

## Highlights

	June 30 2001	June 30 2000
<b>Financial</b> (in thousands)		
Total revenues	\$1,399,148	\$1,680,943
Total cash gifts and equipment gifts	\$319,971	\$220,642
Capital expenditures	\$116,987	\$118,799
Total assets at year end	\$3,644,605	\$3,743,446
Total debt at year end	\$230,922	\$234,403
(Decrease) increase in net assets	(\$112,690)	\$583,471
Market value of endowment	\$2,086,245	\$2,152,589
Executed contracts, grants, subcontracts and cooperative agreements	\$588,499	\$610,315
Property, plant, and equipment, net	\$735,692	\$880,661
<b>Net Asset Balances:</b>		
Unrestricted	\$2,036,688	\$2,238,150
Temporarily restricted	\$203,934	\$148,467
Permanently restricted	\$806,227	\$772,922
<b>Students</b>		
<b>Enrollment (head count, autumn):</b>		
Undergraduate students	15,705	15,594
Graduate and professional students	13,489	13,172
<b>Degrees conferred:</b>		
Bachelor degrees (1)	3,769	3,810
Advanced and all other degrees (1)	4,056	3,755
Annual tuition rate	\$23,664	\$22,198
Student aid-scholarships, fellowships and tuition remission	\$195,385,000	\$182,785,000
<b>Faculty</b>		
Full-time (autumn) (2)	2,281	2,347
Percentage tenured (3)	79	79

(1) As of June 30.

(2) Full-time contract faculty.

(3) Percentage tenured is for tenure track faculty.

## Report of Independent Accountants

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

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities, expenses, and cash flows, which appear on pages 3 through 17 of this financial report, present fairly, in all material respects, the consolidated financial position of the University of Southern California and its subsidiaries (the "university") at June 30, 2001, and the changes in their consolidated net assets, expenses, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the university's management; our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the university's 2000 financial statements; and in our report dated September 8, 2000, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2000, the university changed its method of depreciating buildings.



Los Angeles, California  
September 7, 2001

## Consolidated Balance Sheet

*in thousands*

	June 30 2001	June 30 2000
	A	B
<b>Assets</b>		
1 Cash and cash equivalents	\$208,222	\$184,221
2 Accounts receivable, [see Note 3]	94,235	87,667
3 Notes receivable, net of allowance for doubtful accounts, \$10,025 (2001), \$10,139 (2000)	101,525	107,220
4 Pledges receivable, [see Note 9]	176,887	122,157
5 Investments, [see Note 4]	2,300,864	2,339,102
6 Inventories, prepaid expenses and other assets	27,180	22,418
7 Property, plant, and equipment, net, [see Note 5]	735,692	880,661
8 <b>TOTAL ASSETS</b>	<b>\$3,644,605</b>	<b>\$3,743,446</b>
<b>Liabilities</b>		
9 Accounts payable	\$50,905	\$53,878
10 Accrued liabilities	51,760	44,212
11 Refundable advances	16,696	15,940
12 Current portion of long-term debt	4,485	3,500
13 Deposits and deferred revenue	38,407	35,664
14 Post-retirement health benefit obligation, [see Note 14]	3,668	3,945
15 Actuarial liability for annuities payable	133,794	126,301
16 Federal student loan funds	61,412	58,522
17 Long-term debt, [see Note 6]	226,437	230,903
18 Other	10,192	11,042
19 <b>TOTAL LIABILITIES</b>	<b>597,756</b>	<b>583,907</b>
<b>Net Assets</b>		
20 Unrestricted	2,036,688	2,238,150
21 Temporarily restricted	203,934	148,467
22 Permanently restricted	806,227	772,922
23 <b>TOTAL NET ASSETS</b>	<b>3,046,849</b>	<b>3,159,539</b>
24 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$3,644,605</b>	<b>\$3,743,446</b>

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

# Consolidated Statement of Activities

in thousands | with summarized financial information for the year ended June 30, 2000

