



Financial Report 2007

University of Southern California



1	Highlights of the University
2	Report of Independent Auditors
3	Consolidated Balance Sheet
4	Consolidated Statement of Activities
6	Consolidated Statement of Expenses
8	Consolidated Statement of Cash Flows
9	Notes to Consolidated Financial Statements
18	Budget 2007-2008
26	Board of Trustees
27	Officers, Executives and Academic Deans
28	Role and Mission of the University

## Highlights of the University

	June 30 2007	June 30 2006
<b>Financial</b> (in thousands)		
Total revenues	\$2,523,525	\$2,257,234
Total cash gifts and equipment gifts	\$350,725	\$379,471
Capital expenditures	\$240,851	\$283,869
Total assets at year end	\$6,342,621	\$5,533,079
Total debt at year end	\$505,897	\$406,771
Increase in net assets	\$674,181	\$461,496
Market value of endowment	\$3,715,272	\$3,065,935
Executed contracts, grants, subcontracts and cooperative agreements	\$726,485	\$794,363
Property, plant and equipment, net	\$1,444,566	\$1,293,549
<b>Net Asset Balances:</b>		
Unrestricted	\$3,731,115	\$3,147,924
Temporarily restricted	\$209,520	\$208,009
Permanently restricted	\$1,266,961	\$1,177,482
<b>Students</b>		
<b>Enrollment (head count, autumn):</b>		
Undergraduate students	16,729	16,897
Graduate and professional students	16,660	15,939
<b>Degrees conferred:</b>		
Bachelor degrees	4,676	4,269
Advanced	5,380	5,274
Certificates	209	188
Annual tuition rate	\$33,314	\$31,458
<b>Faculty and Staff</b>		
Faculty	4,596	4,510
Staff	7,992	7,855

## Report of Independent Auditors

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities, expenses, and cash flows, which appear on pages 3 through 17 of this financial report, present fairly, in all material respects, the consolidated financial position of the University of Southern California and its subsidiaries (the "university") at June 30, 2007, and the changes in their consolidated net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the university's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the university's 2006 financial statements; and in our report dated September 8, 2006, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.



Los Angeles, California  
September 14, 2007

## Consolidated Balance Sheet

in thousands | with summarized financial information as of June 30, 2006

	June 30 2007	June 30 2006
	A	B
<b>Assets</b>		
1 Cash and cash equivalents	\$430,975	\$436,870
2 Accounts receivable, [see Note 3]	56,337	62,164
3 Notes receivable, net of allowance for doubtful accounts, \$9,873 (2007), \$11,889 (2006)	84,803	97,082
4 Pledges receivable, [see Note 9]	185,174	170,215
5 Investments, [see Note 4]	4,071,094	3,404,679
6 Inventories, prepaid expenses and other assets	69,672	68,520
7 Property, plant and equipment, net, [see Note 5]	1,444,566	1,293,549
8 <b>TOTAL ASSETS</b>	<b>\$6,342,621</b>	<b>\$5,533,079</b>
<b>Liabilities</b>		
9 Accounts payable	\$71,194	\$73,088
10 Accrued liabilities	96,740	87,592
11 Refundable advances	23,124	24,105
12 Current portion of long-term debt	3,245	3,216
13 Deposits and deferred revenue	100,557	90,823
14 Actuarial liability for annuities payable	180,982	166,950
15 Federal student loan funds	64,718	62,779
16 Asset retirement obligations, [see Note 16]	82,621	78,500
17 Long-term debt, [see Note 6]	502,652	403,555
18 Other	9,192	9,056
19 <b>TOTAL LIABILITIES</b>	<b>1,135,025</b>	<b>999,664</b>
<b>Net Assets</b>		
20 Unrestricted	3,731,115	3,147,924
21 Temporarily restricted	209,520	208,009
22 Permanently restricted	1,266,961	1,177,482
23 <b>TOTAL NET ASSETS</b>	<b>5,207,596</b>	<b>4,533,415</b>
24 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$6,342,621</b>	<b>\$5,533,079</b>

The accompanying notes are an integral part of this statement.

## Consolidated Statement of Activities

in thousands | with summarized financial information for the year ended June 30, 2006

	Unrestricted Net Assets			
	Education and General	Health Care Services	Sponsored Research and Departmental Activities	Unexpended Plant and Debt Service Funds
	A	B	C	D
<b>Revenues</b>				
1 Student tuition and fees	\$950,077			
2 Less financial aid	(277,212)			
3 Net student tuition and fees	672,865			
4 Endowment income	38,385		\$30,069	
5 Investment and other income	17,778		3,150	\$18,769
6 Net appreciation (depreciation) in fair value of investments			(4,810)	(960)
7 Government contracts and grants			245,463	
8 Recovery of indirect costs	101,981			
9 Gifts and pledges	41,011		188,984	13,897
10 Sales and service	31,484			
11 Auxiliary enterprises	213,469			
12 Professional Services Agreements		\$79,773		
13 Clinical practices		88,011		
14 Loss on the disposal/sale of plant assets				
15 Other	72,272		18,082	
16 Present value adjustment to annuities payable				
17 Net assets released from restrictions			29,082	11,025
18 <b>TOTAL REVENUES</b>	<b>1,189,245</b>	<b>167,784</b>	<b>510,020</b>	<b>42,731</b>
<b>Expenses</b>				
19 Educational and general activities	1,096,413		482,666	
20 Health care services		154,036		
21 Depreciation				
22 Interest on indebtedness				19,460
23 Loss on refunding				3,026
24 <b>TOTAL EXPENSES</b>	<b>1,096,413</b>	<b>154,036</b>	<b>482,666</b>	<b>22,486</b>
<b>Transfers within Unrestricted Net Assets:</b>				
25 Mandatory transfers for external debt service	(21,810)	(1,145)	(7,897)	30,852
26 Unrestricted gifts designated for long-term investment	(9,257)			
27 Internal loan repayments	(17,999)	(2,124)	(22,276)	42,399
28 Accumulated gains used for spending rule	31,209		33,521	
29 Designated support for student aid	42,569	(3)	(42,566)	
30 Other miscellaneous nonmandatory transfers	(98,018)	(14,953)	(53,451)	54,744
31 Property, plant and equipment acquisitions	(19,387)	(131)	14,193	(186,465)
32 <b>Increase (Decrease) in Net Assets before cumulative effect</b>	<b>139</b>	<b>(4,608)</b>	<b>(51,122)</b>	<b>(38,225)</b>
33 Cumulative effect of change in accounting principle, [see Note 16]				
34 Affiliation with HRA				
35 <b>Increase (Decrease) in Net Assets</b>	<b>139</b>	<b>(4,608)</b>	<b>(51,122)</b>	<b>(38,225)</b>
36 Transfer operating surplus to departmental net assets	(139)		139	
37 <b>Beginning Net Assets</b>		<b>(24,001)</b>	<b>545,340</b>	<b>199,804</b>
38 <b>ENDING NET ASSETS</b>		<b>(\$28,609)</b>	<b>\$494,357</b>	<b>\$161,579</b>
<b>Nature of specific net assets:</b>				
39 Internally designated		(\$33,598)	\$57,858	
40 Gift and departmental			297,810	\$98,864
41 Externally restricted				
42 Pledges				
43 Kenneth Norris Jr. Cancer Hospital – USC/Norris Cancer Center Foundation		4,989		
44 Unexpended endowment income			138,689	
45 Annuity and living trusts				
46 True endowment				
47 Funds functioning as endowment				
48 Debt service funds				62,715
49 Invested in plant				
50		<b>(\$28,609)</b>	<b>\$494,357</b>	<b>\$161,579</b>

The accompanying notes are an integral part of this statement.

