

# 2010

A NEW DAY FOR USC



FINANCIAL REPORT



USC celebrates a new president and a long-awaited gathering place for students

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UNIVERSITY OF SOUTHERN CALIFORNIA



FINANCIAL REPORT

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# A New Day for USC

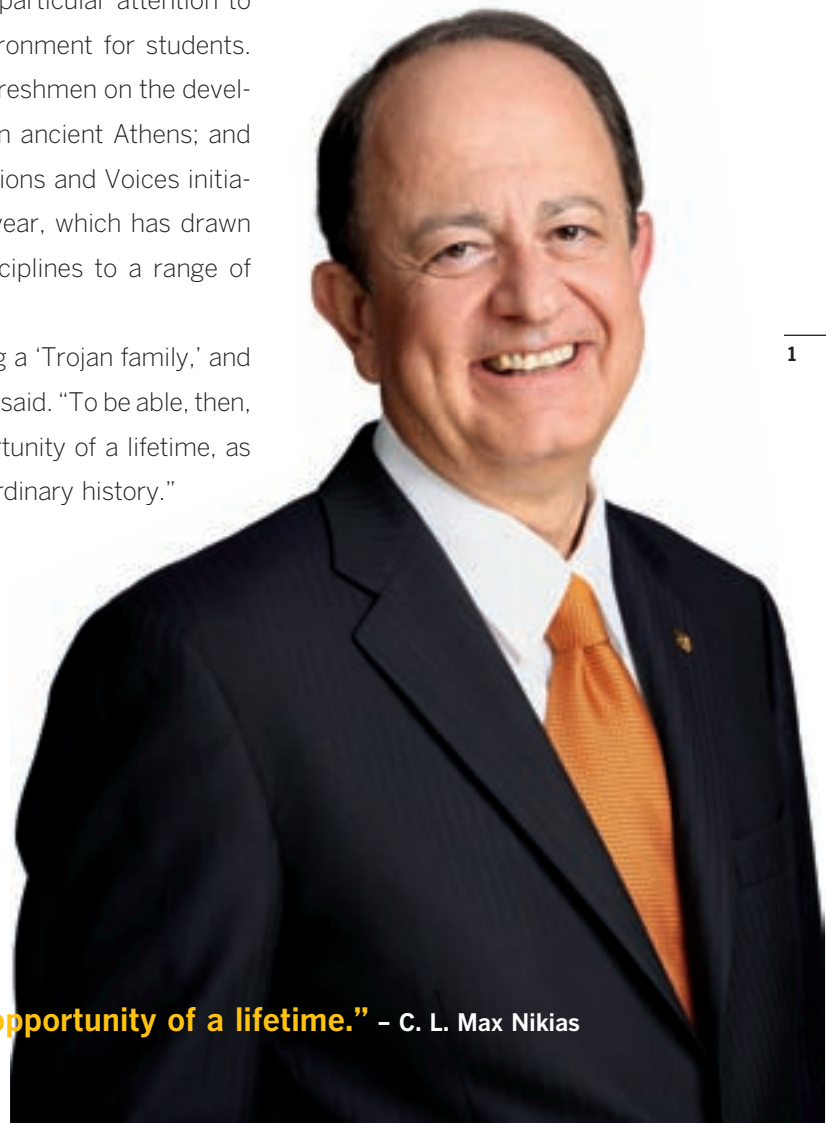


The summer of 2010 brought two historic changes to USC: the long-awaited opening of the Ronald Tutor Campus Center and the beginning of C. L. Max Nikias's tenure as the eleventh president of the university.

Nikias, who had been the university's chief academic officer since 2005, presided over the grand opening of the Tutor Campus Center as one of his first ceremonial duties as president. He invoked the words of Winston Churchill, who said "We shape our buildings, and afterward our buildings shape us," adding: "This building reflects our Trojan values. It gives voice to our greatest aspirations."

Throughout his career at USC, Nikias has paid particular attention to creating a dynamic, well-rounded intellectual environment for students. Each fall, he teaches a micro-seminar to incoming freshmen on the development of democracy and the dramatic arts within ancient Athens; and he drove the creation of USC's groundbreaking Visions and Voices initiative in the arts and humanities, now in its fourth year, which has drawn tens of thousands of undergraduates from all disciplines to a range of artistic and cultural programming.

"My wife, Niki, and I and our daughters love being a 'Trojan family,' and we love being a part of the greater Trojan Family," he said. "To be able, then, to lead the Trojan Family forward now is the opportunity of a lifetime, as we write together the next chapter in USC's extraordinary history."



**"To be able to lead the Trojan Family is the opportunity of a lifetime." – C. L. Max Nikias**



# Tutor

Campus Center



# A Great Place to Be

Long before the confetti-filled fanfare of the groundbreaking ceremony, the dream of a centralized meeting place was passed along from one student class to the next, growing bigger each year. This fall, thanks to the gifts of many generous donors, the 193,000-square-foot Ronald Tutor Campus Center opened its doors to welcome and serve all who enter.

The vision for the center was to be a welcoming location and a state-of-the-art complex and its success was demonstrated on the day the outdoor furniture was delivered to the International Plaza. “We could hardly even get it in place,” said Patrick Bailey, senior associate dean of students. “People immediately sat down in the chairs and pulled up to tables. The following weekend the plaza was packed. It is a great place to be.”

Student organization offices, student groups, the Admission Center, the Epstein Family Alumni Center and other alumni groups are housed within the center, along with multiple dining options, a convenience store, Traditions pub, Tommy’s Place performance venue and KXSC Radio, catering to students, alumni, faculty and staff. With its meeting rooms, lounges on every floor, benches and tables that line outdoor hallways, and multi-purpose event-style rooms – as well as the popular International Plaza – the Tutor Center provides myriad spots to hang out, meet or study.

“The Campus Center is more than just a building,” said Bailey. “We want everyone to feel welcome and at home here.”



**Alan Huynh**  
Class of 2010  
Public Policy,  
Management and  
Planning Major



### The Trojan Family Tapestry

A stunning tapestry by artist John Nava – best known for his collection of tapestries at the Cathedral of Our Lady of the Angels in downtown Los Angeles – was commissioned in 2008, with USC Fisher Museum of Art director Selma Holo heading a team that worked with Nava to help develop his vision for the project.

Hanging just inside Steven and Kathryn Sample Hall, the massive tapestry, which hangs 22 feet tall by 22 feet wide and was woven near Bruges, Belgium, is the signature commission of the center's Art & Trojan Traditions program and permanent art collection.

The figures in the tapestry depict USC students and staff members, chosen to represent the diverse USC community. USC President Emeritus Steven B. Sample and campus center naming donor Ronald Tutor '63 are shown walking together in the left panel of the tapestry. Rebecca Soni, a former USC swimmer and 2008 Olympic gold medalist, stands next to then-USC football player David Buehler. The background is a "field of knowledge" made up of historic documents held by USC Libraries, including a 13th-century Koran; the first illustrated English version of *Don Quixote*, from 1687; a painted chronicle from the Mixtec Highlands in Mexico, Codex Bodley; Gentaku Otsuki's *Kankai ibun*, a Japanese manuscript from 1807; a manuscript of *Jud Süß*, the first novel by Lion Feuchtwanger; and the *Nuremberg Chronicle* from 1493.

At the July 10 opening of the campus center, Nava asked Sample if he recognized himself in the tapestry. "I recognize the university," Sample replied.

### Going Green

If you look closely, you'll see a lot of green in the new Ronald Tutor Campus Center.

It's in the tri-colored red clay bricks. It's in the frosted white glass of Steven and Kathryn Sample Hall. Look up and you can even see green in the massive skylight of the Trojan Family Room.

The Tutor Center is the first USC building to earn a Leadership in Energy and Environmental Design (LEED) certification, which means it is healthier inside and out for the environment and for those who visit the structure – and it has reduced costs by 31 percent, compared to the standard baseline.

Examples include:

- Energy efficiency: LED lighting is used in most interior and exterior lamps. The skylight in the dome of the Trojan Family Room reduces the need for electric lights.
- Recycled content: The frosted glass in Steven and Kathryn Sample Hall is 100 percent recycled.
- Renewable material: Bamboo and plywood used in the Moreton Fig restaurant are renewable.
- Indoor pollution: Carpets do not contain formaldehyde. Before public use, buildings were vented 24 hours a day for a week to purge them of construction and chemical pollution.
- Building design: Outdoor walkways shade the building, requiring less air conditioning.
- Recycling: Trash compactors separate biodegradables.
- Water efficiency: Low-flow plumbing was installed.
- Sustainable site: An underground basin captures rainfall.



**Cortney Maslin**  
Class of 2010  
Master's Candidate  
in Gerontology



green  
smart healthy fun

## Putting USC on the Map



### USC Named "Safe Community"

USC is the first university in the world to obtain an International Safe Community designation from the World Health Organization Collaborating Centre on Community Safety Promotion, in recognition of the work the university has done in educating students, faculty and staff on what to do in a natural disaster, how to be safe in an urban environment, and how to stay healthy mentally and physically. "You have truly engaged the community," said Paul Kells of Safe Communities Canada, which led the certification process. "There is no power greater than community."

With the honor, USC joins a network of more than 200 communities around the world (only 11 in the United States) that have met the organization's standards to promote safety and health initiatives. Safe Communities designees must demonstrate leadership, partnership and collaborations with all community sectors as they establish long-term programs covering all ages and targeting high-risk groups.

The review team visited USC and reviewed the university's current safety efforts in student and residential life, fire safety and emergency planning, public safety, wellness programs, risk management, laboratory safety, patient care and research operations, and health and counseling services.

"A safe community brings all residents together," said Donna Stein-Harris, director of the National Safety Council's Safe Communities America. "This is the picture of a community in action."



### Another Bumper Crop of Freshmen

The 2010 entering undergraduate student body at USC is, once again, the most academically talented in the university's 130-year history. It is also among the most ethnically diverse ever enrolled at USC, with 22 percent underrepresented minority students, including 7 percent African-American, 13 percent Hispanic, 2 percent Native American/Pacific Islander and 28 percent Asian students. In addition, 12 percent of matriculating students are the first in their families to attend college.

