



**UNIVERSITY OF VIRGINIA
INVESTMENT MANAGEMENT COMPANY**

Consolidated Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF VIRGINIA
INVESTMENT MANAGEMENT COMPANY**

Table of Contents

	Page
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5
Supplemental Schedules	
Schedule of Investments Held for Others (at Fair Value), Shares Outstanding, and Net Asset Values Per Share	16
Schedule of Changes in Net Investment Assets	17



KPMG LLP
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Independent Auditors' Report

The Board of Directors
University of Virginia Investment Management Company:

We have audited the accompanying consolidated statements of financial position of the University of Virginia Investment Management Company (the Company) as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Virginia Investment Management Company as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the Schedule of Investments Held for Others (at Fair Value), Shares Outstanding, and Net Asset Values Per Share and the Schedule of Changes in Net Investment Assets is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

KPMG LLP

September 9, 2009

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Consolidated Statements of Financial Position

June 30, 2009 and 2008

(Dollars in thousands)

Assets	2009	2008
Cash and cash equivalents	\$ 373	364
Accounts receivable	670	791
Prepaid expenses	177	162
Investment in long-term pool	9,020	7,390
Investments in securities held for others at fair value, including collateral received under securities loan or repurchase agreements (see note 7)	4,032,622	6,124,340
Property and equipment, net	<u>1,095</u>	<u>1,116</u>
Total assets	<u>\$ 4,043,957</u>	<u>6,134,163</u>
Liabilities and Net Assets		
Amounts held for others	\$ 3,950,813	5,252,290
Investment in securities - short positions at fair value	76,726	289,628
Payable under securities loan or repurchase agreements (see note 7)	4,418	477,449
Amounts due to counter-parties/brokers	848	106,053
Accrued compensation and benefits	4,868	3,238
Accounts payable and accrued expenses	<u>201</u>	<u>281</u>
Total liabilities	4,037,874	6,128,939
Unrestricted net assets	<u>6,083</u>	<u>5,224</u>
Total liabilities and net assets	<u>\$ 4,043,957</u>	<u>6,134,163</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Consolidated Statements of Activities

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Unrestricted net assets, beginning of year	\$ 5,224	3,649
Revenues:		
Gain (loss) on investments	(1,098,726)	290,674
Gain (loss) on UVIMCO investments in Long -Term Pool	(1,163)	190
Contributions and other income	-	7
Total revenues	<u>(1,099,889)</u>	<u>290,871</u>
Expenses:		
Allocation of net gain (loss) on investments to depositors	(1,110,728)	278,171
Compensation and benefits	8,106	9,185
Other operating expenses	1,538	1,835
Depreciation and amortization	336	105
Total expenses	<u>(1,100,748)</u>	<u>289,296</u>
Increase in unrestricted net assets	<u>859</u>	<u>1,575</u>
Unrestricted net assets, end of year	<u>\$ 6,083</u>	<u>5,224</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Consolidated Statements of Cash Flows

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	<u>2009</u>	<u>2008</u>
Beginning of year cash and cash equivalents	\$ 364	849
Cash flows from operating activities:		
Management fees	8,207	9,523
Contributions	-	7
Cash paid to employees	(6,473)	(6,441)
Other cash operating expenditures	<u>(1,635)</u>	<u>(1,797)</u>
Net cash flows from operating activities	<u>99</u>	<u>1,292</u>
Cash flows from investing activities:		
Purchases of shares in Long-Term Pool	(3,250)	(3,150)
Proceeds from sale of shares in Long-Term Pool	3,475	2,500
Purchases of property and equipment	(316)	(1,132)
Proceeds from sale of property and equipment	<u>1</u>	<u>5</u>
Net cash flows from investing activities	<u>(90)</u>	<u>(1,777)</u>
Net increase (decrease) in cash and cash equivalents	<u>9</u>	<u>(485)</u>
End of year cash and cash equivalents	\$ <u>373</u>	<u>364</u>

Cash received from depositors aggregating \$549,607 and \$2,508,895 for the years ended June 30, 2009 and 2008, respectively, is reported directly as an increase in investments in securities held for others and amounts held for others. Cash distributed to depositors aggregating \$740,356 and \$2,158,541 for the years ended June 30, 2009 and 2008, respectively, is reported directly as a decrease in investments in securities held for others and amounts held for others.

