

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
MAY 16, 2006**

FINANCE COMMITTEE

Tuesday, May 16, 2006
10:30 a.m. - 12:00 p.m.
Byrd Seminar Room, Room 318
Harrison Institute

Committee Members:

W. Heywood Fralin, Chair
A. Macdonald Caputo Warren M. Thompson
Alan A. Diamonstein John O. Wynne
Georgia Willis Fauber Thomas F. Farrell, II, Ex Officio
G. Slaughter Fitz-Hugh

AGENDA

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Finance

AGENDA ITEM: I.A. 2006-2007 Budget

BACKGROUND: At its May meeting, the Board of Visitors acts on the proposed operating budgets for the Academic Division, The University of Virginia's College at Wise, and the Medical Center. Since its October 2005 meeting, the Board of Visitors has heard reports on the budget requests submitted to the state for the period 2006-2008 and the preliminary budget assumptions for the 2006-2007 operating budget. During its February and April meetings, the Board approved tuition, mandatory fees, housing, and dining rates for 2006-2007, which comprise a significant revenue source for the operating budget. As of May 8th, the General Assembly has not yet agreed upon a budget for the 2006-2008 biennium.

DISCUSSION: The 2006-2007 expenditure budget proposal for all divisions of the University totals \$1.97 billion, representing an increase of 6.7 percent compared with the revised budgets of the previous fiscal year. Of this amount, \$1,069.9 million relates to the Academic Division, \$30.4 million to The University of Virginia's College at Wise, and \$866 million to the Medical Center.

Academic Division

The proposed Academic Division operating expenditure budget will increase by six percent to \$1,069.9 million. This growth is driven by higher costs of salaries, fringe benefits, and fuel; the continued implementation of high priority initiatives such as Access UVa; deferred maintenance, and the student system implementation; and allocations of base operating support to academic units, new facilities, and Integrated System support.

The increased budget will be funded from incremental tuition (8.6 percent increase), state general funds (7.7 percent), auxiliary revenues (6.7 percent), and increased usage of private resources (7.5 percent). In a change from recent years, the direct and indirect cost recoveries from grants and contracts will decrease by 1.5 percent reflecting recent

reductions in federal funding for granting agencies such as the National Institutes of Health. In the absence of a final state budget, we have made several assumptions related to authorized salary increases and incremental base budget adequacy funding, based on the submitted budgets from both houses of the General Assembly.

Tuition and fees will fund 28 percent of the Academic Division expenditure budget, while grants and contracts will account for 25.8 percent. State general funds and private resources will each contribute 14.2 percent of the Academic Division operating budget. Funds from auxiliary enterprise operations (13.2 percent) and other sources (4.6 percent) comprise the remainder of the budget. For 2006-2007, the other sources category includes the usage of accumulated investment appreciation on overnight balances in order to fund central development costs and one-time projects such as the student system implementation.

Personnel costs comprise approximately 76 percent of educational and general expenditures and 63 percent of total operating expenditures in the Academic Division.

The University of Virginia's College at Wise

The proposed 2006-2007 expenditure budget for The University of Virginia's College at Wise increases by \$3.2 million or 11.7 percent. The College is assuming a state general fund increase of 20 percent based on Governor Warner's proposed budget. Tuition revenues will increase 10.6 percent, while sponsored research and private support will generate an additional five percent each in 2006-2007.

Medical Center

The Medical Center operating expenditure budget is proposed to increase by \$61.5 million, or 7.6 percent, to \$866 million during 2006-2007, compared with 2005-2006 projected operating expenses of \$804.5 million. The total margin is expected to be \$60.4 million or 4.8 percent. The Medical Center budget presentation will include a proposal to increase hospital room rates and ancillary service charges between eight and 9.9 percent and to enhance personnel compensation packages. The pay for performance pool has been established at \$11 million for 2006-2007.

The Medical Center's 2006-2007 fiscal plan has been developed to include aspects of the Decade Plan developed jointly by the Medical Center and School of Medicine while considering the challenges of providing patient care, teaching, and research services in an increasingly changing health care industry. The cost associated with providing quality patient care will continue to have upward pressure due to increases in medical supply, pharmaceutical, and medical device expenses, as well as a shortage of healthcare workers. In addition, the Medical Center expects to continue its growth in surgery and to care for patients with high acuity illnesses.

For a full discussion of the budget proposal as well as comparative revenue and expenditure data for the Academic Division, The University's College at Wise, and the Medical Center, please refer to the budget summary.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used "to supplement salaries of the professors of the Departments of Biology, Chemistry, Mathematics and Physics, to purchase equipment for these departments as suggested by the heads of the departments and approved by the President and the Board of Visitors, and to provide for scholarships in these departments for outstanding students." Mr. Pratt's will provides further that these funds could be used "to support research in the School of Medicine and to provide scholarships for medical students." The will stipulates that the Pratt endowment reverts to Washington and Lee University if the University of Virginia does not comply with the provisions of the will. The original Pratt endowment has been split into two equal endowments, with 50 percent of the original principal assigned to the College of Arts and Sciences and the remaining 50 percent assigned to the School of Medicine.

In 2006-2007, a distribution of \$2,068,652 from the College of Arts and Sciences endowment and \$1,300,000 from the School of Medicine endowment, for a total of \$3,368,652, is recommended. This distribution is made directly to the College of Arts & Sciences and the School of Medicine and is consistent with amounts distributed in the past. Committees in each of the schools developed the proposal (found on page 4) to spend the distribution in a manner consistent with previous years.

Deans in each of the schools, the Vice President for Research and Graduate Studies, and, the Vice President and

Provost support these projects. The table below shows aggregate allocations; the attachment on page 31 describes the specific allocations.

