

# **University of Southern California**

**Report on Audit of Financial Statements and on Federal  
Awards Programs in Accordance with OMB Circular A-133  
For the Year Ended June 30, 2012**

**Location**

**EIN**

**University Park, Los Angeles**

**95-1642394**

**Health Research Association, Los Angeles**

**95-1683862**

**University of Southern California**  
**Table of Contents**  
**Year Ended June 30, 2012**

---

	<b>Page(s)</b>
Report of Independent Auditors on Consolidated Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	1
Consolidated Financial Statements .....	2-19
Schedule of Expenditures of Federal Awards .....	20-48
Notes to Schedule of Expenditures of Federal Awards .....	49-54
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	55
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	56-57
Independent Auditors' Schedule of Findings and Questioned Costs .....	58
Summary Schedule of Prior Year Audit Findings and Questioned Costs .....	59



**Report of Independent Auditors on Consolidated Financial Statements and  
Supplementary Schedule of Expenditures of Federal Awards**

To 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, and cash flows present fairly, in all material respects, the financial position of the University of Southern California and its subsidiaries (the "university") as of June 30, 2012, and the changes in their consolidated net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the university's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the university's 2011 financial statements, and in our report dated October 19, 2011, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2012 on our consideration of the university's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*PricewaterhouseCoopers LLP*

October 11, 2012

**CONSOLIDATED BALANCE SHEET**

(in thousands)

		a	b
		June 30 2012	June 30 2011
<b>Assets:</b>			
	<sup>1</sup> Cash and cash equivalents	\$906,400	\$889,233 <sup>1</sup>
	<sup>2</sup> Accounts receivable	298,759	273,988 <sup>2</sup>
	Notes receivable, net of allowance for doubtful		
	<sup>3</sup> accounts, \$6,289 (2012), \$7,367 (2011)	84,122	83,620 <sup>3</sup>
	<sup>4</sup> Pledges receivable	474,051	434,356 <sup>4</sup>
	<sup>5</sup> Investments	3,865,127	3,650,617 <sup>5</sup>
	<sup>6</sup> Inventories, prepaid expenses and other assets	153,579	148,488 <sup>6</sup>
	<sup>7</sup> Property, plant and equipment, net	2,309,206	2,172,430 <sup>7</sup>
	<sup>8</sup> <b>Total Assets</b>	<b>\$8,091,244</b>	<b>\$7,652,732</b> <sup>8</sup>
<b>Liabilities:</b>			
	<sup>9</sup> Accounts payable	\$163,497	\$145,338 <sup>9</sup>
	<sup>10</sup> Accrued liabilities	325,093	273,122 <sup>10</sup>
	<sup>11</sup> Refundable advances	18,959	18,501 <sup>11</sup>
	<sup>12</sup> Current portion of long-term debt	5,495	5,280 <sup>12</sup>
	<sup>13</sup> Deposits and deferred revenue	153,258	131,673 <sup>13</sup>
	<sup>14</sup> Actuarial liability for annuities payable	145,355	143,303 <sup>14</sup>
	<sup>15</sup> Federal student loan funds	67,410	67,812 <sup>15</sup>
	<sup>16</sup> Asset retirement obligations	101,437	97,691 <sup>16</sup>
	<sup>17</sup> Capital lease obligation	59,944	60,696 <sup>17</sup>
	<sup>18</sup> Long-term debt	1,243,705	968,081 <sup>18</sup>
	<sup>19</sup> Other liabilities	9,915	12,377 <sup>19</sup>
	<sup>20</sup> <b>Total Liabilities</b>	<b>2,294,068</b>	<b>1,923,874</b> <sup>20</sup>
<b>Net Assets:</b>			
	<sup>21</sup> Unrestricted	2,636,597	2,644,220 <sup>21</sup>
	<sup>22</sup> Temporarily restricted	1,386,818	1,449,152 <sup>22</sup>
	<sup>23</sup> Permanently restricted	1,773,761	1,635,486 <sup>23</sup>
	<sup>24</sup> <b>Total Net Assets</b>	<b>5,797,176</b>	<b>5,728,858</b> <sup>24</sup>
	<sup>25</sup> <b>Total Liabilities and Net Assets</b>	<b>\$8,091,244</b>	<b>\$7,652,732</b> <sup>25</sup>

The accompanying notes are an integral part of this statement.

