the general public, and ancillary support to the athletic programs at the University. The Foundation has adopted December 31 as its year end. All amounts reflected are as of December 31, 2006. 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 will provide patient care services to Health System patients and, in conjunction with the care of patients, will provide teaching services. The University will provide space and certain administrative services to the Foundation. The Foundation will reimburse the University for the salaries and fringe benefits of classified and hourly employees of the clinical departments paid by the University, and not funded by the Commonwealth of Virginia or by gifts, grants, and contracts. For additional information, contact the Finance Office at 500 Ray C. Hunt Drive, Charlottesville, Virginia 22903.

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

REPORTING BASIS

The accompanying financial statements are presented in accordance with generally accepted accounting principles applicable to governmental colleges and universities as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the University adheres 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 issued after that date. The component units 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: Capital assets, net of accumulated depreciation and long-term debt attributable to the acquisition, construction, or improvement of these assets.

Restricted: Those net assets, either expendable or nonexpendable, subject to externally-imposed restrictions stipulating how the resources may be used. Expendable net assets are those that can be satisfied by actions of the University. Nonexpendable net assets, consisting of endowments, must be maintained in perpetuity.

Unrestricted: 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 the expenses and apply resources on a case-by-case basis.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. Nonexchange transactions, in which the University receives value without directly giving equal value in exchange, include grants, state appropriations, and private donations. On an accrual basis, revenues from these transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection. 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 by any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

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.

INVENTORIES

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

INVESTMENTS

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

ENDOWMENT

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

PLEDGES RECEIVABLE

The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, 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. An allowance of \$2,817,929 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. The University capitalizes construction costs that have a value or cost in excess of \$250,000 at the date of acquisition. Renovations in excess of \$250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division capitalizes moveable equipment at a value or cost of \$5,000 and an expected useful life of one or more years.

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

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

Depreciation of equipment and capitalized software is provided on a straight-line basis over estimated useful lives ranging from one to twenty 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 Progress. Construction-period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset.

Capital assets, such as roads, parking lots, sidewalks, and other nonbuilding structures and improvements are capitalized as infrastructure and depreciated accordingly. In accordance with AICPA Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, the University capitalizes computer software developed or obtained for internal use. Capitalization begins at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces.

DEFERRED REVENUE

Deferred revenue represents revenues collected but not earned as of June 30. This consists primarily of revenue for student tuition accrued in advance of the semester and advance payments on grants and contracts.

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 \$7,652,134 and earned capital project interest income of \$846,668 for the fiscal year ended June 30, 2007, resulting in net interest capitalized of \$6,805,466.

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, 2007, 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 students' auxiliary fees are presented net of scholarships and fellowships applied to student accounts.

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

MEDICAL CENTER SALES AND SERVICE

A significant portion of the Medical Center services is rendered to patients covered by Medicare, Medicaid, or other third-party payors. The Medical Center has entered into contractual agreements with these third parties to accept payment for services in amounts less than scheduled charges. In accordance with these agreements, the difference between the contractual payments due and the Medical Center scheduled billing rates results in contractual adjustments. Contractual adjustments are recorded as deductions from Medical Center revenues 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

Operating revenues include 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 allowances; and federal, state, local, and nongovernmental grants and contracts.

Nonoperating revenues include activities having the characteristics of nonexchange transactions, meaning revenues are received for which goods and services are not provided. Nonoperating revenues include revenues from gifts, state appropriations, investment income, and other revenue sources defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

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 allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf. Financial aid to students is reported using the alternative method as recommended by the National Association of College and University Business Officers (NACUBO). The alternative method is a simple proportionality algorithm that computes scholarship allowance on a University-wide basis by allocating the amounts applied to student accounts and the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

DISCOUNTS, PREMIUMS, AND BOND ISSUANCE COSTS

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

RESTATEMENTS AND RECLASSIFICATIONS

Certain amounts from the prior fiscal year have been restated and reclassified to conform to current-year presentation. The July 1, 2006 beginning net assets as originally reported were overstated by \$10 million as a result of a procedural error. The error was due to a one-time change in the Commonwealth's payroll accrual process during fiscal year 2005–06. The University did not properly accrue corresponding grants and contracts revenue, thereby creating a mismatch between accrued revenues and expenses, resulting in an overstatement of grant and contract revenues for fiscal year 2005–06. The following summarizes restatements that have been made to the ending balance of fiscal year 2006 (in thousands):

Net Assets reported at June 30, 2006	\$ 4,461,997
Capital appropriation: Reporting guideline changes for Treasury's reimbursement programs as mandated by the State	(3,917)
Grants revenue recognition accrual	(10,165)
BEGINNING NET ASSETS AT JULY 1, 2006, AS RESTATED	\$ 4,447,915

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 two investment pools. The Long-Term Pool includes endowment assets. Operating funds invested for short periods of time are managed in an Aggregate Cash Pool.