2006-2007 Pratt Fund Allocation

	<u>Equipment</u>	<u>Faculty Salaries</u>	<u>Fellowships</u>	<u>Research</u>	<u>Total</u>
Biology	\$ 8,155	\$ 66,335	\$ 225,510	\$ -	\$ 300,000
Chemistry	\$ 111,287	\$155,000	\$ 145,000	-	\$ 411,287
Mathematics	\$ -	\$ 39,817	\$ 160,183	-	\$ 200,000
Physics	\$ 50,000	\$ 31,882	\$ 218,118	-	\$ 300,000
New Faculty Start-Up Fund	\$ 857,365	\$ -	\$ -	-	\$ 857,365
Arts & Sciences Subtotal	\$1,026,807	\$293,034	\$ 748,811	\$ -	\$2,068,652
School of Medicine	\$ -	\$ -	\$ 277,182	\$1,022,818	\$1,300,000
TOTAL	\$1,026,807	\$293,034	\$1,025,993	\$1,022,818	\$3,368,652

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF THE 2006-2007 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED that the 2006-2007 Operating Budget for the Academic Division is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2006-2007 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2006-2007 Operating Budget for The University of Virginia's College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2006-2007 OPERATING AND CAPITAL BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2006-2007 Operating and Capital Budget for the University of Virginia Medical Center is approved, as recommended by the President, the Chief Financial Officer, and the Medical Center Operating Board.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2006-2007

RESOLVED that the budget for the expenditure of funds from the Estate of John Lee Pratt be approved to supplement

appropriations made by the Commonwealth of Virginia for the School of Medicine and Departments of Biology, Chemistry, Mathematics, and Physics in the College of Arts and Sciences. Departmental allocations, not to exceed \$3,368,652 for 2006-2007, are suggested by the department chairs and recommended by the dean of each school. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Finance

AGENDA ITEM: I.B. Spending Policy

BACKGROUND: In September 2004, the Finance Committee heard a report on the impact of the University's spending policy on the two objectives of (1) preserving the purchasing power of the endowment principal and (2) providing stable and adequate distributions to support programs. The report's conclusion was that the University's investment performance and spending policy have enabled us to maintain the purchasing power of the endowment since 1986, and to allow spending to keep up with inflation since 1990. However, because the outlook for investment returns was not as promising as recent years' returns, the Committee questioned whether the spending policy should be changed to be more conservative. At that time the spending policy was to distribute "4.5 percent of a twelve-quarter moving average of the market value of the Pooled Endowment Fund."

At the March 2005 meeting, the Board passed a resolution that changed the University's policy. The current spending policy, effective July 1, 2005, calls for a percentage increase in the annual distribution from the endowment, unless such increase causes the distribution to fall outside a range defined as 3.5 percent on the low end and 5.5 percent on the high end of the market value of the Pooled Endowment Fund. The first distribution under the new policy was made in January 2006. Further, the resolution specified that "if the distribution falls outside of this range, the Finance Committee may recommend either raising or lowering the rate of increase." An additional objective of the new spending policy is to bring the payout rates for class A shares up to the level of class B payout, and then to keep the payout rates for the two classes identical going forward.

DISCUSSION: UVIMCO has achieved returns on our endowment significantly above the assumptions of the model used to set the spending policy. There will be a discussion of the payouts for the current year (fiscal year 2005-2006) and projections for next year (fiscal year 2006-2007) compared with the parameters that were established based on market value. We will propose

increasing the spending for fiscal year 2006-2007. The change will increase the payout for class A and class B shares, and set these payouts at the same amount four years earlier than projected based on original assumptions.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF ENDOWMENT SPENDING POLICY

WHEREAS, the University's current endowment spending policy, approved by the Board of Visitors in March 2005, calls for a percentage increase in the annual distribution from the endowment, unless such increase causes the distribution to fall outside a range defined as 3.5 percent on the low end and 5.5 percent on the high end of the market value of the Pooled Endowment Fund;

WHEREAS, the policy specifies that if the distribution falls outside of this range, the Finance Committee may recommend either raising or lowering the rate; and

WHEREAS, the fiscal year 2006-2007 distribution as a percentage of March 31, 2006 market value will be below 3.5 percent of the market value for class A shares.

RESOLVED that for fiscal year 2006-2007, the spending rate for class A and class B shares will be adjusted to 4.0 percent of the market value at March 31, 2006, achieving the objective of the payment rate for class A shares that is equal to the payout rate for class B shares.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Finance

AGENDA ITEM: II.A. Vice President's Remarks

ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will report on the progress toward the 2005-2006 goals and work plan of the Finance Committee. The Executive Vice President and Chief Operating Officer will also inform the Board of recent events that do not require formal action, but of which it should be made aware.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 16, 2006

COMMITTEE: Finance

AGENDA ITEM: II.B. Endowment Report - Market Value
and Performance as of March 31, 2006

ACTION REQUIRED: None

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) provides investment management to the Rector and Visitors of the University of Virginia and its related Foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO in behalf of the University and Foundations within a long-term, co-mingled investment Pool.

UVIMCO's primary objective in managing the Pool is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, UVIMCO actively manages the Pool in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. Recognizing that the University must attract outstanding students, faculty, and staff and provide them appropriate resources, UVIMCO attempts to manage Pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools. UVIMCO does not set spending rates. UVIMCO communicates the Pool's risk and return estimates to the University and Foundations for their consideration in setting spending rates.

DISCUSSION:

Performance Summary

Our return of 15 percent for the fiscal year-to-date more than doubled the seven percent return of a traditional 65 percent/35 percent blend of the Russell 3000 and Lehman Aggregate equity and bond market indices. Our 25 percent allocation to public equity provided a remarkable nine month return of 27 percent, largely as a function of our tilt toward emerging markets. Our over 50 percent allocation to hedge funds returned 12 percent for the nine months, keeping pace with the US equity market but lagging the soaring returns provided by foreign

equities. The very strong market returns over recent years and months for real estate and resources have contributed only modestly to our portfolio because of our small allocations and immature portfolios.

Despite its strong return, the Pool trailed its target benchmark by two percent fiscal year-to-date. Our portfolios of managers in the alternative asset classes all underperformed their benchmarks. Underperformance of our hedge fund managers during a period of strong equity market return is familiar and suggests that our hedge fund portfolio has more short exposure than its benchmark. As noted in previous commentary, underperformance of our private investments is a function of our immature portfolios and the J-curve effect.

Outlook and Strategy

At our upcoming annual review of investment policy in May, we will consider whether to lessen our heavy reliance on hedge funds and to increase our allocations to more traditional asset classes. We took a small step in that direction last year, which aided this year's returns, and we may take another step this year.

