

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
May 25, 2004**

FINANCE COMMITTEE

Tuesday, May 25, 2004

10:30 a.m. - 1:30 p.m.

Kaleidoscope Center, Newcomb Hall

Committee Members:

Thomas A. Saunders, III, Chair

Thomas F. Farrell, II

W. Heywood Fralin

Mark J. Kington

Warren M. Thompson

Georgia M. Willis

John O. Wynne

Gordon R. Rainey, Ex Officio

AGENDA

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V. EXECUTIVE SESSION

- Discussion of a business development opportunity of the Medical Center which may result in a future joint venture for the delivery of health care, where disclosure at this time would adversely affect the competitive position of the Medical Center; as provided for in Section 2.2-3711 (A)(23) of the Code of Virginia.

BOARD OF VISITORS CONSENT AGENDA

INTENT TO ISSUE BONDS: At the recommendation of the Executive Vice President and Chief Operating Officer, all capital projects in the first biennium of the 2004-2010 Six Year Capital Outlay Plan, plus any projects approved under Capital Budget Amendments, that require debt financing will be presented at the May Finance Committee meeting for approval of intent-to-issue resolutions. Federal regulations require this declaration for projects that seek to utilize tax-exempt financing. An intent-to-issue resolution states the University's expectation to issue bonds so that it may reimburse itself for expenditures associated with specific, enumerated projects.

This resolution, in combination with proper authorizations received from the Commonwealth of Virginia, will also permit the University to provide short-term financing for the projects under the University's commercial paper program. Short-term financing will be provided only if a capital project has presented a business plan documenting its fiscal soundness and if it obtains approvals from senior management. This resolution does not authorize the University to actually issue long-term bonds for the projects. Prior to issuing and incurring long-term debt, the Board will be asked to approve a separate issuance resolution. An appropriate fiscal impact statement with comments on each project's financial considerations also will be provided.

The University is presenting nine capital projects for the Board's consideration under this intent-to-issue resolution. These include:

<u>Project</u>	<u>Debt Amount</u>	<u>Note</u>
Advanced Research and Technology Building	\$15.0 million	Acquisition
Alderman Road Housing, Phase I	\$22.5 million	
Main Heating Plant Modification	\$19.8 million	
Hospital Expansion	\$31.6 million	\$7.6 million project supplement; \$24.0 million equipment
MR-6	\$41.5 million	
Performing Arts Center	\$13.2 million	
Rouss Hall Renovation and Expansion (Commerce School)	\$33.0 million	
Wise Residence Hall II	\$6.4 million	
Children's Medical Center	\$11.0 million	

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

APPROVAL OF INTENT TO ISSUE BONDS FOR CAPITAL PROJECTS

WHEREAS, the University intends to undertake the following capital projects with bond financing as a funding source:

1. Advanced Research and Technology Building (acquisition)
2. Alderman Road Housing, Phase I
3. Main Heating Plant Modification
4. Hospital Expansion (supplement)
5. MR-6
6. Performing Arts Center
7. Rouss Hall Renovation and Addition
8. Wise Residence Hall II
9. Children's Medical Center; and

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations governing when the allocation of bond proceeds to reimburse expenditures previously made by a borrower shall be treated as an expenditure of the bond proceeds; and

WHEREAS, the Regulations require a declaration of official intent by a borrower to provide evidence that the borrower intended to reimburse such expenditures with proceeds of its bonds; and

WHEREAS, the Board of Visitors of the University of Virginia desires to make such a declaration of official intent as required by the Regulations; and

WHEREAS, the University may be required to provide short-term financing to the projects prior to issuing long-term debt in order to implement an efficient and timely construction schedule; and

WHEREAS, the University has funding mechanisms to accommodate short-term financing needs, defined as a period of less than sixty months; and

WHEREAS, the authority for the University to enter into financing arrangements exceeding sixty months in maturity for the projects listed is not included in this resolution; and

WHEREAS, if the University arranges short-term financing for a particular project, and if the project is not ultimately completed, or if the project utilizes funding sources other than bonds, then the appropriate school or unit remains responsible for refunding the short-term obligation;

RESOLVED that, pursuant to the terms of the Treasury Regulations, the University of Virginia declares its intent to reimburse expenditures in accordance with the following:

1. The University reasonably expects to reimburse expenditures from the issuance of tax-exempt bonds to be issued by the University incurred for the projects;

2. This resolution is a declaration of official intent under Section 1.150-2 of the Regulations;

3. The maximum principal amount of bonds expected to be issued for the purpose of reimbursing expenditures relating to these projects is as follows:

a. Acquisition of the Advanced Research and Technology Building -- \$15.0 million

b. Construction and replacement of Alderman Road Housing (Phase I) -- \$22.5 million

c. Renovations to the Main Heating Plant -- \$19.8 million

d. Construction of Hospital Expansion (Supplement) -- \$31.6 million

e. Construction of MR-6 -- \$41.5 million

f. Construction of the Performing Arts Center -- \$13.2 million

g. Renovation and construction of Rouss Hall/Commerce School Project -- \$33.0 million

h. Construction of a new residence hall at The University of Virginia's College at Wise -- \$6.4 million

i. Construction of a new Children's Medical Center -- \$11.0 million; and

RESOLVED FURTHER, that these enumerated projects are separate enterprises independent of one another, and that the authorization for funding relates to each individually; and

RESOLVED FURTHER, funds may be borrowed for the projects on a short-term basis, but only if the following conditions are met:

1. The Board of Visitors approves the current resolution;
2. The Commonwealth of Virginia specifically authorizes the use of debt financing for the enumerated projects;
3. A comprehensive and detailed financial plan for the school/unit project is submitted;
4. Short-term financing shall not exceed sixty months in maturity.
5. The school or unit remains responsible for any debt obligation incurred regardless of the status of the capital project or whether or not a bond issuance actually occurs.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve the intent-to-issue bonds resolution for nine capital projects.

