

2005-06 President's Report



An award-winning rail transportation plan for the Washington, D.C./Richmond Rail Corridor. Designed by Warren Boeschstein, the Merrill D. Peterson Professor of Architecture, this illustration shows the potential for transit-oriented development around a major intersection in Northern Virginia in work funded by the Virginia Department of Rail and Public Transportation.

Art in the President's Report

School of Architecture faculty created the art featured in this year's report. The projects represent the variety of design, analytic, and planning work of the school's faculty members. One of the premier architecture schools in the United States, the University's School of Architecture offers programs in architecture, landscape architecture, history of architecture, preservation, and urban and environmental planning. The school promotes architectural design of the public realm, focused on innovative aesthetic, environmental, and social themes. The home of the Architecture School, Campbell Hall, is being expanded to accommodate growth in faculty and student populations, as well as changes in the curriculum. The new additions were designed by prominent architects and landscape architects on the faculty, working in coordination with SMBW Architects in Richmond. The expansion is scheduled for completion in the spring of 2008.

The Cover

Students build the first ecoMOD house constructed at the University-owned Milton Airport hangar. The house was sited in Charlottesville's Fifeville neighborhood in September 2005. Directed by John Quale, assistant professor of architecture, the ecoMOD project is integrated in the school's curriculum. Teams of architecture, engineering, and landscape students and faculty are creating a series of affordable, sustainable, and prefabricated housing units through partnerships with Piedmont Housing Alliance and Habitat for Humanity. The second ecoMOD house, preHAB, was constructed and sited in Gautier, Mississippi, an area devastated by Hurricane Katrina.

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The Power of Knowledge

Mr. Jefferson's University supports a community dedicated to the public good.

The University's founder was both visionary and pragmatic. With great confidence and ambition, Mr. Jefferson described the institution he created as "the future bulwark of the human mind in this hemisphere." At the same time, he grounded the curriculum in what he called the "useful sciences." He believed in teaching practical knowledge that ordinary citizens could use to organize and govern a Republic.

Our mission today is the same as Jefferson's. Both the bold vision and the sound pragmatism that he first articulated nearly 200 years ago guide our pursuit of excellence in a new global century of unprecedented opportunity. With our Virginia 2020 goals providing direction, and with rigorous academic planning now in progress to chart the University's course for the future, we are working to create centers of excellence in the fine and performing arts, to expand our international activities, to fulfill our obligations in service to the people of Virginia and the nation, and to create science and technology programs that rival the best in the nation and the world. This report documents recent progress in these and many other areas.

Our students continue to be our strongest asset, just as they continue to set new standards for achievement. During the 2005–06 academic year, University students received six Fulbright Scholarships, two Mitchell Scholarships, two Goldwater Scholarships, and one Truman Scholarship. Many stories of superb student performance appear in the pages of this report. These stories are singular examples of the broad excellence that defines the work of the young women and men who come here to learn.

In the year before classes began at the University, when Jefferson was seeking professors to fill faculty positions, he wrote that he was "anxious to receive none but of the highest grade." The University's eminence continues to depend upon the quality of its teachers. Among our faculty we count one Nobel Prize winner, three MacArthur fellows, and twenty-five fellows of the American Academy of Arts and Sciences. The National Academy of Sciences includes three University faculty members, the National Academy of Engineering includes twelve, and the Institute of Medicine of the National Academy of Sciences has inducted sixteen of our faculty. The teaching, scholarship, and research produced by our faculty influence many lives—under-



graduate and graduate students, lifelong learners, and those who benefit directly from the fruits of their research.

We witnessed the dawn of a new era when the Restructured Higher Education Financial and Administrative Operations Act went into effect last summer. This landmark legislation establishes a framework for a new model in the financing and operation of public universities in Virginia. Within this framework, the University and the state's other public colleges and universities will have the ability to plan for the future and manage operations more efficiently. With these responsibilities come systems of accountability, as written into management agreements with the state. These management agreements are based on six-year operating plans involving financial, academic, and enrollment data.

Institutions that participate in the new framework must commit to increasing financial aid programs to keep tuition costs from becoming a barrier to access for students of lesser means. Through AccessUVA, the University has promised to meet 100 percent of the need of all undergraduate students who qualify for financial aid. In the past year, we signed a new agreement



President's Letter

with the Virginia Community College System that guarantees admission, based on fulfillment of standard requirements, to graduates of Virginia's twenty-three community colleges. Coupled with AccessUVA, this agreement should attract students who may have thought previously that they could not qualify or that they could not afford to attend. In his *Bill for the More General Diffusion of Knowledge*, Jefferson wrote that education should be made available to the nation's citizens to equip them for leadership "without regard to wealth, birth or other accidental condition or circumstance." With AccessUVA and with the VCCS agreement, we uphold that principle.

Diversity continues to be a signature trait of this University. In 2006, for the twelfth straight year, the University posted the highest six-year graduation rate for African-American students among major public institutions. In 2005-06, 54 percent of students were women, and 23 percent of total undergraduates were African American, Native American, Asian, or Hispanic. William B. Harvey joined us in 2005 as the University's first vice president and chief officer for diversity and equity, and he has had an immediate and substantial impact on the culture here. Mr. Harvey is leading our efforts as we continue to create a welcoming and supportive environment for all who work, live, and study at the University.

As part of the 2020 initiative, the University made a commitment to expanding its international activities. We took a major step in that direction last year when the University partnered with the Institute for Shipboard Education to become the academic sponsor for Semester at Sea. Each year, during the fall and spring semesters, some 670 students from colleges and universities across the country will take an around-the-world voyage on the floating campus, the *MV Explorer*. A shorter trip with slightly fewer students is held during the summer session. Traveling on the *MV Explorer* will give students the opportunity to learn the languages and histories of other nations and to study the nuances that distinguish various cultures. These are important lessons in this age of global interdependence.

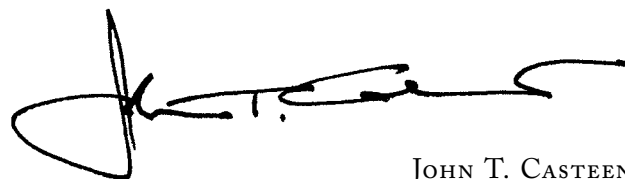
In an 1816 letter to John Adams, Jefferson wrote, "I like the dreams of the future better than the history of the past." Dreams of the future guide our work as we generate strategies to sustain the University for tomorrow and beyond. The Board of Visitors has established a ten-year academic plan, using the six-year plan from the restructuring management agreement as

Dreams of the future guide our work as we generate strategies to sustain the University for tomorrow and beyond.

foundation. This planning project addresses University-wide priorities and strategies, drawing from school-based planning, Virginia 2020, and emerging initiatives and interests across Grounds. I have appointed a Commission on the Future of the University, co-chaired by Leonard Sandridge and Tim Garson, to carry this planning work forward and to begin the process of implementation.

In September 2006, the Board of Visitors launched the University's new campaign, with one-third of the \$3 billion goal already raised. The campaign theme, "Knowledge is Power," is derived from the words of Thomas Jefferson, who wrote about "the important truths, that knowledge is power, that knowledge is safety, and that knowledge is happiness." With this campaign, we will provide the best resources for the creation of our most important product: women and men of exceptional achievement who leave here as broadly knowledgeable citizens ready for effective engagement in public life.

As I look back on a year in which the University achieved new autonomy to chart its own course to excellence, the notion of freedom resonates in especially meaningful ways. With newfound momentum, we will continue to teach and produce useful knowledge in this place where Mr. Jefferson defined knowledge as the foundation of human liberty, in this institution that he based on the illimitable freedom of the human mind.



JOHN T. CASTEEN III
President



The Year at a Glance

SEPTEMBER 2005 – SEPTEMBER 2006

SEPTEMBER

► Less than five days after **Hurricane Katrina** floods New Orleans, the first of 142 students from the stricken area enroll for classes at U.Va. By executive order, Governor **Mark R. Warner** waives their tuition, and the University makes arrangements to house the forty first-years among them on Grounds.

► Ceremonies are held to dedicate a life-size bronze statue of Thomas Jefferson at the University of Virginia's **College at Wise**. The statue is a gift from the University in recognition of the college's fiftieth anniversary and in appreciation of **Ernest H. Ern**'s service as chancellor during 2004–05.

► Funding from the National Institutes of Health for biomedical research at the **School of Medicine** increases 5.1 percent for the year ending September 30, 2005. The NIH funding includes a five-year, \$2.2 million grant to study the cause of high blood pressure and a \$6 million grant to investigate a



The Rolling Stones wow a sold-out crowd at Scott Stadium.

cell-signaling process involved in the spreading of prostate cancer.

► Hundreds of alumni, students, faculty, and friends of the **Darden School of Business** gather on Grounds to kick off a two-year celebration in honor of the school's fiftieth anniversary. The celebration will continue to be observed over the next two years with special events in numerous cities around the world.

► Completing a two-year term as University Rector, Richmond lawyer **Gordon F. Rainey, Jr.** (*College '62, Law '67*), steps into his next assignment: leading the University's \$3 billion fundraising campaign. Mr. Rainey is a former president of the U.Va. Alumni Association and serves as a trustee of the Law School Foundation.



Vanessa Redgrave, star of *The Fever*, discusses the movie, which held its U.S. premiere at the Virginia Film Festival.

OCTOBER

► Looking back at 100 years of experience in public education, the **Curry School of Education** celebrates its centennial with "At the Crossroads of Hope and Habit," a conference that brings national authorities in educational policy to the Grounds.

► The eighteenth annual **Virginia Film Festival** draws 13,087

film buffs to its IN/ JUSTICE-themed event. Special guests include Vanessa Redgrave, John Grisham, Sissy Spacek, Kathy Baker, and Harold Ramis.

► **The Rolling Stones** more than satisfy the crowd of 55,000 fans who pack Scott Stadium to cheer, dance, and sing along with the self-proclaimed best rock 'n' roll band in the world. The Stones concert underscores the University's ability to attract headliners to Charlottesville.

► A team of six electrical and computer engineering graduate students take first place in phase one of a **Semiconductor Research Corporation national contest** in computer chip design.

► The University announces that Moore Ruble Yudell Architects & Planners of Santa Monica, California, has been selected from twenty-six applicants to design

Statue of Thomas Jefferson by sculptor **Edward Hlavka**.

a new conceptual plan and the first four buildings for the College of Arts and Sciences' "South Lawn Project."



Edward L. Ayers, Dean of the College and Graduate School of Arts and Sciences, speaks at the groundbreaking ceremony for the South Lawn project, one year after the announcement of the project's architects.

NOVEMBER

► The University's efforts to move the engineering program into the top ranks receive a boost as **Paul G. Rice** and his wife, **Gina**, of Warrenton, Virginia, present the School of Engineering and Applied Science with the second-largest gift in its history. Funded through the Rice Family Foundation, the





Lincoln's Gettysburg Address painted on Beta Bridge. Architecture and art professor Sanda Iliescu worked with students and community members to produce a public "wall drawing," where each person contributes a word as a metaphor for democracy.

contribution will serve as a lead gift to fund construction of the school's information technology building.

► President **John T. Casteen III** officially appoints **Robert E. Bruner** as dean of the Darden School of Business. A twenty-three-year veteran of the Darden School, Dean Bruner is an expert in corporate finance, mergers and acquisitions, emerging markets, innovation, and technology transfer.

► **AMERICANPRESIDENT.ORG**, a Web site of the **Miller Center of Public Affairs**, is named one of the top free reference sites of 2005 by the American Library Association. The site, which consists of two sections—The Presidency in History and The Presidency in Action—includes biographies, image galleries, and essays along with other extensive resources for high school teachers and students, undergraduate students, and the general public.



Gregory H. Olsen

space explorer **Gregory H. Olsen** (*Engineering '71*) returns from his ten-day mission to the International Space Station to discuss his experience with University students. The world's third space traveler, who also is a scientist and entrepreneur, conducted three on-board experiments to test the human body's reaction to the absence of gravity.



Wambui Jackie Chege leads effort to aid orphaned children in Kenya.

► **The Papers of George Washington project** is one of twelve **National Humanities Medal** recipients honored for groundbreaking work by President George W. Bush in an Oval Office ceremony.

► **Wambui Jackie Chege**, founder and executive director of Watoto Village, a nonprofit organization that provides homes, schooling, and health care to the orphaned street children of Nairobi, Kenya, speaks at the auditorium of the Harrison Institute/Small Special Collections Library. The talk, co-sponsored by the **Women's Center** and the **Studies in Women and Gender Program**, is part of the center's series on Local and Global Challenges for Women.

DECEMBER

► Former Virginia Governor **Gerald L. Baliles** agrees to serve as the fifth director of the Miller Center of Public Affairs, the



Governor Gerald L. Baliles

foremost nonpartisan institution dedicated to studying U.S. national and international policy, with a special emphasis on the American presidency. He joins a distinguished list of presidents and governors, beginning with Thomas Jefferson and including James Madison and Colgate Darden, who devoted themselves to the University of Virginia after retiring from public life.

► Virginia's reserve defensive back **Ryan Best** receives the Brian Piccolo Award. The honor goes to the "most courageous" football player in the ACC.

► In partnership with the



Piccolo Award winner Ryan Best underwent chemotherapy treatments during the off-season, often choosing to participate in workouts on the same days as treatments.

University's Office of Engagement and in collaboration with faculty, the School of Continuing and Professional Studies launches **Cavalier Travels** for U.Va. alumni, parents, family, and friends.

► **The Ivy Foundation** of Charlottesville gives \$45 million to the University Health System, one of the largest contributions

in U.Va. history and the largest ever designated specifically for medical research and clinical applications. It will support three priority projects—a new translational research facility, a new outpatient facility for the Children's Hospital, and a new



Nursing Program at Wise Receives Bequest

The need for health care in Southwest Virginia has never been greater. A bequest of \$2.7 million from Kathleen Strunk of Abingdon, Virginia, to the nursing program at the University of Virginia's College at Wise is an important step toward remedying this situation. This bequest, one of the largest gifts in the school's history, will fund scholarships for nursing students from Southwest Virginia and Bristol, Tennessee, as well as endow professorships in the school's nursing department.



The Semester at Sea program is held aboard the floating campus of the 525-foot MV Explorer.

ment to make the **School of Continuing and Professional Studies'** online certificate programs in information security management, procurement and contracts management, and project management available to international MBA students.

► Students enrolled in **"Technology and Citizenship: Hurricane Katrina"** spend J-term in New Orleans, gutting and cleaning houses and helping three high schools merge and open for the first time since the August 2005 storm. The class was designed to expose students from a cross-section of the University to the complex decisions that individuals and governments grapple with as they shape the fate of the city.

clinical cancer building. *The Chronicle of Philanthropy* lists it as one of the ten most significant donations made in 2005.

► President **John T. Casteen III** announces the appointment of **James L. Hilton** as vice president and chief information officer beginning in July 2006. A national expert on information technology policy and an advocate for strong collaboration between academic and technology cultures in a university environment, Mr. Hilton was the associate provost for academic, information, and instructional technology affairs and a professor of psychology at the University of Michigan at the time of his appointment.

JANUARY

► The University will play a leading role addressing the nursing shortage in Virginia, thanks to a \$5 million gift from the **Claude Moore Charitable Foundation** of Fairfax, Virginia. The largest single gift received by the **School of Nursing**, the grant will help fund the new Claude Moore Nursing Education Building across from McLeod Hall.

► **U21 Global** signs an agree-



J-term students aid clean-up effort in New Orleans after Hurricane Katrina.

► The University becomes the academic home for the **Semester at Sea** program. The University will offer the global comparative study-abroad experience, which takes place on

board the MV *Explorer*, beginning with the summer 2006 session.

► Succeeding current president Jack Syer, **C. Thomas Faulders III** (*College '71*) is selected as president and chief executive officer of the **U.Va. Alumni Association** by the association's board of managers. He will assume his position by early March.

► Nobel laureate **Dr. Ferid Murad**, a groundbreaking physiologist who conducted some of his most important research during the 1970s at the University, presents "Before and After the Nobel Prize," in the Rotunda Dome Room. The annual public lecture by Nobel science laureates is free and open to the public. Dr. Murad won the 1998 Nobel Prize in Physiology.

► A 1997 paper, "Processing of X-Ray Differentiation Data

Collected in Oscillation Mode," by **Wladek Minor**, professor of molecular physiology and biological physics, co-authored with Zbyszek Otwinowski, of the University of Texas, is recognized by *The Scientist* magazine as the second-most cited scientific paper in the world in the last ten years.

FEBRUARY

► The University of Virginia again claims the number one spot among medium-sized schools (less than 15,000 undergraduates) for **Peace Corps** involvement, with eighty alumni serving as volunteers.

► The first African American student to receive a degree from the University is honored with a lecture series sponsored by



Bayous & Barges: Architecture Students Honored

Unlike environmental education centers located in pristine "nature," the Learning Barge traverses a heavily industrialized and polluted urban river. Designed by eleven second- and third-year graduate students in architecture and landscape architecture, the proposed floating environmental classroom and field station on Virginia's Elizabeth River won the American Society of Landscape Architects' National Student Collaborative Design Award. Architecture professor Phoebe Crisman is the faculty advisor for the project, which features a 3,600-square-foot floating barge constructed of recycled materials and powered solely by site-based solar and wind energy systems. The ASLA also bestowed a Communications Award of Honor on Bridget Belkacemi, a 2006 graduate of the master of landscape architecture program, for her project "Bayou as Infrastructure," which uses video animation and storytelling to create an interactive model for representing possible schemes for the rebuilding of New Orleans to the public. Robin Dripps, the T. David Fitz-Gibbon Professor of Architecture; and Maurice Cox, associate professor of architecture, served as her faculty advisors. For more information on these projects, see <http://asla.org/awards/2006/student-awards/> and <http://www.arch.virginia.edu/learningbarge>.



The Year at a Glance

the Curry School of Education, the Vice President and Chief Officer for Diversity and Equity, and the Walter Ridley Scholarship Fund. Walter N. Ridley graduated in 1953 with a doctorate in education and had a distinguished career in higher education administration. **Henry L. Johnson**, assistant secretary for elementary and secondary education for the U.S. Department of Education, is the first speaker for the series.



Henry L. Johnson speaks in the Dome Room of the Rotunda about realizing the dream of the federal No Child Left Behind program.

► **P. Kenneth Seidelmann**, dynamical astronomer and research professor of astronomy, is among a team of Russian and American scientists who receive the 2005 International Scientific Cooperation Award from the American Associa-

tion for the Advancement of Science, the world's largest general scientific society, and publisher of the journal *Science*.

► *USA Today* lists **Catherine S. Neale** (College '06) and **Edward Ross Baird** (College '07) among those honored in its seventeenth annual undergraduate recognition program, the All-USA College Academic Team. Ms. Neale, a 2005 Truman Scholarship winner, is a history major who plans to attend law school and to pursue a career in public higher education. A 2006 Truman Scholar, Jefferson Scholar, Echols Scholar, and Robert K. Gooch Scholar, Mr. Baird is majoring in the politics honors program and intends to study law and public policy.



Catherine S. Neale and Ross Baird selected for All-USA College Academic Team.

MARCH

► For the twelfth consecutive year, the University posts the highest graduation rate for African American students among major public institutions, according to the *Journal of Blacks in Higher Education*. Six-year graduation rates are 86 percent, far ahead of the nearest contenders, the University of California at Berkeley and the University of New Hampshire at 70 percent.

► Senator **Edward M. "Ted" Kennedy** (Law '59), delivers the keynote address at the School of Law's Conference on Public Service and the Law. Founded by law students seven years ago, the conference brings together students, citi-

zens, and attorneys to discuss current public interest legal issues. Following his address at the Law School, Senator Kennedy spoke at the Miller Center of Public Affairs, which is completing a six-year oral history project on the senator's life and career.

► *Edge of Empire*, by history professor **Maya Jasanoff**, receives the Duff Cooper Prize, one of Britain's most prestigious nonfiction awards. Digging into mostly unex-

plored records in archives and museums on four continents, Professor Jasanoff describes



University Rector Thomas F. Farrell II administers the oath of office as David J. Prior becomes the new chancellor of the University's College at Wise.

life in India and Egypt as seen through the letters and diaries of the European adventurer-collectors who bought or sometimes plundered the artifacts of ancient civilizations. Previous



Sen. Edward Kennedy speaks at the School of Law.

Duff Cooper Prize winners include Laurence Durrell, Seamus Heaney, Richard Ellman, Richard Holmes, and Robert Hughes.

► The **University of Virginia Art Museum** presents a preview of "Complicit! Contemporary American Art and Mass Culture," a special exhibition curated by **Johanna Drucker**, the Robertson Professor of Media Studies. An art historian and internationally renowned book artist, Professor Drucker explores the engagement of artists in dialogue with mass culture, drawing from her recent book, *Sweet Dreams: Contemporary Art and Complicity*.

APRIL

► The University signs a landmark agreement with the **Virginia Community College System** that guarantees admission to VCCS graduates who meet an established set of requirements. Coupled with AccessUVA, this program will attract students who might have thought they could not qualify for admission or could not afford the costs of attendance.

► **David J. Prior**, a highly regarded scholar and administrator, is formally installed as the seventh chancellor of the University of Virginia's College at Wise. Over the last decade, the college has experienced a remarkable renaissance, thanks to a rising endowment and the addition of several new buildings. Chancellor Prior's charge is to make the College one of the best public colleges in the nation.

► Basketball star **Dawn Staley** (College '92) is honored as U.Va.'s Distinguished Alumna of 2006 by the **Women's Center**. The three-time Olympic and two-time World Championship gold medalist has served as head coach at Temple



New BOV Members

Governor Timothy M. Kaine names Alexandria businessman Daniel R. Abramson to the Board of Visitors. Dr. Edwin Darracott Vaughan, Jr., of New York City; Don R. Pipin of Wise County; and Warren M. Thompson of Fairfax County are reappointed to the board. The student member of the board is Anne Elizabeth Mullen (College '07), of Greenwood, Virginia.



Author Tom Wolfe speaks at Valedictory Exercises.

University since 2000.

► As part of Founder's Day celebrations, **Ronald M. Dworkin**, a professor of law at New York University and professor of jurisprudence at Oxford, receives the Thomas Jefferson Foundation Medal in Law, while Swiss architect **Peter Zumthor** receives the Thomas Jefferson Medal in Architecture.

The medals are given to individuals for lasting contribu-

tions in fields that deeply interested Jefferson.

► Archivist of the United States Allen Weinstein announces that presidential historian **Timothy Naftali** will be the first director of the Richard Nixon Presidential Library and Museum in Yorba Linda, California. Currently associate professor and director of the Presidential Recordings Program at the Miller Center of Public Affairs, Professor Naftali will assume his duties on October 16.

MAY

► Plans for an addition to the University's Drama Building take a major step forward, thanks to a \$4 million gift from **Mortimer Caplin** (*College '37, Law '40*) and his wife, **Ruth**. Their gift will fund construction of a 300-seat thrust-stage theater, part of a building expansion for the Department of Drama.

► With the connection to the **National LambdaRail** (NLR), a high-performance computing network, University researchers can access data at super high speed from national labs such as Oak Ridge, supercomputing centers in California and Illinois, particle

Men's lacrosse team captures NCAA Championship.

accelerators, major observatories, and environmental monitoring sites. The NLR uses transcontinental optical circuits (light waves, or lambdas) for transporting massive data over fiber-optic cable specifically for scientific research. The \$100 million network took three years to develop, and as a member, U.Va. has full access.

► The **men's lacrosse team** defeats the University of Massachusetts to win the NCAA championship, completing a historic undefeated season. The Cavaliers end the season with a perfect 17-0 record before a championship game record crowd of 47,062 at Philadelphia's Lincoln Financial Field. The national championship is the fourth in the history of the men's lacrosse program at the University.

► Author and journalist **Tom Wolfe** addresses graduates at Valedictory Exercises during graduation weekend. Some

30,000 people attend Commencement on a brilliant sunny day on the historic Lawn, where Governor **Timothy M. Kaine** presents the Commencement address at the 177th Final Exercises.

► The University joins the **Virginia-Nebraska Alliance**, a partnership among colleges in the two states dedicated to expanding the ranks of minority health professionals and researchers. As part of the program, talented undergraduate students from Virginia's five historically black colleges and universities will receive summer fellowships to work in Health System research laboratories.

► Athletics Director **Craig Littlepage** receives the Black Coaches Association's Athletics Administrator of the Year award at the association's national convention.