However, any such decision to increase traditional market exposure will be more difficult after the spectacular recent appreciation of risky assets around the world. While our hedge fund portfolio has provided a more than reasonable three-year compound return of 13 percent, it has dramatically lagged the 19 percent return of the U.S. equity market, the 32 percent return of developed non-US equity markets, the 47 percent return of emerging equity markets, and the three-year internal rates of return of 26 percent, 22 percent, and 27 percent that Cambridge reports for its universes of private equity, real estate, and resources managers, respectively. Undoubtedly many of our peers have larger allocations; and while we may suspect that we are underinvested in public equities, private equities, and real assets, we are loath to chase past returns.

Public Equity

The rapid ascent of global equity market prices continued during the first quarter of 2006. As has been the case for several years, emerging equity markets led the climb, up another 12 percent during the last quarter alone. Developed international markets followed close behind up nine percent, and the lagging US market still managed a five percent return for the quarter. Fiscal year to date, the ascent of global equity market prices was even higher and the performance differential among the regions wider,

with emerging markets up a dizzying 42 percent, developed international markets up 26 percent, and US equities up 12 percent. Within the US, small capitalization stocks dominated the broader market, up 14 percent for the quarter and 21 percent fiscal year-to-date.

Our long-held tilt toward emerging markets continued to pay off in both the first quarter and fiscal year-to-date. Our total public equity returns of nine percent for the quarter and 27 percent year-to-date exceeded our target blend of US, developed international, and emerging market equity indices by one percent and three percent, respectively. Individually, our US equity and developed international equity portfolios outperformed their benchmarks year-to-date but our emerging market portfolio lagged its benchmark largely because of our overweight to Asia.

Looking forward, we seek to reduce our tilt to small capitalization value in the US and our tilt toward emerging markets internationally. We made some changes during the quarter to accomplish these shifts. Within US equity we increased the large capitalization component of the portfolio by \$50 million, thus lessening our tilt to small value. We also reduced our emerging market portfolio by a net \$70 million, divesting \$100 million from a broad market fund while investing \$30 million in a specialized strategy in Korea.

Hedge Funds

Our hedge fund portfolio returned four percent for the quarter and 12 percent fiscal year-to-date, lagging the returns of our Tremont benchmark, which is up six percent and 14 percent for the quarter and fiscal year-to-date, respectively. The bulk of this underperformance can be attributed to underperformance of our large portfolio of long/short funds. We suspect that the main reason that our long/short managers have underperformed their benchmark is higher exposure on the short side, with much of that short position in small capitalization US stocks. The small capitalization rally in the US was likely more costly to our managers than to those that dominate the index. In the future, we believe this head wind will shift to a tail wind.

We continue to focus on finding great stock pickers organized as long/short hedge funds. We will also continue to diversify our hedge fund portfolio by strategy. We have added to our global macro allocation and are considering increasing our allocation to multi-strategy. Finally, we are looking to commit to opportunistic drawdown funds organized by experienced credit managers in anticipation of a coming credit crunch following the

profusion of low quality issuance of recent years.

Buyout Funds

Fiscal year-to-date our buyout portfolio returned 17 percent, due in part to the continued strong performance of our largest funds (over \$3 billion), which returned 33 percent for the fiscal year-to-date period. For the same period, the Cambridge benchmark returned 26 percent, with mega funds providing some of the strongest returns.

The overwhelming reason for our underperformance in buyout funds is our overweight in recent vintage years. As a result of our increase in commitments over the last few years, 28 percent of the market value of our buyout portfolio is from funds raised in 2004-2005, whereas the Cambridge benchmark has only six percent of its value in these vintages. As we would expect, these young funds are not yet providing returns. Cambridge reports a less than one percent fiscal year-to-date return for the universe of 2004-2005 vintage year funds.

The buyout sector continues to see record amounts of capital inflows, pushing entry valuations up and making the deal environment increasingly competitive. We are only committing to managers whom we believe will create value at the operating company level and are avoiding mega funds that rely more on financial engineering and are more subject to public market pricing.

Venture Capital

Our venture portfolio appreciated slightly in the quarter to three percent fiscal year-to-date, trailing the Cambridge benchmark return of ten percent. Industry-wide, late-stage funds that are more exposed to public equity market conditions continue to outperform early-stage funds by a large margin. Our venture capital portfolio is composed almost entirely of early stage funds because we believe that over the long run, early-stage funds will outperform late stage funds as they have over longer-term historical periods.

While the venture space is also experiencing increased inflows - the highest since 2001 - early-stage valuations for venture companies remain at what appear to be reasonable levels. We continue to commit as much as possible to the top tier of brand name firms (which is very little) and only very selectively add newer "emerging" managers.

Real Estate

The real estate portfolio returned 23 percent in the quarter, pushing the portfolio's fiscal year-to-date performance to 28 percent. This nine-month return still trails the Cambridge benchmark return of 32 percent but closed the gap substantially in the quarter. We attribute our lagging performance to our nearly five-year pause in real estate investing from early 1998 to late 2002, a time period that included many of the best vintage years for real estate funds. Approximately 43 percent of the Cambridge benchmark's market value is composed of funds from the 1999-2001 vintages, which had an average return of 46 percent for the fiscal year-to-date period. We have no exposure to these vintage year funds.

As noted last quarter, real estate capitalization rates remain at all time lows and experienced investors have been using this opportunity to sell real estate at what they perceive as extraordinarily high prices. Our investment activity is concentrated on value added managers who build rather than buy cash flow streams and so produce returns that are only incidentally exposed to market prices.

Resources

Our small and newly defined resources portfolio provided a nine-month return of 22 percent benefiting from the strong gains in our upstream oil and gas funds. Despite this strong return, our resources portfolio continues to trail its Cambridge benchmark.

Because of today's high energy and commodity prices, we consider new commitments with caution. Nonetheless, we continue to find some high quality managers with value added and/or hedged strategies that are appropriate for this point in the cycle, and we may make some additional commitments this year.

Fixed Income and Cash

Our small five percent allocation to short duration government bonds provided no return for the quarter and less than a two percent gain for the nine months fiscal year-to-date. The longer duration Lehman Aggregate bond index provided small negative returns over both periods as depreciation from rising interest rates more than offset income.

With cash rates rising to five percent, the cost of holding cash is reduced and the cost of borrowing increased. We still

endeavor to fully invest our portfolio by targeting a zero cash balance and we continue to use leverage within many of our alternative investment funds and structures. We are, however, increasingly mindful that with global interest rates rising following a spectacular appreciation of financial assets, the risk as well as the cost of leverage is increasing.