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

The University monitors and receives periodic reports on the 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.

Custodial Credit Risk: The University had no investments exposed to custodial credit risk for 2007.

Interest Rate Risk: Disclosure of the maturities of investments is required when the fair market value is adversely affected by changes in interest rates. Investments subject to interest rate risk are outlined in the accompanying chart.

Credit Risk: Disclosure of the credit quality rating is required for investments exposed to the risk an issuer or other counterparty will not fulfill its obligations. State law limits the nonendowed investments in short-term commercial paper and certificate of deposit 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 in asset-backed securities and debt obligations of sovereign governments require the top rating from two of the NRSROs.

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-managed Long-Term Pool which attempts to achieve returns that consistently exceed the returns of a passively managed benchmark with similar asset allocation and risk.

Concentration of Credit Risk: Disclosure of any one issuer is required when it represents 5 percent or more of total investments. The University does not have such concentration of credit risk for 2007.

Foreign Currency Risk: Disclosure is required for investments exposed to changes in exchange rates that will adversely affect the fair value of an investment or a deposit. The University has no foreign investments or deposits for 2007.

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. This cross-guarantee eliminates custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled \$36 million at June 30, 2007. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying chart.

INVESTMENTS

The UVIMCO Long-Term Pool 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 (basis risk), while fixed income investments are subject to interest rate and credit risk. Foreign investments are subject to currency exchange rates, political and economic developments, limited legal recourse, and markets. Derivatives such as futures, options, warrants, and swap contracts involve risks that may result in losses. The prices of derivatives may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility. Hedge funds are subject to the risks contained in the underlying investments and can limit liquidity.

At June 30, 2007, the University's investment in the UVIMCO Long-Term Pool is \$3.3 billion, representing 76 percent of invested assets. Investments in the UVIMCO Aggregate Cash Pool represent 5 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

DERIVATIVES

In January 2007, the University of Virginia entered into three, pay-fixed, receive-variable interest rate swaps totaling \$150 million in notional amount. The underlying index for the swaps is the Securities Industry and Financial Markets Municipal Swap Index (SIFMA). The swaps have an effective date of June 1, 2008, and mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received at initiation. The objective of the swaps is to hedge the risk of rising interest rates between January 2007 and June 2008. The swaps are intended to provide a hedge against the impact of rising interest rates on the cost of U.Va.'s next anticipated long-term bond issuance expected to occur sometime around June 1, 2008. Each of the swaps is scheduled to begin exchanging interest payments on June 1, 2008, for a period of thirty years designed to match the expected term of any new bonds.

As of June 30, 2007, the swaps had a positive market value of approximately \$5 million representing the amount U.Va. would receive if the swaps were terminated on that date. The fair value was determined by using the quoted SIFMA index curve at the time of market valuation. U.Va. would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. As of June 30, 2007, U.Va.'s swap counterparties were rated AA-/Aa3 and A/A2 by Standard & Poor's and Moody's, respectively. To mitigate credit risk, U.Va. limits market value exposure and requires the posting of collateral based on the counterparty's credit rating. All counterparties are required to have at least an A-/A3 rating by Standard & Poor's and Moody's, respectively. As of June 30, 2007, no collateral was required to be posted by the counterparties.

The derivative contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's, respectively. U.Va. 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, U.Va. would be liable to the counterparty for a payment equal to the swap's market value.

As of June 30, 2007, U.Va. does not anticipate any restrictions in its ability to access capital markets at the time of bond issuance.

SECURITY LENDING TRANSACTIONS

Investments and cash equivalents held by the Treasurer of Virginia represent the University's allocated share of cash collateral received and reinvested and securities received for the State Treasury's securities lending program. Information related to the credit risk of these investments and the State Treasury's securities lending program is available on a statewide level in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

Details of the University's investment risks are:

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						
Assets held under State Security Lending Program	\$ 80,631					
Short-term investment pool	64,392	Unrated				
University of Virginia Investment Management Company Aggregate Cash Pool	226,188	Unrated				
State Non-Arbitrage Program	10,067	AAAm				
Federal Home Loan Bank Demand Note	49,864	P-1				
TOTAL CASH EQUIVALENTS	\$ 431,142					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities						
Demand notes due from related foundation, noninterest bearing	\$ 9,902	Unrated	\$ 9,902			
Note receivable, 9%	216	Unrated				\$ 216
Other investments						
Federal Home Loan Bank	42,114	Aaa	22,170	\$ 19,944		
Federal Home Loan Mortgage Corporation	54,864	Aaa	34,948	19,916		
Federal National Mortgage Association	64,739	Aaa	9,881	54,858		
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISK	\$ 171,835		\$ 76,901	\$ 94,718	\$ —	\$ 216
	100.0%		44.8%	55.1%	0.0%	0.1%

NOTE 3: STATEMENT OF NET ASSETS DETAILS

a. **Accounts receivable** at June 30, 2007, are summarized in the chart below.

