

the art of success EDUCATING *creative entrepreneurs*



# USC financial report\_2015

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**On the front and back covers:** *This year has been one of innovation and accomplishment for USC's six world class arts schools – USC School of Architecture, USC Roski School of Art and Design, USC School of Cinematic Arts, USC Glorja Kaufman School of Dance, USC School of Dramatic Arts, USC Thornton School of Music.*



the art of success EDUCATING *creative entrepreneurs*



The University of Southern California's efforts to mix *entrepreneurial skill* with artistic expression are intentional. Creativity is increasingly recognized as a *valuable asset* — and so is the ability to *market* that creativity.

## Educating Creative Entrepreneurs

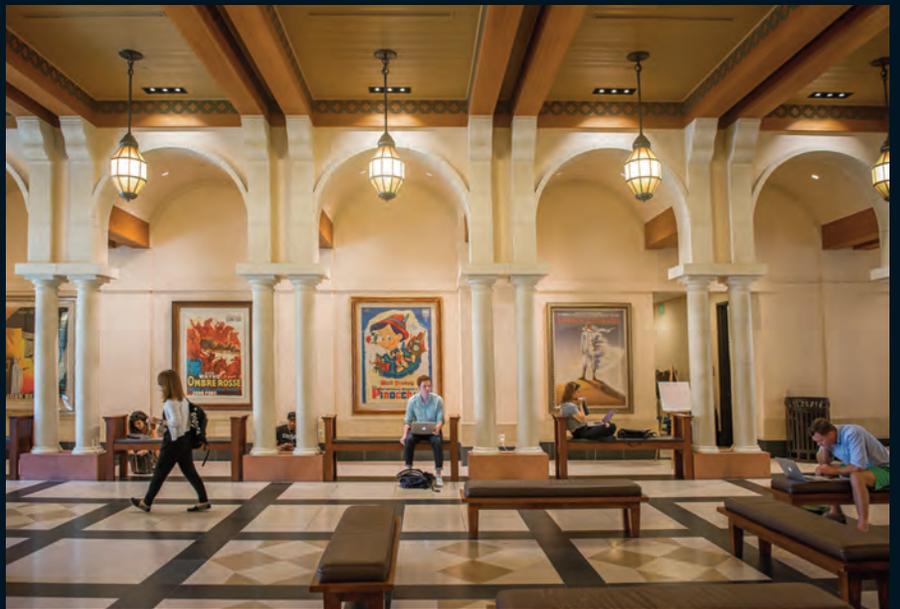
Students at USC's six world class arts schools are inventing jobs that didn't exist a decade ago. They're branding, marketing and networking their way into successful careers.



The university's efforts to mix entrepreneurial skill with artistic expression are intentional. Creativity is increasingly recognized as a valuable asset — and so is the ability to market that creativity. New academic partnerships have formed exciting programs that support budding student entrepreneurs. Through USC's Visions and Voices initiative, now celebrating its 10th year, students have the opportunity to meet and learn from artists at the top of their fields. USC's Fisher Museum of Art, Pacific Asia Museum and classical stations KUSC and KDFC add to the richness of programs and events USC offers students interested in the arts.

This year has been an exciting time for the arts at USC. Here's a snapshot of the programs that are transforming the Trojan experience.

The USC Gloria Kaufman School of Dance welcomed its inaugural class of students in fall 2015.



*expanding* THE DEFINITION OF contemporary art

USC Roski design students prepare for careers in fields as disparate as gaming and fashion.



## Designing the Future

The USC Roski School of Art and Design's programs mix artistic expression with technology skills. An innovative new online master's degree partners the school with mass media behemoth Condé Nast and *WIRED* magazine. The degree in integrated design, business and technology will attract people who want to be leaders in both business and culture, says USC Roski Dean Erica Muhl.

When USC Roski added "Design" to its name in 2013, it reflected the expanding definition of contemporary art practice. Already known for its intra-disciplinary curriculum,

the school introduced its first course in graphic design for fashion marketing and announced a new 3-D design minor, complementing its minors for students interested in animation and gaming. USC Roski's program in multimedia and visual communication currently ranks eighth in the nation according to *U.S. News & World Report*.

Adding a global dimension to its curriculum, the school awards Macomber Travel Grants to students to support research-based travel, production of new artwork and public presentation of the new work. BFA student Brian Dario traveled to Japan

to document the devastation of the 2011 Tohoku earthquake and subsequent tsunami in photography and video. The experience, he says, helped his art break through in new ways.

Alumnus Andrew Huang '07, who directs visually stunning music videos for Björk, Sigur Rós and Atoms for Peace, has this advice for students: "Try new mediums because that's the way you'll learn and grown, and that's the way you'll create a job for yourself that might not even exist at the moment."



EXPLORING new mediums to *learn* AND *grow*



## Creating the New and Conserving the Old

**The USC School of Architecture** was the first accredited school of architecture in Southern California, and, in 2014, became one of the first schools to receive the National Architectural Accrediting Board's new eight-year accreditation — for both its bachelor's and master's degree programs. "The accreditation," said Dean Qingyun Ma, "recognizes the commitment and confidence in the school's emerging experiments and innovation for the future of architecture and the environment."

Leading the way are professors such as Karen Kensek and Douglas Noble, pioneers in building information modeling (BIM). Kensek thinks of buildings as living organisms, self-adjusting and self-correcting as they transmit a constant stream of data about themselves. The author of two books about BIM, Kensek brings her research to the classroom, where her courses turn out students who, she says, "are very technically hands-on competent in BIM at the end of the course, and are poised to be leaders in the field."

USC is also a leader in preserving the architectural heritage of Southern California. The USC Architectural Guild gave its 2015 Distinguished Alumni Award to Kelly Sutherlin McLeod '82, '83, the project architect who oversaw renovations of The Gamble House, USC, in Pasadena. Since 1966, when USC took over responsibility for the 1908 Greene and Greene masterpiece, two USC Architecture students have lived in the National Historic Landmark each year. McLeod was one of those students in 1982, sparking her interest in heritage conservation. The next project for her firm — leading the renovation of the USC Pacific Asia Museum in Pasadena.

Hiring at architecture firms is on the upswing, as indicated by the record number of companies at the USC School of Architecture Firm Fair, and it's clear that USC students are ready to take on innovative and exciting careers.



“The accreditation recognizes the commitment and confidence in the school’s emerging experiments and innovation for the future of architecture and the environment.”

Qingyun Ma, Dean, USC School of Architecture

**MFA and final-year undergraduate animation majors have 24/7 access to their personal studios.**



USC School of Architecture students are poised to advance modernism, sustainability and innovative urban design.



INVENTING THE *future* OF architecture

Are they performers, techies, entrepreneurs? The answer for many USC School of Dramatic Arts graduates is — all of the above.

### Make Them Laugh

Are they performers, techies, entrepreneurs? The answer for many **USC School of Dramatic Arts** graduates is — all of the above. Consider Lilly Fuler, Joe Sofranko and Adam North, all 2009 graduates. They wrote, directed and raised money for a comedy Web series, *Complete Works*, a behind-the-scenes drama of contestants in a fictional college Shakespeare festival. It wouldn't have been possible, the three acknowledge, without volunteer support from School of Dramatic Arts students, alumni, faculty and staff. The series debuted on Hulu, and has been screened at the Oregon Shakespeare Festival and embraced online by Shakespeare enthusiasts.

Students in the Voice-over Acting class, taught by voice-over professional Vicki Lewis and sound engineer Phil Allen, not only create characters, they also learn how to record and edit their voices, assemble a professional demo reel and submit themselves digitally for an audition. It's an increasingly important market for actors, but few other universities offer the instruction.

Another fast-growing field is medical clowning. To educate students about medical clowning's benefits, USC brought in three seminal practitioners from Israel, Brazil and New York City to conduct a workshop for MFA acting students. Karen McCarty, creative director of community programs at New York City's Big Apple Circus, told them: "Consider getting on the ground floor of this new profession."



Costumes, sets, lighting — it's all part of dramatic arts students' repertoire of skills.



DEVELOPING *new markets* FOR actors

Cinematic arts students move from the classroom to the studio to create projects like this stop-motion animation film.



## Multiple Platforms, Multiple Possibilities

For the third year in a row, *The Hollywood Reporter* named the **USC School of Cinematic Arts** the top film school based on its commitment to technology, the accomplishments of its alumni and the strength of its faculty.

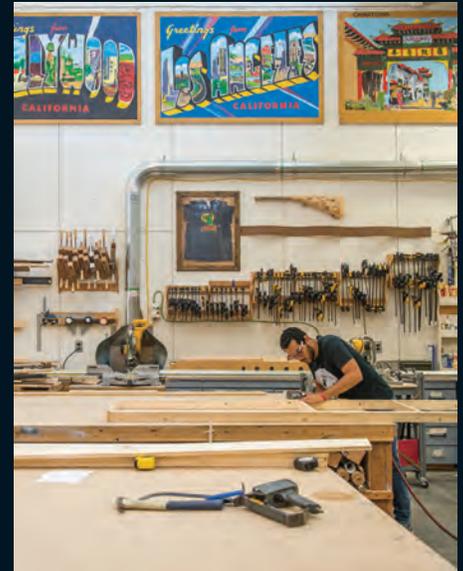
And for the fifth year in a row, The Princeton Review ranked USC the number one game design school. (The USC Games program is a collaboration between Cinematic Arts' Interactive Media & Games division and the USC Viterbi School of Engineering's Department of Computer Science.)

Innovative studio classes, like the one created by visual effects artist Eric Hanson, use the school's new IMAX theater to teach students to create content for multiple platforms. Undergraduates shot short films, each designed for a different immersive experience — an IMAX theater, a full-dome theater and the virtual reality headset Oculus Rift.

In what was arguably the coolest course offering this past year, directors and writers from cinematic arts, production

students from Trojan Vision and actors from the USC School of Dramatic Arts produced a sketch comedy show filmed before a studio audience and broadcast live on television. In other words, USC's version of *Saturday Night Live*. The project's three episodes featured professional guest hosts Jim Staahl (*SCTV*, *Curb Your Enthusiasm*), Misty Monroe (*The Groundlings*, *How I Met Your Mother*) and Horatio Sanz (*Saturday Night Live*).

USC arts students are branding, marketing and networking their way into successful careers.



INVENTING jobs THAT *didn't exist* A DECADE AGO



“dancers today HAVE TO BE *versatile hybrids...*”

Jodie Gates, Vice Dean and Director, USC Kaufman School of Dance



## From Ballet to Hip-Hop

The USC Glorja Kaufman School of Dance welcomed its inaugural class of Bachelor of Fine Arts (BFA) students in fall 2015, and this group of 33 talented dancers from four countries and 11 states has a lot to be excited about.

USC Kaufman has assembled a faculty of nationally renowned professionals including acclaimed choreographer William Forsythe. Faculty members including Patrick Corbin and Moncell Durden, and artists in residence Desmond Richardson, Zippora Karz, Fiona Lummis and Victor

Quijada are a diverse group, representing the dance worlds of ballet, contemporary and hip-hop.

In addition, in the school's inaugural year, Hubbard Street Dance Chicago will begin an on-campus collaboration with a series of workshops, master classes, residencies and performances.

USC Kaufman's motto, "The New Movement," is described by vice dean and director Jodie Gates, internationally known dancer, choreographer

and educator: "Dancers today have to be versatile hybrids, able to connect the dots between ballet and urban folk dance [hip-hop], and learn how to apply choreography to stage, film, television and mobile devices."

The school's BFA curriculum, while developing dancers and choreographers, includes classes in new media and career skills for the 21st century. Interdisciplinary study is assured through partnerships with the USC School of Cinematic Arts and the USC Thornton School of

Music, which will allow students to select a specialization in cinematic arts or music.

Founded in 2012 with a transformational gift by philanthropist Glorja Kaufman, USC's first new school in nearly 40 years will move into the USC Kaufman International Dance Center in spring 2016. The 50,000 square foot state-of-the-art dance complex features five studios in addition to performance space.

## Combining Creativity and Technology

Complementing its highly successful Popular Music major and its redesigned Music Industry degree program, the **USC Thornton School of Music** has a new bachelor's degree in Music Production that encompasses the creative, technical and entrepreneurial aspects of professional music. The major reflects the current and evolving nature of professional music making in the digital age, where the job description of today's contemporary musician often includes composing and arranging, live and studio performance, audio engineering/editing and mastering, music synthesis and programming, as well as business responsibilities.

Programs like these in USC Thornton's Contemporary Music division have attracted talented students like Davey Martinez. The 2012 music industry graduate now tours the world as DJ Skrillex's lighting operator. "It was a skill set I learned at USC — how to create my own opportunities," he says.

Martinez gained production experience in the popular — and difficult — class, Live Music Production and Promotion. With no budget, small teams of students dive headfirst into event planning, creating a concert, finding talent, securing sponsors and a venue, getting permits and promoting and executing the event.

Ken Lopez, chair of the music industry program, loves watching his former students invent their own careers. "This is a superbly explosive, creative time for the music industry, and it's a great time to be an entrepreneur," he says.



USC Thornton's new bachelor's degree in Music Production reflects the current and evolving nature of professional music making in the digital age.

**Music faculty strive to make students' transition from the classroom to the professional world seamless.**



CREATING CONTENT FOR *multiple platforms*





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## New Provost Outlines Academic Vision



“Professor Quick has proven to be an inspiring and tactical leader, demonstrating tremendous foresight, intellect and resolve in advancing the university’s initiatives.”

C. L. Max Nikias, President of the University of Southern California

Neuroscientist Michael Quick was formally installed as USC’s provost and senior vice president for academic affairs on May 6.

At his installation, Quick outlined an ambitious vision for USC:

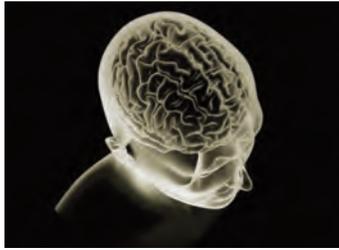
- *Take on the most complex, interconnected issues of our time, such as cancer, dementia, social justice, poverty and terrorism.*
- *Increase access and opportunity at all levels, building on the university’s successes in attracting diverse transfer students, first-generation collegians and students assisted by federal Pell Grants.*
- *Become a truly global university with a global reach and global influence.*
- *Care about value, not simply affordability.*

Announcing Quick’s appointment, USC President C. L. Max Nikias said, “Professor Quick has proven to be an inspiring and tactical leader, demonstrating tremendous foresight, intellect and resolve in advancing the university’s initiatives.”

As provost, Quick is the university’s chief academic officer. The deans of USC’s 19 schools report to him; he also oversees the divisions of Student Affairs, Libraries, Research Advancement, Information Technology Services, Student Religious Life, Academic Space Planning, Global Initiatives, Academic Planning and Budget, and the USC Stevens Center for Innovation.

Known for his scholarship, leadership and sense of humor, Quick was recruited to USC in 2002 from the University of Alabama at Birmingham as associate professor of biological sciences, was promoted to professor and vice dean for research at the USC Dornsife College of Letters, Arts and Sciences, and advanced to become USC’s executive vice provost and vice president for academic affairs before taking the helm as provost.

Provost Quick received his PhD in neuroscience from Emory University and was a postdoctoral research fellow at the California Institute of Technology. His scholarship focuses on the regulation of protein functions, especially as it relates to the signaling properties of neurons. He is the author of more than 60 scientific publications and has received numerous teaching awards.



## Advancing Neuroscience

Expanding our understanding of the human brain is a goal embraced by longtime USC benefactors Mark and Mary Stevens. Their transformative gift has endowed the USC Mark and Mary Stevens Neuroimaging and Informatics Institute and will advance the transformation of basic research into new therapies, preventions and cures for brain injury and disease, including Alzheimer's, schizophrenia and traumatic brain injury.

