

University of
Southern California

University of Southern California
University Park, UGB 203
Los Angeles, CA 90089-8003





**1880-2005: Inventing the Future,
Honoring the Past**

The USC 125th Anniversary Project was launched in 2003 to showcase the ways in which USC is redefining the research university of the 21st century, while honoring its proud heritage as one of the oldest academic and cultural institutions in the West.

Financial Information

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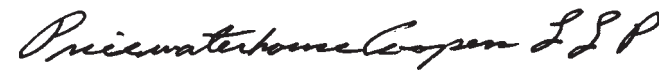
Highlights of the University

	June 30 2004	June 30 2003
Financial (in thousands)		
Total revenues	\$1,935,579	\$1,468,930
Total cash gifts and equipment gifts	\$291,999	\$236,612
Capital expenditures	\$186,008	\$148,694
Total assets at year end	\$4,418,885	\$4,002,727
Total debt at year end	\$401,199	\$425,814
Increase in net assets	\$390,691	\$51,387
Market value of endowment	\$2,399,960	\$2,113,666
Executed contracts, grants, subcontracts and cooperative agreements	\$765,693	\$712,259
Property, plant and equipment, net	\$947,757	\$880,179
Net Asset Balances:		
Unrestricted	\$2,365,499	\$2,045,303
Temporarily restricted	\$155,864	\$139,868
Permanently restricted	\$1,040,354	\$985,855
Students		
Enrollment (head count, autumn):		
Undergraduate students	16,381	16,145
Graduate and professional students	15,225	14,537
Degrees conferred:		
Bachelor degrees	4,344	4,053
Advanced	4,937	4,647
Certificates	204	177
Annual tuition rate	\$28,184	\$26,464
Faculty and Staff		
Faculty	4,300	4,160
Staff	7,797	7,543

Report of Independent Auditors

The Board of Trustees of the University of Southern California

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities, expenses, and cash flows, which appear on pages 3 through 17 of this financial report, present fairly, in all material respects, the consolidated financial position of the University of Southern California and its subsidiaries (the "university") at June 30, 2004, 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 2003 financial statements; and in our report dated September 12, 2003, 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.



Los Angeles, California
September 10, 2004

Consolidated Balance Sheet

in thousands

	June 30 2004	June 30 2003
	A	B
Assets		
1 Cash and cash equivalents	\$443,956	\$373,829
2 Accounts receivable, [see Note 3]	59,871	89,078
3 Notes receivable, net of allowance for doubtful accounts, \$11,950 (2004), \$6,792 (2003)	94,802	90,988
4 Pledges receivable, [see Note 9]	125,460	126,547
5 Investments, [see Note 4]	2,681,853	2,374,943
6 Inventories, prepaid expenses and other assets	65,186	67,163
7 Property, plant and equipment, net, [see Note 5]	947,757	880,179
8 TOTAL ASSETS	\$4,418,885	\$4,002,727
Liabilities		
9 Accounts payable	\$65,351	\$54,448
10 Accrued liabilities	71,976	61,712
11 Refundable advances	23,479	19,265
12 Current portion of long-term debt	3,885	6,778
13 Deposits and deferred revenue	57,639	48,227
14 Post-retirement health benefit obligation, [see Note 14]	2,314	2,787
15 Actuarial liability for annuities payable	169,083	144,849
16 Federal student loan funds	62,116	62,051
17 Long-term debt, [see Note 6]	397,314	419,036
18 Other	4,011	12,548
19 TOTAL LIABILITIES	857,168	831,701
Net Assets		
20 Unrestricted	2,365,499	2,045,303
21 Temporarily restricted	155,864	139,868
22 Permanently restricted	1,040,354	985,855
23 TOTAL NET ASSETS	3,561,717	3,171,026
24 TOTAL LIABILITIES AND NET ASSETS	\$4,418,885	\$4,002,727