Incentive fees of \$3,916 and \$3,000 assessed against the Long-Term Pool for the years ended June 30, 2009, and 2008, respectively, are reported as a transfer of Long-Term Pool shares to UVIMCO from the other shareholders of the Long-Term Pool.

See accompanying notes to consolidated financial statements.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(1) **Organization**

The University of Virginia Investment Management Company (UVIMCO) is a not-for-profit corporation organized to invest funds on behalf of the Rector and Visitors of the University of Virginia (the University) and University-related Foundations (the Foundations). UVIMCO was incorporated as a nonstock corporation in the Commonwealth of Virginia on May 28, 2004, and commenced operations on July 1, 2004.

Assets deposited with UVIMCO are held in the custody and control of UVIMCO on behalf of the University and Foundations within unitized investment pools. The Long-Term Pool commingles endowment, charitable trust, and other assets of the University and Foundations. The Aggregate Cash Pool commingles short-term investment assets of the University. On October 31, 2008, UVIMCO ceased management of the Aggregate Cash Pool.

(2) **Significant Accounting Policies**

(a) *Basis of Presentation*

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP). These consolidated financial statements reflect both the results of investment management services provided by UVIMCO to the University and Foundations throughout the fiscal years and the results of investments held for others and managed by UVIMCO. Intercompany accounts and transactions, including UVIMCO's investment in the Long-Term Pool, and investment management fees charged by UVIMCO to the investment pools, have been eliminated.

We have evaluated the effects of subsequent events that have occurred subsequent to period end June 30, 2009, and through September 9, 2009, which is the date we issued our consolidated financial statements. During this period, there have been no material events that would require recognition in our consolidated financial statements or disclosure in the notes thereto.

Certain investments are held by UVIMCO in wholly-owned special purpose vehicles. UVIMCO's consolidated financial statements have been prepared as if such investments were held directly by UVIMCO. Selected financial information for the special purpose vehicles as of and for the years ended June 30, 2009 and 2008 is presented in note 9.

Certain prior year amounts have been reclassified to conform to the current year's presentation with no effect on net assets.

(b) *Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(c) *Fair Valuation of Investments*

Effective July 1, 2008 UVIMCO adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (SFAS 157). This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies only to fair value measurements already required or permitted by existing standards. Fair value is defined as 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 standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurements based on the nature of the inputs used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. The levels of the fair value hierarchy are defined as follows in SFAS No. 157:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that UVIMCO has the ability to access. This level of the fair value hierarchy provides the most reliable evidence of fair value and is used to measure fair value whenever available.

Exchange traded securities are stated at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market are valued using the mean of the last quoted bid and ask prices. Independent third-party sources are used to value all publicly traded securities. Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges. Quoted prices are not adjusted.

Level 2: Inputs to the valuation methodology other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. These inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Investments in Level 2 are stated at fair values obtained from an external data pricing service sourced through UVIMCO's custodian, The Bank of New York Mellon. As a general approach, the service determines fair value using available trend information, dealer quotes, market index data and research reports, spread, bid, and offer data. The service considers also cash settlements, street consensus prepayment speed and, when applicable, a proprietary prepayment projection based on historical statistics of the underlying collateral and current market price data.

Level 3: Inputs to the valuation methodology are unobservable for the asset or liability.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

Investments in Level 3 include limited partnerships and other fund structures, which are privately held and not actively traded through established exchange mechanisms. Level 3 investments are valued at estimated fair value, based upon UVIMCO's interest in the investee, as determined in good faith and reported by the external manager of the investment vehicle, adjusted for subsequent cash flows, currency exchange, and any other inputs deemed applicable to the valuation process. These inputs reflect UVIMCO's own assumptions about the assumptions that market participants would use in pricing the asset (including assumptions about risk), and are developed based on the best information available in the circumstances. Inputs considered in valuing individual investments may include, without limitation, the nature of underlying securities, valuation procedures utilized by the external manager, marketability, liquidity, restrictions on disposition, recent purchases or sales of the same or similar securities by UVIMCO or other investors, pending transactions, and risks and potential of the individual investment.

