NEW ISSUE – FULL BOOK ENTRY

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

*In the opinion of Bond Counsel, under current law and assuming the compliance with certain covenants by and the accuracy of certain representations and certifications of the University and other persons and entities described in the section herein "**TAX EXEMPTION**" interest on the Series 2017B Bonds (i) is excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2017B Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations and may be subject to other federal income tax consequences as described in "**TAX EXEMPTION**" herein. Bond Counsel is further of the opinion that interest on the Series 2017B Bonds is excludable from gross income for purposes of income taxation by the Commonwealth of Virginia. See the section herein "**TAX EXEMPTION**" regarding other tax considerations.*

UNIVERSITY of VIRGINIA

$123,440,000
THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA
General Revenue Pledge Refunding Bonds, Series 2017B

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

The offered bonds identified above (the "Series 2017B 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 2017B Bonds under a book-entry only system. Accordingly, Beneficial Owners of the Series 2017B Bonds will not receive physical delivery of bond certificates. See "**THE SERIES 2017B BONDS – Book-Entry Only System**" herein. The Series 2017B 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 2017B 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 2017B Bonds may be made in the principal amount of $5,000 or any integral multiple thereof. Interest on the Series 2017B Bonds is payable semi-annually on each April 1 and October 1 commencing on April 1, 2017.

The Series 2017B Bonds are subject to optional and extraordinary redemption and mandatory sinking fund 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 2017B Bonds.

THE SERIES 2017B 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 2017B 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 2017B 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 2017B BONDS OR OTHER COSTS INCIDENT THERETO. THE UNIVERSITY HAS NO TAXING POWERS.

The Series 2017B 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 2017B Bonds are expected to be available for delivery through the facilities of DTC, New York, New York, or its custodial agent, on or about February 22, 2017.

Wells Fargo Securities

BofA Merrill Lynch **TD Securities** **US Bancorp**

Dated: February 8, 2017

$123,440,000
The Rector and Visitors of the University of Virginia
General Revenue Pledge Refunding Bonds, Series 2017B
CUSIP[(1)] (Base No.): 915217

April 1 Maturity	Principal Amount	Interest Rate	Yield*	CUSIP Suffix
2044	$10,435,000	4.000%	3.460%	WV1
2044	40,000,000	5.000	3.090	WT6
2046	50,430,000	5.000	3.110	WU3

$22,575,000, 4.000% Term Bonds Due April 1, 2040,
Priced at 104.918% to Yield 3.420%*, CUSIP Suffix: WW9

* Priced to the first optional redemption date of April 1, 2027.

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service. CUSIP numbers have been assigned by an independent company not affiliated with the University and are included solely for the convenience of the registered owners of the Series 2017B Bonds. None of the University, the Financial Advisor nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2017B Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017B Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2017B Bonds.

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 2017B 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 2017B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Series 2017B Bonds are exempt from registration under the Securities Act of 1933, as amended. The Series 2017B Bonds are also exempt from registration under the securities laws of the Commonwealth of Virginia.

All quotations from, and summaries and explanations of, provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words, “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the University’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.

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OFFICIAL STATEMENT OF

THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA

relating to

$123,440,000
General Revenue Pledge Refunding Bonds, Series 2017B

INTRODUCTION

Purpose

This Official Statement, including the cover page and the Appendices, is furnished in connection with the sale of $123,440,000 aggregate principal amount of The Rector and Visitors of the University of Virginia (the "University") General Revenue Pledge Refunding Bonds, Series 2017B (the "Series 2017B Bonds"). The Series 2017B 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 2017B 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 2017B BONDS"** herein. Terms capitalized but undefined in the body of this Official Statement are defined in **Appendix C** attached hereto.

The Series 2017B Bonds will bear interest at fixed rates until maturity. See **"THE SERIES 2017B BONDS"** herein.

The proceeds of the Series 2017B Bonds will be used by the University (a) to refund (i) a portion of the outstanding principal balance of the University's General Revenue Pledge Bonds, Series 2008 (the "Refunded Series 2008 Bonds") and (ii) a portion of the outstanding principal amount of the University's Commercial Paper General Revenue Pledge Notes, Series A (Tax-Exempt) (the "Refunded CP" and, together with the Refunded Series 2008 Bonds, the "Refunded Debt"), originally issued to finance and refinance the costs of capital improvements at the University's medical facilities located in the City of Charlottesville, Virginia, (b) to reimburse certain expenses previously incurred by the University with respect to such medical facilities, and (c) to pay other expenditures associated with the foregoing to the extent financeable, including, without limitation, costs of issuance with respect to the Series 2017B Bonds. See "**APPLICATION OF SERIES 2017B BOND PROCEEDS – Plan of Refunding"** herein.

The University is also issuing its General Revenue Pledge Refunding Bonds, Series 2017A, in an aggregate principal amount of $231,780,000 (the "Series 2017A 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 2017A Bonds is expected to occur contemporaneously with the closing of the Series 2017B Bonds. The Series 2017A 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 2017A Bonds. The Series 2017B Bonds and the Series 2017A Bonds are sometimes referred to herein collectively as the "Series 2017 Bonds". The closings of the Series 2017A Bonds and the Series 2017B Bonds are not contingent on one another.

The University

The University is classified and constituted pursuant to Title 23.1 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 2017B Bonds will be issued under the Restructured Higher Education Financial and Administrative Operations Act, Chapter 10, Title 23.1, Code of Virginia of 1950, as amended (the "Act"), pursuant to the terms of an authorizing resolution adopted by the Board of Visitors of the University on December 9, 2016, and a bond resolution of the University executed pursuant thereto with respect to the Series 2017B Bonds (the "Bond Resolution").

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, 2016. 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, 2016. 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 2017B BONDS

The following is a summary of certain provisions of the Series 2017B Bonds. For definitions of certain terms and additional detailed information relating to the Series 2017B Bonds, see **Appendix C** attached hereto.

General

The Series 2017B Bonds will be issued in the aggregate principal amount of $123,440,000. The Series 2017B 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 2017B Bonds will be payable semi-annually on April 1 and October 1, commencing on April 1, 2017, 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 2017B Bonds will be offered in denominations of $5,000 and integral multiples thereof ("Authorized Denominations").

Redemption

Mandatory Sinking Fund Redemption. The Series 2017B Bonds that are stated to mature on April 1, 2040, are subject to mandatory sinking fund redemption, and shall be redeemed, in part, at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued to the sinking fund redemption date in the amounts and on the dates set forth below:

April 1 Redemption Date	Principal Amount
2037	$ 150,000
2038	7,185,000
2039	7,470,000
2040†	7,770,000

† Maturity

Optional Redemption. The Series 2017B Bonds are subject to redemption, at the option of the University, in whole or in part on any date not earlier than April 1, 2027, 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 2017B 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 2017B 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 2017B 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 2017B Bonds to be redeemed at their registered addresses. Any such notice of redemption shall identify the Series 2017B Bonds to be redeemed, shall specify the redemption date and the redemption price, and shall state that on the redemption date the Series 2017B 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 2017B Bonds shall not affect the validity of the call for redemption of any Series 2017B 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 2017B 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 2017B 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 2017B Bonds are held in book-entry form by DTC, if less than all of the Series 2017B Bonds are to be called for redemption, the Series 2017B 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 2017B 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 2017B Bonds. The Series 2017B 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 2017B 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 2017B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017B Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2017B 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 2017B 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 2017B Bonds, except in the event that use of the book-entry system for the Series 2017B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017B 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 2017B 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 2017B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017B 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 2017B Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017B Bonds, such as redemptions, defaults, and proposed amendments to the Bond Resolution. For example, Beneficial Owners of Series 2017B Bonds may wish to ascertain that the nominee holding the Series 2017B 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 2017B 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 2017B 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 2017B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds will be exchangeable and transferable on the registration books of the Registrar in Authorized Denominations. Upon presentation and surrender of any Series 2017B 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 2017B Bonds in any Authorized Denomination or Denominations. For every exchange or transfer of Series 2017B 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 2017B BOND PROCEEDS

Plan of Refunding

Proceeds of the Series 2017B Bonds will be used to primarily (a) to advance refund a portion of the University's outstanding General Revenue Pledge Bonds, Series 2008, in an aggregate principal amount of $22,160,000, which are referred to herein as the Refunded Series 2008 Bonds, and (b) 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 $92,013,768 (rounded to the nearest dollar), which are referred to herein as the Refunded CP.

Upon issuance of the Series 2017B Bonds, a portion of the proceeds thereof will be deposited into one or more escrow funds (collectively, the "Escrow Fund") with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"), established pursuant to an Escrow Deposit Agreement dated as of February 1, 2017 (the "Escrow Deposit Agreement"), between the University, the Paying Agent and the Escrow Agent, in an amount which, together with investment earnings thereon, will be sufficient to pay all principal of, and premium, if any, and interest on the Refunded Series 2008 Bonds to and including the applicable payment and redemption dates therefor. For further information regarding the refunding of the Refunded Series 2008 Bonds, see "**VERIFICATION OF MATHEMATICAL COMPUTATIONS**" herein.

Upon making such deposit with the Escrow Agent and the execution of the Escrow Deposit Agreement, the Refunded Series 2008 Bonds will, under the terms of the bond resolution pursuant to which the Refunded Series 2008 Bonds were issued, no longer be deemed to be outstanding and shall be deemed to have been paid and will cease to be entitled to any lien, benefit or security under such resolution.

Upon issuance of the Series 2017B 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.

Sources and Uses of Funds

The proceeds of the Series 2017B Bonds are expected to be applied on the date of issue in the estimated amounts as follows (rounded to the nearest dollar – totals may not sum due to such rounding):

<u>Sources of Funds</u>:

Principal amount of Series 2017B Bonds	$123,440,000
Original issue premium on Series 2017B Bonds	16,386,531
TOTAL	$139,826,531

<u>Uses of Funds</u>:

Deposit into Escrow Fund	$23,571,475
Refunding of Refunded CP	92,013,768
Reimbursement to University	23,575,778
Cost of Issuance (including underwriters' discount†)	665,509
TOTAL	$139,826,531

† See **"UNDERWRITING"** herein.

SECURITY FOR THE SERIES 2017B BONDS

The following summary of the security for the Series 2017B 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 2017B 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 2017B Bonds as they become due upon redemption, acceleration, maturity or otherwise. The Series 2017B 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 2017B 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, any additional Credit Obligation to which a portion of the University's revenues are pledged on a superior basis to the pledge of Pledged Revenues securing the Series 2017B

Bonds, and any additional Credit Obligations issued to refund any such Qualified Senior Obligation, all as described in the Bond Resolution. See **"Qualifying Senior Obligations"** and **"Existing and Permitted Parity Credit Obligations"** below.

Qualifying Senior 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 2017B 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 2017B Bonds, and (2) net of operating expenses for the related facility or system, and such revenues would be available to pay the Series 2017B 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 2017B 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, 2016, was approximately $2,549,000) 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, 2016, was approximately $1,423,030,000 (which figure includes the amount of the Refunded Debt, the indebtedness of the University being refunded with the proceeds of the Series 2017A Bonds, 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds and meets certain other requirements, such Series 2017B 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 2017B 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 2017B Bonds, may be amended with or without the consent of the holders of a majority of the principal amount of the Series 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds, or to in any way contest or affect the validity of the Series 2017B Bonds, the Bond Resolution, or any proceedings of the University taken with respect to the issuance or sale of the Series 2017B 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 regarding the Series 2017B Bonds will state that, under current law and assuming the compliance with the Covenants, as hereinafter defined, by the University and certain other persons and entities, interest on the Series 2017B Bonds (including any accrued "original issue discount" properly allocable to the owners of the Series 2017B Bonds) (i) is excludable from the gross income of the owners of the Series 2017B Bonds for purposes of federal income taxation under Section 103 of the Code, and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Interest on the Series 2017B Bonds must be included in the adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax imposed on such corporations. See Appendix D for the proposed form of the opinion of Bond Counsel for the Series 2017B Bonds.

Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Series 2017B 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 2017B 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 IRS. The University has covenanted, however, to comply with the requirements of the Code.

Reliance and Assumptions; Effect of Certain Changes

As to questions of fact materials to its opinion, Bond Counsel is relying upon and assuming the accuracy of certifications and representations of the University, public officials and certain other third parties, which Bond Counsel has not independently verified.

In addition, Bond Counsel is assuming continuing compliance with the Covenants by the University and certain other persons and entities. The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied after the issuance of the Series 2017B Bonds in order for interest on the Series 2017B 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 Series 2017B Bonds and the use of the property financed or refinanced by the Series 2017B Bonds, limitations on the source of the payment of and the security for the Series 2017B Bonds, and the obligation to rebate certain excess earnings on the gross proceeds of the Series 2017B Bonds to the Treasury. Prior to the issuance of the Series 2017B Bonds, the University will enter into a tax certificate for the Series 2017B Bonds (the "Tax Certificate") that contains covenants (the "Covenants") with which the University has agreed to comply. A failure to comply with the Covenants could cause interest on the Series 2017B Bonds to become includible 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 2017B 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 2017B Bonds.

Certain requirements and procedures contained, incorporated or referred to in 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 document. Bond Counsel expresses no opinion concerning any effect on the excludability of interest on the Series 2017B 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 2017B 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 2017B 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 2017B Bonds.

Prospective purchasers of the Series 2017B 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 2017B 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 to any Series 2017B 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 2017B 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 income 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 2017B 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 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 2017B Bonds is expected to be the initial public offering price set forth on the inside front cover page of this Official Statement, but is subject to change based on actual sales. Accrued OID on the Series 2017B Bonds with OID (the "OID Bonds") 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 with respect to the Series 2017B Bonds 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.

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 the OID 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 Bond 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 such Premium Bond.

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 includible in gross income for federal income tax purposes. If the IRS does audit the Series 2017B Bonds, the IRS will, under its current procedures, treat the University as the taxpayer. As such, the beneficial owners of the Series 2017B 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 2017B 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 2017B Bonds.

Legislation affecting tax-exempt obligations is regularly considered by the U.S. Congress and various state legislatures. Such legislation may effect changes in federal or state income tax rates and the application of federal or state income tax laws (including the substitution of another type of tax), or may repeal or reduce the benefit of the excludability of interest on the tax-exempt obligations from gross income for federal or state income tax purposes. The Treasury and the IRS are continuously drafting regulations to interpret and apply the provisions of the Code and court proceedings may 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 2017B Bonds, regulatory interpretation of the Code or actions by a court involving either the Series 2017B Bonds or other tax-exempt obligations will not have an adverse effect on the Series 2017B 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 2017B Bonds.

Prospective purchasers of the Series 2017B 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.

Opinion of Bond Counsel – Virginia Income Tax Consequences

Bond Counsel's opinion also will state that, under current law, interest on the Series 2017B Bonds is excludable from the gross income of the owners thereof for purposes of income taxation by the Commonwealth. Bond Counsel will express no opinion regarding (i) other tax consequences arising with respect to the Series 2017B Bonds under the laws of the Commonwealth or (ii) any consequences arising with respect to the Series 2017B Bonds under the tax laws of any state or local jurisdiction other than the Commonwealth. Prospective purchasers of the Series 2017B Bonds should consult their own tax advisors regarding the tax status of interest on the Series 2017B Bonds in a particular state or local jurisdiction other than the Commonwealth.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") of Arlington, Virginia, has acted as financial advisor to the University in connection with the issuance of the Series 2017B 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 2017B Bonds are being purchased by the Underwriters at a price of $139,444,843.07 (reflecting the principal amount of $123,440,000.00, plus original issue premium of $16,386,530.60, minus an underwriters' discount of $381,687.53 or approximately 0.309209% of the original stated principal amount of the Series 2017B 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 2017B Bonds to be purchased if any Series 2017B Bonds are purchased.

The Bond Purchase Agreement provides that the Underwriters may offer and sell the Series 2017B 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 2017B 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, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the Underwriters for the Series 2017B Bonds, has entered into an agreement (the "WFA Distribution Agreement") with Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA") for the distribution of certain municipal securities offerings, including the Series 2017B Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the Series 2017B Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2017B Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

TD Securities (USA) LLC, one of the Underwriters of the Series 2017B Bonds, has entered into a negotiated dealer agreement (the "Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the Series 2017B Bonds, at the original price. Pursuant to the Dealer Agreement, TD Ameritrade may purchase Series 2017B Bonds from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the Series 2017B Bonds that TD Ameritrade sells.

"US Bancorp" is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is one of the Underwriters for the Series 2017B 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. Such activities may involve or relate to assets, securities and/or instruments of the University (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with (or that are otherwise involved with transactions by) the University. The Underwriters and their respective affiliates may have from time to time engaged, and may in the future engage, in transactions with, and performed and may in the future perform, various investment banking services for the University for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their respective affiliates may have certain creditor and/or other rights against the University and any affiliates thereof in connection with such transactions and/or services. In addition, the Underwriters and their affiliates may currently have and may in the future have investment and commercial banking, trust and other relationships with parties that may relate to assets of, or be involved in the issuance of securities and/or instruments by, the University and any affiliates thereof.

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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in schedules provided by the University and the Underwriters relating to (1) forecasted receipts of principal and interest on the cash and investments provided to the Escrow Agent to redeem or pay the Refunded Series 2008 Bonds, and the forecasted payments of principal and interest to redeem the Refunded Series 2008 Bonds, and (2) the yields on the Series 2017B Bonds, the Refunded Series 2008 Bonds and such investments, was examined by The Arbitrage Group, Inc., and will be relied upon by Bond Counsel to support its opinion. See "**TAX EXEMPTION**" herein. Such computations were based solely upon assumptions and information supplied by the University and the Underwriters. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

FINANCIAL STATEMENTS

The audited financial statements of the University for the fiscal year ended June 30, 2016, 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, 2016.

RATINGS

Moody's Investors Service, 99 Church Street, New York, New York 10007 ("Moody's"), S&P Global Ratings, 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 2017B 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, S&P 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 2017B Bonds may have an effect on the market price thereof.

CONTINUING DISCLOSURE

The offering of the Series 2017B 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 2017B Bonds for the benefit of the registered and Beneficial Owners of the Series 2017B 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 Position"** and **"UVIMCO Long-Term Pool Historic Annual Returns"**; (ii) timely notice of the occurrence of certain events with respect to the Series 2017B 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 2017B 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

Mark T. Bowles, a member of the Board of Visitors of the University, is a partner with McGuireWoods LLP and is an executive vice president of McGuireWoods Consulting LLC, an affiliate of McGuireWoods LLP. McGuireWoods LLP represents each Underwriter and the initial Paying Agent in matters unrelated to the Series 2017B Bonds from time to time.

MISCELLANEOUS

The summaries or descriptions herein, including the Appendices hereto, of the Series 2017B 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 website 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 websites 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.

For purposes of compliance with Rule 15c2-12, this Official Statement constitutes a final official statement of the University that is complete as of its date.

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

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 22,391 full-time equivalent students, including 15,891undergraduates, 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 55 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 *2017 U.S. News & World Report* undergraduate college rankings, the University was tied for 2nd among public universities and tied for 24th 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 600-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. U.S. News and World Report issued its 2016-2017 "Best Hospitals" guide, ranking UVA as the number one hospital in Virginia for the first time. The publication also included three clinical specialties in its top 50 rankings and rated UVa as high performing in five specialties and in nine common hospital conditions and procedures.

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 2016 was 1,520.

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.

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:

WILLIAM H. GOODWIN JR., RECTOR, *RICHMOND*	PRESIDENT, *CCA INDUSTRIES, INC.*
FRANK M. CONNER III, VICE RECTOR, *ALEXANDRIA*	PARTNER*, COVINGTON & BURLING LLP*
MARK T. BOWLES, *GOOCHLAND*	EVP, *MCGUIREWOODS CONSULTING LLC*
L.D. BRITT, MD, MPH, *SUFFOLK*	SURGEON, *EASTERN VIRGINIA MEDICAL SCHOOL*
WHITTINGTON W. CLEMENT, *RICHMOND*	PARTNER*, HUNTON & WILLIAMS LLP*
ELIZABETH M. CRANWELL, *VINTON*	PUBLIC RELATIONS
THOMAS M. DEPASQUALE, *ALEXANDRIA*	PRIVATE INVESTOR
KEVIN J. FAY, *MCLEAN*	VICE CHAIR AND CEO, *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*
BABUR B. LATEEF, M.D*., MANASSAS*	PHYSICIAN AND PRESIDENT*, ADVANCED OPHTHALMOLOGY, INC.*
JOHN G. MACFARLANE III, *DARIEN, CT*	INVESTMENT MANAGER, *ARROCHAR MANAGEMENT LLC*
TAMMY S. MURPHY*, RED BANK, NJ*	CO-OWNER*, MURPHY ENDEAVORS LLC*
JAMES B. MURRAY, *KEENE*	MANAGING PARTNER*, COURT SQUARE VENTURES*
JAMES V. REYES, *WASHINGTON, DC*	DIRECTOR/PRINCIPAL*, REYES HOLDINGS LLC*
JEFFREY C. WALKER, *NEW YORK, NY*	INVESTOR
NINA J. SOLENSKI, M.D., *CHARLOTTESVILLE*	FACULTY REPRESENTATIVE
PHOEBE A. WILLIS, *FREDERICKSBURG*	STUDENT REPRESENTATIVE

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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
THOMAS C. KATSOULEAS	Executive Vice President and Provost
RICHARD P. SHANNON, MD	Executive Vice President, Health Affairs
MARK LUELLEN	Vice President for Advancement
COLETTE SHEEHY	Senior Vice President for Operations
ROSCOE C. ROBERTS	General Counsel
MELODY STOWE BIANCHETTO	Vice President for Finance
JAMES S. MATTEO	Associate Vice President and Treasurer

Teresa A. Sullivan. Teresa Sullivan is the University of Virginia's eighth president. She came to UVa 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.

