

Highlights

	June 30 2000	June 30 1999
FINANCIAL <i>(in thousands)</i>		
Total revenues	\$1,680,943	\$1,367,175
Total cash gifts and equipment gifts	\$220,642	\$211,215
Capital expenditures	\$118,799	\$94,896
Total assets at year end	\$3,743,446	\$3,128,367
Total debt at year end	\$234,403	\$237,789
Increase in net assets	\$583,471	\$261,082
Market value of endowment	\$2,152,589	\$1,589,833
Executed contracts, grants, subcontracts and cooperative agreements	\$610,315	\$537,554
Property, plant and equipment	\$880,661	\$869,361
Net Asset Balances:		
Unrestricted	\$2,238,150	\$1,758,567
Temporarily restricted	\$148,467	\$129,567
Permanently restricted	\$772,922	\$687,934
STUDENTS		
Enrollment (head count, autumn):		
Undergraduate students	15,594	15,553
Graduate and professional students	13,172	13,186
Degrees conferred:		
Bachelor degrees (1)	3,810	3,508
Advanced and all other degrees (1)	3,755	3,608
Annual tuition rate	\$22,198	\$20,962
Student aid-scholarships, fellowships and tuition remission	\$182,785,000	\$170,146,000
FACULTY		
Full-time (autumn) (2)	2,347	2,416
Percentage tenured (3)	79	78

(1) As of June 30.

(2) Full-time contract faculty.

(3) Percentage tenured is for tenure track faculty.

Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities, expenses, and cash flows, which appear on pages 3 through 17 of this financial report, present fairly, in all material respects, the consolidated financial position of the University of Southern California and its subsidiaries (the "university") at June 30, 2000, and the changes in their consolidated net assets, expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the university's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the university's 1999 financial statements; and in our report dated September 10, 1999, 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 which 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.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 1999, the university changed its method of accounting for certain other investments.

Ernst & Young LLP

Los Angeles, California
September 8, 2000

Consolidated Balance Sheet

(in thousands • with summarized financial information as of June 30, 1999)

	<i>a</i> June 30 2000	<i>b</i> June 30 1999
ASSETS		
1 Cash and cash equivalents	\$184,221	\$134,688
2 Accounts receivable	87,667	86,608
3 Notes receivable, net of allowance for doubtful accounts, \$10,139 (2000)	107,220	108,104
4 Pledges receivable	122,157	101,194
5 Investments	2,339,102	1,805,117
6 Inventories, prepaid expenses and other assets	22,418	23,295
7 Property, plant and equipment	880,661	869,361
8 Total Assets	\$3,743,446	\$3,128,367
LIABILITIES		
9 Accounts payable	\$53,878	\$42,284
10 Accrued liabilities	44,212	40,356
11 Refundable advances	15,940	15,752
12 Current portion of long-term debt	3,500	6,300
13 Deposits and deferred revenue	35,664	32,402
14 Post-retirement health benefit obligation	3,945	4,217
15 Actuarial liability for annuities payable	126,301	113,372
16 Federal student loan funds	58,522	56,505
17 Long-term debt	230,903	231,489
18 Other	11,042	9,622
19 Total Liabilities	583,907	552,299
NET ASSETS		
20 Unrestricted	2,238,150	1,758,567
21 Temporarily restricted	148,467	129,567
22 Permanently restricted	772,922	687,934
23 Total Net Assets	3,159,539	2,576,068
24 Total Liabilities and Net Assets	\$3,743,446	\$3,128,367

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, 1999)