DESCRIPTION: The University intends to construct, refurbish, or acquire nine capital projects that are strategically and/or operationally important. These include:

1. Advanced Research and Technology Building (acquisition)
2. Alderman Road Housing, Phase I
3. Main Heating Plant Modification
4. Hospital Expansion (supplement)
5. MR-6
6. Performing Arts Center
7. Rouss Hall Renovation and Addition
8. Wise Residence Hall II
9. Children's Medical Center

The proposal before the Board of Visitors is to approve the intent-to-issue resolution for these projects. A declaration of intent is necessary under federal regulations in order to receive reimbursement for expenditures related to financing with tax-exempt bonds. Moreover, approval of this resolution, in conjunction with authority granted by the Commonwealth of Virginia, will enable the projects to apply for short-term financing through the University's commercial paper program established in March 2003.

FISCAL IMPACT: For each project listed above, a business plan has been submitted for review by senior management, demonstrating its respective ability to pay debt service at the current pooled bond rate terms.

The following table shows all current and planned capital projects with the maximum allowable debt authorization. While the resolution does not permit the University to assume any long-term debt obligations, for planning purposes total bond needs are projected as indicated by the respective business plans. Even with the significant increase expected in incremental debt, the University remains within the four percent of debt service-to-projected revenues guideline.

Debt Funded Projects

Currently Under Construction and Planned for 2004-2006 Biennium

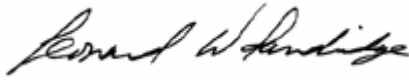
(\$ = Millions)

	FY03-04	FY04-05	FY05-06	FY06-07
*John Paul Jones Arena (second financing)		\$ 39.7		
*Fontaine Clinics Building	\$ 17.3			
*National Radio Astronomy Observatory	\$ 6.2	\$ 1.2		
*HSC Parking Garage	\$ 6.5	\$ 1.6		
Advanced Research and Tech.(Acquisition)			\$ 15.0	
Alderman Road Housing, Phase I			\$ 22.5	
Main Heating Plant Modification		\$ 19.8		
*Hospital Expansion (Existing Authorization)		\$ 17.7	\$ 3.0	
Hospital Expansion (Supplement)			\$ 7.6	
Hospital Expansion (Equipment)		\$ 9.0	\$ 15.0	
MR - 6			\$ 21.5	\$ 20.0
Performing Arts Center			\$ 13.2	
Rouss Hall			\$ 33.0	
Wise Residence Hall II		\$ 6.4		
Children's Medical Center			\$ 11.0	
Total Needs, As of April 2004	\$ 30.0	\$ 95.4	\$ 141.8	\$ 20.0

* Not subject of the intent-to-issue resolution

CONCLUSION: The Board of Visitors should approve the intent to issue bonds for the construction of these new facilities and the associated interim financing. Detailed financial analyses of each will be provided and appropriate Board approvals will be sought prior to actual long-term debt issuance.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
May 25, 2004

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 25, 2004

COMMITTEE: Finance

AGENDA ITEM: II.A. 2004-2005 Budget

BACKGROUND: At its May meeting, the Board 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 2003 meeting, the Board has heard reports on the budget requests submitted to the state for the period 2004-2006 and the preliminary budget assumptions for the 2004-2005 operating budget. On May 7, 2004, the General Assembly approved a budget for the 2004-2006 biennium. That budget is currently under review by the Governor for his final approval. The University's 2004-2005 budget discussed below and in the budget summary book distributed prior to the Finance Committee meeting reflects the actions approved by the General Assembly. At its February and April meetings, the Board approved tuition and fees and housing and dining rates for 2004-2005, which comprise a significant revenue source for the operating budget.

DISCUSSION: The 2004-2005 expenditure budget proposal for all divisions of the University totals \$1.7 billion, representing an increase of 7.5 percent compared with the revised budgets of the previous fiscal year. Of this amount, \$989.6 million relates to the Academic Division, \$21.7 million to The University of Virginia's College at Wise and \$720.1 million to the Medical Center.

Academic Division

The proposed Academic Division operating budget will increase by 6.5 percent to \$989.6 million. This growth is driven by an 11 percent increase in auxiliary enterprises, a 7 percent increase in tuition, 6.4 percent growth in sponsored programs and a 6.0 percent increase in general fund appropriations. Reimbursement of direct costs plus indirect cost recoveries from grants and contracts accounts for 29.6 percent of Academic Division available fund sources and tuition and fees collections account for 25.9 percent. Expenditures funded from private resources -- gifts and endowment distributions -- will contribute \$131 million or 13.3 percent of the Academic Division operating budget, as compared to \$129

million and 13.0 percent from state general funds. Funds from auxiliary enterprise operations (15.1 percent) and other sources (3.1 percent) comprise the remainder of the budget.

Personnel costs comprise approximately 70 percent of educational and general expenditures and 57 percent of total operating expenditures in the Academic Division.

The 2004-2005 budget emphasizes base operating support, undergraduate financial aid and faculty and staff compensation. The General Assembly approved budget includes \$3.8 million in general fund support to begin to address the \$41 million shortfall in base budget adequacy. The 2004-2006 Appropriations Act includes a 3 percent salary increase for faculty and staff. The budget includes both the general fund and non-general fund share (approximately 60 percent of the total cost) for that increase, plus an additional reserve of \$1.3 million for potential 2004-2005 supplemental increases. The budget includes an additional investment of \$2.1 million for Access UVA financial aid, plus funds to market and implement the plan.