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, 2003

	Unrestricted Net Assets				Year Ended June 30, 2004					Year Ended June 30, 2003		
	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	
	A	B	C	D	E	F	G	H	I	J	K	L
Revenues												
1 Student tuition and fees	\$778,550							\$778,550			\$778,550	\$714,415
2 Less financial aid	(235,970)							(235,970)			(235,970)	(213,838)
3 Net student tuition and fees	542,580							542,580			542,580	500,577
4 Endowment income	28,594		\$20,411					49,005		\$163	49,168	40,270
5 Investment and other income	3,427		2,123	\$8,160			(\$332)	13,378	\$91	292	13,761	8,849
6 Net appreciation (depreciation) in fair value of investments			8,860	(1,058)		\$276,987		284,789	5,217	8,283	298,289	3,105
7 Government contracts and grants			259,676					259,676			259,676	252,235
8 Recovery of indirect costs	100,152							100,152			100,152	94,670
9 Gifts and pledges	37,839		140,793	13,613	\$3,584			195,829	43,578	50,751	290,158	220,599
10 Sales and service	27,254							27,254			27,254	23,886
11 Auxiliary enterprises	173,258							173,258			173,258	162,547
12 Professional Services Agreements		\$71,512						71,512			71,512	70,270
13 Clinical practices		90,165						90,165			90,165	83,550
14 Loss on the disposal/sale of plant assets					(3,234)			(3,234)			(3,234)	(2,194)
15 Other	27,013							27,013			27,013	20,607
16 Present value adjustment to annuities payable									737	(4,910)	(4,173)	(10,041)
17 Net assets released from restrictions			33,119	(99)		687		33,707	(33,627)	(80)		
18 TOTAL REVENUES	940,117	161,677	464,982	20,616	350	277,674	(332)	1,865,084	15,996	54,499	1,935,579	1,468,930
Expenses												
19 Educational and general activities	874,542		385,971		572			1,261,085			1,261,085	1,182,009
20 Health care services		164,629						164,629			164,629	158,306
21 Depreciation					70,605			70,605			70,605	67,406
22 Interest on indebtedness				19,091				19,091			19,091	13,286
23 TOTAL EXPENSES	874,542	164,629	385,971	19,091	71,177			1,515,410			1,515,410	1,421,007
Transfers within Unrestricted Net Assets:												
24 Mandatory transfers for external debt service	(23,746)			23,746								
25 Student loan matching requirement	(184)						184					
26 Unrestricted gifts designated for long-term investment	(12,935)					12,935						
27 Internal loan repayments	(21,144)		(4,226)	25,370								
28 Accumulated gains used for spending rule	31,638		27,680			(59,318)						
29 Designated support for student aid	40,995		(40,995)									
30 Other miscellaneous nonmandatory transfers	(60,287)	4,048	(8,688)	42,839		22,088						
31 Property, plant and equipment acquisitions	(19,717)		9,839	(69,519)	79,397							
32 Increase (Decrease) in Net Assets from continuing operations	195	1,096	62,621	23,961	8,570	253,379	(148)	349,674	15,996	54,499	420,169	47,923
(Loss) income from discontinued operations of Kenneth Norris Jr. Cancer Hospital (including loss on disposal of \$21,866)		(29,478)						(29,478)			(29,478)	3,464
34 Increase (Decrease) in Net Assets	195	(28,382)	62,621	23,961	8,570	253,379	(148)	320,196	15,996	54,499	390,691	51,387
35 Transfer operating surplus to departmental net assets	(195)		195									
36 Beginning Net Assets		26,028	274,479	101,196	397,492	1,247,650	(1,542)	2,045,303	139,868	985,855	3,171,026	3,119,639
37 ENDING NET ASSETS		(\$2,354)	\$337,295	\$125,157	\$406,062	\$1,501,029	(\$1,690)	\$2,365,499	\$155,864	\$1,040,354	\$3,561,717	\$3,171,026
Nature of specific net assets:												
38 Internally designated		(\$35,759)	\$25,870		(\$4,270)		(\$6,150)	(\$20,309)			(\$20,309)	(\$20,193)
39 Gift and departmental			212,446	\$56,722			4,460	273,628			273,628	201,221
40 Externally restricted									\$15,364	\$30,598	45,962	36,265
41 Pledges									90,310	35,149	125,459	126,547
Kenneth Norris Jr. Cancer Hospital –												
42 USC/Norris Cancer Center Foundation		33,405						33,405			33,405	62,883
43 Unexpended endowment income			98,979					98,979			98,979	89,166
44 Annuity and living trusts									50,146	75,720	125,866	96,895
45 True endowment									44	898,887	898,931	866,016
46 Funds functioning as endowment						\$1,501,029		1,501,029			1,501,029	1,247,650
47 Debt service funds				68,435				68,435			68,435	63,386
48 Invested in plant					410,332			410,332			410,332	401,190
49 ENDING NET ASSETS		(\$2,354)	\$337,295	\$125,157	\$406,062	\$1,501,029	(\$1,690)	\$2,365,499	\$155,864	\$1,040,354	\$3,561,717	\$3,171,026

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, 2003

	Academic, Health Care and Student Services					Support Services					Year Ended June 30, 2004	Year Ended June 30, 2003
	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		
	A	B	C	D	E	F	G	H	I	J		
1 Compensation	\$327,048	\$135,800	\$11,766	\$97,444	\$18,982	\$28,834	\$25,821	\$43,851	\$11,516	\$39,992	\$741,054	\$688,282
2 Fringe benefits	76,568	34,434	3,655	29,463	5,862	9,561	8,620	14,800	3,745	12,168	198,876	186,606
3 Materials and supplies	69,368	71,260	6,238	4,938	6,390	49,053	2,627	35,917	4,661	41,433	291,885	277,171
4 Cost of goods sold	8,998	12,067			24	602		3,558		47,576	72,825	70,130
5 Utilities						19,031					19,031	17,693
6 Travel	12,761	6,249	177	10	1,019	82	693	486	347	3,014	24,838	25,670
7 Telephone				857		7,647					8,504	8,677
8 Other	18,258	13		15,272	654		102	7,161	291	10,305	52,056	47,381
9 USC Care purchased services				16,645							16,645	18,705
10	513,001	259,823	21,836	164,629	32,931	114,810	37,863	105,773	20,560	154,488	1,425,714	1,340,315
Allocations:												
11 Depreciation	27,127	13,288	4,872		3,311		1,631	5,952	141	14,283	70,605	67,406
12 Interest	2,213					1,551		11,912		3,415	19,091	13,286
13 Plant operations and maintenance	56,430	11,286	1,082		6,179	(116,361)	1,678	12,304	169	27,233		
14	\$598,771	\$284,397	\$27,790	\$164,629	\$42,421		\$41,172	\$135,941	\$20,870	\$199,419	\$1,515,410	\$1,421,007

The accompanying notes are an integral part of this statement.