► Ending a far-reaching search, conductor **Kate Tamarkin** is announced as the next music



Athletics Head Appreciated by Fans and Colleagues

The Black Coaches Association selects athletics director Craig Littlepage to receive its Athletics Administrator of the Year award. In his fifth year as Virginia's athletic director, he has been listed twice on *Sports Illustrated's* list of the 101 most influential minorities in sports and was named as one of *Black Enterprise Magazine's* Most Powerful African Americans in Sports.



The Year at a Glance



Kate Tamarkin will serve as music director and conductor of the Charlottesville and University Symphony Orchestra.

director and conductor of the Charlottesville and University Symphony Orchestra. She has a distinguished national and international reputation, coming to U.Va. from the Monterey Symphony (California) where she was music director for five years. Ms. Tamarkin will join the University faculty in the fall and will lead the orchestra in the upcoming 2006–07 season.

JUNE

► **Cheryl Burgan Evans** will spearhead University plans to increase the diversity of its graduate student population as its first director of Graduate Student Diversity Programs.



Cheryl Evans

Formerly associate dean of the graduate school at the Miami University of Ohio, she will pursue a variety of approaches, including developing closer ties with historically black colleges and universities and other minority institutions.

► A McIntire School of Commerce student team takes first place in the **American Advertising Federation's National Student Advertising Competition**,

the premier college advertising competition. After finishing second two years in a row at the national AAF competition, a student team advised by **Jack Lindgren**, the Consumer Bankers Association Professor of Retail Banking, topped teams from other finalist universities.

► Governor **Timothy M. Kaine** signs legislation to create the **New College Institute**, a new public college in Southside Virginia, where classes offered through the University of Virginia along with Longwood University, Radford University, Averett University, and Ferrum College will begin in fall 2006.

► Four graduates of the Darden School of Business are named to *Black MBA* magazine's list of the "Top 50 Under 50" African American corporate executives. **Thomas Baltimore** (Darden '91), **Bryan Simms** (Darden '94), **Warren Thompson** (Darden '83), and **William Wright** (Darden '87) are named to the prestigious list.

► The University's **College Guide Program** becomes a national

Jefferson in Paris: New statue of U.Va.'s founder stands by the Pont Solférino over the Seine River.



Independence Day is celebrated at the University Library with the public display of an American icon.

model for college access when the **Jack Kent Cooke Foundation** invites 175 institutions to apply for eight \$1 million grants to create programs based on the U.Va. model. The program places recent graduates in public high schools throughout the Commonwealth to assist students with college admission, financial aid, and scholarship applications.

JULY

► For the first time, the University Library's **Declaration of Independence** is available for public viewing on July 4. The Library's permanent exhibit, "Declaring Independence: Creating

and Recreating America's Document," highlights the collection given by **Albert H. Small** (Engineering '46) and includes one of only twenty-five surviving copies printed on the night of July 4, 1776.

► On July 1, Virginia higher education formally enters 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, Virginia Tech, and the College of William and Mary are granted the highest of three levels of autonomy available under the new system.

► The unveiling of the **Thomas Jefferson Statue** in Paris culminates an almost ten-year effort by University alumni in Paris,



the Thomas Jefferson Foundation, and Guy Wildenstein, an art collector and dealer based in New York and Paris. Created by renowned French sculptor Jean Cardot, the statue will be installed permanently by the Pont Solférino, in the Seventh Arrondissement and across the Seine from the Jardin des Tuileries, near the Palais de Salm, which served as Jefferson's model for Monticello.

► **Cheryl L. Gomez**, director of utilities for the University, receives the Meritorious Service Award, the highest individual service honor from the Association of Higher Education Facilities Professionals. During her tenure, the Energy and Utilities Department has received numerous awards from the Environmental Protection Agency including the Energy Star Partner of the Year and Green Lights Partner of the Year. The department also was recognized by the White House Climate Change Task Force for making

energy efficiency upgrades in campus facilities.

► **The Curry School of Education** is awarded \$10 million from the U.S. Department of Education's Institute of Education Sciences to study approaches for training preschool teachers. The five-year study will assess whether new methods for preparing preschool teachers actually make them better teachers and shows in children's learning and social interactions. Colleagues at the University of North Carolina at Chapel Hill and UNC-Greensboro, plus the University of California at Los Angeles, will join U.Va. researchers to work with some 550 student-teachers mostly from two- and four-year institutions in several large urban areas in Chicago, Los Angeles, and central Florida.

► U.Va.'s **NanoQuEST** (Nanoscale and Quantum Engineering, Science, and Technology) **Institute** hosts a national conference focusing on device engineering

research at the nanoscale level.

James Aylor, dean of the School of Engineering and Applied Science, and **Robert Hull**, director of the institute, deliver opening remarks at the three-day conference, which features talks by prominent researchers in the field of nanotechnology.

AUGUST

► The University of Virginia Medical Center is recognized as a

"Magnet" hospital by the American Nurses Credentialing Center, a subsidiary of the American Nurses Association. Magnet status acknowledges the high quality of care given by U.Va.'s nurses as well as their professional standards and education levels. Independent studies of Magnet hospitals show that patients have shorter lengths of stay, higher satisfaction, higher nurse-to-patient ratios, and lower mortality rates. Nurses are more satisfied with

their work and Magnet recognition strengthens nursing recruitment and retention efforts.

► **The Center for Politics** wins a grant from the U.S.

Election Assistance Commission for recruiting and training college students as nonpartisan poll workers on Election Day. The funding will continue to expand the Student Poll Worker

Charlottesville resident and University alumnus Boyd Tinsley plays with the Dave Matthews Band at the grand opening of the John Paul Jones Arena.



Coach Dave Leitao stands courtside with All-ACC player Sean Singletary.

Program, begun in early 2006 as a partnership between the Center for Politics and the City of Charlottesville Office of Voter Registration. The center also kicks off a yearlong commemoration of the 400th anniversary of the settlement at Jamestown with a four-day International Youth Democracy Summit at the University.

► On Saturday, August 19, more than 3,600 new students arrive on

Grounds, accompanied by parents, relatives, and friends bearing suitcases, boxes, and residence-hall essentials. For 3,125 incoming first-year students and 533 transfers, this will be their first official day on Grounds; for thousands more returning students, **Move-in Day** marks the unofficial beginning of the 2006-07 academic year.

► Cavaliers' basketball coach **Dave Leitao** leaves for Japan with six other current or former coaches to visit sailors aboard a ship in the region. Invited to join the "Operation Hardwood" tour, sponsored by United Service Organizations and Armed Forces Entertainment, the coaches will also coach teams of military personnel competing in a tournament in Tokyo.

► **The Virginia Center for Digital History (VCDH)** is a partner in "The Virginia Experiment: Growing Seeds of Democracy in Four Hundred Years of American History," a program funded with a \$1 million grant from the U.S. Department of Education. With the Center for Liberal Arts, the Center for Technology and Teacher Educa-





tion, and the Miller Center of Public Affairs, VCDH will provide resources for the teaching of American history in five local public school systems.

SEPTEMBER

► **The Dave Matthews Band** plays to a sell-out crowd at the grand opening of the 16,000-seat John Paul Jones Arena. In addition to providing a much-improved home court for the men's and women's basketball programs, the arena is designed to bring nationally acclaimed attractions—such as the Ring-

In with the new: Students and parents on Move-in Day.

on Women in Politics. She is introduced by former Attorney General **Mary Sue Terry**, the only woman to run for governor in Virginia.

► The University kicks off its \$3 billion **Campaign for the University of Virginia** with fireworks on the Lawn and a gala celebration in the new John Paul Jones Arena. More than \$1 billion in gifts and pledges is received by the start of campaign launch weekend, including a \$5 million commit-

merce, the Virginia Athletics Foundation, the U.Va. Children's Hospital, and the U.Va. Alumni Association's Walter N. Ridley Scholarship Fund and Young Alumni Council. The other \$500,000 is a challenge gift to encourage young alumni to participate in the campaign.

► The National Institutes of Health renews the School of Medicine's Cell Migration Consortium

grant. The \$35.7 million "glue grant" from the National Institute of General Medical Sciences, a part of the NIH, brings the total NIH funding to the project to more than \$73 million.

The largest research grant the University has ever received from the NIH, the glue grant will support a multi-institutional study of cell migration, a process critical

to the development of diseases like cancer, and to understanding tissue regeneration.

► A previously unknown poem by **Robert Frost** (1874–1963) is published in the *Virginia Quarterly Review*.



Rare find: Unknown Robert Frost poem discovered in University archives and published in VQR.

Found by an English doctoral student, **Robert Stilling**, in an archive recently acquired by the Albert and Shirley Small Special Collections Library, the thirty-five-

line poem, "War Thoughts at Home," was written in 1918, not long after Frost's friend and fellow poet Edward Thomas was killed in World War I.



Dynamic trio: Katie Couric with the Barber brothers, Ronde and Tiki, help the University launch its bold \$3 billion fund-raising campaign.

ling Brothers Circus, Eric Clapton, and the Cirque du Soleil—to Charlottesville.

► Former vice presidential candidate **Geraldine Ferraro** speaks at Newcomb Hall Ballroom to a crowd gathered by the Center for Politics as part of its National Symposium

ment from **Sheila C. Johnson** to create the Sheila C. Johnson Center in Bavaro Hall at the Curry School and a \$1 million gift from brothers **Tiki Barber** (*McIntire '97*) and **Ronde Barber** (*McIntire '97*). Half of the Barbers' gift will be divided among the McIntire School of Com-



Campaign Kicks Off with a Bang

Fireworks over the Rotunda help launch the Campaign for the University of Virginia: Knowledge is Power. The University is seeking \$3 billion to support carefully selected priorities in every school on Grounds, as well as University-wide initiatives that will establish new strengths across disciplines.

Achieving Vision through Leadership

*Leaders across Grounds and the nation
are today's architects of the University
and builders of its future.*

As the next decade approaches, the University of Virginia aims to secure a permanent position among the premier universities in the nation and in the world. The kickoff of the \$3 billion campaign, the creation of a six-year plan as mandated by the Higher Education Restructuring Act, and the efforts of the Board of Visitors' Special Committee on Planning are converging, which presents University leaders with an unprecedented opportunity to develop comprehensive strategic plans to achieve the highest aspirations for the century ahead.

University leaders—both across Grounds and across the nation—have joined these planning efforts to carry out the vision Thomas Jefferson set when he created the University of Virginia. Comprising administrators, faculty, alumni, and friends, these leaders have demonstrated unfailing commitment to ensure that the University thrives for the benefit of all society. Following Mr. Jefferson's example, they are serving as today's architects of the University and the builders of its future, having recognized the important truths, as he did, that “knowledge is power, that knowledge is safety, and that knowledge is happiness.”

A Ten-Year Plan

The University continues to attain distinction in the fields of undergraduate and graduate education, scholarship and research, health care, and community outreach. In addition to upholding excellence in teaching and research where it now exists, a strategy has been developed to target essential areas for achieving similar excellence and to identify specific goals in yet other areas where the University is already positioned to excel and where excellence will yield leveraged improvement to the greater institution.

Taking our stand on
commanding ground at once
will beckon everything to it.

THOMAS JEFFERSON, 1822



Detail of the glass-and-steel hangar doors at Milton Airfield, the University's decommissioned airport. Milton Airfield serves as home of the off-site construction facility for ecoMOD, a design/build/evaluation project in the School of Architecture, in partnership with the School of Engineering and Applied Science.

The Special Committee on Planning of the Board of Visitors established a ten-year plan at its last annual retreat. The plan encompasses eight goals, the first three of which are interrelated and essential for accomplishing the rest.

- Increase faculty size to meet the demand of increasing numbers of students and the need for increased breadth, diversity, and depth of course offerings.
- Develop and renew the classroom and research infrastructures that are necessary to support our aspirations.
- Enhance graduate education through increased financial investment in graduate support.
- Increase significantly the prominence of the University as a research institution in science and engineering.
- Boost the University's reputation for excellence in its undergraduate experience.
- Expand and leverage the capacity of the University's professional schools to train leaders and bring the knowledge of their disciplines to bear on public life around the world.
- Strengthen library and information technology resources that encourage new modes of learning, teaching, and research.
- Foster public engagement and outreach so that the University's pursuit of excellence in research and learning improves lives in the community, the Commonwealth, the nation, and the world.

The ten-year plan honors the founding ideals of the University and aligns with the goals outlined in the October 2005 six-year plan. That plan, submitted to the State Council, the governor, and the respective chairs of the House Committee on Appropriations and the Senate Committee on Finance, details how the University will meet the requirements of the Restructured Higher Education Financial and Administrative Operations Act. The four major strategic directions of the plan include 1) academic quality and effectiveness, 2) accessibility and affordability, 3) public engagement with the Commonwealth,

and 4) other institutional priorities, such as faculty, students, staff, resources, and health care. The commitment of the University to serve the public lies at the foundation of these strategic directions.

The Campaign for the University of Virginia: Knowledge is Power

Long-term planning calls for the University to attain the resources necessary to stand in the front rank of all universities, public and private. Consequently, the Campaign for the University of Virginia was launched with a \$3 billion goal in support of four key priorities:

- Enhancing the University experience for students and faculty in order to prepare the citizens and leaders of tomorrow. This priority will be achieved through the creation of additional scholarships and fellowships, more professorships and other forms of faculty support, new and expanded facilities, and new and expanded programs. Total need: \$1.47 billion.
- Promoting research, scholarship, and creativity in order to expand the boundaries of knowledge. This priority will be achieved through the creation of endowments for faculty, students, and visiting scholars; an endowment for programs; new laboratories and other research facilities; and new research initiatives. Total need: \$923 million.
- Serving society by meeting the challenges of our time. This priority will be achieved through transformations in health care intended to improve the lives of people around the globe; through the creation of interdisciplinary centers and institutes that bring the best academic minds to bear on solving societal problems; and through the support of public engagement initiatives to revitalize K-12 education and the political and democratic processes, among others. Total need: \$603 million.
- Assuring flexibility in the pursuit of excellence by providing the University with unrestricted resources that can be deployed immediately when promising opportunities arise, such as the chance to recruit a stellar scholar or to meet student demand for a new program. Total need: \$100 million.

Campaign achievements to date have been impressive. As of June 30, 2006, the campaign total stood at \$932,801,265, and had surpassed \$1 billion by the campaign's official public launch on September 29, 2006.

The campaign will transform the Grounds while following one of the best models in the world:

Thomas Jefferson's Academical Village. An unprecedented number of construction and renovation projects are under way, in the planning stages, or completed, such as the John Paul Jones Arena. Capital projects benefiting from funds raised by the campaign are listed below:

As rendered, the South Lawn extends the architectural vision of Thomas Jefferson by creating a carefully orchestrated complex of classrooms, common spaces, and landscape elements south of the historic Lawn.

- South Lawn Project for the College of Arts and Sciences



THE UNIVERSITY of VIRGINIA TODAY

U.S. NEWS & WORLD REPORT RANKINGS

- ◆ The University ranks second among public universities and twenty-fourth among all national universities.
- ◆ Five schools at the University are ranked in the top twenty:

Architecture	6th
Law	8th
Commerce	9th
Darden	13th
Curry	19th

- ◆ The McIntire School of Commerce was tied for number nine in the Best Business Programs category while the School of Engineering and Applied Science was in a five-way tie for the number thirty-four spot among Best Undergraduate Engineering Programs.
- ◆ The University was again ranked seventeenth in the "Best Values" category.
- ◆ The University's College at Wise continues to rank among the nation's top ten public liberal arts colleges. The College at Wise also ranks number one among liberal arts colleges in the Least Debt category.
- ◆ Five medical specialties at the University were ranked by *U.S. News & World Report's* "America's Best Hospitals Guide," published July 2006.

Endocrinology	6th
Gynecology	25th
Ear, nose, and throat	26th
Cancer	31st
Heart	49th

OTHER RANKINGS

Black Enterprise magazine listed the University as thirty-fifth in its 50 Top Colleges for African Americans.

An annual survey by the *Journal of Blacks in Higher Education* shows that U.Va. has posted the highest graduation rate for African American students among major public institutions for twelve years.

BusinessWeek's inaugural ranking of the best undergraduate business programs ranked the University of Virginia's McIntire School of Commerce second in the nation.

The Princeton Review ranked the University third among graduate engineering programs.

In the 2007 edition of the *Newsweek Kaplan College Guide*, U.Va. is cited as one of the twenty-five "New Ivies," those colleges "whose first-rate academic programs, combined with a population boom in top students, have fueled their rise in stature and favor among the nation's top students, administrators, and faculty—edging them to a competitive status rivaling the Ivy League."

The Darden School rose to first place in the 2006 *Financial Times* survey of executive education open programs and was ranked second in the Best Professors category by *The Princeton Review*.

Kiplinger's Personal Finance ranked the University of Virginia third in its list of top 50 values in public colleges.

For the seventh year, Solucient's "100 Top Hospitals: National Benchmarks for Success" included the U.Va. Medical Center, one of only fifteen major teaching hospitals selected. The Medical Center is one of only two hospitals from the Commonwealth named by Solucient.

Twenty University physicians were named to the 2006 list of *America's Top Doctors for Cancer*.

DesignIntelligence magazine ranked the School of Architecture third in its seventh annual survey, "America's Best Architecture and Design Schools."

The University's nanotechnology programs, located primarily in the School of Engineering, were ranked sixth in the nation by *Small Times*.

THE UNIVERSITY AT A GLANCE

ENROLLMENT, FALL 2006

Undergraduate	13,353
Graduate	4,791
First Professional (law and medicine)	1,669
On-Grounds Continuing Education	554
TOTAL	20,397

FACULTY AND STAFF, 2006-07

Full-time instructional and research faculty	2,102
Full-time other staff	9,860

➤➤➤ More University statistics are available on the Web site for the Office of Institutional Assessment and Studies at www.web.virginia.edu/iaas/. Information also is available at www.virginia.edu/Facts/.

- The Arts Grounds, which includes the Gateway to the Arts, New Music Building, Ruffin Hall, Arts Common, and the Arts Grounds Parking Garage
- John Paul Jones Arena
- Bavaro Hall and Renovation of Ruffner Hall for the Curry School of Education
- Information Technology Engineering Facility for the School of Engineering and Applied Science
- Wilsdorf Hall for the School of Engineering and Applied Science
- Back to the Lawn (Rouss Hall) for the McIntire School of Commerce

- Carter-Harrison Research Building
- Emily Couric Clinical Cancer Center
- U.Va. Children's Hospital Building
- Claude Moore Medical Education Building for the School of Medicine
- Claude Moore Nursing Education Building and McLeod Hall Renovation for the School of Nursing
- Barry and Bill Battle Building at the U.Va. Children's Hospital
- Ivy Foundation Translational Research Building

➤➤➤ More information about the Campaign for the University of Virginia is available on the University's Web site at www.virginia.edu/uvacampaign.

Minds of the First Order

Students have many opportunities to develop their intellectual passions.

Thomas Jefferson's ideals were tempered by pragmatism. One reason why he valued democracy above other forms of government was because it was more efficient, drawing as it did on the talents of the many, rather than the privileged few. Throughout his life, he advocated a system of public education as a way of marshaling the talents, the energy, and exemplary character found in all corners of society, and he placed universities at the apex of this system. In his words, universities "would prepare a few subjects in every State, to whom nature has given minds of the first order."

Jefferson based the University of Virginia on these principles, and its success can be properly measured by the degree to which it fulfills them. The University is certainly more representative of the society at large than it has ever been in its history. In 2005–06, 54 percent of its students were women, and 23 percent of its total undergraduates were African American, Native American, Asian, or Hispanic. While 69 percent of undergraduates are Virginia residents, the remainder comes from 49 states and 109 foreign countries. By any standard, these students possess minds of the first order. A full 86 percent of the incoming class of 2009 were in the top 10 percent of their class, and their average SAT scores totaled 1320.

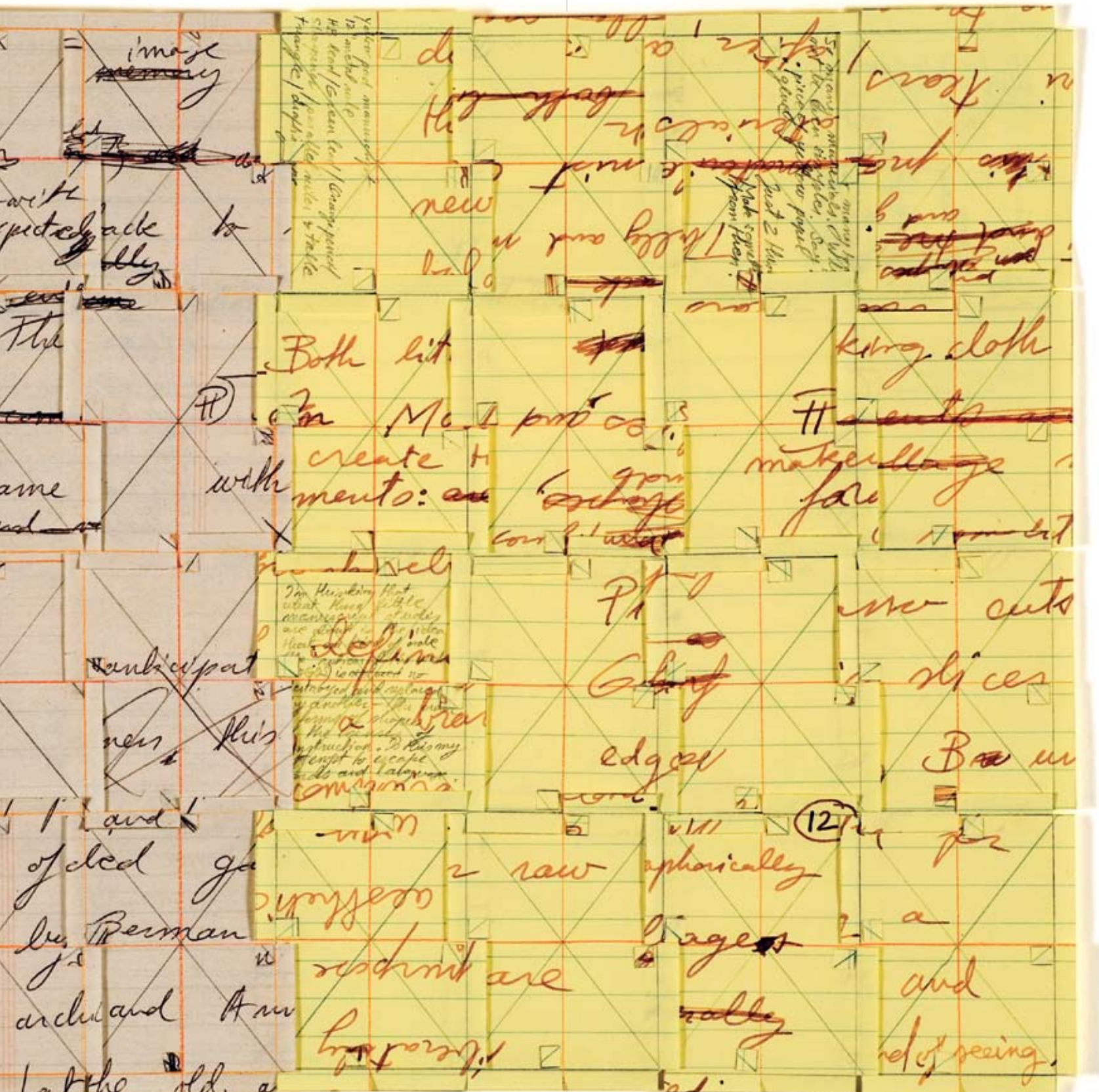
Finding New Ways to Reach More Students

The University takes seriously its obligation to make the Grounds welcoming to students from all walks of life. This year, the University signed a landmark agreement with the Virginia Community College System guaranteeing admission for its students to the University's College of Arts and Sciences on the basis of clearly enunciated requirements. This agreement makes the University more accessible to qualified students who chose not to enroll in a four-year institution after completing high school.

To ensure that qualified transfer students can take advantage of this agreement, the University has expanded its AccessUVA financial aid program to VCCS students. AccessUVA features caps on need-based loans, loan-free packages for low-income students, and a commitment to offer 100 percent of every student's demonstrated financial need. All told, the University makes an annual commitment of \$20 million in need-based grants to undergraduates through AccessUVA.



Architecture professor Sanda Iliescu's collage, "For Annie-Mae, 2005," composed of scraps from an in-class demonstration on color theory for her course, Lessons in Making. Born in 1928, Annie-Mae Young was a quilt maker from the Gee's Bend community in Alabama.