Announcing the endowment, USC President C. L. Max Nikias lauded the Stevens' vision: "Neuroscience has been called 'the final frontier' in medical science's progress toward a fuller understanding of human life and human health. Through the Stevens' support, USC researchers will have the opportunity to address many of the most pressing questions in medicine today."

Led by professors Arthur Toga and Paul Thompson, the institute and its Laboratory of Neuro Imaging came to USC in 2013. In its three decades, the institute has amassed the world's largest repository of healthy and diseased brain images along with medical and cognitive data from diverse populations around the globe.

The team has had tremendous success. Its researchers were the first to show that aging brains unravel in the reverse order of development, the first to use brain scans to show how a certain gene variant speeds up brain loss in Alzheimer's patients, and the first to link brain connectivity to human behavior and genetics through advanced brain-imaging techniques.

Located at the Keck School of Medicine of USC, the institute is noted for its interdisciplinary work, collaborating with faculty in biology, genetics, biostatistics, computer science, mathematics, pharmacology and other disciplines.

Describing why the Stevens family chose to bring their long-time support for innovation to neuroscience, Trustee Mark Stevens said, "The field of neuroscience represents the next great frontier of medical research in the 21st century. We believe that the tremendously talented team and the interdisciplinary nature of the institute's work will yield meaningful understanding of this frontier in the future."



## Global Leadership

USC expanded its global reach in numerous ways this year. Here are a few highlights of 2014-15.

### Prime Minister Returns

Japanese Prime Minister Shinzo Abe capped a week of diplomacy in the U.S. by visiting the USC campus, where he was a student in 1978. Abe toured a campus transformed by recent growth with USC President C. L. Max Nikias. "We are so proud to count Prime Minister Abe among USC's most illustrious alumni, as his many accomplishments bring tremendous honor to the university," Nikias said.

Abe also met with staff and faculty at the USC Shinso Ito Center for Japanese Religions and Culture, one of only seven institutes for Japan studies at U.S. universities.

### Mexico Presence Enhanced

President C. L. Max Nikias led a delegation of trustees, senior administrators and deans to Mexico City to strengthen partnerships with leading Mexican institutions and enhance ties with alumni, parents and prospective students.

Among the expanded partnerships, USC and Consejo Nacional de Ciencia y Tecnología (CONACYT) established up to 30 postdoctoral fellowships for Mexican scholars to study at USC. The two institutions will also offer five joint scholarships for Mexican students to pursue master's degrees at the USC Viterbi School of Engineering. In addition, the USC Price School of Public Policy established an undergraduate student exchange with the Instituto Tecnológico Autónomo de México.

### Digital Future Predicted

USC's 2014 Global Conversation in New York City, "Defining Future Reality," charted the changing experience of reality and the digital future of medicine.

Keynote speaker Jimmy Iovine, music industry innovator and donor with Andre Young (AKA Dr. Dre) of the USC Jimmy Iovine and Andre Young Academy for Arts, Technology and the Business of Innovation, said he'd like the academy to become a home for innovators fluent in technology and the arts.

Among forecasts for the future, cardiologist and wireless diagnostics pioneer Leslie Saxon predicted an age of 24/7 medical record keeping worldwide: "We'll constantly be streaming wireless information about how our bodies are doing." Hao Li, an expert in 3-D digitization, predicted 2014 would become "the year of immersive experiences."

**"Neuroscience represents the next great frontier of medical research in the 21st century. We believe that the tremendously talented team and the interdisciplinary nature of the institute's work will yield meaningful understanding of this frontier in the future."**

**Mark Stevens**  
USC Trustee



## Accelerating Hearing Loss Treatment

**“Early intervention is critical to ensure that children with hearing loss develop their speech and language skills. Tina and Rick Caruso have a profound understanding of these concerns and are compassionate believers in the importance of this work. Generations of children will bear the imprint of their generosity.”**

John K. Niparko, MD  
Leon J. Tiber and David S.  
Alpert Chair in Medicine

Inspired by family experience, business leader, longtime benefactor and USC Trustee Rick J. Caruso and his wife, Tina, endowed the USC Tina and Rick Caruso Department of Otolaryngology — Head and Neck Surgery, one of the nation’s largest and most highly ranked for research and treatment of diseases of the ear, nose and throat. The Caruso’s generous naming gift includes funding for the USC Caruso Family Center for Childhood Communication, the department’s affiliated treatment center for young children with severe hearing loss.

The Caruso’s teenage daughter, Gianna, was born with mild to moderate hearing loss, presenting challenges in her daily life as well as in the classroom. This all changed, Caruso said, when a team of USC doctors provided her with a new, highly sensitive device that was inserted into her ear canal. “The minute the hearing device went in, there was a huge difference,” Caruso said. “It was a life changer.”

With this endowment, Caruso believes USC, in partnership with Children’s Hospital Los Angeles, has the potential to help thousands of children who have hearing loss, particularly those who can’t afford the latest technology or don’t have access to that level of health care. The gift will advance department research and help expand treatment options.

The USC Caruso Department is led by surgeon and researcher John K. Niparko. A national expert on hearing technologies, Niparko has built USC’s otolaryngology group into one of the nation’s finest, recruiting researchers from around the country and spearheading a national clinical trial of treatments for children with hearing loss.

“Early intervention is critical to ensure that children with hearing loss develop their speech and language skills. Tina and Rick Caruso have a profound understanding of these concerns and are compassionate believers in the importance of this work,” Niparko said.

“Generations of children will bear the imprint of their generosity.”



## Groundbreaking Surgeries

It was a year of medical and humanitarian breakthroughs at Keck Medicine of USC.

A team of physicians and nurses from Keck Medicine of USC and Children’s Hospital Los Angeles traveled to Haiti to separate a pair of six-month-old conjoined twins, the first such operation performed in that country. It was a dramatic homecoming for Haitian-born surgical team leader Henri Ford, vice dean for medical education at the Keck School of Medicine of USC.

The twins, who were connected at the abdomen, were separated in a seven-hour surgery and discharged 12 days later. Ford and his medical team traveled to Haiti almost

monthly between the November birth and May surgery to plan the elaborate procedure as well as post-surgical intensive care. James Stein, lead surgeon during the separation and associate professor of surgery at the Keck School of Medicine of USC, has now separated six pairs of conjoined twins.

Closer to home, Keck Medicine of USC collaborated with the California Institute of Technology and Rancho Los Amigos National Rehabilitation Center in a unique clinical trial to implant a device in patient Erik Sorto’s brain, which allows him to move a robotic arm just by thinking about it.

Paralyzed from the neck down when he was 21, Sorto is the first person to have this type of surgery. Keck Medicine of USC surgeons performed the neuroprosthetic implant, and, since then, Sorto has been training with Caltech researchers and Rancho Los Amigos staff to control a computer cursor and a robotic arm with his mind. He’s thrilled with the results: “It gives me great pleasure to be part of the solution for improving paralyzed patients’ lives.”

## Pharmacy Success in the Community

Recognizing that pharmacists can help patients improve their health while saving precious health care dollars, the USC School of Pharmacy’s pharmacists and students work in community settings throughout Southern California. Funded by a major federal grant, their work includes a project in more than a dozen AltaMed clinics, which serve largely low-income populations, that gives patients access to clinical pharmacists.



Associate Professor Steven Chen runs this pilot initiative. Quoted in an article in the *Los Angeles Times*, Chen explained, “That’s the reason we’ve been very successful, because someone is taking the time to sit with the patient.”

Community programs like these made the USC School of Pharmacy the ideal choice for Reyna Raya. When Raya was 11 she decided she wanted to become a pharmacist. At age 51, the single mother and cancer survivor received her PharmD, marking the culmination of a decades-long academic and personal journey.

Raya postponed college until her sons had graduated from high school, and then, just one year into undergraduate biology studies, she was diagnosed with cancer. With the help of her two sons, who she calls her “biggest cheerleaders,” Raya fought to continue her college studies while undergoing surgeries and chemotherapy.

Raya shared her story at Rock the Pink, a School of Pharmacy event promoting breast cancer awareness. The brainchild of Raya, the event brings together Trojans studying to become health professionals with breast cancer survivors and experts. “I have always had this goal of finishing school and coming back to work in my community, and that’s what kept me going,” said Raya.







The university's diverse curricular offerings provide opportunities for interdisciplinary study and collaboration with leading researchers in highly advanced learning environments.



### USC Leventhal School of Accounting

The USC Leventhal School of Accounting is consistently ranked among the top tier of accounting programs nationwide. With a focus on ethics and conceptual strengths that transcend technical proficiency, USC Leventhal produces accounting and tax professionals with the knowledge and integrity essential for success in an increasingly complex international economy. Under the leadership of Dean William W. Holder, the school continues to reach new heights of achievement. A transformative alumnus gift re-named Leventhal's signature degree program the Jennifer and James R. Parks Master of Business Taxation Program. The gift also funds an endowed faculty chair and increases the school's scholarship capacity, ensuring that USC Leventhal can continue to attract renowned thought leaders and competitive students. USC Leventhal's influence extended to the international arena this year: Accounting and history professor Jacob Soll, whose book *The Reckoning: Financial Accountability and the Rise and Fall of Nations* became a best seller in 2014, offered counsel to Greek officials, speaking about the transparency that double entry bookkeeping brings to a healthy economy.

### USC School of Architecture

Celebrating 100 years of architecture at USC, the USC School of Architecture marked its entry into the next 100 years with a dynamic program of events: the 100 Years Lecture Series, including USC

Women in Architecture, L.A. Design & Practice, and a Student/Faculty Mentorship panel; a Visions and Voices evening with Zaha Hadid; the 2014 Association for Computer-Aided Design in Architecture (ACADIA) conference; and EXPO 2015, a year-end capstone event with final reviews, an exhibition and a super jury comprising nationally renowned figures in architecture. The school's professional Bachelor of Architecture and Master of Architecture programs were awarded an unprecedented eight-year accreditation by the National Architectural Accrediting Board. The new three-year Master of Architecture program welcomed its first students in fall 2014, while the undergraduate program was ranked in the nation's top 10 by *DesignIntelligence*, the most comprehensive rankings report for U.S. architecture programs. USC Architecture faculty continued to garner national recognition in research, teaching and creative practice.



### USC Roski School of Art and Design

USC Roski has pioneered two new collaborative programs: the USC Lovine and Young Academy and an online Master of Science in Integrated Design, Business and Technology in partnership with *WIRED* magazine. The inaugural Academy cohort of student entrepreneurs and inventors completed their freshman year in a flexible-use makerspace called the Garage, stockpiled with 3D printers, a model shop, high-speed workstations and more. USC Roski classrooms were also upgraded with consumer-grade 3D printers in three new labs, custom worktables and mobile electrical infrastructure — an ongoing invest-

ment in flexibility, efficiency and spaces that inspire art and design without limits. Professor Amelia Jones, director of the MA in Curatorial Studies and the Public Sphere program, was honored with the College Art Association's annual Distinguished Feminist Award for her pioneering scholarship. Ceramics faculty member Phyllis Green was honored with a Guggenheim Fellowship in Fine Arts. Their awards model a lifetime of practice and scholarship for USC Roski students.



### USC Division of Biokinesiology and Physical Therapy

The division is a national and international leader in physical therapy education, research and innovative clinical practice, using new technologies to bring learner-centered approaches to professional education. These include "flipped classrooms" to streamline the amount of time students spend in lectures and increase valuable face time with instructors; using iPads to promote evidence-based practice; and employing 3D motion capture to objectively measure motion, giving practitioners the ability to design more effective clinical interventions. The division's faculty and students continue to distinguish themselves. Professor Lori Michener was named a Catherine Worthingham Fellow of the American Physical Therapy Association. Assistant Professor Jason Kutch was elected to the board of the International Pelvic Pain Society. Professor Carolee Winstein was invited to serve on the National Institutes of Health Musculoskeletal Rehabilitation Sciences study section. Doctor of Physical Therapy student Scott McAfee was elected to the American Physical Therapy Association's Student Assembly Board of Directors.



### USC Marshall School of Business

The USC Marshall School of Business is at the forefront of 21st century business education. Under the leadership of Dean James G. Ellis, the school reached significant milestones in 2015, including launching its new online MBA. USC Marshall's state-of-the-art undergraduate building, Fertitta Hall, is on schedule to open fall 2016. Influential speakers, including Mark Cuban and Adam Silver, came to campus to discuss topics ranging from entrepreneurship to sports business. A group of second-year MBA students was among the first to travel to Cuba after an historic resumption of diplomatic relations. Student investors received generous support from alumna Cynthia van Eck and husband Jan. The academic year ended on an inspirational note, with Evan T. Spiegel, founder of Snapchat, enjoining graduating seniors to "find something you aren't willing to sell" in his headline-making commencement speech in May.

### USC School of Cinematic Arts

The USC School of Cinematic Arts (SCA) remains the nation's top Film School and Game Design Program, according to the *Hollywood Reporter* and *The Princeton Review*, respectively. "USC always has kept an eye on the future, exploring new ideas and technologies even before Hollywood learns about them," read *The Princeton Review's* evaluation. SCA continues to explore cutting edge advancements in film, television, animation, and interactive

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**The new students, faculty and staff of USC Kaufman are enthusiastically following construction of the state-of-the-art Glorya Kaufman International Dance Center, which will open its doors in 2016.**

media, with research opportunities in IMAX immersive media, world-building, environmental media, motion capture and more. Formerly the Division of Critical Studies, the Bryan Singer Division of Cinema & Media Studies updated its name to better reflect the diverse spectrum of its students' academic and creative pursuits. All USC students can broaden their horizons with one of SCA's 14 minors, including its latest addition, Media and Social Change. These developments help attract renowned faculty and industry professionals, such as award-winning animator Eric Goldberg, who teaches fundamentals of character animation.



### **USC Annenberg School for Communication and Journalism**

The USC Annenberg School for Communication and Journalism's global reputation for digital media leadership continues to grow. USC Annenberg Dean Ernest J. Wilson III culminated four years of collaborative research with leaders of the school's communities of practices by formalizing "Third Space Thinking," a new framework for teaching and research. The newly named Julie Chen/Leslie Moonves and CBS Media Center, located inside the technologically transformative Wallis Annenberg Hall, knocked down silos between radio, TV and online culture. This converged approach saw students win an astounding 30 prizes at the Los Angeles Press Club Awards, while competing primarily against professional media elites. At the same event, School of Journalism Director Willow Bay received the Joseph M.

Quinn Award for Lifetime Achievement. School of Communication Director Sarah Banet-Weiser launched the Institute for Diversity and Empowerment (IDEA). USC Annenberg debuted a Maymester in New York City and Annenberg-Works, an analytics-driven program that links industry partners with USC Annenberg students.

### **USC Glorya Kaufman School of Dance**

The USC Glorya Kaufman School of Dance, the first new school established through an endowment at USC in nearly 40 years, welcomed its inaugural class in fall 2015. This talented and diverse group, including 15 male and 18 female dancers, will study with some of the field's foremost artistic innovators. Announcements of new USC Kaufman faculty have generated international attention in the past year, while a pioneering curricular partnership with Hubbard Street Dance Chicago, a leading practitioner of interdisciplinary dance artistry, brought a program of intensive workshops to the school. The new students, faculty and staff of USC Kaufman are enthusiastically following construction of the state-of-the-art Glorya Kaufman International Dance Center, which will open its doors in 2016.



### **Herman Ostrow School of Dentistry of USC**

For 118 years, the Herman Ostrow School of Dentistry of USC has been committed to a tradition of excellence. In 2015 Ostrow awarded nearly 70 academic student scholarships. This year also marked the start of an interdisciplinary partner-

ship between Ostrow and the USC Chan Division of Occupational Science and Occupational Therapy, made possible by a record-setting grant from the National Institutes of Health. The grant will support Ostrow and Chan researchers' investigative work on anxiety and negative responses by children with autism during dental appointments. Ostrow's alumni and friends community continued its support with 50 gifts, which the school will use to enhance its facilities, student experience and community outreach.



