

University of Southern California

**Report on Audit of Consolidated Financial Statements and
on Federal Awards Programs in Accordance with OMB
Circular A-133**

For the Year Ended June 30, 2014

Location

EIN

**University Park, Los Angeles
Health Research Association, Los Angeles**

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University of Southern California

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Independent Auditor's Report on Consolidated Financial Statements and Supplementary Schedule Expenditures of Awards

To the Board of Trustees of the
University of Southern California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the University of Southern California (the "university") and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2014, and the related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the university's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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



Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the university changed the manner in which it accounts for the classification of the sale proceeds of donated financial assets in the statement of cash flows for the year ended June 30, 2014.

Other Matter

We have previously audited the university's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2013. As discussed in Note 1 to the accompanying consolidated financial statements, the university changed the manner in which it accounts for the classification of the sale proceeds of donated financial assets in the statement of cash flows in the year ended June 30, 2014. The accompanying June 30, 2013 cash flows statement reflects this change. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, before the change in the manner in which the university accounts for the classification of the sale proceeds of donated financial assets in the statement of cash flows, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2014 is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014 on our consideration of University of Southern California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Southern California's internal control over financial reporting and compliance.

Primmerman Cooper LLP

October 9, 2014

CONSOLIDATED BALANCE SHEET*(in thousands)*

		<i>a</i>	<i>b</i>	
		June 30	June 30	
		2014	2013	
Assets:				
1	Cash and cash equivalents	\$442,423	\$451,625	1
2	Accounts receivable, net	352,221	325,558	2
	Notes receivable, net of allowance for doubtful			
3	accounts, \$5,580 (2014), \$6,081 (2013)	84,696	84,914	3
4	Pledges receivable, net	577,027	519,922	4
5	Investments	5,390,233	4,708,535	5
6	Inventories, prepaid expenses and other assets	204,348	161,801	6
7	Property, plant and equipment, net	2,928,043	2,537,902	7
8	Total Assets	\$9,978,991	\$8,790,257	8
Liabilities:				
9	Accounts payable	\$211,271	\$228,326	9
10	Accrued liabilities	420,446	342,460	10
11	Refundable advances	16,936	17,365	11
12	Current portion of long-term debt	7,120	10,855	12
13	Deposits and deferred revenue	163,920	159,713	13
14	Actuarial liability for annuities payable	149,047	148,346	14
15	Federal student loan funds	67,952	67,706	15
16	Asset retirement obligations	109,210	104,841	16
17	Capital lease obligations	125,742	59,102	17
18	Long-term debt	1,237,895	1,262,251	18
19	Other liabilities	6,864	4,433	19
20	Total Liabilities	2,516,403	2,405,398	20
Net Assets:				
21	Unrestricted	3,417,909	2,908,437	21
22	Temporarily restricted	1,966,794	1,586,567	22
23	Permanently restricted	2,077,885	1,889,855	23
24	Total Net Assets	7,462,588	6,384,859	24
25	Total Liabilities and Net Assets	\$9,978,991	\$8,790,257	25

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF ACTIVITIES

(in thousands) with summarized financial information as of June 30, 2013

				Year Ended June 30, 2014	Year Ended June 30, 2013	
	a	b	c	d	e	
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	Total Net Assets	
Revenues:						
1 Student tuition and fees	\$1,602,331			\$1,602,331	\$1,488,276	1
2 Less: financial aid	(440,014)			(440,014)	(413,465)	2
3 Net student tuition and fees	1,162,317			1,162,317	1,074,811	3
4 Endowment income	50,521		\$438	50,959	66,247	4
5 Investment and other income	10,792		222	11,014	11,926	5
6 Net appreciation in fair value of investments	216,934	\$503,164	19,239	739,337	350,562	6
7 Contracts and grants	452,724			452,724	446,645	7
8 Contributions	406,237	129,298	180,740	716,275	550,151	8
9 Sales, services and other	170,991			170,991	134,200	9
10 Auxiliary enterprises	296,335			296,335	273,224	10
11 Health care services	1,167,345			1,167,345	961,616	11
12 Present value adjustment to annuities payable		(1,050)	(5,787)	(6,837)	(7,915)	12
13 Net assets released from restrictions / redesignations	258,007	(251,185)	(6,822)			13
14 Total Revenues	4,192,203	380,227	188,030	4,760,460	3,861,467	14
Expenses:						
15 Educational and general activities	2,312,932			2,312,932	2,144,565	15
16 Health care services	1,122,176			1,122,176	904,627	16
17 Depreciation and amortization	180,953			180,953	161,285	17
18 Interest on indebtedness	66,670			66,670	63,307	18
19 Total Expenses	3,682,731			3,682,731	3,273,784	19
20 Increase in Net Assets	509,472	380,227	188,030	1,077,729	587,683	20
21 Beginning Net Assets	2,908,437	1,586,567	1,889,855	6,384,859	5,797,176	21
22 Ending Net Assets	\$3,417,909	\$1,966,794	\$2,077,885	\$7,462,588	\$6,384,859	22
Nature of specific net assets:						
23 Internally designated	\$35,499			\$35,499	\$37,355	23
24 Departmentally designated	725,370			725,370	602,051	24
25 Externally restricted		\$35,221	\$27,914	63,135	100,041	25
26 Pledges		288,879	288,148	577,027	519,922	26
27 Unexpended endowment income	196,094			196,094	189,050	27
28 Annuity and living trusts		50,683	90,830	141,513	122,467	28
29 True endowment and net appreciation		1,592,011	1,670,993	3,263,004	2,733,992	29
30 Funds functioning as endowment	1,330,010			1,330,010	1,134,363	30
31 Debt service funds	78,432			78,432	70,329	31
32 Invested in plant	1,052,504			1,052,504	875,289	32
33 Total	\$3,417,909	\$1,966,794	\$2,077,885	\$7,462,588	\$6,384,859	33

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands)

	<i>a</i>	<i>b</i>	
	Year Ended June 30, 2014	Year Ended June 30, 2013	
Cash Flows from Operating Activities:			
1 Change in Net Assets	\$1,077,729	\$587,683	1
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
2 Depreciation and amortization	180,953	161,285	2
3 Loss on the disposal/sale of plant assets	3,755	452	3
4 In-kind receipt of property, plant and equipment	(99,443)	(170)	4
5 Present value adjustment to annuities payable	7,137	7,273	5
6 Increase in accounts receivable	(26,663)	(26,799)	6
7 Increase in pledges receivable	(178,016)	(156,652)	7
8 Increase in inventories, prepaid expenses and other assets	(41,281)	(7,560)	8
9 (Decrease) increase in accounts payable	(3,700)	49,950	9
10 Increase in accrued liabilities	89,836	5,548	10
11 Decrease in refundable advances	(429)	(1,594)	11
12 Increase in deposits and deferred revenue	4,207	6,455	12
13 Increase (decrease) in other liabilities	2,431	(5,482)	13
14 Contributions restricted for property, plant and equipment and permanent investment	(207,231)	(145,140)	14
15 Net realized gain on sale of investments	(327,705)	(183,851)	15
16 Net unrealized appreciation in investments	(411,786)	(166,784)	16
17 Net cash provided by operating activities	69,794	124,614	17
Cash Flows from Investing Activities:			
18 Proceeds from note collections	11,939	12,193	18
19 Notes issued	(11,219)	(12,777)	19
20 Proceeds from sale and maturity of investments	4,158,861	2,721,081	20
21 Purchase of investments	(4,129,737)	(3,194,592)	21
22 Purchase of property, plant and equipment	(420,755)	(371,979)	22
23 Net cash used in investing activities	(390,911)	(846,074)	23
Cash Flows from Financing Activities:			
Contributions restricted for permanent investment:			
24 Endowment	160,052	152,168	24
25 Plant	165,703	100,577	25
26 Trusts and other	2,388	3,175	26
27 Repayment of long-term debt	(10,037)	(56,344)	27
28 Proceeds from issuance of long-term debt		71,095	28
29 Increase in federal student loan funds	245	296	29
30 Investment (loss) gain on annuities payable	(20)	2,633	30
31 Payments on annuities payable	(13,082)	(13,145)	31
32 Increase to annuities payable resulting from new contributions	6,666	6,230	32
33 Net cash provided by financing activities	311,915	266,685	33
34 Net decrease in cash and cash equivalents	(9,202)	(454,775)	34
35 Cash and cash equivalents at beginning of year	451,625	906,400	35
36 Cash and cash equivalents at end of year	\$442,423	\$451,625	36

The accompanying notes are an integral part of this statement.

Notes to Consolidated Financial Statements

Note 1.

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

- The University of Southern California is a not-for-profit, major private research university. The consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, Not-for-Profit Entities, which require the university to classify its net assets into three categories according to donor-imposed restrictions or provisions of law: unrestricted, temporarily restricted, or permanently restricted. All material transactions between the university and its subsidiaries have been eliminated.
- The university is generally exempt from federal income taxes under the provisions of Internal Revenue Code Section 501 (c) (3). The university is also generally exempt from payment of California state income, gift, estate and inheritance taxes.

Unrestricted net assets:

- *Education and general:* Education and general include the revenues and expenses associated with the principal educational mission of the university.
- *Health care services:* Health care services are reflective of the revenues and expenses associated with Keck Hospital of USC, USC Norris Cancer Hospital, USC Verdugo Hills Hospital, the Professional Services Agreement with Los Angeles County and USC Care Medical Group, Inc., a primary care and multi-specialty physician practice corporation.
- *Sponsored research and departmental activities:* Sponsored research agreements recognize revenue as it is earned through expenditure in accordance with the agreement. Any funding received in advance of expenditure is recorded as refundable advances. Departmental net assets include contributions to the university and its various schools and departments. The university has determined that any donor-imposed restrictions of contributions for current or developing programs and activities are generally met within the operating cycle of the university and, therefore, the university's policy is to record these net assets as unrestricted. Internally designated net assets are those which have been appropriated by the Board of Trustees or designated by management.
- *Unexpended plant and debt service funds:* Unexpended plant and debt service net assets include contributions and income earned on unexpended balances for capital projects which are currently under construction and transfers from the operating budget to fund the debt service requirements for outstanding bonds, notes and mortgages payable. The university follows the policy of lifting the restrictions on contributions of cash or other assets received for the acquisition of long-lived assets when the restrictions are fulfilled or the assets are placed in service.
- *Invested in plant:* Invested in plant assets, including collections of works of art and historical treasures, are stated at cost or fair value at the date of contribution, plus the estimated value of any associated legal retirement obligations, less accumulated depreciation, computed on a straight-line basis over the estimated useful or component lives of the assets (equipment and library books useful lives ranging from 4 to 10 years and buildings component lives ranging from 5 to 50 years). Equipment is removed from the records at the time of disposal. The university follows the policy of recording contributions of long-lived assets directly in invested in plant assets when the purpose or time restriction is met instead of recognizing the contribution over the useful life of the asset.
- *Long-term investment:* Long-term investments include contributions and Board of Trustee designations to funds functioning as endowment, realized and unrealized gains and reinvested income (income earned in excess of the spending rule) on all endowment funds.
- *Student loan:* Student loan net assets include lending activity to students utilizing university resources designated for that purpose.

Temporarily restricted net assets:

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

Permanently restricted net assets:

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

Note 1 (continued).

Other accounting policies:

- Cash equivalents consist of highly liquid investments with original maturities of three months or less. The university has classified all cash and cash equivalents as Level I financial instruments.
- Investments are stated at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the Consolidated Statement of Activities. Realized gains and losses upon the sale of investments are calculated using the specific identification method and trade date.
- Alternative investment holdings and certain other limited partnership interests are invested in both publicly traded and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information.
- Inventories are valued at the lower of cost (first-in, first-out) or market.
- The university receives federal reimbursement for a portion of the costs of its facilities and equipment used in organized sponsored research. The Office of Management and Budget, Circular A-21, establishes principles for determining such reimbursable costs and requires conformity of the lives and methods used for federal cost reimbursement accounting and financial reporting purposes. The university's policies and procedures are in conformity with these principles.
- Student tuition and fees are recorded as revenues during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.
- The university's split interest agreements with donors consist primarily of gift annuities, unitrusts, pooled income funds and life estates. For irrevocable agreements, assets contributed are included in the university's investments and stated at fair value. Contribution revenue is recognized at the date each trust is established after recording liabilities for the actuarially-determined present value of the estimated future payments to be made to the beneficiaries. The actuarial liability is discounted at an appropriate risk-adjusted rate at the inception of each agreement and the applicable actuarial mortality tables. Discount rates on split-interest agreements range from 3.0% to 9.5%. The liabilities are adjusted during the terms of the trusts for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. The valuation followed generally accepted actuarial methods and was based on the requirements of FASB ASC 958. The Annuity 2000 Mortality Table and 1983 Individual Annuity Mortality Table for males and females were used in the valuations. For split interest agreements related to the State of Washington, the university holds a Certificate of Exemption issued by the State of Washington's Office of Insurance Commissioner to issue charitable gift annuities. The university has been in compliance with Revised Code of Washington 48.38.010(6) throughout the time period covered by the financial statements.
- The university has recorded conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in 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, 2014, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$5,420,000. For the year ended June 30, 2014, the university settled asset retirement obligations of approximately \$1,653,000. As of June 30, 2014, included in the Consolidated Balance Sheet is an asset retirement obligation of \$109,210,000.
- Contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Contributions are valued using quoted market prices, market prices for similar assets, independent appraisals, or by university management. Contributions receivable are reported at their discounted value using credit-adjusted borrowing rates and an allowance for amounts estimated to be uncollectible is provided. Donor-restricted contributions, which are received and either spent, or deemed spent, within the same year, are reported as unrestricted revenue. Contributions of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Contributions restricted to the acquisition or construction of long-lived assets or subject to other time or purpose restrictions are reported as temporarily restricted revenue. The temporarily restricted net assets resulting from these contributions are released to unrestricted net assets when the donor-imposed restrictions are fulfilled or the assets are placed in service. Contributions received for endowment investment are held in perpetuity and recorded as permanently restricted revenue.