The University of Virginia's College at Wise

The proposed University of Virginia's College at Wise expenditure budget increases by \$1.4 million or 7.1 percent, in 2004-2005. As with the Academic Division, the College at Wise's 2004-2005 budget has been developed using the 2004-2006 Appropriations Act that has been approved by the General Assembly and is under review by the Governor. General fund appropriations will increase 9.1 percent, tuition revenues will increase 6.5 percent, while auxiliary enterprises will generate an additional 4.7 percent in 2004-2005.

Medical Center

The Medical Center total expenditure budget is proposed to increase by \$58.2 million, or 8.8 percent, during 2004-2005, compared with the projected results for 2003-2004. Total margin is expected to be \$37.9 million or 5.0 percent. The budget reflects projected increases in expenses per adjusted discharge (2.3 percent), medical supplies, and pharmaceuticals. The budget presentation will include a proposal for hospital room rates and ancillary service charges to increase commensurate with the inflationary impacts on expenses and to enhance personnel compensation packages by an average 3.5 percent plus an additional \$2 million to address salary compensation, market adjustments, and internal alignment.

For the Medical Center, providing quality patient care while continuing to earn an appropriate operating margin to fund its capital needs is the top priority. The Medicare Prescription Drug and Modernization Act of 2003 (MMA) is the most significant health care legislation in a number of years. This legislation will provide increased Medicare payments to the Medical Center, as well as providing the opportunity for future decreases in pharmaceutical costs. Labor shortages and increases in pharmaceutical (before MMA changes are realized) and medical device expenses will continue to place upward pressure on the ability to provide quality patient care. The 2004-2005 fiscal plan features the continued implementation of the Integrated Health Information Management System and the Decade Plan. The fiscal plan also includes the opening of two new operating rooms as an integral part of the hospital expansion project, expansion of bed capacity by twelve, enhanced personnel compensation packages consistent with the market, and expansion of the imaging center.

At its May 3, 2004 meeting, the Medical Center Operating Board reviewed the 2004-2005 Medical Center operating budget and recommends its approval by the Finance Committee and the Board of Visitors.

For a full discussion of the budget proposal as well as comparative revenue and expenditure data for the Academic Division, the College at Wise and the Medical Center, please refer to the budget summary received in preparation for the May 25, 2004, Finance Committee meeting.

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.

A distribution of \$1.3 million from each individual endowment, for a total of \$2.6 million, in 2004-2005 is recommended to support the proposed projects. 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 in the Attachment on page 35) to spend the distribution in a manner consistent with previous years.

An additional annual allocation of \$500,000 from the Arts and Sciences Pratt Fund has been approved previously by the Board of Visitors for distribution to a New Faculty Start-Up Fund managed by the Vice President and Provost. The College proposes to increase this distribution in 2004-2005 to \$663,000 in order to meet start-up packages for new hires in Chemistry, Biology, Math and Physics.

Deans in each of the schools, the Vice President for Research and Graduate Studies, the Vice President and Provost, and the President support these projects. The table below shows aggregate allocations; the Attachment on page 35 describes the specific allocations.

2004-2005 Pratt Fund Allocation

	Equipment	Faculty Salaries	Fellowships	Research	To be allocated	Total
Biology		\$51,428	\$273,572			\$325,000
Chemistry	\$195,000	\$105,000	\$25,000			\$325,000
Mathematics	\$20,000	\$283,609	\$21,391			\$325,000
Physics	\$160,000	\$111,242	\$53,758			\$325,000
New Faculty Start-Up Fund	\$663,183					\$663,183
<i>Arts & Sciences Subtotal</i>	<i>\$1,038,183</i>	<i>\$551,279</i>	<i>\$373,721</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,963,183</i>
School of Medicine	\$370,000		\$450,000	\$480,000		\$1,300,000
<i>School of Medicine Subtotal</i>	<i>\$370,000</i>	<i>\$0</i>	<i>\$450,000</i>	<i>\$480,000</i>	<i>\$0</i>	<i>\$1,300,000</i>
TOTAL	\$1,408,183	\$551,279	\$823,721	\$480,000	\$0	\$3,263,183

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

APPROVAL OF THE 2004-2005 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED that the 2004-2005 Operating Budget for the Academic Division is approved, as recommended by the President and the Chief Financial Officer;

APPROVAL OF THE 2004-2005 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2004-2005 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 2004-2005 OPERATING AND CAPITAL BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2004-2005 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 2004-2005

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. The normal allocations, not to exceed \$2.6 million for 2004-2005, are suggested by the department chairs and recommended by the dean of each school. The special distributions are not to exceed \$663,183 for 2004-2005. 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.

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UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approval of distributions to the School of Medicine and to select departments within the College of Arts and Sciences from funds established by the Pratt Bequest for fiscal year 2004-2005.

DESCRIPTION: Under the proposed distributions, the College of Arts and Sciences will receive \$1.96 million from the Pratt Fund. Of this amount, \$1.3 million is designated for equipment, faculty salaries, and fellowships within the departments of Biology, Chemistry, Mathematics, and Physics. An additional \$663,000 is targeted for new faculty "start-ups".

The School of Medicine will receive a \$1.3 million allotment for equipment, fellowships, and research.