### **USC School of Dramatic Arts**

The USC School of Dramatic Arts continues to be a nationally recognized leader and innovator in dramatic arts education. This year, the school welcomed the Summer Institute for International Actors' inaugural cohort. This unique program combines rigorous acting and professional development courses taught by the school's world-class faculty with immersive English language training at the USC International Academy. Greenhouse at The Playhouse, a new partnership with The Pasadena Playhouse, further develops the work of emerging playwrights in the Master of Fine Arts dramatic writing program. The school also launched a new program for Bachelor of Arts students, allowing them to choose an emphasis in acting or design. And USC School of Dramatic Arts alumni, including Danny Strong (executive producer of *Empire*), Forest Whitaker, Beck Bennett (*Saturday Night Live*) and many more, continue to make an indelible mark on their artistic fields.



## USC Rossier School of Education

USC Rossier’s mission is to improve urban education locally, nationally and globally. The school’s groundbreaking online Master of Arts in Teaching continues to grow, with more than 2,700 graduates from 50 states and 30 countries. The school also launched a first-of-its-kind online EdD in Organizational Change and Leadership. A commitment to improve college access to first-generation and underserved students earned the school a prestigious First in the World grant from the U.S. Department of Education, supporting the expansion of the online college access game *Mission: Admission*. USC Rossier had the highest allocation of research funding per faculty member of any school of education in the nation. In fall 2015, USC Rossier’s successful innovative charter high school, USC Hybrid High in downtown Los Angeles, welcomed its first senior class, while a second school, USC East College Prep, opened in Lincoln Heights.

## USC Viterbi School of Engineering

This year, USC Viterbi programs and faculty earned several national distinctions. USC Viterbi continues to recruit world-class faculty: Since 2009, 10 of its junior faculty have made *MIT Technology Review*’s list of “The World’s 35 Top Innovators under the Age of 35.” USC Games, a unique collaboration with the USC School of Cinematic Arts, was named the No. 1 games program by The Princeton Review for the sixth consecutive year. *U.S. News & World Report* placed USC Viterbi’s

graduate program among the nation’s top 10 and named the Distance Education Network, DEN@Viterbi, the best online graduate computer information technology program for the third consecutive year. The World Economic Forum recently named Associate Professor Andrea Armani a Young Global Leader, making her one of only two U.S. professors so honored. Finally, Andrew Viterbi, Qualcomm cofounder and USC Viterbi namesake, was inducted into CONNECT’s Entrepreneur Hall of Fame for founding, leading or advancing a life sciences or technology-based business or organization in San Diego.

## USC Leonard Davis School of Gerontology

This year marked two milestones for gerontology at USC: the 40th anniversary of the USC Davis School and the 50th anniversary of the Ethel Percy Andrus Gerontology Center. USC Davis scientific achievements in 2015 included a groundbreaking study published in *Cell Metabolism* and led by Assistant Professor David Lee and USC Davis Dean Pinchas Cohen, which described a newly discovered mitochondrial hormone, “MOTS-c,” that mimics the effects of exercise. Another high-profile study, published in the *Proceedings of the National Academy of Sciences* and led by University Professors Eileen Crimmins and Caleb Finch, identified greater male vulnerability to heart disease as the main reason behind the lifespan disparity between the sexes that emerged in the early 20th century. In an innovative educational development affecting millions of older adults across the U.S., USC Davis joined forces with Bank of America Merrill Lynch to create the Longevity Training Program, an online gerontology course for Merrill Lynch financial advisers and benefits/human resources personnel within Merrill Lynch’s 35,000 client companies.

## USC Gould School of Law

USC Gould welcomed Andrew T. Guzman as its 14th dean. Earlier this year, the school received a major gift from Judge Judith O. Hollinger ’61 to launch the Alternative Dispute Resolution (ADR) program, one of the few in the nation teaching students the important skills of arbitration and mediation. Professor Tom Lyon, along with a team of alumni and students, influenced a unanimous Supreme Court decision to accept children’s statements of abuse as admissible testimony. The Post-Conviction Justice Project represented the first juvenile client in California who was released from prison under the California Fair Sentencing for Youth Act. In its 14th year, the Master of Laws (LL.M.) program continued to grow, with 215 students from 39 countries. The online LL.M. program, now in its second year, has more than doubled its number of students. And the USC Gould graduates of 2014 posted an impressive bar passage rate of 87% — among the top three in California.



## USC Dornsife College of Letters, Arts and Sciences

Building upon the university’s Convergent Bioscience Initiative, USC Dornsife launched The Bridge@USC to unite outstanding minds in chemistry, biology, medicine, mathematics, physics and engineering to create the first atomic-resolution model of man. This dynamic model will accelerate the development of new therapies and cures for a range of diseases and conditions. Blending

**The USC Viterbi School of Engineering earned several national distinctions in 2015. *U.S. News & World Report* placed USC Viterbi’s graduate program among the nation’s top 10 and named the Distance Education Network, DEN@Viterbi, the best online graduate computer information technology program for the third consecutive year.**

international relations course work and internships with policy-focused organizations, the semester-long Dornsife D.C. program was introduced as part of a continued emphasis on practical politics. The Department of English further bolstered its creative writing faculty with the recruitment of renowned American poet Claudia Rankine and award-winning author Geoff Dyer. The USC Shoah Foundation partnered with international organizations to commemorate the 70th anniversary of the Auschwitz death camp liberation, bringing survivors, teachers and others to Poland for a four-day observance.



### USC Libraries

The Master of Management in Library and Information Science program, a partnership between the USC Libraries and the USC Marshall School of Business, graduated its first class of 18 students this year. The two-year online degree, launched in 2013, is designed to train the next generation of information professionals with a curriculum focused on developing leadership skills, entrepreneurial thinking and global perspectives. At the May commencement ceremony, three of the graduating students were recognized for their high achievement in academic librarianship. Upon graduation, numerous graduates had full-time positions in libraries, with jobs as diverse as web services manager, university librarian and head of access services, while one graduate accepted a fully funded University of California doctoral fellowship.



### Keck Medicine of USC

Financial support for Keck Medicine of USC has a unique and profound impact on not only the patients who receive treatment there, but also on the advancement of medicine in the diagnosis, treatment and prevention of diseases touching people around the world. The direct relationship between gifts and grants, and its application to medicine at USC, is clear and seen in some of this year's highlights:

- For business leader and USC trustee Rick Caruso and his wife, Tina, their decision to endow and name the USC Tina and Rick Caruso Department of Otolaryngology — Head and Neck Surgery and the USC Caruso Family Center for Childhood Communication is a tribute to their daughter, who was impacted by hearing loss at birth, and extends their long-standing support of pioneering research, health care and education for early-onset hearing loss (see page 22).
- USC is considered among the elite research facilities in the world for the study of brain injury and disease. Led by the renowned team of Arthur Toga and Paul Thompson, and endowed by longtime USC benefactors Mark and Mary Stevens, the USC Mark and Mary Stevens Neuroimaging and Informatics Institute is helping to speed the transformation of basic research into potential therapies and cures for brain-related conditions (see page 21). In October, Toga and Thompson also earned a pair of grants from the National Institutes of Health to establish two centers of excellence in big data research.

- Thanks to a three-year sole recipient grant, USC became the National Center on Elder Abuse, providing technical assistance and training to states and community-based organizations to develop effective prevention, intervention and response efforts addressing elder abuse. Led by Laura Mosqueda, department chair of family medicine and geriatrics, the center also conducts research and advocates for policy changes on behalf of older adults.
- The Hastings Foundation awarded a five-year grant to establish the Hastings Center for Pulmonary Research at Keck Medicine of USC, which will bring together basic and translation researchers and clinicians to develop new treatments and cures for pulmonary diseases, such as cystic fibrosis, chronic obstructive pulmonary disease and idiopathic pulmonary fibrosis, that affect millions around the world.

### USC Thornton School of Music

The USC Thornton School of Music celebrated a year of extraordinary events and accomplishments across its diverse programs. The school launched a bachelor's degree in music production and welcomed new faculty, including Jeffrey Kahane, music director of the Los Angeles Chamber Orchestra. The USC Thornton Opera program presented the West Coast premiere of Hans Werner Henze's "The English Cat," and the USC Thornton Symphony performed at Walt Disney Concert Hall. Among USC Thornton's many accomplished students, Julia Adolphe was commissioned to compose a viola concerto for the New York Philharmonic, and Francisco Garcia Fullana received a loan of the 1697 Stradivarius "Rainville" violin after winning a prestigious competition in Japan. Veteran faculty members, including drummer Peter Erskine and organists Cherry Rhodes and Ladd Thomas, received high honors from

campus and musical communities alike, while USC Thornton welcomed many esteemed artistic collaborators, among them singer Chaka Khan and filmmaker David Lynch. The year concluded with the inaugural Musician's Wellness Initiative, an innovative event to raise awareness about healthy musicianship.

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## USC Mrs. T.H. Chan Division of Occupational Science and Occupational Therapy

At a September 2014 celebration, USC Trustee Ronnie C. Chan MBA '76 and his wife, Barbara, announced a generous gift to USC's pioneering occupational science and occupational therapy program. Given in honor of Chan's mother, the gift endowed and named the division, now known as the USC Mrs. T.H. Chan Division of Occupational Science and Occupational Therapy. This was both the first naming gift and the largest ever made to any occupational therapy program in the 100-year history of the profession. The gift also extends the division's international reach through the USC Mrs. T.H. Chan Occupational Therapy China Initiative, which will establish a graduate program in occupational therapy in China in partnership with a top Chinese university. In addition, Florence Clark, associate dean and division chair, was named the inaugural holder of the Mrs. T.H. Chan Professorship in Occupational Science and Occupational Therapy.

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## USC School of Pharmacy

As the nation's health care system evolves, the USC School of Pharmacy continues to lead in the advancement of the profession, education, practice and research. A thorough review of the Doctor of Pharmacy program resulted in a new curriculum to be launched

with the Class of 2019. Early data from a three-year study placing USC clinical pharmacy teams in 10 safety net clinics shows improved medication use, health outcomes and reduced costs (see page 22). USC Pharmacy is working on statewide implementation of landmark Senate Bill 493 recognizing pharmacists as health care providers, while the nation watches the expanded role for pharmacists taking shape in California. School research entered a new frontier this year with a grant from NASA to conduct a drug discovery experiment at the International Space Station. Professor Roberta Diaz Brinton was *Los Angeles Magazine's* "Woman of the Year." USC now houses the national office of the Rho Chi Society, the international academic honor society for the pharmaceutical sciences. A gift from Ninetta and Gavin Herbert established the Margaret and John Biles Leadership Center, which addresses pressing health issues while promoting leadership and entrepreneurial skills among students.



## USC Sol Price School of Public Policy

The USC Sol Price School of Public Policy secured substantial funding for additional student scholarships and student enrichment programs this year. USC Price also established a new Bachelor of Science in Real Estate Development degree, complementing its signature Dollinger Master of Real Estate Development program, endowed by alumnus David Dollinger MRED '87. For the second year in a row, USC Price broke previous records in externally funded research support, including two transformative grants to the school's USC Center for Economic Development (CED) for further collaboration with the Southern

California Advanced Manufacturing Partnership (AMP SoCal). Last year, CED partnered with the city of Los Angeles to secure a "Manufacturing Community" federal designation for Southern California. This gives AMP SoCal members preferential access to a range of federal economic development funding, which will support the aerospace and defense industry as well as defense-impacted firms.



## USC School of Social Work

The USC School of Social Work unveiled a new curriculum that places a stronger emphasis on the science of social work, neuroscience and leadership, and requires students to select a department of study: Children, Youth and Families; Adults and Healthy Aging; or Community, Organization, and Business Innovations. *Fast Company* magazine highlighted the school's business course work, suggesting the world might benefit if more business leaders came out of Master of Social Work programs. The Center for Innovation and Research on Veterans & Military Families conducted the first comprehensive survey of Los Angeles veterans' transition challenges, releasing a report lauded by national and local leaders. The school established an "Innovators in Residence" program to provide faculty, staff and students with new approaches to problem solving. One example is the co-mingling of social work and engineering on big-data projects, such as wireless-based mobile health training for older adults with disabilities and mapping social networks of homeless youth.

**USC Pharmacy is working on statewide implementation of landmark Senate Bill 493 recognizing pharmacists as health care providers, while the nation watches the expanded role for pharmacists taking shape in California.**



# financial statements\_2015

# Report of Independent Auditors

## To the Board of Trustees of the University of Southern California

We have audited the accompanying consolidated financial statements of the University of Southern California and its subsidiaries (the “university”), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended.

### Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor’s Responsibility

Our responsibility is to express an opinion on the 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the university’s preparation and fair presentation of the consolidated 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 university’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 presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Southern California and its subsidiaries as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Los Angeles, California  
October 14, 2015

# Consolidated Balance Sheet

in thousands

	June 30 2015	June 30 2014
	A	B
<b>Assets</b>		
1 Cash and cash equivalents	\$370,960	\$442,423
2 Accounts receivable, net	363,539	352,221
3 Notes receivable, net of allowance for doubtful accounts, \$5,575 (2015), \$5,580 (2014)	81,377	84,696
4 Pledges receivable, net	648,619	577,027
5 Investments	5,537,327	5,390,233
6 Inventories, prepaid expenses and other assets	247,786	204,348
7 Property, plant and equipment, net	3,107,968	2,928,043
8 <b>Total Assets</b>	<b>\$10,357,576</b>	<b>\$9,978,991</b>
<b>Liabilities</b>		
9 Accounts payable	\$291,977	\$211,271
10 Accrued liabilities	454,473	420,446
11 Refundable advances	18,553	16,936
12 Current portion of long-term debt	8,515	7,120
13 Deposits and deferred revenue	170,264	163,920
14 Actuarial liability for annuities payable	152,463	149,047
15 Federal student loan funds	68,195	67,952
16 Asset retirement obligations	110,637	109,210
17 Capital lease obligations	126,459	125,742
18 Long-term debt	1,227,145	1,237,895
19 Other liabilities	3,948	6,864
20 <b>Total Liabilities</b>	<b>2,632,629</b>	<b>2,516,403</b>
<b>Net Assets</b>		
21 Unrestricted	3,482,886	3,417,909
22 Temporarily restricted	1,999,459	1,966,794
23 Permanently restricted	2,242,602	2,077,885
24 <b>Total Net Assets</b>	<b>7,724,947</b>	<b>7,462,588</b>
25 <b>Total Liabilities and Net Assets</b>	<b>\$10,357,576</b>	<b>\$9,978,991</b>

The accompanying notes are an integral part of this statement.

# Consolidated Statement of Activities

in thousands

Year Ended  
June 30, 2015

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
	A	B	C	D
<b>Revenues</b>				
1 Student tuition and fees	\$1,710,225			\$1,710,225
2 Less financial aid	(460,276)			(460,276)
3 Net student tuition and fees	1,249,949			1,249,949
4 Endowment income	45,527		\$432	45,959
5 Investment and other income	14,360		205	14,565
6 Net appreciation (depreciation) in fair value of investments	33,565	\$73,090	(2,214)	104,441
7 Contracts and grants	455,177			455,177
8 Contributions	248,837	124,011	164,917	537,765
9 Sales, services and other	217,457			217,457
10 Auxiliary enterprises	308,515			308,515
11 Health care services	1,310,882			1,310,882
12 Present value adjustment to annuities payable		37	(2,033)	(1,996)
13 Net assets released from restrictions/redesignations	161,063	(164,473)	3,410	
14 <b>Total Revenues</b>	<b>4,045,332</b>	<b>32,665</b>	<b>164,717</b>	<b>4,242,714</b>
<b>Expenses</b>				
15 Educational and general activities	2,415,602			2,415,602
16 Health care services	1,300,218			1,300,218
17 Depreciation and amortization	198,357			198,357
18 Interest on indebtedness	66,178			66,178
19 <b>Total Expenses</b>	<b>3,980,355</b>			<b>3,980,355</b>
20 <b>Increase in Net Assets</b>	<b>64,977</b>	<b>32,665</b>	<b>164,717</b>	<b>262,359</b>
21 <b>Beginning Net Assets</b>	<b>3,417,909</b>	<b>1,966,794</b>	<b>2,077,885</b>	<b>7,462,588</b>
22 <b>Ending Net Assets</b>	<b>\$3,482,886</b>	<b>\$1,999,459</b>	<b>\$2,242,602</b>	<b>\$7,724,947</b>
<b>Nature of specific net assets</b>				
23 Designated	\$808,017			\$808,017
24 Externally restricted		\$53,802	\$25,422	79,224
25 Pledges		327,070	321,549	648,619
26 Unexpended endowment income	214,053			214,053
27 Annuity and living trusts		54,168	88,222	142,390
28 True endowment and net appreciation		1,564,419	1,807,409	3,371,828
29 Funds functioning as endowment	1,337,683			1,337,683
30 Debt service funds	86,322			86,322
31 Invested in plant	1,036,811			1,036,811
32	<b>\$3,482,886</b>	<b>\$1,999,459</b>	<b>\$2,242,602</b>	<b>\$7,724,947</b>

The accompanying notes are an integral part of this statement.