	Unrestricted Net Assets							Year Ended June 30, 2000			Year Ended June 30, 1999	
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h</i>	<i>i</i>	<i>j</i>	<i>k</i>	<i>l</i>
	Education and General	Health Care Services	Sponsored Research and Departmental Activities	Unexpended Plant and Debt Service Funds	Invested in Plant	Long-term Investment	Student Loan	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	Total Net Assets
REVENUES												
1 Student tuition and fees	\$564,975							\$564,975			\$564,975	\$527,095
2 Less financial aid	(151,380)							(151,380)			(151,380)	(138,759)
3 Net student tuition and fees	413,595							413,595			413,595	388,336
4 Endowment income	24,651		\$4,575					29,226		\$4,868	34,094	32,777
5 Investment and other income	9,207		1,194	\$14,553				26,292	\$80	422	26,794	21,379
6 Net appreciation (depreciation) in fair value of investments			(50)	(235)		\$440,871	\$1,338	440,586	(447)	3,854	443,993	127,998
7 Government contracts and grants			179,533					179,533			179,533	170,172
8 Recovery of indirect costs	69,808							69,808			69,808	65,378
9 Gifts and pledges	20,276		90,823	13,245	\$2,830			127,174	46,189	69,800	243,163	266,938
10 Sales and service	25,806							25,806			25,806	21,488
11 Auxiliary enterprises	112,517							112,517			112,517	111,828
12 Professional Services Agreements		\$93,725						93,725			93,725	89,468
13 Clinical practices		27,877						27,877			27,877	21,648
14 Kenneth Norris Jr. Cancer Hospital		58,295						58,295			58,295	51,685
15 Loss on the disposal/sale of plant assets					(68,120)			(68,120)			(68,120)	(19,532)
16 Other	21,291							21,291			21,291	18,345
17 Present value adjustment to annuities payable									(177)	(1,251)	(1,428)	(733)
18 Net assets released from restrictions			34,247	4,758		(19,555)		19,450	(26,745)	7,295		
19 Total Revenues	697,151	179,897	310,322	32,321	(65,290)	421,316	1,338	1,577,055	18,900	84,988	1,680,943	1,367,175
EXPENSES												
20 Educational and general activities	663,809		276,682		77			940,568			940,568	865,132
21 Health care services		187,851						187,851			187,851	165,329
22 Depreciation		4,560			37,649			42,209			42,209	60,583
23 Interest on indebtedness		1,202		13,950				15,152			15,152	15,049
24 Total Expenses	663,809	193,613	276,682	13,950	37,726			1,185,780			1,185,780	1,106,093
Transfers within Unrestricted Net Assets:												
25 Mandatory transfers for external debt service	(24,363)		(571)	24,934								
26 Student loan matching requirement	(225)											
27 Unrestricted gifts designated for long-term investment	(5,415)					5,415	225					
28 Internal loan repayments	(11,976)		(329)	12,305								
29 Accumulated gains used for spending rule	13,842		15,571			(29,413)						
30 Designated support for student aid	24,605		(24,605)									
31 Other miscellaneous nonmandatory transfers	(16,879)		8,827	7,528		(269)	793					
32 Property, plant and equipment acquisitions	(12,772)	(87)	(12,384)	(34,804)	60,047							
Increase (Decrease) of Net Assets before cumulative												
33 effect of accounting change	159	(13,803)	20,149	28,334	(42,969)	397,049	2,356	391,275	18,900	84,988	495,163	261,082
34 Cumulative effect of accounting change (Note 1)						88,308		88,308			88,308	
35 Increase (Decrease) in Net Assets	159	(13,803)	20,149	28,334	(42,969)	485,357	2,356	479,583	18,900	84,988	583,471	261,082
36 Transfer operating surplus to departmental net assets	(159)		159									
37 Beginning Net Assets		15,717	144,486	85,502	488,531	1,029,081	(4,750)	1,758,567	129,567	687,934	2,576,068	2,314,986
38 Ending Net Assets		\$1,914	\$164,794	\$113,836	\$445,562	\$1,514,438	(\$2,394)	\$2,238,150	\$148,467	\$772,922	\$3,159,539	\$2,576,068
Nature of specific net assets:												
39 Internally designated		(\$46,143)	\$19,498		(\$3,134)		(\$5,734)	(\$35,513)			(\$35,513)	(\$24,529)
40 Gift and departmental			96,521	\$47,909			3,340	147,770			147,770	123,311
41 Externally restricted									\$16,043	\$27,542	43,585	35,756
42 Pledges									96,078	26,079	122,157	101,194
43 Kenneth Norris Jr. Cancer Hospital		48,057						48,057			48,057	46,122
44 Unexpended endowment income			48,775					48,775			48,775	45,113
45 Annuity and living trusts									36,346	81,150	117,496	119,799
46 True endowment										638,151	638,151	560,752
47 Funds functioning as endowment						\$1,514,438		1,514,438			1,514,438	1,029,081
48 Debt service funds				65,927				65,927			65,927	47,880
49 Invested in plant					448,696			448,696			448,696	491,589
50		\$1,914	\$164,794	\$113,836	\$445,562	\$1,514,438	(\$2,394)	\$2,238,150	\$148,467	\$772,922	\$3,159,539	\$2,576,068

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, 1999)

	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e</i>	<i>f</i>	<i>g</i>	<i>h</i>	<i>i</i>	<i>j</i>	<i>k</i>	<i>l</i>
	ACADEMIC, HEALTH CARE AND STUDENT SERVICES					SUPPORT SERVICES						
	Instruction, Departmental Research and Activities	Sponsored Research	Libraries and Art Galleries	Health Care Services	Student Services	Plant Operations and Maintenance	Administration	General Institutional	Fund Raising Activities	Auxiliary Enterprises Operations	Year Ended June 30, 2000	Year Ended June 30, 1999
<i>1</i> Compensation	\$262,274	\$94,244	\$9,801	\$90,921	\$16,535	\$17,575	\$17,189	\$19,357	\$9,666	\$29,320	\$566,882	\$524,495 <i>1</i>
<i>2</i> Fringe benefits	79,127	22,077	2,929	26,754	4,870	5,515	5,454	6,849	3,023	8,874	165,472	154,315 <i>2</i>
<i>3</i> Materials and supplies	55,840	60,231	4,177	23,641	6,147	19,132	7,424	21,220	4,165	15,804	217,781	197,400 <i>3</i>
<i>4</i> Cost of goods sold	7,674	7,381			6	474		3,512		37,337	56,384	55,336 <i>4</i>
<i>5</i> Utilities				932		16,797					17,729	18,240 <i>5</i>
<i>6</i> Travel	8,816	5,681	115	111	870	61	615	236	469	1,225	18,199	15,365 <i>6</i>
<i>7</i> Telephone				949		7,822					8,771	8,052 <i>7</i>
<i>8</i> Other	15,446			13,854	1,490		792	6,838	169	7,923	46,512	32,433 <i>8</i>
Kenneth Norris Jr. Cancer Hospital and <i>9</i> USC Care purchased services				30,689							30,689	24,825 <i>9</i>
<i>10</i>	429,177	189,614	17,022	187,851	29,918	67,376	31,474	58,012	17,492	100,483	1,128,419	1,030,461 <i>10</i>
Allocations:												
<i>11</i> Depreciation	12,777	7,670	4,207	4,560	2,197		613	2,848	93	7,244	42,209	60,583 <i>11</i>
<i>12</i> Interest	2,673			1,202	316	1,184	102	6,570		3,105	15,152	15,049 <i>12</i>
<i>13</i> Plant Operations and Maintenance	28,859	11,469	4,537		4,917	(68,560)	2,015	4,960	225	10,578		<i>13</i>
<i>14</i>	\$474,486	\$208,753	\$25,766	\$193,613	\$37,348		\$34,204	\$72,390	\$17,810	\$121,410	\$1,185,780	\$1,106,093 <i>14</i>

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows

(in thousands • with summarized financial information for the year ended June 30, 1999)