FISCAL IMPACT: The initiatives to be funded by the proposed distribution of \$3.26 million from the Pratt endowment are in accordance with the wishes of the Pratt Estate, the needs of the two schools, and the University's objectives concerning science and technology. The \$2.6 million distribution to the two schools equals the amounts allotted in each of the five prior fiscal years. The \$663,000 additional funding for faculty start-ups supports key initiatives identified by the Virginia 2020 plan for science and technology.

As of April 2004, the market value for the Pratt Endowment balances totaled \$44.7 million and \$50.46 million for the School of Medicine and the College of Arts and Sciences, respectively. The expected \$1.77 million endowment distribution on the School of Medicine Pratt Fund exceeds the proposed expenditures of \$1.3 million in 2004-2005. The expected \$2 million endowment distribution on the College of Arts & Sciences Pratt Fund also exceeds the proposed expenditures of \$1.96 million in 2004-2005. Neither school will require a divestment of the endowment balances in order to meet the proposed 2004-2005 expenditures.

CONCLUSION: The University of Virginia should provide \$3.26 million from the Pratt Fund portfolio for the prescribed purposes.

RECOMMEND APPROVAL OF BOARD ACTION:

A handwritten signature in cursive script, reading "Leonard W. Sandridge".

Leonard W. Sandridge
May 25, 2004

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 25, 2004

COMMITTEE: Finance

AGENDA ITEM: II.B. University of Virginia Foundation
Comfort Letter

BACKGROUND: In 1985, the University created the University of Virginia Real Estate Foundation (now the University of Virginia Foundation) to buy and hold properties for the benefit of the University. The Board of Visitors adopted a policy that allowed the Foundation to borrow up to 10 percent of the endowment value in order to pursue the real estate goals of the University. While in the beginning, the Foundation borrowed funds from the University for many of the University-requested real estate purchases, more recently the Foundation has been encouraged to borrow from external sources where it could. In February 2004, the Foundation repaid its debt to the University. The compelling rationale to repay the University was based on the fact that external borrowing rates are lower than the historic, and presumed future, rates of return achieved by the University's endowment. Thus, it was in the University's best interest to maximize the amount of funds held by the endowment.

In order to pay its debt to the University, the Foundation borrowed \$18 million on its line of credit which expires on June 30, 2004. The Foundation has the ability to borrow from outside lenders on a long-term basis, however, the lenders have requested comfort letters from the University. The Board of Visitors authorized the use of comfort letters on short-term project loans with less than a two-year duration in January 2001. That authorization is not sufficient to cover longer term loans the Foundation will enter into to cover the amount repaid to the University.

DISCUSSION: In order to receive favorable borrowing terms, lenders have requested that the Foundation provide comfort letters from the University. The Foundation, in consultation with the University's General Counsel, has developed language for the comfort letters that does not establish any University exposure to the lending institution, nor guarantee the Foundation's obligations to the lending institution or the Foundation's liquidity. The comfort letter assures the lending institution that the University will take such action as it

deems necessary and appropriate to keep the Foundation in a sound financial condition and in a position to discharge its obligations to the lending institution. The resolution rescinds the 2001 resolution on comfort letters and permits the Executive Vice President and Chief Operating Officer to enter into comfort letters, on behalf of the Foundation, of a duration of not more than five years.

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

APPROVAL TO ISSUE COMFORT LETTERS FOR THE UNIVERSITY OF VIRGINIA FOUNDATION

WHEREAS, the University of Virginia requested that the University of Virginia Foundation repay \$18 million in non-interest bearing debt, and the Foundation has repaid the University the full amount of the debt; and

WHEREAS, the Foundation has borrowed on its line of credit from external lenders in order to repay this amount to the University, and now must find a more permanent solution to placing the debt before the expiration of this line of credit extension on June 30, 2004; and

WHEREAS, banks have offered favorable borrowing options with a comfort letter from the University that does not establish any University exposure to the bank, or guarantee the borrower's obligations to the bank or the borrower's liquidity; and

WHEREAS, the resolution approved by the Board of Visitors at the January 2001 meeting pertaining to comfort letters does not allow the University to sign a comfort letter for a credit facility that extends over more than two years;

RESOLVED, the January 2001 resolution entitled "University of Virginia Real Estate Foundation Properties" is hereby rescinded; and

RESOLVED FURTHER, that the Executive Vice President and Chief Operating Officer is authorized to enter into comfort letters and other related documents reviewed by the General Counsel for compliance with state laws restricting assumption of debt and lending of state credit, provided such comfort letters and related documents are limited to a duration of not more than five years with respect to private financing secured by the

University of Virginia Foundation and provided further the terms thereof do not bind nor legally obligate the University to assume, guarantee or pay the financial indebtedness of the Foundation.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 25, 2004

COMMITTEE: Finance

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

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will 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 25, 2004

COMMITTEE: Finance

AGENDA ITEM: III.B. Endowment Report

ACTION REQUIRED: None

Market Value and Performance as of April 30, 2004

BACKGROUND: The Rector and Visitors of the University, and specifically the Board of the University of Virginia Investment Management Company (UVIMCO), oversees the major component of the endowment that benefits the University. A report on the endowment is made at each Board of Visitors meeting.

DISCUSSION: As of the end of April, ten months into the fiscal year, the total return on the endowment was 11.3 percent. Equity markets continued to perform well during this period with domestic stocks (Russell 3000) up 16.4 percent and international stocks (MSCI All Country World ex. United States) up 29.3 percent. Both areas have slowed somewhat over the last several months, but they still have significant gains for the fiscal year-to-date. For the past few months, the markets seemed poised to coast until November with the prevailing wisdom that the administration would keep the economy on an even keel until then. Recently, however, the war in Iraq, the potential for additional terrorist attacks, and Alan Greenspan's prediction that interest rates will rise and that the federal deficit is a determinant to the long-term health of the economy, have produced turmoil in the equity markets.