While UVIMCO believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies, assumptions, changes in the economic environment, financial markets and any other parameters used to determine the fair value of certain financial instruments could result in actual results that differ materially at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such investments existed, or had such investments been liquidated, and these differences could be material to the consolidated financial statements.

The following is a tabular presentation of the fair value of the Long-Term Pool's investments and liabilities as of June 30, 2009 by SFAS 157 valuation hierarchy:

	Assets at Fair Value as of June 30, 2009			
	Level 1	Level 2	Level 3	Total
Public equity	\$ 164,202	-	518,300	682,502
Long/short equity	212,344	-	833,926	1,046,270
Private equity	-	-	652,968	652,968
Real estate	-	-	158,449	158,449
Resources	-	-	232,268	232,268
Absolute return	-	-	346,070	346,070
Credit	-	16,489	284,002	300,491
Government Bonds	410,841	-	-	410,841
Cash and accruals	153,303	-	58,480	211,783
Total Gross Assets	<u>940,690</u>	<u>16,489</u>	<u>3,084,463</u>	<u>4,041,642</u>
Investment in securities - short positions	(76,726)	-	-	(76,726)
Payable under repurchase/securities lending agreements	(4,418)	-	-	(4,418)
Amount due to counter-parties/brokers	(848)	-	-	(848)
Total Net Assets	<u>\$ 858,698</u>	<u>16,489</u>	<u>3,084,463</u>	<u>3,959,650</u>

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

The following is a reconciliation of changes in fair value of investments classified as Level 3 for the year ended June 30, 2009.

	Fair Value Measurements Using Level 3 Inputs				
	Balance 6/30/2008	Net Purchases and (Sales)	Net Transfers in/ (out) of Level 3	Gain (Loss) on Investments	Balance 6/30/2009
Public equity	\$ 810,425	(70,631)	-	(221,494)	518,300
Long/short equity	1,488,358	(392,295)	-	(262,137)	833,926
Private equity	1,000,322	31,900	-	(379,254)	652,968
Real estate	182,123	68,117	-	(91,791)	158,449
Resources	253,022	40,154	-	(60,908)	232,268
Absolute return	415,377	(18,412)	-	(50,895)	346,070
Credit	214,051	92,524	-	(22,573)	284,002
Cash and accruals	52,409	6,878	-	(807)	58,480
Total	\$ <u>4,416,087</u>	<u>(241,765)</u>	<u>-</u>	<u>(1,089,859)</u>	<u>3,084,463</u>

Level 3 cash and accruals represent accrued redemptions from managers.

The gain (loss) on investments in the table above includes all net realized and unrealized gains (losses) and is reflected in the accompanying Consolidated Statements of Activities.

(d) Investments in Securities and Unfunded Commitments

At June 30, 2009 and 2008, UVIMCO's investments in securities included limited partnerships and other fund investments and are classified according to the investment strategy of the underlying manager as follows: public equity, long/short equity, private equity, real estate, resources, absolute return, and credit. The risk to UVIMCO for each of these investments is limited to the value of UVIMCO's investment and unfunded commitment (if any) in each of the respective funds.