	<i>a</i>	<i>b</i>
	Year Ended June 30, 2000	Year Ended June 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES		
1 Increase in Net Assets	\$583,471	\$261,082
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation	42,209	60,583
3 Loss on the disposal/sale of plant assets	68,120	19,532
4 Equipment gifts-in-kind	(2,830)	(2,144)
5 Present value adjustment to annuities payable	1,480	254
6 (Increase) decrease in accounts receivable	(1,059)	2,962
7 Increase in pledges receivable	(20,963)	(57,135)
8 Decrease (increase) in inventories, prepaid expenses and other assets	877	(913)
9 Increase in accounts payable	11,594	6,323
10 Increase (decrease) in accrued liabilities	3,856	(4,030)
11 Increase in refundable advances	188	5,054
12 Increase in deferred revenue	3,262	1,265
13 Decrease in post-retirement health benefit obligation	(272)	(542)
14 Other	1,420	508
Contributions restricted for permanent investment		
15 and property, plant and equipment	(82,992)	(77,909)
16 Net realized gain on sale of investments	(269,913)	(155,889)
17 Net unrealized (appreciation) depreciation in investments	(309,545)	27,510
18 Net cash provided by operating activities	<u>28,903</u>	<u>86,511</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
19 Proceeds from note collections and sale of notes	13,928	16,493
20 Notes issued	(13,044)	(17,317)
21 Proceeds from sale of investments	2,308,427	2,147,398
22 Purchase of investments	(2,262,954)	(2,171,636)
23 Purchase of property, plant and equipment, net	(118,799)	(94,896)
24 Net cash used by investing activities	<u>(72,442)</u>	<u>(119,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent investment:		
25 Endowment	62,684	53,299
26 Plant	23,730	10,435
27 Trusts and other	(3,422)	14,175
28 Repayment of long-term debt	(63,386)	(106,567)
29 Increase in long-term debt	60,000	44,448
30 Increase in federal student loan funds	2,017	2,851
31 Investment income and gains on annuities payable	8,535	7,501
32 Payments on annuities payable	(12,330)	(10,857)
33 Increase to annuities payable resulting from new gifts	15,244	12,613
34 Net cash provided by financing activities	<u>93,072</u>	<u>27,898</u>
35 Net increase (decrease) in cash and cash equivalents	49,533	(5,549)
36 Cash and cash equivalents at beginning of year	134,688	140,237
37 Cash and cash equivalents at end of year	<u>\$184,221</u>	<u>\$134,688</u>

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

NOTE 1

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

The University of Southern California is a not-for-profit, major private research university. The financial statements have been prepared on the accrual basis and include the accounts of the University of Southern California and all wholly-owned subsidiaries. All material transactions between the university and its subsidiaries have been eliminated.

The university's financial reporting is in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made, and SFAS No. 117, Financial Statements of Not-for-Profit Organizations. A description of the three requisite net asset categories follows.

Unrestricted net assets:

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

Health care services: Health care services are reflective of the revenues and expenses associated with the Health Care Consultation Center, the Professional Services Agreement with Los Angeles County, the Kenneth Norris Jr. Cancer Hospital and USC Care, Inc., a contracting entity for the independent private practices and the professional services provided to affiliated hospitals.

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

Unexpended plant and debt service funds:

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

Notes to Consolidated Financial Statements

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, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets (generally, 15 years for equipment, 10 years for library books and 50 years for buildings). Equipment is removed from the records at the time of disposal. The university follows the policy of recording contributions of long-lived assets directly in invested in plant assets instead of recognizing the gift over the useful life of the asset.

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

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

Temporarily restricted net assets:

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

Permanently restricted net assets:

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

Other accounting policies:

The financial statements present expenses by functional classification in accordance with the overall

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

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

Investments are stated at market value except mortgages and gifts of real estate which are stated at cost or fair market value on the date of gift, in accordance with SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the statement of activities. Realized gains and losses upon the sale of investments are calculated using the specific identification method and settlement date.

Diversified venture capital holdings and certain other limited partnership interests are invested in both publicly and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values, generally at March 31, prior to the university's fiscal year end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility.

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

The actuarial liability for annuities payable include gift annuities, unitrusts, pooled income funds and

life estates which are based on the present value of future payments discounted at 6% and 1983 Group Annuity Tables.

Effective July 1, 1999 the university changed its method of accounting for certain other investments, which include venture capital holdings and other limited partnerships from a cost basis to a market value method. The university changed its method of accounting for these types of investments to be more consistent with industry practice. The total amount reported as a cumulative effect of a change in accounting principle increased net assets by approximately \$88,000,000. The effect of the change for the year ended June 30, 2000 was to recognize approximately \$267,000,000 in unrealized gains. The proforma effect of the change for the year ended June 30, 1999 would have resulted in approximately \$40,000,000 in unrealized gains.

In accordance with the university's Revenue Center Management policy, educational and general activities are reflective of the performance of a balanced operating budget for the year and any surplus at the end of the year is transferred to internally designated departmental assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Accordingly, such information should be read in conjunction with the university's financial statements for the year ended June 30, 1999 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 establishes the accounting and reporting standards for derivative instruments and for hedging activities. Upon adoption of SFAS No. 133, all derivatives must be recognized on the balance sheet at their then fair value. The new standard will be effective for fiscal year 2001. The university is presently assessing the effect for SFAS No. 133 on the financial statements of the university.

NOTE 2

Kenneth Norris Jr. Cancer Hospital (Hospital) is a not-for-profit public benefit corporation organized under the laws of the State of California whose sole corporate member is the University of Southern California. Accordingly, the results of operations and net financial position of the Hospital are reflected in the university's financial statements in current unrestricted net assets. Included in current unrestricted net assets is all property, plant and equipment related to the Hospital. Depreciation expense related to the property, plant and equipment is calculated using the straight-line method over the estimated useful lives which are similar to the university's.