Consolidated Statement of Cash Flows

in thousands

	Year Ended June 30, 2004	Year Ended June 30, 2003
	A	B
Cash Flows from Operating Activities		
1 Change in Net Assets	\$390,691	\$51,387
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
2 Depreciation	70,605	72,455
3 Loss (gain) on the disposal/sale of plant assets	2,422	(3,472)
4 Equipment gifts-in-kind	(3,584)	(6,659)
5 Present value adjustment to annuities payable	4,146	10,392
6 Decrease (increase) in accounts receivable	29,207	(2,100)
7 Decrease in pledges receivable	1,087	14,642
8 Decrease (increase) in inventories, prepaid expenses and other assets	1,977	(18,600)
9 Increase in accounts payable	10,903	3,357
10 Increase in accrued liabilities	10,264	10,440
11 Increase (decrease) in refundable advances	4,214	(2,209)
12 Increase in deferred revenue	9,412	7,983
13 Decrease in post-retirement health benefit obligation	(473)	(537)
14 (Decrease) increase in other	(8,537)	2,735
15 Contributions restricted for permanent investment and property, plant and equipment	(56,986)	(61,618)
16 Net realized (gain) loss on sale of investments	(111,596)	27,359
17 Net unrealized appreciation in investments	(187,008)	(30,661)
18 Loss on disposal of discontinued operations	21,866	
19 Net cash provided by operating activities	188,610	74,894
Cash Flows from Investing Activities		
20 Proceeds from note collections and sale of notes	24,286	19,547
21 Notes issued	(16,979)	(14,524)
22 Proceeds from disposal of discontinued operations	20,000	
23 Deposit in escrow account related to discontinued operations	(4,000)	
24 Proceeds from sale of investments	2,338,157	2,476,323
25 Purchase of investments	(2,346,463)	(2,494,392)
26 Purchase of property, plant and equipment, net	(186,008)	(148,694)
27 Net cash used by investing activities	(171,007)	(161,740)
Cash Flows from Financing Activities		
Contributions restricted for permanent investment:		
28 Endowment	32,308	28,797
29 Plant	14,241	30,013
30 Trusts and other	10,437	2,808
31 Repayment of long-term debt	(37,410)	(2,321)
32 Increase in long-term debt	12,795	201,662
33 Increase in federal student loan funds	65	1,171
34 Investment income and (losses) on annuities payable	2,374	(320)
35 Payments on annuities payable	(14,035)	(13,216)
36 Increase to annuities payable resulting from new gifts	31,749	18,288
37 Net cash provided by financing activities	52,524	266,882
38 Net increase in cash and cash equivalents	70,127	180,036
39 Cash and cash equivalents at beginning of year	373,829	193,793
40 Cash and cash equivalents at end of year	\$443,956	\$373,829

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 (see Note 2) 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 or component lives of the assets (equipment and library books useful lives ranging from 5 to 10 years and buildings component lives ranging from 5 to 50 years). Equipment is removed from the records at the time of disposal. The university follows the policy of recording contributions of long-lived assets directly in invested in plant assets instead of recognizing the gift over the useful life of the asset.

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

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

Temporarily restricted net assets:

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

Notes to Consolidated Financial Statements

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 trade 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, 2004, included in the net appreciation in fair value of investments of \$298,289,000 on the Consolidated Statement of Activities is \$18,033,000 of net appreciation related to venture capital holdings and certain other limited partnership interests.

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

The university receives federal reimbursement for a portion of the costs of its facilities and equipment used in organized sponsored research. The Office of Management and Budget, Circular A-21, establishes principles for determining such reimbursable costs, requires conformity of the lives and methods used for federal cost reimbursement accounting and financial reporting purposes. The university's policies and procedures are in conformity with these principles.

Student tuition and fees are recorded as revenues during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

The actuarial liability for annuities payable include gift annuities, unitrusts, pooled income funds and life estates which are based on the present value of future payments using discount rates ranging from 3.5% to 7.5% and 1994 Group Annuity Tables.

Notes to Consolidated Financial Statements

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, 2003 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.

NOTE 2

The USC/Norris Cancer Center Foundation (Foundation), formerly 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. Effective December 16, 2003, the university completed the sale of the Hospital operations and certain tangible assets for \$35,000,000 consisting of cash and a note receivable, to an unaffiliated third party (Buyer). Subsequent to the sale of the Hospital operations, the not-for-profit purpose of the Hospital was changed to create the Foundation. The proceeds from the sale of the Hospital will be used to fund the Foundation as required by the Attorney General for the State of California.

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the results of operations for the Hospital have been included in discontinued operations on the Statement of Activities.

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.

The Hospital has agreements with third-party payors, including health maintenance organizations, that provide payment for health care services at amounts different from standard rates established by the Hospital. The Hospital's health care services revenue is reported net of contractual allowances from third-party payors and others for services rendered, and further adjusted for estimates of uncollectible amounts. For the period ended December 16, 2003, the Hospital had net patient service revenues of approximately \$39,700,000. As of June 30, 2004, the Hospital has net receivables outstanding of approximately \$2,500,000.

During 2001, the Hospital entered into a five-year agreement with an affiliate of the Buyer to manage the day-to-day operations of the Hospital. This agreement was terminated on the effective date of the sale of the Hospital.

Notes to Consolidated Financial Statements

NOTE 3

Accounts receivable (in thousands):

U.S. Government, net of allowance for doubtful accounts of \$1,254	\$15,479
Student and other, net of allowance for doubtful accounts of \$6,001	24,812
Patient care and practice plans, net of allowance for doubtful accounts and contractual adjustments of \$48,585	19,580
	<u>\$59,871</u>

NOTE 4

Investments (in thousands):

	Cost	Market
Short-term	\$4,477	\$4,477
Stocks	1,030,483	1,256,619
Bonds:		
U.S. Government	162,471	163,903
Corporate	236,301	235,621
International investments	346,877	469,876
Venture capital	290,772	212,139
Assets held by other trustees	226,865	239,892
Mortgages, notes and other receivables	2,168	2,209
Real estate and other	90,319	97,117
TOTAL	<u>\$2,390,733</u>	<u>\$2,681,853</u>

NOTE 5

Property, plant and equipment (in thousands):

Land and improvements	\$92,135
Building and improvements	1,082,902
Equipment	304,440
Library books and collections	160,811
Construction-in-progress	107,444
	<u>1,747,732</u>
Less: Accumulated depreciation	799,975
	<u>\$947,757</u>

Notes to Consolidated Financial Statements

NOTE 6

Bonds, notes and mortgages payable (in thousands):

