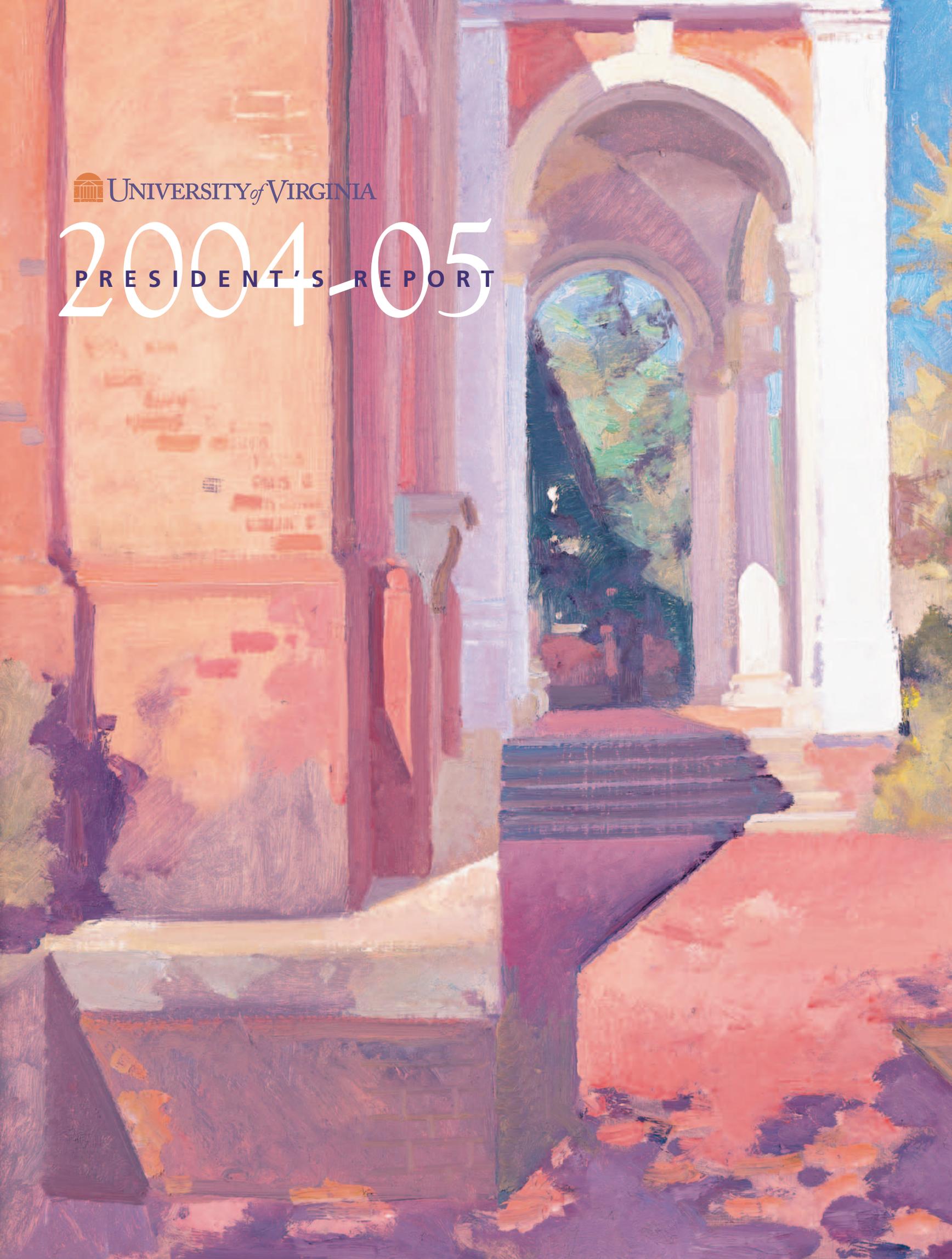




UNIVERSITY of VIRGINIA

# 2004-05

PRESIDENT'S REPORT







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



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# Addressing Issues, Changing the World

In 1825, when classes were first held in the Rotunda and the Pavilions, Mr. Jefferson (nearly 82 years old at the time, and embarked on the last great adventure of his life) expressed the hope that his new University would prove “a blessing to my own state, and not unuseful perhaps to some others.” In the past year, his University has proved a blessing not only to Virginia, but to the world.

In ways that strike me as imaginative and remarkably selfless, students and faculty members work continually to make the world a better place—designing sustainable housing, developing non-invasive surgical techniques, revealing the link between poverty and disease, preserving our cultural heritage, creating works of art that challenge us to face difficult issues. Their efforts stem from the conviction that with the gift of learning comes the obligation to apply what we know to serve the public good.

One faculty member recently observed that the University is a place where rigorous scholarship addresses the sort of problems that dog our days and haunt our dreams at night. This observation seems right and profound to me as I look back on a year in which members of this community received two Rhodes Scholarships, a MacArthur Fellowship, and even a Nobel Prize—the first held by one of our faculty since William Faulkner walked the Grounds nearly five decades ago. These achievements reflect the deep desire in our students and faculty members to confront problems that others find intractable. Their drive and determination benefit each of us.

By vigorously addressing the needs of a global society, we fulfill one prin-

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

cipal goal of the Virginia 2020 planning process. Indeed, we are making significant headway in all of the Virginia 2020 areas, as this report makes clear. To elevate programs in science and technology, we have made the first of ten planned appointments of world-class researchers and begun construction of new laboratory space for the medical sciences. In the effort to create an ideal environment for the arts, we are completing the makeover of Fayerweather Hall for art history, moving forward on construction of Ruffin Hall for studio art, and planning the museum and concert hall—the center for the arts—that will form a new gateway to the University. Tracking the Virginia 2020

report on international initiatives, we are expanding study-abroad offerings, bringing diplomats and other distinguished leaders to the Grounds, developing collaborative research programs with universities worldwide, and (through membership in the global consortium known as Universitas 21) using new technologies to extend further our programs around the world.

Developments in Richmond this past year will enable us to sustain such achievements with greater efficiency and accountability. The Restructured Higher Education Financial and Administrative Operations Act of 2005, passed by sizeable majorities in both houses of the General Assembly and signed into law by Governor Mark Warner, redefines in historic ways the relationship between the University and the Commonwealth it serves. It acknowledges that excellence matters in Virginia’s public colleges and universities and that the functions of higher education that work best are



## *Our students and faculty confront problems that others find intractable. Their drive and determination benefit each of us.*

those regulated least. For the first time in two generations, the state Code affirms what Jefferson intended in our founding statute of 1819: that the Board of Visitors conducts its affairs as a public corporation with the authority to own and manage its assets; to manage its personnel, procurement, and real estate functions without pointless intrusions; and to determine the charges made to students. With this measure, the University will be better able to protect the public interest in higher education, even under the recent political custom of minimal state financial support for the public colleges and universities, support that now accounts for a bare 8 percent of our revenues.

Jefferson argued powerfully that knowledge should not belong only to persons of wealth or privilege in a republic and that freedom depends on the promulgation of knowledge among all the people. The prices charged to students have been matters of special concern in this era after the states, including Virginia, elected to transfer costs from the general tax funds to students and their families. Recognizing this, the Board of Visitors has worked to ensure that these costs pose no barrier to education here at the University. AccessUVA, the innovative financial aid plan introduced in 2003–04, has grown this year so that students from families with annual incomes below 200 percent of the federal poverty level (about \$37,700 for a family of four) receive grants covering the full cost of attending the University. In the fall of 2005, 201 first-year students met the criteria for a loan-free education, almost triple the number who entered in 2004. As peer institutions strive to remove financial hurdles faced by their students, AccessUVA provides an example worth following. I have met the extraordinary young women and men who are benefiting from this program. Each has an inspiring story to tell. Each has overcome obstacles that others would find daunting. Their faith in the value of learning and their refusal to let hardships defer their dreams are inspiring.

Much of the University's vitality in our time derives from its integrity in dealing with even the hardest issues, among them lingering racism and discrimination against those who were historically denied place or respect in universities of our kind. William B. Harvey, who joined us this year as the first vice president and chief officer for diversity and equity, shares our commitment to making



the University an inclusive and supportive community for all who work, live, and study here. The arrival of Mr. Harvey, who has served for the past five years as vice president of the Center for Advancement of Racial and Ethnic Equity at the American Council on Education, fulfills a key recommendation of the President's Commission on Diversity and Equity, which issued its report in October 2004.

For progress toward these and many other goals, we owe a debt of gratitude to our Board of Visitors. Through their actions and advocacy, the Visitors have taken the University in bold new directions while upholding the values that define its quality and character. We are fortunate that Gordon Rainey (College '62, Law '67), who stepped down after a wonderfully effective term as Rector, has agreed to head our new

campaign. As chair of the Campaign Executive Committee, he is leading a distinguished body of alumni, parents, and friends in an endeavor that will position us where we belong—in the company of the world's best universities. Now in its nucleus phase, the campaign has already raised more than \$850 million toward an anticipated \$3 billion goal.

As we celebrated achievements this year, we also celebrated anniversaries. The Curry School of Education, created by a visionary president, Edwin Alderman, observed its centennial. The Darden Graduate School of Business Administration and the University's College at Wise, the legacy of another visionary president, Colgate Darden, both marked their fiftieth anniversaries. Madison House, the organization through which thousands of students engage in volunteer service, turned thirty-five. The Miller Center of Public Affairs is celebrating thirty years of shedding light on the American presidency. The Jefferson Scholars Program, which has brought us some of our most capable student leaders, is now a quarter-century old. Today, each of these schools and programs is thriving, and each adds immeasurably to the blessings Mr. Jefferson hoped his University would provide.

JOHN T. CASTEEN III  
*President*

# m i l e s t o n e s

OCTOBER 2004 – SEPTEMBER 2005

## october

*Newsweek* names the University of Virginia “**Hottest for Fitness.**” An estimated 94 percent of the University’s undergraduates participate in intramural sports or use recreational facilities, which include four indoor recreation centers.



With new artificial turf, Carr’s Hill Field serves intramural teams and the Cavalier Marching Band and Color Guard.

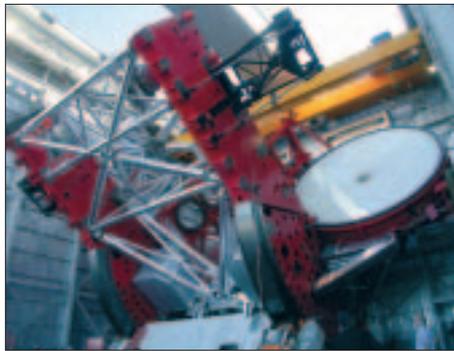
Nobel Prize-winning biological chemist **Peter Agre** of the Johns Hopkins University kicks off the University’s new Nobel laureate lecture series with a presentation on his research.

**Robert E. Scott**, the Mary and David Harrison Distinguished Professor of Law and the former dean of the School of Law, receives the Thomas Jefferson Award, the University’s highest honor.



President John T. Casteen III presents the Jefferson Award to Robert E. Scott, former dean of the Law School.

The **Large Binocular Telescope**, the most powerful optical telescope ever built, is dedicated on Mt. Graham near Safford, Arizona. As a member of the consortium behind the project, the University is guaranteed time on several major telescopes around the world. Part of a \$10 million gift from **Frank Levinson** (Graduate Arts and Sciences ’78, ’80) and **Wynnette LaBrosse** made the University’s participation possible.



The University is a partner in the consortium that created the world’s most powerful optical telescope.

**Ann Lee Brown**, wife of the late **Charles L. Brown** (Engineering ’43), gives \$10.5 million to the University to endow the Charles L. Brown Science and Engineering Library, the Charles L. Brown Department of Electrical and Computer Engineering, and the Charles L. Brown Memorial Jefferson Scholarship. Mr. Brown, who died in 2003, was the former chairman and CEO of AT&T.

University Librarian **Karin Wittenborg** receives the **Women’s Center’s** 2004 Elizabeth Zintl Leadership Award in recognition of her role in transforming the library, including the adoption of digital technology and the recent expansion of its special collections facilities.

A record 11,074 cinema fans attend the seventeenth **Virginia Film Festival**. Arranged around the theme of “Speed,” the festival attracted such stars as Virginia native **Sandra Bullock**, who received the Virginia Film Award. She spent an hour talking with drama students and presented a sneak preview of her new film, *Miss Congeniality 2*.



Steve McQueen sped across the screen in the 2004 festival.

The **Youth Leadership Initiative** at the **Center for Politics** holds its first nationwide, student-only, on-line presidential mock election, in which nearly 1 million students cast votes for U.S. president.

## november

Governor **Mark Warner** convenes the Governor’s Summit on Healthy Virginians at the University. The two-day conference draws participants from throughout the Commonwealth.



Albert H. Small

A rare first printing of the Declaration of Independence, produced July 4, 1776, goes on display at the newly opened **Albert and Shirley Small Special Collections Library**. It is part of a permanent exhibition highlighting the extraordinary collection of letters, documents, and early editions of the Declaration given by **Albert Small** (Engineering ’46), a former member of the Board of Visitors and a longtime benefactor of the University Library.

The **Miller Center of Public Affairs** announces a \$2 million unrestricted gift from **John and Rosemary Galbraith**. Mr. Galbraith, the former president of Templeton Funds Management, serves on the center’s Governing Council.

With funding from Microsoft Corporation, the Curry School of Education and the Miller Center of Public Affairs host a conference looking back at the impact of the 1989 Education Summit, convened at the University by President **George H. W. Bush**. U.S. Secretary of Education **Rod Paige**, Governor **Mark Warner**, and former governors and national secretaries of education **Richard Riley** and **Lamar Alexander** gather to reflect on the state of education fifteen years after the event.

**David C. Walentas** (Engineering ’61, Darden ’64), president of Two Trees Management Company in New York, makes a \$1 million commitment to fund the David C. Walentas Jefferson Scholarship. In June he will make another \$1 million gift to create scholarships in the Darden School of Business.



David C. Walentas

The **University of Virginia Medical Center** opens fourteen new operating rooms that include Smart OR technology and a Laminar Airflow system that creates a germ-free barrier around the patient. The new rooms are part of a four-year project to expand the hospital's surgical capabilities.

**Meghan Sullivan** (College '05) and **Justin Mutter** (College '03) are named Rhodes Scholars, marking the seventh time the University has produced two Rhodes winners in the same year.

## december

**Jeffrey T. Neal** (McIntire '85) commits \$1 million to the "Back to the Lawn" project, the McIntire School of Commerce's effort to renovate its former home, Rouss Hall, and construct a 132,000-square-foot adjoining building.

**Christopher J. Brightman**, chief investment officer of the Arlington-based Strategic Investment Group, is named president of the University of Virginia Investment Management Company, which oversees the University's pooled endowment.



Christopher J. Brightman

The Miller Center of Public Affairs announces plans to record an oral history of the life and career of Senator **Edward M. Kennedy** (Law '59), which will include the senator's insights into the presidency of his brother, **John F. Kennedy**. A \$3.25 million commitment from Senator Kennedy and the Edward M. Kennedy Center will help fund the work. The Miller Center has completed an oral history of President **Jimmy Carter** and is completing similar projects for presidents **George H. W. Bush**, **Ronald Reagan**, and **Bill Clinton**.

Thanks to the **University of Virginia Medical Center** and the nonprofit **Freedom Calls Foundation**, family members of the men and women serving in Iraq exchange virtual holiday



A visitor examines "American Journeys," one of two inaugural exhibitions in the Harrison Institute.

## A Window on America

The **Mary and David Harrison Institute for American History, Literature, and Culture** opens with two exhibitions, "Flowerdew Hundred: Unearthing Virginia's History" and "American Journeys: Columbus to Kerouac." The Harrison Institute was designed to share the University Library's rich resources with a wider audience through lectures, exhibits, and special programs.

greetings using the University's teleconferencing equipment, normally used by physicians to examine patients living across the state.

## january



Angela M. Davis, associate dean of students and a member of the English faculty, teaches a J-term class.

The University's inaugural **January Term** offers fourteen courses, including an anthropology research seminar in Chaco Canyon, New Mexico, and study-abroad opportunities in Italy and Spain. Some 266 students participate in the "J-term," which will be expanded the following year to more than thirty courses.

Fourth-year engineering student **Markus A. Weisner** wins the prestigious George J. Mitchell Scholarship to live and study for a year in Ireland.

## february

**Larry J. Sabato**, the Robert Kent Gooch Professor of Government and Foreign Affairs and director of the Center for Politics, gives \$1 million to the University, fulfilling a pledge made to University President **Edgar F. Shannon, Jr.**, in 1974, when Prof. Sabato was a fourth-year student.



Larry J. Sabato

The **Virginia General Assembly** passes the Restructured Higher Education Financial and Administrative Operations Act (originally known as the Charter proposal), which will give Virginia's sixteen public colleges and universities greater authority over key administrative functions.



R. Edward Freeman

**R. Edward Freeman**, the Elis and Signe Olsson Professor of Business Administration, is one of twelve faculty members in the Commonwealth to win an Outstanding Faculty Award from the State Council of Higher Education for Virginia.

## Productive Partnerships

As it continues to expand its public outreach programs, the University has launched several initiatives in collaboration with other institutions and agencies in the Commonwealth. With a five-year, \$14.5 million grant from the Department of the Navy, the **School of Continuing and Professional Studies** is working jointly with Virginia State University to offer executive education programs for the Naval Air Systems Command. SCPS is also working with Tidewater Community College to offer the bachelor of interdisciplinary studies degree to adult learners in the region. The new program, which drew twenty-four participants its first year, marks the first time working adults can pursue a University baccalaureate degree outside of Charlottesville. The school also has entered a partnership with twelve school districts around the state to provide leadership development for current and prospective school principals.



The Board of Visitors welcomes three new members (clockwise from top left), former state Delegate **Alan A. Diamonstein** (McIntire '55, Law '59) of Newport News, **A. Macdonald Caputo** (College '63, Law '66) of New York, and **Vincent J. Mastracco, Jr.** (College '61), of Norfolk. **Catherine Neale** (College '06) joined the board as its student member.

**Nadine Strossen**, president of the American Civil Liberties Union, delivers the keynote speech for the Conference on Public Service and the Law, an annual event organized by students in the **School of Law**.

The **School of Continuing and Professional Studies** marks its fifth year as the University's tenth academic school. The school enrolled more than 15,300 adult students through its regional centers around the Commonwealth in 2004-05.

**Musawer M. Ijaz** (College '83), chairman of a New York investment firm and a member of the College Foundation board, pledges \$1 million to create the Ijaz Graduate Fellowship Fund for Arts and Sciences. The Lubna Ijaz Fellowship and Mujaddid Ijaz Fellowship, named for his mother and father, will be the first of the fellowships named in recognition of Ijaz family members.

### march

Governor **Mark Warner** joins President **John T. Casteen III** in announcing the creation of VOR-

TEX, a broadband fiber-optic network that will connect Virginia's universities to next-generation, high-performance networks such as National LambdaRail. VORTEX will handle more data at higher speeds than current Internet technology.



The Virginia Indian Nations Summit on Higher Education convenes at the University.

For the first time in its five-year existence, the **Virginia Indian Nations Summit on Higher Education** is held at the University. Participants discuss Virginia Indians 101, a new curriculum taught by members of Virginia's Indian tribes.

### april

In recognition of his humanitarian efforts and his innovative use of building materials, Japanese architect **Shigeru Ban** receives the fortieth annual Thomas Jefferson Medal in Architecture on Founder's Day. Judge **Patricia M. Wald**, former chief judge of the U.S. Court of Appeals for the District of Columbia Circuit, receives the Thomas Jefferson Foundation Medal in Law. She was one of the legal experts who examined the statute of the Iraqi Special Tribunal established to conduct the trial of Saddam Hussein.



The Department of Athletics contributes \$50,000 from its share of the MPC Computers Bowl to the **Cavalier**

**Dave Leitao** is named head coach of the men's basketball team. Formerly of DePaul University, he is the first African American head coach of any varsity sport at the University of Virginia.

**Marching Band** and to the **Faculty Senate** to support a graduate fellowship.



From left, Anne Vaughan and Dr. E. Darracott Vaughan, Jr. (Medicine '65), with Katie Couric (College '79)

**Katie Couric** (College '79), anchor of *Today* on NBC, hosts a dinner and tour of the *Today* set to showcase plans for the new clinical cancer building. Ms. Couric, who lost her husband, **Jay Monahan**, to colon cancer and her sister, Virginia Senator **Emily Couric**, to pancreatic cancer, is the honorary chair of the Cancer Center campaign.



Mary Chapin Carpenter

Grammy-winning singer-songwriter **Mary Chapin Carpenter** performs at the Paramount Theater in Charlottesville, raising \$175,000 in proceeds to benefit patient education and support services at the University of Virginia Cancer Center.

The University's graduate and professional schools fare well in the *U.S. News & World Report* rankings. The **Law School** moves up to eighth place, the **School of Engineering and Applied Science** jumps from forty-second to thirty-fourth, the **Darden School** is ranked fourteenth, and the **Curry School of Education** is twenty-second among its peers. The **School of Medicine** is ranked twenty-sixth in research.

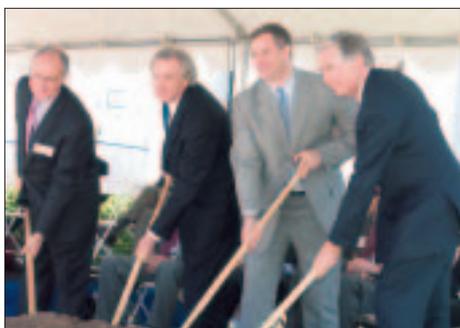
The **Curry School of Education** celebrates its centennial on April 13, one hundred years from the day John D. Rockefeller, Sr., wrote to University President Edwin A. Alderman of his lead gift to build an education school.



Henri Matisse's *Femme endormie* and sixty-one other masterworks from the Musée des Beaux-Arts et

d'Archéologie in Besançon, France, go on display at the **University of Virginia Art Museum** in an exhibition titled "Masterpieces of European Drawing."

The **McIntire School of Commerce** breaks ground for its "Back to the Lawn" building project, a \$50 million, 156,000-square-foot academic complex that integrates the complete renovation of Rouss Hall with construction of an adjoining building. Earlier in the month, **Varsity Hall**, built in 1858 as the University's first infirmary, is moved to make way for the new structure.



Breaking ground for McIntire: from left, President Casteen, Dean Carl Zeithaml, and McIntire School Foundation officers John Griffin and Jeffrey Walker

## may

*iris*, a journal that began as a photocopied newsletter for the Women's Center, celebrates its twenty-fifth anniversary. Now a magazine with a national readership, it can boast such contributors as feminist theorist **Jennifer Baumgardner**, scholar **Margaret Stetz**, cartoonist **Linda Sherman**, and poet **Gregory Orr**.



From left, Annie Schutte (College '05), coordinating editor of *iris*, and Gina Welch (Graduate Arts and Sciences '04), her predecessor

Graduate student **Cory MacLauchlin** introduces an unpublished Mark Twain speech held by the Albert and Shirley Small Special Collections Library in *Meridian*, a literary magazine edited by creative writing students.

*Rising Up*, a documentary produced by history and media studies students, receives its first public screening before a packed house. Drawing on video archives in the **Virginia Center for Digital History**, the film tells the story of the civil rights movement in Virginia from the perspective of contemporary observers.

In Budapest, Hungary, the **International Law Enforcement Academy** celebrates its tenth anniversary. Operated by the School of Continuing and Professional Studies in partnership with the FBI, the academy is co-sponsored by the Hungarian government and the U.S. Department of State. SCPS Dean **Sondra Stallard** (Graduate Arts and Sciences '79) and FBI Director **Robert Mueller** (Law '73) both attend the ceremony.



The University's Department of **Parking and Transportation Services** begins a pilot program that results in fueling its entire thirty-bus fleet with B20 biodiesel, a blend of 80 percent conventional diesel fuel and 20 percent vegetable oil.

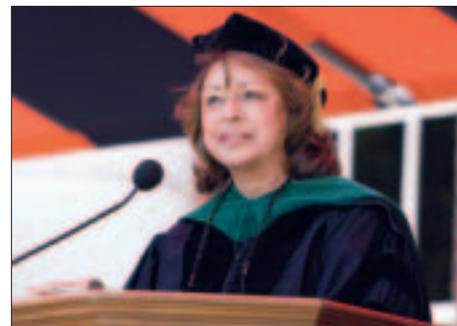
**James P. Craig III** and **Rebecca T. Craig** of Charlottesville give \$1 million to create the James and Rebecca Craig Cancer Research Scholar Award to promote basic research in the Cancer Center.



## Fill 'er Up, and Hold the Fries

To demonstrate the viability of biofuel, engineering student **Luke Scruby** set out for Alaska on May 28 in an old school bus that could run on either diesel or used vegetable oil. Although a breakdown in Arkansas cut the trip short, Mr. Scruby was undeterred. He loaded his filtering equipment into a 1976 Mercedes 240D diesel sedan and, with his friend **Scott Wilcox**, made a second attempt. Between June 27 and August 15, they covered 13,000 miles, reaching the Arctic Circle and using just fifty gallons of diesel fuel along the way. Mr. Scruby said he preferred to fill up with the waste oil from Mexican, Thai, and family restaurants. Why not fast food chains? "Their grease is disgusting," he said.

Pulitzer Prize-winning author and journalist **Ron Suskind** (College '81) delivers the Class Valediction address during Finals Weekend. The Algernon Sydney Sullivan Award is given to Jefferson and Echols scholar **Sally D. Wood** (College '05), senior peer advisor **Jeremy E. Davis** (College '05), and Patricia M. Lampkin, vice president and chief student affairs officer. **Dr. Vivian W. Pinn** (Medicine '67), director of the Office of Research on Women's Health at the National Institutes of Health, becomes the first African American woman to deliver the commencement address at Final Exercises. To see and hear the events of the sun-filled weekend, visit [www.virginia.edu/majorevents/highlights.html](http://www.virginia.edu/majorevents/highlights.html).