Note 1 (continued).

- Health care services revenues included the net patient service revenues associated with the Keck Hospital of USC, USC Norris Cancer Hospital, USC Verdugo Hills Hospital and USC Care Medical Group, Inc. Net patient service revenue is reported as estimated net realizable amounts from patients, third party payors, government programs and 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. Health care services revenues also includes the revenues associated with the professional services agreement with the County of Los Angeles.
- Allowances for doubtful accounts are based upon management's assessment of historical and expected net collections considering historical business and economic conditions. Periodically throughout the year management assesses the adequacy of the allowances for doubtful accounts based upon historical write-off experience. The results of this review are then used to make any modifications to the allowance for doubtful accounts.
- 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. The footnotes do not contain prior year information. Accordingly, such information should be read in conjunction with the university's financial statements for the year ended June 30, 2013 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.
- The university applies the provision of FASB ASC 820, Fair Value Measurements, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

- Level I - Quoted prices in active markets for identical assets or liabilities.
- Level II - Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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.

Note 1 (continued).

The university applies the authoritative guidance contained in FASB ASC 820-10, Fair Value Measurements and Disclosures, for estimating the fair value of investments in investment funds that have calculated Net Asset Value ("NAV") per share in accordance with FASB ASC 946-10, Financial Services-Investment Companies (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted, to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the university uses the NAV as reported by the money managers as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2014, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient.

Additionally, in accordance with Accounting Standards Update ("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.

In May 2011, the FASB issued ASU 2011-04, which amends ASC Topic 820, Fair Value Measurements and Disclosures. The amended guidance changes the wording used to describe many requirements under GAAP for measuring fair value and for disclosing information about fair value measurements. Additionally, the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. The guidance provided in ASU 2011-04 is effective for interim and annual periods beginning after December 15, 2011, and is applied prospectively. The university adopted ASU 2011-04, effective July 1, 2012, and such adoption did not have a material effect on the university's financial statements.

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

Note 2.

In July 2013, the university acquired USC Verdugo Hills Hospital ("USC VHH") through its subsidiary, USC Verdugo Hills Hospital, LLC ("USC VHH LLC"). The primary operation of USC VHH is a 158-bed acute care hospital located in Glendale, California. USC VHH LLC acquired certain assets and assumed certain liabilities in consideration of the USC VHH LLC discharging the outstanding indebtedness of USC VHH in an amount of approximately \$9,000,000. The university's consolidated financial statements include the results of the operations of USC VHH for the 11 ½ month period ended June 30, 2014. The acquired hospital had approximately \$73,000,000 in net patient service revenue for the period ended June 30, 2014.

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

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

Note 3.

Accounts receivable (in thousands):

U.S. Government	\$35,862
Student and other, net of allowance for doubtful accounts of \$9,000	95,320
Patient care, net of allowance for doubtful accounts of \$57,842	221,039
	<u>\$352,221</u>

Note 4.

Investments (in thousands):

	Cost	Fair Value
Equities	\$1,525,004	\$1,871,615
Fixed income securities	1,112,057	1,116,329
Alternative investments:		
Hedge funds	538,815	756,710
Private capital	1,147,788	1,265,601
Real estate and other	290,213	235,254
Assets held by other trustees	121,804	144,724
Total	<u>\$4,735,681</u>	<u>\$5,390,233</u>

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

	Level I	Level II	Level III	Total
Investments:				
Equities	\$571,895	\$1,195,634	\$104,087	\$1,871,616
Fixed income securities	195,793	907,187	13,348	1,116,328
Hedge funds			756,710	756,710
Private capital			1,265,601	1,265,601
Real estate and other			235,254	235,254
Assets held by other trustees			144,724	144,724
Total investments	<u>\$767,688</u>	<u>\$2,102,821</u>	<u>\$2,519,724</u>	<u>\$5,390,233</u>

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

Balance at July 1, 2013	\$2,233,015
Net realized gains	200,711
Net unrealized gains	224,222
Transfers in*	-
Purchases	331,281
Sales and settlements	(469,505)
Balance at June 30, 2014	<u>\$2,519,724</u>

*Transfers were due to an increase or decrease in price transparency or the availability of dealer quotations at the end of each month.

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:

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
Assets Held By Other Funds	Miscellaneous investments held outside USC where USC has no authority over the fund	\$144,724,000	Not Applicable	Not Applicable	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Distressed Obligation Partnerships	US and Non-US Distressed Debt Securities	\$58,075,000	\$8,766,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Equity Funds	US and Non-US Equity Securities	\$1,203,003,000	Not Applicable	Open Ended	Minimum Monthly	None	None
Hedge Funds	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$756,710,000	\$9,684,000	92.7% of NAV has an open ended life, 6.9% of NAV will be liquidated on 10/1/14, and 0.4% of NAV will be liquidated on an undetermined basis.	Ranges between monthly redemption with 90 days notice, quarterly redemption with up to 90 days notice, semi-annual redemption with 60 days notice, and annual redemption with up to 180 days notice.	15% of NAV is locked up for 3 months, 56% of NAV is locked-up for 1 year, and 29% of NAV is locked-up for more than 1 year.	None
Natural Resources Partnerships	US and Non-US Investments in Upstream, Midstream, and Downstream Natural Resources Investments	\$413,066,000	\$145,381,000	Approximately 6 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Other Funds	US and Non-US Investments in Securities Other than Equity and Fixed Income	\$1,261,000	Not Applicable	Open Ended	Monthly	None	None
Private Capital Partnerships	US and Non-US Private Equity and Venture Capital Investments	\$794,460,000	\$130,835,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Real Estate Partnerships	US and Non-US Real Estate	<u>\$206,276,000</u>	<u>\$80,393,000</u>	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Total		<u>\$3,577,575,000</u>	<u>\$375,059,000</u>				

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

Land and improvements	\$167,178
Buildings and improvements	3,212,264
Buildings under capital leases	128,854
Equipment	618,798
Library books and collections	319,136
Construction-in-progress	288,517
	<hr/> 4,734,747
Less: Accumulated depreciation	1,806,704
	<hr/> <u>\$2,928,043</u>

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

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

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2015 \$7,120,000; 2016 \$8,515,000; 2017 \$26,333,000; 2018 \$1,400,000; 2019 \$6,055,000.

Interest payments for fiscal year 2014 were \$62,712,000.

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

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, 2014 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$251,527	\$116,528	\$368,055
Endowed scholarships	24,639	11,415	36,054
External financial aid	24,537	11,368	35,905
	<u>\$300,703</u>	<u>\$139,311</u>	<u>\$440,014</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 and realized gains be utilized for current and future needs. Long-term investment net assets (funds functioning as endowment) have been established from restricted contributions whose restrictions have been met and unrestricted contributions which have been designated by the Board of Trustees or management for the same purpose as endowment. The university also has a beneficial interest in the net income earned from assets which are held and managed by other trustees.

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

	Endowment	Funds functioning as endowment	Total
Pooled	\$3,132,902	\$1,254,207	\$4,387,109
Non-pooled	130,102	75,803	205,905
	<u>\$3,263,004</u>	<u>\$1,330,010</u>	<u>\$4,593,014</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 cash and cash equivalents (4.73%), equities (45.70%), fixed income securities (6.57%), alternative investments (38.42%) and real estate and other investments (4.58%). 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, 2014 was \$652.22.

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

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

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

Note 8 (continued).

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

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

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

Permanently restricted net assets (in thousands):

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

Restricted for scholarship support	\$378,932
Restricted for faculty support	449,432
Restricted for program support	842,629
Total endowment assets classified as permanently restricted net assets	<u>\$1,670,993</u>

Temporarily restricted net assets (in thousands):

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

Restricted for scholarship support	\$361,021
Restricted for faculty support	428,189
Restricted for program support	802,801
Total endowment assets classified as temporarily restricted net assets	<u>\$1,592,011</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor contribution amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$1,404,000 as of June 30, 2014. 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.

Note 8 (continued).

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

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

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

Note 9.

At June 30, 2014, the university has adopted the required disclosures under ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. According to this guidance, the university is required to disclose the nature of credit risk inherent in the portfolio of financing receivables, its analysis and assessment in arriving at the allowance for credit losses (doubtful accounts), and the changes and reasons for those changes in the allowance for credit losses.

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

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

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

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

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

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

Note 9 (continued).

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

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

Note 10.

Unconditional promises are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Pledges are recorded after discounting using rates ranging from 1% to 6% to the present value of the future cash flows.

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

In one year or less	\$143,470
Between one year and five years	316,209
More than five years	254,362
Less: discount of \$113,537 and allowance of \$23,477	(137,014)
	<u>\$577,027</u>

Pledges receivable at June 30, 2014 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$275,783
Endowment for scholarship	12,560
Building construction	132,484
Departmental programs and activities	156,200
	<u>\$577,027</u>

Note 11.

Executed contracts, grants, subcontracts and cooperative agreements for future sponsored research activity which are not reflected in the consolidated financial statements at June 30, 2014 are summarized as follows (in thousands):

Current sponsored awards	\$513,281
Executed grants and contracts for future periods	551,976
	<u>\$1,065,257</u>

Note 12.

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

Contractual commitments for educational plant amounted to approximately \$94,969,000 at June 30, 2014. It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated contributions and/or debt proceeds.

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

Note 13.

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

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

Retirement benefits for non-exempt university employees are provided through a noncontributory defined benefit pension plan. The following table sets forth the plan's funded status at June 30, 2014 (in thousands):

Obligations and Plan Assets**Change in Projected Benefit Obligation**

Benefit obligation at end of prior year	\$212,231
Interest cost	10,206
Actuarial gain	28,729
Benefits paid	(7,331)
Benefit obligation at end of year	<u>\$243,835</u>

Change in Plan Assets

Fair value of plan assets at end of prior year	\$152,264
Actual return on plan assets	32,512
Benefits paid	(7,331)
Fair value of plan assets at end of year	<u>\$177,445</u>

Reconciliation of Funded Status

Accumulated benefit obligation at end of year	\$243,835
Projected benefit obligation at end of year	(\$243,835)
Fair value of plan assets at end of year	177,445
Funded status	<u>(\$66,390)</u>

Components of Net Periodic Benefit Cost

Interest cost	\$10,206
Expected return on plan assets	(10,384)
Amortization of net loss	5,822
Total benefit cost	<u>\$5,644</u>

Amounts recognized in the Statement of Financial Position

Noncurrent liabilities	(\$66,390)
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Amounts not yet recognized as components of Net Periodic Benefit Cost

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

Net loss	\$6,601
Amortization of net loss	(5,822)
Total	<u>\$ 779</u>

Note 13 (continued).

The estimated net loss/(gain) and prior service cost for the USC Support Staff Retirement Plan ("Plan") that will be recognized as components of net periodic benefit cost over the next fiscal year are \$5,753,000 and \$0, respectively.

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

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

Assumptions

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

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

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

Discount rate	4.40%
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 fixed income securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in our expense and cash flow. The target allocation for pension benefit plan assets is 75% equity securities and 25% fixed income securities.