			Year Ended June 30, 2007			Year Ended June 30, 2006		
Invested in Plant	Long-term Investment	Student Loan	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	Total Net Assets	
E	F	G	H	I	J	K	L	
			\$950,077			\$950,077	\$886,945	1
			(277,212)			(277,212)	(259,930)	2
			672,865			672,865	627,015	3
			68,454		\$371	68,825	67,860	4
		(27)	39,670	\$5	224	39,899	32,152	5
	\$522,511		516,741	(683)	(2,679)	513,379	303,783	6
			245,463			245,463	260,924	7
			101,981			101,981	105,310	8
\$1,213			245,105	39,139	79,355	363,599	399,359	9
			31,484			31,484	30,649	10
			213,469			213,469	191,728	11
			79,773			79,773	74,370	12
			88,011			88,011	94,175	13
(1,473)			(1,473)			(1,473)	(852)	14
			90,354			90,354	72,004	15
				4,939	10,957	15,896	(1,243)	16
	531		40,638	(41,889)	1,251			17
(260)	523,042	(27)	2,432,535	1,511	89,479	2,523,525	2,257,234	18
48			1,579,127			1,579,127	1,471,281	19
			154,036			154,036	163,871	20
93,695			93,695			93,695	86,092	21
			19,460			19,460	19,055	22
			3,026			3,026	4,335	23
93,743			1,849,344			1,849,344	1,744,634	24
								25
	9,257							26
	(64,730)							27
								28
	111,678							29
191,790								30
97,787	579,247	(27)	583,191	1,511	89,479	674,181	512,600	31
							(61,892)	32
							10,788	33
97,787	579,247	(27)	583,191	1,511	89,479	674,181	461,496	34
								35
385,292	2,044,657	(3,168)	3,147,924	208,009	1,177,482	4,533,415	4,071,919	36
\$483,079	\$2,623,904	(\$3,195)	\$3,731,115	\$209,520	\$1,266,961	\$5,207,596	\$4,533,415	37
								38
(4,484)		(7,839)	\$11,937			\$11,937	(\$3,231)	39
		4,644	401,318			401,318	500,268	40
				\$22,569	\$32,366	54,935	47,508	41
				127,446	55,228	182,674	170,215	42
								43
			4,989			4,989	13,050	44
			138,689			138,689	124,511	45
				59,461	88,043	147,504	146,490	46
				44	1,091,324	1,091,368	1,021,278	47
	\$2,623,904		2,623,904			2,623,904	2,044,657	48
			62,715			62,715	78,941	49
487,563			487,563			487,563	389,728	50
\$483,079	\$2,623,904	(\$3,195)	\$3,731,115	\$209,520	\$1,266,961	\$5,207,596	\$4,533,415	

## Consolidated Statement of Expenses

*in thousands | with summarized financial information for the year ended June 30, 2006*

<b>Academic, Health Care and Student Services</b>					
	<b>Instruction, Departmental Research and Activities</b>	<b>Sponsored Research</b>	<b>Libraries and Art Galleries</b>	<b>Health Care Services</b>	<b>Student Services</b>
	A	B	C	D	E
1 Compensation	\$444,646	\$153,152	\$13,891	\$86,582	\$23,190
2 Fringe benefits	101,788	39,829	4,040	27,238	6,688
3 Materials and supplies	83,030	72,917	7,622	8,575	6,906
4 Cost of goods sold	9,947	17,820			25
5 Utilities				11	
6 Travel	19,866	6,972	182	38	877
7 Telephone				769	
8 Other	35,019	1		3,464	624
9 USC Care purchased services				28,151	
10 Loss on refunding					
11	<b>694,296</b>	<b>290,691</b>	<b>25,735</b>	<b>154,828</b>	<b>38,310</b>
Allocations:					
12 Depreciation	35,652	15,702	8,398		3,347
13 Interest	12,423				
14 Plant operations and maintenance	61,695	22,476	7,175		5,817
15	<b>\$804,066</b>	<b>\$328,869</b>	<b>\$41,308</b>	<b>\$154,828</b>	<b>\$47,474</b>

*The accompanying notes are an integral part of this statement.*



**Support Services**

Plant Operations and Maintenance	Administration	General Institutional	Fund Raising Activities	Auxiliary Enterprises Operations	Year Ended June 30, 2007	Year Ended June 30, 2006
F	G	H	I	J	K	L
\$32,076	\$51,647	\$36,277	\$14,104	\$51,937	\$907,502	\$851,218
9,980	15,840	11,427	4,384	14,210	235,424	225,230
62,045	51,920	12,524	6,218	59,029	370,786	337,937
454		4,085		49,676	82,007	79,534
24,142			5		24,158	21,592
85	996	321	283	4,091	33,711	32,870
5,498					6,267	7,010
		103	389	5,557	45,157	46,643
		3,026			28,151	33,118
<b>134,280</b>	<b>120,403</b>	<b>67,763</b>	<b>25,383</b>	<b>184,500</b>	<b>1,736,189</b>	<b>1,639,487</b>
	3,850	6,906	148	19,692	93,695	86,092
377		5,998		662	19,460	19,055
(134,657)	2,277	7,105	172	27,940		
	<b>\$126,530</b>	<b>\$87,772</b>	<b>\$25,703</b>	<b>\$232,794</b>	<b>\$1,849,344</b>	<b>\$1,744,634</b>

## Consolidated Statement of Cash Flows

in thousands | with summarized financial information for the year ended June 30, 2006

