NEW ISSUE – FULL BOOK ENTRY

Ratings:		
	Moody's:	Aaa
	Standard & Poor's:	AAA
	Fitch Ratings:	AAA
	(See **"RATINGS"** herein)	

Assuming compliance with certain covenants and subject to the qualifications described in ***"TAX EXEMPTION"*** *herein, in the opinion of Bond Counsel, under current law interest on the Series 2015A Bonds (a) will not be included in gross income of owners of the Series 2015A Bonds for federal income tax purposes and (b) will not be treated as a specific item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Such interest may be included in the calculation of a corporation's federal alternative minimum tax and may be subject to other federal income tax consequences as described in* ***"TAX EXEMPTION"*** *herein. In the opinion of Bond Counsel, under existing laws of the Commonwealth of Virginia, interest on the Series 2015A Bonds is not subject to Virginia taxation.*

$184,730,000

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA

General Revenue Pledge Refunding Bonds, Series 2015A

consisting of

$86,995,000
Series 2015A-1

$97,735,000
Series 2015A-2
(Green Bonds)

Dated: Date of Delivery **Due: See Inside Cover**

The offered bonds identified above (the "Series 2015A Bonds") will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2015A Bonds under a book-entry only system. Accordingly, Beneficial Owners of the Series 2015A Bonds will not receive physical delivery of bond certificates. See **"THE SERIES 2015A BONDS – Book-Entry Only System"** herein. The Series 2015A Bonds are payable solely from Pledged Revenues (as hereinafter defined) available to The Rector and Visitors of the University of Virginia (the "University").

The Series 2015A Bonds will bear interest at fixed rates and will be offered at the prices or yields set forth on the inside of this cover page. Individual purchases of beneficial ownership interests in Series 2015A Bonds may be made in the principal amount of $5,000 or any integral multiple thereof. Interest on the Series 2015A Bonds is payable semi-annually on each April 1 and October 1 commencing on October 1, 2015.

The Series 2015A Bonds are subject to optional and extraordinary redemption prior to maturity as described herein. The Bank of New York Mellon Trust Company, N.A. will serve as the initial Paying Agent for the Series 2015A Bonds.

THE SERIES 2015A BONDS WILL CONSTITUTE LIMITED OBLIGATIONS OF THE UNIVERSITY AND WILL BE SECURED BY A PLEDGE OF CERTAIN REVENUES AND RECEIPTS OF THE UNIVERSITY, ALL AS DESCRIBED HEREIN. THE PRINCIPAL OF AND INTEREST ON THE SERIES 2015A BONDS SHALL BE PAYABLE SOLELY FROM THE FUNDS PLEDGED THEREFOR. NEITHER THE COMMONWEALTH OF VIRGINIA, NOR ANY POLITICAL SUBDIVISION THEREOF, NOR THE UNIVERSITY, SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015A BONDS EXCEPT FROM THE REVENUES AND RECEIPTS PLEDGED AND ASSIGNED THEREFOR. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF VIRGINIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015A BONDS OR OTHER COSTS INCIDENT THERETO. THE UNIVERSITY HAS NO TAXING POWERS.

The Series 2015A Bonds are offered when, as and if issued and accepted by the Underwriters subject to the approval of legality by McGuireWoods LLP, Richmond, Virginia, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the University by Roscoe C. Roberts, General Counsel to the University and Special Assistant Attorney General, Charlottesville, Virginia and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia. The Series 2015A Bonds are expected to be available for delivery through the facilities of DTC, New York, New York, or its custodial agent, on or about April 8, 2015.

Wells Fargo Securities **J.P. Morgan**

BofA Merrill Lynch **US Bancorp**

Dated: March 4, 2015

$184,730,000
The Rector and Visitors of the University of Virginia
General Revenue Pledge Refunding Bonds, Series 2015A
CUSIP[(1)] (Base No.): 915217

Series 2015A-1

$86,995,000, 4.000% Term Bonds Due April 1, 2045,
Priced at 105.041%* to Yield 3.400%, CUSIP Suffix: WE9

Series 2015A-2 (Green Bonds)

$67,735,000, 5.000% Term Bonds Due April 1, 2045,
Priced at 117.139%* to Yield 3.000%, CUSIP Suffix: WG4

$30,000,000, 3.570% Term Bonds Due April 1, 2045,
Priced at 100.000% to Yield 3.570%, CUSIP Suffix: WF6

* Priced to the first optional redemption date of April 1, 2025

The information set forth herein has been obtained from the University, DTC and other sources that are deemed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2015A Bonds shall under any circumstances create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation of the Underwriters. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the University since the date hereof.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the University or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2015A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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OFFICIAL STATEMENT OF

THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

relating to

$184,730,000
General Revenue Pledge Refunding Bonds, Series 2015A
consisting of

$86,995,000 **Series 2015A-1**	**$97,735,000** **Series 2015A-2** **(Green Bonds)**

INTRODUCTION

Purpose

This Official Statement, including the cover page and the Appendices, is furnished in connection with the sale of $184,730,000 aggregate principal amount of The Rector and Visitors of the University of Virginia (the "University") General Revenue Pledge Refunding Bonds, Series 2015A, consisting of $86,995,000 aggregate principal amount of General Revenue Pledge Refunding Bonds, Series 2015A-1 (the "Series 2015A-1 Bonds") and $97,735,000 aggregate principal amount of General Revenue Pledge Refunding Bonds, Series 2015A-2 (Green Bonds) (the "Series 2015A-2 Bonds" and, together with the Series 2015A-1 Bonds, the "Series 2015A Bonds"). The Series 2015A Bonds will constitute valid and binding limited obligations of the University and will be secured by a pledge of certain revenues and receipts of the University, all as described herein. The principal of and interest on the Series 2015A Bonds shall be payable solely from the funds pledged therefor in accordance with the terms of the Bond Resolution, as herein defined. See **"SECURITY FOR THE SERIES 2015A BONDS"** herein. Terms capitalized but undefined in the body of this Official Statement are defined in **Appendix C** attached hereto.

The Series 2015A Bonds will bear interest at fixed rates until maturity. See **"THE SERIES 2015A BONDS"** herein.

The proceeds of the Series 2015A Bonds will be used by the University (a) to refund a portion of the outstanding principal amount of the University's Commercial Paper General Revenue Pledge Notes, Series A (Tax-Exempt) (the "Refunded CP"), originally issued to finance and refinance the costs of capital improvements at the University's educational and medical facilities located in the City of Charlottesville, Albemarle County and Wise County, Virginia, and (b) to pay other expenditures associated with the foregoing to the extent financeable, including, without limitation, costs of issuance with respect to the Series 2015A Bonds. See "**APPLICATION OF SERIES 2015A BOND PROCEEDS – Plan of Refunding"** herein.

The University also anticipates issuing its General Revenue Pledge Refunding Bonds, Series 2015B, in an aggregate principal amount of approximately $107,555,000 (the "Series 2015B Bonds"), the proceeds of which will be used for the purpose of refunding certain other existing indebtedness of the University. The closing date for the Series 2015B Bonds is expected to occur contemporaneously with the closing of the Series 2015A Bonds. The Series 2015B Bonds will be Parity Credit Obligations (as hereinafter defined) secured on a parity basis by a pledge of Pledged Revenues (as hereinafter defined). This Official Statement does not provide a description of the terms of the

Series 2015B Bonds. The Series 2015A Bonds and the Series 2015B Bonds are sometimes referred to herein collectively as the "Series 2015 Bonds".

The University

The University is classified and constituted pursuant to Title 23 of the Code of Virginia of 1950, as amended, as an educational institution of the Commonwealth of Virginia. See **Appendix A** attached hereto for a description of the University. The Series 2015A Bonds will be issued under the Restructured Higher Education Financial and Administrative Operations Act, Chapter 4.10, Title 23, Code of Virginia of 1950, as amended (the "Act"), pursuant to the terms of an authorizing resolution adopted by the Executive Committee of the Board of Visitors of the University on February 19, 2015, a bond resolution of the University executed pursuant thereto with respect to the Series 2015A-1 Bonds and a bond resolution of the University executed pursuant thereto with respect to the Series 2015A-2 Bonds. Except with respect to principal amounts, interest rates and other specific terms of the Series 2015A-1 Bonds and the Series 2015A-2 Bonds, such bond resolutions are identical in all material respects and each reference herein and in Appendix C to the "Bond Resolution" shall be a reference to the applicable bond resolution relating to the Series 2015A-1 Bonds or the Series 2015A-2 Bonds, as the context may require.

Appendices

In addition to **Appendix A** describing the University, attached hereto as **Appendix B** are the University's audited financial statements for the fiscal year ended June 30, 2014. Also included in **Appendix B** is the University's Management's Discussion and Analysis, which provides an overview of the financial position and results of activities of the University for the fiscal year ended June 30, 2014. Attached hereto as **Appendix C** are certain definitions and a summary of the Bond Resolution. Attached hereto as **Appendix D** is the proposed form of Opinion of Bond Counsel. Attached hereto as **Appendix E** is the proposed form of Continuing Disclosure Agreement.

Document Summaries

This Official Statement contains summaries of certain provisions of the financing documents, including without limitation, the Bond Resolution. Reference is hereby made to each of such financing documents for the detailed provisions thereof, and the summaries and other descriptions of the provisions of such instruments and other documents contained in this Official Statement, including the Appendices hereto, are qualified in their entirety by such reference.

THE SERIES 2015A BONDS

The following is a summary of certain provisions of the Series 2015A Bonds. For definitions of certain terms and additional detailed information relating to the Series 2015A Bonds, see **Appendix C** attached hereto.

General

The Series 2015A-1 Bonds will be issued in the aggregate principal amount of $86,995,000. The Series 2015A-2 Bonds will be issued in the aggregate principal amount of $97,735,000. The Series 2015A Bonds will be dated the date of their delivery and will mature on April 1 in the years and amounts as set forth on the inside cover page hereof. Interest on the Series 2015A Bonds will be payable semi-annually on April 1 and October 1, commencing on October 1, 2015, at the rates per annum shown on the inside cover page hereof, calculated on the basis of a 360-day year consisting of 12 months of 30 days each. The Series 2015A Bonds will be offered in denominations of $5,000 and integral multiples thereof ("Authorized Denominations").

Redemption

Optional Redemption. The Series 2015A Bonds are subject to redemption, at the option of the University, in whole or in part on any date not earlier than April 1, 2025, upon payment of a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date.

Extraordinary Optional Redemption. The Series 2015A Bonds shall also be subject to redemption in whole or in part on any date, at the option of the University, from the proceeds of casualty insurance or condemnation awards, at a redemption price equal to 100% of the principal amount of the Series 2015A Bonds to be redeemed, without premium, plus accrued interest to the redemption date, if all or any part of the Project (as defined in the Bond Resolution) refinanced with the Series 2015A Bonds is damaged or destroyed or is taken through the exercise of the power of eminent domain and the President, Chief Operating Officer or Chief Financial Officer of the University has delivered a certificate to the Custodian to the effect that the University has determined not to use such proceeds to replace or rebuild the damaged, destroyed or taken property.

Notice of Redemption and Other Notices. So long as The Depository Trust Company ("DTC"), New York, New York, or its nominee is the Bondholder, the University and the Paying Agent will recognize DTC or its nominee as the Bondholder for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners (as hereinafter defined) will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time. See **"Book-Entry Only System"** below.

The Paying Agent shall, not less than 30 nor more than 60 days prior to the redemption date, mail notice of redemption to all registered owners of all Series 2015A Bonds to be redeemed at their registered addresses. Any such notice of redemption shall identify the Series 2015A Bonds to be redeemed, shall specify the redemption date and the redemption price, and shall state that on the redemption date the Series 2015A Bonds called for redemption will be payable at the designated office of the Paying Agent and that from that date interest will cease to accrue. Failure by the Paying Agent to give any notice of redemption or any defect in such notice as to any particular Series 2015A Bonds shall not affect the validity of the call for redemption of any Series 2015A Bonds in respect of which no such failure or defect has occurred. So long as DTC or its nominee is the registered owner of the Series 2015A Bonds, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a Direct Participant or otherwise) to notify the Beneficial Owner so affected, shall not affect the validity of the call for redemption. Any notice mailed as provided in the Bond Resolution shall be conclusively presumed to have been given regardless of whether actually received by any Beneficial Owner. If at the time of mailing of notice of any optional redemption the University shall not have caused to be deposited with the Paying Agent money sufficient to redeem all the Series 2015A Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of such moneys with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Selection for Redemption. Subject to applicable procedures of DTC while the Series 2015A Bonds are held in book-entry form by DTC, if less than all of the Series 2015A Bonds are to be called for redemption, the Series 2015A Bonds to be redeemed shall be selected by the University in such manner as the University in its discretion may determine.

Book-Entry Only System

Upon initial issuance, the Series 2015A Bonds will be available only in book-entry form, and will be available only in Authorized Denominations. DTC will act as securities depository for the

Series 2015A Bonds. The Series 2015A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2015A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2015A Bonds (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015A Bonds, except in the event that use of the book-entry system for the Series 2015A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015A Bonds, such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Series 2015A Bonds may wish to ascertain that the nominee holding the Series 2015A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2015A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct and Indirect Participant and not of DTC (or its nominee), the Paying Agent or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2015A Bonds at any time by giving reasonable notice to the University or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015A Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Series 2015A Bond certificates will be printed and delivered.

The information contained herein concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University and the Paying Agent take no responsibility for the accuracy thereof.

Neither the University nor the Paying Agent will have any responsibility or obligation to such Direct or Indirect Participants or the persons for whom they act as nominees with respect to the payments to the Direct Participants, the Indirect Participants or Beneficial Owners.

Exchange and Transfer

If for any reason the book-entry only system is discontinued, the Series 2015A Bonds will be exchangeable and transferable on the registration books of the Registrar in Authorized Denominations. Upon presentation and surrender of any Series 2015A Bond for transfer or exchange, the Registrar will authenticate and deliver in the name of the designated transferee or transferees or the registered Bondholder, as appropriate, one or more new fully registered Series 2015A Bonds in any Authorized Denomination or Denominations. For every exchange or transfer of Series 2015A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

APPLICATION OF SERIES 2015A BOND PROCEEDS

Plan of Refunding

Proceeds of the Series 2015A Bonds will be used to currently refund a portion of the University's outstanding Commercial Paper General Revenue Pledge Notes, Series A (Tax-Exempt), in an aggregate principal amount of $199,701,000, which are referred to herein as the Refunded CP. Upon issuance of the Series 2015A Bonds, a portion of the proceeds thereof will be deposited with The Bank of New York Mellon Trust Company, N.A., as paying agent for the Refunded CP, in an amount which will be sufficient to pay all principal of and interest on the Refunded CP to and including the applicable maturity dates therefor.

Green Bonds

A portion of the proceeds of the Refunded CP was used to finance and refinance certain projects that the University has identified as promoting environmental sustainability purposes, including the construction, furnishing and equipping of certain buildings certified as LEED® Gold or LEED® Silver (the "Green Projects"). The U.S. Green Building Council reviews applications for LEED (Leadership in Energy and Environmental Design) certification of eligible projects and assigns points to each project based on its level of achievement in improved environmental performance. There are currently four levels of certification – Certified, Silver, Gold and Platinum – determined by the number of points awarded to the project.

The University has allocated the proceeds of the Series 2015A-2 Bonds to the refunding of the portions of the Refunded CP that financed or refinanced the Green Projects. Such Green Projects include the following:

- ***The Battle Building (LEED® Gold-certified)***. The Battle Building is a seven-story, 200,000 square foot facility that houses pediatric primary care, dozens of pediatric specialties, a maternal and fetal medicine clinic, pediatric outpatient rehabilitation services, the teen and young adult health center, outpatient surgery, and a clinical trials suite and clinical research office, all in one central location with immediate proximity to the UVA Medical Center. Construction included a focus on sustainable materials: 21% of the materials were sourced within 500 miles, 10% of the materials include recycled content, and 96% of the wood was produced in a socially and environmentally responsible manner (all percentages by cost). Additionally, low-emitting carpet (certified by the CRI Green Label Plus program) and urea-formaldehyde free composite wood were used to promote healthy indoor air, a priority in hospital settings.

- ***North Grounds Recreation Center (LEED® Silver-certified)***. The North Grounds Recreation Center Expansion was the first of three planned projects to improve existing

Intramural Recreational facilities on University Grounds. The project included a 33,000 square foot addition with an aquatics facility, a mind-body multi-purpose fitness room and two squash courts, as well as improvements to existing facilities. Construction of the project included new high efficiency and CFC-free chillers, airflow measuring stations to provide optimal ventilation levels and individual lighting controls and thermostats to reduce the building's greenhouse gas footprint while also reducing cost. Additionally, water-efficient fixtures contributed to a calculated 33% reduction in potable water use.

- ***UVA East Chiller Plant (LEED® Silver-certified)***. The East Chiller Plant provides a 27,000 square foot building shell for a 10,000 ton plant with 6,000 tons of initial installed capacity in the form of three, 2,000 ton chillers. Cooling towers for this project included conductivity controls and a reverse osmosis (RO) unit to reduce the use of potable water for makeup water requirements. Additional green features include use of recycled and regional materials for construction, a lighting purchasing plan to limit the overall mercury brought onto site through the purchase of lamps, and energy saving measures that achieved nearly 30% in energy cost savings according to a whole building energy simulation model.

- ***Alderman Road Residence Area***. The Alderman Road Residence Area consists of 11 buildings that are expected to house up to 1650 residents. Eight buildings have hallway-style double rooms with shared common areas on each floor. Three buildings are suite-style, with a common living area, bathroom, and 5 double bedrooms accommodating 10 residents per suite. Projects that were financed with the proceeds of the Refunded CP include:

    - ***Phase III: Lile-Maupin and Tuttle-Dunnington Residence Halls (LEED® Silver-certified)***. Two five-story residence halls each housing 176 first year students and 9 resident staff members.

    - ***Phase IVa: Shannon House (LEED® Gold-certified)***. A five-story residence hall housing 192 First Year students and 9 resident staff members.

Such Green Projects have received exemplary performance points for: maximizing open space, water use reduction and innovation in design. Special design features include a storm-water management design that starts to clean water before it leaves the site, mechanical systems that optimize energy performance, enhanced management of refrigerants, and sensors and switches that control lighting systems. During construction over 90% of all waste was diverted to recycling, low emitting adhesives were used, and products were selected based on using locally sourced, recycled, or rapidly renewable materials.

The purpose of designating the Series 2015A-2 Bonds as "Green Bonds" is to allow investors to invest directly in bonds which finance environmentally-sustainable projects. The proceeds of the Refunded CP used to finance the Green Projects have been spent and construction of the Green Projects has been completed. As further described under **"SECURITY FOR THE SERIES 2015A BONDS"** below, the Series 2015A-2 Bonds are secured by a pledge of Pledged Revenues of the University, and holders of the Series 2015A-2 Bonds do not assume any specific risk related to any of the Green Projects. The terms "Green Projects" and "Green Bonds" are neither defined in, nor related to the Bond Resolution, and their use in this Official Statement is for identification purposes only and is not intended to provide or to imply that any holder of the Series 2015A-2 Bonds is entitled to any additional security other than as provided in the Bond Resolution.

Sources and Uses of Funds

The proceeds of the Series 2015A Bonds are expected to be applied on the date of issue in the estimated amounts as follows (rounded to the nearest dollar):

Sources of Funds:

Principal amount of Series 2015A Bonds	$184,730,000
Net original issue premium on Series 2015A Bonds	15,994,520
TOTAL	**$200,724,520**

Uses of Funds:

Refunding of Refunded CP	$199,701,000
Cost of Issuance (including underwriters' discount†)	1,023,520
TOTAL	**$200,724,520**

† See **"UNDERWRITING"** herein.

SECURITY FOR THE SERIES 2015A BONDS

The following summary of the security for the Series 2015A Bonds is qualified in its entirety and reference is hereby made to **Appendix C** hereto which sets forth in further detail provisions relating to the security for the Series 2015A Bonds and to the Bond Resolution. For definitions of certain capitalized terms used but not defined herein, see **Appendix C** attached hereto.

Pledge of Pledged Revenues

Pursuant to the Bond Resolution, the University is required to pay the principal of and interest on the Series 2015A Bonds as they become due upon redemption, acceleration, maturity or otherwise. The Series 2015A Bonds are secured, together with the Outstanding General Revenue Pledge Bonds (as hereinafter defined) and other Credit Obligations of the University secured on a parity basis with the Series 2015A Bonds (collectively, "Parity Credit Obligations"), by a pledge of Pledged Revenues. See **"Existing and Permitted Parity Credit Obligations"** below.

"Pledged Revenues" means any or all of the revenues now or hereafter available to the University which are not required by law, by binding contract entered into prior to the date of the Bond Resolution, or by the provisions of any Qualifying Senior Obligation (as hereinafter defined) to be devoted to some other purpose and will include, without limitation, all revenues pledged to the payment of any Qualifying Senior Obligation net of amounts necessary to pay it or any operating or other expenses, the payment of which is required or permitted to be made with such revenues prior to payment of such Qualifying Senior Obligation.

"Qualifying Senior Obligation" means any existing Credit Obligation (other than Outstanding General Revenue Pledge Bonds or any other Parity Credit Obligation) secured by a pledge of any portion of the University's revenues and any additional Credit Obligation issued to refund such obligations. See **"Qualifying Senior Obligations and Credit Obligations"** and **"Existing and Permitted Parity Credit Obligations"** below.

Qualifying Senior Obligations and Credit Obligations

The Bond Resolution permits the University, within the limitations described below and subject to certain other restrictions, to pledge in the future the revenues from certain revenue producing facilities or systems to the payment of future Qualifying Senior Obligations, with such pledge being superior to the pledge securing the Series 2015A Bonds and with operating expenses of such facilities or systems also having a prior claim to such revenues. For example, Qualifying Senior Obligations may include those secured by a pledge of net revenues from certain dormitory, dining hall, parking or student fees. All such pledges would be (1) prior and superior to the pledge securing the Series 2015A Bonds, and (2) net of operating expenses for the related facility or system, and such revenues would be available to pay the Series 2015A Bonds and other Parity Credit Obligations only to the extent such revenues are not required for either operating expenses of the facility or system involved or debt service on the related Qualifying Senior Obligations.

Under the Bond Resolution, the University may incur, assume, guarantee or otherwise become liable on certain Qualifying Senior Obligations and may pledge and apply such portion of the Pledged Revenues as may be necessary to provide for (1) the payment of any such Credit Obligation, (2) the funding of reasonable reserves therefor and (3) the payment of operating and other reasonable expenses of the facilities financed in whole or in part with the proceeds of such Credit Obligation or facilities reasonably related to such facilities, and such pledge shall be senior and superior in all respects to the pledge of Pledged Revenues securing the Series 2015A Bonds and any other Parity Credit Obligations, but only if, prior to the incurrence of each such Credit Obligation, an Authorized Officer of the University certifies in writing that (1) taking into account the incurrence of such proposed Credit Obligation, (a) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after the later of (i) the issuance of such proposed Credit Obligation and (ii) the completion of any facility financed with its proceeds, and (b) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University during the term of such proposed Credit Obligation, (2) to the best of Authorized Officer's knowledge, the University is not in default in the performance and observance of any of the provisions of the Bond Resolution, and (3) in connection with the issuance of such proposed Credit Obligation, the University has received an opinion of counsel nationally recognized in matters concerning municipal bonds to the effect such proposed Credit Obligation has been validly issued under the relevant provisions of the Constitution of Virginia.

The Bond Resolution further permits the University to issue bonds to refund any Qualifying Senior Obligations and to secure such refunding bonds with the same source of revenues securing the Qualifying Senior Obligations being refunded. Upon the defeasance of the refunded Qualifying Senior Obligations pursuant to any such refunding, the refunding bonds will be considered Qualifying Senior Obligations under the Bond Resolution.

Currently, other than the University's portion (which as of June 30, 2014, was $5,847,969) of certain general revenue bonds previously issued by the Commonwealth of Virginia, there are no Qualifying Senior Obligations and the University has no plans to issue any Qualifying Senior Obligations.

Existing and Permitted Parity Credit Obligations

The University previously has issued Parity Credit Obligations, the outstanding principal amount of which as of June 30, 2014, was $1,330,757,000 (which figure includes the amount of the Refunded CP, the outstanding principal amount of the University's other Commercial Paper General Revenue Pledge Notes, and certain bonds issued on behalf of the University by the Virginia College Building Authority) (collectively, the "Outstanding General Revenue Pledge Bonds"). All of the Outstanding General

Revenue Pledge Bonds are secured by a pledge of Pledged Revenues on a parity with the pledge securing the Series 2015A Bonds. See **"Financial Information –** ***Indebtedness and Other Obligations*****"** in **Appendix A** attached hereto.

The Bond Resolution permits the University to incur, assume, guarantee or otherwise become liable on other indebtedness that may be secured by a pledge of the Pledged Revenues ranking on a parity with the pledge of Pledged Revenues securing the Outstanding General Revenue Pledge Bonds and the Series 2015A Bonds, but only if an Authorized Officer of the University certifies in writing that (1) taking into account the incurrence of such proposed Parity Credit Obligation, (a) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after the later of (i) the issuance of such Parity Credit Obligation and (ii) the completion of any facility financed with the proceeds of such Parity Credit Obligation, and (b) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University during the term of such Parity Credit Obligation, and (2) to the best of such Authorized Officer's knowledge, the University is not in default in the performance and observance of any of the provisions of the Bond Resolution.

THE SERIES 2015A BONDS AND THE INTEREST THEREON SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE COMMONWEALTH OF VIRGINIA, LEGAL, MORAL OR OTHERWISE. NEITHER THE COMMONWEALTH OF VIRGINIA NOR THE UNIVERSITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015A BONDS OR OTHER COSTS INCIDENT THERETO EXCEPT FROM SOURCES PLEDGED THEREFOR IN THE BOND RESOLUTION, AND NEITHER THE FAITH AND CREDIT NOR FUNDS OF THE UNIVERSITY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE SERIES 2015A BONDS OR OTHER COSTS INCIDENT THERETO. THE UNIVERSITY HAS NO TAXING POWER.

Defeasance

If the University provides to the Paying Agent cash or noncallable Government Obligations sufficient to provide for payment of all or part of the Series 2015A Bonds and meets certain other requirements, such Series 2015A Bonds will no longer be secured by the pledge of Pledged Revenues but instead by such cash or noncallable Government Obligations. Such requirements are described more fully in **"Defeasance"** in **Appendix C** attached hereto.

No Liens or Reserves; Disposition of Assets

The Series 2015A Bonds are not secured by any lien on or security interest in any property of the University or any reserves. The University is generally free to sell, encumber or otherwise dispose of its property if such disposition is either in the ordinary course of business, or if an Authorized Officer certifies in writing that taking into account such disposition (1) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations for all Fiscal Years, to and including the second full Fiscal Year after such disposition and (2) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University then outstanding.

Operating Covenants; Amendments

In the Bond Resolution, the University has entered into certain operating covenants, which, along with other provisions relating to the security for the Series 2015A Bonds, may be amended with or without the consent of the holders of a majority of the principal amount of the Series 2015A Bonds then outstanding. See **"Supplemental Bond Resolutions Without Bondholder Consent"** and **"Supplemental Resolutions Requiring Bondholder Consent"** in **Appendix C** attached hereto.

ENFORCEABILITY OF REMEDIES

The remedies available to the registered holders of the Series 2015A Bonds upon an event of default under the Bond Resolution are in many respects dependent upon regulatory and judicial actions, which are often subject to discretion and delay. Under existing law, the remedies provided under the Bond Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2015A Bonds will be qualified as to enforceability of the various legal instruments, limitations imposed by bankruptcy, reorganization, insolvency or similar laws affecting the rights of creditors generally and by judicial discretion applicable to equitable remedies and proceedings generally. See **"Events of Default"** and **"Remedies Upon Default"** in **Appendix C** attached hereto.

CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2015A Bonds are subject to the approval of McGuireWoods LLP, Richmond, Virginia, Bond Counsel to the University ("Bond Counsel"). Certain legal matters will be passed upon for the University by Roscoe C. Roberts, General Counsel to the University and Special Assistant Attorney General, and for the Underwriters by their counsel, Troutman Sanders LLP, Richmond, Virginia.

LITIGATION

There is no threatened or pending litigation against or affecting the University that, to the knowledge of the University, seeks to restrain or enjoin the issuance, sale or delivery of the Series 2015A Bonds, or to in any way contest or affect the validity of the Series 2015A Bonds, the Bond Resolution, or any proceedings of the University taken with respect to the issuance or sale of the Series 2015A Bonds or with respect to the Bond Resolution, or in any way contesting the existence or powers of the University. See **"Litigation"** in **Appendix A** attached hereto.

TAX EXEMPTION

Opinion of Bond Counsel – Federal Income Tax Status of Interest

Bond Counsel's opinion will state that, under current law, interest on the Series 2015A Bonds (including any accrued "original issue discount" properly allocable to the owners of the Series 2015A Bonds) is excludable from gross income for purposes of federal income taxation and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (a "Specific Tax Preference Item"). However, for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes under Section 56 of the Internal Revenue Code of 1986, as amended (the "Code")), interest on the Series 2015A Bonds must be included in computing adjusted current earnings. See **Appendix D** attached hereto for the proposed form of opinion of Bond Counsel.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2015A Bonds.

Bond Counsel's opinion speaks as of its date, is based on current legal authority and precedent, covers certain matters not directly addressed by such authority and precedent, and represents Bond Counsel's judgment as to the proper treatment of interest on the Series 2015A Bonds for federal income tax purposes. Bond Counsel's opinion does not contain or provide any opinion or assurance regarding the future activities of the University or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the Internal Revenue Service (the "IRS"). The University has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

In delivering its opinion regarding the Series 2015A Bonds, Bond Counsel is relying upon certifications of representatives of the University, the Underwriters and other parties as to facts material to the opinion, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants (as hereinafter defined) by the University. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2015A Bonds in order for interest on the Series 2015A Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, the requirement that the University comply with certain provisions of the Code regarding, among other things, certain tax-exempt obligations, restrictions on the use, expenditure and investment of the proceeds of the Series 2015A Bonds and the use of the property financed or refinanced by the Series 2015A Bonds, limitations on the source of the payment of and the security for the Series 2015A Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2015A Bonds to the Treasury (as hereinafter defined). The Bond Resolution and the Tax Certificate executed by the University (the "Tax Certificate") contain covenants (the "Covenants") under which the University has agreed to comply with such requirements. Failure by the University to comply with its Covenants could cause interest on the Series 2015A Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2015A Bonds from becoming includible in gross income for federal income tax purposes.

Bond Counsel has no responsibility to monitor compliance with the Covenants after the date of issue of the Series 2015A Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Bond Resolution and the Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2015A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner thereof. Prospective purchasers of such Series 2015A Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning or disposing of the Series 2015A Bonds.

Prospective purchasers of the Series 2015A Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers including, without limitation, financial institutions, certain insurance companies, certain corporations (including S corporations and foreign corporations), certain foreign corporations subject to the "branch profits tax," individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers attempting to qualify for the earned income tax credit.