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

Fair Value

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

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

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		\$44		\$44
Equity securities		129,525		129,525
Fixed income securities		47,876		47,876
Total		\$177,445		\$177,445

Note 13 (continued).**Allocation of Assets**

The year-end asset allocation, which approximates the weighted-average allocation for the Plan assets as of June 30, 2014 and in comparison to target percentages for each asset category, is as follows:

Asset Category	June 30, 2014	Target at June 30, 2014
Short-term investment fund	0.0%	0%
Equity securities	73.0%	75.0%
Fixed income securities	27.0%	25.0%
Total	100.0%	100.0%

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

Contributions

No contribution to the Plan was required during the year ended June 30, 2014. The university may make discretionary contributions to the 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,	
2015	\$8,668
2016	\$9,291
2017	\$9,967
2018	\$10,646
2019	\$11,153
2020– 2024	\$62,636

Note 14.

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

Future aggregate minimum rental payments under operating and capital leases are as follows (in thousands):

Future minimum rental payments:	Operating	Capital
2015	\$23,273	\$5,026
2016	21,484	5,233
2017	20,357	5,461
2018	19,608	5,560
2019	19,469	5,660
Thereafter	46,803	750,913
	150,994	777,853
Less: Interest on capital leases		(652,111)
Total	\$150,994	\$125,742

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

Note 15.

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

Functional expense consists of the following (in thousands):

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

Note 16.

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

Note 17.

The estimated fair value of the university's bonds, notes and mortgages payable was \$1,385,839,000 at June 30, 2014. 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 18.

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

Note 19.

The university has performed an evaluation of subsequent events through October 9, 2014, which is the date the financial statements were issued.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER		
<u>DIRECT AWARDS</u>		
Agency for International Development		
Agency for International Development	98.001	27,056
Agency For International Development	98.RDG	1,684,535
Total - Agency for International Development		1,711,591
Department of Agriculture		
Agricultural Research Service	10.001	283,136
Foreign Agricultural Service	10.614	5,276
National Institute of Food and Agriculture	10.310	322,817
Total - Department of Agriculture		611,229
Department of Commerce		
Department Of Commerce	11.RDG	77,843
Economic Development Administration	11.313	779,341
Minority Business Development Agency	11.800	(18,458)
Minority Business Development Agency	11.805	358,097
National Institute of Standards and Technology (NIST)	11.609	4,550
National Oceanic and Atmospheric Administration (NOAA)	11.417	1,239,930
National Oceanic and Atmospheric Administration (NOAA)	11.478	255,944
Total - Department of Commerce		2,697,247
Department of Defense		
Advanced Research Projects Agency	12.910	6,255,276
Department Of Defense	12.RDC	50,635,458
Department Of Defense	12.RDG	(124)
Department of the Air Force, Materiel Command	12.800	2,467,083
Department of the Navy, Office of the Chief of Naval Research	12.300	9,108,477
National Security Agency	12.901	57,600
National Security Agency	12.902	265,202
Office of the Secretary of Defense	12.351	1,225,605
Office of the Secretary of Defense	12.630	336,221
U.S. Army Materiel Command	12.431	3,792,722
U.S. Army Medical Command	12.420	2,774,182
Total - Department of Defense		76,917,702
Department Of Education		
Bilingual Educatio Professional Development	84.195	193,080
Department Of Education	84.RDG	158,437
Institute of Education Sciences	84.305	385,356
Office of Postsecondary Education	84.015	568,900
Office of Postsecondary Education	84.220	154,378
Office of Special Education and Rehabilitative Services	84.133	379,836
Office of Special Education and Rehabilitative Services	84.325	43,971
Total - Department of Education		1,883,958

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER		
<u>DIRECT AWARDS (continued)</u>		
Department of Energy		
Department of Energy	81.049	2,800,807
Department of Energy-ARRA	81.049	2,764,105
Department of Energy	81.064	78,500
Department of Energy-ARRA	81.086	(1,124)
Department of Energy-ARRA	81.087	16,033
Department of Energy	81.089	144,082
Department of Energy	81.108	69,035
Department of Energy	81.113	194,269
Department of Energy-ARRA	81.135	153,716
Department of Energy	81.135	464,020
Total - Department of Energy		6,683,443
Department of Health and Human Services		
Agency for Healthcare Research and Quality	93.225	58,326
Agency for Healthcare Research and Quality	93.226	535,811
Agency for Healthcare Research and Quality-ARRA	93.715	228,972
Centers for Disease Control and Prevention	93.283	339,065
Centers for Disease Control and Prevention	93.941	394,821
Centers for Medicare and Medicaid Services	93.610	4,259,604
Centers for Medicare and Medicaid Services	93.779	111,268
Department Of Health And Human Services	93.RDC	4,587,651
Health Resources and Services Administration	93.110	88,411
Health Resources and Services Administration	93.124	15,968
Health Resources and Services Administration	93.153	790,844
Health Resources and Services Administration	93.514	176,000
Health Resources and Services Administration	93.884	526,719
Health Resources and Services Administration	93.918	326,440
Health Resources and Services Administration	93.924	170,363
National Institutes of Health	93.077	1,798,048
National Institutes of Health	93.113	8,339,787
National Institutes of Health-ARRA	93.121	73
National Institutes of Health	93.121	8,695,524
National Institutes of Health	93.172	4,817,950
National Institutes of Health	93.173	4,737,649
National Institutes of Health	93.213	1,365,834
National Institutes of Health	93.233	284,380
National Institutes of Health	93.242	11,121,306
National Institutes of Health	93.272	(661)
National Institutes of Health	93.273	5,936,103
National Institutes of Health	93.277	121,835
National Institutes of Health	93.279	4,439,026
National Institutes of Health	93.282	22,269
National Institutes of Health	93.286	3,896,916

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor		CFDA*	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
DIRECT AWARDS (Continued)			
National Institutes of Health	93.307	425,416	
National Institutes of Health	93.310	4,973,157	
National Institutes of Health	93.350	10,112,709	
National Institutes of Health	93.351	1,454,270	
National Institutes of Health	93.389	2,739,566	
National Institutes of Health	93.393	19,214,967	
National Institutes of Health	93.394	5,189,543	
National Institutes of Health	93.395	1,844,149	
National Institutes of Health	93.396	3,627,301	
National Institutes of Health	93.397	8,904,302	
National Institutes of Health	93.398	978,199	
National Institutes of Health	93.399	497,289	
National Institutes of Health	93.701	523,655	
National Institutes of Health-ARRA	93.701	4,336,782	
National Institutes of Health	93.837	3,026,347	
National Institutes of Health	93.838	3,950,832	
National Institutes of Health	93.839	1,467,729	
National Institutes of Health	93.846	3,824,299	
National Institutes of Health	93.847	9,180,742	
National Institutes of Health	93.853	8,301,668	
National Institutes of Health	93.855	6,278,674	
National Institutes of Health	93.859	8,307,851	
National Institutes of Health	93.865	3,570,074	
National Institutes of Health	93.866	22,107,985	
National Institutes of Health	93.867	3,784,644	
National Institutes of Health	93.989	63,890	
Office of the Secretary	93.297	967,819	
Office of the Secretary-ARRA	93.726	407,198	
Substance Abuse and Mental Health Services Administration	93.243	1,207,084	
Total - Department of Health and Human Services		209,454,443	
Department of Homeland Security			
Department of Homeland Security	97.061	3,863,251	
Department of Homeland Security	97.082	281,110	
Department of Homeland Security	97.104	268,759	
Department Of Homeland Security	97.RDC	87,197	
Total - Department of Homeland Security		4,500,317	
Department of Justice			
Civil Rights Division	16.101	492	
Department Of Justice	16.RDG	381,363	
Federal Bureau of Investigation	16.304	94,309	
National Institute of Justice	16.560	169,659	
Violence Against Women Office	16.525	(641)	
Total - Department of Justice		645,182	

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER		
<u>DIRECT AWARDS (Continued)</u>		
Department of State		
Bureau of Educational and Cultural Affairs	19.415	836,849
Bureau of Near Eastern Affairs	19.021	3,718
Total - Department of State		840,567
Department of the Interior		
Bureau of Reclamation	15.508	9,136
Department Of The Interior	15.RDC	126,741
Department Of The Interior	15.RDG	38,246
U.S. Geological Survey	15.808	966,840
U.S. Geological Survey	15.810	13,470
Total - Department of the Interior		1,154,433
Department of Transportation		
Department Of Transportation	20.RDC	313,951
Department Of Transportation	20.RDG	117,870
Office of the Secretary (OST) Administration Secretariate	20.701	388,689
Rita Hydrogen	20.704	148,532
Total - Department of Transportation		969,042
Department of Veterans Affairs		
Department Of Veterans Affairs	64.RDC	164,627
Department Of Veterans Affairs	64.RDG	(2,391)
VA Health Administration Center	64.009	43,989
Total - Department of Veterans Affairs		206,225
Environmental Protection Agency		
Office of Research and Development (ORD)	66.509	675,871
Total - Environmental Protection Agency		675,871
Institute For Museum and Library		
Conservation Project Support (IMLS)	45.303	11,511
Total - Institute For Museum and Library		11,511
Institute of Museum and Library Services		
Institute of Museum and Library Services	45.313	141,453
Total - Institute of Museum and Library Services		141,453
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43.001	1,745,277
National Aeronautics and Space Administration	43.003	192,792
National Aeronautics and Space Administration	43.009	5,450
National Aeronautics And Space Administration	43.RDC	937,361
National Aeronautics And Space Administration	43.RDG	208,629
Total - National Aeronautics and Space Administration		3,089,509

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER		
<u>DIRECT AWARDS (Continued)</u>		
National Archives and Records Administration		
National Archives and Records Administration	89.003	118,195
Total - National Archives and Records Administration		118,195
National Endowment for the Arts		
National Endowment for the Arts	45.024	23,490
Total - National Endowment for the Arts		23,490
National Endowment for the Humanities		
National Endowment for the Humanities	45.149	110,425
National Endowment for the Humanities	45.169	513
Total - National Endowment for the Humanities		110,938
National Science Foundation		
Geosciences	47.047	37,564
National Science Foundation	47.041	3,963,737
National Science Foundation	47.049	4,369,763
National Science Foundation	47.050	13,647,818
National Science Foundation	47.070	8,203,026
National Science Foundation	47.074	2,388,115
National Science Foundation	47.075	905,505
National Science Foundation	47.076	3,623,534
National Science Foundation	47.078	427,106
National Science Foundation	47.079	49,821
National Science Foundation	47.080	2,159,192
National Science Foundation-ARRA	47.082	765,085
Total - National Science Foundation		40,540,266
Nuclear Regulatory Commission		
Nuclear Regulatory Commission	77.RDG	36,679
Total - Nuclear Regulatory Commission		36,679
Total Research & Development Cluster - Direct Awards		\$ 353,023,291

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS</u>			
Agency for International Development			
Institute of International Education	98.001	AID-OAA-A-12-00039	117,159
University of California Regents	98.001	AID-OAA-A-14-00008	13,530
Yale University	98.837	R01 HL081153	2,891
Total - Agency for International Development			133,580
Corporation for National and Community Service			
Aids United	94.019	10A1HDC001	4,096
Total - Corporation for National and Community Service			4,096
Department of Agriculture			
Advanced Brain Monitoring, Incorporated	10.001	N00014-11-C-0278	25,766
BAE Systems Information and Electronics Systems, Incorporated	10.001	FA8650-12-C-7211	310,737
Cancer Therapeutics, Incorporated	10.001	HHSn261201000094C	129,720
Create, Incorporated	10.001	FA9453-13-M-0186	34,820
Georgia Regents University	10.001	5U01A1083005-05	84,287
International Business Machines Corporation	10.001	W911NF-12-C-0012	384,340
MDA Information Systems, Incorporated	10.001	D12PC00387	28,976
Northrop Grumman Corporation	10.001	FA8650-13-C-7312	177,439
Omnitec Solutions Incorporated	10.001	HHSN271200900I39U	85,716
Raytheon BBN Technologies	10.001	FA8750-13-C-0008	98,326
SAIC-Frederick, Incorporated-ARRA	10.001	HHSN261200800001E	52,215
Science Applications International Corporation	10.001	N62645-12-C-4100	6,665
Social and Scientific Systems, Incorporated	10.001	HHSN261200800001E	1,935
Stevens Institute of Technology	10.001	H98230-08-D-0171	44,484
University of Alabama at Birmingham	10.001	HHSN266200400073C	167,693
University of Arizona	10.001	N01-CN-35158	43,642
University of Wisconsin, Madison	10.303	2011-51130-31148	(942)
US-Jet Propulsion Laboratory, California Institute of Technology	10.001	NNN12AA01C	66,613
US-Pacific Northwest National Lab	10.001	DE-AC05-76RL01830	529,649
Wayne State University	10.001	UNKNOWN	97,906
Total - Department of Agriculture			2,369,987
Department of Commerce			
CA-Emergency Management Agency	11.467	NA09NWS4670009	14,714
Oregon State University	11.417	NA10OAR4170059	9,636
University of California San Diego	11.012	NA11NOS0120029	155,558
University of California San Diego	11.417	NA14OAR170075	10,018
University of California San Diego	11.417	NA10OAR4170060	96,733
Total - Department of Commerce			286,659