A portion of the Hospital's revenue from health care services is derived from funds provided on behalf of patients under federal programs. Revenues under the programs are dependent upon federal governmental reimbursement principles and policies. Funds received are subject to audit which could result in retroactive adjustments. Management believes that it has properly applied these principles and policies in the determination of net revenue from these programs.

During 1997, the Hospital entered into a five-year agreement with an unaffiliated third party to manage the day-to-day operations of the Hospital.

Notes to Consolidated Financial Statements

NOTE 3*Accounts receivable (in thousands):*

U.S. Government, net of allowance for doubtful accounts of \$1,400	\$16,372
Student and other, net of allowance for doubtful accounts of \$6,008	31,859
Patient care and practice plans, net of allowance for doubtful accounts of \$51,852	39,436
	<u>\$87,667</u>

NOTE 4*Investments (in thousands):*

	Cost	Market
Stocks	\$825,834	\$1,073,957
Bonds:		
U.S. Government	115,035	115,660
Corporate	265,209	256,878
International investments	158,146	277,912
Venture capital	154,142	416,190
Assets held by other trustees	77,664	83,603
Mortgages, notes and other receivables	7,593	7,593
Real estate and other	95,520	107,309
Total	<u>\$1,699,143</u>	<u>\$2,339,102</u>

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

Land and improvements	\$77,301
Building and improvements	743,433
Equipment	254,991
Library books and collections	123,760
Construction-in-progress	32,816
	<u>1,232,301</u>
Less: Accumulated depreciation	403,978
	<u>828,323</u>
Kenneth Norris Jr. Cancer Hospital	101,488
Less: Accumulated depreciation	49,150
	<u>52,338</u>
	<u>\$880,661</u>

During the current year, the university implemented a new equipment inventory system, and as a result, completed a physical inventory of all equipment. The result of the inventory was to recognize a difference between the amounts recorded in the historical financial statements and the inventory records. Accordingly, during the current year, the university wrote off approximately \$68,000,000 of equipment, net of accumulated depreciation.

Subsequent to June 30, 2000, the university purchased land and buildings of approximately \$27,000,000.

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

	Interest %	Maturity	
<i>California Educational Facilities Authority (CEFA)</i>			
<i>Revenue Bonds and Notes:</i>			
Series 1993A	5.65-6.10	2001-2005	\$5,090
Series 1993B	4.75-7.00	2001-2016	35,170
Premium			44
Series 1997A	5.50-5.70	2001-2016	40,085
Discount			(271)
Series 1997C	5.125	2029	50,000
Discount			(1,543)
Series 1998A	5.00	2029	30,360
Series 1999	5.50	2028	60,000
Premium			1,246
<i>University of Southern California Bonds</i>			
Series 1998	5.26-6.26	2004-2019	13,585
Discount			(47)
<i>Mortgages</i>	Various	2001-2004	684
			234,403
Less current portion of long-term debt			<u>3,500</u>
			<u>\$230,903</u>

Principal payment requirements relating to bonds, notes and mortgages payable, after giving effect to refunding, for the next five fiscal years are approximately: 2001 \$3,500,000; 2002 \$4,485,000; 2003 \$4,507,000; 2004 \$6,650,000; 2005 \$4,900,000.

Interest payments for fiscal year 2000 were \$15,057,000.

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

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, 2000 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$94,289	\$36,432	\$130,721
Endowed scholarships	2,518	973	3,491
External financial aid	12,383	4,785	17,168
	<u>\$109,190</u>	<u>\$42,190</u>	<u>\$151,380</u>

NOTE 8

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

Endowment and long-term investment net assets functioning as endowment are summarized as follows (in thousands):

	Endowment	Funds functioning as endowment	Departmentally designated funds	Total
Pooled	\$491,449	\$1,294,711	\$7,981	\$1,794,141
Non-pooled	146,702	211,746		358,448
	<u>\$638,151</u>	<u>\$1,506,457</u>	<u>\$7,981</u>	<u>\$2,152,589</u>

Pooled investments represent endowment and long-term investment net assets which have been commingled in a unitized pool (unit market value basis) for purposes of investment. The pool is comprised of bonds (12%), stocks (42%), international investments (16%), venture capital (24%) and other investments (6%). 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, 2000 was \$525.06.

The university utilizes a spending rule for its pooled endowment in order to maximize the current and long-term investments of the endowment pool. The spending rule determines the endowment income to be distributed currently for spending with the provision that any amounts remaining after the distribution be transferred and reinvested in the endowment pool as funds functioning as endowment.

For the 2000 fiscal year, the Board of Trustees approved current distribution of 112% 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, \$15.91 was distributed to each time-weighted unit for a total spending rule allocation of \$52,884,000. Investment income amounting to \$7.06 per time weighted unit was earned, totaling \$23,471,000, and \$29,413,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2000 represent 2.9% of the market value of the endowment pool at June 30, 2000. Total earnings allocated for spending in fiscal year 2000 represent 2.6% of the market value of total endowment at June 30, 2000.

Approximately \$30,792,000 of the university's unrestricted long-term investments have been designated to support student loans.

NOTE 9

Unconditional promises are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting at 6% to the present value of the future cash flows.