**CONSOLIDATED STATEMENT OF ACTIVITIES**

(in thousands)

				Year Ended June 30, 2012	Year Ended June 30, 2011
	a	b	c	d	e
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	Total Net Assets
<b>Revenues:</b>					
1 Student tuition and fees	\$1,365,963			\$1,365,963	\$1,267,545
2 Less financial aid	(388,803)			(388,803)	(356,859)
3 Net student tuition and fees	977,160			977,160	910,686
4 Endowment income	56,141		\$441	56,582	53,200
5 Investment and other income	11,861		167	12,028	4,689
6 Net (depreciation) appreciation in fair value of investments	(27,019)	(\$29,590)	(3,785)	(60,394)	624,958
7 Government contracts and grants	323,789			323,789	350,827
8 Recovery of indirect costs	132,012			132,012	132,254
9 Gifts and pledges	295,538	93,873	138,499	527,910	681,267
10 Sales and service	28,902			28,902	31,029
11 Auxiliary enterprises	254,857			254,857	243,011
12 Health Care Services	882,133			882,133	811,538
13 Other	101,280			101,280	95,705
14 Present value adjustment to annuities payable		518	(3,063)	(2,545)	(16,499)
15 Net assets released from restrictions / redesignations	121,119	(127,135)	6,016		
16 <b>Total Revenues</b>	<b>3,157,773</b>	<b>(62,334)</b>	<b>138,275</b>	<b>3,233,714</b>	<b>3,922,665</b>
<b>Expenses:</b>					
17 Educational and general activities	2,078,848			2,078,848	1,931,735
18 Health care services	864,536			864,536	799,944
19 Depreciation and amortization	159,238			159,238	153,647
20 Interest on indebtedness	62,774			62,774	45,413
21 <b>Total Expenses</b>	<b>3,165,396</b>			<b>3,165,396</b>	<b>2,930,739</b>
22 <b>Increase (decrease) in Net Assets</b>	<b>(7,623)</b>	<b>(62,334)</b>	<b>138,275</b>	<b>68,318</b>	<b>991,926</b>
23 <b>Beginning Net Assets</b>	<b>2,644,220</b>	<b>1,449,152</b>	<b>1,635,486</b>	<b>5,728,858</b>	<b>4,736,932</b>
24 <b>Ending Net Assets</b>	<b>\$2,636,597</b>	<b>\$1,386,818</b>	<b>\$1,773,761</b>	<b>\$5,797,176</b>	<b>\$5,728,858</b>
<b>Nature of specific net assets:</b>					
25 Internally designated	\$58,434			\$58,434	\$71,225
26 Gift and departmental	476,750			476,750	454,026
27 Externally restricted		\$71,739	\$35,120	106,859	74,006
28 Pledges		231,452	242,599	474,051	434,356
29 Unexpended endowment income	191,901			191,901	181,710
30 Annuity and living trusts		45,313	73,269	118,582	128,410
31 True endowment and net appreciation		1,038,314	1,422,773	2,461,087	2,447,866
32 Funds functioning as endowment	1,027,846			1,027,846	1,069,307
33 Debt service funds	74,825			74,825	71,794
34 Invested in plant	806,841			806,841	796,158
35 <b>Total</b>	<b>\$2,636,597</b>	<b>\$1,386,818</b>	<b>\$1,773,761</b>	<b>\$5,797,176</b>	<b>\$5,728,858</b>

The accompanying notes are an integral part of this statement.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(in thousands)