Investments in limited partnerships and other fund structures that primarily hold privately held securities represent \$1,427,092 (36% of investments held for others) and \$1,659,395 (32% of investments held for others) at June 30, 2009 and 2008, respectively. The liquidity of UVIMCO's private fund investments is principally dependent on the timing of the liquidation of the underlying investments in such funds. Investments in all other funds are typically subject to lock-up periods, which range from one month to five years, in accordance with the provisions of the respective fund agreements.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

The unfunded commitments for additional investment in drawdown funds as of June 30, 2009 and 2008 are summarized as follows:

	June 30	
	2009	2008
Public equity	\$ 38,885	95,168
Long/short equity	-	-
Private equity	576,745	866,542
Real estate	502,721	549,957
Resources	210,094	271,943
Absolute return	-	75,000
Credit	89,165	194,919
Fixed income	-	-
Cash and accruals	-	-
	<u>\$ 1,417,610</u>	<u>2,053,529</u>

(e) Derivative Financial Instruments

Derivative contracts serve as components of UVIMCO's investment strategy and are utilized primarily to structure and hedge investments to enhance performance and reduce risk to the Long-Term Pool and its depositors. As of June 30, 2009, UVIMCO had no direct exposure to derivative instruments. As of June 30, 2008, UVIMCO had reserved securities valued at \$12,606 as collateral related to derivative contracts. Gains (losses) from derivatives are reflected in the accompanying consolidated statements of activities as gain (loss) on investments.

(f) Revenue Recognition

Fees for investment advisory services and related administrative services provided by UVIMCO are recognized in the period that the services are provided.

(g) Foreign Currency

The accounting records of UVIMCO are maintained in U.S. dollars. Investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Transactions with investment funds denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

UVIMCO does not isolate that portion of return on investments resulting from changes in foreign exchange rates on investments from the fluctuations arising from change in market prices of securities held by investment funds. Such fluctuations are included as a component of the gain (loss) on investments.

(h) Income Taxes

UVIMCO has received a letter from the Internal Revenue Service dated March 4, 2005, exempting UVIMCO from income taxes on related income under Section 501(c)(3) of the Internal Revenue Code, and

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

therefore UVIMCO is not subject to income taxes on normal operations. In addition, UVIMCO is considered a public charity under Section 509(a)(3) of the Internal Revenue Code. UVIMCO may, however, incur federal and state income taxes on unrelated business income. No provision for income taxes was required as of June 30, 2009 or 2008.

(i) Cash and Cash Equivalents

For purposes of the consolidated statements of financial position and cash flows, cash represents the amount of operating cash on hand held by UVIMCO and does not include any short-term investments held for others in the investment pools managed by UVIMCO. Cash and cash equivalents held for others within the investment pools managed by UVIMCO are reported as Investments in Securities Held for Others at Fair Value.

(j) Accounts Receivable

Accounts receivable consist of fees for investment advisory services assessed against the Long-Term Pool shareholders but not yet paid to UVIMCO.

(k) Prepaid Expenses

Prepaid expenses consist of expenses paid in advance for rent, insurance, and various services. Prepaid expenses are ratably expensed over the period to which they relate.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(l) Functional Expenses

UVIMCO is a single-program company organized to provide investment management for the University and the Foundations. Natural expenses for the years ended June 30, 2009 and 2008 are composed of the following functional expenses:

	2009		
	Program services	Supporting services	Total expenses
Compensation and benefits	\$ 6,874	1,232	8,106
General operating	825	432	1,257
Rent	185	96	281
Total before depreciation	7,884	1,760	9,644
Depreciation and amortization	221	115	336
Total expenses	\$ 8,105	1,875	9,980
	2008		
	Program services	Supporting services	Total expenses
Compensation and benefits	\$ 8,147	1,038	9,185
General operating	1,271	316	1,587
Rent	164	84	248
Total before depreciation	9,582	1,438	11,020
Depreciation and amortization	70	35	105
Total expenses	\$ 9,652	1,473	11,125

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(m) Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board (“FASB”) released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109* (“FIN 48”). FASB has twice deferred the effective date of FIN 48 for certain non-public entities including 501(c)(3) not-for-profits. It was originally deferred for fiscal years beginning after December 15, 2007, but was subsequently deferred to fiscal years beginning after December 15, 2008 (i.e., July 1, 2009 for the Company) for certain non-public entities. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company’s tax returns to determine whether the tax positions are “more-likely-than-not” to be sustained by the applicable tax authority. In its initial assessment, the Company does not expect a material impact from the adoption of FIN 48.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133* (“FAS 161”). Currently, and in previous fiscal years, derivative instruments have been recorded pursuant to Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*. FAS 161 requires enhanced disclosures to provide information about the reasons the Company trades in derivative instruments, the accounting treatment for derivatives, and the effect derivatives have on financial performance. FAS 161 is effective for reporting periods beginning after November 15, 2008 (i.e., July 1, 2009 for the Company). At this time, management is evaluating the implications of FAS 161, and its impact on the consolidated financial statement disclosures has not yet been determined.