Average standardized test scores for the incoming class are in the 96th percentile. More than 85 percent of incoming freshmen were in the top 10 percent of their high school class and around 10 percent of them were valedictorians. The average GPA of the group was 3.7. With this year's applicant pool, USC's admission rate was 24 percent.

USC has the largest university-funded financial aid budget of any university in the country, providing more than \$180 million each year of university funds to undergraduates. This year the university raised its budget for financial aid for the second consecutive year in recognition of the effects on families of the global economic recession.

USC offers admission without regard to ability to pay, and the university meets 100 percent of the demonstrated need of on-time financial aid applicants. Almost 60 percent of USC's undergraduate students receive some form of university aid. This represents more than 9,000 students – more than the total undergraduate population of most highly selective private research universities.



**Arthur C. Bartner**  
Director, Spirit of Troy  
About his 40th anniversary on the job:  
"I'm married to this job. You can't separate the band from me, me from the band."



### Virtually Human

USC's Institute for Creative Technologies (ICT) was established in 1999 with a multi-year contract from the U.S. Army to explore a powerful question: What would happen if leading technologists in artificial intelligence, graphics and immersion joined forces with the creative talents of Hollywood and the game industry?

By 2010, the answer is clear: the creation of engaging, memorable and effective interactive media that are revolutionizing learning in the fields of training, education and beyond. In its new campus in Playa Vista, the institute continues its development of the latest immersive technologies, which have an impact on military training, mental health treatment and movie special effects – most notably, the design and engineering of a facial rendering system that won a scientific and engineering Academy Award for its use in the film *Avatar*.

The institute's technology prototypes can be found on close to 70 military installations and have benefited more than 50,000 troops. Advances in virtual human technologies have led to interactive characters that teach negotiation skills to soldiers, train clinicians in how to interview patients and answer students' questions about science and technology. The institute's staff includes faculty members from the USC Department of Computer Science and the USC School of Cinematic Arts, among others.

"In many ways, ICT represents USC at its very best," said President C. L. Max Nikias. "As a university, we truly shine in the area of applied research. We focus on solving societal problems. We concentrate on improving people's lives."



### New Center for Learning Support

A gift from USC parents Walter G. and Marcia B. Kortschak has led to the creation of the USC Kortschak Center for Learning and Creativity in Student Affairs, to provide a broad array of services to USC students with dyslexia, attention deficit hyperactivity disorder and other identified learning differences. The new center "is the realization of the Kortschak family and USC's shared commitment to ensuring that every creative mind has the opportunity to thrive and succeed, regardless of learning style," said President C. L. Max Nikias, adding that it "will position the university at the forefront of both support and research for students with learning differences."

The new center offers enhanced academic support services such as individual learning strategy sessions, tutoring in academic disciplines and state-of-the-art assistive technologies. Students at the center also will have access to outside professionals, including educational psychologists, occupational therapists, neuropsychologists within the university and other learning specialists. Because of the number of experts in fields related to learning differences at USC, the center will emphasize partnerships and collaboration with faculty and staff across the university. It will also become a field site for researchers and graduate students, attracting the most accomplished scholars in the nation.



### Focusing on Mental Health

What would you do with \$500,000 and no strings attached?

When USC Gould School of Law Professor and Associate Dean Elyn Saks became the first USC faculty member to receive a MacArthur Foundation "genius grant," the answer was simple. "I could go to the French Riviera, drink wine and eat wonderful cheese for a few years," she first thought. "But I wanted to do something useful." And so was born the Saks Institute for Mental Health Law, Policy, and Ethics, which will spotlight one important mental health issue per academic year.

Headquartered at the USC Gould School of Law, the Saks Institute is a collaborative effort that includes faculty members from seven USC departments: law, psychiatry, psychology, social work, gerontology, philosophy and engineering. Saks has assembled a who's who among mental health experts to serve on the institute's external board, including Oliver Sacks, Kitty Dukakis and Nobel laureate Eric Kandel.

Each year five or six USC Gould students, along with students from other participating disciplines at USC, will conduct the background research necessary to frame the study of that year's topic. This may include everything from reviewing literature and case-studying specific organizations to analyzing relevant laws and working on a comparative study of other countries. "I hope it will become the 'go-to' organization for certain mental health law and ethical issues for other people around the country," Saks said.

**USC biologist Katrina Edwards receives a \$25 million NSF grant**

## A Record of Accomplishment

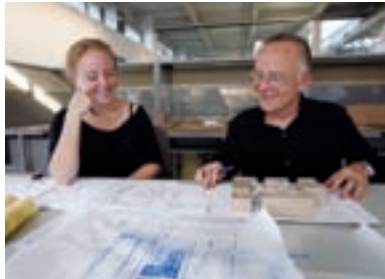


**Kenneth Turan**  
L.A. Times Film  
Critic and Lecturer,  
USC College

"I certainly don't  
teach for the money.  
I really find it very  
satisfying to  
help students."

### USC Leventhal School of Accounting

The library in the USC Leventhal School of Accounting is one of the most used libraries on campus, and the wear and tear on the facility had begun to show in the spring of 2010. With the generous support of the USC Marshall School and our alumni, the USC Leventhal School was able to renovate this important student workplace, where accounting students solve complex business problems, work in group settings, practice presentations and learn in a collaborative environment. Computers with large flat-screen monitors, wireless Internet connectivity and renovated group break-out rooms provide ample facilities for individual and collaborative work.



### USC School of Architecture

The School of Architecture's undergraduate program was ranked 8th in the nation by *DesignIntelligence* – the first time USC has broken into the top 10 in this definitive survey of architecture schools. The school also advanced its academic enrichment in digital technology through faculty and program endowments from USC alumni, including the George Isaacs Distinguished Visiting Fellowship in Digital Technology, the Ternstrom Endowment for Excellence and the Grant C. Kirkpatrick, AIA Endowment for the Advancement of Integrated Design. In addition, the school enhanced its global presence with new undergraduate programs in Barcelona and Asia.



### USC Marshall School of Business

In its 90th anniversary year, the USC Marshall School of Business has established curriculum enhancements at both the undergraduate and MBA levels, providing undergraduates the opportunity to take any minor at USC and improving MBA students' preparation for internship opportunities with an accelerated core curriculum and increased electives. The school's Thought Leadership Initiative continues to attract and retain top faculty scholars, while students continue to take advantage of an impressive range of global experiential opportunities and interaction with top business leaders. "As we look toward our centennial year, our outstanding students, faculty and staff will continue to set the pace in world-class business education," said Dean James G. Ellis.

### USC School of Cinematic Arts

The USC School of Cinematic Arts completed construction on its new 200,000-square-foot complex in June. "We couldn't be more thrilled to welcome this year's amazing freshman class to their new home," said Dean Elizabeth M. Daley. "With an 80 percent yield rate, we've attracted an extraordinary group of young people, and we're looking forward to seeing their accomplishments." Earlier in the year, the school's Interactive Media Division was ranked No. 1 on a list saluting the 50 best undergraduate institutions in the United States and Canada offering the study of game design, in a survey by the *Princeton Review*, one of America's most widely known education services and test preparation companies.

### USC College of Letters, Arts and Sciences

In 2009-10, USC College celebrated the election of faculty members Larry Swanson to the National Academy of Sciences, and Leo Brady and Scott Soames to the American Academy of Arts and Sciences, as well as a record \$75 million in annual extramural research awards. Undergraduate highlights included dramatic expansion in both the number of students engaging in independent research with faculty and the number participating in "Problems Without Passports" professor-student global problem-solving teams. A new partnership, the USC College of Letters, Arts and Sciences / *LA Times* Poll, produced six California statewide political surveys and has garnered significant media interest and student participation.



### USC Annenberg School for Communication & Journalism

The USC Annenberg School for Communication & Journalism further developed three areas of academic concentration to address the changing communication environment and global influences. The three are: economic literacy and entrepreneurship; China communications; and digital media and literacy. Accordingly, the school hired 11 outstanding faculty members with expertise in those areas. The school established a new iMac lab with technology tools designed for multiplatform storytelling, and expanded its efforts in digital news with external partnerships as well as investments in Neon Tommy, USC Annenberg's multimedia digital newsroom.



### Ostrow School of Dentistry of USC

The USC School of Dentistry was renamed the Herman Ostrow School of Dentistry of USC following a \$35 million gift from 1945 DDS alumnus Herman Ostrow. This historic naming endowment is the largest single gift from an individual to a dental school in U.S. history. In addition, 2010 was a remarkable year for research funding: the Center for Craniofacial Molecular Biology netted over \$8 million, with the highest American Recovery and Reinvestment Act proposal success rate of all USC research centers. The school also expanded its community health outreach efforts with new dental clinics in downtown Los Angeles, and continued its popular continuing education program for dentists in Japan.

### USC Rossier School of Education

The USC Rossier School of Education grew up in the 20th century, beginning in 1909 as a small department of pedagogy and growing over the past century into a vibrant, world-class graduate school with diverse and impactful programs that prepare not only school teachers but also the principals, superintendents, counselors, advisors and policy leaders who support them. The school is committed to urban education and focused on innovation and technology; its groundbreaking online teacher preparation program, the MAT@USC, has doubled the size of the school during the past year and is the fastest growing teacher preparation program at any not-for-profit college or university in the country.

### USC Viterbi School of Engineering

The USC Viterbi School's commitment to excellence in faculty hiring and mentoring was demonstrated in two recent lists of the prestigious MIT TR35, an annual list of the top 35 innovators around the world under the age of 35 in academia, corporations or research labs. The lists, published in MIT's *Technology Review* magazine, included USC Viterbi faculty members Ellis Meng, Andrea Armani and Michelle Povinelli, all three of whom are in their 30s. Armani and Povinelli were also awarded another prestigious honor, the Presidential Early Career Award for Scientists and Engineers from U.S. President Barack Obama this year.



### USC Roski School of Fine Arts

After an international search, the USC Roski School named noted curator and writer Rochelle Steiner as its new dean. An established leader in the field of contemporary art, Steiner previously served as director of the Public Art Fund in New York and chief curator at London's renowned Serpentine Gallery. As the school approaches its 125th anniversary, it is solidifying its position among the preeminent visual-arts programs in the country, with faculty and alumni making significant contributions in contemporary art. Two of the four artists included in this year's edition of the Museum of Modern Art's prestigious "New Photography" exhibition in New York are Roski grads – Amanda Ross-Ho MFA '06 and Elad Lassry MFA '07.