Dr. Vivian W. Pinn at Final Exercises

## A Global View in Edinburgh



How is globalization affecting higher education? Twenty-nine doctoral students from the Curry School of Education joined University faculty and administrators at the University of Edinburgh in June to seek answers to that question. Along with University President **John T. Casteen III**; **David Breneman**, dean of the Curry School; **Ed Ayers**, dean of the College and Graduate School of Arts and Sciences; and **Carl Zeithaml**, dean of the McIntire School of Commerce, the students took part in five days of discussions about the impact of increased globalization on teaching, research, technology needs, and the economic outlook for colleges and universities. The international symposium was directed by Curry School professors **Hal Burbach** and **Carolyn Callahan** along with **Gerry Starsia**, associate dean in the McIntire School of Commerce and a Curry doctoral student.

During Final Exercises, thirty-one adult students receive the **bachelor of interdisciplinary studies** degree. This is the fourth graduating class of the BIS program, offered by the School of Continuing and Professional Studies.

The Presidential Recordings Program in the Miller Center of Public Affairs releases a three-volume set of the recordings of **President Lyndon Johnson**, published by W. W. Norton.

## june

The twenty-first annual **U.Va. Children's Hospital Telethon**, broadcast live locally each year, raises \$1,757,650 for children's health programs and facilities.

Governor **Mark Warner** appoints three leaders in the University Health System to the Task Force on Information Technology in Health Care: **Barbara Baldwin**, chief information officer; **Dr. Stephen M. Borowitz**, professor of pediatrics and health evaluation sciences; and **Dr. Don E. Detmer**, professor of health evaluation sciences and newly appointed president of the American Medical Informatics Association.

The Society for College Science Teachers bestows its Kendall-Hunt Outstanding Undergraduate Science Teacher Award on **Claire Cronmiller**, the Cavaliers Distinguished Teaching Associate Professor of Biology.

**Mitchell Green**, associate professor of philosophy, receives the Contemplative Practice Award from the Center for Contemplative Mind in Society. The \$10,000 award provides a summer fellowship for research in contemplative practices.

*Wilder: An American First*, a documentary produced by the Community Idea Stations in collaboration with the University's **Center for Politics**, wins three Telly Awards. The film's subject is the nation's first elected African American governor, **Douglas Wilder** of Virginia.

**Thomas F. Farrell II** (College '76, Law '79) of Richmond becomes the thirty-eighth rector of the University. **W. Heywood Fralin** (College '62) of Roanoke is elected vice rector and will become rector in 2007.



Thomas F. Farrell II

The **William Stamps Farish Fund** of Houston, Texas, makes a \$1.2 million commitment to the Department of Drama.



W. Heywood Fralin

Governor Mark Warner welcomes ten new participants in the **Virginia School Turnaround Specialist Program**, offered by the Darden-Curry Partnership for Leaders in Education to help administrators turn around poorly performing schools.

## july

The Virginia Tobacco Commission announces a \$248,828 award to fund a new nursing career ladder in Southside and Southwest Virginia. The **School of Nursing** is partnering with the Virginia Commonwealth University School of Nursing to deliver baccalaureate and master's programs to registered nurses in those areas.

President **John T. Casteen III** announces that **David J. Prior**, provost and vice chancellor for academic affairs at the University of Wisconsin-Superior, will become the seventh chancellor of the **University of Virginia's College at Wise**.



David J. Prior

**Sean T. O'Brien** (College '88, Graduate Arts and Sciences '94) becomes executive director of the Thomas C. Sorensen Institute for Political Leadership. He succeeds founding executive director **William H. Wood**, who retired earlier in the year.

**Cheryl Gomez**, the University's director of energy and utilities and the only woman to hold this post at a major U.S. college or university, is elected chair of the International District Energy Association. Under her direction, the University has earned eleven state, regional, and national awards for its energy management programs.

The School of Continuing and Professional Studies joins forces with the Virginia State Police to offer the first **National Criminal Justice Command College**. Twenty-nine law enforcement officers enter the intensive ten-week executive leadership program.

As part of the Jefferson Scholars Program's twenty-fifth anniversary celebration, the board of directors for the **Jefferson Scholars Foundation** names a new endowed graduate fellowship in honor of executive director **Jimmy Wright** and his wife, **Elizabeth**. Mr. Wright has overseen the program for twenty years.

august

**Dr. Zhiyi Zuo**, associate professor of anesthesiology, receives the Presidential Scholar Award for his research on stroke and Alzheimer's disease, as well as his outstanding teaching abilities. The distinction is given annually to one of the 40,000 members of the American Society of Anesthesiologists.

Thanks to **AccessUVA**, the University welcomes the most socioeconomically diverse entering class in its history. Of the 3,100 first-years and 300 transfer students, 787 are participants in AccessUVA, and 233 qualify for loan-free aid.

**Cornelius O. Horgan**, the Wills Johnson Professor of Applied Mathematics and Mechanics in the Department of Civil Engineering, receives the prestigious A.C. Eringen Medal from the Society for Engineering Science.

Leaders of the University's **information technology** programs win a national award from EDUCAUSE for their role in founding the Virginia Alliance for Secure Computing and Networking, a partnership among state universities and colleges to combat network security problems.



**Taking in Academic Evacuees**

Acting quickly in the wake of Hurricane Katrina, the University enrolled 140 displaced students as the fall semester began. Most were Virginia residents, all were from hurricane-ravaged institutions in the New Orleans area, and all earned credits that can be transferred to their home institutions once they reopen. Among them were 128 undergraduates—109 in the College, eight in the School of Engineering and Applied Science, and six in the School of Architecture—all of whom were housed on University Grounds. Some two dozen students entered the School of Law, the Darden School of Business, and the Curry School of Education.

One of the scholarships is named in memory of **Robert L. Kellogg**, former dean of the College of Arts and Sciences, a scholar of medieval Icelandic literature, and chair of the foundation's first board of trustees.

Arts and Sciences receives \$2 million from the estate of **Hugh N. O'Bear** (McIntire '33) to create a professorship in classics named for his uncle, Hugh H. O'Bear (Law 1906).

The **Miller Center of Public Affairs** celebrates its thirtieth anniversary. The center was established in 1975 with a gift from Tennessee philanthropist **Burkett Miller**.

The Board of Visitors establishes the **Buckner W. Clay Professorship**, which is reserved for the dean of the College and Graduate School of Arts and Sciences. Named in memory of a loyal member of the College's Class of '42, the chair was made possible by his wife, Hamilton G. "Toni" Clay, of Charleston, West Virginia.

september

**Terry Belanger**, founder of the **Rare Book School** at the University, wins a no-strings-attached fellowship from the John D. and Catherine T. MacArthur Foundation. He is cited for raising the profile of the book "as one of humankind's greatest inventions."



Terry Belanger

The **Leifur Eiriksson Foundation**, established by the Central Bank of Iceland and the University, begins accepting applications for new scholarships created to promote graduate student exchanges between Iceland and the United States.

**Christine Todd Whitman**, head of the Environmental Protection Agency and former governor of New Jersey, launches the **Darden School's** fiftieth anniversary speaker series with a lecture titled "A Time for Radical Moderates: Bringing American Politics Back to the Center."



William B. Harvey

**William B. Harvey** is appointed the University's first vice president and chief officer for diversity and equity. For the past five years, he has served as vice president of the Center for Advancement of Racial and Ethnic Equity at the American Council on Education.



Archeologists examine grave sites, which will be honored with a memorial.

On University-owned land south of Jefferson Park Avenue, new archeological investigations uncover eighteen graves and a number of artifacts that appear to be part of a family cemetery associated with **Catherine "Kitty" Foster**, a free black woman who purchased the land in 1833. Since the cemetery was first discovered

in 1993, thirty-two graves have been found, and they will remain undisturbed. A memorial is being planned for the site as part of Arts and Sciences' South Lawn Project.



T H E V I S I O N

# Securing Our Future, Fulfilling Our Mandate

**M**ore than at any time since its founding, the University of Virginia is prepared to fulfill Thomas Jefferson's intention to create the "bulwark of the human mind in this hemisphere." It stands ready to demonstrate that a public institution can take its place in the front rank of all universities, public and private. Institution-wide, it is looking at what it will need in the way of improved programs, expanded facilities, and additional resources to realize Jefferson's vision in the twenty-first century.

At the same time, the University is taking steps to achieve greater self-sufficiency and to build an enduring foundation of support. With its increasing reliance on private philanthropy and other nonstate funding, the University is creating a new model for how a public institution sustains itself. Remaining faithful to the intentions of its founder, Mr. Jefferson's University will continue to serve the public interest, but from a position of strength upheld by a diversity of revenue sources.

Placing the University on a sound and stable financial footing will depend on three critical and interrelated factors:

- 1) establishing a new relationship with the Commonwealth of Virginia
- 2) maintaining an adequate and consistent revenue stream from tuition while ensuring affordability and access for all qualified students
- 3) raising the level of support from alumni, parents, friends, and other benefactors

This past year, the University made significant progress toward achieving all three of these goals.

*The University takes bold measures to achieve Jefferson's vision in our time.*

## The Restructuring Legislation

Virginia is home to some of the finest public colleges and universities in the nation, but in recent years the Commonwealth has struggled to provide adequate funding for these institutions. Responding to a proposal developed jointly by the University of Virginia, the College of William and Mary, and Virginia Tech, the General Assembly passed legislation in 2005 that promises to make all of the state's colleges and universities more efficient, more accountable, and better able to plan for the future with confidence.

Known as the Restructured Higher Education Financial and Administrative Operations Act, the landmark bill was signed into law by Governor Mark Warner. It offers every state school the opportunity to obtain one of three levels of administrative autonomy, depending on its financial strength and ability to manage day-to-day operations. The University is seeking the highest level of autonomy under the new law, and in accordance with the measure, has submitted a management agreement and a six-year academic plan detailing how it will fulfill its public mission. These documents, as well as more information on the Restructuring Act, are available on the University's Web site at [www.virginia.edu/restructuring/](http://www.virginia.edu/restructuring/).

The Restructuring Act affirms the Board of Visitors' authority to set tuition rates, which have gone through wide swings over the past decade as the state imposed tuition freezes and later rescinded them to address shortfalls in revenues. In the future, tuition charges will continue to go up, but at a measured and more

*Catching a Star(Fish), 2005*  
Intaglio simultaneous printing  
Akemi Ohira, McIntire Department of Art





predictable pace. At the same time, the University is ensuring that cost poses no barrier to qualified students. AccessUVA, the innovative financial aid program introduced in 2004, was expanded this past year. Students whose family incomes are at or below 200 percent of the federal poverty level will have their need met entirely by grants.

In fall 2005, the number of entering students who qualified for loan-free support under AccessUVA rose 187 percent, to a total of 233. The University also extended AccessUVA benefits to students transferring from the Virginia Community College System. In fall 2005, thirty-two transfer students qualified for full support.

### A Window on the Future

The University's commitment to maintaining access and affordability figures prominently in the six-year plan submitted to the Commonwealth, which also outlines the University's strategic direction in the areas of academic quality and effectiveness and public engagement with the state and its citizens. The plan shows how current and future initiatives, such as those emerging from the Virginia 2020 long-range planning process, will raise the University's stature as one of the nation's preeminent institutions of higher learning. These include efforts to strengthen programs in science, engineering, and biomedicine; to expand opportunities for international study and outreach; to find new and more effective ways to serve the public good; and to achieve excellence in the fine and performing arts. The University is moving forward in all of these areas.

Other highlights of the six-year plan include the following:

**Meeting Society's Needs.** The University will put greater emphasis on five-year programs that give undergraduates the opportunity to complete both a bachelor's degree and a master's degree. One successful model is the five-year bachelor of arts and master of teaching program offered by the Curry School of Education and the College of Arts and Sciences. Plans call for expanding the program to meet the need for more teachers, particularly in the fields of math and science. Likewise, the School of Nursing will do its part to address a shortage of qualified nurses in the state and the nation.

**Fostering Economic Development.** The state's economy will benefit from expanded research activities on Grounds and from initiatives such as Virginia Gateway, which promotes commercialization of new technologies emerging from the University's laboratories. A new master's of professional studies program, which

the School of Continuing and Professional Studies hopes to introduce in 2008, will enhance the state's workforce.

**Increasing Enrollment.** In response to projected increases in the number of college-age students in Virginia, the University has committed to expanding its enrollment by 1,500 over the next ten years. This figure includes 1,100 undergraduates, with about 700 in the sciences, 200 in engineering, and 200 spread among undergraduate business, undergraduate nursing, and the fine and performing arts.

**Supporting a Diverse Community.** The University will continue efforts to create a safer and more nurturing atmosphere for all students, staff, and faculty, regardless of race, ethnicity, gender, sexual orientation, religious affiliation, or socio-economic status. Following the recommendations of the President's Commission on Diversity and Equity, which issued its report in fall 2004, the University will engage more students in programs such as Sustained Dialogue, an effective catalyst for opening lines of communication among racial groups. It also will bolster peer mentorship programs and provide opportunities for student and faculty exchanges with historically black colleges and universities.

### Looking forward to 2015

With the completion of the six-year plan, the Board of Visitors has begun to look even farther into the future. It has convened a Special Committee on Planning to develop a ten-year financial and strategic plan with the following objectives:

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

As part of the planning process, the committee will work with the administration to conduct a gap analysis to determine the resources needed to move the University from the nation's top twenty-five institutions, as ranked by *U.S. News & World Report*, to the top fifteen. A concurrent situation analysis will identify the threats and opportunities likely to affect the University's progress and will assess how the University is perceived by its constituents and competitors. To identify academic priorities, the committee will rely on the work of faculty and administrative committees, as well as the board's Educational Policy Committee, which recently began a yearlong examination of the undergraduate experience.

### Launching a New Campaign

One of the principal goals of the board's planning process is to ensure that the ten-year financial outlook is in harmony with the priorities for the University's new fund-raising campaign, scheduled for its public launch in September 2006. The campaign is well into its nucleus phase, which began in January 2004. By the end of 2005, it had raised some \$850 million toward what is expected to be a \$3 billion goal.

As it pursues this ambitious target, the University will benefit from seasoned leadership. Gordon F. Rainey, Jr. (College '62, Law '67), of Richmond, who stepped down as the rector of the University on June 30, has agreed to serve as national chair of the campaign and as chair of the Campaign Executive Committee. Everette L. Doffermyre

(College '70, Law '73) of Atlanta and John L. Nau III (College '68) of Houston will serve as vice chairs.

Chairman of the law firm of Hunton & Williams, Mr. Rainey is a past president of the Alumni Association's Board of Managers. He has been a member of the Board of Visitors since 2000 and was elected rector of the University in 2003. Having played a prominent role in advancing such innovations as AccessUVA, new investments in research, and the Restructuring Act passed this year, he views the campaign as the means not only to achieve self-determination, but to secure the University's place as one of the finest institutions in the world.

Like Mr. Rainey, Mr. Dofffermyre is a past president of the Alumni Association. He is managing partner of the law firm of Dofffermyre, Shields, Canfield, Knowles & Devine, LLC, and was active in the University's last campaign, which concluded in 2000. In addition to serving as vice chair of the Campaign Executive Committee, he heads the National Committee on University Resources, or NCOUR, a network of campaign volunteers. He described these alumni, parents, and friends as ambassadors for the University and champions of the campaign in their communities.



**Outgoing Rector of the University Gordon Rainey (left) leads the new campaign. Veteran volunteer leaders Everett Dofffermyre (center) and John Nau will serve as campaign vice chairs.**

Mr. Nau is president of the College Foundation and leads the Council of Chairs, which comprises representatives from the boards of the University's schools and programs and their related foundations. Chairman, president, and CEO of Silver Eagle Distributors, the nation's second largest distributor of Anheuser Busch products, he was chairman of the Campaign for Arts and Sciences and a member of the Campaign Executive Committee in the University's last major fund-raising effort. He also served on the Alumni Association's Board of Managers. Mr. Nau believes better coordination, cooperation, and communication among the University's schools and programs will be critical to the success of the new campaign. •



## UNIVERSITY of VIRGINIA TODAY

### U.S. NEWS & WORLD REPORT RANKINGS

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

<b>Architecture</b>	<b>6th</b>
<b>Law</b>	<b>8th</b>
<b>Commerce</b>	<b>9th</b>
<b>Darden</b>	<b>14th</b>
- The University rose in the ranking of "Best Values," moving up from twenty-first to seventeenth.
- The University's College at Wise maintains its number-one ranking among 200 national liberal arts colleges whose graduates complete their degrees while incurring the least amount of student debt. In the recent

rankings, the College at Wise continues to be listed among the nation's top public liberal arts colleges.

- The following medical specialties at the University were ranked by *U.S. News & World Report's* "America's Best Hospitals Guide," published July 2005:

<b>Hormonal disorders</b>	<b>6th</b>
<b>Ear, nose, and throat</b>	<b>20th</b>
<b>Urology</b>	<b>22nd</b>
<b>Cancer</b>	<b>32nd</b>
<b>Gynecology</b>	<b>34th</b>
<b>Digestive disorders</b>	<b>37th</b>
<b>Neurology and neurosurgery</b>	<b>48th</b>

### OTHER RANKINGS

In 2004, *BusinessWeek* released its biennial survey of America's top business schools and ranked the University's Darden Graduate School of Business Administration twelfth in the nation.

*Forbes* magazine ranked the Darden School eighth in the nation in 2005. The magazine's ranking is based on "return on investment," which is determined by compensation five years after graduation minus tuition and the forgone salary during school.

The University of Virginia Medical Center is the only Virginia hospital ranked in Solucient's "100 Top Hospitals: National Benchmarks for Success" study. It was one of only fifteen major teaching hospitals to receive the distinction in 2004. This is the sixth year the U.Va. Medical Center has received the honor.

### U.VA. AT A GLANCE

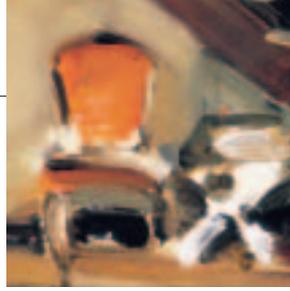
#### ENROLLMENT, FALL 2005

Undergraduate	13,401
Graduate	4,699
Law and Medicine	1,694
On-Grounds	
Continuing Education	605
<b>Total</b>	<b>20,399</b>

#### FACULTY AND STAFF, 2005-2006

Full-time instructional and research faculty	2,053
Full-time other staff	9,806

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



T H E A R T S

# Seeing with Fresh Eyes, Exploring New Worlds

“You see I am an enthusiast on the subject of the arts,” Thomas Jefferson wrote to James Madison in 1785. Founded by one of the most aesthetically sophisticated Americans of his time, the University shares his enthusiasm. In accord with the Virginia 2020 long-range plan, it is creating a new environment for the arts on Grounds. It is envisioning facilities and programs that inspire students and faculty to do their best work and that give every student the opportunity to make the arts an integral part of the University experience.

Learning from practicing artists who are continually exploring new avenues of self-expression, students discover that the arts involve taking risks, making critical judgments, and confronting themes of profound importance. Working both in traditional and new media, they interweave art and ideas in surprising and enlightening ways, as the following examples make clear.

## Portraits of Young Artists

In **Burim Jung**’s two-minute film “I Am,” side-by-side images of two young women fill the screen. A voice repeats over and over: “I am American.” “I am Korean.” “I don’t want to be American.” “I don’t want to be Korean.” The statements begin to overlap until the film’s final message stands alone: “I am a Korean-American.” A double major in studio art and drama, Ms. Jung (College ’05) brings the visual and performing arts together in her work, which explores such interrelated themes as identity, the stereotyping of Asian women, and the history of women in Korean society.

Ms. Jung, who immigrated to America as a seventh-grader with little command of English, drew from her own experiences and her studies in history and culture to inform her projects. Two of her pieces, “My Mother,” a mixed-media work, and “Roots,”

*Student and faculty artists discover the risks and rewards of self-expression.*

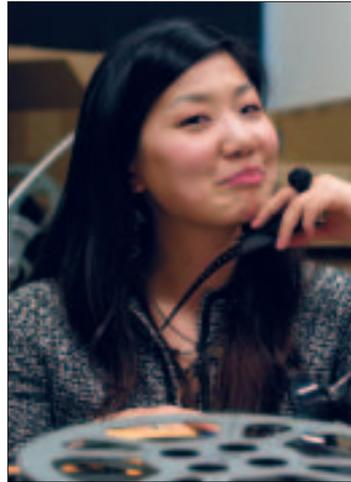
produced with a digital video camera, were the results of her research on Korea’s history of repeated invasions, including the subjugation of Korean “comfort women” by Japanese soldiers in

World War II. Her senior show, “F.O.B. at U.Va.,” comprised an installation piece portraying an Asian-American student who comes to the University “fresh off the boat.” “There’s something about art that asks you to look differently, see differently,” said Ms. Jung, who studied with photographer and filmmaker **Kevin Everson** and multimedia artist **Christina Hung** in the McIntire Department of Art.

The drive to see the world differently also is apparent in the work of **Colin Whitlow** (College ’04), recipient of an Aunspaugh Fifth-Year Fellowship. Established with a 1960 bequest from Virginia-born artist Vivian L. Aunspaugh, the fellowships enable students in the studio art program to remain at the University for an additional year after graduation to produce a focused body of work. Mr. Whitlow used the time to take a new approach to an old genre, the graphic novel. Called *Lavender and Other Colors*, the piece uses photography and dialogue to drive the narrative, which revolves around three members of a small-town family who are unhappy with their lives and who come to recognize their interconnectedness when the son departs for college. As Mr. Whitlow wrote the screenplay and took tens of thousands of digital photos to illustrate it, several faculty members provided valuable assistance. English professor **Karen Chase** critiqued an early version of the script, drama professor **Richard**

*Ridge Light, 2005*  
Oil on board  
(Courtesy of Tibor De Nagy Gallery, New York)  
Phil Geiger, McIntire Department of Art





Seeing the world differently: clockwise from upper left, graphic novelist Colin Whitlow; filmmaker Burim Jung; and photographer Alice Bailey

Warner assigned his acting class to the project, and studio art professor Kevin Everson lent his expertise as a filmmaker to supervise the crew.

Photographer Alice Bailey (College '04), another Aunspaugh Fellow, produced a series of twenty-five portraits titled *Facing Sexual Assault*. Displayed in an exhibition that coincided with Take Back the Night, an annual rally held at the University and around the world to raise awareness of violence against women, children, and families, the large-format photographs make a powerful statement about the immediacy of the issue. Guided by William Wylie, a photographer on the faculty who uses large-format cameras in his work, Ms. Bailey created images of sexual assault victims at various stages in their healing journey. Those farthest along face the viewer directly. Other portraits show only the back of the head, a hand, or arm, indicating that the subjects are still early in the healing process.

### The Art of Collaboration

The making of art can be a shared experience that brings together communities large and small. When minority students were subjected to verbal assaults in a series of incidents at the opening of the 2005 school year, Sanda Iliescu, assistant professor of architecture and art, enlisted 271 students to join her in taking a stand against such intolerance. Prof. Iliescu, who fled from her native Romania

when she was seventeen to seek asylum in the West, asked each participant to paint a word from Lincoln's Gettysburg Address on Beta Bridge, calling attention to the fundamental values that unite us as a people.

A different kind of collaboration took place in "The Land of Wandering," a two-year printmaking project in which thirty faculty, alumni, and other artists and writers explored themes from the book of Genesis. For many of the pieces in the resulting exhibition and forthcoming book, a printmaker would start a work of art, then mail it to another artist, who would add a layer of interpretation before sending the work to yet another participant. The goal was to create a piece that is greater than the sum of its parts, according to studio art professor Dean Dass, who spearheaded the project. On display in the fall of 2005, "The Land of Wandering" is the first of a three-part printmaking endeavor based on one of the earliest encyclopedias, the 1493 *Nuremberg Chronicle*, which begins with the biblical creation story.

In the McIntire Department of Music, the making of new works can involve the collaboration of composer, performer, and technician. Judith Shatin, the William R. Kenan, Jr., Professor of Music and director of the Virginia Center for Computer Music, often creates pieces that intertwine acoustic instruments with computer-generated sounds. These can be taken from the music of the world around us, from the roar of a machine to the clink of a fork against a cup. Likewise, her colleague Matthew Burtner fuses music and technology in his compositions and in an instrument he invented, the metasaxophone. By refitting a tenor saxophone with a micro-processor and sophisticated sensors, he converted the instrument into a computer controller that gives the player an extraordinary range of expressive possibilities.

Composer Peter Traub works in a similar vein. A former software engineer in Silicon Valley and now a student in the music department's Ph.D. program, he holds the Edgar Shannon Jefferson Scholar Graduate Fellowship. This past spring he unveiled *ground loops: for solo percussion and internet*, a work in which sounds created on a vibraphone and other percussion instruments are sent over the Internet to computer servers across the country and relayed back into the concert hall. Using the distortion and delay that occur when a compressed music



A community's shared values: architecture and art professor Sanda Iliescu invited students to paint Abraham Lincoln's immortal words on Beta Bridge.

## Guided by Professionals

Students have the opportunity to learn from superb professionals and experienced performers at the University. In the Charlottesville and University Symphony Orchestra, for example, student musicians are coached by the highly trained principals of each section. Thanks to the support of a number of benefactors, twelve of the symphony's first-chair positions have been endowed to help recruit and retain these outstanding musicians.

Each summer, as many as thirty students take part in the productions of the Heritage Repertory Theatre, a professional company operated by the Department of Drama. During the academic year, undergraduates share onstage and backstage duties with gifted MFA students. Every three years, the department accepts a new cadre of eighteen graduate students, who in effect form a theater ensemble within the department.

Students also benefit from artist residencies. In September 2005, alumnus **Ntare Guma Mbaho Mwine** (College '89, below) returned to the University for three days of workshops, discussions, and a performance of his one-man show, *Biro*. A *New York Times* Critics' Pick in 2004, the play is based on the true story of a Ugandan caught up



in the fight for national liberation and the devastation of the HIV/AIDS epidemic. During his visit, Mr. Mwine joined infectious disease experts **Dr. W. Michael Scheld**, the Bayer Corporation/Gerald L. Mandell Professor of Internal Medicine, and **Dr. Rebecca Dillingham** of the School of Medicine in a panel on AIDS in Africa.