UNIVERSITY of VIRGINIA
Investment Management Company

Investment Report
March 31, 2006
UVIMCO Long-Term Pool

Investment Activity

	Month	Fiscal Year To Date 2006
Beginning Investment	\$3,259,066,677.24	\$2,593,960,626.07
Beginning Shares	861,527.72	772,783.89
NAV Per Share at Beginning of Period	\$3,782.89	\$3,356.64
+ Contributions	\$138,556,730.44	\$501,524,983.90
- Redemptions	(\$189,365.92)	(\$45,739,887.05)
+ Investment Return	\$45,153,748.49	\$392,842,067.32
Ending Investment	\$3,442,587,790.25	\$3,442,587,790.25
Ending Shares	898,104.86	898,104.86
NAV Per Share at End of Period	\$3,833.17	\$3,833.17

Position Summary

	Portfolio	Target	Difference
Public Equity	24.8%	25.0%	-0.2%
Hedge Funds	50.4%	45.0%	5.4%
Private Equity	11.4%	15.0%	-3.6%
Real Assets	3.7%	5.0%	-1.3%
Fixed Income	5.5%	10.0%	-4.5%
Cash	4.1%	0.0%	4.1%
Total	100.0%	100.0%	0.0%

Performance Summary

	Portfolio	Benchmark	Difference
Month Return	1.3%	3.0%	-1.6%
3-Month Return	5.3%	6.4%	-1.1%
Calendar Year-to-Date Return	5.3%	6.4%	-1.1%
Fiscal Year-to-Date Return	14.7%	16.9%	-2.2%
1-Year Return	18.1%	20.1%	-2.0%
3-Year Return	16.6%	18.3%	-1.7%
5-Year Return	9.9%	9.1%	0.8%
10-Year Return	14.5%	9.7%	4.8%
Fiscal Year 2005 Return	14.3%	12.6%	1.6%
Fiscal Year 2004 Return	12.7%	15.2%	-2.5%
Fiscal Year 2003 Return	9.2%	4.2%	4.9%

Investment Report
March 31, 2006
UVIMCO Long-Term Pool

Position Analysis

	Actual Pool ⁽¹⁾		Investment Policy			Relative	Peer Group ⁽²⁾
	\$ millions	%	Min	Target	Max	To Target	%
Public Equity	855	24.8%	20%	25%	30%	-0.2%	42.1%
U.S.	316	9.2%	5%	10%	20%	-0.8%	25.2%
Non-U.S. Developed	272	7.9%	5%	10%	20%	-2.1%	12.7%
Emerging	267	7.7%	0%	5%	10%	2.7%	4.2%
Hedge Funds	1,738	50.4%	30%	45%	60%	5.4%	22.1%
Equity L/S	1,284	37.3%	10%	--	45%	--	--
Equity MN	126	3.6%	0%	--	30%	--	--
Fix. Inc. Arbitrage	16	0.5%	0%	--	15%	--	--
Global Macro	189	5.5%	0%	--	15%	--	--
ED / Multi-Strategy	68	2.0%	0%	--	15%	--	--
Distressed	55	1.6%	0%	--	15%	--	--
Private Equity	393	11.4%	10%	15%	25%	-3.6%	9.6%
Venture	84	2.4%	0%	3%	10%	-0.6%	3.6%
Buyouts	310	9.0%	5%	12%	20%	-3.0%	5.9%
Real Assets	126	3.7%	5%	5%	20%	-1.3%	10.2%
Real Estate	63	1.8%	0%	3%	20%	-1.2%	4.5%
Resources	63	1.8%	0%	2%	10%	-0.2%	5.7%
Fixed Income	190	5.5%	5%	10%	30%	-4.5%	13.9%
Investment Grade	179	5.2%	5%	8%	20%	-2.8%	12.9%
High Yield	11	0.3%	0%	2%	10%	-1.7%	1.0%
Cash⁽³⁾	143	4.1%	0.0%	0.0%	10.0%	4.1%	2.1%
Total Pool	3,446	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%

Investment Report
March 31, 2006
UVIMCO Long-Term Pool

Investment Performance

	Current				Annualized			
	MO	3MO	CYTD	FYTD	1 YR	3 YR	5 YR	10 YR
TOTAL FUND	1.3	5.3	5.3	14.7	18.1	16.6	9.9	14.5
<i>Target Benchmark</i>	3.0	6.4	6.4	16.9	20.1	18.3	9.1	9.7
<i>65% Russell 3000 / 35% Lehman Agg.</i>	0.8	3.2	3.2	7.3	10.0	13.3	5.6	8.5
Public Equity	1.8	9.4	9.4	26.8	32.4	36.1	15.7	13.1
U.S.	1.2	5.9	5.9	13.4	17.0	24.6	9.2	10.6
<i>Russell 3000</i>	1.7	5.3	5.3	11.8	14.3	19.1	5.3	9.2
Non-U.S. Developed	2.5	10.8	10.8	29.7	42.3	--	--	--
<i>MSCI World Ex-USA</i>	3.2	9.4	9.4	26.3	25.6	32.0	10.5	7.2
Emerging	1.6	11.6	11.6	38.1	43.0	45.2	27.6	11.8
<i>MSCI Emerging Markets</i>	0.9	12.1	12.1	42.0	48.0	46.7	23.6	7.6
Hedge Funds	1.1	4.4	4.4	11.6	14.0	13.2	10.6	12.8
Equity Long/Short	1.2	4.6	4.6	12.9	15.9	13.7	10.9	14.3
Equity Market Neutral	0.9	1.1	1.1	1.6	--	--	--	--
Fixed Income Arbitrage	1.3	3.7	3.7	7.3	3.2	2.3	--	--
Global Macro	0.4	5.8	5.8	21.1	22.1	14.3	8.8	--
Event Driven / Multi-Strategy	2.6	6.8	6.8	(1.0)	(2.5)	3.6	2.0	6.5
Distressed	0.3	1.1	1.1	2.4	7.8	15.8	--	--
<i>60% Tremont HF / 40% Tremont L/S</i>	2.1	6.0	6.0	13.7	14.3	13.3	9.0	12.2
Private Equity (IRR⁴)	--	4.5	4.5	13.4	16.1	14.9	0.7	55.2
Venture Capital	--	0.3	0.3	3.1	1.7	(5.0)	(18.5)	88.4
<i>Cambridge U.S. Venture Capital</i>	--	1.9	1.9	9.7	7.8	7.6	(10.2)	43.7
Buyouts	--	5.7	5.7	16.8	21.2	23.5	14.6	16.7
<i>Cambridge U.S. Private Equity</i>	--	8.2	8.2	25.6	27.1	25.7	10.0	14.0
Real Assets (IRR⁴)	--	16.2	16.2	25.1	23.6	27.8	12.7	13.2
Real Estate	--	22.7	22.7	27.7	25.8	17.1	3.2	11.9
<i>Cambridge Real Estate</i>	--	12.9	12.9	31.8	37.0	22.2	13.5	13.7
Resources	--	10.2	10.2	22.4	21.4	41.1	26.4	--
<i>Cambridge Resources</i>	--	6.2	6.2	24.7	34.4	27.1	18.5	15.9
Fixed Income	(0.2)	(0.0)	(0.0)	0.8	3.4	3.9	6.7	6.9
Investment Grade	(0.0)	0.2	0.2	1.6	4.1	4.7	7.1	7.8
<i>Lehman U.S. Aggregate</i>	(1.0)	(0.6)	(0.6)	(0.7)	2.3	2.9	5.1	6.3
High Yield	(2.9)	(4.1)	(4.1)	(9.5)	(6.8)	(3.4)	1.7	1.4
<i>Lehman U.S. Corp. High Yield</i>	0.6	2.9	2.9	4.5	7.4	12.1	8.1	6.7
Cash (Net of Repo)	0.1	0.7	0.7	2.6	3.5	--	--	--
<i>Repo⁽⁵⁾</i>	0.4	1.1	1.1	3.1	3.8	2.2	2.2	3.8