	<i>a</i>	<i>b</i>	
	Year Ended June 30, 2012	Year Ended June 30, 2011	
<b>Cash Flows from Operating Activities:</b>			
<sup>1</sup> <b>Change in Net Assets</b>	<b>\$68,318</b>	<b>\$991,926</b>	<sup>1</sup>
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
<sup>2</sup> Depreciation and amortization	159,238	153,647	<sup>2</sup>
<sup>3</sup> Loss on the disposal/sale of plant assets	2,101	2,606	<sup>3</sup>
<sup>4</sup> In-kind receipt of securities, property, plant and equipment	(38,587)	(26,946)	<sup>4</sup>
<sup>5</sup> Present value adjustment to annuities payable	2,476	16,536	<sup>5</sup>
<sup>6</sup> Increase in accounts receivable	(24,771)	(44,374)	<sup>6</sup>
<sup>7</sup> Increase in pledges receivable	(109,466)	(281,494)	<sup>7</sup>
<sup>8</sup> Increase in inventories, prepaid expenses and other assets	(27,386)	(27,878)	<sup>8</sup>
<sup>9</sup> Increase in accounts payable	5,342	5,813	<sup>9</sup>
<sup>10</sup> Increase in accrued liabilities	86,953	22,579	<sup>10</sup>
<sup>11</sup> Increase (decrease) in refundable advances	458	(22,686)	<sup>11</sup>
<sup>12</sup> Increase in deposits and deferred revenue	21,585	10,010	<sup>12</sup>
<sup>13</sup> Decrease in other liabilities	(2,462)	(2,958)	<sup>13</sup>
<sup>14</sup> Contributions restricted for property, plant and equipment and permanent investment	(125,882)	(89,958)	<sup>14</sup>
<sup>15</sup> Net realized gain on sale of investments	(111,804)	(162,941)	<sup>15</sup>
<sup>16</sup> Net unrealized depreciation (appreciation) in investments	172,187	(462,197)	<sup>16</sup>
<sup>17</sup> Net cash provided by operating activities	78,300	81,685	<sup>17</sup>
<b>Cash Flows from Investing Activities:</b>			
<sup>18</sup> Proceeds from note collections	12,264	12,551	<sup>18</sup>
<sup>19</sup> Notes issued	(11,688)	(9,264)	<sup>19</sup>
<sup>20</sup> Proceeds from sale and maturity of investments	2,257,116	1,980,419	<sup>20</sup>
<sup>21</sup> Purchase of investments	(2,524,284)	(1,859,665)	<sup>21</sup>
<sup>22</sup> Purchase of property, plant and equipment	(279,457)	(212,238)	<sup>22</sup>
<sup>23</sup> Net cash used in investing activities	(546,049)	(88,197)	<sup>23</sup>
<b>Cash Flows from Financing Activities:</b>			
Contributions restricted for permanent investment:			
<sup>24</sup> Endowment	116,271	69,468	<sup>24</sup>
<sup>25</sup> Plant	78,885	40,743	<sup>25</sup>
<sup>26</sup> Trusts and other	498	3,980	<sup>26</sup>
<sup>27</sup> Repayment of long-term debt	(4,140)	(3,885)	<sup>27</sup>
<sup>28</sup> Proceeds from issuance of long-term debt	294,228	53,471	<sup>28</sup>
<sup>29</sup> Decrease in federal student loan funds	(402)	(13)	<sup>29</sup>
<sup>30</sup> Investment gain (loss) on annuities payable	5,820	(1,856)	<sup>30</sup>
<sup>31</sup> Payments on annuities payable	(13,108)	(13,358)	<sup>31</sup>
<sup>32</sup> Increase to annuities payable resulting from new gifts	6,864	4,786	<sup>32</sup>
<sup>33</sup> Net cash provided by financing activities	484,916	153,336	<sup>33</sup>
<sup>34</sup> <b>Net increase in cash and cash equivalents</b>	<b>17,167</b>	<b>146,824</b>	<sup>34</sup>
<sup>35</sup> <b>Cash and cash equivalents at beginning of year</b>	<b>889,233</b>	<b>742,409</b>	<sup>35</sup>
<sup>36</sup> <b>Cash and cash equivalents at end of year</b>	<b>\$906,400</b>	<b>\$889,233</b>	<sup>36</sup>

The accompanying notes are an integral part of this statement.

**Notes to Consolidated Financial Statements****Note 1.****Significant accounting policies followed by the University of Southern California are set forth below:**