Opening doors, of itself, is not enough. Students in high school must be aware that a college degree is a financial possibility. With funding from the Jack Kent Cooke Foundation, the University created the College Guide Program to do just that. This year, the program teamed fourteen recent University graduates with guidance counselors in school districts throughout Virginia. Their purpose was to inform students about initiatives at Virginia colleges such as the University's AccessUVA program and to encourage them to take the necessary steps to prepare for college. This pioneering initiative has already increased the percentage of students enrolling in college from these school districts and has been expanded to serve community colleges in Virginia.

The University also took steps this year to increase the diversity of its graduate students. It appointed Cheryl Burgan Evans to the newly created post of director of Graduate Student Diversity Programs. She will oversee activities to enhance recruitment, retention, and mentoring of graduate students from underrepresented groups and will be responsible for developing ties between the University, historically black colleges and universities, and other minority institutions.

Our efforts to provide a more welcoming and supportive atmosphere for African American undergraduate students in particular are producing results. For the twelfth straight year, the University posted the highest six-year graduation rate for African American students—86 percent—among major public institutions, according to an annual survey published by the *Journal of Blacks in Higher Education*. Our focus now is to continue to close the gap of 5 percentage points—the smallest among our peers—separating the graduation rates between white and black students. Additionally, *Black Enterprise* magazine named the University one of the 50 Top Colleges for African Americans.

The University has also taken steps to enroll more nontraditional students. The School of Continuing and Professional Studies has launched a new Post-Baccalaureate Pre-Medical Program for adults seeking admission to medical school. This intensive program enables students to complete all science prerequisites in a year, while providing opportunities to shadow local doctors. It is the only program of its kind in the Commonwealth for those who did not take pre-med courses as undergraduates.



Harrison Research Award recipient Victoria Chiou studied the health benefits for patients who write about their illnesses.



Jake Davenport gained clinical experience studying chemicals used to target only cancer cells during chemotherapy.



Eugene Otto received a National Science Foundation research grant to study thermal control processes for computer chips.



Curry graduate student Katherine Shirey received the 2006 Knowles Science Teaching Foundation Fellowship for her innovative approaches to teaching science.

Taking Intellectual Risks

The four years that undergraduates spend at the University are precious. During this interval, students have many opportunities to discover and develop their intellectual passions, to master a body of knowledge, and to prepare for their life's work. While at the University, they begin to develop the qualities that will enable them to make lasting contributions to society as adults.

In an effort to extend and enrich the classroom experience so that students make the most of these four years, the University encourages them to participate in research. Faculty members in the humanities as well as the sciences regularly enlist undergraduates as part of their research teams. Undergraduates can also tap a variety of funding sources expressly designated for student research, including the David A. Harrison Undergraduate Research Awards; the Double Hour Awards, which pair undergraduate and graduate students; and the Walter R. Kenan Awards, which fund travel, equipment, materials, and laboratory time.

The research our students conduct reflects the great diversity of talents and interests that marks this University. Victoria Chiou (College '06) gained her first exposure to scientific investigation as part of neuroscience professor Jeffrey Corwin's research team. Thanks to a summer research fellowship from the Lions Club of Virginia, Ms. Chiou was able to assist Professor Corwin in his efforts to restore hearing and balance by stimulating the regeneration of sensory cells. Ms. Chiou's interests are not confined to developmental biology. She later won a Harrison Award to investigate the short-term health benefits that patients experience after writing about their illness. A dual major in human biology and psychology, Ms. Chiou worked with English professor David B. Morris on this project.

Eugene Otto (Engineering '06) joined computer science professor Kevin Skadron to develop methods to control heat buildup on computer chips, a problem that has increased dramatically as chips become smaller and more powerful. Professor Skadron gave him a specific task—to adjust the Linux operating system scheduling so that heat management is less likely to disrupt high-priority or interactive tasks. Mr. Otto's work was funded by a Research Experience for Undergraduates grant from the National Science Foundation.

Another undergraduate, Jake Davenport (College '06), joined Cassandra L. Fraser, the Cavaliers' Distinguished Teaching

Professor, in her lab as part of an effort to find ways of targeting cancer cells during chemotherapy. With support from a Harrison Research Award, Mr. Davenport studied polymeric metal complexes, one of Professor Fraser's specialties, that are considered candidates for delivering therapeutic drugs with pinpoint accuracy.

Acting on Their Convictions

Each generation of students who attends the University participates in a special community, one that is defined by honor and

by public service. As part of the greater world, the University is touched by the crises that affect the larger society. Students feel a responsibility to respond—and the University supports and encourages their efforts.

Students played an important part in the University's response to the devastation caused by Hurricane Katrina. In addition to raising funds for Katrina relief, the two dozen students in architecture professor William Williams' January Term class immersed themselves in the complex decisions that individuals and government officials grappled with as they attempted to



WHAT'S YOUR STEREOTYPE?

Students in a Sustained Dialogue group handed out 1,000 T-shirts to their peers, who were encouraged to write stereotype-shattering messages on their back and wear them on April 26. Nneoma Amadi-Obi (College '09) wrote, "I am Nigerian and I speak proper English." Muslim student Alaa "Lulu" Buhisi (College '09) wrote, "I have Jewish friends." Sustained Dialogue is a campus organization dedicated to improving relationships strained by ethnic and racial divisions.

devise an effective recovery strategy. They traveled to New Orleans, helping high schools start the new year and gutting and cleaning houses. They then returned to the University to conduct research on their experiences and to lead symposia and similar events related to disaster recovery in New Orleans.

Students also explored ways to apply their growing technical skills to the reconstruction effort. During the spring semester, students from the School of Architecture and the School of Engineering and Applied Science designed preHAB, a Habitat for Humanity home that they then shipped to Gautier, Mississippi, and assembled in May. This is the second house in ecoMOD, a multiyear research and design/build/evaluate project at the School of Architecture under the auspices of architecture professor John Quale. In creating preHAB, students tackled issues related to high winds, humidity, moisture, and hurricanes, and employed passive and active solar technologies.

Justin Laskin and Kathleen Mark, two graduate students in the School of Architecture, also took on the challenge of creating new housing for New Orleans refugees. When *Architectural Record* in partnership with Tulane University's School of Architecture announced an international design competition to develop housing ideas for New Orleans, theirs was among the 275 entrants. Their proposal for a small, high-density housing community was recognized as one of the top five in the competition.

A Record of Exceptional Leadership

The validity of Jefferson's vision for the University—as a place where the finest young minds from all walks of life receive an education that prepares them for the challenges they encounter during their lifetime—is confirmed only as each generation of students reaches maturity. The recognition that students attain while on Grounds, however, provides a reliable indication that our current group of students will produce the leadership our nation and, indeed, our global society require.

Edward Ross Baird, a third-year student in the political honors program, was named a 2006 Truman Scholar. He is one of just seventy-five students nationwide selected each year for this honor, which is reserved for students who exhibit exceptional leadership potential and who are committed to careers in public service. A Jefferson Scholar, an Echols Scholar, and a Robert K. Gooch Scholar, Mr. Baird was inspired by the Youth Leadership



My-Linh Nguyen, one of two U.Va. Goldwater Scholars, plans to pursue a medical career.



Mitchell Scholar Aaron Kurman will begin graduate study in peace and conflict studies in Ireland.



Eliah Shamir, also a Goldwater Scholar, studies biomedical engineering and is interested in immunology research.



With her Mitchell Scholarship, Margaret Brennan will pursue a master's degree in arts and politics.

Initiative at the Center for Politics to found the Georgia Project for Civic Engagement, a program that involves high school students in politics in his home state.

My-Linh T. Nguyen and Eliah R. Shamir were named Goldwater Scholars for 2006. The one- and two-year scholarships for students who intend to pursue careers in the natural sciences or mathematics help cover the cost of tuition, fees, books, and room and board. Ms. Nguyen is a third-year biochemistry major who plans to pursue a medical career and conduct research on molecular approaches to cancer therapy. Ms. Shamir, a second-year biomedical engineering major, also plans on becoming a doctor and is interested in research in immunology.

As an undergraduate at the University, Katherine Shirey double-majored in art and physics and after graduation held a one-year Aunspough Fellowship in the University's McIntire Department of Art. This year, she was recognized for her excellence as a science student, earning a 2006 Knowles Science Teaching Foundation Fellowship. The five-year fellowship will pay

for her tuition next year, her second and final year in the master's of teaching program at the Curry School of Education, as well as continuing professional development. Ms. Shirey is the fourth Curry student to win this prestigious science teaching fellowship during the last three years.

Ebony magazine named law student Raqiyyah Pippins as one of 30 *Ebony* Young Leaders of the Future. She serves as chair of the 6,000-member National Black Law Students Association, the largest student-run organization in America, with more than 200 chapters at law schools throughout the country.

As part of the greater world, the University is touched by the crises that affect the larger society. Students feel a responsibility to respond—and the University supports and encourages their efforts.

Two University graduates were among the twelve students nationwide to receive 2006-07 George J. Mitchell Scholarships. Aaron M. Kurman (College '05) and Margaret M. Brennan (College '02) were among the 236 applicants for the award. The scholarships recognize young Americans who exhibit high standards of academic excellence, leadership, and community service. Since graduation, Mr. Kurman has worked in Washington, D.C., for an international conflict resolution organization. He will apply the Mitchell to pursue a graduate degree in peace and conflict studies at the University of Ulster. A producer and on-air reporter at the CNBC news network in New Jersey, Ms. Brennan will be working on a master's degree in arts and politics at University College Dublin. This is the fourth consecutive year that a University student or graduate has been named a Mitchell Scholar.

Third-year law student Kate Duvall was awarded the Hunton & Williams Pro Bono Fellowship, a two-year salaried position that will allow her to work in the Central Virginia Legal Aid office and assist walk-in clients through the firm's Richmond office in Church Hill, the city's oldest and most economically disadvantaged neighborhood.



Project director and architecture professor John Quale (far right) with several members of the ecoMOD2 team. Architecture and engineering students worked together to design and build a prefabricated house for the Gautier, Mississippi, area. Habitat for Humanity of Greater Charlottesville, aided in part by a gift from author John Grisham and his wife, Renee, sent seven houses to Mississippi communities damaged by Hurricane Katrina.

Ryan Almstead (Law '06) was the second University of Virginia student to receive the Virginia State Bar Association's Oliver W. Hill Law Student Pro Bono Award. The award is given for extraordinary student achievement in the areas of pro bono publico and undercompensated public service work in Virginia.

Sullivan winners live up to a noble ideal

Created in 1925, the Algernon Sydney Sullivan Awards are given to distinguished fourth-year students and members of the University community in memory of the award's namesake, a New York lawyer, businessman, and philanthropist. The awards are intended to perpetuate the excellence of character and humanitarian service he epitomized.

■ Political and Social Thought major **Jessica C. Fowler** was cited for her stellar academic record, her commitment to the Peer Advisor Program, and her leadership in



On Grounds or working in the Virginia state legislature, Alex Stolar excelled as a student leader.



Jessica Fowler, one of three Sullivan Award winners, embodies excellence of character and public service.



Shamin Sisson received a Sullivan Award for her energetic, inspired leadership in the Office of Student Life.

repudiating acts of hatred and racial bias on Grounds.

■ Foreign Affairs major **Alexander W. Stolar** served as a student advisor to the Virginia state legislature and State Council on Higher Education for Virginia, while holding senior posts in U.Va.'s Resident Staff Program.

■ **V. Shamin Sisson**, senior associate dean of students, spearheaded the Women's Leadership Development Program and directed the Office of Student Life, which she helped found. She retired at the end of the academic year.

A Global University

Thirty-six percent of undergraduates study abroad.

In 1785, Thomas Jefferson left for Europe as minister to France, an experience that transformed his life. It prepared him for service as secretary of state and president. It shaped his views of the curriculum he devised for the University of Virginia, where he insisted students learn modern languages as well as ancient ones. And it formed his tastes and gave him the range of acquaintance that led to his inviting Europe's leading statesmen, artists, and scientists to join him at Monticello.

The effect of time spent overseas has no less impact today than it did in Jefferson's time, and, if anything, it is more important, thanks to advances in technology that have made our world a much smaller place. Everyday people, not just the country's leading officials, find themselves active participants in a global world.

A World-Wise Curriculum

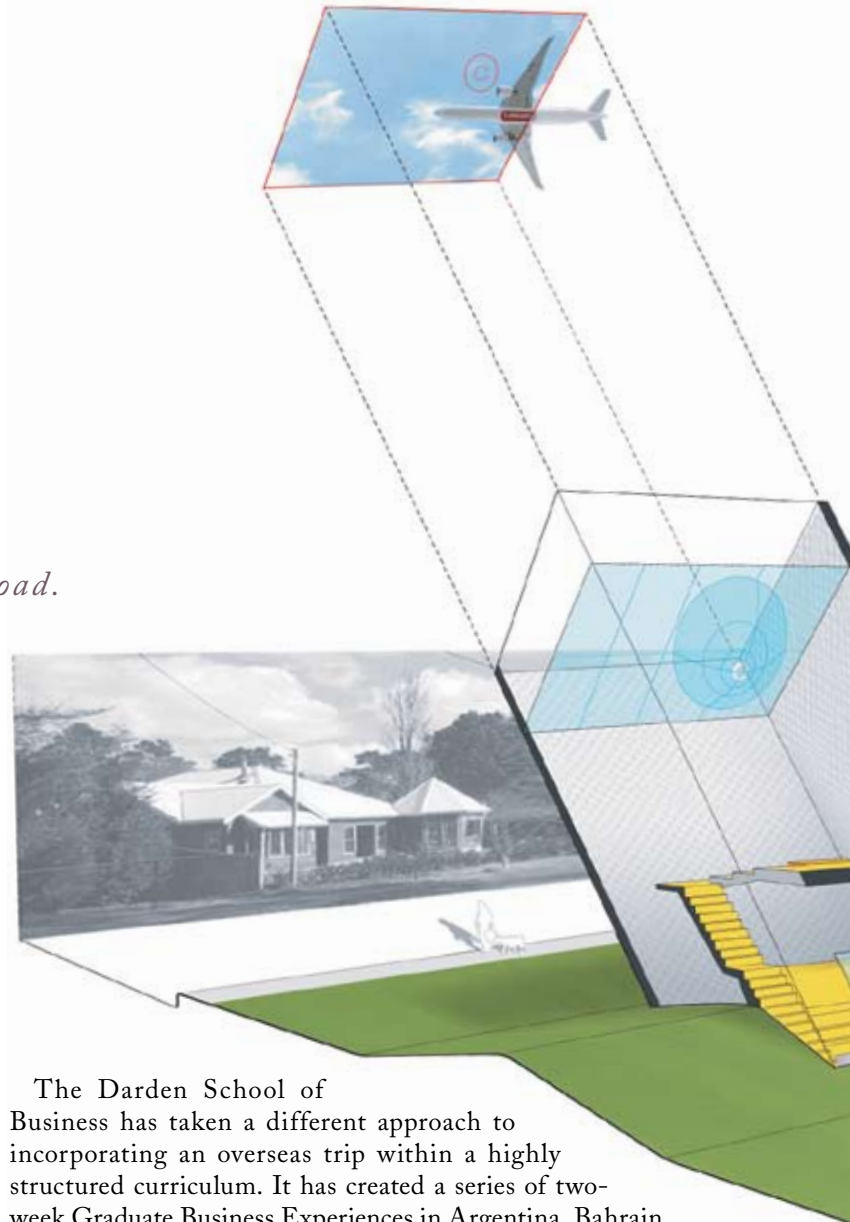
As part of the University's 2020 initiative, the University made a commitment to enlarging and enriching its international activities. Figures released this year from the Institute of International Education show that we have made significant progress. Thirty-six percent of undergraduates study abroad, placing the University eighth among the nation's top twenty doctoral and research institutions.

The commitment to create global experiences for students is now a general practice around the University. For instance, the School of Law has instituted an exchange program for third-year students with institutions in France, Germany, England, Australia, and New Zealand. The Law School also admits up to forty foreign students a year, drawn by its Master in Laws in the Judicial Process Program.

A similar effort is under way in the School of Engineering. In the past, engineering students have been hesitant to study abroad because of the large number of required courses they must take and the difficulty finding appropriate equivalents at foreign institutions. Students typically responded by taking their required courses at the University, and reserving their electives for overseas study. One objective of the recent student and faculty exchange programs developed with the National Taipei University of Technology and the Shanghai Jiao Tong University is to give U.Va. students the ability to satisfy the engineering core curriculum while studying abroad.



David Gies is the University's first academic dean for Semester at Sea.



The Darden School of Business has taken a different approach to incorporating an overseas trip within a highly structured curriculum. It has created a series of two-week Graduate Business Experiences in Argentina, Bahrain, China, India, Mexico, Romania, Spain, South Africa, and Sweden. Students visit local businesses, joint ventures, and multinational companies and meet with government officials and local leaders to gain a better understanding of the economic and social forces that shape each country's business environment.

A Semester at Sea

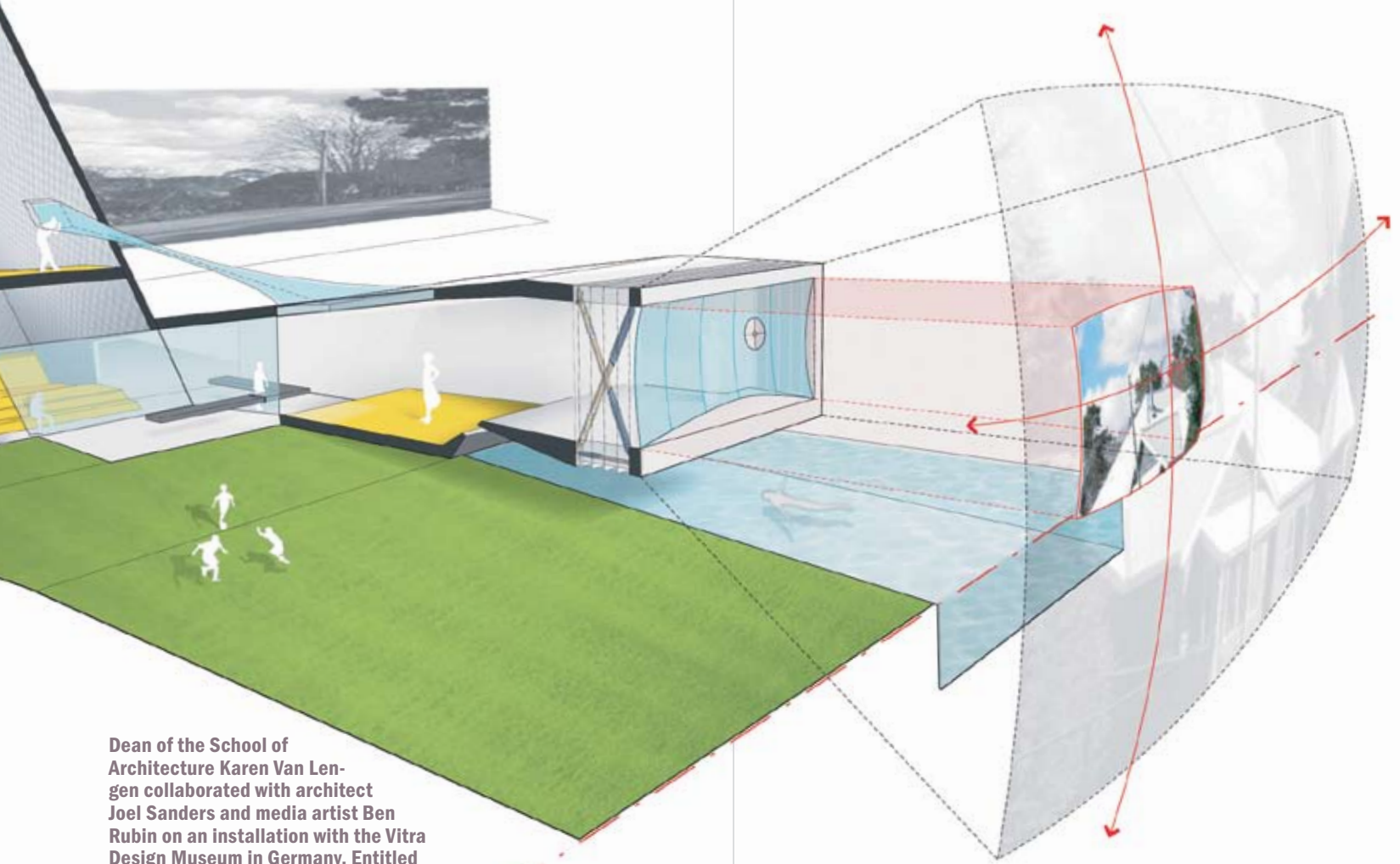
This year, the University entered into a new partnership with the Institute for Shipboard Education to sponsor Semester at Sea. Fall and spring semester programs begin in 2006-07, with approximately 670 students traveling to such countries as Japan, China, India, Egypt, Spain, South Africa, and Brazil on the *MV Explorer*.

A shorter trip with slightly fewer students is held during the summer sessions. David Gies, Commonwealth Professor of Spanish, has been named the University's first dean for a Semester at Sea voyage and will direct the 2007 summer program. Professor Gies is responsible for designing a new curriculum for the program as well as hiring faculty.

Embracing Cultural Communities

The University has long understood the importance of preparing students for overseas work. This year, the first and oldest residential language house at U.Va., the French House, celebrated its twentieth anniversary. Under the auspices

International Experience



Dean of the School of Architecture Karen Van Lengen collaborated with architect Joel Sanders and media artist Ben Rubin on an installation with the Vitra Design Museum in Germany. Entitled "Mixhouse," the work was included in a traveling exhibition, "Open House," in 2006. The image explores the relationship between sound and vision in the context of domestic architecture.

of director Christine Zunz, the Maison Française has brought a number of important French cultural figures and historians to Charlottesville, including Emmanuel Le Roy Ladurie, and Jacques Barzun. This year, it presented the University's first French Film Festival, with funding from the French Ministry of Culture.

In addition to the Maison Française, the University maintains the Russian House, the Max Kade German House, La Casa Bolívar, and the Shea House for students learning Arabic, Chinese, Hindi-Urdu, Italian, Japanese, or Persian. Students can also live at the International Residential College, which is dedicated to intellectual exchange and learning among students and scholars of all nations, races, and cultures. The college includes

the Munford, Gwathmey, Lewis, and Hoxton houses and can accommodate 320 students.

Members of a Global Research Enterprise

The University is home to distinguished regional studies programs covering Africa, the Middle East, Latin America, Russia and Eastern Europe, and Asia. The activities of the East Asia Center, which entered its fourth decade this year, illustrate the importance of these centers. Under the direction of history professor Bradley W. Reed, the East Asia Center takes an interdisciplinary approach, offering courses taught by more than thirty faculty and two graduate degree programs. To complement its on-Grounds curriculum, the center provides students with study abroad programs in Shanghai, Tibet, and Beijing. It has also built an impressive East Asian collection, with holdings of more than 33,000 Chinese, Japanese, and Korean monographs, as well as 10,000 volumes of Chinese classics, 100 Chinese and Japanese periodicals, and a multitude of Asia-related and Asian-language films.

A Faculty of Distinction

The University provides the time and resources to cultivate the life of the mind.

The University's future rests squarely on the ambition, the talent, and the character of its faculty. Although engaged in many different fields, they are united by a desire to uncover new knowledge and to find more effective, more inclusive ways to pass this knowledge—and the underlying sense of curiosity and awe that motivates this search—to the next generation. For their distinguished work and contributions to their disciplines, the University's faculty have been awarded some of the nation's highest honors.

Twenty-five of the University's faculty are fellows of the American Academy of Arts and Sciences. Three faculty members are MacArthur fellows. The ranks of the National Academy of Sciences include three University faculty, while the National Academy of Engineering includes twelve. The prestigious Institute of Medicine of the National Academy of Sciences has inducted sixteen University faculty members. Today, as in Jefferson's time, the University's fortunes depend on the quality of its faculty, who truly demonstrate the "first order of the science" each professes.

A Lifetime of Singular Achievement

Universities are based on an ideal that is straightforward in conception, yet difficult to attain. They exist to provide talented men and women, students and faculty alike, with the time, the resources, and the encouragement to cultivate the life of the mind, to assemble a body of knowledge, and to use this knowledge creatively to engage the world in ways that express their unique perspectives and passions.

The University's success in creating such an environment was recognized early in the year when two of its faculty members, with dramatically different interests, were recognized by the highest authorities for their accomplishments. Dr. Barry J. Marshall, who holds joint faculty appointments at the School of Medicine and the University of Western Australia, is the first

The University's faculty have been awarded some of the nation's highest honors.