Investment Report
March 31, 2006
UVIMCO Long-Term Pool

Footnotes

- (1) Actual Pool allocations account for securities transactions and manager cash flows using trade or valuation dates. Contributions and redemptions from the Pool are shown in the month following valuation date.
- (2) Represents equally-weighted average asset allocation of the Colleges & Universities Over \$1 Billion universe as defined by Cambridge Associates. Data as of June 30, 2005.
- (3) Cash is reported as the Long-Term Pool's cash reserve net of proceeds from securities sold under agreement to repurchase.
- (4) Internal rate of return (IRR) reported quarterly, on a one-quarter lag. No return is reported for periods within quarter-end dates.
- (5) Monthly returns prior to 8/31/2005 are approximated by Federal Funds Rate.

MISCELLANEOUS FINANCIAL REPORTS
Finance Committee
University of Virginia

May 17, 2006

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2006

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable as of March 31, 2006, were \$14,350,000 as compared to \$70,800,000 at December 31, 2005. The major sources of receivables at March 31, 2006, were sponsored programs of \$8,825,000 and other receivables of \$3,926,000.

The past-due receivables over 120 days old at March 31, 2006, were \$1,116,000 or 7.77 percent of total receivables, below the Commonwealth's management standard of ten percent.

	<u>Student Accounts</u>	<u>Sponsored Programs</u>	<u>Other Receivables</u>	<u>Total</u>
Gross Accounts Receivable	\$1,599,000	\$8,825,000	\$3,926,000	\$14,350,000
Less: Allowance for Doubtful Accounts	<u>250,000</u>	<u>600,000</u>	<u>213,000</u>	<u>1,063,000</u>
Net Accounts Receivable	<u>\$1,349,000</u>	<u>\$8,225,000</u>	<u>\$3,713,000</u>	<u>\$13,287,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$77,000</u>	<u>\$632,000</u>	<u>\$407,000</u>	<u>\$1,116,000</u>

SOURCE: Revenue and Collections
DATE: April 18, 2006

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2006

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program increased by 0.19 percent to 7.84 percent. This is based on the cohort default rate calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate remained the same at zero percent. The Nursing Undergraduate Student Loan Program default rate decreased by 0.84 percent to 1.37 percent. Both medical loan programs are well below the five percent federal threshold. The University Loan Program default rate decreased by 0.53 percent to 5.34 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$18,712,000	7.84%	0.19%
Health Professions Loans	113,000	0.00%	0.00%
Undergraduate Nursing Loans	791,000	1.37%	(0.84%)
University Loans	<u>9,462,000</u>	5.34%	(0.53%)
Total Student Loan Outstanding	<u>\$29,078,000</u>		

SOURCE: Student Financial Services
DATE: April 18, 2006

UNIVERSITY OF VIRGINIA
INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
As of March 31, 2006

(Per January 1990 Board of Visitors resolution changing Current Funds Guidelines to include investments in internal loans and the June 1994 Board of Visitors resolution authorizing internal loans to be made in the discretionary collateral account lending program [security lending program], both subject to approval by the Executive Vice President and Chief Operating Officer)

PURPOSE (INT PROJECT)	DATE OF LOAN	INTEREST RATE	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS MADE TO DATE	OUTSTANDING PRINCIPAL	APPROXIMATE FINAL PAYMENT
Columbarium	10/30/03	Blended borrowing rate (4.75%)	85,000.00	45,000.00	40,000.00	Oct 2008
ITC Mainframe	03/16/04	Blended borrowing rate (4.75%)	300,000.00	200,000.00	100,000.00	Jul 2006
Wise Football Facility	12/22/98	Fed. Funds+60 pts.	3,000,000.00	1,337,272.18	1,662,727.82	Jun 2009
Wise Student Center	11/30/03	Blended borrowing rate (4.75%)	2,000,000.00	1,000,000.00	1,000,000.00	Jun 2007
Wise Student System	04/21/04	Blended borrowing rate (4.75%)	200,000.00	100,000.00	100,000.00	Jul 2007
Astronomy LBT Telescope	01/31/06	Blended borrowing rate (4.75%)	400,000.00	-	400,000.00	Jan 2010
Total Internal Loans Subject to \$15M Limit Established by BOV¹			\$5,985,000.00	\$2,682,272.18	\$3,302,727.82	

NOTE: 1. Per January 1990 Board of Visitors resolution establishing the internal loan pool at \$10 million and per April 2003 Board of Visitors resolution approving the expansion of the internal loan pool from \$10 million to \$15 million. All internal loans are subject to the approval of the Executive Vice President and Chief Operating Officer.