	Interest %	Maturity	
<i>California Educational Facilities Authority</i>			
<i>(CEFA) Revenue Bonds and Notes:</i>			
Series 1997A	5.50-5.70	2005-2016	\$33,825
Discount			(217)
Series 1997C	5.125	2029	50,000
Discount			(1,339)
Series 1998A	5.00	2029	30,360
Series 1999	5.50	2028	60,000
Premium			1,038
Series 2003A	4.75-5.00	2024, 2034	150,000
Premium			2,053
Series 2003B	5.00	2005-2016	12,795
Premium			1,138
Series 2003C	1.01*	2034	50,000
<i>University of Southern California Bonds</i>			
Series 1998	5.57-6.26	2009-2019	11,585
Discount			(39)
			<u>401,199</u>
Less current portion of long-term debt			3,885
			<u>\$397,314</u>

*This note bears interest at a variable rate, which is currently 1.01% and will reset on March 18, 2005.

Principal payment requirements relating to bonds, notes and mortgages payable, after giving effect to refunding, for the next five fiscal years are approximately: 2005 \$3,885,000; 2006 \$2,910,000; 2007 \$3,070,000; 2008 \$3,245,000; 2009 \$6,430,000.

Interest payments for fiscal year 2004 were \$20,137,000.

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

On July 8, 2003 the university issued \$12,795,000 of CEFA Series 2003B bonds. These proceeds were transferred into a refunding escrow deposit fund, which was used to call and refund portions of CEFA Series 1993 bonds and CEFA Series 1993B bonds. During fiscal year 2004, the university paid off the remaining CEFA Series 1993B bonds with funds from operations.

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, 2004 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$129,776	\$58,733	\$188,509
Endowed scholarships	14,241	6,445	20,686
External financial aid	18,433	8,342	26,775
	<u>\$162,450</u>	<u>\$73,520</u>	<u>\$235,970</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	\$813,497	\$1,180,401	\$7,922	\$2,001,820
Non-pooled	85,434	312,706		398,140
	<u>\$898,931</u>	<u>\$1,493,107</u>	<u>\$7,922</u>	<u>\$2,399,960</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 (13%), stocks (51%), international investments (23%), venture capital (11%) and other investments (2%). 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, 2004 was \$457.24.

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 2004 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, \$22.88 was distributed to each time-weighted unit for a total spending rule allocation of \$99,179,000. Investment income amounting to \$9.20 per time weighted unit was earned, totaling \$39,861,000, and \$59,318,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2004 represent 4.7% of the market value of the endowment pool at June 30, 2004. Total earnings allocated for spending in fiscal year 2004 represent 4.2% of the market value of total endowment at June 30, 2004.

As a result of market declines, the fair market value of certain donor-restricted endowments are less than the historical cost value. These unrealized losses have been recorded as reductions in unrestricted net assets.

Approximately \$15,946,000 of the university's unrestricted long-term investments have been designated to support student loans.

Notes to Consolidated Financial Statements

NOTE 9

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

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

In one year or less	\$19,468
Between one year and five years	55,887
More than five years	85,725
Less: discount of \$27,783 and allowance of \$7,837	(35,620)
	<u>\$125,460</u>

Pledges receivable at June 30, 2004 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$33,357
Endowment for scholarship	2,666
Building construction	9,995
Departmental programs and activities	79,442
	<u>\$125,460</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, 2004 are summarized as follows (in thousands):

Current sponsored awards	\$284,841
Executed grants and contracts for future periods	480,852
	<u>\$765,693</u>

NOTE 11

At June 30, 2004, internal loans for capital investment were \$183,529,000 which are repaid through nonmandatory transfers from the operating budget to unexpended plant within unrestricted net assets. The maturity dates range from 2005 to 2034 with various interest rates.

Internal loans maturing within each of the next five fiscal years range from \$14.6 million to \$22.3 million.

NOTE 12

Contractual commitments for educational plant amounted to approximately \$165,534,000 at June 30, 2004. It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated gifts and/or debt proceeds.

During the year ended June 30, 2001, the university entered into an agreement with the County of Los Angeles to provide professional services at LAC+USC Medical Center. Under the terms of the agreement the contract automatically renewed on an annual basis unless either party gives four years' notice of the termination.

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, AIG SunAmerica, Fidelity Investments and Prudential Financial. Under these defined contribution plans, the university and plan participants make monthly contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or a fixed income fund. Benefits commence upon retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$52,514,000 during the year ended June 30, 2004.

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, 2004 (in thousands):

Benefit cost	\$7,068
Employer contribution	\$3,500
Benefits paid	\$2,750
Accumulated benefit obligation at end of year	\$110,174
Projected benefit obligation	\$126,498
Fair value of plan assets	129,658
Funded status	\$3,160

Items recognized in the consolidated balance sheet:	
Prepaid (accrued) benefit cost	\$36,068

Weighted-average assumptions:	
Discount rate	6.00%
Expected return on plan assets	8.00%
Rate of compensation increase	5.00%

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

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

Asset Category	June 30, 2004	Target at June 30, 2004
Equity securities	70.4%	60.0%
Debt securities	28.2%	40.0%
Other	1.4%	0.0%
TOTAL	100.0%	100.0%

No contribution to the pension plan is required during the fiscal year ending June 30, 2005. The university may make discretionary contributions to its pension plan during the next fiscal year. This will be reassessed during the year.