The School of Architecture routinely brings leading architects, landscape architects, and urban planners to the Grounds to deliver lectures and meet with students and faculty. Recent visitors include Japanese architect **Shigeru Ban**, who received the 2005 Thomas Jefferson Foundation Medal in Architecture. Renowned for his use of low-cost and sustainable materials, he was the first to construct a building out of recycled paper with his Community Dome, a meeting place for victims of the 1995 earthquake in Kobe, Japan. His paper log house has provided temporary shelter for refugees around the world. Another design pioneer, landscape architect **Diana Balmori**, came to the school as the first Harry W. Porter, Jr., Visiting Professor of Architecture. Among her ecologically sensitive designs is 20 River Terrace in Battery Park City, New York, which includes two green-roof terraces that save energy and water and require little maintenance. The building is considered the first green residential high-rise in North America.



**Two approaches to composition: Peter Traub, at left with his score, used the Internet to create new sounds; cellist Adam Gustafson turned to historical instruments.**

file moves through computer networks, the piece builds up to a cascade of overlapping sounds of varying tones and timbres.

By contrast, undergraduate composer and cellist **Adam Gustafson** (College '05) turned to period instruments and traditions for the works he premiered in his senior recital, which was supported by the Charles S. Roberts Scholarship Fund. The Virginia Viola da Gamba Consort joined him for a performance of his "Two Fantasies



### A Link to Australia

**The Kluge-Ruhe Collection**, one of the finest collections of Australian Aboriginal art in the world, has helped extend the global reach of the University. This summer, fifteen undergraduates studied the collection before joining curator **Margo Smith** in Australia for a four-week course offered by the Department of Anthropology. As part of the course, students camped with Aboriginal people in the remote outback. Tours and lectures at major museums, galleries, and cultural sites exposed students to Aboriginal art, Australian contact history, and ecological issues concerning indigenous people. Given to the University by **John W. Kluge**, the Kluge-Ruhe Collection holds approximately 1,600 paintings, sculptures, and artifacts acquired by Mr. Kluge and Edward L. Ruhe over a forty-year period. The collection is housed and exhibited at Peter Jefferson Place, a historic property east of Charlottesville given to the University by **Mr. and Mrs. T. Eugene Worrell, Sr.**

## A Jeffersonian Ideal Comes into View

In 1961, Dr. Henry Landon (College '44, Medicine '47) and his wife, Barbara, began acquiring American paintings and decorative arts, focusing on works from the late seventeenth through the nineteenth centuries. Over the years, they



John Singleton Copley's *Portrait of Mrs. Richard Crowninshield Derby as St. Cecilia*, 1806

built one of the finest collections of its kind. The fruits of their connoisseurship could be seen at the University of Virginia Art Museum this past year in an exhibition titled *A Jeffersonian Ideal: Selections from the Dr. and Mrs. Henry C. Landon III Collection of American Fine and Decorative Arts*. The fifty major works on display included pieces by Albert Bierstadt, John Singleton Copley, Childe Hassam, Winslow Homer, Thomas Moran, John Singer Sargent, Gilbert Stuart, and Benjamin West, as well as examples of furniture from such important centers of manufacture as

Philadelphia, New York, Boston, and Newport. "The University has long focused on American art with a particular emphasis on the period of Jefferson's life and legacy. The exhibition strengthens the University's commitment to its heritage," said Museum Director **Jill Hartz**, who received the Excellence in Peer Review Service Award from the American Association of Museums this past year. To help organize the exhibition, the museum turned to **Maurie McInnis** (College '88) of the art history faculty and six graduate students in her material culture seminar. They selected works from the collection and consulted curators at the Virginia Museum of Fine Arts, Colonial Williamsburg, and other museums for advice on how fine art and decorative arts can be displayed together to reveal what they say about their time. A lecture by **Eleanor Jones Harvey** (College '83), an alumna of the art history program and chief curator of the Smithsonian American Art Museum, further underscored the significance of the collection. To view selections from *A Jeffersonian Ideal* online, visit [www.virginia.edu/artmuseum/](http://www.virginia.edu/artmuseum/).

on the *In Nomine*." The debut of his "Two Psalms of Degrees for Choir and Organ" featured the historic Ernest Skinner pipe organ in Old Cabell Hall. Mr. Gustafson studied composition with Prof. Shatin and cello with **Amy Leung**, who holds the Genevieve B. Horween and Marion H. Chase Chair in the Charlottesville and University Symphony Orchestra.

### In Step with the Times

The Department of Drama recently filled a prominent gap in the arts curriculum at the University by introducing classes in dance. New faculty member **Tricia Gooley** teaches modern dance, jazz, and choreography in the department and is director of the color guard for the

### All Strings Attached

Reaching well beyond the European classical tradition, the study of music at the University embraces cultures that extend from Africa to Appalachia. In that spirit, **Richard Will** (at right) provides a bridge between musical genres that seem worlds apart. An authority on the symphonies of Haydn and Beethoven and the role of music in late-eighteenth-century society, Prof. Will is a bluegrass fiddler who teaches courses on American roots music.



With a grant from the Ernest C. Mead Endowment, he began bringing student and community musicians together each week for an evening of pickin' and pizza, a practice he continued this past year.

new Cavalier Marching Band. A graduate of New York University who holds a master's degree in dance education, Ms. Gooley has worked with such artists as Douglas Dunn, Renata Celichowska, and Nancy Allison. She choreographed the Department of Drama's spring musical, *The Mystery of Edwin Drood*. Her classes complement student efforts to make dance a prominent part of the University arts scene. They have formed several independent dance companies on Grounds.

### Taking Their Own Initiative

Students at the University find a wide variety of outlets for their creativity beyond the studio and classroom. **Rebecca McCharen**, a third-year student in the School of Architecture, organized the fashion show for the Fourth Annual Fringe Festival, a weeklong arts extravaganza held in conjunction with the Virginia Film Festival. In keeping with the Film Festival's 2003 theme, "\$," Ms. McCharen challenged designers to create outfits in several categories, such as clothes made out of money, clothes made with no money, and clothes made with lots of money. A painter and collage artist who also studies cinematography, Ms. McCharen is among a group of student artists who created their own gallery space in the International Residential College, housed in the Munford and Gwathmey residence halls.

Student artists have a new way to finance such creative endeavors. With seed money from the Parents Program, the Office of the Vice President for Student Affairs, and Student Council, the Student Art Committee created the Independent Student Art Project Fund. It provides \$3,000 annually for student arts initiatives, which can range from plays, literary journals, and art exhibitions to films, video documentaries, and multimedia projects. Although not limited to non-art majors, the fund is intended to support projects outside the regular arts curriculum.

### Arts on the Web

To stay abreast of the arts at the University and in the Charlottesville community, visit [www.virginia.edu/arts/](http://www.virginia.edu/arts/). The site offers a regularly updated calendar of theater productions, concerts, exhibitions, and arts festivals in and around the University. •

# building for our future

The University has taken the first steps toward realizing its master plan for the Arts Grounds, an effort to provide new, renovated, and expanded facilities for all of the fine and performing arts. The goal is to create a vibrant new hub of intellectual and imaginative activity near the historic heart of the University.

## UNDER CONSTRUCTION

**Fayerweather Hall**, built more than a century ago as a gymnasium, is being transformed into a new home for the art history program. The handsome neoclassical building will provide new offices for faculty and graduate assistants, an archaeology study facility, new meeting and seminar rooms, and a library of visual resources. Financed in part by a state bond issue approved by voters in 2002, the \$7.7 million restoration is bringing back lost features of the building, such as a roof monitor that will bathe interior spaces with natural light. The project is on target for completion in February 2006.

## SOON TO BEGIN

Work will get under way soon on **Ruffin Hall**, a new studio art building just west of Rugby Road. Funded with state support and a gift from the Peter B. and Adeline W. Ruffin Foundation, the facility will provide low-maintenance spaces designed specifically for the teaching of painting, drawing, sculpture, printmaking, photography, and new digital media. Gallery areas for exhibiting work by students, members of the department, and visiting artists will showcase new directions in contemporary art. Nearby, a 500-car parking garage will be constructed to serve the Arts Grounds and to replace parking spaces lost to the new studio art building.

The School of Architecture has met its fund-raising goal for expansion of **Campbell Hall**, its home for more than thirty years. Designed with the participation of prominent architects and landscape architects on the faculty, the \$10 million project includes a new entry building to the east housing flexible space for reviewing student work. To the south, a new bank of twenty-six faculty offices will be linked to nearby studios and teaching spaces, much as the pavilions open onto the Lawn.

## Conceptual view of the new University Art Museum on Ivy Road



**Ruffin Hall**, the new studio art building, will border a green space known as the Arts Common.

## IN DESIGN

This past year, the University unveiled plans for the **Center for the Arts**, a complex at the corner of Emmet Street and Ivy Road that will serve as a dramatic new gateway to the University. Fund-raising is under way for the project, which is still in design. As now conceived, its first phase will be the new **University Art Museum**. With the latest climate-control systems and spacious galleries, including a gallery devoted to the legacy of Thomas Jefferson and his influence on American art and culture, the building will enable the museum to show much more of its 10,000-piece collection and to attract prestigious traveling exhibitions. A theater and screening room will accommodate presentations of film and other media. In a later phase, the University will add a performance hall to the complex. It will provide an ideal venue for concerts, musical theater, and arts festivals built around a central theme. It will be the site for many of the music department's student and faculty performances, including concerts by the Charlottesville and University Symphony Orchestra. To learn more about the Center for the Arts and other elements of the Arts Grounds project, visit [www.virginia.edu/supportuva/](http://www.virginia.edu/supportuva/).



R E S E A R C H

# Pushing Boundaries, Building New Strengths

**T**he University is moving boldly to take its place at the forefront of scientific inquiry, ensuring that it will make significant contributions to the advancement of knowledge and the preparation of future leaders in science, engineering, and biomedicine. To achieve this vision, which emerged from the Virginia 2020 long-range planning process, the University has set out to build superb research teams in areas in which it can leverage current strengths.

To this end, the University has begun a vigorous effort to attract ten top-caliber investigators whose discoveries are transforming their disciplines. Made possible by a \$60 million commitment from the Board of Visitors, the recruiting initiative has produced its first result. **Joe C. Campbell**, who is renowned for developing the detectors of laser light used in fiberoptic telecommunications networks, will join the University's Charles L. Brown Department of Electrical and Computer Engineering in 2006. A member of the National Academy of Engineering, Prof. Campbell comes to Virginia from the University of Texas at Austin and will bring with him a \$3 million laboratory and a team of outstanding graduate students and postdoctoral researchers.

Adding such stellar researchers to our ranks will benefit the University in many ways. In addition to enhancing the stature of the University's science and technology programs and the funding they receive, they serve as magnets for recruiting the best junior faculty and graduate students. This in turn enriches the education of undergraduates in the sciences, who will be vital to the nation's prosperity and security.

The plan to build new strengths in science, engineering, and biomedicine rests on a sound foundation. The University's research efforts and other sponsored programs attracted more

*A vigorous effort to achieve leadership in research yields promising results.*

than \$300 million in grants and other external support in 2004–05, a 5.7 percent increase from the previous year. To put this achievement in perspective, University funding for sponsored programs totaled

\$150 million in 1996–97 and reached \$200 million just five years ago. Some 60 percent of the University's research dollars finance work in the School of Medicine.

## Leaders in the Quest for Knowledge

Along with increased support has come greater recognition. For example, **Joseph Poon**, the William Barton Rogers Professor of Physics, and **Gary Shiflet**, the William G. Reynolds Professor of Materials Science, were named to the *Scientific American 50*, the magazine's prestigious roster of leaders in science and technology. They were cited for their discovery of amorphous steel, a nonmagnetic material with superior anticorrosion properties that is three times stronger than conventional steel. The two researchers also have worked with **John Scully**, professor of materials science and engineering, to develop revolutionary coatings that prevent corrosion. Combining aluminum, cobalt, and cerium, the coatings release inhibitors in response to pH changes associated with corrosion, which means they provide protection only when needed. This makes them particularly long-lasting and efficient.

Other faculty who won accolades for their work this year include the following:

- **Matthew Neurock**, professor of chemical engineering, won the 2005 Paul H. Emmett Award in Fundamental Catalysis, which is given to exceptional researchers in this field under the

*Insects trapped above Victoria Amazonia, 2004*  
Gouache and pencil on paper  
Elizabeth Schoyer, McIntire Department of Art





**Renowned for developing laser detection devices for fiberoptic technology, Joe Campbell joins the faculty in January 2006.**

age of 45. His studies have produced important insights in such areas as surface structure, crystallite size, surface coverage, alloying, condensed media, and transient intermediates.

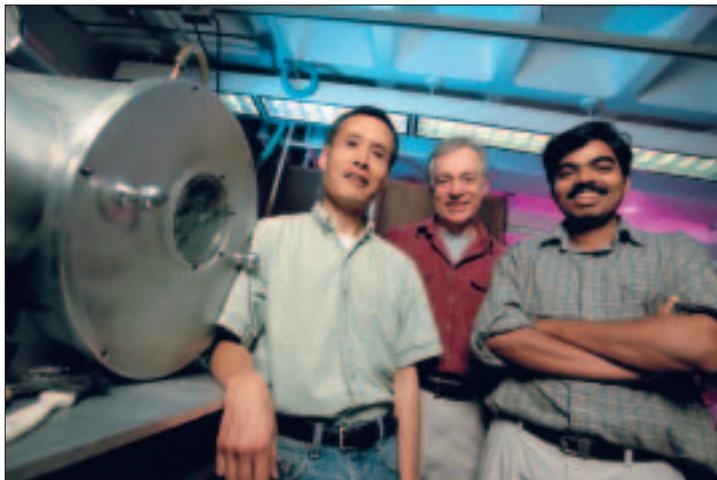
• The National Highway Traffic Safety Administration presented **Jeff R. Crandall** its Safety Engineering Excellence Award. An associate professor of mechanical engineering and director of the Center for Applied Biomechanics, Prof. Crandall was cited for his research on thoracic injuries in vehicle crashes and the effect of safety belts on young children in auto accidents.

• **Charles F. Dunkl**, who retired as professor of mathematics this past year, was elected a fellow of the Institute of Physics in London. Prof. Dunkl is known for his Dunkl operators, which are mathematical derivatives that provide a valuable tool for analysis in quantum physics and other complex problems.

• Professor **James Howe**, director of the electron microscope facility in the Engineering School, won the Champion H. Mathewson Award from the Minerals, Metals & Materials Society. His research entails the application of high-resolution and analytical-transmission electron microscope techniques to study phase transformations in nanoparticles.

### New Innovations and Insights

In a variety of fields, discoveries by University scientists attracted international attention this past year. One such study may help explain the physical mechanism of jet lag, the malaise experienced



**Amorphous steel discovered by, from left, physicist Joe Poon, materials scientist Gary Shiflet, and materials physicist Vijayarath Ponnambalam could revolutionize the steel industry.**

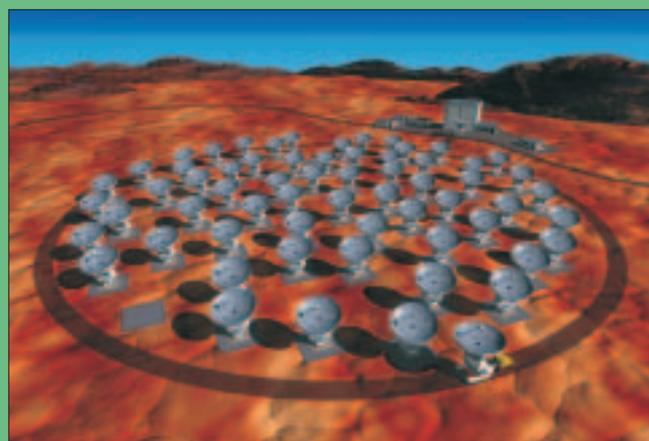
when we cross time zones faster than our bodies can reset our biological clocks. An international team led by Vice President and Provost **Gene Block** found that the brain's central timekeeper, the suprachiasmatic nucleus, has two halves that adjust to shifts in light schedules at vastly different rates. Prof. Block and his colleagues also discovered a neurotransmitter that eventually pulls the two clock parts back into synchronization, setting the stage for possible therapies for jet lag.

## Capturing the Power of T-rays

In the electromagnetic spectrum, terahertz frequencies (or T-rays) sit on the border between microwaves and infrared light, until recently a spectrographic no man's land. Now University engineers are tapping the remarkable potential of T-rays to help us understand the cosmos and the chemistry of our cells.

With a new grant from the W. M. Keck Foundation, **Donald Brown**, the W. S. Calcott Professor of Engineering and Applied Science and chair of the Department of Systems and Information Engineering, leads a team that will develop a groundbreaking device for terahertz spectroscopy. The goal is to create a useful tool in the analysis of biological molecules and their role in everything from drug interactions to the transfer of genetic information. Capturing the unique spectrographic fingerprint of biological materials in the terahertz range could lead to a variety of practical applications, such as sensors to identify skin cancer.

At the same time, University researchers are helping astronomers use radio telescopes to capture T-rays emitted from space, which will



**An artist's conception of the Atacama Large Millimeter Array near Cerro Chajnantor, Chile**

be especially useful in the study of star formation. **Robert Weikle** and **Arthur Lichtenberger** of the Charles L. Brown Department of Electrical and Computer Engineering are working with the National Radio Astronomy Observatory to develop terahertz sensors for the Atacama Large Millimeter Array project in Chile. Scheduled for completion in 2012, this instrument will comprise sixty-four high-precision antennas on a site 16,500 feet above sea level and will be able to detect clear signals from the cold, enigmatic portions of the universe.

U.Va. physicists made a breakthrough with important implications for developing quantum computers, devices that will be vastly more powerful than the supercomputers available today. Senior research scientist **Haruka Maeda**, working with **Don V. L. Norum** (College '07) and **Thomas F. Gallagher**, the Jesse W. Beams Professor of Physics, has succeeded in imposing order on the electrons that rotate around an atom's nucleus. Although generations of high school students have been taught that electrons rotate in neat, predictable orbits, in the paradoxical world of quantum mechanics any electron can be anywhere at any time and all places simultaneously. These scientists have found a way to manipulate electrons, placing them in a classical orbit for an extended period of time. The ability to control electrons is a prerequisite for quantum computing and information storage.



### Oscar: A Window on Current Scholarship

Dr. Milton Brown, a medicinal chemist who searches for drug-like molecules that may hold the key to new therapies, was among the scientists featured this year in *Oscar*, the College of Arts and Sciences' new Online Guide to Scholarship, Creativity, and Research. Launched with the support of John Griffin (McIntire '85), a champion of cross-disciplinary collaboration at the University, *Oscar* can be found at <http://oscar.virginia.edu>.

Using the Hubble Space Telescope, astronomy professor **Trinh Thuan** has found what may be the youngest galaxy ever seen in the universe. Called I Zwicky 18, it may be only 500 million years old. By contrast, the Milky Way is about 12 billion years old, the typical age of galaxies across the universe. I Zwicky 18 represents an opportunity for astronomers to study in detail the building blocks from which galaxies are formed. Prof. Thuan collaborated with Yuri Izotov from the Kiev Observatory in Ukraine on this project.

Professor of psychology **Charlotte J. Patterson** drew wide attention with her research on the teenage children of same-sex female parents. Reviewing data drawn from the National

romantic relationship behaviors. She concludes that parents who are supportive and maintain close relationships are the best predictors of successful, happy teens.

University neuroscientists helped find what is considered the holy grail of hearing research: a solution to the mystery of how the human ear converts sound vibrations and balance stimuli into electrical impulses the brain can interpret. Investigators **Gwenaëlle Géléoc** and **Jeffrey Holt** were part of a national research team that identified a protein called TRPA1 located at the tips of the sensory cells in the inner ear. When sound waves strike the protein, a hole pops open in its center, allowing potassium and calcium ions to carry signals to brain cells. The researchers believe that some forms of hearing impairment are caused by defects in the TRPA1 gene.

Those who take echinacea when they feel a cold coming on have another reason to sniffle. **Dr. Ronald Turner**, professor of infectious diseases in the Department of Pediatrics, conducted one of the largest, multicenter clinical trials of the popular herbal supplement. The results, reported in the *New England Journal of Medicine*, show that echinacea appears to be useless in treating the common cold. Carried out in collaboration with researchers in Austria and South Carolina, the study involved testing nearly 400 volunteers between 2002 and 2004. •



Psychologist Charlotte Patterson released new findings on the development of children of same-sex female parents.

Longitudinal Study of Adolescent Health, Prof. Patterson and her colleagues found that these teenagers develop as well as the children of opposite-sex parents and that they exhibit the same dating and

## building for our future

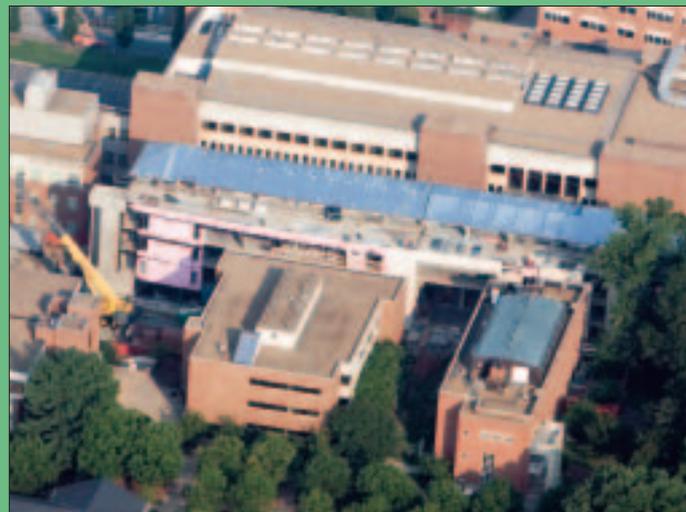
The most significant barrier to expanding the University's science, engineering, and biomedical programs has been a shortage of research space. Construction projects now in progress or design will go a long way toward addressing this problem.

### UNDER CONSTRUCTION

The five-story **Wilsdorf Hall**, scheduled for completion in 2006, will contain space devoted to nanoscale and quantum research in the School of Engineering and Applied Science. These investigations will point the way to new materials and new devices fabricated at the molecular or even atomic levels. Wilsdorf Hall and the **Carter-Harrison Research Building** (see page 35) have been made possible by a combination of funds from a bond issue approved by Virginia voters, generous support from donors, and other University resources.

### IN DESIGN

Planning is well under way for ART, the **Advanced Research and Technology** building, slated for construction in the Fontaine Research Park. To house investigators in medical imaging, biological timing, computational biology and other strategic initiatives in biomedicine, it will



Wilsdorf Hall, named for the late Heinz Wilsdorf, first chair of the Department of Materials Science, and his wife, Doris Kuhlmann-Wilsdorf, University Professor of Applied Science, will house research on nanotechnology and related fields.

provide the flexible space required in today's rapidly changing research environment. Offering open floor plans that promote collaboration among research teams, the ART building can be reconfigured quickly as programs grow and change.



## STUDENTS

# Seeking Challenges, Serving Others

By virtue of the education they receive, students at the University of Virginia feel a deep obligation to use their remarkable talents and abilities for the public good. Furthermore, they are driven to break new intellectual and creative ground, both in the classroom and through independent work. The results are reflected in the many honors they received this year for their personal and academic achievements.

### Learning through Service

For the seventh time in its history, the University has produced two Rhodes Scholars in the same year. **Meghan E. Sullivan** (College '05) and **Justin B. Mutter** (College '03) both won the opportunity to study at the University of Oxford. They bring the number of Rhodes Scholarship recipients from the University to forty-five, the highest total for any state institution in America.

A Jefferson Scholar and chair of the Honor Committee, Ms. Sullivan is continuing her studies in philosophy at Oxford's Balliol College. As an undergraduate, she used a Harrison Research Award to travel to Belfast, Northern Ireland, where she studied the impact of restorative justice groups that seek to achieve restitution for victims and reconciliation between victims and offenders in cases of antisocial behavior. She also served as a volunteer for the Legal Aid and Justice Center in Charlottesville.

Mr. Mutter, who majored in modern studies and religious studies, moved to Haiti after taking his degree. Working in a rural hospital operated by Partners in Health, he was involved in numerous projects aimed at alleviating the severe poverty at the root of health problems in Haiti, particularly the spread of HIV

*With imagination and commitment,  
our students make their mark  
on Grounds and around the world.*

infection and tuberculosis. Also a student at Oxford's Balliol College, he is pursuing advanced studies in political theology.

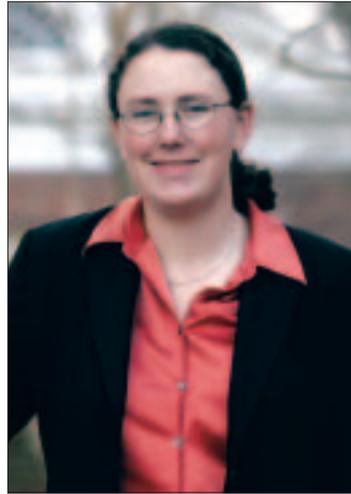
**Jonathan L. Robbins**

(College '05), who will spend a year in Asia as the winner of a Luce Scholarship, shares Mr. Mutter's interest in global health and the international AIDS crisis. When he was fifteen years old, he visited a South African AIDS clinic with his father, a counseling psychologist. That experience made an indelible impression, inspiring Mr. Robbins to learn more about the barriers to adequate health care in the developing world. With support from the University's Center for Global Health and Institute for Practical Ethics, he spent a summer in Botswana studying community home-based care for HIV-infected patients. He also was one of two delegates from the University to the World Student Summit Society and Health Committee in Singapore, and he founded Student Interpreter Services, which trains undergraduates as clinical interpreters in Spanish for the U.Va. Medical Center.