On January 20, 2017, Dr. Sullivan announced that she will step down as President of the University upon the expiration of her current contract in summer 2018. The University has begun the process of appointing a search committee for a new President and will announce the details of the search process when available.

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.

Thomas C. Katsouleas. Thomas Katsouleas was appointed Executive Vice President and Provost of the University in June 2015. He is responsible for the University's teaching and research activities. He directs the academic administration of the eleven schools, the library, art museums, public service activities, numerous University centers, and foreign study programs.

Provost Katsouleas served as dean of the Pratt School of Engineering and professor of electrical and computer engineering at Duke University from 2008–2015. He earned a B.S. in 1979 and a Ph.D. in physics in 1984, both from UCLA. He joined the University of Southern California faculty as an associate professor of electrical engineering in 1991, becoming a full professor in 1997. There he also served as an associate dean of engineering and vice provost of information technology services.

Provost Katsouleas is a fellow of both the American Physical Society and the Institute of Electrical and Electronics Engineers (IEEE). Mr. Katsouleas co-created the National Academy of Engineering (NAE) Grand Challenge Scholars Program in 2009, and organized and co-chaired the first NAE Grand Challenges national summit. He currently serves as co-chair of the Advisory Committee on The Grand Challenges.

Provost Katsouleas is a recognized inventor and a leading scholar of plasma science, originating a number of concepts in plasma-based particle accelerators and light sources. His work has been highlighted on the covers of Physical Review Letters, the CERN Courier and Nature. He has authored or co-authored more than 200 publications and given more than 50 major invited talks.

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 serves as the Senior Vice President for Operations, overseeing the functions of Office of the Architect, Business Operations, Facilities Management, Real Estate and Leasing Services, State Governmental Relations, and the University Building Official.

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.

Mark Luellen. Mark Luellen was appointed Vice President for Advancement at the University of Virginia in June 2016. Charged with oversight of the University's advancement operation, he provides leadership for advancement programs and initiatives across the University, and is responsible for planning and directing the University's comprehensive, multi-billion-dollar philanthropic campaign expected to launch in 2017. He works closely with University, school, and foundation leadership to identify campaign priorities and define fundraising strategies that support the University's mission of teaching, research, clinical care, and public service.

Mr. Luellen previously served as Senior Associate Vice President for Development at the University . In this role, he led the University's central development efforts, managing a team of nearly 80 development officers and staff, and played a lead role in planning for the upcoming campaign. He came to the University of Virginia in May 2014 from The Pennsylvania State University, where he first served as associate director of development for the College of Liberal Arts before being promoted to director of major gifts and finally to director of alumni relations, communications, and development for the College of the Liberal Arts in 2009. In that role, he led the College to the successful completion of its $113 million campaign-surpassing the goal nine months ahead of the campaign close.

In 2014, Mr. Luellen received the McKay Donkin Award, given annually to the full-time member of the faculty, staff or the retiree of the University who has made significant contributions to the "economic, physical, mental, or social welfare of the faculty" of Penn State. Additionally, he and his Penn State advancement team were presented with the 2014 Outstanding Teamwork Award in the College of the Liberal Arts.

Mr. Luellen received his bachelor's degree in English from Allegheny College. He has been actively engaged in many volunteer organizations, having served as a member of the Allegheny College Alumni Council and as a volunteer or committee member for various community organizations, including the Pennsylvania Pink Zone, the YMCA's Strong Kids Campaign, and the American Cancer Society's Relay for Life effort.

Roscoe C. Roberts. Roscoe Roberts was appointed as university counsel to the University in the 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.

Melody Stowe Bianchetto. Melody Bianchetto, a Certified Public Accountant, was named the University's Vice President for Finance in 2015. She oversees the functions of Financial Administration, Research Administration, Student Financial Services, the University Budget Office, and Procurement and Supplier Diversity services.

Mrs. Bianchetto began her career at Ernst & Young in Washington, D.C. and joined UVA as a Senior Budget Analyst in 1996. In 1998, she became the Director of the Budget and in 2006 was named the Assistant Vice President for Budget and Financial Planning. She was promoted to Associate Vice President of Finance in 2013 before assuming her current position.

A native of Martinsville, Virginia, Mrs. Bianchetto earned a Bachelor of Science degree from the McIntire School of Commerce at the University and a Master's degree in Business Administration from James Madison University. Bianchetto completed the Virginia Network's Seminar for Senior Women Administrators in 2006, the Virginia Executive Institute in 2009, and the Leadership in Academic Matters program in 2012.

Currently Mrs. Bianchetto serves as program chair of the Managerial Analysis and Decision Support workshop presented annually by the National Association of College and University Business Officers (NACUBO). Since 2006, she has been a faculty member of the NACUBO Managerial Analysis and Decision Support workshop. She presents regularly at programs such as the NACUBO programs, Southern Association of College and University Business Officer (SACUBO) annual meetings, the APPA Institute for Facilities Management, and at the Higher Education Resource Services (HERS) Institutes at Bryn Mawr College and the University of Denver. Mrs. Bianchetto serves as the Treasurer of the Virginia Network and is on EACUBO's finance committee. Mrs. Bianchetto received NACUBO's 2014 Rising Star Award.

James S. Matteo. Jim Matteo is the University's Associate Vice President and 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.

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 has developed 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 2016 semester, the University employed 2,436 full-time and 171 part-time instructional, research, and public service faculty, as well as 394 full-time and 13 part-time administrative and professional faculty. Included were 1,201 tenured faculty and an additional 451 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 14:1. For the fall 2016 semester, the University employed 10,532 full-time and 2,460 part-time permanent staff, including approximately 6,605 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 2016 semester, the College at Wise employed 102 full-time and 62 adjunct instructional, research, and public service faculty as well as 37 full-time administrative faculty. Included were 54 tenured faculty, 22 who were non-tenured but on tenure-track, and 26 instructors/lecturers who were not on tenure track. Seventy-three 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 15:1.

Excluding the faculty, as of October 15, 2016, the College at Wise employed 203 full-time and 1 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. 66.8% of the first-year class entering in fall 2016 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 32,379 completed 1st-year applications were received for the 2016-17 academic year to fill a target of approximately 3,675 spaces in the first year class. The following tables set forth the information on applications, acceptances and matriculations for first-year undergraduate and graduate students for the five most recent academic years.

Undergraduate Applications, Acceptances and Matriculations

	2012-13	2013-14	2014-15	2015-16	2016-17
Completed Applications					
In-state	8,635	8,840	9,058	9,156	9,667
Out-of-state	18,543	20,144	21,963	21,684	22,712
Total	27,178	28,984	31,021	30,840	32,379
Applications Accepted*	30%	30%	29%	30%	30%
In-state	41%	42%	44%	44%	44%
Out-of-state	24%	25%	23%	24%	24%
Offers Accepted**	42%	40%	41%	40%	38%
In-state	63%	61%	63%	61%	59%
Out-of-state	26%	25%	24%	24%	23%

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

Graduate & Professional Applications, Acceptances and Matriculations

	2011-12	2012-13	2013-14	2014-15	2015-16
Completed Applications	24,770	24,184	24,580	24,504	23,602
Applications Accepted*	25%	21%	23%	23%	25%
Offers Accepted**	39%	51%	48%	47%	47%

* 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

	2012-13	2013-14	2014-15	2015-16	2016-17
Undergraduate	14,366	14,610	15,122	15,421	15,611
Graduate	4,693	4,620	4,653	4,624	4,887
First-Professional	1,695	1,684	1,687	1,630	1,579
Non-Traditional	341	324	338	310	314
Total Headcount	21,095	21,238	21,800	21,985	22,391
Full Time Equivalent	21,253	21,373	21,781	22,043	22,482

For the fall 2016 entering 1st-Year class, of the entering undergraduates for whom high school class rank was available, approximately 88% 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 87% to 89% graduate within four years. The SAT scores for the 25th to 75th percentile range of the fall 2016 incoming class were 1260-1450.

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 an amount sufficient to support the University's payment of debt service on the Series 2017 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 5.5% in FY 2016. 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. Any interest retention is at the discretion of the Commonwealth.

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 7,758 full-time equivalent employees as of June 2016. 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 January 1, 2016, UVA formed a 40% interest in a joint operating company with Novant Health to own and operate hospitals and other healthcare facilities in northern Virginia. 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 FY2016, the Medical Center had 600 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. The remaining patients 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 1,016,037 in 2015 and is expected to grow 3.2% to 1,048,538 by 2020, which is somewhat below the growth rate for Virginia (estimated at 5.1%) over the same period. Seniors (age 65+) which are the fastest growing age segment nationwide, make up a larger portion of the PSA/SSA (17%) than of the remainder of the state (14%). This age group utilizes healthcare services at higher frequency than other age groups.

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 total inpatient market share has remained steady over the past few years within a relatively flat market (3.4% share in FY2015 and FY2016). Our market share in the PSA increased from 34.9% in FY2015 to 36.0% in FY2016 while in the SSA it increased slightly from

9.9% to 10.2% during that same time period. The Medical Center's proportion of cases that are considered tertiary is currently 2-3 times the average of all other Virginia hospitals combined.

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 legal responsibility for the Medical Center rests with the Medical Center Operating Board and the Board of Visitors. The Medical Center Operating Board is a committee of the University's Board of Visitors and currently has fourteen members, six of whom are voting 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 five 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. Also, there is one advisory Board of Visitors member and two advisory faculty members. The Medical Center Operating Board has an additional eight ex officio advisory members who are senior administrators of the University, the Medical Center, and the Schools of Medicine and Nursing.

In FY2016, the Consolidated Medical Center had net operating revenues of $1.59 billion and operating income of $100.5 million. See below 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,

	2012	2013	2014	2015	2016
Average Daily Census	451	442	446	457	462
Length of Stat (days)	5.8	5.6	5.8	6.0	6.0
Discharges	28,495	28,865	28,139	27,912	27,800
Outpatient Visits	757,471	764,197	803,161	842,861	887,490

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Financial Information

The University's FY2016 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)

	2012*	2013*	2014	2015	2016
Assets					
Current assets	890,022	1,000,926	1,119,865	1,149,299	740,483
Noncurrent endowment investments	3,428,234	3,690,260	4,216,644	4,374,764	4,117,446
Other noncurrent assets and deferred outflows of resources	4,022,420	4,302,865	4,616,860	5,015,724	5,597,605
Total assets and deferred outflows of resources	8,340,676	8,994,051	9,953,369	10,539,787	10,455,534
Liabilities					
Current liabilities	583,048	603,057	715,801	565,072	656,098
Noncurrent liabilities and deferred inflows of resources	1,242,299	1,314,669	1,311,028	2,178,777	2,214,608
Total liabilities and deferred inflows of resources	1,825,347	1,917,726	2,026,829	2,743,849	2,870,706
Net position					
Net investment in capital assets	1,708,603	1,741,026	1,782,053	1,837,901	1,880,320
Restricted					
Non-expendable	560,007	574,465	588,627	608,894	624,646
Expendable	2,418,734	2,670,142	3,062,089	2,997,184	2,819,180
Unrestricted	1,827,985	2,090,692	2,493,771	2,351,959	2,260,682
Total net position	6,515,329	7,076,325	7,926,540	7,795,938	7,584,828
Liabilities, deferred inflows of resources and net position	8,340,676	8,994,051	9,953,369	10,539,787	10,455,534

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

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

Revenues	2012*	2013*	2014	2015	2016
Student tuition and fees	410,739	432,347	459,166	491,027	511,063
Patient services	1,146,773	1,165,690	1,237,157	1,428,736	1,501,746
Grants and contracts	313,559	305,432	267,962	278,433	301,794
Sales and services of educational departments	20,339	18,186	21,434	26,309	27,748
Auxiliary enterprises revenue	118,963	120,387	124,922	129,855	132,583
Other	43,793	56,732	51,188	58,976	53,728
Total operating revenues	2,054,166	2,098,774	2,161,829	2,413,336	2,528,662
Nonoperating revenues					
State appropriations	145,412	155,679	161,641	152,841	159,757
State stabilization (ARRA)	508	0	0	0	0
Gifts	132,196	147,984	153,561	171,705	168,521
Investment income (loss)	205,747	564,511	869,910	428,406	-112,633
Pell Grants	12,017	11,677	12,619	12,957	12,478
Additions to permanent endowment	24,920	12,411	11,738	17,907	14,521
Other	81,322	77,852	65,065	57,583	56,742
Total operating and nonoperating revenues	2,656,288	3,068,888	3,436,363	3,254,735	2,828,048
Expenses					
Operating Expenses					
Compensation and benefits	1,283,186	1,366,644	1,389,272	1,534,256	1,621,521
Supplies, utilities and other services	804,669	808,533	855,193	949,906	1,004,320
Student aid	69,504	69,684	73,802	74,527	75,808
Depreciation	181,220	192,273	199,188	216,172	219,683
Other	35,597	3,982	3,851	3,544	4,141
Total operating expenses	2,374,176	2,441,116	2,521,306	2,778,405	2,925,473
Nonoperating expenses	33,866	61,181	64,842	88,149	74,089
Total operating and nonoperating expenses	2,408,042	2,502,297	2,586,148	2,866,554	2,999,562
Net increase (decrease) in net position	248,246	566,591	850,215	388,181	(171,514)

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

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 nine 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 FY2016, 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
- The College Foundation of the University of Virginia
- University of Virginia Darden School Foundation
- Virginia Athletics Foundation
- University of Virginia Physicians Group
- Jefferson Scholars Foundation

Component Units*
Summary Statement of Financial Position
As of June 30,
(in thousands of dollars)

	2012**	2013	2014	2015	2016
Assets					
Current assets	335,480	337,860	520,243	787,344	695,381
Noncurrent long-term investments	5,677,122	6,187,123	7,156,032	7,510,249	7,843,703
Other noncurrent assets	527,304	554,635	463,678	470,249	446,685
Total assets	6,539,906	7,079,618	8,139,953	8,767,842	8,985,769
Liabilities					
Current liabilities	269,912	276,756	283,930	286,099	246,079
Noncurrent liabilities	4,972,033	5,359,203	6,194,437	6,623,811	6,958,289
Total Liabilities	5,241,945	5,635,959	6,478,367	6,909,910	7,204,368
Net assets					
Unrestricted	278,222	329,759	392,105	386,622	341,997
Temporarily restricted	520,712	593,460	708,855	809,676	751,715
Permanently restricted	499,027	520,440	560,626	661,634	687,689
Total net assets	1,297,961	1,443,659	1,661,586	1,857,932	1,781,401
Total liabilities and net assets	6,539,906	7,079,618	8,139,953	8,767,842	8,985,769

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

In FY2016, component unit net assets decreased $77 million, or 4% from FY2015. 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 $135 million to support the University's operations and capital projects during FY2016.

Budgeting. The University's operating expenditure budget for FY2017 totals $3.2 billion. This includes $1.6 billion for the Academic Division (51.1%), $1.5 billion for the Medical Center (47.5%) and $43.7 million for the College at Wise (1.4%). The major funding sources for the budget include patient revenues (49.2%), tuition and fees (16.7%), grants and contracts (9.2%), endowment distributions and gifts (9.9%), sales and services and other (including auxiliary revenue, investment income, short-term financing, and other miscellaneous revenues) (8.2%), state general funds (5.2%), and accumulated investment balances (1.6%).

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.

Tuition and Fees. The University generates tuition and fees from both undergraduate and graduate students attending the University. In FY2016, tuition and fees prior to reduction for student financial aid provided approximately 19.6% of the University's operating revenues.

Undergraduate Tuition and Required Fees Per Student
(actual dollars)

	2012-13	2013-14	2014-15	2015-16	2016-17
In-state tuition and fees	12,006	12,458	12,998	13,468	13,714
Out-of-state tuition and fees	38,018	39,844	42,184	43,764	45,058

Notes: The above table does not include first year transfer orientation fees. All Commerce students and some Engineering and Batten students pay an additional tuition differential beginning in 2013-14, ranging from $2,000 to $5,000.

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Graduate Tuition and Required Fees Per Student
(actual dollars)

	2012-13	2013-14	2014-15	2015-16	2016-17
In-State Tuition and Fees					
Darden Graduate School of Business Administration	48,900	50,900	54,950	58,150	60,500
School of Law	46,400	47,900	51,800	54,000	56,300
School of Medicine	43,218	44,826	45,534	46,404	46,482
All others	15,662	16,620	16,678	17,094	17,680
Out-of-State Tuition and Fees					
Darden Graduate School of Business Administration	53,900	55,900	57,950	61,150	63,500
School of Law	51,400	52,900	54,800	57,000	59,300
School of Medicine	53,322	55,236	56,142	57,210	57,288
All others	25,668	26,266	26,918	27,574	28,504

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 $66 to $8,914.

AccessUVa is the University of Virginia's financial aid program designed to keep a higher education affordable for all admitted students regardless of economic circumstances. It directly supports Pillar 5 of the Cornerstone Plan: steward the University's resources to promote academic excellence and affordable access.

For fiscal year 2015-2016, $170 million in financial assistance was provided to our students. 43% of our undergraduates received some form of grant or scholarship funding. These grant awards from federal, state, institutional and external sources totaled $119.7 million for almost 6,800 students.

Because access for every academically eligible student is a priority at the University, 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. Consequently, the Board of Visitors has limited need-based loans to an average of $4,500 per year for in-state students and $7,000 per year for out-of-state students.

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Appropriations from the Commonwealth. The percentage of Commonwealth general fund appropriations to total operating and non-operating revenues (excluding investment income) was 6.2% in FY2012; 6.4% in FY2013; 6.5% in FY2014; 5.5% in FY2015; and 5.5% in FY2016.

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

	2012	2013	2014	2015	2016
Commonwealth Appropriations	145,412	155,679	161,641	152,841	159,757

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

Medical Center. The following data has been derived from annual audited financial statements of the Medical Center for FY2012 through FY2016.

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)

Net Patient service revenue	1,115,831	1,165,690	1,237,157	1,428,736	1,501,746
Other operating revenues	68,707	74,063	77,433	80,241	85,843
Total Operating Revenues	1,184,538	1,239,753	1,314,590	1,508,977	1,587,589
Operating Expenses	1,099,783	1,149,503	1,227,023	1,413,394	1,487,132
Income from Operations	84,755	90,250	87,567	95,583	100,457
Net non-operating Revenues (expenses)	753	12,378	48,776	(1,437)	(78,027)
Increase in net position	85,508	102,268	136,343	94,146	22,430

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

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Indebtedness and other Obligations. At June 30, 2016, the University had approximately $1.4 billion in short- and long-term debt outstanding.

University Indebtedness
As of June 30, 2016
(in thousands of dollars)

Description	2016
Revenue Bonds	
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	66,640
Univ. of Virginia Series 2013A	164,750
Univ. of Virginia Series 2013B	61,595
Univ. of Virginia Series 2015A-1	86,995
Univ. of Virginia Series 2015A-2	97,735
Univ. of Virginia Series 2015B	106,910
Commonwealth of Va. Bonds	2,549
Notes Payable to VCBA 2007B	10,560
Notes Payable to VCBA 2010B	3,435
Other	2,593
	1,275,127
Taxable Commercial Paper	37,745
Tax Exempt Commercial Paper	115,300
Total Debt	1,428,172

The University has authorized a commercial paper program in an amount not to exceed $300 million. At June 30, 2016, there was $153 million of commercial paper 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.

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 Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans for financial reporting purposes. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

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 51.97% of the total awards in FY2016. 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 the University's financial outlook. There is uncertainty related to sequestration and the future of federal funding. The University recognizes this as an area of risk, and has prepared for potential reductions in federal spending by identifying alternative sources of funding. Based on the current federal budget outlook, we do not anticipate significant increases or decreases in future federal grant funding available. Continuing to increase the University share of federal research dollars will require increasing the number of successful proposals, a focus on the strategic recruitment of highly productive faculty aligned with research priorities, and investment through the Cornerstone Plan.