	Year Ended June 30, 2007	Year Ended June 30, 2006
	A	B
<b>Cash Flows from Operating Activities</b>		
1 <b>Change in Net Assets</b>	<b>\$674,181</b>	<b>\$461,496</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation	93,695	86,092
3 Cumulative effect of change in accounting principle		61,892
4 Affiliation with HRA, net of cash		(8,410)
5 Loss on the disposal/sale of plant assets	1,473	852
6 Loss on refunding	3,026	4,335
7 Equipment gifts-in-kind	(1,213)	(1,650)
8 Present value adjustment to annuities payable	(3,410)	418
9 Decrease (increase) in accounts receivable	5,827	(4,667)
10 Increase in pledges receivable	(14,959)	(19,133)
11 (Increase) decrease in inventories, prepaid expenses and other assets	(1,152)	1,085
12 (Decrease) increase in accounts payable	(1,894)	12,186
13 Increase in accrued liabilities	9,148	7,471
14 (Decrease) increase in refundable advances	(981)	4,449
15 Increase in deferred revenue	9,734	15,726
16 Increase in other	136	1,969
17 Contributions restricted for permanent investment and property, plant and equipment	(75,812)	(86,217)
18 Net realized gain on sale of investments	(541,330)	(198,057)
19 Net unrealized depreciation (appreciation) in investments	28,371	(105,831)
20 Net cash provided by operating activities	<b>184,840</b>	<b>234,006</b>
<b>Cash Flows from Investing Activities</b>		
21 Proceeds from note collections and sale of notes	13,796	20,740
22 Notes issued	(14,052)	(19,868)
23 Proceeds from sale and maturity of investments	3,159,315	2,098,290
24 Purchase of investments	(3,312,771)	(2,145,982)
25 Purchase of property, plant and equipment, net	(240,851)	(283,869)
26 Net cash used by investing activities	<b>(394,563)</b>	<b>(330,689)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for permanent investment:		
27 Endowment	61,637	69,996
28 Plant	14,490	16,585
29 Trusts and other	(315)	(364)
30 Repayment of long-term debt	(167,295)	(68,546)
31 Increase in long-term debt	263,395	66,545
32 Increase in federal student loan funds	1,939	213
33 Investment income on annuities payable	37,944	10,465
34 Payments on annuities payable	(14,337)	(15,992)
35 Increase to annuities payable resulting from new gifts	6,370	6,380
36 Net cash provided by financing activities	<b>203,828</b>	<b>85,282</b>
37 <b>Net decrease in cash and cash equivalents</b>	<b>(5,895)</b>	<b>(11,401)</b>
38 <b>Cash and cash equivalents at beginning of year</b>	<b>436,870</b>	<b>448,271</b>
39 <b>Cash and cash equivalents at end of year</b>	<b>\$430,975</b>	<b>\$436,870</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 financial statements have been prepared on the accrual basis and include the accounts of the University of Southern California and all wholly-owned subsidiaries. All material transactions between the university and its subsidiaries have been eliminated.

For financial reporting purposes, net assets and revenues, expense, gains, and losses are classified into one of three categories: unrestricted, temporarily restricted, or permanently restricted. These categories, as described below, are the method by which the Financial Accounting Standards Board has chosen to standardize the financial statements of all private not-for-profit institutions.

#### *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 the Health Care Consultation Center, the Professional Services Agreement with Los Angeles County and USC Care, Inc., a contracting entity for the independent private practices and the professional services provided to affiliated hospitals.

*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 gifts to the university and its various schools and departments. The university has determined that any donor-imposed restrictions 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 gifts 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 gift, 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 5 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 instead of recognizing the gift over the useful life of the asset.

*Long-term investment:* Long-term investments include gifts 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 record lending activity to students utilizing university resources designated for that purpose.

#### *Temporarily restricted net assets:*

Gifts for which donor imposed restrictions have not been met (primarily future capital projects), 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.

## Notes to Consolidated Financial Statements

### *Note 1 continued*

#### ***Permanently restricted net assets:***

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

#### ***Other accounting policies:***

The financial statements present expenses 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.

Cash equivalents consist of resources invested in money market funds, bankers' acceptances and negotiable certificates of deposit, maturing within 30 days.

Investments are stated at fair value except mortgages and gifts of real estate which are stated at cost or fair value on the date of gift, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. 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 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 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, generally at March 31, prior to the university's fiscal year end. 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. For the year ended June 30, 2007, included in the net appreciation in fair value of investments of \$513,379,000 on the Consolidated Statement of Activities is \$121,611,000 of net appreciation related to alternative investment holdings and certain other limited partnership interests.

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, 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 actuarial liability for annuities payable include gift annuities, unitrusts, pooled income funds and life estates which are based on the present value of future payments using discount rates ranging from 3.3% to 7.5% and 1994 Group Annuity Table for annuities issued on or before December 31, 2004 and Annuity 2000 Mortality Table for annuities issued on or after January 1, 2005.

The university has recorded conditional asset retirement obligations (Note 16) associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in our 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

## Notes to Consolidated Financial Statements

### *Note 1 continued*

obligation is also capitalized as property, plant and equipment and then amortized over the estimated 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, risk free rate applicable to the university in order to determine the fair value of the conditional asset retirement obligations.

In accordance with the university's Revenue Center Management (RCM) policy, educational and general activities are reflective of the performance of a balanced operating budget for the year and any surplus at the end of the year is transferred to internally designated departmental assets. In accordance with RCM policy, operating units with educational and general activities which result in deficit balances are required at the end of the year to transfer departmentally designated assets sufficient to fund the deficit balance.

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 financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the university's financial statements for the year ended June 30, 2006 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R) ("SFAS 158"). SFAS 158 retains the previous measurement and disclosure requirements of prior accounting guidance. In addition, SFAS 158 requires the recognition of the funded status of pension and other postretirement benefit plans on the balance sheet ("recognition provisions"). The recognition provisions of SFAS 158 were effective for the university on June 30, 2007. The adoption of SFAS 158 did not have a material impact on the consolidated financial statements. (Note 13)

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The university is currently evaluating the impact the adoption of SFAS No. 157 will have on the university's consolidated financial statements.

### **Note 2**

Effective January 1, 2006, the University of Southern California and Health Research Association, Inc. (HRA) entered into an Affiliation Agreement (Agreement) whereby HRA became a subsidiary of the university and the university became the sole corporate member of HRA. HRA's corporate purpose of serving as the principal clinical trial management support of the university's private industry-sponsored clinical research programs was not changed as a result of the Agreement. No cash or property was exchanged as a result of this Agreement. Effective January 1, 2006, the administrative employees of HRA became employees of the university. The consolidated financial statements include the operating activities of HRA for the period from January 1, 2006 through June 30, 2006 and for the year ended June 30, 2007.

## Notes to Consolidated Financial Statements

**Note 3***Accounts receivable (in thousands):*

U.S. Government, net of allowance for doubtful accounts of \$1,046	\$15,286
Student and other, net of allowance for doubtful accounts of \$4,760	30,014
Patient care and practice plans, net of allowance for doubtful accounts and contractual adjustments of \$24,581	11,037
	<u>\$56,337</u>

**Note 4***Investments (in thousands):*

	Cost	Fair Value
Stocks	\$1,086,463	\$1,298,399
Bonds:		
U.S. Government	148,444	147,039
Corporate	240,863	236,296
International investments	831,604	939,861
Alternative investments		
Absolute return	200,326	281,531
Private equity	533,822	496,881
Hedge funds	184,580	285,217
Assets held by other trustees	229,507	261,668
Real estate and other	114,647	124,202
<b>TOTAL</b>	<u>\$3,570,256</u>	<u>\$4,071,094</u>

**Note 5***Property, plant and equipment (in thousands):*

Land and improvements	\$101,307
Building and improvements	1,632,448
Equipment	346,852
Library books and collections	191,178
Construction-in-progress	197,728
	<u>2,469,513</u>
Less: Accumulated depreciation	1,024,947
	<u>\$1,444,566</u>