# Consolidated Statement of Activities

in thousands

	Year Ended June 30, 2014			
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets
	A	B	C	D
<b>Revenues</b>				
1 Student tuition and fees	\$1,602,331			\$1,602,331
2 Less financial aid	(440,014)			(440,014)
3 Net student tuition and fees	1,162,317			1,162,317
4 Endowment income	50,521		\$438	50,959
5 Investment and other income	10,792		222	11,014
6 Net appreciation in fair value of investments	216,934	\$503,164	19,239	739,337
7 Contracts and grants	452,724			452,724
8 Contributions	406,237	129,298	180,740	716,275
9 Sales, services and other	170,991			170,991
10 Auxiliary enterprises	296,335			296,335
11 Health care services	1,167,345			1,167,345
12 Present value adjustment to annuities payable		(1,050)	(5,787)	(6,837)
13 Net assets released from restrictions/redesignations	258,007	(251,185)	(6,822)	
14 <b>Total Revenues</b>	<b>4,192,203</b>	<b>380,227</b>	<b>188,030</b>	<b>4,760,460</b>
<b>Expenses</b>				
15 Educational and general activities	2,312,932			2,312,932
16 Health care services	1,122,176			1,122,176
17 Depreciation and amortization	180,953			180,953
18 Interest on indebtedness	66,670			66,670
19 <b>Total Expenses</b>	<b>3,682,731</b>			<b>3,682,731</b>
20 <b>Increase in Net Assets</b>	<b>509,472</b>	<b>380,227</b>	<b>188,030</b>	<b>1,077,729</b>
21 <b>Beginning Net Assets</b>	<b>2,908,437</b>	<b>1,586,567</b>	<b>1,889,855</b>	<b>6,384,859</b>
22 <b>Ending Net Assets</b>	<b>\$3,417,909</b>	<b>\$1,966,794</b>	<b>\$2,077,885</b>	<b>\$7,462,588</b>
<b>Nature of specific net assets</b>				
23 Departmentally designated	\$760,869			\$760,869
24 Externally restricted		\$35,221	\$27,914	63,135
25 Pledges		288,879	288,148	577,027
26 Unexpended endowment income	196,094			196,094
27 Annuity and living trusts		50,683	90,830	141,513
28 True endowment and net appreciation		1,592,011	1,670,993	3,263,004
29 Funds functioning as endowment	1,330,010			1,330,010
30 Debt service funds	78,432			78,432
31 Invested in plant	1,052,504			1,052,504
32	<b>\$3,417,909</b>	<b>\$1,966,794</b>	<b>\$2,077,885</b>	<b>\$7,462,588</b>

The accompanying notes are an integral part of this statement.

# Consolidated Statement of Cash Flows

in thousands

	Year Ended June 30, 2015	Year Ended June 30, 2014
	A	B
<b>Cash Flows from Operating Activities</b>		
1 <b>Change in Net Assets</b>	<b>\$262,359</b>	<b>\$1,077,729</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation and amortization	198,357	180,953
3 Loss on the disposal/sale of plant assets	8,276	3,755
4 In-kind receipt of property, plant and equipment	(5,340)	(99,443)
5 Present value adjustment to annuities payable	2,044	7,137
6 Increase in accounts receivable	(11,318)	(26,663)
7 Increase in pledges receivable	(205,034)	(178,016)
8 Increase in inventories, prepaid expenses and other assets	(29,180)	(41,281)
9 Increase (decrease) in accounts payable	85,129	(3,700)
10 Increase in accrued liabilities	18,437	89,836
11 Increase (decrease) in refundable advances	1,617	(429)
12 Increase in deposits and deferred revenue	6,344	4,207
13 (Decrease) increase in other liabilities	(2,916)	2,431
14 Contributions restricted for property, plant and equipment and permanent investment	(165,088)	(207,231)
15 Net realized gain on sale of investments	(225,507)	(327,705)
16 Net unrealized depreciation (appreciation) in investments	121,241	(411,786)
17 <b>Net cash provided by operating activities</b>	<b>59,421</b>	<b>69,794</b>
<b>Cash Flows from Investing Activities</b>		
18 Proceeds from note collections	13,311	11,939
19 Notes issued	(9,987)	(11,219)
20 Proceeds from sale and maturity of investments	4,372,440	4,158,861
21 Purchase of investments	(4,434,823)	(4,129,737)
22 Purchase of property, plant and equipment	(364,850)	(420,755)
23 <b>Net cash used in investing activities</b>	<b>(423,909)</b>	<b>(390,911)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for permanent investment:		
24 Endowment	212,849	160,052
25 Plant	79,547	165,703
26 Trusts and other	6,133	2,388
27 Repayment of long-term debt	(7,120)	(10,037)
28 Increase in federal student loan funds	244	245
29 Investment gain (loss) on annuities payable	5,900	(20)
30 Payments on annuities payable	(13,686)	(13,082)
31 Increase to annuities payable resulting from new contributions	9,158	6,666
32 <b>Net cash provided by financing activities</b>	<b>293,025</b>	<b>311,915</b>
33 <b>Net decrease in cash and cash equivalents</b>	<b>(71,463)</b>	<b>(9,202)</b>
34 <b>Cash and cash equivalents at beginning of year</b>	<b>442,423</b>	<b>451,625</b>
35 <b>Cash and cash equivalents at end of year</b>	<b>\$370,960</b>	<b>\$442,423</b>

The accompanying notes are an integral part of this statement.

# Notes to Consolidated Financial Statements

## Note 1

Significant accounting policies followed by the University of Southern California are set forth below:

The University of Southern California is a not-for-profit, major private research university. The consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, Not-for-Profit Entities, which requires the university to classify its net assets into three categories according to donor-imposed restrictions or provisions of law: unrestricted, temporarily restricted, or permanently restricted. All material transactions between the university and its subsidiaries have been eliminated.

The university is generally exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The university is also generally exempt from payment of California state income, gift, estate and inheritance taxes.

### Unrestricted net assets:

*Education and general:* Education and general include the revenues and expenses associated with the principal educational mission of the university.

*Health care services:* Health care services are reflective of the revenues and expenses associated with Keck Hospital of USC, USC Norris Cancer Hospital, USC Verdugo Hills Hospital, the Professional Services Agreement with Los Angeles County and USC Care Medical Group, Inc., a primary care and multi-specialty physician practice corporation.

*Sponsored research and departmental activities:* Sponsored research agreements recognize revenue as it is earned through expenditure in accordance with the agreement. Any funding received in advance of expenditure is recorded as refundable advances. Departmental net assets include contributions to the university and its various schools and departments. The university has determined that any donor-imposed restrictions of contributions for current or developing programs and activities are generally met within the operating cycle of the university and, therefore, the university's policy is to record these net assets as unrestricted. Internally designated net assets are those which have been appropriated by the Board of Trustees or designated by management.

*Unexpended plant and debt service funds:* Unexpended plant and debt service net assets include contributions and income earned on unexpended balances for capital projects which are currently under construction and transfers from the operating budget to fund the debt service requirements for outstanding bonds, notes and mortgages payable. The university follows the policy of lifting the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the restrictions are fulfilled or the assets are placed in service.

*Invested in plant:* Invested in plant assets, including collections of works of art and historical treasures, are stated at cost or fair value at the date of contribution, plus the estimated value of any associated legal retirement

obligations, less accumulated depreciation, computed on a straight-line basis over the estimated useful or component lives of the assets (equipment and library books useful lives ranging from 4 to 10 years and buildings component lives ranging from 5 to 50 years). Equipment is removed from the records at the time of disposal. The university follows the policy of recording contributions of long-lived assets directly in invested in plant assets when the purpose or time restriction is met instead of recognizing the contribution over the useful life of the asset.

*Long-term investment:* Long-term investments include contributions and Board of Trustee designations to funds functioning as endowment, realized and unrealized gains and reinvested income (income earned in excess of the spending rule) on all endowment funds.

*Student loan:* Student loan net assets include lending activity to students utilizing university resources designated for that purpose.

### Temporarily restricted net assets:

Contributions for which donor imposed restrictions have not been met (primarily future capital projects), endowment appreciation, charitable remainder unitrusts, pooled income funds, gift annuities and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted are included in temporarily restricted net assets.

### Permanently restricted net assets:

Contributions, charitable remainder unitrusts, pooled income funds, gift annuities and pledges receivable which require by donor restriction the investment of the corpus in perpetuity, net appreciation on true endowment and only the income be made available for program operations in accordance with donor restrictions and contributions which have been donor stipulated to provide loans to students are included in permanently restricted net assets.

### Other accounting policies:

Cash equivalents consist of highly liquid investments with original maturities of three months or less. The university has classified all cash and cash equivalents as Level I financial instruments.

Investments are stated at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the Consolidated Statement of Activities. Realized gains and losses upon the sale of investments are calculated using the specific identification method and trade date.

Alternative investment holdings and certain other limited partnership interests are invested in both publicly traded and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information.

## Notes to Consolidated Financial Statements

### Note 1 (continued)

Inventories are valued at the lower of cost (first in, first out) or market.

The university receives federal reimbursement for a portion of the costs of its facilities and equipment used in organized sponsored research. The Office of Management and Budget, Circular A-21, establishes principles for determining such reimbursable costs and requires conformity of the lives and methods used for federal cost reimbursement accounting and financial reporting purposes. The university's policies and procedures are in conformity with these principles.

Student tuition and fees are recorded as revenues during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

The university's split interest agreements with donors consist primarily of gift annuities, unitrusts, pooled income funds and life estates. For irrevocable agreements, assets contributed are included in the university's investments and stated at fair value. Contribution revenue is recognized at the date each trust is established after recording liabilities for the actuarially-determined present value of the estimated future payments to be made to the beneficiaries. The actuarial liability is discounted at an appropriate risk-adjusted rate at the inception of each agreement and the applicable actuarial mortality tables. Discount rates on split-interest agreements range from 3.0% to 9.5%. The liabilities are adjusted during the terms of the trusts for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. The valuation followed generally accepted actuarial methods and was based on the requirements of FASB ASC 958. The 2012 Individual Annuity Mortality Basic Table (without margin) for Males and Females with Projection Scale G2 for Males and Females were used in the valuations. For split interest agreements related to the State of Washington, the university holds a Certificate of Exemption issued by the State of Washington's Office of Insurance Commissioner to issue charitable gift annuities. The university has been in compliance with Revised Code of Washington 48.38.010(6) throughout the time period covered by the financial statements.

The university has recorded conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the university records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. The fair value of the conditional asset retirement obligations was estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows was calculated using the credit adjusted, interest rate applicable to the university in order to determine the fair value of the conditional asset retirement obligations. For the years ended June 30, 2015 and 2014, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$5,649,000 and

\$5,420,000, respectively. For the years ended June 30, 2015 and 2014, the university settled asset retirement obligations of approximately \$1,835,000 and \$1,653,000, respectively. As of June 30, 2015 and 2014, included in the Consolidated Balance Sheet is an asset retirement obligation of \$110,637,000 and \$109,210,000, respectively.

Contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Contributions are valued using quoted market prices, market prices for similar assets, independent appraisals, or by university management. Contributions receivable are reported at their discounted value using credit-adjusted borrowing rates and an allowance for amounts estimated to be uncollectible is provided. Donor-restricted contributions, which are received and either spent, or deemed spent, within the same year, are reported as unrestricted revenue. Contributions of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Contributions restricted to the acquisition or construction of long-lived assets or subject to other time or purpose restrictions are reported as temporarily restricted revenue. The temporarily restricted net assets resulting from these contributions are released to unrestricted net assets when the donor-imposed restrictions are fulfilled or the assets are placed in service. Contributions received for endowment investment are held in perpetuity and recorded as permanently restricted revenue.

Health care services revenues include the net patient service revenues associated with the Keck Hospital of USC, USC Norris Cancer Hospital, USC Verdugo Hills Hospital and USC Care Medical Group, Inc. Net patient service revenue is reported as estimated net realizable amounts from patients, third party payors, government programs and others in the period in which services are provided. The majority of the health care services are rendered to patients with commercial or managed care insurance, or under the federal Medicare and California State Medi-Cal programs. Reimbursement from these various payors is based on a combination of prospectively determined rates, discounts from charges and historical costs. Amounts received under the Medicare program are subject to retroactive settlements based on review and final determination by program intermediaries or their agents. Provisions for contractual adjustments and retroactive settlements related to those payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as additional information becomes known or as final settlements are determined. Health care services revenues also include the revenues associated with the professional services agreement with the County of Los Angeles.

Allowances for doubtful accounts are based upon management's assessment of historical and expected net collections considering historical business and economic conditions. Periodically throughout the year management assesses the adequacy of the allowances for doubtful accounts based upon historical write-off experience. The results of this review are then used to make any modifications to the allowance for doubtful accounts.

## Notes to Consolidated Financial Statements

### Note 1 (continued)

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The university applies the provision of FASB ASC 820, Fair Value Measurements, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the university for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level I - Quoted prices in active markets for identical assets or liabilities.
- Level II - Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III investments are valued by the university based upon valuation information received from the relevant entity which may include last trade information, third-party appraisals of real estate, or valuations prepared by custodians for assets held in trusts by other trustees where the university is named as a beneficiary. The university may also utilize industry standard valuation techniques, including discounted cash flow models. Significant increases or decreases in these inputs in isolation may result in a significantly lower or higher fair value measurement, respectively.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The university applies the authoritative guidance contained in FASB ASC 820-10, Fair Value Measurements and Disclosures, for estimating the fair value of investments in investment funds that have calculated Net Asset Value ("NAV") per share in accordance with FASB ASC 946-10, Financial Services-Investment Companies (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in

which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted, to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the university uses the NAV as reported by the money managers as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2015 and 2014, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient.

### Recent Accounting Pronouncements:

In October 2012, the FASB issued ASU 2012-05, Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force), which amends the standards for preparing the statement of cash flows. The ASU requires a not-for-profit ("NFP") to classify cash receipts from the sale of donated financial assets consistently with cash donations received if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately to cash. The guidance provided in ASU 2012-05 is effective for interim and annual reporting periods beginning after June 15, 2013. The university adopted ASU 2012-05 effective July 1, 2013, and such adoption did not have a material effect on the university's financial statements.

On July 1, 2014, the university early adopted new guidance about Fair Value Measurement and Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). This guidance requires the university to show investments that use NAV as a practical expedient for valuation purposes, separately from other investments categorized in the fair value hierarchy described in Footnote 4. This disclosure change, which was applied retrospectively, can be seen in the investment leveling tables shown in Footnotes 4 and 13 for both fiscal years 2015 and 2014.