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

Fiscal Year Ending June 30	
2005	\$3,639
2006	\$3,927
2007	\$4,229
2008	\$4,472
2009	\$4,791
2010 - 2014	\$31,362

Notes to Consolidated Financial Statements

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 three 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, 2004 (in thousands):

Benefit cost	\$22
Employer contributions	\$495
Plan participant contributions	\$0
Benefits paid	\$495

Benefit obligation	\$1,740
Fair value of plan assets	0
Funded status	(\$1,740)

Accrued benefit cost recognized in the consolidated balance sheet	(\$2,314)
---	-----------

Weighted-average assumption:	
Discount rate	5.00%

For measurement purposes, a 6.5% annual rate of increase in the per capita cost of postretirement medical benefits for the health maintenance organization and indemnity programs was assumed for 2004. These rates were assumed to decrease gradually to 5.5% by 2006 and remain at that level thereafter.

The following projected benefit payments and contributions are expected to be paid (in thousands):

Fiscal Year Ending June 30	
2005	\$615
2006	\$627
2007	\$630

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 \$405,527,000 at June 30, 2004. 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.

2005 Summary of Budgeted Operating Revenues and Expenses

2004-05 Budget | in thousands

	Undesignated Budget Education and General			Undesignated Budget Health Care Services			Designated Budget			Total Budget				
	2003-04 Budget	2004-05 Budget	Percent Change	2003-04 Budget	2004-05 Budget	Percent Change	2003-04 Budget	2004-05 Budget	Percent Change	2003-04 Budget	2004-05 Budget	Percent Change		
Revenues														
Tuition and fees	\$758,825	\$832,173	9.67%							\$758,825	\$832,173	9.67%		
Less student aid	(195,727)	(207,868)	6.20%							(221,100)	(258,858)	17.08%		
Net tuition and fees	563,098	624,305	10.87%			(\$1,482)			(\$25,373)	(49,508)	95.12%	537,725	573,315	6.62%
Endowment income	52,170	52,861	1.32%			(1,482)			(25,373)	(49,508)	95.12%	537,725	573,315	6.62%
Investment income	4,608	6,030	30.86%						28,496	37,955	33.19%	80,666	90,816	12.58%
Gifts	20,233	22,343	10.43%									4,608	6,030	30.86%
Contracts and grants – direct									80,518	94,150	16.93%	100,751	116,493	15.62%
Recovery of indirect costs:									333,096	370,511	11.23%	333,096	370,511	11.23%
Contracts and grants	104,240	111,215	6.69%									104,240	111,215	6.69%
Endowments/Gifts	8,159	7,622	(6.58%)									8,159	7,622	(6.58%)
Auxiliary enterprises	166,358	181,988	9.40%	\$138,257	166,986	20.78%						304,615	348,974	14.56%
Sales and service and other sources	46,051	46,476	0.92%	7,585	8,268	9.00%						53,636	54,744	2.07%
TOTAL REVENUES	\$964,917	\$1,052,840	9.11%	\$145,842	\$173,772	19.15%	\$416,737	\$453,108	8.73%	\$1,527,496	\$1,679,720	9.97%		
Expenses														
Compensation:														
Faculty salaries	\$170,589	\$184,114	7.93%	\$77,489	\$80,574	3.98%	\$53,463	\$49,268	(7.85%)	\$301,541	\$313,956	4.12%		
Other salaries and wages	283,269	305,761	7.94%	17,769	36,430	105.02%	109,277	121,791	11.45%	410,315	463,982	13.08%		
Employee benefits	135,139	146,920	8.72%	29,261	38,826	32.69%	41,783	45,704	9.38%	206,183	231,450	12.25%		
TOTAL COMPENSATION	588,997	636,795	8.12%	124,519	155,830	25.15%	204,523	216,763	5.98%	918,039	1,009,388	9.95%		
Current expense	192,572	228,718	18.77%	18,563	9,256	(50.14%)	141,739	184,968	30.50%	352,874	422,942	19.86%		
Capital financing	61,307	57,565	(6.10%)	850	196	(42.06%)	126	73	(42.06%)	62,283	57,834	(7.14%)		
Professional services	30,807	28,692	(6.87%)		4,215		22,102	6,923	(68.68%)	52,909	39,830	(24.72%)		
Equipment/Library	19,734	22,057	11.77%	220	10	(95.45%)	21,470	17,493	(18.52%)	41,424	39,560	(4.50%)		
Utilities/Telephone	28,477	29,037	1.97%							28,477	29,037	1.97%		
Off-campus facilities	12,415	14,133	13.84%				13,677	14,852	8.59%	26,092	28,985	11.09%		
Travel	10,110	11,460	13.35%	65	71	9.23%	12,269	11,771	(4.06%)	22,444	23,302	3.82%		
Rentals and leases	20,498	24,383	18.95%	1,625	4,194	158.09%	831	265	(68.11%)	22,954	28,842	25.65%		
TOTAL EXPENSES	\$964,917	\$1,052,840	9.11%	\$145,842	\$173,772	19.15%	\$416,737	\$453,108	8.73%	\$1,527,496	\$1,679,720	9.97%		

2005 Colleges, Schools, Centers and Institutes

Individual Revenue Center Summary | 2004-05 Budget | in thousands

	Annenberg Center for Communication		Annenberg School for Communication		School of Architecture		School of Cinema-Television	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$6,951	\$4,281	\$27,633	\$6,437	\$10,346	\$2,836	\$29,444	\$6,316
Center	6,971	4,281	34,933	6,437	13,890	2,836	37,310	6,316
UG Student Aid Fund	(18)		(6,535)		(3,191)		(6,924)	
Facilities Improvement Fund	(2)		(765)		(353)		(942)	
Indirect	(9)		158		(637)		(626)	
Participation	(9)		(1,562)		(715)		(1,906)	
Subvention							250	
Academic Initiatives								
Graduate Programs			1,720		78		1,030	
TOTAL REVENUES	\$6,942	\$4,281	\$27,791	\$6,437	\$9,709	\$2,836	\$28,818	\$6,316