While working as a volunteer for the Charlottesville Fire Department, **Markus Weisner** (Engineering '05) discovered an interest in improving fire safety and in improving the tools firefighters use on the job. A systems and information engineering major, he founded the Association of Student Firefighters at the University and started his own business, Fire Hardware LLC, to market firefighting equipment of his own design. These activities helped earn him a George J. Mitchell Scholarship from the U.S.-Ireland Alliance, with which he will pursue graduate study at Trinity College in Dublin. He is the third University student

**Rotunda, 2004**  
From an Arts 271 class taught by **Richard Crozier,**  
McIntire Department of Art





**Justin Mutter (shown with his goddaughter in Haiti) and Meghan Sullivan were among the thirty-two new Rhodes Scholars chosen to study at the University of Oxford.**

in consecutive years to receive the Mitchell Scholarship and one of only twelve Americans to win the honor this year. Mr. Weisner, who also won a 2004 Truman Scholarship, took time off from the University to work for DaimlerChrysler in Germany and later spent a semester at the Universität Konstanz, where he took all of his systems engineering classes in German.

Some of the most promising service opportunities involve collaborations with organizations off Grounds. Thanks to a new pro bono partnership between the School of Law and the firm of Hunton & Williams LLP, volunteer lawyers and law students will work together to provide free legal services to low-income residents in the Charlottesville area. Some twenty law students will take part in the initiative. Another case in point is the EcoMOD project, a collaboration that involves the School of Architecture, the School of Engineering and Applied Science, and the Piedmont Housing Alliance of Charlottesville. With the guidance of assistant professor **John Quale**, students and faculty are working together to design and construct inexpensive and compact modular homes that minimize damage to the environment and appreciate in value. The first house was placed in Charlottesville's Fifeville neighborhood to expand the community's affordable housing stock.

### Learning through Discovery

**Catherine S. Neale** (College '06) has found her University experience so absorbing that she intends to make her career in higher education. Winner of a Truman Scholarship, awarded to exceptional young leaders committed to careers in government or the nonprofit sector, the fourth-year history and American studies major plans to attend law school in preparation for a career as a legal scholar and college administrator. Eventually, she hopes to become a university president. As the 2005–06 student representative on the Board of Visitors, she is gaining an insider's view of the workings of a top public university. She also has delved into its past. With a grant from the William R. Kenan, Jr., Endowment Fund for the Academical Village, Ms. Neale researched the role of enslaved persons in the construction of the University's original buildings and examined their positions in the everyday functioning of life on Grounds.

Ms. Neale is among the growing number of undergraduates who are complementing their coursework by pursuing independent scholarship. An estimated 50 percent of undergraduates take part in some form of research; many present their work during Research Week, an April event that features workshops, panel discussions, and "fireside chats" with faculty at the Charles L. Brown Science and Engineering Library. This year the University also hosted an international conference on undergraduate research, sponsored by Universitas 21, a consortium of leading research universities in ten countries. Undergraduates from around the world came to Charlottesville to discuss their work and to forge connections with their peers. As a result, five University of Virginia undergraduates were invited to participate in a special two-week Universitas 21 summer seminar, "Sustainable Development of a Global Society," hosted by Lund University in Sweden.

More than 100 students applied this past year for the Harrison Undergraduate Research Awards, which provide \$160,000 annually for independent scholarship. Made possible by the family of the late **Mary A. Harrison** and **David A. Harrison III** (College '39, Law '41), the award enables a student to work one-on-one with a faculty mentor on a complex research problem. The forty-three projects funded this year ranged from neuroscience ("Differential Innervation in the Anterior Olfactory Nucleus") to philosophy ("The Externalist Reply to Skepticism") to political and social thought ("Resettling Refugees after 9/11").

The quality of the University's research programs at the undergraduate level also is evident in the number of Goldwater Scholars chosen each year. Given to students in science, mathematics, and engineering who intend to pursue careers in these fields, this year's Goldwater Scholarships were awarded to students selected from a field of 1,091 nominees nationwide. **Beth I. Brenner** (College '06), **James M. Edwards** (College '06), and **William C. Yang** (Engineering '06) received 2005–06 Goldwater Scholarships, which brings the number of Goldwater winners at the University since 1989 to forty-two.



**Catherine Neale, the twenty-fourth Truman Scholar in the University's history, will pursue a career in higher education and law.**

## Learning through the Arts

Anne Reynolds Holt (College '06), winner of a Beinecke Scholarship for graduate study, is an impresario in the making. With the assistance of faculty in the drama, history, English, and music departments, she has fashioned an interdisciplinary major in dramaturgy, the study of the theater as a historical, cultural, and literary force. And she has taken every opportunity to go beyond coursework to immerse herself in the field. Co-founder of the Opera Club at the University, Ms. Holt worked on two projects as a research assistant for Marita McClymonds, professor emeritus of music. One was a study of eighteenth-century librettist Mattia Verazi; the other was a definitive score of an eighteenth-century Italian opera, *La Schiava Liberata (The Freed Slave)* by Niccolò Jommelli. She also directed a production of Henry Purcell's opera *Dido and Aeneas* at Wilson Commons in Garrett Hall.

## Learning through Dialogue

One of the most powerful tools for breaking down the barriers that divide us as a society is conversation. University students have been using this tool through an organization known as Sustained Dialogue, which promotes the structured exchange of viewpoints as a way of addressing racial tensions and similarly difficult issues. In the four years since the first Sustained Dialogue group formed at the University, students have created twenty others for carrying on such exchanges, including one devoted to Arab-Jewish dialogue. This year, the University hosted the second annual Sustained Dialogue



### Taking a Global View of Women's Issues

Twelve students traveled with Sharon Davie, director of the University's Women's Center, in June to join the 2,000 participants in the Ninth International Interdisciplinary Congress on Women. Assigned to interview prominent activists among the delegates, the students explored such topics as violence against women, the rights of women workers, and the economic realities for women in both the developed and developing worlds.

conference, which brought student leaders from seventeen other schools to the Grounds to share their experiences and learn how to make the Sustained Dialogue process even more effective. •

# building for our future

## COMPLETED THIS YEAR

It's not their parents' cafeteria, where the food preparation (and perhaps the food itself) was often mysterious. For today's students, the all-



The new Observatory Hill Dining Hall features contemporary cuisine prepared in open kitchens.

new **Observatory Hill Dining Hall** offers seven state-of-the-art food stations, with open kitchens in full view of the diners. An area called Center Stage, for example, features a shiny copper exhaust hood over the cooking station and presents a changing menu of entrees. With its multistory dining areas, the \$23.5 million facility holds 905 seats indoors and 204 seats on an outdoor terrace with mountain views.

The **McGregor Room** in Alderman Library has been transformed into one the most inviting places to study on Grounds. Built in 1939 to house the Tracy W. McGregor Library, the McGregor Room was kept dark to protect the rare books and manuscripts on display there. With the opening of the Albert and Shirley Small Special Collections Library last year, the room could be restored to its former warmth and grandeur. The walnut paneling and parquet floors were refinished, the furniture was reconditioned, and the shutters removed to bring in daylight. Now the room is filled with beautiful carpets, comfortable seating, wide tables, and stu-

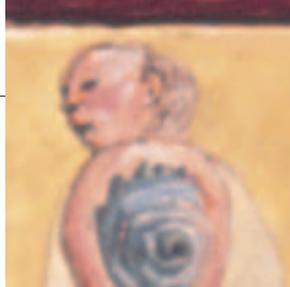


The renovated McGregor Room offers students a comfortable new place for reading and study in Alderman Library.

dents, who have flocked to the space. The renovation was made possible by a \$200,000 grant from the Detroit-based McGregor Fund.

## IN DESIGN

Built in the 1960s to accommodate growing enrollment, the **Alderman Road and Observatory Hill dormitories** are showing their age. Plans call for replacing the structures in phases to avoid creating a shortage in student housing. In Phase I, two dormitories will be constructed in the area, making it possible to begin removing the older structures.



F A C U L T Y

# Reaching Out, Making an Impact

*a*s Thomas Jefferson intended, the University has become an “immortal boon” to our country. Members of the faculty, often in partnership with their students, are continually finding imaginative ways to advance their disciplines and to use their expertise to help the citizens of a global society, from children in our schools to victims of international crises.

This obligation to serve the public good was well understood by the University’s first president, Edwin A. Alderman, a champion of education as a means of economic revitalization and the fulfillment of human potential. One of his many legacies on Grounds is the Curry School of Education, created exactly a century ago with a \$100,000 gift from John D. Rockefeller. Today, *U.S. News & World Report* ranks Curry among the top twenty-five of the nation’s 1,200 education schools.

Members of the Curry faculty routinely tackle problems of national significance. This past year, **Dewey G. Cornell**, the Curry Memorial Professor of Education, and colleague **Peter L. Sheras** published a new set of guidelines for how schools should deal with threats of violence from students. After field-testing recommendations made by the FBI and the U.S. Secret Service, the two clinical psychologists developed a step-by-step decision tree for making assessments of student threats. It includes investigating the threat, determining how serious it is, and then, if necessary, bringing together school administrators, law enforcement officials, and mental health professionals to take action.

Another area of national concern is the decline in the number of students entering the sciences. Thirty years ago, the United States ranked third in the number of undergraduates who received science degrees. Today, according to a report from the National Science Board, it ranks seventeenth. **Robert H. Tai**,

*A creative and enterprising faculty uses its talents to meet the challenges of our time.*

assistant professor of science education at the Curry School, is using a \$1 million grant from the National Science Foundation to learn what inspires students in the sciences to make the leap from

learner to discoverer. By identifying the experiences that lead to this transition, he hopes to strengthen teaching in the sciences, from grade school through the graduate level.

Outside the classroom, how students behave can be linked to their popularity, according to a study led by **Joseph P. Allen** of the Department of Psychology. His research, funded by the National Institute of Mental Health, found that being a popular teenager can be risky business. Popular teens’ ability to get along well with others makes them particularly susceptible to following friends into such activities as shoplifting or smoking marijuana. There is a silver lining, however. This behavior is typically short-lived, and the same traits that lead kids to be popular with their peers also lead them to ask for guidance from their parents.

## There in Times of Crisis

In the School of Medicine, the Critical Incident Analysis Group, or CIAG, brings scholars and practitioners together to improve our response to events that can threaten not only the public well-being but also the public trust. This “think network” has focused attention on some of the worst catastrophes in recent memory, including the Oklahoma City bombing and the 9/11 terrorist attacks. Members of CIAG were quietly called into action this past year when Ukrainian presidential candidate Viktor Yushchenko suddenly developed symptoms that disfigured his

*rMaM, 1998*  
Mixed media on paper  
Megan Marlatt, McIntire Department of Art



appearance. **Dr. Gregory Saathoff**, a professor of psychiatric medicine and head of CIAG, assembled an expert medical team for a confidential mission that would diagnose the Ukrainian leader as suffering from acute dioxin poisoning.

The nation's effort to prevent critical incidents has been the subject of research by **Timothy Naftali**, director of the Presidential Recordings Program and the Kremlin Decision-Making Project at the Miller Center of Public Affairs. He is the author of *Blind Spot: The Secret*

## What Gardens Teach Us

For twenty-seven years, landscape architect **Reuben M. Rainey** has helped students at the University recognize the power of gardens to transform lives. Now



he is sharing this message with the broader public. The William Stone Weedon Professor of Asian Architecture, Mr. Rainey is collaborating with Charlottesville landscape designer **Rebecca Frischkorn** to produce a thirteen-part PBS series titled *GardenStory*. Among the first episodes is "The Garden as Classroom," which focuses on the pavilion gardens at the University. **William Reifenberger**, a member of the media studies faculty, directs the programs. Prof. Rainey and Ms. Frischkorn also are co-authors of *Half My World: The Gardens of Anne Spencer*, which received a 2004 Medal of Honor from the American Society of Landscape Architects. Anne Spencer's gardens are the subject of one of the *GardenStory* episodes.

*History of American Counterterrorism*, a widely reviewed work that traces the development of U.S. counterterrorism policy since the end of World War II. He attributes America's inability to anticipate the 9/11 attacks as much to policy failures as to specific intelligence miscues.

### Partners in Outreach

University faculty routinely invite students to become partners in their efforts to meet the public's needs. In the School of Architecture, **Craig Barton** and his fourth-year students worked together to develop design strategies for preserving the Greensville County Training School, an educational landmark for African-Americans in and around Emporia, Virginia. By touring the site and by gathering the first-hand experiences of alumni and others associated with the



**Curry School professors Dewey Cornell and Peter Sheras developed new guidelines for dealing with threats of violence in schools.**

school, Prof. Barton and his students were able to connect design ideas to the history of the school and its importance to the African-American community.

Faculty also collaborate with each other in their outreach efforts. In November 2004, **Rob Cross** of the McIntire School of Commerce and **Timothy M. Laseter** of the Darden School of Business joined forces to organize a national conference on the internal social networks that can play a critical role in a company's success or failure.



**Craig Barton: history meets design**

These groups do not appear on organizational charts, and their meetings are more likely to occur in the coffee room than the conference room, but social networks can be a source of energy that improves performance or a source of negativity that can stall progress, according to Prof. Cross, co-author of *The Hidden Power of Social Networks*.

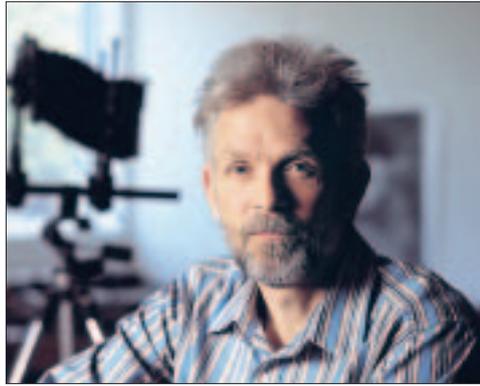
### Excellence Rewarded

The prestigious awards and honors won by University faculty this year attest the talent and intellectual leadership of our teachers and scholars. Some examples

- **Michael J. Klarman**, the James Monroe Distinguished Professor of Law, received a Bancroft Prize for his book *From Jim Crow to Civil Rights: The Supreme Court and the Struggle for Racial Equality*. Columbia University gives three Bancroft Prizes annually for outstanding books on American history, biography, and diplomacy.

- **Edward L. Ayers**, the Hugh P. Kelly Professor of History and dean of the College and Graduate School of Arts and Sciences, won the Bancroft Prize in 2004 for his book *In the Presence of Mine Enemies: War in the Heart of America, 1859–1863*. This year he received the American Historical Association's Albert J. Beveridge Award, which recognizes the best English-language book written on American history from 1492 to the present.

- The American Philosophical Association, through its Committee on Philosophy and Computers, awarded **Deborah Johnson** its Barwise Prize in recognition of her contributions to philosophy and



From left, Guggenheim winners Mark Edmundson (English) and William Wylie (Studio Art) and Barwise Prize winner Deborah Johnson (Engineering)

computing. Ms. Johnson is the Anne Shirley Carter Olsson Professor of Applied Ethics and chair of the Engineering School's Department of Science, Technology, and Society.

- University President **John T. Casteen III** received the Architecture Medal for Virginia Service from the Virginia Society of the American Institute of Architects. He was honored for his success in balancing the needs of a growing institution with the historical importance of Jefferson's design legacy.

- **William Wylie**, assistant professor of art, and **Mark Edmundson**, the Daniels Family Distinguished Teaching Professor of English, were among 186 recipients of Guggenheim Fellowships for 2005. A photographer known for in-depth explorations of landscapes, such as the Cache la Poudre River in Colorado, Prof. Wylie will continue projects in both still photography and film and will explore digital printing techniques. Prof. Edmundson is using the

grant to research the death of Sigmund Freud. He won national attention this past year for his book *Why Read?*, an examination of the value of literature, which he regards as the major cultural source of vital options for those whose lives fall short of their hopes.

- **William A. Wulf**, the AT&T Professor of Computer Science, won the American Society of Mechanical Engineering's Ralph Coats Roe Medal for his outstanding contribution toward a better understanding of the engineer's worth to society. Prof. Wulf is president of the National Academy of Engineering.

- **Nataly Gattegno** and **Jason Johnson**, assistant professors in the School of Architecture, were awarded second prize in the ideas competition for the design of the Seoul Performing Arts Center. Their colleague **Phoebe Crisman** received the Virginia Design Medal from Hanbury Evans Wright Vlattas + Company, a design firm headquartered in Norfolk.

## building for our future

### UNDER CONSTRUCTION

The McIntire School of Commerce has broken ground for its **Back to the Lawn** project. The 156,000-square-foot complex integrates the renovation of the Stanford White-designed Roush Hall (McIntire's former home) with the construction of a 125,000-square-foot adjoining building designed by Hartman-Cox Architects. Two classrooms in Roush Hall will be shared with the College of Arts and Sciences. Scheduled completion date is fall 2007. **Varsity Hall**, built in the 1850s as the University's infirmary, was moved to make way for the addition. Across the Lawn, **Cocke Hall**, another Stanford White structure, is undergoing a \$9 million renovation for Arts and Sciences.

### IN DESIGN

To consolidate its activities, the Curry School of Education is raising funds to construct a new building beside Ruffner Hall that will house faculty offices, clinical facilities, and research space. Ruffner Hall, completed in 1973, will be renovated to improve and expand classrooms and to provide additional offices for graduate students. In the fall of 2004, Boston-based businessman **Daniel Meyers** provided the lead gift for the \$37.2 million building. Pending Board of Visitors approval, it will be named in memory of Massachusetts educator Anthony D. "Wally" Bavaro.



Placed on wheels, Varsity Hall was rolled 185 feet down an eight-degree slope of packed gravel to its new location on Hospital Drive.

Design work continues on the College and Graduate School of Arts and Sciences' **South Lawn Project**, which will extend the Academical Village across Jefferson Park Avenue. Encompassing 250,000 square feet of new and renovated space, the South Lawn Project will accommodate 12,000 student visits per day and provide homes for eight departments and one interdisciplinary program. Common areas will become a crossroads for students and faculty from across the University.



HEALTHSYSTEM

# Taking Bold Steps, Providing Leadership

As it provides care of the highest quality to patients today, the University of Virginia Health System keeps its eye on the future. It is doing its part to develop and introduce new therapies and diagnostics. It is envisioning fresh approaches to the training of physicians, nurses, and researchers. And it is planning and building new facilities that will support these innovations.

Combining superb care with sound financial management, the University of Virginia Medical Center is the only hospital in Virginia named one of the nation's 100 top hospitals by Solucient this year. As an institution that has received this distinction six times, the Medical Center has been designated one of Solucient's "best of the best" benchmark hospitals.

The School of Medicine and the School of Nursing are also highly regarded. In its 2005 rankings, *U.S. News & World Report* places the School of Medicine at twenty-sixth in research. It was the only medical school in Virginia included in the survey and one of six schools in the mid-Atlantic to make the top thirty in the research category. The School of Nursing also has won high marks from *U.S. News*. When last ranked, three of its programs—psychiatric/mental health nursing, clinical nurse specialist training, and pediatric nursing—were listed in the top ten. The School of Nursing ranks sixteenth in support from the National Institutes of Health.

In 2004–05, the U.Va. Health System earned a number of accolades for its teaching, research, and patient care. For the third consecutive year, the cardiology and heart surgery program was included in Solucient's *100 Top Hospitals: Cardiovascular Benchmarks for Success* study. Forty-eight University physicians

*In the classroom, the laboratory,  
and the clinical setting,  
the University is  
transforming health care.*

were listed in *America's Top Doctors*, based on a survey of 250,000 of their peers.

*U.S. News & World Report's* most recent "America's Best Hospitals" issue awarded high rankings to the programs in endocrinology (sixth); ear, nose,

and throat (twentieth); urology (twenty-second); cancer (thirty-second); gynecology (thirty-fourth); digestive disorders (thirty-seventh); and neurology and neurosurgery (forty-eighth). Of the 6,007 hospitals in the United States, only 176 are ranked in at least one specialty.

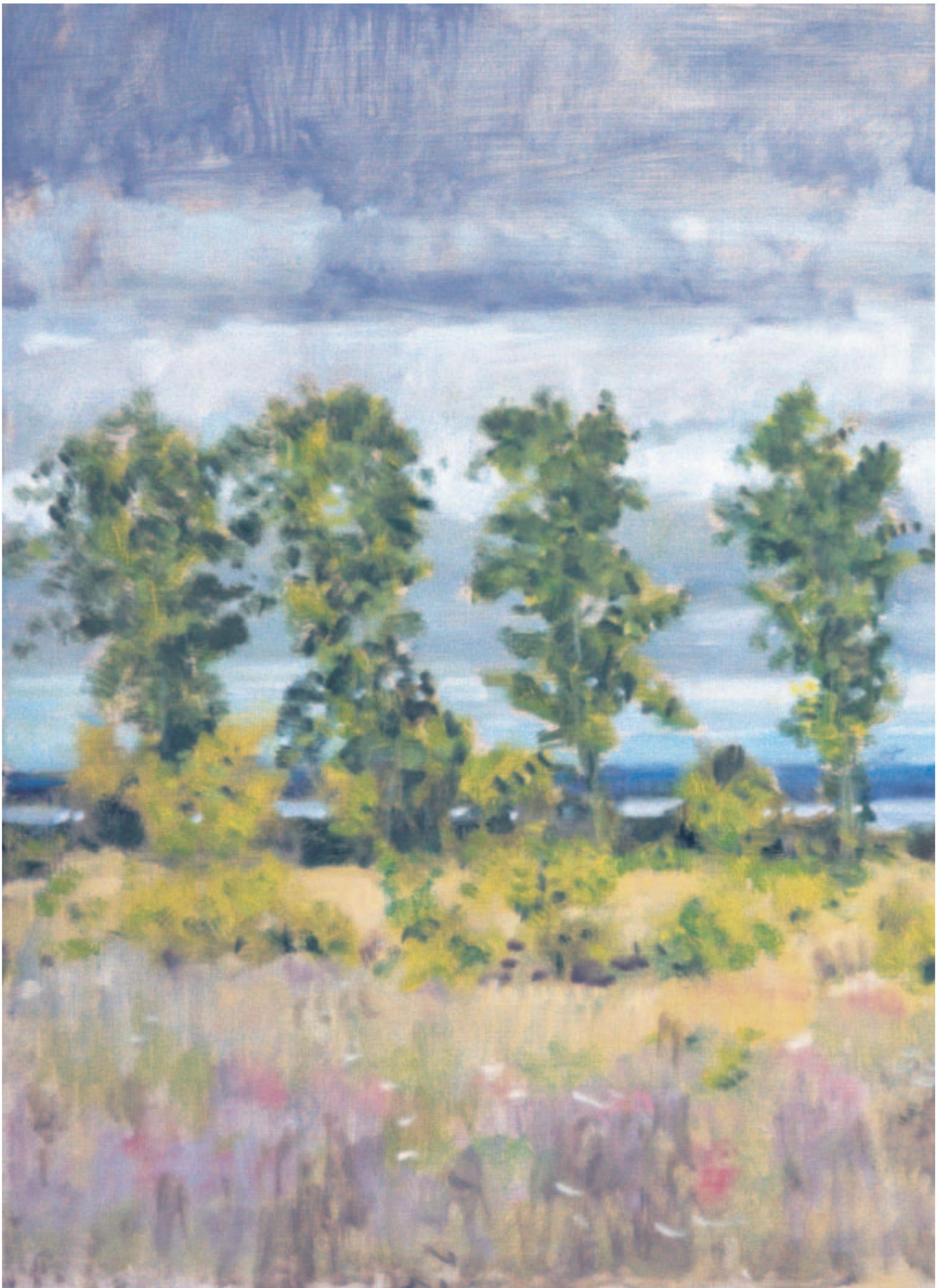
## Introducing New Treatments

As a leader in academic medicine, the U.Va. Health System has a duty to provide new and promising therapies to its patients as quickly as they become available. It is living up to this obligation. Capitalizing on its expertise in cardiology and cardiovascular surgery, the University moved rapidly this year to deploy a number of new lifesaving technologies, including a sophisticated graft implant for treating potentially deadly aneurysms in the thoracic aorta without open surgery.

In the area of cancer treatment, the U.Va. Medical Center is the first hospital in Virginia to install a TomoTherapy Hi-Art System. The \$2.7 million device applies radiation to a tumor from all directions, reducing exposure of healthy tissue and limiting side effects. The manufacturer has named the U.Va. Medical Center a clinical center of excellence, authorizing the University to conduct research to find new uses for the TomoTherapy system.

*Field, 2005 (Detail)  
Oil on canvas*

Richard Crozier, McIntire Department of Art





**Nobel Prize winner  
Dr. Barry Marshall**

## Leaders in Health Care

Providing all the services the public expects of an academic medical center requires dedication at every level of the organization. It also requires clinicians and researchers with bold vision. This year the University celebrated its first Nobel Prize in medicine. **Dr. Barry Marshall**, professor of research in the School of Medicine, won the honor for challenging conventional wisdom by pursuing the link between *Helicobacter pylori* bacterium and peptic ulcers and gastric cancers. Now living in Australia, he remains a member of the faculty.

**Cato T. Laurencin**, **Edward R. Laws, Jr.**, and **Jonathan Moreno** were chosen as new members of the Institute of Medicine of the National Academy of Sciences. With these additions, sixteen University faculty are now members of the prestigious institute. Dr. Laurencin is the Lillian T. Pratt Distinguished Professor and chair of the Department of Orthopaedic Surgery as well as a professor of biomedical engineering and chemical engineering. Dr. Laws is the W. Gayle Crutchfield Professor of Neurosurgery. Mr. Moreno holds the Emily Davie and Joseph S. Kornfeld Foundation Professorship in Biomedical Ethics and is director of the Center for Biomedical Ethics. Author of a new book, *Is There an Ethicist in the House? On the Cutting Edge of Bioethics*, he has served as president of the American Society of Bioethics and Humanities.