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

**Unrestricted net assets:**

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

**Temporarily restricted net assets:**

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

**Permanently restricted net assets:**

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

**Note 1 (continued).****Other accounting policies:**

- Cash equivalents consist of highly liquid investments with original maturities of three months or less.
- Investments are stated at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the Consolidated Statement of Activities. Realized gains and losses upon the sale of investments are calculated using the specific identification method and trade date.
- Alternative investment holdings and certain other limited partnership interests are invested in both publicly traded and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information.
- Inventories are valued at the lower of cost (first-in, first-out) or market.
- The university receives federal reimbursement for a portion of the costs of its facilities and equipment used in organized sponsored research. The Office of Management and Budget, Circular A-21, establishes principles for determining such reimbursable costs, requires conformity of the lives and methods used for federal cost reimbursement accounting and financial reporting purposes. The university's policies and procedures are in conformity with these principles.
- Student tuition and fees are recorded as revenues during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.
- The university's split interest agreements with donors consist primarily of gift annuities, unitrusts, pooled income funds and life estates. For irrevocable agreements, assets contributed are included in the university's investments and stated at fair value. Contribution revenue is recognized at the date each trust is established after recording liabilities for the actuarially-determined present value of the estimated future payments to be made to the beneficiaries. The actuarial liability is discounted at an appropriate risk-adjusted rate at the inception of each agreement and the applicable actuarial mortality tables. Discount rates on split-interest agreements range from 3.3% to 9.5%. The liabilities are adjusted during the terms of the trusts for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. The Retired Pensioners 2000 Mortality Table with White Collar Adjustment for males and females projected using a Scale AA to the Annuity 2000 Mortality Table was used in the valuations. For split interest agreements related to the State of Washington, the university holds a Certificate of Exemption issued by the State of Washington's Office of Insurance Commissioner to issue charitable gift annuities. The university has been in compliance with Revised Code of Washington 48.38.010(6) throughout the time period covered by the financial statements.
- The university has recorded conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in our facilities. When an asset retirement obligation is identified, the university records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated remaining useful life of the associated asset. The fair value of the conditional asset retirement obligations was estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows was calculated using the credit adjusted, interest rate applicable to the university in order to determine the fair value of the conditional asset retirement obligations. For the year ended June 30, 2012, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$5,063,000. For the year ended June 30, 2012, the university settled asset retirement obligations of approximately \$1,317,000. As of June 30, 2012, included in the Consolidated Balance Sheet is an asset retirement obligation of \$101,437,000.
- Gifts from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Gifts are valued using quoted market prices, market prices for similar assets, independent appraisals, or by university management. Contributions receivable are reported at their discounted value using credit-adjusted borrowing rates and an allowance for amounts estimated to be uncollectible is provided. Donor-restricted gifts, which are received and either spent, or deemed spent, within the same year, are reported as unrestricted revenue. Gifts of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Gifts restricted to the acquisition or construction of long-lived assets or subject to other time or purpose restrictions are reported as temporarily restricted revenue. The temporarily restricted net assets resulting from these gifts are released to unrestricted net assets when the donor-imposed restrictions are fulfilled or the assets are placed in service. Gifts received for endowment investment are held in perpetuity and recorded as permanently restricted revenue.

**Note 1 (continued).**

- Health care services revenues included the net patient service revenues associated with the Keck Hospital of USC, USC Norris Cancer Hospital and USC Care Medical Group, Inc.. Net patient service revenue is reported as estimated net realizable amounts from patients, third party payors, government programs and other in the period in which services are provided. The majority of the healthcare services are rendered to patients with commercial or managed care insurance, or under the federal Medicare and California State Medi-Cal programs. Reimbursement from these various payors is based on a combination of prospectively determined rates, discounts from charges and historical costs. Amounts received under the Medicare program are subject to retroactive settlements based on review and final determination by program intermediaries or their agents. Provisions for contractual adjustments and retroactive settlements related to those payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as additional information becomes known or as final settlements are determined. Health care services revenues also includes the revenues associated with the professional services agreement with the County of Los Angeles.
- Allowances for doubtful accounts are based upon management's assessment of historical and expected net collections considering historical business and economic conditions. Periodically throughout the year management assesses the adequacy of the allowances for doubtful accounts based upon historical write-off experience. The results of this review are then used to make any modifications to the allowance for doubtful accounts.
- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.
- The financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the university's financial statements for the year ended June 30, 2011 from which the summarized financial information was derived. Certain reclassifications have been made to summarized financial information for comparative purposes.
- The university applies the provision of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, Fair Value Measurements, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**Note 1 (continued).**

The university has adopted the authoritative guidance contained in FASB ASC 820-10, Fair Value Measurements and Disclosures, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (“NAV”) per share in accordance with FASB ASC 946-10, Financial Services-Investment Companies (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted, to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity’s measurement date. Accordingly, the university uses the NAV as reported by the money managers as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2012, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient.