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

	2012	2013	2014	2015	2016
Federal grants and contracts	249,428	217,642	225,716	249,186	260,496
Other	73,091	65,984	67,000	61,747	77,366
Total grants and contracts	322,519	283,627	292,717	310,933	337,862

Gifts and Fund Development. The University continues to benefit from the generosity of alumni, parents, friends, foundations, and corporations. According to the Office of University Advancement, fiscal year 2015-16 was the best fundraising year the University has had since 2008, receiving $260.2 million in philanthropic gifts and grants directly and to related foundations. Of this total, $119.6 million was donated by alumni, parents, and other individuals with the remainder given by corporations, foundations, and other organizations. Advancement areas across the institution are currently planning and building up for a new philanthropic campaign, the silent phase of which will begin July 1, 2017.

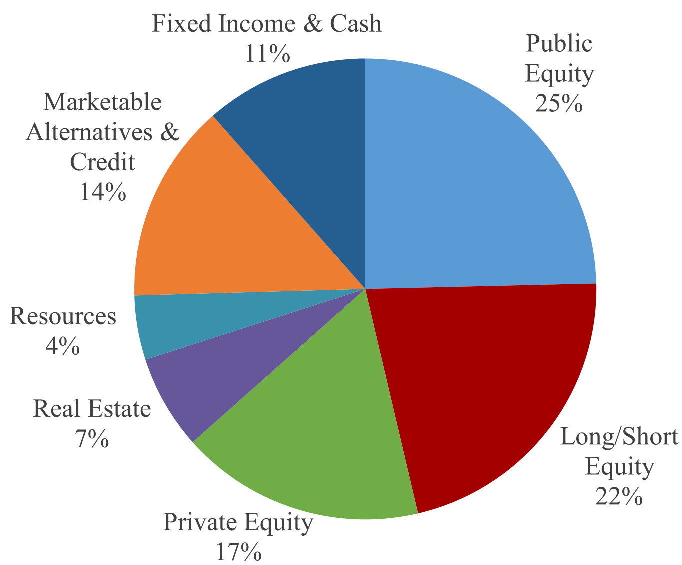
Endowment. The University of Virginia's endowment was $4.1 billion at June 30, 2016 (or $5.9 billion when including endowments held at the University's affiliated foundations). The unrestricted expendable portion of the University's endowment was $1.3 billion, or 33%, as of the same date. In accordance with the Board of Visitors' approved spending policy, the endowment contributed $190.5 million in FY2016 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, 2016 for the UVIMCO Long-Term Pool follow:

UVIMCO Long-Term Pool Historic Annual Returns
For the Period Ending June 30, 2016

1 Year	3 Year	5 Year	10 Year	20 Year
-1.5%	8.1%	8.5%	8.5%	11.3%

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, 2016, 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 12 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 41 employees. UVIMCO oversees investments totaling $7.6 billion as of June 30, 2016, 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.

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 2017 Bonds, or that concerns the proceeding of the University taken in connection with the Series 2017 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, 2016
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, 2016. Comparative information for the year ended June 30, 2015, 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'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

As a public institution of higher learning with approximately 22,000 on-Grounds students and 2,350 full-time instructional and research faculty members in 11 schools in 2015-16, the University offers a diverse range of degree programs, from baccalaureate to postdoctoral levels, including doctorates in 55 disciplines. The University is recognized internationally for the quality of its faculty and 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 600 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 2,052 students and 102 full-time instructional and research faculty. It offers baccalaureate degrees in 30 majors and eight pre-professional programs, including dentistry, pharmacy, engineering, forestry, law, medicine, physical therapy and veterinary medicine.

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 Statement 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 Statement 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.

For the year ended June 30, 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* The standard requires that a liability for pension obligations be recognized on the Statement of Net Position of the employer (the University). Similarly, a pension expense will be recognized on the Statement of Revenues, Expenses and Changes in Net Position. The net pension liability as of June 30, 2016, and June 30, 2015, was $507.6 million and $459.9 million, respectively.

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, liabilities and deferred inflows of resources of the University. The net position is an indicator of the prudent utilization of financial resources and the overall health of the University, while the change in net position reflects the current year's activities. 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, 2016, and June 30, 2015, is summarized as follows:

SUMMARY OF THE STATEMENT OF NET POSITION *(in thousands)*			**INCREASE (DECREASE)**	
	2016	**2015**	**AMOUNT**	**PERCENT**
Current assets	$ 740,483	$ 1,149,299	$ (408,816)	(35.6%)
Noncurrent assets				
Endowment	4,117,446	4,374,764	(257,318)	(5.9%)
Other long-term investments	2,073,236	1,580,356	492,880	31.2%
Capital assets, net	3,359,617	3,273,882	85,735	2.6%
Other	71,888	73,313	(1,425)	(1.9%)
Total assets	**10,362,670**	**10,451,614**	**(88,944)**	**(0.9%)**
Deferred outflows of resources	92,864	88,173	4,691	5.3%
Total assets and deferred outflows of resources	**10,455,534**	**10,539,787**	**(84,253)**	**(0.8%)**
Current liabilities	656,098	565,072	91,026	16.1%
Noncurrent liabilities	2,102,897	2,018,142	84,755	4.2%
Total liabilities	**2,758,995**	**2,583,214**	**175,781**	**6.8%**
Deferred inflows of resources	111,711	160,635	(48,924)	(30.5%)
Total liabilities and deferred inflows of resources	**2,870,706**	**2,743,849**	**126,857**	**4.6%**
NET POSITION	**$ 7,584,828**	**$ 7,795,938**	**$ (211,110)**	**(2.7%)**

CURRENT ASSETS AND LIABILITIES

The Statement of Net Position shows that working capital, which is current assets less current liabilities, was $84.4 million on June 30, 2016. 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 in unearned revenue and in outstanding commercial paper account for most of the increase in current liabilities.

Current assets cover current liabilities 1.13 times, an indicator of good liquidity and the ability to weather short-term demands on working capital. This rate of coverage decreased from 2.0 times last year, primarily due to a significant increase in outstanding commercial paper. Current assets cover 3.3 months of total operating expenses, excluding depreciation. For 2015-16, one month of operating expenses equaled approximately $225 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 was negative 1.5 percent in the fiscal year 2015-16. This performance figure includes realized and unrealized gains and losses, along with cash income. Total investment income for all funds was a negative $112.6 million for the fiscal year ended June 30, 2016.

Distribution. The University uses its endowment funds to support operations by distributing 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. For the year ended June 30, 2016, the Board of Visitors authorized an additional 40 basis points be added to the fiscal year 2016 endowment spending distribution. The total distribution for the University's endowment was $191.3 million, or 4.62 percent of the June 30, 2014, market value of the endowment, the measurement date.

Endowment investments. The total of endowment investments is $4.1 billion, a $257.3 million decrease over the prior year. Additional new gifts were offset by investment losses and the spending distribution resulting in the decrease.

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 nine related foundations reported as component units, the combined University system endowment was just under $6 billion as of June 30, 2016.

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 during the year are listed to the right:

MAJOR CAPITAL PROJECTS DURING 2015-16 *(in thousands)*		
UVA Medical Center expansion	$	391,600
Gilmer Hall and Chemistry Building renovations		186,831
McCormick Road resident hall		104,700
Rotunda renovations Phase II		45,733
UVA Wise Library		37,169
UVA Medical Center HVAC renovations		28,000
UVA Medical Center Educational Resource Center		25,125
UVA Medical Center levels 7 and 8 renovations		20,000
Newcomb Road Chiller Plant capacity replacement		14,800
TOTAL	**$**	**853,958**

As infrastructure and building projects were completed or otherwise acquired during the year, the University's capital asset balances grew significantly. More than $146 million of completed projects were added to depreciable capital assets during the fiscal year. The largest building projects completed and placed into service are listed below:

MAJOR PROJECTS COMPLETED OR ACQUIRED DURING 2016-16 *(in thousands)*	**CAPITALIZED COST**	
Gibbons House Alderman Road	$	32,357
McCormick Road utilities tunnel		13,377
UVA Medical Center HVAC replacement		12,764
VOIP telephone replacement		8,595
Facilities Management shop and office building renovations		5,673
UVA Wise dam restoration		2,207
TOTAL	**$**	**74,973**

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 four 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, backed by a general revenue pledge, to provide interim financing for its capital improvements and provide a source of short-term liquidity. Outstanding commercial paper is typically converted to long-term debt financing as appropriate, within the normal course of business.

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 $1.5 billion of debt outstanding as of June 30, 2016, which included $153 million of short-term commercial paper.

NET POSITION

The four net position categories represent the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The University's net position on June 30, 2016, and June 30, 2015, is summarized below:

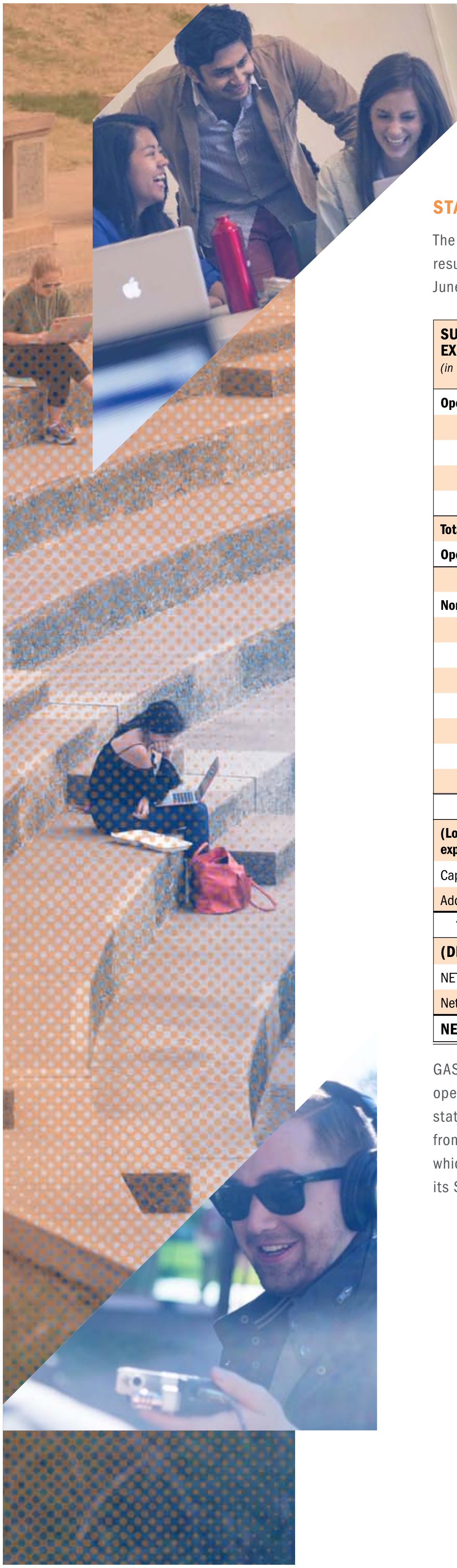
NET POSITION *(in thousands)*			**INCREASE (DECREASE)**	
	2016	**2015**	**AMOUNT**	**PERCENT**
Net investment in capital assets	$ 1,880,320	$ 1,837,901	$ 42,419	2.3%
Restricted				
Nonexpendable	624,646	608,894	15,752	2.6%
Expendable	2,819,180	2,997,184	(178,004)	(5.9%)
Unrestricted	2,260,682	2,351,959	(91,277)	(3.9%)
TOTAL NET POSITION	**$ 7,584,828**	**$ 7,795,938**	**$ (211,110)**	**(2.7%)**

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 $86 million and were offset by a $44 million increase in debt used to finance those capital assets, for a net change of $42 million.

Restricted nonexpendable net position represents the historical value (corpus) of the University's permanent endowments, which cannot be expended due to donor restrictions. The increase in nonexpendable net position included new gifts of $15 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. An increase in the restricted expendable net position is usually related to investment returns. The decrease of $178 million is a result of the negative investment returns of 1.5 percent and the increase in GASB mandated pension liability of nearly $48 million.

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, health services programs and initiatives, and capital projects that align with the University's highest priorities. The decrease of $91 million is largely a result of the negative investment returns of 1.5 percent and the increase in the GASB mandated pension liability of nearly $48 million, which offset the 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, 2016, and June 30, 2015:

SUMMARY OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION *(in thousands)*	**2016**	**2015**	**INCREASE (DECREASE)**	
			AMOUNT	**PERCENT**
Operating revenues				
Student tuition and fees, net	$ 511,063	$ 491,027	$ 20,036	4.1%
Patient services, net	1,501,746	1,428,736	73,010	5.1%
Sponsored programs	301,794	278,433	23,361	8.4%
Other	214,059	215,140	(1,081)	(0.5%)
Total operating revenues	**2,528,662**	**2,413,336**	**115,326**	**4.8%**
Operating expenses	**2,925,473**	**2,778,405**	**147,068**	**5.3%**
Operating loss	**(396,811)**	**(365,069)**	**(31,742)**	**8.7%**
Nonoperating revenues (expenses)				
State appropriations	159,757	152,841	6,916	4.5%
Gifts	168,521	171,705	(3,184)	(1.9%)
Investment (loss) income	(112,633)	428,406	(541,039)	(126.3%)
Pell grants	12,478	12,957	(479)	(3.7%)
Interest on capital asset-related debt	(70,808)	(59,440)	(11,368)	19.1%
Build America Bonds (BAB) rebate	8,133	8,116	17	0.2%
Other net nonoperating expenses	(11,414)	(36,825)	25,411	(69.0%)
Net nonoperating revenues	**154,034**	**677,760**	**(523,726)**	**(77.3%)**
(Loss) income before other revenues, expenses, gains, or losses	**(242,777)**	**312,691**	**(555,468)**	**(177.6%)**
Capital appropriations, gifts, and grants	56,742	57,583	(841)	(1.5%)
Additions to permanent endowments	14,521	17,907	(3,386)	(18.9%)
Total other revenues	**71,263**	**75,490**	**(4,227)**	**(5.6%)**
(DECREASE) INCREASE IN NET POSITION	**(171,514)**	**388,181**	**(559,695)**	**(144.2%)**
NET POSITION — BEGINNING OF YEAR	7,795,938	7,926,540	(130,602)	(1.6%)
Net effect of prior period adjustments	(39,596)	(518,783)	479,187	(92.4%)
NET POSITION — END OF YEAR	**$ 7,584,828**	**$ 7,795,938**	**$ (211,110)**	**(2.7%)**

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, with the exception of interest on capital debt which remains in nonoperating, 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 student tuition and fees and allows it to adapt during difficult economic times. The University's revenues, for the years ended June 30, 2016, and June 30, 2015, are summarized below:

SUMMARY OF REVENUES *(in thousands)*	2016			2015			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	$ 511,063	$ -	$ 511,063	$ 491,027	$ -	$ 491,027	$ 20,036	4.1%
Patient services, net	-	1,501,746	1,501,746	-	1,428,736	1,428,736	73,010	5.1%
Federal, state, and local grants and contracts	247,729	-	247,729	230,019	-	230,019	17,710	7.7%
Nongovernmental grants and contracts	54,065	-	54,065	48,414	-	48,414	5,651	11.7%
Sales and services of educational departments	27,748	-	27,748	26,309	-	26,309	1,439	5.5%
Auxiliary enterprises revenue, net	132,583	-	132,583	129,855	-	129,855	2,728	2.1%
Other operating revenues	73	53,655	53,728	12,517	46,459	58,976	(5,248)	(8.9%)
Total operating revenues	**973,261**	**1,555,401**	**2,528,662**	**938,141**	**1,475,195**	**2,413,336**	**115,326**	**4.8%**
Nonoperating revenues								
State appropriations	159,757	-	159,757	152,841	-	152,841	6,916	4.5%
Private gifts	166,164	2,357	168,521	147,131	24,574	171,705	(3,184)	(1.9%)
Investment (loss) income	(102,513)	(10,120)	(112,633)	381,569	46,837	428,406	(541,039)	(126.3%)
Other nonoperating revenues	83,741	-	83,741	88,447	-	88,447	(4,706)	(5.3%)
Total nonoperating revenues	**307,149**	**(7,763)**	**299,386**	**769,988**	**71,411**	**841,399**	**(542,013)**	**(64.4%)**
TOTAL REVENUES	**$ 1,280,410**	**$ 1,547,638**	**$ 2,828,048**	**$ 1,708,129**	**$ 1,546,606**	**$ 3,254,735**	**$(426,687)**	**(13.1%)**

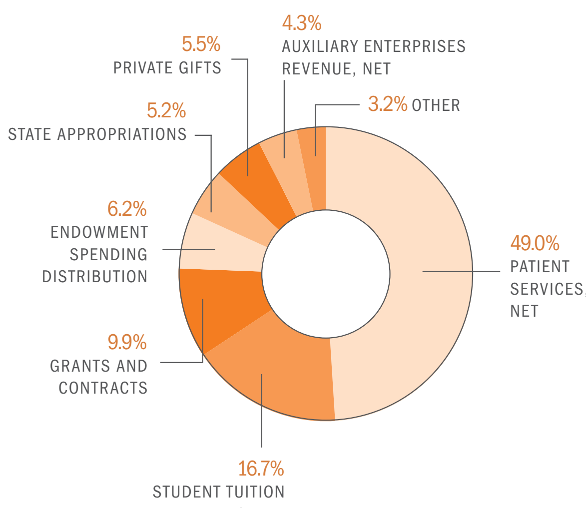
Net student tuition and fees revenue increased due to new programs, enrollment growth, and changes in tuition and fee rates. Tuition and fees revenue is reported net of scholarships and allowances provided from University sources. Net patient revenues are higher due to increased patient collections after write-offs. Grant and contract activity, including direct research and the recovery of indirect facilities and administrative costs, increased slightly in an environment of ongoing pressure and uncertainty at the federal level. The decrease in nonoperating revenues is attributable to the negative market return on the University's long-term investments.

REVENUES AND OTHER SOURCES OF OPERATIONAL FUNDING

To the right 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, 2016. 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. However, it is an important funding source for current operations and is included in the chart to the right to present a more accurate picture of the University's funding of current operations.

Patient services revenues are principally generated within the University's Medical Center under contractual arrangements with governmental payers and private insurers and accounted for nearly one-half of the University's revenues and operational funding sources. Patient services revenue increased approximately 5 percent in fiscal year 2016, primarily from growth in outpatient volume and higher acuity. As part of the Medical Center's Strategic Plan, there has been a focused effort to grow patient activity throughout central Virginia. The Medical Center continues to negotiate annual payment increases with managed care companies and receives annual payment updates from the Medicare program.

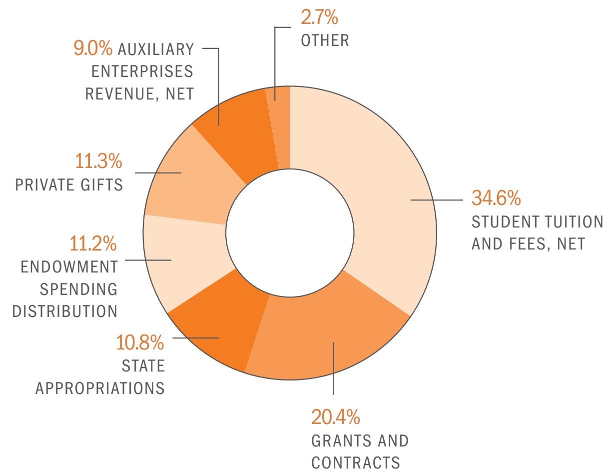
TOTAL UNIVERSITY REVENUES AND OTHER SOURCES OF OPERATIONAL FUNDING



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 accounts for just 5 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.