## Notes to Consolidated Financial Statements

**Note 6***Bonds, notes and mortgages payable (in thousands):*

	Interest %	Maturity	
<i>California Educational Facilities Authority</i>			
<i>(CEFA) Revenue Bonds and Notes:</i>			
Series 1997A	5.50-5.60	2008-2010	\$6,195
Discount			(37)
Series 1998A	5.00	2029	30,360
Series 1999	5.50	2028	60,000
Premium			906
Series 2003A	4.75	2024	50,000
Premium			1,363
Series 2003B	5.00	2008-2016	9,360
Premium			834
Series 2005	4.00-5.00	2012-2029	66,545
Premium			2,780
Series 2007A	4.00-4.75	2010-2038	263,395
Premium			2,642
<hr/>			
<i>University of Southern California Bonds</i>			
Series 1998	5.57-6.26	2009-2019	11,585
Discount			(31)
			505,897
Less current portion of long-term debt			3,245
			<u>\$502,652</u>

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2008 \$3,245,000; 2009 \$6,430,000; 2010 \$3,690,000; 2011 \$3,885,000; 2012 \$4,140,000.

Interest payments for fiscal year 2007 were \$19,753,000.

The bond agreements contain certain restrictive covenants including the requirement to maintain a designated amount of available assets, as defined in the agreements.

On May 24, 2007, the university issued \$263,395,000 of CEFA Series 2007A bonds. Of the CEFA Series 2007A bonds, \$163,395,000 were deposited into a refunding escrow account, which will be used to pay interest, principal and redemption premium for a portion of CEFA Series 1997A and CEFA Series 2003A bonds, and all of the CEFA Series 2003C bonds. The remaining CEFA Series 2007A bonds, \$100,000,000, will be used for future projects.

On November 15, 2005, the university entered into an interest rate swap transaction with a counterparty for a notional amount of \$62,250,000. Under the terms of this agreement, the effective date of the swap is July 8, 2009 at which point the university will begin to accrue payments (to the counterparty) at a rate of 4.525% times the above notional amount and will receive payment equal to the prevailing weekly Bond Market Association Municipal Swap Index rate from the counterparty times the above notional amount. These net payments or receipts will settle on the first calendar day of each month commencing on August 1, 2009 until the swap is either terminated or expires on October 1, 2027. As of June 30, 2007, the estimated fair value of the swap was a liability of \$938,000.

## Notes to Consolidated Financial Statements

### Note 7

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, 2007 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$156,154	\$71,274	\$227,428
Endowed scholarships	17,411	7,947	25,358
External financial aid	16,771	7,655	24,426
	<u>\$190,336</u>	<u>\$86,876</u>	<u>\$277,212</u>

### Note 8

Endowment net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be utilized for current and future needs. Long-term investment net assets (funds functioning as endowment and departmentally designated funds) have been established from restricted gifts whose restrictions have been met and unrestricted gifts 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 (in thousands):

	Endowment	Funds functioning as endowment	Departmentally designated funds	Total
Pooled	\$1,033,906	\$2,361,513	\$11,164	\$3,406,583
Non-pooled	57,461	251,228		308,689
	<u>\$1,091,367</u>	<u>\$2,612,741</u>	<u>\$11,164</u>	<u>\$3,715,272</u>

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. The pool is comprised of bonds (7%), stocks (31%), international investments (28%), alternative investments (31%) and other investments (3%). 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, 2007 was \$651.74.

The university utilizes a spending rule for its pooled endowment in order to maximize the current and long-term investments of the endowment pool. The spending rule determines the endowment income 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 2007 fiscal year, the Board of Trustees approved current distribution of 103% 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, \$24.28 was distributed to each time-weighted unit for a total spending rule allocation of \$118,996,000. Investment income amounting to \$11.07 per time weighted unit was earned, totaling \$54,267,000, and \$64,729,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2007 represent 3.5% of the market value of the endowment pool at June 30, 2007. Total earnings allocated for spending in fiscal year 2007 represent 3.5% of the market value of total endowment at June 30, 2007.

Approximately \$7,752,000 of the university's unrestricted long-term investments have been designated to support student loans.



## Notes to Consolidated Financial Statements

### Note 9

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 at 6% to the present value of the future cash flows.

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

In one year or less	\$18,751
Between one year and five years	126,124
More than five years	99,300
Less: discount of \$49,268 and allowance of \$9,733	(59,001)
	<u>\$185,174</u>

Pledges receivable at June 30, 2007 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$53,633
Endowment for scholarship	4,122
Building construction	12,716
Departmental programs and activities	114,703
	<u>\$185,174</u>

### Note 10

Executed contracts, grants, subcontracts and cooperative agreements for future sponsored research activity which are not reflected in the consolidated financial statements at June 30, 2007 are summarized as follows (in thousands):

Current sponsored awards	\$334,014
Executed grants and contracts for future periods	392,471
	<u>\$726,485</u>

### Note 11

At June 30, 2007, internal loans for capital investment were \$338,198,000 which are repaid through nonmandatory transfers from the operating budget to unexpended plant within unrestricted net assets. The maturity dates range from 2008 to 2037 with various interest rates.

Internal loans maturing within each of the next five fiscal years range from \$17.1 million to \$21 million.

### Note 12

Contractual commitments for educational plant amounted to approximately \$126,167,000 at June 30, 2007. It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated gifts and/or debt proceeds.

During the year ended June 30, 2001, 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 renewed on an annual basis unless either party gives four years' notice of the termination.

### Note 13

Retirement benefits for exempt 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 monthly contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or a fixed income fund. Benefits commence upon retirement and preretirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$63,057,000 during the year ended June 30, 2007.

## Notes to Consolidated Financial Statements

*Note 13 continued*

Retirement benefits for non-exempt employees are provided through a noncontributory defined benefit pension plan. The following table sets forth the plan's funded status at June 30, 2007 (in thousands):

Benefit cost	\$2,743
Employer contribution	\$0
Benefits paid	\$4,531
Accumulated benefit obligation	
at end of year	\$138,539
Projected benefit obligation	\$140,141
Fair value of plan assets	173,835
Funded status	\$33,694
Items recognized in the consolidated balance sheet:	
Prepaid benefit cost	\$33,694
Weighted-average assumptions:	
Discount rate	6.25%
Expected return on plan assets	8.00%
Rate of compensation increase	5.00%

The overall expected rate of return on assets of 8% is based on historical returns of the plan, as well as long-term return assumptions given the plan's asset allocation.

The pension plan's asset allocations, by asset category, are as follows:

Asset Category	June 30, 2007	Target at June 30, 2007
Equity securities	67.6%	68.0%
Debt securities	31.4%	32.0%
Other	1.0%	0.0%
TOTAL	100.0%	100.0%

No contribution to the pension plan is required during the fiscal year ending June 30, 2008. The university may make discretionary contributions to its pension plan during the next fiscal year. This will be reassessed during the year.