ACCOUNTS RECEIVABLE <i>(in thousands)</i>	
Patient care	\$ 298,888
Grants and contracts	19,261
Equipment Trust Fund reimbursement	11,248
Pledges	16,794
Related foundation	2,346
Capital appropriations	5,714
Other	11,789
Less: Allowance for doubtful accounts	(223,988)
TOTAL	\$ 142,052

b. **Notes receivable** of \$28 million are reported net of the allowance for uncollectible student loans, which amounted to \$1 million at June 30, 2007.

c. **Pledges:** The composition of pledges receivable at June 30, 2007, is summarized in the chart below.

PLEDGES <i>(in thousands)</i>	
GIFT PLEDGES OUTSTANDING	
Operations	\$ 17,668
Capital	20,435
TOTAL GIFT PLEDGES OUTSTANDING	38,103
Less	
Allowance for uncollectible pledges	(2,818)
Unamortized discount to present value	(3,606)
Total pledges receivable, net	31,679
Less current portion, net of allowance	(15,608)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 16,071

d. **Capital assets** activity for the year ended June 30, 2007, is summarized in the chart below.

INVESTMENT IN PLANT— CAPITAL ASSETS <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	DISPOSITIONS	ENDING BALANCE JUNE 30, 2007
NONDEPRECIABLE CAPITAL ASSETS				
Land	\$ 27,954	\$ 3,846	\$ —	\$ 31,800
Construction in progress	342,513	214,180	263,463	293,230
TOTAL NONDEPRECIABLE CAPITAL ASSETS	370,467	218,026	263,463	325,030
DEPRECIABLE CAPITAL ASSETS				
Buildings	1,449,627	243,782	807	1,692,602
Equipment	520,921	89,342	40,249	570,014
Infrastructure	187,206	16,464	—	203,670
Improvements other than buildings	144,674	1,841	—	146,515
Capitalized software	32,949	2,336	97	35,188
Library books	97,066	4,722	1,153	100,635
Total depreciable capital assets	2,432,443	358,487	42,306	2,748,624
Less accumulated depreciation for				
Buildings	(581,095)	(50,764)	(2,140)	(629,719)
Equipment	(326,567)	(49,956)	(15,813)	(360,710)
Infrastructure	(98,174)	(5,893)	—	(104,067)
Improvements other than buildings	(63,450)	(6,478)	(38)	(69,890)
Capitalized software	(16,513)	(3,947)	65	(20,525)
Library books	(74,816)	(3,827)	(1,154)	(77,489)
Total accumulated depreciation	(1,160,615)	(120,865)	(19,080)	(1,262,400)
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	1,271,828	237,622	23,226	1,486,224
TOTAL	\$ 1,642,295	\$ 455,648	\$ 286,689	\$ 1,811,254

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

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

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

f. **Accounts payable** at June 30, 2007, are summarized in the chart below.

ACCOUNTS PAYABLE <i>(in thousands)</i>	
Accounts payable	\$ 145,584
Accrued salaries and wages payable	62,239
Other payables	35,102
TOTAL	\$ 242,925

g. **Deferred revenue** at June 30, 2007, includes the following:

DEFERRED REVENUE <i>(in thousands)</i>	
Grants and contracts	\$ 39,137
Student payments	13,294
Other deferred revenue	25,853
TOTAL	\$ 78,284

NOTE 4: SHORT-TERM DEBT

Short-term debt at June 30, 2007, is summarized in the chart below.

SHORT-TERM DEBT <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2007
COMMERCIAL PAPER				
Tax-exempt	\$ 26,000	\$ 38,200	\$ —	\$ 64,200
TOTAL COMMERCIAL PAPER	\$ 26,000	\$ 38,200	\$ —	\$ 64,200

The University has commercial paper programs that provide for bridge financing up to \$175,000,000 of capital projects. At June 30, 2007, the average days to maturity was sixty-two and the weighted average effective interest rate was 3.52 percent.

NOTE 5: LONG-TERM OBLIGATIONS

a. Long-term debt at June 30, 2007, is summarized in the chart below.