Given the threat of rising interest rates, it is not surprising that the bond market has continued to struggle (Merrill Lynch 7-10 Year Government) and is down 2.5 percent for the fiscal-year-to-date. With almost 57 percent of the Pooled Endowment Fund in hedge funds, the endowment has not fully participated in the fiscal-year-to-date rally in the equity markets as evidenced by the hedge fund portfolio return of 11.2 percent. It has performed well, however, up 5 percent versus a flat market in the first four months of this calendar year. The fund's more modest allocations to domestic and international equities outpaced their benchmarks with returns of 19.4 percent

and 39.7 percent, respectively, with the international equity performance primarily due to our exposure in this area being solely in emerging markets. The allocation to private equity, up 6.3 percent for the period, also served as a drag on performance. While public equity market performance is a positive for the private equity portfolio, the impact is typically not reflected immediately in valuations.

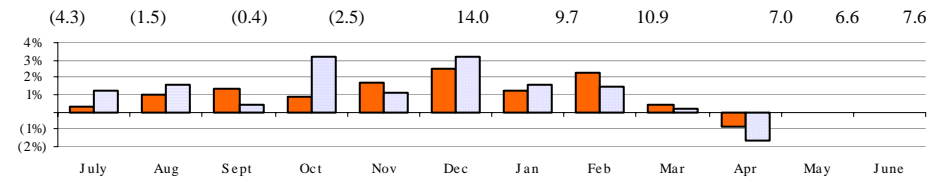
Details of the returns on the endowment through April 30, 2004, are listed in the following Investment Report.

PRELIMINARY

CONFIDENTIAL

UNIVERSITY OF VIRGINIA INVESTMENT REPORT
SUMMARY PERFORMANCE REPORT - April 30, 2004

	Asset Allocation		Current				Historical			Annualized		
	Fund	Target	MO	3MO	CYTD	FYTD	FY03	FY02	FY01	3Y	5Y	10Y
DOMESTIC EQUITY	6.3%	5.0%	(1.6)	(1.3)	1.9	19.4	4.0	(12.0)	4.8	2.7	2.5	11.3
<i>Russell 3000</i>			(2.1)	(1.9)	0.1	16.4	0.8	(17.2)	(13.9)	(1.3)	(1.2)	11.1
INTERNATIONAL EQUITY	9.0%	10.0%	(6.3)	(1.4)	1.2	39.7	7.6	(7.7)	(21.5)	11.7	7.8	6.9
EMERGING MARKETS	9.0%	10.0%	(6.3)	(1.4)	1.2	39.7	7.6	12.5	(10.8)	23.2	15.0	5.7
<i>MSCI AC World Free Ex-U.S.</i>			(3.1)	(0.0)	1.6	29.3	(4.2)	(8.2)	(23.8)	2.1	0.4	4.2
<i>MSCI Emerging Markets Free</i>			(8.2)	(2.7)	0.7	35.6	7.0	1.3	(25.8)	13.3	5.7	1.4
HEDGE FUNDS	56.5%	57.5%	0.2	3.2	5.0	11.2	9.8	7.7	18.6	10.4	14.0	11.6
LONG/SHORT	42.7%		0.4	3.7	5.5	11.0	--	--	--	--	--	--
INTERNATIONAL	2.1%		(0.9)	1.2	0.9	18.6	--	--	--	--	--	--
MACRO	6.9%		(1.3)	1.4	3.7	9.5	--	--	--	--	--	--
ABSOLUTE RETURN	4.8%		1.0	2.6	4.4	13.0	--	--	--	--	--	--
<i>Uva Hedge Fund Blended Index †</i>			(0.1)	0.9	2.1	10.1	4.1	(5.9)	(5.0)	2.4	3.3	10.3
PRIVATE EQUITY	13.2%	19.5%	(1.1)	0.4	(0.2)	6.3	11.1	(10.7)	(23.2)	(1.9)	29.8	22.7
DOMESTIC BUYOUTS	8.5%	12.0%	(1.5)	4.3	2.5	11.8	37.3	(0.5)	(22.4)	15.8	16.0	8.9
INTERNATIONAL BUYOUTS	1.9%	2.5%	(2.6)	(9.4)	(10.4)	(2.8)	1.8	21.5	5.1	1.7	15.4	--
VENTURE CAPITAL	2.8%	5.0%	1.1	(4.1)	(0.7)	(2.8)	(27.9)	(27.6)	(33.3)	(27.3)	29.2	31.3
<i>UVa Private Equity Blended Index ‡</i>			(2.2)	(0.7)	1.3	21.9	3.7	(11.5)	(12.0)	3.4	3.2	13.7
<i>Russell 3000 + 400 bp</i>			(1.7)	(0.9)	1.5	19.8	4.8	(13.2)	(9.9)	2.7	2.9	15.1
<i>MSCI AC World ex. U.S. Free + 400 bp</i>			(2.8)	1.0	2.9	32.6	(0.6)	(4.4)	(20.2)	5.8	4.2	8.0
REAL ASSETS	2.3%	3.0%	0.3	7.2	7.4	16.1	(8.2)	(12.6)	11.7	(2.3)	2.7	8.9
REAL ESTATE/TIMBER	2.3%	3.0%	0.3	7.2	7.4	16.1	(8.2)	(19.4)	8.8	(4.8)	1.1	8.0
<i>91 Day T Bills + 500 bp</i>			0.5	1.5	2.0	5.0	6.6	7.6	10.9	6.9	8.5	9.4
FIXED INCOME	7.5%	5.0%	(3.7)	(0.6)	(0.7)	0.9	17.1	10.4	10.3	9.1	8.0	7.8
<i>ML 7-10 Yr Govt</i>			(4.3)	(1.5)	(0.4)	(2.5)	14.0	9.7	10.9	7.0	6.6	7.6
CASH	5.2%											
UVA Managed	0.0%											
TOTAL FUND	100%		(0.9)	1.8	3.1	11.3	9.2	(0.1)	2.0	6.3	14.2	14.3
<i>Target Benchmark</i>			(1.6)	0.0	1.6	12.9	4.2	(6.2)	(3.3)	3.1	3.5	9.1
<i>Spending + Inflation</i>			0.6	2.6	3.5	6.4	7.0	5.6	7.6	6.8	7.2	7.2