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

Fiscal Year Ending June 30,	
2008	\$4,871
2009	\$5,363
2010	\$5,866
2011	\$6,364
2012	\$6,835
2013 - 2017	\$41,127

The plan was amended effective June 30, 2007 to freeze benefit accruals for all non-union participants and Library union participants and to provide full vesting for active participants whose benefits are frozen. These participants will begin to participate in the university's defined contribution plan effective July 1, 2007. These changes resulted in curtailment accounting in accordance with SFAS No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits. As a result of these changes, the projected benefit obligation of the plan was reduced by \$14,486,000, and SFAS No. 88 pension income of \$100,000 was recognized.

**Note 14**

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.

## Notes to Consolidated Financial Statements

### Note 15

The estimated fair value of the university's bonds, notes and mortgages payable was \$508,877,000 at June 30, 2007. 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.

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.

### Note 16

FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* (an interpretation of FASB Statement No. 143) (FIN 47) was issued in March 2005. This interpretation provides clarification with respect to the timing of liability recognition for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. This interpretation requires that the fair value of a liability for a conditional asset retirement obligation be recognized in the period in which it occurred if a reasonable estimate of fair value can be made. Upon adoption of FIN 47 on June 30, 2006, the university recognized asset retirement obligations related primarily to asbestos contamination in buildings and recorded a non-cash transition charge of approximately \$61,892,000 which is reported as a cumulative effect of a change in accounting principle in the consolidated statement of activities, and a liability for conditional asset

retirement obligations of \$78,500,000. For the year ended June 30, 2007, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$4,100,000. As of June 30, 2007, included in the Consolidated Balance Sheet is an asset retirement obligation of \$82,621,000.

### Note 17

On August 22, 2006, the university filed a lawsuit to order a Tenet Healthcare Corporation subsidiary to give up ownership and control of USC University Hospital. The lawsuit seeks a judicial declaration terminating the university's agreements with Tenet, an order forcing Tenet to vacate the premises and an order mandating that Tenet deliver a quitclaim deed to the university to clear title to the premises. The impact of the lawsuit is not determinable at this time.

## 2008 Summary of Budgeted Operating Revenues and Expenses

2007-08 Budget | in thousands

	Undesignated Budget		
	Education and General		
	2006-07 Budget	2007-08 Budget	Percent Change
<b>Revenues</b>			
Tuition and fees	\$940,926	\$1,003,250	6.62%
Less student aid	(235,135)	(246,654)	4.90%
Net tuition and fees	705,791	756,596	7.20%
Endowment income	57,985	65,182	12.41%
Investment income	4,535	14,803	226.42%
Gifts	31,215	33,136	6.15%
Contracts and grants – direct			
Recovery of indirect costs:			
Contracts and grants	100,694	95,378	(5.28%)
Endowments/Gifts	10,455	12,398	18.58%
Auxiliary enterprises	219,821	226,647	3.11%
Sales and service and other sources	100,344	104,061	3.70%
<b>TOTAL REVENUES</b>	<b>\$1,230,840</b>	<b>\$1,308,201</b>	<b>6.29%</b>
<b>Expenses</b>			
Compensation:			
Faculty salaries	\$235,347	\$249,807	6.14%
Other salaries and wages	354,815	386,081	8.81%
Employee benefits	165,431	180,446	9.08%
<b>TOTAL COMPENSATION</b>	<b>755,593</b>	<b>816,334</b>	<b>8.04%</b>
Current expense	280,559	297,029	5.87%
Capital financing	70,968	64,149	(9.61%)
Professional services	28,392	29,148	2.66%
Equipment/Library	21,906	17,587	(19.72%)
Utilities/Telephone	35,242	35,399	0.45%
Off-campus facilities	15,970	17,762	11.22%
Travel	14,481	17,205	18.81%
Rentals and leases	7,729	13,588	75.81%
<b>TOTAL EXPENSES</b>	<b>\$1,230,840</b>	<b>\$1,308,201</b>	<b>6.29%</b>



## 2008 Colleges, Schools, Centers and Institutes

Individual Revenue Center Summary | 2007-08 Budget | in thousands

	Annenberg School for Communication		School of Architecture		School of Cinematic Arts		Centers for Creative Technologies	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$37,267	\$7,310	\$12,057	\$2,275	\$34,369	\$9,444	\$3,370	\$21,249
Center	46,423	7,310	16,294	2,275	43,343	9,444	3,370	21,249
UG Student Aid Fund	(8,015)		(3,760)		(7,758)			
Facilities Improvement Fund	(1,141)		(477)		(1,216)			
Indirect	(268)		(927)		(828)		(216)	
Participation	(2,618)		(1,097)		(2,820)		(216)	
Academic Initiatives			124		700			
Provost's Initiatives	93		24		197			
Graduate Programs	2,257		22		1,095			
<b>TOTAL REVENUES</b>	<b>\$36,999</b>	<b>\$7,310</b>	<b>\$11,130</b>	<b>\$2,275</b>	<b>\$33,541</b>	<b>\$9,444</b>	<b>\$3,154</b>	<b>\$21,249</b>

<b>Expenses</b>								
Direct	\$29,905	\$7,310	\$7,406	\$2,275	\$22,088	\$9,444	\$2,532	\$21,249
Indirect	7,094		3,724		11,453		622	
Allocated Central Costs	6,079		3,068		9,811		622	
Facilities Based	1,015		656		1,642			
<b>TOTAL EXPENSES</b>	<b>\$36,999</b>	<b>\$7,310</b>	<b>\$11,130</b>	<b>\$2,275</b>	<b>\$33,541</b>	<b>\$9,444</b>	<b>\$3,154</b>	<b>\$21,249</b>

	Davis School of Gerontology		Gould School of Law		Graduate Programs		College of Letters, Arts and Sciences	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$4,895	\$6,867	\$33,285	\$3,599	\$48,654		\$204,651	\$70,756
Center	5,290	6,867	34,678	3,599	48,654		291,309	70,756
UG Student Aid Fund	(328)		(451)				(78,673)	
Facilities Improvement Fund	(67)		(942)				(7,985)	
Indirect	4,640		1,147		(44,985)		13,101	
Participation	(243)		(1,971)				(19,833)	
Academic Initiatives	4,200		2,000		19,200		700	
Provost's Initiatives	49		1,118				1,269	
Graduate Programs	634				(64,185)		30,965	
<b>TOTAL REVENUES</b>	<b>\$9,535</b>	<b>\$6,867</b>	<b>\$34,432</b>	<b>\$3,599</b>	<b>\$3,669</b>		<b>\$217,752</b>	<b>\$70,756</b>

<b>Expenses</b>								
Direct	\$5,564	\$6,867	\$25,587	\$3,599	\$3,669		\$139,545	\$70,756
Indirect	3,971		8,845				78,207	
Allocated Central Costs	3,460		7,556				66,127	
Facilities Based	511		1,289				12,080	
<b>TOTAL EXPENSES</b>	<b>\$9,535</b>	<b>\$6,867</b>	<b>\$34,432</b>	<b>\$3,599</b>	<b>\$3,669</b>		<b>\$217,752</b>	<b>\$70,756</b>