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

**Note 2.****Accounts receivable (in thousands):**

U.S. Government	\$23,198
Student and other, net of allowance for doubtful accounts of \$8,049	80,254
Patient care, net of allowance for doubtful accounts of \$23,827	195,307
	<u>\$298,759</u>

**Note 3.****Investments (in thousands):**

	Cost	Fair Value
Equities	\$1,126,737	\$1,171,408
Fixed income securities	697,803	697,468
Alternative investments:		
Hedge funds	476,187	614,705
Private capital	1,098,516	1,048,503
Real estate and other	268,368	202,008
Assets held by other trustees	121,731	131,035
Total	<u>\$3,789,342</u>	<u>\$3,865,127</u>

The following table summarizes the financial instruments carried at fair value as of June 30, 2012, by the ASC 820 valuation hierarchy defined above:

	Level I	Level II	Level III	Total
Investments:				
Equities	\$837,202	\$280,921	\$53,285	\$1,171,408
Fixed income securities	128,390	565,578	3,500	697,468
Hedge funds			614,705	614,705
Private capital			1,048,503	1,048,503
Real estate and other			202,008	202,008
Assets held by other trustees			131,035	131,035
Total investments	<u>\$965,592</u>	<u>\$846,499</u>	<u>\$2,053,036</u>	<u>\$3,865,127</u>

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

The following table summarizes the university's Level III reconciliation of investments for the year ended June 30, 2012:

Balance at July 1, 2011	\$2,036,135
Net realized gains	112,206
Net unrealized gains	(49,712)
Transfers out*	(141)
Purchases	231,431
Sales and settlements	(276,883)
Balance at June 30, 2012	<u>\$2,053,036</u>

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

**Note 3 (continued).**

The university uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies (in partnership format) by major category:

<i>Category of Investment</i>	<i>Investment Strategy</i>	<i>Fair Value Determined Using NAV</i>	<i>Unfunded Commitments</i>	<i>Remaining Life</i>	<i>Redemption Terms</i>	<i>Redemption Restrictions and Terms</i>	<i>Redemption Restrictions and Terms in Place at Year End</i>
Assets Held By Other Funds	Miscellaneous investments held outside USC where USC has no authority over the fund	\$131,035,000	Not Applicable	Not Applicable	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Distressed Obligation Partnerships	US and Non-US Distressed Debt Securities	\$85,627,000	\$14,670,000	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Equity Funds	US and Non-US Equity Securities	\$280,804,000	Not Applicable	Open Ended	Minimum Monthly	None	None
Fixed Income Funds	US and Non-US Fixed Income Securities	\$2,646,000	Not Applicable	Open Ended	Minimum Monthly	None	None
Hedge Funds	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$614,705,000	\$13,500,000	96.6% of NAV has an open ended life and 0.4% of NAV will be liquidated on an undetermined basis.	Ranges between monthly redemption with 90 days notice, quarterly redemption with up to 90 days notice, semi-annual redemption with 60 days notice, and annual redemption with up to 180 days notice.	19% of NAV is locked up for 3 months, 55% of NAV is locked-up for 1 year, and 26% of NAV is locked-up for more than 1 year.	None
Natural Resources Partnerships	US and Non-US Investments in Upstream, Midstream, and Downstream Natural Resources Investments	\$336,519,000	\$139,358,000	Approximately 7 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Other Funds	US and Non-US Investments in Securities Other than Equity and Fixed Income	\$1,261,000	Not Applicable	Open Ended	Monthly	None	None
Private Capital Partnerships	US and Non-US Private Equity and Venture Capital Investments	\$626,358,000	\$214,310,000	Approximately 5 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Real Estate Partnerships	US and Non-US Real Estate	<u>\$171,702,000</u>	<u>\$78,806,000</u>	Approximately 5 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
<b>Total</b>		<b><u>\$2,250,657,000</u></b>	<b><u>\$460,644,000</u></b>				

**Note 4.****Property, plant and equipment (in thousands):**

Land and improvements	\$137,226
Buildings and improvements	2,646,049
Buildings under capital leases	60,696
Equipment	459,519
Library books and collections	256,603
Construction-in-progress	262,063
	<hr/>
	3,822,156
Less: Accumulated depreciation	1,512,950
	<hr/>
	\$2,309,206