	Unrestricted Net Assets				Year Ended June 30, 2001			Year Ended June 30, 2000				
	Education and General	Health Care Services	Sponsored Research and Departmental Activities	Unexpended Plant and Debt Service Funds	Invested in Plant	Long-term Investment	Student Loan	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	Total Net Assets
	A	B	C	D	E	F	G	H	I	J	K	L
<b>Revenues</b>												
1 Student tuition and fees	\$613,601							\$613,601			\$613,601	\$564,975
2 Less financial aid	(161,719)							(161,719)			(161,719)	(151,380)
3 Net student tuition and fees	451,882							451,882			451,882	413,595
4 Endowment income	29,854		\$7,924					37,778		\$5,523	43,301	34,094
5 Investment and other income	9,104		2,322	\$13,232			(\$821)	23,837	\$25	492	24,354	26,794
6 Net appreciation (depreciation) in fair value of investments			38					(129,916)	(2,558)	(14,125)	(146,599)	443,993
7 Government contracts and grants			214,501					214,501			214,501	179,533
8 Recovery of indirect costs	77,336							77,336			77,336	69,808
9 Gifts and pledges	26,523		104,253	19,321	\$1,334	57,352		208,783	79,800	44,816	333,399	243,163
10 Sales and service	24,225							24,225			24,225	25,806
11 Auxiliary enterprises	135,323							135,323			135,323	112,517
12 Professional Services Agreements		\$111,125						111,125			111,125	93,725
13 Clinical practices		32,982						32,982			32,982	27,877
14 Kenneth Norris Jr. Cancer Hospital		68,504						68,504			68,504	58,295
15 Loss on the disposal/sale of plant assets					(6,513)			(6,513)			(6,513)	(68,120)
16 Other	22,757							22,757			22,757	21,291
17 Present value adjustment to annuities payable									6,468	6,103	12,571	(1,428)
18 Net assets released from restrictions			35,104	3,183	(292)	(223)		37,772	(28,268)	(9,504)		
19 <b>TOTAL REVENUES</b>	<b>777,004</b>	<b>212,611</b>	<b>364,142</b>	<b>35,736</b>	<b>(5,471)</b>	<b>(72,825)</b>	<b>(821)</b>	<b>1,310,376</b>	<b>55,467</b>	<b>33,305</b>	<b>1,399,148</b>	<b>1,680,943</b>
<b>Expenses</b>												
20 Educational and general activities	730,540		304,694		40			1,035,274			1,035,274	940,568
21 Health care services		204,447						204,447			204,447	187,851
22 Depreciation		5,179			107,938			113,117			113,117	42,209
23 Interest on indebtedness		1,154		14,329				15,483			15,483	15,152
24 <b>TOTAL EXPENSES</b>	<b>730,540</b>	<b>210,780</b>	<b>304,694</b>	<b>14,329</b>	<b>107,978</b>			<b>1,368,321</b>			<b>1,368,321</b>	<b>1,185,780</b>
<b>Transfers within Unrestricted Net Assets:</b>												
25 Mandatory transfers for external debt service	(25,631)		(836)	26,467								
26 Student loan matching requirement	(253)						253					
27 Unrestricted gifts designated for long-term investment	(10,364)					10,364						
28 Internal loan repayments	(17,025)		(221)	17,246								
29 Accumulated gains used for spending rule	17,630		17,161			(34,791)						
30 Designated support for student aid	30,746		(30,746)									
31 Other miscellaneous nonmandatory transfers	(25,371)		9,601	16,628		(1,651)	793					
32 Property, plant and equipment acquisitions	(15,988)	(12)	(15,085)	(44,143)	75,228							
<b>Increase (Decrease) in Net Assets before cumulative effect</b>												
33 of accounting change	208	1,819	39,322	37,605	(38,221)	(98,903)	225	(57,945)	55,467	33,305	30,827	495,163
34 Cumulative effect of accounting change [Note 1]					(143,517)			(143,517)			(143,517)	88,308
35 <b>Increase (Decrease) in Net Assets</b>	<b>208</b>	<b>1,819</b>	<b>39,322</b>	<b>37,605</b>	<b>(181,738)</b>	<b>(98,903)</b>	<b>225</b>	<b>(201,462)</b>	<b>55,467</b>	<b>33,305</b>	<b>(112,690)</b>	<b>583,471</b>
36 Transfer operating surplus to departmental net assets	(208)		208									
37 <b>Beginning Net Assets</b>		1,914	164,794	113,836	445,562	1,514,438	(2,394)	2,238,150	148,467	772,922	3,159,539	2,576,068
38 <b>ENDING NET ASSETS</b>		<b>\$3,733</b>	<b>\$204,324</b>	<b>\$151,441</b>	<b>\$263,824</b>	<b>\$1,415,535</b>	<b>(\$2,169)</b>	<b>\$2,036,688</b>	<b>\$203,934</b>	<b>\$806,227</b>	<b>\$3,046,849</b>	<b>\$3,159,539</b>
<b>Nature of specific net assets:</b>												
39 Internally designated		(\$47,791)	\$24,359		(\$3,175)		(\$5,762)	(\$32,369)			(\$32,369)	(\$35,513)
40 Gift and departmental			122,028	\$65,702			3,593	191,323			191,323	147,770
41 Externally restricted									\$20,176	\$28,589	48,765	43,585
42 Pledges									142,427	34,460	176,887	122,157
43 Kenneth Norris Jr. Cancer Hospital		51,524						51,524			51,524	48,057
44 Unexpended endowment income			57,937					57,937			57,937	48,775
45 Annuity and living trusts									41,331	72,468	113,799	117,496
46 True endowment										670,710	670,710	638,151
47 Funds functioning as endowment						\$1,415,535		1,415,535			1,415,535	1,514,438
48 Debt service funds				85,739				85,739			85,739	65,927
49 Invested in plant					266,999			266,999			266,999	448,696
50		<b>\$3,733</b>	<b>\$204,324</b>	<b>\$151,441</b>	<b>\$263,824</b>	<b>\$1,415,535</b>	<b>(\$2,169)</b>	<b>\$2,036,688</b>	<b>\$203,934</b>	<b>\$806,227</b>	<b>\$3,046,849</b>	<b>\$3,159,539</b>

The accompanying notes are an integral part of this statement.

### Consolidated Statement of Expenses

in thousands | with summarized financial information for the year ended June 30, 2000

	Academic, Health Care and Student Services					Support Services					Year Ended	Year Ended
	Instruction, Departmental Research and Activities	Sponsored Research	Libraries and Art Galleries	Health Care Services	Student Services	Plant Operations and Maintenance	Administration	General Institutional	Fund Raising Activities	Auxiliary Enterprises Operations	June 30, 2001	June 30, 2000
	A	B	C	D	E	F	G	H	I	J	K	L
1 Compensation	\$283,362	\$103,919	\$11,061	\$94,362	\$17,627	\$15,332	\$18,204	\$24,228	\$10,525	\$32,191	\$610,811	\$566,882
2 Fringe benefits	85,802	24,651	3,325	29,159	5,205	4,804	5,794	10,217	3,279	9,699	181,935	165,472
3 Materials and supplies	65,807	67,039	4,410	36,765	8,001	12,132	9,244	18,780	3,301	28,309	253,788	217,781
4 Cost of goods sold	8,796	11,079			16	400		3,350		40,073	63,714	56,384
5 Utilities				1,175		19,109					20,284	17,729
6 Travel	9,677	5,866	153	104	763	56	693	297	385	1,365	19,359	18,199
7 Telephone				1,014		7,337					8,351	8,771
8 Other	21,105			7,223	1,527		821	7,415	161	8,582	46,834	46,512
Kenneth Norris Jr. Cancer Hospital and												
9 USC Care purchased services				34,645							34,645	30,689
10	<b>474,549</b>	<b>212,554</b>	<b>18,949</b>	<b>204,447</b>	<b>33,139</b>	<b>59,170</b>	<b>34,756</b>	<b>64,287</b>	<b>17,651</b>	<b>120,219</b>	<b>1,239,721</b>	<b>1,128,419</b>
Allocations:												
11 Depreciation	40,784	18,618	6,623	5,179	5,630		5,226	7,633	293	23,131	113,117	42,209
12 Interest	2,497			1,154	299	1,104	77	7,563		2,789	15,483	15,152
13 Plant operations and maintenance	28,807	6,797	2,673		3,309	(60,274)	1,005	2,932	122	14,629		
14	<b>\$546,637</b>	<b>\$237,969</b>	<b>\$28,245</b>	<b>\$210,780</b>	<b>\$42,377</b>		<b>\$41,064</b>	<b>\$82,415</b>	<b>\$18,066</b>	<b>\$160,768</b>	<b>\$1,368,321</b>	<b>\$1,185,780</b>

The accompanying notes are an integral part of this statement.