The University measures its performance both for the University as a whole and for the University without its Medical Center and other clinical activities. A clearer picture of the academic and research mission revenue stream emerges when the Medical Center's data are excluded, as presented 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 22.5 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



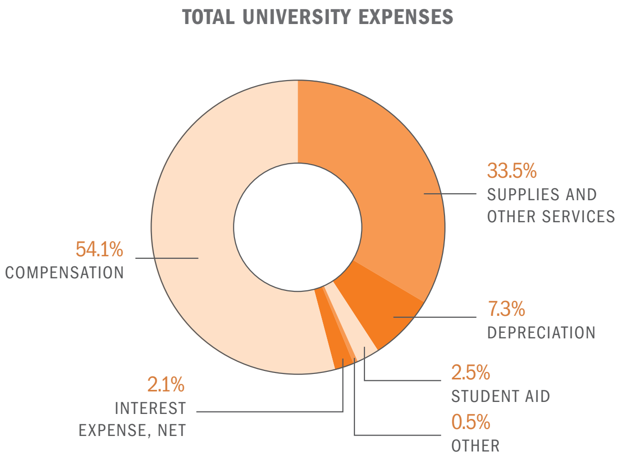
EXPENSES

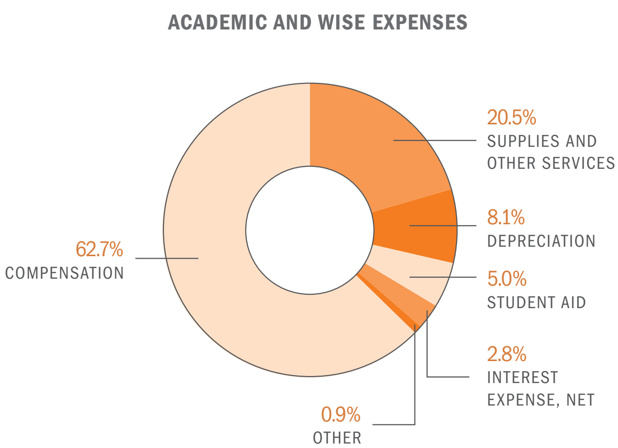
The University's expenses for the years ended June 30, 2016, and June 30, 2015, are summarized as follows:

SUMMARY OF EXPENSES *(in thousands)*	**2016**			**2015**			**TOTAL INSTITUTION INCREASE (DECREASE)**	
	ACADEMIC DIVISION & WISE	**MEDICAL CENTER**	**TOTAL INSTITUTION**	**ACADEMIC DIVISION & WISE**	**MEDICAL CENTER**	**TOTAL INSTITUTION**	**AMOUNT**	**PERCENT**
Operating expenses								
Compensation	$ 941,240	$ 680,281	$ 1,621,521	$ 913,887	$ 620,369	$ 1,534,256	$ 87,265	5.7%
Supplies and other services	308,351	695,969	1,004,320	301,690	648,216	949,906	54,414	5.7%
Student aid	75,808	-	75,808	74,527	-	74,527	1,281	1.7%
Depreciation	121,797	97,886	219,683	120,356	95,816	216,172	3,511	1.6%
Other operating expenses	4,141	-	4,141	3,544	-	3,544	597	16.8%
Total operating expenses	**1,451,337**	**1,474,136**	**2,925,473**	**1,414,004**	**1,364,401**	**2,778,405**	**147,068**	**5.3%**
Nonoperating expenses and other								
Interest expense (net of BAB rebate)	42,118	20,557	62,675	30,875	20,449	51,324	11,351	22.1%
Loss (gain) on capital assets	1,142	(13,032)	(11,890)	1,722	(150)	1,572	(13,462)	(856.4%)
Other nonoperating expense	7,985	15,319	23,304	9,461	25,792	35,253	(11,949)	(33.9%)
Total nonoperating expenses	**51,245**	**22,844**	**74,089**	**42,058**	**46,091**	**88,149**	**(14,060)**	**(16.0%)**
TOTAL EXPENSES	**$ 1,502,582**	**$ 1,496,980**	**$ 2,999,562**	**$ 1,456,062**	**$ 1,410,492**	**$ 2,866,554**	**$ 133,008**	**4.6%**

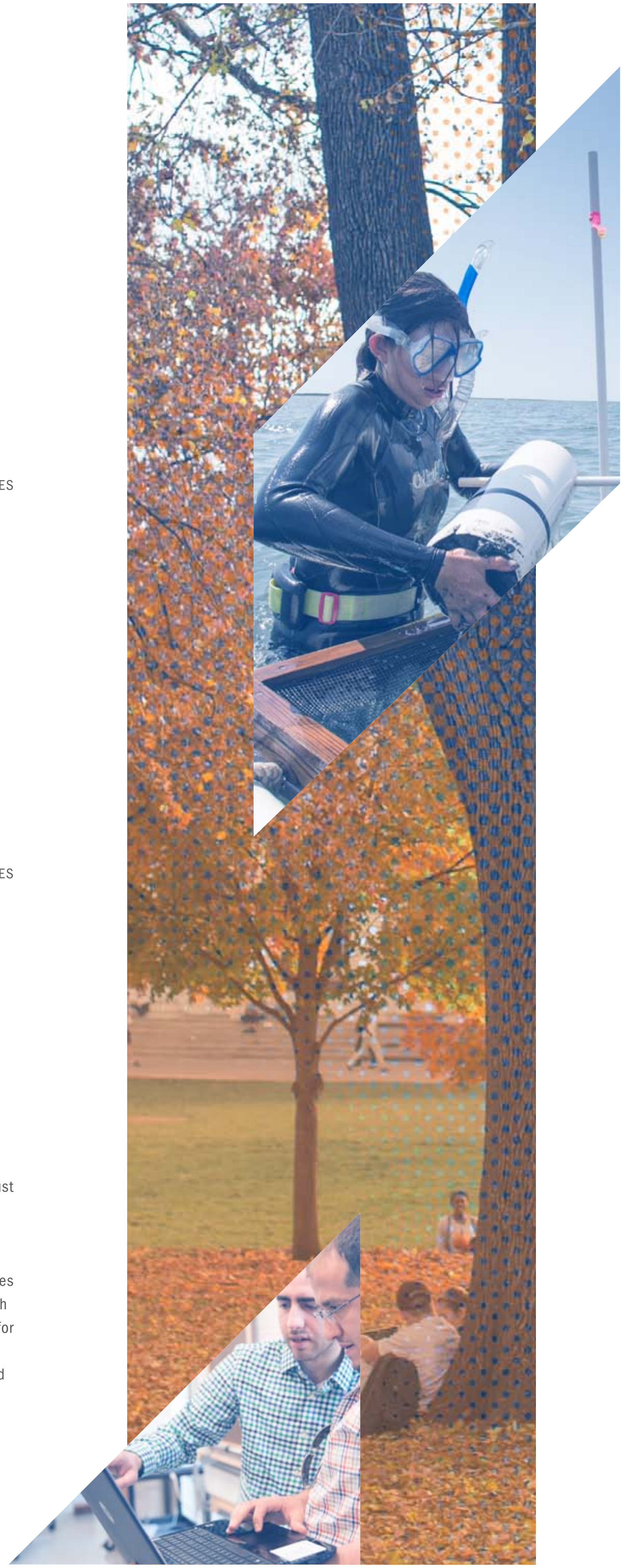
Increases in operating expenses are primarily driven by the Medical Center's $60 million increase and the Academic Division and Wise's $27 million increase in compensation and benefits. The University is committed to recruiting and retaining outstanding faculty and staff, and the compensation package is one way to successfully compete with peer institutions and nonacademic employers. The $54 million increase in supplies and other services is primarily related to the Medical Center's strategic initiatives, ongoing relationships with other health systems, contractual increases with pharmaceutical suppliers, the opening of new clinics and the continuing collaborative effort to increase staffing levels to meet patient demand.

The following are graphic illustrations of expenses (both operating and nonoperating) for the fiscal year ended June 30, 2016.





The first chart presents information for the total University, including the Medical Center, while the second chart 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 74 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.



FUTURE ECONOMIC OUTLOOK

The University of Virginia, as a public institution of higher education, faces many of the economic challenges facing the Commonwealth of Virginia and the nation. Higher education remains a focus of attention at the state and national levels, particularly in terms of access, affordability and student outcomes. Due to its diverse revenue base, strong endowment, broad and generous philanthropic support, and a commitment to organizational excellence, the University is well positioned to meet these challenges.

To address the challenges facing higher education, the Board of Visitors of the University endorsed the Cornerstone Plan, which sets out five pillars to serve as areas of strategic emphasis. Significant accomplishments have been achieved to date, with specific strategic priorities for 2016-17 that include: piloting a new general education curriculum in the College of Arts and Sciences; advancing information technology and high-performance computing to expand and support faculty research; continuing to expand student participation in study abroad and professional development programs for faculty and academic leadership; and investing in programs that enhance the University's academic and research standing.

The University's multi-year financial plan supports strategic priorities, serves as a framework for achieving new levels of excellence, and puts the University on a sustainable path to achieving its goals and realizing its vision for the 21st century. The guiding principles for the plan include:

- Keeping the University affordable and accessible
- Investing in our students, faculty and staff
- Pursuing targeted savings opportunities to ensure the highest and best use of resources
- Seeking solutions to provide the highest level of operational effectiveness
- Remaining good stewards of resources and maintaining our AAA bond rating

The plan effectively utilizes endowment spending, the strength of the balance sheet, an efficient debt structure, a commitment to philanthropy, targeted operational efficiencies, and a tuition and financial aid model to improve affordability and predictability.

Moody's Investors Service published its 2016 Outlook for U.S. Higher Education in December 2015, which indicated that moderate revenue growth is expected to support stability for the sector. Revenue streams from patient care, investment income, student charges and philanthropy are all expected to grow modestly. Research funding has bottomed out and is expected to increase modestly. Although state funding has been stable, recent negative revenue forecasts could adversely impact it going forward. Universities must pursue cost containment and efficiencies in order to manage constrained revenue growth. Balance sheet reserves have rebounded due to positive investment returns, providing some flexibility to manage through current investment volatility.

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 the University's financial outlook. Due to the uncertainty from the outcome of the federal elections, it is difficult to project the impact to higher education. On September 29th, President Obama signed a 10-week stopgap federal spending bill. Passing temporary legislation that funds the government through early December allows lawmakers to take Election Day outcomes into consideration as they decide how to proceed on fiscal year 2017 spending. Recently, the House Ways and Means Oversight Committee held hearings on college endowments and affordability and the rising costs of higher education and tax policy. It is expected that the public and policymakers will continue to raise questions about how institutions are using their endowments to help students and families meet college costs. With increased public scrutiny over rising sticker prices and student debt, a newly elected Congress could be eager to show voters that they are taking action as they work on tax reform and reauthorization of the Higher Education Act in 2017.

The University has a strong focus on these issues. Due to the strength of its financial resources, the University developed its Affordable Excellence program, a multi-dimensional model that ensures access and affordability to its diverse student body. UVA is one of only two public universities meeting 100 percent of demonstrated financial need for all students and is perennially ranked as one of the best values among public universities.

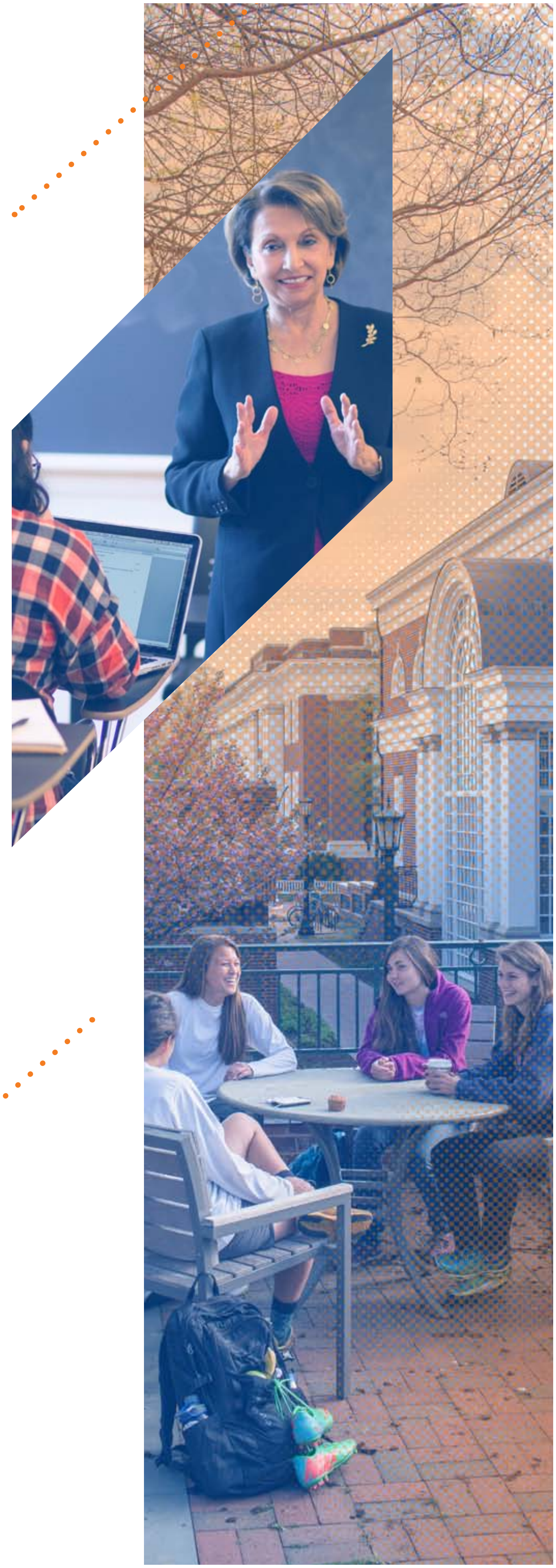
The Commonwealth is currently facing a budget shortfall, largely due to lower-than-expected revenue from payroll and sales taxes. Announced actions by the Commonwealth to address the current year's budget shortfall include canceling pay raises for state classified staff, trimming the state's payroll, implementing targeted budget reductions across state agencies and using the state's rainy day fund. The University will remit just over $5 million to the state related to the fiscal year 2017 adjustments. The impact to fiscal year 2018 will be clearer after the 2017 General Assembly session. The Commonwealth remains committed to diversifying the state economy and building a new Virginia economy with increased focus on job creation and business investments and less dependence on federal spending. While operating adjustments will be necessary to address the reduction in state support, the University is in a good position to weather the Commonwealth's budget shortfall in the long-term. This is due to the University's diverse revenue base and commitment to organizational efficiencies, as well as to the fact that state appropriations make up only 5 percent of the University's revenues and other sources of operational funding.

Although it is possible that the Federal Reserve will increase interest rates in the near-term, interest rates will likely stay low and fluctuate within a narrow range for some time to come. Due to the low interest rate environment and the University's high credit ratings, the University expects to be able to finance its investment in infrastructure at favorable terms over the next fiscal year.

The ongoing commitment to organizational excellence enables the University to pursue new, more effective and efficient ways to deliver services. Examples include the consolidated Gift Processing Services for the University and its foundations; enhanced ResearchUVA, a comprehensive, enterprise-wide system and process for proposal development, submission and award management; Ufirst, a multi-year transformational project that will deliver customer-centric Human Resources services across the Academic Division and Health System; and Strategic Sourcing, which has delivered significant realized annual cost savings.

The University's health system has continued to produce positive financial results. Medical Center volume growth is focused on high acuity patients and the clinical areas of cancer, the neurosciences, heart and vascular, and orthopedics. 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. The ongoing impact is expected to be decreased reimbursements from government payors despite increasing costs of medical delivery and an industry-wide erosion of pricing power with private payors.

UVA is not immune to the pressures facing higher education. However, due to its effective and attentive leadership, strong financial resources and commitment to its mission, the University is well positioned to meet the challenges it faces.



University of Virginia

Management Responsibility

November 10, 2016

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, 2016. 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. The 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, which 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 of 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, Compliance and Risk 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 S. Bianchetto
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 10, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit and Review Commission

Board of Visitors
The 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, 2016, 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 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, 2016, 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.

Emphasis of Matter

Correction of 2015 Financial Statements

As discussed in Note 1 of the accompanying financial statements, the fiscal year 2015 financial statements have been restated to correct a misstatement related to reporting for irrevocable split-interest agreements. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Summarized Comparative Information

We have previously audited the University of Virginia's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements in our report dated November 10, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 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 16, the Schedule of the University of Virginia's Share of Net Pension Liability, the Schedule of Employer Contributions, the Notes to Required Supplementary Information and the Funding Progress for Other Postemployment Benefit Plans on page 63 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 10, 2016, 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

AUDITOR OF PUBLIC ACCOUNTS

www.apa.virginia.gov | (804) 225-3350 | reports@apa.virginia.gov

UNIVERSITY OF VIRGINIA

STATEMENT OF NET POSITION *(in thousands)*

AS OF JUNE 30, 2016 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2015)

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 129,683	$ 580,128
Short-term investments (Note 2)	230,886	181,213
Appropriations available	5,320	5,257
Accounts receivable, net (Note 3a)	315,565	318,976
Prepaid expenses	28,907	30,900
Inventories	24,997	25,818
Notes receivable, net (Note 3b)	5,125	7,007
Total current assets	**740,483**	**1,149,299**
Noncurrent assets		
Cash and cash equivalents (Note 2)	11,680	10,100
Long-term investments (Note 2)	2,073,236	1,580,356
Endowment (Note 2)	4,117,446	4,374,764
Notes receivable, net (Note 3b)	34,675	34,202
Pledges and other receivables, net (Note 3c)	12,226	16,333
Derivative instruments (Note 6)	3,634	-
Capital assets – depreciable, net (Note 3d)	3,026,277	3,067,227
Capital assets – nondepreciable (Note 3d)	333,340	206,655
Goodwill (Note 3e)	9,673	12,678
Total noncurrent assets	**9,622,187**	**9,302,315**
Deferred outflows of resources (Note 3f)	**92,864**	**88,173**
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 10,455,534**	**$ 10,539,787**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 3g)	$ 303,312	$ 323,227
Unearned revenue (Note 3h)	100,273	86,057
Deposits held in custody for others	14,626	6,254
Commercial paper (Note 4)	153,045	50,645
Long-term debt – current portion (Note 5a)	6,558	7,563
Long-term liabilities – current portion (Note 5b)	78,284	91,326
Total current liabilities	**656,098**	**565,072**
Noncurrent liabilities		
Long-term debt (Note 5a)	1,352,333	1,365,312
Derivative instrument liability (Note 6)	43,042	29,521
Net pension liability (Note 11)	507,590	459,949
Other noncurrent liabilities (Note 5b)	199,932	163,360
Total noncurrent liabilities	**2,102,897**	**2,018,142**
Deferred inflows of resources (Note 3i)	**111,711**	**160,635**
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**$ 2,870,706**	**$ 2,743,849**
NET POSITION		
Net investment in capital assets	$ 1,880,320	$ 1,837,901
Restricted:		
Nonexpendable	624,646	608,894
Expendable	2,819,180	2,997,184
Unrestricted	2,260,682	2,351,959
TOTAL NET POSITION	**$ 7,584,828**	**$ 7,795,938**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	**$ 10,455,534**	**$ 10,539,787**

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

UNIVERSITY OF VIRGINIA

COMPONENT UNITS, COMBINED STATEMENT OF FINANCIAL POSITION *(in thousands)*

AS OF JUNE 30, 2016 (WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2015)

		2016		2015
ASSETS				
Current assets				
Cash and cash equivalents	$	75,697	$	73,384
Receivables		139,852		137,511
Other current assets		479,832		576,449
Total current assets		**695,381**		**787,344**
Noncurrent assets				
Pledges receivable, net of current portion of $35,712 and $39,099		55,330		55,932
Long-term investments		7,843,703		7,510,249
Capital assets, net of depreciation		357,146		361,836
Other noncurrent assets		34,209		52,481
Total noncurrent assets		**8,290,388**		**7,980,498**
TOTAL ASSETS	**$**	**8,985,769**	**$**	**8,767,842**
LIABILITIES AND NET ASSETS				
Current liabilities				
Assets held in trust for others	$	91,945	$	96,539
Other liabilities		154,134		189,560
Total current liabilities		**246,079**		**286,099**
Noncurrent liabilities				
Long-term debt, net of current portion of $27,318 and $15,118		222,607		240,441
Other noncurrent liabilities		6,735,682		6,383,370
Total noncurrent liabilities		**6,958,289**		**6,623,811**
TOTAL LIABILITIES	**$**	**7,204,368**	**$**	**6,909,910**
NET ASSETS				
Unrestricted	$	341,997	$	386,622
Temporarily restricted		751,715		809,676
Permanently restricted		687,689		661,634
TOTAL NET ASSETS	**$**	**1,781,401**	**$**	**1,857,932**
TOTAL LIABILITIES AND NET ASSETS	**$**	**8,985,769**	**$**	**8,767,842**

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

UNIVERSITY OF VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of $115,705 and $105,681)	$ 511,063	$ 491,027
Patient services (net of charity care of $3,470,187 and $3,196,694)	1,501,746	1,428,736
Federal grants and contracts	241,579	225,466
State and local grants and contracts	6,150	4,553
Nongovernmental grants and contracts	54,065	48,414
Sales and services of educational departments	27,748	26,309
Auxiliary enterprises revenue (net of scholarship allowances of $19,284 and $16,792)	132,583	129,855
Other operating revenues	53,728	58,976
TOTAL OPERATING REVENUES	**2,528,662**	**2,413,336**
EXPENSES		
Operating expenses (Note 9)		
Compensation and benefits	1,621,521	1,534,256
Supplies and other services	1,004,320	949,906
Student aid	75,808	74,527
Depreciation	219,683	216,172
Other	4,141	3,544
TOTAL OPERATING EXPENSES	**2,925,473**	**2,778,405**
OPERATING LOSS	**(396,811)**	**(365,069)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations (Note 10)	159,757	152,841
Gifts	168,521	171,705
Investment (loss) income	(112,633)	428,406
Pell grants	12,478	12,957
Interest on capital asset–related debt	(70,808)	(59,440)
Build America Bonds rebate	8,133	8,116
Gains (losses) on capital assets	11,890	(1,572)
Other net nonoperating expenses	(23,304)	(35,253)
NET NONOPERATING REVENUES	**154,034**	**677,760**
(LOSS) INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	**(242,777)**	**312,691**
Capital appropriations	32,555	37,907
Capital grants and gifts	24,187	19,676
Additions to permanent endowments	14,521	17,907
TOTAL OTHER REVENUES	**71,263**	**75,490**
(DECREASE) INCREASE IN NET POSITION	**(171,514)**	**388,181**
NET POSITION		
Net position — beginning of year	7,795,938	7,926,540
Net effect of prior period adjustments (Note 1)	(39,596)	(518,783)
NET POSITION — BEGINNING OF YEAR AS RESTATED	**7,756,342**	**7,407,757**
NET POSITION — END OF YEAR	**$ 7,584,828**	**$ 7,795,938**