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Department Of Defense			
Analytic Sciences Corporation	12.RDC	10-C-0163	(97)
Anthrotronix, Incorporated	12.RDC	W31P4Q-13-C-0196	56,337
Anthrotronix, Incorporated	12.RDC	W31O4Q-12-C-0190	16,424
ATK Space Systems, Incorporated	12.RDC	W9113M-13-C-0006	86,567
BAE Systems Information and Electronics Systems, Incorporated	12.RDC	N00014-12-C-0381	97,865
BBN Technologies	12.RDC	W911NF-09-D-0006	25,428
BBN Technologies	12.630	W911NF-09-2-0053	163,196
BBN Technologies	12.RDC	W611NF-09-D-0006	35,211
BBN Technologies	12.RDC	N66001-11-C-4006	189,231
BBN Technologies	12.RDC	HR0011-12-C-0014	1,610,596
Boeing Company	12.RDC	FA9453-13-D-0367	25,205
California Institute of Technology	12.RDC	N66001-10-C-4056	100,056
CaridianBCT Biotechnologies, LLC	12.RDG	W81XWH-09-2-0100	60,861
Carnegie Mellon University	12.431	W911NF-10-1-0533	630,122
Carnegie Mellon University	12.RDC	W911NF-08-1-0301	13,843
Carnegie Mellon University	12.800	FA8750-12-2-0342	279,311
Chula Vista Elementary School District	12.556	HE1254-13-1-0017	396,500
Concurrent Technologies Corporation	12.RDC	11-C-0619	512,588
Cornell University	12.300	N00014-13-1-0094	40,738
Cornell University	12.420	W81XWH-10-1-1045	638,354
Cornell University	12.800	FA9550-11-1-0064	73,521
CUBRC, Incorporated	12.RDC	FA8650-10-C-7062	52,264
Dartmouth College/Neukom Institute For Computation	12.300	N00014-08-1-0693	287,433
Denver Research Institute	12.420	W81XWH-10-2-0178	23,904
ERC, Incorporated	12.800	FA9300-06-C-0023	57,122
Fallbrook Union Elementary School District	12.557	HE1254-10-1-0041	1,975,694
General Technical Services, LLC	12.RDC	GS02T10CJC0511	(51)
General Technical Services, LLC	12.RDC	W15P7T-06-D-E402	15,339
Geneva Foundation	12.RDC	USAMRMC GENEVA	922
Georgia Institute of Technology	12.300	N00014-13-1-0563	56,625
Georgia Institute of Technology	12.800	W911NF-11-1-0046	178,380
HC	12.RDC	W31P4Q-05-C-0153	(9,421)
HRL Laboratories, LLC	12.RDC	HR001106C0052	25,131
HRL Laboratories, LLC	12.RDG	HR0011-06-0052	42,910
IBM Foundation	12.RDC	HR0011-12-C-0015	25,436
Indiana University	12.RDC	N66001-12-C-0137	418,956
Indiana University	12.431	W911NF-10-1-0444	85,077
Inferlink Corporation	12.RDC	W31P4Q-13-C-0198	78,943
Intelligent Automation Inc	12.RDC	W81XWH-09-C-0134	4,569
International Business Machines Corporation	12.RDC	W911NF-12-C-0012	(2,395)
International Business Machines Corporation	12.RDC	W911NF-11-C-0200	6,224
International Business Machines Corporation	12.RDC	FA8750-09-C-0172	1,803

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
International Computer Science Institute	12.RDC	W911NF-12-C-0022	81,246
Itt Exelis	12.RDC	W911QX-12-C-0037	191,984
Language Weaver	12.RDC	HR0011-11-C-0150	79,995
Lawrence Berkeley Laboratory	12.RDC	DE-AC02-05CH11231	272,379
Loma Linda University	12.RDC	W81XWH-11-2-0151	92,291
Massachusetts Institute of Technology	12.800	FA8721-05-C-0002	36,111
Massachusetts Institute of Technology	12.300	N00014-11-1-0397	72,334
MDA Information Systems, Incorporated	12.910	FA8750-13-C-0016	61,867
Media and Process Technology, Incorporated	12.RDC	DE-FG36-05-GO15092	(17)
Muscular Dystrophy Association	12.RDC	DARPA TTO	19,727
Neuralgenix, LLC	12.RDC	N00014-12-C-0379	(163)
Nextgen Aeronautics	12.RDC	W911QX-13-C-0138	33,910
Northern California Institute for Research and Education	12.420	W81XWH-13-1-0259	8,602
Northern California Institute for Research and Education	12.RDC	W81XWH-12-2-0012	96,357
Northrop Grumman Corporation	12.RDC	FA8750-13-D-0091	12,767
Northrop Grumman Corporation	12.RDC	FA8750-11-D-0001 T12	50,667
Physical Optics Corporation	12.RDC	N66001-11-C-5218	69,468
Premitec, Incorporated	12.RDC	W81XWH-14-C-0027	23,663
Quanterion Solutions Incorporated	12.RDC	FA8075-12-D-0001	71,960
Raytheon BBN Technologies	12.RDC	HR0011-12-C-0014	100,343
Raytheon BBN Technologies	12.RDC	HR0011-08-C-0004	556,619
Raytheon BBN Technologies	12.RDC	N66001-11-C-4006	18,840
Raytheon Company	12.RDC	N65236-12-C-3884	102,639
Regents of the University of Michigan	12.420	W81XWH-10-1-0730	17,233
Rensselaer Polytechnic Institute	12.300	N00014-09-1-1029	77,358
Research Partnership to Secure Energy for America	12.RDC	DE-AC26-07NT2677	259,741
Research Triangle Institute	12.RDC	HHSP23320095651WC	19
Sandia National Laboratories	12.RDC	DE-AC04-94AL85000	65,643
Science Applications International Corporation	12.RDC	N66001-11-C-4159	226,553
Science Applications International Corporation	12.RDC	AG-3142-C-10-0029	4,661
Shared Spectrum Corporation	12.RDC	FA8750-11-C-0160	(4,940)
Soar Technology, Incorporated	12.420	W81XWH-09-C-0070	36,705
Soar Technology, Incorporated	12.RDC	N00025-13-C-0156	232,210
Soar Technology, Incorporated	12.RDC	N00014-12-M-0248	4
Soar Technology, Incorporated	12.RDC	N00014-11-M-0362	2,710
Soar Technology, Incorporated	12.RDC	N00014-10-C-052670	284,226
Southwest Research Institute	12.RDC	NNG05EC85C	64,553
Southwest Research Institute	12.RDC	NAS5-01095	14,898
Sri International	12.910	FA8650-10-C-7058	395,633
Sri International	12.RDC	2013-13083000007	209,344
Stanford University	12.800	FA9550-12-1-0215	216,973
Stanford University	12.910	FA9550-12-1-0411	116,829

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Stevens Institute of Technology	12.RDC	H98230-08-0171	(12,000)
Stevens Institute of Technology	12.RDC	HQ0034-13-D-0004	79,480
Stevens Institute of Technology	12.RDC	H98230-08-D-0171	194,016
Texas A&M University	12.300	N00014-11-1-0217	(2,144)
Toyon Research Corporation	12.RDC	HQ0147-13-C-7415	30,390
Transient Plasma Systems, Incorporated	12.RDC	FA95550-14-C-0018	25,823
University of California Berkeley	12.431	W911NF-12-1-0541	43,168
University of California, Los Angeles	12.300	N00014-1-0051	38,655
University of California, Los Angeles	12.300	FA9550-10-1-0569	339,325
University of Illinois at Urbana Champaign	12.431	W911NF-13-1-0086	77,632
University of Illinois at Urbana Champaign	12.431	1130156-291577	12,470
University of Melbourne, Australia	12.420	W81XWH-12-1-0104	36,374
University of Pennsylvania	12.910	FA-8750-13-2-0045	65,503
University of Rochester	12.RDC	N00014-11-C-0474	12,434
University of Utah	12.800	FA9550-08-1-0400	22,651
URS Group, Incorporated	12.RDC	DE-FE0004000	98,559
US-Army Research Laboratory	12.RDC	W911NF-09-2-0053	319,230
US-Army-Army Research Office	12.RDC	FA8750-09-C-0210	(473)
US-Jet Propulsion Laboratory, California Institute of Technology	12.RDC	NNN12AA01C	13,203
US-Jet Propulsion Laboratory, California Institute of Technology	12.RDC	NMO7116144	233,097
US-Jet Propulsion Laboratory, California Institute of Technology	12.RDC	NMO711027	46,511
US-National Aeronautics and Space Administration	12.RDC	NNN12AA01C	64,590
US-National Renewable Energy Laboratory - DOEN	12.RDC	DE-AC36-08GO28308	59,297
Vanderbilt University	12.300	N00014-12-1-0987	20,091
Virginia Tech	12.RDC	FA86SO-13-C-7319	177,527
Wright State University	12.800	FA8650-09-2-1649	21,263
Total - Department Of Defense			<u>14,667,336</u>
 Department of Education			
Los Angeles Community College District	84.031	P031C110092	108,766
Los Angeles Unified School District	84.165	U165A100057	13,979
Los Angeles Unified School District-ARRA	84.396	U396C100336	119,445
Rand Corporation	84.305	R305E120003	66,014
University of California, Los Angeles	84.305	R305C080015	81,502
University of Texas	84.305	R305A100995	3,383
University of Wisconsin, Milwaukee	84.325	10880794	8,100
Total - Department of Education			<u>401,189</u>
 Department Of Energy			
Argonne National Laboratory	81.RDC	DE-AC02-06CH11357	82,925
Caterpillar, Incorporated	81.003	DE-FC26-01CH11079	57,126
Lawrence Berkeley Laboratory	81.RDC	DE-AC02-05CH11231	206,455
Los Angeles City-Department of Water and Power-ARRA	81.122	DE OE0000192	3,120,901
Media and Process Technology, Incorporated	81.089	DE-FE0013064	74,895

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
National Council On Radiation Protection and Measure	81.049	DE-SC0008944	33,090
Nimbus Services, Incorporated	81.049	DE-SC0009521	27,901
Princeton University	81.049	DE-SC0001198	180,098
Research Partnership to Secure Energy for America	81.RDC	DE-AC26-07NT2677	216,178
Sandia National Laboratories	81.RDC	DE-AC04-94AL85000	5,408,259
Southern California Edison-ARRA	81.122	DE-OE0000199	226,170
Texas A&M University	81.049	DE-SC0004965	97,428
University of Wisconsin, Madison	81.049	DE-SC0008713	275,592
URS Group, Incorporated	81.RDC	DE-FE0004000	131,287
US-Lawrence Livermore National Laboratory	81.RDC	DE-AC52-07NA27344	46,628
US-Oakridge National Laboratories	81.RDC	DE-AC05-00OR22725	13,556
US-Pacific Northwest National Lab	81.RDC	DE-AC05-76RL01830	39,907
Total - Department Of Energy			<u>10,238,396</u>
Department of Health and Human Services			
Advanced Medical Electronis Corporation	93.866	9R44AG033522-02	412
AgeneBio	93.866	1U01AG041140-01	90,927
Albert Einstein College of Medicine of Yeshiva University	93.847	1R21DK089447-01A1	15,813
Albert Einstein College of Medicine of Yeshiva University	93.855	2U01AI035004-20	10,403
Albert Einstein College of Medicine of Yeshiva University	93.855	3R01AI065309-10S1	40,817
Albert Einstein College of Medicine of Yeshiva University	93.866	5R01AG035114-04	262
American College of Radiology	93.395	U01 CA80098	10,293
American College of Radiology	93.395	U01 CA080098	40,576
American College of Radiology Imaging Network	93.395	U01 CA80098	5,398
American Hospital Association	93.RDC	05-EE-0002394	3,053
American Institutes for Research	93.RDC	200-2007-20026 TO 13	204,819
Applied Integrin Sciences, Incorporated	93.395	1R41CA165626-01A1	102,760
Applied Integrin Sciences, Incorporated	93.395	1R41CA168228-01A1	136,099
Arizona State University	93.847	5R24DK090958-03	19,118
Arizona State University	93.847	5R01DK093653-04	23,632
Axio Research Company, LLC	93.837	1) U01HL081616 2)	(23,111)
Banner Alzheimer's Institute	93.866	1RF1AG041705-01A1	52,060
Banner Sun Health Research Institute	93.866	1 R01 AG036400-01	255,131
Baylor College of Medicine	93.393	7R01CA139020-03	161,227
Baylor College of Medicine	93.394	1R01CA164024-01A1	5,035
Baylor College of Medicine	93.395	1 R01 CA148748-01A1	17,244
Beckman Research Institute of the City of Hope	93.393	5R01CA139633-04	7,000
Beckman Research Institute of the City of Hope	93.393	1R01CA166219-01	109,251
Beckman Research Institute of the City of Hope	93.393	5R01CA077398-14	781,163
Beckman Research Institute of the City of Hope	93.393	5R01CA139633-05	3,351
Beckman Research Institute of the City of Hope	93.393	1UM1CA164917-01A1	71,812
Beckman Research Institute of the City of Hope	93.395	1R01CA174683-01A1	2,638
Beckman Research Institute of the City of Hope	93.395	5U01CA062505-19S1	140,657