USC College faculty are awarded \$75 million in research funding in 2009-10



#### **USC Davis School of Gerontology**

The USC Davis School launched two degree programs, the Master of Aging Services Management and the Bachelor of Lifespan Health. Also, several members of the faculty were recognized with awards from national organizations. Valter Longo received the Shock Lecture Award from the National Institute on Aging. The American Psychological Association honored two faculty: Mara Mather was given its Distinguished Scientific Award for Early Career Contribution to Psychology, and Bob Knight received its Advancement of Psychology and Aging Award. The American Society on Aging honored Jon Pynoos with the ASA Award for leadership in the field of aging.

#### **USC Gould School of Law**

Elyn Saks, the Orrin B. Evans Professor of Law and author of the widely acclaimed book *The Center Cannot Hold: My Journey Through Madness*, was selected as a 2009 MacArthur Fellow. Professor Saks is the first member of the USC faculty to receive one of the fellowships, which are generally referred to as "Genius Grants." In selecting Professor Saks, the MacArthur Foundation cited her "major role in contemporary discussions of mental health law, patients' rights and multi-personality disorder." She has donated a portion of her award to the USC Gould School of Law to launch the Saks Institute for Mental Health Law, Policy, and Ethics.

#### **USC Libraries**

The USC Libraries in 2010 became the first North American member to join the Outstanding Academic Papers by Students (OAPS) program. Founded at the City University of Hong Kong, OAPS is a collaborative project among Asian and Pacific Rim academic libraries that encourages and recognizes excellent student research through publication and digital preservation. The USC Libraries invited the School of Social Work to participate in USC's inaugural OAPS publication, which includes 10 exemplary papers selected by social work faculty. The USC Libraries plan to expand OAPS to showcase a growing body of USC student scholarship on a global stage and underscore the libraries' role in the achievements of scholars-in-training.



#### **Keck School of Medicine of USC**

Research growth is on an accelerating trajectory, with a 25.4 percent increase in the past three years: 3 percent in FY08, 9 percent in FY09 and 12 percent in FY10. The total for FY10 was \$218.5 million. The percentage from federal sources increased significantly from 66 percent in FY09 to 71 percent in FY10. Awards to Keck School faculty members in the three affiliated specialty institutions are also on the rise. Including grants to these affiliates boosts the total to \$276.3 million. A significant achievement in FY10 was receiving a prestigious NIH Clinical and Translational Science Award of \$56.8 million over five years.



**Ashley Prosper**  
Class of 2011  
M.D. Candidate



**USC Thornton School of Music**

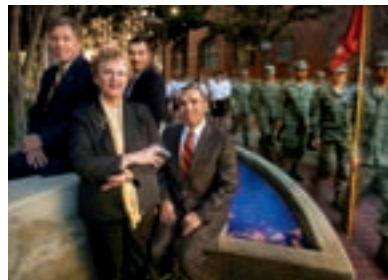
The USC Thornton School of Music celebrated its 125th anniversary with a 125-day program of concerts and special events, including performances with USC Thornton alumnus and National Medal of Arts winner Michael Tilson Thomas and rock icon Steve Miller. This celebration exemplified the school's place as one of the premier and also most forward-looking music schools in the country. "This is a momentous milestone for a storied institution," said Dean Robert Cutietta. "In celebrating USC Thornton's 125th anniversary, we reflected on our illustrious history and renewed our leadership position in preparing students for the opportunities and demands of the 21st century."

**USC School of Pharmacy**

Recognizing the extraordinary potential of collaboration, the School of Pharmacy joined the School of Policy, Planning, and Development in the creation of the Leonard D. Schaeffer Center for Health Policy and Economics. Widely recognized for its expertise in pharmacoconomics, outcomes assessment, and comparative effectiveness research and policy, the school has the largest pharmacoconomics alumni network nationwide. Pharmacy is also one of eight USC schools participating in a \$56.8 million NIH Clinical and Translational Science Award that promises to accelerate the bench-to-bedside process. These collaborative efforts, along with the school's prominence in clinical pharmacy services and research on drug design, delivery and development, have ranked USC as the top private pharmacy school in the nation.

**USC School of Policy, Planning, and Development**

At a time when health care tops our nation's domestic agenda, the School of Policy, Planning, and Development (SPPD), in partnership with the USC School of Pharmacy, established the Leonard D. Schaeffer Center for Health Policy and Economics. Accessing expertise across several USC schools, the Schaeffer Center secured \$25 million in new grants during its first year, provided input on health policy in Washington, had faculty inducted into the Institute of Medicine and awarded the Garfield Economic Impact Prize. It joins SPPD's 11 other research centers and institutes, each addressing the world's most critical issues, including sustainability, terrorism, collaborative governance, housing, economic development, nonprofits and philanthropy, and transportation and infrastructure challenges.



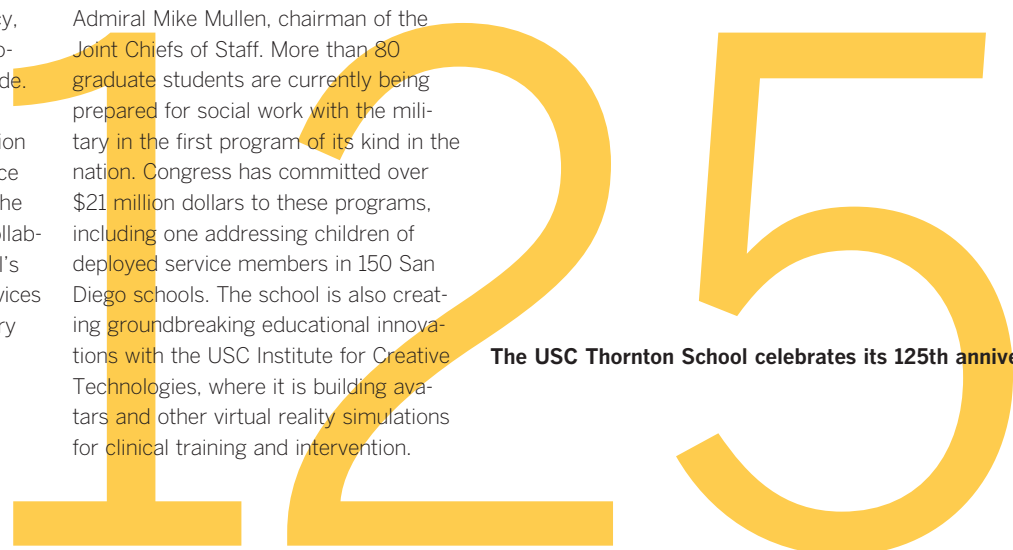
**USC School of Social Work**

The school's newly established research, training and teaching initiatives for veterans and their families have drawn national attention, including a visit from Admiral Mike Mullen, chairman of the Joint Chiefs of Staff. More than 80 graduate students are currently being prepared for social work with the military in the first program of its kind in the nation. Congress has committed over \$21 million dollars to these programs, including one addressing children of deployed service members in 150 San Diego schools. The school is also creating groundbreaking educational innovations with the USC Institute for Creative Technologies, where it is building avatars and other virtual reality simulations for clinical training and intervention.



**USC School of Theatre**

In association with Visions and Voices, the School of Theatre was pleased to organize three special events on campus during the fall of 2009, featuring international artists from as far away as Cypress and India, to meet, interact and work with our students. *Antigone: Law, Ethics and Morality* merged live and filmed performances with internationally acclaimed artists from the National Theatre of Cyprus; *Entertaining India: An Evening With Girish Karnad* offered a glimpse into the work of India's preeminent contemporary playwright; and legendary director/choreographer Twyla Tharp conducted a lecture based on her book *The Creative Habit: Learn It and Use It for Life*.



**The USC Thornton School celebrates its 125th anniversary**

## 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 appears on pages 14 through 31, present fairly, in all material respects, the consolidated financial position of the University of Southern California and its subsidiaries (the "university") at June 30, 2010, and the changes in their consolidated net assets and their 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 2009 financial statements, and in our report dated September 30, 2009, 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 30, 2010

## Highlights

	June 30 2010	June 30 2009
<b>Financial</b> (in thousands)		
Total revenues	\$3,129,148	\$1,321,283
Total cash gifts and equipment gifts	\$479,212	\$399,973
Capital expenditures	\$248,036	\$521,354
Total assets at year end	\$6,464,226	\$5,933,398
Total debt at year end	\$923,775	\$913,267
Increase (decrease) in net assets	\$430,875	(\$870,386)
Market value of endowment	\$2,947,978	\$2,671,426
Executed contracts, grants, subcontracts and cooperative agreements	\$985,029	\$718,975
Property, plant and equipment, net	\$2,049,198	\$1,935,231
<b>Net Asset Balances:</b>		
Unrestricted	\$2,288,314	\$2,016,713
Temporarily restricted	\$1,039,472	\$945,644
Permanently restricted	\$1,409,146	\$1,343,700
<b>Students</b>		
<b>Enrollment (head count, autumn):</b>		
Undergraduate students	16,751	16,608
Graduate and professional students	18,073	17,139
<b>Degrees conferred:</b>		
Bachelor degrees	4,259	4,295
Advanced	6,191	6,158
Certificates	279	240
Annual tuition rate	\$38,570	\$37,114
<b>Faculty and Staff</b>		
Faculty	4,462	4,292
Staff	10,659	8,531