Expenses								
Direct	\$5,671	\$4,281	\$22,379	\$6,437	\$6,819	\$2,836	\$19,889	\$6,316
Indirect	1,271		5,412		2,890		8,929	
Allocated Central Costs	1,271		4,983		2,617		8,302	
Facilities Based			429		273		627	
TOTAL EXPENSES	\$6,942	\$4,281	\$27,791	\$6,437	\$9,709	\$2,836	\$28,818	\$6,316

	Centers for Creative Technology		Davis School of Gerontology		School of Fine Arts		Gould School of Law	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$3,517	\$23,806	\$4,309	\$8,416	\$6,417	\$558	\$29,048	\$2,749
Center	3,517	23,806	4,338	8,416	8,939	558	29,904	2,749
UG Student Aid Fund					(2,304)		(182)	
Facilities Improvement Fund			(29)		(218)		(674)	
Indirect	(170)		1,435		(190)		573	
Participation	(170)		(150)		(454)		(1,260)	
Subvention			200				1,253	
Academic Initiatives			935		142		505	
Graduate Programs			450		122		75	
TOTAL REVENUES	\$3,347	\$23,806	\$5,744	\$8,416	\$6,227	\$558	\$29,621	\$2,749

Expenses								
Direct	\$2,810	\$23,806	\$2,958	\$8,416	\$4,664	\$558	\$22,807	\$2,749
Indirect	537		2,786		1,563		6,814	
Allocated Central Costs	537		2,437		1,394		6,121	
Facilities Based			349		169		693	
TOTAL EXPENSES	\$3,347	\$23,806	\$5,744	\$8,416	\$6,227	\$558	\$29,621	\$2,749

	Graduate Programs		College of Letters, Arts and Sciences		Marshall School of Business		School of Policy, Planning, and Development	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$39,599		\$184,287	\$45,654	\$105,834	\$10,055	\$21,465	\$10,380
Center	40,769		259,688	45,654	130,779	10,055	24,363	10,380
UG Student Aid Fund			(69,157)		(21,617)		(2,229)	
Facilities Improvement Fund	(1,170)		(6,244)		(3,328)		(669)	
Indirect	(39,210)		19,273		(5,917)		256	
Participation	(2,038)		(13,643)		(6,594)		(1,362)	
Subvention			2,000					
Academic Initiatives	15,000		6,109				250	
Graduate Programs	(52,172)		24,807		677		1,368	
TOTAL REVENUES	\$389		\$203,560	\$45,654	\$99,917	\$10,055	\$21,721	\$10,380

Expenses								
Direct	\$389		\$140,814	\$45,654	\$73,471	\$10,055	\$15,342	\$10,380
Indirect			62,746		26,446		6,379	
Allocated Central Costs			56,813		25,469		6,163	
Facilities Based			5,933		977		216	
TOTAL EXPENSES	\$389		\$203,560	\$45,654	\$99,917	\$10,055	\$21,721	\$10,380

2005 Colleges, Schools, Centers and Institutes

Individual Revenue Center Summary | 2004-05 Budget | in thousands

	Rossier School of Education		School of Social Work		Summer and Special Programs		School of Theatre	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$17,349	\$5,742	\$15,471	\$3,853	\$1,647		\$8,050	\$461
Center	18,761	5,742	15,970	3,853	1,672		11,440	461
UG Student Aid Fund	(963)		(53)				(3,115)	
Facilities Improvement Fund	(449)		(446)		(25)		(275)	
Indirect	18		(402)				(194)	
Participation	(935)		(834)				(577)	
Subvention								
Academic Initiatives	150						155	
Graduate Programs	803		432				228	
TOTAL REVENUES	\$17,367	\$5,742	\$15,069	\$3,853	\$1,647		\$7,856	\$461

Expenses								
Direct	\$12,517	\$5,742	\$11,315	\$3,853	\$1,647		\$5,618	\$461
Indirect	4,850		3,754				2,238	
Allocated Central Costs	4,496		3,604				1,915	
Facilities Based	354		150				323	
TOTAL EXPENSES	\$17,367	\$5,742	\$15,069	\$3,853	\$1,647		\$7,856	\$461

	Thornton School of Music		Viterbi School of Engineering Academic Programs Information Sciences Institute				Total Colleges, Schools, Centers and Institutes	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$20,076	\$1,636	\$71,597	\$42,393	\$9,198	\$81,447	\$612,238	\$257,020
Center	26,068	1,636	82,023	42,393	9,198	81,447	760,533	257,020
UG Student Aid Fund	(5,364)		(8,611)				(130,263)	
Facilities Improvement Fund	(628)		(1,815)				(18,032)	
Indirect	2,708		16,638		(396)		(6,692)	
Participation	(1,311)		(4,374)		(396)		(38,290)	
Subvention	700		1,500				5,903	
Academic Initiatives	2,300		6,180				31,726	
Graduate Programs	1,019		13,332				(6,031)	
TOTAL REVENUES	\$22,784	\$1,636	\$88,235	\$42,393	\$8,802	\$81,447	\$605,546	\$257,020

Expenses								
Direct	\$16,347	\$1,636	\$60,170	\$42,393	\$6,813	\$81,447	\$432,440	\$257,020
Indirect	6,437		28,065		1,989		173,106	
Allocated Central Costs	5,904		25,533		1,989		159,548	
Facilities Based	533		2,532				13,558	
TOTAL EXPENSES	\$22,784	\$1,636	\$88,235	\$42,393	\$8,802	\$81,447	\$605,546	\$257,020

Definitions:

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

Center Revenues are directly generated by the center less any financial aid paid from center funds.

The Undergraduate Student Aid is centrally administered and charged to academic centers on a pre-determined percent of undergraduate tuition. For fiscal year 2004-2005, the rate is 28%.