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Boston Rehabilitation Outcomes Center	93.RDC	5R24HD065688-04	7,251
Brigham and Women's Hospital	93.286	5U54EB005149-09	184,875
Brigham and Women's Hospital	93.855	2UM1AI068636-08	1,177
Brigham and Women's Hospital	93.855	7UM1AI068636-07	45,575
Brigham and Women's Hospital	93.859	1 P01 GM095467-01	267,425
CA-Department of Public Health	93.283	1U58DP000807-05	1,552,170
CA-Department of Public Health	93.283	1U58DP003810-01	40,194
CA-Department of Public Health	93.283	U58DP000807	365
CA-Department of Public Health	93.RDC	07-65025	(1,812)
California Health Benefit Exchange	93.525	GAO-13-543	498,998
California Institute of Technology	93.395	1P01CA132681-01A2	414,923
California Institute of Technology	93.865	R01HD075605A	196,547
California State University Fullerton	93.397	5U54CA153458-03	12,655
California State University Fullerton	93.397	5U54CA153458-04	20,201
Cancer Prevention Institute of California	93.393	RO1CA154644	18,201
Cancer Prevention Institute of California	93.393	1R01CA170394-01	(254)
Cancer Prevention Institute of California	93.393	7R01CA154644-03	31,330
Cancer Prevention Institute of California	93.393	7R01CA140636-05	41,857
Case Western Reserve University	93.394	R01CA136726-04	12,656
Case Western Reserve University	93.394	R01CA136726-05	17,711
Cedars-Sinai Medical Center	93.121	3R01DE019902-04S1	98,445
Children's Hospital Corporation	93.855	5R01AI065617-14	11,488
Children's Hospital Corporation	93.855	7R01AI065617-12	143,246
Children's Hospital of Los Angeles	93.110	1T77MC25732-01-00	402
Children's Hospital of Los Angeles	93.242	5P50MH096972-02	24,496
Children's Hospital of Los Angeles	93.395	2P01CA081403-14	131,695
Children's Hospital of Los Angeles	93.839	5 U54 HL090511-02	(3,720)
Children's Hospital of Los Angeles	93.839	1U01HL117718-01	380,326
Children's Hospital of Los Angeles	93.847	5R25DK078385-07	540
Children's Hospital of Los Angeles	93.847	2R25DK078385-06	500
Children's Hospital of Los Angeles	93.847	2R25-DK078385-07	575
Children's Hospital of Los Angeles	93.847	1R01DK097115-01A1	9,784
Children's Hospital of Los Angeles	93.859	R01GN068968	53,934
Children's Hospital of Los Angeles	93.865	7R01HD053893-05	49,987
Children's Hospital of Los Angeles	93.865	R01HD070886	213,748
Children's Hospital of Philadelphia	93.393	5R01CA133881	6,655
Children's Hospital of Philadelphia	93.395	1R01CA165277-01A1	116,476
Children's Institute, Incorporated	93.243	2U79SM058241-05	5,226
Children's Institute, Incorporated	93.RDC	MH120846	241,414
Cincinnati Children's Hospital Medical Center	93.865	1R01HD072468-01A1	48,922
Cincinnati Children's Hospital Medical Center	93.RDC	HHSN275200900018C	101,037
Claremont Graduate University	93.837	1U01HL097839-04	49,188
Cleveland Clinic Lerner College of Medicine	93.853	5P01NS069432-04	193,527

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Colorado State University	93.859	R01GM107520	2,360
Columbia University	93.866	1R21AG044260-01A1	35,204
Columbia University	93.867	1 R01 EY21529-01	60,510
Community Health Councils, Incorporated	93.118	5U58DP001056-03	966
Community Health Councils, Incorporated	93.737	1H75DP004354-01	385,931
Community Health Councils, Incorporated	93.RDC	1U58DP004732-01	358,798
Cornell University	93.837	1U34HL115015-01	17,290
CPM Systems, Incorporated	93.307	1R43-MD006707-01	10,668
Dana Farber Cancer Institute	93.397	5P50CA100707-10	76,610
Doheny Eye Institute	93.867	2P30EY00304031A1	54,334
Doheny Eye Institute	93.867	EY022059	14,200
Downtown Women's Center	93.137	UNKNOWN	12,136
Duke University	93.847	1R01DK098382-01A1	1,090
Duke University	93.847	2 U01 DK065176	1,243
Emerson College	93.173	1R01 DC012774-01A1	43,930
Emory University	93.242	1R01MH100917-01A1	4,422
Emory University	93.279	1U01DA036233-01	39,138
Emory University	93.853	2U01NS038455-11A1	128,055
Excell Therapeutic, Incorporated	93.855	1R43AI084359-01A2	16,375
EyeRx Research, Incorporated	93.113	1R41EY022514-01A1	22,166
Florida International University	93.867	7R01EY019951-03	58,774
Florida State University	93.865	5U0HD060292-05	2,502
Forsyth Institute	93.121	1R34DE022272-02	9,459
Fred Hutchinson Cancer Research Center	93.393	5R01CA136725-03	5,213
Fred Hutchinson Cancer Research Center	93.394	5R21CA164545-02	4,299
Fred Hutchinson Cancer Research Center	93.394	1R21CA161894-02	14,196
Fred Hutchinson Cancer Research Center	93.394	2R01CA114563-06	3,228
Fred Hutchinson Cancer Research Center	93.394	5R01CA114563-07	34,789
Fred Hutchinson Cancer Research Center	93.394	5R01CA160872-02	5,602
Fred Hutchinson Cancer Research Center	93.855	5U19AI096111-03	126,224
Georgia Health Sciences University	93.855	5U01A1083005-04	155,415
Harvard Medical School	93.173	1 R01 DC009837-01A1	29,767
Harvard Medical School-ARRA	93.728	90TR0001/01	(3,212)
Harvard School of Public Health	93.393	5U19CA148065-04	170,038
Haskins Laboratories	93.173	R01 DC008780	62,889
Health Research, Incorporated	93.393	5R01CA139426-02	80,277
Indiana University	93.273	1R01AA021751-01A1	75,530
Indiana University	93.837	5 R01 HL095149-02	2,151
Infinite Biomedical Technologies, LLC	93.865	1R43HD072668-01	13,902
InnoScion LLC	93.837	1R41HL093879-01A2	38,829
Institute for Community Research	93.279	1 R01 DA031594-01	71,846
Jackson Laboratory	93.172	5U41HG002273-14	157,722
Jackson Laboratory	93.172	2U41HG002273-12	4,133

*See footnote 2.

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University of Southern California
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Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Jackson Laboratory	93.172	5U41HG002273-13	398,495
Johns Hopkins University	93.242	1 R01 AG031348-01A1	15,691
Johns Hopkins University	93.242	7UM1AI068632-07	97,475
Johns Hopkins University	93.393	1R01CA140311-01A2	9,259
Johns Hopkins University	93.393	5U01CA089600-09	18,501
Johns Hopkins University	93.397	U54CA143868	90,257
Johns Hopkins University	93.853	5U01NS062851-04	2,561
Johns Hopkins University	93.867	2U10EY014660-06	1,278
Johns Hopkins University	93.867	U10 EY014660	3,144
Kitware, Incorporated	93.853	1R41NS081792-01	88,058
LA County Community and Senior Services	93.RDC	FCSP-0913-015	108,560
LA County Community and Senior Services	93.RDC	FCSP131713	228,181
Legacy For Health	93.393	1R01CA155369-01A1	45,787
L-Nutra, Incorporated	93.RDC	HHSN261120120051C	193,360
Lovelace Respiratory Research Institute	93.394	2 R01 CA097356-06A1	15,769
Loyola Marymount University	93.865	1R03HD071334-012	14,308
Loyola Marymount University	93.865	1R03HD071334-01A1	(5,668)
Massachusetts General Hospital	93.242	2 R01 MH085542-02	88,490
Massachusetts General Hospital	93.242	5U01MH093765-04	74,159
Massachusetts General Hospital	93.286	1R01EB013293-01A1	90,529
Massachusetts General Hospital	93.286	2R01EB009048-05	167,706
Mayo Clinic	93.213	5R01AT006515-02	220,832
Mayo Clinic	93.393	2U01CA089600-10A1	9,587
Memorial Sloan Kettering	93.393	5R01CA129639	81,375
Michigan State University	93.393	5R01CA136861-02	652,326
Moffitt Cancer Center	93.393	1 R01 CA149429-01	18,619
Moffitt Cancer Center	93.393	5U19CA148112-03	60,312
Moffitt Cancer Center	93.393	5U19CA148112-04	347,226
Mt. Sinai School of Medicine	93.837	7 U01 HL088942	299
National Bureau of Economic Research	93.866	P01AG005842	5,567
Neumedicines, LLC	93.RDC	HHSO100201100037C	22,289
New York University	93.242	5P30MH090322-03	29,354
New York University	93.242	5P30MH090322-04	1,647
North Carolina State University	93.286	1R01EB015508-01	153,773
Northeastern University	93.837	1R21HL108018	114,751
Northern California Institute for Research and Education	93.866	5U01AG024904-09	971,392
Northwestern University	93.121	2R01DE015920	(4,211)
Northwestern University	93.121	R01DE015920	179,155
Northwestern University	93.242	1U01MH097435-01A1	23,317
Northwestern University	93.242	1P20MH090318-01A1	15,164
Northwestern University	93.279	P30DA027828	6,189
Northwestern University	93.279	7P30DA027828-03	42,495
Northwestern University	93.395	R01CA128641	39,218

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Northwestern University	93.865	K12HD073945	95,514
NSABP Foundation, Incorporated	93.399	U10CA37377	8,005
NUVIEW Radiopharmaceuticals, Incorporated	93.837	R41HL102891	695
Oklahoma Medical Research Foundation	93.855	5P01AI083194-04	79,062
Oregon Health Science University	93.859	R01GM032741-30	8,785
Oregon Health Science University	93.859	R01GM032741-31	15,144
Oregon Health Science University	93.867	5 R01 EY013516-07	(5,656)
Oregon Health Science University	93.867	5R01EY013516-08	39,791
Oregon Social Learning Center	93.279	1P50DA035763-01	7,713
Outcome Sciences, Incorporated	93.715	HHSA290200500351	(459)
Park Nicollet Institute	93.393	1R21CA149934-01A1	10,210
Peking University	93.866	3R01AG037031-03S1	23,652
Pennsylvania State University	93.865	5 R01 HD072468-03	44,845
Population Council	93.865	2U54HD029990	51,802
Premitec, Incorporated-ARRA	93.701	1 RC3 EY020790-01	45,772
Premitec, Incorporated	93.867	2R42EY018794-02A1	87,750
President and Fellows of Harvard College	93.847	5P01DK056246-12	394,833
President and Fellows of Harvard College	93.865	5U01HD052102-08	107,279
President and Fellows of Harvard College	93.865	5U01HD052102-09	549,708
President and Fellows of Harvard College	93.866	R01AG042778	404,092
Princeton University	93.866	5P30AG024928-10	24,618
Public Health Institute	93.283	1U58DP000807-04	(530)
Radiation Therapy Oncology Group	93.395	U10CA021661	57,411
Rady Children's Hospital Research Center	93.242	P30MH074678	(1)
Rand Corporation	93.226	R01 HS018541	12,194
Rand Corporation	93.361	R01NR013372	122,380
Rand Corporation	93.865	R01HD067536	252,622
Rand Corporation	93.866	R01AG035010	47,356
Rand Corporation	93.866	R03AG043052	32,272
Rand Corporation	93.866	PO1AG008291	20,177
Regents of the University of Michigan	93.393	1P01CA163233-01A1	56,158
Regents of the University of Michigan	93.393	5P01CA163233-02	346,193
Regents of the University of Michigan-ARRA	93.701	RC4AG039029	42,032
Regents of the University of Michigan-ARRA	93.701	5R01CA139014-04	93,836
Regents of the University of Michigan-ARRA	93.701	1 R01 CA139014-01	(37,093)
Regents of the University of Michigan	93.846	R01AR060350	125,372
Regents of the University of Michigan	93.847	5U01DK085584-03	12,427
Regents of the University of Michigan	93.866	2U01AG009740-24	96,078
Regents of the University of Michigan	93.866	5U01AG009740-25	2,234
Regents of the University of Michigan	93.866	P01-AG026571	80,989
Research Corporation - University of Hawaii	93.172	3U01HG004802-04S1	82,265
Research Corporation - University of Hawaii	93.172	5U01HG004802-04	12,463
Research Corporation - University of Hawaii	93.279	R01 DA021865	3,853