LONG-TERM DEBT <i>(in thousands)</i>	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2007
BONDS AND NOTES PAYABLE						
Revenue bonds						
Medical Center Series 1998B (9d)	3.5% to 5.0%	2018	\$ 4,700	\$ —	\$ 305	\$ 4,395
Medical Center Series 1999A (9d)	4.5% to 5.3%	2013	28,160	—	4,660	23,500
University of Virginia Series 1995A (9d)	3.29% to 4.05%	2020	2,030	—	320	1,710
University of Virginia Series 2003A (9d)	3.31% to 3.97%	2034	82,010	—	—	82,010
University of Virginia Series 2003B (9d)	4.0% to 5.0%	2033	115,235	—	2,155	113,080
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	190,585	—	2,495	188,090
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	32,642	—	3,721	28,921
Notes payable to VCBA 1997A (9d)	3.5% to 5.0%	2018	995	—	205	790
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	5,545	—	1,290	4,255
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	26,200	—	1,785	24,415
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	37,325	—	110	37,215
Other	various	2009	87	—	69	18
TOTAL BONDS AND NOTES PAYABLE			\$ 525,514	\$ —	\$ 17,115	\$ 508,399
Less current portion of debt			(16,784)	(365)	—	(17,149)
Bond premium			18,585	—	806	17,779
Deferred loss on early retirement of debt			(5,196)	—	(374)	(4,822)
NET LONG-TERM DEBT			\$ 522,119	\$ (365)	\$ 17,547	\$ 504,207

The University of Virginia has a revolving credit agreement with a maximum principal amount of \$82,010,000 to provide liquidity for (i) the 2003A General Revenue Pledge Bonds and (ii) the Series 2003A Notes. There were no advances outstanding under this credit agreement as of June 30, 2007. The 9c and 9d bonds are supported by all revenue of the University not otherwise pledged.

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
2008	\$ 17,149	\$ 26,870
2009	13,273	23,021
2010	13,771	22,894
2011	19,614	21,684
2012	19,477	20,707
2013–2017	76,202	90,267
2018–2022	63,423	72,946
2023–2027	31,895	61,902
2028–2032	59,930	54,592
2033–2037	193,665	32,648
TOTAL	\$ 508,399	\$ 427,531

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, 2007, the outstanding balance of the prior years in-substance defeased bonds and notes totaled \$99,115,000.

b. Long-term liabilities at June 30, 2007, are summarized in the chart below.

LONG-TERM LIABILITIES <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2006	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2007
Investments held for related entities	\$ 15,717	\$ 3,635	\$ —	\$ 19,352
Accrual for compensated absences	44,246	51,863	48,014	48,095
Perkins loan program	14,368	—	554	13,814
Other	16,237	14,216	4,448	26,005
Subtotal	90,568	69,714	53,016	107,266
Less current portion of long-term liabilities	(51,908)	—	(1,145)	(50,763)
NET LONG-TERM LIABILITIES	\$ 38,660	\$ 69,714	\$ 51,871	\$ 56,503

NOTE 6: AFFILIATED COMPANIES

UNIVERSITY OF VIRGINIA IMAGING, L.L.C.

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

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

COMMUNITY MEDICINE, L.L.C.

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

Community Medicine commenced operations on July 1, 2001, and as of June 30, 2007, 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, 2007, 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 (Sections 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.

AS OF JUNE 30, 2007 <i>(in thousands)</i>	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	687	306	993
Community Medicine, L.L.C.	1,810	(3,239)	(1,429)
Central Virginia Health Network, Inc.	233	(41)	192
HEALTHSOUTH, L.L.C.	1,830	4,476	6,306
Valiance, L.L.C.	350	408	758
University HealthSystem Consortium	—	647	647

HEALTHCARE PARTNERS, INC.

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

NOTE 7: COMPONENT UNITS

Summary financial statements and additional disclosures are presented below.