SOURCE: Investment and Tax Services
DATE: April 10, 2006

UNIVERSITY OF VIRGINIA
 REPORT ON WRITE-OFF OF NON-PATIENT BAD DEBTS FOR
 FISCAL YEAR 2005-2006

Report on Write Off of Non Patient Bad Debts

The University's write-off of non-patient bad debts for fiscal year 2005-2006 is \$314,475. This year's write-off decreased by \$67,081 or 18 percent. These write-offs do not constitute a compromise, settlement, or discharge of the debts. For the past ten years, the University has collected approximately 39 percent of the accounts written off.

	FY 2005-06	FY 2004-05	FY 2003-04	FY 2002-03	FY 2001-02
Tuition and Fees	\$ 91,177	\$132,638	\$112,511	\$ 95,352	\$92,309
Auxiliary Services Fines and Charges	105,609	111,555	78,380	84,926	66,344
Library Fines and Charges	23,886	25,480	28,765	25,776	34,407
University Student Loans	16,268	17,011	15,170	20,879	13,976
Other Charges	29,209	33,875	30,283	57,310	46,498
UVA's College at Wise	32,348	20,717	61,994		96,485
Uncollectible Salary Payments	15,978	40,280			
TOTAL	\$314,475	\$381,556	\$327,103	\$284,243	\$350,019

SOURCE: Financial Administration
 DATE: April 20, 2006

QUARTERLY BUDGET REPORT

As of March 31, 2006

This report compares the actual results for the sources and uses to the Academic Division annual budget (excluding the Medical Center and The University of Virginia's College at Wise). At the end of the third quarter of 2005-2006, 86.3 percent of the budget has been collected due to the collection of tuition, the allotment of general fund appropriations at the beginning of each semester, and the auxiliary enterprise collections. The remaining sources of available funds are recognized as expended. As of the end of the third quarter, 79.3 percent of the budget has been expended.

The 2005-2006 operating budget was developed using differing rules and conventions from the audited financial statements, which are developed in accordance with generally accepted accounting principles (GAAP). In some cases, similar descriptions are used in both reports even though the precise definitions and the specific amounts are not identical. However, both sets of figures are accurate for their particular purposes, and both are drawn from the University's financial applications. Outlined below are several of the differing conventions used in the operating budget and the actual results presented on the accompanying statement:

- The 2005-2006 operating budget is prepared on a cash basis.
- The 2005-2006 operating budget presents tuition and fees as gross income and the full amount of student aid as an expense.
- In the 2005-2006 operating budget, depreciation is not funded and non-capital outlay purchases are recognized as expensed rather than spread over the useful life of the purchase. Debt service, major repair or renovation expenditures occur within the capital outlay accounts -- and off the operating budget; however, the operating budget does include the annual transfers from auxiliary enterprise operations to the capital outlay accounts and reserves.
- In the 2005-2006 operating budget, the source of expenditures is shown rather than actual revenues recognized. Unrestricted income, including gifts and indirect cost recoveries, is shown only as it is to be expended. Endowment distributions are included only to the extent that expenditures are anticipated.

- The Federal Family Education Loan Program is excluded from the operating budget.
- Fringe benefit expenditures are included in the operating budget using pooled benefit rates.

A definition of terms is included to explain the categories for the sources and uses of funds.

SOURCE: Budget Office
DATE: May 4, 2006

University of Virginia Academic Division
 2005-2006 Operating Budget Report
 As of March 31, 2006
 (in thousands)

	2005-06 Revised Budget	03/31/06 Actual Results	Variance	03/31/06 Percentage of Budget
Sources of Available Funds				
Tuition & Fees	\$276,654	\$268,268	\$8,386	97.0%
State General Fund Appropriations	139,559	136,721	2,838	98.0%
Sponsored Research Direct & Indirect Costs	299,666	228,940	70,726	76.4%
Endowment Distributions Expended	66,684	43,693	22,991	65.5%
Private Gifts Expended	65,548	56,535	9,013	86.2%
Sales, Investment & Other Revenues	32,583	24,297	8,286	74.6%
Auxiliary Enterprises	160,481	139,989	20,492	87.2%
Total Sources of Available Funds	<u>\$1,041,175</u>	<u>\$898,443</u>	<u>\$142,732</u>	<u>86.3%</u>
Uses of Available Funds				
Direct Instruction	250,347	185,263	65,084	74.0%
Research and Public Service	283,636	211,600	72,036	74.6%
Library, Information Tech., & Academic Administration	104,606	84,856	19,750	81.1%
Student Services	21,927	18,784	3,143	85.7%
General Administration	64,565	53,227	11,338	82.4%
Operation & Maintenance of Physical Plant	53,449	44,616	8,833	83.5%
Scholarships, Fellowships, and Other Graduate Support	101,019	99,557	1,462	98.6%
Total Educational & General and Student Aid	<u>879,549</u>	<u>697,903</u>	<u>181,646</u>	<u>79.3%</u>
Auxiliary Enterprises				
Athletics	32,531	33,186	(655)	102.0%
University Bookstores	32,687	27,306	5,381	83.5%
Housing	17,452	12,460	4,992	71.4%
Other Auxiliary Enterprises	47,256	37,261	9,995	78.8%
Auxiliary Operating Uses	<u>129,926</u>	<u>110,213</u>	<u>19,713</u>	<u>84.8%</u>
Transfers to reserves for renewal, replacement & debt	31,297	16,808	14,489	53.7%
Total Auxiliary Enterprise Uses	<u>161,223</u>	<u>127,021</u>	<u>34,202</u>	<u>78.8%</u>
Reserve for Salary Increases	-	-	-	0.0%
Reserve for Base Operating Needs and Contingencies	-	-	-	0.0%
Total Uses of Available Funds	<u>\$1,040,772</u>	<u>\$824,924</u>	<u>\$215,848</u>	<u>79.3%</u>
Surplus	<u>\$403</u>	<u>\$73,519</u>	<u>(\$73,116)</u>	<u>n/a</u>

DEFINITION OF TERMS

Sponsored Research Direct and Indirect Costs -- primarily research projects, but also includes activities restricted to institutional and service programs.

Auxiliary Enterprises -- those activities which are supported entirely through fees charged to users, such as housing, athletics, dining services, the telephone system, and the bookstore.