## Notes to Consolidated Financial Statements

### Note 2

#### Acquisitions

In July 2013, the university acquired USC Verdugo Hills Hospital (“USC VHH”) through its subsidiary, USC Verdugo Hills Hospital, LLC (“USC VHH LLC”). The primary operation of USC VHH is a 158-bed acute care hospital located in Glendale, California. USC VHH LLC acquired certain assets and assumed certain liabilities in consideration of the USC VHH LLC discharging the outstanding indebtedness of USC VHH in an amount of approximately \$9,000,000. The university’s consolidated financial statements include the results of the operations of USC VHH for the 11½ month period ended June 30, 2014. The acquired hospital had approximately \$79,000,000 and \$73,000,000 in net patient service revenue for the years ended June 30, 2015 and 2014, respectively.

In December 2013, Pacific Asia Museum (“PAM”) merged with the university. The university’s consolidated financial statements include the results of the operations of PAM since the merger.

The acquisition of both entities resulted in the recognition of approximately \$100,000,000 in net assets acquired which is included in contributions on the consolidated statement of net assets for the year ended June 30, 2014. The majority of the acquisition consisted of \$25,000,000 of art and historical treasures and \$75,000,000 of property, plant and equipment. The results of operations for both acquired entities did not have a material impact on the consolidated statement of activities for the years ended June 30, 2015 and 2014.

### Note 3

#### Accounts receivable (in thousands):

Accounts receivable are summarized as follows at June 30:

	2015	2014
U.S. Government	\$36,314	\$35,862
Student and other, net of allowance for doubtful accounts of \$11,500 (2015), \$9,000 (2014)	99,032	95,320
Patient care, net of allowance for doubtful accounts of \$76,572 (2015), \$57,842 (2014)	228,193	221,039
	<b>\$363,539</b>	<b>\$352,221</b>

### Note 4

#### Investments (in thousands):

Investments consisted of the following at June 30:

	2015	2014
Equities	\$1,927,150	\$1,871,615
Fixed income securities	1,134,088	1,116,329
Alternative investments:		
Hedge funds	869,240	756,710
Private capital	1,209,154	1,265,601
Real estate and other	246,410	235,254
Assets held by other trustees	151,285	144,724
<b>Total</b>	<b>\$5,537,327</b>	<b>\$5,390,233</b>

## Notes to Consolidated Financial Statements

### Note 4 (continued)

The following table summarizes the levels of financial instruments carried at fair value as defined by ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2015:

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$1,744,656	\$54,421	\$75,702	\$52,371	\$1,927,150
Fixed income securities	251,546	873,632	8,910		1,134,088
Hedge funds				869,240	869,240
Private capital				1,209,154	1,209,154
Real estate and other			36,936	209,474	246,410
Assets held by other trustees			151,285		151,285
<b>Total investments</b>	<b>\$1,996,202</b>	<b>\$928,053</b>	<b>\$272,833</b>	<b>\$2,340,239</b>	<b>\$5,537,327</b>

The following table summarizes the levels of financial instruments carried at fair value as defined by ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2014:

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$571,895	\$1,080,577	\$104,087	\$115,057	\$1,871,616
Fixed income securities	195,793	907,187	13,348		1,116,328
Hedge funds				756,710	756,710
Private capital				1,265,601	1,265,601
Real estate and other			27,717	207,537	235,254
Assets held by other trustees			144,724		144,724
<b>Total investments</b>	<b>\$767,688</b>	<b>\$1,987,764</b>	<b>\$289,876</b>	<b>\$2,344,905</b>	<b>\$5,390,233</b>

The following table summarizes the university's Level III reconciliation of investments for the year ended June 30, 2015:

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
June 30, 2015								
Equities	\$104,087	\$3,549	(\$19,361)	\$1,106	(\$6,861)		(\$6,818)	\$75,702
Fixed income securities	13,348	4,457	(8,621)	29	(215)		(88)	8,910
Real estate and other	27,717	7,269	(173)		641	\$1,482		36,936
Assets held by other trustees	144,724	9,411	(1,307)		(1,543)			151,285
<b>Total</b>	<b>\$289,876</b>	<b>\$24,686</b>	<b>(\$29,462)</b>	<b>\$1,135</b>	<b>(\$7,978)</b>	<b>\$1,482</b>	<b>(\$6,906)</b>	<b>\$272,833</b>

The following table summarizes the university's Level III reconciliation of investments for the year ended June 30, 2014:

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
June 30, 2014								
Equities	\$63,075	\$22,651	(\$2,492)	\$249	\$20,604			\$104,087
Fixed income securities	10,259	25,886	(23,330)	164	369			13,348
Real estate and other	35,108	1,408	(5,956)		(2,843)			27,717
Assets held by other trustees	135,344	3,001	(2,346)		8,725			144,724
<b>Total</b>	<b>\$243,786</b>	<b>\$52,946</b>	<b>(\$34,124)</b>	<b>\$413</b>	<b>\$26,855</b>	<b>-</b>	<b>-</b>	<b>\$289,876</b>

## Notes to Consolidated Financial Statements

### Note 4 (continued)

The university uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments by major category for the years ending June 30, 2015 and 2014, respectively:

At June 30, 2015

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Distressed Obligation Partnerships	US and Non-US Distressed Debt Securities	\$48,603,000	\$27,245,000	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Hedge Funds	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$869,240,000	\$0	99.6% of NAV has an open ended life and 0.4% of NAV will be liquidated on an undetermined basis.	Ranges between monthly redemption with 90 days notice, quarterly redemption with up to 120 days notice, semi-annual redemption with 60 days notice, and annual redemption with up to 180 days notice.	19% of NAV is locked up for 3 months, 45% of NAV is locked up for 1 year, and 36% of NAV is locked up for more than 1 year.	None
Natural Resources Partnerships	US and Non-US Investments in Upstream, Midstream, and Downstream Natural Resources Investments	\$345,070,000	\$160,487,000	Approximately 5 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Capital Partnerships	US and Non-US Private Equity and Venture Capital Investments	\$815,481,000	\$118,741,000	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Real Estate Partnerships	US and Non-US Real Estate	\$208,213,000	\$86,929,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Equity Funds	US and Non-US Equity Securities	\$52,371,000	Not Applicable	Open Ended	Minimum Monthly	None	None
Other Funds	US and Non-US Investments in Securities Other than Equity and Fixed Income	\$1,261,000	Not Applicable	Open Ended	Monthly	None	None
<b>Total</b>		<b>\$2,340,239,000</b>	<b>\$393,402,000</b>				

## Notes to Consolidated Financial Statements

### Note 4 (continued)

At June 30, 2014

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Distressed Obligation Partnerships	US and Non-US Distressed Debt Securities	\$58,075,000	\$8,766,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Hedge Funds	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$756,710,000	\$9,684,000	92.7% of NAV has an open ended life, 6.9% of NAV will be liquidated on 10/1/14, and 0.4% of NAV will be liquidated on an undetermined basis.	Ranges between monthly redemption with 90 days notice, quarterly redemption with up to 90 days notice, semi-annual redemption with 60 days notice, and annual redemption with up to 180 days notice.	15% of NAV is locked up for 3 months, 56% of NAV is locked up for 1 year, and 29% of NAV is locked up for more than 1 year.	None
Natural Resources Partnerships	US and Non-US Investments in Upstream, Midstream, and Downstream Natural Resources Investments	\$413,066,000	\$145,381,000	Approximately 6 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Capital Partnerships	US and Non-US Private Equity and Venture Capital Investments	\$794,460,000	\$130,835,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Real Estate Partnerships	US and Non-US Real Estate	\$206,276,000	\$80,393,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Equity Funds	US and Non-US Equity Securities	\$115,057,000	Not Applicable	Open Ended	Minimum Monthly	None	None
Other Funds	US and Non-US Investments in Securities Other than Equity and Fixed Income	\$1,261,000	Not Applicable	Open Ended	Monthly	None	None
<b>Total</b>		<b>\$2,344,905,000</b>	<b>\$375,059,000</b>				

## Notes to Consolidated Financial Statements

### Note 5

Property, plant and equipment (in thousands):

Property, plant and equipment consisted of the following at June 30:

	2015	2014
Land and improvements	\$179,778	\$167,178
Buildings and improvements	3,426,427	3,212,264
Buildings under capital leases	128,854	128,854
Equipment	576,066	618,798
Library books and collections	337,325	319,136
Construction-in-progress	434,931	288,517
	<b>5,083,381</b>	<b>4,734,747</b>
Less: Accumulated depreciation	1,975,413	1,806,704
	<b>\$3,107,968</b>	<b>\$2,928,043</b>

### Note 6

Bonds and notes payable (in thousands):

	Interest %	Maturity	2015	2014
<i>California Educational Facilities Authority (CEFA) Revenue Bonds and Notes:</i>				
Series 2003B	5.00	2015-2016	\$1,255	\$2,450
Premium			25	126
Series 2005	4.25-5.00	2015-2029	55,140	58,705
Premium			1,780	1,905
Series 2007A	4.50-4.75	2034-2038	257,085	257,085
Premium			1,938	2,026
Series 2009A	5.00-5.25	2039-2040	217,605	217,605
Discount			(772)	(804)
Series 2009B	5.00-5.25	2039-2040	197,900	197,900
Premium			2,681	2,792
Series 2009C	5.25	2025	82,305	82,305
Premium			5,491	6,102
Series 2012A	5.00	2024	41,595	41,595
Premium			8,099	9,230
<i>University of Southern California Bonds:</i>				
Series 1998	6.26	2019	4,585	4,585
Discount			(12)	(15)
Series 2011	5.25	2112	300,000	300,000
Discount			(2,585)	(2,612)
<i>California Infrastructure Revenue Bonds USC (USC – Soto Street Health Sciences):</i>				
Series 2010	3.25-5.00	2015-2032	32,240	33,475
Premium			2,062	2,192
Notes Payable	4.00-5.50	2015-2017	27,243	28,368
			1,235,660	1,245,015
Less current portion of long-term debt			8,515	7,120
			<b>\$1,227,145</b>	<b>\$1,237,895</b>

## Notes to Consolidated Financial Statements

### Note 6 (continued)

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2016 \$8,515,000; 2017 \$26,333,000; 2018 \$1,400,000; 2019 \$6,055,000; 2020 \$1,540,000; thereafter \$1,173,110,000.

Interest payments for fiscal year 2015 and 2014 were \$61,427,000 and \$62,712,000, respectively.

On April 6, 2009, a \$100,000,000 revolving line of credit agreement was implemented with a bank. The credit agreement was amended on June 24, 2010 to increase the revolving line of credit to \$200,000,000. On April 19, 2013, a third amendment was agreed to extend the maturity date to November 30, 2016. The line of credit accrues interest based on LIBOR and contains a fee on the unused portion of the line of credit. During the years ended June 30, 2015 and 2014, the university did not draw down on the line of credit. The line of credit contains certain restrictive covenants required in the agreement.

The estimated fair value of the university's bonds, notes and mortgages payable was \$1,368,109,000 and \$1,385,839,000 at June 30, 2015 and 2014, respectively. This fair value was estimated based upon the discounted amount of future cash outflows using the rates offered to the university for debt of the same remaining maturities.

### Note 7

#### Student Financial Aid (in thousands):

Financial aid is awarded to students based on need and merit. Financial aid does not include payments made to students for services rendered to the university.

Financial aid for the year ended June 30, 2015 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$250,357	\$133,168	\$383,525
Endowed scholarships	22,474	11,954	34,428
External financial aid	27,628	14,695	42,323
	<b>\$300,459</b>	<b>\$159,817</b>	<b>\$460,276</b>

Financial aid for the year ended June 30, 2014 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$251,527	\$116,528	\$368,055
Endowed scholarships	24,639	11,415	36,054
External financial aid	24,537	11,368	35,905
	<b>\$300,703</b>	<b>\$139,311</b>	<b>\$440,014</b>

## Notes to Consolidated Financial Statements

### Note 8

#### Endowment (in thousands):

Endowment net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income and realized gains be utilized for current and future needs. Long-term investment net assets (funds functioning as endowment) have been established from restricted contributions whose restrictions have been met and unrestricted contributions which have been designated by the Board of Trustees or management for the same purpose as endowment. The university also has a beneficial interest in the net income earned from assets which are held and managed by other trustees.

Endowment and long-term investment net assets functioning as endowment are summarized as follows for the year ended June 30, 2015 (in thousands):

	Endowment	Funds Functioning as Endowment	Total
Pooled	\$3,263,884	\$1,255,259	\$4,519,143
Non-pooled	107,944	82,424	190,368
	<b>\$3,371,828</b>	<b>\$1,337,683</b>	<b>\$4,709,511</b>

Endowment and long-term investment net assets functioning as endowment are summarized as follows for the year ended June 30, 2014 (in thousands):

	Endowment	Funds Functioning as Endowment	Total
Pooled	\$3,132,902	\$1,254,207	\$4,387,109
Non-pooled	130,102	75,803	205,905
	<b>\$3,263,004</b>	<b>\$1,330,010</b>	<b>\$4,593,014</b>

Pooled investments represent endowment and long-term investment net assets which have been commingled in a unitized pool (unit market value basis) for purposes of investment. At June 30, 2015 and 2014, the pool is comprised of cash and cash equivalents (3.76% and (4.73%), equities (51.19% and (45.70%), fixed income securities (6.62% and (6.57%), alternative investments (33.96% and (38.42%) and real estate and other investments (4.47% and (4.58%), respectively. Access to or liquidation from the pool is on the basis of the market value per unit on the preceding monthly valuation date. The unit market value at June 30, 2015 and 2014 was \$647.59 and \$652.22, respectively.

The Board of Trustees has interpreted the "Uniform Prudent Management of Institutional Funds Act" ("UPMIFA") as requiring the preservation of the original contribution as of the contribution date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the university classifies as permanently restricted net assets, (a) the original value of contributions donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the university considers various factors in making a determination to appropriate or accumulate endowment funds including: duration and preservation of the fund, economic conditions, effects of inflation or deflation, expected return on the funds and other economic resources of the university.

Endowment net asset composition by type of fund as of June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$1,564,419	\$1,807,409	\$3,371,828
Board-designated endowment funds	\$1,337,683			1,337,683
	<b>\$1,337,683</b>	<b>\$1,564,419</b>	<b>\$1,807,409</b>	<b>\$4,709,511</b>

Endowment net asset composition by type of fund as of June 30, 2014 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$1,592,011	\$1,670,993	\$3,263,004
Board-designated endowment funds	\$1,330,010			1,330,010
	<b>\$1,330,010</b>	<b>\$1,592,011</b>	<b>\$1,670,993</b>	<b>\$4,593,014</b>

## Notes to Consolidated Financial Statements

### Note 8 (continued)

Changes in endowment net assets for the year ended June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2014	\$1,330,010	\$1,592,011	\$1,670,993	\$4,593,014
Investment return:				
Investment income	45,527		432	45,959
Net appreciation	35,348	73,578		108,926
<b>Total investment return</b>	<b>80,875</b>	<b>73,578</b>	<b>432</b>	<b>154,885</b>
Contributions and transfers	16,100		135,984	152,084
Appropriation of endowment assets for expenditure	(89,302)	(101,170)		(190,472)
<b>Endowment net assets at June 30, 2015</b>	<b>\$1,337,683</b>	<b>\$1,564,419</b>	<b>\$1,807,409</b>	<b>\$4,709,511</b>

Changes in endowment net assets for the year ended June 30, 2014 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2013	\$1,134,363	\$1,197,326	\$1,536,666	\$3,868,355
Investment return:				
Investment income	50,521		438	50,959
Net appreciation	210,770	479,215		689,985
<b>Total investment return</b>	<b>261,291</b>	<b>479,215</b>	<b>438</b>	<b>740,944</b>
Contributions and transfers	24,421		133,889	158,310
Appropriation of endowment assets for expenditure	(90,065)	(84,530)		(174,595)
<b>Endowment net assets at June 30, 2014</b>	<b>\$1,330,010</b>	<b>\$1,592,011</b>	<b>\$1,670,993</b>	<b>\$4,593,014</b>

Endowments classified as permanently restricted net assets and temporarily restricted net assets are to be utilized for the following purposes:

#### Permanently restricted net assets (in thousands):

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA:

	2015	2014
Restricted for scholarship support	\$444,171	\$378,932
Restricted for faculty support	416,023	449,432
Restricted for program support	947,215	842,629
<b>Total endowment assets classified as permanently restricted net assets</b>	<b>\$1,807,409</b>	<b>\$1,670,993</b>

#### Temporarily restricted net assets (in thousands):

The portion of permanent endowment funds subject to a time restriction under UPMIFA:

	2015	2014
Restricted for scholarship support	\$357,027	\$361,021
Restricted for faculty support	422,187	428,189
Restricted for program support	785,205	802,801
<b>Total endowment assets classified as permanently restricted net assets</b>	<b>\$1,564,419</b>	<b>\$1,592,011</b>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor contribution amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$1,884,000 and \$1,404,000 as of June 30, 2015 and 2014, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

The university has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under these policies, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The university expects its endowment funds over time, to provide an average rate of return of approximately 8.0% annually. Actual returns in any given year may vary from this amount.