STATEMENT OF FINANCIAL POSITION <i>(in thousands)</i> <i>as of June 30, 2007</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	\$ 4,747	\$ 25,978	\$ 32,638	\$ 26,527	\$ 17,798	\$ 111,510	\$ 362,612	\$ 581,810	\$ —	\$ 581,810
Noncurrent assets										
Long-term investments	306,752	241,633	362,582	57,801	162,737	100,518	4,791,211	6,023,234	(873,837)	5,149,397
Capital assets, net, and other assets	7,956	81,993	21,791	42,181	241,414	21,316	113	416,764	—	416,764
Total noncurrent assets	314,708	323,626	384,373	99,982	404,151	121,834	4,791,324	6,439,998	(873,837)	5,566,161
TOTAL ASSETS	\$ 319,455	\$ 349,604	\$ 417,011	\$ 126,509	\$ 421,949	\$ 233,344	\$5,153,936	\$7,021,808	\$(873,837)	\$6,147,971
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	\$ 125	\$ 8,375	\$ 83,619	\$ 864	\$ 45,335	\$ 95,337	\$5,150,287	\$5,383,942	\$(873,837)	\$4,510,105
Noncurrent liabilities										
Long-term debt, net of current portion of \$5,911	—	55,826	—	—	232,125	19,140	—	307,091	—	307,091
Other noncurrent liabilities	786	—	18,941	952	52,817	52,331	—	125,827	—	125,827
Total noncurrent liabilities	786	55,826	18,941	952	284,942	71,471	—	432,918	—	432,918
TOTAL LIABILITIES	\$ 911	\$ 64,201	\$ 102,560	\$ 1,816	\$ 330,277	\$ 166,808	\$5,150,287	\$5,816,860	\$(873,837)	\$4,943,023
NET ASSETS										
Unrestricted	\$ 66,661	\$ 90,078	\$ 49,529	\$ 41,174	\$ 13,243	\$ 59,523	\$ 3,649	\$ 323,857	\$ —	\$ 323,857
Temporarily restricted	165,034	90,651	132,420	62,982	63,653	7,013	—	521,753	—	521,753
Permanently restricted	86,849	104,674	132,502	20,537	14,776	—	—	359,338	—	359,338
TOTAL NET ASSETS	318,544	285,403	314,451	124,693	91,672	66,536	3,649	1,204,948	—	1,204,948
TOTAL LIABILITIES AND NET ASSETS	\$ 319,455	\$ 349,604	\$ 417,011	\$ 126,509	\$ 421,949	\$ 233,344	\$5,153,936	\$7,021,808	\$(873,837)	\$6,147,971

*December 31, 2006, 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 is 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, 2007, are as follows:

SUMMARY SCHEDULE OF PLEDGES RECEIVABLE <i>(in thousands)</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	\$ 16,798	\$ 18,690	\$ 20,179	\$ 65,687	\$ —	\$ —	\$ —	\$ 121,354
Less allowance for uncollectible accounts	(783)	(879)	(2,018)	(3,513)	—	—	—	(7,193)
Less effect of discounting to present value	(3,666)	(1,927)	(2,806)	(4,753)	—	—	—	(13,152)
Net pledges receivable	12,349	15,884	15,355	57,421	—	—	—	101,009
Less current pledges	(4,414)	(4,566)	(3,315)	(17,392)	—	—	—	(29,687)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 7,935	\$ 11,318	\$ 12,040	\$ 40,029	\$ —	\$ —	\$ —	\$ 71,322

*December 31, 2006, year-end

The **University of Virginia Law School Foundation** has also received bequest intentions and certain other conditional promises to give of approximately \$23.5 million at June 30, 2007. 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.

The **Alumni Association of the University of Virginia** receives contributions that are designated for University of Virginia-related programs. These amounts are held in trust until they are disbursed. The total of such amounts being held by the Association at June 30, 2007, was \$78 million.

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 investment company for pooled investments. 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, 2007, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS <i>(in thousands)</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	\$ 18	\$ —	\$ —	\$ 44	\$ —	\$ 48,707	\$ 2,001,330	\$2,050,099
University of Virginia Investment Management Company	139,151	235,538	345,492	56,375	69,313	27,968	2,469	876,306
Equities	67,667	6,095	6,596	—	—	21,780	1,905,313	2,007,451
Other	99,916	294	10,494	1,382	107,521	61,399	1,242,937	1,523,943
Total investments	\$ 306,752	\$ 241,927	\$ 362,582	\$ 57,801	\$ 176,834	\$ 159,854	\$5,152,049	\$6,457,799
Less amounts shown in current assets	—	(294)	—	—	(14,096)	(59,337)	(360,838)	(434,565)
Less eliminations	(139,151)	(235,538)	(345,492)	(56,375)	(69,313)	(27,968)	—	(873,837)
LONG-TERM INVESTMENTS	\$ 167,601	\$ 6,095	\$ 17,090	\$ 1,426	\$ 93,425	\$ 72,549	\$ 4,791,211	\$5,149,397

*December 31, 2006, year-end

The **University of Virginia Investment Management Company** has investments in limited partnership hedge fund, private equity and venture capital investments or similar private investment vehicles that do not actively trade through established exchange mechanisms and are valued at estimated fair market value, based on University of Virginia Investment Management Company's interest in the investee as determined and reported by the external manager of the investment vehicle. Such investments represent \$873,731 (17 percent of investments held for others) at June 30, 2007. 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 **University of Virginia Foundation's** property, furnishings, and equipment 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, 2007, capital assets consisted of (in thousands):

Land	\$ 57,583
Buildings and improvements	160,755
Furnishings and equipment	18,515
Total	236,853
Less accumulated depreciation	(51,646)
NET CAPITAL ASSETS	\$ 185,207

The **University of Virginia Darden School Foundation's** property, furnishings, and equipment 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, 2007, capital assets consisted of (in thousands):

Rights of occupancy	\$ 100,828
Buildings and improvements	1,554
Furnishings and equipment	970
Total	103,352
Less accumulated depreciation	(21,451)
NET CAPITAL ASSETS	\$ 81,901

NOTES PAYABLE

The **University of Virginia Foundation** has established a line of credit in the amount of \$34 million. The outstanding balance at June 30, 2007, was \$26 million. The Foundation has a second line of credit in the amount of \$25 million. The outstanding balance on this line was \$8 million at June 30, 2007.