The Inn at Middleton Place, a recipient of the highest award bestowed by the American Institute of Architects. Located near the historic ruins of the Middleton Place Plantation in Charleston, South Carolina, the inn was designed by W. G. Clark, the Edmund Shurman Campbell Professor of Architecture, and architecture professor Charles Menefee.

member of the University faculty to receive the Nobel Prize. He was honored with the Nobel Prize in medicine for discovering the connection between *Helicobacter pylori* bacterium and peptic ulcers and gastric cancers.

Terry Belanger was named a 2005 fellow by the John D. and Catherine T. MacArthur Foundation, becoming the third faculty member at the University to win the so-called genius award. He is the founder and director of the Rare Books School, a U.Va.-based institute that supports the study of the history of books and rare books librarianship.

Honored across the Disciplines

Jefferson was a proponent of learned societies and their role in promoting discovery and the diffusion of knowledge. Accordingly,



he would have been particularly pleased to learn that Carla B. Green, associate professor of biology; Joyce Libby Hamlin, chair of the Department of Biochemistry and Molecular Genetics; and John L. Hudson, the Wills Johnson Professor of Engineering, were named fellows of the American Association for the Advancement of Science. The association is perhaps the preeminent general science organization in the world and publisher of *Science*, the most influential peer-reviewed science journal in the world.

In addition, P. Kenneth Seidelmann, a research professor of astronomy, was among a team of Russian and American scientists that received the society's 2005 International Scientific Cooperation Award. Professor Seidelmann and his colleagues overcame ideological barriers to share information about space surveillance and the location of objects in areas of space near the Earth. Their work led

to dramatic improvements in the orbits of geostationary satellites.

Rita Dove, the Commonwealth Professor of English and former U.S. Poet Laureate, was inducted as a fellow into the American Academy of Arts and Sciences, founded 226 years ago by Jefferson's rival and friend John Adams. She also won the 2006 Common Wealth Award for Literature, one of the five Common Wealth Awards for Distinguished Service. Previous winners have included eleven Nobel laureates, among them human rights leader Desmond Tutu, former statesman Henry Kissinger, and author Toni Morrison.



**Kenneth
Seidelmann**



Rita Dove

Other faculty garnering accolades this year included the following:

- Caleb E. Nelson received the prestigious Paul M. Bator Award from the Federalist Society for Law and Public Policy Studies. Professor Nelson is currently the Albert Clark Tate, Jr., Professor of Law.
- Robert F. Bruner, the Charles C. Abbott Professor of Business Administration and dean of the Darden School of Business, won a 2006 European Case Award for a case that focuses on the development of Boeing's 777 air frame.
- Julie Bargmann, associate professor of landscape architecture, was one of twenty-five "2005 All-Stars" profiled by *Outside* magazine.
- Toby Berger, professor of electrical and computer engineering, was named the recipient of the Leon K. Kirchmayer Graduate Teaching Award by the Institute of Electrical and Electronics Engineers. He also was named one of the newest members of the National Academy of Engineering.
- Laura M. Justice, an associate professor at the Curry School of Education, received a Presidential Early Career Award for Scientists and Engineers. The PECASE is considered the highest national honor for investigators in the early stages of highly promising academic careers.
- Merrill D. Peterson, professor emeritus of history and former dean of faculty of the College of Arts and Sciences, is the most recent recipient of the Literary Lifetime Achievement Award from the Library of Virginia. Professor Peterson, a noted Jefferson scholar, has written or edited thirty-seven books.
- Ann Beattie, the Edgar Allan Poe Professor of English and Creative Writing, won the Rea Award for the Short Story. The award is given annually to a writer making a significant contribution to the discipline of the short story as an art form.
- Bernard Frischer, professor of art history and classics and director of the Institute for Advanced Technology in the Humanities, received the Pioneer Achievement Award from the International Society for Virtual Systems and Multimedia.



Robert F. Bruner

Numbered among the Commonwealth's Best

This year, John D. Arras, the H. William Porterfield, M.D., and Linda Obenauf Porterfield Professor of Biomedical Ethics; and José D. Fuentes, the Cavaliers' Distinguished Teaching Professor, were among the fifteen faculty members at Virginia's public and private colleges and universities named by the State Council for

Honoring our own

These awards provide an occasion for us to recognize the qualities that the University as a community holds dear.



President Casteen presented the Thomas Jefferson Award to education professor Annette Gibbs.

- The Thomas Jefferson Award, the highest honor given to a member of the University community, was bestowed on Annette Gibbs, professor of education and former associate dean of students. Professor Gibbs played a pivotal role in the University's transition to coeducation in the 1970s.
- R. Jahan Ramazani (College '81), the Edgar F. Shannon, Jr., Professor of Arts and Sciences, received the first Jefferson Scholars Faculty Prize as part of the ongoing commemoration of the Jefferson Scholars Foundation's twenty-fifth anniversary. Professor Ramazani was chair of the Faculty Senate and has recently edited the *Norton Anthology of English Literature's* volume *The Twentieth Century and After*.
- The Women's Center presented its annual Elizabeth Zintl Leadership Award to Dr. Karen Rheuban, medical director of the Office of Telemedicine, for spearheading the development of a statewide telemedicine network that draws on a consortium of physicians from about thirty different specialties.
- The University thrives on outstanding teaching. This year, the Cavaliers' Distinguished Teaching Fellowship was awarded to Deborah A. Roach, associate professor of biology; the Alumni Association Distinguished Professor Award went to Lillian R. BeVier, the David and Mary Harrison Distinguished Professor of Law; and the Alumni Board of Trustees Teaching Award was presented to Robert L. Cross, associate professor of management in the McIntire School of Commerce.
- The University of Virginia Patent Foundation named George T. Gillies, a research professor in mechanical and biomedical engineering, the recipient of its top award, the 2006 Edlich-Henderson Inventor of the Year Award. Professor Gillies was recognized for two decades of work in developing innovative catheters that hold the promise of revolutionizing treatment for brain cancer and complex brain diseases.

Higher Education to its list of outstanding faculty. Professor Arras is an internationally recognized authority on bioethics and has published widely on such difficult issues as physician-assisted suicide and research ethics. Professor Fuentes is an atmospheric scientist currently involved in a large-scale NASA project in West Africa to probe the origins of hurricanes.

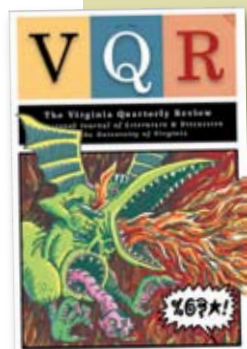


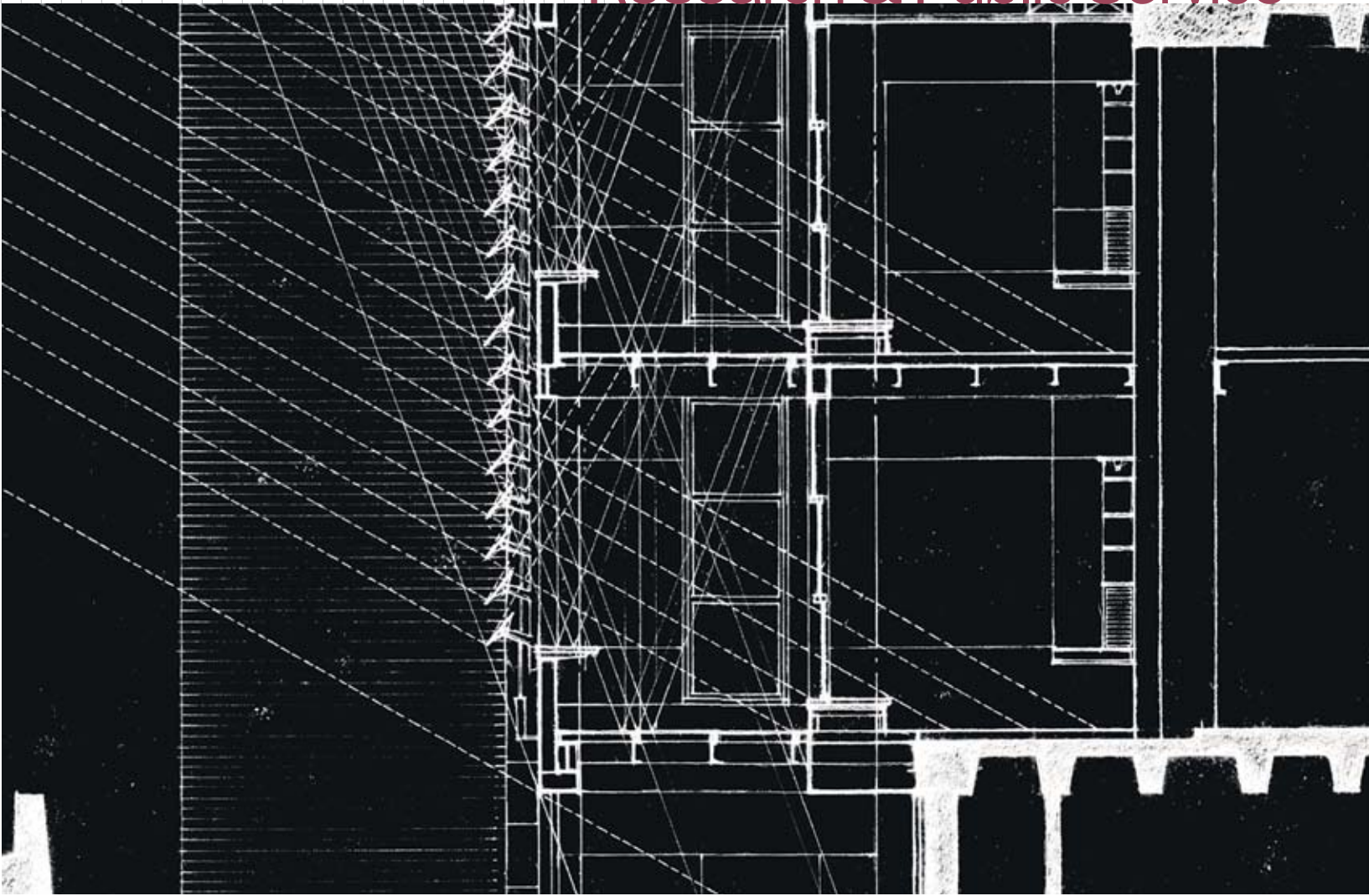
John D. Arras

Keeping good company

The only magazine that garnered more National Magazine Award nominations this year than the *Virginia Quarterly Review* was the *Atlantic Monthly*. This is an unprecedented achievement for a magazine with a full-time staff of four and a circulation of less than 7,000. The publication's editor, Ted Genoways (Graduate Arts and Sciences '99), brought home two awards from the ceremonies at New York's Lincoln Center: one for General Excellence and another for Fiction. *Time*, *Esquire*, *Harper's*, *Rolling Stone*, *New York*, and *The New Yorker* also won two awards each.

A look at the magazine's table of contents shows why it has attracted so much attention. Recent issues feature writing by Gabriel García Márquez, Joyce Carol Oates, and Cormac McCarthy, and a section of a graphic novel by Art Spiegelman.





Remaking the World

Successful researchers must now be leaders as well as experts.

A section of the south addition to Campbell Hall, the home of the School of Architecture. Now under construction, the south addition to Campbell Hall was designed by William Sherman, the Mario di Valmarana Professor of Architecture, with SMBW Architects. The addition provides offices with shared porches behind glass-louvered shading devices similar to Jefferson's study and "portico" at Monticello, as well as indoor and outdoor classrooms.

Recent years have witnessed a shift in the way research is conducted at universities. The fundamentals of research have not changed, but the scope and complexity of many research initiatives have grown enormously. Faculty members still make observations in the field, conduct experiments in the laboratory, and write papers at their desks, but, thanks to advances in computing and telecommunications, they now have the opportunity to address dramatically more ambitious questions than ever before. Tackling these grand challenges requires more of everything—more time, more people, and more funding. In addition to their traditional academic skills, successful researchers must now be leaders, capable of motivating people, mobilizing resources, and building organizations.

This year, University faculty demonstrated their mastery of these skills. The Thomas Jefferson National Laboratory/Thomas Jefferson National Accelerator Facility in Newport News is among the world's most productive high-energy research facilities, with more than 2,000 international users. Nearly one-third of the Ph.D.s awarded in nuclear physics in the United States result from research done at Jefferson Lab. The University's Department of Physics was instrumental in creating the Southeastern Universities

Research Association, which has played a critical role in designing and operating the Jefferson Laboratory since its inception.

Jefferson Science Associates, LLC, a joint venture of SURA and Computer Sciences Corporation, was awarded a \$500 million contract from the Department of Energy to manage the Jefferson Lab for the next five years. JSA has the option to extend the contract for an additional fifteen years based on performance. President John Casteen serves as chairman of its board of directors.

A Place for Developing Policy and Practice

As involuntary treatment for mental disorders has shifted away from institutions to the community at large, the issue of mandating appropriate care is often framed in terms of public safety versus civil liberties. This year, John T. Monahan, the John S. Shannon Distinguished Professor of Law and professor of psychology and psychiatric medicine, was awarded a \$4.5 million grant from the John D. and Catherine T. MacArthur Foundation for the final phase of a three-part study. Professor Monahan and his col-



John T. Monahan

leagues are seeking to provide scientifically sound evidence for developing effective policies and practices on whether, and how, to mandate such treatments. The research network he has mobilized for the project includes experts in psychiatry, psychology, sociology, social work, economics, and law. Since 1988, the MacArthur Foundation has awarded more than \$22 million to the University to support research in mental health law.



With its recent connection to the \$100 million National LambdaRail network, the University has laid the foundation for faculty to continue pursuing large-scale, data-intensive research problems in fields such as astronomy, climate change, and computational genomics. This nationwide high-performance network, designed specifically for research, dwarfs the capabilities of the Internet. Thanks to its multigigabit-per-second capacity, the NLR can transmit a 200-megabyte file in about one-sixth of a second. A typical broadband home modem, transmitting data at one megabit per second, would take close to twenty-eight minutes. Participation in the NLR will be a prerequisite for conducting—and receiving funding for—major research projects over coming years.

An Impressive Array of Talent

As a matter of responsible stewardship, the University cannot strive for excellence in every field of inquiry. Nonetheless, a survey of research under way at the University reveals the range of faculty interests and our faculty's success in making important breakthroughs. University faculty members are probing the farthest reaches of the universe, a world of virtually incomprehensible force, while others are measuring the infinitesimal transfers of energy that mark a chemical reaction. What follows is a representative sample.

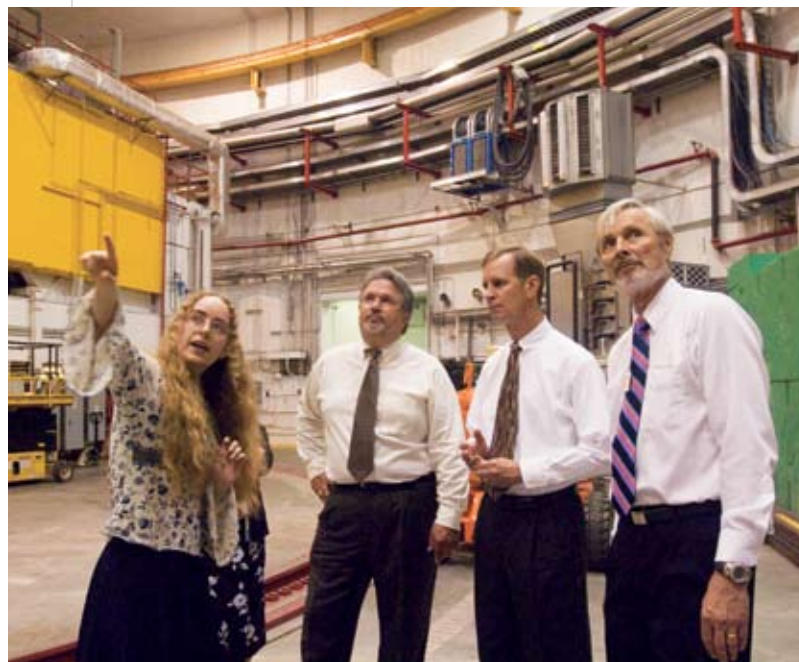
Algorithms with an edge

Mathematicians have long used partial differential equations as a tool for creating accurate models. However, the complexity of the resulting mathematical algorithms tends to increase dramatically as more details are taken into account.

By combining harmonic analysis with partial differential equations, assistant professor Irina Mitrea is one of a group of mathematicians developing techniques to improve the applicability of the algorithms used to describe phenomena involving more complex objects. Her work is supported by a grant from the National Science Foundation as well as one of the University's highly competitive Funding for Excellence in Science and Technology (FEST) awards for young faculty.



An NSF grant supports mathematician Irina Mitrea's research and teaching.



Sarah Phillips, a doctoral candidate at the Jefferson Lab, tours the facility with (from left) Joseph Scarcello, vice president for contract administration for CSC Applied Technologies; Jeff Purnell, JSA board member and vice president for finance for CSC Applied Technologies; and JSA president and director Christoph Leemann.

ADDRESSING ENERGY NEEDS

With the economic and environmental costs of fossil fuel threatening to undermine health and economic development around the world, researchers at U.Va. have focused their efforts on accelerating the shift to sustainable, less-polluting sources of energy through a study of catalysts—the substances that control chemical reactions. With the right catalysts, technologies such as fuel cells and biodiesel- and ethanol-based engines can emerge as practical alternatives to fossil fuel.

Ian Harrison, chair of the Department of Chemistry; Kevin Lehmann, professor of chemistry and physics; and their colleagues in the chemistry department have developed a number of highly sophisticated tests that are enabling chemists for the first time to observe catalysis at the molecular level. Matthew Neurock, the Alice M. and Guy A. Wilson Professor of Engineering, will be using these observations to refine our theoretical understanding of the process, giving chemists the basis to fine-tune catalysts for specific applications.

Members of the Department of Chemical Engineering also are working on catalysts. Robert Davis, chair of the Department of Chemical Engineering, is developing a reusable solid catalyst to convert heavy fats and oils to biodiesel with the flow properties needed for conventional diesel engines. It would replace liquid catalysts, which must be neutralized and disposed of at the end of the process. Assistant Professor Steven McIntosh's specialty is solid oxide fuel cells, which can use any combustible fuel, including



With the right catalysts, technologies such as fuel cells and biodiesel- and ethanol-based engines can emerge as practical alternatives to fossil fuel.

gasoline, diesel, and biofuels. Professor McIntosh is working to find high-performance materials that provide the ideal balance of catalysis and conductivity. If he is successful, solid oxide fuel cells may be used to provide power and heat for home use.

ILLUMINATING EVERYDAY LIFE

The United States is increasingly an urban society, yet we lack good tools to predict the evolution of American cities and their surrounding metropolitan areas. For William H. Lucy, the Lawrence Lewis, Jr., Professor of Architecture; and David Phillips, associate professor of architecture, the answer is straightforward: follow the money. Rather than rely on shifts in population, they look at shifts in income, and they found that cities are undergoing a steady resurgence. Per capita income is on the rise, as is the median value of owner-occupied housing.

While this is good news for cities as a whole, the effects are not uniform across the country. They note that while the average per capita income in Atlanta was 128 percent of the metropolitan area average, in Detroit it was just 58 percent. And neighborhoods built between 1940 and 1970, when the average new house was between 1,000 and 1,400 square feet, tended to lag behind pre-1940 neighborhoods, with larger houses that are closer to activities to which residents want to walk.

STRENGTHENING EDUCATION

There is a science as well as an art to teaching. Thanks to advances in behavioral science, we now have the techniques to model interactions between people in complex social settings. With funding from the Office of the Provost, Robert Pianta, the Novartis US Foundation Professor of Education and professor of psychology, has founded the Center for the Advanced Study of

Teaching and Learning to apply these methods to the interaction between teachers and students.

His goal is to develop evidence-based methods of teacher education. This year, the Curry School of Education was awarded \$10 million from the U.S. Department of Education's Institute of Education Sciences to evaluate a new Web-based method for training preschool teachers that Professor Pianta and his colleagues designed. In addition, he and psychology professor Joseph Allen received a \$1.25 million award from the William T. Grant Foundation to pinpoint how the best teachers make individual connections with their students and motivate them.

The University is also at the forefront in providing executive education for school administrators. This year, the Wallace Foundation awarded a grant of \$5 million to the Curry and Darden schools to provide leadership training in such areas as instructional improvement, leading change, and data-driven decision making to teams of state and local school administrators. The grant will be administered by the Darden-Curry Partnership for Leaders in Education.

MAKING FUNDAMENTAL DISCOVERIES

Other University researchers devote themselves to understanding the colossal physical forces that shape the universe. One of the predictions of Albert Einstein's theory of general relativity is the existence of gravitational waves, faint ripples in the space-time continuum. In the ninety years since he published this theory, the existence of gravitational waves has been widely accepted, though they have yet to be observed directly.

The latest discovery by Craig Sarazin, the W. H. Vanderbilt Professor of Astronomy, is about to change all this. Scientists have long speculated that the collision of two supermassive black holes would be cataclysmic enough to produce gravitational waves, and NASA is planning to launch a series of satellites called LISA to observe them. Before the first satellite is launched, the agency must be certain it can find supermassive black holes in the process of colliding.



Craig Sarazin

Professor Sarazin's first-ever observation of two black holes rotating around each other was the confirmation NASA needed. Though this particular set of black holes is not scheduled to merge for a million years, the fact of its existence makes it likely that there are other pairs in the universe on the verge of collision.

What makes people leaders?

Are leaders simply born that way or do circumstances—a particular time, place, and situation—come together to imbue them with leaderships qualities? These are questions that history professors Julian Bond and Phyllis Leffler have set out to address. Explorations in Black Leadership, their ambitious oral history project, explores the nature of leadership, making it clear that every leader has a unique story to tell. Begun in 2000 by Professor Leffler, director of the University's Institute for Public History; and Professor Bond, chair of the National Association for the Advancement of Colored People, the project features videotaped interviews with such African American leaders as Vernon Jordan, Nikki Giovanni, and Dick Gregory. These interviews can be found at www.virginia.edu/publichistory/bl/index.php.



Tom Graham of WMRA, a National Public Radio affiliate in Harrisonburg, interviewed Julian Bond and Phyllis Leffler for his "Insight" talk show.

Designing the Next Decade of Health Care

The U.Va. Health System is moving forward to take its place on the national stage.

During the next decade, the demands on our health care system will increase dramatically. Not only will there be many more patients—the leading edge of the Baby Boom generation has already turned sixty—but advances in treatment mean that patients will live longer with chronic disease and require more specialized medical procedures over their lifetimes. Academic medical centers like the University of Virginia—and the physicians and nurses who staff them—must find ways to do more for more people.

The next decade of health care also produces excitement as we begin to conceive of the words “cure” and “completely prevent” with respect to the major diseases of our time. In its strategic “Decade Plan,” updated in 2006, the U.Va. Health System declared its determination, not simply to meet these challenges, but to lead and to provide an example that other institutions can emulate. This is admittedly an ambitious goal, but events this year prove that the Health System is moving forward to take its place on the national stage.



Barry and Bill Battle (center), philanthropists and longtime champions of children's health care, were honored by the Board of Visitors with the naming of the Barry and Bill Battle Building at the U.Va. Children's Hospital.



Leaders in Health

One indication of the Health System's growing stature is the role its faculty members play in resolving critical issues of public health and medical science.

Jeanette Lancaster, dean of the School of Nursing, was named one of the 300 “most powerful people in healthcare” in the United States, according to a recent survey by *Modern Healthcare* magazine. Dean Lancaster, the Sadie Heath Cabaniss Professor of Nursing, serves as president of the prestigious American Association of Colleges of Nursing, an organization playing a key role in addressing the nationwide shortage of nurses.

As part of its worldwide effort to monitor avian flu, Dr. Frederick Hayden, the Stuart S. Richardson Professor of Clinical Virology and an internationally recognized expert on influenza, was named this year by the World Health Organization to lead a major effort to track and control the spread of influenza viruses with pandemic potential. He is responsible for creating a clinical research network throughout Asia, the point of origin for the recent outbreak.



Dr. Frederick Hayden

With the number of uninsured Americans topping 46 million, the expertise in public health policy that Dr. Arthur Garson, Jr., vice president and dean of the School of Medicine, possesses has also been recognized. Dr. Garson provided the original draft and worked closely



A design for a wilderness base camp facility to be constructed in the Sierra Nevada Mountains of California. Edward Ford, the Vincent and Eleanor Shea Professor of Architecture, created this plan for the Palisades Glacier Mountain Hut Competition, an international contest sponsored by the University of California Berkeley's College of Environmental Design.

with U.S. senators George Voinovich (R-OH) and Jeff Bingaman (D-NM) to introduce a bill to encourage states to pursue innovative methods of expanding health care coverage. He has recently been named by Virginia Governor Tim Kaine to the Health Reform Commission, which is charged with developing innovative solutions for the state.