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

In one year or less	\$10,435
Between one year and five years	53,824
More than five years	105,658
Less: discount of \$41,458 and allowance of \$6,302	(47,760)
	<u>\$122,157</u>

Pledges receivable at June 30, 2000 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$25,839
Endowment for scholarship	1,748
Building construction	33,810
Departmental programs and activities	60,760
	<u>\$122,157</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, 2000 are summarized as follows (in thousands):

Current sponsored awards	\$217,197
Executed grants and contracts for future periods	393,118
	<u>\$610,315</u>

NOTE 11

At June 30, 2000, internal loans for capital investment were \$156,563,000 which are repaid through nonmandatory transfers from the operating budget to unexpended plant within unrestricted net assets. In addition, the Board of Trustees authorized a \$5,000,000 loan from long-term investment to be utilized for student loans, of which \$2,048,000 was outstanding at June 30, 2000. The maturity dates range from 2001 to 2012 with various interest rates.

Internal loans maturing within each of the next five fiscal years range from \$15.9 million to \$18.2 million.

NOTE 12

Contractual commitments for educational plant amounted to approximately \$55,280,000 at June 30, 2000. 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.

Notes to Consolidated Financial Statements

NOTE 13

Retirement benefits for exempt employees are provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, Mutual Benefit Life Insurance Company, The Vanguard Group, SunAmerica, Inc., Fidelity Investments and Prudential Insurance Company. Under these defined contribution plans, the university and plan participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or a fixed income fund. Benefits commence upon retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$40,014,000 during the year ended June 30, 2000.

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, 2000 (in thousands):

Benefit cost	\$2,447
Employer contribution	\$2,586
Benefits paid	\$1,942
Benefit obligation	\$72,839
Fair value of plan assets	61,671
Funded status	(\$11,168)
Prepaid/(accrued) benefit cost recognized in the consolidated balance sheet	(\$912)
Weighted-average assumptions:	
Discount rate	8.00%
Expected return on plan assets	10.00%
Rate of compensation increase	5.00%

NOTE 14

Statement of Financial Accounting Standards (SFAS) No. 106, Employers' Accounting for Post-retirement Benefits Other Than Pensions, requires an employer to disclose information in its financial statements about the obligation to provide post-retirement benefits and the cost of providing those benefits. The university established a defined benefit post-retirement health care plan that provides medical coverage to retirees (and their dependents) who retired under an incentive program in 1997. The cost of retiree and dependent medical benefits will be paid entirely by the university over the next eight years.

The following table sets forth the plan's funded status reconciled with the amount shown in the university's consolidated balance sheet at June 30, 2000 (in thousands):

Benefit cost	\$264
Employer contributions	\$536
Plan participant contributions	\$0
Benefits paid	\$536
Benefit obligation	\$3,794
Fair value of plan assets	0
Funded status	(\$3,794)
Prepaid/(accrued) benefit cost recognized in the consolidated balance sheet	(\$3,945)

Weighted-average assumption:
Discount rate 7.50%

For measurement purposes, a 7.0% annual rate of increase in the per capita cost of postretirement medical benefits for the health maintenance organization and indemnity program's was assumed for 2000. These rates were assumed to decrease gradually to 5.5% by 2003 and remain at that level thereafter.

NOTE 15

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 16

The estimated fair value of the university's bonds, notes and mortgages payable was \$229,360,000 at June 30, 2000. 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.

Investments are carried at market value except for those for which market values are not readily determinable.

2001 • Summary of Budgeted Operating Revenues & Expenses

2000-01 Budget • (in thousands)

	Undesignated Budget Education and General			Undesignated Budget Health Care Services			Designated Budget			Total Budget		
	1999-00 Budget	2000-01 Budget	Percent Change	1999-00 Budget	2000-01 Budget	Percent Change	1999-00 Budget	2000-01 Budget	Percent Change	1999-00 Budget	2000-01 Budget	Percent Change
REVENUES												
Tuition and fees	\$575,297	\$612,646	6.49%							\$575,297	\$612,646	6.49%
Endowment income:												
University-wide	4,900	5,790	18.16%							4,900	5,790	18.16%
Schools and Departments	27,957	35,846	28.22%				\$13,448	\$22,507	67.36%	41,405	58,353	40.93%
Investment income	9,763	6,985	(28.45%)							9,763	6,985	(28.48%)
Gifts:												
University-wide	1,225	640	(47.76%)							1,225	640	(47.76%)
Schools and Departments	16,993	14,701	(13.49%)				42,446	61,789	45.57%	59,439	76,490	28.69%
Contracts and grants							207,046	248,934	20.23%	207,046	248,934	20.23%
Recovery of indirect costs:												
Endowments	2,686	3,228	20.18%							2,686	3,228	20.18%
Gifts	4,100	4,940	20.49%							4,100	4,940	20.49%
Contracts and grants	63,565	69,037	8.61%							63,565	69,037	8.61%
Sales and service, auxiliary enterprises and other sources	148,387	168,200	13.35%	\$111,924	\$128,158	14.50%				260,311	296,358	13.85%
Total Revenues	\$854,873	\$922,013	7.85%	\$111,924	\$128,158	14.50%	\$262,940	\$333,230	26.73%	\$1,229,737	\$1,383,401	12.50%
EXPENSES												
Compensation:												
Faculty salaries	\$141,084	\$148,522	5.27%	\$66,777	\$75,328	12.81%	\$32,635	\$36,859	12.94%	\$240,496	\$260,709	8.40%
Other salaries and wages	212,144	229,541	8.20%	9,912	11,868	19.73%	68,737	85,949	25.04%	290,793	327,358	12.57%
Fringe benefits	109,080	117,025	7.28%	21,761	24,931	14.57%	23,426	26,285	12.20%	154,267	168,241	9.06%
Total Compensation	462,308	495,088	7.09%	98,450	112,127	13.89%	124,798	149,093	19.47%	685,556	756,308	10.32%
Library acquisitions	7,282	7,795	7.04%							7,282	7,795	7.04%
Equipment	23,461	15,958	(31.98%)		142					23,461	16,100	(31.38%)
Student aid	139,945	149,169	6.59%				8,466	27,634	226.41%	148,411	176,803	19.13%
Telephone	13,452	14,094	4.77%	15	16	6.67%				13,467	14,110	4.77%
Current expense	139,901	164,899	17.87%	13,459	15,873	17.94%	129,676	156,503	20.69%	283,036	337,275	19.16%
Utilities	19,578	17,119	(12.56%)							19,578	17,119	(12.56%)
Debt service	48,946	57,891	18.28%							48,946	57,891	18.28%
Total Expenses	\$854,873	\$922,013	7.85%	\$111,924	\$128,158	14.50%	\$262,940	\$333,230	26.73%	\$1,229,737	\$1,383,401	12.50%