In addition, prospective purchasers should be aware that the interest paid on, and the proceeds of the sale of, tax-exempt obligations, including the Series 2015A Bonds, are in many cases required to be reported to the IRS in a manner similar to interest paid on taxable obligations. Additionally, backup withholding may apply to any such payments made after March 31, 2007 to any Series 2015A Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Series 2015A Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and withholding requirements do not in and of themselves affect the excludability of such interest from gross income for federal tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The "original issue discount" ("OID") on any Series 2015A Bond is the excess of such bond's stated redemption price at maturity (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of such bond. The "issue price" of a Series 2015A Bond is the initial offering price to the public at which price a substantial amount of such bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The issue price for each maturity of the Series 2015A Bonds is expected to be the initial public offering price set forth on the cover of this Official Statement, but is subject to change based on actual sales. OID on the Series 2015A Bonds with OID (the "OID Bonds") represents interest that is excludable from gross income for purposes of federal and Virginia income taxation. However, the portion of the OID that is deemed to have accrued to the owner of an OID Bond in each year may be included in determining the alternative minimum tax and the distribution requirements of certain investment companies and may result in some of the collateral federal income tax consequences mentioned in the preceding subsection. Therefore, owners of OID Bonds should be aware that the accrual of OID in each year may result in alternative minimum tax liability, additional distribution requirements or other collateral federal and Virginia income tax consequences although the owner may not have received cash in such year.

Interest in the form of OID is treated under Section 1288 of the Code as accruing under a constant yield method that takes into account compounding on a semiannual or more frequent basis. If an OID Bond is sold or otherwise disposed of between semiannual compounding dates, then the OID which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

In the case of an original owner of an OID Bond, the amount of OID that is treated as having accrued on such OID Bond is added to the owner's cost basis in determining, for federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). The amounts received upon such disposition that are attributable to accrued OID will be excluded from the gross income of the recipients for federal income tax purposes. The accrual of OID and its effect on the redemption, sale or other disposition of OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above.

Prospective purchasers of OID Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or redemption of such OID Bonds and with respect to state and local tax consequences of owning OID Bonds.

Bond Premium

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that bond (a "Premium Bond"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Prospective purchasers of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Effects of Future Enforcement, Regulatory and Legislative Actions

The IRS has established a program to audit tax-exempt obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the IRS does audit the Series 2015A Bonds, the IRS will, under its current procedures, treat the University as the taxpayer. As such, the beneficial owners of the Series 2015A Bonds will have only limited rights, if any, to participate in the audit or any administrative or judicial review or appeal thereof. Any action of the IRS, including but not limited to the selection of the Series 2015A Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the marketability or market value of the Series 2015A Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and various State legislatures. The U.S. Department of the Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code. Court proceedings may also be filed the outcome of which could modify the federal or State tax treatment of tax-exempt obligations. There can be no assurance that legislation proposed or enacted after the date of issue of the Series 2015A Bonds, regulatory clarification of the Code or actions by a court involving either the Series 2015A Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2015A Bonds' federal or State tax status, marketability or market price or on the economic value of the tax-exempt status of the interest on the Series 2015A Bonds.

Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding the potential consequences of any such pending or proposed federal or State tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

State Income Tax Treatment

Bond Counsel's opinion also will state that, under existing law, interest on the Series 2015A Bonds is excludable from gross income of the owners thereof for the purposes of income taxation by the Commonwealth and any of its political subdivisions. Bond Counsel will express no opinion regarding (i) other Virginia tax consequences arising with respect to the Series 2015A Bonds or (ii) any consequences arising with respect to the Series 2015A Bonds under the tax laws of any state or local jurisdiction other than Virginia. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2015A Bonds in a particular state or local jurisdiction other than Virginia.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") of Boston, Massachusetts, has acted as financial advisor to the University in connection with the issuance of the Series 2015A Bonds. PFM is not obliged to undertake, and has not undertaken, an independent verification of, nor has assumed responsibility for the accuracy, completeness or fairness of the information obtained in this Official Statement. PFM is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

The Series 2015A Bonds are being purchased by the Underwriters at a price of $200,060,510.64 (reflecting the principal amount of $184,730,000.00, plus net original issue premium of $15,994,519.60, minus an underwriters' discount of $664,008.96 or approximately 0.359448% of the original stated principal amount of the Series 2015A Bonds). The Bond Purchase Agreement between the University and Wells Fargo Bank, National Association, as representative of the Underwriters, provides that the Underwriters will purchase all of the Series 2015A Bonds to be purchased if any Series 2015A Bonds are purchased.

The Bond Purchase Agreement provides that the Underwriters may offer and sell the Series 2015A Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside cover page hereof, and the public offering prices set forth on the inside cover page may be changed after the initial offering by the Underwriters. In addition, the Bond Purchase Agreement provides that the University will reimburse the Underwriters for certain expenses incurred in connection with the offering of the Series 2015A Bonds.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, one of the Underwriters for the Series 2015A Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the distribution of certain municipal securities offerings, including the Series 2015A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2015A Bonds with WFA. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo Institutional Securities, LLC ("WFIS"), for the distribution of municipal securities offerings, including the Series 2015A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters for the Series 2015A Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings, including the Series 2015A Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Series 2015A Bonds from JPMS at the original issue prices less a negotiated portion of the selling concession applicable to any Series 2015A Bonds that such firm sells.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as an Underwriter for the Series 2015A Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates may have from time to time performed, and may in the future perform, various investment banking services for the University, for which they may have received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve debt securities and instruments of the University.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL STATEMENTS

The audited financial statements of the University for the fiscal year ended June 30, 2014, have been audited by the Commonwealth's Auditor of Public Accounts and are included in **Appendix B**. Also included in **Appendix B** is the University's Management's Discussion and Analysis, which provides an overview of the financial position and results of activities of the University for the fiscal year ended June 30, 2014.

RATINGS

Moody's Investors Service, 99 Church Street, New York, New York 10007 ("Moody's"), Standard & Poor's, 55 Water Street, New York, New York 10041 ("Standard & Poor's") and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004 ("Fitch Ratings") have assigned long-term ratings of "Aaa", "AAA" and "AAA", respectively, to the Series 2015A Bonds.

The ratings express only the views of the rating agencies. The explanation of the significance of the ratings may be obtained from Moody's, Standard & Poor's and Fitch Ratings, respectively. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of ratings on the Series 2015A Bonds may have an effect on the market price thereof.

CONTINUING DISCLOSURE

The offering of the Series 2015A Bonds is subject to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), and the University will enter into a continuing disclosure agreement (the "Continuing Disclosure Agreement") with respect to the Series 2015A Bonds for the benefit of the registered and Beneficial Owners of the Series 2015A Bonds, substantially in the form attached as **Appendix E** to this Official Statement, pursuant to which the University will agree to provide or cause to be provided the following: (i) certain annual financial information, including audited financial statements of the University and certain information of the University included under the headings

"Students", **"The University of Virginia Medical Center"** and **"Financial Information"** in **Appendix A** attached to this Official Statement, comprising the following tables: **"Undergraduate Applications, Acceptances and Matriculations"**, **"Graduate & Professional Applications, Acceptances and Matriculations"**, **"On Grounds Fall Enrollment"**, **"Selected Medical Center Patient Information"**, **"Non-Capital Appropriations from the Commonwealth"**, **"Undergraduate Tuition and Required Fees Per Student"**, **"Graduate Tuition and Required Fees Per Student"**, **"Grants and Contracts"**, **"University of Virginia Medical Center Summary Statement of Revenues, Expenses, and Changes in Net Assets"** and **"UVIMCO Long-Term Pool Historic Annual Returns"**; (ii) timely notice of the occurrence of certain events with respect to the Series 2015A Bonds; and (iii) timely notice of a failure by the University to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The University is not contractually obligated to supplement or update the information included in this Official Statement after the delivery of the Series 2015A Bonds except as provided in the Continuing Disclosure Agreement. The Underwriters have not undertaken either to supplement or update the information included in this Official Statement.

RELATIONSHIPS

George K. Martin, the Rector of the University and a member of the Board of Visitors of the University, is a partner with McGuireWoods LLP, which serves as Bond Counsel for the Series 2015A Bonds. Frank B. Atkinson, a member of the Board of Visitors of the University, is a partner with McGuireWoods LLP and is the chairman of McGuireWoods Consulting LLC, an affiliate of McGuireWoods LLP.

MISCELLANEOUS

The summaries or descriptions herein, including the Appendices hereto, of the Series 2015A Bonds, the Bond Resolution and the Continuing Disclosure Agreement, and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement; therefore, no representation or warranty is given as to the accuracy or completeness of such information.

The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with all of the foregoing information.

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The University has reviewed the information contained herein and has approved this Official Statement.

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: /s/ Patrick D. Hogan
Title: Executive Vice President and
Chief Operating Officer

APPENDIX A

THE UNIVERSITY OF VIRGINIA

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APPENDIX A

THE UNIVERSITY OF VIRGINIA

Background

Thomas Jefferson founded the University of Virginia (the "University") near his home in Charlottesville, the culmination of his lifelong dream to "create the bulwark of the human mind in this hemisphere." Chartered by the General Assembly of Virginia (the "General Assembly") in 1819, the University opened for instruction in 1825.

Throughout its history, the University has drawn strength from the heritage of Mr. Jefferson. His belief in the "illimitable freedom of the human mind" continues to shape the goals of students and faculty. Audacious at its inception, the University's goals today are no less ambitious: to represent the American ideal for higher education and to achieve excellence in all of its endeavors. It pursues these by concentrating on four key areas: academic rigor, student self-governance, honor, and public service. Moreover, the University intends to remain a national model of excellence for undergraduate learning and professional education within a modern research university.

As a public entity, the University still embraces Mr. Jefferson's belief that an enlightened populace, sustained by students and scholars drawn from the Commonwealth of Virginia (the "Commonwealth") and around the world, is the surest way to secure the nation's liberty. By providing abundant opportunities for self-discovery and self-determination, it offers a student experience without parallel in higher education. Its tradition of student self-governance, marked most prominently by the student-run honor system, strives to imbue its graduates with a devotion to ethical conduct that remains with them for the rest of their lives.

General

The University has three main operating divisions: the Academic Division, the Medical Center, and the College at Wise.

The University's Academic Division is a comprehensive teaching and research institution enrolling a total of 21,762 full-time equivalent students, including 15,122 undergraduates, in on-grounds programs. The Academic Division is comprised of 11 separate schools, including the College and Graduate School of Arts and Sciences, the McIntire School of Commerce, the Curry School of Education, the Frank Batten School of Leadership and Public Policy, the School of Engineering and Applied Science, the Darden Graduate School of Business Administration, the School of Architecture, the School of Law, the School of Medicine, the School of Nursing and the School of Continuing and Professional Studies. Collectively, these schools offer 85 bachelor's degrees in 82 fields, 89 master's degrees and 54 doctoral degrees in 88 fields. Five educational-specialist degrees and two professional degrees in law and medicine are also offered. Many of these programs rank among the nation's elite. In the *2015 U.S. News & World Report* undergraduate college rankings, the University was tied for 2nd among public universities and tied for 23rd among all national universities. Since *U.S. News & World Report* began a separate listing of the top 50 public universities in 1998, the University has never been ranked lower than 2nd, and in the 20-year history of the rankings, has always been in the top 25 among all ranked universities.

The University of Virginia Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a 665-bed hospital with a Commonwealth-designated Level 1 trauma center located on the Charlottesville campus. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities. Becker's Hospital Review recognized the Medical Center among "100 Great Hospitals" in the U.S. for 2014. It is also recognized for excellence by *U.S. News & World Report*, *Best Doctors in America* and *America's Top Doctors*.

The University of Virginia's College at Wise (the "College at Wise") in southwest Virginia was originally founded in 1954 as Clinch Valley College, a branch campus of the University. The College at Wise provides undergraduate programs in the arts and sciences as well as select undergraduate professional programs in business, nursing, teacher education and other fields, all characterized by a strong liberal arts experience. The liberal arts foundation prepares individuals for professional careers, graduate study, or lifelong learning. The full-time equivalent student enrollment for fall 2014 was 1,569.

Academic and Research Programs

The University has established 504 endowed professorships for outstanding scholars, and the Center for Advanced Studies plays a major role in attracting and retaining scholars of national and international distinction. The University has educated 48 Rhodes Scholars, more than any other state-supported institution. Nationally recognized programs include Architecture, English, Spanish, German, Religious Studies, Physiology, French, Art History, Astronomy, Classics, History, Psychology, undergraduate Business, graduate Business, Law, and Education.

Accreditation and Membership

The University has been accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) since 1904. Reaffirmation of accreditation occurs every 10 years with the next on-site visit scheduled for March 2017. Additionally, individual programs, departments and schools hold accreditation from applicable professional agencies and/or governmental boards. The University belongs to the Association of American Universities, a group of 62 prominent research institutions throughout the United States and Canada.

In December 2013, SACSCOC removed the University from warning following a review of governance issues linked to the resignation and reinstatement of Teresa A. Sullivan as President of the University in the summer of 2012.

Following publication of an article in *Rolling Stone* concerning an alleged sexual assault at a fraternity organized at the University, SACSCOC requested information on the University's sexual assault policies and procedures. The submission was made in January 2015 and will be forwarded to the SACSCOC Board of Trustees for review at its June 2015 meeting.

Facilities

Thomas Jefferson designed the original University as an "academical village" – a plan to foster students and professors living and learning together. While that vision remains, today the University consists of 3,411 acres of land holdings throughout the Commonwealth, including 241 acres in Charlottesville and 1,471 additional acres in Albemarle County. Capital infrastructure is comprised of 564 buildings consisting of approximately 16.8 million square feet, including the Medical Center. In 1987, the University of Virginia at Charlottesville was named a World Heritage site on the United Nations' Educational, Scientific and Cultural Organization's prestigious World Heritage list.

Mr. Jefferson selected the initial collection of books and materials that created the nucleus of the University's first library. Since then the library system has grown to encompass 15 separate facilities housing almost 19.5 million manuscripts and archives, over 5.1 million books (printed volumes), over 2 million microforms, and an extensive selection of electronic media and texts. The newest facility, the Albert and Shirley Small Special Collections Library, holds the University's archives and world-renowned collections of more than 330,000 rare books and 16.7 million manuscripts and other materials.

University Governance

Board of Visitors

The University's first Board of Visitors (the "Board of Visitors" or the "Board") included three former United States presidents as members – James Madison, James Monroe and Thomas Jefferson, who also served as the University's first Rector. The President of the University, a position created in 1904, is the chief executive officer and serves at the behest of the Board. The corporate powers of the University are exercised by the Board. The Board of Visitors is composed of seventeen voting members appointed by the Governor of the Commonwealth of Virginia, subject to confirmation by the General Assembly, for terms of four years. In addition, at the first regular meeting of the second semester of the academic session each year, on recommendation of the Executive Committee of the Board of Visitors (the "Executive Committee"), the Board of Visitors may appoint for a term of one year, a full-time student at the University of Virginia as a nonvoting member of the Board of Visitors. The Rector and the Board serve as the corporate board for the University, and are responsible for the long-term planning of the University. The Board approves the policies and budget for the University, and is entrusted with the preservation of the University's many traditions, including the Honor System. At least 12 members must be residents of Virginia, at least 12 members must be alumni of the University and at least one member must be a physician with administrative and clinical experience in an academic medical center.

The current members of the Board, including their primary residence and occupation are:

George Keith Martin, Rector, *Richmond*	Managing Partner, *McGuireWoods LLP*
William H. Goodwin Jr., Vice Rector, *Richmond*	President, *CCA Industries, Inc.*
Frank B. Atkinson, *Ashland*	Attorney and Consultant, *McGuireWoods Consulting LLC*
L.D. Britt, MD, MPH, *Suffolk*	Surgeon, *Eastern Virginia Medical School*
Frank M. Conner III, *Alexandria*	Partner, *Covington & Burling LLP*
Allison Cryor DiNardo, *Alexandria*	President, *King Street Wireless LP*
Helen E. Dragas, *Virginia Beach*	President and CEO, *The Dragas Companies*
Kevin J. Fay, *McLean*	President, *Alcalde & Fay*
Barbara J. Fried, *Crozet*	Owner, *Fried Companies Inc.*
Frank E. Genovese, *Midlothian*	President, *The Rothbury Corporation*
John A. Griffin, *New York, NY*	President, *Blue Ridge Capital LLC*
Victoria D. Harker, *McLean*	Chief Financial Officer, *Gannett Company, Inc.*
Bobbie G. Kilberg, *McLean*	President and CEO, *Northern Virginia Technology Council*
Stephen P. Long, M.D., *Richmond*	Partner, *Commonwealth Pain Specialists*
Edward D. Miller, M.D., *Baltimore, MD*	Physician, *Johns Hopkins Medicine*
John G. Macfarlane III, *Darien, CT*	Investment Manager, *Arrochar Management LLC*
John L. Nau III, *Houston, TX*	President and CEO, *Silver Eagle Distributors, LP*
Margaret "Meg" N. Gould, *Memphis, TN*	Student, *University of Virginia*

Administrative Officers of the University

The President of the University has primary responsibility for the management and operation of the University. The provost, vice presidents, deans and all other administrative officers are responsible to the President and through the President to the Board.

The following table sets forth the principal administrative officers of the University.

Name	Title
TERESA A. SULLIVAN	President
PATRICK D. HOGAN	Executive Vice President and Chief Operating Officer
JOHN D. SIMON	Executive Vice President and Provost
RICHARD P. SHANNON, MD	Executive Vice President, Health Affairs
ROBERT D. SWEENEY	Senior Vice President for Development and Public Affairs
COLETTE SHEEHY	Vice President for Management and Budget
ROSCOE C. ROBERTS	General Counsel
JAMES S. MATTEO	Associate Vice President and Treasurer
MELODY STOWE BIANCHETTO	Associate Vice President for Finance

Teresa A. Sullivan. Teresa Sullivan is the University of Virginia's eighth president. She came to the University from the University of Michigan, where she was provost and executive vice president for academic affairs. Prior to her work at Michigan, President Sullivan was executive vice chancellor for academic affairs for the University of Texas System, a position she held from 2002 until May 2006. She served as faculty member at the University of Texas at Austin from 1981 to 2006.

President Sullivan is a respected scholar in labor force demography. The author or coauthor of six books and many scholarly articles, her most recent research has focused on measuring productivity in higher education.

President Sullivan is a Fellow of the American Association for the Advancement of Science. She serves as Vice Chair of the Council of Presidents for the Association of Governing Boards of Universities and Colleges, and as a member of the Board for the Northern Virginia Technology Council, the trade association of the technology industry in Northern Virginia. She serves on the membership committee of the Association of American Universities (AAU); as a member of the Higher Education Advisory Committee that provides guidance for implementation of the Virginia Higher Education Opportunity Act of 2011; and as Vice Chair of APLU. In 2013, the Governor appointed her to the Innovation and Entrepreneurship Investment Authority.

President Sullivan is a graduate of Michigan State University's James Madison College, and earned her doctoral degree in sociology from the University of Chicago.

Patrick D. Hogan. Patrick Hogan was appointed Executive Vice President and Chief Operating Officer of the University in October 2012. He is responsible for setting financial policy and for overseeing the financial affairs of the University including its schools and the Medical Center. In addition, these key operational and administrative areas report to him: strategic initiatives, finance, treasury, human resources, management and budget, organizational excellence, corporate compliance, emergency preparedness, information technology services, and police. Mr. Hogan serves on the Medical Center Operating Board and on the boards of the University of Virginia Investment Management Committee and the UVa Foundation.

Mr. Hogan previously served for 37 years with Ernst & Young, most recently as Deputy Global Managing Partner, based in London. In this capacity, Mr. Hogan was a member of the Ernst & Young senior global leadership team and oversaw the global Quality and Risk Management function for the professional services lines of Assurance, Advisory, Tax, and Transaction Advisory. During his career with Ernst & Young, Hogan also served as Deputy Global Vice Chair for the Asia/Pacific Assurance and Advisory Business Services operations, as Area Managing Partner for the Mid-Atlantic Area Assurance and Advisory Business Services practice, and as Health Sciences Industry Leader for the Mid-Atlantic

Area. He received a B.S. in Business Administration with an accounting concentration from Old Dominion University, where he graduated summa cum laude and was a member of Beta Alpha Psi.

Mr. Hogan joined the McIntire School Advisory Board in 2000 and served as Vice Chair. He currently serves on the McIntire School Foundation Board of Trustees. He has been a regular guest lecturer at McIntire on topics including enterprise risk management. His other areas of expertise include health sciences, accounting, auditing, and leadership. Mr. Hogan is a member of the American Institute of CPAs and the Virginia Society of CPAs.

John D. Simon. John Simon was appointed the Executive Vice President and Provost of the University of Virginia and the Robert C. Taylor Professor of Chemistry in August 2011. He is charged with directing the academic administration of the eleven schools, the Library, the Art Museum, public service activities, numerous University centers, foreign study programs and the advancement of teaching and research. He also co-chairs the Internal Financial Model Steering Committee. Mr. Simon served as the Vice-Provost for Academic Affairs at Duke University from 2005 to 2011. As Vice-Provost, Mr. Simon was responsible for overseeing Duke's strategic planning and for nurturing campus-wide academic initiatives to connect the humanities, social sciences and sciences. He chaired Duke's chemistry department from 1999-2004. Mr. Simon received his B.A. from Williams College in 1979 and his Ph.D. from the Department of Chemistry at Harvard University in 1983. After a postdoctoral fellowship at the University of California – Los Angeles, Simon joined the Department of Chemistry and Biochemistry at the University of California – San Diego in 1985, and then moved to Duke University as the George B. Geller Professor in 1998. Mr. Simon has earned numerous fellowships and awards for his scientific work including the Presidential Young Investigator Award, Alfred P. Sloan Fellowship, Camille and Henry Dreyfus Teacher Scholar Award, and the Fresenius Award. He is a fellow of the American Association for the Advancement of Science and the American Physical Society. In October 2014, Mr. Simon was selected to become the next president of Lehigh University, and is expected to assume that new position in July 2015. The University is currently conducting a search to identify candidates to replace Mr. Simon as the University's Provost.

Richard P. Shannon, MD. Richard Shannon is the Executive Vice President for Health Affairs at the University of Virginia. He is responsible for aligning the key components of the UVa Health System to achieve the goal of becoming a top-decile academic medical center.

Prior to joining the UVa Health System, Dr. Shannon served as the Frank Wister Thomas Professor and Chair of the Department of Medicine at the University of Pennsylvania Perelman School of Medicine. Prior to his appointment at the University of Pennsylvania, Dr. Shannon served as Chair of the Department of Medicine at Allegheny General Hospital in Pittsburgh.

Dr. Shannon received his BA from Princeton University and his MD from the University of Connecticut School of Medicine. He did his training in internal medicine at Beth Israel Hospital, his cardiovascular training at Massachusetts General Hospital, and was the Francis Weld Peabody Fellow and Associate Professor of Medicine at Harvard Medical School before becoming the Claude R. Joyner Professor of Medicine at Drexel University College of Medicine. Both Harvard Medical School and Drexel University College of Medicine have honored him with numerous teaching awards. Dr. Shannon's investigative interests are in the area of myocardial metabolism and heart failure, specifically the role of energetics in the progression of heart failure. Dr. Shannon's lab was the first to discover the beneficial CV actions of incretins which formed the basis for Ventrigen, LLC, a company designed to develop incretins for the use in treating heart failure.

Dr. Shannon's pioneering work in patient safety is chronicled in the chapter entitled "First, Do No Harm" in the published book, *The Best Practice – How the New Quality Movement is Transforming*

Medicine, by Charles Kenney. His innovative work also has been featured in the Wall Street Journal and New York Times, on CNN and CNBC news segments and ABC's "20/20", and was a centerpiece for the PBS report entitled "Remaking American Medicine".

Dr. Shannon is an elected member of honorary organizations, including the ASCI, and serves on several editorial boards, including Circulation Heart Failure. He served as a senior fellow of the Leonard Davis Institute of Health Economics at the University of Pennsylvania. He currently is a member of the Board of Directors of the American Board of Internal Medicine and the Pennsylvania Health Care Cost Containment Council. He is a teaching fellow for the Institute of Healthcare Improvement, and was recently appointed to the Kaiser Foundation Hospitals and Kaiser Foundation Health Plan, Inc. Boards of Directors.

Colette Sheehy. Colette Sheehy has been the University's Vice President for Management and Budget since 1993. She serves as the institution's senior budget officer and oversees the functions of Office of the Architect, the University Budget Office, Business Operations, Facilities Management, Procurement and Supplier Diversity Services, Real Estate and Leasing Services, and State Governmental Relations.

Ms. Sheehy began her career at UVa as a Budget Analyst in 1982. In 1986 she became the Assistant to the Director of the Budget, and in 1988 was named the Director of the Budget. Between 1991 and 1993 she served as the Associate Vice President and Director of the Budget before assuming her current position.

A native of Freehold, New Jersey, Ms. Sheehy earned a Bachelor of Arts degree in economics from Bucknell University and a Master's degree in Business Administration with a concentration in finance from Rutgers University Graduate School of Management. She served on the Virginia Association of Management Analysis and Planning Executive committee between 1990 and 1993 and vice president and president of Virginia's Council of State Senior Business Officers 1998-2000.

Ms. Sheehy has been active in community affairs, serving as a board member for the Leadership Charlottesville Alumni Association and the First Presbyterian Church. She served on the board of the Virginia Discovery Museum from 2001-2007 and on the Virginia Retirement System Board of Trustees from 2009 until 2014. Currently, she serves as a member on the Emily Couric Leadership Foundation Board. She is a United Way volunteer and a member of Alpha Chi Omega; the national sorority gave her an Award of Achievement in 1998. In 1995, Ms. Sheehy was presented the Woman of Achievement Award from the University of Virginia Women Faculty and Professional Association. She served as one of the chief architects and negotiators of the Higher Education Restructuring and Administrative Operations Act passed by the General Assembly of Virginia in 2005 - a law that created a new relationship between the Commonwealth and its public institutions of higher education.

Robert D. Sweeney. Bob Sweeney has spent virtually his entire 42-year career leading colleges and universities in maximizing their fundraising and public outreach. These include SUNY Oswego, the University of Richmond, Loyola University of Maryland, the University of North Carolina at Chapel Hill, and for the past 23 years, the University of Virginia. During his tenure at UVa, Mr. Sweeney has orchestrated fundraising that exceeds \$4.5 billion. The success of its most recent capital campaign placed UVa within an elite group of institutions having completed campaigns of \$3 billion or more, including Columbia, Cornell, Johns Hopkins, Michigan, NYU, Penn, Stanford, UCLA, and Yale.

Mr. Sweeney has served as a member of the Board of Trustees of St. Joseph Hospital (Towson, MD), his alma mater Niagara University (where he received an honorary doctorate in 1998), and several

University of Virginia related foundations including the Virginia Health Foundation, the Virginia Athletics Foundation, and the University of Virginia Foundation.

Roscoe C. Roberts. Roscoe Roberts was appointed as university counsel to the University of Virginia in fall 2014. He previously served as legal counsel for Virginia State University since 2003. A 1978 graduate of the Marshall-Wythe School of Law at the College of William & Mary, Roberts earned a bachelor's degree in history from Wake Forest University in 1975. After law school, his continuing education included attendance at the Trial Advocacy College at the UVa School of Law, and the London Business School in London, UK.

He began his legal career with the Petersburg Legal Aid Society in 1978 where he served clients throughout Southside Virginia. In 1981, Mr. Roberts was named assistant attorney general for the Commonwealth of Virginia. His initial duties included prosecution of consumer fraud cases, representation of the state in appeals of criminal cases to the Virginia Supreme Court, drafting legislation, and defense of legislative redistricting of house and senate districts of the General Assembly. He also served as legal counsel to various Virginia institutions of higher education, including James Madison University, Christopher Newport University, George Mason University and Virginia State University.

In 1997, Mr. Roberts began work in the Health Services Section of the Office of the Attorney General. There he served as legal counsel to the State Health Commissioner, the Virginia Department of Health, and Virginia's health regulatory boards in the Department of Health Professions, including the State Board of Medicine, and the Virginia Tobacco Settlement Foundation. Mr. Roberts was promoted to senior assistant attorney general in 2003, and was appointed as the first on-campus general counsel to Virginia State.

He is a member of the Virginia State Bar, Virginia Bar Association, the American Bar Association, the Old Dominion Bar Association of Virginia, the Richmond Bar Association, the National Association of College and University Attorneys, and the National Bar Association. He is a former member of the American Health Lawyers Association and the Federation of State Medical Boards. He currently serves on the Board of Directors for the Virginia Credit Union, serving all state & local government employees and retirees.

James S. Matteo. Jim Matteo is the University's Associate Vice President & Treasurer. He is responsible for debt management, banking and cash management, short-term investment management, and liquidity and interest rate risk management. He is responsible for the University's relationships with the financial community including commercial bankers, investment bankers, asset managers, financial advisors, and rating agencies. He is also responsible for administering the relationships between the University and its 25 affiliated foundations. Prior to joining the University in 2005, Mr. Matteo spent 14 years in the private sector with a Fortune 500 company first as an internal auditor and then managing various treasury functions including banking, corporate finance, cash management, and interest rate and foreign currency risk management. Mr. Matteo is a Board Member of the Treasury Institute for Higher Education, a member of the Advisory Board for the NACUBO/Commonfund Study of Endowments, and a member of the NACUBO Awards Council. He is also a board member of the University of Virginia's Miller Center Foundation. Mr. Matteo has been a member of the Association for Financial Professional's ("AFP's") Cash Flow Forecasting Task Force and other AFP task forces responsible for developing questions and determining passing scores for the Certified Treasury Professional Exam. Mr. Matteo is a recipient of NACUBO's Rising Star Award. Mr. Matteo received a B.S. in Finance, with high distinction, from the Pennsylvania State University and an M.B.A. from Moravian College. He is a Certified Treasury Professional and a Certified Management Accountant.

Melody Stowe Bianchetto. Melody Stowe Bianchetto is the Associate Vice President for Finance. Her responsibilities include oversight of financial administration, research administration, and student financial services. In addition, she is sponsoring the implementation of a new managerial reporting/decision support environment and is co-leading the effort to transform the financial planning approach at the University. From 1996 to 2013, Ms. Bianchetto was a part of the University's Budget Office, most recently serving as the Assistant Vice President for Budgeting and Financial Planning, responsible for the development and budgetary oversight of the University's operating and capital budgets. Previously, Ms. Bianchetto, a Certified Public Accountant, worked in public accounting with Ernst & Young in Washington, D.C. and at a small Charlottesville firm. She received a B.S. in Commerce from the University of Virginia and an M.B.A. from James Madison University. Ms. Bianchetto completed the University's Leadership in Academic Matters program in 2012, the Virginia Executive Institute in 2009, the Virginia Network's Seminar for Senior Women Administrators in 2006, and Leadership Charlottesville in 1995. Ms. Bianchetto is on the Executive Board of the Virginia Network and has been Treasurer of the organization since 2013. Ms. Bianchetto received the National Association of College and University Business Officers (NACUBO) Rising Star award in 2014. She was on the faculty of NACUBO's annual Managerial Analysis and Decision Support workshop from 2006 to 2013, serving as chair from 2011 to 2013. Ms. Bianchetto was a member of the Publication Advisory Committee for the fourth edition of *College & University Budgeting – An Introduction for Faculty and Academic Administrators*. Ms. Bianchetto has presented budgeting and financial topics at the annual meetings of NACUBO and the Southern Association of College and University Business Officers (SACUBO); at the APPA Institute for Facilities Management; and at the Higher Education Resource Services (HERS) Institutes.