## Notes to Consolidated Financial Statements

### Note 8 (continued)

To achieve its long-term rate of return objectives, the university relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The university targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

The university utilizes a spending rule for its pooled endowment. The spending rule determines the endowment income and realized gains to be distributed currently for spending with the provision that any amounts remaining after the distribution be transferred and reinvested in the endowment pool as funds functioning as endowment.

For the 2015 fiscal year, the Board of Trustees approved current distribution of 105% of the prior year's payout, within a minimum of 4% and a maximum of 6% of the average market value for the previous 12 calendar quarters. Under the provisions of the spending rule, \$26.69 was distributed to each time-weighted unit for a total spending rule allocation of \$189,341,000. Investment income amounting to \$6.26 per time-weighted unit was earned, totaling \$44,387,000, and \$144,954,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2015 represent 4.05% of the market value of the endowment pool at June 30, 2015.

For the 2014 fiscal year, the Board of Trustees approved current distribution of 100% of the prior year's payout, within a minimum of 4% and a maximum of 6% of the average market value for the previous 12 calendar quarters. Under the provisions of the spending rule, \$25.42 was distributed to each time-weighted unit for a total spending rule allocation of \$172,162,000. Investment income amounting to \$7.07 per time-weighted unit was earned, totaling \$47,888,000, and \$124,274,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2014 represent 3.92% of the market value of the endowment pool at June 30, 2014.

### Note 9

#### Loans & Notes Receivable (in thousands):

According to the guidance in ASU 2010-20, the university is required to disclose the nature of credit risk inherent in the portfolio of financing receivables, its analysis and assessment in arriving at the allowance for credit losses (doubtful accounts), and the changes and reasons for those changes in the allowance for credit losses.

Long-term financing receivables as of June 30, 2015 consist of the following (in thousands):

	June 30, 2015		
	Financing Receivables, at Gross	Allowance for Doubtful Accounts	Net
Perkins loans	\$50,741		\$50,741
University student loans	19,974	(\$5,575)	14,399
Other student loans	16,237		16,237
<b>Total student loans</b>	<b>86,952</b>	<b>(5,575)</b>	<b>81,377</b>
Faculty and other student loans	35,162		35,162
<b>Total</b>	<b>\$122,114</b>	<b>(\$5,575)</b>	<b>\$116,539</b>

Long-term financing receivables as of June 30, 2014 consist of the following (in thousands):

	June 30, 2014		
	Financing Receivables, at Gross	Allowance for Doubtful Accounts	Net
Perkins loans	\$53,365		\$53,365
University student loans	21,406	(\$5,580)	15,826
Other student loans	15,505		15,505
<b>Total student loans</b>	<b>90,276</b>	<b>(5,580)</b>	<b>84,696</b>
Faculty and other student loans	33,574		33,574
<b>Total</b>	<b>\$123,850</b>	<b>(\$5,580)</b>	<b>\$118,270</b>

## Notes to Consolidated Financial Statements

### Note 9 (continued)

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The university's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations the Federal portion of the loan balance is guaranteed. Included in other loans are loans related to the Federal Health Professional Student Loan Program ("HPSL") and Loans for Disadvantaged Students ("LDS").

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, include, but are not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis. It is the university's policy to write off a loan only when it is deemed to be uncollectible.

The following table illustrates the aging analysis of receivables as of June 30, 2015 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,482	\$423	\$7,173	\$41,663	\$50,741
University student loans	615	90	9,760	9,509	19,974
Other student loans	563	7	677	14,990	16,237
<b>Total student loans</b>	<b>2,660</b>	<b>520</b>	<b>17,610</b>	<b>66,162</b>	<b>86,952</b>
Faculty and other loans				35,162	35,162
<b>Total</b>	<b>\$2,660</b>	<b>\$520</b>	<b>\$17,610</b>	<b>\$101,324</b>	<b>\$122,114</b>

The following table illustrates the aging analysis of receivables as of June 30, 2014 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,372	\$352	\$7,225	\$44,416	\$53,365
University student loans	664	86	10,006	10,650	21,406
Other student loans	987		637	13,881	15,505
<b>Total student loans</b>	<b>3,023</b>	<b>438</b>	<b>17,868</b>	<b>68,947</b>	<b>90,276</b>
Faculty and other loans				33,574	33,574
<b>Total</b>	<b>\$3,023</b>	<b>\$438</b>	<b>\$17,868</b>	<b>\$102,521</b>	<b>\$123,850</b>

Considering the other factors already discussed herein, management considers the allowance for credit losses to be prudent and reasonable. Furthermore, the university's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for credit losses at June 30, 2015 and 2014 is adequate to absorb credit losses inherent in the portfolio as of these dates.

As part of the program to attract and retain exemplary faculty and senior staff, the university provides home mortgage financing assistance. Notes receivable amounting to \$35,162,000 and \$33,574,000 were outstanding as of June 30, 2015 and 2014, respectively, and are collateralized by deeds of trust. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history. At June 30, 2015 and 2014, there were no amounts past due under the faculty and staff loan program.

Determination of the fair value of notes receivable, which are primarily federally sponsored student loans with U.S. Government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

## Notes to Consolidated Financial Statements

### Note 10

#### Pledges Receivable (in thousands):

Unconditional promises are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category.

Pledges are recorded after discounting using rates ranging from 1% to 6% to the present value of the future cash flows.

Unconditional promises are expected to be realized in the following periods (in thousands):

	2015	2014
In one year or less	\$207,563	\$143,470
Between one year and five years	273,298	316,209
More than five years	311,941	254,362
Less: discount	(121,585)	(113,537)
Less: allowance	(22,598)	(23,477)
	<b>\$648,619</b>	<b>\$577,027</b>

Pledges receivable at June 30 have the following restrictions (in thousands):

	2015	2014
Endowment for departmental programs and activities	\$315,479	\$275,783
Endowment for scholarship	6,372	12,560
Building construction	146,028	132,484
Departmental programs and activities	180,740	156,200
	<b>\$648,619</b>	<b>\$577,027</b>

### Note 11

#### Grants and Contracts (in thousands):

Executed contracts, grants, subcontracts and cooperative agreements for future sponsored research activity which are not reflected in the consolidated financial statements at June 30 are summarized as follows:

	2015	2014
Current sponsored awards	\$506,507	\$513,281
Executed grants and contracts for future periods	635,841	551,976
	<b>\$1,142,348</b>	<b>\$1,065,257</b>

### Note 12

#### Commitments and Contingencies:

At June 30, 2015 and 2014, the university had remaining commitments of approximately \$393,402,000 and \$375,059,000 with alternative investment managers and/or limited partnerships, respectively.

Contractual commitments for educational plant amounted to approximately \$386,101,000 and \$94,969,000 at June 30, 2015 and 2014, respectively.

It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated contributions and/or debt proceeds.

During the year ended June 30, 2007, the university entered into an agreement with the County of Los Angeles to provide professional services at LAC+USC Medical Center. Under the terms of the agreement the contract automatically renews on an annual basis unless either party gives four years' notice of the termination. No such notice has been provided by either party.

### Note 13

Retirement benefits for eligible university employees are provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, The Vanguard Group, AIG SunAmerica, Fidelity Investments and Prudential Financial. Under these defined contribution plans, the university and plan participants make contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or commingled funds. The university makes a 5% non-elective contribution to all eligible employees and also matches dollar for dollar the first 5% of the employees' contributions. Newly hired employees on or after January 1, 2012, will have the university non-elective contribution subject to a four year vesting schedule. Benefits commence upon termination or retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$138,591,000 and \$131,072,000 during the year ended June 30, 2015 and 2014, respectively.

Retirement benefits for hospital employees covered under a collective bargaining agreement with the National Union of Healthcare Workers (NUHW) and employees of USC Verdugo Hills Hospital are provided by a defined contribution 401(k) plan through Fidelity Investments. Until August 2011, the hospital employees covered under a collective bargaining agreement with CNA were also covered under this 401(k) plan. Under the defined contribution plan, participants make contributions to purchase a variety of mutual funds. The university makes its contribution following the end of the calendar year and matches 100% of the participants' contributions up to 4% of eligible earnings providing the participant was employed on the last day of the calendar year. In addition, the university makes a 1% retiree medical benefit contribution to all NUHW participants who were both employed on the last day of the calendar year and worked 1,500 hours in that calendar year. Effective July 2013, all employees of the USC Verdugo Hills Hospital are eligible to participate in the 401(k) plan. They will receive a discretionary employer match of up to 4% of eligible earnings. The university contribution is subject to a five year vesting schedule although previously credited years prior to the Tenet and Verdugo acquisitions have been carried over. Benefits commence at age 59½, termination of employment, or retirement, and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$1,472,000 and \$1,290,000 during the year ended June 30, 2015 and 2014, respectively.

Retirement benefits for non-exempt university employees are provided through a noncontributory defined benefit pension plan. The following table sets forth the plan's funded status at June 30 (in thousands):

## Notes to Consolidated Financial Statements

### Note 13 (continued)

#### Obligations and Plan Assets

Change in Projected Benefit Obligation	2015	2014
Benefit obligation at end of prior year	\$243,835	\$212,231
Interest cost	10,540	10,206
Actuarial (loss) gain	(3,833)	28,729
Benefits paid	(8,116)	(7,331)
<b>Benefit obligation at end of year</b>	<b>\$242,426</b>	<b>\$243,835</b>

#### Change in Plan Assets

Fair value of plan assets at end of prior year	\$177,445	\$152,264
Actual return on plan assets	1,390	32,512
Benefits paid	(8,116)	(7,331)
<b>Fair value of plan assets at end of year</b>	<b>\$170,719</b>	<b>\$177,445</b>

#### Reconciliation of Funded Status

Accumulated benefit obligation at end of year	\$242,426	\$243,835
Projected benefit obligation at end of year	(\$242,426)	(\$243,835)
Fair value of plan assets at end of year	170,719	177,445
<b>Funded status</b>	<b>(\$71,707)</b>	<b>(\$66,390)</b>

#### Components of Net Periodic Benefit Cost

Interest cost	\$10,540	\$10,206
Expected return on plan assets	(12,123)	(10,384)
Amortization of net loss	5,753	5,822
<b>Total benefit cost</b>	<b>\$4,170</b>	<b>\$5,644</b>

#### Amounts recognized in the Statement of Financial Position

Accrued liabilities	(\$71,707)	(\$66,390)
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#### Amounts not yet recognized as components of Net Periodic Benefit Cost

Net loss	\$88,299	\$87,152
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#### Changes in the net reduction to Unrestricted Net Assets

Net loss	\$6,900	\$6,601
Amortization of net loss	(5,753)	(5,822)
<b>Total</b>	<b>\$1,147</b>	<b>\$779</b>

The estimated net loss/(gain) and prior service cost for the USC Support Staff Retirement Plan ("Plan") that will be recognized as components of net periodic benefit cost over the next fiscal year are \$5,987,000 and \$0, respectively.

The Plan was amended to freeze benefit accruals for all remaining active union participants effective December 23, 2009, and to provide full vesting for those participants.

No special accounting for curtailments, settlements or termination benefits was required during the years ended June 30, 2015 and 2014.

#### Assumptions

Weighted-average assumptions used to determine net periodic benefit cost for year ended June 30:

	2015	2014
Discount rate	4.40%	4.90%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

Weighted-average assumption used to determine net year-end benefit obligations at June 30:

Discount rate	4.60%	4.40%
Rate of compensation increase	N/A	N/A

#### Plan Assets

In managing the Plan assets, our objective is to be a responsible fiduciary while minimizing financial risk. Plan assets include a diversified mix of fixed income securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in our expense and cash flow. The target allocation for pension benefit plan assets is 75% equity securities and 25% fixed income securities.

As described in Note 1, the university uses a hierarchy to report invested assets, including the invested assets of the Plan. Following is a description of the valuation methodologies used for assets measured at fair value.

#### Fair Value

The Plan's interest in collective trusts is valued based on the net asset value information reported by the investment advisor. The fund is valued at the normal close of trading on the New York Stock Exchange every day the Exchange is open (a "Business Day"). Equity securities are valued at the official closing price of, or the last reported sales price on, the exchange or market on which such securities are traded, as of the close of business on the day the securities are being valued or at the last available bid price. In cases where equity securities are traded on more than one exchange, the securities are valued on the exchange or market determined to be the most representative market, which may be either a securities exchange or the over-the-counter market. Short term investments are carried at market value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## Notes to Consolidated Financial Statements

### Note 13 (continued)

At June 30, 2015 a summary of fair value measurements by level for investments measured at fair value on a recurring basis is as follows (in thousands):

	Level I	Level II	Level III	NAV	Total
Collective Trust Funds:					
Short-term investment fund		\$39			\$39
Equity securities		129,279			129,279
Fixed income securities		41,401			41,401
<b>Total</b>		<b>\$170,719</b>			<b>\$170,719</b>

At June 30, 2014 a summary of fair value measurements by level for investments measured at fair value on a recurring basis is as follows (in thousands):

	Level I	Level II	Level III	NAV	Total
Collective Trust Funds:					
Short-term investment fund		\$44			\$44
Equity securities		129,525			129,525
Fixed income securities		47,876			47,876
<b>Total</b>		<b>\$177,445</b>			<b>\$177,445</b>

### Allocation of Assets

The year-end asset allocation, which approximates the weighted-average allocation for the Plan assets as of June 30 and in comparison to target percentages for each asset category, is as follows:

Asset Category	Actual at June 30, 2015	Target at June 30, 2015	Actual at June 30, 2014	Target at June 30, 2014
Short-term investment fund	0%	0%	0.0%	0%
Equity securities	75.7%	75.0%	73.0%	75.0%
Fixed income securities	24.3%	25.0%	27.0%	25.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The portfolio is evaluated annually, or when the actual allocation percentages are plus or minus 2% of the stated target allocation percentages. Changes in policy may be indicated as a result of changing market conditions or anticipated changes in the pension plan's needs. Prohibited transactions include investment transactions prohibited by the Employee Retirement Income Security Act of 1974 and speculative investments including commodities or unregistered stock without specific prior approval by the Investment Committee.

### Contributions

No contribution to the Plan was required during the years ended June 30, 2015 or 2014. The university may make discretionary contributions to the Plan during the next fiscal year. This will be reassessed during fiscal year 2016.

### Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Fiscal Year Ending June 30,	
2016	\$9,457
2017	10,149
2018	10,802
2019	11,303
2020	11,803
2021-2025	66,006

## Notes to Consolidated Financial Statements

### Note 14

#### Leases

The university is the lessee of various equipment and space under noncancelable operating and capital leases. Operating lease rental expense for the years ended June 30, 2015 and 2014 was approximately \$29,722,000 and \$28,295,000, respectively. Space leases contain customary escalation clauses, which are included in annual aggregate minimum rentals.