2001 • Colleges, Schools, Centers & Institutes

Individual Revenue Center Summary • 2000-01 Budget (in thousands)

	Annenberg Center for Communication		Annenberg School for Communication		School of Architecture		School of Cinema-Television	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$8,189	\$3,500	\$23,080	\$4,825	\$10,223	\$2,061	\$31,831	\$4,680
Indirect	(3)		161		(366)		(884)	
<i>Participation</i>	(3)		(939)		(451)		(1,409)	
<i>Subvention</i>			1,100				400	
<i>Academic Initiatives</i>					85		125	
Total Revenues	\$8,186	\$3,500	\$23,241	\$4,825	\$9,857	\$2,061	\$30,947	\$4,680
Expenses								
Direct	\$7,139	\$3,500	\$13,542	\$4,825	\$4,943	\$2,061	\$17,027	\$4,680
Indirect	1,047		9,699		4,914		13,920	
<i>Undergraduate Student Aid</i>			4,820		2,325		5,802	
<i>Facilities Improvement Fund</i>			506		241		770	
<i>Other Indirect Expenses</i>	1,047		4,373		2,348		7,348	
Total Expenses	\$8,186	\$3,500	\$23,241	\$4,825	\$9,857	\$2,061	\$30,947	\$4,680

	Institute for Creative Technology		Davis School of Gerontology		School of Engineering Academic Programs		School of Engineering Information Sciences Institute	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$1,125	\$6,495	\$5,843	\$7,679	\$75,411	\$37,342	\$6,401	\$48,484
Indirect	(51)		132		3,322		(259)	
<i>Participation</i>	(51)		(193)		(3,228)		(259)	
<i>Subvention</i>			200		4,500			
<i>Academic Initiatives</i>			125		2,050			
Total Revenues	\$1,074	\$6,495	\$5,975	\$7,679	\$78,733	\$37,342	\$6,142	\$48,484
Expenses								
Direct	\$845	\$6,495	\$2,895	\$7,679	\$46,670	\$37,342	\$4,514	\$48,484
Indirect	229		3,080		32,063		1,628	
<i>Undergraduate Student Aid</i>			386		7,659			
<i>Facilities Improvement Fund</i>			66		1,408			
<i>Other Indirect Expenses</i>	229		2,628		22,996		1,628	
Total Expenses	\$1,074	\$6,495	\$5,975	\$7,679	\$78,733	\$37,342	\$6,142	\$48,484

	School of Fine Arts		The Law School		College of Letters, Arts and Sciences		Marshall School of Business	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$5,959	\$208	\$23,259	\$2,075	\$212,361	\$37,925	\$105,112	\$9,933
Indirect	(263)		1,583		(1,021)		(5,761)	
<i>Participation</i>	(263)		(840)		(9,318)		(5,791)	
<i>Subvention</i>			1,708		4,000			
<i>Academic Initiatives</i>			715		4,297		30	
Total Revenues	\$5,696	\$208	\$24,842	\$2,075	\$211,340	\$37,925	\$99,351	\$9,933
Expenses								
Direct	\$2,787	\$208	\$18,407	\$2,075	\$105,532	\$37,925	\$58,974	\$9,933
Indirect	2,909		6,435		105,808		40,377	
<i>Undergraduate Student Aid</i>	1,504		272		50,203		16,194	
<i>Facilities Improvement Fund</i>	139		494		4,743		2,498	
<i>Other Indirect Expenses</i>	1,266		5,669		50,862		21,685	
Total Expenses	\$5,696	\$208	\$24,842	\$2,075	\$211,340	\$37,925	\$99,351	\$9,933

	School of Policy, Planning, and Development		Rossier School of Education		Institute of Safety and Systems Management		School of Social Work	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$18,909	\$5,230	\$14,236	\$4,147			\$9,775	\$3,076
Indirect	(184)		(160)		\$490		(255)	
<i>Participation</i>	(854)		(610)				(431)	
<i>Subvention</i>								
<i>Academic Initiatives</i>	670		450		490		176	
Total Revenues	\$18,725	\$5,230	\$14,076	\$4,147	\$490		\$9,520	\$3,076
Expenses								
Direct	\$11,034	\$5,230	\$8,644	\$4,147	\$490		\$6,159	\$3,076
Indirect	7,691		5,432				3,361	
<i>Undergraduate Student Aid</i>	1,944		1,115				42	
<i>Facilities Improvement Fund</i>	484		355				258	
<i>Other Indirect Expenses</i>	5,263		3,962				3,061	
Total Expenses	\$18,725	\$5,230	\$14,076	\$4,147	\$490		\$9,520	\$3,076

	Summer and Special Programs		School of Theatre		Thornton School of Music		Total Colleges, Schools, Centers and Institutes	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$959		\$8,433	\$324	\$22,734	\$1,450	\$583,840	\$179,434
Indirect	252		(373)		917		(2,723)	
<i>Participation</i>			(373)		(883)		(25,896)	
<i>Subvention</i>					1,000		12,908	
<i>Academic Initiatives</i>	252				800		10,265	
Total Revenues	\$1,211		\$8,060	\$324	\$23,651	\$1,450	\$581,117	\$179,434
Expenses								
Direct	\$1,203		\$3,783	\$324	\$14,055	\$1,450	\$328,643	\$179,434
Indirect	8		4,277		9,596		252,474	
<i>Undergraduate Student Aid</i>			2,249		3,859		98,374	
<i>Facilities Improvement Fund</i>	8		198		459		12,627	
<i>Other Indirect Expenses</i>			1,830		5,278		141,473	
Total Expenses	\$1,211		\$8,060	\$324	\$23,651	\$1,450	\$581,117	\$179,434

Definitions:

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

Participation is a 4.5% tax on gross tuition revenue, recovery of indirect costs, sales and service and other sources.