(3) Investment Transactions

The Long-Term Pool commingles endowment and other long-term funds of the University and the Foundations in a unitized investment vehicle. Assets of the Long-Term Pool are pooled on a fair value basis in accordance with U.S. GAAP and unitized monthly. Deposits and withdrawals are processed monthly. Each depositor subscribes to or disposes of units on the basis of the value per share at fair value as calculated on the last calendar day of the month in which a deposit or redemption request is received by UVIMCO.

Investment transactions are accounted for on a trade-date basis. At June 30, 2009, \$53,574 of University and Foundation net redemptions had been recorded on a trade-date basis, but had not yet been settled. Interest income is recognized on an accrual basis and dividends from equity securities are recognized as income on the ex-dividend date. Interest and dividend income is included as a component of the return on investments.

Distributions requests for the Long-Term Pool are processed and recorded monthly on a trade-date basis. All shareholder transactions are subject to notification requirements and caps as set forth in Deposit and Management agreements between UVIMCO and shareholders of the Long-Term Pool.

(4) Related-Party Transactions

UVIMCO provides investment management and advisory services solely to the University and related Foundations under various Deposit and Management agreements. UVIMCO receives a monthly management fee equal to 1/12 of 0.20 percentage points (20 basis points per annum) of the Long-Term Pool’s adjusted net asset value as of the end of each calendar month. For purposes of calculating this fee,

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

net assets are determined before accrual of the current month management fees. The revenue for these services for the years ended June 30, 2009 and 2008 was \$8,080 and \$9,422, respectively.

UVIMCO is entitled to receive an annual incentive fee ranging from zero to 0.10%, multiplied by the average aggregate net asset value of the Long-Term Pool throughout the prior fiscal year, as set forth in the various Deposit and Management agreements. The amount of any additional fee is determined based upon the prior years' relative investment returns of the Long Term Pool versus the returns of UVIMCO's Policy Portfolio and peer institutions. The incentive fee assessed against the Long Term Pool in the years ended June 30, 2009 and 2008 was \$3,916 and \$3,000, respectively.

UVIMCO also collected an investment management fee from the University related to the Aggregate Cash Pool prior to it ceasing to manage such pool effective October 31, 2008. The revenue for the year ended June 30, 2009 was \$6. The revenue for the year ended June 30, 2008 was \$18.

UVIMCO contracts for computer support, Internet, and mainframe connection services with the University. The expense for these services for the years ended June 30, 2009 and 2008 was \$20 and \$10, respectively.

UVIMCO leases two full-time employees from the University. The total compensation and benefits expense related to all leased employees for the years ended June 30, 2009 and 2008 was \$1,351 and \$1,615, respectively.

UVIMCO subleases office space from the University under a five-year lease expiring in 2012, renewable for three additional terms of one year each. The future minimum lease payment as of June 30, 2009, for fiscal year ending June 30, 2010, is \$281.

All transactions with the University and the Foundations are conducted at prevailing market rates.

(5) **401(k) Plan**

UVIMCO has a tax-sheltered annuity arrangement that provides retirement benefits for its employees by contributing to a custodial account invested in publicly traded mutual funds. UVIMCO contributes 10.4% of annual gross compensation to the plan on behalf of eligible employees, subject to applicable federal limits. Employer contributions for the years ended June 30, 2009 and 2008 were \$274 and \$249, respectively.