Representing the diverse interests of academic health care, R. Edward Howell, vice president and CEO of the Medical Center, serves on a number

of influential professional organizations. He is the immediate past-chair of the NIH Advisory Board for Clinical Research and serves as director-at-large of the Virginia Hospital and Healthcare Association. He was recently named to the Academic Health Centers Health Workforce Shortages Advisory Committee.

Many Health System faculty members have also been tapped for leadership roles within the profession. For instance, Dr. Spencer B. Gay, professor of radiology and director of the Radiology Residency Program, served as president of the Association of Program Directors in Radiology. Dr. Hilary A. Sanfey, associate professor of surgery, is president of the Association of Women's Surgeons. Dr. Margaret Shupnik, professor of endocrinology and

molecular and biological physics, is president of the Endocrine Society. And Dr. Anita H. Clayton, the David C. Wilson Professor of Psychiatry, is currently president of the International Society for the Study of Women's Health.

Breakthroughs across the Research Spectrum

University faculty members are active along the entire continuum of research needed to introduce next-generation diagnostics and treatments as quickly as possible. Their work includes uncovering the fundamental cellular and molecular processes that cause disease, using these insights to identify potential targets for drug discovery, and testing new treatments in clinical trials.

A number of important advances in basic research occurred this year. Dr. Klaus Ley, the Harrison Medical Teaching Professor of Biomedical Engineering, and director of the Robert M. Berne Cardiovascular Research Center, and his colleagues found an important clue to the causes of acute respiratory distress syndrome, a sudden, life-threatening failure of the lung seen in patients with pneumonia, septic shock, or trauma. Dr. Ley identified a receptor that is implicated in this process. It occurs on endothelial cells that line blood vessels in the lung as well as on inflammatory cells. A likely line of research would be to develop a drug that targets this receptor.

Neurologist Dr. Jim Bennett, the Arthur and Margaret Ebbert Professor of Medical Science, demonstrated that one of the causes of Parkinson's disease may be the destructive effects of oxygen free



The inscription on the Senff Gate at the Old Medical School asks those who enter to seek knowledge for the good of humanity.

radicals on proteins in mitochondria, the tiny cellular batteries of brain cells. His work raises the possibility that a drug that absorbs these free radicals could halt the progression of the disease.

Other researchers are taking the next step, building on basic research to devise new approaches to treatment. In Type 1 diabetes, the body's autoimmune system destroys the insulin-producing beta cells in the pancreas, but, as scientists have recently discovered, the body continues to replace the destroyed cells

The U.Va. Medical Center completed a second successful islet cell transplant in 2005–06.

with new ones in a futile attempt to restart insulin production. Dr. Jerry Nadler, the Kenneth R. Crispell Professor of Internal Medicine and chief of the Division of Endocrinology and Metabolism, and his colleagues have found a way to break this deadlock in mice using two drugs that have either been approved by the FDA or been heavily studied. One selectively suppresses parts of the immune system that target the beta cells while the other increases insulin secretion and helps beta cells grow. Because these drugs have already received extensive scrutiny, this approach could enter clinical trials within two years. The U.Va. Medical Center also is continuing to build its islet cell transplant program, completing a second successful transplant this year.

Dr. Mark Okusa, the John C. Buchanan Distinguished Professor of Internal Medicine, has won two grants totaling \$1.2 million from the National Institutes of Health and the Juvenile Diabetes Research Foundation to test a class of drugs that shows promise in blocking the inflammation that may cause end-stage renal disease in diabetics. These drugs act on receptors for the compound adenosine. Here, too, advances could rapidly translate into human clinical trials.

Amebic dysentery, known to physicians as amebiasis, affects about 50 million people worldwide. A research team led by Dr. William Petri, the Wade Hampton Frost Professor of Epidemiology and chair of the Division of Infectious Diseases and

METRICS OF SUCCESS: HEALTH SYSTEM

- ◆ The School of Medicine improved its *U.S. News and World Report* ranking to 25th out of 126 in the nation among research-intensive medical schools, while its ranking in primary care jumped from 40th to 31st.

- ◆ During a period when the competition for NIH research grants has grown more intense, the Medical School attracted \$146.2 million, an increase of \$13 million over the previous year. Equally important, NIH grants per faculty member moved from 24th to 17th in the nation. The School of Nursing is currently ranked 16th nationally in NIH grants received for nursing research.

- ◆ For the seventh year, the U.Va. Medical Center was named to the 100 Top Hospitals: National Benchmarks for Success study compiled by the healthcare consulting company Solucient LLC. The company estimated that if all Medicare inpatients

received the same level of care as those in the 100 Top Hospitals an additional 106,312 patients would survive each year.

- ◆ For the third year in a row, the University of Virginia cardiology and heart surgery program was chosen as one of the top 100 in the nation by Solucient. If cardiovascular services in all acute-care hospitals performed at the same level as a Top 100 hospital, 10,000 additional heart patients in the United States would be saved.

- ◆ U.Va.'s physicians were well represented in two of the profession's most prestigious listings. This year, 125 physicians were included in the Best Doctors in America®, a 25 percent increase over the previous year. This database represents the top 3 percent to 5 percent of physicians in more than 400 medical specialties. Fifty-one made the list of America's Top Doctors

and twenty were included in America's Top Doctors for Cancer.

- ◆ Five medical specialties in the Health System rank among the best in the nation, according to the *U.S. News* "America's Best Hospitals Guide" for 2006. They are endocrinology (6); gynecology (25); ear, nose, and throat (26); cancer (31); and heart (49).

- ◆ The U.Va. Medical Center received the acclaimed Magnet Recognition for nursing excellence. Only 3 percent of U.S. hospitals have achieved this recognition. Magnet designation signifies that an institution's nurses have high levels of education, adhere to the highest professional standards, and provide the best patient care. The designation is based on extensive data, including a four-day, on-site inspection and interviews with hundreds of nurses.

International Health, has received a \$4.2 million, five-year grant from the National Institutes of Health to develop a vaccine for this disease, which kills 40,000 to 100,000 people annually.

Other researchers at U.Va. focus on developing more-accurate diagnostic tests. Inflammatory bowel disease, such as Crohn's disease, which affects 600,000 Americans every year, can be notoriously tough for doctors to diagnose and monitor. Theresa T. Pizarro, associate professor of gastroenterology, has pioneered the use of an ultrasound technique using tiny microbubbles that attach to the characteristic molecules produced during intestinal inflammation. This new approach is highly accurate, noninvasive, and cost-effective. Tests in patients are planned for later in the year.

University researchers also participate in a variety of clinical trials, the last step in the process by which insights from basic research are translated into accepted practices. The U.Va. Health System participated in the Digital Mammographic Imaging Screening Trial, which enrolled nearly 50,000 women nationwide and in Canada. The study found that digital mammography is significantly more effective than traditional film mammography for specific groups, such as women with dense breasts, though there is no difference in detecting breast cancer for the general population of women.

In the School of Nursing, Barbara Parker, the Theresa A. Thomas Professor of Primary Care Nursing, is working with colleagues in Missouri and Baltimore to implement strategies aimed at reducing violence against pregnant women. The state of Missouri and several health departments in Baltimore have adopted intervention guidelines developed from her research in



To stand near Jefferson Park Avenue and West Main Street, the Barry and Bill Battle Building at U.Va. Children's Hospital will be a central hub for interdisciplinary children's health care.

Virginia and Texas for training public health nurses on identifying and intervening in potentially violent situations.

Mobilizing Resources

The U.Va. Health System's ability to make breakthroughs across the broad continuum of research and clinical care needed for advances in medical science was recognized this year with several significant gifts, including a \$45 million gift from the Ivy Foundation. This gift, one of the largest in the University's history, will support a biomedical research facility designed for translating new discoveries into effective treatments and cures and a U.Va. Children's Hospital outpatient building. It also provides funding for a new clinical cancer center building, named in honor of the late Virginia Senator Emily Couric, a former patient. The Commonwealth of Virginia also included \$25 million in its 2006-07 budget for the new clinical cancer facility. In recognition of the Foundation's generosity, the University's Board of Visitors approved the naming of the Ivy Foundation Translational Research Building, the Emily Couric Clinical Cancer Center, and the Barry and Bill Battle Building at U.Va. Children's Hospital. Mr. Battle (College '41, Law '47), a former member of the Board of Visitors, chairs the Ivy Foundation. In addition to the Foundation's interest in translational research, Mr. and Mrs. Battle are longtime supporters of children's health.

The Department of Biomedical Engineering was one of a select number of institutions to receive a Wallace H. Coulter Foundation Translational Partners Award. The award, totaling \$2.9 million over five years, will bring together faculty and staff from the School of Medicine and the School of Engineering and Applied Science with their counterparts at the Darden School of Business and the U.Va. Patent Foundation. Their challenge is to take lifesaving discoveries made at the University and move them into the marketplace as quickly as possible.



Biomedical engineering and Darden faculty received a Wallace H. Coulter Foundation Translational Partners Award to translate lifesaving discoveries made at the University into effective treatments and cures.

The Nursing School has taken steps that will enable it to do more to address the nationwide shortage of qualified nurses.

Research in cancer will be furthered by a \$5 million gift from the Smithfield-Luter Foundation of Smithfield, Virginia. The gift will make a significant contribution to the University's effort to recruit an internationally recognized cancer prevention specialist and expand its cancer prevention research team. The gift will not only endow a professorship, but also provide vital programmatic support for research laboratories as well as start-up funds for an investigative team that will use molecular profiling technologies to improve individual and public health.

Cancer research received added impetus thanks to a challenge grant from William and Alice Goodwin. Through their Commonwealth Foundation, the Richmond couple matched \$1.25 million from benefactors and friends to further research on a vaccine for melanoma, the most serious type of skin cancer. Mr. Goodwin (Darden '66) is a former member of the Board of Visitors. The funding will support work under way at the U.Va. Cancer Center's Human Immune Therapy Center, headed by Dr. Craig Slingluff, the Joseph Helms Farrow Professor of Surgical Oncology.

Preparing Students for the Future

Medical knowledge is in a constant state of flux. We now know more about the human body and its care than at any other time in history, and we are adding substantially to this knowledge every day. The challenge for U.Va. Health System educators is to strike a balance, emphasizing the core skills that are at the heart of the professions of medicine and nursing, while preparing students for an age in which robotic surgery, telemedicine, and molecular-based treatments will be the norm.

These considerations helped shape the thinking of School of Medicine administrators this year as they conducted the self-study required for accreditation. After assessing current practices, the Medical School delivered its report for curriculum revision to the accrediting agency, the Liaison Committee on Medical Education. An LCME survey team will visit the school in fall

and, if all goes as planned, reaccredit the school for another eight years. The report featured curricular advances, some of which are novel to the United States. For example, our students now spend the first three days of medical school immersed in a single disease. They study the disease from "cell to bedside," from molecular mechanisms to societal issues, while working in groups to learn teamwork early.

The School of Nursing has taken a number of steps that will enable it to do more to address the shortage of qualified nurses nationwide. This year, the University enrolled its first class of students in its Clinical Nurse Leader program, a master's program developed by the American Association of Colleges of Nursing to foster leadership at the point of care. To jumpstart the program, the school secured a \$1.1 million grant from the Helene Fuld Health Trust, HSBC Bank USA, N.A., Trustee, for tuition for the program's first two cohorts and for faculty support.

In addition, the Nursing School is collaborating with the U.Va. Medical Center to create a Nurse Residency Program. This initiative is providing recent baccalaureate-level graduates with the opportunity to work full time at the University with close staff support and continued learning opportunities for one year. Other institutions that have implemented similar programs report that new nurses have higher levels of competency and are more satisfied with their career choice.

A portion of a \$6 million estate gift from the late Albemarle County educator Mortimer Y. Sutherland, Jr. (College '34, Graduate Arts and Sciences '35), will be devoted to scholarships for nursing students. The remainder of this bequest will be devoted to need-based scholarships for University students, with a preference for students from Albemarle County.

Delivering Outstanding Care

As an institution, the U.Va. Medical Center is determined not simply to meet standards of patient care, but to set them—to create an organization that delivers the most advanced treatments to our patients in the most humane, responsive manner possible. To continue to do so in the face of rapidly evolving treatments and the rising expectations of the citizens it serves, the center must constantly evolve and improve. With the encouragement of the Medical Center Operating Board, the Medical Center has set three mutually reinforcing organizational goals: I Care, investing in our customers; I Heal,

A new classroom building for nursing

The School of Nursing broke ground April 8, 2006, on the Claude Moore Nursing Education Building. The project was made possible by a \$5 million challenge grant from the Claude Moore Charitable Foundation and a \$1 million gift from the Theresa A. Thomas Memorial Foundation, a longstanding supporter of the school, along with gifts and pledges from numerous benefactors and friends. The new four-story, \$15 million, state-of-the-art classroom building will enable the Nursing School to expand its enrollment by up to 25 percent, a significant contribution to the nation's efforts to address the critical shortage of nurses. In addition, design plans are nearly complete for the Claude Moore Medical Education Building, supported by a \$12.5 million challenge from the foundation.



The design of the Claude Moore Nursing Education Building will complement today's teaching and research models and provide the technology needed to keep pace with the rapidly changing nursing profession.

investing in our expertise; and I Build, investing in our future.

Toward meeting these goals, the U.Va. Medical Center has directed operating margin funds toward improving facilities and investing in key technologies. This has enabled the Medical Center to increase inpatient beds, add “smart” operating rooms wired with the latest technology, and open a new, expanded Heart and Vascular Center. In addition, the Medical Center acquired a mobile digital mammography van, the first in the state of Virginia and one of just four in the United States. This van will help those women who might benefit from a digital mammogram receive the exam they need.



Dr. Valentina Brashers

An Exceptional Faculty

The ongoing success of the U.Va. Health System in meeting the critical challenges in health care rests on the shoulders of a committed, talented, and energetic faculty. The ability to attract national caliber leaders is an indication of the reputation it has already achieved as well as its future promise. This year, Dr. Robert M. Strieter, one of the nation’s top pulmonary clinicians and scientists, joined the University as chair of the Department of Internal Medicine. Dr. Strieter is highly regarded for his expertise in lung cancer, pulmonary fibrosis, acute lung injury, and lung transplantation. He is currently the principal investigator of a National Institutes of Health-supported specialized center of research on the pathobiology of pulmonary fibrosis.

In addition, Dr. James M. Larner, a clinical expert in neuro-oncology and thoracic oncology, was appointed to head the Department of Radiation Oncology. Dr. George F. Rich, a specialist in cardiothoracic anesthesia and researcher who studies the effects of anesthesia on vascular smooth muscle, has been named Harrison Medical Teaching Professor and chair of Anesthesiol-



Dr. Bankole Johnson

ogy. Finally, Dr. Mark E. Shaffrey, an expert in neuro-oncology, spine surgery, and epilepsy, was named to chair the Department of Neurosurgery. His research focuses on novel brain tumor treatments; he also oversees an active clinical trials program.

These individuals are part of an increasingly distinguished faculty. This year, a number of faculty members were singled out for special recognition.

► Dr. Bankole Johnson, the Alumni Professor of Psychiatric Medicine and chair of the Department of Psychiatric Medicine, was selected by the American Psychiatric Association for its highest honor, the Award for Distinguished Psychiatrist. Dr. Johnson, an expert on addiction, is serving as the lead principal investigator on a \$5 million research study, funded by the National Institutes of Health, to curb methamphetamine addiction.

► Jeffrey Barth, the John Edward Fowler Professor of Clinical Psychology, was chosen as the National Academy of Neuropsychology’s 2005 Distinguished Neuropsychologist. The award is designed to honor individuals who have made major lifetime contributions to the field of clinical neuropsychology.

► Dr. Valentina Brashers, professor of nursing and attending physician in internal medicine, received the Nicholas Andrew Cummings Award from the National Academies of Practice. The award recognizes her contributions to interdisciplinary health care and to teaching and practice excellence.

► Dr. John A. Jane, Sr., the David D. Weaver Professor of Neurosurgery, received the Medal of Honor from the World Federation of Neurosurgical Societies. The medal is the highest international award in neurosurgery and recognizes Dr. Jane for a lifetime of distinction in patient care, physician education, and research.

► Catherine Kane, associate professor of nursing, received the Melva Jo Hendrix Lectureship Award at last year’s conference on the International Society of Psychiatric Nurses. The award was established to “recognize psychiatric-mental health nurses who exemplify Dr. Hendrix’s values and principles, her unswerving commitment to improving care for the underserved, stigmatized, or disenfranchised, and her dedication to mentoring others.”

► Dr. Cato T. Laurencin, the Lillian T. Pratt Distinguished Professor and chair of the Department of Orthopaedic Surgery, won the prestigious Nicolas Andry Award from the Association of Bone and Joint Surgeons. The award honors work that has contributed significantly to orthopedic surgery knowledge and practice.

► Maggie Short, administrator of U.Va. Health System’s Continuum Home Health Care program and Nursing Operations and Development, along with colleagues from around the state, won the 2006 Governor’s Award for Public Service.



Slated for groundbreaking in spring 2008, the Emily Couric Clinical Cancer Center will offer complete patient and family support services to foster physical, emotional, and spiritual well-being.

Striving for Excellence

In the past four years, the University has won twenty ACC titles.

In 2002, Director of Athletics Craig Littlepage inserted a series of ambitious goals in his ten-year strategic plan. He declared that the University would strive to win seventy conference championships and twelve national championships over the next decade. It now looks that these projections were not as audacious as they first seemed. In the past four years, the University has won twenty ACC titles, the most of any school in the conference, and three NCAA titles, as many as any other league school.



Craig Littlepage

In announcing these goals, Mr. Littlepage's intention was to make public his determination that the University must field consistently strong teams in every sport. The Cavaliers' performance in 2005–06 reveals our progress in achieving this ideal. Virginia won five ACC team championships: in men's cross country, men's swimming and diving (its eighth consecutive ACC title), women's lacrosse, women's rowing (its seventh consecutive conference title), and men's lacrosse.

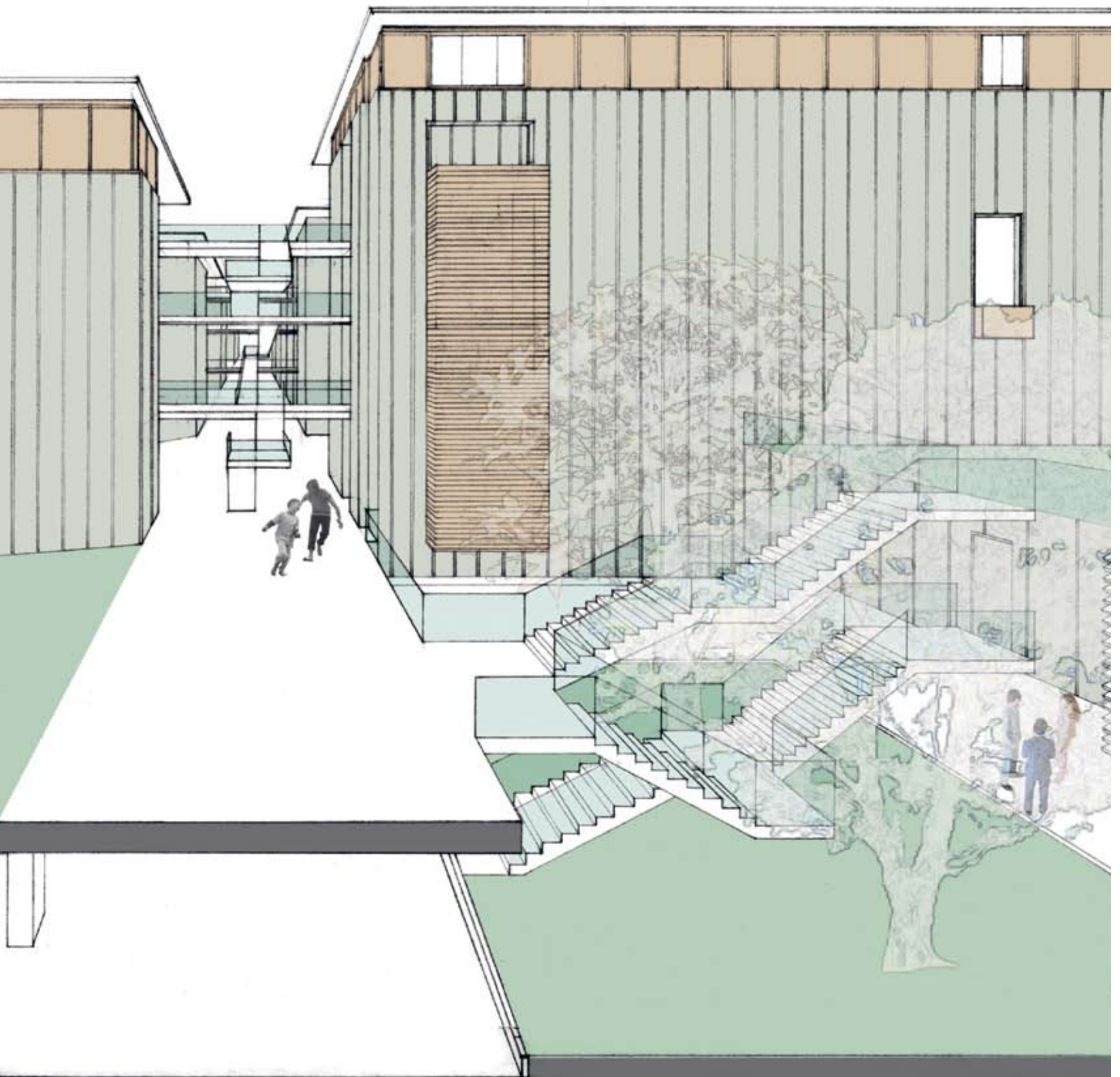
Indeed, it was an exceptional year for men's lacrosse. The team won its fourth NCAA championship in Philadelphia before a record crowd of 47,000 fans, with a decisive 15–7 win over the University of Massachusetts in the title match. In doing so, it became the only lacrosse team in Division I history to go 17–0 over the season.

Other teams turned in solid performances as well. The football team advanced to a bowl game for the fourth consecutive year, defeating Minnesota 34–31 in the Music City Bowl in Nashville, Tennessee. These bowl appearances benefit the entire University. The Department of Athletics continued its tradition of sharing proceeds from its bowl play with a \$50,000 gift to the University. Half of these funds were donated to the Cavalier Marching Band Endowment and the other to U.Va.'s Faculty Senate to support a graduate teaching fellowship. Since the Cavalier football team's first postseason appearance in the 1984 Peach Bowl, athletics has donated more than \$930,000 toward academic projects.

Perhaps the best indication of the depth of the University's athletics program was its twenty-sixth-place finish in the final Division I U.S. Sports Academy Directors' Cup standings. The Division I Directors' Cup is awarded for excellence in ten men's and ten women's sports. Virginia has placed in the top thirty every year in the thirteen-year history of the program.



Design created by Judith Kinnard, associate professor of architecture. Hers was one of twenty selected for exhibition from 270 entries in the "High Density on the High Ground" competition for innovative designs to rebuild areas affected by Hurricane Katrina. The competition was sponsored by Architectural Record and Tulane University's School of Architecture.



A Tradition of Exceptional Talent

The ability to meet Mr. Littlepage's goals was a direct result of the University's success in recruiting exceptional student-athletes and in providing the encouragement and guidance they need to excel. A perfect example is fourth-year student Matt Ward, who this year was awarded the Tewaaraton Trophy, given annually to the top lacrosse player in the nation. He led the Cavaliers with 42 goals, 25 assists, and 67 points. For his achievements, Mr. Ward also earned first-team All-America honors and received the Lt. Raymond J. Enners Award as the U.S. Intercollegiate Lacrosse Association Player of the Year.

Other standouts included men's tennis player Somdev Devvarman. At the close of the season, he ranked eighth in the nation and advanced to the final match at the NCAA men's singles championships. Two Virginia student-athletes, Sean Doolittle in baseball and Brielle White in women's swimming, were named the ACC's top performers for their respective sports. Women's golfer Leah Wigger became the first All-American in the program's three-year history, and first-year Jennie Arseneault became the first to qualify for the U.S. Women's Open.

Strong coaching is also critical to meeting Virginia Athletics' goals. This year, four coaches were recognized as ACC Coaches of the Year. This group included men's cross country coach Jason Dunn, men's lacrosse coach Dom Starsia (for the seventh time), men's swimming coach Mark Bernardino (for the eighth consecutive year), and women's tennis coach Mark Guilbeau, in his first season at Virginia. Coach Guilbeau replaced Phil Rogers, who retired as the second winningest coach in ACC history. Other first-year head coaches included Dave Leitao, in men's basketball; and Karen Johns, in softball.