## Consolidated Statement of Cash Flows

in thousands

	Year Ended June 30, 2001	Year Ended June 30, 2000
	A	B
<b>Cash Flows from Operating Activities</b>		
1 (Decrease) increase in Net Assets	(\$112,690)	\$583,471
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation	113,117	42,209
3 Loss on the disposal/sale of plant assets	6,618	68,120
4 Cumulative effect of accounting change	143,517	(88,309)
5 Equipment gifts-in-kind	(1,296)	(2,830)
6 Present value adjustment to annuities payable	(12,319)	1,480
7 Increase in accounts receivable	(6,568)	(1,059)
8 Increase in pledges receivable	(54,730)	(20,963)
9 (Increase) decrease in inventories, prepaid expenses and other assets	(4,762)	877
10 (Decrease) increase in accounts payable	(2,973)	11,594
11 Increase in accrued liabilities	7,548	3,856
12 Increase in refundable advances	756	188
13 Increase in deferred revenue	2,743	3,262
14 Decrease in post-retirement health benefit obligation	(277)	(272)
15 Other	(850)	1,420
16 Contributions restricted for permanent investment and property, plant and equipment	(59,163)	(82,992)
17 Net realized gain on sale of investments	(175,417)	(269,913)
18 Net unrealized depreciation (appreciation) in investments	322,866	(221,236)
19 Net cash provided by operating activities	<u>166,120</u>	<u>28,903</u>
<b>Cash Flows from Investing Activities</b>		
20 Proceeds from note collections and sale of notes	15,214	13,928
21 Notes issued	(9,519)	(13,044)
22 Proceeds from sale of investments	2,735,885	2,308,427
23 Purchase of investments	(2,845,096)	(2,262,954)
24 Purchase of property, plant and equipment, net	(116,987)	(118,799)
25 Net cash used by investing activities	<u>(220,503)</u>	<u>(72,442)</u>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for permanent investment:		
26 Endowment	36,169	62,684
27 Plant	22,699	23,730
28 Trusts and other	295	(3,422)
29 Repayment of long-term debt	(3,496)	(63,386)
30 Increase in long-term debt	15	60,000
31 Increase in federal student loan funds	2,890	2,017
32 Investment income and gains on annuities payable	14,019	8,535
33 Payments on annuities payable	(11,793)	(12,330)
34 Increase to annuities payable resulting from new gifts	17,586	15,244
35 Net cash provided by financing activities	<u>78,384</u>	<u>93,072</u>
36 Net increase in cash and cash equivalents	<u>24,001</u>	<u>49,533</u>
37 Cash and cash equivalents at beginning of year	<u>184,221</u>	<u>134,688</u>
38 Cash and cash equivalents at end of year	<u>\$208,222</u>	<u>\$184,221</u>

The accompanying notes are an integral part of this statement.

## Notes to Consolidated Financial Statements

**NOTE 1**

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

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

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

*Unrestricted net assets:*

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

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

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

these net assets as unrestricted. Internally designated net assets are those which have been appropriated by the Board of Trustees or designated by management.

*Unexpended plant and debt service funds:*

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

*Invested in plant:* Invested in plant assets, including collections of works of art and historical treasures, are stated at cost or fair value at the date of gift, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets. Equipment is removed from the records at the time of disposal. The university follows the policy of recording contributions of long-lived assets directly in invested in plant assets instead of recognizing the gift over the useful life of the asset.

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

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

*Temporarily restricted net assets:*

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

## Notes to Consolidated Financial Statements

### *Permanently restricted net assets:*

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

### *Other accounting policies:*

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

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

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

Diversified venture capital holdings and certain other limited partnership interests are invested in both publicly and privately owned securities. The fair values of private investments are based on

estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values, generally at March 31, prior to the university's fiscal year end. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information. The private investments have a high concentration of pre-initial public offering securities, subjecting these investments to market value volatility. For the year ended June 30, 2001, included in the net depreciation in fair value of investments of \$146,599,000 on the Consolidated Statement of Activities is \$62,000,000 of net depreciation related to venture capital holdings and certain other limited partnership interests.

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

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. Recent revisions of the Office of Management and Budget Circular A-21, which establishes principles for determining such reimbursable costs, require conformity of the lives and methods used for federal cost reimbursement accounting and financial reporting purposes. In fiscal year 2001, the university adopted a revised set of useful lives for equipment to reflect updated useful life estimates, which also conforms to those used

for federal recovery purposes. In addition, the method of computing depreciation on buildings was changed, which also conforms to those used for federal recovery purposes.

Depreciation charges for equipment and library books in fiscal year 2001 are higher as a result of the adoption of the new useful lives which are shorter, ranging from 5 to 10 years, than those previously employed, ranging from 10 to 15 years. For the year ended June 30, 2001, depreciation expense increased by approximately \$55,700,000, due to the change in useful lives.

Effective July 1, 2000, the university changed its method of depreciating buildings from an overall useful life of 50 years to individual component lives ranging from 5 to 50 years. The total amount reported as a cumulative effect of a change in accounting principle decreased net assets by approximately \$143,000,000. The effect of the change for the year ended June 30, 2001 was to increase depreciation expense by approximately \$11,300,000. The proforma effect of the change for the year ended June 30, 2000 would have increased depreciation expense by approximately \$9,700,000.

The actuarial liability for annuities payable include gift annuities, unitrusts, pooled income funds and life estates which are based on the present value of future payments discounted at 6% and 1983 Group Annuity Tables.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the university's financial statements for the year ended June 30, 2000 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.

### **NOTE 2**

Kenneth Norris Jr. Cancer Hospital (Hospital) is a not-for-profit public benefit corporation organized under the laws of the State of California whose sole corporate member is the University of Southern California. Accordingly, the results of operations and net financial position of the Hospital are reflected in the university's financial statements in current unrestricted net assets. Included in current unrestricted net assets is all property, plant and equipment related to the Hospital. Depreciation expense related to the property, plant and equipment is calculated using the straight-line method over the estimated useful lives, ranging from 2 to 40 years.