(6) **Securities Lending**

UVIMCO participates in a securities lending program through Dynamo Brasil II, LLC. The Brazilian Clearing and Depository Corporation (CLBC) acts as a counterparty and guarantees the operations of the security lending program. The borrower of the security deposits a guarantee margin with the CLBC equal to the updated value of the securities plus additional collateral determined by considering the liquidity and volatility of the securities loaned. The average term of the security loans and collateral held is 30 days. At June 30, 2009, Dynamo Brasil II, LLC loaned securities having a fair value of \$4,281 collateralized by cash in the amount of \$4,418. At June 30, 2008, Dynamo Brasil II, LLC loaned securities having a fair value of \$7,491 collateralized by cash in the amount of \$8,347. Income of \$49 and \$124 arising from securities lending proceeds for the years ended June 30, 2009 and 2008, respectively, is included in the consolidated statements of activities.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

(7) Repurchase Agreements

UVIMCO may enter into repurchase agreements with certain banks and broker/dealers through its agent, BNY Mellon Cash Investment Strategies, whereby UVIMCO sells portfolio assets concurrent with an agreement by UVIMCO to repurchase the same assets at a later date at a fixed price. Repurchase agreements involve the risk that the market value of the securities UVIMCO has sold may decline below the price at which it is obligated to repurchase them under the agreement. At June 30, 2009 and 2008, the fair value of securities under repurchase agreements, including accrued interest, is \$0 and \$468,604 respectively, collateralized by cash of \$0 and \$468,604, respectively. All repurchase agreements are renegotiated daily with interest rates ranging from 10 basis points above or below the daily effective federal funds rate of interest.

(8) Indemnifications

In the normal course of business, UVIMCO enters into contracts that contain a variety of representations and warranties that provide general indemnifications. UVIMCO's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against UVIMCO that have not occurred. However, based on experience, UVIMCO expects the risk of loss to be remote.

(9) Special Purpose Vehicles

As described in note 1, UVIMCO holds certain investments within consolidated wholly owned special purpose vehicles. All of the wholly owned special purpose vehicles in use for the years ended June 30, 2009 and 2008 were single member limited liability companies incorporated in the state of Delaware. Selected financial information for the special purpose vehicles as of and for the years ended June 30, 2009 and 2008 is summarized as follows:

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(Dollars in thousands)

2009				
	Dynamo Brasil II	UVIMCO I	UVIMCO II	UVIMCO III
Assets				
Investments - long	\$ 90,163	-	101,443	43,872
Cash	70	-	50,110	16,852
Other assets	64	-	52	15
Total assets	90,297	-	151,605	60,739
Liabilities				
Investments - short	\$ 1,401	-	62,512	12,813
Other liabilities	526	-	272	-
Equity	88,370	-	88,821	47,926
Total liabilities and equity	90,297	-	151,605	60,739
Equity				
Beginning balance	\$ 110,220	132,763	233,127	-
Investment income, net	-	724	1,878	(32)
Unrealized gains and losses	(31,938)	(6,047)	(37,459)	(2,050)
Realized gains and losses	(3,048)	96,705	(28,870)	-
Return on investments, net	(34,986)	91,382	(64,451)	(2,082)
Contributions/redemptions	13,136	(224,145)	(79,855)	50,008
Ending balance	88,370	-	88,821	47,926
2008				
	Dynamo Brasil II	UVIMCO I	UVIMCO II	UVIMCO III
Assets				
Investments - long	\$ 118,513	132,520	341,278	-
Cash	1,858	-	262,830	-
Other assets	(1,606)	282	(3,669)	-
Total assets	118,765	132,802	600,439	-
Liabilities				
Investments - short	\$ 8,545	-	280,516	-
Other liabilities	-	39	86,796	-
Equity	110,220	132,763	233,127	-
Total liabilities and equity	118,765	132,802	600,439	-
Equity				
Beginning balance	\$ 36,852	-	167,379	-
Return on investments, net	21,118	7,981	(46,840)	-
Contributions/redemptions	52,250	124,782	112,588	-
Ending balance	110,220	132,763	233,127	-

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY
Schedule of Investments Held for Others (at Fair Value), Shares Outstanding, and
Net Asset Values Per Share
June 30, 2009 and 2008
(Dollars in thousands, except per share amounts)

The following table categorizes the net assets in investments held for others. Investments are classified according to the investment strategy of the underlying manager.