The Cornerstone Plan

The strategic direction outlined in the University's current strategic plan – the Cornerstone Plan – was approved by the Board of Visitors on November 25, 2013. The Cornerstone Plan is the culmination of a year-long planning process led by President Sullivan in which input was received from over 10,000 people representing all constituency groups and stakeholders: faculty, students, staff, deans, vice presidents, Faculty and Staff Senates, alumni, parents, the Board of Visitors, and community members. In addition, an external consulting firm was engaged to conduct a competitive positioning analysis based in part on interviews with more than 90 university academic and administrative leaders and more than 30 national and international higher education thought leaders.

The central focus of the Cornerstone Plan is leadership – the development of leadership among students, faculty, and staff; leadership in pedagogy, clinical care, and research; and leadership in higher education. In the process, the Cornerstone Plan will bring national and international recognition to the University and to the Commonwealth. This focus on leadership is consistent with the University's founding ideals and captures many of its unique advantages as a collegiate research university. In stressing leadership, the University also capitalizes on existing leadership initiatives and provides continuity with previous strategic planning efforts. Further, the Cornerstone Plan is designed to be a "living" plan, and the University will adjust its strategies to reflect changing circumstances or to take advantage of opportunities that arise.

The Cornerstone Plan captures many of the aspirations of the University's students, faculty, and staff, organized around the theme of leadership. These aspirations include making the University:

- a public university that ranks among the consensus top 20 academic institutions in the U.S.;

- a research university that is counted among the top 40 university recipients of competitive federal research funding;
- a learning community that offers an unparalleled educational experience, enriched by the latest technologies and engaging students deeply in their learning;
- a residential university known for providing the best comprehensive student advising; and
- a prudent and efficient university that is recognized for its stewardship of resources.

The five pillars of the Cornerstone Plan are:

Pillar 1: Extend and strengthen the University's distinctive residential culture.

Pillar 2: Strengthen the University's capacity to advance knowledge and serve the Commonwealth, the Nation, and the world through research, scholarship, creative arts, and innovation.

Pillar 3: Provide educational opportunities that deliver new levels of student engagement.

Pillar 4: Assemble and support a distinguishing faculty.

Pillar 5: Steward the University's resources to promote academic excellence and affordable access.

The University is currently in the process of developing a long-term financial plan that will provide the reliable and ongoing funding necessary to support implementation of the key strategies outlined in the Cornerstone Plan. The implementation costs have been identified, which includes addressing the generational turnover of an estimated 600 tenure-track faculty members in the next five to seven years. Sources of funding for the Plan include potential revenue enhancements such as corporate partnerships for research, fundraising, organizational efficiencies and more effective leveraging of the University's balance sheet.

Faculty and Staff

For the fall 2014 semester, the University employed 2,277 full-time and 177 part-time instructional, research, and public service faculty, as well as 469 full-time and 19 part-time administrative and professional faculty. Included were 1,184 tenured faculty and an additional 379 who were non-tenured but on tenure-track. 91% of the full-time instructional faculty hold the highest academic degree in their field. The ratio of full-time equivalent students to full-time equivalent instructional faculty members is approximately 15:1. For the fall 2014 semester, the University employed 9,684 full-time and 2,229 part-time permanent staff, including approximately 6,014 full-time equivalent employees at the Medical Center. Salaried non-faculty employees hired prior to July 1, 2006, are covered by the Commonwealth's Personnel Act with compensation and benefits set at the Commonwealth level. Salaried and wage non-faculty University staff, hired on or after July 1, 2006, are covered under University Human Resources policies. In December 2008, all staff employees under the Commonwealth's Personnel Act were given the option to enroll in the University's benefit plan. Open enrollment periods for the new plan will be offered at least every two years.

For the fall 2014 semester, the College at Wise employed 100 full-time and 109 adjunct instructional, research, and public service faculty as well as 37 full-time. Included were 52 tenured faculty, 24 who were non-tenured but on tenure-track, and 24 instructors/lecturers who were not on tenure track. Seventy-four percent of the full-time instructional faculty hold the highest academic degree in their field. The ratio of full-time equivalent students to full time equivalent instructional faculty members is approximately 16:1.

Excluding the faculty, as of October 15, 2014, the College at Wise employed 184 full-time and 4 part-time permanent staff. Staff employees are covered by the Commonwealth's Personnel Act with compensation and benefits set at the Commonwealth level. A designated group of research, instructional, and senior academic and administrative staff are covered under the employment policies for Exempt from Personnel Act Non-Faculty Employees. The staff workforces at both the University and the University's College at Wise are not unionized, as public employees in the Commonwealth are not allowed to engage in collective bargaining.

Students

Admissions. The University practices a selective admissions policy, seeking students from the Commonwealth and throughout the United States and the world. The University also recognizes its commitment to the Commonwealth by reserving a significant portion of the available spaces for residents of Virginia. 67.4% of the first-year class entering in fall 2014 consisted of in-state students, a percentage that has remained relatively stable over the last five academic years. Interest in admission to the University remains high as 31,021 completed applications were received for the 2014-15 academic year to fill a target of approximately 3,570 spaces in the first year class. The following table sets forth the information on applications, acceptances and matriculations for first-year students for the five most recent academic years.

Undergraduate Applications, Acceptances and Matriculations

	2010-11	2011-12	2012-13	2013-14	2014-15
Completed Applications					
In-state	7,803	7,952	8,635	8,840	9,058
Out-of-state	14,321	15,635	18,543	20,144	21,963
Total	22,124	23,587	27,178	28,984	31,021
Applications Accepted*	33%	33%	30%	30%	29%
In-state	45%	46%	41%	42%	44%
Out-of-state	26%	27%	24%	25%	23%
Offers Accepted**	45%	44%	42%	40%	41%
In-state	62%	63%	63%	61%	63%
Out-of-state	29%	28%	26%	25%	24%

Note: First-time freshmen only.
* As a percent of completed applications received
** As a percent of applications accepted

Graduate & Professional Applications, Acceptances and Matriculations

	2010-11	2011-12	2012-13	2012-13	2014-15
Completed Applications	25,720	24,615	23,637	24,239	24,321
Applications Accepted*	23%	26%	22%	23%	23%
Offers Accepted**	44%	40%	50%	47%	48%

* As a percent of completed applications received
** As a percent of applications accepted

Enrollments. The following chart reflects the University's on-grounds fall enrollment for the five most recent academic years.

On Grounds Fall Enrollment

	2010-11	2011-12	2012-13	2013-14	2014-15
Undergraduate	14,015	14,256	14,366	14,610	15,122
Graduate	4,831	4,765	4,693	4,620	4,653
First-Professional	1,694	1,696	1,695	1,684	1,687
Non-Traditional	509	389	341	324	338
Total Headcount	21,049	21,106	21,095	21,238	21,800
Full Time Equivalent	20,801	21,207	21,253	21,373	21,762

For the fall 2014 entering class, of the entering undergraduates for whom high school class rank was available, approximately 89% ranked in the top 10% of their class and approximately 97% ranked in the top 20% of their class. Approximately 93% to 94% of the first-year students who enter the University earn degrees, and approximately 86% to 88% graduate within four years. The SAT scores for the 25th to 75th percentile range of the fall 2014 incoming class were 1250-1440.

Student Life. The University has long cherished the goal of producing "educated citizens," a mission voiced by Thomas Jefferson two centuries ago. While Mr. Jefferson considered education in itself an ennobling enterprise, which helped develop the "natural aristocracy" of man, of greater concern to him were education's communal effects. By developing educated citizens, he believed the University would serve the nation, producing leaders who would be public servants in the broadest sense. The University has a long tradition of developing "thinkers and doers," and much of this training occurs outside of the classroom. The University, therefore, judges the success of its educational mission by looking at the entire student experience. To that end, key components include a significant degree of student autonomy, involvement, self-governance and a belief in, and inculcation of, ethical behavior.

Today the University offers students 694 contracted independent organizations, including several musical groups, numerous student publications, 59 Greek social organizations, and an extremely wide array of hobby/interest/recreational clubs. In addition, the University Programs Council, a Grounds-wide organization, offers dozens of movies, large-scale concerts, prominent speakers, renowned artists, and other notable events throughout the year. The University also participates in 25 NCAA sports (12 for men, 13 for women) and provides additional opportunities in over 66 club sports and numerous intramural recreational activities. The graduation rate of student athletes routinely ranks among the nation's best, indicative of the University's dedication to the entire educational experience.

The Honor System is one of the University's oldest and most venerated traditions. Based on the fundamental assumption that anyone who enrolls at the University subscribes to a code of ethics forbidding lying, cheating, and stealing, the Honor System allows students personal freedom possible only in an environment where respect and trust are presumed. For 150 years this system has been run entirely by students.

Relationship with the Commonwealth

As an agency and instrumentality of the Commonwealth, the University is obligated to conform its financial procedures to various constitutional and statutory provisions. Except for gifts and endowment income, substantially all the funds received by the University, including grants and contract income, constitute revenues of the Commonwealth, which must in all cases be appropriated to the University by the General Assembly before the University can spend them. These revenues are of two kinds: general fund revenues, primarily derived from tax revenues, appropriated to cover both capital expenditures and a portion of operating expenses; and non-general fund revenues, primarily derived from collections by the University itself, such as tuition, room, board and fees and revenues from the operation of the Medical Center. The Constitution of Virginia provides that once non-general fund revenues are deposited into the State Treasury, and subsequently returned to the University to manage, they cannot be paid out for any purpose "except in pursuance of appropriations made by law."

The General Assembly historically has appropriated to the University all non-general fund revenues collected by the University, including revenues derived from the ownership or operations of the Medical Center. While the General Assembly has provided in Section 23-26 of the *Code of Virginia* that it "will not limit or alter" the right of the University to pledge any revenues to the payment of obligations issued by the University and that it will not act "in any way to impair the rights and remedies" of the holders of such obligations, the power to appropriate funds is entirely within the discretion of the General Assembly.

The General Assembly historically has also appropriated general fund revenues of the Commonwealth to the University for a variety of purposes. See "**Financial Information - Appropriations from the Commonwealth**" below.

Like other state agencies dependent upon legislative appropriations for operating revenues, the University has no assurance that the General Assembly will continue to make appropriations of general fund revenues or non-general fund revenues derived from operations of the University, either for operating expenses or capital expenditures, or, if such appropriations are made, that they will be made in a timely fashion or in adequate amounts to enable the University to pay debt service on the Series 2015 Bonds.

Over the past 15 years, the Commonwealth's contribution of general funds to the University's total revenues, including operating and non-operating revenues, has dropped from more than 15% in FY 2001 to less than 6% in FY 2015. During this time, the University has increased other sources of support, including externally funded research grants and private fundraising.

The reduction in public support from the Commonwealth motivated the University to examine ways in which the University may alter its business relationship with the Commonwealth. The University is committed to its public mandate; therefore, altering the business relationship with the Commonwealth does not mean privatization.

In 1996 the General Assembly granted the Medical Center partial autonomy from the Commonwealth. As a result, the Medical Center may approve operating leases without the

Commonwealth's approval, is exempted from certain provisions of the Commonwealth's Public Procurement Act, is permitted to establish its own human resources policies and procedures, and is granted limited post-appropriation autonomy for non-general fund capital projects.

Higher Education Restructuring Legislation. In 2005, the General Assembly passed landmark legislation known as the Restructured Higher Education Financial and Administrative Operations Act (Chapters 933 and 945 of the 2005 Acts of Assembly, as amended, the "Restructuring Act"). The Restructuring Act provides a framework for redefining relationships between public higher education institutions and the Commonwealth. The legislation is founded upon the principles of long-term planning. In exchange for additional authority, institutions must commit to fulfilling specific state goals in areas of access, affordability, breadth of academics, academic standards, student retention and graduation rates, articulation agreements with the Virginia Community College System, economic development, research, elementary and secondary education, and campus safety and security.

One of the benefits of the Restructuring Act is the eligibility of institutions to receive financial incentives if they meet certain performance standards related to the accountability measures. The most significant of these financial incentives is retaining the interest on tuition heretofore credited to the general fund of the Commonwealth. Upon being certified as having met the performance standards, the University will be credited with the interest earned on tuition and fees received in the previous year.

Pursuant to the Restructuring Act, the University entered into a Management Agreement (the "Management Agreement") with the Commonwealth that became effective July 1, 2006, after it was enacted by the General Assembly and approved by the Governor.

The Management Agreement improves the ability of the institution to plan over a multi-year time frame; reaffirms the Board of Visitors' authority to set tuition and fees, providing a more predictable funding stream; and provides increased delegated authority in the areas of human resources management, procurement, financial administration, capital outlay, and information technology.

Pursuant to further legislation enacted by the General Assembly, the University renewed the Management Agreement with the Commonwealth, which became effective on July 1, 2009, after approval by the Governor. The Management Agreement will continue in effect unless the Governor, the General Assembly or the University determines that it needs to be renegotiated or revised.

Investment Legislation. Legislation passed during the 2007 General Assembly Session provides the University with broader authority to manage investments of non-general fund reserves and balances. Previously, non-general funds were deposited and held in the State Treasury and the University was credited with interest only on select balances (e.g., state auxiliary money) with the investments generally being restricted to cash and fixed income securities.

The University of Virginia Medical Center

The Medical Center is an organizational unit of the University employing approximately 6,861 full-time equivalent employees as of June 2014. It serves as the teaching facility for the University's School of Medicine and School of Nursing, and also has extensive relationships with many of the University's other schools, notably the College of Arts and Sciences.

The diagnostic and treatment services of the Medical Center are located on several sites, including University Hospital, UVA Children's Hospital, Emily Couric Clinical Cancer Center, UVA Cancer Care - a community based service offering, Dialysis Network, Transitional Care Hospital, Moser Radiation Oncology Center, and a number of primary care practices throughout central Virginia. As of

October 1, 2014 UVA acquired 100% ownership in Culpeper Regional Hospital. The Medical Center, in a joint venture with HealthSouth, also has facilities at the Fontaine Research Park for inpatient and outpatient adult rehabilitation services. The Medical Center has been designated a Level 1 Trauma Center and provides helicopter services for trauma and disaster emergency transport requests. It also provides emergency transportation for newborns, coronary care and other highly specialized needs of patients throughout the Commonwealth. At the end of FY2014, the Medical Center had 584 beds available for patient care, along with an additional 40 beds at the Transitional Care Hospital and 50 beds the UVA/HealthSouth Rehabilitation Hospital.

The Medical Center provides tertiary and quaternary care to patients from all areas of the Commonwealth, as well as to a limited number of patients from other states and other countries. The Medical Center service area consists of a Primary Service Area ("PSA"), from which about 50% of its inpatients were drawn in FY2014, and northern and southern Secondary Service Areas, from which another 25% of inpatients were drawn. Of the remaining patients, 25% reside in other parts of Virginia, West Virginia, and other states and outside the U.S. The PSA consists of ten cities and counties, extending about ninety miles from east to west and 100 miles from north to south. The total population of the PSA/SSA is estimated at 1,007,623 in 2014 and is expected to grow about 3.8%, to 1,045,913 by 2019, which is slightly below the growth rate compared with the Virginia average of 4.8%.

There are two hospitals in addition to the Medical Center located in the PSA: Martha Jefferson Hospital, an affiliate of Sentara Healthcare in Charlottesville; and, Augusta Health an independent hospital in Augusta County. Both are small but are high quality community-based hospitals with a typical array of services. The Medical Center's inpatient market share has steadily grown over the past five years. Overall market share in the PSA increased from 33.5% in 2009 to 35.3% in 2013. Overall market share in the SSA increased from 9.1% in 2009 to 10.7% in 2013. Across the Commonwealth of Virginia, the Medical Center's market share increased from 3.4% in 2009 to 3.7% in 2013.

The Medical Center has successfully developed strategic approaches to affiliating with health systems operating in Virginia with the objective of growing and solidifying referral channels for high acuity patients, without expending capital dollars. For example, a formal Affiliation Agreement was recently signed with the Bon Secours System in Richmond which will facilitate the transfer of patients to the Medical Center and a transfer of technology to Bon Secours. Moving forward, the Medical Center will continue to evaluate opportunities to leverage its brand to enter into similar affiliation agreements with other health systems in an effort to gain referrals for high acuity patients.

In 2013, the University created the position of Executive Vice President for Health Affairs that reports directly to the President of the University. Positions reporting to the Executive Vice President for Health Affairs include the Health System Chief Financial and Business Development Officer, the Medical Center Chief Executive Officer, and the Dean of the School of Medicine. Under the guidance of the Executive Vice President for Health Affairs, the Medical Center CEO, Health System CFO, and the Dean of the School of Medicine work closely together to coordinate plans and strategies.

In order to centralize and strengthen the governance of the Medical Center, a specialized operating board, the Medical Center Operating Board, was established in 2002 devoted exclusively to overseeing the operations of the University's hospitals, clinics, and ancillary clinical services. The Medical Center Operating Board is a subcommittee of the University's Board of Visitors and currently has twelve members, with an additional eight ex officio advisory members who are senior administrators of the University, the Medical Center, and the Schools of Medicine and Nursing. The legal responsibility for the Medical Center rests with the Medical Center Operating Board and the Board of Visitors. Six of the Medical Center Operating Board members are also members of the Board of Visitors, including the Rector, the Chair of the Finance Committee, and four others chosen by the Rector. In addition, there are six non-voting members with specialized healthcare or other expertise to provide valuable insights to the Operating Board and are selected by the Board of Visitors.

In FY2014, the Medical Center (including all business units) had net operating revenues of $1.3 billion and operating income of $87.6 million. See "**Financial Information – Medical Center**" for additional information.

The table below summarizes selected patient information for each of the five most recent fiscal years.

Selected Medical Center Patient Information
For the Year Ended June 30,

	2010	2011	2012	2013	2014
Average Daily Census	458	454	453	442	446
Length of Stay (days)	6.2	5.9	5.8	5.6	5.8
Discharges	27,049	27,933	28,484	28,865	28,160
Outpatient Visits	683,750	696,822	757,275	764,197	795,427

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Financial Information

The University's FY2014 audited financial statements and Management's Discussion and Analysis are provided in Appendix B. The University's financial statements are presented in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Summary Statement of Net Position
As of June 30,
(in thousands of dollars)

	2010*	2011*	2012*	2013*	2014
Assets					
Current assets	616,343	723,700	890,022	1,000,926	1,119,865
Noncurrent endowment investments	2,816,356	3,386,469	3,428,234	3,690,260	4,216,644
Other Noncurrent assets	3,446,437	3,891,201	4,022,420	4,302,865	4,616,860
Total assets	6,879,136	8,001,370	8,340,676	8,994,051	9,953,369
Liabilities					
Current liabilities	483,535	501,546	610,778	603,057	715,801
Non current liabilities	1,037,840	1,232,741	1,214,569	1,314,669	1,311,028
Total liabilities	1,521,375	1,734,287	1,825,347	1,917,726	2,026,829
Net assets					
Invested in capital assets, net of related debt	1,577,969	1,662,987	1,708,603	1,741,026	1,782,053
Restricted					
Non-expendable	494,203	533,291	560,007	574,465	588,627
Expendable	1,938,353	2,354,163	2,418,734	2,670,142	3,062,089
Unrestricted	1,347,236	1,716,642	1,827,985	2,090,692	2,493,771
Total net assets	5,357,761	6,267,083	6,515,329	7,076,325	7,926,540
Liabilities and net assets	6,879,136	8,001,370	8,340,676	8,994,051	9,953,369

* Certain fiscal year amounts have been restated to conform to current classifications

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Statement of Revenues, Expenses, and Changes in Net Position
For the Year ended June 30,
(in thousands of dollars)

	2010*	2011*	2012*	2013*	2014
Revenues					
Student tuition and fees	358,141	381,136	410,739	432,347	459,166
Patient services	1,008,858	1,042,100	1,146,773	1,165,690	1,237,157
Grants and contracts	326,732	332,185	313,559	305,432	267,962
Sales and services of educational departments	18,906	21,289	20,339	18,186	21,434
Auxiliary enterprises revenue	117,994	113,199	118,963	120,387	124,922
Other	30,047	29,774	43,793	56,732	51,188
Total operating revenues	1,860,678	1,919,683	2,054,166	2,098,774	2,161,829
Non-Operating Revenues					
State appropriations	152,115	161,343	145,412	155,679	161,641
State stabilization (ARRA)	6,657	23,638	508	0	0
Gifts	131,208	147,844	132,196	147,984	153,561
Investment income	467,024	833,465	205,747	564,511	869,910
Pell Grants	9,695	12,738	12,017	11,677	12,619
Additions to permanent endowment	24,844	27,778	24,920	12,411	11,738
Other	167,728	64,487	81,322	77,852	65,065
Total operating and non-operating revenues	2,819,949	3,190,976	2,656,288	3,068,888	3,436,363
Expenses					
Operating Expenses					
Compensation and benefits	1,221,139	1,239,307	1,283,186	1,366,644	1,389,272
Supplies, utilities and other services	695,718	732,502	804,669	808,533	855,193
Student aid	64,762	67,658	69,504	69,684	73,802
Depreciation	149,332	164,533	181,220	192,273	199,188
Other	34,507	29,603	35,597	3,982	3,851
Total operating expenses	2,165,458	2,233,603	2,374,176	2,441,116	2,521,306
Non-Operating Expenses	99,474	48,051	33,866	61,181	64,842
Total operating and non-operating expenses	2,264,932	2,281,654	2,408,042	2,502,297	2,586,148
Increase in Net Assets	555,017	909,322	248,246	566,591	850,215

* Certain fiscal year amounts have been restated to conform to current classifications.

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Reporting Entity. There are currently twenty-five foundations operating in support of the University. These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following eight foundations qualify as component units under GASB 39 because of the nature and significance of their relationships with the University. As such, they are included in the financial statements for FY2014, provided in Appendix B:

University of Virginia Law School Foundation
Alumni Association of the University of Virginia
University of Virginia Foundation
University of Virginia Investment Management Company
University of Virginia Darden School Foundation
Virginia Athletics Foundation
University of Virginia Physicians Group
Jefferson Scholars Foundation

Component Units*
Summary Statement of Net Assets
As of June 30,
(in thousands of dollars)

	2010**	2011**	2012**	2013	2014
Assets					
Current assets	621,143	435,406	335,480	337,860	520,243
Noncurrent long-term investments	4,378,165	5,552,160	5,677,122	6,187,123	7,156,032
Other Noncurrent assets	440,070	461,731	527,304	554,635	463,678
Total assets	5,443,378	6,449,297	6,539,906	7,079,618	8,139,953
Liabilities					
Current liabilities	261,537	268,593	269,912	276,756	283,930
Noncurrent liabilities	4,123,631	4,920,764	4,972,033	5,359,203	6,194,437
Total Liabilities	4,385,168	5,189,357	5,241,945	5,635,959	6,478,367
Net assets					
Unrestricted	236,966	297,436	278,222	329,759	392,105
Temporarily restricted	408,820	515,548	520,712	593,460	708,855
Permanently restricted	412,424	446,956	499,027	520,440	560,626
Total net assets	1,058,210	1,259,940	1,297,961	1,443,659	1,661,586
Total liabilities and net assets	5,443,378	6,449,297	6,539,906	7,079,618	8,139,953

* Component Units included are the UVA Law School Foundation, UVA Darden School Foundation, Alumni Association of UVA, Virginia Athletics Foundation, UVA Foundation, UVA Physicians Group, UVA Investment Management Company and Jefferson Scholars Foundation.
** Certain fiscal year amounts have been restated to conform to current classifications.

In FY2014, component unit net assets increased $218 million, or 15% from FY2013. The relationship between the University and the foundations is governed by the Policy on University-Related Foundations, which ensures that operations are consistent with the University's purpose, policies and procedures. The foundations provide substantial financial support to the University, contributing approximately $117 million to support the University's operations and capital projects during FY2014.

Budgeting. The University's operating expenditure budget for FY2015 totals $2.8 billion. This includes $1.5 billion for the Academic Division (52.5%), $1.3 billion for the Medical Center (46.0%) and $41.4 million for the College at Wise (1.5%). The major funding sources for the budget, factoring in the general fund appropriation reductions as enacted by the state on November 14, 2014, by Chapter 3 of the Acts of Appropriations, for both the academic division ($8.16M) and the College at Wise ($126,330), include patient revenues (45.4%), tuition and fees (19.3%), grants and contracts (10.0%), endowment distributions and gifts (10.1%), sales and services and other (including auxiliary revenue, investment income, short-term financing, and other miscellaneous revenues) (8.6%), state general funds (5.4%), and accumulated investment balances (1.2%).

The University submits a general fund budget request to the Governor, for approval by the General Assembly, every two years. Amendment requests may be made to the Governor in the off years and to the General Assembly in each year. The Commonwealth specifically appropriates general funds to the University and provides a sum sufficient non-general fund appropriation to the University. Gifts and endowment income are not appropriated by the Commonwealth. Under the Restructuring Act, general funds are transferred to the University based on a regular schedule (1/24 of the appropriation, twice a month) and non-general funds are retained by the University. All unused general and non-general funds on June 30 of each year are retained by the University.

Appropriations from the Commonwealth. The percentage of Commonwealth general fund appropriations to total operating and non-operating revenues (excluding investment income) was 7.1% in FY2010; 7.1% in FY2011; 6.2% in FY2012; 6.4% in FY2013; and 6.5% in FY2014.

Non-Capital Appropriations from the Commonwealth
For the Year Ended June 30,
(in thousands of dollars)

	2010	2011*	2012	2013	2014
Commonwealth Appropriations	152,115	161,342	145,412	155,679	161,641

* Certain prior year amounts have been restated to conform to current year classifications

Tuition and Fees. The University generates tuition and fees from both undergraduate and graduate students attending the University. In FY2014, tuition and fees prior to reduction for student financial aid provided approximately 23.9% of the University's operating revenues.

Undergraduate Tuition and Required Fees Per Student
(actual dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
In-state tuition and fees	10,628	11,576	12,006	12,458	12,998
Out-of-state tuition and fees	33,574	36,570	38,018	39,844	42,184

Notes: The above table does not include first year transfer orientation fees. All Commerce students and some Engineering students pay an additional tuition differential in 2013-14 and 2014-15, ranging from $750 to $5,000.

Graduate Tuition and Required Fees Per Student
(actual dollars)

	2010-11	2011-12	2012-13	2013-14	2014-15
In-State Tuition and Fees					
Darden Graduate School of Business Administration	44,500	47,000	48,900	50,900	54,950
School of Law	42,500	44,600	46,400	47,900	51,800
School of Medicine	37,880	41,337	43,218	44,826	45,534
All others	13,870	15,098	15,662	16,620	16,678
Out-of-State Tuition and Fees					
Darden Graduate School of Business Administration	49,500	52,000	53,900	55,900	57,950
School of Law	47,500	49,600	51,400	52,900	54,800
School of Medicine	48,874	51,009	53,322	55,236	56,142
All others	23,866	25,094	25,668	26266	26,918

Notes: In-State Tuition and Fees for Darden, Law, and Medicine represent first-year tuition and fees which, in some years, includes a surcharge not charged to returning students. Students in Engineering, Batten, and Nursing pay, in addition to the "All Others" rate, a tuition differential ranging from $620 to $63,240.

During the 2013-14 academic year, 8,059 undergraduate students (54% of the total student body) received over $153 million in financial assistance. Of this total, 35% of the funds were provided by the federal government, 4% by the Commonwealth, 36% by the University, 8% by the Virginia Athletics Foundation, and 17% by other sources. The total included approximately $30 million in federal loans to students, and federal work-study, and over $109 million in federal, state, private and institutional grants and scholarships (including athletic scholarships). In addition, the parents of 474 students borrowed over $8.5 million from the Federal Parents Plus Loan program.

AccessUVa is the University of Virginia's financial aid program designed to keep a higher education affordable for all admitted students regardless of economic circumstance. Because access for every academically eligible student is a priority at the University, the University has made an annual commitment of over $43 million in need-based grants to undergraduates in 2013-14. AccessUVa offers a commitment to meet 100% of need for every student. The program not only keeps education at the University of Virginia affordable for the lowest income students, but also addresses the concerns of middle income families who are challenged by the rising cost of tuition. By limiting debt or eliminating it altogether in the case of students with the most need, AccessUVa offers assurances to prospective students that if they can make the grade, they can afford to attend the University.

Grants and Contracts. The U.S. Department of Health and Human Services continued as the University's major source of grant and contract awards, accounting for 40.7% of the total awards in FY2014. The outlook for future federal funding of research is an area of focus for the University. The University is taking steps to manage the changing environment for federal funding by identifying potential alternative funding sources and taking steps to increase the number of successful proposals. The Cornerstone Plan provides certain investments that will enhance the University's recruitment of highly productive faculty aligned with research priorities.

Grants and Contracts
For the Year Ended June 30,
(in thousands of dollars)

	2010	2011	2012	2013	2014
Federal grants and contracts	318,435	284,632	249,428	217,642	225,716
Other	56,772	53,832	73,091	65,984	67,000
Total grants and contracts	375,208	338,465	322,519	283,627	292,717

Medical Center. The following data has been derived from annual audited financial statements of the Medical Center for FY2010 through FY2014.

University of Virginia Medical Center
Summary Statement of Revenues, Expenses, and Changes in Net Position
For the Year ended June 30,
(in thousands of dollars)

	2010	2011	2012	2013	2014
Net Patient service revenue	1,008,858	1,042,100	1,115,831	1,165,690	1,237,157
Other operating revenues	50,339	53,067	68,707	74,063	77,433
Total Operating Revenues	1,059,197	1,095,167	1,184,538	1,239,753	1,314,590
Operating Expenses	972,555	999,613	1,099,783	1,149,503	1,227,023
Income from Operations	86,642	95,555	84,755	90,250	87,567
Net non-operating Revenues (expenses)	26,383	65,928	753	12,378	49,583
Increase in net assets	113,025	161,483	85,508	102,268	137,150

Gifts and Fund Development. The University continues to benefit from the generosity of alumni and friends, foundations, and corporations. According to the Office of University Advancement, during 2013-2014, the University received $223.8 million in philanthropic gifts and grants directly and through related foundations. $124.5 million of this total was donated by alumni, parents and other individuals with the remainder given by corporations, foundations and other organizations. The University successfully wrapped up its capital campaign in June 2013, raising $3.054 billion, surpassing its goal of $3 billion.