**Note 5.****Bonds and note payable (in thousands):**

	<u>Interest %</u>	<u>Maturity</u>	
<i>California Educational Facilities Authority</i>			
<i>(CEFA) Revenue Bonds and Notes:</i>			
Series 2003A	4.75	2024	\$50,000
Premium			944
Series 2003B	5.00	2013-2016	4,670
Premium			328
Series 2005	4.00-5.00	2013-2029	65,350
Premium			2,155
Series 2007A	4.50-4.75	2013-2038	257,085
Premium			2,202
Series 2009A	5.00-5.25	2039-2040	217,605
Discount			(868)
Series 2009B	5.00-5.25	2039-2040	197,900
Premium			3,016
Series 2009C	5.25	2025	82,305
Premium			7,322
<i>University of Southern California Bonds</i>			
Series 1998	5.87-6.26	2014-2019	8,585
Discount			(19)
Series 2011	5.25	2112	300,000
Discount			(2,666)
<i>California Infrastructure Revenue Bonds USC</i>			
<i>(USC – Soto Street Health Sciences)</i>			
Series 2010	3.00-5.00	2013-2032	35,835
Premium			2,451
Note Payable	5.00	2015	15,000
			<hr/>
			1,249,200
Less current portion of long-term debt			5,495
			<hr/>
			\$1,243,705

Principal payment requirements relating to bonds and note payable, after giving effect to refunding, for the next five fiscal years are approximately: 2013 \$5,495,000; 2014 \$9,730,000; 2015 \$20,995,000; 2016 \$6,265,000; 2017 \$1,340,000.

Interest payments for fiscal year 2012 were \$55,209,000.

On April 6, 2009, a \$100,000,000 revolving line of credit agreement was implemented with a bank. The credit agreement was amended on June 24, 2010 to increase the revolving line of credit to \$200,000,000. On June 4, 2012, a second amendment was agreed to extend the maturity date to November 30, 2013. The line of credit accrues interest based on LIBOR and contains a fee on the unused portion of the line of credit. During the years ended June 30, 2012, 2011 and 2010, the university did not draw down on the line of credit. The line of credit contains certain restrictive covenants required in the agreement.

**Note 6.**

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, 2012 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$225,270	\$102,145	\$327,415
Endowed scholarships	21,842	9,904	31,746
External financial aid	20,395	9,247	29,642
	<u>\$267,507</u>	<u>\$121,296</u>	<u>\$388,803</u>

**Note 7.**

Endowment net assets are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income and realized gains be utilized for current and future needs. Long-term investment net assets (funds functioning as endowment) have been established from restricted 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	Total
Pooled	\$2,381,913	\$958,529	\$3,340,442
Non-pooled	79,174	69,317	148,491
	<u>\$2,461,087</u>	<u>\$1,027,846</u>	<u>\$3,488,933</u>

Pooled investments represent endowment and long-term investment net assets which have been commingled in a unitized pool (unit market value basis) for purposes of investment. The pool is comprised of cash and cash equivalents (6.26%), equities (37.60%), fixed income securities (6.28%), alternative investments (44.78%) and real estate and other investments (5.08%). 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, 2012 was \$535.21.

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

Endowment net asset composition by type of fund as of June 30, 2012 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$1,038,314	\$1,422,773	\$2,461,087
Board-designated endowment funds	\$1,027,846			1,027,846
	<u>\$1,027,846</u>	<u>\$1,038,314</u>	<u>\$1,422,773</u>	<u>\$3,488,933</u>

**Note 7 (continued).**

Changes in endowment net assets for the year ended June 30, 2012 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2011	\$1,069,307	\$1,140,467	\$1,307,399	\$3,517,173
Investment return:				
Investment income	56,141		441	56,582
Net appreciation	(27,065)	(31,128)		(58,193)
Total investment return	29,076	(31,128)	441	(1,611)
Gifts and transfers	16,846		114,933	131,779
Appropriation of endowment assets for expenditure	(87,383)	(71,025)		(158,408)
Endowment net assets at June 30, 2012	<u>\$1,027,846</u>	<u>\$1,038,314</u>	<u>\$1,422,773</u>	<u>\$3,488,933</u>

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

Permanently restricted net assets (in thousands):

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

Restricted for scholarship support	\$352,540
Restricted for faculty support	354,581
Restricted for program support	715,652
Total endowment assets classified as permanently restricted net assets	<u>\$1,422,773</u>

Temporarily restricted net assets (in thousands):

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

Restricted for scholarship support	\$288,151
Restricted for faculty support	360,236
Restricted for program support	389,927
Total endowment assets classified as temporarily restricted net assets	<u>\$1,038,314</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$22,799,000 as of June 30, 2012. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation that was deemed prudent.