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† 30% Russell 3000, 70% 91 Day T Bills plus 800 basis points

‡ 80% Russell 3000, 20% MSCI ACWxUS Free, plus 400 basis points

Actions of the Investment Management Company

BACKGROUND: The Board of the University of Virginia Investment Management Company (UVIMCO) and its committees meet regularly and report their activities at the following meeting of the Finance Committee.

DISCUSSION: The UVIMCO Board will meet on May 19, 2004, in New York. The Finance Committee will hear a report on the actions taken by the UVIMCO Board at this meeting.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 25, 2004

COMMITTEE: Finance

AGENDA ITEM: III.C. Report on Access UVa Metrics

ACTION REQUIRED: None

BACKGROUND: At its February 2004 meeting, the Board of Visitors approved Access UVa, a financial aid program to limit need-based loans by substituting grant aid to those families falling within 150 percent of the poverty level. At the May meeting of the Finance Committee, a briefing will be provided on proposed metrics to measure the success of the Access UVa program. The Finance Committee will discuss the metrics at the May meeting. It is expected that the first set of data will be available in the fall of 2004. Actual numbers will be provided for the first set of metrics after the fall enrollment numbers are available.

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MISCELLANEOUS FINANCIAL REPORTS

**Finance Committee
University of Virginia**

May 25, 2004

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2004

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at March 31, 2004 were \$16,895,000 as compared to \$56,460,000 at December 31, 2003. The major sources of receivables at March 31, 2004 were sponsored programs of \$10,848,000 and student receivables of \$3,057,000.

The past due receivables over 120 days old were \$1,492,000 at March 31, 2004, or 8.83 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	\$3,057,000	\$10,848,000	\$2,990,000	\$16,895,000
Less: Allowance for Doubtful Accounts	<u>125,000</u>	<u>750,000</u>	<u>333,000</u>	<u>1,208,000</u>
Net Accounts Receivable	<u>\$2,932,000</u>	<u>\$10,098,000</u>	<u>\$2,657,000</u>	<u>\$15,687,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$ 273,000</u>	<u>\$ 776,000</u>	<u>\$ 443,000</u>	<u>\$ 1,492,000</u>

SOURCE: Revenue & Collections
DATE: May 6, 2004

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2004

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program increased by 1.44 percent to 6.84 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 0.00 percent. The Nursing Undergraduate Student Loan Program default rate decreased by 0.19 percent to 2.13 percent. All medical loan programs are well below the five percent federal threshold. The University Loan Program default rate also increased by 0.20 percent to 4.68 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$17,692,000	6.84%	1.44%
Health Professions Loans	348,000	0.00%	0.0 %
Undergraduate Nursing Loans	670,000	2.13%	(0.19)%
University Loans	8,930,000	4.68%	0.20%
Total Student Loan Outstanding	\$27,640,000		

SOURCE: Student Financial Services
DATE: May 6, 2004

**INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
for the month of April 30, 2004**

<u>PROJECT NUMBER</u>	<u>PURPOSE</u>	<u>DATE OF LOAN</u>	<u>INTEREST RATE</u>	<u>ORIGINAL LOAN AMOUNT</u>	<u>PRINCIPAL PAYMENTS TO DATE</u>	<u>OUTSTANDING PRINCIPAL</u>	<u>APPROX. FINAL PAYMENT</u>
120651	Wise Student System	04/21/04	Blended borrowing rate (4.75%)	\$ 200,000.00	\$ -	\$ 200,000.00	07/2007
120561	ITC Mainframe	03/16/04	Blended borrowing rate (4.75%)	300,000.00	-	300,000.00	07/2006
103812/ 118780	Wise Student Center	11/30/03	Blended borrowing rate (4.75%)	2,000,000.00	-	2,000,000.00	06/2007
103792	Clark Hall	11/01/03	Blended borrowing rate (4.75%)	2,575,000.00	1,500,000.00	1,075,000.00	01/2006
118600	Columbarium	10/30/03	Blended borrowing rate (4.75%)	85,000.00	-	85,000.00	10/2008
115024	Baseball Stadium	06/14/02	Fed. Funds + 60 pts.	1,525,000.00	1,441,935.23	83,064.77	06/2005
115608	ITC-Disk Hardware	02/01/02	Fed. Funds + 60 pts.	130,000.00	86,666.00	43,334.00	07/2004
115567	ITC-Cincom	02/01/02	Fed. Funds + 60 pts.	950,000.00	475,000.00	475,000.00	07/2005
107202	Keck Center	06/22/01	Fed. Funds + 60 pts.	50,000.00	25,000.00	25,000.00	06/2005
103869	Gilmer Hall	06/22/01	Fed. Funds + 60 pts.	45,147.96	25,000.00	20,147.96	06/2005
103947	WTJU	06/01/00	Fed. Funds + 60 pts.	120,000.00	72,000.00	48,000.00	05/2005
N/A	UVA Medical Center	07/10/02	Fed. Funds + 60 pts.	3,976,856.05	2,018,914.63	1,957,941.42	06/2006
103807	CVC Football Facility	12/22/98	Fed. Funds + 60 pts.	3,000,000.00	1,285,772.18	1,714,227.82	06/2009
Total Internal Loans Subject to \$15M Limit Established by BOV¹				\$14,957,004.01	\$6,930,288.04	\$8,026,715.97	