Instruction -- expenditures for the primary mission of the University, which includes teaching faculty, support staff, instructional equipment, and related routine operating costs.

Research -- includes expenditures for activities such as support for research faculty and sponsored research. Activities include the Center for Public Service, the State Climatologist, and the Center for Liberal Arts.

Public Service -- includes activities such as the Miller Center of Public Affairs, the Virginia Foundation for the Humanities and Public Policy, and that portion of the medical school's clinical physicians' salaries and fringe benefits related to patient care.

Library, Information Technology and Academic Administration -- encompasses the libraries, the activities of the deans of the schools, and other related expenditures.

Student Services -- activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural, and social development outside the classroom.

General Administration -- includes the financial, administrative, logistical, and development activities of the University.

Operation and Maintenance of Physical Plant -- includes expenditures for activities related to the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center.

Endowment/Investments for UVa and Related Foundations
 March 31, 2006
 (in thousands)

	R & V Funds Invested by UVIMCO	Related Foundation Funds Invested by UVIMCO	Alumni Association Funds Invested by UVIMCO	Related Foundation Funds Invested by Direction of Foundation Board	Total
The University of Virginia Medical School and related foundations	\$632,699	\$6,922	\$4,858	\$22,384	\$666,863
Darden School and related foundation	99,347	200,883		***	300,230
The College of Arts and Sciences and related foundations	281,460	18,881	3,700	21,064	325,105
The University of Virginia Law School and related foundation	37,553	111,308		126,883 ***	275,744
School of Engineering and related foundation	70,606		2,534	2,220	75,360
The McIntire School of Commerce and related foundation	39,402		32,161	522 ***	72,085
Graduate School of Arts and Sciences	41,578				41,578
School of Nursing	30,274		1,646		31,920
University of Virginia's College at Wise and related foundation	28,398	922	1,888	4,425	35,633
Curry School of Education and related foundation	11,345	6,783	13	52	18,193
School of Architecture	14,019		390	32	14,441
School of Continuing and Professional Studies	66		66		132
Alumni Association*			242,698		242,698
Athletics and related foundation	37,120	50,880	364		88,364
Miller Center and related foundation	45,826	4,171			49,997
Alumni Board of Trustees		44,303		1	44,304
University of Virginia Foundation and related entities		59,912		192	60,104
University of Virginia Medical Center and related foundation	126,259	5,749		60,622 **	192,630
University Libraries	37,020		174		37,194
Centrally Managed University Scholarships	126,810				126,810
Provost	29,658				29,658
University - Unrestricted but designated	345,411				345,411
University - Unrestricted Quasi and True Endowment	165,294				165,294
University - Unrestricted Other	132,854				132,854
All Other	165,789	5,427		2,640	173,856
	<u>\$2,498,788</u>	<u>\$516,141</u>	<u>\$290,492</u>	<u>\$241,037</u>	<u>\$3,546,458</u>

*Includes funds on deposit for other areas/schools not individually listed.

**Excludes approximately \$24.1 million of board designated pension funds.

***Values reported are as of February 28, 2006.

**** Foundation figure still pending.

SOURCE: Financial Administration

DATE: April 20, 2006

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

January 1, 2006 - March 31, 2006

(Per October 1990 and June 1996 Board of Visitors resolutions granting the Executive Vice President and Chief Operating Officer authority to approve selected quasi-endowment transactions, including establishments and disinvestments, less than \$2,000,000.) An additional resolution in February 2006 granted authority for the Executive Vice President and Chief Operating Officer to approve quasi-endowment transactions, regardless of the dollar amount, in cases in which it is determined to be necessary as part of the assessment of the business plan for capital projects. It was resolved further, to the extent that the central loan program has balances, they may be invested in the long-term investment pool managed by UVIMCO or in other investment vehicles as permitted by law.

Per the delegated authority from the Executive Vice President and Chief Operating Officer, the Vice President for Management and Budget has approved the additions and divestments of the quasi-endowments listed below.

<u>Additions</u>	<u>Amount</u>
Atuk, Nuhzet O. Distinguished Lectureship Series Quasi-Endowment*	\$ 50,000.00
Cohen, William B. Memorial Scholarship Fund	1,409.04
Dean's Discretionary Research Fund for Infectious Disease	87,129.24
Farrow, Joseph Helms Professorship in Surgical Oncology Quasi-Endowment*	140,869.68
Harrison Scholars Fund	33.32
Howland, Benjamin C. Memorial Lecture Fund	2,400.00
Marching Band Quasi-Endowment	10,000.00
Mellon Theodorescu Research Quasi-Endowment Fund*	1,000,000.00
Nursing Jefferson Scholarship Quasi-Endowment*	77,300.00
Nursing Legacy Scholarship Fund Quasi-Endowment	2,750.00
Pediatrics Operational Quasi-Endowment Fund	114,082.84
Research Activities Quasi-Endowment Fund	250,000.00
U-21 Equity Limited	273,650.00
UVA Medical Center Professorship in Nursing - Restricted Quasi	250,000.00
University Quasi-Endowment Fund (1)	92,660.54
Whitener, Ellen Quasi-Endowment Fund*	64,906.72
Total Additions to Quasi-Endowments	\$2,417,191.38

Divestments

Scott, Fred Endowment for Behavioral Medicine and Psychiatry	\$ 29,369.62
Thaler, Myles H. Quasi-Endowment for HIV Research	<u>25,000.00</u>
Total Divestments from Quasi-Endowments	\$ 54,369.62

Endowment Income Capitalizations

Antrim, Lottie C. Income Capitalization Quasi-Endowment	\$ 851.48
Athletics General Operations Quasi-Endowment	18,648.46

Endowment Income Capitalizations (cont.)