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

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

Notes to Consolidated Financial Statements

**NOTE 3**

*Accounts receivable (in thousands):*

U.S. Government, net of allowance for doubtful accounts of \$1,354	\$19,071
Student and other, net of allowance for doubtful accounts of \$5,088	34,793
Patient care and practice plans, net of allowance for doubtful accounts of \$63,791	40,371
	<u>\$94,235</u>

**NOTE 4**

*Investments (in thousands):*

	Cost	Market
Stocks	\$975,264	\$1,126,775
Bonds:		
U.S. Government	144,879	149,233
Corporate	273,842	275,504
International investments	215,450	276,570
Venture capital	191,263	256,628
Assets held by other trustees	92,783	101,603
Mortgages, notes and other receivables	6,701	6,701
Real estate and other	83,589	107,850
<b>TOTAL</b>	<u>\$1,983,771</u>	<u>\$2,300,864</u>

**NOTE 5**

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

Land and improvements	\$80,916
Building and improvements	817,941
Equipment	262,108
Library books and collections	132,203
Construction-in-progress	40,457
	<u>1,333,625</u>
Less: Accumulated depreciation	647,512
	<u>686,113</u>
Kenneth Norris Jr. Cancer Hospital	103,722
Less: Accumulated depreciation	54,143
	<u>49,579</u>
	<u>\$735,692</u>

**NOTE 6**

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

	Interest %	Maturity	
<i>California Educational Facilities Authority (CEFA) Revenue Bonds and Notes:</i>			
Series 1993A	5.80-6.10	2002-2005	\$4,165
Series 1993B	4.90-7.00	2002-2016	33,745
Premium			41
Series 1997A	5.50-5.70	2002-2016	39,250
Discount			(273)
Series 1997C	5.125	2029	50,000
Discount			(1,503)
Series 1998A	5.00	2029	30,360
Series 1999	5.50	2028	60,000
Premium			1,171
<i>University of Southern California Bonds</i>			
Series 1998	5.26-6.26	2004-2019	13,585
Discount			(46)
<i>Mortgages</i>	Various	2002-2004	427
			<u>230,922</u>
Less current portion of long-term debt			4,485
			<u>\$226,437</u>

Principal payment requirements relating to bonds, notes and mortgages payable, after giving effect to refunding, for the next five fiscal years are approximately: 2002 \$4,485,000; 2003 \$4,507,000; 2004 \$6,650,000; 2005 \$4,900,000; 2006 \$3,995,000.

Interest payments for fiscal year 2001 were \$12,687,000.

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

## Notes to Consolidated Financial Statements

### NOTE 7

Financial aid is awarded to students based on need and merit. Financial aid does not include payments made to students for services rendered to the university. Financial aid for the year ended June 30, 2001 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$97,712	\$38,340	\$136,052
Endowed scholarships	3,130	1,228	4,358
External financial aid	15,304	6,005	21,309
	<u>\$116,146</u>	<u>\$45,573</u>	<u>\$161,719</u>

### NOTE 8

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

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

	Endowment	Funds functioning as endowment	Departmentally designated funds	Total
Pooled	\$528,542	\$1,164,329	\$11,251	\$1,704,122
Non-pooled	142,168	239,955		382,123
	<u>\$670,710</u>	<u>\$1,404,284</u>	<u>\$11,251</u>	<u>\$2,086,245</u>

Pooled investments represent endowment and long-term investment net assets which have been commingled in a unitized pool (unit market value basis) for purposes of investment. The pool is comprised of bonds (15%), stocks (47%), international investments (16%), venture capital (16%) and other investments (6%). Access to or liquidation from the pool is on the basis of the market value per unit on the preceding monthly valuation date. The unit market value at June 30, 2001 was \$485.55.

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

For the 2001 fiscal year, the Board of Trustees approved current distribution of 122% 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, \$19.47 was distributed to each time-weighted unit for a total spending rule allocation of \$67,273,000. Investment income amounting to \$9.40 per time weighted unit was earned, totaling \$32,482,000, and \$34,791,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2001 represent 3.8% of the market value of the endowment pool at June 30, 2001. Total earnings allocated for spending in fiscal year 2001 represent 3.3% of the market value of total endowment at June 30, 2001.

Approximately \$26,977,000 of the university's unrestricted long-term investments have been designated to support student loans.

### NOTE 9

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

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

In one year or less	\$6,046
Between one year and five years	65,832
More than five years	164,630
Less: discount of \$51,740	
and allowance of \$7,880	(59,621)
	<u>\$176,887</u>

Pledges receivable at June 30, 2001 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$65,096
Endowment for scholarship	3,899
Building construction	33,239
Departmental programs and activities	74,653
	<u>\$176,887</u>

### NOTE 10

Executed contracts, grants, subcontracts and cooperative agreements for future sponsored research activity which are not reflected in the consolidated financial statements at June 30, 2001 are summarized as follows (in thousands):

Current sponsored awards	\$245,983
Executed grants and contracts for future periods	342,516
	<u>\$588,499</u>

### NOTE 11

At June 30, 2001, internal loans for capital investment were \$171,399,000 which are repaid through nonmandatory transfers from the operating budget to unexpended plant within unrestricted net assets. In addition, the Board of Trustees authorized a \$5,000,000 loan from long-term investment to be utilized for student loans, of which \$1,432,000 was outstanding at June 30, 2001. The maturity dates range from 2002 to 2026 with various interest rates.

Internal loans maturing within each of the next five fiscal years range from \$16.9 million to \$20.2 million.

### NOTE 12

Contractual commitments for educational plant amounted to approximately \$61,074,000 at June 30, 2001. It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated gifts and/or debt proceeds.

Notes to Consolidated Financial Statements

**NOTE 13**

Retirement benefits for exempt employees are provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, The Vanguard Group, SunAmerica, Inc., Fidelity Investments and Prudential Insurance Company. Under these defined contribution plans, the university and plan participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or a fixed income fund. Benefits commence upon retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$42,507,000 during the year ended June 30, 2001.