Subvention is allocated from centrally controlled funds to support university priorities.

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

Indirect Revenues are the sum of Participation, Subvention and Academic Initiatives.

Indirect Expenses are the sum of net budgets in all administrative centers (see Individual Administrative Centers 2000-01 Budget by Presidential and Senior Vice Presidential Responsibility Area). Administrative center budgets are allocated to revenue centers according to various methodologies.

Centrally administered Undergraduate Student Aid is shown as a component of Indirect Expenses and is charged to revenue centers as a pre-determined percentage of undergraduate tuition.

Facilities Improvement Fund represents a portion of tuition (net of student aid) which is set aside for major facilities improvements in classrooms, teaching laboratories and residence halls.

2001 • Health Sciences Schools & Health Care Services

Individual Revenue Center Summary • 2000-01 Budget (in thousands)

	School of Dentistry		Independent Health Professions*		Keck School of Medicine		School of Pharmacy	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$39,107	\$5,500	\$19,744	\$1,347	\$74,328	\$105,913	\$29,457	\$5,333
Indirect	(741)		(879)		160		(1,300)	
<i>Participation</i>	(1,741)		(879)				(1,300)	
<i>Subvention</i>								
<i>Academic Initiatives</i>	1,000				160			
Total Revenues	\$38,366	\$5,500	\$18,865	\$1,347	\$74,488	\$105,913	\$28,157	\$5,333
Expenses								
Direct	\$28,082	\$5,500	\$11,916	\$1,347	\$48,528	\$105,913	\$21,812	\$5,333
Indirect	10,284		6,949		25,960		6,345	
<i>Undergraduate Student Aid</i>	777		1,919		881			
<i>Facilities Improvement Fund</i>	841		521		880		505	
<i>Other Indirect Expenses</i>	8,666		4,509		24,199		5,840	
Total Expenses	\$38,366	\$5,500	\$18,865	\$1,347	\$74,488	\$105,913	\$28,157	\$5,333

	Total Health Sciences Schools		Dentistry Health Care		Independent Health Professions Health Care*		Medicine Health Care	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$162,636	\$118,093	\$1,718		\$2,473		\$120,611	
Indirect	(2,760)							
<i>Participation</i>	(3,920)							
<i>Subvention</i>								
<i>Academic Initiatives</i>	1,160							
Total Revenues	\$159,876	\$118,093	\$1,718		\$2,473		\$120,611	
Expenses								
Direct	\$110,338	\$118,093	\$1,667		\$2,463		\$115,410	
Indirect	49,538		51		10		5,201	
<i>Undergraduate Student Aid</i>	3,577							
<i>Facilities Improvement Fund</i>	2,747							
<i>Other Indirect Expenses</i>	43,214		51		10		5,201	
Total Expenses	\$159,876	\$118,093	\$1,718		\$2,473		\$120,611	

	Pharmacy Health Care		Total Health Care Services	
	Undesignated	Designated	Undesignated	Designated
Revenues				
Direct	\$3,356		\$128,158	
Indirect				
<i>Participation</i>				
<i>Subvention</i>				
<i>Academic Initiatives</i>				
Total Revenues	\$3,356		\$128,158	
Expenses				
Direct	\$3,283		\$122,823	
Indirect	73		5,335	
<i>Undergraduate Student Aid</i>				
<i>Facilities Improvement Fund</i>				
<i>Other Indirect Expenses</i>	73		5,335	
Total Expenses	\$3,356		\$128,158	

*Includes the departments of Biokinesiology & Physical Therapy, Nursing, and Occupational Science & Occupational Therapy

2001 • Auxiliaries & Athletics

Individual Revenue Center Summary • 2000-01 Budget (in thousands)

	Animal Resources		Auxiliary Administration		Faculty Center		Hospitality Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$280		\$480		\$283		\$20,111	
Indirect								
<i>Participation</i>								
<i>Subvention</i>								
<i>Academic Initiatives</i>								
Total Revenues	\$280		\$480		\$283		\$20,111	
Expenses								
Direct	(\$291)		\$480		\$7		\$18,569	
Indirect	571				276		1,542	
<i>Undergraduate Student Aid</i>								
<i>Facilities Improvement Fund</i>								
<i>Other Indirect Expenses</i>	571				276		1,542	
Total Expenses	\$280		\$480		\$283		\$20,111	

	Housing and Residence Halls		Intercollegiate Athletics		KUSC		Student Health and Counseling Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$28,150		\$30,974	\$3,207	\$4,175	\$1,730	\$13,326	\$14
Indirect	(2,466)							
<i>Participation</i>								
<i>Subvention</i>	(2,466)							
<i>Academic Initiatives</i>								
Total Revenues	\$25,684		\$30,974	\$3,207	\$4,175	\$1,730	\$13,326	\$14
Expenses								
Direct	\$23,886		\$26,656	\$3,207	\$3,635	\$1,730	\$12,096	\$14
Indirect	1,798		4,318		540		1,230	
<i>Undergraduate Student Aid</i>								
<i>Facilities Improvement Fund</i>								
<i>Other Indirect Expenses</i>	1,798		4,318		540		1,230	
Total Expenses	\$25,684		\$30,974	\$3,207	\$4,175	\$1,730	\$13,326	\$14