## Consolidated Balance Sheet

in thousands | with summarized financial information as of June 30, 2009

	June 30 2010	June 30 2009
	A	B
<b>Assets</b>		
1 Cash and cash equivalents	\$742,409	\$682,399
2 Accounts receivable, [see Note 3]	229,614	151,157
3 Notes receivable, net of allowance for doubtful accounts, \$9,841 (2010), \$9,849 (2009)	84,433	86,589
4 Pledges receivable, [see Note 9]	177,095	193,813
5 Investments, [see Note 4]	3,070,397	2,776,476
6 Inventories, prepaid expenses and other assets	111,080	107,733
7 Property, plant and equipment, net, [see Note 5]	2,049,198	1,935,231
8 <b>Total Assets</b>	<b>\$6,464,226</b>	<b>\$5,933,398</b>
<b>Liabilities</b>		
9 Accounts payable	\$138,686	\$101,039
10 Accrued liabilities	187,797	157,478
11 Refundable advances	41,187	43,866
12 Current portion of long-term debt	3,885	3,690
13 Deposits and deferred revenue	121,663	111,869
14 Actuarial liability for annuities payable	137,195	132,330
15 Federal student loan funds	67,825	67,658
16 Asset retirement obligations	93,831	89,527
17 Long-term debt, [see Note 6]	919,890	909,577
18 Other liabilities	15,335	10,307
19 <b>Total Liabilities</b>	<b>1,727,294</b>	<b>1,627,341</b>
<b>Net Assets</b>		
20 Unrestricted	2,288,314	2,016,713
21 Temporarily restricted	1,039,472	945,644
22 Permanently restricted	1,409,146	1,343,700
23 <b>Total Net Assets</b>	<b>4,736,932</b>	<b>4,306,057</b>
24 <b>Total Liabilities and Net Assets</b>	<b>\$6,464,226</b>	<b>\$5,933,398</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, 2009

	Year Ended June 30, 2010				Year Ended June 30, 2009
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	Total Net Assets
	A	B	C	D	E
<b>Revenues</b>					
1 Student tuition and fees	\$1,152,480			\$1,152,480	\$1,065,342
2 Less financial aid	(325,467)			(325,467)	(320,161)
3 Net student tuition and fees	827,013			827,013	745,181
4 Endowment income	49,720		\$374	50,094	62,397
5 Investment and other income	10,654		231	10,885	7,714
6 Net appreciation (depreciation) in fair value of investments	99,810	\$183,448	13,198	296,456	(903,089)
7 Government contracts and grants	285,571			285,571	255,864
8 Recovery of indirect costs	118,896			118,896	111,588
9 Gifts and pledges	414,557	14,003	62,749	491,309	392,898
10 Sales and service	31,221			31,221	32,513
11 Auxiliary enterprises	225,363			225,363	226,972
12 Net patient service revenues	592,669			592,669	101,559
13 Professional services agreements	108,625			108,625	102,983
14 Clinical practices	11,997			11,997	80,427
15 Other	89,813			89,813	81,068
16 Present value adjustment to annuities payable		(4,600)	(6,164)	(10,764)	23,208
17 Net assets released from restrictions / redesignations	103,965	(99,023)	(4,942)		
18 <b>Total Revenues</b>	<b>2,969,874</b>	<b>93,828</b>	<b>65,446</b>	<b>3,129,148</b>	<b>1,321,283</b>
<b>Expenses</b>					
19 Educational and general activities	1,800,354			1,800,354	1,766,739
20 Health care services	714,606			714,606	273,526
21 Depreciation and amortization	142,471			142,471	120,044
22 Interest on indebtedness	40,842			40,842	31,360
23 <b>Total Expenses</b>	<b>2,698,273</b>			<b>2,698,273</b>	<b>2,191,669</b>
24 <b>Increase (Decrease) in Net Assets</b>	<b>271,601</b>	<b>93,828</b>	<b>65,446</b>	<b>430,875</b>	<b>(870,386)</b>
25 <b>Beginning Net Assets</b>	<b>2,016,713</b>	<b>945,644</b>	<b>1,343,700</b>	<b>4,306,057</b>	<b>5,176,443</b>
26 <b>Ending Net Assets</b>	<b>\$2,288,314</b>	<b>\$1,039,472</b>	<b>\$1,409,146</b>	<b>\$4,736,932</b>	<b>\$4,306,057</b>
<b>Nature of specific net assets:</b>					
27 Internally designated	\$52,049			\$52,049	\$4,883
28 Gift and departmental	444,993			444,993	366,138
29 Externally restricted		\$47,425	\$34,234	81,659	71,377
30 Pledges		117,212	59,883	177,095	193,813
31 USC/Norris Cancer Center Foundation					102
32 Unexpended endowment income	163,490			163,490	152,098
33 Annuity and living trusts		38,915	75,848	114,763	109,669
34 True endowment and net appreciation		835,920	1,239,181	2,075,101	1,914,485
35 Funds functioning as endowment	872,877			872,877	756,941
36 Debt service funds	70,887			70,887	69,886
37 Invested in plant	684,018			684,018	666,665
38	<b>\$2,288,314</b>	<b>\$1,039,472</b>	<b>\$1,409,146</b>	<b>\$4,736,932</b>	<b>\$4,306,057</b>

The accompanying notes are an integral part of this statement.

## Consolidated Statement of Expenses

in thousands | with summarized financial information for the year ended June 30, 2009

### Academic, Health Care and Student Services

	Instruction, Departmental Research and Activities	Sponsored Research	Libraries and Art Galleries	Health Care Services	Student Services
	A	B	C	D	E
1 Compensation	\$522,474	\$156,213	\$14,564	\$338,223	\$27,248
2 Fringe benefits	139,346	41,948	4,626	93,183	8,447
3 Materials and supplies	102,355	82,774	7,386	250,831	9,243
4 Cost of goods sold	9,361	17,736			52
5 Utilities				5,682	
6 Travel	24,230	7,242	133	87	1,675
7 Telephone					
8 Other	38,933	1		17,429	1,056
9	<b>836,699</b>	<b>305,914</b>	<b>26,709</b>	<b>705,435</b>	<b>47,721</b>
Allocations:					
10 Depreciation	43,014	22,565	7,855	24,711	5,483
11 Interest	10,912			500	5,198
12 Plant operations and maintenance	67,570	29,017	10,044		9,174
13 <b>Total Expenses</b>	<b>\$958,195</b>	<b>\$357,496</b>	<b>\$44,608</b>	<b>\$730,646</b>	<b>\$67,576</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, 2010	Year Ended June 30, 2009
F	G	H	I	J	K	L
\$39,207	\$63,382	\$43,623	\$15,771	\$63,238	\$1,283,943	\$1,053,501
12,946	20,800	14,832	5,227	19,376	360,731	326,893
68,588	55,939	6,337	7,092	57,680	648,225	455,167
476		3,559		47,113	78,297	72,888
29,040					34,722	29,349
54	1,316	301	573	5,001	40,612	38,873
6,542					6,542	7,756
		167	354	3,948	61,888	55,838
<b>156,853</b>	<b>141,437</b>	<b>68,819</b>	<b>29,017</b>	<b>196,356</b>	<b>2,514,960</b>	<b>2,040,265</b>
	3,932	4,617	248	30,046	142,471	120,044
91		23,936		205	40,842	31,360
(156,944)	2,687	7,364	342	30,746		
	<b>\$148,056</b>	<b>\$104,736</b>	<b>\$29,607</b>	<b>\$257,353</b>	<b>\$2,698,273</b>	<b>\$2,191,669</b>

## Consolidated Statement of Cash Flows

in thousands | with summarized financial information for the year ended June 30, 2009

	Year Ended June 30, 2010	Year Ended June 30, 2009
	A	B
<b>Cash Flows from Operating Activities</b>		
1 <b>Change in Net Assets</b>	<b>\$430,875</b>	<b>(\$870,386)</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation and amortization	142,471	120,044
3 Loss on the disposal/sale of plant assets	6,247	6,558
4 In-kind receipt of securities, property, plant and equipment	(30,097)	(15,766)
5 Present value adjustment to annuities payable	10,723	(22,839)
6 Increase in accounts receivable	(50,018)	(90,085)
7 (Increase) decrease in pledges receivable	(11,421)	2,235
8 (Increase) decrease in inventories, prepaid expenses and other assets	(17,277)	22,466
9 Increase in accounts payable	13,189	26,356
10 Increase in accrued liabilities	32,310	36,335
11 (Decrease) increase in refundable advances	(2,679)	391
12 Increase in deposits and deferred revenue	9,794	4,512
13 Increase (decrease) in other liabilities	315	(2)
14 Contributions restricted for permanent investment and property, plant and equipment	(119,366)	(95,321)
15 Net realized (gain) loss on sale of investments	(103,475)	321,963
16 Net unrealized (appreciation) depreciation in investments	(193,212)	581,126
17 Net cash provided by operating activities	<b>118,379</b>	<b>27,587</b>
<b>Cash Flows from Investing Activities</b>		
18 Proceeds from note collections	10,987	11,362
19 Notes issued	(8,831)	(12,935)
20 Proceeds from sale and maturity of investments	1,350,095	2,178,906
21 Purchase of investments	(1,314,906)	(1,935,246)
22 Purchase of property, plant and equipment, net	(248,036)	(233,554)
23 Acquisition of hospitals		(287,800)
24 Net cash used in investing activities	<b>(210,691)</b>	<b>(279,267)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for permanent investment:		
25 Endowment	63,104	28,988
26 Plant	79,633	70,802
27 Trusts and other	4,768	973
28 Repayment of long-term debt	(94,050)	(4,466)
29 Proceeds from issuance of long-term debt	104,558	415,505
30 Increase in federal student loan funds	167	804
31 Investment losses on annuities payable	(2,106)	(11,022)
32 Payments on annuities payable	(12,659)	(13,445)
33 Increase to annuities payable resulting from new gifts	8,907	3,133
34 Net cash provided by financing activities	<b>152,322</b>	<b>491,272</b>
35 <b>Net increase in cash and cash equivalents</b>	<b>60,010</b>	<b>239,592</b>
36 <b>Cash and cash equivalents at beginning of year</b>	<b>682,399</b>	<b>442,807</b>
37 <b>Cash and cash equivalents at end of year</b>	<b>\$742,409</b>	<b>\$682,399</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 American Institute of Certified Public Accountants' Audit and Accounting Guide, "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 USC University Hospital, USC Norris Cancer Hospital, the Health Care Consultation Center, 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 gifts to the university and its various schools and departments. The university has determined that any donor-imposed restrictions of gifts 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 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 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 include 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, net appreciation on true endowment 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:

Gifts, 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 gifts which have been donor stipulated to provide loans to students are included in permanently restricted net assets.

## Notes to Consolidated Financial Statements

### Note 1 (continued)

#### 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.

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.