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
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Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Research Corporation - University of Hawaii	93.393	5 R01 CA126895-03	113,999
Research Corporation - University of Hawaii-ARRA	93.701	3R01CA126895-02S1	2,259
Research Triangle Institute	93.865	1 U01 HD051276-01	105,382
Rockefeller University	93.310	8U54GM103511-08	1,594
Rockefeller University	93.310	5U54GM103511-09	47,026
Roswell Park Cancer Institute	93.393	5P01CA151135-02	993
Roswell Park Cancer Institute	93.393	5901CA151135-02	121
Roswell Park Cancer Institute	93.393	P01CA151135	123,699
Roswell Park Cancer Institute	93.839	5R01HL102278-03	83,128
Rutgers, The State University of New Jersey	93.172	5U24MH068457	32,512
Rutgers, The State University of New Jersey	93.172	1U01HG007419-01	201,374
Rutgers, The State University of New Jersey	93.242	5U24MH068457-10	(7,669)
Rutgers, The State University of New Jersey	93.242	2U24MH068457-11	827,896
SAIC-Frederick, Incorporated-ARRA	93.RDC	HHSN261200800001E	231,495
SAIC-Frederick, Incorporated	93.RDC	HHSN261200800001E	8,750
Salk Institute For Biological Studies	93.173	R01DC011538-01A1	160
San Diego State University Foundation	93.307	5R01MD004025-05	204,919
Sanford-Burnham Medical Research Institute	93.RDC	HHSN261200800001E	33,670
Scripps Research Institute	93.393	U54CA143906	64,658
Scripps Research Institute	93.867	5R01 EY020796-16	32,294
Scripps Research Institute	93.867	5R01 EY020796-17	8,167
Scripps Research Institute	93.RDG	5U54CA143906-04	47,920
Social and Scientific Systems, Incorporated	93.837	1 R01 HL095132-01	16,950
Social and Scientific Systems, Incorporated	93.837	5 R01 HL095149-02	5,550
Southwest Oncology Group	93.395	5U10CA058882-20	411
Southwest Oncology Group	93.399	UNKNOWN	542
Space Telescope Science Institute	93.RDC	NAS5-26555	34,121
St. Luke's-Roosevelt Institute for Health Sciences	93.867	1 U10 EY017281-01A1	1,872
Stanford University	93.172	1U54HG006996-01	60,828
Stanford University	93.172	3U54HG004558-05S1	(31)
Stanford University	93.172	U54HG006996	208,869
Stanford University	93.239	5H79AE000101	286
Stanford University	93.393	1UM1CA167551-01A1	82,855
Stanford University	93.393	5UM1CA167551-02	19,247
State University of New York at Buffalo	93.113	1 R01 ES018846	3,442
Tel Aviv Sourasky Medical Center	93.286	1R01EB017206-01	30,736
Therapeutic Systems Research Laboratories, Incorporated	93.855	1R43AI100401-01A1	84,542
Thomas Jefferson University	93.RDG	HHSNS27120110011U	4,901
Trustees of Columbia University in the City of New York	93.172	2R01 HG003008-09	116,873
Tufts Medical Center	93.847	U01DK098245-01	84,281
Tufts University	93.867	R01EY012383	11,398
University of Alabama	93.853	5U01NS042685-07	2,255
University of Alabama at Birmingham	93.855	N01-AI-30025	(3,549)

*See footnote 2.

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Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of Arizona	93.847	1R24DK090958	17,142
University of California Berkeley	93.113	5R01ES009137-15	42,340
University of California Berkeley	93.113	5R01ES009137-14	8,045
University of California Berkeley	93.113	1R01ES020409-01	71,583
University of California Davis	93.113	1R21ES021330	35,309
University of California Davis	93.113	1R21ES021330-01	(4,325)
University of California Davis	93.113	5R21ES021330-02	28,408
University of California Davis-ARRA	93.RDC	HHSN2612000622009C	58,796
University of California Davis	93.RDC	HHSN261201100038C	146,198
University of California Regents	93.395	R01CA172067	5,374
University of California Regents	93.866	R01 AG032306	22,531
University of California San Diego	93.172	5U01HG006894-04	6,416
University of California San Diego	93.242	1R01MH092950-01A1	169,915
University of California San Diego	93.273	1R01MH087054-01A1	51,278
University of California San Diego-ARRA	93.701	1 RC2 AG036535-01	355
University of California San Diego-ARRA	93.715	1R01HS019913	121,921
University of California San Diego	93.855	2UM1AI069432-08	627,875
University of California San Diego	93.866	2U19AG010483-22	25,535
University of California San Diego	93.866	U01 AG024904	62,000
University of California San Diego	93.867	5R01EY007366-26	19,458
University of California San Diego	93.867	2R01EY016323-06	5,257
University of California San Francisco	93.113	5U01ES017154-04	(504)
University of California San Francisco	93.145	H4 AHA00058	701,596
University of California San Francisco-ARRA	93.179	11-H9014	12,154
University of California San Francisco	93.242	5R01MH089722-04	93,117
University of California San Francisco	93.242	R01 MH 098062	9,246
University of California San Francisco	93.242	1R01MH097274-01	76,920
University of California San Francisco	93.399	5 R01 CA088164-10	368
University of California San Francisco	93.853	U01NS058634	(6,147)
University of California San Francisco	93.853	U01 NS058634	46,777
University of California San Francisco	93.853	1U01NS086090-01	149,230
University of California San Francisco	93.866	R01AG038791	14,839
University of California San Francisco	93.RDC	N01-AI-15416	13,804
University of California, Irvine	93.113	2 R01 ES012243-06A2	113,373
University of California, Irvine	93.173	2R01DC003681-11	109,354
University of California, Irvine	93.286	EB010090-01	109,889
University of California, Irvine	93.855	U54AI065359	165,649
University of California, Los Angeles	93.121	1R01DE022045-01A1	42,906
University of California, Los Angeles	93.121	5P01DA019085	4,637
University of California, Los Angeles	93.135	5U48DP001934	112,723
University of California, Los Angeles	93.242	1R01MH101198-01	27,425
University of California, Los Angeles	93.242	1R01MH094360	18,395
University of California, Los Angeles	93.242	R01MH097268	246,612

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of California, Los Angeles	93.242	P30 MH082760	(518)
University of California, Los Angeles	93.243	1U79TI025410-01	19,524
University of California, Los Angeles	93.273	1 R01 AA021301-01	9,556
University of California, Los Angeles	93.279	1R03DA032542-01A1	21,020
University of California, Los Angeles	93.286	9P41EB015922-15	13,036
University of California, Los Angeles	93.389	2 P41 RR013642	(549)
University of California, Los Angeles	93.393	Preaward	118,670
University of California, Los Angeles	93.393	5R01CA140481-03	4,909
University of California, Los Angeles-ARRA	93.715	1R01HS019963-01	6,465
University of California, Los Angeles	93.837	5P50HL105188	13,748
University of California, Los Angeles	93.837	5P50HL105188-03	(791)
University of California, Los Angeles	93.837	5P50HL105188-05	244,241
University of California, Los Angeles	93.837	5P50HL105188-04	271,677
University of California, Los Angeles	93.839	5P01HL073104	235,792
University of California, Los Angeles	93.839	5 P01 HL073104-08	9,418
University of California, Los Angeles	93.847	2P50DK064539-11	47,384
University of California, Los Angeles	93.847	5U01DK082370-05	11,208
University of California, Los Angeles	93.847	5R01DK048351-14	25,789
University of California, Los Angeles	93.852	1R01NS074980-01	98,528
University of California, Los Angeles	93.853	2U01NS044364	27,204
University of California, Los Angeles	93.853	1U54NS081764-01	11,400
University of California, Los Angeles	93.853	1U01NS059821	22,855
University of California, Los Angeles	93.853	U54NS081764	67,627
University of California, Los Angeles	93.853	5P20NS080181-02	198,647
University of California, Los Angeles	93.865	5R01HD061504-04	37,331
University of Chicago	93.855	1R21AI098599	21,304
University of Cincinnati	93.853	U01NS069763	430,801
University of Cincinnati	93.853	5U01NS069763-02	125,731
University of Cincinnati	93.853	5U01NS069763-03	52,840
University of Florida	93.859	1R01GM102227-01	211,961
University of Hawaii at Honolulu	93.393	1P01CA168530-01	115,466
University of Hawaii at Honolulu	93.393	5P01CA138338-03	281,015
University of Hawaii at Honolulu	93.393	5P01CA168530-02	810,667
University of Hawaii at Honolulu	93.393	P01CA138338	25,996
University of Hawaii at Honolulu	93.393	UM1CA164973	1,486,089
University of Hawaii at Honolulu	93.393	1UM1CA164973-01A1	312,583
University of Illinois at Chicago	93.867	1U01EY023575-01	2,121
University of Illinois at Chicago	93.867	5U10EY011753-14	161,048
University of Illinois at Chicago	93.867	5U10EY011753-16	50,086
University of Illinois at Chicago	93.867	5U10EY017337-04	8,680
University of Kansas	93.859	7 P01 GM084077-02	(599)
University of Maryland	93.242	1P50MH103222-01	3,152
University of Medicine and Dentistry of New Jersey	93.113	1R01ES020382-01A1	12,864

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of Medicine and Dentistry of New Jersey	93.853	5R01NS038384-08	9,799
University of Miami	93.279	3P30DA027828-02	(9,591)
University of Miami	93.279	3 R01 DA025694-02S2	124,366
University of Miami	93.279	1P30DA027828-01A1	2,062
University of Miami	93.395	R01CA141077	68,276
University of Miami	93.395	4R01CA141077-03	126,769
University of Miami-ARRA	93.701	1 R01 HD060325-01	3,939
University of Minnesota	93.393	1 P01 CA138338-01A1	187,124
University of Minnesota	93.393	R01CA151284	426
University of Minnesota	93.393	1 R01 CA127236-01A2	59,950
University of Minnesota	93.394	1R21CA155524-01A1	9,362
University of Minnesota	93.838	5P01HL091775-05	72,046
University of Minnesota	93.847	5R01DK080720-05	125,483
University of Minnesota	93.847	5 R01 DK080720-02	(36,986)
University of Mississippi Medical Center	93.395	5U10CA027469-33	1,443
University of Nebraska Medical Center	93.866	5R01AG037120-02	42,900
University of Nevada - Reno	93.242	R10AP81216	16,644
University of North Carolina, Chapel Hill	93.393	5R01CA098286-10	24,126
University of North Carolina, Chapel Hill	93.393	5R01CA059005-18	12,005
University of North Carolina, Chapel Hill	93.393	5R01CA059005-17	4,675
University of North Carolina, Chapel Hill	93.393	2R01CA098286-11	80,113
University of North Carolina, Chapel Hill	93.865	1U10HD077844-01	19,564
University of Pennsylvania	93.121	7R01DE019932-05	173,280
University of Pennsylvania	93.172	5R01HG005854-02	749
University of Pennsylvania	93.393	1U01CA164947-01	23,682
University of Pennsylvania	93.393	U01CA164947	8,341
University of Pittsburgh	93.866	5R01AG034852-04	29,285
University of Rochester Medical Center	93.113	1R01ES019165-01	(671)
University of Rochester Medical Center	93.242	1 R01 MH091452-01	25,133
University of Texas	93.242	1R01MH085667-02	170,750
University of Texas	93.855	1R21AI094692	599
University of Texas	93.865	2K12HD055929-06	22,934
University of Texas	93.865	K12HD055929	17,671
University of Texas	93.865	5K12HD055929-07	403,097
University of Texas	93.866	2R13AG029767-03	2,632
University of Texas	93.999	3U01HL077863-06S2	496,668
University of Texas Health Science Center at Houston	93.837	5 U01 HL077863-10	160,199
University of Utah	93.279	1R34DA034860-01	95,756
University of Utah	93.859	1U02GM104604-01	511,751
University of Washington	93.273	1 R01 AA018673-01A1	163,009
University of Washington	93.837	1 R01 HL088214-01A1	61,374
University of Washington	93.866	5U01AG016976-14	1,469
University of Wisconsin, Madison	93.242	R01MH081884	82,872