Service: A Team Sport

The experience of participating in a team sport, of working together for the greater good, translates well to community ser-



With ten top-ten finishes and a ninth-place showing in her second NCAA Championship, Leah Wigger became the U.Va. golf program's first All-American.

vice. Accordingly, many student-athletes ultimately go on to careers in public service and with nonprofit institutions. It takes an exceptionally disciplined and committed student, however, to take on the challenge of community service while enrolled, given the demands of competing in Division I athletics at one of the nation's most academically competitive universities—but that's exactly what a number of students accomplish each year.

Last summer, Eric Kelley, camera in hand, spent three weeks walking across Nicaragua, chronicling the lives of people he encountered and raising money for a feeding center at the Nueva Vida refugee camp. A member of the swimming and diving team, Kelley raised \$16,000 for the center, enough to feed 200 children twice a day for an entire year. His images can be found at www.walkacross.com.

Men's lacrosse player James King, who is working toward a commission in the Marine Corps, spearheaded a campaign to encourage people to write letters and donate items to a Marine Corps unit in the Middle East. He originally promoted the campaign among his teammates, but he soon expanded his effort to include the entire University community.

Another student-athlete, Kerry Maher, makes time each week to visit patients at the U.Va. Children's Hospital. Tri-captain of the women's rowing team, she spent time in and out of hospitals herself as a child, battling a serious infection. Through her example, she tries to give these children encouragement and hope. Ms. Maher, an ACC honor roll student, is also an enthusiastic participant in the University's Day in the Life program, which pairs University students with local high school students identified as having unrealized academic potential. She spent up to three hours a week for more than a year meeting with a Charlottesville High School student, providing guidance as well as a sense of the possibilities of college life.



The U.Va. men's lacrosse team celebration after capturing the NCAA Championship title and becoming the first squad in conference history to finish with a perfect 17-0 record.

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The Pelliccia tree of the Eric Goodwin Passage. The passage, designed by Peter Waldman, the William R. Kenan, Jr., Professor of Architecture, was built as a memorial to an undergraduate student who died unexpectedly of an illness in 2002.

A Place of Choice

Report of Leonard Sandridge, Executive

Vice President and Chief Operating Officer

Our vision for the University of Virginia is to offer value so compelling that we are the institution of choice for all our constituents, whether they be students and their parents, faculty members and staff, physicians and patients, student athletes, or members of the Charlottesville community.

Events this year have demonstrated that the public already holds this institution in high esteem. In the spring of 2006, the University received a total of 16,299 applications for roughly 3,100 spots in the Class of 2010, representing a 2 percent increase over last year and a 13 percent increase since 2000. Applications from African American students were up 13 percent; from Hispanic students, 19 percent; and from international students, 16 percent.

The University is also a place of choice for funding agencies. The quality of the research programs our faculty conducts was recognized this year by funding of \$289 million.

Our Medical Center, once again ranked as a Solucient Top 100 hospital, has a well-earned reputation for providing high-quality care to the most seriously ill, who came to the Medical Center in large numbers. This year, we treated almost 24,000 people in the hospital and 197,000 at our outpatient clinics. We will be adding 100 beds over the next few years to keep abreast of demand.

The quality of our professional nursing staff was validated this year by the American Nurses Credentialing Center, which awarded our hospital with its prestigious Nursing Magnet status. Only 3 percent of hospitals in the nation have achieved this recognition. Magnet status offers exciting possibilities to our Medical Center and a significant advantage in our ability to continue to recruit and retain the best nurses.

Financial Stability and Administrative Flexibility

Over the last decade, we have worked extremely hard to develop the financial and administrative flexibility that will enable us to not only maintain our standing in the eyes of our constituents, but also to improve it. In external assessments of our operations, the University is one of only two public universities to be awarded top bond ratings from all three debt-rating agencies. We achieved this superior rating in part because of the healthy diversity of our



revenue sources. A disproportional amount of our total operation as a public institution is supported by private funds.

Our returns on our endowment have been particularly strong. The University of Virginia Investment Management Company (UVIMCO) manages the University's own \$2.5 billion endowment, as well as the majority of the \$1 billion held by University-related foundations. This is the fifth largest endowment of any public university in the nation. The 14.6 percent return UVIMCO posted on its Long-Term Pool this year is in line with the Pool's annualized return of nearly 14 percent for the fifteen years ending June 30, 2006.

One of the most important new tools we are beginning to utilize is the administrative autonomy we gained as part of the Restructured Higher Education Financial and Administrative Operations Act. Specifically, the management agreement with the state, which went into effect on July 1, 2006, rightly shifts authority to the Board of Visitors for many of our processes and

guarantees a more stable funding stream through the Board's authority to set tuition. The agreement also makes possible the establishment of best practices and policies in the areas of construction and leasing, human resources, information technology, finance and accounting, and procurement.

Restructuring will offer the University many of the same opportunities that private institutions now enjoy. For instance, we will be able to dramatically shorten the time to build those facilities that we fund. With fewer administrative delays and greater autonomy over financing, the time required to plan, approve, design, and construct a new building could drop by about 25 percent. On a research building that currently takes four years from drawing board to occupancy, that represents a time savings of a whole year.

Additionally, we now have the ability to create a new human resources system designed specifically to support employees who work for an institution of higher education. Our new system will, among other things, streamline and expedite current hiring processes, allow more flexibility to recognize and reward employees, and permit the payment of merit-based increases to staff as well as to faculty. The creation of new human resources policies will occur slowly. The current timetable calls for this system to roll out in 2008. Meanwhile, we are seeking the advice of external consultants and our employees and employee council representatives in an effort to devise the best possible system within the authority allowed by restructuring.

The Plan and the People

Realizing that we have set ambitious goals in a competitive higher education marketplace, the Board of Visitors has convened a Special Committee on Planning to develop a multiyear financial and strategic plan with the following objectives:

- Improve the University's position in national rankings
- Focus academic priorities on areas of excellence, strength, and potential
- Differentiate the University from its peers, both public and private

The plan, which is scheduled for completion in early 2007, will combine initiatives designed to build core strengths in faculty and facilities while proposing a number of initiatives that will differentiate us from our peers. As we plan, we are taking a

The financial stability and administrative flexibility that we now possess give us a firm foundation for moving forward.

hard look at the long-term resource needs of the University. This entails making hard choices and investing in those areas where we can establish world-class leadership, whether in undergraduate programs, cancer research, or nanotechnology.

Regardless of its final form, our strategic plan will set out ambitious goals. The financial stability and administrative flexibility that we now possess give us a firm foundation for moving forward. Our \$3 billion fund-raising campaign will provide much of the additional resources needed to achieve our ends. When the campaign entered its public phase in September 2006, we had already raised more than \$1 billion, putting us substantially ahead of our goal. Through the support of our alumni and supporters and the hard work of the stewards of our important financial resources, we will meet our goal by the campaign's end in 2011.

Ultimately, however, it is the people we attract here who make this place great. Good organizations depend on good people. The latest *U.S. News & World Report* rankings—which place the University second among public institutions in this country—also reveal that we achieve substantially more with the resources available to us than our peers. The dedication, vision, experience, and integrity of all our employees provide that margin of excellence. We want to be the employer of choice in central Virginia. Our ability to realize the promise of this institution depends on the quality of our leadership and the depth of engagement that our community members—faculty, staff, and students—bring to this place. In this regard, we are certainly living Mr. Jefferson's dream for higher education in Virginia.



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, 2006. Comparative information for the year ended June 30, 2005, has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the footnotes that follow this section.

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

ACADEMIC DIVISION

A public institution of higher learning with 20,397 students and 2,102 instructional and research faculty members in ten separate schools, the University offers a diverse range of degree programs, including doctorates in fifty-four 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 1,953 students and 120 instructional faculty. It offers twenty-five majors including pre-professional 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.

FINANCIAL HIGHLIGHTS

For the fiscal year ended June 30, 2006:

- 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 twenty-second in 2005–06.
- The Board of Visitors has also committed \$126 million over a five-year period through 2009 to strengthen the University's status as a top-ranked research institution. The funds will be used for construction of the Carter-Harrison Medical Research Building and the Advanced Research and Technology facility, as well as the recruitment of ten National Academy-caliber research teams. The University recently secured the second and third of the ten planned research teams. One of the world's leading epidemiologists and geneticists has been appointed director of U.Va.'s Center for Public Health Genomics. The University also attracted a world-renowned physical and surface chemist who is a member of the National Academy of Science.
- The Board of Visitors approved the University's six-year institutional plan pursuant to the Restructured Higher Education Financial and Administrative Operations Act.
- The Board of Visitors approved the University's Debt Policy and Interest Rate Risk Policy.
- The Board of Visitors approved the University's Capital and Operating Reserves Policy.
- The Board of Visitors adjusted the endowment spending rate to 4 percent, thereby equalizing the payment rate for both Class A and Class B shares a year earlier than originally projected.

As a result of these strategic decisions and its day-to-day operations, the University realized a significant increase in net assets of \$411 million. The increase is outlined in the summary table below.

SUMMARY OF THE INCREASE IN NET ASSETS <i>(in thousands)</i>	2006	2005	INCREASE	
			AMOUNT	PERCENT
Total revenues before investment income	\$ 1,881,241	\$ 1,733,868	\$ 147,373	8.5%
Total expenses	1,837,505	1,719,019	118,486	6.9%
Increase in net assets before investment income	43,736	14,849	28,887	194.5%
Investment income	367,761	329,973	37,788	11.5%
TOTAL INCREASE IN NET ASSETS	\$ 411,497	\$ 344,822	\$ 66,675	19.3%

- Revenues before investment income rose 8.5 percent against a rise in expenditures of 6.9 percent, leading to an overall increase before investment income of \$29 million.
- Annual investment income grew to \$368 million.
- Accordingly, net assets increased \$411 million, which was \$67 million, or 19.3 percent, more than last year's increase in net assets.
- The total return on net assets was 10.2 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 three financial statements and related notes:

1. The Statement of Net Assets
2. The Statement of Revenues, Expenses, and Changes in Net Assets
3. The Statement of Cash Flows

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

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities—net assets—is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summary of the University's assets, liabilities, and net assets at June 30, 2006, and June 30, 2005 (restated), follows.

SUMMARY OF THE STATEMENT OF NET ASSETS <i>(in thousands)</i>	2006	2005	INCREASE	
			AMOUNT	PERCENT
Current assets	\$ 936,689	\$ 978,616	\$ (41,927)	(4.3%)
Noncurrent assets				
Endowment and other long-term investments	2,773,862	2,387,332	386,530	16.2%
Capital assets, net	1,642,295	1,500,627	141,668	9.4%
Other	107,309	99,360	7,949	8.0%
Total assets	5,460,155	4,965,935	494,220	10.0%
Current liabilities	437,379	395,574	41,805	10.6%
Noncurrent liabilities	560,779	519,861	40,918	7.9%
Total liabilities	998,158	915,435	82,723	9.0%
NET ASSETS	\$ 4,461,997	\$ 4,050,500	\$ 411,497	10.2%

This snapshot of the University shows that its financial condition continues to strengthen.

CURRENT ASSETS AND LIABILITIES

Current assets, which totaled \$937 million as compared to the previous year's \$979 million, a decrease of \$42 million or 4.3 percent, consist primarily of cash and cash equivalents, operating investments, and accounts receivable. The overall decline in current assets resulted primarily from the movement of \$75 million in Medical Center investments from short-term investments to those with longer term horizons of one to five years.

Current liabilities, which consist primarily of accounts payable, obligations under securities lending, deferred revenue, and long-term liabilities, increased by \$42 million, or 10.6 percent. There were two major reasons for this change. Last year commercial paper was included in noncurrent liabilities because it was refunded immediately after fiscal year end with a long-term bond issuance. This year commercial paper of \$26 million is classified as a current liability since there are no immediate plans to refinance the commercial paper with long-term bonds. Obligations under securities lending increased by \$25 million as the Commonwealth of Virginia used state funds on deposit to increase participation in this state program. These current liabilities were offset by a reduction in accounts payable and accrued liabilities of almost \$8 million.

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 year's coverage is slightly lower than last year's rate of 2.5. Current assets also cover over six months of total operating expenses, including depreciation.

ENDOWMENT AND OTHER INVESTMENTS

Performance. At June 30, 2006, the major portion of the University's endowment was maintained in a long-term investment pool managed by the University of Virginia Investment Management Company (UVIMCO). The annual return for the long-term investment pool this year was 14.6 percent, a slight improvement over last year's return of 14.3 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 for all funds rose \$38 million, or 11.5 percent.

Distribution. The University distributes endowment earnings in a way that balances the annual support needed for operational purposes against the requirement to preserve the future purchasing power of the endowment. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. The total distribution for the endowment was \$92 million.

Endowment investments. The total for endowment investments on the Statement of Net Assets is \$2.5 billion, an increase from last year's \$2.2 billion.

From a net assets perspective, earnings from the endowment, while expendable, are mostly restricted in use by the donors. It is important to note that of the University's endowment funds, only \$699 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 efforts.

Including endowment investments held by the seven related foundations reported as component units, the combined University system endowment was approximately \$3.5 billion as of June 30, 2006.

CAPITAL AND DEBT ACTIVITIES

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

Capital additions before depreciation were \$271 million in 2006. 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, 2006, included Wilsdorf Hall for the School of Engineering, 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 Fayerweather Hall renovation, and the Cocke Hall renovation. Also, the John Paul Jones Arena was nearly complete at June 30, 2006.

Other projects that are in the design stage include the Claude Moore Nursing Education Building for the School of Nursing, the Claude Moore Medical Education Building, the South Lawn Project, the Hospital Bed Expansion and Infrastructure Project, the Emily C. Couric Clinical Cancer Center, Ruffin Hall, and the College at Wise's Arts Center.

Financial stewardship requires the effective management of resources, including the use of debt to finance capital projects. As evidence of the University's effective stewardship, 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 future 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.

Long-term debt additions totaled approximately \$193 million. This increase resulted from the University's issuance of tax exempt bonds in July 2005. The University's debt portfolio contains a strategic mix of both variable- and fixed-rate obligations. Although the University has considered debt derivative instruments, it has not executed any. The seven foundations now required by GASB Statement No. 39 to be reported as component units held \$159 million of long-term debt outstanding at June 30, 2006.

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, 2006, and 2005 (restated), are summarized below.

NET ASSETS <i>(in thousands)</i>	2006	2005	INCREASE	
			AMOUNT	PERCENT
Invested in capital assets, net of related debt	\$ 1,116,746	\$ 1,012,969	\$ 103,777	10.2%
Restricted				
Nonexpendable	350,474	333,544	16,930	5.1%
Expendable	1,715,249	1,555,598	159,651	10.3%
Unrestricted	1,279,528	1,148,389	131,139	11.4%
TOTAL NET ASSETS	\$ 4,461,997	\$ 4,050,500	\$ 411,497	10.2%

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 \$104 million, or 10.2 percent, in the current fiscal year compared with 6.1 percent growth in the previous year.

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

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets includes permanent endowment fund earnings that can be spent, but only in accordance with restrictions imposed by external parties. This asset category grew 10.3 percent or \$160 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.

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, 2006, and June 30, 2005 (restated).

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS <i>(in thousands)</i>	2006	2005	INCREASE	
			AMOUNT	PERCENT
Operating revenues	\$ 1,547,194	\$ 1,453,159	\$ 94,035	6.5%
Operating expenses	1,807,858	1,689,679	118,179	7.0%
Operating loss	(260,664)	(236,520)	(24,144)	10.2%
Nonoperating revenues (expenses)				
State appropriations	158,192	143,605	14,587	10.2%
Gifts	111,974	96,547	15,427	16.0%
Investment income	367,761	329,973	37,788	11.5%
Other net nonoperating expenses	(29,647)	(29,340)	(307)	1.0%
Net nonoperating revenues	608,280	540,785	67,495	12.5%
Income before other revenues, expenses, gains or losses	347,616	304,265	43,351	14.2%
Capital appropriations, gifts, and grants	46,948	29,105	17,843	61.3%
Additions to permanent endowments	16,933	11,452	5,481	47.9%
Total other revenues	63,881	40,557	23,324	57.5%
Increase in net assets	411,497	344,822	66,675	19.3%
Net assets - beginning of year	4,050,500	3,705,678	344,822	9.3%
NET ASSETS - END OF YEAR	\$ 4,461,997	\$ 4,050,500	\$ 411,497	10.2%

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 \$261 million does not account for these normal revenue sources. Adding the net nonoperating revenues of \$608 million for the fiscal year more than offsets the operating loss and results in an adjusted income figure of \$348 million. This provides a more accurate picture of the University's total scope and results of operations.

REVENUES

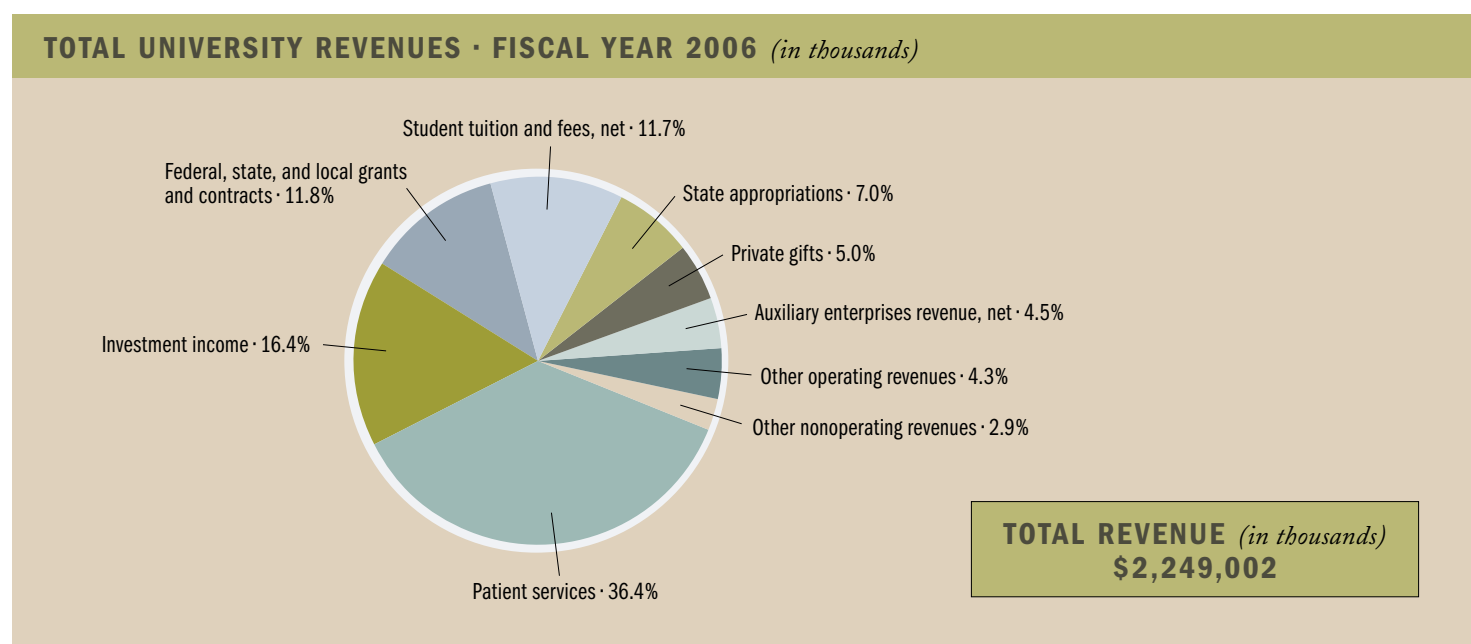
The University strives to maintain a diverse stream of revenues, which allows it to weather difficult economic times.

SUMMARY OF REVENUES, TOTAL UNIVERSITY

A summary of the University's revenues, for the years ended June 30, 2006, and 2005 (restated).

SUMMARY OF REVENUES (in thousands)	2006			2005			TOTAL INSTITUTION INCREASE	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues								
Student tuition and fees, net	\$ 263,727	\$ —	\$ 263,727	\$ 246,062	\$ —	\$ 246,062	\$ 17,665	7.2%
Federal, state and local grants and contracts	265,571	—	265,571	246,665	—	246,665	18,906	7.7%
Nongovernmental grants and contracts	40,972	—	40,972	39,591	—	39,591	1,381	3.5%
Sales and services of educational departments	18,925	—	18,925	16,469	—	16,469	2,456	14.9%
Auxiliary enterprises revenue, net	101,093	—	101,093	93,983	—	93,983	7,110	7.6%
Other operating revenues	—	37,414	37,414	—	30,192	30,192	7,222	23.9%
Patient services	—	819,492	819,492	—	780,197	780,197	39,295	5.0%
Total operating revenues	\$ 690,288	\$ 856,906	\$1,547,194	\$ 642,770	\$ 810,389	\$1,453,159	\$ 94,035	6.5%
Nonoperating revenues								
State appropriations	\$ 158,192	\$ —	\$ 158,192	\$ 143,605	\$ —	\$ 143,605	\$ 14,587	10.2%
Private gifts	111,203	771	111,974	93,761	2,786	96,547	15,427	16.0%
Investment income	338,801	28,960	367,761	305,600	24,373	329,973	37,788	11.5%
Other nonoperating revenues	63,881	—	63,881	40,557	—	40,557	23,324	57.5%
Total nonoperating revenues	\$672,077	\$ 29,731	\$ 701,808	\$583,523	\$ 27,159	\$ 610,682	\$ 91,126	14.9%
TOTAL REVENUES	\$1,362,365	\$ 886,637	\$2,249,002	\$1,226,293	\$ 837,548	\$2,063,841	\$ 185,161	9.0%

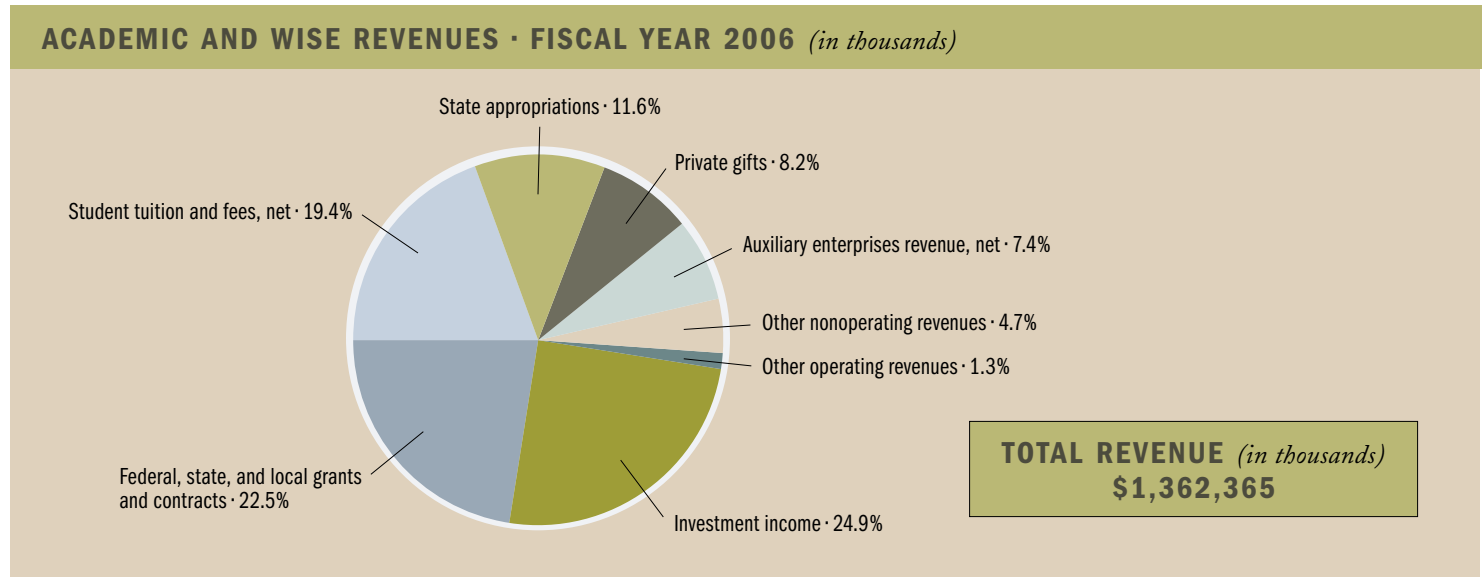
Below is a graph of revenues by source (both operating and nonoperating), which were used to fund the University's activities for the fiscal year ended June 30, 2006. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and other significant revenues to be treated as nonoperating revenues.