	Marshall School of Business		School of Policy, Planning, and Development		Roski School of Fine Arts		Rossier School of Education	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$126,866	\$12,928	\$25,057	\$9,261	\$7,684	\$344	\$25,665	\$4,530
Center	156,799	12,928	28,769	9,261	10,778	344	27,020	4,530
UG Student Aid Fund	(25,434)		(2,827)		(2,798)		(613)	
Facilities Improvement Fund	(4,499)		(885)		(296)		(742)	
Indirect	(8,485)		(518)		(573)		(958)	
Participation	(10,078)		(1,928)		(703)		(1,745)	
Academic Initiatives					100		200	
Provost's Initiatives	35		110				21	
Graduate Programs	1,558		1,300		30		566	
<b>TOTAL REVENUES</b>	<b>\$118,381</b>	<b>\$12,928</b>	<b>\$24,539</b>	<b>\$9,261</b>	<b>\$7,111</b>	<b>\$344</b>	<b>\$24,707</b>	<b>\$4,530</b>

<b>Expenses</b>								
Direct	\$85,846	\$12,928	\$16,442	\$9,261	\$5,202	\$344	\$19,180	\$4,530
Indirect	32,535		8,097		1,909		5,527	
Allocated Central Costs	30,292		7,367		1,626		4,878	
Facilities Based	2,243		730		283		649	
<b>TOTAL EXPENSES</b>	<b>\$118,381</b>	<b>\$12,928</b>	<b>\$24,539</b>	<b>\$9,261</b>	<b>\$7,111</b>	<b>\$344</b>	<b>\$24,707</b>	<b>\$4,530</b>

	<i>School of Social Work</i>		<i>Summer and Special Programs</i>		<i>School of Theatre</i>		<i>Thornton School of Music</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$19,970	\$4,453	\$2,523		\$9,851	\$1,615	\$22,044	\$2,404
Center	20,758	4,453	2,567		14,163	1,615	28,862	2,404
UG Student Aid Fund	(84)				(3,917)		(6,012)	
Facilities Improvement Fund	(704)		(44)		(395)		(806)	
Indirect	(935)				(233)		2,951	
Participation	(1,464)				(943)		(1,911)	
Academic Initiatives					511		4,500	
Provost's Initiatives	81				146		97	
Graduate Programs	448				53		265	
<b>TOTAL REVENUES</b>	<b>\$19,035</b>	<b>\$4,453</b>	<b>\$2,523</b>		<b>\$9,618</b>	<b>\$1,615</b>	<b>\$24,995</b>	<b>\$2,404</b>
<b>Expenses</b>								
Direct	\$14,402	\$4,453	\$2,523		\$6,806	\$1,615	\$17,106	\$2,404
Indirect	4,633				2,812		7,889	
Allocated Central Costs	4,279				2,211		6,944	
Facilities Based	354				601		945	
<b>TOTAL EXPENSES</b>	<b>\$19,035</b>	<b>\$4,453</b>	<b>\$2,523</b>		<b>\$9,618</b>	<b>\$1,615</b>	<b>\$24,995</b>	<b>\$2,404</b>

	<i>Viterbi School of Engineering Academic Programs</i>		<i>Engineering Information Sciences Institute</i>		<i>Total Colleges, Schools, Centers and Institutes</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$82,150	\$43,642	\$7,251	\$62,997	\$707,609	\$263,674
Center	94,259	43,642	7,251	62,997	880,587	263,674
UG Student Aid Fund	(9,551)				(150,221)	
Facilities Improvement Fund	(2,558)				(22,757)	
Indirect	18,923		(25)		(18,189)	
Participation	(6,512)		(475)		(54,557)	
Academic Initiatives	8,700		450		41,385	
Provost's Initiatives	333				3,573	
Graduate Programs	16,402				(8,590)	
<b>TOTAL REVENUES</b>	<b>\$101,073</b>	<b>\$43,642</b>	<b>\$7,226</b>	<b>\$62,997</b>	<b>\$689,420</b>	<b>\$263,674</b>
<b>Expenses</b>						
Direct	\$64,208	\$43,642	\$4,892	\$62,997	\$472,903	\$263,674
Indirect	36,865		2,334		216,517	
Allocated Central Costs	30,813		2,334		187,467	
Facilities Based	6,052				29,050	
<b>TOTAL EXPENSES</b>	<b>\$101,073</b>	<b>\$43,642</b>	<b>\$7,226</b>	<b>\$62,997</b>	<b>\$689,420</b>	<b>\$263,674</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 2007-2008, the rate is 28%.

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 2007-2008, the rate is 6.4%.

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

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 and equal the net budgets of administrative centers (see Individual Administrative Centers 2007-2008 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.

## 2008 Health Sciences Schools and Health Care Services

Individual Revenue Center Summary | 2007-08 Budget | in thousands

	School of Dentistry		Keck School of Medicine		School of Pharmacy		Total Health Sciences Schools	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$80,841	\$12,845	\$130,798	\$162,570	\$41,317	\$8,694	\$252,956	\$184,109
Center	84,317	12,845	133,953	162,570	42,244	8,694	260,514	184,109
UG Student Aid Fund	(1,356)		(1,689)				(3,045)	
Facilities Improvement Fund	(2,120)		(1,466)		(927)		(4,513)	
Indirect	(4,376)		16,325		(1,760)		10,189	
Participation	(5,468)		(5,623)		(2,779)		(13,870)	
Academic Initiatives			15,400				15,400	
Provost's Initiatives	21		48				69	
Graduate Programs	1,071		6,500		1,019		8,590	
<b>TOTAL REVENUES</b>	<b>\$76,465</b>	<b>\$12,845</b>	<b>\$147,123</b>	<b>\$162,570</b>	<b>\$39,557</b>	<b>\$8,694</b>	<b>\$263,145</b>	<b>\$184,109</b>
<b>Expenses</b>								
Direct	\$57,329	\$12,845	\$101,241	\$162,570	\$30,582	\$8,694	\$189,152	\$184,109
Indirect	19,136		45,882		8,975		73,993	
Allocated Central Costs	15,457		35,045		7,726		58,228	
Facilities Based	3,679		10,837		1,249		15,765	
<b>TOTAL EXPENSES</b>	<b>\$76,465</b>	<b>\$12,845</b>	<b>\$147,123</b>	<b>\$162,570</b>	<b>\$39,557</b>	<b>\$8,694</b>	<b>\$263,145</b>	<b>\$184,109</b>
	Dentistry Health Care		Medicine Health Care		Pharmacy Health Care		Total Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$1,578		\$131,707		\$4,095		\$137,380	
Center	1,578		131,707		4,095		137,380	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>TOTAL REVENUES</b>	<b>\$1,578</b>		<b>\$131,707</b>		<b>\$4,095</b>		<b>\$137,380</b>	
<b>Expenses</b>								
Direct	\$1,548		\$127,900		\$4,044		\$133,492	
Indirect	30		3,807		51		3,888	
Allocated Central Costs	30		3,807		51		3,888	
Facilities Based								
<b>TOTAL EXPENSES</b>	<b>\$1,578</b>		<b>\$131,707</b>		<b>\$4,095</b>		<b>\$137,380</b>	