Retirement benefits for non-exempt employees are provided through a noncontributory defined benefit pension plan. The following table sets forth the plan's funded status at June 30, 2001 (in thousands):

Benefit cost	\$3,236
Employer contribution	\$3,236
Benefits paid	\$2,139
Benefit obligation	\$85,673
Fair value of plan assets	64,711
Funded status	(\$20,962)

Items recognized in the consolidated balance sheet:

Intangible asset	\$1,647
Prepaid (accrued) benefit cost	(912)
Additional minimum liability	(6,979)

Weighted-average assumptions:

Discount rate	7.50%
Expected return on plan assets	10.00%
Rate of compensation increase	5.00%

**NOTE 14**

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

The following table sets forth the plan's funded status reconciled with the amount shown in the university's consolidated balance sheet at June 30, 2001 (in thousands):

Benefit cost	\$244
Employer contributions	\$522
Plan participant contributions	\$0
Benefits paid	\$522
Benefit obligation	\$3,262
Fair value of plan assets	0
Funded status	(\$3,262)
Prepaid/(accrued) benefit cost recognized in the consolidated balance sheet	<u>(\$3,668)</u>

Weighted-average assumption:

Discount rate	7.00%
---------------	-------

For measurement purposes, a 8.0% annual rate of increase in the per capita cost of postretirement medical benefits for the health maintenance organization and indemnity programs was assumed for 2001. These rates were assumed to decrease gradually to 5.5% by 2006 and remain at that level thereafter.

**NOTE 15**

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

**NOTE 16**

The estimated fair value of the university's bonds, notes and mortgages payable was \$232,548,000 at June 30, 2001. This fair value was estimated based upon the discounted amount of future cash outflows using the rates offered to the university for debt of the same remaining maturities.

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

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

## 2002 Summary of Budgeted Operating Revenues & Expenses

2001-02 Budget | in thousands

	Undesignated Budget Education and General			Undesignated Budget Health Care Services			Designated Budget			Total Budget		
	2000-01 Budget	2001-02 Budget	Percent Change	2000-01 Budget	2001-02 Budget	Percent Change	2000-01 Budget	2001-02 Budget	Percent Change	2000-01 Budget	2001-02 Budget	Percent Change
<b>Revenues</b>												
Tuition and fees	\$612,646	\$645,521	5.37%							\$612,646	\$645,521	5.37%
Endowment income:												
University-wide	5,790	6,780	17.10%							5,790	6,780	17.10%
Schools and Departments	35,846	42,521	18.62%				\$22,507	\$24,615	9.37%	58,353	67,136	15.05%
Investment income	6,985	7,160	2.51%							6,985	7,160	2.51%
Gifts:												
University-wide	640	720	12.50%							640	720	12.50%
Schools and Departments	14,701	16,182	10.07%				61,789	70,310	13.79%	76,490	86,492	13.08%
Contracts and grants							248,934	264,560	6.28%	248,934	264,560	6.28%
Recovery of indirect costs:												
Endowments	3,228	3,449	6.85%							3,228	3,449	6.85%
Gifts	4,940	3,634	(26.44%)							4,940	3,634	(26.44%)
Contracts and grants	69,037	80,066	15.98%							69,037	80,066	15.98%
Sales and service, auxiliary enterprises and other sources	168,200	190,164	13.06%	\$128,158	\$132,338	3.26%				296,358	322,502	8.82%
<b>TOTAL REVENUES</b>	<b>\$922,013</b>	<b>\$996,197</b>	<b>8.05%</b>	<b>\$128,158</b>	<b>\$132,338</b>	<b>3.26%</b>	<b>\$333,230</b>	<b>\$359,485</b>	<b>7.88%</b>	<b>\$1,383,401</b>	<b>\$1,488,020</b>	<b>7.56%</b>
<b>Expenses</b>												
Compensation:												
Faculty salaries	\$148,522	\$154,615	4.10%	\$75,328	\$74,645	(0.91%)	\$36,859	\$49,474	34.23%	\$260,709	\$278,734	6.91%
Other salaries and wages	229,541	246,124	7.22%	11,868	12,534	5.61%	85,949	89,628	4.28%	327,358	348,286	6.39%
Fringe benefits	117,025	125,623	7.35%	24,931	25,653	2.90%	26,285	33,839	28.74%	168,241	185,115	10.03%
<b>TOTAL COMPENSATION</b>	<b>495,088</b>	<b>526,362</b>	<b>6.32%</b>	<b>112,127</b>	<b>112,832</b>	<b>0.63%</b>	<b>149,093</b>	<b>172,941</b>	<b>16.00%</b>	<b>756,308</b>	<b>812,135</b>	<b>7.38%</b>
Current expense and equipment	179,357	206,604	15.19%	16,015	19,454	21.47%	156,503	159,627	2.00%	351,875	385,685	9.61%
Student aid	149,169	160,261	7.44%				27,634	25,561	(7.50%)	176,803	185,822	5.10%
Debt service	57,891	61,045	5.45%					141		57,891	61,186	5.69%
Utilities	17,119	18,162	6.09%							17,119	18,162	6.09%
Telephone	15,594	16,434	5.39%	16	52	225.00%				15,610	16,486	5.61%
Library acquisitions	7,795	7,329	(5.98%)					1,215		7,795	8,544	9.61%
<b>TOTAL EXPENSES</b>	<b>\$922,013</b>	<b>\$996,197</b>	<b>8.05%</b>	<b>\$128,158</b>	<b>\$132,338</b>	<b>3.26%</b>	<b>\$333,230</b>	<b>\$359,485</b>	<b>7.88%</b>	<b>\$1,383,401</b>	<b>\$1,488,020</b>	<b>7.56%</b>

## 2002 Colleges, Schools, Centers & Institutes

Individual Revenue Center Summary | 2001-02 Budget | in thousands

	Annenberg Center for Communication		Annenberg School for Communication		School of Architecture		School of Cinema-Television	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$8,432	\$3,562	\$25,076	\$5,408	\$10,934	\$3,289	\$34,024	\$5,669
Indirect	(4)		(57)		(537)		(1,078)	
<i>Participation</i>	(4)		(1,157)		(537)		(1,668)	
<i>Subvention</i>			1,100				400	
<i>Academic Initiatives</i>							190	
<b>TOTAL REVENUES</b>	<b>\$8,428</b>	<b>\$3,562</b>	<b>\$25,019</b>	<b>\$5,408</b>	<b>\$10,397</b>	<b>\$3,289</b>	<b>\$32,946</b>	<b>\$5,669</b>