Many of our faculty lead their professional organizations. **Dr. David A. Peura**, professor of internal medicine and associate chief of the division of gastroenterology and hepatology, became president of the American Gastroenterological Association, the oldest medical specialty association in the United States. **Pamela Kulbok**, associate professor of nursing, became president of the Association of Community Health Nursing Educators.

Other faculty singled out for special recognition this past year include the following:

- **James Childress**, the John Allen Hollingsworth Professor of Ethics and professor of medical education, received the Lifetime Achievement Award from the American Society of Bioethics and Humanities.
- **Dr. Robert M. Carey**, the Harrison Distinguished Professor of Medicine and former dean of the School of Medicine, received the 2005 Distinguished Physician Award from the Endocrine Society. He and his research team recently won a five-year, \$2.25 million grant from the National Institutes of Health to study a cellular defect in the kidneys that may be linked to high blood pressure.
- **Jeanette Lancaster**, the Sadie Heath Cabaniss Professor of Nursing and dean of the School of Nursing, received the Maes-MacInnes Award from the New York University Division of Nursing. It recognizes her outstanding contributions to the nursing profession. She also received the 2005 Distinguished Nurse Award from the Beta Kappa Chapter of Sigma Theta Tau, International, the honor society for nursing.

• **Dr. Margaret A. Shupnik**, professor of medicine and physiology, received the 2005 Sharon L. Hostler Women in Medicine Award. The award honors a female faculty member from the School of Medicine who has demonstrated excellence in leadership, scholarship, and mentoring and has fostered a better research environment for women and minorities.

• **Catherine Kane**, associate professor of nursing, received the Melva Jo Hendrix Lectureship Award from the International Society of Psychiatric Nurses.

• **Dr. John F. Hunt**, assistant professor of pediatrics, and **Dr. Benjamin M. Gaston**, the Ivy Foundation Distinguished Professor of Pediatrics, were awarded the Edlich-Henderson Inventor of the Year Award by the U.Va. Patent Foundation for research that has led to several inventions for diagnosing and monitoring asthma and other lung diseases in young patients.

• **Suzanne Burns**, associate professor of nursing, was inducted as a Fellow of the American Academy of Nurse Practitioners, recognizing her outstanding contributions to health care.



**Dr. Margaret A. Shupnik  
received the Sharon L. Hostler  
Women in Medicine Award.**

## At the Forefront of Discovery

Over the last decade, scientists have gained a highly detailed understanding of how the human body regulates and sustains itself and how disease alters and undermines these processes. Physicians in the U.Va. Health System are striving to translate this knowledge into new, more effective therapies.

The Digestive Health Center of Excellence won renewal of a \$6.2 million grant from the National Institutes of Health to study the cause of Crohn's disease. According to **Dr. Fabio Cominelli**, the David D. Stone Professor of Internal Medicine and chief of gastroenterology, the grant will fund multidisciplinary research on the chronic condition, characterized by ulcerations and inflammatory lesions throughout the gastrointestinal tract.

A multidisciplinary research team led by **Dr. Dan Theodorescu**, the Paul Mellon Professor of Urology, will use a \$6 million grant from the National Institutes of Health to investigate a cell-signaling process that may help explain how prostate cancer spreads. The growth of a prostate tumor usually depends on the level of male hormones, called androgens, but the cancer can spread to other parts of the body, such as bones, without such hormones. Understanding the cellular and molecular signals involved in this process could lead to new therapies and clinical trials.

**Dr. Jerry Nadler**, the Kenneth R. Crispell Professor of Internal Medicine and chief of the Division of Endocrinology and Metabolism, has received a \$1.2 million grant from NIH to test the effectiveness of an immunosuppressant drug in preventing the rejection of transplanted islet cells. The U.Va. Medical Center has built an active program in islet cell transplantation, directed by **Dr.**

**Kenneth Brayman.** The technique enables patients with Type 1 diabetes to forgo daily insulin injections. The University Health System is part of an NIH consortium now developing protocols to improve the safety and long-term success of the technique.

In another area of clinical research, the University unveiled a \$2 million magnetic resonance imaging (MRI) scanner dedicated to studies in cardiovascular disease. University physicians will use the technology to develop new diagnostic techniques for heart failure and peripheral artery disease.

With a \$2 million grant from Pfizer Inc. and the Pfizer Foundation, the University's Center for Global Health will expand efforts to bring quality care and disease-prevention strategies to the developing world. Directed by **Dr. W. Michael Scheld**, the Bayer Corporation/Gerald L. Mandell Professor of Internal Medicine, the Pfizer International Health Initiative will support exchanges of faculty, postdoctoral fellows, and students with global partners in such countries as Brazil, Uganda, Ghana, Mexico, the Philippines, and China.

In 2004-05, the School of Nursing received an unprecedented \$3,938,357 in research funding, nearly double the total five years ago. Among recent awards, the Virginia Tobacco Commission

granted \$248,828 to the Nursing School to deliver baccalaureate and master's degree programs to registered nurses in Southside and Southwest Virginia.

### **New Faces, New Roles**

Among the distinguished clinicians and researchers joining the University this year is **Dr. Michael D. Dake**, the Harrison Medical School Teaching Professor and chair of the Department of Radiology. Dr. Dake, who comes to the University from the Stanford University Medical Center, is renowned for advancing noninvasive treatments of heart and blood vessel disease and for developing a stent-grafting technique for artery disease in the leg. One of his primary research goals is enhancing molecular imaging.

**Dr. Lawrence W. Gimple** has been appointed the new chief of the Division of Cardiovascular Medicine and co-director of the Heart and Vascular Center. Dr. Gimple, a highly regarded interventional cardiologist, is co-founder of CardioVillage, an award-winning online education program in cardiology. He has been associate director of the University's Cardiac Catheterization Laboratory since 1991 and director of Inpatient Cardiology Services since 1994. •

## building for our future

### **COMPLETED THIS YEAR**

The U.Va. Medical Center opened fourteen new operating rooms, the midpoint of a four-year, \$89.6 million expansion effort that will significantly increase surgical capabilities and keep the University at the forefront of advanced technologies for imaging and robotics. As part of the expansion, the hospital's core lab was relocated to a new 12,000-square-foot facility.

In addition, Phase I of the renovation of the Food Lion Neonatal Intensive Care Unit in the U.Va. Children's Hospital has been completed. Enhancements include overnight rooms and counseling spaces for families, improved service areas, and new isolets for babies. Funding for the renovation came from Food Lion, with Klöckner-Pentaplast providing support for the family rooms.

### **UNDER CONSTRUCTION**

On September 16, 2005, the School of Medicine broke ground for the **Carter-Harrison Research Building**, which will house research teams in such areas as cancer, immunology, vaccine therapy, and infectious diseases. The building has been made possible by a combination of funds from a bond issue approved by Virginia voters, generous support from donors, and other University resources.

### **IN DESIGN**

The School of Medicine is planning a \$30 million **medical education building** with innovative features designed for various learning styles and new methods of instruction. The Claude Moore Charitable Foundation has made a \$12.5 million challenge gift for the building, which will bring together programs currently scattered throughout the U.Va. Health System. Generous medical alumni are



**The Carter-Harrison Research Building will help address a pressing need for laboratory space on Grounds.**

helping to move the project forward by responding to the Claude Moore challenge.

This year, the Commonwealth endorsed the **School of Nursing's** plan to construct a \$12 million companion building near its current home, McLeod Hall, by appropriating \$6 million for the facility. The remaining funding will come from private donors. The expansion will enable the school to increase its enrollment and help address a national shortage of nurses. The school is also raising funds to renovate McLeod Hall.

A new **clinical cancer facility** will accommodate advances in genetic diagnosis and analysis, informatics, and molecular biology. The \$50 million building will be organized so that all disciplines and services easily can be brought to the patient to provide individualized and integrated care.

Plans are taking shape for a new **U.Va. Children's Hospital facility** designed specifically for children and their families. It will consolidate the hospital's outpatient care and rehabilitative services in a central, convenient, and child-friendly environment.



## ATHLETICS

# Earning Success, Building Character

**t**he discipline, talent, and determination of Virginia athletes were evident in sports programs across the board in 2004–05. Their success propelled the University to thirteenth place in the Division I United States Sports Academy Directors' Cup standings, based on the combined performance of the men's and women's teams. U.Va. has finished in the top thirty every year in the twelve-year history of the Directors' Cup.

Winning 63.3 percent (274-158-3) of its contests in 2004–05, the University also captured the Virginia Sports Information Directors Association's Division I all-sport championship. It was the second consecutive year the University had won the title and the ninth time overall. Among Division I schools in Virginia, the Cavaliers posted the highest winning percentage in men's competitions and the second highest in women's sports.

In several sports, Virginia dominated the newly expanded Atlantic Coast Conference. The women's rowing and soccer teams and the men's soccer, tennis, and swimming and diving teams all won ACC championships, bringing to eleven the number of conference titles secured by Virginia athletes in the last two years. It was a school-record seventh consecutive conference championship for men's swimming and diving, a sixth consecutive title for women's rowing, a second consecutive championship for men's soccer and men's tennis, and a first-ever ACC championship for women's soccer.

The women's rowing team went on to finish second as a team in the NCAA championships, while two Virginia boats, the second varsity eight and the varsity four, finished first. The women's lacrosse team finished second in the NCAA Tournament, while the men's lacrosse team reached the semifinals.

*Virginia upholds a winning tradition across a wide range of sports programs.*

Coach **Al Groh** and the Cavalier football team compiled an 8-4 record, finishing in a tie for third place in the ACC and a final ranking of twenty-third in the Associated Press poll. The season

concluded with an appearance in the MPC Computers Bowl in Boise, Idaho, where the Cavaliers narrowly fell to Fresno State in overtime. Tight end **Heath Miller** and offensive guard **Elton Brown** became the first Virginia football teammates to be named consensus first-team All-Americans in the same year.

### The People behind the Numbers

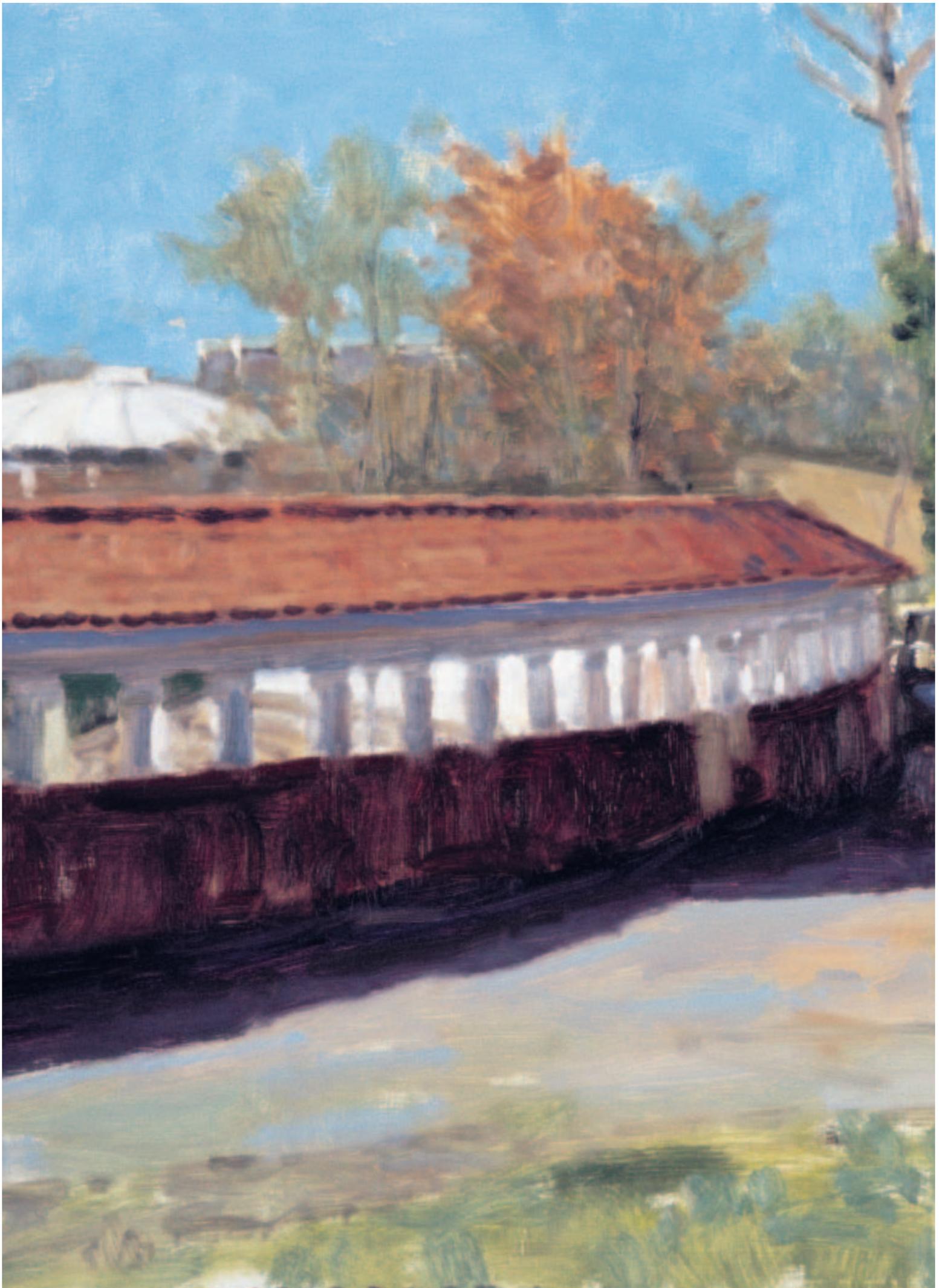
**Heath Miller** and lacrosse player **Amy Appelt** were honored as the University's top male and female athletes for the 2004–05 academic year. Their accomplishments epitomize the quality and character of Virginia's sports programs.

A three-year starter, Miller rewrote the Virginia and ACC record books for a tight end, setting new career marks for most receptions (144), yards (1,703), and touchdowns (twenty). Overall he finished second in Virginia football history in receptions, tied for fourth in touchdown receptions, and seventh in yards receiving. Miller was a unanimous All-America selection and received the Mackey Award as the best tight end in the nation in 2004. He was the University's first unanimous All-American in football since **Jim Dombrowski** in 1984, and he earned first-team All-ACC honors twice. Miller was chosen by the Pittsburgh Steelers in the first round of the 2005 NFL Draft.

Appelt's career record includes 250 goals, 110 assists, and 360

*Lambeth Colonnades, 2005*  
Oil on canvas

Richard Crozier, McIntire Department of Art





**Amy Appelt and Heath Miller were the University's top female and male athletes in 2004-05.**

points. Her totals for goals and points rank first in Virginia women's lacrosse history, and her career point total places her fifth in Division I women's lacrosse history. In the spring of 2005, Appelt earned All-Atlantic Coast Conference and All-ACC Tournament honors. She won the Tewaaron Trophy the previous year and is a three-time All-America and All-ACC selection. She is also a member of the U.S. National Team.

### Outstanding Leaders at the Helm

The job of harnessing such extraordinary talent falls to our coaches, who were widely recognized for their success in 2004-05. Three Virginia mentors won ACC Coach of the Year honors: **Mark Bernardino** (men's swimming and diving),

**Brian Boland** (men's tennis), and **Jan Mann** (women's golf). During his quarter-century at the helm of the U.Va. swimming and diving program, Bernardino and his teams have won nine men's titles and five women's titles, twice the total of his nearest competitor in the ACC. Coach **Debbie Ryan**, the mainstay of the women's basketball program, chalked up her 600th career victory this past year. Coach Ryan's teams have won at least twenty games in nineteen of her twenty-eight seasons at U.Va.

This tradition of achievement promises to be carried on by new members of the coaching lineup. **Dave Leitao**, the new men's head basketball coach, comes to Virginia from DePaul University. The first African-American head coach in any intercollegiate sport at U.Va., he compiled an overall record of 58-34 and participated in a postseason tournament in each of his three years as head coach at DePaul. Also joining U.Va. this year is **Karen Johns**, who will head the softball program. In five seasons at the University of Florida, Coach Johns posted a 192-131 record and led the Gators to four NCAA appearances. A third new head coach is **Mark Guilbeau** in women's tennis. In each of his nine years as head women's tennis coach at the University of Kentucky, his teams competed in the NCAA tournament. He was named the Intercollegiate Tennis Association's National Coach of the Year in 2005 when he led Kentucky to the quarterfinals of the NCAA tournament, a 26-6 overall record, and a No. 4 national ranking.

### Winning in the Classroom

In 2004-05, a total of 232 U.Va. students were on the ACC Academic Honor Roll, which comprises varsity athletes who earned a grade point average of 3.0 or better for the full academic year. The graduation rate for Virginia athletes, 83 percent, is the second highest in the ACC. •

## building for our future

### COMPLETED THIS YEAR

*Newsweek* magazine has declared U.Va. the nation's "hottest" school for fitness, in part due to its first-rate recreational facilities. Among them is **Carr's Hill Field**, home to many intense but muddy intramural games. Thanks to a \$1 million makeover, the field has been resurfaced with artificial turf, under which is a base of crushed stone, sand, and recycled rubber to improve drainage. Underground pipes carry rainwater to nearby Meadow Creek. The field's frequent users include the new Cavalier Marching Band, which practices there three days a week.

### UNDER CONSTRUCTION

The \$130 million **John Paul Jones Arena** is on schedule for completion in May 2006. The 15,000-seat facility will provide a new and much-improved home for Virginia basketball and will host a variety of public events, including concerts and convocations. The project also includes a parking garage, practice and training facili-



**John Paul Jones Arena is on course for completion in May 2006.**

ties for both the men's and women's basketball teams, a dining area for student-athletes, and a new road connecting the arena to the U.S. 29/U.S. 250 Bypass to help improve traffic flow.

# 2004-05

## FINANCIAL REPORT

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# Setting High Standards, Achieving Our Goals

*Report of the Executive Vice President and Chief Operating Officer*

This is a time of great progress and great promise for the University of Virginia. As we face growing demand for our services, we are increasing our capacity to provide them. As we set ambitious goals for our teaching, research, outreach, and patient care missions, we are demonstrating that we can achieve them. And as we contend with increased costs and uncertain economic conditions, we are developing stable and predictable ways to finance our operations. The key to this record of success is a staff and faculty squarely focused on quality and a Board of Visitors that works effectively with management to meet challenges and capitalize on opportunities that are critical to the University's future. Together we are building a lasting foundation for excellence.

The quality of our programs has never been greater, nor have the expectations of those who benefit from them—the superb students we attract year in and year out, the growing number of patients who seek care in our hospitals and clinics, and the agencies and organizations that sponsor our faculty's research. To meet these rising expectations, the board is ensuring that we have the means to provide exceptionally capable faculty and staff, up-to-date technology, and high-quality facilities that give our programs room to grow.

In the area of health care, for example, we are seeing not only an increase in patients, but also an increase in the severity of their conditions. Facility expansions completed this past year, including fourteen new operating rooms and a new core lab facility, will help address these needs, as will the plan approved by our board to add more than a hundred beds to our hospital. As we make these improvements, the U.Va. Medical Center strives to be second to none in quality of care and patient safety—while also standing out as one of the top financial performers among its peers. Our hospitals and clinics, which account for 43 percent of the University's budget, achieved an operating margin of more than 5 percent in 2004–05. We feel confident we can provide quality care and maintain this level of financial performance even in the face of rising costs.

Previous page:  
*Icy Cliffs, 2005*

Oil on linen

Dean Dass, McIntire Department of Art



The Medical Center's success is indicative of the sound financial management of the University as a whole. We remain one of only two public institutions to hold AAA ratings from Standard & Poor's, Fitch Ratings, and Moody's Investors Service. This gives us the flexibility to finance improvements at very favorable interest rates, which will be critical to increasing our capacity to meet demand for our services while protecting the special character and quality of the institution. In the coming months, we will use our debt capacity to help finance new facilities for research, education, the visual and performing arts, and health care.

## Identifying Needs, Taking Action

Research is another area where the board and the administration are working together to achieve strategic goals. The board has committed \$60 million to expanding our research capabilities, especially in science, engineering, and biomedicine. Their investment is bearing fruit. We have successfully recruited the first of ten outstanding research teams that will complement our current strengths. We have begun construction of another much-needed medical research facility, and more space is in the design stage. Our funding for sponsored programs passed the \$300 million mark in the past year for the first time, growing 5.7 percent from the previous year. It is particularly notable that our grants from the National Institutes of Health rose by approximately 6 percent at a time when the NIH's budgets have leveled off over the past two years.

With the board's support, we are raising faculty compensation to more competitive levels, which is critical to attracting and retaining the best teachers and scholars. By supplementing state increases, the board has moved our salary levels from thirtieth among institutions in the Association of American Universities in 2002–03 to twenty-third in 2004–05. We are on target for achieving a position between nineteenth and fifteenth among AAU institutions by 2006–07. Also during the past fiscal year, the University has allocated a total of \$500,000 that the board approved for classified employee compensation increases as a strategic investment based on market information.

Another issue the board has singled out for special attention is deferred maintenance. At a time when we are launching many new construction and expansion projects, the condition of the University's existing buildings has declined along with reductions in state funding. The state's contribution for maintenance fell from more than \$13 million six years ago to \$3.1 million in the 2002–04 biennium. The current two-year appropriation is just less than \$10 million. As a result, many plans for building renovations were shelved indefinitely, and routine maintenance reduced to near emergency-only levels. The board allocated an additional \$1.5 million for deferred maintenance in its 2005–06 budget, but we estimate that it will take at least \$125 million over the next ten years to return our facilities to an appropriate condition, and we are committed to meeting that goal.

### Sustaining Our Operations

The historic passage of the Restructured Higher Education Financial and Administrative Operations Act this year points to new realities in the way we sustain our progress. The law provides a framework for partnership with the state under which we can achieve greater autonomy and greater predictability in how we fund our operations. As required by this measure, we have forged a management agreement that will ensure we meet our obligations to the Commonwealth and to the students and patients we serve. The legislation affirms our board's authority to set tuition and allows us to plan for a stable revenue stream that is critical to managing our finances for the long term. Although we increased tuition for the 2005–06 academic year by 7.9 percent for in-state undergraduates and 6.3 percent for their out-of-state counterparts, we continue to be one of the best values in higher education.

We also will remain affordable to all qualified students regardless of their financial means. After successfully launching AccessUVA, a financial aid program that set a new standard in public higher education, we approved expansion of the program to reach out to more low- and middle-income students. In 2004–05, we began offering qualified students transferring from the Community College System full benefits under the plan. We also adjusted upward our guidelines for offering eligible students a debt-free education. Initially we extended this level of aid to students whose families had incomes at or below 150 percent of the federal poverty level; now it is available to students whose families' incomes are at or below 200 percent of the federal poverty level. In fall 2005, we enrolled 201 first-years under AccessUVA. Many of these young women and men have already overcome significant obstacles in their pursuit of success; they will undoubtedly achieve much during their years here and beyond. For 2005–06, the board has allocated an additional \$2.1 million for AccessUVA, bringing the annual commitment for this program to \$13.3 million.

### Stewarding Our Resources

As we strive for greater self-sufficiency under the restructuring legislation, the endowment will become an increasingly important source of support for our academic, student-life, and health care programs. Indeed, the dollars we now receive from private sources, including

endowment distributions and gifts from alumni, parents, and friends, exceed the amount of state tax funds appropriated to the University.

Stewardship of our core endowment is the responsibility of the University of Virginia Investment Management Company (UVIMCO), which this past year became an independent charitable foundation under section 501(c)(3) of the Internal Revenue Code. UVIMCO also is under new leadership. Christopher J. Brightman, former chief investment officer of the Strategic Investment Group and an outstanding investment strategist, became CEO of UVIMCO in December 2004. The transition to a new model and new leadership has gone smoothly, advancing our goal of achieving consistent performance in all markets and economic conditions. The 14 percent return on our pooled endowment in 2004–05 falls in line with our average annual return of almost 15 percent over the past fifteen years. By the end of the fiscal year, the funds managed by UVIMCO totaled \$2.8 billion; adding assets managed by other University-related foundations brings our total endowment to \$3.1 billion.

Building our endowment is one of the principal goals of our new fund-raising campaign, now in its "silent" phase. Although the list of campaign priorities continues to be refined, about one-third of the expected goal of \$3 billion will be for endowment, especially for unrestricted purposes. Other needs include new and expanded facilities and expendable funds for current operations. Scheduled for a public launch in September 2006, the campaign will continue through 2011. The \$183 million in philanthropic support received in 2004–05, a 4.8 increase over the previous year, bodes well for the success of this ambitious endeavor.

As the campaign gets under way, we are strengthening ties with alumni, parents, and friends across the country and around the world. Investment in new online tools will improve connectivity; wider circulation of alumni periodicals will increase the flow of news and information; an expanded Virginia Clubs program will extend the reach of our engagement activities; and new opportunities for life-long learning and travel will provide a stronger link to our intellectual life on Grounds and abroad. In the process, we will cultivate the allegiance of new partners in our efforts to sustain the University.

### On the Right Path

Our current trajectory points to a bright future. Over the next ten years, we can build on our solid financial base. We are planning with confidence where we want the University to be in 2015. Our people are impressive, competent, and fully capable of sustaining our progress over the long term. If we continue to act decisively to establish policies that address the University's immediate and long-term needs, we will be effective in offering the highest quality of programs to our students and the highest level of services to the citizens of the Commonwealth of Virginia. We will not settle for less.



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, 2005. Comparative information for the year ended June 30, 2004, has been provided where applicable. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes 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 these 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 20,399 students and 2,053 instructional and research faculty members in ten separate schools, the University offers a wide diversity 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 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.

### University of Virginia 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 is provided at convenient clinic locations throughout Central Virginia communities.