## 2008 Auxiliaries and Athletics

Individual Revenue Center Summary | 2007-08 Budget | in thousands

	Animal Resources		Hospitality Services		Housing and Residence Halls		Intercollegiate Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$455		\$32,937		\$45,852		\$53,207	\$4,564
Center	455		32,937		45,852		53,207	4,564
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>TOTAL REVENUES</b>	<b>\$455</b>		<b>\$32,937</b>		<b>\$45,852</b>		<b>\$53,207</b>	<b>\$4,564</b>
<b>Expenses</b>								
Direct	(\$1,092)		\$29,691		\$37,730		\$45,326	\$4,564
Indirect	1,547		3,246		8,122		7,881	
Allocated Central Costs	625		2,177		4,939		5,507	
Facilities Based	922		1,069		3,183		2,374	
<b>TOTAL EXPENSES</b>	<b>\$455</b>		<b>\$32,937</b>		<b>\$45,852</b>		<b>\$53,207</b>	<b>\$4,564</b>

  

	KUSC		Student Health and Counseling Services		Transportation Services		University Bookstores	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$5,459	\$630	\$34,791		\$18,341		\$48,866	
Center	5,459	630	34,791		18,341		48,866	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>TOTAL REVENUES</b>	<b>\$5,459</b>	<b>\$630</b>	<b>\$34,791</b>		<b>\$18,341</b>		<b>\$48,866</b>	
<b>Expenses</b>								
Direct	\$4,851	\$630	\$32,629		\$13,437		\$45,378	
Indirect	608		2,162		4,904		3,488	
Allocated Central Costs	608		1,776		3,741		2,834	
Facilities Based			386		1,163		654	
<b>TOTAL EXPENSES</b>	<b>\$5,459</b>	<b>\$630</b>	<b>\$34,791</b>		<b>\$18,341</b>		<b>\$48,866</b>	

  

	University Club		University Radisson Hotel		University Village		Total Auxiliaries and Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$356		\$4,888		\$3,367		\$248,519	\$5,194
Center	356		4,888		3,367		248,519	5,194
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation	100						100	
Academic Initiatives	100						100	
Provost's Initiatives								
Graduate Programs								
<b>TOTAL REVENUES</b>	<b>\$456</b>		<b>\$4,888</b>		<b>\$3,367</b>		<b>\$248,619</b>	<b>\$5,194</b>
<b>Expenses</b>								
Direct	\$138		\$4,888		\$2,897		\$215,873	\$5,194
Indirect	318				470		32,746	
Allocated Central Costs	233				470		22,910	
Facilities Based	85						9,836	
<b>TOTAL EXPENSES</b>	<b>\$456</b>		<b>\$4,888</b>		<b>\$3,367</b>		<b>\$248,619</b>	<b>\$5,194</b>

## 2008 Classification by Center

2007-08 Budget | in thousands

	<i>Colleges, Schools, Centers and Institutes</i>		<i>Health Sciences Schools</i>		<i>Health Care Services</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$707,609	\$263,674	\$252,956	\$184,109	\$137,380	
Center	880,587	263,674	260,514	184,109	137,380	
UG Student Aid Fund	(150,221)		(3,045)			
Facilities Improvement Fund	(22,757)		(4,513)			
Indirect	(18,189)		10,189			
Participation	(54,557)		(13,870)			
Academic Initiatives	41,385		15,400			
Provost's Initiatives	3,573		69			
Graduate Programs	(8,590)		8,590			
<b>TOTAL REVENUES</b>	<b>\$689,420</b>	<b>\$263,674</b>	<b>\$263,145</b>	<b>\$184,109</b>	<b>\$137,380</b>	

<b>Expenses</b>						
Direct	\$472,903	\$263,674	\$189,152	\$184,109	\$133,492	
Indirect	216,517		73,993		3,888	
Allocated Central Costs	187,467		58,228		3,888	
Facilities Based	29,050		15,765			
<b>TOTAL EXPENSES</b>	<b>\$689,420</b>	<b>\$263,674</b>	<b>\$263,145</b>	<b>\$184,109</b>	<b>\$137,380</b>	

	<i>Auxiliaries and Athletics</i>		<i>Total Revenue Centers</i>		<i>Administrative Centers</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$248,519	\$5,194	\$1,346,464	\$452,977	\$69,855	\$24,888
Center	248,519	5,194	1,527,000	452,977	(110,681)	24,888
UG Student Aid Fund			(153,266)		153,266	
Facilities Improvement Fund			(27,270)		27,270	
Indirect	100		(7,900)		360	
Participation			(68,427)			
Academic Initiatives	100		56,885			
Provost's Initiatives			3,642		360	
Graduate Programs						
<b>TOTAL REVENUES</b>	<b>\$248,619</b>	<b>\$5,194</b>	<b>\$1,338,564</b>	<b>\$452,977</b>	<b>\$70,215</b>	<b>\$24,888</b>

<b>Expenses</b>						
Direct	\$215,873	\$5,194	\$1,011,420	\$452,977	\$397,359	\$24,888
Indirect	32,746		327,144		(327,144)	
Allocated Central Costs	22,910		272,493		(272,493)	
Facilities Based	9,836		54,651		(54,651)	
<b>TOTAL EXPENSES</b>	<b>\$248,619</b>	<b>\$5,194</b>	<b>\$1,338,564</b>	<b>\$452,977</b>	<b>\$70,215</b>	<b>\$24,888</b>

	<i>Provost Funding</i>		<i>Total University</i>	
	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>				
Direct	\$29,262		\$1,445,581	\$477,865
Center	29,262		1,445,581	477,865
UG Student Aid Fund				
Facilities Improvement Fund				
Indirect	7,540			
Participation	68,427			
Academic Initiatives	(56,885)			
Provost's Initiatives	(4,002)			
Graduate Programs				
<b>TOTAL REVENUES</b>	<b>\$36,802</b>		<b>\$1,445,581</b>	<b>\$477,865</b>

<b>Expenses</b>				
Direct	\$36,802		\$1,445,581	\$477,865
Indirect				
Allocated Central Costs				
Facilities Based				
<b>TOTAL EXPENSES</b>	<b>\$36,802</b>		<b>\$1,445,581</b>	<b>\$477,865</b>

## 2008 Individual Administrative Centers by Presidential and Senior Vice Presidential Responsibility Area

2007-08 Budget | in thousands

	Net Operating Budget	Employee Benefits Budget
<b>President:</b>		
President's Office	\$3,479	—
<b>Provost and Senior Vice President for Academic Affairs:</b>		
Academic Senate	\$185	
Academic Services	1,675	
Enrollment Services	16,798	
Emeriti Center	368	
Evaluation Services	103	
Faculty Sabbaticals		\$11,555
Graduate School/Programs	2,591	
Information Technology Services	30,007	
Provost's Office	15,315	
Student Affairs	10,350	358
University Art Galleries	476	
University Libraries	33,234	
USC Stevens Institute	3,391	
<b>TOTAL</b>	<b>\$114,493</b>	<b>\$11,913</b>
<b>Senior Vice President, Administration:</b>		
Administrative Operations	\$2,310	\$3,798
Audit Services	1,535	
Career and Protective Services	28,556	11,534
Center for Work and Family Life		722
Compliance	2,022	
Contracts and Grants	3,461	
General Counsel	8,267	
Senior Vice President's Office	1,907	
Tram, Escort Services and Rideshare	2,724	942
University Real Estate	3,503	
<b>TOTAL</b>	<b>\$54,285</b>	<b>\$16,996</b>