The University has allocated up to \$51 million of its quasi-endowment funds for use by the Foundation to acquire and develop real estate. As of June 30, 2007, the Foundation had borrowed \$10 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 **University of Virginia Foundation's** long-term obligations at June 30, 2007 (in thousands):

1996 Industrial Development Authority revenue bonds—Albemarle	\$ 1,310
1997 Industrial Development Authority revenue bonds—Louisa	5,742
1999 Mortgage note payable	7,526
2001 Refinancing demand bonds	43,999
2004 Refinancing note payable	9,744
2006 Refinancing demand bonds	165,900
Total	234,221
Less portion due within one year	(2,096)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$ 232,125

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

Year ended June 30, 2008	\$ 2,095
Year ended June 30, 2009	12,777
Year ended June 30, 2010	3,910
Year ended June 30, 2011	4,037
Year ended June 30, 2012	4,117
Years ended June 30, 2013–2031	207,285
TOTAL	\$ 234,221

The following table summarizes the **University of Virginia Health Services Foundation's** long-term obligations at June 30, 2007 (in thousands):

1998 Refunding bonds	\$ 15,125
2000 Industrial Development Authority revenue bonds—Louisa	4,760
Total	19,885
Less portion due within one year	(745)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$ 19,140

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

Year ended June 30, 2008	\$ 745
Year ended June 30, 2009	780
Year ended June 30, 2010	810
Year ended June 30, 2011	845
Year ended June 30, 2012	885
Years ended June 30, 2013–2031	15,820
TOTAL	\$ 19,885

The following table summarizes the **University of Virginia Darden School Foundation's** long-term obligations at June 30, 2007 (in thousands):

University of Virginia Phase I and II Darden School Facilities	\$ 58,896
Total	58,896
Less portion due within one year	(3,070)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$ 55,826

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

Year ended June 30, 2008	\$ 3,070
Year ended June 30, 2009	3,240
Year ended June 30, 2010	3,415
Year ended June 30, 2011	3,595
Year ended June 30, 2012	3,800
Years ended June 30, 2013–2031	41,776
TOTAL	\$ 58,896

STATEMENT OF ACTIVITIES <i>(in thousands)</i> <i>for the year ended June 30, 2007</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
UNRESTRICTED REVENUES AND SUPPORT										
Contributions	\$ 3,563	\$ 3,282	\$ 553	\$ 20,535	\$ —	\$ —	\$ 152	\$ 28,085	\$ —	\$ 28,085
Fees for services, rentals, and sales	—	23,646	2,130	802	38,808	181,683	—	247,069	—	247,069
Other revenues	24,006	22,897	77,103	19,171	4,065	80,470	8,313	236,025	—	236,025
TOTAL UNRESTRICTED REVENUES AND SUPPORT	27,569	49,825	79,786	40,508	42,873	262,153	8,465	511,179	—	511,179
EXPENSES										
Program services, lectures, special events	10,178	36,778	68,979	9,698	—	202,664	—	328,297	—	328,297
Other expenses	3,587	2,767	1,802	28,217	44,183	39,708	6,319	126,583	—	126,583
TOTAL EXPENSES	13,765	39,545	70,781	37,915	44,183	242,372	6,319	454,880	—	454,880
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	13,804	10,280	9,005	2,593	(1,310)	19,781	2,146	56,299	—	56,299
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	5,957	10,753	43,907	23,015	—	—	—	83,632	—	83,632
Other	31,007	26,934	(2,900)	(11,163)	8,352	(6,074)	—	46,156	—	46,156
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	36,964	37,687	41,007	11,852	8,352	(6,074)	—	129,788	—	129,788
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS										
Contributions	5,894	2,081	11,108	1,546	—	—	—	20,629	—	20,629
Other	618	—	537	21	(612)	—	—	564	—	564
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	6,512	2,081	11,645	1,567	(612)	—	—	21,193	—	21,193
CHANGE IN NET ASSETS	57,280	50,048	61,657	16,012	6,430	13,707	2,146	207,280	—	207,280
Net assets, beginning of year	261,264	235,355	252,794	108,681	85,242	68,194	1,503	1,013,033	—	1,013,033
Current year effect of activity on net assets	—	—	—	—	—	(19,472)	—	(19,472)	—	(19,472)
Prior period adjustment	—	—	—	—	—	4,107	—	4,107	—	4,107
NET ASSETS, END OF YEAR	\$ 318,544	\$ 285,403	\$ 314,451	\$ 124,693	\$ 91,672	\$ 66,536	\$ 3,649	\$ 1,204,948	\$ —	\$1,204,948

*December 31, 2006, 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.