<b>Expenses</b>								
Direct	\$7,336	\$3,562	\$14,551	\$5,408	\$5,099	\$3,289	\$18,266	\$5,669
Indirect	1,092		10,468		5,298		14,680	
<i>Undergraduate Student Aid</i>			5,220		2,564		6,117	
<i>Facilities Improvement Fund</i>			561		260		822	
<i>Other Indirect Expenses</i>	1,092		4,687		2,474		7,741	
<b>TOTAL EXPENSES</b>	<b>\$8,428</b>	<b>\$3,562</b>	<b>\$25,019</b>	<b>\$5,408</b>	<b>\$10,397</b>	<b>\$3,289</b>	<b>\$32,946</b>	<b>\$5,669</b>

	Institute for Creative Technology		Davis School of Gerontology		School of Engineering Academic Programs		Information Sciences Institute	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$1,408	\$14,508	\$6,359	\$6,508	\$83,085	\$39,937	\$7,614	\$51,741
Indirect	(69)		199		2,612		(345)	
<i>Participation</i>	(69)		(226)		(3,938)		(345)	
<i>Subvention</i>			200		3,000			
<i>Academic Initiatives</i>			225		3,550			
<b>TOTAL REVENUES</b>	<b>\$1,339</b>	<b>\$14,508</b>	<b>\$6,558</b>	<b>\$6,508</b>	<b>\$85,697</b>	<b>\$39,937</b>	<b>\$7,269</b>	<b>\$51,741</b>

<b>Expenses</b>								
Direct	\$878	\$14,508	\$3,349	\$6,508	\$51,446	\$39,937	\$5,558	\$51,741
Indirect	461		3,209		34,251		1,711	
<i>Undergraduate Student Aid</i>			403		8,490			
<i>Facilities Improvement Fund</i>			68		1,590			
<i>Other Indirect Expenses</i>	461		2,738		24,171		1,711	
<b>TOTAL EXPENSES</b>	<b>\$1,339</b>	<b>\$14,508</b>	<b>\$6,558</b>	<b>\$6,508</b>	<b>\$85,697</b>	<b>\$39,937</b>	<b>\$7,269</b>	<b>\$51,741</b>

	School of Fine Arts		The Law School		College of Letters, Arts and Sciences		Marshall School of Business	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$6,861	\$473	\$24,017	\$3,684	\$225,978	\$37,491	\$108,274	\$12,621
Indirect	(338)		1,507		(939)		(5,664)	
<i>Participation</i>	(338)		(939)		(10,984)		(5,848)	
<i>Subvention</i>			1,594		3,500			
<i>Academic Initiatives</i>			852		6,545		184	
<b>TOTAL REVENUES</b>	<b>\$6,523</b>	<b>\$473</b>	<b>\$25,524</b>	<b>\$3,684</b>	<b>\$225,039</b>	<b>\$37,491</b>	<b>\$102,610</b>	<b>\$12,621</b>

<b>Expenses</b>								
Direct	\$3,264	\$473	\$18,996	\$3,684	\$113,119	\$37,491	\$60,523	\$12,621
Indirect	3,259		6,528		111,920		42,087	
<i>Undergraduate Student Aid</i>	1,766		170		53,469		16,787	
<i>Facilities Improvement Fund</i>	160		499		5,084		2,595	
<i>Other Indirect Expenses</i>	1,333		5,859		53,367		22,705	
<b>TOTAL EXPENSES</b>	<b>\$6,523</b>	<b>\$473</b>	<b>\$25,524</b>	<b>\$3,684</b>	<b>\$225,039</b>	<b>\$37,491</b>	<b>\$102,610</b>	<b>\$12,621</b>

	School of Policy, Planning, and Development		Rossier School of Education		Institute of Safety and Systems Management		School of Social Work	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$19,549	\$6,963	\$14,768	\$4,468	(\$78)		\$10,829	\$3,650
Indirect	538		423		600		(447)	
<i>Participation</i>	(907)		(700)				(533)	
<i>Subvention</i>								
<i>Academic Initiatives</i>	1,445		1,123		600		86	
<b>TOTAL REVENUES</b>	<b>\$20,087</b>	<b>\$6,963</b>	<b>\$15,191</b>	<b>\$4,468</b>	<b>\$522</b>		<b>\$10,382</b>	<b>\$3,650</b>

<b>Expenses</b>								
Direct	\$12,125	\$6,963	\$9,683	\$4,468	\$522		\$6,833	\$3,650
Indirect	7,962		5,508				3,549	
<i>Undergraduate Student Aid</i>	2,043		1,014				40	
<i>Facilities Improvement Fund</i>	462		329				287	
<i>Other Indirect Expenses</i>	5,457		4,165				3,222	
<b>TOTAL EXPENSES</b>	<b>\$20,087</b>	<b>\$6,963</b>	<b>\$15,191</b>	<b>\$4,468</b>	<b>\$522</b>		<b>\$10,382</b>	<b>\$3,650</b>

	Summer and Special Programs		School of Theatre		Thornton School of Music		Total Colleges, Schools, Centers and Institutes	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$1,010		\$9,388	\$528	\$24,671	\$1,388	\$622,199	\$201,888
Indirect	175		(343)		747		(3,020)	
<i>Participation</i>			(463)		(1,053)		(29,709)	
<i>Subvention</i>					1,000		10,794	
<i>Academic Initiatives</i>	175		120		800		15,895	
<b>TOTAL REVENUES</b>	<b>\$1,185</b>		<b>\$9,045</b>	<b>\$528</b>	<b>\$25,418</b>	<b>\$1,388</b>	<b>\$619,179</b>	<b>\$201,888</b>

<b>Expenses</b>								
Direct	\$1,177		\$4,351	\$528	\$15,137	\$1,388	\$352,213	\$201,888
Indirect	8		4,694		10,281		266,966	
<i>Undergraduate Student Aid</i>			2,554		4,241		104,878	
<i>Facilities Improvement Fund</i>	8		221		499		13,445	
<i>Other Indirect Expenses</i>			1,919		5,541		148,643	
<b>TOTAL EXPENSES</b>	<b>\$1,185</b>		<b>\$9,045</b>	<b>\$528</b>	<b>\$25,418</b>	<b>\$1,388</b>	<b>\$619,179</b>	<b>\$201,888</b>

### Definitions:

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

Participation is a 5% tax on gross tuition revenue, recovery of indirect costs, sales and service and other sources.