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 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 3.3% 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 Retired Pensioners 2000 Mortality Table was used for annuities issued on or before December 31, 2004 and the Annuity 2000 Mortality Table was used for annuities issued on or after January 1, 2005.

The university has recorded conditional asset retirement obligations 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 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 year ended June 30, 2010, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$4,666,000. For the year ended June 30, 2010, the university settled asset retirement obligations of approximately \$362,000. As of June 30, 2010, included in the Consolidated Balance Sheet is an asset retirement obligation of \$93,831,000.

## Notes to Consolidated Financial Statements

### Note 1 (continued)

Gifts from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Gifts 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 gifts, which are received and either spent, or deemed spent, within the same year, are reported as unrestricted revenue. Gifts of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Gifts 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 gifts are released to unrestricted net assets when the donor-imposed restrictions are fulfilled or the assets are placed in service. Gifts received for endowment investment are held in perpetuity and recorded as permanently restricted revenue.

Net patient service revenue is reported as estimated net realizable amounts from patients, third party payors, government programs and other in the period in which services are provided. The majority of the healthcare 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.

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.

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, 2009 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.

During the year ended June 30, 2010, the university adopted the Codification of United States Generally Accepted Accounting Principles (U.S. GAAP), promulgated by the Financial Accounting Standards Board (FASB). The Codification is now the sole source of authoritative non-governmental U.S. GAAP. The codification does not change U.S. GAAP, but affects the way organizations reference U.S. GAAP. Adoption of the Codification had no material impact on the university's consolidated financial statements.

The university applies the provision of 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.

## Notes to Consolidated Financial Statements

### Note 1 (continued)

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. (See Note 4)

The university has adopted 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, which was formerly referred to as FSP FAS 157-g or ASU 2009-12, 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, 2010, the fair value of all investments in investment funds has been determined by using NAV as a practical expedient.

Additionally, in accordance with ASU 2009-12, the university considers several additional factors in appropriately classifying the investment funds in the fair value hierarchy. An investment is generally classified as Level II if the university has the ability to withdraw its investment with the investment fund at NAV at the measurement date. An investment is generally classified as Level III if the university does not have the ability to withdraw its investment with the investment fund at NAV, such as investments in closed-end funds, "side pockets", or funds with suspended withdrawals imposed. If the university cannot withdraw its investment with the investment funds at NAV when such investment is subject to "lock-up" or gate, or its withdrawal period does not coincide with the university's measurement date, the university considers the length of time until the investment will become redeemable in determining whether the fair value measurement of the investment should be classified as a Level II or Level III fair value measurement.

### Note 2

Effective March 31, 2009, the university acquired USC University Hospital and USC Norris Cancer Hospital (the hospitals) under the terms of an asset purchase agreement for approximately \$287,800,000. The university accounted for the acquisition as a purchase and allocated the purchase price to the inventory, buildings and equipment of the hospitals. All non-assumed liabilities existing as of March 31, 2009, including medical malpractice liabilities, were retained by the seller. The university's consolidated financial statements include the activity of the hospitals for the year ended June 30, 2010 and for the three month period ended June 30, 2009.

Effective July 1, 2009, in connection with certain asset transfer agreements, seventeen separate 501(c)(3) Medical Faculty Practice Plans contributed their net assets to USC Care Medical Group, Inc. The fair value of the contribution, which is included in Gifts and Pledges on the consolidated statement of activities for the year ended June 30, 2010, is approximately \$30,500,000, of which the net non-cash impact was approximately \$15,600,000.

### Note 3

#### Accounts receivable (in thousands):

U.S. Government	\$25,742
Student and other, net of allowance for doubtful accounts of \$7,480	64,414
Patient care and practice plans, net of allowance for doubtful accounts of \$15,821	139,458
	<u>\$229,614</u>

## Notes to Consolidated Financial Statements

### Note 4

#### Investments (in thousands):

	Cost	Fair Value
Equities	\$1,116,971	\$1,034,804
Fixed income securities	516,516	508,330
Alternative investments:		
Hedge funds	381,322	461,056
Private capital	928,490	806,034
Real estate and other	227,701	143,295
Assets held by other trustees	113,397	116,878
<b>Total</b>	<b>\$3,284,397</b>	<b>\$3,070,397</b>

The following table summarizes the financial instruments carried at fair value as of June 30, 2010, by the ASC 820 valuation hierarchy defined above (in thousands):

	Level I	Level II	Level III	Total
Investments:				
Equities	\$688,554	\$304,683	\$41,567	\$1,034,804
Fixed income securities	186,959	320,763	608	508,330
Hedge funds			461,056	461,056
Private capital			806,034	806,034
Real estate and other			143,295	143,295
Assets held by other trustees		94,337	22,541	116,878
<b>Total investments</b>	<b>\$875,513</b>	<b>\$719,783</b>	<b>\$1,475,101</b>	<b>\$3,070,397</b>

The university has classified all cash and cash equivalents as Level I financial instruments.

The following table summarizes the university's Level III reconciliation of investments for the year ended June 30, 2010 (in thousands):

Balance at July 1, 2009	\$1,252,162
Net realized gains	62,284
Net unrealized gains	63,851
Transfers out	(37,205)
Net purchases, sales and settlements	134,009
<b>Balance at June 30, 2010</b>	<b>\$1,475,101</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 in other investment companies (in partnership format) by major category (in thousands):

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
<b>Assets Held By Other Funds</b>	Miscellaneous investments held outside USC where USC has no authority over the fund	\$44,902	Not Applicable	Not Applicable	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.
<b>Distressed Obligation Partnerships</b>	US and Non-US Distressed Debt Securities	\$101,585	\$23,847	Approximately 6 Years	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.
<b>Equity Funds</b>	US and Non-US Equity Securities	\$293,167	None	Open Ended	Minimum Monthly	None	None
<b>Fixed Income Funds</b>	US and Non-US Fixed Income Securities	\$4,393	None	Open Ended	Minimum Monthly	None	None
<b>Hedge Funds</b>	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$461,056	None	85% of NAV has an open ended life, 13% of NAV will be liquidated on 12/31/10, and 2% of NAV will be liquidated on an undetermined basis.	Ranges between quarterly redemption with 60 days notice, annual redemption with 60 days notice, and bi-annual redemption with 45 days notice.	42% of NAV is not locked-up, 34% of NAV is locked-up for 6 months, and 24% of NAV is locked-up for greater than 6 months.	None
<b>Natural Resources Partnerships</b>	US and Non-US Investments in Upstream, Midstream, and Downstream Natural Resources Investment	\$249,610	\$182,888	Approximately 8 Years	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.
<b>Other Funds</b>	US and Non-US Investments in Securities Other than Equity and Fixed Income	\$178	None	Open Ended	Monthly	None	None
<b>Private Capital Partnerships</b>	US and Non-US Private Equity and Venture Capital Investments	\$454,839	\$397,601	Approximately 6 Years	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.
<b>Private Real Estate Partnerships</b>	US and Non-US Real Estate	\$106,515	\$111,691	Approximately 6 Years	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.	Redemptions are not permitted during the life of the fund.
<b>Total</b>		<b>\$1,716,245</b>	<b>\$716,027</b>				

## Notes to Consolidated Financial Statements

### Note 5

#### Property, plant and equipment (in thousands):

Land and improvements	\$121,325
Building and improvements	2,377,732
Equipment	487,132
Library books and collections	227,694
Construction-in-progress	168,836
	<b>3,382,719</b>
Less: Accumulated depreciation	1,333,521
	<b><u>\$2,049,198</u></b>

### Note 6

#### Bonds and note payable (in thousands):

	Interest %	Maturity	
<i>California Educational Facilities Authority (CEFA) Revenue Bonds and Notes:</i>			
Series 2003A	4.75	2024	\$50,000
Premium			1,111
Series 2003B	5.00	2011-2016	6,690
Premium			531
Series 2005	4.00-5.00	2012-2029	66,545
Premium			2,405
Series 2007A	4.00-4.75	2011-2038	261,895
Premium			2,378
Series 2009A	5.00-5.25	2039-2040	217,605
Discount			(932)
Series 2009B	5.00-5.25	2039-2040	197,900
Premium			3,239
Series 2009C	5.25	2025	82,305
Premium			8,542
<i>University of Southern California Bonds</i>			
Series 1998	5.87-6.26	2014-2019	8,585
Discount			(24)
Note Payable	5.00	2014	15,000
			923,775
Less current portion of long-term debt			3,885
			<b><u>\$919,890</u></b>

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2011 \$3,885,000; 2012 \$4,140,000; 2013 \$4,330,000; 2014 \$23,535,000; 2015 \$4,760,000.

Interest payments for fiscal year 2010 were \$43,969,000.

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

On July 9, 2009, the university issued \$82,305,000 of CEFA Series 2009C bonds. The proceeds of this bond issue were

used to retire the CEFA Series 1998A bonds and the CEFA Series 1999 bonds during the year ended June 30, 2010.

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. The line of credit, which matures on June 30, 2013, accrues interest based on LIBOR and contains a fee on the unused portion of the line of credit. During the year ended June 30, 2010, the university did not draw down on the line of credit. The line of credit contains certain restrictive covenants required in the agreement.

## 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, 2010 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$182,712	\$87,334	\$270,046
Endowed scholarships	18,999	9,081	28,080
External financial aid	18,499	8,842	27,341
	<b>\$220,210</b>	<b>\$105,257</b>	<b>\$325,467</b>

### 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 and realized gains 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	\$2,011,454	\$793,289	\$8,267	\$2,813,010
Non-pooled	63,647	71,321		134,968
	<b>\$2,075,101</b>	<b>\$864,610</b>	<b>\$8,267</b>	<b>\$2,947,978</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. The pool is comprised of cash and cash equivalents (7.46%), equities (28.92%), fixed income securities (17.1%), alternative investments (42.9%) and real estate and other investments (3.62%). 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, 2010 was \$482.61.

The Board of Trustees has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift 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 gifts donated to the permanent endowment, (b) the original value of subsequent gifts 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.