### University of Virginia's College at Wise

Located in Southwestern Virginia, the College at Wise is a public liberal arts college with 1,820 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, 2005:

- The Board of Visitors has committed to increasing faculty compensation, with a goal to rank in the top 20 among the Association of American Universities (AAU) institutions. As a result of compensation increases, the University has already raised its AAU faculty compensation ranking from thirtieth in 2002-03 to twenty-third in 2004-05.
- The Board of Visitors has also committed \$60 million to strengthen the University's status as a top-ranked research institution. In fiscal year 2005, the University secured the first of ten planned new National Academy-level research teams, attracting a renowned innovator in electrical engineering and nanotechnology for the Charles L. Brown Department of Electrical and Computer Engineering.
- The Board of Visitors approved an additional debt issuance of \$193 million. The funds will be used to finance existing capital projects under construction and to refund previous debt issuances. The issuance was priced in June 2005, with final issuance taking place in July 2005.
- The Board of Visitors approved an increase in the authorized limit of the commercial paper program from \$100 million to \$175 million.
- The Board of Visitors authorized the establishment of the University of Virginia Investment Management Company (UVIMCO) as a private foundation. At June 30, 2005, the University's endowment investments were exchanged for shares of equal value in a long-term pool managed by UVIMCO.
- The President and the Board of Visitors approved an expansion of the University's AccessUVA program to accommodate Virginia Community College System transfer students on an accelerated schedule. This program enhancement required an additional commitment of University funds, bringing the University's total institutional investment to \$13.3 million for fiscal year 2006 and more than \$20 million per year when fully implemented in fiscal year 2009.

Comparing fiscal year 2005 to 2004, the University's financial situation continued to strengthen.

Summary of the Increase in Net Assets (in thousands)			INCREASE	
	2005	2004	Amount	Percent
Total revenues before investment income	\$ 1,807,562	\$ 1,645,146	\$ 162,416	9.9%
Total expenses	(1,790,425)	(1,642,364)	(148,061)	9.0%
Increase in net assets before investment income	17,137	2,782	14,355	516.0%
Investment income	329,973	255,384	74,589	29.2%
<b>Total increase in net assets</b>	<b>\$ 347,110</b>	<b>\$ 258,166</b>	<b>\$ 88,944</b>	<b>34.5%</b>

- Revenues before investment income rose 9.9 percent against a rise in expenditures of 9.0 percent, leading to an overall increase before investment income of \$14.4 million.
- Annual investment income grew to \$330 million.
- Accordingly, net assets increased \$347 million, which was \$89 million, or 34.5 percent, more than last year's increase in net assets.
- The total return on net assets was 9.4 percent.

## 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 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, 2005, and June 30, 2004 (restated), follows.

Summary of the Statement of Net Assets (in thousands)			INCREASE (DECREASE)	
	2005	2004	Amount	Percent
Current Assets	\$ 980,904	\$ 827,401	\$ 153,503	18.6%
Noncurrent assets:				
Endowment and other long-term investments	2,387,332	2,511,497	(124,165)	(4.9%)
Capital assets, net	1,500,627	1,378,798	121,829	8.8%
Other	99,360	95,373	3,987	4.2%
<b>Total assets</b>	<b>4,968,223</b>	<b>4,813,069</b>	<b>155,154</b>	<b>3.2%</b>
Current liabilities	395,574	444,654	(49,080)	(11.0%)
Noncurrent liabilities	519,861	662,737	(142,876)	(21.6%)
<b>Total liabilities</b>	<b>915,435</b>	<b>1,107,391</b>	<b>(191,956)</b>	<b>(17.3%)</b>
<b>Net assets</b>	<b>\$ 4,052,788</b>	<b>\$ 3,705,678</b>	<b>\$ 347,110</b>	<b>9.4%</b>

This snapshot of the University's financial position shows that the institution rests on a strong financial foundation. This reflects the prudent use of financial resources, including careful cost controls, effective management of the endowment, conservative utilization of debt, and adherence to a long-range capital plan for the maintenance and replacement of the physical plant.

## CURRENT ASSETS AND LIABILITIES

Current assets, which totaled \$981 million as compared to the previous year's \$827 million, an increase of \$154 million, or 18.6 percent, consist primarily of cash and cash equivalents, operating investments, and accounts receivable. Cash and cash equivalents more than doubled over the prior year, primarily due to the accounting treatment necessary to reflect the change in the University's relationship with UVIMCO when it became a private foundation. The investment of the University's current operating funds is now managed by UVIMCO in an aggregate cash pool. The result on our statements was growth in cash equivalents from two primary sources, a reclassification of short-term investments to cash equivalents of \$95 million and a reclassification from long-term investments to cash equivalents of \$127 million.

Current liabilities, which consist primarily of accounts payable, obligations under securities lending, and the current portion of long-term liabilities, fell by \$49 million, or 11 percent. Obligations under securities lending decreased this year by \$70.2 million, or 60 percent. Another fluctuation in current liabilities was a drop in the current portion of long-term debt. It decreased \$18 million, or 52 percent. Last year, commercial paper made up a significant portion of this current liability. This year, the decrease can be attributed to the fact that the University's commercial paper was refinanced with long-term bonds, with the refinancing taking place after the end of the fiscal year; in accordance with Financial Accounting Standards Board Statement No. 6, the commercial paper was reclassified to a long-term liability.

From a liquidity perspective, current assets cover current liabilities 2.5 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This year's coverage is better than last year's rate of 1.9. Current assets also cover more than seven months of total operating expenses, excluding depreciation.

## ENDOWMENT AND OTHER INVESTMENTS

**Performance.** At June 30, 2005, the major portion of the University's endowment was maintained in a long-term investment pool managed by UVIMCO. The annual return for the long-term investment pool this year was 14.3 percent, an improvement over last year's return of 12.7 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 \$74.6 million, or 29.2 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 \$90 million, consisting of \$18 million in current year's cash income and \$72 million in previously earned gains and asset appreciation.

**Endowment investments.** The total for endowment investments on the Statement of Net Assets is \$2.2 billion. At June 30, 2005, the University exchanged its endowment assets for shares in a long-term investment pool managed by UVIMCO, which made the transition to a private, 501(c)(3) organization. Last year's endowment investment balance included \$227 million of endowment assets the University held on behalf of its related foundations. These foundation assets are no longer an endowment asset of the University, nor a corresponding liability.

From a net assets perspective, earnings from the endowment, while expendable, are mostly restricted as to use by the donors. It is important to note that of the University's endowment funds, only \$624 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 related foundations, the combined University system endowment was approximately \$3.1 billion as of June 30, 2005.

## 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, balanced with new construction.

Capital additions, net of retirements, were \$193.4 million in 2005 and \$113.4 million in 2004. Capital additions comprise replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment, including information technology.

Projects in progress at June 30, 2005, included Cocke Hall, Fayerweather Hall, Wilsdorf Hall, the Rouss Hall Complex for the McIntire School of Commerce, the College at Wise Residence Hall, expansion of the University Hospital, and construction of the John Paul Jones Arena. Other projects at the design stage include Ruffin Hall (the new studio art building), the South Lawn Project for Arts and Sciences, and additions to Campbell Hall.

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 also have 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 using its commercial paper program for short-term bridge financing. The Board of Visitors increased the University's commercial paper authorization from \$100 million to \$175 million.

Debt additions totaled approximately \$109 million. These additions came from two sources. The Commonwealth of Virginia advance refunded \$43.3 million of bonds on behalf of the University to obtain present value savings of \$2.4 million. The University drew another \$65.3 million in commercial paper for bridge financing. Because the University intended to refinance its outstanding commercial paper at June 30 with long-term bonds, and because it executed this intent with a bond issuance in July, the commercial paper balance is reported as a long-term obligation this year in conjunction with Financial Accounting Standards Board Statement No. 6. The University's debt portfolio contains a strategic mix of both variable- and fixed-rate obligations. The seven foundations now required by GASB Statement No. 39 to be reported as component units held \$161.5 million of long-term debt outstanding at June 30, 2005.

## 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, 2005, and June 30, 2004 (restated), are summarized below.

Net Assets (in thousands)			INCREASE	
	2005	2004	Amount	Percent
Invested in capital assets, net of related debt	\$ 1,012,969	\$ 955,092	\$ 57,877	6.1%
Restricted:				
Nonexpendable	333,544	322,218	11,326	3.5%
Expendable	1,567,246	1,384,623	182,623	13.2%
Unrestricted	1,139,029	1,043,745	95,284	9.1%
<b>Total net assets</b>	<b>\$ 4,052,788</b>	<b>\$ 3,705,678</b>	<b>\$ 347,110</b>	<b>9.4%</b>

**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 \$58 million, or 6.1 percent, in the current fiscal year, compared with 4 percent growth in the previous year. This continued the University's plan for steady but predictable growth in capital assets.

**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 13.2 percent, or \$183 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, 2005, and June 30, 2004 (restated).

Summary of the Statement of Revenues, Expenses, and Changes in Net Assets (in thousands)			INCREASE	
	2005	2004	Amount	Percent
Operating revenues	\$ 1,515,205	\$ 1,381,762	\$ 133,443	9.7%
Operating expenses	1,761,085	1,617,606	143,479	8.9%
Operating loss	(245,880)	(235,844)	(10,036)	4.3%
Nonoperating revenues (expenses)				
State appropriations	143,605	125,531	18,074	14.4%
Gifts	96,547	84,836	11,711	13.8%
Investment income	329,973	255,384	74,589	29.2%
Other net nonoperating expenses	(29,340)	(10,113)	(19,227)	190.1%
Net nonoperating revenues	540,785	455,638	85,147	18.7%
Income before other revenues, expenses, gains, or losses	294,905	219,794	75,111	34.2%
Capital appropriations, gifts, and grants	40,753	40,296	457	1.1%
Additions to permanent endowments	11,452	10,215	1,237	12.1%
Special item: write-down of equipment	-	(12,139)	12,139	(100.0%)
Total other revenues	52,205	38,372	13,833	36.0%
Increase in net assets	347,110	258,166	88,944	34.5%
Net assets—beginning of year	3,705,678	3,447,512	258,166	7.5%
<b>Net assets—end of year</b>	<b>\$ 4,052,788</b>	<b>\$ 3,705,678</b>	<b>\$ 347,110</b>	<b>9.4%</b>

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 \$246 million does not account for these normal revenue sources. Adding the net nonoperating revenues of \$541 million for the fiscal year more than offsets the operating loss, and results in an adjusted income figure of \$295 million. This provides a more accurate picture of the University's total scope and results of operations.

**REVENUES**

One of the University's greatest strengths is its well-balanced stream of revenues, which allows it to weather difficult economic times.

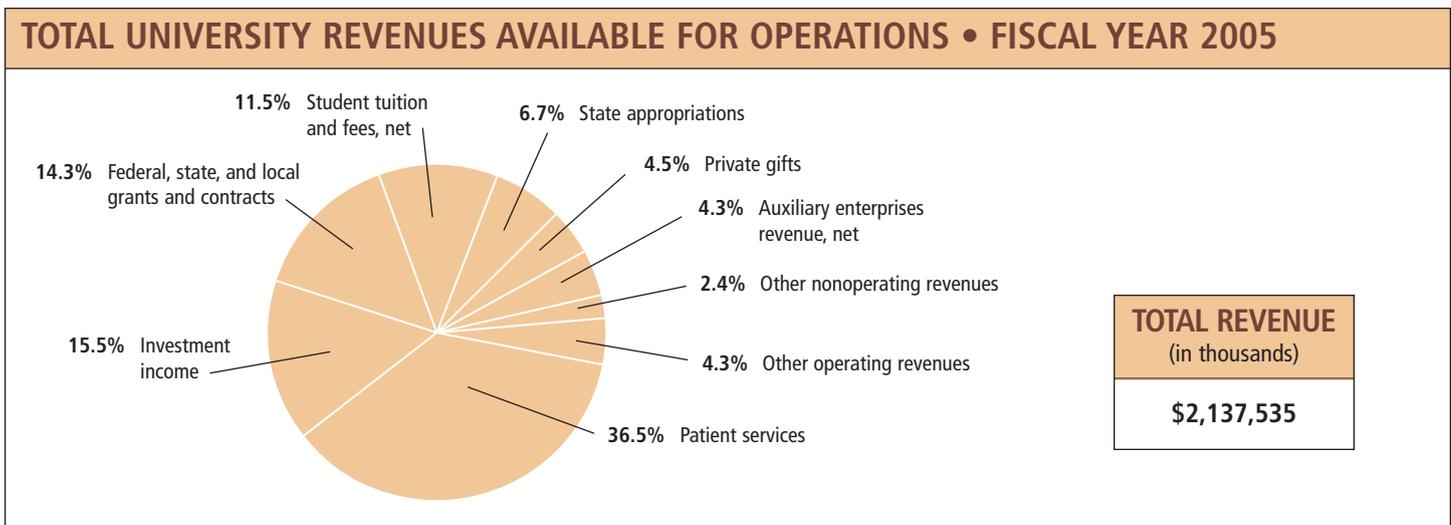
**SUMMARY OF REVENUES, TOTAL UNIVERSITY**

A summary of the University's revenues, for the years ended June 30, 2005, and June 30, 2004 (restated).

Summary of Revenues (in thousands)	2005			2004			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION AND WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION AND WISE	MEDICAL CENTER	TOTAL INSTITUTION	Amount	Percent
Operating revenues:								
Student tuition and fees, net	\$ 246,062	\$ -	\$ 246,062	\$ 232,587	\$ -	\$ 232,587	\$ 13,475	5.8%
Federal, state, and local governmental grants and contracts	305,342	-	305,342	284,923	-	284,923	20,419	7.2%
Nongovernmental grants and contracts	44,737	-	44,737	42,316	-	42,316	2,421	5.7%
Sales and services of educational departments	16,473	-	16,473	17,563	-	17,563	(1,090)	(6.2%)
Auxiliary enterprises revenue, net	92,202	-	92,202	90,961	-	90,961	1,241	1.4%
Other operating revenues	-	30,192	30,192	-	26,834	26,834	3,358	12.5%
Patient services	-	780,197	780,197	-	686,578	686,578	93,619	13.6%
<b>Total operating revenues</b>	<b>\$ 704,816</b>	<b>\$ 810,389</b>	<b>\$1,515,205</b>	<b>\$ 668,350</b>	<b>\$ 713,412</b>	<b>\$1,381,762</b>	<b>\$ 133,443</b>	<b>9.7%</b>
Nonoperating revenues:								
State appropriations	\$ 143,605	\$ -	\$ 143,605	\$ 125,531	\$ -	\$ 125,531	\$ 18,074	14.4%
Private gifts	93,761	2,786	96,547	84,300	536	84,836	11,711	13.8%
Investment income	305,600	24,373	329,973	239,212	16,172	255,384	74,589	29.2%
Other nonoperating revenues	52,205	-	52,205	55,309	-	55,309	(3,104)	(5.6%)
<b>Total nonoperating revenues</b>	<b>\$ 595,171</b>	<b>\$ 27,159</b>	<b>\$ 622,330</b>	<b>\$ 504,352</b>	<b>\$ 16,708</b>	<b>\$ 521,060</b>	<b>\$ 101,270</b>	<b>19.4%</b>
<b>Total Revenues Available for Operations</b>	<b>\$1,299,987</b>	<b>\$ 837,548</b>	<b>\$2,137,535</b>	<b>\$1,172,702</b>	<b>\$ 730,120</b>	<b>\$1,902,822</b>	<b>\$ 234,713</b>	<b>12.3%</b>

Below is a graph of revenues by source (both operating and nonoperating), which are used to fund the University's operating activities for the fiscal year ended June 30, 2005. As noted earlier, GASB Statement No. 34 requires state appropriations, gifts, and other significant revenues to be treated as nonoperating revenues. Because these revenues support operating expenses, they are included in the charts.

Patient services revenues accounted for 51.5 percent of the University's operating revenues and 36.5 percent of the operating and nonoperating revenues combined. State appropriations and student tuition and fees, which represent 6.7 percent and 11.5 percent, respectively, of the University's total revenues are used to fund current operations.

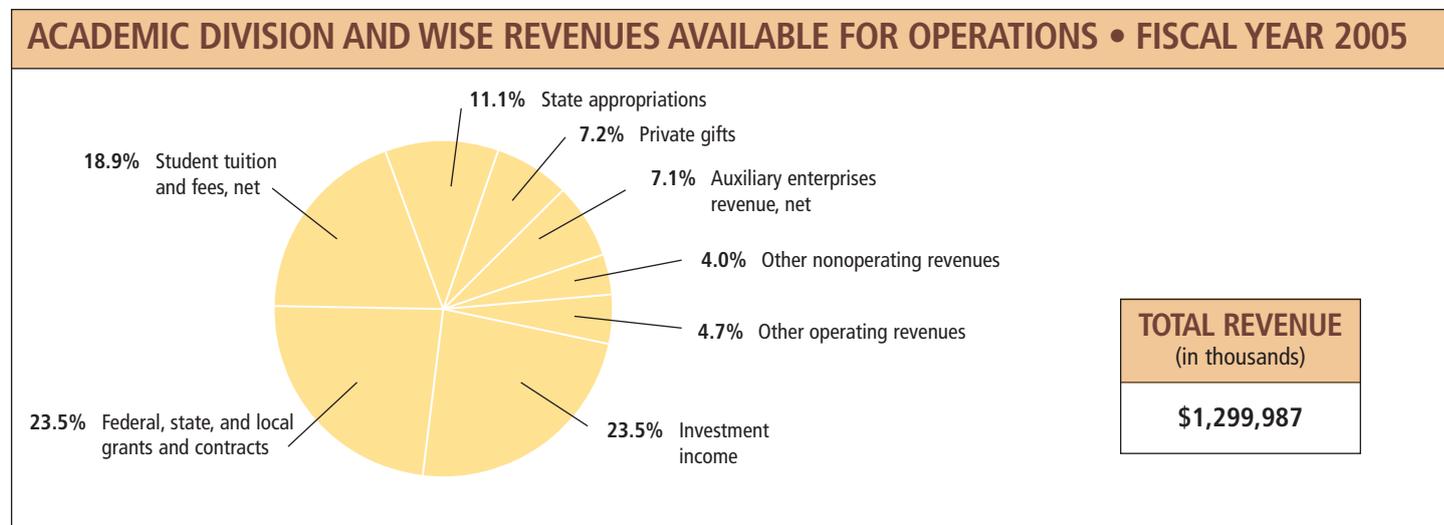


State appropriations increased for the first time in recent history by \$18 million, or 14.4 percent. Two components of this increase were \$4 million for operations and a one-time commitment of \$2 million to support special research initiatives. Net tuition and fees increased by 5.8 percent. The Board of Visitors approved a tuition and fee increase last year to fund academic initiatives.

Excluding the Medical Center data more clearly demonstrates that the academic revenue streams are well balanced. Major sources for 2005 included investment income, 23.5 percent; federal, state, and local grants and contracts, 23.5 percent; net tuition and fees, 18.9 percent; and state appropriations, 11.1 percent. The greatest change is in investment income, rising from 21 percent in fiscal year 2004.

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 \$20.4 million, or 7.2 percent, to a total of \$305.3 million in 2005. The increase is less than last year's 14.7 percent rise, but this was expected. While the National Institutes of Health (NIH) continues to provide substantial funding for sponsored programs, that funding increased at a lesser rate than in recent years.



## EXPENSES

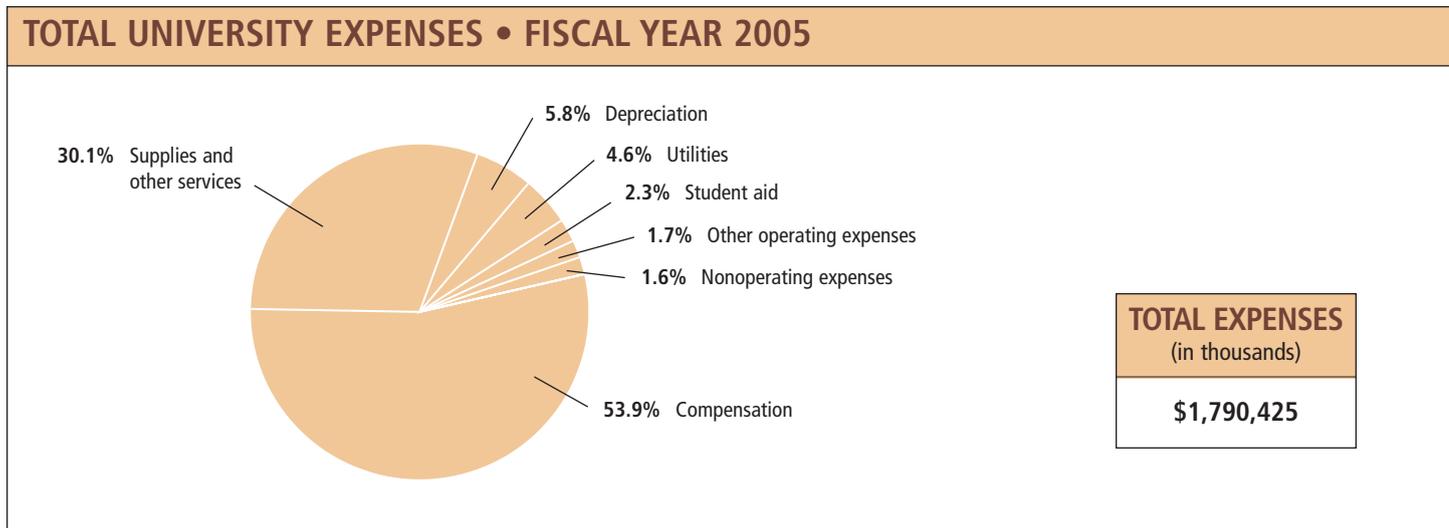
The University continues to be a good steward in the judicious expenditure of funds.

### SUMMARY OF EXPENSES, TOTAL UNIVERSITY

A summary of the University's expenses for the years ended June 30, 2005, and June 30, 2004 (restated).

Summary of Expenses (in thousands)	2005			2004			TOTAL INSTITUTION INCREASE	
	ACADEMIC DIVISION AND WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION AND WISE	MEDICAL CENTER	TOTAL INSTITUTION	Amount	Percent
Operating expenses:								
Compensation	\$ 629,893	\$ 334,828	\$ 964,721	\$ 587,994	\$ 305,817	\$ 893,811	\$ 70,910	7.9%
Supplies and other services	194,584	344,438	539,022	177,619	304,916	482,535	56,487	11.7%
Student aid	40,944	-	40,944	38,940	-	38,940	2,004	5.1%
Utilities	69,306	13,016	82,322	62,647	12,203	74,850	7,472	10.0%
Depreciation	62,446	42,008	104,454	65,361	37,656	103,017	1,437	1.4%
Other operating expense	2,233	27,389	29,622	3,077	21,376	24,453	5,169	21.1%
<b>Total operating expenses</b>	<b>999,406</b>	<b>761,679</b>	<b>1,761,085</b>	<b>935,638</b>	<b>681,968</b>	<b>1,617,606</b>	<b>143,479</b>	<b>8.9%</b>
Nonoperating expenses:								
Interest expense	9,844	4,816	14,660	8,298	4,321	12,619	2,041	16.2%
Other nonoperating expense	12,763	1,917	14,680	12,139	2,292	14,431	249	1.7%
<b>Total nonoperating expenses</b>	<b>22,607</b>	<b>6,733</b>	<b>29,340</b>	<b>20,437</b>	<b>6,613</b>	<b>27,050</b>	<b>2,290</b>	<b>8.5%</b>
<b>Total University expenses</b>	<b>\$1,022,013</b>	<b>\$ 768,412</b>	<b>\$1,790,425</b>	<b>\$ 956,075</b>	<b>\$ 688,581</b>	<b>\$1,644,656</b>	<b>\$ 145,769</b>	<b>8.9%</b>

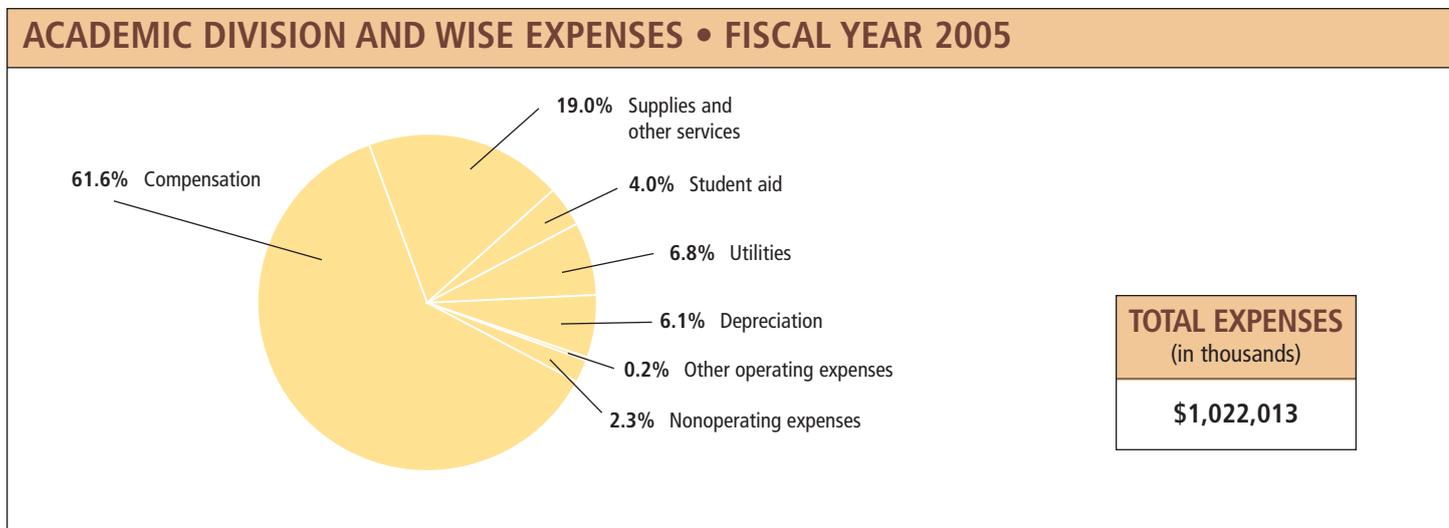
Following is a graphic illustration of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2005.