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

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

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

Indirect Expenses are the sum of net budgets in all administrative centers (see Individual Administrative Centers 2001-02 Budget by Presidential and Senior Vice Presidential Responsibility Area). Administrative center budgets are allocated to revenue centers according to various methodologies.

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

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

## 2002 Health Sciences Schools & Health Care Services

Individual Revenue Center Summary | 2001-02 Budget | in thousands

	School of Dentistry		Independent Health Professions*		Keck School of Medicine		School of Pharmacy	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$41,362	\$10,088	\$19,079	\$2,476	\$82,533	\$126,966	\$30,702	\$6,076
Indirect	(1,041)		(756)		160		(1,510)	
Participation	(2,041)		(953)				(1,510)	
Subvention								
Academic Initiatives	1,000		197		160			
<b>TOTAL REVENUES</b>	<b>\$40,321</b>	<b>\$10,088</b>	<b>\$18,323</b>	<b>\$2,476</b>	<b>\$82,693</b>	<b>\$126,966</b>	<b>\$29,192</b>	<b>\$6,076</b>

<b>Expenses</b>								
Direct	\$29,337	\$10,088	\$11,381	\$2,476	\$53,956	\$126,966	\$22,409	\$6,076
Indirect	10,984		6,942		28,737		6,783	
Undergraduate Student Aid	797		1,711		489			
Facilities Improvement Fund	861		506		878		543	
Other Indirect Expenses	9,326		4,725		27,370		6,240	
<b>TOTAL EXPENSES</b>	<b>\$40,321</b>	<b>\$10,088</b>	<b>\$18,323</b>	<b>\$2,476</b>	<b>\$82,693</b>	<b>\$126,966</b>	<b>\$29,192</b>	<b>\$6,076</b>

	Total Health Sciences Schools		Dentistry Health Care		Independent Health Professions Health Care*		Medicine Health Care	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$173,676	\$145,606	\$1,857		\$2,343		\$124,251	
Indirect	(3,147)							
Participation	(4,504)							
Subvention								
Academic Initiatives	1,357							
<b>TOTAL REVENUES</b>	<b>\$170,529</b>	<b>\$145,606</b>	<b>\$1,857</b>		<b>\$2,343</b>		<b>\$124,251</b>	

<b>Expenses</b>								
Direct	\$117,083	\$145,606	\$1,834		\$2,333		\$120,811	
Indirect	53,446		23		10		3,440	
Undergraduate Student Aid	2,997							
Facilities Improvement Fund	2,788							
Other Indirect Expenses	47,661		23		10		3,440	
<b>TOTAL EXPENSES</b>	<b>\$170,529</b>	<b>\$145,606</b>	<b>\$1,857</b>		<b>\$2,343</b>		<b>\$124,251</b>	

	Norris Cancer Hospital		Pharmacy Health Care		Total Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$366		\$3,521		\$132,338	
Indirect						
Participation						
Subvention						
Academic Initiatives						
<b>TOTAL REVENUES</b>	<b>\$366</b>		<b>\$3,521</b>		<b>\$132,338</b>	

<b>Expenses</b>								
Direct			\$3,481		\$128,459			
Indirect	\$366		40		3,879			
Undergraduate Student Aid								
Facilities Improvement Fund								
Other Indirect Expenses	366		40		3,879			
<b>TOTAL EXPENSES</b>	<b>\$366</b>		<b>\$3,521</b>		<b>\$132,338</b>			

\*Includes the departments of biokinesiology & physical therapy, nursing, and occupational science & occupational therapy

## 2002 Auxiliaries & Athletics

Individual Revenue Center Summary | 2001-02 Budget | in thousands

	Animal Resources		Faculty Center		Hospitality Services		Housing and Residence Halls	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$293		\$297		\$23,547		\$31,637	
Indirect							(2,946)	
Participation								
Subvention							(2,946)	
Academic Initiatives								
<b>TOTAL REVENUES</b>	<b>\$293</b>		<b>\$297</b>		<b>\$23,547</b>		<b>\$28,691</b>	

<b>Expenses</b>								
Direct	(\$327)		\$7		\$21,947		\$26,834	
Indirect	620		290		1,600		1,857	
Undergraduate Student Aid								
Facilities Improvement Fund								
Other Indirect Expenses	620		290		1,600		1,857	
<b>TOTAL EXPENSES</b>	<b>\$293</b>		<b>\$297</b>		<b>\$23,547</b>		<b>\$28,691</b>	

	Intercollegiate Athletics		KUSC		Student Health and Counseling Services		Transportation Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$33,094	\$2,999	\$4,707	\$750	\$13,906		\$13,575	
Indirect								
Participation								
Subvention								
Academic Initiatives								
<b>TOTAL REVENUES</b>	<b>\$33,094</b>	<b>\$2,999</b>	<b>\$4,707</b>	<b>\$750</b>	<b>\$13,906</b>		<b>\$13,575</b>	

<b>Expenses</b>								
Direct	\$28,428	\$2,999	\$4,288	\$750	\$12,627		\$11,073	
Indirect	4,666		419		1,279		2,502	
Undergraduate Student Aid								
Facilities Improvement Fund								
Other Indirect Expenses	4,666		419		1,279		2,502	
<b>TOTAL EXPENSES</b>	<b>\$33,094</b>	<b>\$2,999</b>	<b>\$4,707</b>	<b>\$750</b>	<b>\$13,906</b>		<b>\$13,575</b>	

	University Bookstores		University Radisson Hotel		University Village		Total Auxiliaries and Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>								
Direct	\$33,097		\$7,857		\$3,263		\$165,273	\$3,749
Indirect							(2,946)	
Participation								
Subvention							(2,946)	
Academic Initiatives								
<b>TOTAL REVENUES</b>	<b>\$33,097</b>		<b>\$7,857</b>		<b>\$3,263</b>		<b>\$162,327</b>	<b>\$3,749</b>