Patient services revenues accounted for 53.0 percent of the University's operating revenues and 36.4 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 7.0 percent and 11.7 percent, respectively, of the University's total revenues are used to fund current operations.

State appropriations increased by \$15 million, or 10.2 percent. The primary component of this increase was \$14 million for operations. Net tuition and fees increased by 7.2 percent as tuition rose.

Excluding the Medical Center data more clearly demonstrates that the academic revenue streams are well balanced. Major sources for 2006 included investment income, 24.9 percent; federal, state, and local grants and contracts, 22.5 percent; net tuition and fees, 19.4 percent; and state appropriations, 11.6 percent.



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, as well as escalating technology 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 and additions to permanent endowment.

Revenues for all sponsored programs increased \$19 million, or 7.7 percent, to a total of \$266 million in 2006. The increase is above last year's 7.2 percent rise. The University expects sponsored programs funding to slightly decrease next year as the federal budget cuts to sponsors such as the National Institutes of Health begin taking effect.

EXPENSES

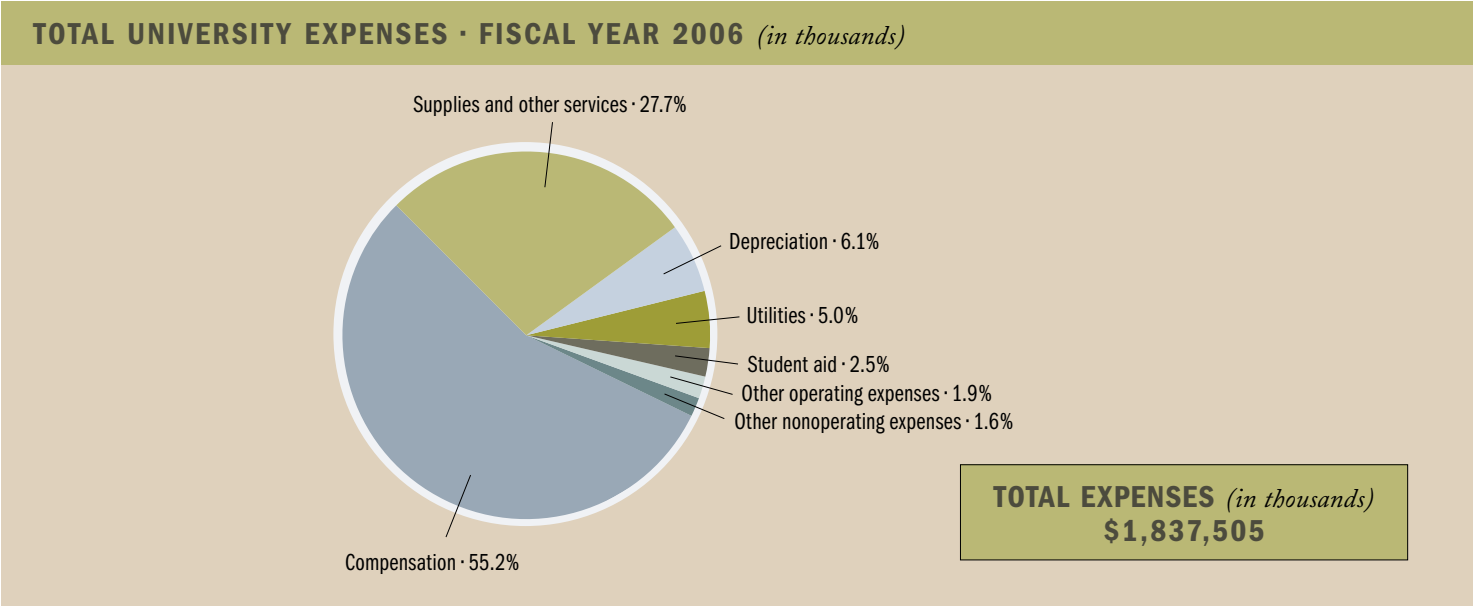
The University continues to be a good steward in the judicious expenditure of funds.

SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses, for the years ended June 30, 2006, and 2005 (restated).

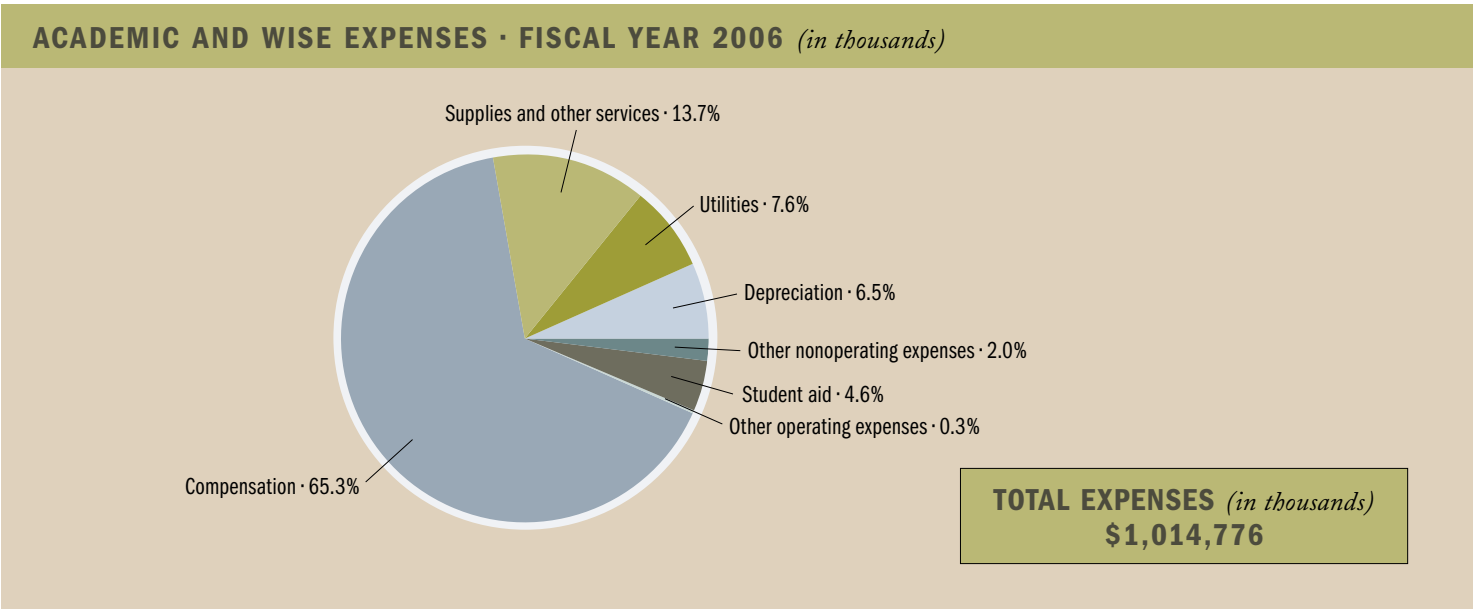
SUMMARY OF EXPENSES <i>(in thousands)</i>	2006			2005			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses								
Compensation	\$ 663,025	\$ 352,088	\$ 1,015,113	\$ 629,893	\$ 334,828	\$ 964,721	\$ 50,392	5.2%
Supplies and other services	138,868	369,283	508,151	123,178	344,438	467,616	40,535	8.7%
Student aid	46,474	—	46,474	40,944	—	40,944	5,530	13.5%
Utilities	76,878	14,485	91,363	69,306	13,016	82,322	9,041	11.0%
Depreciation	65,692	45,962	111,654	62,446	42,008	104,454	7,200	6.9%
Other operating expense	2,817	32,286	35,103	2,233	27,389	29,622	5,481	18.5%
Total operating expenses	993,754	814,104	1,807,858	928,000	761,679	1,689,679	118,179	7.0%
Nonoperating expenses								
Interest expense	10,484	4,712	15,196	9,844	4,816	14,660	536	3.7%
Other nonoperating expense	10,538	3,913	14,451	12,763	1,917	14,680	(229)	(1.6%)
Total nonoperating expenses	21,022	8,625	29,647	22,607	6,733	29,340	307	1.0%
TOTAL UNIVERSITY EXPENSES	\$1,014,776	\$ 822,729	\$1,837,505	\$ 950,607	\$ 768,412	\$1,719,019	\$ 118,486	6.9%

Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2006.



As a percentage of total expenses, compensation (salaries and benefits) remained almost constant. However, in dollars, compensation increased by \$50 million as the Board of Visitors continued its goal of raising faculty and staff compensation.

Student aid expense increased to \$47 million, a change of \$6 million, as the University continued its commitment to AccessUVA. Depreciation increased by \$7 million, or 6.9 percent, driven by the increase in capital assets. Interest expense increased by 3.7 percent, or \$1 million as new debt was issued.



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 45.0 percent, 13.9 percent, and 13.9 percent, respectively, of total operating expenses. When combined, these major functions account for 72.8 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 additional 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>	2006	2005	INCREASE (DECREASE)	
			AMOUNT	PERCENT
Cash flows from operating activities	\$ (158,911)	\$ (95,892)	\$ (63,019)	(65.7%)
Cash flows from noncapital financing activities	282,093	220,468	61,625	28.0%
Cash flows from capital and related financing activities	(145,006)	(373,449)	228,443	61.2%
Cash flows from investing activities	70,801	493,513	(422,712)	(85.7%)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 48,977	\$ 244,640	\$ (195,663)	(80.0%)

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 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.

Noncapital financing activities produced a cash flow increase of 28 percent, or \$62 million, over last year as state appropriations increased by \$10 million and gifts, grants, and endowments received at the University rose about \$42 million. 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.

The major change occurred in cash flows from investing activities. The comparison to fiscal year 2005 is skewed since UVIMCO became a private foundation during fiscal year 2006. Consequently, last year's proceeds from sales and maturities of investments and purchase of investments are much higher than the current year because of the transfer of endowment investments to the foundation.

FUTURE ECONOMIC OUTLOOK

Executive management believes that 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 attainable, 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 necessary resources to support and maintain its level of excellence.

The Board of Visitors has created a special planning committee, which oversees the institution's ten-year plan. As the board continues to fund strategic initiatives, it carefully ensures that adequate funding will be available in both the short and long term. Examples of such initiatives are:

AccessUVA. In the continued implementation of AccessUVA, as of the 2006-07 academic year, the University will offer 100 percent of demonstrated need to all undergraduates and will provide full grant funding for first-, second-, and third-year low-income students. In addition, it will cap need-based loans for its first-, second-, and third-year students.

Competitive Compensation. The University anticipates that during the coming year its average teaching and research faculty salary will rise to at least the nineteenth position among AAU universities. This will achieve the goal first set by the Board of Visitors three years ago.

Deferred Maintenance. In February 2005, the Board of Visitors stated that the University should move to establish ongoing maintenance investments that would 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 needs to be increased by \$15 million. To achieve this, we are adding \$1.5 million each year for the next ten years.

International Programs. In 2001, the International Studies Office oversaw five faculty-led programs. The office now oversees twenty-seven such programs and three program-affiliates. Two new summer and four new January-term programs will be added in the coming year. And the University has partnered with the Institute for Shipboard Education to become the academic home for the Semester at Sea program.

The School of Medicine's Implementation of the 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 that 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 healthcare workers.

To meet these and other challenges, University management has had the foresight to create and implement two major strategies. First, the University's \$3 billion Capital Campaign will be officially launched during fiscal year 2007. It is one of the largest in higher education, for public or private institutions. Second, the University successfully negotiated its management agreement with the Commonwealth of Virginia under the Restructured Higher Education Financial and Administrative Operations Act. With an effective date of July 1, 2006, it 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 symbolizes the outlook for the University's future. 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 improve the missions of excellent instruction, research, patient care, and public service.

Management Responsibility

November 3, 2006

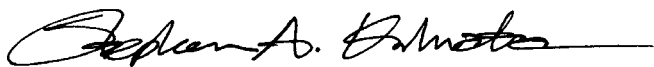
To the President and Board of Visitors of the University of Virginia:

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2006. 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 judgements relating to matters not concluded by year-end. Financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

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

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

Respectfully submitted,



STEPHEN A. KIMATA
Assistant Vice President for Finance and University Comptroller



YOKE SAN L. REYNOLDS
Vice President and Chief Financial Officer

Auditor's Opinion

November 3, 2006

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 basic financial statements of the University of Virginia, a component unit of the Commonwealth of Virginia, and its aggregate discretely presented component units as of and for the year ended June 30, 2006, as shown on pages 52 through 75. 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 of Virginia, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, 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 University of Virginia and of its aggregate discretely presented component units as of June 30, 2006, 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 42 through 49 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



WALTER J. KUCHARSKI
Auditor of Public Accounts

STATEMENT OF NET ASSETS *(in thousands)**as of June 30, 2006 (with comparative information as of June 30, 2005)*

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 559,578	\$ 510,049
Cash and cash equivalents, securities lending (Note 2)	36,452	39,360
Short-term investments (Note 2)	164,025	236,793
Accounts receivable, net (Note 3a)	138,882	157,283
Prepaid expenses	11,577	9,039
Inventories	18,392	18,532
Notes receivable, net (Note 3b)	7,783	7,560
Total current assets	936,689	978,616
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	9,284	9,836
Endowment investments (Note 2)	2,497,309	2,209,164
Other long-term investments (Note 2)	276,553	178,168
Deposit with bond trustee	43,386	17,322
Notes receivable, net (Note 3b)	19,625	19,439
Pledges receivable, net (Note 3c)	20,247	37,491
Capital assets—depreciable, net (Note 3d)	1,271,828	1,191,848
Capital assets—nondepreciable (Note 3d)	370,467	308,779
Goodwill (Note 3e)	14,186	14,658
Other	581	614
Total noncurrent assets	4,523,466	3,987,319
TOTAL ASSETS	\$ 5,460,155	\$ 4,965,935
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3f)	\$ 190,502	\$ 198,401
Deferred revenue (Note 3g)	59,826	58,714
Obligations under securities lending (Note 2)	72,525	47,723
Deposits held in custody for others	19,573	23,673
Commercial paper (Note 4)	26,000	—
Long-term debt - current portion (Note 5a)	16,784	16,391
Long-term liabilities - current portion (Note 5b)	51,908	50,411
Advance from Treasurer of Virginia	261	261
Total current liabilities	437,379	395,574
Noncurrent liabilities (Notes 4 and 5)		
Commercial paper	—	84,963
Long-term debt	522,119	398,731
Long-term liabilities	38,660	36,167
Total noncurrent liabilities	560,779	519,861
TOTAL LIABILITIES	\$ 998,158	\$ 915,435
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,116,746	\$ 1,012,969
Restricted		
Nonexpendable	350,474	333,544
Expendable	1,715,249	1,555,598
Unrestricted	1,279,528	1,148,389
TOTAL NET ASSETS	\$ 4,461,997	\$ 4,050,500

Certain 2005 amounts have been restated to conform to 2006 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, 2006 (with comparative information as of June 30, 2005)</i>				
			2006	2005
ASSETS				
Current assets				
Cash and cash equivalents		\$	218,195	\$ 276,710
Receivables			63,994	71,064
Other current assets			33,319	16,322
Total current assets			315,508	364,096
Noncurrent assets				
Pledges receivable, net of current portion of \$12,959			65,193	48,689
Long-term investments			3,898,503	3,323,566
Capital assets, net of depreciation			291,919	258,634
Other noncurrent assets			49,780	32,858
Total noncurrent assets			4,305,395	3,663,747
TOTAL ASSETS		\$	4,620,903	\$ 4,027,843
LIABILITIES AND NET ASSETS				
Current liabilities				
Assets held in trust for others		\$	3,230,308	\$ 2,796,587
Other liabilities			111,767	102,061
Total current liabilities			3,342,075	2,898,648
Noncurrent liabilities				
Long-term debt, net of current portion of \$2,778			158,567	161,520
Other noncurrent liabilities			107,228	75,213
Total noncurrent liabilities			265,795	236,733
TOTAL LIABILITIES		\$	3,607,870	\$ 3,135,381
NET ASSETS				
Unrestricted		\$	283,574	\$ 255,645
Temporarily restricted			391,927	327,036
Permanently restricted			337,532	309,781
TOTAL NET ASSETS		\$	1,013,033	\$ 892,462
TOTAL LIABILITIES AND NET ASSETS		\$	4,620,903	\$ 4,027,843

Certain 2005 amounts have been restated to conform to 2006 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, 2006 (with comparative information for the year ended June 30, 2005)*

	2006	2005
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$55,324 and \$48,271)	\$ 263,727	\$ 246,062
Patient services (net of indigent care and contractual adjustments of \$849,870 and \$651,130)	819,492	780,197
Federal grants and contracts	261,833	242,032
State and local grants and contracts	3,738	4,633
Nongovernmental grants and contracts	40,972	39,591
Sales and services of educational departments	18,925	16,469
Auxiliary enterprises revenue (net of scholarship allowances of \$7,432 and \$6,506)	101,093	93,983
Other operating revenues	37,414	30,192
TOTAL OPERATING REVENUES	1,547,194	1,453,159
EXPENSES		
Operating expenses (Note 8)		
Compensation and benefits	1,015,113	964,721
Supplies and other services	508,151	467,616
Student aid	46,474	40,944
Utilities	91,363	82,322
Depreciation	111,654	104,454
Other operating expenses	35,103	29,622
TOTAL OPERATING EXPENSES	1,807,858	1,689,679
OPERATING LOSS	(260,664)	(236,520)
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 9)	158,192	143,605
Gifts	111,974	96,547
Investment income	367,761	329,973
Interest on capital asset-related debt	(15,196)	(14,660)
Loss on disposal of capital assets	(4,815)	(2,196)
Other nonoperating expenses	(9,636)	(12,484)
NET NONOPERATING REVENUES	608,280	540,785
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	347,616	304,265
Capital appropriations	38,018	13,580
Capital grants and gifts	8,930	15,525
Additions to permanent endowments	16,933	11,452
TOTAL OTHER REVENUES	63,881	40,557
INCREASE IN NET ASSETS	411,497	344,822
NET ASSETS		
Net assets, beginning of year	4,050,500	3,705,678
NET ASSETS, END OF YEAR	\$ 4,461,997	\$ 4,050,500

Certain 2005 amounts have been restated to conform to 2006 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, 2006 (with comparative information for the year ended June 30, 2005)</i>				
			2006	2005
UNRESTRICTED REVENUES AND SUPPORT				
Contributions	\$	26,060	\$	20,354
Fees for services, rentals, and sales		245,659		235,746
Investment income		34,224		26,003
Net assets released from restriction		78,791		70,445
Other revenues		55,094		45,142
TOTAL UNRESTRICTED REVENUES AND SUPPORT		439,828		397,690
EXPENSES				
Program services, lectures and special events		250,024		237,497
Scholarships and financial aid		15,355		26,710
Management and general		66,337		30,434
Other expenses		81,875		74,918
TOTAL EXPENSES		413,591		369,559
EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES		26,237		28,131
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS				
Contributions		67,121		72,985
Investment and other income		79,163		53,246
Reclassification per donor stipulation		(686)		(528)
Net assets released from restriction		(78,791)		(70,445)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		66,807		55,258
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS				
Contributions		24,891		13,708
Investment and other income		2,174		646
Reclassification per donor stipulation		686		528
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS		27,751		14,882
CHANGE IN NET ASSETS		120,795		98,271
Net assets, beginning of year		892,462		794,191
Prior period adjustment		(224)		—
NET ASSETS, END OF YEAR	\$	1,013,033	\$	892,462

Certain 2005 amounts have been restated to conform to 2006 classifications.

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

STATEMENT OF CASH FLOWS *(in thousands)**for the year ended June 30, 2006 (with comparative information for the year ended June 30, 2005)*

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 265,427	\$ 246,698
Grants and contracts	311,754	286,964
Patient services	827,606	772,361
Sales and services of educational activities	14,001	18,508
Sales and services of auxiliary enterprises	101,231	94,462
Payments to employees and fringe benefits	(1,052,796)	(957,866)
Payments to vendors and suppliers	(587,617)	(537,890)
Payments for scholarships and fellowships	(46,452)	(40,945)
Perkins and other loans issued to students	(8,893)	(9,859)
Collection of Perkins and other loans to students	9,130	7,771
Other receipts	7,698	23,904
NET CASH USED BY OPERATING ACTIVITIES	(158,911)	(95,892)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	153,858	143,605
Additions to true endowments	16,933	11,452
Direct lending receipts, including PLUS loans	—	189
Direct lending payments, including PLUS loans	—	(189)
Federal Family Education Loan Program receipts	80,463	68,211
Federal Family Education Loan Program payments	(80,463)	(68,211)
Receipts on behalf of agencies	85,520	77,696
Payments on behalf of agencies	(82,913)	(73,350)
Noncapital gifts and grants and endowments received	119,150	77,139
Other net nonoperating expenses	(10,455)	(16,074)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	282,093	220,468
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	45,778	30,323
Capital gifts and grants received	22,242	14,299
Proceeds from capital debt	222,394	169,940
Proceeds from sale of capital assets	409	564
Acquisition and construction of capital assets	(243,163)	(239,437)
Principal paid on capital debt and leases	(170,499)	(332,301)
Interest paid on capital debt and leases	(22,167)	(16,837)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(145,006)	(373,449)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	441,379	4,450,814
Interest on investments	45,200	40,616
Purchase of investments and related fees	(433,593)	(3,987,957)
Other investment activities	17,815	(9,960)
NET CASH PROVIDED BY INVESTING ACTIVITIES	70,801	493,513
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,977	244,640
Cash and cash equivalents, July 1	519,885	275,245
CASH AND CASH EQUIVALENTS, JUNE 30	\$ 568,862	\$ 519,885
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	\$ (260,664)	\$ (236,520)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation expense	111,654	104,454
Provision for uncollectible loans and writeoffs	148	(1,063)
CHANGES IN ASSETS AND LIABILITIES		
Receivables, net	27,573	21,712
Inventories	140	(3,831)
Other assets	(1,082)	(233)
Prepaid expenses	(2,353)	2,460
Notes receivable, net	237	(2,089)
Accounts payable and accrued liabilities	(37,073)	21,331
Deferred revenue	1,198	(2,340)
Accrued vacation leave—long term	1,311	227
TOTAL ADJUSTMENTS	101,753	140,628
NET CASH USED BY OPERATING ACTIVITIES	\$ (158,911)	\$ (95,892)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	\$ 225,625	\$ 171,932
Assets acquired through a gift	7,747	19,143
Change in fair value of investments	149,351	222,462
Increase in receivables related to nonoperating revenues	36,766	18,038
Loss on disposal of capital asset	4,815	2,196

Certain 2005 amounts have been restated to conform to 2006 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 basic financial statements of the Commonwealth. The University consists of three divisions. The Academic Division and the University of Virginia's College at Wise generate and disseminate knowledge in the humanities, arts, scientific, and professional disciplines through instruction, research, and public service. The Medical Center Division provides routine and ancillary patient services through a full-service hospital and clinics.

REPORTING ENTITY

There are currently twenty-four 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, 2006:

- 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, 2005. For additional information, contact the Gift Accounting Office at P.O. Box 400833, Charlottesville, Virginia 22904.

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

The **University of Virginia Health Services Foundation** was established as a nonprofit group practice health care provider organization designed to assist medical education through teaching and research within the academic environment of the Health System of the University of Virginia, and to coordinate and develop superior patient care in the Health System. The Foundation entered into an affiliation agreement with the University of Virginia for the Foundation through its member clinical departments to provide patient care at the Health System. The Foundation 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 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 donor-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 these expenditures and apply resources on a case by case basis.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting. 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 in 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 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 beginning 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 \$3,143,200 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 the 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 non-building 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.

Beginning July 1, 2005, the University follows guidance presented in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement requires colleges and universities to report the effects of capital asset impairment in their financial statements.

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 \$9,228,700 and earned capital project interest income of \$2,369,523 for the fiscal year ended June 30, 2006, resulting in net interest capitalized of \$6,859,177.

ACCRUED COMPENSATED ABSENCES

The amount of leave earned but not taken by non-faculty salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, 2006, 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 SERVICES

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 and interest 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.

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.

RESTATEMENTS AND RECLASSIFICATIONS

Certain amounts from the prior fiscal year have been restated and reclassified to conform to current-year presentation. Additionally, the following restatements have been made to the ending balance of fiscal year 2005 (in thousands):

Net Assets reported at June 30, 2005	\$ 4,052,788
Capital appropriation	(11,648)
Equipment Trust Fund revenue	9,360
BEGINNING NET ASSETS AT JULY 1, 2005, AS ADJUSTED	\$ 4,050,500

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, which requires disclosures related to investment risk. Required investment risk disclosures address credit risk, including custodial credit risk and concentrations of credit risk, interest rate risk and foreign currency risk. The Statement also requires disclosures of custodial credit risk and foreign currency risk for depository accounts.