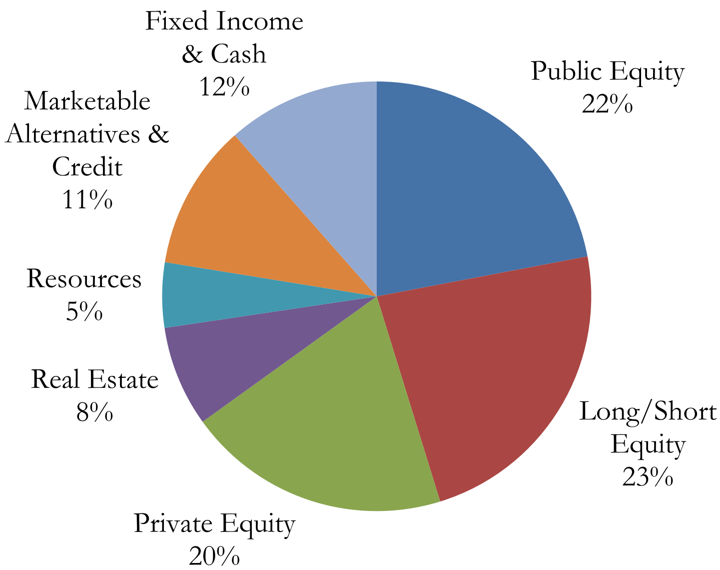
Endowment. The University of Virginia's endowment was $4.2 billion at June 30, 2014 ($6 billion if endowments held at the University's affiliated foundations are included). The unrestricted expendable portion was $1.4 billion, or 33%, as of the same date. In accordance with the Board of Visitors' approved spending policy, the endowment contributed $164.1 million in FY2014 to support operations of the University.

Of the total endowment resources, 99% is invested in the UVIMCO Long-Term Pool, a commingled investment pool. The historic annual returns as of June 30, 2014 for the UVIMCO Long-Term Pool follow:

UVIMCO Long-Term Pool Historic Annual Returns
For the Period Ending June 30, 2014

1 Year	3 Year	5 Year	10 Year	20 Year
19.0%	12.4%	15.2%	10.8%	12.6%

All funds are managed pursuant to investment policies established by the Board of Directors of University of Virginia Investment Management Company ("UVIMCO"). The primary objective of the Long Term Pool is to maximize long-term real returns commensurate with the risk tolerance of the University. To achieve this objective, the Long Term Pool is managed in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. The Long Term Pool's asset allocation is designed to meet the objectives outlined above. The asset allocation as of June 30, 2014, is provided below:



The University's Board of Visitors sets the spending rate for the endowment. The University's endowment payout policy has two objectives: (1) preserving the long-term purchasing power of the endowment principal in order to ensure continued annual distributions to support the endowed programs, and (2) providing current support for programs, with increases every year to adjust for inflation or exceptional changes in endowment value. The current spending policy calls for the annual endowment distribution to be increased each year by an inflation factor unless such increase causes the spending rate to fall below 4.0 percent or above 6.0 percent of the endowment's market value. If outside of this range, the Board of Visitors' Finance Committee can recommend adjustments to the distribution formula.

UVIMCO is a University-related foundation that provides investment management services to the University, its related independent foundations and other entities affiliated with the University and operating in support of its mission. UVIMCO's formal governance began in March 1998 when the University's Board of Visitors established a subcommittee of the Finance Committee called UVIMCO. The Board charged this subcommittee with the investment and management of the endowment, and

UVIMCO operated as a department of the University for several years. On July 1, 2004, UVIMCO was established as a separate 501(c) (3) Virginia non-stock corporation.

UVIMCO is governed by a board of 11 directors, three of whom are appointed by the Board of Visitors and one of whom is appointed by the University's President. Daily investment management is delegated to UVIMCO's full-time staff of 32 employees. UVIMCO oversees investments totaling $6.9 billion as of June 30, 2014, including endowment assets, operating funds, charitable trusts, and other investments. The University's Endowment, managed by UVIMCO, is the University's primary source of sustainable private support for instruction, service, and research.

Indebtedness and other Obligations. At June 30, 2014, the University had approximately $1.3 billion in total bonds, notes and commercial paper outstanding.

University Indebtedness
As of June 30, 2014
(in thousands of dollars)

Description	**Amount**
Revenue Bonds	
Univ. of Virginia Series 2003A	78,639
Univ. of Virginia Series 2005	36,005
Univ. of Virginia Series 2008	231,365
Univ. of Virginia Series 2009	250,000
Univ. of Virginia Series 2010	190,000
Univ. of Virginia Series 2011	71,625
Univ. of Virginia Series 2013A	168,300
Univ. of Virginia Series 2013B	61,595
Commonwealth of Va. Bonds	5,848
Notes Payable to VCBA 2004B	23,280
Notes Payable to VCBA 2007B	10,620
Notes Payable to VCBA 2010B	3,435
Other	2,981
	1,133,693
Taxable Commercial Paper	11,292
Tax Exempt Commercial Paper	194,601
Total Debt	1,339,586

The University has authorized a commercial paper program in an amount not to exceed $300 million. At June 30, 2014 there was $205.9 million of commercial paper outstanding. Following application of the proceeds of the Series 2015 Bonds, approximately $33 million of commercial paper will remain outstanding.

The University's Taxable General Revenue Pledge Bonds, Series 2009 and Taxable General Revenue Pledge Bonds, Series 2010 were structured as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009. Under sequestration, there has been a partial reduction in the federal subsidy on "Build America Bonds." The University does not currently believe that the reduction in federal subsidies will have a material adverse effect on its ability to pay debt service on its Parity Credit Obligations.

Indebtedness and other Obligations. The University makes annual required contribution payments to pension plans and other post-employment benefit plans administered by the Virginia Retirement System (the "VRS"). See Notes 11 and 12 in the audited financial statements contained in Appendix B for a full discussion of the pension plans and other post-employment benefit plans in which University employees participate.

The VRS does not currently measure assets and pension benefit obligations separately for individual state institutions. New accounting standards are expected to have a significant impact on the University's reported financial position and results of operations. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for Fiscal Year 2015, requires governments that participate in defined benefit pension plans to report in the statement of net position a net pension liability, which is the difference between the present value of the total pension liability and the pension plans's fiduciary net position. For cost-sharing employers, the net pension liability is equal to the employer's proportionate share of the collective net pension liability for the plan. Based on information provided in the most recently available financial reports for the pension plans, University management anticipates that Statement No. 68 will result in the recognition of significant liabilities in the University's financial statements.

Litigation

There is no litigation pending in any court or, to the best knowledge of the University, threatened, questioning the corporate existence of the University, or that would restrain or enjoin the issuance or delivery of the Series 2015 Bonds, or that concerns the proceeding of the University taken in connection with the Series 2015 Bonds or the pledge or application of the Pledged Revenues under the Bond Resolutions for their payment, or which contests the powers of the University with respect to the foregoing.

APPENDIX B

FINANCIAL STATEMENTS FOR THE UNIVERSITY
FOR FISCAL YEAR ENDED JUNE 30, 2014
AND MANAGEMENT'S DISCUSSION AND ANALYSIS

See Financial Statements Attached

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Introduction

This discussion and analysis provides an overview of the financial position and results of activities of the University of Virginia (the University) for the year ended June 30, 2014. Comparative information for the year ended June 30, 2013, has been provided where applicable. Management has prepared this discussion, which should be read in conjunction with the financial statements and the notes that follow this section.

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

Academic Division

A public institution of higher learning with approximately 21,800 on-Grounds students and 2,200 full-time instructional and research faculty members in eleven schools in 2013–14, the University offers a diverse range of degree programs, from baccalaureate to postdoctoral levels, including doctorates in fifty-five disciplines. The University is recognized internationally for the quality of its faculty and for its commitment to the primary academic missions of instruction, research, public service, and medical care. The University consistently ranks among the nation's top public colleges and universities, both for its general academic programs and for its strengths in specific academic disciplines. Its emphasis on the student experience is extraordinary among major public institutions, and its dedication to new advances in research permeates all of its schools and colleges.

Medical Center

The Medical Center is an integrated network of primary and specialty care services ranging from wellness programs and routine checkups to the most technologically advanced care. The hub of the Medical Center is a licensed hospital with 657 beds in a state-designated Level 1 trauma center located in Charlottesville. The Medical Center also has a transitional care hospital with 40 beds that is located west of the Charlottesville campus. In addition, primary and specialty care are provided at convenient clinic locations throughout central Virginia communities. The University's Medical Center has a tradition of excellence in teaching, advancement of medical science, and patient care, consistently ranking among the best health care systems in the nation.

College at Wise

Located in southwestern Virginia, the College at Wise is a public liberal arts college with nearly 2,200 students and 100 full-time instructional and research faculty. It offers baccalaureate degrees in thirty majors and eight preprofessional programs, including dentistry, pharmacy, engineering, forestry, law, medicine, physical therapy, and veterinary medicine.

Financial Highlights *for the fiscal year ended June 30, 2014*

A summary of the University's change in net position is presented in the table below:

SUMMARY OF THE CHANGE IN NET POSITION (in thousands)	2014	2013	INCREASE (DECREASE) AMOUNT	PERCENT
Total revenues before investment income	$ 2,566,453	$ 2,504,377	$ 62,076	2.5%
Total expenses	2,586,148	2,502,297	83,851	3.4%
Increase (decrease) in net position before investment income	**(19,695)**	**2,080**	**(21,775)**	**(1046.9%)**
Investment income	869,910	564,511	305,399	54.1%
Net effect of change in accounting principle	-	(5,595)	5,595	(100.0%)
TOTAL CHANGE IN NET POSITION	**$ 850,215**	**$ 560,996**	**$ 289,219**	**51.6%**

Overall, the net position increase was entirely related to the performance of the endowment and long-term investments, which returned $870 million this year. Details and discussion by revenue source and expense category are presented on subsequent pages.

Using the Financial Statements

The University's financial report includes five financial statements and related notes:

1. The Statement of Net Position for the University of Virginia
2. The Combined Statements of Financial Position for the Component Units of the University of Virginia
3. The Statement of Revenues, Expenses, and Changes in Net Position for the University of Virginia
4. The Combined Statements of Activities for the Component Units of the University of Virginia
5. The Statement of Cash Flows for the University of Virginia

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. These principles require that financial statements be presented on a consolidated basis to focus on the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories. Although some of the University's foundations are reported in the component unit financial statements, this Management's Discussion and Analysis excludes them except where specifically noted.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, and liabilities of the University. The net position is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. Depreciation is a method of allocating the cost of a tangible asset over its useful life to indicate how much of an asset's value has been consumed.

The University's Statement of Net Position at June 30, 2014, and June 30, 2013, is summarized as follows:

SUMMARY OF THE STATEMENT OF NET POSITION (in thousands)	2014	2013	INCREASE (DECREASE) AMOUNT	PERCENT
Current assets	$ 1,119,865	$ 1,000,926	$ 118,939	11.9%
Noncurrent assets				
Endowment investments	4,216,644	3,690,260	526,384	14.3%
Other long-term investments	1,316,835	1,086,474	230,361	21.2%
Capital assets, net	3,189,972	3,097,929	92,043	3.0%
Other	74,945	84,635	(9,690)	(11.4%)
Total assets	**9,918,261**	**8,960,224**	**958,037**	**10.7%**
Deferred outflows of resources	35,108	33,827	1,281	3.8%
Total assets and deferred outflows of resources	**9,953,369**	**8,994,051**	**959,318**	**10.7%**
Current liabilities	715,801	603,057	112,744	18.7%
Noncurrent liabilities	1,311,028	1,314,669	(3,641)	(0.3%)
Total liabilities	**2,026,829**	**1,917,726**	**109,103**	**5.7%**
NET POSITION	**$7,926,540**	**$7,076,325**	**$ 850,215**	**12.0%**

Current Assets and Liabilities

The Statement of Net Position shows that working capital, which is current assets less current liabilities, was $404 million at June 30, 2014. Current assets consist of cash and cash equivalents, short-term investments, and accounts receivable. Current liabilities consist of accounts payable, unearned revenue, and the current portion of long-term liabilities. Increases to accounts payable, unearned revenue, and outstanding commercial paper account for most of the increase in current liabilities.

Current assets cover current liabilities 1.6 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage decreased just slightly from 1.7 last year. Current assets cover 5.8 months of total operating expenses, excluding depreciation. For 2013–14, one month of operating expenses equaled approximately $194 million.

Endowment and Other Investments

Performance. The major portion of the University's endowment continues to be maintained in a long-term investment pool managed by the University of Virginia Investment Management Company (UVIMCO). The return for the long-term investment pool year was 19 percent in fiscal year 2013–14. This performance figure includes realized and unrealized gains and losses, along with cash income. Total investment income for all funds was positive $870 million.

Distribution. The University distributes endowment earnings with the objective of balancing the annual funding needed to support the endowed programs against the preservation of the future purchasing power. The endowment spending-rate policy is approved by the Board of Visitors and is based on total return, not just cash earnings. The total distribution for the University's endowment was $164 million, which was 4.6 percent of the July 1, 2013, market value of the endowment.

Endowment investments. The total of endowment investments is $4.2 billion, a $526 million increase over the prior year. In addition to new gifts, the increase results from investment returns earned during the year, reduced by the spending distribution.

From a net position perspective, earnings from the endowment are expendable; however, about two-thirds of the earnings are restricted as to use by the donors. A significant portion of the unrestricted earnings, the remaining one-third of the endowment, is internally designated by the University for scholarships, fellowships, professorships, and research activities.

Including endowment investments held by the eight related foundations reported as component units, the combined University system endowment was approximately $6 billion as of June 30, 2014.

Capital and Debt Activities

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

Capital projects consist of replacement, renovation, and new construction of academic, research, and health care facilities, as well as significant investments in equipment and information systems.

Some of the largest new or ongoing projects expensed for construction during the year are listed below:

MAJOR CAPITAL PROJECT EXPENSES DURING 2013–14 (in thousands)	
Battle Building	$ 46,363
New Cabell Hall	19,968
Ruffner Hall Renovation	13,116
North Grounds Mechanical Plant	8,915
Alderman Road Residences - Building 6	8,110
College at Wise Library	6,461
TOTAL	**$ 102,933**

As infrastructure and building projects were completed or otherwise acquired during the year, the University's capital asset balances grew significantly. More than $239 million ($117 million for the Academic Division, $111 million for the Medical Center, and $11 million for Wise) of completed projects were added to depreciable capital assets during the fiscal year. The largest building projects completed and placed into service are listed to the right:

MAJOR PROJECTS COMPLETED OR ACQUIRED DURING 2013–14 (in thousands)	CAPITALIZED COST
Alderman Road Residences, Phase III, Buildings 3 & 4	$ 34,360
Lee Street Garage Entry and Connective Elements	34,264
East Chiller Plant	30,287
Alderman Road Residences, Phase IV, Building 5	24,772
North Grounds Recreation Center	18,349
Spring Creek	14,635
TOTAL	**$ 156,667**

Financial stewardship requires the effective management of resources, including the prudent use of debt to finance capital projects. As evidence of the University's effective stewardship, the University has received the highest long-term and short-term debt ratings from all three major rating agencies, including Moody's Investors Service (Aaa/P-1), Standard & Poor's (AAA/A-1+), and Fitch Ratings, Inc. (AAA/F1+). The University of Virginia is one of only two public institutions with the highest long-term debt ratings from all three agencies. Besides being an official acknowledgment of the University's financial strength, these ratings enable the University to obtain future debt financing at optimum pricing. In addition to issuing its own bonds, the University utilizes its commercial paper program for short-term bridge financing.

The University's debt portfolio contains a strategic mix of maturity structures and both variable- and fixed-rate obligations. The University achieves this mix through issuing a combination of fixed- and variable-rate debt, including commercial paper. It also adjusts its debt mix through the use of interest rate swaps executed according to its Board-approved interest rate risk management policy. The University had just over $1.4 billion of debt outstanding at June 30, 2014, which included $206 million of short-term commercial paper.

Net Position

The four net position categories represent the net interest in the University's assets and deferred inflows of resources after liabilities are deducted. The University's net position at June 30, 2014, and June 30, 2013, is summarized below:

NET POSITION (in thousands)	2014	2013	INCREASE AMOUNT	INCREASE PERCENT
Net investment in capital assets	$ 1,782,053	$ 1,741,026	$ 41,027	2.4%
Restricted				
Nonexpendable	588,627	574,465	14,162	2.5%
Expendable	3,062,089	2,670,142	391,947	14.7%
Unrestricted	2,493,771	2,090,692	403,079	19.3%
TOTAL NET POSITION	**$ 7,926,540**	**$ 7,076,325**	**$ 850,215**	**12.0%**

Net investment in capital assets represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Capitalized assets increased by $92 million and were offset by a $51 million increase in debt used to finance those capital assets, for a net change of $41 million.

Restricted nonexpendable net position consists of the University's permanent endowments, which cannot be expended due to donor restrictions. The increase in nonexpendable net position included new gifts of $12 million.

Restricted expendable net position includes spendable earnings on permanent and quasi endowments, gifts, grants and contracts, and loan funds that are subject to externally imposed restrictions governing their use. The increase in the restricted expendable net position is almost entirely related to investment returns.

Unrestricted net position includes all other activities that are both spendable and not subject to externally imposed restrictions. The majority of the University's unrestricted net position has been internally designated for the core mission activities of instruction, research, and health services programs and initiatives, and capital projects that align with the University's highest priorities. The increase in the unrestricted net position resulted from investment performance and the Medical Center's positive operating margin.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of activities for the year. Presented below is a summarized statement for the years ended June 30, 2014 and 2013:

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in thousands)			INCREASE (DECREASE)	
	2014	2013	AMOUNT	PERCENT
Operating revenues				
Student tuition and fees, net	$ 459,166	$ 432,347	$ 26,819	6.2%
Patient services, net	1,237,157	1,165,690	71,467	6.1%
Sponsored programs	267,962	305,432	(37,470)	(12.3%)
Other	197,544	195,305	2,239	1.1%
Total operating revenues	**2,161,829**	**2,098,774**	**63,055**	**3.0%**
Operating expenses	**2,521,306**	**2,441,116**	**80,190**	**3.3%**
Operating loss	**(359,477)**	**(342,342)**	**(17,135)**	**5.0%**
Nonoperating revenues (expenses)				
State appropriations	161,641	155,679	5,962	3.8%
Gifts	153,561	147,984	5,577	3.8%
Investment income	869,910	564,511	305,399	54.1%
Pell grants	12,619	11,677	942	8.1%
Interest on capital asset-related debt	(49,449)	(53,160)	3,711	(7.0%)
Build America Bonds (BAB) rebate	7,200	8,496	(1,296)	(15.3%)
Other net nonoperating revenues (expenses)	(22,593)	(16,517)	(6,076)	36.8%
Net nonoperating revenues (expenses)	**1,132,889**	**818,670**	**314,219**	**38.4%**
Income before other revenues, expenses, gains, or losses	**773,412**	**476,328**	**297,084**	**62.4%**
Capital appropriations, gifts, and grants	65,065	77,852	(12,787)	(16.4%)
Additions to permanent endowments	11,738	12,411	(673)	(5.4%)
Total other revenues	**76,803**	**90,263**	**(13,460)**	**(14.9%)**
INCREASE IN NET POSITION	**850,215**	**566,591**	**283,624**	**50.1%**
Net position - beginning of year	7,076,325	6,515,329	560,996	8.6%
Net effect of change in accounting principle	-	(5,595)	5,595	(100.0%)
NET POSITION - END OF YEAR	**$7,926,540**	**$7,076,325**	**$ 850,215**	**12.0%**

GASB accounting principles determine the categorization of revenues and expenses as either operating or nonoperating activities. Because GASB Statement No. 34 requires that revenues from state appropriations, Pell grants, and gifts be considered nonoperating while the expenses funded from these revenues are categorized as operating, the University will nearly always demonstrate an operating loss on its Statement of Revenues, Expenses, and Changes in Net Position.

Revenues

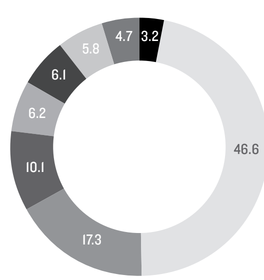
The University maintains a diverse stream of revenues, which decreases its dependence on specific revenue sources and allows it to adapt during difficult economic times. The University's revenues, for the years ended June 30, 2014, and June 30, 2013, are summarized below:

SUMMARY OF REVENUES (in thousands)	2014			2013			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating revenues								
Student tuition and fees, net	$ 459,166	$ -	$ 459,166	$ 432,347	$ -	$ 432,347	$ 26,819	6.2%
Patient services, net	-	1,237,157	1,237,157	-	1,165,690	1,165,690	71,467	6.1%
Federal, state, and local grants and contracts	223,144	-	223,144	252,221	-	252,221	(29,077)	(11.5%)
Nongovernmental grants and contracts	44,818	-	44,818	53,211	-	53,211	(8,393)	(15.8%)
Sales and services of educational departments	21,434	-	21,434	18,186	-	18,186	3,248	17.9%
Auxiliary enterprises revenue, net	124,922	-	124,922	120,387	-	120,387	4,535	3.8%
Other operating revenues	2,015	49,173	51,188	8,058	48,674	56,732	(5,544)	(9.8%)
Total operating revenues	**875,499**	**1,286,330**	**2,161,829**	**884,410**	**1,214,364**	**2,098,774**	**63,055**	**3.0%**
Nonoperating revenues								
State appropriations	161,641	-	161,641	155,679	-	155,679	5,962	3.8%
Private gifts	147,328	6,233	153,561	147,014	970	147,984	5,577	3.8%
Investment income	782,887	87,023	869,910	510,211	54,300	564,511	305,399	54.1%
Other nonoperating revenues	89,422	-	89,422	101,940	-	101,940	(12,518)	(12.3%)
Total nonoperating revenues	**1,181,278**	**93,256**	**1,274,534**	**914,844**	**55,270**	**970,114**	**304,420**	**31.4%**
TOTAL REVENUES	**$2,056,777**	**$1,379,586**	**$3,436,363**	**$1,799,254**	**$1,269,634**	**$ 3,068,888**	**$ 367,475**	**12.0%**

Net student tuition and fees increased due to new programs, enrollment growth, and increases in tuition. Tuition and fees revenue is reported net of scholarships and allowances provided from University sources. Net patient revenues increased due to increased patient collections after write-offs. Grant and contract activity, including direct research and the recovery of indirect facilities and administrative costs, declined primarily due to the ongoing pressure and uncertainty at the federal level. The increase in nonoperating revenues is almost entirely attributable to positive investment returns.

Revenues and Other Sources of Operational Funding

Below is a chart of revenues by source (both operating and nonoperating). These revenues were used to fund the University's operating activities for the fiscal year ended June 30, 2014. As noted earlier, GASB requires state appropriations, current gifts, and Pell grants to be treated as nonoperating revenues. Endowment spending is not current-year revenue, but a distribution of previously recognized investment income revenue. However, it is an important funding source for current operations and is included in the chart below to present a more accurate picture of the University's funding of current operations.



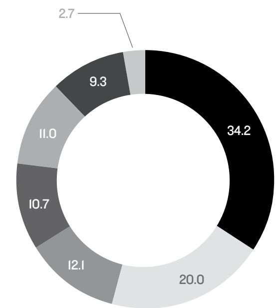
Total University Revenues and Other Sources of Operational Funding

Patient services, net | 46.6%
Student tuition and fees, net | 17.3%
Grants and contracts | 10.1%
Endowment spending distribution | 6.2%
State appropriations | 6.1%
Private gifts | 5.8%
Auxiliary enterprises revenue, net | 4.7%
Other | 3.2%

Patient services revenues accounted for nearly one-half of the University's revenues and operational funding sources. Net student tuition and fees and grants and contracts are the next largest revenues. Private support from endowment spending and gifts combined provides about 12 percent of the University's funding. State appropriations accounted for just 6 percent of funding for operations. With ongoing economic pressures on state revenues and increasing consideration of affordability, funding from private sources continues to be vitally important to the University's operations.

A clearer picture of the academic and research mission revenue stream emerges when the Medical Center's data is excluded, as it is in the chart to the right. Net tuition and fees make up more than one-third of the operating revenues for the Academic Division and Wise. Contributing a combined 22 percent, private support in the form of endowment spending distribution and gifts has been, and will continue to be, essential to maintaining the University's academic excellence. External research support from grants and contracts makes up another 20 percent of operational funding.

Academic and Wise Revenues and Other Sources of Operational Funding



Student tuition and fees, net | 34.2%
Grants and contracts | 20.0%
State appropriations | 12.1%
Endowment spending distribution | 10.7%
Private gifts | 11.0%
Auxiliary enterprises revenue, net | 9.3%
Other | 2.7%

Expenses

The University's expenses for the years ended June 30, 2014, and June 30, 2013, are summarized as follows:

SUMMARY OF EXPENSES (in thousands)	2014			2013			TOTAL INSTITUTION INCREASE (DECREASE)	
	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	ACADEMIC DIVISION & WISE	MEDICAL CENTER	TOTAL INSTITUTION	AMOUNT	PERCENT
Operating expenses								
Compensation	$ 852,095	$ 537,177	$ 1,389,272	$ 858,972	$ 507,672	$ 1,366,644	$ 22,628	1.7%
Supplies and other services	280,513	574,680	855,193	274,479	534,054	808,533	46,660	5.8%
Student aid	73,802	-	73,802	69,684	-	69,684	4,118	5.9%
Depreciation	115,928	83,260	199,188	112,086	80,187	192,273	6,915	3.6%
Other operating expense	3,851	-	3,851	3,982	-	3,982	(131)	(3.3%)
Total operating expenses	**1,326,189**	**1,195,117**	**2,521,306**	**1,319,203**	**1,121,913**	**2,441,116**	**80,190**	**3.3%**
Nonoperating expenses and other								
Interest expense (net of BAB rebate)	27,597	14,652	42,249	33,708	10,956	44,664	(2,415)	(5.4%)
Loss on capital assets	1,136	3,343	4,479	1,802	372	2,174	2,305	106.0%
Other nonoperating expense	18,114	-	18,114	5,911	8,432	14,343	3,771	26.3%
Total nonoperating expenses	**46,847**	**17,995**	**64,842**	**41,421**	**19,760**	**61,181**	**3,661**	**6.0%**
TOTAL EXPENSES	**$1,373,036**	**$ 1,213,112**	**$ 2,586,148**	**$1,360,624**	**$ 1,141,673**	**$ 2,502,297**	**$ 83,851**	**3.4%**

Increases in operating expenses are primarily driven by the Medical Center's $41 million increase in supplies and other services and $29 million increase in compensation and are related to the Medical Center's strategic initiatives, ongoing relationships with other health systems, and the opening of new clinics.

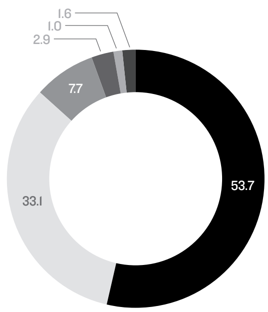
Following are graphic illustrations of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2014.

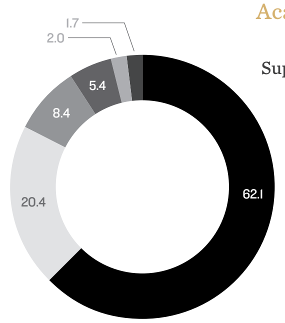
The chart on the left presents information for the total University, including the Medical Center, while the chart on the right presents information for just the Academic and Wise divisions. In addition to their natural (object) classification, it is also informative to review operating expenses by function.

A complete matrix of expenses, natural versus functional, is contained in Note 9 of the Notes to the Financial Statements. Expenses for core mission functions of patient services, instruction, and research account for 72 percent of total operating expenses. The remainder is for support costs of these core mission functions and includes academic support, libraries, student services, institutional support services, and operation and maintenance of facilities.

Total University Expenses

Compensation | 53.7%
Supplies and other services | 33.1%
Depreciation | 7.7%
Student aid | 2.9%
Interest expense, net | 1.6%
Other | 1.0%





Academic and Wise Expenses

Compensation | 62.1%
Supplies and other services | 20.4%
Depreciation | 8.4%
Student aid | 5.4%
Interest expense, net | 2.0%
Other | 1.7%

Future Economic Outlook

Overall, the University's financial condition is stable, despite challenges stemming from the Commonwealth of Virginia's current budgetary challenges and increasing scrutiny of the federal budget, and the changing health care environment. The University maintains the highest credit ratings of all three ratings agencies, which provides the University with a high degree of financial flexibility. Fundraising success and the historical performance of the endowment continues to allow the University to hold a unique position among public higher education institutions. The value delivered to our students is strong with graduation rates among the highest in the country while student indebtedness levels are among the lowest.

Higher education remains a focus of attention at state and national levels, particularly in terms of access, affordability, and student outcomes. Preserving the University's excellent academic reputation and rigor is equally crucial among students and alumni. To address these issues, in November 2013 the Board of Visitors of the University of Virginia endorsed the Cornerstone Plan (the Plan), which sets out five pillars to serve as areas of strategic emphasis over the next five years:

1. Enrich and strengthen the University's distinctive residential culture
2. Strengthen the University's capacity to advance knowledge and serve the Commonwealth of Virginia, the nation, and the world through research, scholarship, creative arts, and innovation
3. Provide educational experiences that deliver new levels of student engagement
4. Assemble and support a distinguishing faculty
5. Steward the University's resources to fortify and further distinguish what is already one of the academically strongest, best managed, most financially stable, and most affordable universities in the nation

As the Cornerstone Plan moves forward, the Board of Visitors saw a need to develop a long-term financial plan and a sustainable financial/pricing model that provides the reliable and ongoing funding necessary to enhance academic excellence as outlined in the Plan and advances affordability and predictability of tuition, fees, and financial aid for students and families. Through the date of publication of this document, the subcommittee charged with this work has thoroughly evaluated the implementation cost of the Plan, including the impending generational turnover of faculty; efforts to streamline and increase effectiveness of all processes supporting the core mission; and potential revenue enhancements, including leveraging our favorable balance sheet position. Organizational excellence remains a key focus as the University continues to enhance organizational capacity across academic and administrative service areas to advance excellence in the core missions and to facilitate the realization of strategic priorities.

With the majority of the University's research funding coming from federal grants, as well as its impact on federally funded student grants and loans, the federal budget remains a key consideration of our financial outlook. Midterm elections resulted in overwhelming changes in Congress; it is anticipated that the Higher Education Act reauthorization as well as federal revenues and spending will be a focus. At the University, federal research awards increased very slightly in 2014, but it will remain a top priority of the University to continue to increase proposals and awards with the strategic recruitment of highly productive faculty aligned with research priorities. The University has aggressively pursued new partnerships with industrial sponsors to diversify its institutional research portfolio and directly support key research and scholarship elements of the Cornerstone Plan, creating new external sources of funding for research and opportunities for our faculty and students, such as new domestic and global internships, access to real-world problem sets, and the expansion of our global footprint.

The University anticipates further uncertainty in state funding. Expected investments from the state general fund to support increasing enrollments and research did not materialize for fiscal year 2015, and in August 2014, the Commonwealth's budget reconciliation process passed on an $8.2 million reduction in previously authorized state support. Any further cuts during the 2015 General Assembly session will be addressed during the University's budget development and long-range financial planning process.

The University's health system has continued to produce positive financial results. Looking forward, the health system's top strategic planning goal remains becoming a top decile provider of clinical care among academic medical centers. Leadership has developed a long-range financial plan to achieve this goal within the context of an increasingly changing health care industry. Within the industry, there will be continued downward pressure on inpatient utilization and growth in demand for outpatient service; increasing costs associated with medical supply, pharmaceutical, and medical device expenses; a growing compliance burden; a shortage of health care workers; and continued responsibility to care for the medically underserved in Virginia. The Patient Protection and Affordable Care Act, signed into law in March 2010, continues to affect the health care industry as new substantive provisions were implemented this year. The impact will be decreased reimbursements from government payors despite increasing costs of medical delivery and an industry-wide erosion of pricing power with private payors. Medical Center volume growth is focused on outpatient services with continued implementation of the Centers of Excellence, the opening of the Battle Building for pediatric services, expansion of the Outpatient Surgery Center, and implementation of the outreach strategy.