2009				
	Long term pool	Aggregate cash	UVIMCO's Investment in LTP	Total assets managed for others
Public equity	\$ 682,502	-	(1,523)	680,979
Long/short equity	1,046,270	-	(2,335)	1,043,935
Private equity	652,968	-	(1,457)	651,511
Real estate	158,449	-	(354)	158,095
Resources	232,268	-	(518)	231,750
Absolute return	346,070	-	(772)	345,298
Credit	300,491	-	(671)	299,820
Government Bonds	410,841	-	(917)	409,924
Cash and accruals	211,783	-	(473)	211,310
Total gross assets	<u>4,041,642</u>	<u>-</u>	<u>(9,020)</u>	<u>4,032,622</u>
Investment in securities - short positions	(76,726)	-	171	(76,555)
Payable under repurchase/securities lending agreements	(4,418)	-	10	(4,408)
Amount due to counter-parties/brokers	(848)	-	2	(846)
Total net assets	<u>\$ 3,959,650</u>	<u>-</u>	<u>(8,837)</u>	<u>3,950,813</u>
Shares outstanding	988,504			
Net asset value per share	\$ 4,005.70			
2008				
	Long term pool	Aggregate cash	UVIMCO's Investment in LTP	Total assets managed for others
Public equity	\$ 1,276,818	-	(1,580)	1,275,238
Long/short equity	1,760,203	-	(2,177)	1,758,026
Private equity	1,000,322	-	(1,237)	999,085
Real estate	263,356	-	(326)	263,030
Resources	253,022	-	(313)	252,709
Absolute return	415,377	-	(514)	414,863
Credit	243,075	-	(301)	242,774
Fixed income	525,806	-	(650)	525,156
Cash and accruals	235,675	158,076	(292)	393,459
	<u>5,973,654</u>	<u>158,076</u>	<u>(7,390)</u>	<u>6,124,340</u>
Investment in securities - short positions	(289,628)	-	358	(289,270)
Payable under repurchase/securities lending agreements	(477,449)	-	591	(476,858)
Payable to prime broker	(106,053)	-	131	(105,922)
Total net assets	<u>\$ 5,100,524</u>	<u>158,076</u>	<u>(6,310)</u>	<u>5,252,290</u>
Shares outstanding	1,006,086	158,076		
Net asset value per share	\$ 5,069.67	1.00		

See accompanying independent auditors' report.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

Schedule of Changes in Net Investment Assets

Years ended June 30, 2009 and 2008

(Dollars in thousands)

	2009				
	Long term pool	Charitable trusts	Aggregate cash	UVIMCO's Investment in LTP	Total assets managed for others
Beginning of year	\$ 5,100,524	-	158,076	(6,310)	5,252,290
Deposits by investors	180,955	-	375,818	(7,166)	549,607
Return on investments	(1,098,581)	-	(1,308)	1,163	(1,098,726)
Management fees	(11,996)	-	(6)	-	(12,002)
Distributions to investors	(211,252)	-	(532,580)	3,476	(740,356)
End of year	<u>\$ 3,959,650</u>	<u>-</u>	<u>-</u>	<u>(8,837)</u>	<u>3,950,813</u>

	2008				
	Long term pool	Charitable trusts	Aggregate cash	UVIMCO's Investment in LTP	Total assets managed for others
Beginning of year	\$ 4,342,440	49,120	532,845	(300,640)	4,623,765
Deposits by investors	854,821	890	2,595,249	(942,065)	2,508,895
Return on investments	278,282	5,251	13,752	(6,611)	290,674
Management fees	(12,422)	(63)	(18)	-	(12,503)
Distributions to investors	(362,597)	(55,198)	(2,983,752)	1,243,006	(2,158,541)
End of year	<u>\$ 5,100,524</u>	<u>-</u>	<u>158,076</u>	<u>(6,310)</u>	<u>5,252,290</u>

See accompanying independent auditors' report.