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of Wisconsin, Madison	93.866	5P01AG021079-08	2,500
University of Wisconsin, Milwaukee	93.393	5R01CA136861	398,914
US BioTest	93.RDC	HHSO1002011100003C	699,361
US-National Institutes of Health	93.242	1U01MH097435-01A1	130,097
US-National Institutes of Health	93.866	5U01AG041140-03	61,080
Vanderbilt University	93.847	1K08HL121671-01	1,265
Vanderbilt University Medical Center	93.172	5R21HG006037-02	4,067
Vanderbilt University Medical Center	93.172	1R21HG006037-01A1	23,259
Vanderbilt University Medical Center	93.242	P50MH078028	(11)
Vanderbilt University Medical Center-ARRA	93.715	1 R01 HS019356-01	(10,046)
Ventria Bioscience	93.847	1R43DK098013-01	42,821
Visdrex Corporation	93.867	2R42EY021054-02A1	116,554
Vision y Compromiso	93.RDC	HHSN268200900114U	1,885
Wake Forest University	93.847	2 R01 DK085175-11A1	235,490
Washington University	93.394	1R01CA157277-01	36,120
Westat, Incorporated	93.RDC	HHSN275201300003C	1,855,511
Westat, Incorporated	93.RDC	HHSN267200800001C	357,880
Western University of Health Sciences	93.853	7R01NS057128-05	32,345
Yale University	93.242	5R01MH100028-02	398,434
Yale University	93.853	5U01NS044876-09	2,794
Total - Department of Health and Human Services			<u>38,053,065</u>
Department of Homeland Security			
CA-Emergency Management Agency	97.082	EHRSA09-0001	7,929
Carnegie Mellon University	97.061	2009-ST-CCI002-05	31,891
Rutgers, The State University of New Jersey	97.061	2009-ST-0061-CCI002	65,443
Total - Department of Homeland Security			<u>105,263</u>
Department of Housing and Urban Development			
Los Angeles City-Community Development	14.523	C-122081	653,911
Total - Department of Housing and Urban Development			<u>653,911</u>
Department of Justice			
City of Los Angeles, CA	16.753	2010-DD-BX-0397	12,285
City of Los Angeles, CA	16.RDC	2010-DD-DX-0397	(12)
City of Los Angeles, CA	16.RDG	2009-SB-B9-2024	3,904
Wayne State University	16.560	2011-IJ-CX-KOO6	14,701
Total - Department of Justice			<u>30,878</u>
Department Of The Interior			
Chemehuevi Indian Tribe	15.034	GTH51T69517	3,196
Santa Rosa Band of Cahuilla Indians	15.034	GTJ54T59020	42
Sri International	15.RDC	D11PC20067	508,803
Total - Department Of The Interior			<u>512,041</u>

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Department of Transportation			
Michigan State University	20.200	DTFH61-13-H-00009	28,491
San Jose State University	20.701	DTRT12-G-UTC21	14,718
Transportation Research Board	20.200	DTFH61-08-H-00035	92,071
University of California Regents	20.701	DTRT13-G-UTC29	29,013
Total - Department of Transportation			164,293
Environmental Protection Agency			
Health Effects Institute	66.500	R-82811201	318,209
Health Effects Institute	66.510	R-82811201	12,184
Total - Environmental Protection Agency			330,393
National Aeronautics And Space Administration			
City College of New York	43.001	NNX11A926A	163,955
City College of New York	43.001	NNX11AQ39G	184,999
Honeybee	43.RDG	HHN09CE89C	69
Stanford University	43.RDC	NAS5-02139	(1,096)
University of California San Diego	43.RDG	UNKNOWN	2,951
University of Colorado	43.002	NAS5-02140	324,825
US-Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0716259	261
US-Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NNNN13D239T	(388)
US-Jet Propulsion Laboratory, California Institute of Technology	43.001	NNN12AA01C	107,449
US-Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711048	194,348
US-Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710819	5,216
US-Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711097	47,556
US-National Aeronautics and Space Administration	43.RDC	NNN12AA01C	9,265
Washington University In St. Louis	43.001	NNX12AD88G	16,491
Total - National Aeronautics And Space Administration			1,055,901
National Endowment for the Humanities			
Early Manuscripts Electronic Library	45.169	HD-51709-13	19,634
Total - National Endowment for the Humanities			19,634
National Science Foundation			
Algebra Project, Incorporated	47.049	DRL-0822175	23,075
Arizona State University	47.076	910115	12,941
BBN Technologies	47.070	CNS-0737890	106,979
California Institute of Technology	47.074	1240626	50,323
Carnegie Mellon University	47.070	CNS-0930868	21,013
Clemson University	47.070	ACI-1341935	533
Consortium for Ocean Leadership, Incorporated	47.050	OCE-0652315	133,952
Corporation for Education Network Initiatives in California	47.RDG	OCI-09622931	28,182
Dartmouth College	47.050	GEO-1010280	393,408

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
RESEARCH & DEVELOPMENT CLUSTER			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Drexel University	47.082	CNS-0960061	32,573
Huntington Library	47.075	SES-0957382	21,055
Indiana University	47.080	OCI-0910812	122,889
National Ocean Sciences Bowl	47.RDC	NA12SEC0080019	1,566
New York University	47.075	BCS-1053128	38,786
Pennsylvania State University	47.070	IIS-1344272	88,624
Purdue University	47.049	CHE-1037992	21,468
Regents of the University of Michigan	47.070	CCF-1111061	90,830
Regents of the University of Michigan	47.049	CHE-0934098	29,187
University of Arizona	47.041	EEC-0812072	208,101
University of California Berkeley	47.076	DRL-0917614	8,818
University of California Riverside	47.050	1135455	54,658
University of California, Los Angeles	47.070	CCR-0120778	117,878
University of Illinois at Urbana Champaign	47.041	CMMI-1029846	33,972
University of Illinois at Urbana Champaign	47.080	OCI-1053575	76,587
University of Illinois at Urbana Champaign	47.041	CMMI-0969600	61,537
University of Minnesota	47.041	CMMI-1100528	27,478
University of New Hampshire	47.041	CMMI-1135026	69,797
University of Washington	47.050	OCE-1205233	12,808
University of Wisconsin, Madison	47.041	EFRI-1136903	78,369
University of Wisconsin, Madison	47.049	PHY-1148698	161,366
Utah State University	47.050	AGS-1329544	28,133
Washington University	47.050	OCE1061476	27,692
Total - National Science Foundation			<u>2,184,578</u>
Social Security Administration			
Rand Corporation	96.007	SSA-ORE-08-OI	70,908
Regents of the University of Michigan	96.007	RRC08098401	11,979
Total - Social Security Administration			<u>82,887</u>
Total Research & Development Cluster - Pass-Through Funds			<u>\$ 71,294,087</u>
Total Research and Development Cluster			<u>\$ 424,317,378</u>

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
STUDENT FINANCIAL AID CLUSTER		
Department of Education		
Office of Federal Student Aid		
Federal Direct Student Loans	84.268	545,280,886
Federal Pell Grant Program	84.063	19,706,015
Federal Supplemental Educational Opportunity Grants	84.007	2,504,845
Federal Work-Study Program	84.033	3,910,214
Total - Office of Student Financial Assistance Programs		571,401,960
 Total - Student Financial Aid Cluster		 \$ 571,401,960

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
OTHER PROGRAMS		
<u>Direct Awards</u>		
Economic Development Cluster		
Department of Commerce		
Economic Adjustment Assistance	11.307	252,036
Total - Economic Development Cluster		252,036
Head Start Cluster		
Department of Health and Human Services		
Head Start	93.600	4,675,206
Total - Head Start		4,675,206
TRIO Cluster		
Department of Education		
TRIO McNair Post-Baccalaureate Achievement	84.217	245,612
TRIO Talent Search	84.044	(8)
TRIO Upward Bound	84.047	2,515,803
Total - TRIO Cluster		2,761,407
Total Other Programs - Direct Awards		\$ 7,688,649

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Sponsor	CFDA*	Current Year Expenditures
OTHER PROGRAMS		
<u>Pass-Through Funds</u>		
AmeriCorps		
Corporation for National and Community Service		
AmeriCorps	94.006	60,483
AmeriCorps-ARRA	94.006	11,039
Total - AmeriCorps		71,522
Block Grants for Prevention and Treatment of Substance Abuse		
Department of Health and Human Services		
Block Grants for Prevention and Treatment of Substance Abuse	93.959	305,980
Consolidated Health Centers (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	354,037
Foster Care Title IV-E	93.658	2,071,438
HIV Emergency Relief Project Grants	93.914	512,748
Total - Block Grants for Prevention and Treatment of Substance Abuse		3,244,203
Economic Development Cluster		
Department of Commerce		
Economic Adjustment Assistance	11.307	158,197
Total - Economic Development Cluster		158,197
Teacher Incentive Fund Cluster		
Department of Education		
Teacher Incentive Fund	84.374	135,013
Total - Teacher Incentive Fund Cluster		135,013
Total Other Programs - Pass-Through Funds		\$ 3,608,935
Total Other Programs - Direct and Pass-Through Funds		\$ 11,297,584
TOTAL FEDERAL PROGRAMS		\$ 1,007,016,922

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal grant transactions of the University of Southern California (the "university") and Health Research Association, a wholly owned subsidiary of the University, recorded on the accrual basis of accounting.

Subrecipients and Pass-through Funding

Certain funds are passed through to subgrantee organizations by the university. Expenditures incurred by the subgrantees and reimbursed by the university are presented in the Schedule. The university is also the subrecipient of federal funds which are reported as expenditures and listed as federal pass-through funds.

Negative Balances

Amounts reflected as negative balances represent adjustments to prior periods.

2. CFDA Numbers

Research and Development ("RD") programs included in the Schedule are presented by federal agency and major subdivision within the federal agency. Pass-through and partial pass-through awards have been presented by pass-through entity and federal identification number or sponsor's award number, when available. When federal identification numbers are not available, federal awards are presented by federal agency number and either "RDA" (Cooperative Agreement), "RDG" (Grant), "RDC" (Contract), or "RDS" (Subcontract) is utilized for the federal identification number. When the federal agency number is not available, "99" is used. Pass-through entity numbers or sponsor's award numbers that are not available are identified as unknown.

3. Facilities and Administration Rates

The predetermined fixed rates for the year ended June 30, 2014 were based on fiscal year 2009 financial information and were reviewed by the Department of Health and Human Services for compliance with applicable cost principles (OMB Circular A-21).

For the year ended June 30, 2014, the base Facilities and Administration (Indirect Cost) Rate for on-campus research was 64% of Modified Total Direct Cost ("MTDC"). Off-campus Facilities and Administration Rates were 26% for the Information Sciences Institute ("ISI"), Institute for Creative Technologies ("ICT") and all other off-campus projects.

4. Loan Advances

The following schedule represents loans advanced by the university for the year ended June 30, 2014:

	Loan Advances	Loans Outstanding
Federal Perkins Loans	\$ 7,610,435	\$ 53,364,707
Health Professional Student Loans	2,623,808	13,835,256
Loans for Disadvantaged Students	259,247	1,657,256

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

4. Loan Advances (Continued)

The cancellations related to the Federal Perkins loan program as of June 30, 2014 was \$986,949.

5. Administrative Cost Allowance Received Under Loan Program

During fiscal year 2013-2014, the university claimed \$0 administrative cost allowance from the Federal Supplemental Education Opportunity Grant Program, \$0 from the Federal Work Study Program, and \$200,000 from the Federal Perkins Loan Program.

6. Commingled Assistance

The California Student Aid Commission (CSAC) administers the State Cal Grant A and B Programs, selects the student recipients of these grant awards, and provides the funds to participating institutions for disbursement. Federal Temporary Assistance for the Needed Families (TANF) funds (CFDA Number 93.558) from the United States Department of Health and Human Services may comprise up to approximately 32% of the total funding for these Cal Grant awards. In fiscal year 2014, the University received Cal Grant A and B funds in the amount of \$23,288,755; however, CSAC is unable to determine the exact amount of TANF funds, if any, represented in those awards. As such, the Schedule of Expenditures of Federal Awards does not include State Cal Grant A and B awards.