In addition, the **University of Virginia Darden School Foundation** will pay the University the following amounts for the construction of new and improved facilities at the Darden School (in thousands):

Year ended June 30, 2008	\$ 3,070
Year ended June 30, 2009	3,240
Year ended June 30, 2010	3,415
Year ended June 30, 2011	3,595
Year ended June 30, 2012	3,800
Years ended June 30, 2013–2031	41,776
TOTAL	\$ 58,896

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2007, totaled \$2 million. This amount includes gift transfers, payment for facilities and services, and other support for University activities.

The **University of Virginia Health Services Foundation** has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately \$54 million for the year ended June 30, 2007. Approximately \$21 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 \$14 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2007.

OTHER SIGNIFICANT ACTIVITY

The **University of Virginia Health Services Foundation** has a net asset adjustment for fiscal year 2007. This adjustment is due to two occurrences. The first is an overstating of the pension liability reported last year. Adjusting for this overstatement caused a beginning net asset increase of \$1 million. The second is the realizing of Piedmont Liability Trust as a component unit of the Foundation. Piedmont Liability Trust is a revocable trust, formed March 9, 1989, to accumulate and hold funds for use in satisfying medical professional liability claims of the clinicians and employees of the Foundation and the Virginia Urologic Foundation. Piedmont Liability Trust provides administrative, claims, legal, and risk management services in conjunction with satisfying medical professional liability claims. Adjusting for this new subsidiary caused a beginning net asset increase of \$3 million, and a current year decrease in net assets of \$19 million. The results of the above activity caused a beginning net asset increase of \$4 million and a current year decrease in net assets of \$19 million; a net effect of decreasing net assets by \$15 million.

NOTE 8: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION <i>(in thousands)</i> <i>for the year ended June 30, 2007</i>	COMPENSATION AND BENEFITS	SUPPLIES AND OTHER SERVICES	STUDENT AID	UTILITIES	DEPRECIATION	OTHER	TOTAL
Instruction	\$ 256,562	\$ 8,396	\$ 3,147	\$ 1,818	\$ —	\$ 895	\$ 270,818
Research	161,513	79,113	15,859	1,145	—	634	258,264
Public service	13,060	11,763	344	203	—	475	25,845
Academic support	82,365	30,829	857	1,059	—	(162)	114,948
Student services	21,901	7,668	194	258	—	206	30,227
Institutional support	66,840	5,115	4	1,773	—	959	74,691
Operation of plant	55,354	(60,241)	6	56,830	—	(304)	51,645
Student aid	792	5,027	30,848	3	—	164	36,834
Auxiliary	54,458	47,964	147	18,223	—	(654)	120,138
Depreciation	—	—	—	—	73,503	—	73,503
Patient services	376,787	383,784	—	13,426	48,267	32,843	855,107
Other	2	(749)	—	479	—	(10)	(278)
TOTAL	\$ 1,089,634	\$ 518,669	\$ 51,406	\$ 95,217	\$ 121,770	\$ 35,046	\$ 1,911,742

NOTE 9: APPROPRIATIONS

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

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

APPROPRIATIONS (<i>in thousands</i>)	2007
Original legislative appropriation per Chapter 847	\$ 154,985
Adjustments	
Financial Aid—General Fund	10,912
Reversions	(531)
Reversal required for payroll shift at end of FY06	(7,022)
Eminent Scholars	2,934
SWVA Public Education Consortium	300
Salary increase	1,711
Engineering Telecommunications Project	775
Virginia Graduate Marine Science Consortium	210
Employee benefits	1,284
Graduate Nursing Student Loan Funds (SCHEV)	700
Miscellaneous educational and general	4,181
TOTAL	\$ 170,439

NOTE 10: RETIREMENT PLANS

Employees of the University are employees of the Commonwealth. Substantially all salaried classified employees and research staff, 8 percent of faculty, and 28 percent of Medical Center employees participate in a defined-benefit pension plan administered by the Virginia Retirement System (VRS). Information relating to this plan is available at the statewide level only in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The Commonwealth, not the University, has overall responsibility for contributions to this plan.