Future aggregate minimum rental payments as of June 30, 2015 under operating and capital leases are as follows (in thousands):

Future minimum rental payments:	Operating	Capital
2016	\$31,348	\$5,233
2017	29,034	5,461
2018	28,845	5,560
2019	27,788	5,660
2020	25,991	5,763
Thereafter	59,079	745,150
	202,085	772,827
Less: Interest on capital leases		(646,368)
<b>Total</b>	<b>\$202,085</b>	<b>\$126,459</b>

The university entered into a lease agreement with the Los Angeles Memorial Coliseum Commission (LAMCC) to assume the operations of the Los Angeles Memorial Coliseum and Los Angeles Memorial Sports Arena. The lease agreement with the LAMCC expires in 2033, or in 2054, if all options are exercised, at which time a second lease agreement with the California Science Center (CSC), an institution of the State of California, commences. The lease with the California Science Center expires in 2111, assuming all options are exercised. Under the terms of both lease agreements the university is required to make significant capital improvements to the property. The present value of the future minimum lease payments as of June 30, 2015 and 2014 is \$69,335,000 and \$67,579,000, respectively.

## Notes to Consolidated Financial Statements

### Note 15

#### Functional Expenses:

Expenses are presented by functional classification in accordance with the overall service mission of the university. Each functional classification displays all expenses related to the underlying operations by natural classification. Depreciation expense is allocated based on square footage occupancy. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Plant operations and maintenance represents space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy.

For the year ended June 30, 2015 functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fund Raising Activities	Year Ended June 30, 2015
Compensation	\$1,515,179	\$282,549	\$30,169	\$1,827,897
Fringe benefits	419,374	89,765	9,985	519,124
Operating expenses	897,519	295,985	13,793	1,207,297
Cost of goods sold	47,382	53,240		100,622
Travel	49,918	10,148	814	60,880
Allocations:				
Depreciation	149,206	48,993	158	198,357
Interest	13,138	53,040		66,178
Plant operations and maintenance	154,388	(154,639)	251	
	<b>\$3,246,104</b>	<b>\$679,081</b>	<b>\$55,170</b>	<b>\$3,980,355</b>

For the year ended June 30, 2014 functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fund Raising Activities	Year Ended June 30, 2014
Compensation	\$1,420,644	\$274,715	\$27,703	\$1,723,062
Fringe benefits	375,529	87,381	9,167	472,077
Operating expenses	758,118	311,438	13,706	1,083,262
Cost of goods sold	43,190	55,729		98,919
Travel	47,126	9,796	866	57,788
Allocations:				
Depreciation	131,494	49,300	159	180,953
Interest	17,982	48,688		66,670
Plant operations and maintenance	147,977	(148,738)	761	
	<b>\$2,942,060</b>	<b>\$688,309</b>	<b>\$52,362</b>	<b>\$3,682,731</b>

## Notes to Consolidated Financial Statements

### Note 16

The university is contingently liable as guarantor on certain obligations relating to equipment loans, student and parent loans, and various campus organizations. The university receives funding or reimbursement from governmental agencies for various activities, which are subject to audit. In addition, certain litigation has been filed against the university and in the opinion of university management, after consultation with legal counsel, the liability, if any, for the aforementioned matters will not have a material effect on the university's financial position.

### Note 17

#### Related parties:

Members of the Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. For senior management, the university requires annual disclosure of significant financial interest in entities doing business with the university. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the university. The university has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she or an immediate family member has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the university does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring the recusal of the conflicted trustee and that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the university, and in accordance with applicable conflict of interest laws.

### Note 18

#### Subsequent events:

The university has performed an evaluation of subsequent events through October 14, 2015, which is the date the financial statements were issued.

On July 7, 2015, the university issued \$42,960,000 of CEFA Series 2015 bonds. The proceeds of the bond issue were deposited in a refunding escrow account to pay interest and principal for the CEFA Series 2005 outstanding bonds. The CEFA Series 2005 bonds are scheduled to be redeemed, at par, on October 1, 2015.

On October 14, 2015, a fourth amendment was executed to increase the revolving line of credit to \$300,000,000 and extend the maturity date to November 30, 2020.

# 2016 Summary of Budgeted Operating Revenues & Expenses

2015-16 Budget / in thousands

	Undesignated Budget			Health Care Services		
	2014-15 Budget	2015-16 Budget	Percent Change	2014-15 Budget	2015-16 Budget	Percent Change
<b>Revenues</b>						
Tuition and fees	\$1,649,961	\$1,745,488	5.8%			
Less student aid	(384,315)	(408,638)	6.3%			
Net tuition and fees	1,265,646	1,336,850	5.6%			
Endowment income	73,320	78,895	7.6%			
Investment income	615	1,450	+100.0%	\$40	\$40	0.0%
Gifts	32,047	33,008	3.0%			
Contracts and grants – direct						
Recovery of indirect costs:						
Contracts and grants	123,822	125,985	1.7%			
Endowments/Gifts	15,806	17,498	10.7%			
Auxiliary enterprises	313,759	330,001	5.2%			
Sales and service and other sources	137,343	147,723	7.6%	1,297,374	1,443,816	11.3%
<b>Total Revenues</b>	<b>\$1,962,358</b>	<b>\$2,071,410</b>	<b>5.6%</b>	<b>\$1,297,414</b>	<b>\$1,443,856</b>	<b>11.3%</b>
<b>Expenses</b>						
Compensation:						
Faculty salaries	\$386,087	\$399,248	3.4%	\$212,438	\$232,611	9.5%
Other salaries and wages	569,659	588,777	3.4%	421,537	462,069	9.6%
Employee benefits	275,738	277,466	0.6%	169,258	188,414	11.3%
<b>Total Compensation</b>	<b>1,231,484</b>	<b>1,265,491</b>	<b>2.8%</b>	<b>803,233</b>	<b>883,094</b>	<b>9.9%</b>
Current expense	403,882	454,726	12.6%	373,567	434,372	16.3%
Capital financing	99,181	102,660	3.5%	20,721	20,365	(1.7%)
Professional services	56,724	64,064	12.9%	55,998	59,297	5.9%
Equipment/Library	48,555	53,779	10.8%	5,147	4,476	(13.0%)
Utilities/Telephone	47,712	54,301	13.8%	8,415	9,285	10.3%
Off-campus facilities	30,242	30,348	0.4%	3,084	4,115	33.4%
Travel	29,218	27,624	(5.5%)	3,803	3,823	0.5%
Rentals and leases	15,360	18,417	19.9%	23,446	25,029	6.8%
<b>Total Expenses</b>	<b>\$1,962,358</b>	<b>\$2,071,410</b>	<b>5.6%</b>	<b>\$1,297,414</b>	<b>\$1,443,856</b>	<b>11.3%</b>

**Designated Budget**

**Total Budget**

	2014-15 Budget	2015-16 Budget	Percent Change		2014-15 Budget	2015-16 Budget	Percent Change
					\$1,649,961	\$1,745,488	5.8%
	(\$80,820)	(\$88,424)	9.4%		(465,135)	(497,062)	6.9%
	(80,820)	(88,424)	9.4%		1,184,826	1,248,426	5.4%
	60,166	71,660	19.1%		133,486	150,555	12.8%
					655	1,490	+100.0%
	234,717	276,504	17.8%		266,764	309,512	16.0%
	395,735	413,456	4.5%		395,735	413,456	4.5%
					123,822	125,985	1.7%
					15,806	17,498	10.7%
					313,759	330,001	5.2%
					1,434,717	1,591,539	10.9%
	<b>\$609,798</b>	<b>\$673,196</b>	<b>10.4%</b>		<b>\$3,869,570</b>	<b>\$4,188,462</b>	<b>8.2%</b>
	\$86,714	\$90,647	4.5%		\$685,239	\$722,506	5.4%
	175,135	185,916	6.2%		1,166,331	1,236,762	6.0%
	69,422	72,197	4.0%		514,418	538,077	4.6%
	<b>331,271</b>	<b>348,760</b>	<b>5.3%</b>		<b>2,365,988</b>	<b>2,497,345</b>	<b>5.6%</b>
	182,481	216,249	18.5%		959,930	1,105,347	15.1%
	1,094	750	(31.4%)		120,996	123,775	2.3%
	28,767	37,152	29.1%		141,489	160,513	13.4%
	16,457	20,007	21.6%		70,159	78,262	11.5%
					56,127	63,586	13.3%
	18,784	21,257	13.2%		52,110	55,720	6.9%
	29,179	28,241	(3.2%)		62,200	59,688	(4.0%)
	1,765	780	(55.8%)		40,571	44,226	9.0%
	<b>\$609,798</b>	<b>\$673,196</b>	<b>10.4%</b>		<b>\$3,869,570</b>	<b>\$4,188,462</b>	<b>8.2%</b>

## 2016 Colleges, Schools, Centers & Institutes

Individual Revenue Center Summary / 2015-16 Budget / in thousands

	Annenberg School for Communication and Journalism		School of Architecture		School of Cinematic Arts		Continuing Education and Summer Programs	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$62,009	\$17,476	\$19,502	\$1,674	\$52,880	\$13,128	\$2,944	
Center	78,822	17,476	25,682	1,674	69,660	13,128	3,035	
UG Student Aid Fund	(14,092)		(5,017)		(13,969)			
Facilities Improvement Fund	(2,721)		(1,163)		(2,811)		(91)	
Indirect	(4,193)		(2,445)		(5,624)			
Participation	(6,242)		(2,525)		(6,388)			
Academic Initiatives	400				65			
Provost's Initiatives			31		104			
Graduate Programs	1,649		49		595			
<b>Total Revenues</b>	<b>\$57,816</b>	<b>\$17,476</b>	<b>\$17,057</b>	<b>\$1,674</b>	<b>\$47,256</b>	<b>\$13,128</b>	<b>\$2,944</b>	

<b>Expenses</b>								
Direct	\$44,614	\$17,476	\$11,927	\$1,674	\$32,634	\$13,128	\$2,944	
Indirect	13,202		5,130		14,622			
Allocated Central Costs	11,978		4,298		13,743			
Facilities Based	1,224		832		879			
<b>Total Expenses</b>	<b>\$57,816</b>	<b>\$17,476</b>	<b>\$17,057</b>	<b>\$1,674</b>	<b>\$47,256</b>	<b>\$13,128</b>	<b>\$2,944</b>	

	Davis School of Gerontology		Dornsife College of Letters, Arts and Sciences		School of Dramatic Arts		Gould School of Law	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$12,322	\$8,382	\$312,249	\$110,972	\$11,817	\$1,618	\$43,872	\$4,329
Center	13,884	8,382	457,629	110,972	17,378	1,618	46,452	4,329
UG Student Aid Fund	(1,196)		(128,349)		(4,881)		(431)	
Facilities Improvement Fund	(366)		(17,031)		(680)		(2,149)	
Indirect	1,744		(16,971)		(974)		915	
Participation	(1,028)		(42,206)		(1,611)		(4,218)	
Academic Initiatives	2,000		3,000		625		3,600	
Provost's Initiatives			1,260		12		1,533	
Graduate Programs	772		20,975					
<b>Total Revenues</b>	<b>\$14,066</b>	<b>\$8,382</b>	<b>\$295,278</b>	<b>\$110,972</b>	<b>\$10,843</b>	<b>\$1,618</b>	<b>\$44,787</b>	<b>\$4,329</b>

<b>Expenses</b>								
Direct	\$9,528	\$8,382	\$187,128	\$110,972	\$7,303	\$1,618	\$32,912	\$4,329
Indirect	4,538		108,150		3,540		11,875	
Allocated Central Costs	3,724		92,697		2,683		10,586	
Facilities Based	814		15,453		857		1,289	
<b>Total Expenses</b>	<b>\$14,066</b>	<b>\$8,382</b>	<b>\$295,278</b>	<b>\$110,972</b>	<b>\$10,843</b>	<b>\$1,618</b>	<b>\$44,787</b>	<b>\$4,329</b>

	Graduate Programs		Institute for Creative Technologies		International Academy		Irvine and Young Academy	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$35,598	\$7,222	\$5,017	\$28,550	\$18,904		\$2,188	\$474
Center	35,598	7,222	5,017	28,550	19,054		2,853	474
UG Student Aid Fund					(54)		(592)	
Facilities Improvement Fund					(96)		(73)	
Indirect	(38,947)		(288)		(890)		(176)	
Participation			(467)		(1,715)		(176)	
Academic Initiatives	17,017							
Provost's Initiatives					825			
Graduate Programs	(55,964)		179					
<b>Total Revenues</b>	<b>(\$3,349)</b>	<b>\$7,222</b>	<b>\$4,729</b>	<b>\$28,550</b>	<b>\$18,014</b>		<b>\$2,012</b>	<b>\$474</b>

<b>Expenses</b>								
Direct	(\$3,349)	\$7,222	\$3,416	\$28,550	\$17,997		\$2,012	\$474
Indirect			1,313		17			
Allocated Central Costs			1,313					
Facilities Based					17			
<b>Total Expenses</b>	<b>(\$3,349)</b>	<b>\$7,222</b>	<b>\$4,729</b>	<b>\$28,550</b>	<b>\$18,014</b>		<b>\$2,012</b>	<b>\$474</b>

	Gloria Kaufman School of Dance		Marshall School of Business		Sol Price School of Public Policy		Roski School of Art and Design	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$2,934	\$13	\$180,293	\$23,808	\$50,744	\$14,462	\$12,187	\$290
Center	4,199	13	229,717	23,808	57,559	14,462	17,122	290
UG Student Aid Fund	(1,123)		(40,019)		(4,476)		(4,336)	
Facilities Improvement Fund	(142)		(9,405)		(2,339)		(599)	
Indirect	(195)		(19,222)		(3,481)		(1,187)	
Participation	(338)		(20,746)		(4,981)		(1,443)	
Academic Initiatives	80				255		225	
Provost's Initiatives	63				218		31	
Graduate Programs			1,524		1,027			
<b>Total Revenues</b>	<b>\$2,739</b>	<b>\$13</b>	<b>\$161,071</b>	<b>\$23,808</b>	<b>\$47,263</b>	<b>\$14,462</b>	<b>\$11,000</b>	<b>\$290</b>

<b>Expenses</b>								
Direct	\$2,218	\$13	\$116,078	\$23,808	\$36,088	\$14,462	\$8,283	\$290
Indirect	521		44,993		11,175		2,717	
Allocated Central Costs	483		42,436		10,377		2,278	
Facilities Based	38		2,557		798		439	
<b>Total Expenses</b>	<b>\$2,739</b>	<b>\$13</b>	<b>\$161,071</b>	<b>\$23,808</b>	<b>\$47,263</b>	<b>\$14,462</b>	<b>\$11,000</b>	<b>\$290</b>

## 2016 Colleges, Schools, Centers & Institutes

Individual Revenue Center Summary / 2015-16 Budget / in thousands

	Rossier School of Education		School of Social Work		Thornton School of Music		Viterbi School of Engineering Academic Programs	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$49,613	\$8,689	\$135,505	\$6,690	\$29,920	\$3,938	\$157,246	\$60,803
Center	51,465	8,689	139,800	6,690	40,631	3,938	186,232	60,803
UG Student Aid Fund	(113)		(71)		(9,111)		(21,210)	
Facilities Improvement Fund	(1,739)		(4,224)		(1,600)		(7,776)	
Indirect	(2,301)		(7,633)		308		10,118	
Participation	(3,600)		(8,304)		(3,722)		(17,886)	
Academic Initiatives					3,900		10,100	
Provost's Initiatives	1		113		90			
Graduate Programs	1,298		558		40		17,904	
<b>Total Revenues</b>	<b>\$47,312</b>	<b>\$8,689</b>	<b>\$127,872</b>	<b>\$6,690</b>	<b>\$30,228</b>	<b>\$3,938</b>	<b>\$167,364</b>	<b>\$60,803</b>

<b>Expenses</b>								
Direct	\$37,896	\$8,689	\$119,209	\$6,690	\$20,595	\$3,938	\$113,969	\$60,803
Indirect	9,416		8,663		9,633		53,395	
Allocated Central Costs	8,758		8,225		8,381		44,787	
Facilities Based	658		438		1,252		8,608	
<b>Total Expenses</b>	<b>\$47,312</b>	<b>\$8,689</b>	<b>\$127,872</b>	<b>\$6,690</b>	<b>\$30,228</b>	<b>\$3,938</b>	<b>\$167,364</b>	<b>\$60,803</b>

	Viterbi School of Engineering Information Sciences Institute		Total Colleges, Schools, Centers and Institutes	
	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>				
Direct	\$6,900	\$76,655	\$1,204,644	\$389,173
Center	6,900	76,655	1,508,689	389,173
UG Student Aid Fund			(249,040)	
Facilities Improvement Fund			(55,005)	
Indirect	425		(91,017)	
Participation	(630)		(128,226)	
Academic Initiatives	630		41,897	
Provost's Initiatives			4,281	
Graduate Programs	425		(8,969)	
<b>Total Revenues</b>	<b>\$7,325</b>	<b>\$76,655</b>	<b>\$1,113,627</b>	<b>\$389,173</b>

<b>Expenses</b>				
Direct	\$4,055	\$76,655	\$807,457	\$389,173
Indirect	3,270		306,170	
Allocated Central Costs	3,270		270,017	
Facilities Based			36,153	
<b>Total Expenses</b>	<b>\$7,325</b>	<b>\$76,655</b>	<b>\$1,113,627</b>	<b>\$389,173</b>

### Definitions:

Direct Revenues and Direct Expenses in Revenue Centers include all categories displayed in the Summary of Budgeted Operating Revenues and Expenses.