Effective and attentive leadership, a historical commitment to financial excellence, and a diversified approach will all help the University continue to succeed and excel in the future. While it is impossible to predict the ultimate results, management continues to believe that the University's financial condition will remain strong.

Management Responsibility

November 5, 2014

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

We are pleased to submit the annual Financial Report of the University of Virginia for the year ended June 30, 2014. Management is responsible for the objectivity and integrity of the accompanying financial statements, which have been prepared in conformance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities.* The financial statements, of necessity, included management's estimates and judgments relating to matters not concluded by year-end. Financial information contained elsewhere in the annual Financial Report is consistent with that included in the financial statements.

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

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

Respectfully submitted,

Melody Bianchetto

Associate Vice President for Finance

David J. Boling

Assistant Vice President for Finance
and University Comptroller

Commonwealth of Virginia

Auditor of Public Accounts

Martha S. Mavredes, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

November 5, 2014

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable John C. Watkins
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors
University of Virginia

Independent Auditor's Report

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Virginia, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units of the University, which are discussed in Note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including

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the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University of Virginia's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 14 and the Funding Progress for Other Postemployment Benefit Plans on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2014, on our consideration of the University of Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University's internal control over financial reporting and compliance.

Martha S. Mavredes

Martha S. Mavredes, CPA
Auditor of Public Accounts

Statement of Net Position (in thousands)

AS OF JUNE 30, 2014 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2013)

		2014		2013
ASSETS				
Current assets				
Cash and cash equivalents (Note 2)	$	612,001	$	502,278
Short-term investments (Note 2)		180,336		187,552
Appropriations available		6,758		6,366
Accounts receivable, net (Note 3a)		269,427		258,962
Prepaid expenses		23,062		16,690
Inventories		22,296		24,018
Notes receivable, net (Note 3b)		5,985		5,060
Total current assets		**1,119,865**		**1,000,926**
Noncurrent assets				
Cash and cash equivalents (Note 2)		22,983		33,750
Endowment investments (Note 2)		4,216,644		3,690,260
Other long-term investments (Note 2)		1,316,835		1,086,474
Deposit with bond trustee		1,049		22
Notes receivable, net (Note 3b)		35,664		35,427
Pledges receivable, net (Note 3c)		4,566		4,249
Capital assets - depreciable, net (Note 3d)		2,848,728		2,751,426
Capital assets - nondepreciable (Note 3d)		341,244		346,503
Goodwill (Note 3e)		10,683		11,187
Total noncurrent assets		**8,798,396**		**7,959,298**
Deferred outflows of resources (Note 3f)		**35,108**		**33,827**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$**	**9,953,369**	**$**	**8,994,051**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 3g)	$	292,411	$	227,564
Unearned revenue (Note 3h)		98,326		93,177
Deposits held in custody for others		13,807		31,813
Commercial paper (Note 4)		205,893		139,593
Long-term debt - current portion (Note 5a)		13,303		12,814
Long-term liabilities - current portion (Note 5b)		92,061		98,096
Total current liabilities		**715,801**		**603,057**
Noncurrent liabilities				
Long-term debt (Note 5a)		1,178,213		1,191,167
Derivative instrument liability (Note 6)		20,448		18,659
Other noncurrent liabilities (Note 5b)		112,367		104,843
Total noncurrent liabilities		**1,311,028**		**1,314,669**
TOTAL LIABILITIES	**$**	**2,026,829**	**$**	**1,917,726**
NET POSITION				
Invested in capital assets, net of related debt	$	1,782,053	$	1,741,026
Restricted:				
Nonexpendable		588,627		574,465
Expendable		3,062,089		2,670,142
Unrestricted		2,493,771		2,090,692
TOTAL NET POSITION	**$**	**7,926,540**	**$**	**7,076,325**

Component Units, Combined Statements of Financial Position (in thousands)

AS OF JUNE 30, 2014 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2013)

ASSETS	2014	2013
Current assets		
Cash and cash equivalents	$ 57,466	$ 67,501
Receivables	100,555	99,103
Other current assets	362,222	171,256
Total current assets	**520,243**	**337,860**
Noncurrent assets		
Pledges receivable, net of current portion of $27,773	42,718	50,132
Long-term investments	7,156,032	6,187,123
Capital assets, net of depreciation	376,087	462,780
Other noncurrent assets	44,873	41,723
Total noncurrent assets	**7,619,710**	**6,741,758**
TOTAL ASSETS	**$ 8,139,953**	**$ 7,079,618**
LIABILITIES AND NET ASSETS		
Current liabilities		
Assets held in trust for others	$ 95,209	$ 89,034
Other liabilities	188,721	187,722
Total current liabilities	**283,930**	**276,756**
Noncurrent liabilities		
Long-term debt, net of current portion of $30,889	236,389	248,612
Other noncurrent liabilities	5,958,048	5,110,591
Total noncurrent liabilities	**6,194,437**	**5,359,203**
TOTAL LIABILITIES	**$ 6,478,367**	**$ 5,635,959**
NET ASSETS		
Unrestricted	$ 392,105	$ 329,759
Temporarily restricted	708,855	593,460
Permanently restricted	560,626	520,440
TOTAL NET ASSETS	**$ 1,661,586**	**$ 1,443,659**
TOTAL LIABILITIES AND NET ASSETS	**$ 8,139,953**	**$ 7,079,618**

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

Statement of Revenues, Expenses, and Changes in Net Position (in thousands)

FOR THE YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $99,386 and $88,656)	$ 459,166	$ 432,347
Patient services (net of charity care of $2,741,511 and $2,346,855)	1,237,157	1,165,690
Federal grants and contracts	218,394	243,621
State and local grants and contracts	4,750	8,600
Nongovernmental grants and contracts	44,818	53,211
Sales and services of educational departments	21,434	18,186
Auxiliary enterprises revenue (net of scholarship allowances of $13,325 and $14,494)	124,922	120,387
Other operating revenues	51,188	56,732
TOTAL OPERATING REVENUES	**2,161,829**	**2,098,774**
EXPENSES		
Operating expenses (Note 9)		
Compensation and benefits	1,389,272	1,366,644
Supplies and other services	855,193	808,533
Student aid	73,802	69,684
Depreciation	199,188	192,273
Other	3,851	3,982
TOTAL OPERATING EXPENSES	**2,521,306**	**2,441,116**
OPERATING LOSS	**(359,477)**	**(342,342)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 10)	161,641	155,679
Gifts	153,561	147,984
Investment income	869,910	564,511
Pell grants	12,619	11,677
Interest on capital asset–related debt	(49,449)	(53,160)
Build America Bonds rebate	7,200	8,496
Losses on capital assets	(4,479)	(2,174)
Other nonoperating expenses	(18,114)	(14,343)
NET NONOPERATING REVENUES	**1,132,889**	**818,670**
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**773,412**	**476,328**
Capital appropriations	42,414	42,566
Capital grants and gifts	22,651	35,286
Additions to permanent endowments	11,738	12,411
TOTAL OTHER REVENUES	**76,803**	**90,263**
INCREASE IN NET POSITION	**850,215**	**566,591**
NET POSITION		
Net position—beginning of year	7,076,325	6,515,329
Net effect of change in accounting principle (Note 1)	-	(5,595)
NET POSITION—BEGINNING OF YEAR AS RESTATED	**7,076,325**	**6,509,734**
NET POSITION—END OF YEAR	**$ 7,926,540**	**$ 7,076,325**

Certain 2013 amounts have been restated to conform to the 2014 classifications.

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

Component Units, Combined Statements of Activities (in thousands)

FOR THE YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE INFORAMTION FOR THE YEAR ENDED JUNE 30, 2013)

	2014	2013
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 25,914	$ 22,144
Fees for services, rentals, and sales	372,387	338,868
Investment income	46,944	52,860
Reclassification per donor stipulation	(105)	(6,588)
Net assets released from restriction	105,205	99,862
Other revenues	137,715	130,907
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**688,060**	**638,053**
EXPENSES		
Program services, lectures, and special events	421,339	407,239
Scholarships and financial aid	81,788	74,501
Management and general	33,415	33,489
Other expenses	89,468	77,509
TOTAL EXPENSES	**626,010**	**592,738**
EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**62,050**	**45,315**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	49,964	52,412
Investment and other income	176,901	113,118
Reclassification per donor stipulation	(6,094)	7,044
Net assets released from restriction	(105,207)	(99,862)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	**115,564**	**72,712**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	30,168	24,937
Investment and other income	5,550	(3,035)
Reclassification per donor stipulation	4,450	(456)
Net assets released from restriction	2	-
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**40,170**	**21,446**
CHANGE IN NET ASSETS	**217,784**	**139,473**
Net assets-beginning of year	1,443,659	1,297,961
Other activity	143	6,225
NET ASSETS-END OF YEAR	**$ 1,661,586**	**$ 1,443,659**

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

Statement of Cash Flows (in thousands)

FOR THE YEAR ENDED JUNE 30, 2014 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

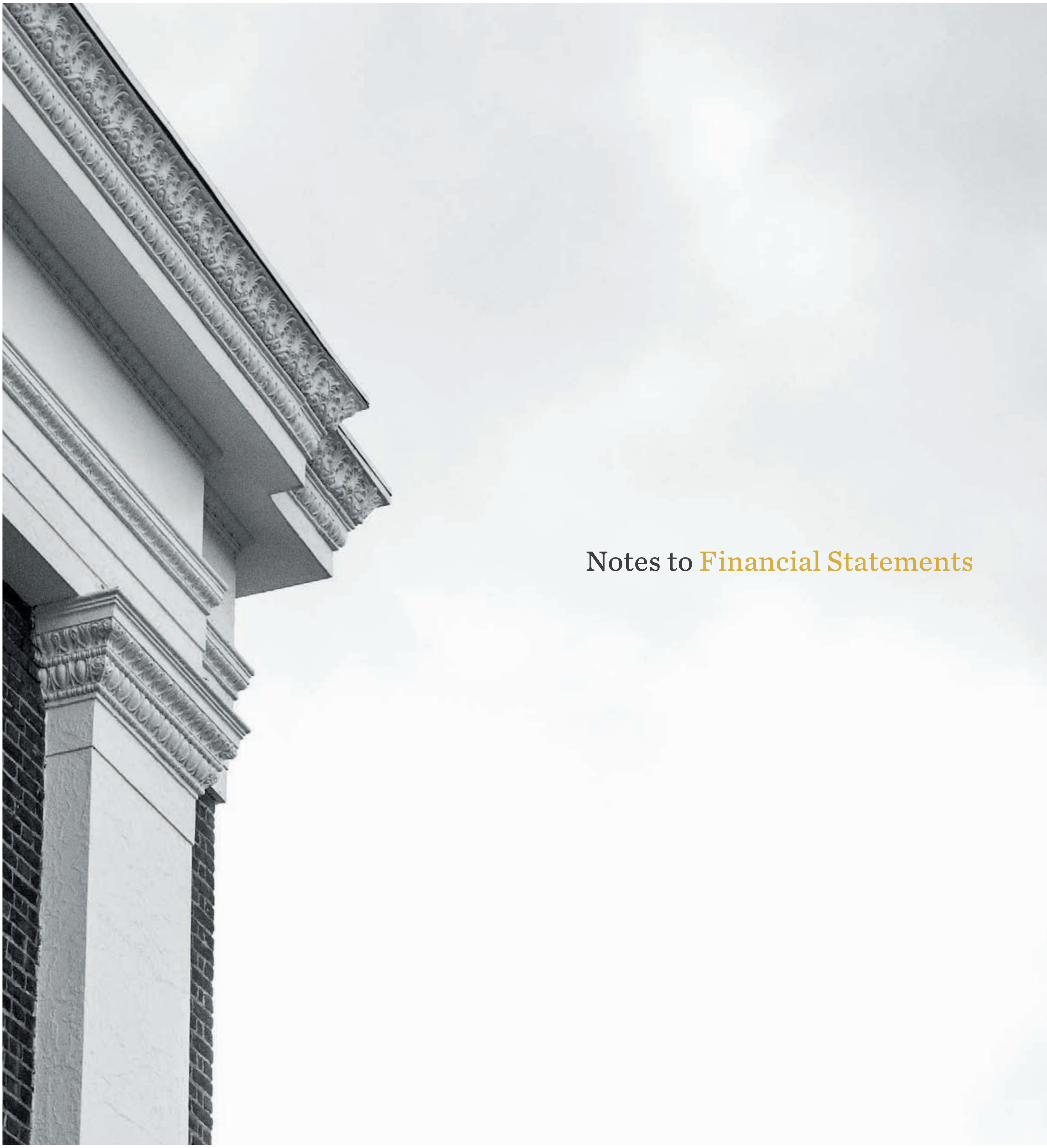
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 460,826	$ 435,030
Grants and contracts	272,717	304,393
Patient services	1,249,671	1,186,229
Sales and services of educational activities	41,648	20,703
Sales and services of auxiliary enterprises	125,785	119,606
Payments to employees and fringe benefits	(1,368,619)	(1,364,284)
Payments to vendors and suppliers	(854,823)	(780,652)
Payments for scholarships and fellowships	(73,802)	(69,684)
Perkins and other loans issued to students	(20,274)	(6,225)
Collection of Perkins and other loans to students	16,828	4,948
Other receipts	55,811	43,105
NET CASH USED BY OPERATING ACTIVITIES	(94,232)	(106,831)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	161,204	156,176
Additions to true endowments	11,738	12,411
Federal Family Education Loan Program receipts	-	5
Federal Family Education Loan Program payments	-	(5)
Federal Direct Loan Program receipts	123,554	118,427
Federal Direct Loan Program payments	(123,554)	(118,427)
Pell grants	12,619	11,677
Deposits held in custody for others	(18,006)	(4,097)
Noncapital gifts and grants and endowments received	159,590	137,178
Other net nonoperating expenses	(913)	(7,511)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	326,232	305,834
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	42,551	42,986
Capital gifts and grants received	23,570	45,714
Proceeds from capital debt	101,741	411,622
Proceeds from sale of capital assets	18,585	7,658
Acquisition and construction of capital assets	(327,818)	(398,843)
Principal paid on capital debt and leases	(47,284)	(297,213)
Interest paid on capital debt and leases	(43,026)	(47,064)
Deposit with trustee	(1,028)	17,766
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(232,709)	(217,374)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	318,782	314,447
Interest on investments	4,230	8,222
Purchase of investments and related fees	(218,333)	(162,664)
Other investment activities	(5,014)	(36,182)
NET CASH PROVIDED BY INVESTING ACTIVITIES	99,665	123,823
NET INCREASE IN CASH AND CASH EQUIVALENTS	98,956	105,452
Cash and cash equivalents, July 1	536,028	430,576
CASH AND CASH EQUIVALENTS, JUNE 30	$ 634,984	$ 536,028

	2014	2013
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (359,477)	$ (342,342)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	199,188	192,273
Provision for uncollectible loans and write-offs	2,645	399
Changes in assets and liabilities:		
Receivables, net	(15,162)	47,898
Inventories	(4,129)	305
Other assets	-	34
Prepaid expenses	(521)	(431)
Notes receivable, net	(3,808)	(1,276)
Accounts payable and accrued liabilities	57,760	(49,910)
Unearned revenue	20,297	40,424
Accrual for compensated absences	8,975	5,795
TOTAL ADJUSTMENTS	265,245	235,511
NET CASH USED BY OPERATING ACTIVITIES	$ (94,232)	$ (106,831)

	2014	2013
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES—ACADEMIC ONLY		
Assets acquired through assumption of a liability	$ 82,105	$ 357,371
Assets acquired through a gift	2,557	6,919
Change in fair value of investments	790,193	513,152
Increase in receivables related to nonoperating income	4,671	11,744
Loss on disposal of capital assets	1,135	1,802

Certain 2013 amounts have been restated to conform to 2014 classifications.

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



Notes to Financial Statements

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

The University of Virginia (the University) is an agency of the Commonwealth of Virginia (the Commonwealth) and is governed by the University's Board of Visitors (the Board). A separate report is prepared for the Commonwealth that includes all agencies, boards, commissions, and authorities over which the Commonwealth exercises or has the ability to exercise oversight authority. The University is a discretely presented component unit of the Commonwealth and is included in its basic financial statements. The University consists of three divisions. The Academic Division and the University of Virginia's College at Wise (the College at Wise) generate and disseminate knowledge in the humanities, arts, and scientific and professional disciplines through instruction, research, and public service. The Medical Center Division (the Medical Center), along with its three controlled subsidiary companies—University of Virginia Imaging, LLC; Community Medicine, LLC; and Hematology Oncology Patient Enterprises, Inc.—provides routine and ancillary patient services through a full-service hospital and clinics.

Income Tax Status

The University is an agency of the Commonwealth and is exempt from federal income tax under Section 115(a) of the Internal Revenue Code. The University's related organizations are 501(c)(3) organizations and are exempt from federal income tax under the Internal Revenue Code. Certain activities may be subject to taxation as unrelated business income per Internal Revenue Code requirements.

Financial Reporting Entity

The University has twenty-five legally separate, tax-exempt related foundations operating in support of the interests of the University (the Foundations). These related foundations are not-for-profit corporations controlled by separate boards of directors. The University determined that the following eight foundations qualify as component units of the University because of the nature and significance of their relationship with the University, including their ongoing financial support of the University. As such, they are presented discretely in the financial statements as of and for the year ended June 30, 2014.

- University of Virginia Law School Foundation
- University of Virginia Darden School Foundation
- Alumni Association of the University of Virginia
- Virginia Athletics Foundation
- University of Virginia Foundation
- University of Virginia Physicians Group
- University of Virginia Investment Management Company
- Jefferson Scholars Foundation

The component units' combined financial information is included in the accompanying financial statements. Condensed financial statements for each component unit are disclosed in Note 8. Information on the organization and nature of activities for each component unit is presented below.

The **University of Virginia Law School Foundation (Law School Foundation)** was established as a tax-exempt organization to foster the study and teaching of law at the University and to receive and administer funds for that purpose. It expends funds to support professorships, faculty benefits, financial aid, student activities, and other academic programs within the University's Law School. For additional information, contact the Treasurer's Office at Slaughter Hall, 580 Massie Road, Charlottesville, VA 22903.

The **University of Virginia Darden School Foundation (Darden School Foundation)** was established as a nonstock corporation created under the laws of the Commonwealth. Its primary purposes are to promote the advancement and further the aims and purposes of the Colgate Darden Graduate School of Business Administration of the University and to provide education for business executives. For additional information, contact the Finance and Administration Office at P.O. Box 7263, Charlottesville, VA 22906.

The **Alumni Association of the University of Virginia (Alumni Association)** was established as a legally separate, tax-exempt organization to provide services to all alumni of the University, thereby assisting the University and all its students, faculty, and administration in attaining the University's highest priority of achieving eminence as a center of higher learning. For additional information, contact the Finance and Administration Office at P.O. Box 400314, Charlottesville, VA 22904.

The **Virginia Student Aid Foundation, Inc., T/A Virginia Athletics Foundation (VAF)**, was established as a tax-exempt organization to support intercollegiate athletic programs at the University by providing student-athletes the opportunity to achieve academic and athletic excellence. It provides funding for student-athlete scholarships, funding for student-athlete academic advising programs, operational support for various sports, informational services to its members and the general public, and ancillary support to the athletic programs. VAF has adopted December 31 as its year end. All amounts reflected are as of December 31, 2013. For additional information, contact the Gift Accounting Office at P.O. Box 400833, Charlottesville, VA 22904.

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

The **University of Virginia Physicians Group (UPG)** was established as a non-profit group practice health care provider organization designed to assist medical education through teaching and research within the academic environment of the Health System of the University, and to coordinate and develop superior patient care in the Health System. UPG entered into an affiliation agreement with the

University for UPG, through its member clinical departments, to provide patient care at the Health System. UPG provides patient care services to Health System patients, and in conjunction with the care of patients, provides teaching services. The University provides space and certain administrative services to UPG, which reimburses the University for the salaries and fringe benefits of classified and hourly employees of the clinical departments paid by the University and not funded by the Commonwealth or by gifts, grants, and contracts. For additional information, contact the Finance Office at 500 Ray C. Hunt Drive, Charlottesville, VA 22903.

The **University of Virginia Investment Management Company (UVIMCO)** was established to provide investment management services to the University, independent foundations, and other entities affiliated with the University and operating in support of its mission. For additional information, contact UVIMCO at P.O. Box 400215, Charlottesville, VA 22904.

The **Jefferson Scholars Foundation** was established to develop and administer a merit-based scholarship, fellowship, and professorship program. The mission of the Jefferson Scholars Foundation is to serve the University by identifying, attracting, and nurturing individuals of extraordinary intellectual range and depth, who possess the highest concomitant qualities of leadership, scholarship, and citizenship. For additional information, contact the Finance Team at P.O. Box 400891, Charlottesville, VA 22904.

Reporting Basis and Measurement Focus

The University prepares its financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP). As a public institution, the University adheres to standards promulgated by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the University has elected to report as an entity engaged in business-type activities. Entities engaged in business-type activities are financed in whole or in part by fees charged to external parties for goods and services. Statement No. 34 establishes standards for external financial reporting for public colleges and universities.

The accompanying financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues, including all exchange and nonexchange transactions, are recorded when earned and expenses are recorded when incurred and measurable, regardless of when the related cash flows take place. In accordance with GASB requirements, revenues from nonexchange transactions are recognized in the fiscal year in which all eligibility requirements (resource provider conditions) have been satisfied, if measurable and probable of collection.

The component units included herein follow the pronouncements of the Financial Accounting Standards Board (FASB). Their financial statements are presented in accordance with those standards and use the full accrual basis of accounting.

Cash and Cash Equivalents

In addition to cash on deposit in private bank accounts, petty cash, and undeposited receipts, cash and cash equivalents includes cash on deposit with fiscal agents and investments with original maturities of ninety days or less. Substantially all cash and cash equivalents are concentrated in accounts in which balances exceed Federal Deposit Insurance Corporation (FDIC) insurance limits.

Inventories

Inventories, consisting primarily of supplies and merchandise for resale, are valued at the lower of cost (generally determined on the weighted-average method) or market value.

Investments

Investments in corporate stocks and marketable bonds are recorded at market value. All real estate investments are capital assets, and thus recorded at cost. Certain less-marketable investments, such as private equity investments, are generally carried at estimated values as determined by management. Because of the inherent uncertainty in the use of estimates, values that are based on estimates may differ from the values that would have been used had a ready market existed for the investments.

Endowment

Endowment assets are held in the custody and control of UVIMCO on behalf of the University and the Foundations within a unitized investment pool. The Long-Term Pool (LTP) commingles endowment, charitable trust, and other assets of the University and the Foundations. Assets of the LTP are pooled on a fair value basis in accordance with U.S. GAAP and unitized monthly. Deposits and withdrawals are processed monthly. Each depositor subscribes to or disposes of units on the basis of the value per share at fair value as calculated on the last calendar day of the month in which a deposit or redemption request is received by UVIMCO.

Pledges Receivable

The University receives pledges and bequests of financial support from corporations, foundations, and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB requirements, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are made, commensurate with expected future payments. An allowance for uncollectible pledges receivable is determined based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history and the type of gift.

Capital Assets and Depreciation

Capital assets are recorded at cost at date of acquisition, or, if donated, at the appraised value at date of donation. Capital assets are depreciated or amortized on a straight-line basis over their estimated useful lives unless they are inexhaustible, or are intangible assets with indefinite useful lives. The University capitalizes construction costs that have a value or cost in excess of $250,000 at the date of acquisition. Renovations in excess of $250,000 are capitalized if they significantly extend the useful life of the existing asset. The Academic Division capitalizes moveable equipment at a value or cost of $5,000 and an expected useful life of greater than one year.

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

Expenditures related to construction are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Position are classified as Construction in Progress.

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

In accordance with GASB standards, the University capitalizes intangible assets such as computer software developed or obtained for internal use, easements, patents, and trademarks. Capitalization begins when the asset is considered identifiable. For computer software, this is often at the application development stage, which consists of the design, coding, installation, and testing of the software and interfaces.

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The University incurred capital project interest expense of $1.6 million and earned capital project interest income of $296,226 for the fiscal year ended June 30, 2014, resulting in net interest capitalized of $1.3 million.

The estimated useful lives of capital assets are as follows:

ASSETS	YEARS
Buildings, improvements other than buildings, and infrastructure	10—50
Equipment	1—20
Intangible assets	1—40
Library books	10

Collections

The University does not capitalize works of art or historical treasures that are held for exhibition, education, research, and public service. These collections are protected and preserved, neither disposed of for financial gain, nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Deferred Outflows of Resources

Deferred outflows of resources are the consumption of net assets applicable to a future reporting period and have a positive effect on net position similar to assets.

Unearned Revenue

Unearned revenue consists primarily of cash received from grant and contract sponsors that has not been earned under the terms of the agreement, and amounts received in advance of an event, such as student tuition and fees and fees for housing and dining services.

Deposits

Deposits held in custody for others represent cash and invested funds held by the University on behalf of others as a result of agency relationships with various groups and organizations.

Compensated Absences

The amount of leave earned but not taken by nonfaculty salaried employees is recorded as a liability on the Statement of Net Position. The amount reflects, as of June 30, 2014, all unused vacation leave, and the amount payable on termination under the Commonwealth's sick leave payout policy. The applicable share of employer-related taxes payable on the eventual termination payments is also included.

Long-term Debt and Debt Issuance Costs

Long-term debt on the Statement of Net Position is reported net of related discounts and premiums, which are amortized over the life of the debt. Debt issuance costs, except portions related to prepaid insurance, are expensed as nonoperating expenses.

Net Position

The University's net position is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets. This category represents all of the University's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted. The University classifies the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose, or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by the University, is classified as nonexpendable net position. This includes the corpus portion (historical value) of gifts to the University's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested.

Expendable. The University's net position subject to externally imposed restrictions that can be fulfilled by actions of the University pursuant to those restrictions or that expire by the passage of time is classified as expendable net position. This includes net appreciation of the University's permanent endowment funds that has not been stipulated by the donor to be reinvested permanently.

Unrestricted. The net position that is neither restricted nor invested in capital assets, net of related debt, is classified as unrestricted net position. The University's unrestricted net position may be designated for specific purposes by the Board. Substantially all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs, or for other purposes.

Expenses are charged to either restricted or unrestricted net position based on a variety of factors, including consideration of prior and future revenue sources, the type of expenditure incurred, the University's budgetary policies surrounding the various revenue sources, and whether the expense is a recurring cost.

Student Tuition and Fees

Student tuition and auxiliary fees are presented net of scholarships, discounts and fellowships applied to student accounts. Scholarship discount and allowance is the difference between the stated charge for goods and services provided by the University and the amount paid by students and/or third parties making payments on the students' behalf.

Medical Center Sales and Service

A significant portion of the Medical Center services is rendered to patients covered by Medicare, Medicaid, or other third-party payors. The Medical Center has entered into contractual agreements with these third parties to accept payment for services in amounts less than scheduled charges. In accordance with these agreements, the difference between the contractual payments due and the Medical Center scheduled billing rates results in contractual adjustments. Patient care revenues are reported net of contractual allowances in the Statement of Revenues, Expenses, and Changes in Net Position in the period in which the related services are rendered.

Certain annual settlements of amounts due for Medical Center services covered by third parties are determined through cost reports that are subject to audit and retroactive adjustment by the third parties. Provisions for possible adjustments of cost reports have been estimated and reflected in the accompanying financial statements. Because the determination of settlements in prior years has been based on reasonable estimation, the difference in any year between the originally estimated amount and the final determination is reported in the year of determination as an adjustment to Medical Center revenues. Laws and regulations governing Medicare and Medicaid are complex and subject to interpretation.

Revenue and Expense Classifications

The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Position are those that generally result from activities having the characteristics of exchange transactions, meaning revenues are received in exchange for goods and services. Operating revenues include student tuition and fees, net of scholarship discounts and allowances; sales and services from medical centers, net of charity care allowances; educational activities and auxiliary enterprises, net of scholarship discounts and allowances; and federal, state, local, and nongovernmental grants and contracts. With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

Certain significant revenues relied on and budgeted for fundamental operational support of the core institutional mission of the University are mandated by GASB requirements to be recorded as nonoperating revenues. Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state fiscal stabilization funds, federal Pell grants, private gifts for other than capital purposes, investment income, net unrealized appreciation or depreciation in the fair value of investments, interest expense, and gain or loss on the disposal of assets.

Eliminations

Certain auxiliary operations provide goods and services to internal customers. These auxiliary operations include activities such as central stores, the print shop, and other auxiliaries with interdepartmental activities. The net effect of these internal transactions has been eliminated in the Statement of Revenues, Expenses, and Changes in Net Position to avoid inflating revenues and expenses.

Comparative Data

The University presents its financial information on a comparative basis. The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with U.S. GAAP. Accordingly, the prior-year information should be read in conjunction with the University's financial statements as of and for the year ended June 30, 2013, from which the summarized information was derived. Certain amounts from the prior fiscal year have been reclassified to conform to current-year presentation.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective for the University's fiscal year beginning July 1, 2013; however, the University adopted this statement early, effective for the fiscal year beginning July 1, 2012. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect of the changes from the implementation of Statement No. 65 on the University's financial statements for the year ended June 30, 2013, was a decrease to beginning net position of approximately $5.6 million.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Statement No. 66 was effective for the University for the year ended June 30, 2014, and did not have a material impact to the University's financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability, which is the difference between the total pension liability and the assets set aside to pay pension benefits. Statement No. 68 also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for periods beginning after June 15, 2014. The University is currently assessing the impact that implementation of Statement No. 68 will have on the University's financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which requires mergers that do not involve an exchange of consideration to be accounted for using the carrying values of assets. Acquisitions are accounted for using acquisition values. The statement also provides guidance on reporting disposals of government operations. It is effective for periods beginning after December 15, 2013. The University is currently assessing the impact that the implementation of Statement No. 69 will have on the University's financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, which requires a state or local government that extends a nonexchange financial guarantee to recognize a liability when it is more likely than not that the government will make a payment under the guarantee. The statement also requires a government that receives a guarantee on its obligations, and that is required to repay a guarantor for making a payment on a guaranteed obligation or for assuming an obligation, to report a liability until it is legally released as an obligor. Finally, the statement requires disclosures by governments that extend or receive nonexchange financial guarantees. Statement No. 70 was effective for the University for the year ended June 30, 2014, and did not have a material impact to the University's financial statements.

NOTE 2: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash

The University deposits cash in commercial banking accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq., *Code of Virginia*. The Virginia Security for Public Deposits Act eliminates any custodial risk on the University's banking deposits. This Act includes a cross guarantee among approved financial institutions eligible to hold public funds. In the event of a default of one of the approved financial institutions, an assessment is levied against all participating institutions to cover the uncollateralized public deposits of the defaulting entity. This cross guarantee significantly diminishes custodial credit risk. Amounts on deposit covered by the Virginia Security of Public Deposits Act totaled $72.4 million at June 30, 2014.