Other Internal Loan:

103842	Scott Stadium Internal Construction Loan ²	04/26/01	Fed. Funds + 60 pts.	\$10,338,494.75	\$10,174,409.39	\$ 164,085.36	04/2006
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NOTES:

- 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.
- Per April 2001 Board of Visitors resolution approving a short-term construction loan of up to \$13 million.

SOURCE: Investment & Tax Services

DATE: May 4, 2004

REPORT ON WRITE-OFF OF NON-PATIENT
BAD DEBT FOR FISCAL YEAR 2003-2004

Report on Write-offs of Non-Patient Bad Debts:

Each May, the University writes off its uncollectible accounts receivables for non-patient services. The University's write-off of non-patient bad debts for May 2004 is \$327,102. This year's write-off increased by \$42,860 over last year. These write-offs do not constitute a compromise, settlement or discharge of the debts. For the past ten years, the University has collected approximately 32 percent of the accounts written off.

	<u>FY</u> <u>2003-2004</u>	<u>FY</u> <u>2002-2003</u>	<u>FY</u> <u>2001-2002</u>	<u>FY</u> <u>2000-2001</u>	<u>FY</u> <u>1999-2000</u>
Tuition and Fees	112,511	95,352	92,309	66,381	109,103
Auxiliary Service					
Fines and Charges	78,380	84,926	66,344	81,450	73,345
Library Fines and Charges					
	28,765	25,776	34,407	814	26,104
University Student Loans	15,170	20,879	13,976	7,318	12,856
Other Charges	27,920	35,108	42,045	67,530	32,851
University Press	2,362	-	4,453	1,621	2,155
UVa's College at Wise	61,994	-	96,485	152,538	-
Communication Disorder Program	-	22,202	-	-	-
TOTAL	327,102	284,243	350,019	377,652	256,414

SOURCE: Financial Administration
DATE: May 4, 2004

QUARTERLY BUDGET REPORT

As of March 31, 2004

This report compares the actual results for the sources and uses of the approved 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 fiscal year 2003-04, 84 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. For the third quarter, 77 percent of the budget has been expended.

The operating budget is 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. Below several of the differing conventions used in the operating budget and the actual results presented on the accompanying statement are outlined:

- The operating budget is prepared on a cash basis.
- The operating budget presents tuition and fees as gross income and the full amount of student aid as an expense.
- In the 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 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.

- Direct lending 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 13, 2004

University of Virginia Academic Division
2003-2004 Operating Budget vs. Actual Results
As of March 31, 2004
(in thousands)

	2003-04 Revised Budget	3/31/04 Actual Results	Variance	3/31/04 Percentage of Budget
Sources of Available Funds				
Tuition & Fees	\$239,231	\$236,135	\$3,096	98.7%
State General Fund Appropriation	121,643	117,395	4,248	96.5%
Sponsored Research Direct & Indirect Costs	274,859	201,846	73,013	73.4%
Endowment Distribution Projected for Expenditure	68,438	39,852	28,586	58.2%
Private Gifts Projected for Expenditure	66,045	49,149	16,896	74.4%
Sales, Investment & Other Projected for Expenditure	24,986	14,882	10,104	59.6%
Auxiliary Enterprises	135,161	123,800	11,361	91.6%
Total Sources of Available Funds	\$930,363	\$783,059	\$147,304	84.2%
Uses of Available Funds				
Direct Instruction	\$228,932	\$160,212	68,720	70.0%
Research and Public Service	256,681	195,038	61,644	76.0%
Library, Information Tech., & Academic Administration	103,098	76,045	27,053	73.8%
Student Services	18,811	15,854	2,957	84.3%
General Administration	58,949	40,880	18,069	69.3%
Operation & Maintenance of Physical Plant	41,139	38,133	3,006	92.7%
Scholarships, Fellowships, and Other Graduate Support	87,592	82,658	4,934	94.4%
Athletics	27,184	22,851	4,333	84.1%
University Bookstores	30,541	28,842	1,699	94.4%
Housing	22,631	16,001	6,630	70.7%
Other Auxiliary Enterprises	54,087	41,006	13,081	75.8%
Total Auxiliary Enterprises	134,443	108,700	25,743	80.9%
Total Uses of Available Funds	\$929,645	\$717,519	\$212,126	77.2%
Surplus	\$718	\$65,540	(\$64,822)	n/a

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*
December 31, 2003
(In Thousands)