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 eleven 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 2006.

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 UVMCO-managed Long-Term Pool, which attempts to achieve returns that consistently exceed the returns on 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 2006.

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 2006.

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 \$4 million at June 30, 2006. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying chart.

INVESTMENTS

The UVMCO 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, 2006, the University's investment in the UVMCO Long-Term Pool is \$2.7 billion representing 80 percent of invested assets. Investments in the UVMCO Aggregate Cash Pool represent 7 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

SECURITIES 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	\$ 36,452					
Short-term investment pool	22,421	Aaa				
Money market funds	861					
University of Virginia Investment Management Company Aggregate Cash Pool	196,421	Non rated				
State Non Arbitrage Program	21,391	AAAm				
Federal Home Loan Bank Demand Note	19,928	P-1				
Local Government Investment Pool	2,765	AAAm				
Time deposits	212					
TOTAL CASH EQUIVALENTS	\$ 300,451					
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%	244	Unrated				\$ 244
U. S. Treasury Bonds	157					157
Other Investments						
Federal Home Loan Bank	48,524	Aaa	38,615	\$ 9,909		
Federal Home Loan Mortgage Corporation	104,399	Aaa	59,473	44,926		
Federal National Mortgage Association	49,359	Aaa	29,653	19,706		
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISK	\$ 212,585		\$ 137,643	\$ 74,541	\$ —	\$ 401
	100.0%		64.7%	35.1%	0.0%	0.2%

NOTE 3: STATEMENT OF NET ASSETS DETAILS

a. **Accounts receivable** at June 30, 2006, are summarized in the chart below.

ACCOUNTS RECEIVABLE <i>(in thousands)</i>	
Patient care	\$ 225,185
Grants and contracts	16,162
Equipment Trust Fund reimbursement	9,360
Pledges	9,504
Related foundation	5,125
Capital appropriations	4,334
Other	17,009
Less: Allowance for doubtful accounts	(147,797)
TOTAL	\$ 138,882

b. Notes receivable of \$27 million are reported net of the allowance for uncollectible student loans, which amounted to \$2 million at June 30, 2006.

c. Pledges: The balance was reduced by \$9 million as a result of a pledge revocation recorded during the fiscal year. The composition of pledges receivable at June 30, 2006, is summarized in the chart below.

PLEDGES <i>(in thousands)</i>	
GIFT PLEDGES OUTSTANDING	
Operations	\$ 17,069
Capital	16,781
TOTAL GIFT PLEDGES OUTSTANDING	33,850
Less	
Allowance for uncollectible pledges	(3,143)
Unamortized discount to present value	(1,906)
Total pledges receivable, net	28,801
Less current portion, net of allowance	(8,554)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 20,247

d. Capital assets activity for the year ended June 30, 2006, is summarized in the chart below.

INVESTMENT IN PLANT— CAPITAL ASSETS <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2005	ADDITIONS	DISPOSITIONS	ENDING BALANCE JUNE 30, 2006
NONDEPRECIABLE CAPITAL ASSETS				
Land	\$ 40,025	\$ 1,215	\$ 13,286	\$ 27,954
Construction in progress	268,754	194,577	120,818	342,513
TOTAL NONDEPRECIABLE CAPITAL ASSETS	308,779	195,792	134,104	370,467
DEPRECIABLE CAPITAL ASSETS				
Buildings	1,331,870	124,039	6,282	1,449,627
Equipment	511,629	54,003	44,711	520,921
Infrastructure	171,614	15,592	—	187,206
Improvements other than buildings	143,823	851	—	144,674
Capitalized software	32,949	—	—	32,949
Library books	92,644	4,970	548	97,066
Total depreciable capital assets	2,284,529	199,455	51,541	2,432,443
Less accumulated depreciation for				
Buildings	(539,209)	(44,235)	(2,349)	(581,095)
Equipment	(319,544)	(47,537)	(40,514)	(326,567)
Infrastructure	(92,663)	(5,511)	—	(98,174)
Improvements other than buildings	(57,026)	(6,424)	—	(63,450)
Capitalized software	(12,580)	(3,933)	—	(16,513)
Library books	(71,659)	(3,663)	(506)	(74,816)
Total accumulated depreciation	(1,092,681)	(111,303)	(43,369)	(1,160,615)
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	1,191,848	88,152	8,172	1,271,828
TOTAL	\$ 1,500,627	\$ 283,944	\$ 142,276	\$ 1,642,295

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 is being 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 1994, the Medical Center and the University of Virginia Health Services Foundation (HSF) entered into a Memorandum of Agreement for the purpose of the joint purchase and operation of a hyperbaric oxygen unit. The memorandum provided that HSF would own 67 percent interest and the Medical Center would own 33 percent. In December 2000, the Medical Center acquired from HSF its interest in the hyperbaric oxygen unit. Of the acquisition price, \$1,166,615 was recorded as goodwill for the purchase of the assets and is being amortized over five years. The amortization ended in November 2005.

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 Lynchburg and Amherst 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, 2006, are summarized in the chart below.

ACCOUNTS PAYABLE <i>(in thousands)</i>	
Accounts payable	\$ 118,284
Accrued salaries and wages payable	35,536
Other payables	36,682
TOTAL	\$ 190,502

g. Deferred revenue at June 30, 2006, includes the following:

DEFERRED REVENUE <i>(in thousands)</i>	
Grants and contracts	\$ 37,174
Student payments	13,298
Other deferred revenue	9,354
TOTAL	\$ 59,826

NOTE 4: SHORT-TERM DEBT

Short-term debt at June 30, 2006, is summarized in the chart below.

SHORT-TERM DEBT <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2005	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2006
COMMERCIAL PAPER				
Taxable	\$ 11,100	\$ —	\$ 11,100	\$ —
Tax-exempt	73,863	26,000	73,863	26,000
TOTAL COMMERCIAL PAPER	\$ 84,963	\$ 26,000	\$ 84,963	\$ 26,000

The University has both taxable and tax-exempt commercial paper programs that provided bridge financing for up to \$175,000,000 of capital projects. At June 30, 2006 the average days to maturity was 52 and the weighted average effective interest rate was 2.41 percent.

In July 2005 the University issued General Revenue Pledge Bonds Series 2005, a portion of which was used to refund the June 30, 2005, outstanding commercial paper balance of \$84,963,000. To reflect this activity the balance was shown as long-term debt at June 30, 2005.

NOTE 5: LONG-TERM OBLIGATIONS

a. Long-term debt at June 30, 2006, is summarized in the chart below.

LONG-TERM DEBT <i>(in thousands)</i>	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2005	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2006
BONDS AND NOTES PAYABLE						
Revenue bonds						
Medical Center Series 1998B (9d)	3.5% to 5.0%	2018	\$ 4,990	\$ —	\$ 290	\$ 4,700
Medical Center Series 1999A (9d)	4.5% to 5.3%	2013	32,595	—	4,435	28,160
University of Virginia Series 1995A (9d)	variable	2020	2,760	—	730	2,030
University of Virginia Series 1998A (9d)	4.0% to 5.1%	2024	61,775	—	61,775	—
University of Virginia Series 2003A (9d)	variable	2034	82,010	—	—	82,010
University of Virginia Series 2003B (9d)	4.0% to 5.0%	2033	116,660	—	1,425	115,235
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	—	193,355	2,770	190,585
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	36,585	—	3,943	32,642
Notes payable to VCBA 1997A (9d)	3.5% to 5.0%	2018	1,190	—	195	995
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	6,770	—	1,225	5,545
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	27,900	—	1,700	26,200
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	37,735	—	410	37,325
Other	various	2009	220	—	133	87
TOTAL BONDS AND NOTES PAYABLE			\$ 411,190	\$ 193,355	\$ 79,031	\$ 525,514
Less current portion of debt			(16,391)	(393)	—	(16,784)
Bond premium			6,720	12,590	725	18,585
Less deferred loss on early retirement of debt			(2,788)	(2,782)	(374)	(5,196)
NET LONG-TERM DEBT			\$ 398,731	\$ 202,770	\$ 79,382	\$ 522,119

On July 20, 2005, the University of Virginia issued \$193,355,000 in General Revenue Pledge Bonds, Series 2005.

The 2005 Series was issued to fund new construction on the Grounds of the University of Virginia, refund the outstanding commercial paper and refund the University of Virginia 1998(A) 9(d) bonds. The refunding of the 1998(A) bonds reduced the aggregate debt service by \$4,395,470, representing a net present-value savings of \$3,075,985 and an accounting loss of \$2,781,908. The portion of the proceeds used to refund the 1998(A) bonds was deposited into an irrevocable trust with an escrow agent to provide for all future debt service payment on the refunded bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the University's financial statements. At June 30, 2006, \$59,500,000 of the defeased bonds was outstanding.

The University of Virginia has a revolving credit agreement with a maximum principal amount of \$82,010,000 to provide liquidity for (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, 2006.

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
2007	\$ 16,784	\$ 24,058
2008	17,151	23,228
2009	13,283	22,359
2010	13,771	22,232
2011	19,614	21,022
2012-2016	81,624	91,085
2017-2021	69,802	72,801
2022-2026	34,615	60,357
2027-2031	30,700	52,946
2032-2036	182,185	38,746
2037	45,985	2,299
TOTAL	\$ 525,514	\$ 431,133

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, 2006, the outstanding balance of the prior years in-substance defeased bonds and notes totaled \$42,005,000.

b. Long-term liabilities at June 30, 2006, are summarized in the chart below.

LONG-TERM LIABILITIES <i>(in thousands)</i>	BEGINNING BALANCE JULY 1, 2005	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2006
Investments held for related entities	\$ 13,771	\$ 2,479	\$ 533	\$ 15,717
Accrual for compensated absences	41,098	47,491	44,343	44,246
Perkins loan program	15,439	—	1,071	14,368
Other	16,270	5,683	5,716	16,237
Subtotal	86,578	55,653	51,663	90,568
Less current portion of long-term liabilities	(50,411)	—	1,497	(51,908)
NET LONG-TERM LIABILITIES	\$ 36,167	\$ 55,653	\$ 53,160	\$ 38,660

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 the Community Medicine University of Virginia, L.L.C. (Community Medicine). Community Medicine was established as a limited liability corporation (L.L.C.) under the laws of the Commonwealth of Virginia to house physician practices. This model gives physicians an organizational structure that allows them the opportunity to practice independently in a virtual private practice environment with all the risks and gains associated with an independent model. As an L.L.C., which is a wholly owned

subsidiary of the University, Community Medicine is considered a disregarded entity for tax purposes and its financial activity is accounted for under the consolidation method.

Community Medicine commenced operations on July 1, 2001, and as of June 30, 2006, 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, Post Office 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. In October 2003, the Medical Center contributed an additional \$400,000 in capital to Valiance, bringing the Medical Center's total investment to \$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 healthcare 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, 2006 <i>(in thousands)</i>	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, LLC	\$ 687	\$ 1,914	\$ 2,601
Community Medicine, LLC	1,810	(2,935)	(1,125)
Central Virginia Health Network, Inc.	233	(41)	192
Healthsouth, LLC	2,230	3,786	6,016
Valiance, LLC	500	35	535
University HealthSouth Consortium	—	614	614

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, 2006</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	\$ 3,578	\$ 10,163	\$ 16,792	\$ 23,292	\$ 11,904	\$ 64,880	\$ 184,899	\$ 315,508	\$ —	\$ 315,508
Noncurrent assets										
Long-term investments	250,736	202,162	289,609	50,463	59,319	56,915	3,693,526	4,602,730	(704,227)	3,898,503
Capital assets, net and other assets	7,805	88,331	21,854	36,626	208,154	44,008	114	406,892	—	406,892
Total noncurrent assets	258,541	290,493	311,463	87,089	267,473	100,923	3,693,640	5,009,622	(704,227)	4,305,395
TOTAL ASSETS	\$ 262,119	\$ 300,656	\$ 328,255	\$ 110,381	\$ 279,377	\$ 165,803	\$3,878,539	\$5,325,130	\$(704,227)	\$4,620,903
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	\$ 122	\$ 3,483	\$ 58,298	\$ 738	\$ 57,136	\$ 49,489	\$3,877,036	\$4,046,302	\$(704,227)	\$3,342,075
Noncurrent liabilities										
Long-term debt, net of current portion of \$2,778	1	61,811	—	—	76,870	19,885	—	158,567	—	158,567
Other noncurrent liabilities	732	7	17,164	961	60,130	28,234	—	107,228	—	107,228
Total noncurrent liabilities	733	61,818	17,164	961	137,000	48,119	—	265,795	—	265,795
TOTAL LIABILITIES	\$ 855	\$ 65,301	\$ 75,462	\$ 1,699	\$ 194,136	\$ 97,608	\$3,877,036	\$4,312,097	\$(704,227)	\$3,607,870
NET ASSETS										
Unrestricted	\$ 52,857	\$ 79,838	\$ 40,524	\$ 38,580	\$ 15,164	\$ 55,108	\$ 1,503	\$ 283,574	\$ —	\$ 283,574
Temporarily restricted	128,070	52,925	91,413	51,131	55,301	13,087	—	391,927	—	391,927
Permanently restricted	80,337	102,592	120,856	18,971	14,776	—	—	337,532	—	337,532
TOTAL NET ASSETS	\$ 261,264	\$ 235,355	\$ 252,793	\$ 108,682	\$ 85,241	\$ 68,195	\$ 1,503	\$1,013,033	\$ —	\$1,013,033
TOTAL LIABILITIES AND NET ASSETS	\$ 262,119	\$ 300,656	\$ 328,255	\$ 110,381	\$ 279,377	\$ 165,803	\$3,878,539	\$5,325,130	\$(704,227)	\$4,620,903

*December 31, 2005 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 payment will be 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, 2006, 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	\$ 15,759	\$ 8,011	\$ 18,022	\$ 55,826	\$ —	\$ —	\$ —	\$ 97,618
Less allowance for uncollectible accounts	(834)	(1,348)	(1,802)	(3,011)	—	—	—	(6,995)
Less effect of discounting to present value	(4,067)	(560)	(2,687)	(5,155)	—	—	—	(12,469)
Net pledges receivable	10,858	6,103	13,533	47,660	—	—	—	78,154
Less current pledges	(3,322)	(2,757)	(1,076)	(12,146)	—	—	—	(19,301)
TOTAL NONCURRENT PLEDGES RECEIVABLE	\$ 7,536	\$ 3,346	\$ 12,457	\$ 35,514	\$ —	\$ —	\$ —	\$ 58,853

*December 31, 2005 year-end

The **University of Virginia Law School Foundation** has also received bequest intentions and certain other conditional promises to give of approximately \$21 million at June 30, 2006. 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, 2006, was \$58 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, 2006, 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	\$ 20	\$ —	\$ —	\$ 157	\$ —	\$ —	\$ 1,704,518	\$ 1,704,695
University of Virginia Investment Management Co.	111,295	197,934	269,696	48,983	59,310	17,009	—	704,227
Equities	70,356	4,228	—	—	—	—	1,332,654	1,407,238
Other	69,065	989	19,914	1,323	7,256	53,326	840,899	992,772
Total investments	250,736	203,151	289,610	50,463	66,566	70,335	3,878,071	4,808,932
Less amounts shown in current assets	—	(989)	—	—	(7,247)	(13,421)	(184,545)	(206,202)
Less eliminations	(111,295)	(197,934)	(269,696)	(48,983)	(59,310)	(17,009)	—	(704,227)
LONG-TERM INVESTMENTS	\$ 139,441	\$ 4,228	\$ 19,914	\$ 1,480	\$ 9	\$ 39,905	\$3,693,526	\$3,898,503

*December 31, 2005 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 \$557,270 (15 percent of investments held for others) at June 30, 2006. 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 5 to 39 years using the straight-line method. As of June 30, 2006, capital assets consisted of (in thousands):

Land	\$	54,727
Buildings and improvements		158,468
Furnishings and equipment		18,613
Total		231,808
Less accumulated depreciation		(45,800)
NET CAPITAL ASSETS	\$	186,008

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 5 to 39 years using the straight-line method. As of June 30, 2006, capital assets consisted of (in thousands):

Rights of occupancy	\$	100,828
Buildings and improvements		1,488
Furnishings and equipment		1,319
Total		103,635
Less accumulated depreciation		(19,056)
NET CAPITAL ASSETS	\$	84,579

NOTES PAYABLE

The **University of Virginia Foundation** has established a line of credit in the amount of \$41 million. The outstanding balance at June 30, 2006, was \$41 million. The Foundation has a second line of credit in the amount of \$25 million. The outstanding balance on this line was \$19 million at June 30, 2006.

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, 2006, 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, 2006 (in thousands):

1996 Industrial Development Authority revenue bonds—Albemarle	\$	1,377
1997 Industrial Development Authority revenue bonds—Louisa		6,090
1999 Mortgage note payable		7,914
1999 Mortgage note payable		255
2001 Refinancing demand bonds		44,915
2004 Mortgage note payable		1,217
2004 Refinancing note payable		17,165
Total		78,933
Less portion due within one year		(2,063)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$	76,870

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, 2007	\$ 2,063
Year ended June 30, 2008	17,323
Year ended June 30, 2009	19,423
Year ended June 30, 2010	2,382
Year ended June 30, 2011	2,513
Years ended June 30, 2012-2021	35,229
TOTAL	\$ 78,933

The following table summarizes the **University of Virginia Health Services Foundation's** long-term obligations at June 30, 2006 (in thousands):

1998 Refunding bonds	\$ 15,740
2000 Industrial Development Authority revenue bonds—Louisa	4,860
Total	20,600
Less portion due within one year	(715)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$ 19,885

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, 2007	\$ 715
Year ended June 30, 2008	745
Year ended June 30, 2009	780
Year ended June 30, 2010	810
Year ended June 30, 2011	845
Years ended June 30, 2012-2031	16,705
TOTAL	\$ 20,600

The following table summarizes the **University of Virginia Darden School Foundation's** long-term obligations at June 30, 2006 (in thousands):

University of Virginia Phase I and II Darden School Facilities	\$ 61,811
Total	61,811
Less portion due within one year	(2,915)
LONG-TERM DEBT, NET OF CURRENT PORTION	\$ 58,896

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, 2007	\$ 2,915
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
Years ended June 30, 2012-2031	45,576
TOTAL	\$ 61,811

STATEMENT OF ACTIVITIES <i>(in thousands)</i> <i>for the year ended June 30, 2006</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	\$ 2,520	\$ 3,548	\$ 563	\$ 19,429	\$ —	\$ —	\$ —	\$ 26,060	\$ —	\$ 26,060
Fees for services, rentals, and sales	—	20,841	2,030	521	37,339	178,530	6,398	245,659	—	245,659
Other revenues	14,703	12,817	62,339	15,344	5,924	56,665	317	168,109	—	168,109
TOTAL UNRESTRICTED REVENUES AND SUPPORT	17,223	37,206	64,932	35,294	43,263	235,195	6,715	439,828	—	439,828
EXPENSES										
Program services, lectures, special events	7,160	—	58,208	8,604	—	191,407	—	265,379	—	265,379
Other expenses	3,251	38,584	1,410	21,743	40,074	37,052	6,098	148,212	—	148,212
TOTAL EXPENSES	10,411	38,584	59,618	30,347	40,074	228,459	6,098	413,591	—	413,591
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	6,812	(1,378)	5,314	4,947	3,189	6,736	617	26,237	—	26,237
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	1,087	1,563	43,513	20,511	447	—	—	67,121	—	67,121
Other	13,662	9,027	(21,033)	(9,004)	7,034	—	—	(314)	—	(314)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	14,749	10,590	22,480	11,507	7,481	—	—	66,807	—	66,807
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS										
Contributions	9,420	1,464	12,379	1,171	457	—	—	24,891	—	24,891
Other	686	—	428	—	1,746	—	—	2,860	—	2,860
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	10,106	1,464	12,807	1,171	2,203	—	—	27,751	—	27,751
CHANGE IN NET ASSETS	31,667	10,676	40,601	17,625	12,873	6,736	617	120,795	—	120,795
Net assets, beginning of year	229,597	224,679	212,192	91,057	72,592	61,459	886	892,462	—	892,462
Prior period adjustment	—	—	—	—	(224)	—	—	(224)	—	(224)
NET ASSETS, END OF YEAR	\$ 261,264	\$ 235,355	\$ 252,793	\$ 108,682	\$ 85,241	\$ 68,195	\$ 1,503	\$1,013,033	\$ —	\$1,013,033

*December 31, 2005 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, 2007	\$ 2,915
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
Years ended June 30, 2012-2021	45,576
TOTAL	\$ 61,811

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2006, 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 \$45 million for the year ended June 30, 2006. Approximately \$10 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 \$10 million to the University in support of various academic programs, equipment, teaching and research for the year ended June 30, 2006.

NOTE 8: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION <i>(in thousands) for the year ended June 30, 2006</i>	COMPENSATION AND BENEFITS	SUPPLIES AND OTHER SERVICES	STUDENT AID	UTILITIES	DEPRECIATION	OTHER	TOTAL
Instruction	\$ 236,224	\$ 10,484	\$ 1,461	\$ 1,588	\$ —	\$ 830	\$ 250,587
Research	153,853	79,841	15,754	1,033	—	510	250,991
Public service	13,310	9,984	760	205	—	447	24,706
Academic support	75,977	30,632	576	867	—	(102)	107,950
Student services	19,407	7,271	106	233	—	200	27,217
Institutional support	61,230	3,983	19	2,284	—	168	67,684
Operation of plant	49,930	(50,328)	1	52,222	—	(26)	51,799
Student aid	722	4,623	27,698	1	—	157	33,201
Auxiliary	52,369	37,569	99	17,689	—	628	108,354
Depreciation	—	—	—	—	65,692	—	65,692
Patient services	352,088	369,283	—	14,485	45,962	32,286	814,104
Other	3	4,809	—	756	—	5	5,573
TOTAL	\$ 1,015,113	\$ 508,151	\$ 46,474	\$ 91,363	\$ 111,654	\$ 35,103	\$ 1,807,858

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>	2006
Original legislative appropriation per Chapter 3	\$ 140,546
Adjustments	
Financial Aid—General Fund	8,000
Additional appropriation for shift in July 3, 2006 payroll	7,022
Eminent Scholars	3,231
Salary increase	1,864
Engineering Telecommunications Project	625
Virginia Graduate Marine Science Consortium	210
Employee benefits	121
Reversions	(25)
Miscellaneous educational and general	(1,398)
Prior year miscellaneous appropriation withdrawn	(2,004)
TOTAL	\$ 158,192

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 (CAFR)*. 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 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 \$39 million, and contributions to the Optional Retirement Plans were calculated, using base salaries of \$430 million, for the year ended June 30, 2006. The contribution percentage amounted to 9.0 percent.

NOTE 11: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The Commonwealth of Virginia sponsors a Virginia Retirement System-administered statewide group life insurance program, which provides post-employment 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 (CAFR)*.

University of Virginia faculty 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 University's 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, 2006, was \$44 million. The estimated liability for outstanding claims at June 30, 2006, was \$13 million. The University has contracted with several third-party claims administrators: Southern Health Services, Inc., for its medical claims; United Concordia for its dental claims; and 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 (CAFR)*.

The University's Office of Risk Management manages all 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 vehicle 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, 2006, was \$136 million and income received totaled \$6 million.

NOTE 14: COMMITMENTS

As of June 30, 2006, the University had outstanding construction contract commitments of approximately \$197 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, 2006, was approximately \$23 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
2007	\$ 12,334
2008	7,002
2009	4,816
2010	4,221
2011	1,589
2012-2016	7,057
2017-2021	5,276
2022-2026	823
2027-2031	823
2032-2036	823
2037-2041	823
2042-2046	823
2047-2051	494
TOTAL	\$ 46,904

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

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Karin Wittenborg, *University Librarian*
David J. Prior, *Chancellor of the University of Virginia's College at Wise*

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Anne E. Mullen, *Student Member, Charlottesville, Virginia*

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Yoke San L. Reynolds, *Vice President and Chief Financial Officer*
Colette Sheehy, *Vice President for Management and Budget*
Stephen A. Kimata, *Assistant Vice President for Finance and University Comptroller*

Internal Audit

Barbara J. Deily, *Director of Audits*

University of Virginia President's Report

Produced by the Office of University Development and Public Affairs

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The Institute of Criminology at the University of Cambridge. Working with the London architecture firm Allies and Morrison, architecture professor Jenny Lovell was the senior project architect for the institute from inception to completion in summer 2004.



UNIVERSITY *of* VIRGINIA

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