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

Participation is a tax on gross tuition revenue, recovery of indirect costs, sales and service and other sources. For fiscal year 2004-2005, the rate is 5%.

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

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

Graduate Programs is funding provided to schools in support of graduate education. All PhD tuition is centralized and allocated to various schools based on academic priorities.

Indirect Expenses are the sum of Allocated Central Costs and Facilities Based and equal the net budgets of administrative centers (see Individual Administrative Centers 2004-2005 Budget by Presidential and Senior Vice Presidential Responsibility Area).

Allocated Central Costs are central administrative costs that benefit the university as a whole and are allocated to revenue centers.

Facilities Based Indirects are space related costs that can be linked directly to a center's occupancy.

2005 Health Sciences Schools and Health Care Services

Individual Revenue Center Summary | 2004-05 Budget | in thousands

	School of Dentistry		Independent Health Professions*		Keck School of Medicine		School of Pharmacy	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$44,284	\$7,416	\$14,557	\$1,545	\$86,189	\$155,524	\$35,594	\$8,263
Center	46,055	7,416	15,396	1,545	88,155	155,524	36,262	8,263
UG Student Aid Fund	(728)		(411)		(956)			
Facilities Improvement Fund	(1,043)		(428)		(1,010)		(668)	
Indirect	(2,051)		(646)		11,176		(531)	
Participation	(2,296)		(1,178)		(4,306)		(1,831)	
Subvention					6,438			
Academic Initiatives			40		4,800		250	
Graduate Programs	245		492		4,244		1,050	
TOTAL REVENUES	\$42,233	\$7,416	\$13,911	\$1,545	\$97,365	\$155,524	\$35,063	\$8,263

Expenses								
Direct	\$31,310	\$7,416	\$10,294	\$1,545	\$63,368	\$155,524	\$27,797	\$8,263
Indirect	10,923		3,617		33,997		7,266	
Allocated Central Costs	9,313		3,608		31,387		6,567	
Facilities Based	1,610		9		2,610		699	
TOTAL EXPENSES	\$42,233	\$7,416	\$13,911	\$1,545	\$97,365	\$155,524	\$35,063	\$8,263

	Total Health Sciences Schools		Dentistry Health Care		Independent Health Professions Health Care*		Medicine Health Care	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$180,624	\$172,748	\$6,786		\$2,134		\$160,713	
Center	185,868	172,748	6,786		2,134		160,713	
UG Student Aid Fund	(2,095)							
Facilities Improvement Fund	(3,149)							
Indirect	7,948							
Participation	(9,611)							
Subvention	6,438							
Academic Initiatives	5,090							
Graduate Programs	6,031							
TOTAL REVENUES	\$188,572	\$172,748	\$6,786		\$2,134		\$160,713	

Expenses								
Direct	\$132,769	\$172,748	\$6,760		\$2,122		\$157,388	
Indirect	55,803		26		12		3,325	
Allocated Central Costs	50,875		26		12		3,325	
Facilities Based	4,928							
TOTAL EXPENSES	\$188,572	\$172,748	\$6,786		\$2,134		\$160,713	

	Pharmacy Health Care		Total Health Care Services	
	Undesignated	Designated	Undesignated	Designated
Revenues				
Direct	\$4,139		\$173,772	
Center	4,139		173,772	
UG Student Aid Fund				
Facilities Improvement Fund				
Indirect				
Participation				
Subvention				
Academic Initiatives				
Graduate Programs				
TOTAL REVENUES	\$4,139		\$173,772	

Expenses				
Direct	\$4,095		\$170,365	
Indirect	44		3,407	
Allocated Central Costs	44		3,407	
Facilities Based				
TOTAL EXPENSES	\$4,139		\$173,772	

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

2005 Auxiliaries and Athletics

Individual Revenue Center Summary | 2004-05 Budget | in thousands

	Animal Resources		Hospitality Services		Housing and Residence Halls		Intercollegiate Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$519		\$25,228		\$36,073		\$35,381	\$2,847
Center	519		25,228		36,073		35,381	2,847
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect					(3,325)		1,000	
Participation								
Subvention					(3,325)		1,000	
Academic Initiatives								
Graduate Programs								
TOTAL REVENUES	\$519		\$25,228		\$32,748		\$36,381	\$2,847

Expenses								
Direct	(\$203)		\$23,323		\$28,756		\$31,186	\$2,847
Indirect	722		1,905		3,992		5,195	
Allocated Central Costs	499		1,904		3,992		4,282	
Facilities Based	223		1				913	
TOTAL EXPENSES	\$519		\$25,228		\$32,748		\$36,381	\$2,847

	KUSC		Student Health and Counseling Services		Transportation Services		University Bookstores	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$5,120	\$508	\$24,604		\$14,720		\$42,770	
Center	5,120	508	24,604		14,720		42,770	
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect								
Participation								
Subvention								
Academic Initiatives								
Graduate Programs								
TOTAL REVENUES	\$5,120	\$508	\$24,604		\$14,720		\$42,770	

Expenses								
Direct	\$4,634	\$508	\$23,033		\$11,721		\$40,691	
Indirect	486		1,571		2,999		2,079	
Allocated Central Costs	486		1,325		2,969		2,022	
Facilities Based			246		30		57	
TOTAL EXPENSES	\$5,120	\$508	\$24,604		\$14,720		\$42,770	

	University Club		University Radisson Hotel		University Village		Total Auxiliaries and Athletics	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues								
Direct	\$209		\$6,065		\$3,257		\$193,946	\$3,355
Center	209		6,065		3,257		193,946	3,355
UG Student Aid Fund								
Facilities Improvement Fund								
Indirect	140						(2,185)	
Participation								
Subvention							(2,325)	
Academic Initiatives	140						140	
Graduate Programs								
TOTAL REVENUES	\$349		\$6,065		\$3,257		\$191,761	\$3,355