## Notes to Consolidated Financial Statements

### Note 8 (continued)

Endowment net asset composition by type of fund as of June 30, 2010 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$835,920	\$1,239,181	\$2,075,101
Board-designated endowment funds	\$872,877			872,877
	<b>\$872,877</b>	<b>\$835,920</b>	<b>\$1,239,181</b>	<b>\$2,947,978</b>

Changes in endowment net assets for the year ended June 30, 2010 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2009	\$756,941	\$728,474	\$1,186,011	\$2,671,426
Investment return:				
Investment income	49,720		374	50,094
Net appreciation	110,364	175,182		285,546
<b>Total investment return</b>	<b>160,084</b>	<b>175,182</b>	<b>374</b>	<b>335,640</b>
Gifts and transfers	36,343		52,796	89,139
Appropriation of endowment assets for expenditure	(80,491)	(67,736)		(148,227)
<b>Endowment net assets at June 30, 2010</b>	<b>\$872,877</b>	<b>\$835,920</b>	<b>\$1,239,181</b>	<b>\$2,947,978</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:

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

Restricted for scholarship support	\$302,855
Restricted for faculty support	332,409
Restricted for program support	603,917
Total endowment assets classified as permanently restricted net assets	<b>\$1,239,181</b>

#### Temporarily restricted net assets:

The portion of permanent endowment funds subject to a time restriction under UPMIFA (in thousands):

Restricted for scholarship support	\$230,527
Restricted for faculty support	301,896
Restricted for program support	303,497
Total endowment assets classified as temporarily restricted net assets	<b>\$835,920</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 gift 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 \$50,404,000 as of June 30, 2010. 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 in order to maximize the current and long term investments of the endowment pool. 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 2010 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 \$146,711,000. Investment income amounting to \$8.35 per time-weighted unit was earned, totaling \$48,205,000, and \$98,506,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2010 represent 5.2% of the market value of the endowment pool at June 30, 2010.

### 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 using rates ranging from 4% to 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	\$33,565
Between one year and five years	166,024
More than five years	19,517
Less: discount of \$31,458 and allowance of \$10,553	(42,011)
	<u>\$177,095</u>

Pledges receivable at June 30, 2010 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$49,928
Endowment for scholarship	10,979
Building construction	28,871
Departmental programs and activities	87,317
	<u>\$177,095</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, 2010 are summarized as follows (in thousands):

Current sponsored awards	\$470,177
Executed grants and contracts for future periods	514,852
	<u>\$985,029</u>

### Note 11

At June 30, 2010, the university had remaining commitments of approximately \$716,000,000 with alternative investment managers and/or limited partnerships.

Contractual commitments for educational plant amounted to approximately \$37,929,000 at June 30, 2010. 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, 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.

## Notes to Consolidated Financial Statements

### Note 12

Retirement benefits for 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. 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 \$94,711,000 during the year ended June 30, 2010.

Retirement benefits for hospital union employees are provided by a defined contribution plan through Fidelity Investments. 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 the participants' contributions up to 3% 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 participants who were both employed on the last day of the calendar year and worked 1,500 hours in that calendar year. The university contribution is subject to a five year vesting schedule although previously credited years from before the acquisition have been carried over. Benefits commence at age 59 1/2, 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 \$1,898,000 during the year ended June 30, 2010.

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, 2010 (in thousands):

#### Obligations and Plan Assets

##### Change in Projected Benefit Obligation

Benefit obligation at end of prior year	\$142,592
Service cost	322
Interest cost	9,801
Amendments	(1,970)
Actuarial loss	22,194
Benefits paid	(5,224)
Benefit obligation at end of year	<u>\$167,715</u>

##### Change in Plan Assets

Fair value of plan assets at end of prior year	\$128,921
Actual return on plan assets	14,538
Benefits paid	(5,224)
Fair value of plan assets at end of year	<u>\$138,235</u>

##### Reconciliation of Funded Status

Accumulated benefit obligation at end of year	\$167,715
Projected benefit obligation at end of year	(\$167,715)
Fair value of plan assets at end of year	138,235
Funded status	<u>(\$29,480)</u>

##### Components of Net Periodic Benefit Cost

Service cost	\$322
Interest cost	9,801
Expected return on plan assets	(10,661)
Amortization of net loss	3,143
Total benefit cost	<u>\$2,605</u>

The estimated net loss/(gain) and prior service cost for the USC Support Staff Retirement Plan that will be recognized as components of net periodic benefit cost over the next fiscal year are \$4,054,000 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. As a result, curtailment accounting was required during the year ended June 30, 2010.

The effect of the curtailment was determined based on a measurement date of December 31, 2009. The discount rate used for the determination was 6.25%.

As a result of the plan changes, the Projected Benefit Obligation of the plan was reduced by \$1,971,000, which was offset against the existing unrecognized net actuarial loss. The curtailment had no impact to the consolidated statement of activities.

## Notes to Consolidated Financial Statements

### Note 12 (continued)

The chart below details the curtailment accounting for the year ended June 30, 2010, measured at December 31, 2009 (in thousands):

	Before Curtailment	Effect of Curtailment	After Curtailment
Projected benefit obligation	(\$161,855)	\$1,970	(\$159,885)
Plan assets at fair value	143,226		143,226
Items not yet recognized as components of net periodic benefit cost:			
Unrecognized net actuarial loss/(gain)	56,939	(\$1,970)	54,969
Accumulated contributions in excess of net periodic benefit cost	<b>\$38,310</b>		<b>\$38,310</b>

No special accounting for settlements or termination benefits was required during the year ended June 30, 2010.

#### Assumptions

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

Discount rate	7.00%
Expected return on plan assets	8.00%
Rate of compensation increase	5.00%

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

Discount rate	6.00%
Rate of compensation increase	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 investment grade 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 50% equity securities and 50% 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. Securities and other assets for which representative market quotations are not readily available or are considered unreliable by the investment advisor are fair valued as determined in good faith under guidelines approved by Capital Guardian Trust Company. Various factors may be reviewed in order to make a good faith determination of a security's fair 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.

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	Total
Collective Trust Funds:				
Short-term investment fund		\$146		\$146
Equities		65,241		65,241
Fixed income securities		72,848		72,848
<b>Total</b>		<b>\$138,235</b>		<b>\$138,235</b>

## Notes to Consolidated Financial Statements

### Note 12 (continued)

#### Allocation of Assets

The year-end asset allocation, which approximates the weighted-average allocation for the Plan assets as of June 30, 2010 and in comparison to target percentages for each asset category, is as follows:

Asset Category	June 30, 2010	Target at June 30, 2010
Equity securities	47.2%	50.0%
Debt securities	52.8%	50.0%
<b>Total</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 pension plan was required during the year ended June 30, 2010. The university may make discretionary contributions to its pension plan during the next fiscal year. This will be reassessed during the year.

#### 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,	
2011	\$6,219
2012	\$6,736
2013	\$7,297
2014	\$7,929
2015	\$8,505
2016 - 2020	\$49,562

### Note 13

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 14

The estimated fair value of the university's bonds, notes and mortgages payable was \$944,513,000 at June 30, 2010. 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 15

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. As part of a competitive process the university entered into a contract for the construction of the university campus center with a company associated with a trustee. The value of the contract was approximately \$103,000,000.

### Note 16

The university has performed an evaluation of subsequent events through September 30, 2010, which is the date the financial statements were issued. Subsequent to year end the university participated in a transaction with a third party to issue \$36,975,000 in California Infrastructure and Economic Development Bank Revenue Bonds (bonds). The proceeds will be used to construct an administrative office building by the third party on land owned by the university. The third party will lease the administrative office building to the university. The bonds will be recorded as debt on the university's consolidated balance sheet.

## 2011 Summary of Budgeted Operating Revenues and Expenses

2010-11 Budget | in thousands

	Undesignated Budget			Health Care Services		
	2009-10 Budget	2010-11 Budget	Percent Change	2009-10 Budget	2010-11 Budget	Percent Change
<b>Revenues</b>						
Tuition and fees	\$1,105,996	\$1,239,593	12.08%			
Less student aid	(282,868)	(302,672)	7.00%			
Net tuition and fees	823,128	936,921	13.82%			
Endowment income	58,422	61,528	5.32%			
Investment income	640	340	(46.88%)			
Gifts	40,565	38,369	(5.41%)			
Contracts and grants – direct						
Recovery of indirect costs:						
Contracts and grants	107,599	122,370	13.73%			
Endowments/Gifts	11,787	13,779	16.90%			
Auxiliary enterprises	234,500	245,465	4.68%			
Sales and service and other sources	103,085	107,321	4.11%	\$767,167	\$814,463	6.17%
<b>Total Revenues</b>	<b>\$1,379,726</b>	<b>\$1,526,093</b>	<b>10.61%</b>	<b>\$767,167</b>	<b>\$814,463</b>	<b>6.17%</b>
<b>Expenses</b>						
Compensation:						
Faculty salaries	\$273,785	\$295,997	8.11%	\$134,412	\$144,347	7.39%
Other salaries and wages	424,141	448,027	5.63%	183,327	197,388	7.67%
Employee benefits	209,698	224,168	6.90%	86,955	105,260	21.05%
<b>Total Compensation</b>	<b>907,624</b>	<b>968,192</b>	<b>6.67%</b>	<b>404,694</b>	<b>446,995</b>	<b>10.45%</b>
Current expense	247,989	336,584	35.73%	250,252	265,004	5.89%
Capital financing	71,002	67,143	(5.44%)	35,527	25,782	(27.43%)
Professional services	41,691	36,305	(12.92%)	52,694	50,423	(4.31%)
Equipment/Library	20,353	19,139	(5.96%)	2,826	3,131	10.79%
Utilities/Telephone	40,037	43,960	9.80%	5,032	5,908	17.41%
Off-campus facilities	19,730	20,917	6.02%	1,641	3,109	89.46%
Travel	20,103	20,514	2.04%	1,323	1,468	10.96%
Rentals and leases	11,197	13,339	19.13%	13,178	12,643	(4.06%)
<b>Total Expenses</b>	<b>\$1,379,726</b>	<b>\$1,526,093</b>	<b>10.61%</b>	<b>\$767,167</b>	<b>\$814,463</b>	<b>6.17%</b>