Center Revenues are directly generated by the center less any financial aid paid from center funds.

The Undergraduate Student Aid is centrally administered and charged to academic centers on a pre-determined percent of undergraduate tuition. For fiscal year 2015-2016, the rate is 30.0%.

Indirect Revenues are the sum of Participation, Academic Initiatives, Provost's Initiatives, and Graduate Programs.

Participation is a tax on gross tuition revenue, recovery of indirect costs, sales and service and other sources. For fiscal year 2015-2016, the rate is 9.0%.

Academic Initiatives funding is for specific activities for a limited time period.

## 2016 Health Sciences Schools & Health Care Services

Individual Revenue Center Summary / 2015-16 Budget / in thousands

	Keck School of Medicine		Herman Ostrow School of Dentistry		School of Pharmacy		Total Health Sciences Schools	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$192,721	\$202,629	\$112,227	\$13,200	\$59,653	\$15,253	\$364,601	\$231,082
Center	199,506	202,629	119,851	13,200	61,668	15,253	381,025	231,082
UG Student Aid Fund	(3,049)		(2,910)				(5,959)	
Facilities Improvement Fund	(3,736)		(4,714)		(2,015)		(10,465)	
Indirect	12,396		(8,817)		(2,070)		1,509	
Participation	(12,044)		(10,333)		(4,108)		(26,485)	
Academic Initiatives	19,000						19,000	
Provost's Initiatives	25						25	
Graduate Programs	5,415		1,516		2,038		8,969	
<b>Total Revenues</b>	<b>\$205,117</b>	<b>\$202,629</b>	<b>\$103,410</b>	<b>\$13,200</b>	<b>\$57,583</b>	<b>\$15,253</b>	<b>\$366,110</b>	<b>\$231,082</b>

<b>Expenses</b>								
Direct	\$139,638	\$202,629	\$77,140	\$13,200	\$45,042	\$15,253	\$261,820	\$231,082
Indirect	65,479		26,270		12,541		104,290	
Allocated Central Costs	54,247		21,695		10,894		86,836	
Facilities Based	11,232		4,575		1,647		17,454	
<b>Total Expenses</b>	<b>\$205,117</b>	<b>\$202,629</b>	<b>\$103,410</b>	<b>\$13,200</b>	<b>\$57,583</b>	<b>\$15,253</b>	<b>\$366,110</b>	<b>\$231,082</b>

	Keck Medical Center		Senior Care		Total Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$1,441,730		\$2,126		\$1,443,856	
Center	1,441,730		2,126		1,443,856	
UG Student Aid Fund						
Facilities Improvement Fund						
Indirect						
Participation						
Academic Initiatives						
Provost's Initiatives						
Graduate Programs						
<b>Total Revenues</b>	<b>\$1,441,730</b>		<b>\$2,126</b>		<b>\$1,443,856</b>	

<b>Expenses</b>						
Direct	\$1,434,584		\$2,126		\$1,436,710	
Indirect	7,146				7,146	
Allocated Central Costs	5,005				5,005	
Facilities Based	2,141				2,141	
<b>Total Expenses</b>	<b>\$1,441,730</b>		<b>\$2,126</b>		<b>\$1,443,856</b>	

### Definitions (continued):

Provost's Initiatives funding is allocated from centrally controlled funds to support university priorities.

Graduate Programs funding is provided to schools in support of graduate education. All PhD tuition is centralized and allocated to various schools based on academic priorities.

Indirect Expenses are the sum of Allocated Central Costs and Facilities Based Indirects and equal the net budgets of administrative centers (see

Individual Administrative Centers 2015-2016 Budget by Presidential and Senior Vice Presidential Responsibility Area).

Allocated Central Costs are central administrative costs that benefit the university as a whole and are allocated to revenue centers.

Facilities Based Indirects are space related costs that can be linked directly to a center's occupancy.

## 2016 Auxiliaries & Athletics

Individual Revenue Center Summary / 2015-16 Budget / in thousands

	Animal Resources		Bookstores		Coliseum		Hospitality	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$122		\$33,395		\$12,587		\$51,198	
Center	122		33,395		12,587		51,198	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>Total Revenues</b>	<b>\$122</b>		<b>\$33,395</b>		<b>\$12,587</b>		<b>\$51,198</b>	

<b>Expenses</b>								
Direct	(\$1,970)		\$29,871		\$12,587		\$47,084	
Indirect	2,092		3,524				4,114	
Allocated Central Costs	875		2,780				2,483	
Facilities Based	1,217		744				1,631	
<b>Total Expenses</b>	<b>\$122</b>		<b>\$33,395</b>		<b>\$12,587</b>		<b>\$51,198</b>	

	Housing		Intercollegiate Athletics		Radisson Hotel		Student Health and Counseling Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$64,234		\$82,195	\$6,800	\$14,403		\$65,107	
Center	64,234		82,195	6,800	14,403		65,107	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>Total Revenues</b>	<b>\$64,234</b>		<b>\$82,195</b>	<b>\$6,800</b>	<b>\$14,403</b>		<b>\$65,107</b>	

<b>Expenses</b>								
Direct	\$48,695		\$71,893	\$6,800	\$14,016		\$62,617	
Indirect	15,539		10,302		387		2,490	
Allocated Central Costs	10,870		9,336		376		2,490	
Facilities Based	4,669		966		11			
<b>Total Expenses</b>	<b>\$64,234</b>		<b>\$82,195</b>	<b>\$6,800</b>	<b>\$14,403</b>		<b>\$65,107</b>	

	Transportation		University Club		USC Radio		Total Auxiliaries and Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$20,828		\$1,440		\$9,167	\$1,399	\$354,676	\$8,199
Center	20,828		1,440		9,167	1,399	354,676	8,199
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect			150				150	
Participation								
Academic Initiatives								
Provost's Initiatives			150				150	
Graduate Programs								
<b>Total Revenues</b>	<b>\$20,828</b>		<b>\$1,590</b>		<b>\$9,167</b>	<b>\$1,399</b>	<b>\$354,826</b>	<b>\$8,199</b>
<b>Expenses</b>								
Direct	\$11,742		\$1,264		\$8,315	\$1,399	\$306,114	\$8,199
Indirect	9,086		326		852		48,712	
Allocated Central Costs	7,304		326		852		37,692	
Facilities Based	1,782						11,020	
<b>Total Expenses</b>	<b>\$20,828</b>		<b>\$1,590</b>		<b>\$9,167</b>	<b>\$1,399</b>	<b>\$354,826</b>	<b>\$8,199</b>

## 2016 Classification by Center

2015-16 Budget / in thousands

	Colleges, Schools, Centers and Institutes		Health Sciences Schools		Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$1,204,644	\$389,173	\$364,601	\$231,082	\$1,443,856	
Center	1,508,689	389,173	381,025	231,082	1,443,856	
UG Student Aid Fund	(249,040)		(5,959)			
Facilities Improvement Fund	(55,005)		(10,465)			
Indirect	(91,017)		1,509			
Participation	(128,226)		(26,485)			
Academic Initiatives	41,897		19,000			
Provost's Initiatives	4,281		25			
Graduate Programs	(8,969)		8,969			
<b>Total Revenues</b>	<b>\$1,113,627</b>	<b>\$389,173</b>	<b>\$366,110</b>	<b>\$231,082</b>	<b>\$1,443,856</b>	

<b>Expenses</b>						
Direct	\$807,457	\$389,173	\$261,820	\$231,082	\$1,436,710	
Indirect	306,170		104,290		7,146	
Allocated Central Costs	270,017		86,836		5,005	
Facilities Based	36,153		17,454		2,141	
<b>Total Expenses</b>	<b>\$1,113,627</b>	<b>\$389,173</b>	<b>\$366,110</b>	<b>\$231,082</b>	<b>\$1,443,856</b>	

	Auxiliaries and Athletics		Total Revenue Centers		Administrative Centers	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$354,676	\$8,199	\$3,367,777	\$628,454	\$132,484	\$44,742
Center	354,676	8,199	3,688,246	628,454	(87,985)	44,742
UG Student Aid Fund			(254,999)		254,999	
Facilities Improvement Fund			(65,470)		65,470	
Indirect	150		(89,358)		97	
Participation			(154,711)			
Academic Initiatives			60,897			
Provost's Initiatives	150		4,456		97	
Graduate Programs						
<b>Total Revenues</b>	<b>\$354,826</b>	<b>\$8,199</b>	<b>\$3,278,419</b>	<b>\$628,454</b>	<b>\$132,581</b>	<b>\$44,742</b>

<b>Expenses</b>						
Direct	\$306,114	\$8,199	\$2,812,101	\$628,454	\$598,899	\$44,742
Indirect	48,712		466,318		(466,318)	
Allocated Central Costs	37,692		399,550		(399,550)	
Facilities Based	11,020		66,768		(66,768)	
<b>Total Expenses</b>	<b>\$354,826</b>	<b>\$8,199</b>	<b>\$3,278,419</b>	<b>\$628,454</b>	<b>\$132,581</b>	<b>\$44,742</b>

	Provost Funding		Total University		Grand Total
	Undesignated	Designated	Undesignated	Designated	
<b>Revenues</b>					
Direct	\$15,005		\$3,515,266	\$673,196	\$4,188,462
Center	15,005		3,515,266	673,196	4,188,462
UG Student Aid Fund					
Facilities Improvement Fund					
Indirect	89,261				
Participation	154,711				
Academic Initiatives	(60,897)				
Provost's Initiatives	(4,553)				
Graduate Programs					
<b>Total Revenues</b>	<b>\$104,266</b>		<b>\$3,515,266</b>	<b>\$673,196</b>	<b>\$4,188,462</b>
<b>Expenses</b>					
Direct	\$104,266		\$3,515,266	\$673,196	\$4,188,462
Indirect					
Allocated Central Costs					
Facilities Based					
<b>Total Expenses</b>	<b>\$104,266</b>		<b>\$3,515,266</b>	<b>\$673,196</b>	<b>\$4,188,462</b>

# 2016 Individual Administrative Centers by Presidential & Senior Vice Presidential Responsibility Area

2015-16 Budget / in thousands

	Net Operating Budget	Employee Benefits Budget
<b>President</b>		
President's Office	\$4,330	—
<b>Provost and Senior Vice President for Academic Affairs</b>		
Academic Affairs	\$7,551	
Academic Senate	174	
Emeriti Center	605	
Enrollment Services	22,189	
Faculty Affairs	1,375	\$373
Faculty Sabbaticals		15,037
Global Initiatives	2,703	
Information Technology Services	55,771	
Office of Research	9,437	
Provost's Office	11,114	
Student Affairs	9,665	36
University Art Galleries	669	
University Libraries	40,327	
USC Stevens Center for Innovation	4,055	
<b>Total</b>	<b>\$165,635</b>	<b>\$15,446</b>

## Senior Vice President, Administration

Audit Services	\$1,881	
Career and Protective Services	36,613	\$20,714
Center for Work and Family Life		983
Compliance	4,398	
General Counsel	17,239	
Human Resources	3,603	8,833
Senior Vice President's Office	6,435	
Tram, Campus Cruiser and Rideshare	6,891	1,460
University Real Estate	8,337	
<b>Total</b>	<b>\$85,397</b>	<b>\$31,990</b>

	Net Operating Budget	Employee Benefits Budget
<b>Senior Vice President, Finance &amp; CFO</b>		
Budget and Treasury	\$5,122	\$1,822
Campus Development	3,419	
Comptroller	8,763	527,554
Corporate Expense	39,581	
Facilities Management Services	83,271	
Financial and Business Services	17,574	
Major Maintenance and Renovation	2,057	
Senior Vice President's Office	2,694	
<b>Total</b>	<b>\$162,481</b>	<b>\$529,376</b>

## Senior Vice President, University Advancement

Senior Vice President's Office	\$33,216	
USC Alumni Association	2,096	
<b>Total</b>	<b>\$35,312</b>	<b>—</b>

## Senior Vice President, University Relations

University Relations	\$13,163	—
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Employee Benefit Recoveries		(\$576,812)
<b>Total Administrative Centers</b>	<b>\$466,318</b>	<b>—</b>
Undergraduate Student Aid Fund	\$254,999	
Facilities Improvement Fund	65,470	
<b>Grand Total</b>	<b>\$786,787</b>	<b>—</b>

## Role and Mission of the University of Southern California

The central mission of the University of Southern California is the development of human beings and society as a whole through the cultivation and enrichment of the human mind and spirit. The principal means by which our mission is accomplished are teaching, research, artistic creation, professional practice and selected forms of public service.

Our first priority as faculty and staff is the education of our students, from freshmen to postdoctorals, through a broad array of academic, professional, extracurricular and athletic programs of the first rank. The integration of liberal and professional learning is one of USC's special strengths. We strive constantly for excellence in teaching knowledge and skills to our students, while at the same time helping them to acquire wisdom and insight, love of truth and beauty, moral discernment, understanding of self, and respect and appreciation for others.

Research of the highest quality by our faculty and students is fundamental to our mission. USC is one of a very small number of premier academic institutions in which research and teaching are inextricably intertwined, and on which the nation depends for a steady stream of new knowledge, art and technology. Our faculty are not simply teachers of the works of others, but active contributors to what is taught, thought and practiced throughout the world.

USC is pluralistic, welcoming outstanding men and women of every race, creed and background. We are a global institution in a global center, attracting more international students over the years than any other American university. And we are private, unfettered by political control, strongly committed to academic freedom, and proud of our entrepreneurial heritage.

An extraordinary closeness and willingness to help one another are evident among USC students, alumni, faculty, and staff; indeed, for those within its compass the Trojan Family is a genuinely supportive community. Alumni, trustees, volunteers and friends of USC are essential to this family tradition, providing generous financial support, participating in university governance, and assisting students at every turn.

In our surrounding neighborhoods and around the globe, USC provides public leadership and public service in such diverse fields as health care, economic development, social welfare, scientific research, public policy and the arts. We also serve the public interest by being the largest private employer in the city of Los Angeles, as well as the city's largest export industry in the private sector.

USC has played a major role in the development of Southern California for more than a century, and plays an increasingly important role in the development of the nation and the world. We expect to continue to play these roles for many centuries to come. Thus our planning, commitments and fiscal policies are directed toward building quality and excellence in the long term.

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