As a percentage of total expenses, compensation (salaries and benefits) remained almost constant. However, in dollars, compensation increased by \$70.9 million. The Board of Visitors continues to address faculty and staff compensation levels, as they had fallen well below those of the University's national peers.

Student aid expense increased to \$40.9 million, a change of more than \$2 million, as the University continued to support its commitment to AccessUVA. Depreciation increased slightly by \$1.4 million, or 1.4 percent. Interest expense increased by 16.2 percent, or \$2 million.

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 42.5 percent, 13.5 percent, and 17.7 percent, respectively, of total operating expenses. When combined, these major functions account for 73.7 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 (in thousands)	INCREASE (DECREASE)			
	2005	2004	Amount	Percent
Cash flows from operating activities	\$ (98,145)	\$ (115,681)	\$ 17,536	15.2%
Cash flows from noncapital financing activities	218,272	206,661	11,611	5.6%
Cash flows from capital and related financing activities	(369,393)	(164,959)	(204,434)	(123.9%)
Cash flows from investing activities	533,265	67,108	466,157	694.6%
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 283,999</b>	<b>\$ (6,871)</b>	<b>\$ 290,870</b>	<b>4,233.3%</b>

This statement provides a slightly different financial perspective from the Statement of Revenues, Expenses, and Changes in Net Assets. 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. These cash inflows are critical to funding the operations of the University.

Noncapital financing activities produced a modest cash flow increase of 5.6 percent, or \$11.6 million, over last year as state appropriations and gifts to the academic division of the University increased slightly. Gift income to the overall University system is likely to increase as the capital campaign continues. Gift revenue for the significant affiliated foundations is reflected in the component unit financial statements.

Cash flow from investing activities is a critical source to the institution. With the endowment's continued strong performance, the University is able to fund new initiatives that make a difference to the institution.

## 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 obtainable, provides a high degree of accessibility to capital funds on the most competitive terms. The issuance of long-term bonds and the use of its expanded short-term commercial paper program, along with the ongoing efforts toward revenue diversification, will enable the University to obtain the necessary resources to support and maintain its level of excellence.

A major factor in the University's future will be its relationship with the Commonwealth of Virginia. With the passage of last year's higher education restructuring legislation, the promise for a new, more effective relationship with the Commonwealth is closer to reality.

In addition to the six-year financial plan required by restructuring, the Board of Visitors has requested a separate ten-year, all-sources-of-funds financial plan. Such long-range projections are critical to planning for future University initiatives while ensuring that the University does not overcommit itself financially. One example of such an initiative is the board's resolution to restore faculty compensation to nationally competitive levels by fiscal year 2007. Specifically, the University's goal is to achieve a ranking between fifteenth and nineteenth in compensation among members of the Association of American Universities. Achieving this ranking would place the University in approximately the same position it held in 1989-90 before the era of reduced state support.

The board and the provost of the University have outlined an aggressive strategy to raise the stature of the University's research programs in selected areas of science, engineering, and medicine. Specifically, the board funded \$60 million of a five-year, \$126 million program to recruit world-class investigators, to fund salaries for their research teams, and to build new research space.

In other areas, the board has made a commitment to fund expected deferred maintenance over the next ten years. The cost of the University's health benefits has increased and is expected to increase as the cost of medical care and prescription drugs are forecast to rise.

To meet these demands, the board authorized UVIMCO's change to a private, affiliated organization, which will provide more flexibility in its operations and investment strategies. Additionally, the University has entered the nucleus phase of what is expected to be a \$3 billion capital campaign.

The development of a new relationship with the Commonwealth, combined with the Board of Visitors' emphasis on long-term planning, will ensure that the University continues to meet its public mission and continues to increase its financial strength in the years to come.

## MANAGEMENT RESPONSIBILITY

October 20, 2005

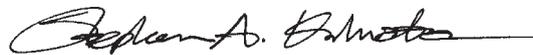
TO THE PRESIDENT AND BOARD OF VISITORS  
OF THE UNIVERSITY OF VIRGINIA

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2005. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. Financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

Management is responsible for maintaining the University's system of internal control that includes careful selection and development of employees, proper division of duties, and written accounting and operating policies and procedures augmented by a continuing internal audit program. Although there are inherent limitations to the effectiveness of any system of internal 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

October 20, 2005

THE HONORABLE MARK R. WARNER  
*Governor of Virginia*

THE HONORABLE LACEY E. PUTNEY  
*Chairman, Joint Legislative Audit and Review Commission*

THE 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, 2005, as shown on pages 53 through 73. 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 of the notes to the financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates the amounts included for the component units of the University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all

material respects, the financial position of the University of Virginia and of its aggregate discretely presented component units as of June 30, 2005, 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 50 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005, 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 read in conjunction with this report in considering the results of our audit.



WALTER J. KUCHARSKI  
*Auditor of Public Accounts*

# FINANCIAL REPORT

University of Virginia <b>Statement of Net Assets</b> (in thousands) <i>as of June 30, 2005 (with comparative information as of June 30, 2004)</i>	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (NOTE 2)	\$ 549,409	\$ 266,472
Short-term investments (NOTE 2)	236,793	342,593
Accounts receivable, net (NOTE 3a)	159,571	184,055
Prepaid expenses	9,039	11,499
Inventories	18,532	14,701
Notes receivable, net (NOTE 3b)	7,560	7,838
Other	-	243
<b>TOTAL CURRENT ASSETS</b>	<b>980,904</b>	<b>827,401</b>
<b>NONCURRENT ASSETS</b>		
Restricted cash and cash equivalents (NOTE 2)	9,836	8,774
Endowment investments (NOTE 2)	2,209,164	2,206,032
Other long-term investments (NOTE 2)	178,168	305,465
Deposit with bond trustee	17,322	25,660
Notes receivable, net (NOTE 3b)	19,439	16,014
Pledges receivable, net (NOTE 3c)	37,491	43,381
Capital assets—depreciable, net (NOTE 3d)	1,191,848	1,132,722
Capital assets—nondepreciable (NOTE 3d)	308,779	246,076
Goodwill (NOTE 3e)	14,658	895
Other	614	649
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,987,319</b>	<b>3,985,668</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,968,223</b>	<b>\$ 4,813,069</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (NOTE 3f)	\$ 198,401	\$ 169,924
Deferred revenue (NOTE 3g)	58,714	61,379
Obligations under securities lending (NOTE 2)	47,723	117,962
Deposits held in custody for others	23,673	18,571
Long-term debt—current portion (NOTE 4a)	16,391	34,390
Long-term liabilities—current portion (NOTE 4b)	50,411	42,167
Advance from Treasurer of Virginia	261	261
<b>TOTAL CURRENT LIABILITIES</b>	<b>395,574</b>	<b>444,654</b>
<b>NONCURRENT LIABILITIES (NOTE 4)</b>		
Long-term debt	483,694	415,548
Long-term liabilities	36,167	247,189
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>519,861</b>	<b>662,737</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 915,435</b>	<b>\$ 1,107,391</b>
<b>NET ASSETS</b>		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 1,012,969	\$ 955,092
RESTRICTED		
Nonexpendable	333,544	322,218
Expendable	1,567,246	1,384,623
UNRESTRICTED	1,139,029	1,043,745
<b>TOTAL NET ASSETS</b>	<b>\$ 4,052,788</b>	<b>\$ 3,705,678</b>

*Certain 2004 amounts have been restated to conform to 2005 classifications.  
The accompanying Notes to Financial Statements are an integral part of this statement.*

University of Virginia <b>Component Units</b> <b>Combined Statements of Financial Position</b> (in thousands) <i>as of June 30, 2005 (with comparative information as of June 30, 2004)</i>	<b>2005</b>	<b>2004</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 276,710	\$ 55,489
Receivables	71,064	57,905
Other current assets	16,322	11,786
<b>TOTAL CURRENT ASSETS</b>	<b>364,096</b>	<b>125,180</b>
<b>NONCURRENT ASSETS</b>		
Pledges receivable, net of current portion of \$36,529	48,689	43,238
Long-term investments	3,323,566	746,020
Capital assets, net of depreciation	258,634	158,037
Other noncurrent assets	32,858	27,829
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,663,747</b>	<b>975,124</b>
<b>TOTAL ASSETS</b>	<b>\$4,027,843</b>	<b>\$ 1,100,304</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Assets held in trust for others	\$ 2,796,587	\$ 62,722
Other liabilities	102,061	79,126
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,898,648</b>	<b>141,848</b>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion of \$2,310	161,520	114,341
Other noncurrent liabilities	75,213	49,924
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>236,733</b>	<b>164,265</b>
<b>TOTAL LIABILITIES</b>	<b>\$3,135,381</b>	<b>\$ 306,113</b>
<b>NET ASSETS</b>		
Unrestricted	\$ 255,645	\$ 225,858
Temporarily restricted	327,036	272,053
Permanently restricted	309,781	296,280
<b>TOTAL NET ASSETS</b>	<b>\$ 892,462</b>	<b>\$ 794,191</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,027,843</b>	<b>\$ 1,100,304</b>

*Certain 2004 amounts have been restated to conform to 2005 classifications.  
The accompanying Notes to Financial Statements are an integral part of this statement.*

University of Virginia <b>Statement of Revenues, Expenses, and Changes in Net Assets</b> (in thousands) <i>for the year ended June 30, 2005 (with comparative information for the year ended June 30, 2004)</i>	<b>2005</b>	<b>2004</b>
<b>REVENUES</b>		
<b>OPERATING REVENUES</b>		
Student tuition and fees (net of scholarship allowances of \$48,271 and \$45,017)	\$ 246,062	\$ 232,587
Patient services (net of indigent care and contractual adjustments of \$664,667 and \$454,700)	780,197	686,578
Federal grants and contracts	300,425	277,681
State and local grants and contracts	4,917	7,242
Nongovernmental grants and contracts	44,737	42,316
Sales and services of educational departments	16,473	17,563
Auxiliary enterprises revenue (net of scholarship allowances of \$6,506 and \$5,143)	92,202	90,961
Other operating revenues	30,192	26,834
<b>TOTAL OPERATING REVENUES</b>	<b>1,515,205</b>	<b>1,381,762</b>
<b>EXPENSES</b>		
<b>OPERATING EXPENSES (NOTE 7)</b>		
Compensation and benefits	964,721	893,811
Supplies and other services	539,022	482,535
Student aid	40,944	38,940
Utilities	82,322	74,850
Depreciation	104,454	103,017
Other	29,622	24,453
<b>TOTAL OPERATING EXPENSES</b>	<b>1,761,085</b>	<b>1,617,606</b>
<b>OPERATING LOSS</b>	<b>(245,880)</b>	<b>(235,844)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations (NOTE 8)	143,605	125,531
Gifts	96,547	84,836
Investment income	329,973	255,384
Interest on capital asset-related debt	(14,660)	(12,619)
Other nonoperating (expenses) revenues	(14,680)	2,506
<b>NET NONOPERATING REVENUES</b>	<b>540,785</b>	<b>455,638</b>
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	<b>294,905</b>	<b>219,794</b>
Capital appropriations	25,228	14,593
Capital grants and gifts	15,525	25,703
Additions to permanent endowments	11,452	10,215
Special item: Write-down of equipment	-	(12,139)
<b>TOTAL OTHER REVENUES</b>	<b>52,205</b>	<b>38,372</b>
<b>INCREASE IN NET ASSETS</b>	<b>347,110</b>	<b>258,166</b>
<b>NET ASSETS</b>		
Net assets—beginning of year	3,705,678	3,447,512
<b>NET ASSETS—END OF YEAR</b>	<b>\$ 4,052,788</b>	<b>\$ 3,705,678</b>

*Certain 2004 amounts have been restated to conform to 2005 classifications.  
The accompanying Notes to Financial Statements are an integral part of this statement.*

University of Virginia <b>Component Units</b> <b>Combined Statements of Activities</b> (in thousands) <i>for the year ended June 30, 2005 (with comparative information for the year ended June 30, 2004)</i>	<b>2005</b>	<b>2004</b>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Contributions	\$ 20,354	\$ 20,653
Fees for services, rentals, and sales	235,746	224,378
Investment income	26,003	24,251
Net assets released from restriction	70,445	54,774
Other revenues	45,142	54,331
<b>TOTAL UNRESTRICTED REVENUES AND SUPPORT</b>	<b>397,690</b>	<b>378,387</b>
<b>EXPENSES</b>		
Program services, lectures and special events	237,497	239,630
Scholarships and financial aid	26,710	18,863
Management and general	30,434	43,917
Other expenses	74,918	38,608
<b>TOTAL EXPENSES</b>	<b>369,559</b>	<b>341,018</b>
Excess of unrestricted revenues and support over expenses	28,131	37,369
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	72,985	58,403
Investment and other income	53,246	55,225
Reclassification per donor stipulation	(528)	(248)
Net assets released from restriction	(70,445)	(54,774)
<b>NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>55,258</b>	<b>58,606</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	13,708	16,539
Investment and other income	646	732
Reclassification per donor stipulation	528	248
<b>NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS</b>	<b>14,882</b>	<b>17,519</b>
<b>CHANGE IN NET ASSETS</b>	<b>98,271</b>	<b>113,494</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>794,191</b>	<b>680,697</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 892,462</b>	<b>\$ 794,191</b>

*Certain 2004 amounts have been restated to conform to 2005 classifications.  
The accompanying Notes to Financial Statements are an integral part of this statement.*

# FINANCIAL REPORT

University of Virginia <b>Statement of Cash Flows</b> (in thousands) <i>for the year ended June 30, 2005 (with comparative information for the year ended June 30, 2004)</i>	<b>2005</b>	<b>2004</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 246,698	\$ 237,462
Grants and contracts	350,787	334,167
Receipts from patients and third parties	772,361	670,877
Sales and services of educational activities	18,511	7,941
Sales and services of auxiliary enterprises	92,682	90,782
Payments to employees and fringe benefits	(957,866)	(896,933)
Payments to vendors and suppliers	(611,549)	(559,417)
Payments for scholarships and fellowships	(40,945)	(38,948)
Perkins and other loans issued to students	(9,859)	(7,627)
Collection of Perkins and other loans to students	7,771	7,763
Other receipts	33,264	38,252
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(98,145)</b>	<b>(115,681)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	143,605	125,531
Additions to true endowments	11,452	10,215
Direct lending receipts, including PLUS loans	189	55,290
Direct lending payments, including PLUS loans	(189)	(55,290)
FFELP receipts	68,211	-
FFELP payments	(68,211)	-
Receipts on behalf of agencies	5,101	3,613
Payments on behalf of agencies	(755)	(3,653)
Noncapital gifts and grants and endowments received	77,139	75,355
Other nonoperating expenses	(18,270)	(4,400)
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>218,272</b>	<b>206,661</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital appropriations	30,323	1,017
Capital gifts and grants received	14,299	6,285
Proceeds from capital debt	174,041	134,338
Proceeds from sale of capital assets	564	382
Acquisition and construction of capital assets	(237,241)	(269,003)
Principal paid on capital debt and leases	(334,542)	(23,283)
Interest paid on capital debt and leases	(16,837)	(14,695)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(369,393)</b>	<b>(164,959)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	4,490,174	1,663,565
Interest on investments	39,772	29,981
Purchase of investments and related fees	(3,987,957)	(1,626,072)
Other investment activities	(8,724)	(366)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>533,265</b>	<b>67,108</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>283,999</b>	<b>(6,871)</b>
Cash and cash equivalents, July 1	275,246	282,117
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 559,245</b>	<b>\$ 275,246</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (245,880)	\$ (235,844)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Depreciation expense	104,454	103,017
Provision for uncollectible loans and write-offs	(1,063)	(95)
Miscellaneous nonoperating income	-	4,798
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Receivables, net	31,072	(8,059)
Inventories	(3,831)	(565)
Other assets	(233)	10,940
Prepaid expenses	2,460	(3,213)
Notes receivable, net	(2,089)	137
Accounts payable and accrued liabilities	20,328	11,533
Noncash adjustment to supplies and services	(1,250)	(1,844)
Deferred revenue	(2,340)	1,598
Accrued vacation leave—long-term	227	1,916
<b>TOTAL ADJUSTMENTS</b>	<b>147,735</b>	<b>120,163</b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (98,145)</b>	<b>\$ (115,681)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY</b>		
Assets acquired through assumption of a liability	\$ 171,932	\$ 62,721
Assets acquired through a gift	19,143	16,646
Change in fair value of investments	222,462	125,223
Increase in receivables related to nonoperating income	6,390	5,574

*Certain 2004 amounts have been restated to conform to 2005 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, 2005:

- 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 6. 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, VA 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, VA 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, VA 22903.

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation**, was established as a tax-exempt organization to support inter-collegiate 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, 2004. For additional information, contact the Gift Accounting Office at P.O. Box 400833, Charlottesville, VA 22904.

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

In accordance with GASB Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments* (GASB 34), 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 first to apply the expense toward restricted resources, then toward unrestricted. Restricted funds remain classified as such until restrictions have been satisfied.

The University of Virginia's Notes to the Financial Statements for fiscal year 2005 are presented according to the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

## 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. Certain less marketable investments, principally real estate and private equity investments, are generally carried at estimated values as determined by management. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments.

## Endowment

The major portion of the University's endowment is managed by the 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 for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history and type of gift.

## Capital Assets and Depreciation

Capital assets are stated at cost at date of acquisition, or fair market value at date of donation in the case of gifts. The University capitalizes construction costs that have a value or cost in excess of \$250,000 at the date of acquisition. Renovations in excess of \$250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division capitalizes moveable equipment at a value or cost of \$5,000 and an expected useful life of one or more years.

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

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

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

Depreciation of library books is calculated on a straight-line basis over ten years. Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Assets are classified as Construction in Process. Construction period interest cost in excess of earnings associated with the debt proceeds is capitalized as a component of the fixed asset.

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

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

### 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 net interest expense of \$2,244,440 for the fiscal year ended June 30, 2005. Interest capitalized for the fiscal year ended June 30, 2005, totaled \$2,177,165.

### Accrued Compensated Absences

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Assets. The amount reflects, as of June 30, 2005, 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 student 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.

### Operating Activities

The University's policy for defining operating activities is based primarily on an activity's character as an exchange event. Exchange events generally involve payments or receipts for providing or receiving goods and services. With the exception of interest expense, all expense transactions are classified as operating, while some revenue transactions (i.e., state appropriations, gifts, and investment income) are classified as nonoperating in accordance with GASB Statement No. 34.

### 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 2004 (in thousands):

Net Assets reported at June 30, 2004	\$3,721,992
Correction of understated accounts payable	(13,395)
Restatement of state-funded balances previously reported as Agency Funds by the University	(2,980)
Miscellaneous restatements	61
<b>Beginning net assets at July 1, 2004, as adjusted</b>	<b>\$3,705,678</b>

## NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment to GASB Statement No. 3, which modified previous disclosure requirements related to investment risk and became effective beginning in the fiscal year ended June 30, 2005. 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) provides investment management services to the Rector and Visitors of the University of Virginia (University). 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 appointed by the University of Virginia 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:

GASB Statement No. 40 amends the requirements set out in GASB Statement No. 3 by requiring disclosure only of uncollateralized deposits and uninsured and unregistered securities held by a counterparty or its trust department or agent, but not in the government's name. The University had no investments exposed to custodial credit risk for 2005.

### 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 that an issuer or other counterparty will not fulfill its obligations. State law limits the nonendowed investments in short-term commercial paper and certificates 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, UVIMCO actively manages the Long Term Pool in an attempt 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 2005.

### 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 2005.

## 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 \$1.8 million at June 30, 2005. Such deposits are not subject to foreign currency risk. Interest rate risk disclosure for cash equivalents is outlined in the accompanying chart.

## Investments

The University of Virginia Investment Management Company (UVIMCO) administers and manages the major portion of the University's investments including the endowment, in a Long Term Pool. UVIMCO operated as a department of the University for several years. On July 1, 2004, UVIMCO was established as a separate 501(c)(3) Virginia nonstock corporation. On June 30, 2005, the University exchanged investment assets of \$2.4 billion, including endowment assets of \$2.2 billion and operating assets of \$168 million, for shares of equal value in the UVIMCO Long Term Pool.

The University exchanged nonendowed investment assets of \$224 million for shares of equal value in the UVIMCO Aggregate Cash Pool.

The UVIMCO Long Term Pool invests in a variety of asset classes, including common stocks, fixed income, foreign investments, derivatives, private equity, and hedge funds. These assets are subject to a variety of risks. Common stocks are subject to risk that the value may fall (basis risk), while fixed income investments are subject to interest rate and credit risk. Foreign investments are subject to currency exchange rates, political and economic developments, limited legal recourse, and market fluctuation. 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, 2005, the University's investment in the UVIMCO Long Term Pool is \$2.4 billion representing 81 percent of invested assets. Investments in the UVIMCO Aggregate Cash Pool represent 8 percent of invested assets. These pools are not rated by nationally recognized statistical rating organizations.

### Securities Lending Transactions

The University participates in the State Treasury's securities lending program. Collateral held for security lending transactions of \$47,723,454 represents the University's allocated share of cash collateral received and reinvested and securities received by the State Treasury 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 (CAFR)*.

Details of the University's investment risks are:

Credit Quality and Interest Rate Risk (in thousands)	INVESTMENT MATURITIES (IN YEARS)					
	FAIR VALUE	CREDIT RATING	LESS THAN 1 YEAR	1-5 YEARS	6-10 YEARS	GREATER THAN 10 YEARS
<b>Cash equivalents</b>						
Assets held under state security lending program	\$ 39,360					
Short-term investment pool	9,944					
Money market funds	393					
University of Virginia Investment Management Company Aggregate Cash Pool	224,767	Unrated				
State Non-Arbitrage Program	1,978	AAAm				
Local government investment pool	20,642	AAAm				
Time deposits	529					
<b>Total cash equivalents</b>	<b>297,613</b>					
<b>Investments subject to interest rate risk</b>						
Endowment investments:						
Demand notes due from related foundation, noninterest bearing	9,902	Unrated	\$ 9,902	\$ -	\$ -	\$ -
Note receivable, 9%	263	Unrated	-	-	-	263
U.S. Treasury bonds	176		-	-	-	176
Other investments:						
Federal Home Loan Bank	70,182	Aaa	60,180	10,002	-	-
Federal Home Loan Mortgage Corporation	65,888	Aaa	46,124	19,764	-	-
Federal National Mortgage Association	71,966	Aaa	52,049	19,917	-	-
Government Home Loan Bank	7,486	Aaa	7,486	-	-	-
<b>Total investments subject to interest rate risk</b>	<b>\$ 225,863</b>		<b>\$ 175,741</b>	<b>\$ 49,683</b>	<b>\$ -</b>	<b>\$ 439</b>
	100.0%		77.8%	22.0%	-	0.2%

### NOTE 3: STATEMENT OF NET ASSETS DETAILS

a. **Accounts receivable:** Accounts receivable at June 30, 2005, are summarized in the chart below (in thousands).

ACCOUNTS RECEIVABLE	2005
Patient care	\$ 212,957
Grants and contracts	22,501
Pledges	15,244
Related foundation	11,722
Other	22,326
Less: Allowance for doubtful accounts	(125,179)
<b>Total</b>	<b>\$ 159,571</b>

b. **Notes receivable:** Notes receivable of \$27 million are reported net of the allowance for uncollectible student loans, which amounted to \$1.9 million at June 30, 2005.

c. **Pledges:** The composition of pledges receivable at June 30, 2005, is summarized in the chart below (in thousands).

PLEDGES	2005
Gift pledges outstanding:	
Operations	\$ 22,031
Capital	41,517
Total gift pledges outstanding	63,548
Less:	
Allowance for noncollectability on pledges	6,355
Unamortized discount to present value	5,982
Total pledges receivable, net	51,211
Less current portion, net of allowance	13,720
<b>Total noncurrent pledges receivable</b>	<b>\$ 37,491</b>

d. **Capital assets:** Capital assets activity for the year ended June 30, 2005, is summarized in the chart below (in thousands).

INVESTMENT IN PLANT—CAPITAL ASSETS	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
Nondepreciable capital assets:				
Land	\$ 40,022	\$ 13	\$ 10	\$ 40,025
Construction in process	206,054	162,402	99,702	268,754
<b>Total nondepreciable capital assets</b>	<b>246,076</b>	<b>162,415</b>	<b>99,712</b>	<b>308,779</b>
Depreciable capital assets:				
Buildings	1,250,905	81,330	365	1,331,870
Equipment	474,649	70,868	33,888	511,629
Infrastructure	162,417	9,197	-	171,614
Improvements other than buildings	143,801	22	-	143,823
Capitalized software	32,852	97	-	32,949
Library books	89,245	3,563	164	92,644
<b>Total depreciable capital assets</b>	<b>2,153,869</b>	<b>165,077</b>	<b>34,417</b>	<b>2,284,529</b>
Less accumulated depreciation for:				
Buildings	(499,341)	(39,966)	(98)	(539,209)
Equipment	(306,676)	(44,250)	(31,382)	(319,544)
Infrastructure	(87,780)	(4,883)	-	(92,663)
Improvements other than buildings	(50,666)	(6,360)	-	(57,026)
Capitalized software	(8,455)	(4,125)	-	(12,580)
Library books	(68,227)	(3,596)	(164)	(71,659)
<b>Total accumulated depreciation</b>	<b>(1,021,145)</b>	<b>(103,180)</b>	<b>(31,644)</b>	<b>(1,092,681)</b>
<b>Total depreciable capital assets, net</b>	<b>1,132,724</b>	<b>61,897</b>	<b>2,773</b>	<b>1,191,848</b>
<b>Total</b>	<b>\$1,378,800</b>	<b>\$ 224,312</b>	<b>\$ 102,485</b>	<b>\$1,500,627</b>

e. **Goodwill:** 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 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.

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 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.