	Net Operating Budget	Employee Benefits Budget
<b>Senior Vice President, Finance &amp; CFO:</b>		
Administrative Information Systems	\$12,146	
Budget and Planning	1,813	\$649
Campus Development	1,413	
Comptroller	6,955	244,192
Corporate Expense	24,862	
Facilities Management Services	68,531	
Financial and Business Services	13,014	
Major Maintenance and Renovation	2,057	
Off Campus Facilities	472	
Senior Vice President's Office	2,794	
Treasurer	1,333	
<b>TOTAL</b>	<b>\$135,390</b>	<b>\$244,841</b>
<b>Senior Vice President, University Advancement:</b>		
Senior Vice President's Office	\$7,919	—
<b>Senior Vice President, University Relations:</b>		
University Relations	\$10,373	
USC Alumni Association	1,205	
<b>TOTAL</b>	<b>\$11,578</b>	<b>—</b>
Employee Benefit Recoveries		(\$273,750)
<b>TOTAL ADMINISTRATIVE CENTERS</b>	<b>\$327,144</b>	<b>—</b>
Undergraduate Student Aid Fund	\$153,266	
Facilities Improvement Fund	27,270	
<b>GRAND TOTAL</b>	<b>\$507,680</b>	<b>—</b>

## Board of Trustees, Life Trustees, Trustee Emeritus and Honorary Trustees

### Board of Trustees

Wallis Annenberg  
 Gale K. Bensussen  
 Charles F. Bolden, Jr.  
 Joseph M. Boskovich  
 Gregory P. Brakovich  
 Alexander L. Cappello  
 Rick J. Caruso  
 Alan I. Casden  
 Ronnie C. Chan  
 Yang Ho Cho  
 Frank H. Cruz  
 David H. Dornsife  
 Michele Dedeaux Engemann  
 Daniel J. Epstein  
 Stanley P. Gold, *Chairman*  
 Patrick C. Haden  
 Ming Hsieh  
 B. Wayne Hughes, Sr.  
 Ray R. Irani  
 Suzanne Nora Johnson  
 Bruce E. Karatz  
 Lydia H. Kennard  
 John F. King  
 John Kusmiersky  
 Daniel D. Lane  
 David L. Lee  
 Mónica C. Lozano  
 Kathleen L. McCarthy  
 John Mork  
 Jerry W. Neely  
 Harlyne Norris  
 Joan A. Payden  
 Jane Hoffman Popovich  
 Blake Quinn  
 Bruce M. Ramer  
 Lorna Y. Reed  
 Linda Johnson Rice  
 Edward P. Roski, Jr.  
 Barbara J. Rossier  
 Steven B. Sample, *President*  
 William J. Schoen  
 Kevin W. Sharer  
 William E. B. Siart  
 Robert H. Smith  
 Jeffrey H. Smulyan  
 Glenn A. Sonnenberg

Steven Spielberg  
 Mark A. Stevens  
 Ronald D. Sugar  
 Ratan N. Tata  
 Ronald N. Tutor  
 Andrew J. Viterbi  
 Willis B. Wood, Jr.

### Life Trustees

George N. Boone  
 Malcolm R. Currie  
 Montgomery R. Fisher  
 Gavin S. Herbert  
 William M. Keck II  
 Herbert G. Klein  
 Kenneth Leventhal  
 William Lyon  
 Alfred E. Mann  
 Gordon S. Marshall  
 Toshiaki Ogasawara  
 J. Douglas Pardee  
 Frank Price  
 Allen E. Puckett  
 Virginia M. Ramo  
 Carl E. Reichardt  
 Forrest N. Shumway  
 Richard J. Stegemeier  
 David S. Tappan, Jr.  
 Peter V. Ueberroth  
 Raymond A. Watt  
 Gin D. Wong

### Trustee Emeritus

John R. Hubbard

### Honorary Trustees

Louis J. Galen  
 Merwyn C. Gill  
 Katherine B. Loker  
 Flora Laney Thornton  
 Carmen H. Warschaw

## Officers, Administrative Executives and Academic Deans

### Officers and Executives

Steven B. Sample  
*President*

C. L. Max Nikias  
*Provost and Senior Vice President,  
Academic Affairs*

Todd R. Dickey  
*Senior Vice President, Administration  
General Counsel*

Dennis F. Dougherty  
*Senior Vice President, Finance  
Chief Financial Officer*

Martha Harris  
*Senior Vice President, University Relations*

Alan Kreditor  
*Senior Vice President, University Advancement*

Erik D. Brink  
*University Comptroller*

Elizabeth Garrett  
*Vice President, Academic Planning and Budget*

Michael L. Jackson  
*Vice President, Student Affairs*

Carol Mauch Amir  
*Secretary of the University*

Ilee Rhimes  
*Chief Information Officer*

Carolyn Webb de Macias  
*Vice President, External Relations*

Ruth Wernig  
*Treasurer*

Curtis D. Williams  
*Vice President, Campus Development  
and Facilities Management*

### Academic Deans

Geoffrey Cowan  
*Annenberg School for Communication*

Robert A. Cutietta  
*Thornton School of Music*

Elizabeth M. Daley  
*Cinematic Arts*

Gerald C. Davison  
*Davis School of Gerontology*

James G. Ellis  
*Marshall School of Business*

Marilyn L. Flynn  
*Social Work*

Karen Symms Gallagher  
*Rossier School of Education*

Howard A. Gillman  
*College of Letters, Arts and Sciences*

Brian E. Henderson  
*Keck School of Medicine*

Jack H. Knott  
*Policy, Planning, and Development*

Qingyun Ma  
*Architecture*

Edward J. McCaffery  
*Gould School of Law*

Madeline Puzo  
*Theatre*

Harold C. Slavkin  
*Dentistry*

R. Pete Vanderveen  
*Pharmacy*

Ruth E. Weisberg  
*Roski School of Fine Arts*

Yannis Yortsos  
*Viterbi School of Engineering*

## Role and Mission of the University

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.

*Adopted by the USC Board of Trustees,  
February 3, 1993*

For information and additional  
copies of this report please contact:

University of Southern California  
University Park, UGB 205  
Los Angeles, CA 90089-8003  
<http://www.usc.edu/about/ataglance/>  
telephone: (213) 821-1900  
email: [fap@usc.edu](mailto:fap@usc.edu)

Produced by the Office of  
the University Comptroller and  
published by the Office of  
University Publications, Division  
of Student Affairs, 2007

University of Southern California  
University Park, UGB 205  
Los Angeles, CA 90089-8003