Cash Equivalents

The University maintains an investment policy approved by the Board that governs its investment of operating funds. As part of this policy, the University complies with the provisions set forth in the Investment of Public Funds Act (the Act), Sections 2.2-4500 through 2.2-4518 of the *Code of Virginia*. It is the policy of the University to comply with the Act when investing tuition and educational fees that are used or required for day-to-day operations, as permitted under the *Code of Virginia* Section 23-76.1. Authorized investments under the Act include U.S. Treasury and agency securities, corporate debt securities of domestic corporations, asset-backed securities, mortgage-backed securities, AAA-rated obligations of foreign governments, bankers' acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, and money market funds.

The University considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash equivalents include short-term money market investments in mutual funds, overnight collective funds, or other short-term, highly liquid investments registered as securities held by the University.

The short-term investments of the University are valued on a daily basis by the custodian banks. Deposits and withdrawals may be processed daily, except for the portion invested in UVIMCO's Short-Term Pool (STP), which may be processed weekly.

Restricted cash and cash equivalents totaled $23.0 million and $33.8 million at June 30, 2014, and June 30, 2013, respectively, which is restricted in accordance with applicable debt or other contractual requirements.

Risk

Risks disclosed below are direct risks to the University. The risk disclosure does not include indirect risks incurred by investing in the UVIMCO LTP.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or financial counterparty, the agency will not be able to recover the value of its deposits or investments or recover collateral securities that are in the possession of an outside third party. The University had an immaterial exposure to custodial credit risk as of June 30, 2014.

Interest Rate Risk results if changes in interest rates adversely affect the fair market value. The longer the duration of an investment, the greater the interest rate risks. Investments subject to interest rate risk at June 30, 2014, are outlined in the accompanying chart.

Credit Risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. State law limits the investment of certain nonendowed assets to short-term commercial paper, certificates of deposit, asset-backed securities, and debt obligations to the top rating issued by nationally recognized statistical rating organizations (NRSROs) and requires the investment be rated by at least two NRSROs. For longer-term certificates of deposit and corporate notes, the rating must be one of the top two ratings issued by two NRSROs. Investments subject to credit risk at June 30, 2014, are outlined in the accompanying chart.

Concentration of Credit Risk is the risk of a large loss attributed to the magnitude of investment in a single issuer of fixed-income securities. The University minimizes this risk by diversifying its investments. As of June 30, 2014, the University does not have investments in any one issuer (excluding investments issued or explicitly guaranteed by the U.S. government and mutual fund or pool investments) representing 5 percent or more of its total investments.

Foreign Currency Risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University has no foreign investments or deposits as of June 30, 2014.

Details of the University's investment risks are outlined below:

CREDIT QUALITY AND INTEREST RATE RISK (in thousands)			INVESTMENT MATURITIES (IN YEARS)			
	FAIR VALUE	CREDIT RATING	LESS THAN 1 YEAR	1 - 5 YEARS	6 - 10 YEARS	GREATER THAN 10 YEARS
CASH EQUIVALENTS						
Short-term investment pool	$ 238,383	Unrated				
University of Virginia Aggregate Cash Pool	308,562	Unrated				
State Non-Arbitrage Program	1,049	AAAm				
TOTAL CASH EQUIVALENTS	**$547,994**					
INVESTMENTS SUBJECT TO INTEREST RATE RISK						
Endowment investments:						
Debt securities:						
Demand notes due from related foundation, noninterest bearing	$ 33,467	Unrated	$ 33,467	$ -	$ -	$ -
U.S. Treasury Obligations	90,588	Aaa	90,588	-	-	-
Other investments:						
Freddie Mac Home Loan	14,733	Aaa	14,733	-	-	-
Federal Home Loan Mortgage Corporation	31,989	Aaa	31,989	-	-	-
Federal National Mortgage Association	22,585	Aaa	22,585	-	-	-
TOTAL INVESTMENTS SUBJECT TO INTEREST RATE RISK	**$193,362**		**$ 193,362**	**$ -**	**$ -**	**$ -**
	100.0%		**100.0%**	**0.0%**	**0.0%**	**0.0%**

Investments

UVIMCO administers and manages the majority of the University's long-term investments in its unitized LTP. Other operating funds are primarily invested for short periods of time and are managed by the University. The University invests its operating funds with a number of asset managers, including a portion invested in the UVIMCO STP.

UVIMCO's primary investment objective for the LTP is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, UVIMCO actively manages its LTP in an attempt to provide a substantial and growing stream of income to support the University's programs, while at the same time preserving the purchasing power of its long-term investment assets. UVIMCO is governed by a board of directors, three of whom are appointed by the Board and one of whom is appointed by the University's president. The University receives and monitors periodic reports on the long-term investment policy as executed by UVIMCO.

UVIMCO invests primarily in investment funds that allow the LTP to gain exposure to a broad array of financial instruments and markets. UVIMCO classifies LTP investments as public equity, long/short equity, buyout, venture capital, real estate, resources, or marketable alternatives and credit according to the investment strategy of the underlying manager. These investments are subject to a variety of risks, including market risk, manager risk, and liquidity risk. UVIMCO closely manages and monitors its exposure to these risks, which may be influenced by a number of factors, including the size, composition, and diversification of positions held, fund manager actions, and market volatility.

In the normal course of business, UVIMCO's external investment fund managers trade various financial instruments and enter into investment activities subject to various market risks. Market risk is the risk that the value of assets such as common stocks may fall. Fixed-income investments are subject to other market risks, including interest rate and credit risk. Foreign investments are subject to currency exchange rates (foreign exchange risk), political and economic developments, limited legal recourse, and market risks.

The prices of derivative positions such as futures, options, warrants, and swap contracts may move in unexpected ways due to the use of leverage or other factors, especially in unusual market conditions, and may result in increased volatility.

Manager risk includes tracking error or active positions away from the benchmark, operational or business risks, a lack of transparency, and leverage. UVIMCO mitigates manager risk through extensive due diligence, diversification, by declining certain partnership structures, and by avoiding certain investment strategies (e.g., highly leveraged hedge funds). UVIMCO's investment fund managers often limit the liquidity of their funds, resulting in liquidity risk for the LTP. UVIMCO manages liquidity risk by maintaining a portfolio of Treasury bills and bonds, maintaining sufficient liquidity with public equity and hedge fund managers, and managing the pace of commitments to private investments.

Biannual distributions are made from the University's endowment to departments holding endowment accounts. The University's endowment spending policy ties annual increases to inflation as defined by the Higher Education Price Index. The current inflation factor in use by the University is 2.4 percent. If the increase causes the endowment distribution to fall outside a range defined as 4.0 percent to 6.0 percent of the market value of the endowment, then the Finance Committee of the Board may recommend increasing or decreasing the spending rate. For fiscal year 2014, the spending distribution of $164.1 million, excluding agency, equaled 4.95 percent of the fiscal year 2012 ending market value. Since the result fell within the range, no further action by the Board was needed. The market value of the endowment invested in the LTP at June 30, 2014, was $4.1 billion.

At June 30, 2014, the University's investment in the LTP was $5.4 billion, representing 85 percent of the University's invested assets. At June 30, 2014, the University's short-term investments were $180.3 million, representing 2.8 percent of invested assets. These pools are not rated by NRSROs.

For the year ended June 30, 2014, the University had the following endowment-related activities:

SUMMARY OF ENDOWMENT ACTIVITY (in thousands)	TYPE OF ENDOWMENT FUND				
	DONOR-RESTRICTED	QUASI	TRUSTS	AGENCY	TOTAL
Investment earnings	$ 296,255	$ 334,085	$ 11,414	$ 2,727	$ 644,481
Contributions to permanent endowment	11,738	-	-	-	11,738
Other gifts	-	-	3,036	-	3,036
Spending distribution	(77,359)	(86,745)	-	(515)	(164,619)
Transfers in (out)*	2,447	34,230	(5,155)	226	31,748
TOTAL CHANGE IN ENDOWMENT FUNDS	**$ 233,081**	**$ 281,570**	**$ 9,295**	**$ 2,438**	**$ 526,384**

** Transfers into donor-restricted endowments include donor-directed income capitalizations, and transfers out of trusts include payments to income beneficiaries.*

NOTE 3: STATEMENT OF NET POSITION DETAILS

a. Accounts receivable: The composition of accounts receivable at June 30, 2014, is summarized as follows:

ACCOUNTS RECEIVABLE (in thousands)	
Patient care	$ 545,207
Grants and contracts	29,198
Student payments	21,130
Pledges	2,995
Institutional loans	817
Build America Bonds rebate	898
Equipment Trust Fund reimbursement	12,869
Auxiliary	1,516
Related foundation	15,098
Other	33,765
Less: Allowance for doubtful accounts	(394,066)
TOTAL ACCOUNTS RECEIVABLE	**$ 269,427**

b. Notes receivable: The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for doubtfully collectible notes only applies to University-funded notes and the University portion of federal student loans, as the University is not obligated to fund the federal portion of uncollected student loans. Federal loan programs are funded principally with federal advances to the University under the Perkins and various other loan programs. The composition of notes receivable at June 30, 2014, is summarized in the table on the following page.

NOTES RECEIVABLE (in thousands)		
Perkins	$	19,581
Nursing		1,054
Institutional		20,178
Fraternity loan		2,308
House Staff loan		8
Less: Allowance for doubtful accounts		(1,480)
Total notes receivable, net		**41,649**
Less: Current portion, net of allowance		(5,985)
TOTAL NONCURRENT NOTES RECEIVABLE	**$**	**35,664**

c. Pledges: As discussed in Note 1, permanent endowment pledges do not meet eligibility requirements, as defined by GASB requirements, until the related gift is received. Accordingly, permanent endowment pledges totaling $16.2 million and $2.7 million at June 30, 2014, and June 30, 2013, respectively, are not recognized as assets in the accompanying financial statements. In addition, bequest intentions and other conditional promises are not recognized as assets until the specified conditions are met because of uncertainties with regard to their realizability and valuation. The composition of pledges receivable at June 30, 2014, is summarized as follows:

PLEDGES RECEIVABLE (in thousands)		
GIFT PLEDGES OUTSTANDING		
Operations	$	3,292
Capital		5,400
TOTAL GIFT PLEDGES OUTSTANDING		**8,692**
Less:		
Allowance for uncollectible pledges		(763)
Unamortized discount to present value		(563)
Total pledges receivable, net		**7,366**
Less: Current portion, net of allowance		(2,800)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$**	**4,566**

d. Capital assets: The capital assets activity for the year ended June 30, 2014, is summarized as follows:

CAPITAL ASSETS (in thousands)	BEGINNING BALANCE JULY 1, 2013	INCREASES	DECREASES	ENDING BALANCE JUNE 30, 2014
NONDEPRECIABLE CAPITAL ASSETS				
Land	$ 49,226	$ 40,053	$ (34,416)	$ 54,863
Construction in progress	297,277	232,111	(243,731)	285,657
Software in development	-	724	-	724
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**346,503**	**272,888**	**(278,147)**	**341,244**
DEPRECIABLE CAPITAL ASSETS				
Buildings	3,227,426	182,662	(5,872)	3,404,216
Equipment	733,284	67,995	(40,127)	761,152
Infrastructure	407,586	38,180	-	445,766
Improvements other than buildings	156,076	3,007	-	159,083
Capitalized software	158,156	6,904	(310)	164,750
Library books	116,633	5,055	(1,167)	120,521
Total depreciable capital assets	**4,799,161**	**303,803**	**(47,476)**	**5,055,488**
Less: Accumulated depreciation for:				
Buildings	(1,080,499)	(103,009)	5,822	(1,177,686)
Equipment	(497,324)	(60,930)	35,785	(522,469)
Infrastructure	(168,229)	(12,842)	-	(181,071)
Improvements other than buildings	(104,318)	(6,470)	-	(110,788)
Capitalized software	(100,379)	(13,980)	-	(114,359)
Library books	(96,986)	(4,568)	1,167	(100,387)
Total accumulated depreciation	**(2,047,735)**	**(201,799)**	**42,774**	**(2,206,760)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**2,751,426**	**102,004**	**(4,702)**	**2,848,728**
TOTAL CAPITAL ASSETS, NET	**$ 3,097,929**	**$ 374,892**	**$ (282,849)**	**$ 3,189,972**

e. Goodwill: In July 2004, the Medical Center purchased Virginia Ambulatory Surgery Center, now known as Virginia Outpatient Surgery Center. As a result of the purchase, the Medical Center recorded $6.9 million of goodwill to be amortized over a period of forty years.

In November 2004, the Medical Center purchased Amherst and Lynchburg renal facilities. As a result of the purchase, the Medical Center recorded goodwill of $3.4 million and $4.0 million, respectively. The goodwill is to be amortized over a period of twenty years.

f. Deferred outflows of resources: The composition of deferred outflows of resources at June 30, 2014, is summarized as follows:

DEFERRED OUTFLOWS OF RESOURCES (in thousands)	
Interest rate swap derivative	$ 20,448
Deferred loss on early retirement of debt	14,660
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 35,108**

g. Accounts payable and accrued liabilities: The composition of accounts payable at June 30, 2014, is summarized as follows:

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (in thousands)		
Accounts payable	$	134,180
Accrued salaries and wages payable		64,905
Due to related foundations		27,308
Other payables		66,018
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**$**	**292,411**

h. Unearned revenue: The composition of unearned revenue at June 30, 2014, is summarized as follows:

UNEARNED REVENUE (in thousands)		
Grants and contracts	$	43,305
Student payments		14,010
Medical Center unearned revenues		22,427
Other unearned revenues		18,584
TOTAL UNEARNED REVENUE	**$**	**98,326**

NOTE 4: SHORT-TERM DEBT

Short-term debt at June 30, 2014, is summarized as follows:

SHORT-TERM DEBT (in thousands)	BEGINNING BALANCE JULY 1, 2013	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2014
COMMERCIAL PAPER				
Taxable	$ 11,292	$ -	$ -	$ 11,292
Tax-exempt	128,301	66,300	-	194,601
TOTAL COMMERCIAL PAPER	**$ 139,593**	**$ 66,300**	**$ -**	**$ 205,893**

The University has a combined taxable and tax-exempt commercial paper program that provides for bridge financing primarily for capital projects up to a Board-approved limit. The Board approved the current commercial paper program limit of $300 million in April 2008. In fiscal year 2014, interest rates on commercial paper ranged from 0.03 percent to 0.16 percent.

NOTE 5: LONG-TERM OBLIGATIONS

a. Long-term debt: The composition of long-term debt at June 30, 2014, is summarized as follows:

LONG-TERM DEBT (in thousands)	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2013	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2014	CURRENT PORTION
BONDS AND NOTES PAYABLE							
Revenue bonds:							
University of Virginia Series 2003A (9d)	0.05% to 0.27%	2034	$ 78,639	$ -	$ -	$ 78,639	$ -
University of Virginia Series 2005 (9d)	4.0% to 5.0%	2037	39,350	-	3,345	36,005	3,520
University of Virginia Series 2008 (9d)	5.0%	2040	231,365	-	-	231,365	-
University of Virginia Series 2009 (9d)	4.48%*	2040	250,000	-	-	250,000	-
University of Virginia Series 2010 (9d)	3.61%**	2041	190,000	-	-	190,000	-
University of Virginia Series 2011 (9d)	4.0% to 5.0%	2033	73,950	-	2,325	71,625	2,435
University of Virginia Series 2013A (9d)	2.0% to 5.0%	2043	168,830	-	530	168,300	535
University of Virginia Series 2013B (9d)	5.0%	2037	61,595	-	-	61,595	-
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	7,789	3,107	5,048	5,848	1,500
Notes payable to VCBA 2004B (9d)	3.0% to 5.0%	2020	28,100	-	4,820	23,280	5,065
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	10,650	-	30	10,620	30
Notes payable to VCBA 2010B (9d)	2.0% to 5.0%	2021	3,435	-	-	3,435	-
Other	various	2029	153	3,004	176	2,981	218
TOTAL BONDS AND NOTES PAYABLE			**$ 1,143,856**	**$ 6,111**	**$ 16,274**	**$ 1,133,693**	**$ 13,303**
Less: Current portion of debt			(12,814)	(489)	-	(13,303)	
Bond premium			60,125	412	2,714	57,823	
NET LONG-TERM DEBT			**$ 1,191,167**	**$ 6,034**	**$ 18,988**	**$ 1,178,213**	

** The University of Virginia Series 2009 (9d) revenue bonds are Build America Bonds, issued at 6.2%. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35%. This amount has been reduced as noted in the footnote below. With the current credit, the effective interest rate on the bonds is reduced to 4.48%.*

*** The University of Virginia Series 2010 (9d) revenue bonds are Build America Bonds, issued at 5.0%. The University receives an interest credit from the United States Treasury for a portion of the interest it pays on the bonds. On issuance of the bonds, the University received an interest credit of 35%. This amount has been reduced as noted in the footnote below. With the current credit, the effective interest rate on the bonds is reduced to 3.61%.*

On April 16, 2014, the Commonwealth of Virginia, on behalf of the University of Virginia, issued General Obligation Refunding Bonds Series 2014B in the amount of $3.1 million to refund $3.4 million of General Obligation Bonds Series 2004B. The refunding reduced the aggregate debt service by $301,494, representing a net present value savings of $294,712. The bonds were issued with a premium of $411,432 and an accounting loss of $125,468.

The University of Virginia has three revolving credit agreements from three different banks in the aggregate amount of $250 million to provide liquidity for its variable-rate debt obligations. There were no advances outstanding under any credit agreements as of June 30, 2014.

Maturities and interest on notes and bonds payable for the next five years and in subsequent five-year periods are as follows:

MATURITIES (in thousands)	PRINCIPAL	INTEREST	BUILD AMERICA BONDS INTEREST REBATE	NET INTEREST EXPENSE
2015*	$ 13,303	$ 54,851	$ (8,120)	$ 46,731
2016	14,043	54,221	(8,120)	46,101
2017	13,373	53,631	(8,120)	45,511
2018	13,978	53,077	(8,120)	44,957
2019	13,015	52,522	(8,120)	44,402
2020–24	47,444	255,156	(40,600)	214,556
2025–29	25,443	247,097	(40,600)	206,497
2030–34	103,749	240,327	(40,600)	199,727
2035–39	281,075	214,286	(40,600)	173,686
2040–43	608,270	43,517	(7,146)	36,371
TOTAL	**$ 1,133,693**	**$ 1,268,685**	**$ (210,146)**	**$ 1,058,539**

** FY2015 represents a 7.2% reduction in the credit interest payment for September 1, 2014. The sequestration reduction rate will be applied to all future years unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.*

Prior-year Refundings. In the previous fiscal year, bonds were issued to refund a portion of previously outstanding bonds. Funds relating to the refunding were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. The trust account assets and liabilities for the defeased bonds are not included in the University's financial statements. At June 30, 2014, the outstanding balance of the prior year's in-substance defeased bonds and accrued interest totaled $73.1 million.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2014, is summarized as follows:

LONG-TERM LIABILITIES (in thousands)	BEGINNING BALANCE JULY 1, 2013	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2014
Investments held for related entities	$ 15,347	$ 3,708	$ 1,534	$ 17,521
Accrual for compensated absences	63,717	86,738	82,705	67,750
Perkins loan program	12,563	-	-	12,563
Investment in Culpeper Regional Hospital	33,455	1,211	11,269	23,397
Other postemployment benefits	34,706	5,975	-	40,681
Other	43,151	15,221	15,856	42,516
Total	**202,939**	**112,853**	**111,364**	**204,428**
Less: Current portion of long-term liabilities	(98,096)	-	(6,035)	(92,061)
NET LONG-TERM LIABILITIES	**$ 104,843**	**$ 112,853**	**$ 105,329**	**$ 112,367**

NOTE 6: DERIVATIVES

At June 30, 2014, the University had two fixed-payer interest rate swaps totaling $100 million in notional amount. The swaps are used as cash flow hedges by the University to provide a hedge against changes in interest rates on a similar amount of the University's variable-rate debt. The University's objective is to hedge the cash flow variability of a portion of its variable-rate debt. The underlying index for the swaps is the Securities Industry and Financial Markets (SIFMA) Municipal Swap Index. The swaps were entered into in January 2007 and February 2007 and both swaps mature June 1, 2038. The swaps were entered into at a zero market value and no payments were made or received when they were initiated. As of June 30, 2014, the $100 million notional amount of swaps outstanding had a negative market value, net of any posted collateral and netting agreements, of approximately $20.4 million, which represents the amount the University would pay if the swaps were terminated on that date. The market value of the swaps has fallen by approximately $1.7 million over the reporting period. The fair value was determined by using the quoted SIFMA index curve at the time of market valuation.

In February 2011, the University entered into an interest-sharing arrangement with UVAF. Under the arrangement, UVAF agreed to make five annual fixed-premium payments to the University in exchange for limited financial support in the event the one-month London Interbank Offered Rate (LIBOR) falls within a certain range. The arrangement is for a notional amount of $50 million and expires on February 1, 2016, and may be terminated at any time by the mutual consent of the University and UVAF. As of June 30, 2014, the market value of the interest-sharing arrangement between the University and UVAF, representing the amount the University would receive if the arrangement were terminated, was approximately $364,000.

Risk

The use of derivatives may introduce certain risks for the University, including the following:

Credit risk is the risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter. The University would be exposed to the credit risk of its swap counterparties any time the swaps had a positive market value. At June 30, 2014, the University had no credit risk related to its swaps. As of June 30, 2014, the University's swap counterparties were rated at least A- from Standard & Poor's or A3 by Moody's Investors Service. To mitigate credit risk, the University limits market value exposure and requires the posting of collateral based on the credit rating of the counterparty. As of June 30, 2014, no collateral was required to be posted by the counterparties.

Interest rate risk is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. When viewed collectively, the hedges and the hedged item are subject to interest rate risk in that a change in interest rate will impact the collective market value of both the hedge and hedged item. Conversely, the collective effect of the hedges and the hedged item serve to reduce cash flow variability caused by changes in interest rates.

Basis risk arises when different indexes are used in connection with a derivative resulting in the hedge and hedged item not experiencing price changes in entirely opposite directions from each other. The University's swaps are deemed to be effective hedges of its variable-rate debt with an amount of basis risk that is within the guidelines for establishing hedge effectiveness.

Termination risk arises when the unscheduled termination of a derivative could have an adverse effect on the University's strategy or could lead to potentially significant unscheduled payments. The University's derivative contracts use the International Swap Dealers Association Master Agreement (the Master Agreement), which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an additional termination event. That is, the swap may be terminated by either party if the counterparty's credit rating falls below BBB/Baa2 in the case of Standard & Poor's and Moody's Investors Service, respectively. The University or the counterparty may also terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative market value, the University would be liable to the counterparty for a payment equal to the swaps' market value.

Rollover risk arises when a derivative associated with a hedged item does not extend all the way to the maturity date of the hedged item, thereby creating a gap in the protection otherwise afforded by the derivative. The University's hedges serve to hedge all $78.6 million of its variable-rate Series 2003A Bonds maturing in June 2034. The remaining $21.4 million of hedges serve to hedge the University's outstanding commercial paper, which may have various maturities of no greater than 270 days each.

Market-access risk arises when an entity enters into a derivative in anticipation of entering the credit market at a later date, but is ultimately prevented from doing so. The University's derivatives have no market-access risk.

Foreign currency risk is the risk of a hedge's value changing due to changes in currency exchange rates. The University's derivatives have no foreign currency risk.

Future net cash flows for these hedging derivatives for the next five years and in subsequent five-year periods are as follows:

MATURITIES (in thousands)	PRINCIPAL	VARIABLE INTEREST	DERIVATIVE INSTRUMENTS, NET	TOTAL
2015	$ -	$ 115	$ 3,995	$ 4,110
2016	-	115	3,995	4,110
2017	-	115	3,995	4,110
2018	-	115	3,995	4,110
2019	-	115	3,995	4,110
2020–24	-	573	19,977	20,550
2025–29	-	573	19,977	20,550
2030–34	78,639	478	16,701	95,818
2035–39	21,361	98	3,414	24,873
TOTAL	**$ 100,000**	**$ 2,297**	**$ 80,044**	**$ 182,341**

NOTE 7: AFFILIATED COMPANIES

Culpeper Regional Hospital

On December 31, 2008, the Medical Center and Culpeper Regional Hospital entered into a partnership agreement, whereby the Medical Center obtained a 49 percent interest in Culpeper Regional Hospital, with a $41.2 million investment. The Medical Center uses the equity method of consolidation to reflect the Medical Center's investment in Culpeper Regional Hospital.

Central Virginia Health Network, Inc.

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

The Medical Center originally paid $100 for 10,000 shares of common stock and $109,900 as additional paid-in capital. In addition, the Medical Center is obligated for monthly dues to CVHN of $15,913. Complete financial statements can be obtained from the registered agent: Steven D. Gravely, Esq., Mezzullo and McCandlish, P.O. Box 796, Richmond, VA 23206.

University of Virginia / HEALTHSOUTH, LLC

The Medical Center entered into a joint venture with HEALTHSOUTH Corporation to establish an acute rehabilitation facility, located at the Fontaine Research Park in Charlottesville, Virginia, to provide patient services to the region. The Medical Center made a capital contribution of $2.2 million to the joint venture in May 1996, which represents a 50 percent interest. Complete financial statements can be obtained from the managing member: HEALTHSOUTH Corporation, 7700 East Parham Road, Richmond, VA 23294.

Valiance Health, LLC

In November 1997, the Medical Center became a participant with Rockingham Memorial Hospital and Augusta Health Care, Inc., in Valiance Health, LLC (Valiance), a joint venture integrating and coordinating the delivery of health care services in central and western Virginia. The Medical Center contributed $100,000 in initial capital, which entitles it to a pro rata distribution of any profits and losses of Valiance. As of June 30, 2014, the Medical Center's investment totaled $500,000.

University Health System Consortium

In December 1986, the Medical Center became a member of the University Health System Consortium (UHC). Founded in 1984, UHC is an alliance of the clinical enterprises of academic health centers. While focusing on the clinical mission, UHC is mindful of and supports the research and education missions. The mission of UHC is to advance knowledge, foster collaboration, and promote change to help members compete in their respective health care markets. In keeping with this mission, UHC helps members pool resources, create economies of scale, improve clinical and operating efficiencies, and influence the direction and delivery of health care. Accordingly, UHC is organized and operated on a cooperative basis for the benefit of its patron-member health systems.

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

Charlottesville Program of All-Inclusive Care for the Elderly

The Medical Center contributed $245,000 for a 24.5 percent investment in the Charlottesville Program of All-Inclusive Care for the Elderly (PACE). The program delivers various medical and support services to senior residents in Charlottesville and surrounding counties. Patients in the program have an alternative to residential nursing home care providing daily access to doctors and physical therapists, home health care, and personal care. Charlottesville PACE financial transactions are recorded using the equity method of accounting.

INVESTMENT IN AFFILIATED COMPANIES (in thousands) as of June 30, 2014	COMMON STOCK AND EQUITY CONTRIBUTIONS	SHARE OF ACCUMULATED INCOME (LOSS)	NET INVESTMENT
Culpeper Regional Hospital	$ 41,248	$ 6,237	$ 47,485
Central Virginia Health Network, Inc.	233	(41)	192
HEALTHSOUTH, LLC	-	12,841	12,841
Valiance, LLC	-	249	249
University Health System Consortium	-	552	552
PACE Equity	245	-	245

HealthCare Partners, Inc.

In May 1995, HealthCare Partners, Inc., a nonstock, nonprofit corporation, was established to support networking, external business relationships with neighboring hospitals and physicians groups, and expansion of primary care activities. The Medical Center and UPG are the primary contributors to the funding of the corporation. The corporation is governed by a board of directors composed of Medical Center staff, UPG representatives, community members, and University Board appointees.

NOTE 8: COMPONENT UNITS

Summary financial statements and additional disclosures for the University's discretely presented component units are presented below.