# FINANCIAL REPORT

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

**f. Accounts payable:** Accounts payable at June 30, 2005, are summarized in the chart below (in thousands).

ACCOUNTS PAYABLE	2005
Accounts payable	\$ 100,400
Accrued salaries and wages payable	60,945
Other payables	37,056
<b>Total</b>	<b>\$ 198,401</b>

**g. Deferred revenue:** Deferred revenue at June 30, 2005, includes the following (in thousands).

DEFERRED REVENUE	2005
Grants and contracts	\$ 38,301
Student payments	11,618
Other deferred revenue	8,795
<b>Total</b>	<b>\$ 58,714</b>

## NOTE 4: LONG-TERM OBLIGATIONS

**a. Long-term debt:** Long-term debt at June 30, 2005, is summarized in the chart below.

LONG-TERM DEBT (in thousands)	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2004	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2005
<b>Commercial paper:</b>						
Taxable		2005	\$ 2,600	\$ 8,500	\$ -	\$ 11,100
Tax-exempt		2005	17,100	56,763	-	73,863
<b>Total commercial paper</b>			<b>19,700</b>	<b>65,263</b>	<b>-</b>	<b>84,963</b>
<b>Bonds and notes payable:</b>						
<b>Revenue bonds</b>						
Medical Center Series 1998B 9(d)	3.5% to 5.0%	2018	5,270	-	280	4,990
Medical Center Series 1999A 9(d)	4.5% to 5.3%	2013	36,820	-	4,225	32,595
University of Virginia Series 1995A 9(d)	variable	2020	3,080	-	320	2,760
University of Virginia Series 1998A 9(d)	4.0% to 5.1%	2024	63,970	-	2,195	61,775
University of Virginia Series 2003A 9(d)	variable	2034	82,010	-	-	82,010
University of Virginia Series 2003B 9(d)	4.0% to 5.0%	2033	117,465	-	805	116,660
Commonwealth of Virginia bonds 9(c)	3.8% to 9.3%	2021	40,695	5,533	9,643	36,585
Notes payable to VCBA 1997A (9d)	3.5% to 5.0%	2018	3,630	-	2,440	1,190
Notes payable to VCBA 1999A (9d)	3.5% to 6.0%	2020	28,435	-	21,665	6,770
Notes payable to VCBA 2000A (9d)	3.5% to 5.8%	2021	43,330	-	15,430	27,900
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	-	37,735	-	37,735
Other	various	2009	344	-	124	220
<b>Total bonds and notes payable</b>			<b>425,049</b>	<b>43,268</b>	<b>57,127</b>	<b>411,190</b>
Total commercial paper, bonds and notes payable			444,749	108,531	57,127	496,153
<b>Current portion of long-term debt</b>			<b>(34,390)</b>	<b>17,999</b>	<b>-</b>	<b>(16,391)</b>
Bond premium			7,041	-	321	6,720
Unamortized loss on early retirement of debt			(1,852)	327	1,263	(2,788)
<b>Total long-term debt</b>			<b>\$ 415,548</b>	<b>\$ 126,857</b>	<b>\$ 58,711</b>	<b>\$ 483,694</b>

During the fiscal year ended June 30, 2005, the Commonwealth of Virginia, on behalf of the University of Virginia, issued bonds of \$43,267,982 to advance refund \$42,005,000 in various series of bonds. The advance refunding reduced the aggregate debt service by \$2,887,607, representing a net present-value savings of \$2,352,350 and an accounting loss of \$1,262,982.

The University has both taxable and tax-exempt commercial paper programs that provide for bridge financing. At June 30, 2005, the average days to maturity was 46 and the weighted-average effective interest rate was 2.04 percent. Effective May 25, 2005, the Board of Visitors approved an increase in the commercial paper program, from \$100 million to \$175 million.

The University of Virginia has a revolving credit agreement with a maximum principal amount of \$82 million 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, 2005.

In July 2005, the University issued General Revenue Pledge Bonds, Series 2005 (see Note 14), a portion of which was used to refund the outstanding commercial paper balance of \$85 million. To reflect this activity, the commercial paper balance is shown as long-term debt at June 30, 2005.

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 (in thousands):

MATURITIES AND INTEREST	PRINCIPAL	INTEREST
2006	\$ 16,391	\$ 17,642
2007	16,696	16,864
2008	17,068	16,013
2009	13,203	15,160
2010	13,716	15,007
2011–2015	86,669	59,044
2016–2020	73,156	39,642
2021–2025	41,845	25,284
2026–2030	28,905	17,080
2031–2034	103,541	7,865
<b>Total</b>	<b>\$ 411,190</b>	<b>\$ 229,601</b>

**b. Long-term liabilities:** Long-term liabilities at June 30, 2005, are summarized in the chart below.

LONG-TERM LIABILITIES (in thousands)	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
Investments held for related foundations	\$ 227,533	\$ 61,846	\$ 275,608	\$ 13,771
Accrual for compensated absences	40,511	41,984	41,397	41,098
Perkins loan program	12,906	2,533	-	15,439
Other	8,405	8,151	286	16,270
Subtotal	289,355	114,514	317,291	86,578
Less: current portion of long-term liabilities	(42,166)	-	8,245	(50,411)
<b>Long-term liabilities</b>	<b>\$ 247,189</b>	<b>\$ 114,514</b>	<b>\$ 325,536</b>	<b>\$ 36,167</b>

## NOTE 5: 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 in Charlottesville, Virginia. Although available to all U.Va. physicians, the site principally serves orthopedic physicians located at Fontaine Research Park. UVI also provides services to outpatients from the Medical Center's primary and secondary service areas.

Because the Medical Center owns 80 percent of UVI, its financial activity is presented under the consolidation method.

### Community Medicine, L.L.C.

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

Community Medicine commenced operations on July 1, 2001, and as of June 30, 2005, the Medical Center's investment totaled \$1,810,000.

**Central Virginia Health Network, Inc.**

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

The Medical Center originally paid \$100 for 10,000 shares of common stock and \$109,900 as additional paid-in capital. In addition, the Medical Center is obligated for monthly dues to CVHN of \$15,913. Complete financial statements can be obtained from the registered agent: Steven D. Gravely, Esq., Mezzullo and McCandlish, P.O. Box 796, Richmond, VA 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, VA 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 health care markets. In keeping with this mission, UHC helps members pool resources, create economies of scale, improve clinical and operating efficiencies, and influence the direction and delivery of health care. Accordingly, UHC is organized and operated on a cooperative basis for the benefit of its patron-member health systems.

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

AS OF JUNE 30, 2005	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
UVA Imaging, L.L.C.	\$ 687,019	\$ 2,336,542	\$ 3,023,561
Community Medicine, L.L.C.	1,810,000	(2,400,427)	(590,427)
Central Virginia Health Network, Inc.	232,500	(41,026)	191,474
HealthSouth, L.L.C.	2,230,000	2,583,431	4,813,431
Valiance, L.L.C.	500,000	34,635	534,635
University HealthSystem Consortium	-	897,157	897,157

**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 6: COMPONENT UNITS**

Summary financial statements and additional disclosures are presented below.

<b>Statement of Financial Position</b> (in thousands) <i>as of June 30, 2005</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
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Total current assets	\$ 5,037	\$ 13,360	\$ 20,244	\$ 18,498	\$ 5,077	\$ 75,215	\$ 226,665	\$ 364,096	\$ -	\$ 364,096
<b>NONCURRENT ASSETS</b>										
Long-term investments	215,942	190,685	264,652	45,464	69,583	34,821	2,754,603	3,575,750	(252,184)	3,323,566
Capital assets, net and other assets	9,177	88,975	14,966	28,881	154,283	43,832	67	340,181	-	340,181
Total noncurrent assets	225,119	279,660	279,618	74,345	223,866	78,653	2,754,670	3,915,931	(252,184)	3,663,747
<b>TOTAL ASSETS</b>	<b>\$ 230,156</b>	<b>\$ 293,020</b>	<b>\$ 299,862</b>	<b>\$ 92,843</b>	<b>\$ 228,943</b>	<b>\$ 153,868</b>	<b>\$ 2,981,335</b>	<b>\$ 4,280,027</b>	<b>\$ (252,184)</b>	<b>\$ 4,027,843</b>
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES</b>										
Total current liabilities	\$ 97	\$ 6,586	\$ 70,315	\$ 755	\$ 43,998	\$ 48,632	\$ 2,980,449	\$ 3,150,832	\$ (252,184)	\$ 2,898,648
<b>NONCURRENT LIABILITIES</b>										
Long-term debt, net of current portion of \$2,310	5	61,755	-	-	79,160	20,600	-	161,520	-	161,520
Other noncurrent liabilities	457	-	17,355	1,031	33,193	23,177	-	75,213	-	75,213
Total noncurrent liabilities	462	61,755	17,355	1,031	112,353	43,777	-	236,733	-	236,733
<b>TOTAL LIABILITIES</b>	<b>\$ 559</b>	<b>\$ 68,341</b>	<b>\$ 87,670</b>	<b>\$ 1,786</b>	<b>\$ 156,351</b>	<b>\$ 92,409</b>	<b>\$ 2,980,449</b>	<b>\$ 3,387,565</b>	<b>\$ (252,184)</b>	<b>\$ 3,135,381</b>
<b>NET ASSETS</b>										
Unrestricted	\$ 46,045	\$ 81,215	\$ 35,210	\$ 33,632	\$ 12,198	\$ 46,459	\$ 886	\$ 255,645	\$ -	\$ 255,645
Temporarily restricted	113,321	42,336	68,933	39,625	47,821	15,000	-	327,036	-	327,036
Permanently restricted	70,231	101,128	108,049	17,800	12,573	-	-	309,781	-	309,781
Total net assets	\$ 229,597	\$ 224,679	\$ 212,192	\$ 91,057	\$ 72,592	\$ 61,459	\$ 886	\$ 892,462	\$ -	\$ 892,462
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 230,156</b>	<b>\$ 293,020</b>	<b>\$ 299,862</b>	<b>\$ 92,843</b>	<b>\$ 228,943</b>	<b>\$ 153,868</b>	<b>\$ 2,981,335</b>	<b>\$ 4,280,027</b>	<b>\$ (252,184)</b>	<b>\$ 4,027,843</b>

\*December 31, 2004 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. The component units recorded an allowance against pledges receivable for estimated uncollectible amounts. Unconditional promises to give at June 30, 2005, are as follows:

<b>Summary Schedule of Pledges Receivable</b> (in thousands)	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
<b>TOTAL PLEDGES RECEIVABLE</b>	<b>\$ 20,000</b>	<b>\$ 10,425</b>	<b>\$ 17,046</b>	<b>\$ 43,225</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ -</b>	<b>\$ 105,696</b>
Less allowance for uncollectible accounts	(4,773)	(3,482)	(1,650)	(2,401)	-	-	-	(12,306)
Less effect of discounting to present value	(2,201)	(156)	(2,140)	(3,675)	-	-	-	(8,172)
<b>NET PLEDGES RECEIVABLE</b>	<b>13,026</b>	<b>6,787</b>	<b>13,256</b>	<b>37,149</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>85,218</b>
Less current pledges	(4,538)	(5,160)	(1,804)	(10,027)	-	(15,000)	-	(36,529)
<b>TOTAL NONCURRENT PLEDGES RECEIVABLE</b>	<b>\$ 8,488</b>	<b>\$ 1,627</b>	<b>\$ 11,452</b>	<b>\$ 27,122</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 48,689</b>

\*December 31, 2004 year-end

The **University of Virginia Law School Foundation** has also received bequest intentions and certain other conditional promises to give of approximately \$21.2 million at June 30, 2005. 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, 2005, was \$62.4 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, 2005, for the component units are as follows:

Summary Schedule of Investments (in thousands)	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	\$ 25	\$ -	\$ 205,664	\$ 612	\$ -	\$ -	\$ 2,333,769	\$ 2,540,070
University of Virginia Investment Management Company	97,048	54,018	34,861	20,513	36,976	3,895	-	247,311
Equities	69,530	25,997	-	20,427	-	-	70,027	185,981
Other	49,339	110,670	24,127	3,912	34,005	33,614	575,574	831,241
<b>TOTAL INVESTMENTS</b>	<b>215,942</b>	<b>190,685</b>	<b>264,652</b>	<b>45,464</b>	<b>70,981</b>	<b>37,509</b>	<b>2,979,370</b>	<b>3,804,603</b>
Less amounts shown in current assets	-	-	-	-	(1,398)	(2,688)	(224,767)	(228,853)
Less eliminations	(97,048)	(54,018)	(34,861)	(20,513)	(41,849)	(3,895)	-	(252,184)
<b>LONG-TERM INVESTMENTS</b>	<b>\$ 118,894</b>	<b>\$ 136,667</b>	<b>\$ 229,791</b>	<b>\$ 24,951</b>	<b>\$ 27,734</b>	<b>\$ 30,926</b>	<b>\$ 2,754,603</b>	<b>\$ 3,323,566</b>

\*December 31, 2004 year-end

## Property, Furnishings, and Equipment

The **University of Virginia Foundation's** property, furnishings, and equipment are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over estimated useful lives of five to thirty-nine years using the straight-line method. As of June 30, 2005, capital assets consisted of (in thousands):

Land	\$ 42,296
Buildings and improvements	126,662
Furnishings and equipment	15,356
<b>TOTAL</b>	<b>184,314</b>
Less accumulated depreciation	(40,306)
<b>NET CAPITAL ASSETS</b>	<b>\$ 144,008</b>

## Notes Payable

The **University of Virginia Foundation** has established a line of credit in the amount of \$21 million. The outstanding balance at June 30, 2005, was \$21 million. The Foundation has a second line of credit in the amount of \$16 million. The outstanding balance on this line was \$16 million at June 30, 2005. The Foundation has a third line of credit in the amount of \$15 million. The outstanding balance was \$8.9 million at June 30, 2005.

The University has allocated up to \$48 million of its quasi-endowment funds for use by the Foundation to acquire and develop real estate. As of June 30, 2005, the Foundation had borrowed \$9.9 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, 2005 (in thousands).

1996 Industrial Development Authority revenue bonds—Albemarle	\$ 1,440
1997 Industrial Development Authority revenue bonds—Louisa	6,438
1999 Mortgage note payable	8,265
1999 Mortgage note payable	255
2001 Refinancing demand bonds	46,055
2004 Mortgage note payable	1,262
2004 Refinancing note payable	17,165
<b>TOTAL</b>	<b>80,880</b>
Less portion due within one year	(1,720)
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	<b>\$ 79,160</b>

# FINANCIAL REPORT

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, 2006	\$ 1,720
Year ended June 30, 2007	2,749
Year ended June 30, 2008	7,541
Year ended June 30, 2009	20,248
Year ended June 20, 2010	1,969
Years ended June 30, 2011–2020	46,653
<b>TOTAL</b>	<b>\$ 80,880</b>

The following table summarizes the **University of Virginia Health Services Foundation's** long-term obligations at June 30, 2005 (in thousands):

1998 Refunding bonds	\$ 16,330
2000 Industrial Development Authority revenue bonds—Louisa	4,860
<b>TOTAL</b>	<b>21,190</b>
Less portion due within one year	(590)
<b>LONG-TERM DEBT, NET OF CURRENT PORTION</b>	<b>\$ 20,600</b>

Principal maturities of all mortgages and notes payable after refinancing are as follows (in thousands):

Year ended June 30, 2006	\$ 590
Year ended June 30, 2007	715
Year ended June 30, 2008	745
Year ended June 30, 2009	780
Year ended June 30, 2010	810
Years ended June 30, 2011–2030	17,550
<b>TOTAL</b>	<b>\$ 21,190</b>

<b>Statement of Activities</b> (in thousands) <i>for the year ended June 30, 2005</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
<b>UNRESTRICTED REVENUES AND SUPPORT</b>										
Contributions	\$ 2,340	\$ 3,342	\$ 599	\$ 14,073	\$ -	\$ -	\$ -	\$ 20,354	\$ -	\$ 20,354
Fees for services, rentals, and sales	-	19,858	1,152	530	34,023	175,478	4,705	235,746	-	235,746
Other revenues	12,956	11,422	48,108	12,183	4,247	52,220	454	141,590	-	141,590
<b>Total Unrestricted Revenues and Support</b>	<b>15,296</b>	<b>34,622</b>	<b>49,859</b>	<b>26,786</b>	<b>38,270</b>	<b>227,698</b>	<b>5,159</b>	<b>397,690</b>	<b>-</b>	<b>397,690</b>
<b>EXPENSES</b>										
Program services, lectures, special events	6,905	29,062	45,670	8,192	-	174,378	-	264,207	-	264,207
Other expenses	2,553	7,985	1,350	16,525	34,792	37,874	4,273	105,352	-	105,352
<b>Total Expenses</b>	<b>9,458</b>	<b>37,047</b>	<b>47,020</b>	<b>24,717</b>	<b>34,792</b>	<b>212,252</b>	<b>4,273</b>	<b>369,559</b>	<b>-</b>	<b>369,559</b>
<b>Excess (deficiency) of unrestricted revenues and support over expenses</b>	<b>5,838</b>	<b>(2,425)</b>	<b>2,839</b>	<b>2,069</b>	<b>3,478</b>	<b>15,446</b>	<b>886</b>	<b>28,131</b>	<b>-</b>	<b>28,131</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>										
Contributions	7,299	3,690	29,611	11,706	5,679	15,000	-	72,985	-	72,985
Other	8,207	8,584	(23,226)	(8,254)	(3,038)	-	-	(17,727)	-	(17,727)
<b>Net Change in Temporarily Restricted Net Assets</b>	<b>15,506</b>	<b>12,274</b>	<b>6,385</b>	<b>3,452</b>	<b>2,641</b>	<b>15,000</b>	<b>-</b>	<b>55,258</b>	<b>-</b>	<b>55,258</b>
<b>CHANGES IN PERMANENTLY RESTRICTED NET ASSETS</b>										
Contributions	588	1,753	10,482	885	-	-	-	13,708	-	13,708
Other	528	-	505	33	108	-	-	1,174	-	1,174
<b>Net Change in Permanently Restricted Net Assets</b>	<b>1,116</b>	<b>1,753</b>	<b>10,987</b>	<b>918</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>14,882</b>	<b>-</b>	<b>14,882</b>
<b>CHANGE IN NET ASSETS</b>	<b>22,460</b>	<b>11,602</b>	<b>20,211</b>	<b>6,439</b>	<b>6,227</b>	<b>30,446</b>	<b>886</b>	<b>98,271</b>	<b>-</b>	<b>98,271</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>207,137</b>	<b>193,953</b>	<b>191,981</b>	<b>84,618</b>	<b>66,365</b>	<b>31,013</b>	<b>-</b>	<b>775,067</b>	<b>-</b>	<b>775,067</b>
Prior period adjustment	-	19,124	-	-	-	-	-	19,124	-	19,124
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 229,597</b>	<b>\$224,679</b>	<b>\$212,192</b>	<b>\$ 91,057</b>	<b>\$ 72,592</b>	<b>\$ 61,459</b>	<b>\$ 886</b>	<b>\$892,462</b>	<b>\$ -</b>	<b>\$892,462</b>

\*December 31, 2004 year-end

### Other 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, 2006	\$ 2,748
Year ended June 30, 2007	2,900
Year ended June 30, 2008	3,055
Year ended June 30, 2009	3,225
Year ended June 30, 2010	3,400
Years ended June 30, 2011–2020	49,187
<b>TOTAL</b>	<b>\$ 64,515</b>

In prior years, the Foundation entered into three separate agreements with the University of Virginia (the University) to pay for the costs of the construction of Sponsors Hall and new Darden School facilities (Phases I and II). As a result of these agreements, the Foundation was required to reimburse the University for a total of \$81.6 million in bonds issued for these construction projects.

In addition to agreeing to reimburse the University for the cost of the bonds it issued, the Foundation received future economic benefits from these three agreements with the University because a portion of the Foundation's operations are housed within the Sponsors Hall facility, the Phase I expansion and the Phase II facility. As such, the Foundation recorded a rights of occupancy asset, which represents the Foundation's future economic benefits from the agreements. The rights of occupancy asset is being amortized over the life of the future economic benefits, which is estimated to be 40 years.

To account for the notes payable and rights of occupancy asset, the Foundation recorded a prior period adjustment, which increases net assets in the amount of \$19.1 million as of June 30, 2004.

Direct payments to the University from the **Alumni Association of the University of Virginia** for the year ended June 30, 2005, totaled \$9.9 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 from these services were approximately \$36.3 million for the year ended June 30, 2005. Approximately \$5.5 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 \$22.2 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2005.

On June 30, 2005, the Foundations transferred \$212 million of assets to the **University of Virginia Investment Management Company (UVIMCO)** in exchange for shares of equal value in the UVIMCO Long Term Pool.

### NOTE 7: NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS AS OF JUNE 30, 2005 (in thousands)	COMPENSATION AND BENEFITS	SUPPLIES AND OTHER SERVICES	STUDENT AID	UTILITIES	DEPRECIATION	OTHER	TOTAL
Instruction	\$ 225,110	\$ 6,454	\$ 1,064	\$ 1,790	\$ -	\$ 563	\$ 234,981
Research	149,827	139,838	15,557	1,195	-	565	306,982
Public service	12,254	11,048	577	182	-	434	24,495
Academic support	72,647	24,340	508	677	-	348	98,520
Student services	17,351	8,431	109	218	-	257	26,366
Institutional support	56,549	2,940	10	1,648	-	211	61,358
Operation of plant	45,075	(38,736)	17	46,099	-	64	52,519
Student aid	729	4,446	22,940	-	-	99	28,214
Auxiliary	50,335	30,133	74	16,957	-	(239)	97,260
Depreciation	-	-	-	-	62,446	-	62,446
Patient services	334,828	344,438	-	13,016	42,008	27,389	761,679
Other	16	5,690	88	540	-	(69)	6,265
<b>Total</b>	<b>\$ 964,721</b>	<b>\$ 539,022</b>	<b>\$ 40,944</b>	<b>\$ 82,322</b>	<b>\$ 104,454</b>	<b>\$ 29,622</b>	<b>\$1,761,085</b>

### NOTE 8: 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 (in thousands).

APPROPRIATIONS	2005
Original legislative appropriation per Chapter 951	\$ 129,465
Adjustments:	
Salary increase	653
Employee benefits	(234)
Eminent Scholars	2,957
Financial Aid—General Fund	7,389
Reversions	(161)
Prior year correction	2,935
Virginia Graduate Marine Science Consortium	210
Miscellaneous appropriation	2,005
Miscellaneous educational and general	(1,614)
<b>Total</b>	<b>\$ 143,605</b>

### NOTE 9: 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 \$37 million, and contributions to the Optional Retirement Plans were calculated, using base salaries of \$400 million, for the year ended June 30, 2005. The contribution percentage amounted to 9.3 percent.

**NOTE 10: 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 11: 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, 2005, was \$25.6 million. The estimated liability for outstanding claims at June 30, 2005, was \$10.5 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 faithful performance of duty 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 12: 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, 2005, was \$119.7 million and income received totaled \$6.3 million.

**NOTE 13: COMMITMENTS**

**Contractual Commitments**

As of June 30, 2005, the University had outstanding construction contracts commitments of approximately \$202 million. The University’s ongoing commitments for operating leases for land, office and clinical buildings, and equipment are as follows (in thousands):

Years Ending June 30	Lease Obligation
2006	\$ 11,097
2007	7,899
2008	4,923
2009	3,359
2010	2,926
2011–2015	2,489
2016–2020	1,006
2021–2025	823
2026–2030	823
2031–2035	823
2036–2040	823
2041–2045	823
2046–2050	659
<b>Total</b>	<b>\$ 38,473</b>

The University has entered into numerous agreements to rent, lease, and maintain land, buildings, and equipment. The total expense for the year ended June 30, 2005, was approximately \$31.8 million.

**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 accounting position.

**NOTE 14: SUBSEQUENT EVENTS**

On July 20, 2005, the University of Virginia issued \$193,335,000 in General Revenue Bonds, Series 2005. The 2005 Series reduced the aggregate debt service by \$4,395,470 and represents a net present value savings of \$3,262,829. The 2005 Series was issued to refund the University of Virginia 1998(A) 9(d) bonds, the outstanding commercial paper and to fund new construction on the Grounds of the University of Virginia.

Medical Center management officials have recorded reserve funds pending a decision by the Centers for Medicare and Medicaid Services (CMS) regarding the recovery of certain federal payments made during the period 1997–2005. The financial impact of the final resolution of this case on the Medical Center is not known at this time; however, based on the CMS disallowances for prior years, management has recorded adequate reserves to cover an unfavorable settlement.

## UNIVERSITY ADMINISTRATION

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 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

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An online version of this report is available at [www.virginia.edu/president/report05](http://www.virginia.edu/president/report05).

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## The Works of Art

The works of art in this year's report are by members of the studio art faculty in the McIntire Department of Art. These pieces represent a small sampling of the creative range of the department, home to filmmakers, photographers, and experts in digital media, as well as painters, sculptors, and printmakers. As part of the Arts Grounds project, the University will soon begin construction of Ruffin Hall, a new studio art building containing spaces designed for teaching art in specific media and galleries that will showcase works by students, faculty, and visiting artists. To learn more about the department's people and programs, visit [www.virginia.edu/art/](http://www.virginia.edu/art/). To learn more about the Arts Grounds project, visit [www.virginia.edu/supportuval](http://www.virginia.edu/supportuval).

## The Cover

*The Bayly Building (University of Virginia Art Museum), 2004*

Lincoln Perry

From *Lincoln Perry's Charlottesville*, University of Virginia Press

Lincoln Perry, a distinguished visiting artist in the McIntire Department of Art, is renowned for his narrative figurative paintings and murals. He is best known at the University for his mural *The Student's Progress*, installed in Old Cabell Hall in 2000, but he has painted scenes on and around the Grounds since first coming to the University as a visiting artist in 1985. Many of these images appear in *Lincoln Perry's Charlottesville*, just published by the University of Virginia Press. The book includes an essay and interview by the artist's wife, Ann Beattie, a member of the University's creative writing faculty and the Edgar Allan Poe Professor of English. For more about the book, visit [www.upress.virginia.edu/books/perry.html](http://www.upress.virginia.edu/books/perry.html).



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