

## 2015-16

- 40 A Place of Choice**  
*Report of the Executive Vice President  
and Chief Operating Officer*
- 42 Management's Discussion and Analysis (Unaudited)**
- 50 Management Responsibility Letter**
- 51 Independent Auditor's Opinion**
- 52 University of Virginia Statement of Net Assets**
- 53 University of Virginia Component Units  
Combined Statements of Financial Position**
- 54 University of Virginia Statement of Revenues,  
Expenses, and Changes in Net Assets**
- 55 University of Virginia Component Units  
Combined Statements of Activities**
- 56 University of Virginia Statement of Cash Flows**
- 57 NOTES TO FINANCIAL STATEMENTS**
- NOTE 1: Summary of Significant Accounting Policies**
- 60 NOTE 2: Cash, Cash Equivalents, and Investments**
- 62 NOTE 3: Statement of Net Assets Details**
- 64 NOTE 4: Short-Term Debt**
- 65 NOTE 5: Long-Term Obligations**
- 66 NOTE 6: Affiliated Companies**
- 68 NOTE 7: Component Units**
- 73 NOTE 8: Natural Classifications  
with Functional Classifications**
- NOTE 9: Appropriations**
- 74 NOTE 10: Retirement Plans**
- NOTE 11: Post-Employment Benefits  
other than Pension Benefits**
- NOTE 12: Self-Insurance**
- 75 NOTE 13: Funds Held in Trust by Others**
- NOTE 14: Commitments**

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

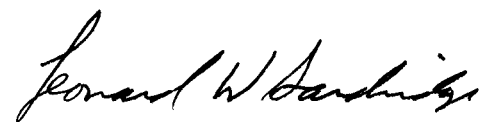
The plan, which is scheduled for completion in early 2007, will combine initiatives designed to build core strengths in faculty and facilities while proposing a number of initiatives that will differentiate us from our peers. As we plan, we are taking a

## 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*