7. Subrecipient Pass-Throughs

Of the federal expenditures presented in the Schedule, the University provided federal awards to subrecipients from the university's research and development cluster as follows:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
Research and Development--Pass-Throughs		
Administration for Children and Families		
Administration for Children and Families	93.600	\$ 43,363
CA-Department of Public Health		
Centers for Disease Control and Prevention	93.283	200,000
Chula Vista Elementary School District		
Department Of Defense	12.556	250,000
Concurrent Technologies Corporation		
Department Of Defense	12.RDC	271,200
Dartmouth College		
National Science Foundation	47.050	350,858
Fallbrook Union Elementary School District		
Department Of Defense	12.557	506,985
Fred Hutchinson Cancer Research Center		
National Institutes of Health	93.394	9,997
Georgia Health Sciences University		
National Institutes of Health	93.855	59,845
Health Effects Institute		
Environmental Protection: Consolidated Research	66.500	27,067

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

7. Subrecipient Pass-Throughs (Continued)

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
<u>Research and Development--Pass-Throughs</u>		
Institute of International Education		
Agency For International Development	98.001	37,381
LA County Community and Senior Services		
Department Of Health And Human Services	93.RDC	124,763
Los Angeles City-Community Development		
Office of Policy Development and Research	14.523	388,915
Los Angeles City-Department of Water and Power		
Department of Energy-ARRA	81.122	141,833
Massachusetts General Hospital		
National Institutes of Health	93.242	32,481
National Institutes of Health	93.286	6,000
		<u>38,481</u>
Research Partnership to Secure Energy for America		
Department Of Defense	12.RDC	40,820
Rutgers, The State University of New Jersey		
Department of Homeland Security	97.061	51,534
Stevens Institute of Technology		
Department Of Defense	12.RDC	15,000
University of California Berkeley		
National Institutes of Health	93.113	3,638
University of Cincinnati		
National Institutes of Health	93.853	2,828
US-Agency for Healthcare Research and Quality		
Agency for Healthcare Research and Quality	93.226	54,595
Office of the Secretary-ARRA	93.726	42,763
		<u>97,358</u>
US-Agency International Development		
Agency For International Development	98.RDG	43,400
US-Air Force Office of Scientific Research		
Department of the Air Force, Materiel Command	12.800	903,707
US-Air Force Research Laboratory		
Advanced Research Projects Agency	12.910	893
Department Of Defense	12.RDC	113,751
		<u>114,644</u>

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

7. Subrecipient Pass-Throughs (Continued)

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
Research and Development--Pass-Throughs		
US-Army Medical Research Acquisition Activity		
U.S. Army Medical Command	12.420	3,527
US-Army Rdecom Acquisition Center		
Department Of Defense	12.RDC	20,474
U.S. Army Materiel Command	12.431	822,809
		843,283
US-Army-Army Research Office		
Department Of Defense	12.RDC	2,539,769
US-Center for Disease Control		
Centers for Disease Control and Prevention	93.941	327,126
US-Centers For Medicare and Medicaid Services		
Centers for Medicare and Medicaid Services	93.610	600,360
Centers for Medicare and Medicaid Services	93.779	60,475
		660,835
US-Defense Advanced Research Projects Agency		
Advanced Research Projects Agency	12.910	500,314
Department Of Defense	12.RDC	1,224,263
		1,724,577
US-Defense Threat Reduction Agency		
Office of the Secretary of Defense	12.351	291,839
US-Department of Commerce		
Minority Business Development Agency	11.800	2,070
Minority Business Development Agency	11.805	102,849
		104,919
US-Department of Defense		
U.S. Army Medical Command	12.420	57,323
US-Department of Education		
Office of Postsecondary Education	84.015	306,037
Office of Special Education and Rehabilitative Services	84.133	89,734
		395,770
US-Department of Energy		
Department of Energy	81.049	558,161
Department of Energy-ARRA	81.049	183,841
		742,002

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

7. Subrecipient Pass-Throughs (Continued)

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
Research and Development--Pass-Throughs		
US-Department of Health and Human Services		
Administration for Children and Families	93.600	16,180
Office of the Secretary	93.297	209,935
		226,115
US-Department of Homeland Security		
Department Of Defense	12.RDC	282,870
Department of Homeland Security	97.061	836,768
Dept. of the Navy, Off. of the Chief of Naval Research	12.300	358,771
		1,478,408
US-Department of State		
Bureau of Educational and Cultural Affairs	19.415	73,333
US-Department of Transportation		
Department Of Transportation	20.RDG	58,119
Office of the Secretary (OST) Administration Secretariat	20.701	96,386
Rita Hydrogen	20.704	74,704
		229,210
US-Environmental Protection Agency		
Office of Research and Development (ORD)	66.509	56,415
US-Geological Survey		
Department Of The Interior	15.RDC	35,466
U.S. Geological Survey	15.808	644,809
		680,276
US-Health Resources and Services Administration		
Health Resources and Services Administration	93.110	19,084
Health Resources and Services Administration	93.884	416,485
		435,569
US-Intelligence Advanced Research Projects Activity		
Department Of Defense	12.RDC	2,164,229
US-Missile Defense Agency		
Department Of Defense	12.RDC	156,190
US-National Aeronautics and Space Administration		
National Aeronautics And Space Administration	43.001	429,901
National Aeronautics And Space Administration	43.RDC	604,416
		1,034,317

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

7. Subrecipient Pass-Throughs (Continued)

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
<u>Research and Development--Pass-Throughs</u>		
US-National Cancer Institute		
National Institutes of Health	93.393	5,014,366
National Institutes of Health	93.394	545,322
National Institutes of Health	93.395	11,760
National Institutes of Health	93.396	202,794
National Institutes of Health	93.397	2,727,568
National Institutes of Health	93.399	61,472
		8,563,283
US-National Center for Advancing Translational Sciences		
National Institutes of Health	93.350	1,225,475
US-National Center for Complementary and Alternative Medicine		
National Institutes of Health	93.213	83,884
US-National Endowment for the Humanities		
National Endowment for the Humanities	45.149	29,139
US-National Eye Institute		
National Institutes of Health	93.867	83,613
US-National Heart, Lung, and Blood Institute		
National Institutes of Health	93.233	140,862
National Institutes of Health	93.837	228,207
National Institutes of Health	93.838	198,185
National Institutes of Health	93.839	399,733
		966,987
US-National Human Genome Research Institute		
National Institutes of Health	93.172	709,669
US-National Institute of Alcohol Abuse and Alcoholism		
National Institutes of Health	93.273	659,838
US-National Institute of Allergy and Infectious Diseases		
National Institutes of Health	93.855	1,149,778
US-National Institute of Arthritis and Musculoskeletal and Skin Diseases		
National Institutes of Health	93.846	193,344
US-National Institute of Biomedical Imaging and Bioengineering		
National Institutes of Health	93.286	391,450
US-National Institute of Child Health and Human Development		
National Institutes of Health	93.865	234,214

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

7. Subrecipient Pass-Throughs (Continued)

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
Research and Development--Pass-Throughs		
US-National Institute of Dental and Cranofacial Research		
National Institutes of Health	93.121	379,053
US-National Institute of Diabetes and Digestive and Kidney Diseases		
National Institutes of Health	93.847	719,716
US-National Institute of Drug Abuse		
National Institutes of Health	93.279	440,394
US-National Institute of Environmental Health Sciences		
Department Of Health And Human Services	93.RDC	77,083
National Institutes of Health	93.113	652,636
		729,719
US-National Institute of General Medical Sciences		
National Institutes of Health	93.310	30,884
National Institutes of Health	93.389	1,608,104
National Institutes of Health	93.859	642,838
		2,281,825
US-National Institute of Mental Health		
National Institutes of Health	93.242	2,708,000
US-National Institute of Neurological Disorders and Stroke		
National Institutes of Health	93.853	848,363
US-National Institute on Aging		
National Institutes of Health	93.310	271,801
National Institutes of Health	93.866	4,967,725
National Institutes of Health-ARRA	93.701	2,370,020
		7,609,546
US-National Institute on Deafness and other Communicative Disorders		
National Institutes of Health	93.173	667,674
US-National Institute on Minority Health and Health Disparities		
National Institutes of Health	93.307	49,283
US-National Institutes of Health		
National Institutes of Health	93.113	39,232
National Institutes of Health	93.866	28,301
		67,533
US-National Oceanic and Atmospheric Administration		
National Oceanic and Atmospheric Administration	11.417	162,270
US-National Reconnaissance Office		
Department Of Defense	12.RDC	207,439

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

7. Subrecipient Pass-Throughs (Continued)

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
<u>Research and Development--Pass-Throughs</u>		
US-National Science Foundation		
National Science Foundation	47.041	327,910
National Science Foundation	47.050	4,501,972
National Science Foundation	47.070	75,839
National Science Foundation	47.074	19,317
National Science Foundation	47.075	7,240
National Science Foundation	47.076	62,784
National Science Foundation	47.080	303,916
National Science Foundation-ARRA	47.082	(64,997)
		5,233,980
US-Office of Naval Research		
Dept. of the Navy, Office of the Chief of Naval Research	12.300	1,481,846
US-Space and Naval Warfare Systems Command		
Advanced Research Projects Agency	12.910	350,077
Department Of Defense	12.RDC	736,984
		1,087,061
US-Substance Abuse and Mental Health Services Administration		
Substance Abuse and Mental Health Services Admin.	93.243	448,727
US-Transportation Security Administration		
Department Of Defense	12.RDC	6,626
US-USA Medical Research and Materiel Command Broad Agency		
U.S. Army Medical Command	12.420	101,521
Westat, Incorporated		
Department Of Health And Human Services	93.RDC	308,503
Grand Total		57,778,403

8. Contingency

During fiscal year 2013, the university determined that it had inadvertently over awarded loans and grants for certain nonstandard term programs over the academic years ended June 30, 2011, 2012 and 2013. The university notified the Department of Education ("DOE") and has been working with the DOE to determine the appropriate resolution. In a letter provided to the DOE on October 14, 2013, the university communicated that it estimates that the portion of overpayment to students that will be collected, based upon peer default rates, is approximately \$1 million, or 0.1% of the student financial aid cluster. The matter remains open with the DOE and final resolution has not been determined as of the release of this report.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To: The Board of Trustees of the
University of Southern California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of Southern California and its subsidiaries, which comprise the consolidated balance sheet as of June 30, 2014, related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University of Southern California's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University of Southern California's internal control. Accordingly, we do not express an opinion on the effectiveness of the University of Southern California's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University of Southern California's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

October 9, 2014



**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with OMB Circular A-133**

To: The Board of Trustees of the
University of Southern California

Report on Compliance for Each Major Federal Program

We have audited the University of Southern California and its subsidiaries' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University of Southern California's major federal programs for the year ended June 30, 2014. The University of Southern California's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University of Southern California's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University of Southern California's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University of Southern California's compliance.

Opinion on Each Major Federal Program

In our opinion, the University of Southern California complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the University of Southern California is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University of Southern California's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the



circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of Southern California's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Princeton & Cooper LLP

February 11, 2015

University of Southern California
Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Various

Various

Various

Name of Federal Program or Cluster

Research and Development Cluster

Student Financial Aid Cluster

Head Start Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 3,053,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II – Financial Statement Findings

No matters are reportable.

University of Southern California
Independent Auditors' Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section III – Federal Award Findings and Questioned Costs

There are no findings in the current year.

University of Southern California

Summary of Status of Prior Year Findings

For the Year Ended June 30, 2014

Finding 2013-001: **Ensure that Programs are in line with the Standard Terms Outlined by Federal Guidance**

Condition

During fiscal year 2013, the university determined that it had inadvertently over awarded loans and grants for certain nonstandard term programs over the academic years ended June 30, 2011, 2012 and 2013. The university notified the Department of Education ("DOE") and has been working with the DOE to determine the appropriate resolution. The Department of Education has initiated a focused, off-site program review to confirm the university's calculations of overpayments related to the reported programs.

When this issue was discovered, the Financial Aid Office conducted a thorough review of all academic programs to determine which programs were affected.

Current Status

With respect to the largest impacted program, USC now awards and disburses Title IV aid in accordance with a nonstandard term calendar with terms that are substantially equal in length. Such change in approach was effective with new students and new Title IV aid awards as of March 2013.

The remaining three impacted programs, which impacted a much smaller number of awards, have been restructured as standard term programs beginning with academic year 2013-2014.

USC has adjusted the calendars for the two impacted programs to ensure a minimum of 30 weeks of instructional time in an academic year.

USC has revised its policies and systems to improve communication among Financial Aid, the Registrar's office and the schools to ensure that Financial Aid has advanced notice of changes in curriculum and the academic calendar in order to determine if such changes will affect financial eligibility. Financial Aid and the Provost's office have been conducting formal outreach and education to the schools so that they are aware of how academic changes impact aid eligibility.

Management has successfully implemented the steps outlined above and no similar exceptions were noted subsequent to the implementation of these controls.