	R & V Funds Invested by UVIMCO	Related Foundation Funds Invested by UVIMCO	Related Foundation Funds Invested by Direction of Foundation Board	Funds Invested by Alumni Assoc	Total
University of Virginia Medical School and related foundations	\$467,174	\$5,040	\$19,495	\$3,532	\$495,241
Darden School and related foundation	80,239	35,309	139,103	0	254,651
College of Arts and Sciences and related foundations	221,827	8,230	8,379	12,646	251,082
University of Virginia Law School and related foundation	31,225	81,113	92,764	0	205,102
School of Engineering and related foundation	55,099	0	0	2,089	57,188
McIntire School of Commerce and related foundation	27,116	0	322	23,190	50,628
Graduate School of Arts and Sciences	30,483	0	0	0	30,483
School of Nursing	23,708	0	0	1,649	25,357
University of Virginia's College at Wise and related foundation	19,023	495	469	1,706	21,693
Curry School of Education and related foundation	8,644	5,269	63	11	13,987
School of Architecture	11,255	0	0	348	11,603
School of Continuing and Professional Studies	53	0	0	0	53
Alumni Association**	0	0	0	208,369	208,369
Athletics and related foundation	29,381	18,876	20,100	291	68,648
Miller Center and related foundation	38,416	2,000	0	1	40,417
Alumni Board of Trustees	0	0	28,447	8,255	36,702
University of Virginia Foundation and UVa Real Estate Foundation	0	23,335	3	0	23,338
All Other	928,971	16,184	0	0	945,155
	<u>\$1,972,614</u>	<u>\$195,851</u>	<u>\$309,145</u>	<u>\$262,087</u>	<u>\$2,739,697</u>

Notes:

* Excludes security lending.

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

SOURCE: Financial Administration

DATE: May 6, 2004

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

February 1, 2004 - March 31, 2004

(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.)

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

<u>Additions</u>	<u>Amount</u>
Dean's Discretionary Research Fund for Infectious Disease	\$37,455.06
University Quasi-Endowment Fund*	<u>1,948.35</u>
Total Additions to Quasi-Endowments	\$39,403.41
<u>Divestments</u>	
Total Divestments from Quasi-Endowments	\$0.00
<u>Endowment Income Capitalizations</u>	
AT&T Professorship in Engineering Quasi-Endowment	\$17,030.85
Dean's Adenosine Patent Quasi-Unrestricted Income	89,983.40
Hamilton, Janet S. and John D. Quasi-Endowment	13,021.73
Horton, Charles E. Professorship in International Plastic Surgery	14,058.72
Jordan, Harvey E. Lectureship	9,434.58
Kinnier, Henry L. Professorship Quasi-Endowment	21,707.78
Miller, Mae W. Quasi-Endowment in Heart Research	25,760.72
Perry, Ferman W. Professorship Restricted Quasi-Endowment	19,129.55
Vaughan, Joseph L. Chair Restricted Quasi-Endowment	16,255.14
Total Endowment Income Capitalizations	\$226,382.47

*Includes current unrestricted gifts to the University which, under a standing Board of Visitors resolution, are required to be added to the University's Unrestricted Endowment Fund.

SOURCE: Investment & Tax Services
DATE: May 6, 2004

ATTACHMENT

2004-2005 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES – \$1,300,000

Biology - The Biology Department proposes to allocate \$273,572 for fellowships, to support entering Ph.D. students, to provide summer support for incoming graduate students, to cover tuition and fees (in part or in full) of eight out-of-state students and to supplement presidential fellowships and training grant stipends. The department proposes to allocate \$36,428 to provide partial support of the salaries of the director and associate director of the Mountain Lake program. 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 \$25,000 be allocated to provide matching funds required for a National Science Foundation (NSF) summer undergraduate research award. The department proposes to allocate \$60,000 to provide summer salary for Professors Mario Geysen and Milton Brown; summer salary to the director of the Research Experience for Undergraduates program, James Demas; and summer salary for the Director of the Drug Discovery Program, Timothy MacDonald. The department requests \$195,000 for equipment for start-ups for new faculty, equipment matching commitments, and equipment support for the department's mentoring program. 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 \$268,609 for the following purposes: \$76,230 to provide partial academic year and summer salaries for three Whyburn instructors; \$35,694 to provide summer salaries and start-up funds for two new hires, Mitrea and Bux; \$119,585 for partial salaries for visiting professors; \$15,000 for short-term visitors; and \$22,100 for the Institute of Mathematical Science for Karen Klintworth, the organizational lead of the program. The department proposes to allocate \$20,000 for computer equipment. The department also proposes to allocate \$21,391 for graduate student support. 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 \$96,242 for postdocs for new faculty and for summer salaries for new faculty members. The department proposes to allocate \$53,758 in fellowship support. The department further proposes that \$160,000 be allocated for equipment for new faculty. 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.

SCHOOL OF MEDICINE - \$1,300,000

Support and Training of Student Researchers - \$450,000

Graduate students and post-doctoral fellows are central, essential components of successful biomedical research programs. Although training programs from the federal government and charitable foundations fund many of these positions, a modest institutional share from the Pratt Bequest helps to attract superlative students. These extremely committed individuals have been absolutely critical in enhancing the quality of research in the Ph.D. and M.D./Ph.D. programs at the University. The school has recently reorganized the graduate program structure, and it is anticipated that the reorganization will further strengthen the pool of applicants. The success of these programs has a direct impact on quality of faculty research at the School of Medicine.

Core Facility Support - \$480,000

Core facilities - including, but not limited to the Small Animal Multimodality Imaging Core, Advanced Imaging Facility, Tissue Culture Facility, and Biomolecular Research Facility - provide access to large, expensive equipment 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 and provide flexibility to acquire emerging technologies. Like the student and fellow

support outlined above, these resources are critical to the School of Medicine's recruitment and retention success.

Research Support Equipment - \$370,000

With the continued success and growth of the School of Medicine's sponsored programs, there is an increased need to provide infrastructure equipment support related to this research. The purchase of high-cost, specialized equipment (and associated maintenance costs) often requires institutional cost-sharing. This portion of the allocation will be used to continue expanding the available equipment (caging, racks, etc.) in the animal care facilities and provide support for matching funds that are needed for key equipment purchases that will support multiple researchers.

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