<b>Expenses</b>								
Direct	\$31,474		\$7,857		\$3,263		\$147,471	\$3,749
Indirect	1,623						14,856	
Undergraduate Student Aid								
Facilities Improvement Fund								
Other Indirect Expenses	1,623						14,856	
<b>TOTAL EXPENSES</b>	<b>\$33,097</b>		<b>\$7,857</b>		<b>\$3,263</b>		<b>\$162,327</b>	<b>\$3,749</b>

### 2002 Classification by Center

2001-02 Budget | in thousands

	Colleges, Schools, Centers and Institutes		Health Sciences Schools		Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$622,199	\$201,888	\$173,676	\$145,606	\$132,338	
Indirect	(3,020)		(3,147)			
<i>Participation</i>	(29,709)		(4,504)			
<i>Subvention</i>	10,794					
<i>Academic Initiatives</i>	15,895		1,357			
<b>TOTAL REVENUES</b>	<b>\$619,179</b>	<b>\$201,888</b>	<b>\$170,529</b>	<b>\$145,606</b>	<b>\$132,338</b>	
<b>Expenses</b>						
Direct	\$352,213	\$201,888	\$117,083	\$145,606	\$128,459	
Indirect	266,966		53,446		3,879	
<i>Undergraduate Student Aid</i>	104,878		2,997			
<i>Facilities Improvement Fund</i>	13,445		2,788			
<i>Other Indirect Expenses</i>	148,643		47,661		3,879	
<b>TOTAL EXPENSES</b>	<b>\$619,179</b>	<b>\$201,888</b>	<b>\$170,529</b>	<b>\$145,606</b>	<b>\$132,338</b>	
	Auxiliaries and Athletics		Total Revenue Centers		Administrative Centers	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
<b>Revenues</b>						
Direct	\$165,273	\$3,749	\$1,093,486	\$351,243	\$21,230	\$8,242
Indirect	(2,946)		(9,113)		5,239	
<i>Participation</i>			(34,213)			
<i>Subvention</i>	(2,946)		7,848		2,946	
<i>Academic Initiatives</i>			17,252		2,293	
<b>TOTAL REVENUES</b>	<b>\$162,327</b>	<b>\$3,749</b>	<b>\$1,084,373</b>	<b>\$351,243</b>	<b>\$26,469</b>	<b>\$8,242</b>
<b>Expenses</b>						
Direct	\$147,471	\$3,749	\$745,226	\$351,243	\$365,616	\$8,242
Indirect	14,856		339,147		(339,147)	
<i>Undergraduate Student Aid</i>			107,875		(107,875)	
<i>Facilities Improvement Fund</i>			16,233		(16,233)	
<i>Other Indirect Expenses</i>	14,856		215,039		(215,039)	
<b>TOTAL EXPENSES</b>	<b>\$162,327</b>	<b>\$3,749</b>	<b>\$1,084,373</b>	<b>\$351,243</b>	<b>\$26,469</b>	<b>\$8,242</b>
	Subvention Pool		Total University			
	Undesignated	Designated	Undesignated	Designated		
<b>Revenues</b>						
Direct	\$13,819		\$1,128,535	\$359,485		
Indirect	3,874					
<i>Participation</i>	34,213					
<i>Subvention</i>	(10,794)					
<i>Academic Initiatives</i>	(19,545)					
<b>TOTAL REVENUES</b>	<b>\$17,693</b>		<b>\$1,128,535</b>	<b>\$359,485</b>		
<b>Expenses</b>						
Direct	\$17,693		\$1,128,535	\$359,485		
Indirect						
<i>Undergraduate Student Aid</i>						
<i>Facilities Improvement Fund</i>						
<i>Other Indirect Expenses</i>						
<b>TOTAL EXPENSES</b>	<b>\$17,693</b>		<b>\$1,128,535</b>	<b>\$359,485</b>		

### 2002 Individual Administrative Centers by Presidential & Senior Vice Presidential Responsibility Area

2001-02 Budget | in thousands

	Net Budget	Fringe Benefits		Net Budget	Fringe Benefits
<b>President:</b>					
President's Office	\$2,481	—	<b>Senior Vice President, Administration:</b>		
<b>Provost and Senior Vice President, Academic Affairs:</b>					
Academic Senate	\$173		Budget and Planning	\$1,485	\$594
Academic Services	2,031		Business Affairs-Administrative Services	7,728	87
Enrollment Services	8,558		Contracts and Grants	2,725	
Emeriti Center	175		Corporate Expense	16,330	
Evaluation Services	97		Facilities Improvement	16,233	
Faculty Sabbaticals		\$6,900	Facilities Planning and Management	19,690	
Graduate Assistant Tuition Remission		20,600	Faculty and Staff Counseling		211
Graduate Fellowships	940		Financial Services	12,139	158,813
Graduate School	924		Internal Audit and Compliance	1,721	
Health Sciences Libraries	4,395		Major Maintenance and Renovations	8,655	
International Offices	659		Personnel Services	1,459	2,069
Provost's Office	5,369		Risk Pool	2,790	
Student Affairs	11,628		Safety and Risk Management	6,674	4,906
Undergraduate Student Aid	107,875		Security and Tram Service	10,188	
University Art Galleries	443		Senior Vice President's Office	2,273	
Vice President for Health Affairs	1,035		Treasurer	1,974	
<b>TOTAL</b>	<b>\$144,302</b>	<b>\$27,500</b>	University Counsel	7,816	
<b>Academic Affairs and Administration:</b>					
Administrative Information Systems	\$10,392		University Professional Memberships	400	
Information Services Division	37,627		Utilities	7,999	
<b>TOTAL</b>	<b>\$48,019</b>	<b>—</b>	<b>TOTAL</b>	<b>\$128,279</b>	<b>\$166,680</b>
<b>Senior Vice President, University Advancement:</b>					
Senior Vice President's Office					
<b>Senior Vice President, External Affairs:</b>					
Alumni Association					
External Relations					
Public Relations					
Senior Vice President's Office					
<b>TOTAL</b>					
Fringe Benefit Recoveries					
<b>GRAND TOTAL</b>					

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

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

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

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

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