STATEMENT OF FINANCIAL POSITION (in thousands) as of June 30, 2014	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	ELIMINATIONS	COMPONENT UNITS TOTAL
ASSETS										
Current assets										
Total current assets	**$ 31,872**	**$ 40,653**	**$ 24,557**	**$ 15,606**	**$ 16,968**	**$ 5,293**	**$ 94,009**	**$ 291,285**	**$ -**	**$ 520,243**
Noncurrent assets										
Long-term investments	406,406	281,943	272,107	292,528	65,793	105,886	210,919	6,761,766	(1,241,316)	7,156,032
Capital assets, net and other assets	20,736	75,049	9,355	36,509	13,835	242,866	65,182	146	-	463,678
Total noncurrent assets	**427,142**	**356,992**	**281,462**	**329,037**	**79,628**	**348,752**	**276,101**	**6,761,912**	**(1,241,316)**	**7,619,710**
TOTAL ASSETS	**$ 459,014**	**$ 397,645**	**$ 306,019**	**$ 344,643**	**$ 96,596**	**$ 354,045**	**$ 370,110**	**$ 7,053,197**	**$ (1,241,316)**	**$ 8,139,953**
LIABILITIES AND NET ASSETS										
Current liabilities										
Total current liabilities	**$ 442**	**$ 6,164**	**$ 96,881**	**$ 8,577**	**$ 1,052**	**$ 39,544**	**$ 128,005**	**$ 3,265**	**$ -**	**$ 283,930**
Noncurrent liabilities										
Long-term debt, net of current portion of $30,889	-	16,408	-	22,500	-	162,445	35,036	-	-	236,389
Other noncurrent liabilities	563	-	2,984	19,055	268	43,359	100,379	7,032,756	(1,241,316)	5,958,048
Total noncurrent liabilities	**563**	**16,408**	**2,984**	**41,555**	**268**	**205,804**	**135,415**	**7,032,756**	**(1,241,316)**	**6,194,437**
TOTAL LIABILITIES	**$ 1,005**	**$ 22,572**	**$ 99,865**	**$ 50,132**	**$ 1,320**	**$ 245,348**	**$ 263,420**	**$ 7,036,021**	**$ (1,241,316)**	**$ 6,478,367**
NET ASSETS										
Unrestricted	$ 62,532	$ 95,855	$ 66,945	$ (12,164)	$ 32,147	$ 23,039	$ 106,575	$ 17,176	$ -	$ 392,105
Temporarily restricted	255,323	136,830	90,337	125,577	29,791	70,882	115	-	-	708,855
Permanently restricted	140,154	142,388	48,872	181,098	33,338	14,776	-	-	-	560,626
TOTAL NET ASSETS	**458,009**	**375,073**	**206,154**	**294,511**	**95,276**	**108,697**	**106,690**	**17,176**	**-**	**1,661,586**
TOTAL LIABILITIES AND NET ASSETS	**$ 459,014**	**$ 397,645**	**$ 306,019**	**$ 344,643**	**$ 96,596**	**$ 354,045**	**$ 370,110**	**$ 7,053,197**	**$ (1,241,316)**	**$ 8,139,953**

** December 31, 2013, year-end*

STATEMENT OF ACTIVITIES (in thousands) for the year ended June 30, 2014	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
UNRESTRICTED REVENUES AND SUPPORT									
Contributions	$ 2,803	$ 4,977	$ 1,188	$ 70	$ 13,519	$ 3,357	$ -	$ -	$ 25,914
Fees for services, rentals, and sales	-	21,945	2,601	-	838	47,883	281,933	17,187	372,387
Other revenues	18,789	15,423	63,617	14,704	22,990	14,531	137,994	1,711	289,759
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**21,592**	**42,345**	**67,406**	**14,774**	**37,347**	**65,771**	**419,927**	**18,898**	**688,060**
EXPENSES									
Program services, lectures, and special events	11,809	33,115	55,718	14,165	31,263	28,956	317,050	11,051	503,127
Other expenses	4,117	4,384	2,167	1,130	2,986	21,687	83,663	2,749	122,883
TOTAL EXPENSES	**15,926**	**37,499**	**57,885**	**15,295**	**34,249**	**50,643**	**400,713**	**13,800**	**626,010**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**5,666**	**4,846**	**9,521**	**(521)**	**3,098**	**15,128**	**19,214**	**5,098**	**62,050**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS									
Contributions	3,089	1,850	33,583	4,527	6,915	-	-	-	49,964
Other	39,367	26,191	(19,143)	26,078	(13,105)	6,212	-	-	65,600
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**42,456**	**28,041**	**14,440**	**30,605**	**(6,190)**	**6,212**	**-**	**-**	**115,564**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS									
Contributions	7,353	8,670	5,894	7,665	586	-	-	-	30,168
Other	2,705	2,350	144	4,021	782	-	-	-	10,002
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	**10,058**	**11,020**	**6,038**	**11,686**	**1,368**	**-**	**-**	**-**	**40,170**
CHANGE IN NET ASSETS	**58,180**	**43,907**	**29,999**	**41,770**	**(1,724)**	**21,340**	**19,214**	**5,098**	**217,784**
Net assets, beginning of year	399,829	331,023	176,155	252,741	97,000	87,357	87,476	12,078	1,443,659
Other activity	-	143	-	-	-	-	-	-	143
NET ASSETS, END OF YEAR	**$ 458,009**	**$ 375,073**	**$ 206,154**	**$ 294,511**	**$ 95,276**	**$ 108,697**	**$ 106,690**	**$ 17,176**	**$ 1,661,586**

** December 31, 2013, year-end*

Pledges Receivable

Unconditional promises to give (pledges) are recorded as receivables and revenues and are assigned to net asset categories based on the presence or absence of donor-imposed restrictions. Pledges expected to be collected within one year are recorded at net realizable value. Pledges that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promise was received and then remain consistent throughout the pledge's life. The component units record an allowance against pledges receivable for estimated uncollectible amounts. **UPG** does not accept gifts. Unconditional promises to give at June 30, 2014, are as follows:

PLEDGES RECEIVABLE (in thousands) as of June 30, 2014	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	COMPONENT UNITS TOTAL
Total pledges receivable	**$ 10,770**	**$ 20,019**	**$ 8,359**	**$ 18,227**	**$ 24,346**	**$ 81,721**
Less:						
Allowance for uncollectible accounts	(519)	(1,769)	(935)	(1,035)	(3,390)	(7,648)
Unamortized discount to present value	(289)	(2,234)	(275)	(667)	(117)	(3,582)
Total pledges receivable, net	**9,962**	**16,016**	**7,149**	**16,525**	**20,839**	**70,491**
Less: Current portion, net of allowance	(4,324)	(7,540)	(1,505)	(6,169)	(8,235)	(27,773)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 5,638**	**$ 8,476**	**$ 5,644**	**$ 10,356**	**$ 12,604**	**$ 42,718**

** December 31, 2013, year-end*

The **Law School Foundation** has received bequest intentions and certain other conditional promises to give of approximately $4.5 million at June 30, 2014. These intentions and conditional promises to give are not recognized as assets, and if they are received, will generally be restricted for specific purposes stipulated by the donors, primarily endowments for scholarships and professorships.

Pledges receivable for the **Virginia Athletics Foundation** are for several programs. The majority of these are for facility improvements.

Investments

Investments are recorded at market value, which is determined by readily available quotes on the stock exchange or as quoted by **UVIMCO.** Realized gains (losses) from the sale of securities and unrealized gains (losses) from the appreciation (depreciation) of the value of securities held are recognized in the year incurred. The fair values of investments by investment class at June 30, 2014, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS (in thousands) as of June 30, 2014	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	ELIMINATIONS	COMPONENT UNITS TOTAL
Common stocks, corporate notes, bonds, limited partnerships, and agency securities	$ 18,872	$ 9,852	$ 24,356	$ 5,681	$ 117	$ -	$ 86,778	$ 4,439,566	$ -	$ 4,585,222
University of Virginia Investment Management Company	271,382	272,025	235,812	266,325	65,152	66,561	64,059	-	(1,241,316)	-
Mutual and money market funds	27,390	25,876	-	-	524	974	37,423	109,821	-	202,008
Other	116,152	-	18,563	24,437	-	40,030	26,264	2,499,938	-	2,725,384
Total investments	**433,796**	**307,753**	**278,731**	**296,443**	**65,793**	**107,565**	**214,524**	**7,049,325**	**(1,241,316)**	**7,512,614**
Less: Amounts shown in current assets	(27,390)	(25,810)	(6,624)	(3,915)	-	(1,679)	(3,605)	(287,559)	-	(356,582)
LONG-TERM INVESTMENTS	**$ 406,406**	**$ 281,943**	**$ 272,107**	**$ 292,528**	**$ 65,793**	**$ 105,886**	**$ 210,919**	**$ 6,761,766**	**$ (1,241,316)**	**$ 7,156,032**

** December 31, 2013, year-end*

UVIMCO has investments in limited-partnership hedge funds, private equity, and venture capital investments, and similar private investment vehicles. These investments do not actively trade through established exchange mechanisms and are valued at estimated fair market value, based on UVIMCO's interest in the investee as determined and reported by the external manager of the investment. Such investments represent $5.4 billion (78 percent of investments held for others) at June 30, 2014. Because of the inherent uncertainty of such valuations, these estimated values may differ from the values that would have been used had a ready market for the investments existed, and such differences could be material.

Capital Assets

Capital assets are recorded at cost, except donated property, which is recorded at fair market value at the date of the gift. Depreciation is taken over the estimated useful lives of the assets using the straight-line method. As of June 30, 2014, capital assets consisted of the following:

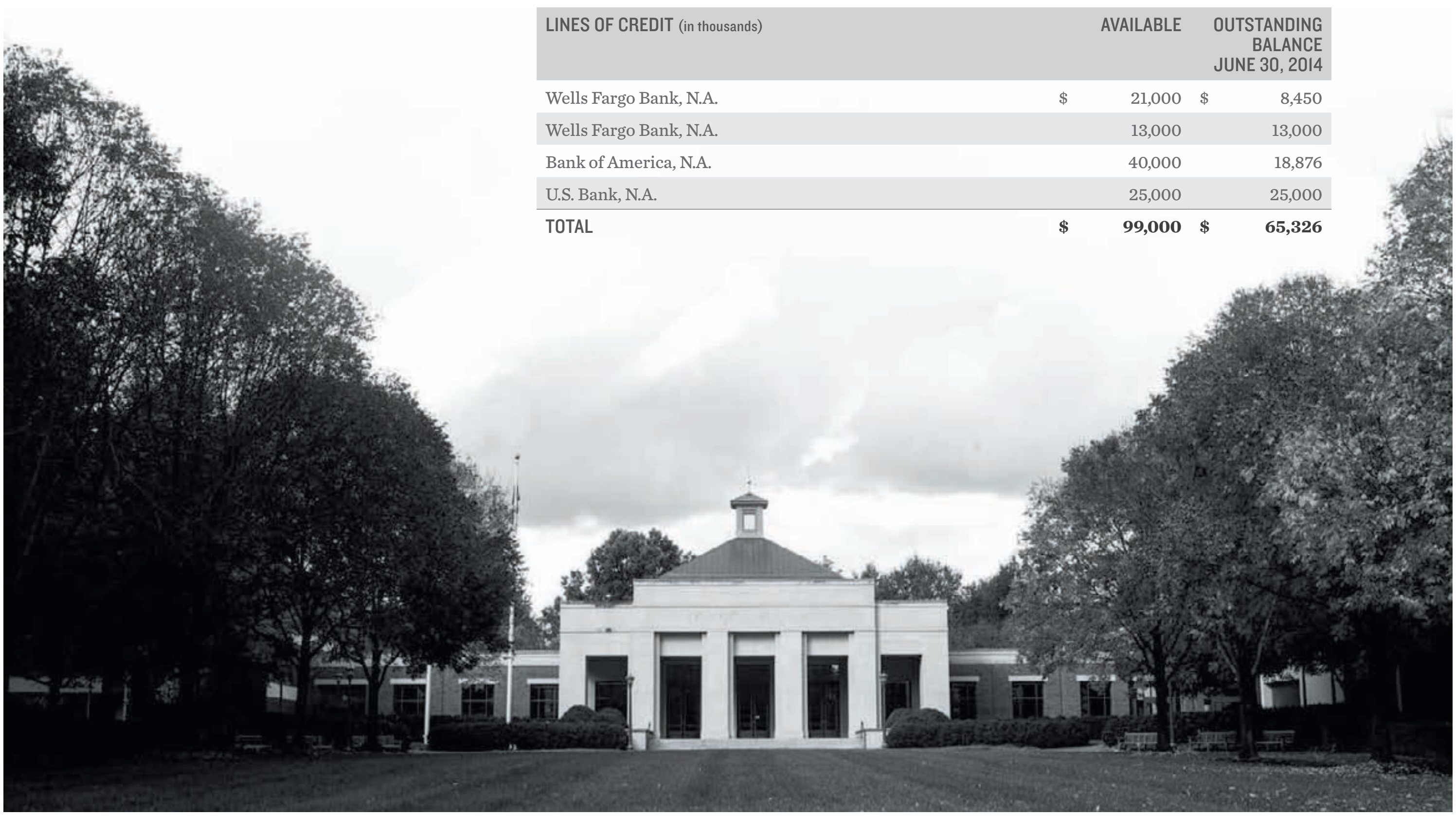
CAPITAL ASSETS (in thousands) as of June 30, 2014	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	ALUMNI ASSOCIATION OF THE UNIVERSITY OF VIRGINIA	JEFFERSON SCHOLARS FOUNDATION	VIRGINIA ATHLETICS FOUNDATION*	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY	COMPONENT UNITS TOTAL
Land	$ 152	$ -	$ -	$ 2,879	$ -	$ 70,698	$ 3,399	$ -	$ 77,128
Buildings and improvements	914	105,196	7,625	19,595	-	236,740	53,890	-	423,960
Furnishings and equipment	339	1,549	1,502	1,286	69	22,422	22,666	1,849	51,682
Collections	-	75	-	41	-	-	-	-	116
Construction in progress	-	-	-	121	-	11,031	2,775	-	13,927
Total	**1,405**	**106,820**	**9,127**	**23,922**	**69**	**340,891**	**82,730**	**1,849**	**566,813**
Less: Accumulated depreciation	(150)	(40,999)	(5,479)	(3,416)	(54)	(100,355)	(38,570)	(1,703)	(190,726)
NET CAPITAL ASSETS	**$ 1,255**	**$ 65,821**	**$ 3,648**	**$ 20,506**	**$ 15**	**$ 240,536**	**$ 44,160**	**$ 146**	**$ 376,087**

** December 31, 2013, year-end*

Long-Term Debt

UVAF had the following lines of credit outstanding at June 30, 2014:

LINES OF CREDIT (in thousands)	AVAILABLE	OUTSTANDING BALANCE JUNE 30, 2014
Wells Fargo Bank, N.A.	$ 21,000	$ 8,450
Wells Fargo Bank, N.A.	13,000	13,000
Bank of America, N.A.	40,000	18,876
U.S. Bank, N.A.	25,000	25,000
TOTAL	**$ 99,000**	**$ 65,326**



The University has allocated up to $37.8 million of its quasi-endowment funds for use by **UVAF** to acquire and develop real estate. As of June 30, 2014, UVAF had borrowed $33.5 million of these funds to acquire properties on behalf of the University. These notes payable are noninterest bearing and due on demand.

The composition of the long-term debt of the component units at June 30, 2014, is summarized as follows:

LONG-TERM DEBT (in thousands) as of June 30, 2014	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
University of Virginia Phase I and II Darden School Facilities	$ 18,734	$ -	$ -	$ -	$ 18,734
Notes payable SunTrust Bank	-	4,500	-	-	4,500
Recovery Zone Facility Bond	-	-	9,979	-	9,979
Note payable Augusta Professional Park	-	-	-	2,771	2,771
1997 Industrial Development Authority revenue bonds - Louisa	-	-	3,306	-	3,306
1998 Refunding bonds	-	-	-	9,880	9,880
2000 Industrial Development Authority revenue bonds - Louisa	-	-	-	4,050	4,050
2001 Refinancing demand bonds	-	-	32,905	-	32,905
2004 Refinancing note payable	-	-	8,320	-	8,320
2009 Economic Development Authority revenue bonds - Albemarle	-	-	-	21,330	21,330
2011 Refinancing demand bonds	-	18,000	34,710	-	52,710
Notes payable University of Virginia	-	-	33,467	-	33,467
Lines of credit	-	-	65,326	-	65,326
Total	**18,734**	**22,500**	**188,013**	**38,031**	**267,278**
Less: Current portion	(2,326)	-	(25,568)	(2,995)	(30,889)
NET LONG-TERM DEBT	**$ 16,408**	**$ 22,500**	**$ 162,445**	**$ 35,036**	**$ 236,389**

Principal maturities of long-term debt obligations are as follows:

MATURITIES (in thousands) as of June 30, 2014	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
2015	$ 2,326	$ -	$ 25,568	$ 2,995	$ 30,889
2016	2,439	-	29,289	2,871	34,599
2017	2,564	-	23,342	1,665	27,571
2018	2,727	-	10,894	1,750	15,371
2019	2,840	-	4,336	1,845	9,021
Thereafter	5,838	22,500	94,584	26,905	149,827
TOTAL	**$ 18,734**	**$ 22,500**	**$ 188,013**	**$ 38,031**	**$ 267,278**

Significant Transactions with the University

The University provides certain services for the **Darden School Foundation** that are reimbursed by the Darden School Foundation monthly.

Direct payments to the University from the **Alumni Association** for the year ended June 30, 2014, totaled $1.1 million. This amount includes gift transfers, payment for facilities and services, and other support for University activities.

In March 2014, the University acquired 560 Ray C. Hunt Drive from **UVAF.** The acquisition price of the property was $15.9 million. In accordance with GASB requirements, the University recorded the capital asset at UVAF's carrying value of $5.9 million.

UPG has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately $76.9 million for the year ended June 30, 2014. Approximately $21.3 million of the fiscal year payments received relate to disproportionate share funds paid for indigent patients served by UPG, which contributed $20.9 million to the University in support of various academic programs, equipment, teaching, and research for the year ended June 30, 2014.

NOTE 9: EXPENSE CLASSIFICATION MATRIX

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION (in thousands) for the year ended June 30, 2014	COMPENSATION AND BENEFITS	SUPPLIES, UTILITIES, AND OTHER SERVICES	STUDENT AID	DEPRECIATION	OTHER	TOTAL
Instruction	$ 312,625	$ 33,613	$ 5,015	$ -	$ 857	$ 352,110
Research	151,247	96,488	15,814	-	651	264,200
Public service	22,231	14,971	651	-	586	38,439
Academic support	103,677	32,349	355	-	184	136,565
Student services	30,966	10,184	156	-	154	41,460
Institutional support	84,037	21,652	72	-	407	106,168
Operation of plant	78,800	11,194	-	-	142	90,136
Student aid	706	4,716	51,611	-	170	57,203
Auxiliary	66,994	84,963	128	-	689	152,774
Depreciation	-	-	-	115,928	-	115,928
Patient services	537,177	574,680	-	83,260	-	1,195,117
Other	812	(12,152)	-	-	11	(11,329)
Central services recoveries	-	(17,465)	-	-	-	(17,465)
TOTAL OPERATING EXPENSES	**$ 1,389,272**	**$ 855,193**	**$ 73,802**	**$ 199,188**	**$ 3,851**	**$ 2,521,306**

NOTE 10: APPROPRIATIONS

The University receives state appropriations from the General Fund of the Commonwealth. The Appropriation Act specifies that such unexpended appropriations shall revert, as specifically provided by the General Assembly, at the end of the biennium. For years ending at the middle of a biennium, unexpended appropriations that have not been approved for reappropriation in the next year by the governor become part of the General Fund of the Commonwealth and are, therefore, no longer available to the University for disbursements.

A summary of state appropriations received by the University and the University's College at Wise, including all supplemental appropriations and reversions for the year ended June 30, 2014, is provided in the chart to the right.

APPROPRIATIONS (in thousands)	
Original legislative appropriation per Chapter 806	$ 132,453
Adjustments:	
Financial aid - General Fund	12,746
Financial assistance for educational and general	6,825
Miscellaneous educational and general	9,617
TOTAL STATE APPROPRIATIONS	**$ 161,641**

NOTE 11: RETIREMENT PLANS

Virginia Retirement System

Employees of the University are employees of the Commonwealth and therefore participate in the Commonwealth's defined benefit pension plan. The Virginia Retirement System (VRS) administers this plan. VRS is a multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth and its political subdivisions. VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information relating to this plan is available at the statewide level only in the Commonwealth's *Comprehensive Annual Financial Report* (CAFR). The CAFR provides disclosure of the Commonwealth's unfunded pension benefit obligation at June 30, 2014. The Commonwealth, not the University, has overall responsibility for contributions to this plan.

Essentially all regular employees of the University are eligible to enroll in VRS. Eighty-four percent of salaried classified and University staff employees, 13 percent of faculty, and 13 percent of Medical Center employees participate in this defined benefit pension plan. The University's total VRS contributions for the year ended June 30, 2014, were $30.3 million.

Optional Retirement Plans

Full-time faculty and certain administrative staff may participate in Optional Retirement Plans, as authorized by the *Code of Virginia*, rather than the VRS defined benefit retirement plan. The Optional Retirement Plans are defined contribution plans to which the University contributes an amount established by statute. Eighty-seven percent of teaching, research, and administrative faculty, 16 percent of University staff, and 87 percent of Medical Center employees participate in Optional Retirement Plans offered through TIAA-CREF and Fidelity Investments, Inc.

There are two defined contribution plans for eligible academic employees. Plan 1 is for employees hired prior to July 1, 2010, and retirement benefits received are based on the employer's 10.4 percent contributions, plus interest and dividends. Plan 2 is for employees hired on or after July 1, 2010, and retirement benefits received are based on the employer's 8.9 percent contributions and the employee's 5.0 percent contributions, plus interest and dividends. Individual contracts issued under these plans provide for full and immediate vesting of both the University's and the employees' contributions.

Medical Center employees hired after July 1, 1999, cannot participate in Plan 1 or Plan 2 noted above, but have the option of participating in the Medical Center's Optional Retirement Plan. This is a defined contribution plan where the retirement benefits received are based on the employer and employee contributions, all of which are paid by the Medical Center, plus interest and dividends. Medical Center employees are fully vested after one or two years of employment, depending on their date of hire.

Total pension costs under the Optional Retirement Plans were approximately $50.9 million, and were calculated using base salaries of $641.9 million, for the year ended June 30, 2014. The contribution percentage amounted to 7.9 percent.

Deferred Compensation Plans

State employees may elect to participate in the Commonwealth's Deferred Compensation 457 Plan or the University's 403(b) Plan. Participating employees can contribute to either plan each pay period, with the Commonwealth matching at 50 percent up to $20 per pay period, or $40 per month. This dollar amount match can change depending on the funding available in the Commonwealth's budget. The Employer Matching Plan falls under Section 401(a) of the Internal Revenue Code. Employer contributions for University employees to the 401(a) plan were $2.6 million and employee contributions were $35.6 million for the year ended June 30, 2014.

The Deferred Compensation plan for the University Medical Center employees hired on or after September 30, 2002, allows employee contributions up to 4 percent of their salary and an employer match of 50 percent of the employee's 4 percent deferral amount, not to exceed 2 percent of the employee's salary. Employer contributions under this plan were approximately $1.4 million for the year ended June 30, 2014.

NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The University participates in the Commonwealth-sponsored VRS-administered statewide group life insurance program, which provides postemployment life insurance benefits to eligible retired and terminated employees. The Commonwealth also provides health care credits against the monthly health insurance premiums of its retirees who have at least fifteen years of state service. Information related to these plans is available at the statewide level in the Commonwealth's CAFR.

The University's annual postemployment benefits expense is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which calls for the measurement and recognition of the cost of other postemployment benefits (OPEB) during the periods when employees render their services. The statement also establishes comprehensive disclosures for OPEB obligations. OPEB refers to postemployment benefits other than pension benefits and includes postemployment health care benefits and other types of postemployment benefits if provided separately from a pension plan. The University implemented GASB Statement No. 45 prospectively as of June 30, 2008, with a zero net OPEB obligation at transition.

Plan Description and Funding Policy

Optional Retirement Retiree Life Insurance Plans. University faculty who participate in the Optional Retirement Plans receive $10,000 in retiree life insurance. Medical Center employees who participate in the Optional Retirement Plan have a variety of retiree life insurance options depending on termination date and years of service. Benefit provisions for these plans are established and maintained by the

University under the authority of the Board. The University pays the total cost of the insurance. The Optional Retirement Retiree Life Insurance Plans are single-employer plans administered by the University. The University does not issue stand-alone financial statements for the plans.

Retiree Health Plan. University employees who retire before becoming eligible for Medicare participate in the Retiree Health Plan, which mirrors the University's Health Plan for active employees, until they are eligible for Medicare. At that time, University retirees can participate in the Commonwealth's Medicare Supplement Plan. Benefit provisions for this plan are established and maintained by the University under the authority of the Board. This Retiree Health Plan is a single-employer plan administered by the University. The University does not issue stand-alone financial statements for this plan.

The contribution requirements of plan members and the University are based on projected pay-as-you-go financing requirements. For fiscal year 2014, the University contributed $3.9 million to the plan for retiree claims. Retirees receiving benefits contributed $4.4 million, or approximately 53 percent of the total premiums, through their required contributions, ranging from $435 to $1,900 per month.

Annual OPEB Costs and Funded Status

The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is discounted to determine the actuarial present value of total projected benefits. The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the plan.

SUMMARY OF VALUATION RESULTS (in thousands)						
ACTUARIAL ACCRUED LIABILITY BY CATEGORY AS OF JUNE 30, 2014						
Current retirees, beneficiaries, dependents, and terminated vested members	$	20,641				
Current active members		67,722				
TOTAL ACTUARIAL ACCRUED LIABILITY	**$**	**88,363**				
Covered payroll	$	415,500				
Actuarial accrued liability as percentage of covered payroll		21.3%				
		2014		**2013**		**2012**
NET OPEB OBLIGATION AS OF JUNE 30						
Annual required contribution (ARC)	$	10,571	$	11,766	$	10,317
Interest on net OPEB obligation		1,562		849		849
Adjustment to the ARC		(2,291)		(1,246)		(1,246)
Annual OPEB cost		9,842		11,369		9,920
Actual contributions		(3,867)		(1,990)		(3,469)
Net increase in net OPEB obligation		5,975		9,379		6,451
Net OPEB obligation, beginning of year		34,706		25,327		18,876
NET OPEB OBLIGATION, END OF YEAR	**$**	**40,681**	**$**	**34,706**	**$**	**25,327**
Percentage of annual OPEB cost contributed		39.3%		17.5%		35.0%

As of June 30, 2014, the University has not funded these postemployment benefit plans.

Once the UAAL is determined, the ARC is determined as the normal cost and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed thirty years. The table to the lower left shows the components of the University's annual OPEB costs for the year, the amount actually contributed to the plans, and changes in the net OPEB obligation for the Optional Retirement Plans Retiree Life and the Retiree Health Plan.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Amounts determined regarding the funded status of the plan and the required annual contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the Notes to the Financial Statements presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plans (as understood by the University and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2014, actuarial valuation, the University elected to use the entry age normal level dollar method. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and the University's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate and a drug cost trend rate of 8.0 percent for the fiscal year ended June 30, 2014, grading to 5.0 percent for the fiscal year ending June 30, 2026, and thereafter. All rates include a 4.0 percent inflation assumption. Past service liability is amortized over an open thirty-year period as a level dollar amount.

NOTE 13: SELF-INSURANCE

All University employees have the option to participate in the University's self-funded, comprehensive medical care benefits program. The cost of medical care is paid out of employee and employer contributions. The market value of investments at June 30, 2014, was $64.2 million. Claims and expenses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Those losses include an estimate of claims that have been incurred but not reported and the future costs of handling claims. The estimated liability for outstanding claims at June 30, 2014, was $14.9 million. The University has contracted with several third-party claims administrators: Aetna for its medical claims; United Concordia for its dental claims; and CatalystRx for its pharmacy claims.

University employees are covered by a self-insured workers' compensation benefits program administered by the Commonwealth's Department of Human Resource Management. Information relating to this plan is available at the statewide level only in the Commonwealth's CAFR.

The University's Office of Risk Management manages all property and casualty insurance programs for the University, including the Medical Center and the College at Wise. At present, most insurance coverages are obtained through participation in the state risk management self-insurance plans, which the Virginia Department of the Treasury, Division of Risk Management, administers. Risk management insurance includes property, mechanical breakdown, crime, employee bond (employee dishonesty), general (tort) liability, professional liability (includes medical malpractice), aviation and watercraft coverage, and automobile liability. The University is self-insured for the first $100,000 of each property and mechanical breakdown loss, and for physical damage on all vehicles valued up to $20,000. The University also maintains excess crime/employee dishonesty insurance, network security and privacy insurance (response and liability), and insurance for physical damage on vehicles valued in excess of $20,000. Separate insurance coverage is maintained as appropriate on subsidiary organizations owned by the Medical Center, such as Community Medicine University of Virginia, LLC.

NOTE 14: FUNDS HELD IN TRUST BY OTHERS

Assets of funds held by trustees for the benefit of the University are not reflected in the accompanying Statement of Net Position. The University has irrevocable rights to all or a portion of the income of these funds, but the assets of the funds are not under the management of the University. The market value of the funds held by trustees for the benefit of the University at June 30, 2014, was $137.2 million and income received totaled $5.9 million.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Authorized expenditures for construction and other projects unexpended as of June 30, 2014, were approximately $79.9 million.

The University has entered into numerous operating lease agreements to rent, lease, and maintain land, buildings, and equipment, which expire at various dates. In most cases, the University has renewal options on the leased assets for another similar term, and expects that, in the normal course of business, these leases will be replaced by similar leases. Operating lease expense totaled approximately $25.7 million for the year ended June 30, 2014.

The University's ongoing minimum commitments for operating leases for land, office and clinical buildings, and equipment are as follows:

YEARS ENDING JUNE 30 (in thousands)		LEASE OBLIGATION
2015	$	16,732
2016		8,528
2017		7,567
2018		5,375
2019		5,936
2020–24		10,992
2025–29		3,214
2030–34		823
2035–39		823
2040–44		823
2045–49		823
2050–54		165
TOTAL	**$**	**61,801**

Litigation

The University is a party to various legal actions and other claims in the normal course of business. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial position.

NOTE 16: SUBSEQUENT EVENTS

On July 31, 2014, the University renewed two of its revolving credit agreements and entered into a new revolving credit agreement with a new bank. The aggregate amount of revolving credit agreements outstanding is $200 million.

On August 26, 2014, the University entered into an agreement with Aramark Educational Services, LLC (Aramark), for Aramark to provide a dining services program to the University including board, retail, concessions, vending, and athletic dining through June 30, 2034. Aramark is required to make an up-front payment to the University in the amount of $70 million, of which $35 million was paid within thirty days of execution of the contract with the remaining amount to be paid by December 31, 2014. Additional financial commitments are required of Aramark over the term of the contract for capital improvements totaling $22.6 million.

The Medical Center acquired 100 percent ownership of Culpeper Regional Hospital on October 1, 2014.

Required Supplementary Information (Unaudited)

FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS (in thousands)

VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILITY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (b-a)/(c)
6/30/2014	$ -	$ 88,363	$ 88,363	0%	$ 415,500	21.3%
6/30/2012	$ -	$ 72,090	$ 72,090	0%		
6/30/2010	$ -	$ 76,440	$ 76,440	0%		

Financial Report 2013-14

An online version of this report is available at
www.virginia.edu/finance/finanalysis/report.html

The University of Virginia is committed to equal employment opportunity and affirmative action. To fulfill this commitment, the University administers its programs, procedures and practices without regard to age, color, disability, gender identity, marital status, national or ethnic origin, political affiliation, race, religion, sex (including pregnancy), sexual orientation, veteran status, and family medical or genetic information and operates both affirmative action and equal opportunity programs, consistent with resolutions of the Board of Visitors and with federal and state requirements, including the Governor's Executive Order Number One (2014).

The University's policies on "Preventing and Addressing Discrimination and Harassment" and "Preventing and Addressing Retaliation" implement this statement. The Office of Equal Opportunity Programs has complaint procedures available to address alleged violations of these policies.

The ADA Coordinator and the Section 504 Coordinator is Melvin Mallory, Office of Equal Opportunity Programs, Washington Hall, East Range, P.O. Box 400219, University of Virginia, Charlottesville, VA 22904-4219, (434) 924-3295. The Title IX Coordinator is Darlene Scott-Scurry, Director, Office of Equal Opportunity Programs, Washington Hall, East Range, P.O. Box 400219, University of Virginia, Charlottesville, VA 22904-4219, (434) 924-3200.

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APPENDIX C

DEFINITIONS AND SUMMARY OF BOND RESOLUTION

The Series 2015A Bonds are being issued pursuant to the terms of an authorizing resolution adopted by the Executive Committee of the Board of Visitors of the University on February 19, 2015, a bond resolution of the University executed pursuant thereto with respect to the Series 2015A-1 Bonds and a bond resolution of the University executed pursuant thereto with respect to the Series 2015A-2 Bonds. Except with respect to principal amounts, interest rates and other specific terms of the Series 2015A-1 Bonds and the Series 2015A-2 Bonds, the bond resolutions are identical in all material respects and each reference in this Appendix C to the "Bond Resolution" shall be a reference to the applicable bond resolution relating to the Series 2015A-1 Bonds or the Series 2015A-2 Bonds, as the context may require.

In addition to making provision for the issuance and terms of the Series 2015A Bonds, as described in **"THE SERIES 2015A BONDS"** and **"SECURITY FOR THE SERIES 2015A BONDS"** in this Official Statement, the Bond Resolution also contains other provisions and covenants of the University relating to the Series 2015A Bonds. These provisions and covenants are briefly described in this **Appendix C**, but do not purport to be either comprehensive or definitive. All references to the Bond Resolution in this **Appendix C** are qualified in their entirety by reference to such document.