Black, Robert Restricted Quasi-Endowment	\$ 125,000.00
Bristol Laboratories Quasi Endowment - Hecht	689.03
Capital Renewal Program Quasi-Endowment	17,021.76
Chrysler, W.P. Fund for Engineering Library	959.91
Class Of 1955 Fund	221.29
Class Of 1956 Fund	753.33
Class Of 1957 Fund	585.67
Class Of 1958 Fund	744.58
Class Of 1959 Fund	870.44
Class Of 1960 Fund	733.70
Class Of 1961 Fund	662.69
Class Of 1962 Fund	967.21
Class Of 1963 Fund	299.33
Class Of 1964 Fund	589.15
Class Of 1965 Fund	179.80
Dean's Discretionary Research Fund for Infectious Disease	16,182.36
Dermatology General Investment Fund	3,538.87
Hecht-Cruachem Chemistry Quasi Endowment	1,091.15
Hecht-Cruachem Chemistry Quasi Endowment #2	987.24
Hecht-Cruachem Chemistry Quasi Endowment #3	414.20
Honor System Quasi Unrestricted Endowment Fund	12,575.82
Horton, Charles E. Professorship in International Plastic Surgery Quasi-Endowment	1,374.16
Hughes Endowment Income Capitalization Quasi-Endowment	465.94
Jordan, Harvey E. Lectureship	162.14
Low, Emmet F. and N. Alyce Chair Quasi-Endowment	120.51
McIntire, Howard Quasi Endowment In Neurology	3,139.61
Miller, Mae W. Cancer Research Quasi Endowment	686.84
Moyston Quasi-Endowment for Ophthalmology	2,850.28
Pediatrics Operational Quasi-Endowment Fund	9,791.30
Phase II Chemistry Building Unrestricted Quasi Endowment	21,960.37
Plastic Surgery Quasi-Endowment Fund	3,306.24
Radiology Fund Special Diagnostic	498.74
School Of Medicine Quasi Endowment	3,678.04
Swortzel, Thelma R. Research Quasi-Endowment	3,332.04
Taylor, Henry N. Fund	36.74
Virginia Quarterly Review Anonymous	63.49
Total Endowment Income Capitalizations	\$256,033.91

NOTES:

* Quasi-Endowment newly established or originally funded since January 1, 2006.
(1) Includes current unrestricted gifts to the University that, under a standing Board of Visitors resolution, are required to be added to the University's Unrestricted Endowment Fund.

SOURCE: Financial Administration
DATE: April 25, 2006

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ATTACHMENT

2006-2007 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES - \$2,068,652

Biology -- The Biology Department proposes to allocate \$225,510 for fellowships, which allow the Department to recruit and successfully compete for the best biology graduate students. This year the department proposes to use Pratt funds to provide full support to the top three members of the incoming class of graduate students and to supplement support for three returning students holding Presidential Fellowships. The department proposes to allocate \$51,335 for faculty salary support at Mountain Lake Biological Station and \$8,155 to the purchase of an automated sequencer to be used by Professor Butch Brodie, the new Director of Mountain Lake, as well as by other members of the faculty. Mountain Lake is of fundamental importance to the research excellence in the department. It continues to be central to success in building an international reputation in the field of Ecology, Evolution, and Conservation Biology, and Pratt funds are critical to maintain excellence. Finally, the department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds made available in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

Chemistry -- The Chemistry Department proposes that \$15,000 be allocated to provide Undergraduate Summer Fellowships. This allocation will be used to provide part of the matching funding for the NSF-REU (Research Experience for Undergraduates) program. This matching allocation was instrumental in receiving a fully funded three-year renewal for the existing NSF-REU program. The department proposes to allocate \$130,000 for graduate fellowships, which have proven instrumental in recruiting strong graduate students in a competitive environment. The department proposes to allocate \$110,000 to provide summer salary for new faculty hires Carthene Bazemore-Walker, Jason Chruma, and Jill Vinton; for Dave Cafiso and James Landers as part of counter offers negotiated to retain these extremely valuable and productive faculty members; and for faculty engaged in curriculum development projects. Additionally, \$111,287 will be allocated in partial fulfillment of commitments made for start up funding associated with the hire of Professor Kevin Lehmann. Finally, the department requests that \$45,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds made available

in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

Mathematics -- The Mathematics Department proposes to allocate \$160,183 to support its Whyburn Postdoctoral Fellowship program. Internationally recognized for its excellence, the Whyburn Program brings new PhD recipients in mathematics to the University for three years of teaching and research. The department proposes to allocate \$24,817 to provide summer salaries for new Assistant Professors Mitrea, Melcher and Gromoll. The Pratt endowment was essential in successfully competing against other universities for these faculty hires. Finally, the department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds made available in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

Physics -- The Physics Department proposes to allocate \$16,882 to provide summer support for new faculty member Seung-Hun Lee, a superb condensed matter physicist who will play an important part in rebuilding our condensed matter group. The department proposes to allocate \$218,118 in fellowship support to four outstanding first-year students and two outstanding second-year students. Attracting the most highly qualified science graduate students requires competitive fellowships; the Pratt funds are crucial to the recruitment effort. The department requests that \$50,000 be allocated for cost share on the purchase of four microscopes partially funded by an NSF Nanotechnology Undergraduate Education grant "A Hands on Introduction to the New World of Nanoscience and Technology." Finally, the department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds made available in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

New Faculty Start-Up Fund -- An annual allocation of \$500,000 from the Arts and Sciences Pratt Fund has been previously approved by the Board of Visitors for distribution to a New Faculty Start-Up Fund managed by the Vice President and Provost. In 2006-2007, the College requests an additional \$357,365 of the distribution on the Pratt Fund be allocated to this fund, which is critical in the recruitment of faculty members in biology, chemistry, mathematics, and physics.

SCHOOL OF MEDICINE - \$1,300,000

Support and Training of Student Researchers - \$277,182

Graduate students and post-doctoral fellows are central to a successful biomedical research program. A modest institutional share from the Pratt bequest supplements funds from federal government training programs and charitable foundations to attract superlative students. These individuals are critical in enhancing the quality of research in the Ph.D. and M.D./Ph.D. programs at the University. The success of these programs has a direct impact on the quality of faculty research at the School of Medicine.

Core Facility Support - \$1,022,818

Core facilities - including, but not limited to, the Center for Advanced Microscopy, Biomolecular Research Facility and Mass Spectrometry, Tissue Culture Facility, and Transgenic Mouse Core - provide access to large, expensive equipment and techniques that otherwise would not be available to individual investigators. They also provide essential services that help researchers conduct assays, obtain specialized samples, and reduce expenses. Each core serves investigators from a diverse group of departments and centers. These facilities operate on a fee-for-service basis, and, after development costs and other expenses, average a cost recovery of 60-80 percent, with the differential funded by Pratt allocations. These resources provide a competitive advantage to the University's research programs, provide flexibility to acquire emerging technologies, and are critical to the School of Medicine's recruitment and retention success.

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