Ninety-two percent of teaching, research, and administrative faculty, and 72 percent of Medical Center employees participate in Optional Retirement Plans. The Faculty Retirement Plan is a defined-contribution plan to which the University contributes an amount established by statute. Faculty members 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 plans were approximately \$43 million, and contributions to the Optional Retirement Plans were calculated, using base salaries of \$471 million, for the year ended June 30, 2007. The contribution percentage amounted to 9.2 percent.

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Commonwealth of Virginia sponsors a 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 *Comprehensive Annual Financial Report*.

University of Virginia faculty members who participate in the Optional Retirement Plan receive \$5,000 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.

University employees who retire before reaching age 65 participate in the Retiree Health Plan, which mirrors the U.Va. Health Plan for active employees, until they reach age 65. At age 65, University retirees can participate in the Commonwealth's Medicare Supplement Plan.

NOTE 12: SELF-INSURANCE

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments at June 30, 2007, was \$50 million. The estimated liability for outstanding claims at June 30, 2007, was \$12 million. The University has contracted with several third-party claims administrators: Southern Health Services, Inc., for its medical claims; United Concordia for its dental claims; and PharmaCare 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 *Comprehensive Annual Financial Report*.

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

NOTE 13: FUNDS HELD IN TRUST BY OTHERS

Assets of funds held by trustees for the benefit of the University are not reflected in the accompanying Statement of Net Assets. The University has irrevocable rights to all or a portion of the income of these funds, but the assets of the funds are not under the management of the University. The market value of the funds held by trustees for the benefit of the University at June 30, 2007, was \$151 million and income received totaled \$6 million.

NOTE 14: COMMITMENTS

As of June 30, 2007, the University had outstanding construction contract commitments of approximately \$159 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, 2007, was approximately \$24 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
2008	\$ 13,684
2009	8,303
2010	7,161
2011	4,372
2012	2,845
2013–2017	9,241
2018–2022	7,574
2023–2027	823
2028–2032	823
2033–2037	823
2038–2042	823
2043–2047	823
2048–2052	424
TOTAL	\$ 57,719

LITIGATION

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

UNIVERSITY ADMINISTRATION

John T. Casteen III, *President*
Leonard W. Sandridge, *Executive Vice President and Chief Operating Officer*
Arthur Garson, Jr., M.D., *Executive Vice President and Provost*
Robert D. Sweeney, *Senior Vice President for Development and Public Affairs*
Susan Carkeek, *Vice President and Chief Human Resources Officer*
R. Ariel Gomez, M.D., *Vice President for Research and Graduate Studies*
William B. Harvey, *Vice President and Chief Officer for Diversity and Equity*
James L. Hilton, *Vice President and Chief Information Officer*
R. Edward Howell, *Vice President and Chief Executive Officer of the Medical Center*
Patricia M. Lampkin, *Vice President and Chief Student Affairs Officer*
Yoke San L. Reynolds, *Vice President and Chief Financial Officer*
Colette Sheehy, *Vice President for Management and Budget*
James H. Aylor, *Dean of the School of Engineering and Applied Science*
Robert F. Bruner, *Dean of the Darden School of Business*
Sharon L. Hostler, M.D., *Interim Vice President and Dean of the School of Medicine*
John C. Jeffries, Jr., *Dean of the School of Law*
B. Jeanette Lancaster, *Dean of the School of Nursing*
Lynda Phillips-Madson, *Interim Dean of the School of Continuing and Professional Studies*
Robert C. Pianta, *Dean of the Curry School of Education*
Karen L. Ryan, *Interim Dean of the College and Graduate School of Arts and Sciences*
Karen Van Lengen, *Dean of the School of Architecture*
Carl P. Zeithaml, *Dean of the McIntire School of Commerce*
Maurice Apprey, *Dean of African American Affairs*
John A. Blackburn, *Dean of Undergraduate Admission*
Allen Groves, *Interim Dean of Students*
Karin Wittenborg, *University Librarian*
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E-mail cb2zf@virginia.edu.

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Writer, Charlie Feigenoff

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The image of the starburst galaxy known as NGC 4449 (middle) is from the research of astronomy graduate student Amy Reines and assistant professor of astronomy Kelsey Johnson, who are studying globular star clusters and the development of the early universe. Professor Johnson is one of two Packard Fellows in the Department of Astronomy. The image of NGC 4449 combines radio data from the National Radio Astronomy Observatory and optical imaging from NASA's Hubble Space Telescope. The RCW49 (above) and Omega nebulae (below) are two giant regions of young, massive star formation in our galaxy. These images were produced as part of the research of Remy Indebetouw, a research scientist in the Department of Astronomy. The data are from the Spitzer Space Telescope, the largest and most powerful infrared telescope ever launched into space (a NASA mission operated by the Jet Propulsion Laboratory).



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