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

UNIVERSITY OF VIRGINIA
COMPONENT UNITS, COMBINED STATEMENT OF ACTIVITIES *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
UNRESTRICTED REVENUES AND SUPPORT		
Contributions	$ 29,807	$ 29,613
Fees for services, rentals and sales	403,020	388,186
Investment loss	(7,145)	(8,229)
Net assets released from restriction	108,489	104,046
Other income	157,177	148,951
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**691,348**	**662,567**
EXPENSES		
Program services, lectures and special events	515,865	470,480
Scholarships and financial aid	73,241	73,936
Management and general	36,667	36,840
Other expenses	110,424	90,219
TOTAL EXPENSES	**736,197**	**671,475**
DEFICIENCY OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(44,849)**	**(8,908)**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	74,249	67,634
Investment and other (loss) income	(20,122)	90,741
Reclassification per donor stipulation	-	(186)
Net assets released from restriction	(111,865)	(104,331)
NET CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	**(57,738)**	**53,858**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS		
Contributions	25,501	27,469
Investment and other (loss) income	(2,821)	2,492
Reclassification per donor stipulation	-	(325)
Net assets released from restriction	3,376	285
NET CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**26,056**	**29,921**
CHANGE IN NET ASSETS	**(76,531)**	**74,871**
Net assets – beginning of year	1,857,932	1,661,586
Net effect of change in reporting entity	-	121,475
NET ASSETS – END OF YEAR	**$ 1,781,401**	**$ 1,857,932**

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

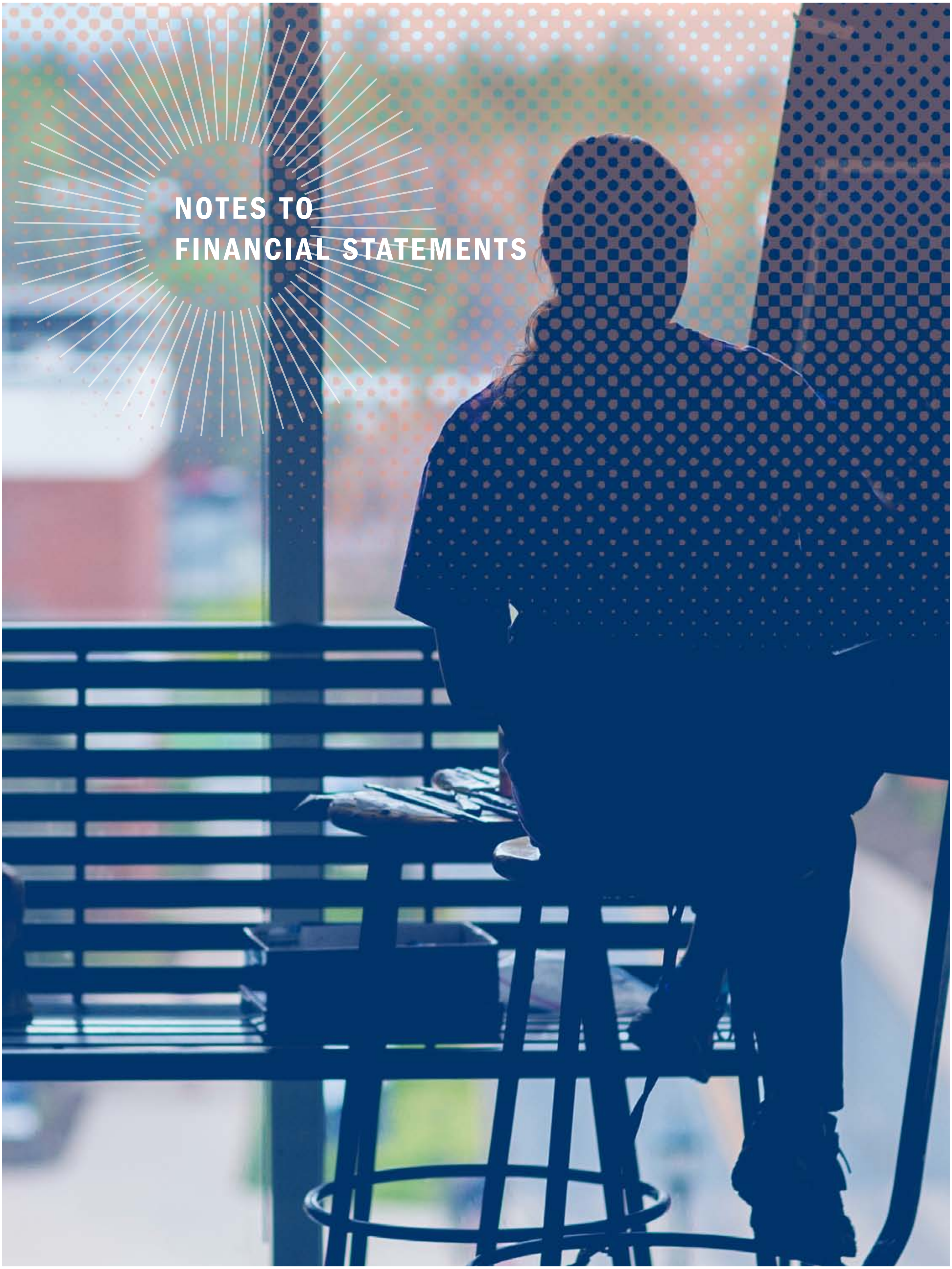
UNIVERSITY OF VIRGINIA
STATEMENT OF CASH FLOWS *(in thousands)*

FOR THE YEAR ENDED JUNE 30, 2016 (WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 513,187	$ 492,356
Grants and contracts	308,929	280,811
Patient services	1,442,817	1,420,743
Sales and services of educational activities	26,357	26,909
Sales and services of auxiliary enterprises	134,955	196,738
Payments to employees and fringe benefits	(1,616,893)	(1,517,469)
Payments to vendors and suppliers	(973,276)	(963,916)
Payments for scholarships and fellowships	(75,808)	(74,527)
Perkins and other loans issued to students	(17,609)	(19,485)
Collection of Perkins and other loans to students	18,277	19,262
Other receipts	60.364	40.209
NET CASH USED BY OPERATING ACTIVITIES	**(178,700)**	**(98,369)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	162,166	152,008
Additions to permanent endowments	14,521	17,907
Federal Direct Loan Program receipts	123,592	122,941
Federal Direct Loan Program payments	(123,592)	(122,941)
Pell grants	12,478	12,957
Deposits held in custody for others	8,499	(7,554)
Noncapital gifts and grants and endowments received	170,454	145,847
Proceeds from noncapital debt	25,000	-
Other net nonoperating expenses	40,902	(8,325)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**434,020**	**312,840**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	31,216	37,907
Capital gifts and grants received	24,321	20,969
Proceeds from capital debt	94,168	344,337
Proceeds from sale of capital assets	691	165,159
Acquisition and construction of capital assets	(393,406)	(473,804)
Principal paid on capital debt and leases	(45,176)	(320,153)
Interest paid on capital debt and leases	(61,821)	(47,435)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(350,007)**	**(273,020)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	375,377	352,981
Interest on investments	(2,442)	1,807
Purchase of investments and related fees	(665,249)	(390,921)
Other investment activities	(61,864)	48,877
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	**(354,178)**	**12,744**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(448,865)**	**(45,805)**
Cash and cash equivalents — beginning of year	590,228	636,033
CASH AND CASH EQUIVALENTS — END OF YEAR	**$ 141,363**	**$ 590,228**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (396,811)	$ (365,069)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	219,683	216,172
Pension expense	34,705	28,917
Provision for uncollectible loans and write-offs	699	220
Changes in assets and liabilities:		
Receivables, net	(42,809)	(25,533)
Inventories	983	(9,346)
Prepaid expenses	1,832	(2,015)
Notes receivable, net	708	216
Capital assets, net	2,173	-
Deferred outflows of resources	(44,930)	(38,279)
Accounts payable and accrued liabilities	26,925	15,799
Unearned revenue	11,916	5,650
Accrual for compensated absences	6,662	21,858
Net pension liability	47,641	-
Deferred inflows of resources	(48,077)	53,041
TOTAL ADJUSTMENTS	**218,111**	**266,700**
NET CASH USED BY OPERATING ACTIVITIES	**$ (178,700)**	**$ (98,369)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Assets acquired through assumption of a liability	$ 102,765	$ 5,906
Assets acquired through a gift	2,589	5,088
Change in fair value of investments	(99,481)	404,847
Increase in receivables related to nonoperating income	2,588	21,289
Gain (loss) on disposal of capital assets	11,890	(1,572)
Net loss on investments in affiliated companies	(2,319)	-

Certain 2015 amounts have been restated to conform to 2016 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 can 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 nine 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, 2016.

- University of Virginia Law School Foundation
- The College Foundation of the University of Virginia
- 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

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 follows.

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 **College Foundation of the University of Virginia (College Foundation)** was formed to further the purposes and aspirations of the College and Graduate School of Arts and Sciences (the College) of the University. It accomplishes its purposes through fundraising and funds management efforts to benefit the College, its programs and other areas of the University. For additional information, contact the College Foundation at P.O. Box 5527, Charlottesville, VA 22905.

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 Darden School Foundation at P.O. Box 400321, Charlottesville, VA 22904.

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 **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.

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, 2015. 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 nonprofit group practice health care provider organization designed to assist medical education through teaching and research within the academic environment of the Health System of the University. It also strives 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 4105 Lewis & Clark Drive, Charlottesville, VA 22911.

The **University of Virginia Investment Management Company (UVIMCO)** was established to provide investment management services to the University and University foundations. For additional information, contact UVIMCO at P.O. Box 400215, Charlottesville, VA 22904.

In July 2014, **UVA Global, LLC**, a 100 percent controlled subsidiary of the University, was organized to serve as the parent company to a wholly foreign-owned enterprise (the WFOE) in Shanghai, China. The purpose of UVA Global, LLC and its subsidiary, the WFOE, is to help promote and orchestrate the University's academic activities and operations in China in compliance with the legal structures permitted by the host country. Subsequently, an authorized representative has been appointed to act on behalf of the parent company and the University. UVA Global, LLC is a blended component of the University.

During the year ended June 30, 2015, the University consolidated the grants awarded to the Virginia Foundation for the Humanities resulting in a decrease to beginning net position of $353,894.

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.

FAIR VALUE MEASUREMENTS

The University follows the guidance in GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value and establishes guidelines and a framework for measuring fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University categorizes its fair value measurements within the fair value hierarchy established by Statement No. 72. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets as of the reporting date.

Level 2 – Inputs are observable, for example, for quoted prices for similar assets or liabilities in active markets or for identical assets or liabilities in inactive markets.

Level 3 – Inputs are unobservable, reflecting the assumptions of management and are significant to the fair value measurement.

The University establishes the fair value of its investments in investment funds that do not have a readily determinable fair value by using net asset value (NAV) per share (or its equivalent) as reported by the external fund manager when NAV per share is calculated as of the measurement date in a manner consistent with the FASB's measurement principles for investment companies. These investments are not reported in the fair value hierarchy.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

The University invests with UVIMCO and other asset managers. Investments are recorded at market value. 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.

Investments with UVIMCO are in the Short-Term Pool (STP) and the Long-Term Pool (LTP), which are unitized investment pools. The STP commingles LTP cash, certain UVIMCO funds and short-term funds of the University and the Foundations. The LTP commingles endowment, charitable trust and other funds of the University and the Foundations. Assets of the STP and LTP are pooled on a fair value basis in accordance with U.S. GAAP and unitized daily for the STP and monthly for the LTP. Deposits and withdrawals are processed weekly for the STP and monthly for the LTP. Each depositor subscribes to or disposes of units on the basis of the value per unit at fair value as of the trade date for the STP and as calculated on the last calendar day of the month in which a deposit or redemption request is received by UVIMCO for the LTP. LTP transactions are subject to the notification requirements and caps set forth in the deposit and management agreement between the University and UVIMCO. Under the agreement, an annual withdrawal cap exists equal to the sum of 10 percent of the previous fiscal year-end market value plus 10 percent of the current fiscal year's deposits. Additionally, the University is subject to a monthly withdrawal cap of the greater of three percent of its investment in the pool at the previous month-end or $15 million. Withdrawal requests in excess of an amount greater than one percent of its investment in the pool as of the previous month-end require 30 days' written notice. Withdrawal requests for lesser amounts must be received in writing on or before the trade date.

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.

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 standards, 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 potentially 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 acquisition value on the date of acquisition or, if donated, at the appraised value on the 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 on 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 and the College at Wise capitalize 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 nonbuilding 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. Net interest capitalized for the fiscal year ended June 30, 2016, was $740,439.

The estimated useful lives of capital assets are as follows:

ASSETS	YEARS
Buildings, improvements other than buildings and infrastructure	10-50
Equipment	3-20
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 by 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 assets applicable to a future reporting period and increase 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, 2016, all unused vacation leave, and the amount payable upon 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.

PENSIONS

The Virginia Retirement System (VRS) State Employee Retirement Plan and the Virginia Law Officers' System (VaLORS) Retirement Plan are single employer pension plans that are treated like cost-sharing plans for financial reporting purposes. For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the VRS State Employee Retirement Plan and the VaLORS Retirement Plan, and the additions to/deductions from the VRS State Employee Retirement Plan's and the VaLORS Retirement Plan's net fiduciary position, have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by VRS are reported at fair value.

IRREVOCABLE SPLIT-INTEREST AGREEMENTS

The University serves as the trustee for gift assets where there is a requirement that an annual distribution is made to specified beneficiaries. The University reports the fair value of the trust assets in long-term investments and a liability for the obligation to the beneficiaries in long-term liabilities with the difference between the asset and liability recognized as gift revenue. Changes in actuarial assumptions, revaluations of the present value of trust assets, adjustments to discount amortization, etc. are reflected in the Statement of Revenues, Expenses and Changes in Net Position in other nonoperating revenue or expenses. An adjustment to beginning net position was made in the amount of $39.6 million to record the University's obligation to beneficiaries as of June 30, 2015, which was not recognized in the financial statements in previous years.

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are an acquisition of assets that is applicable to a future reporting period and decrease net position similar to liabilities.

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, 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, 2015, 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 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 was effective for the University for the year ended June 30, 2015. Additionally, in November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, to address an issue regarding application of the transition provisions of Statement No. 68. The provisions of Statement No. 71 were effective simultaneously with the provisions of Statement No. 68. The effect of implementation of Statements No. 68 and No. 71 on the University's financial statements was a decrease to beginning net position of approximately $518.4 million.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. Statement No. 72 was effective for the University for the year ended June 30, 2016, and did not have a material impact to the University's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense. For defined benefit other postemployment benefits (OPEB), the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The University is currently assessing the impact that implementation of Statement No. 75 will have on its financial statements.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The Statement also establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Statement No. 79 was effective for the University for the year ended June 30, 2016, and did not have a material impact to the University's financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Statement No. 80 is effective for fiscal years beginning after June 15, 2016. The University is currently assessing the impact that implementation of Statement No. 80 will have on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts and life-interests in real estate. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. Statement No. 81 is effective for periods beginning after December 15, 2016, and should be applied retroactively. The University is currently assessing the impact that implementation of Statement No. 81 will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Statement No. 82 is effective for reporting periods beginning after June 30, 2016, and is not expected to have a material impact to the University's financial statements.

NOTE 2: CASH, CASH EQUIVALENTS, INVESTMENTS AND ENDOWMENT

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 significantly diminishes 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 $130.5 million on June 30, 2016.

CASH EQUIVALENTS

The University maintains an investment policy approved by the Board that governs its short-term investments. 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 STP, which may be processed weekly.

Restricted cash and cash equivalents totaled $11.6 million and $10.1 million on June 30, 2016, and 2015, 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 STP and 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 a very limited exposure to custodial credit risk as of June 30, 2016.

Interest Rate Risk results if changes in interest rates adversely affect the fair market value of an investment. The longer the duration of an investment, the greater the interest rate risks. Investments subject to interest rate risk at June 30, 2016, 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, 2016, 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, 2016, 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 five 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, 2016.

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

CREDIT QUALITY AND INTEREST RATE RISK *(in thousands)*	**FAIR VALUE**	**CREDIT RATING**	**INVESTMENT MATURITIES (IN YEARS)** LESS THAN 1 YEAR	1 - 5 YEARS	6 - 10 YEARS	GREATER THAN 10 YEARS
CASH AND CASH EQUIVALENTS						
Cash on hand	$ 289	Not Applicable	NA	NA	NA	NA
Cash deposits	140,557	Not Applicable	NA	NA	NA	NA
University of Virginia Aggregate Cash Pool	420	Not Applicable	420	–	–	–
State Non-Arbitrage Program	97	AAAm	97	–	–	–
TOTAL CASH AND CASH EQUIVALENTS	**$ 141,363**		**$ 517**	**–**	**–**	**–**
SHORT-TERM INVESTMENTS						
Cash deposits	$ 116	Not Applicable	$ NA	NA	NA	NA
UVIMCO STP	230,754	Not Rated	NA	NA	NA	NA
Other investments not subject to credit or interest rate risk	16	Not Applicable	NA	NA	NA	NA
TOTAL SHORT-TERM INVESTMENTS	**$ 230,886**		**$ –**	**–**	**–**	**–**
LONG-TERM INVESTMENTS						
UVIMCO LTP	$ 1,951,290	Not Rated	NA	NA	NA	NA
Other investments not subject to credit or interest rate risk	121,946	Not Applicable	NA	NA	NA	NA
TOTAL LONG-TERM INVESTMENTS	**$ 2,073,236**		**$ –**	**–**	**–**	**–**
ENDOWMENT						
Cash and cash equivalents	$ 2,173	Not Applicable	$ 2,173	–	–	–
UVIMCO LTP	4,069,196	Not Rated	NA	NA	NA	NA
Other investments not subject to credit or interest rate risk	12,932	Not Applicable	NA	NA	NA	NA
Demand notes due from related foundation, noninterest bearing	33,145	Not Rated	NA	NA	NA	NA
TOTAL ENDOWMENT	**$ 4,117,446**		**$ 2,173**	**–**	**–**	**–**

INVESTMENTS

UVIMCO administers and manages the majority of the University's investments in its unitized investment pools. From time to time, the University also invests its operating funds with a number of other asset managers. At June 30, 2016, the University's investment in the LTP and STP was $6.0 billion and $230.8 million, respectively, representing 95 percent of the University's invested assets. These pools are not rated by NRSROs.

UVIMCO's primary investment objective for the LTP is to maximize long-term real return commensurate with the risk tolerance of the University. To obtain this objective, UVIMCO actively manages the LTP in an attempt to achieve returns that consistently exceed the returns on a passively investable benchmark with similar asset allocation and risk. 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, growth equity, venture capital, real estate, resources, fixed income, 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 the LTP's exposure to these risks. The risks 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 funds and hedge funds, and managing the pace of commitments to private investments.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The University had the following recurring fair value measurements as of June 30, 2016:

INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE *(in thousands)*	BALANCE AT JUNE 30, 2016	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	INVESTMENTS MEASURED AT (NAV[1])	AMOUNTS NOT MEASURED AT FAIR VALUE
SHORT-TERM INVESTMENTS						
Cash deposits	$ 116	$ –	$ –	$ –	$ –	$ 116
UVIMCO STP	230,754	–	–	–	230,754	–
Equity securities	16	5	–	11	–	–
TOTAL SHORT-TERM INVESTMENTS	**$ 230,886**	**$ 5**	**$ –**	**$ 11**	**$ 230,754**	**$ 116**
LONG-TERM INVESTMENTS						
Life insurance contracts[2]	$ 3,907	$ –	$ –	$ –	$ –	$ 3,907
Investments in affiliates	118,034	–	–	–	–	118,034
Equity securities	5	–	–	5	–	-
UVIMCO LTP	1,951,290	–	–	–	1,951,290	–
TOTAL LONG-TERM INVESTMENTS	**$ 2,073,236**	**$ –**	**$ –**	**$ 5**	**$ 1,951,290**	**$ 121,941**
ENDOWMENT						
Cash and cash equivalents	$ 2,173	$ –	$ 1,482	$ –	$ –	$ 691
Equity securities	1,353	1,303	–	50	-	-
UVIMCO LTP	4,069,196	-	–	–	4,069,196	-
Exchange traded funds	11,579	11,579	–	–	-	-
Demand notes due from related foundation, noninterest bearing[3]	33,145	-	–	–	-	33,145
TOTAL ENDOWMENT	**$ 4,117,446**	**$ 12,882**	**$ 1,482**	**$ 50**	**$ 4,069,196**	**$ 33,836**
INVESTMENT DERIVATIVE INSTRUMENTS[4]						
Fixed-receiver interest rate swaps	$ 3,634	$ –	$ 3,634	$ –	$ –	$ –
Fixed-payer interest rate swaps	(43,042)	–	(43,042)	–	–	–
TOTAL INVESTMENT DERIVATIVE INSTRUMENTS	**$ (39,408)**	$ –	**$ (39,408)**	**$ –**	**$ –**	**$ –**

[1] Certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been categorized in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

[2] Investments in life insurance contracts are measured at cash surrender value.