**Designated Budget**

**Total Budget**

2009-10 Budget	2010-11 Budget	Percent Change	2009-10 Budget	2010-11 Budget	Percent Change
			\$1,105,996	\$1,239,593	12.08%
(\$60,526)	(\$62,755)	3.68%	(343,394)	(365,427)	6.42%
(60,526)	(62,755)	3.68%	762,602	874,166	14.63%
56,920	53,920	(5.27%)	115,342	115,448	0.09%
			640	340	(46.88%)
184,812	195,843	5.97%	225,377	234,212	3.92%
357,648	412,609	15.37%	357,648	412,609	15.37%
			107,599	122,370	13.73%
			11,787	13,779	16.90%
			234,500	245,465	4.68%
			870,252	921,784	5.92%
<b>\$538,854</b>	<b>\$599,617</b>	<b>11.28%</b>	<b>\$2,685,747</b>	<b>\$2,940,173</b>	<b>9.47%</b>
\$76,152	\$81,731	7.33%	\$484,349	\$522,075	7.79%
148,283	161,484	8.90%	755,751	806,899	6.77%
58,947	66,579	12.95%	355,600	396,007	11.36%
<b>283,382</b>	<b>309,794</b>	<b>9.32%</b>	<b>1,595,700</b>	<b>1,724,981</b>	<b>8.10%</b>
177,188	199,188	12.42%	675,429	800,776	18.56%
116	840	+100.00%	106,645	93,765	(12.08%)
19,225	21,777	13.27%	113,610	108,505	(4.49%)
20,738	25,259	21.80%	43,917	47,529	8.22%
			45,069	49,868	10.65%
18,291	20,999	14.81%	39,662	45,025	13.52%
19,700	18,878	(4.17%)	41,126	40,860	(0.65%)
214	2,882	+100.00%	24,589	28,864	17.39%
<b>\$538,854</b>	<b>\$599,617</b>	<b>11.28%</b>	<b>\$2,685,747</b>	<b>\$2,940,173</b>	<b>9.47%</b>

## 2011 Colleges, Schools, Centers & Institutes

Individual Revenue Center Summary | 2010-11 Budget | in thousands

	Annenberg School for Communication & Journalism		School of Architecture		School of Cinematic Arts		Centers for Creative Technologies	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$44,259	\$11,885	\$15,313	\$2,026	\$41,221	\$9,449	\$5,444	\$33,201
Center	55,966	11,885	20,341	2,026	52,832	9,449	5,444	33,201
UG Student Aid Fund	(10,147)		(4,300)		(9,937)			
Facilities Improvement Fund	(1,560)		(728)		(1,674)			
Indirect	(1,633)		(1,260)		(2,036)		(370)	
Participation	(3,394)		(1,544)		(3,657)		(370)	
Academic Initiatives					295			
Provost's Initiatives	32		96		288			
Graduate Programs	1,729		188		1,038			
<b>Total Revenues</b>	<b>\$42,626</b>	<b>\$11,885</b>	<b>\$14,053</b>	<b>\$2,026</b>	<b>\$39,185</b>	<b>\$9,449</b>	<b>\$5,074</b>	<b>\$33,201</b>

<b>Expenses</b>								
Direct	\$34,382	\$11,885	\$9,856	\$2,026	\$26,840	\$9,449	\$4,357	\$33,201
Indirect	8,244		4,197		12,345		717	
Allocated Central Costs	7,006		3,536		11,305		717	
Facilities Based	1,238		661		1,040			
<b>Total Expenses</b>	<b>\$42,626</b>	<b>\$11,885</b>	<b>\$14,053</b>	<b>\$2,026</b>	<b>\$39,185</b>	<b>\$9,449</b>	<b>\$5,074</b>	<b>\$33,201</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	\$6,655	\$6,046	\$38,146	\$3,166	\$53,249		\$235,901	\$79,283
Center	7,296	6,046	39,775	3,166	53,249		341,930	79,283
UG Student Aid Fund	(493)		(311)				(95,566)	
Facilities Improvement Fund	(148)		(1,318)				(10,463)	
Indirect	3,641		2,487		(47,235)		8,586	
Participation	(393)		(2,571)				(24,724)	
Academic Initiatives	3,400		2,000		20,700		252	
Provost's Initiatives	24		3,058				774	
Graduate Programs	610				(67,935)		32,284	
<b>Total Revenues</b>	<b>\$10,296</b>	<b>\$6,046</b>	<b>\$40,633</b>	<b>\$3,166</b>	<b>\$6,014</b>		<b>\$244,487</b>	<b>\$79,283</b>

<b>Expenses</b>								
Direct	\$5,792	\$6,046	\$30,460	\$3,166	\$6,014		\$154,915	\$79,283
Indirect	4,504		10,173				89,572	
Allocated Central Costs	3,987		8,709				76,210	
Facilities Based	517		1,464				13,362	
<b>Total Expenses</b>	<b>\$10,296</b>	<b>\$6,046</b>	<b>\$40,633</b>	<b>\$3,166</b>	<b>\$6,014</b>		<b>\$244,487</b>	<b>\$79,283</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	\$138,884	\$20,075	\$30,394	\$9,887	\$8,686	\$438	\$76,941	\$7,316
Center	174,485	20,075	35,543	9,887	12,399	438	79,320	7,316
UG Student Aid Fund	(29,927)		(3,829)		(3,341)		(717)	
Facilities Improvement Fund	(5,674)		(1,320)		(372)		(1,662)	
Indirect	(10,283)		(1,246)		(592)		(1,964)	
Participation	(11,956)		(2,701)		(840)		(3,413)	
Academic Initiatives					225		238	
Provost's Initiatives	35		35		23		43	
Graduate Programs	1,638		1,420				1,168	
<b>Total Revenues</b>	<b>\$128,601</b>	<b>\$20,075</b>	<b>\$29,148</b>	<b>\$9,887</b>	<b>\$8,094</b>	<b>\$438</b>	<b>\$74,977</b>	<b>\$7,316</b>

<b>Expenses</b>								
Direct	\$90,937	\$20,075	\$19,888	\$9,887	\$5,904	\$438	\$68,157	\$7,316
Indirect	37,664		9,260		2,190		6,820	
Allocated Central Costs	34,910		8,490		1,874		6,114	
Facilities Based	2,754		770		316		706	
<b>Total Expenses</b>	<b>\$128,601</b>	<b>\$20,075</b>	<b>\$29,148</b>	<b>\$9,887</b>	<b>\$8,094</b>	<b>\$438</b>	<b>\$74,977</b>	<b>\$7,316</b>

	School of Social Work		Summer and Special Programs		School of Theatre		Thornton School of Music	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$29,915	\$10,065	\$2,758		\$11,549	\$1,272	\$24,006	\$917
Center	31,264	10,065	2,807		16,652	1,272	32,124	917
UG Student Aid Fund	(88)				(4,584)		(7,127)	
Facilities Improvement Fund	(1,261)		(49)		(519)		(991)	
Indirect	(1,612)				(763)		3,180	
Participation	(2,454)				(1,172)		(2,233)	
Academic Initiatives	300				200		5,100	
Provost's Initiatives	99				156		58	
Graduate Programs	443				53		255	
<b>Total Revenues</b>	<b>\$28,303</b>	<b>\$10,065</b>	<b>\$2,758</b>		<b>\$10,786</b>	<b>\$1,272</b>	<b>\$27,186</b>	<b>\$917</b>

<b>Expenses</b>								
Direct	\$22,994	\$10,065	\$2,758		\$7,486	\$1,272	\$17,941	\$917
Indirect	5,309				3,300		9,245	
Allocated Central Costs	4,929				2,549		8,003	
Facilities Based	380				751		1,242	
<b>Total Expenses</b>	<b>\$28,303</b>	<b>\$10,065</b>	<b>\$2,758</b>		<b>\$10,786</b>	<b>\$1,272</b>	<b>\$27,186</b>	<b>\$917</b>

	Viterbi School of Engineering Academic Programs		Information Sciences Institute		Total Colleges, Schools, Centers and Institutes	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$102,644	\$56,621	\$7,335	\$67,471	\$873,300	\$319,118
Center	119,352	56,621	7,335	67,471	1,088,114	319,118
UG Student Aid Fund	(12,994)				(183,361)	
Facilities Improvement Fund	(3,714)				(31,453)	
Indirect	17,592				(33,508)	
Participation	(8,696)		(508)		(70,626)	
Academic Initiatives	8,000		508		41,218	
Provost's Initiatives	20				4,741	
Graduate Programs	18,268				(8,841)	
<b>Total Revenues</b>	<b>\$120,236</b>	<b>\$56,621</b>	<b>\$7,335</b>	<b>\$67,471</b>	<b>\$839,792</b>	<b>\$319,118</b>
<b>Expenses</b>						
Direct	\$78,001	\$56,621	\$4,645	\$67,471	\$591,327	\$319,118
Indirect	42,235		2,690		248,465	
Allocated Central Costs	35,511		2,690		216,540	
Facilities Based	6,724				31,925	
<b>Total Expenses</b>	<b>\$120,236</b>	<b>\$56,621</b>	<b>\$7,335</b>	<b>\$67,471</b>	<b>\$839,792</b>	<b>\$319,118</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 2010-2011, the rate is 29.5%.

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 2010-2011, the rate is 6.8%.

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 Indirects and equal the net budgets of administrative centers (see Individual Administrative Centers 2010-2011 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.