Expenses								
Direct	\$140		\$6,065		\$2,868		\$172,214	\$3,355
Indirect	209				389		19,547	
Allocated Central Costs	209				389		18,077	
Facilities Based							1,470	
TOTAL EXPENSES	\$349		\$6,065		\$3,257		\$191,761	\$3,355

2005 Classification by Center

2004-05 Budget | in thousands

	Colleges, Schools, Centers and Institutes		Health Sciences Schools		Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues						
Direct	\$612,238	\$257,020	\$180,624	\$172,748	\$173,772	
Center	760,533	257,020	185,868	172,748	173,772	
UG Student Aid Fund	(130,263)		(2,095)			
Facilities Improvement Fund	(18,032)		(3,149)			
Indirect	(6,692)		7,948			
Participation	(38,290)		(9,611)			
Subvention	5,903		6,438			
Academic Initiatives	31,726		5,090			
Graduate Programs	(6,031)		6,031			
TOTAL REVENUES	\$605,546	\$257,020	\$188,572	\$172,748	\$173,772	

	Colleges, Schools, Centers and Institutes		Health Sciences Schools		Health Care Services	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Expenses						
Direct	\$432,440	\$257,020	\$132,769	\$172,748	\$170,365	
Indirect	173,106		55,803		3,407	
Allocated Central Costs	159,548		50,875		3,407	
Facilities Based	13,558		4,928			
TOTAL EXPENSES	\$605,546	\$257,020	\$188,572	\$172,748	\$173,772	

	Auxiliaries and Athletics		Total Revenue Centers		Administrative Centers	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Revenues						
Direct	\$193,946	\$3,355	\$1,160,580	\$433,123	\$61,699	\$19,985
Center	193,946	3,355	1,314,119	433,123	(91,840)	19,985
UG Student Aid Fund			(132,358)		132,358	
Facilities Improvement Fund			(21,181)		21,181	
Indirect	(2,185)		(929)		7,608	
Participation			(47,901)			
Subvention	(2,325)		10,016		3,325	
Academic Initiatives	140		36,956		4,283	
Graduate Programs						
TOTAL REVENUES	\$191,761	\$3,355	\$1,159,651	\$433,123	\$69,307	\$19,985

	Auxiliaries and Athletics		Total Revenue Centers		Administrative Centers	
	Undesignated	Designated	Undesignated	Designated	Undesignated	Designated
Expenses						
Direct	\$172,214	\$3,355	\$907,788	\$433,123	\$321,170	\$19,985
Indirect	19,547		251,863		(251,863)	
Allocated Central Costs	18,077		231,907		(231,907)	
Facilities Based	1,470		19,956		(19,956)	
TOTAL EXPENSES	\$191,761	\$3,355	\$1,159,651	\$433,123	\$69,307	\$19,985

	Subvention Pool		Total University	
	Undesignated	Designated	Undesignated	Designated
Revenues				
Direct	\$4,333		\$1,226,612	\$453,108
Center	4,333		1,226,612	453,108
UG Student Aid Fund				
Facilities Improvement Fund				
Indirect	(6,679)			
Participation	47,901			
Subvention	(13,341)			
Academic Initiatives	(41,239)			
Graduate Programs				
TOTAL REVENUES	(\$2,346)		\$1,226,612	\$453,108

	Subvention Pool		Total University	
	Undesignated	Designated	Undesignated	Designated
Expenses				
Direct	(\$2,346)		\$1,226,612	\$453,108
Indirect				
Allocated Central Costs				
Facilities Based				
TOTAL EXPENSES	(\$2,346)		\$1,226,612	\$453,108

2005 Individual Administrative Centers by Presidential and Senior Vice Presidential Responsibility Area

2004-05 Budget | in thousands

	Net Operating Budget	Employee Benefits Budget
President:		
President's Office	\$3,020	—
Provost and Senior Vice President, Academic Affairs:		
Academic Senate	\$183	
Academic Services	1,668	
Enrollment Services	9,316	
Emeriti Center	218	
Evaluation Services	97	
Faculty Sabbaticals		\$7,617
Graduate Fellowships	940	
Graduate School/Programs	1,203	15,000
Health Sciences Libraries	5,149	
Provost's Office	9,557	
Student Affairs	12,588	339
University Art Galleries	474	
Vice President for Health Affairs	1,156	
TOTAL	\$42,549	\$22,956

Academic Affairs and Administration:		
Administrative Information Systems	\$11,718	
Information Services Division	37,498	
TOTAL	\$49,216	—

Senior Vice President, Administration:		
Administrative Operations	\$3,119	\$4,308
Budget and Planning	1,742	589
Career and Protective Services	27,963	11,560
Capital Construction Development	1,315	
Comptroller	4,462	199,399
Contracts and Grants	3,730	
Corporate Expense	31,793	
Facilities Management Services	31,431	
Faculty and Staff Counseling		410
Financial and Business Services	11,984	
Internal Audit and Compliance	3,029	
Major Maintenance and Renovation	2,057	
Senior Vice President's Office	3,014	
Tram, Escort Services and Rideshare	2,372	988
Treasurer	1,684	
University Counsel	9,003	
University Professional Memberships	475	
TOTAL	\$139,173	\$217,254

Senior Vice President, University Advancement:		
Senior Vice President's Office	\$7,474	—

Senior Vice President, University Relations:		
University Relations	\$8,984	
USC Alumni Association	1,447	
TOTAL	\$10,431	—

Employee Benefit Recoveries		(\$240,210)
TOTAL ADMINISTRATIVE CENTERS	\$251,863	—

Undergraduate Student Aid Fund	\$132,358	
Facilities Improvement Fund	21,181	
GRAND TOTAL	\$405,402	—

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of the University of Southern California

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

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

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

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

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