[3] Demand notes due from related foundation, noninterest bearing, are measured at the carrying value.

[4] Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

The valuation method for investments measured at NAV per share or its equivalent is presented on the following table.

INVESTMENTS MEASURED AT NET ASSET VALUE (NAV) *(in thousands)*	**FAIR VALUE**	**UNFUNDED COMMITMENTS**	**REDEMPTION FREQUENCY (IF CURRENTLY ELIGIBLE)**	**REDEMPTION NOTICE PERIOD**
UVIMCO STP	$ 230,754	$ -	Weekly	2 days
UVIMCO LTP	6,020,486	-	Monthly	(a)
TOTAL INVESTMENTS MEASURED AT NAV	**$ 6,251,240**	**$ -**		

(a) Subject to the notification requirements and caps set forth in the deposit and management agreement between the University and UVIMCO as discussed in Note 1.

ENDOWMENT

The market value of the endowment on June 30, 2016, was $4.1 billion. 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 1.9 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 2016, the Board of Visitors authorized an additional 40 basis points be added to the fiscal year 2016 endowment spending distribution. This resulted in a spending distribution equal to 4.62 percent of the fiscal year 2014 ending market value, the measurement date. The fiscal year 2016 endowment spending distribution totaled $190.5 million, excluding agency funds.

For the year ended June 30, 2016, 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	$ (45,226)	$ (52,439)	$ (456)	$ (316)	$ (98,437)
Contributions to permanent endowments	14,521	-	-	-	14,521
Other gifts	-	-	6,419	-	6,419
Spending distribution	(89,344)	(101,172)	-	(787)	(191,303)
Transfers in (out)*	18,826	335	(7,792)	113	11,482
TOTAL CHANGE IN ENDOWMENT FUNDS	**$ (101,223)**	**$ (153,276)**	**$ (1,829)**	**$ (990)**	**$ (257,318)**

** 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, 2016, is summarized as follows:

ACCOUNTS RECEIVABLE *(in thousands)*	
Patient care	$ 647,060
Grants and contracts	36,175
Student payments	19,612
Pledges	3,141
Institutional loans	2,227
Build America Bonds rebate	910
Bond requisitions	30
Equipment Trust Fund reimbursement	14,208
Auxiliary	1,912
Related foundation	27,429
Service concession arrangements	10,093
Other	31,260
Less: Allowance for doubtful accounts	(478,492)
TOTAL ACCOUNTS RECEIVABLE	**$ 315,565**

b. Notes receivable: The principal repayment and interest rate terms of federal and University loans vary considerably. The allowance for doubtful accounts 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, 2016, is summarized as follows:

NOTES RECEIVABLE *(in thousands)*	
Perkins	$ 18,060
Nursing	1,188
Institutional	20,542
Fraternity loan	1,827
House Staff loan	3
Less: Allowance for doubtful accounts	(1,820)
Total notes receivable, net	**39,800**
Less: Current portion, net of allowance	(5,125)
TOTAL NONCURRENT NOTES RECEIVABLE	**$ 34,675**

c. Pledges and other receivables: 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 $8.5 million and $13.9 million at June 30, 2016, and June 30, 2015, 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 and other receivables at June 30, 2016, is summarized as follows:

PLEDGES AND OTHER RECEIVABLES *(in thousands)*	
PLEDGES AND OTHER RECEIVABLES OUTSTANDING	
Gift pledges — Operations	$ 4,430
Gift pledges — Capital	3,523
Service concession arrangements	20,543
Total pledges and other receivables outstanding	**28,496**
Less:	
Allowance for uncollectible amounts	(1,384)
Unamortized discount to present value	(2,562)
Total pledges and other receivables, net	**24,550**
Less: Current portion, net of allowance	(12,324)
TOTAL NONCURRENT PLEDGES AND OTHER RECEIVABLES	**$ 12,226**

d. Capital assets: The capital assets activity for the year ended June 30, 2016, is summarized as follows:

CAPITAL ASSETS *(in thousands)*	**BEGINNING BALANCE JULY 1, 2015**	**INCREASES**	**DECREASES**	**ENDING BALANCE JUNE 30, 2016**
NONDEPRECIABLE CAPITAL ASSETS				
Land	$ 56,353	$ 1,356	$ (507)	$ 57,202
Construction in progress	149,905	281,436	(159,142)	272,199
Software in development	397	4,080	(538)	3,939
TOTAL NONDEPRECIABLE CAPITAL ASSETS	**206,655**	**286,872**	**(160,187)**	**333,340**
DEPRECIABLE CAPITAL ASSETS				
Buildings	3,663,377	106,257	(3,094)	3,766,540
Equipment	933,266	67,511	(132,267)	868,510
Infrastructure	463,593	34,180	-	497,773
Improvements other than buildings	158,713	6,442	-	165,155
Capitalized software	174,928	7,321	(249)	182,000
Library books	123,424	896	(2,223)	122,097
Total depreciable capital assets	**5,517,301**	**222,607**	**(137,833)**	**5,602,075**
Less: Accumulated depreciation for:				
Buildings	(1,284,798)	(108,490)	2,249	(1,391,039)
Equipment	(621,261)	(65,838)	86,511	(600,588)
Infrastructure	(194,222)	(14,309)	21	(208,510)
Improvements other than buildings	(117,142)	(6,449)	–	(123,591)
Capitalized software	(128,944)	(15,983)	237	(144,690)
Library books	(103,707)	(3,721)	48	(107,380)
Total accumulated depreciation	**(2,450,074)**	**(214,790)**	**89,066**	**(2,575,798)**
TOTAL DEPRECIABLE CAPITAL ASSETS, NET	**3,067,227**	**7,817**	**(48,767)**	**3,026,277**
TOTAL CAPITAL ASSETS, NET	**$ 3,273,882**	**$ 294,689**	**$ (208,954)**	**$ 3,359,617**

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 on June 30, 2016, is summarized as follows:

DEFERRED OUTFLOWS OF RESOURCES *(in thousands)*	
Deferred loss on early retirement of debt	$ 41,495
Pension	51,369
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**$ 92,864**

g. Accounts payable and accrued liabilities: The composition of accounts payable on June 30, 2016, is summarized as follows:

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES *(in thousands)*	
Accounts payable	$ 77,274
Accrued salaries and wages payable	95,325
Due to related foundations	50,117
Other payables	80,596
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**$ 303,312**

h. Unearned revenue: The composition of unearned revenue on June 30, 2016, is summarized as follows:

UNEARNED REVENUE *(in thousands)*	
Grants and contracts	$ 59,746
Student payments	15,829
Medical Center unearned revenues	963
Other unearned revenues	23,735
TOTAL UNEARNED REVENUE	**$ 100,273**

i. Deferred inflows of resources: The composition of deferred inflows of resources on June 30, 2016, is summarized as follows:

DEFERRED INFLOWS OF RESOURCES *(in thousands)*	
Deferred gain on early retirement of debt	$ 533
Service concession arrangements	70,161
Pension	41,017
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ 111,711**

During the year ended June 30, 2015, the University entered into an agreement with Aramark Educational Services, LLC (Aramark) for Aramark to provide dining services to the University. In return for use of University facilities, Aramark is required to make certain payments to the University and the University is required to provide certain repair and maintenance services related to the facilities during the term of the agreement. In accordance with GASB requirements, as of June 30, 2016, the University has accrued a $18.5 million receivable, a $13.7 million liability and a $70.2 million deferred inflow of resources related to the service concession arrangement.

NOTE 4: SHORT-TERM DEBT

Short-term debt on June 30, 2016, is summarized as follows:

SHORT-TERM DEBT *(in thousands)*	**BEGINNING BALANCE JULY 1, 2015**	**ADDITIONS**	**REDUCTIONS**	**ENDING BALANCE JUNE 30, 2016**
COMMERCIAL PAPER				
Taxable	$ 12,745	$ 25,000	$ –	$ 37,745
Tax-exempt	37,900	77,400	–	115,300
TOTAL COMMERCIAL PAPER	**$ 50,645**	**$ 102,400**	**$ –**	**$ 153,045**

The University has a $300 million combined taxable and tax-exempt commercial paper program that is primarily used to bridge finance capital projects and, from time to time, fund operations. The Board approved the current commercial paper program limit of $300 million in April 2008. In fiscal year 2016, interest rates on commercial paper ranged from 0.01 to 0.48 percent.

NOTE 5: LONG-TERM OBLIGATIONS

a. Long-term debt: The composition of long-term debt at June 30, 2016, is summarized as follows:

LONG-TERM DEBT *(in thousands)*	INTEREST RATES	FINAL MATURITY	BEGINNING BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2016	CURRENT PORTION
BONDS AND NOTES PAYABLE							
Revenue bonds:							
University of Virginia Series 2008 (9d)	5.0%	2040	$ 231,365	$ -	$ -	$ 231,365	$ -
University of Virginia Series 2009 (9d)	4.18%*	2040	250,000	-	-	250,000	-
University of Virginia Series 2010 (9d)	3.37%**	2041	190,000	-	-	190,000	-
University of Virginia Series 2011 (9d)	4.0% to 5.0%	2033	69,190	-	2,550	66,640	2,655
University of Virginia Series 2013A (9d)	2.0% to 5.0%	2043	167,765	-	3,015	164,750	3,080
University of Virginia Series 2013B (9d)	5.0%	2037	61,595	-	-	61,595	-
University of Virginia Series 2015A-1 (9d)	4.0%	2045	86,995	-	-	86,995	-
University of Virginia Series 2015A-2 (9d)	3.57% to 5.0%	2045	97,735	-	-	97,735	-
University of Virginia Series 2015B (9d)	2.0% to 5.0%	2022	106,910	-	-	106,910	-
Commonwealth of Virginia bonds (9c)	3.8% to 9.3%	2021	4,348	-	1,799	2,549	612
Notes payable to VCBA 2007B (9d)	4.0% to 4.25%	2020	10,590	-	30	10,560	35
Notes payable to VCBA 2010B (9d)	2.0% to 5.0%	2021	3,435	-	-	3,435	-
Other	various	2029	2,761	-	168	2,593	176
TOTAL BONDS AND NOTES PAYABLE			**$ 1,282,689**	$ **-**	**$ 7,562**	**$ 1,275,127**	**$ 6,558**
Less: Current portion of debt			(7,563)	-	(1,005)	(6,558)	
Bond premium			90,186	-	6,422	83,764	
NET LONG-TERM DEBT			**$ 1,365,312**	$ **-**	**$ 12,979**	**$ 1,352,333**	

** The University of Virginia Series 2009 (9d) revenue bonds are Build America Bonds, issued at 6.2 percent. 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 percent. 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 4.18 percent.*

*** The University of Virginia Series 2010 (9d) revenue bonds are Build America Bonds, issued at five percent. 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 percent. 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 3.37 percent.*

The University of Virginia has three revolving credit agreements from three different banks in the aggregate amount of $200 million to provide liquidity for its variable rate debt obligations. There were no advances outstanding under these credit agreements as of June 30, 2016.

The University entered into $300 million of operating lines of credit in January 2016 from four different banks to provide liquidity for operating expenses. There were no advances outstanding under these credit agreements as of June 30, 2016.

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
2017*	$ 6,558	$ 64,665	$ (8,155)	$ 56,510
2018	10,333	64,359	(8,155)	56,204
2019	9,581	63,965	(8,155)	55,810
2020	9,656	63,520	(8,155)	55,365
2021	9,889	63,057	(8,155)	54,902
2022-26	135,896	287,353	(40,775)	246,578
2027-31	28,131	278,275	(40,775)	237,500
2032-36	83,690	270,482	(40,775)	229,707
2037-41	709,310	195,505	(31,641)	163,864
2042-46	272,083	40,486	-	40,486
TOTAL	**$ 1,275,127**	**$ 1,391,667**	**$ (194,741)**	**$ 1,196,926**

** FY2016 represents a 7.3 percent reduction in the credit interest payment for September 1, 2015, and a 6.8 percent reduction in the credit interest payment for March 1, 2016. The 6.8 percent 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. As of June 30, 2016, prior years' in-substance defeased bonds and notes had no outstanding balances.

b. Long-term liabilities: The composition of long-term liabilities at June 30, 2016, is summarized as follows:

LONG-TERM LIABILITIES (in thousands)	BEGINNING BALANCE JULY 1, 2015	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2016
Investments held for related entities	$ 17,705	$ 1,534	$ 2,528	$ 16,711
Accrual for compensated absences	74,311	118,806	115,696	77,421
Perkins loan program	12,563	-	-	12,563
Investment in Culpeper Regional Hospital	49,954	11,990	16,944	45,000
Other postemployment benefits	47,205	8,535	-	55,740
Irrevocable split-interest agreements*	39,596	-	1,330	38,266
Service concession arrangement	13,459	280	-	13,739
Other	39,489	10,742	31,455	18,776
Total	**294,282**	**151,887**	**167,953**	**278,216**
Less: Current portion of long-term liabilities	(91,326)	13,042	-	(78,284)
NET LONG-TERM LIABILITIES	**$ 202,956**	**$ 164,929**	**$ 167,953**	**$ 199,932**

** Beginning balance was adjusted for the impact of a prior period restatement. See Note 1.*

NOTE 6: DERIVATIVES

The University recognizes all derivative instruments as either assets or liabilities on the Statement of Net Position at their respective fair values. Changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the Statement of Net Position. Changes in fair values of investment derivative instruments, including derivative instruments that are determined to be ineffective, are reported as investment income on the Statement of Revenues, Expenses and Changes in Net Position. On June 30, 2016, the University held the following derivative instruments:

(in thousands)						
EFFECTIVE DATE	**MATURITY DATE**	**RATE PAID**	**RATE RECEIVED**	**NOTIONAL AMOUNT**	**FAIR VALUE ASSET (LIABILITY)**	**CHANGE IN FAIR VALUE**
INVESTMENT DERIVATIVE INSTRUMENTS — FIXED-RECEIVER INTEREST RATE SWAPS:						
4/8/2015	8/1/2021	SIFMA*	1.20%	$ 64,000	$ 1,810	$ 2,134
4/8/2015	8/1/2021	SIFMA*	1.20%	64,000	1,824	2,148
INVESTMENT DERVIATIVE INSTRUMENTS — FIXED-PAYER INTEREST RATE SWAPS:						
6/1/2008	6/1/2038	4.15%	SIFMA*	50,000	(21,878)	(7,061)
6/1/2008	6/1/2038	4.07%	SIFMA*	50,000	(21,164)	(7,108)
TOTAL				**$ 228,000**	**$ (39,408)**	**$ (9,887)**

*Securities Industry and Financial Markets Municipal Swap Index

The fair value of the interest rate swaps was determined by using the quoted SIFMA index curve at the time of market valuation. The fixed-payer swaps were established as cash flow hedges to provide a hedge against changes in interest rates on a similar amount of the University's debt. As of June 30, 2015, the University's fixed-receiver swaps were identified as hedges to its fixed-rate Series 2015B bonds maturing in August, 2021. The swaps were re-evaluated as of June 30, 2016, and determined to no longer be effective hedges. The deferred outflow balance of $648,468 was reported within investment income upon reclassification. During the year ended June 30, 2015, the University refunded the associated variable-rate debt for the fixed-payer swaps. As such, the fixed-payer interest rate swaps are no longer effective hedges. In accordance with GASB standards, the University terminated hedge accounting for both the fixed-receiver and fixed-payer swaps. Subsequent changes in fair value are reported as investment income in the Statement of Revenues, Expenses and Changes in Net Position.

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 was for a notional amount of $50 million and expired on February 1, 2016. The University was not required to provide limited financial support prior to expiration of the arrangement.

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. As of June 30, 2016, the University's swap counterparties were rated at least AA- from Standard & Poor's or Aa2 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, 2016, no collateral was required to be posted by the counterparties.

Interest rate risk for the University's hedges is the risk that an unexpected change in interest rates will negatively affect the collective value of a hedge and a hedged item. The hedges and the hedged items are subject to interest rate risk in that a change in interest rates will impact the market value of the hedges and hedged items. Conversely, the collective effect of changes in interest rates on the hedges and the hedged items serves to reduce overall cash flow or market value variability among these items. See Note 2 for additional interest rate risk disclosures related to the University's investment derivative instruments.

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.

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.

NOTE 7: AFFILIATED COMPANIES

CULPEPER REGIONAL HOSPITAL / NOVANT HEALTH UNIVERSITY OF VIRGINIA HEALTH SYSTEM

Culpeper Regional Hospital is a 60-bed community hospital providing primary care, as well as specialty services in orthopedics, cardiology and cancer. 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 used the equity method of consolidation to reflect the Medical Center's investment in Culpeper Regional Hospital until September 30, 2014.

On October 1, 2014, the Medical Center acquired the remaining 51 percent of Culpeper Regional Hospital for $45.0 million, providing Culpeper and surrounding communities a new level of care that includes expanded services and greater access to specialty providers. Effective October 1, 2014, the Medical Center accounted for Culpeper Regional Hospital using the consolidation method of accounting.

On December 31, 2015, the Medical Center entered into a joint operating agreement with Novant Health to form a new joint operating company named, Novant Health University of Virginia Health System (Novant). As part of the agreement, the Medical Center contributed Culpeper Regional Hospital to the joint operating company for a 40 percent investment in the new joint operating company, recognizing a $12.9 million gain as a result of the transfer. Effective January 1, 2016, the Medical Center used the equity method of consolidation in order to reflect the Medical Center's investment in the joint operating company.

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, 2015, the Medical Center's investment totaled $500,000. Valiance Health, LLC has been dissolved pending receipt of the final dissolution settlement.

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, Sections 1382–1388, of the Internal Revenue Code. As such, UHC's bylaws provide for distributions of patronage dividends to its patrons based on the value of business done with or for each patron by UHC. The Medical Center records its 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 by the Medical Center using the equity method of accounting.

VALLEY REGIONAL HEALTH / MARY WASHINGTON HOSPITAL / UNIVERSITY OF VIRGINIA RADIOSURGERY CENTER, LLC

The Medical Center has entered into 10 percent minority interest partnerships with Winchester Medical Center and Mary Washington Hospital. Winchester Medical Center and Mary Washington Hospital have expanded their cancer programs with the addition of stereotactic radiosurgery (SRS) and stereotactic body radiotherapy (SBRT), offered in partnership with the Medical Center. By collaborating with nationally recognized leaders in SRS, this advanced non-surgical technology is available to patients who would have otherwise had to travel to receive care.

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.

During the May 2014 Board Meeting for HealthCare Partners, Inc., a resolution was passed for HealthCare Partners to acquire a 15 percent membership interest in BroadAxe Care Coordination, LLC., without imposing any obligations on the part of the UPG, for $599,925. On October 30, 2015, this transaction was processed, and is considered an equity contribution by the Medical Center and HealthCare Partners. BroadAxe, also known as Locus-Health Broad Axe, is a remote patient monitoring system used by the Medical Center to manage reduction with readmissions.