	Transportation Services		University Bookstores		Total Auxiliaries and Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues						
Direct	\$11,425		\$30,187		\$139,391	\$4,951
Indirect					(2,466)	
<i>Participation</i>						
<i>Subvention</i>					(2,466)	
<i>Academic Initiatives</i>						
Total Revenues	\$11,425		\$30,187		\$136,925	\$4,951
Expenses						
Direct	\$9,040		\$28,614		\$122,692	\$4,951
Indirect	2,385		1,573		14,233	
<i>Undergraduate Student Aid</i>						
<i>Facilities Improvement Fund</i>						
<i>Other Indirect Expenses</i>	2,385		1,573		14,233	
Total Expenses	\$11,425		\$30,187		\$136,925	\$4,951

2001 • Classification by Center
2000-01 Budget (in thousands)

	Colleges, Schools, Centers and Institutes		Health Sciences Schools		Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues						
Direct	\$583,840	\$179,434	\$162,636	\$118,093	\$128,158	
Indirect	(2,723)		(2,760)			
<i>Participation</i>	(25,896)		(3,920)			
<i>Subvention</i>	12,908					
<i>Academic Initiatives</i>	10,265		1,160			
Total Revenues	\$581,117	\$179,434	\$159,876	\$118,093	\$128,158	
Expenses						
Direct	\$328,643	\$179,434	\$110,338	\$118,093	\$122,823	
Indirect	252,474		49,538		5,335	
<i>Undergraduate Student Aid</i>	98,374		3,577			
<i>Facilities Improvement Fund</i>	12,627		2,747			
<i>Other Indirect Expenses</i>	141,473		43,214		5,335	
Total Expenses	\$581,117	\$179,434	\$159,876	\$118,093	\$128,158	

	Auxiliaries and Athletics		Total Revenue Centers		Administrative Centers	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues						
Direct	\$139,391	\$4,951	\$1,014,025	\$302,478	\$23,724	\$30,752
Indirect	(2,466)		(7,949)		3,266	
<i>Participation</i>			(29,816)			
<i>Subvention</i>	(2,466)		10,442		2,466	
<i>Academic Initiatives</i>			11,425		800	
Total Revenues	\$136,925	\$4,951	\$1,006,076	\$302,478	\$26,990	\$30,752
Expenses						
Direct	\$122,692	\$4,951	\$684,496	\$302,478	\$348,570	\$30,752
Indirect	14,233		321,580		(321,580)	
<i>Undergraduate Student Aid</i>			101,951		(101,951)	
<i>Facilities Improvement Fund</i>			15,374		(15,374)	
<i>Other Indirect Expenses</i>	14,233		204,255		(204,255)	
Total Expenses	\$136,925	\$4,951	\$1,006,076	\$302,478	\$26,990	\$30,752

	Subvention Pool		Total University	
	Undesignated	Designated	Undesignated	Designated
Revenues				
Direct	\$12,422		\$1,050,171	\$333,230
Indirect	4,683			
<i>Participation</i>	29,816			
<i>Subvention</i>	(12,908)			
<i>Academic Initiatives</i>	(12,225)			
Total Revenues	\$17,105		\$1,050,171	\$333,230
Expenses				
Direct	\$17,105		\$1,050,171	\$333,230
Indirect				
<i>Undergraduate Student Aid</i>				
<i>Facilities Improvement Fund</i>				
<i>Other Indirect Expenses</i>				
Total Expenses	\$17,105		\$1,050,171	\$333,230

2001 • Individual Administrative Centers by Presidential & Senior Vice Presidential Responsibility Area
2000-01 Budget (in thousands)

	Net Budget	Fringe Benefits		Net Budget	Fringe Benefits
President:			Senior Vice President, Administration:		
President's Office	\$1,992	—	Budget and Planning	\$1,427	
			Business Affairs – Administrative Services	6,513	\$87
Provost and Senior Vice President, Academic Affairs:			Contracts and Grants	2,562	
Academic Senate	\$168		Corporate Expense	14,768	
Academic Services	2,324		Facilities Improvement	15,374	
Enrollment Services	11,275		Facilities Planning and Management	18,726	
Emeriti Center	165		Faculty and Staff Counseling		205
Evaluation Services	94		Financial Services	10,947	143,634
Faculty Sabbaticals		\$7,367	Internal Audit and Compliance	1,415	2,121
Graduate Assistant Tuition Remission		19,129	Major Maintenance and Renovations	1,422	
Graduate Fellowships	940		Personnel Services	7,437	
Graduate School	862		Risk Pool	3,144	
Health Sciences Libraries	4,110		Safety and Risk Management	5,956	4,914
International Offices	634		Security and Tram Service	11,683	
Provost's Office	4,872		Senior Vice President's Office	2,180	
Student Affairs	8,231		Treasurer	1,974	
Undergraduate Student Aid	101,951		University Counsel	7,970	
University Art Galleries	430		University Professional Memberships	370	
Vice President for Health Affairs	1,005		Utilities	7,043	
Total	\$137,061	\$26,496	Total	\$120,911	\$150,961
Academic Affairs and Administration:			Senior Vice President, University Advancement:		
Administrative Information Systems	\$10,924		Senior Vice President's Office	\$6,850	—
Information Services Division	35,609				
Total	\$46,533	—	Senior Vice President, External Affairs:		
			Alumni Association	\$1,326	
			External Relations	878	
			Public Relations	5,119	
			Senior Vice President's Office	910	
			Total	\$8,233	—
			Fringe Benefit Recoveries		(\$177,457)
			Grand Total	\$321,580	—

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The 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*