## 2011 Health Sciences Schools & Health Care Services

Individual Revenue Center Summary | 2010-11 Budget | in thousands

	<i>Keck School of Medicine</i>		<i>Ostrow School of Dentistry</i>		<i>School of Pharmacy</i>		<b>Total Health Sciences Schools</b>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$156,237	\$220,225	\$90,314	\$12,253	\$44,268	\$9,173	\$290,819	\$241,651
Center	159,833	220,225	94,931	12,253	45,503	9,173	300,267	241,651
UG Student Aid Fund	(1,727)		(1,908)				(3,635)	
Facilities Improvement Fund	(1,869)		(2,709)		(1,235)		(5,813)	
Indirect	12,895		(4,412)		(1,868)		6,615	
Participation	(7,289)		(6,037)		(3,216)		(16,542)	
Academic Initiatives	13,900		200				14,100	
Provost's Initiatives	30		186				216	
Graduate Programs	6,254		1,239		1,348		8,841	
<b>Total Revenues</b>	<b>\$169,132</b>	<b>\$220,225</b>	<b>\$85,902</b>	<b>\$12,253</b>	<b>\$42,400</b>	<b>\$9,173</b>	<b>\$297,434</b>	<b>\$241,651</b>

<b>Expenses</b>								
Direct	\$118,042	\$220,225	\$64,010	\$12,253	\$32,071	\$9,173	\$214,123	\$241,651
Indirect	51,090		21,892		10,329		83,311	
Allocated Central Costs	40,388		17,814		8,904		67,106	
Facilities Based	10,702		4,078		1,425		16,205	
<b>Total Expenses</b>	<b>\$169,132</b>	<b>\$220,225</b>	<b>\$85,902</b>	<b>\$12,253</b>	<b>\$42,400</b>	<b>\$9,173</b>	<b>\$297,434</b>	<b>\$241,651</b>

	<i>Dentistry Health Care</i>		<i>Medical Enterprise</i>		<i>Pharmacy Health Care</i>		<b>Total Health Care Services</b>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$2,183		\$811,620		\$660		\$814,463	
Center	2,183		811,620		660		814,463	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>Total Revenues</b>	<b>\$2,183</b>		<b>\$811,620</b>		<b>\$660</b>		<b>\$814,463</b>	

<b>Expenses</b>								
Direct	\$2,149		\$807,233		\$601		\$809,983	
Indirect	34		4,387		59		4,480	
Allocated Central Costs	34		4,387		59		4,480	
Facilities Based								
<b>Total Expenses</b>	<b>\$2,183</b>		<b>\$811,620</b>		<b>\$660</b>		<b>\$814,463</b>	

## 2011 Auxiliaries & Athletics

Individual Revenue Center Summary | 2010-11 Budget | in thousands

	<i>Animal Resources</i>		<i>Hospitality Services</i>		<i>Housing and Residence Halls</i>		<i>Intercollegiate Athletics</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$458		\$41,766		\$53,286		\$61,745	\$4,387
Center	458		41,766		53,286		61,745	4,387
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>Total Revenues</b>	<b>\$458</b>		<b>\$41,766</b>		<b>\$53,286</b>		<b>\$61,745</b>	<b>\$4,387</b>

<b>Expenses</b>								
Direct	(\$1,241)		\$38,126		\$42,770		\$52,856	\$4,387
Indirect	1,699		3,640		10,516		8,889	
Allocated Central Costs	720		2,509		6,138		6,347	
Facilities Based	979		1,131		4,378		2,542	
<b>Total Expenses</b>	<b>\$458</b>		<b>\$41,766</b>		<b>\$53,286</b>		<b>\$61,745</b>	<b>\$4,387</b>

	<i>KUSC</i>		<i>Student Health and Counseling Services</i>		<i>Transportation Services</i>		<i>University Bookstores</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$6,507	\$496	\$39,180		\$18,983		\$40,019	
Center	6,507	496	39,180		18,983		40,019	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>Total Revenues</b>	<b>\$6,507</b>	<b>\$496</b>	<b>\$39,180</b>		<b>\$18,983</b>		<b>\$40,019</b>	

<b>Expenses</b>								
Direct	\$5,806	\$496	\$36,739		\$11,881		\$35,910	
Indirect	701		2,441		7,102		4,109	
Allocated Central Costs	701		2,048		5,440		3,266	
Facilities Based			393		1,662		843	
<b>Total Expenses</b>	<b>\$6,507</b>	<b>\$496</b>	<b>\$39,180</b>		<b>\$18,983</b>		<b>\$40,019</b>	

	<i>University Club</i>		<i>University Radisson Hotel</i>		<i>University Village</i>		<b>Total Auxiliaries and Athletics</b>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$462		\$6,189		\$1,700		\$270,295	\$4,883
Center	462		6,189		1,700		270,295	4,883
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Academic Initiatives								
Provost's Initiatives								
Graduate Programs								
<b>Total Revenues</b>	<b>\$462</b>		<b>\$6,189</b>		<b>\$1,700</b>		<b>\$270,295</b>	<b>\$4,883</b>

<b>Expenses</b>								
Direct	\$46		\$6,189		\$1,159		\$230,241	\$4,883
Indirect	416				541		40,054	
Allocated Central Costs	268				541		27,978	
Facilities Based	148						12,076	
<b>Total Expenses</b>	<b>\$462</b>		<b>\$6,189</b>		<b>\$1,700</b>		<b>\$270,295</b>	<b>\$4,883</b>

## 2011 Classification by Center

2010-11 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	\$873,300	\$319,118	\$290,819	\$241,651	\$814,463	
Center	1,088,114	319,118	300,267	241,651	814,463	
UG Student Aid Fund	(183,361)		(3,635)			
Facilities Improvement Fund	(31,453)		(5,813)			
Indirect	(33,508)		6,615			
Participation	(70,626)		(16,542)			
Academic Initiatives	41,218		14,100			
Provost's Initiatives	4,741		216			
Graduate Programs	(8,841)		8,841			
<b>Total Revenues</b>	<b>\$839,792</b>	<b>\$319,118</b>	<b>\$297,434</b>	<b>\$241,651</b>	<b>\$814,463</b>	

<b>Expenses</b>						
Direct	\$591,327	\$319,118	\$214,123	\$241,651	\$809,983	
Indirect	248,465		83,311		4,480	
Allocated Central Costs	216,540		67,106		4,480	
Facilities Based	31,925		16,205			
<b>Total Expenses</b>	<b>\$839,792</b>	<b>\$319,118</b>	<b>\$297,434</b>	<b>\$241,651</b>	<b>\$814,463</b>	

	<i>Auxiliaries and Athletics</i>		<b>Total Revenue Centers</b>		<i>Administrative Centers</i>	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$270,295	\$4,883	\$2,248,877	\$565,652	\$77,261	\$33,965
Center	270,295	4,883	2,473,139	565,652	(147,001)	33,965
UG Student Aid Fund			(186,996)		186,996	
Facilities Improvement Fund			(37,266)		37,266	
Indirect			(26,893)		59	
Participation			(87,168)			
Academic Initiatives			55,318			
Provost's Initiatives			4,957		59	
Graduate Programs						
<b>Total Revenues</b>	<b>\$270,295</b>	<b>\$4,883</b>	<b>\$2,221,984</b>	<b>\$565,652</b>	<b>\$77,320</b>	<b>\$33,965</b>

<b>Expenses</b>						
Direct	\$230,241	\$4,883	\$1,845,674	\$565,652	\$453,630	\$33,965
Indirect	40,054		376,310		(376,310)	
Allocated Central Costs	27,978		316,104		(316,104)	
Facilities Based	12,076		60,206		(60,206)	
<b>Total Expenses</b>	<b>\$270,295</b>	<b>\$4,883</b>	<b>\$2,221,984</b>	<b>\$565,652</b>	<b>\$77,320</b>	<b>\$33,965</b>

	<i>Provost Funding</i>		<b>Total University</b>		<b>Grand Total</b>
	Undesignated	Designated	Undesignated	Designated	
<b>Revenue</b>					
Direct	\$14,418		\$2,340,556	\$599,617	\$2,940,173
Center	14,418		2,340,556	599,617	2,940,173
UG Student Aid Fund					
Facilities Improvement Fund					
Indirect	26,834				
Participation	87,168				
Academic Initiatives	(55,318)				
Provost's Initiatives	(5,016)				
Graduate Programs					
<b>Total Revenues</b>	<b>\$41,252</b>		<b>\$2,340,556</b>	<b>\$599,617</b>	<b>\$2,940,173</b>

<b>Expenses</b>					
Direct	\$41,252		\$2,340,556	\$599,617	\$2,940,173
Indirect					
Allocated Central Costs					
Facilities Based					
<b>Total Expenses</b>	<b>\$41,252</b>		<b>\$2,340,556</b>	<b>\$599,617</b>	<b>\$2,940,173</b>

## 2011 Individual Administrative Centers by Presidential & Senior Vice Presidential Responsibility Area

2010-11 Budget | in thousands

	Net Operating Budget	Employee Benefits Budget
<b>President:</b>		
President's Office	\$3,692	—
<b>Provost and Senior Vice President for Academic Affairs:</b>		
Academic Affairs	\$5,574	
Academic Senate	189	
Emeriti Center	587	
Enrollment Services	20,719	
Faculty Affairs	1,228	
Faculty Sabbaticals		\$11,318
Global Initiatives	1,854	
Information Technology Services	45,537	
Office of Research	9,046	
Provost's Office	5,985	
Student Affairs	11,433	383
University Art Galleries	554	
University Libraries	38,493	
USC Stevens Institute	4,402	
<b>Total</b>	<b>\$145,601</b>	<b>\$11,701</b>
<b>Senior Vice President, Administration:</b>		
Administrative Operations	\$2,434	\$4,093
Audit Services	1,714	
Career and Protective Services	33,820	12,852
Center for Work and Family Life		763
Compliance	3,055	
General Counsel	8,650	
Senior Vice President's Office	2,563	
Tram, Campus Cruiser and Rideshare	4,106	1,152
University Real Estate	5,417	
<b>Total</b>	<b>\$61,759</b>	<b>\$18,860</b>

	Net Operating Budget	Employee Benefits Budget
<b>Senior Vice President, Finance and CFO:</b>		
Budget and Planning	\$2,123	\$769
Campus Development	1,763	
Comptroller	7,618	384,188
Corporate Expense	37,051	
Facilities Management Services	75,067	
Financial and Business Services	14,278	
Major Maintenance and Renovation	2,057	
Off Campus Facilities	488	
Senior Vice President's Office	2,622	
Treasurer	1,026	
<b>Total</b>	<b>\$144,093</b>	<b>\$384,957</b>
<b>Senior Vice President, University Advancement:</b>		
Senior Vice President's Office	\$8,152	
USC Alumni Association	1,306	
<b>Total</b>	<b>\$9,458</b>	<b>—</b>
<b>Senior Vice President, University Relations:</b>		
University Relations	\$11,707	—
Employee Benefit Recoveries		(\$415,518)
<b>Total Administrative Centers</b>	<b>\$376,310</b>	<b>—</b>
Undergraduate Student Aid Fund	\$186,996	
Facilities Improvement Fund	37,266	
<b>Grand Total</b>	<b>\$600,572</b>	<b>—</b>

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## 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.

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