Details of the University's net investment in affiliated companies accounted for using the equity method of accounting as of June 30, 2016, is summarized below:

INVESTMENT IN AFFILIATED COMPANIES *(in thousands)*	**CAPITAL CONTRIBUTIONS**	**SHARE OF ACCUMULATED INCOME (LOSS)**	**NET INVESTMENT**
Central Virginia Health Network, Inc.	$ 233	$ (41)	$ 192
HEALTHSOUTH, LLC	-	15,988	15,988
Valiance Health, LLC	-	249	249
University Health System Consortium	-	4,087	4,087
PACE	245	(368)	(123)
Valley Regional Health	-	5	5
Novant	94,041	(5,622)	88,419

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, 2016*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	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	**$ 3,711**	**$ 20,675**	**$ 25,406**	**$ 51,857**	**$ 15,537**	**$ 22,187**	**$ 5,890**	**$ 135,865**	**$ 414,253**	**$ –**	**$ 695,381**
Noncurrent assets											
Long-term investments	442,041	90,321	297,774	254,415	302,092	69,241	90,848	223,991	7,482,717	(1,409,737)	7,843,703
Capital assets, net and other assets	20,788	22,317	67,731	10,802	32,009	16,375	235,886	40,132	645	–	446,685
Total noncurrent assets	**462,829**	**112,638**	**365,505**	**265,217**	**334,101**	**85,616**	**326,734**	**264,123**	**7,483,362**	**(1,409,737)**	**8,290,388**
TOTAL ASSETS	**$ 466,540**	**$ 133,313**	**$ 390,911**	**$ 317,074**	**$ 349,638**	**$ 107,803**	**$ 332,624**	**$ 399,988**	**$ 7,897,615**	**$ (1,409,737)**	**$ 8,985,769**
LIABILITIES AND NET ASSETS											
Current liabilities											
Total current liabilities	**$ 570**	**$ 668**	**$ 7,326**	**$ 93,443**	**$ 10,211**	**$ 1,526**	**$ 14,355**	**$ 113,255**	**$ 4,725**	**$ –**	**$ 246,079**
Noncurrent liabilities											
Long-term debt, net of current portion of $27,318	–	–	11,405	–	22,500	–	181,077	7,625	–	–	222,607
Other noncurrent liabilities	502	–	–	2,660	25,686	–	29,504	210,612	7,876,455	(1,409,737)	6,735,682
Total noncurrent liabilities	**502**	**–**	**11,405**	**2,660**	**48,186**	**–**	**210,581**	**218,237**	**7,876,455**	**(1,409,737)**	**6,958,289**
TOTAL LIABILITIES	**$ 1,072**	**$ 668**	**$ 18,731**	**$ 96,103**	**$ 58,397**	**$ 1,526**	**$ 224,936**	**$ 331,492**	**$ 7,881,180**	**$ (1,409,737)**	**$ 7,204,368**
NET ASSETS											
Unrestricted	$ 64,631	$ 2,215	$ 92,864	$ 66,464	$ (21,945)	$ 29,285	$ 23,552	$ 68,496	$ 16,435	$ –	$ 341,997
Temporarily restricted	244,423	54,252	129,367	93,044	123,314	37,955	69,360	–	–	–	751,715
Permanently restricted	156,414	76,178	149,949	61,463	189,872	39,037	14,776	–	–	–	687,689
TOTAL NET ASSETS	**$ 465,468**	**$ 132,645**	**$ 372,180**	**$ 220,971**	**$ 291,241**	**$ 106,277**	**$ 107,688**	**$ 68,496**	**$ 16,435**	**$ –**	**$ 1,781,401**
TOTAL LIABILITIES AND NET ASSETS	**$ 466,450**	**$ 133,313**	**$ 390,911**	**$ 317,074**	**$ 349,638**	**$ 107,803**	**$ 332,624**	**$ 399,988**	**$ 7,897,615**	**$ (1,409,737)**	**$ 8,985,769**

** December 31, 2015, year-end*

STATEMENT OF ACTIVITIES *(in thousands)* *for the year ended June 30, 2016*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	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	$ 3,890	$ 5,516	$ 5,533	$ 809	$ 204	$ 13,855	$ -	$ -	$ -	$ 29,807
Fees for services, rentals, and sales	-	-	25,954	3,154	-	1,000	47,452	304,496	20,964	403,020
Other income (loss)	14,393	14,445	12,721	40,872	10,326	13,378	2,953	149,507	(74)	258,521
TOTAL UNRESTRICTED REVENUES AND SUPPORT	**18,283**	**19,961**	**44,208**	**44,835**	**10,530**	**28,233**	**50,405**	**454,003**	**20,890**	**691,348**
EXPENSES										
Program services, lectures, and special events	15,176	19,095	41,103	45,922	14,672	28,099	28,907	381,691	14,441	589,106
Other expenses	4,408	1,235	7,014	2,319	1,256	3,369	23,314	100,754	3,422	147,091
TOTAL EXPENSES	**19,584**	**20,330**	**48,117**	**48,241**	**15,928**	**31,468**	**52,221**	**482,445**	**17,863**	**736,197**
EXCESS (DEFICIENCY) OF UNRESTRICTED REVENUES AND SUPPORT OVER EXPENSES	**(1,301)**	**(369)**	**(3,909)**	**(3,406)**	**(5,398)**	**(3,235)**	**(1,816)**	**(28,442)**	**3,027**	**(44,849)**
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS										
Contributions	3,395	8,071	2,817	38,266	6,417	15,283	-	-	-	74,249
Other	(27,481)	(15,288)	(18,386)	(39,915)	(18,080)	(9,614)	(3,223)	-	-	(131,987)
NET CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**(24,086)**	**(7,217)**	**(15,569)**	**(1,649)**	**(11,663)**	**5,669**	**(3,223)**	**-**	**-**	**(57,738)**
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS										
Contributions	7,820	3,661	3,004	3,645	5,975	1,396	-	-	-	25,501
Other	2,820	(346)	-	(687)	(1,151)	(81)	-	-	-	555
NET CHANGE IN PERMANENTLY RESTRICTED NET ASSETS	**10,640**	**3,315**	**3,004**	**2,958**	**4,824**	**1,315**	**-**	**-**	**-**	**26,056**
CHANGE IN NET ASSETS	**(14,747)**	**(4,271)**	**(16,474)**	**(2,097)**	**(12,237)**	**3,749**	**(5,039)**	**(28,442)**	**3,027**	**(76,531)**
Net assets — beginning of year	480,215	136,916	388,654	223,068	303,478	102,528	112,727	96,938	13,408	1,857,932
NET ASSETS — END OF YEAR	**$ 465,468**	**$ 132,645**	**$ 372,180**	**$ 220,971**	**$ 291,241**	**$ 106,277**	**$ 107,688**	**$ 68,496**	**$ 16,435**	**$ 1,781,401**

** December 31, 2015, year-end*

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the University determined that the **College Foundation** should be included in the financial reporting entity as a component unit for the year ended June 30, 2015, due to the nature and significance of its relationship with the University, including its ongoing financial support of the University. The effect of including the College Foundation as a component unit was an increase of approximately $121.5 million to beginning net assets on the Component Units Combined Statement of Activities for the year ended June 30, 2015.

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, 2016, are as follows:

PLEDGES RECEIVABLE *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	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	**$ 6,563**	**$ 36,653**	**$ 14,189**	**$ 9,716**	**$ 14,475**	**$ 25,717**	**$ 107,313**
Less:							
Allowance for uncollectible accounts	(467)	(4,001)	(1,418)	(922)	(743)	(1,860)	(9,411)
Unamortized discount to present value	(111)	(4,402)	(1,368)	(270)	(479)	(230)	(6,860)
Total pledges receivable, net	**5,985**	**28,250**	**11,403**	**8,524**	**13,253**	**23,627**	**91,042**
Less: Current portion, net of allowance	(3,535)	(10,447)	(5,120)	(1,842)	(6,223)	(8,545)	(35,712)
TOTAL NONCURRENT PLEDGES RECEIVABLE	**$ 2,450**	**$ 17,803**	**$ 6,283**	**$ 6,682**	**$ 7,030**	**$ 15,082**	**$ 55,330**

* December 31, 2015, year-end

The **Law School Foundation** has received bequest intentions and certain other conditional promises to give of approximately $5.2 million as of June 30, 2016. 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 on June 30, 2016, for the component units are as follows:

SUMMARY SCHEDULE OF INVESTMENTS *(in thousands)*	UNIVERSITY OF VIRGINIA LAW SCHOOL FOUNDATION	THE COLLEGE FOUNDATION OF THE UNIVERSITY OF VIRGINIA	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	$ 149	$ -	$ 9,467	$ 23,185	$ 4,924	$ -	$ -	$ 95,914	$ 4,545,950	$ -	$ 4,679,589
University of Virginia Investment Management Company	297,905	90,321	271,410	241,387	272,958	68,857	85,713	81,186	-	(1,409,737)	-
Mutual and money market funds	59,562	956	25,822	1,719	4	-	890	40,861	87,861	-	217,675
Other	84,425	-	-	16,989	24,206	384	5,842	10,999	3,258,158	-	3,401,003
Total investments	**442,041**	**91,277**	**306,699**	**283,280**	**302,092**	**69,241**	**92,445**	**228,960**	**7,891,969**	**(1,409,737)**	**8,298,267**
Less: Amounts shown in current assets	-	(956)	(8,925)	(28,865)	-	-	(1,597)	(4,969)	(409,252)	-	(454,564)
LONG-TERM INVESTMENTS	**$ 442,041**	**$ 90,321**	**$ 297,774**	**$ 254,415**	**$ 302,092**	**$ 69,241**	**$ 90,848**	**$ 223,991**	**$ 7,482,717**	**$ (1,409,737)**	**$ 7,843,703**

* December 31, 2015, year-end

UVIMCO has investments in limited partnership hedge funds, private equity, 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 $5.7 billion (75 percent of investments held for others) on June 30, 2016. 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, 2016, capital assets consisted of the following:

CAPITAL ASSETS *(in thousands)*	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	$ -	$ 633	$ 2,879	$ -	$ 79,454	$ 2,121	$ -	$ 85,239
Buildings and improvements	914	105,033	7,101	19,873	-	248,340	45,594	1,567	428,422
Furnishings and equipment	349	1,699	1,859	1,354	68	23,105	22,968	1,338	52,740
Collections	-	101	-	41	-	-	-	-	142
Construction in progress	-	179	-	109	-	-	5,756	-	6,044
Total	**1,415**	**107,012**	**9,593**	**24,256**	**68**	**350,899**	**76,439**	**2,905**	**572,587**
Less: Accumulated depreciation	(301)	(46,428)	(5,575)	(4,922)	(55)	(118,197)	(37,703)	(2,260)	(215,441)
NET CAPITAL ASSETS	**$ 1,114**	**$ 60,584**	**$ 4,018**	**$ 19,334**	**$ 13**	**$ 232,702**	**$ 38,736**	**$ 645**	**$ 357,146**

** December 31, 2015, year-end*

LONG-TERM DEBT

UVAF had the following lines of credit outstanding on June 30, 2016:

LINES OF CREDIT *(in thousands)*	**AVAILABLE**	**OUTSTANDING BALANCE**
Wells Fargo Bank, N.A.	$ 34,000	$ 16,450
Bank of America, N.A.	40,000	25,080
U.S. Bank, N.A.	25,000	5,000
TOTAL	**$ 99,000**	**$ 46,530**

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, 2016, UVAF had borrowed $33.1 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 on June 30, 2016, is summarized as follows:

LONG-TERM DEBT *(in thousands)*	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	$ 13,812	$ -	$ -	$ -	$ 13,812
Notes payable SunTrust Bank	-	4,500	-	-	4,500
Notes payable Bank of America	-	-	24,475	-	24,475
Recovery Zone Facility Bond	-	-	9,005	-	9,005
1997 Industrial Development Authority revenue bonds — Louisa	-	-	2,610	-	2,610
1998 Refunding bonds	-	-	-	4,520	4,520
2000 Industrial Development Authority revenue bonds — Louisa	-	-	-	3,800	3,800
2001 Refinancing demand bonds	-	-	28,905	-	28,905
2004 Refinancing note payable	-	-	7,280	-	7,280
2009 Economic Development Authority revenue bonds — Albemarle	-	-	-	20,325	20,325
2011 Refinancing demand bonds	-	18,000	33,018	-	51,018
Notes payable University of Virginia	-	-	33,145	-	33,145
Lines of credit	-	-	46,530	-	46,530
Total	**13,812**	**22,500**	**184,968**	**28,645**	**249,925**
Less: Current portion	(2,407)	-	(3,891)	(21,020)	(27,318)
NET LONG-TERM DEBT	**$ 11,405**	**$ 22,500**	**$ 181,077**	**$ 7,625**	**$ 222,607**

Principal maturities of long-term debt obligations on June 30, 2016, are as follows:

MATURITIES *(in thousands)*	UNIVERSITY OF VIRGINIA DARDEN SCHOOL FOUNDATION	JEFFERSON SCHOLARS FOUNDATION	UNIVERSITY OF VIRGINIA FOUNDATION	UNIVERSITY OF VIRGINIA PHYSICIANS GROUP	COMPONENT UNITS TOTAL
2017	$ 2,407	$ -	$ 3,891	$ 21,020	$ 27,318
2018	2,727	-	57,913	740	61,380
2019	2,840	-	4,832	785	8,457
2020	2,958	-	25,715	820	29,493
2021	2,880	-	2,598	870	6,348
Thereafter	-	22,500	90,019	4,410	116,929
TOTAL	**$ 13,812**	**$ 22,500**	**$ 184,968**	**$ 28,645**	**$ 249,925**

SIGNIFICANT TRANSACTIONS WITH THE UNIVERSITY

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

The University has entered into agreements with the **Darden School Foundation** in which the University has committed to reimburse the Darden School Foundation for any defaults the Darden School Foundation is required to pay under its student loan guarantee programs with three banks. As of June 30, 2016, there were outstanding student loan balances under the program of approximately $27.4 million. At the inception of the agreements with the banks, origination fees were used to fund reserve accounts that are to be used to cover subsequent student loan defaults. As of June 30, 2016, the reserve account balances totaled $760,763. No payments have been made to the Darden School Foundation related to student loan guarantee program defaults.

Direct payments to the University from the **Alumni Association** for the year ended June 30, 2016, totaled $1.7 million. This amount includes gift transfers, payment for facilities and services, and other support for University activities.

UPG has contracted with the University to provide certain professional and technical services. Payments received for these services were approximately $80.3 million for the year ended June 30, 2016. Approximately $10.0 million of the fiscal year payments were provided through the Medical Center for the purpose of treating indigent and Medicaid patients. UPG contributed approximately $28.2 million to the University in support of various academic programs, equipment, teaching and research for the year ended June 30, 2016.

NOTE 9: EXPENSE CLASSIFICATION MATRIX

The composition of the University's operating expenses by functional classification for the year ended June 30, 2016, is as follows:

OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION *(in thousands)*	COMPENSATION AND BENEFITS	SUPPLIES, UTILITIES, AND OTHER SERVICES	STUDENT AID	DEPRECIATION	OTHER	TOTAL
Instruction	$ 355,200	$ 37,009	$ 3,956	$ -	$ 1,372	$ 397,537
Research	182,828	92,878	16,521	-	613	292,840
Public service	27,084	22,008	591	-	615	50,298
Academic support	110,870	34,626	342	-	227	146,065
Student services	32,260	11,369	259	-	177	44,065
Institutional support	72,940	37,796	66	-	283	111,085
Operation of plant	80,109	7,563	3	-	144	87,819
Student aid	1,005	3,942	53,780	-	122	58,849
Auxiliary	77,375	83,083	290	-	587	161,335
Depreciation	-	-	-	121,797	-	121,797
Patient services	680,281	695,969	-	97,886	-	1,474,136
Other	1,569	(1,821)	-	-	1	(251)
Central services recoveries	-	(20,102)	-	-	-	(20,102)
TOTAL OPERATING EXPENSES	**$ 1,621,521**	**$ 1,004,320**	**$ 75,808**	**$ 219,683**	**$ 4,141**	**$ 2,925,473**

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, 2016, is provided in the following chart.

APPROPRIATIONS *(in thousands)*	
Original legislative appropriation per Chapter 665	$ 138,579
Adjustments:	
Financial aid — General Fund	13,019
Financial assistance for educational and general	7,928
Miscellaneous educational and general	231
TOTAL STATE APPROPRIATIONS	**$ 159,757**

NOTE 11: RETIREMENT PLANS

VIRGINIA RETIREMENT SYSTEM

Plan Description

All full-time, salaried, permanent employees of state agencies and higher education institutions are automatically covered by the VRS State Employee Retirement Plan or the VaLORS Retirement Plan upon employment. These plans are administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the ***Code of Virginia***, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

The System administers three different benefit structures for covered employees in the VRS State Employee Retirement Plan: Plan 1, Plan 2 and Hybrid; and two different benefit structures for covered employees in the VaLORS Retirement Plan: Plan 1 and Plan 2. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014, are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window (see "Eligible Members"). · The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. · The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. · In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: · State employees* · Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: · Members of the Virginia Law Officers' Retirement System (VaLORS) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions State employees, excluding state elected officials and optional retirement plan participants, contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** State employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

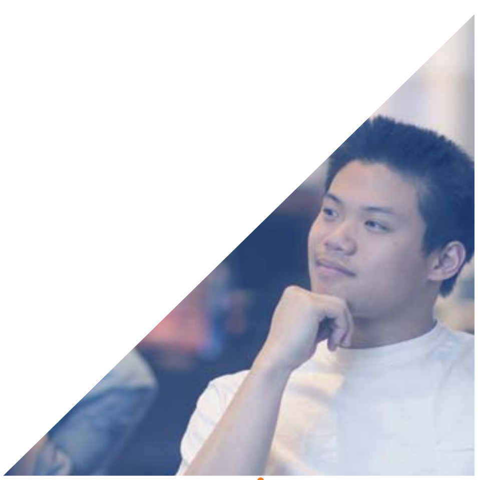
RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. · After two years, a member is 50% vested and may withdraw 50% of employer contributions. · After three years, a member is 75% vested and may withdraw 75% of employer contributions. · After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Contribution Component:** See definition under Plan 1. **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **VaLORS:** The retirement multiplier for VaLORS employees is 1.70% or 2.00%.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **VaLORS:** The retirement multiplier for VaLORS employees is 2.00%.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **VaLORS:** Not applicable. **Defined Contribution Component:** Not applicable.
Normal Retirement Age **VRS:** Age 65. **VaLORS:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **VaLORS:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **VaLORS:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. **VaLORS:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of credible service. **VaLORS:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. **VaLORS:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable.
Eligibility: For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Eligibility:** Same as Plan 1.	**Eligibility:** Same as Plan 1 and Plan 2.
Exceptions to COLA Effective Dates: The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: · The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. · The member retires on disability. · The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). · The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. · The member dies in service and the member's survivor, or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Exceptions to COLA Effective Dates:** Same as Plan 1.	**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** For members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. Most state employees are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** State employees (including Plan 1 and Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP) and are not eligible for disability retirement. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS-refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: · Hybrid Retirement Plan members are ineligible for ported service. · The cost of purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. · Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.



Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute five percent of their compensation toward their retirement. Prior to July 1, 2012, the five percent member contribution was paid by the employer. Beginning July 1, 2012, state employees were required to pay the five percent member contribution and the employer was required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. Each state agency's contractually required contribution rate for the year ended June 30, 2016, was 12.33 percent of covered employee compensation for employees in the VRS State Employee Retirement Plan for July 2015, 13.28 percent for August 2015 and 14.22 percent for September 2015 through June 2016. For employees in the VaLORS Retirement Plan, the contribution rate was 17.67 percent of covered employee compensation for July 2015, 18.34 percent for August 2015 and 19.0 percent for September 2015 through June 2016. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the VRS State Employee Retirement Plan was 15.80 percent, and the actuarial rate for VaLORS Retirement Plan was 21.06 percent. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions for the VRS State Employee Retirement Plan were funded at 78.02 percent of the actuarial rate and the contributions for the VaLORS Retirement Plan were funded at 83.88 percent of the actuarial rate for the year ended June 30, 2016. Additional funding provided by the General Assembly moved the contribution rates to 90 percent of the actuarial rate by September 2015 and for the remainder of fiscal year 2016. Contributions from the University to the VRS State Employee Retirement Plan were $44.9 million and $37.8 million for the years ended June 30, 2016, and June 30, 2015, respectively. Contributions from the University to the VaLORS Retirement Plan were $570,054 and $497,740 for the years ended June 30, 2016, and June 30, 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the University reported a liability of $501.4 million for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability (NPL) and a liability of $6.1 million for its proportionate share of the VaLORS Retirement Plan NPL. The NPL was measured as of June 30, 2015, and the total pension liability used to calculate the NPL was determined by an actuarial valuation as of that date. The University's proportion of the NPL was based on the University's actuarially determined employer contributions to the pension plan for the year ended June 30, 2015, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2015, the University's proportion of the VRS State Employee Retirement Plan was 8.19 percent as compared to 8.12 percent at June 30, 2014. At June 30, 2015, the University's proportion of the VaLORS Retirement Plan was 0.86 percent as compared to 0.79 percent at June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of $34.6 million for the VRS State Employee Retirement Plan and $701,000 for the VaLORS Retirement Plan. Since there was a change in proportionate share between June 30, 2014, and June 30, 2015, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(in thousands)	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	$ 3,609	$ 29
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	36,330
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,265	4,658
Employer contributions subsequent to the measurement date	45,495	-
TOTAL	**$ 51,369**	**$ 41,017**

Deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date of $45.5 million will be recognized as a reduction of the NPL in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDING JUNE 30 *(in thousands)*	
2017	$ (14,423)
2018	(14,157)
2019	(12,928)
2020	6,365
TOTAL	**$ (35,143)**

Actuarial Assumptions: VRS State Employee Retirement Plan

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward two years and females set back three years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back one year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back three years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from July 1, 2008, through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Update mortality table
– Decrease in rates of service retirement
– Decrease in rates of withdrawals for less than ten years of service
– Decrease in rates of male disability retirement
– Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions: VaLORS Retirement Plan

The total pension liability for the VaLORS Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 4.75 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

*Administrative expenses as a percentage of the market value of assets for the last experience study were found to be approximately 0.06 percent of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0 percent. However, since the difference was minimal, and a more conservative 7.0 percent investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0 percent to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:	RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward five years and females set back three years.
Post-Retirement:	RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with females set back one year.
Post-Disablement:	RP-2000 Disability Life Mortality Table Projected to 2020 with males set back three years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008, through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

– Update mortality table
– Adjustments to the rates of service retirement
– Decrease in rates of withdrawals for females under ten years of service
– Increase in rates of disability
– Decrease service related disability rate from 60% to 50%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, less that system's fiduciary net position. As of June 30, 2015, NPL amounts for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan are as follows:

(in thousands)	STATE EMPLOYEE RETIREMENT PLAN	VaLORS RETIREMENT PLAN
Total pension liability	$ 22,521,130	$ 1,902,051
Plan fiduciary net position	16,398,575	1,191,353
EMPLOYERS' NET PENSION LIABILITY	**$ 6,122,555**	**$ 710,698**
Plan fiduciary net position as a percentage of the total pension liability	72.81%	62.64%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The NPL is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

ASSET CLASS (STRATEGY)	TARGET ALLOCATION	ARITHMETIC LONG-TERM EXPECTED RATE OF RETURN	WEIGHTED AVERAGE LONG-TERM EXPECTED RATE OF RETURN
U.S. equity	19.50%	6.46%	1.26%
Developed non-U.S. equity	16.50%	6.28%	1.04%
Emerging market equity	6.00%	10.00%	0.60%
Fixed income	15.00%	0.09%	0.01%
Emerging debt	3.00%	3.51%	0.11%
Rate sensitive credit	4.50%	3.51%	0.16%
Non-rate sensitive credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public real estate	2.25%	6.12%	0.14%
Private real estate	12.75%	7.10%	0.91%
Private equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
TOTAL	**100.00%**		**5.83%**
Inflation			2.50%
Expected arithmetic nominal return*			8.33%

* *Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.*

Discount Rate

The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the University for the VRS State Employee Retirement Plan and the VaLORS Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, all agencies are assumed to contribute 100 percent of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the VRS State Employee Retirement Plan NPL and the VaLORS Retirement Plan NPL using the discount rate of 7.0 percent, as well as what the University's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

(in thousands)	1.00% DECREASE (6.00%)	CURRENT DISCOUNT RATE (7.00%)	1.00% INCREASE (8.00%)
The University's proportionate share of the VRS State Employee Retirement Plan net pension liability	$ 720,246	$ 501,446	$ 317,981
The University's proportionate share of the VaLORS Retirement Plan net pension liability	8,354	6,144	4,326
TOTAL NET PENSION LIABILITY	**$ 728,600**	**$ 507,590**	**$ 322,307**

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position or the VaLORS Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2015 Comprehensive Annual Financial Report (CAFR). A copy of the 2015 VRS CAFR may be downloaded from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Payables to the Pension Plan

The amount of payables outstanding to the VRS State Employee Retirement Plan and the VaLORS Retirement Plan at June 30, 2016, was approximately $2.5 million for legally required contributions into the plans.

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 retirement plans. The Optional Retirement Plans are defined contribution plans to which the University contributes an amount established by statute.

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 five 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 $57.9 million and were calculated using base salaries of $765.7 million, for the year ended June 30, 2016. The contribution percentage amounted to 7.6 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 approximately $2.6 million for the year ended June 30, 2016.

The Deferred Compensation Plan for the University Medical Center employees hired on or after September 30, 2002, allows employee contributions up to four percent of their salary and an employer match of 50 percent of the employee's four percent deferral amount, not to exceed two percent of the employee's salary. Employer contributions under this plan were approximately $3.5 million for the year ended June 30, 2016.

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 the Retiree Health Plan are established and maintained by the University under the authority of the Board. It 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 2016, the University contributed $2.4 million to the plan for retiree claims. Retirees receiving benefits contributed $4.6 million, or approximately 66 percent of the total premiums, through their required contributions, ranging from $500 to $2,553 per month.

ANNUAL OPEB COST 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.

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 following table shows information on the actuarial accrued liability as of June 30, 2016, the most recent valuation of the plan. It also shows, for the current year and two preceding years, the components of the University's annual OPEB costs, 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.

SUMMARY OF VALUATION RESULTS *(in thousands)*	
ACTUARIAL ACCRUED LIABILITY BY CATEGORY AS OF JUNE 30, 2016	
Current retirees, beneficiaries, dependents and terminated vested members	$ 16,994
Current active members	76,403
TOTAL ACTUARIAL ACCRUED LIABILITY	**$ 93,397**
Covered payroll	$ 445,000
Actuarial accrued liability as percentage of covered payroll	21.0%

	2016	**2015**	**2014**
NET OPEB OBLIGATION AS OF JUNE 30			
Annual required contribution (ARC)	$ 12,889	$ 11,270	$ 10,571
Interest on net OPEB obligation	2,124	1,831	1,562
Adjustment to the ARC	(3,277)	(2,752)	(2,291)
Annual OPEB cost	11,736	10,349	9,842
Actual contributions	(3,201)	(3,825)	(3,867)
Net increase in net OPEB obligation	8,535	6,524	5,975
Net OPEB obligation – beginning of year	47,205	40,681	34,706
NET OPEB OBLIGATION – END OF YEAR	**$ 55,740**	**$ 47,205**	**$ 40,681**
Percentage of annual OPEB cost contributed	27.3%	37.0%	39.3%

As of June 30, 2016, the University has not funded these postemployment benefit plans.

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 multi-year 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, 2016, 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 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 7.25 percent for the fiscal year ended June 30, 2016, grading to five percent for the fiscal year ending June 30, 2026, and thereafter. All rates include a four percent inflation assumption. Past service liability is amortized over a closed 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 on June 30, 2016, was $52.9 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 on June 30, 2016, was $13.8 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 Property and Liability 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 administered by the Virginia Department of the Treasury, Division of Risk Management. The Division of Risk Management program includes property, mechanical breakdown, crime, employee bond (employee dishonesty), general (tort) liability, professional liability (includes medical malpractice), aviation, network security and privacy insurance (response and regulatory), automobile liability and auto physical damage for vehicles valued in excess of $20,000. The University is self-insured for the first $100,000 ($5,000 for the College at Wise) of each property and mechanical breakdown loss and for physical damage to all vehicles valued up to $20,000. The University also maintains excess crime and employee dishonesty insurance and a special contingency risk insurance policy. Separate insurance coverage is maintained as appropriate for individual departments and subsidiary organizations owned by the University and the Medical Center, such as Community Medicine, LLC and UVA Global, 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 on June 30, 2016, was $117.8 million and income received totaled $5.4 million.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Authorized expenditures for construction and other projects unexpended as of June 30, 2016, were approximately $81.3 million.

The University has entered into numerous operating lease agreements to rent, lease, and maintain land, buildings, and equipment, which expire on 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 $26.0 million for the year ended June 30, 2016.

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
2017	$ 14,655
2018	11,616
2019	8,167
2020	7,318
2021	5,689
2022-26	9,716
2027-31	4,083
2032-36	2,301
2037-41	823
2042-46	823
2047-51	521
TOTAL	**$ 65,712**

In August 2015, the Medical Center was informed that the federal government's Center for Medicare Services (CMS) issued notices to Virginia's Department of Medical Assistance Services (DMAS) disallowing $40.8 million in Disproportionate Share Hospital (DSH) adjustment payments to DMAS for fiscal years 2006 through 2011. Based on the receipt of final settlements in the years in question, the Medical Center's portion of the loss would be $26.3 million. CMS contends that DMAS inappropriately applied payments against subsequent year allotments. DMAS has appealed this disallowance and any repayment is deferred, pending the appeals resolution. In fiscal year 2016, Medical Center management changed its estimate to probable that the Medical Center will be liable for $15.5 million, the amount management believes the Medical Center has not already returned to CMS. A liability has been booked in the University's financial statements for this amount as of June 30, 2016. On August 8, 2016, CMS issued an adverse decision against Virginia Commonwealth University and the UVA Medical Center for the entire $40.8 million. As noted above, $15.5 million is the amount that the Medical Center has not paid back in other settlements. The Medical Center believes another $10.8 million has been paid back as part of the fiscal year 2011 and fiscal year 2012 Medicaid DSH audits. The Appeal Board did not express an opinion on whether they agreed that the Medical Center had paid back those amounts and referred the issue to CMS to determine. The Medical Center is planning on appealing both amounts but believes the chances of a positive outcome are diminished.

LITIGATION

The University is a party to various legal actions and other claims in the normal course of business. While the 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

The Medical Center entered into a real estate purchase agreement with UPG to purchase the Northridge Medical Office building. The purchase price is $18.4 million. The Medical Center made an earnest money deposit of $9.0 million on July 29, 2016. An estimated closing date of April 2017 is expected.

The Medical Center purchased from Grove Street Properties, LLC seven parcels of land situated in the City of Charlottesville. The purchase price was $8.7 million and closed on August 26, 2016.

The Medical Center entered into a membership interest purchase agreement with Mary Washington Hospital, Inc., where Mary Washington Hospital agreed to purchase the Medical Center's 20 units of ownership for $268,254. The Medical Center received payment on August 11, 2016.

On July 19, 2016, UVAF acquired a 649-bedroom apartment complex for $60 million. As part of this transaction, two single-member limited liability companies were formed, Old Ivy Gardens of Charlottesville, LLC and Ivy Gardens of Charlottesville, LLC. Also in connection with this transaaction, UVAF increased the line of credit with Bank of America, N.A. from $40 million to $100 million.

VIRGINIA RETIREMENT SYSTEM PENSION PLANS

SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016* *(in thousands)*	VRS STATE EMPLOYEE RETIREMENT PLAN		VaLORS RETIREMENT PLAN	
	2016	2015	2016	2015
Employer's proportion of the net pension liability	8.19%	8.12%	0.86%	0.79%
Employer's proportionate share of the net pension liability	$ 501,446	$ 454,655	$ 6,144	$ 5,294
Employer's covered-employee payroll	$ 331,784	$ 314,268	$ 3,036	$ 3,088
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	151.14%	144.67%	202.37%	171.44%
Plan fiduciary net position as a percentage of the total pension liability	72.81%	74.28%	62.64%	63.05%

* *The amounts presented have a measurement date of the previous fiscal year end.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2016 *(in thousands)* **PLAN**		CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTIONS IN RELATION TO CONTRACTUALLY REQUIRED CONTRIBUTION	CONTRIBUTION DEFICIENCY	EMPLOYER'S COVERED EMPLOYEE PAYROLL	CONTRIBUTIONS AS A % OF COVERED EMPLOYEE PAYROLL
VRS State Employee Retirement Plan	2016	$ 44,925	$ 44,925	$ -	$ 342,683	13.11%
	2015	37,781	37,781	-	331,784	11.39%
VaLORS Retirement Plan	2016	$ 570	$ 570	$ -	$ 3,085	18.48%
	2015	498	498	-	3,036	16.40%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms — There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014, and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015, are not material.

Changes of assumptions — The following changes in actuarial assumptions were made for the VRS State Employee Retirement Plan effective June 30, 2013, based on the most recent experience study of the System for the four-year period ending June 30, 2012:

— Update mortality table
— Decrease in rates of service retirement
— Decrease in rates of withdrawals for less than ten years of service
— Decrease in rates of male disability retirement
— Reduce rates of salary increase by 0.25 percent per year

The following changes in actuarial assumptions were made for the VaLORS Retirement Plan effective June 30, 2013, based on the most recent experience study of the System for the four-year period ending June 30, 2012:

— Update mortality table
— Adjustments to the rates of service retirement
— Decrease in rates of withdrawals for females under ten years of service
— Increase in rates of disability
— Decrease service related disability rate from 60 percent to 50 percent

POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS *(in thousands)*

VALUATION DATE	ACTUARIAL VALUE OF ASSETS (a)	ACTUARIAL ACCRUED LIABILTY (AAL) (b)	UNFUNDED AAL (UAAL) (b-a)	FUNDED RATIO (a/b)	COVERED PAYROLL (c)	UAAL AS A PERCENTAGE OF COVERED PAYROLL (b-a)/(c)
6/30/2016	$ -	$ 93,397	$ 93,397	0%	$ 445,000	21.0%
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%		

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APPENDIX C

DEFINITIONS AND SUMMARY OF BOND RESOLUTION

In addition to making provision for the issuance and terms of the Series 2017B Bonds, as described in **"THE SERIES 2017B BONDS"** and **"SECURITY FOR THE SERIES 2017B BONDS"** in this Official Statement, the Bond Resolution also contains other provisions and covenants of the University relating to the Series 2017B 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 2017B 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 2017B Bond.

"Bond Resolution" means the bond resolution relating to the Series 2017B Bonds, executed by the University pursuant to an authorizing resolution adopted by the Board on December 9, 2016.

"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 therein.

"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 2017B, 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 2017B 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 2017B 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 2017B 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 2017B Bonds which shall remain unclaimed by the holders of the Series 2017B Bonds for a period of five years after the date on which such Series 2017B 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 2017B 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 2017B Bonds at the place or places, on the dates and in the manner provided in the Bond Resolution and in the Series 2017B 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 2017B 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 2017B 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 2017B Bonds, or other costs incident thereto.

Covenants Regarding Additional Indebtedness and Encumbrances

Except as described in **"SECURITY FOR THE SERIES 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds and to perform it and their duties under the Act;

(b) bring suit upon the Series 2017B 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 2017B 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 2017B Bonds.

Any such trustee, whether or not all Series 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds or to obtain or maintain a rating on the Series 2017B 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 posted to the Municipal Securities Rulemaking Board's EMMA website (or its successor system). 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 make public 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 2017B 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 2017B Bonds, (i) an extension of the maturity of the principal of or the interest on any Series 2017B Bond, (ii) a reduction in the principal amount of any Series 2017B 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 2017B Bond or Bonds over any other Series 2017B 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 2017B Bonds, a reduction in the aggregate principal amount of the Series 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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 2017B 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

If the University shall pay or provide for the payment of the entire indebtedness on all or particular outstanding Series 2017B 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 2017B 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 2017B Bonds (including the payment of premium, if any, and interest payable on such Series 2017B 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 2017B 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 2017B 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 2017B 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 2017B Bonds, and, if such Series 2017B 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 2017B 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 2017B 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 2017B 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

Set forth below is the proposed form of the opinion of McGuireWoods LLP, Bond Counsel, regarding the Bonds. It is preliminary and subject to change prior to the delivery of the Series 2017B Bonds.

[Letterhead of McGuireWoods LLP]

February 22, 2017

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

The Rector and Visitors of the University of Virginia
General Revenue Pledge Refunding Bonds, Series 2017B

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 its $123,440,000 General Revenue Pledge Refunding Bonds, Series 2017B (the "Bonds") dated the date of their delivery.

The University issued the Bonds pursuant to (i) Chapter 10, Title 23.1 (the "Restructuring Act") of the Code of Virginia of 1950, as amended (the "Virginia Code"), (ii) a resolution adopted by the Board of Visitors of the University on December 9, 2016 (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.

In connection with this opinion, we have examined (i) the Constitution of Virginia (the "Constitution"), (ii) the applicable laws of (A) the Commonwealth of Virginia (the "Commonwealth"), including without limitation the Restructuring Act and (B) the United States of America, including without limitation the Internal Revenue Code of 1986, as amended (the "Tax Code ") and (iii) copies of proceedings and other documents relating to the issuance and sale of the Bonds by the University as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon and are assuming the accuracy of certifications and representations of the University, University officers and other public officials and certain other third parties contained in certificates and other documents delivered at closing, including, without limitation, certifications as to the use of proceeds of the Bonds, without undertaking to verify them by independent investigation. In addition, without undertaking to verify the same by independent investigation, we have relied on computations provided to us by PFM Financial Management, Inc., financial advisor to the University, the mathematical accuracy of which was verified by The Arbitrage Group, Inc., relating to the yield on investments in the escrow fund established with a portion of the proceeds of the Bonds and the yield on the Bonds.

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 transaction have been duly authorized, executed, and delivered by all parties to them 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, in our opinion, under current law:

1. The University is a duly organized and validly existing public body constituted as a governmental instrumentality of the Commonwealth, having the powers and authority, among others, set forth in Chapter 22, Title 23.1 of the Virginia Code, the Restructuring Act and the Agreement.

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

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

4. The University has duly authorized, executed and delivered the Bond Resolution and the Bonds in accordance with the Restructuring Act, the Agreement and the Authorizing Resolution. The Bonds constitute valid and binding limited obligations of the University, payable solely from the revenues pledged under the Bond Resolution (the "Pledged Revenues") and the other property pledged to the payment of the Bonds 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 (as defined in the Bond Resolution) 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 (as defined in the Bond Resolution) or necessary to pay operating or other expenses related to facilities or systems financed in whole or in part with Qualifying Senior Obligations.

6. Interest on the Bonds, including any accrued "original issue discount" properly allocable to the owners of the Bonds, (i) is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code and (ii) is not a specific item of tax preference for purposes of the federal alternative minimum income 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 Tax Code, interest on the Bonds must be 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 series and 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 delivering this opinion, we are assuming continuing compliance with the Covenants (as defined below) by the University, so that interest on the Bonds will remain excludable from gross income for federal income tax purposes under Section 103 of the Tax Code. The Tax 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 under Section 103 of the Tax Code and not become a Specific Tax Preference Item. 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 tax certificate and related documents for the Bonds (the "Tax Certificates") delivered at closing by the University contain covenants (the "Covenants") with which it has agreed to comply. A failure to comply with the Covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive 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 Tax Certificates, 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 document. We express no opinion concerning any effect on the excludability of interest on the Bonds from gross income for federal income tax purposes under Section 103 of the Tax Code of any such subsequent change or action that may be made, taken or omitted upon the advice or approval of counsel other than this firm.

7. 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.

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.

Our services as Bond Counsel to the University have been limited to rendering the foregoing opinion based on our review of such legal proceedings and other documents as we deem necessary to approve the validity of the Bonds and the income tax status of the interest on them. We express no opinion as to the accuracy, completeness or sufficiency of any offering material or information that may have been relied upon by any owner of the Bonds in making a decision to purchase the Bonds, including without limitation the Preliminary Official Statement of the University dated January 31, 2017, and the

Official Statement of the University dated February 8, 2017. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

[To be signed: MCGUIREWOODS LLP]

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 $123,440,000 aggregate principal amount of its General Revenue Pledge Refunding Bonds, Series 2017B (the "Series 2017B Bonds") pursuant to the terms of an authorizing resolution adopted by the Board of Visitors of the University on December 9, 2016, and a bond resolution of the University executed pursuant thereto with respect to the Series 2017B Bonds (collectively, the "Bond Resolution"). The University has approved the marketing of the Series 2017B Bonds by the Participating Underwriters (as hereinafter defined) pursuant to an Official Statement relating to the Series 2017B Bonds dated February 8, 2017 (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 2017B 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 Position" 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 2017B 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 2017B Bonds required to comply with the Rule in connection with the offering of the Series 2017B 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. Obligations of the University.

(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 2017B 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 2017B 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 2017B 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 2017B 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; and

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

(c) The University shall cause to be Made Public, in a timely manner, notice of 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.

(d) 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.

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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.

(e) 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(f) below.

(f) If the University is required (or, as described in Section 3(e) 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(f) any earlier than the date on which the notice (if any) of the underlying event is given to the Holders of affected Series 2017B Bonds pursuant to the Bond Resolution.

(g) 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.

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

Section 5. CUSIP Numbers. The University shall reference, or cause to be referenced, the CUSIP prefix number for the Series 2017B 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 2017B Bonds. If such termination occurs prior to the final maturity of the Series 2017B 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.

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 2017B 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 2017B 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 February 22, 2017.

THE RECTOR AND VISITORS OF
THE UNIVERSITY OF VIRGINIA

By: ______________________________
Name: ____________________________
Title: _____________________________

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UNIVERSITY of VIRGINIA

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