Definitions

In addition to words and terms elsewhere defined in this Official Statement, the following words and terms when used in connection with the Series 2015A Bonds shall have the following meanings, unless some other meaning is plainly intended:

"Authorized Officer" means (i) in the case of the University, the President of the University, the Chief Operating Officer, or the Chief Financial Officer and, when used with reference to any act or document also means any other person authorized by appropriate action of the Board to perform such act or execute such document on behalf of the University; and (ii) in the case of the Paying Agent or the Custodian (if not the State Treasurer), the President, any Vice-President, any Assistant Vice-President, any Corporate Trust Officer or any Assistant Corporate Trust Officer of the Paying Agent or the Custodian, and when used with reference to any act or document also means any other person authorized to perform such act or execute such document by or pursuant to a resolution of the governing body of the Paying Agent or the Custodian.

"Board" means the Board of Visitors of the University or, if such Board is abolished, the board or body succeeding to the principal functions thereof.

"Bond Purchase Agreement" means the Bond Purchase Agreement dated as of the date of its execution and delivery, between the University and the Underwriters.

"Bondholder" or "holder" means the registered owner of any Series 2015A Bond.

"Bond Resolution" means the bond resolution relating to the Series 2015A-1 Bonds or the bond resolution relating to the Series 2015A-2 Bonds, as the context may require, in each case executed by the University pursuant to an authorizing resolution adopted by the Executive Commitment of the Board on February 19, 2015.

"Chief Financial Officer" means the University's chief financial officer or such other officer of the University having similar duties as may be selected by the Board.

"Chief Operating Officer" means the University's Executive Vice President and Chief Operating Officer or such other officer of the University having similar duties as may be selected by the Board.

"Commonwealth" means the Commonwealth of Virginia.

"Credit Obligation" of the University means any indebtedness incurred or assumed by the University for borrowed money and any other financing obligation of the University that, in accordance with generally accepted accounting principles consistently applied, is shown on the liability side of a balance sheet; provided, however, that Credit Obligation shall not include any portion of any capitalized lease payment directly appropriated from general funds of the Commonwealth or reasonably expected to be so appropriated as certified by the Chief Operating Officer or the Chief Financial Officer, but only to the extent such appropriation is restricted by the Commonwealth to the payment of such capitalized lease obligation.

"Custodian" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, and its successors, or such other bank or financial institution designated by the University to hold funds under the Bond Resolution.

"Fiscal Year" means the period commencing on the first day of July in any year and ending on the last day of June of the following year.

"Government Obligations" means:

(a) certificates or interest-bearing notes or obligations of the United States, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest, and

(b) investments in any of the following obligations provided such obligations are backed by the full faith and credit of the United States (i) debentures of the Federal Housing Administration, (ii) certificates of beneficial interest of the Farmers Home Administration or (iii) project notes and local authority bonds of the Department of Housing and Urban Development.

"Parity Credit Obligation" means any Credit Obligation of the University which may be incurred in accordance with the terms of the Bond Resolution or has been incurred that is secured on a parity with the pledge of Pledged Revenues.

"Paying Agent" means initially The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, and its successors and any other corporation that may at any time be substituted in its place in accordance with the Bond Resolution.

"Registrar" means initially The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, and any successor Registrar appointed pursuant to the Bond Resolution.

"State Treasurer" means the Treasurer of the Commonwealth.

Creation of Debt Service Fund

The Bond Resolution establishes a special fund designated "The Rector and Visitors of the University of Virginia General Revenue Pledge Refunding Bonds, Series 2015A, Debt Service Fund" (the "Debt Service Fund") to be held by the Paying Agent. On or before the day preceding each date on which payments of interest, premium or principal shall be due and payable on the Series 2015A Bonds (a "Payment Date"), the University shall transfer or cause to be transferred to the Paying Agent for deposit an amount of money sufficient to cause the amount held in the Debt Service Fund to be equal to the interest, premium and principal due on the Series 2015A Bonds on such Payment Date.

The Paying Agent shall, at appropriate times on or before each Payment Date, withdraw from the Debt Service Fund the amounts needed on such date to pay the principal of and premium, if any, and interest on the Series 2015A Bonds and shall pay or cause the same to be paid to the Bondholders as such principal, premium and interest become due and payable.

Any moneys held in the Debt Service Fund and set aside for the purpose of paying any Series 2015A Bonds which shall remain unclaimed by the holders of the Series 2015A Bonds for a period of five years after the date on which such Series 2015A Bonds shall have become due and payable shall be disposed of by the University and the Paying Agent in accordance with The Uniform Disposition of Unclaimed Property Act, Chapter 11.1, Title 55, Code of Virginia of 1950, as amended.

The moneys in the Debt Service Fund are to be held in trust and applied as provided in the Bond Resolution and, pending such application, shall be pledged to, and subject to a lien and charge in favor of, the holders of the Series 2015A Bonds issued and outstanding under the Bond Resolution and for the further security of such holders until paid out or transferred as provided in the Bond Resolution.

Covenants Regarding Payment of Principal and Interest; Pledge of Pledged Revenues

The University covenants in the Bond Resolution to pay the principal of and the interest on the Series 2015A Bonds at the place or places, on the dates and in the manner provided in the Bond Resolution and in the Series 2015A Bonds, payable solely from Pledged Revenues. The University pledges the Pledged Revenues to the payment of such principal and interest and to the payment of any Parity Credit Obligations issued by the University. The Series 2015A Bonds and the interest thereon shall not be deemed to constitute any debt or liability of the Commonwealth. Neither the University nor the Commonwealth shall be obligated to pay the principal of or interest on the Series 2015A Bonds, or other costs incident thereto except from the Pledged Revenues, and neither the faith and credit nor the taxing power of the Commonwealth are pledged to the payment of the principal of or interest on the Series 2015A Bonds, or other costs incident thereto.

Covenants Regarding Additional Indebtedness and Encumbrances

Except as described in "SECURITY FOR THE SERIES 2015A BONDS" in this Official Statement, the Bond Resolution does not limit the right of the University to incur other Credit Obligations. As described in such section, the Bond Resolution does limit the University's right to incur Parity Credit Obligations and Qualifying Senior Obligations and to further pledge any portion of the Pledged Revenues.

Other Covenants of the University

In the Bond Resolution, the University covenants that it will at all times carry or cause to be carried insurance policies with a responsible insurance company or companies, qualified to assume the risks thereof, or that it will maintain an adequate program of self-insurance, in either case sufficient to provide the University with insurance in such amount and covering such risks as the University shall deem to be reasonable and desirable. The University further covenants that it will keep accurate records and accounts of all items of cost and expenditures relating to the Pledged Revenues and the application of the Pledged Revenues. The University further covenants in the Bond Resolution that it will not convey, sell or otherwise dispose of any its property unless (a) such conveyance, sale or encumbrance is in the ordinary course of business, or (b) an Authorized Officer certifies in writing that, taking into account the conveyance, sale or other disposition of such property (i) the University will have sufficient funds to meet all of its financial obligations, including its obligations to pay principal of and interest on all Credit Obligations, for all Fiscal Years to and including the second full Fiscal Year after such conveyance, sale or other disposition and (ii) such Authorized Officer has no reason to believe that the University will not have sufficient funds to pay all amounts due under all indebtedness of the University then outstanding. The University further covenants in the Bond Resolution to do and perform all acts and things permitted by law and the Bond Resolution which are necessary or desirable in order to assure that the interest paid on the Series 2015A Bonds will be excludable from gross income from federal income tax purposes and to take no action that would result in such interest not being excludable from gross income for federal income tax purposes.

Events of Default

The following events are "Events of Default" under the Bond Resolution:

(a) due and punctual payment of the principal, purchase price or redemption premium, if any, of any of the Series 2015A Bonds is not made when the same becomes due and payable, either at maturity or by proceedings for redemption or otherwise;

(b) due and punctual payment of any interest due on any of the Series 2015A Bonds is not made when the same becomes due and payable;

(c) the University is for any reason rendered incapable of fulfilling its obligations under the Bond Resolution;

(d) an order or decree is entered, with the consent or acquiescence of the University, appointing a receiver or receivers of the University or any part thereof or of the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the University, is not vacated or discharged or stayed on appeal within 60 days after the entry thereof;

(e) any proceeding is instituted, with the consent or acquiescence of the University, for the purpose of effecting a composition between the University and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted; or

(f) the University defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in such Series 2015A Bonds or in the Bond Resolution on the part of the University to be performed, and such default continues for 30 days after written notice specifying such default and requiring same to be remedied is given to the Board by any Bondholder, provided that if such default is such that it can be corrected but cannot be corrected within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the University within such period and is diligently pursued until the default is corrected.

Remedies Upon Default

The Bond Resolution provides that, upon the happening and continuance of an Event of Default thereunder, the holders of not less than 25% in aggregate principal amount of the Series 2015A Bonds, by instrument or instruments filed with the University and proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent the holders of the Series 2015A Bonds for the purposes in the Bond Resolution, which trustee may be the State Treasurer and shall be the same trustee so appointed with respect to all other outstanding Parity Credit Obligations.

Such trustee may, and upon written request of the holders of not less than 25% in principal amount of the Series 2015A Bonds then outstanding shall, in its own name:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the holders of the Series 2015A Bonds, including the right to require the University and its Board to collect fees, rents, charges or other revenues adequate to carry out any agreement as to, or pledge of, such revenues, and to require the University and Board to carry out any other agreements with the holders of the Series 2015A Bonds and to perform it and their duties under the Act;

(b) bring suit upon the Series 2015A Bonds;

(c) by action or suit in equity, require the University to account as if it were the trustee of an express trust for the holders of the Series 2015A Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Series 2015A Bonds.

Any such trustee, whether or not all Series 2015A Bonds have been declared due and payable, shall be entitled as of right to the appointment of a receiver who may enter and take possession of any property of the University any of the revenues from which are pledged for the security of Series 2015A Bonds and operate and maintain the same and collect and receive all fees, rents, charges and other revenues thereafter arising therefrom in the same manner as the University itself might do and shall deposit all such moneys in a separate account and apply the same in such manner as the court appointing such receiver shall direct. In any suit, action or proceeding by the trustee the fees, counsel fees and expenses of the trustee and of the receiver, if any, shall constitute taxable costs and disbursements and all costs and disbursements allowed by the court shall be a first charge on any fees, rents, charges and other revenues of the University pledged for the security of Series 2015A Bonds.

Such trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth in the Bond Resolution or incident to the general representation of the holders of the Series 2015A Bonds in the enforcement and protection of their rights.

To the extent permitted by law, upon the happening and continuance of any Event of Default under the Bond Resolution, any Bondholder may proceed to protect and enforce the rights of the holders of the Series 2015A Bonds by a suit, action or special proceeding in equity or at law, either for the specific performance of any covenant or agreement contained in the Bond Resolution or in aid or execution of any power granted therein or for the enforcement of any proper legal or equitable remedy. Any such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all holders of the Series 2015A Bonds.

The Bond Resolution further provides for the pro rata application of available moneys to the payment of the principal of and interest on the Series 2015A Bonds and any Parity Credit Obligations, provided such moneys shall be applied first to the payment of any fees and expenses of the Custodian, Paying Agent and Registrar.

Supplemental Bond Resolutions Without Bondholder Consent

The University may, from time to time and at any time, without the consent of any holders of the Series 2015A Bonds, adopt such supplemental resolutions as shall not be inconsistent with the terms and provisions of the Bond Resolution, as follows:

(a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Bond Resolution or in any supplemental resolutions;

(b) to provide for the issuance of certificated Series 2015A Bonds or to obtain or maintain a rating on the Series 2015A Bonds;

(c) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders;

(d) to add new conditions, limitations and restrictions on the issuance of other Credit Obligations by the University;

(e) to add to the covenants and agreements of the Board in the Bond Resolution other covenants and agreements thereafter to be observed by the Board or to surrender any right or power therein reserved to or conferred upon the Board;

(f) to comply with any proposed, temporary or permanent regulations regarding arbitrage rebate requirements of the Code; or

(g) to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in the Bond Resolution, if in the opinion of the Paying Agent, who may rely upon an opinion of counsel nationally recognized in matters concerning municipal bonds, such supplemental resolutions shall not adversely affect or prejudice the interests of the Bondholders.

At least 30 days prior to the adoption of any supplemental resolution for any of the above purposes, the Secretary of the Board shall cause a notice of the proposed adoption of such supplemental resolution to be mailed, postage prepaid, to all registered owners of the Series 2015A Bonds at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. A failure on the part of the Secretary of the Board to mail such notice shall not affect the validity of such supplemental resolution.

Supplemental Resolutions Requiring Bondholder Consent

Subject to the terms and provisions contained in the Bond Resolution, and not otherwise, the holders of not less than a majority in aggregate outstanding principal amount of the Series 2015A Bonds shall have the right, from time to time, anything contained in the Bond Resolution to the contrary notwithstanding, to consent to and approve the adoption of such resolution or resolutions supplemental to the Bond Resolution as shall be deemed necessary or desirable by the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any supplemental resolution; provided, however, that nothing contained in the Bond Resolution shall permit, or be construed as permitting, (a) without the approval of all of the holders of the Series 2015A Bonds, (i) an extension of the maturity of the principal of or the interest on any Series 2015A Bond, (ii) a reduction in the principal amount of any Series 2015A Bond or the redemption premium or the rate of interest thereon, (iii) except as otherwise provided in the Bond Resolution, a preference or priority of any of Series 2015A Bond or Bonds over any other Series 2015A Bond or Bonds, or (iv) except as provided in the Bond Resolution, the release of the lien created by the Bond Resolution with respect to any Pledged Revenues, or (b) without the approval of all of the holders of the Series 2015A Bonds, a reduction in the aggregate principal amount of the Series 2015A Bonds required for consent to such supplemental resolution.

If at any time the Board shall determine that it is necessary or desirable to adopt any supplemental resolution for any of the above purposes, the Secretary of the Board shall cause notice of the proposed adoption of such supplemental resolution to be mailed, not less than 30 nor more than 60 days prior to the date of such adoption, postage prepaid, to all registered owners of the Series 2015A Bonds at their addresses as they appear on the registration books held by the Registrar. Such notice shall briefly set forth the nature of the proposed supplemental resolution and shall state that copies thereof are on file at the office of the Secretary of the Board for inspection by all Bondholders. The Board shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause such notice to be mailed and any such failure shall not affect the validity of such supplemental resolution when consented to and approved as provided above.

Whenever, at any time within one year after the date of such notice, the Board shall deliver to the Paying Agent an instrument or instruments in writing purporting to be executed by the holders of not less than a majority or all, as appropriate, in aggregate principal amount of the Series 2015A Bonds then outstanding, which instrument or instruments shall refer to the proposed supplemental resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Board may adopt such supplemental resolution in substantially such form, without liability or responsibility to any holder of any Series 2015A Bond, whether or not such holder shall have consented thereto.

If the holders of not less than a majority or all, as appropriate, in aggregate principal amount of the Series 2015A Bonds outstanding at the time of the adoption of such supplemental resolution shall have consented to and approved the adoption thereof as herein provided, no holder of any Series 2015A Bond shall have any right to object to the adoption of such supplemental resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Board from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any supplemental resolution pursuant to the provisions set forth above, the Bond Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Bond Resolution of the University, the Board and all holders of the Series 2015A Bonds then outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of the Bond Resolution as so modified and amended.

Defeasance

The University shall pay or provide for the payment of the entire indebtedness on all or particular outstanding Series 2015A Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such outstanding Series 2015A Bonds as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, moneys in an amount sufficient to pay or redeem (when redeemable) such outstanding Series 2015A Bonds (including the payment of premium, if any, and interest payable on such Series 2015A Bonds to the maturity or redemption date thereof), provided that such moneys, if invested, shall be invested at the written direction of the University in noncallable Government Obligations in an amount, without consideration of any income or increment to accrue thereon, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Series 2015A Bonds at or before their respective maturity dates, it being understood that the investment income on such Government Obligations may be used for any lawful purpose;

(c) by delivering to the Paying Agent, for cancellation, such outstanding Series 2015A Bonds; or

(d) by depositing with the Paying Agent, in trust, noncallable Government Obligations in such amount as will, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, and any uninvested cash, be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such outstanding Series 2015A Bonds at or before their respective maturity dates, as an independent certified public accountant shall certify to the Paying Agent's satisfaction;

and if the University shall pay or cause to be paid all other sums payable under the Bond Resolution by the University with respect to such Series 2015A Bonds, and, if such Series 2015A Bonds are to be redeemed before their maturity, notice of such redemption shall have been given as provided in the Bond Resolution or provisions satisfactory to the Paying Agent shall have been made for the giving of such notice, such Series 2015A Bonds shall cease to be entitled to any lien, benefit or security under the Bond Resolution. The University's liability in respect of such Series 2015A Bonds shall continue provided that the holders thereof shall thereafter be entitled to payment only out of the moneys or Government Obligations deposited with the Paying Agent as aforesaid

Upon deposit with the Paying Agent, in trust, of money or Government Obligations in the necessary amount to pay or redeem all outstanding Series 2015A Bonds and compliance with the other payment provisions of the Bond Resolution, the Bond Resolution and the estate and rights granted thereunder shall cease, determine, and become null and void, and thereupon the Paying Agent shall, upon written request of the University, and upon receipt by the Paying Agent of a certificate of the President, the Chief Operating Officer or the Chief Financial Officer, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Bond Resolution have been complied with, forthwith execute proper instruments acknowledging satisfaction of and discharging the Bond Resolution and the lien thereof.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

April 8, 2015

The Rector and Visitors of
the University of Virginia
Charlottesville, Virginia

$184,730,000
The Rector and Visitors of the University of Virginia
General Revenue Pledge Refunding Bonds, Series 2015A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by The Rector and Visitors of the University of Virginia (the "University") of the above referenced general revenue pledge refunding bonds delivered as of this date (the "Bonds"). The Bonds are issued pursuant to (i) Chapter 4.10, Title 23 (the "Restructuring Act") of the Code of Virginia of 1950, as amended (the "Virginia Code"), (ii) a resolution adopted by the Executive Committee (the "Executive Committee") of the Board of Visitors of the University on February 19, 2015 (the "Authorizing Resolution"), (iii) the University's management agreement (the "Agreement") which was enacted as Chapter 3 of Chapter 933 of the 2006 Acts of Assembly, as amended, and (iv) a bond resolution of the University (the "Bond Resolution" and, together with the Authorizing Resolution, the "Resolutions").

We refer you to the Bonds and the Bond Resolution for the definitions of capitalized terms not otherwise defined herein, and for a description of the purposes for which the Bonds are issued and the security therefor. We have examined certified copies of proceedings and other papers relating to the issuance of the Bonds, and have also examined the Constitution and the statutes of the Commonwealth of Virginia, including the Restructuring Act, the Agreement and a specimen of the Bonds.

As to questions of fact material to this opinion, we have relied upon (a) representations of and compliance with covenants by the University contained in the Bond Resolution and certain other documents and certificates delivered this date, and (b) certificates of representatives of the University, certain of its affiliates and other parties, including, without limitation, representations, covenants and certifications as to certain prior tax-exempt bond issues, the use of the proceeds of the Bonds, compliance with the arbitrage reporting and rebate requirements and other factual matters which are relevant to the opinions expressed in paragraph 7, in each case without undertaking any independent verification. We have assumed that all signatures on documents, certificates and instruments examined by us are genuine, all documents, certificates and instruments submitted to us as originals are authentic, and all documents, certificates and instruments submitted to us as copies conform to the originals. In addition, we have assumed that all documents, certificates and instruments relating to this financing have been duly authorized, executed and delivered by all parties thereto other than the University, and we have further assumed the due organization, existence and powers of all parties other than the University.

Based on the foregoing, it is our opinion that:

1. The University is a duly organized and validly existing public body constituted as a governmental instrumentality of the Commonwealth of Virginia, having the powers and authority, among others, set forth in Chapter 9, Title 23 of the Virginia Code, the Restructuring Act and the Agreement.

2. The University has the requisite power and authority to adopt the Authorizing Resolution, and the University has the requisite power and authority to execute and deliver the Bond Resolution, to issue the Bonds and to apply the proceeds from the issuance and sale of the Bonds as set forth in the Resolutions.

3. The Authorizing Resolution has been duly and validly adopted, is binding upon the University and is enforceable in accordance with its terms.

4. The Bond Resolution and the Bonds have been duly authorized, executed and delivered in accordance with the Restructuring Act, the Agreement and the Authorizing Resolution and constitute valid and binding limited obligations of the University, payable solely from the Pledged Revenues and other property pledged therefor under the Bond Resolution. Except as provided in the Bond Resolution, the Bonds are not payable from the funds of the University, nor do they constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the properties of the University or upon its income, receipts or revenues. The Bonds do not create or constitute a pledge of the faith and credit of the Commonwealth of Virginia.

5. As permitted by the Restructuring Act and the Agreement, the Bond Resolution validly and legally pledges the Pledged Revenues to the payment of the Bonds. We point out, however, that as provided in the Bond Resolution (i) the University has previously issued and may issue Parity Credit Obligations secured by Pledged Revenues on a parity basis with the Bonds and (ii) Pledged Revenues excludes certain revenues previously or subsequently pledged to the payment of Qualifying Senior Obligations or necessary to pay operating or other expenses related to facilities or systems financed in whole or in part with Qualifying Senior Obligations.

6. The obligations of the University under the Bonds and the Bond Resolution are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium and similar laws, now or hereafter in effect, relating to or affecting the enforcement of creditors' rights generally. Such obligations are also subject to usual equitable principles, which may limit the specific enforcement of certain remedies but which do not affect the validity of the obligations. Certain indemnity provisions may be unenforceable pursuant to court decisions invalidating such indemnity agreements on grounds of public policy.

7. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the holders of the Bonds, is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of the alternative minimum tax imposed on corporations under Section 56 of the Code, interest on the Bonds is included in computing adjusted current earnings. The "original issue discount" on any Bond is the excess of its stated redemption price at maturity over the initial offering price to the public at which price a substantial amount of the Bonds of the same maturity was sold. The "public" does not include bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

In providing the opinions set forth in this paragraph, we are assuming continuing compliance with the Covenants (as hereinafter defined) by the University. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from gross income for purposes of federal income taxation. These requirements include, by way of example and not limitation, restrictions on the use, expenditure and investment of the proceeds of the Bonds and the use of the property financed or refinanced by the Bonds, limitations on the source of the payment of and the security for the Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Bonds to the United States Treasury. The Bond Resolution and the University's tax certificate for the Bonds (the "Tax Certificate") contain covenants (the "Covenants") under which the University has agreed to comply with such requirements. Failure by the University to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to their date of issue. In the event of noncompliance with the Covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for federal income tax purposes. We have no responsibility to monitor compliance with the Covenants after the date of issue of the Bonds.

Certain requirements and procedures contained, incorporated or referred to in the Bond Resolution and Tax Certificate, including the Covenants, may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The income from the Bonds, including any profit made on their sale or exchange, is exempt from taxation by the Commonwealth of Virginia and any of its political subdivisions.

Our services as Bond Counsel to the University have been limited to rendering the foregoing opinions based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and tax-exempt status of the interest on them under the Code and the laws of the Commonwealth of Virginia and the enforceability of the Resolution. The foregoing opinions are in no respect an opinion as to the business or financial resources of the University or the ability of the University to provide for the payment of the Bonds or the accuracy or completeness of any information, including the University's Preliminary Official Statement dated February 24, 2015, and Official Statement dated March 4, 2015, that anyone may have relied upon in making the decision to purchase the Bonds.

Very truly yours,

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by The Rector and Visitors of the University of Virginia (the "University"), in connection with the issuance by the University of $184,730,000 aggregate principal amount of its General Revenue Pledge Refunding Bonds, Series 2015A (the "Series 2015A Bonds") pursuant to the terms of an authorizing resolution adopted by the Executive Committee of the Board of Visitors of the University on February 19, 2015, a bond resolution of the University executed pursuant thereto with respect to the Series 2015A-1 Bonds and a bond resolution of the University executed pursuant thereto with respect to the Series 2015A-2 Bonds (collectively, the "Bond Resolution"). The University has approved the marketing of the Series 2015A Bonds by the Participating Underwriters (as hereinafter defined) pursuant to an Official Statement relating to the Series 2015A Bonds dated March 4, 2015 (the "Official Statement"), in a primary offering.

NOW THEREFORE in consideration of the foregoing and the covenants contained herein, the University hereby represents, covenants and agrees as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the University for the benefit of the Holders (as hereinafter defined) and Beneficial Owners (as defined in the Official Statement) of the Series 2015A Bonds.

Section 2. Definitions. In addition to the definitions set forth in the Bond Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" with respect to any Fiscal Year of the University means the following:

(a) the audited financial statements of the University for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If such audited financial statements are not available by the time the Annual Financial Information is required to be filed pursuant to Section 3(a) below, the Annual Financial Information shall contain unaudited financial statements, and the audited financial statements shall be filed in the same manner as the Annual Financial Information when such statements become available; and

(b) the operating data of the University included under the headings "Students," "The University of Virginia Medical Center" and "Financial Information" in Appendix A to the Official Statement, comprising the following tables: "Undergraduate Applications, Acceptances and Matriculations," "Graduate & Professional Applications, Acceptances and Matriculations," "On Grounds Fall Enrollment," "Selected Medical Center Patient Information,". "Non-Capital Appropriations from the Commonwealth," "Undergraduate Tuition and Required Fees Per Student," "Graduate Tuition and Required Fees Per Student," "Grants and Contracts," "University of Virginia Medical Center Summary Statement of Revenues, Expenses, and Changes in Net Assets" and "UVIMCO Long-Term Pool Historic Annual Returns."

The audited financial statements described above may be included by specific reference to other documents, including Official Statements and Offering Memoranda of debt issues with respect to which the University is an "obligated person" (as defined by the Rule), which have been filed with EMMA or the SEC. If the document included by reference is a final Official Statement or Offering Memorandum, it must be available from the MSRB. The University shall clearly identify each such other document so included by reference.

"Disclosure Representative" means the Executive Vice President and Chief Operating Officer of the University, the chief financial officer of the University or such other person as the University shall designate from time to time.

"Dissemination Agent" means an entity, if any, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the University a written acceptance of such designation.

"EMMA" means the Electronic Municipal Market Access system described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Event Notice" means the notice of the events described in Section 3(b) hereof.

"Financial Statements" means the annual audited financial statements of the University described in paragraph (a) of the definition of "Annual Financial Information" herein.

"Fiscal Year" means the twelve-month period, at the end of which the financial position of the University and results of its operations for such period are determined. Currently, the University's Fiscal Year ends on June 30 of each year.

"Holder" means, for purposes of this Disclosure Agreement, any Person who is a record owner or Beneficial Owner of a Series 2015A Bond, from time to time.

"Make Public" or "Made Public" has the meaning set forth in Section 4 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriters" shall mean the original underwriters of the Series 2015A Bonds required to comply with the Rule in connection with the offering of the Series 2015A Bonds.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934 and any similar rules of the SEC relating to disclosure requirements in the offering and sale of municipal securities, all as in effect from time to time.

"SEC" means the U.S. Securities and Exchange Commission.

Section 3. <u>Obligations of the University</u>.

(a) The University agrees to prepare and cause to be Made Public Annual Financial Information with respect to any Fiscal Year of the University when and if available but in no case later than 240 days after the end of such Fiscal Year. The Annual Financial Information may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information.

(b) The University shall cause to be Made Public, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events that may from time to time occur with respect to the Series 2015A Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on any credit enhancement maintained with respect to the Series 2015A Bonds reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 - TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of interest on the Series 2015A Bonds;

(vii) modifications to rights of Holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Series 2015A Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the obligated person;[*]

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

(xv) the failure of the University on or before the date required by Section 3(a) and Section 3(b) to provide Annual Financial Information or Make Public Event Notices to the persons and in the manner required by this Disclosure Agreement.

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[*] The event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(c) Whenever the University obtains knowledge of the occurrence of an event listed in Section 3(b)(ii), (vi) (in part), (vii), (viii) (in part), (x), (xiii) or (xiv) above, the University shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the University has determined that knowledge of the occurrence of an event listed in Section 3(b) (ii), (vi) (in part), (vii), (viii) (in part), (x), (xiii) or (xiv) above would be material under applicable federal securities laws, the University shall report within ten days of such event the occurrence thereof pursuant to Section 3(e) below.

(e) If the University is required (or, as described in Section 3(d) above if applicable, has determined) to report the occurrence of an event listed in Section 3(b) above, the University shall file a notice of such occurrence with EMMA. Notwithstanding the foregoing, notice of an event described in Section 3(b)(viii) or (ix) need not be given under this Section 3(e) any earlier than the date on which the notice (if any) of the underlying event is given to the Holders of affected Series 2015A Bonds pursuant to the Bond Resolution.

(f) The University shall notify EMMA, of any change in the University's Fiscal Year not later than the first date on which it first provides any information to EMMA after such change in its Fiscal Year.

(g) Without limiting any of the foregoing, the University further agrees in a timely manner to deliver to any Holder of Series 2015A Bonds upon written request the information required to be provided to EMMA pursuant to Sections 3(a), (b) and (f) above.

Section 4. Information Made Public. Information shall be deemed to have been "Made Public" for purposes of this Disclosure Agreement if transmitted to the EMMA.

Section 5. CUSIP Numbers. The University shall reference, or cause to be referenced, the CUSIP prefix number for the Series 2015A Bonds in any notice provided to EMMA pursuant to Sections 3 and 4 above.

Section 6. Termination of Reporting Obligation. The obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance, prior redemption or payment in full of all of the Series 2015A Bonds. If such termination occurs prior to the final maturity of the Series 2015A Bonds, the University shall give notice of such termination in the same manner as for the events listed in Section 3(b) above.

Section 7. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the University pursuant to this Disclosure Agreement. The Dissemination Agent may resign at any time by providing at least 30 days' written notice to the University.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the University may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived by the University, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the University shall have provided notice of such delivery and of the amendment to EMMA. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person or type of business conducted;

(b) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the amendment does not materially impair the interests of the Holders of any of the Series 2015A Bonds, as determined either by parties unaffiliated with the University (such as counsel expert in federal securities laws), or by the approving vote of Holders pursuant to the terms of the Bond Resolution at the time of the amendment.

The initial Annual Financial Information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

If the amendment is made to an undertaking specifying the accounting principles to be followed in preparing Financial Statements, the Annual Financial Information for the Fiscal Year in which the change is made should present a comparison between the Financial Statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison should include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to Holders to enable them to evaluate the ability of the University to meet its obligations. To the extent reasonably feasible, the comparison also should be quantitative. A notice of the change in the accounting principles should be sent to EMMA.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of an event listed in Section 3(b), in addition to that which is required by this Disclosure Agreement. If the University chooses to report any information in any Annual Financial Information or include any information in a notice of occurrence of an event listed in Section 3(b), in addition to that which is specifically required by this Disclosure Agreement, the University shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of such an event.

Section 10. Default. In the event of a failure of the University to comply with any provision of this Disclosure Agreement, any Holder of the Series 2015A Bonds, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the University to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the University to comply herewith shall be an action to compel specific performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any Holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

Section 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the University, the Participating Underwriters and the Holders of the Series 2015A Bonds, and shall create no rights in any other person or entity.

Section 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13. Applicable Law. This Disclosure Agreement shall be construed under the laws of the Commonwealth of Virginia and, to the extent inconsistent, with the laws of the United States of America.

Dated as of April 8, 2015.

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: ______________________________
Name: ____________________________
Title: _____________________________

UNIVERSITY of VIRGINIA

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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