The university has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under these policies, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The university expects its endowment funds over time, to provide an average rate of return of approximately 8.0 % annually. Actual returns in any given year may vary from this amount.

**Note 7 (continued).**

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

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

For the 2012 fiscal year, the Board of Trustees approved current distribution of 100% of the prior year's payout, within a minimum of 4% and a maximum of 6% of the average market value for the previous 12 calendar quarters. Under the provisions of the spending rule, \$25.42 was distributed to each time-weighted unit for a total spending rule allocation of \$157,947,000. Investment income amounting to \$8.96 per time-weighted unit was earned, totaling \$55,680,000, and \$102,267,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2012 represent 4.6% of the market value of the endowment pool at June 30, 2012.

**Note 8.**

At June 30, 2012, the university has adopted the required disclosures under ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. According to this guidance, the university is required to disclose the nature of credit risk inherent in the portfolio of financing receivables, its analysis and assessment in arriving at the allowance for credit losses (doubtful accounts), and the changes and reasons for those changes in the allowance for credit losses.

Long-term financing receivables as of June 30, 2012 consist of the following (in thousands):

	June 30, 2012		
	Financing Receivables, at Gross	Allowance for Doubtful Accounts	Net
Perkins loans	\$51,320		\$51,320
University direct student loans	24,061	(\$6,289)	17,772
Other student loans	15,030		15,030
Total student loans	90,411	(6,289)	84,122
Faculty and other loans	32,216		32,216
Total	\$122,627	(\$6,289)	\$116,338

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

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

The following table illustrates the aging analysis of receivables as of June 30, 2012 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,757	\$400	\$6,455	\$42,708	\$51,320
University direct student loans	601	235	10,086	13,139	24,061
Other student loans	652		573	13,805	15,030
Total student loans	3,010	635	17,114	69,652	90,411
Faculty and other loans				32,216	32,216
Total	\$3,010	\$635	\$17,114	\$101,868	\$122,627

**Note 8 (continued).**

Considering the other factors already discussed herein, management considers the allowance for credit losses to be prudent and reasonable. Furthermore, the university's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for credit losses at June 30, 2012 is adequate to absorb credit losses inherent in the portfolio as of that date.

As part of the program to attract and retain exemplary faculty and senior staff, the university provides home mortgage financing assistance. Notes receivable amounting to \$32,216,000 were outstanding as of June 30, 2012 and are collateralized by deeds of trust. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history. At June 30, 2012, there were no amounts past due under the faculty and staff loan program.

**Note 9.**

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

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

In one year or less	\$148,219
Between one year and five years	246,036
More than five years	206,501
Less: discount of \$114,252 and allowance of \$12,453	(126,705)
	<u>\$474,051</u>

Pledges receivable at June 30, 2012 have the following restrictions (in thousands):

Endowment for departmental programs and activities	\$236,636
Endowment for scholarship	7,068
Building construction	98,864
Departmental programs and activities	131,483
	<u>\$474,051</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, 2012 are summarized as follows (in thousands):

Current sponsored awards	\$499,425
Executed grants and contracts for future periods	581,037
	<u>\$1,080,462</u>

**Note 11.**

At June 30, 2012, the university had remaining commitments of approximately \$460,644,000 with alternative investment managers and/or limited partnerships.

Contractual commitments for educational plant amounted to approximately \$58,324,000 at June 30, 2012. It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated gifts and/or debt proceeds.

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

**Note 12.**

Retirement benefits for eligible employees are provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, The Vanguard Group, AIG SunAmerica, Fidelity Investments and Prudential Financial. Under these defined contribution plans, the university and plan participants make contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or commingled funds. The university makes a 5% non-elective contribution to all eligible employees and also matches dollar for dollar the first 5% of the employees' contributions. Newly hired employees on or after January 1, 2012, will have the university non-elective contribution subject to a four year vesting schedule. Benefits commence upon termination or retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$113,513,000 during the year ended June 30, 2012.

Retirement benefits for hospital employees covered under a collective bargaining agreement with the National Union of Healthcare Workers are provided by a defined contribution 401(k) plan through Fidelity investments. Until August 2011, the hospital employees covered under a collective bargaining agreement with CNA were also covered under this 401(k) plan. Under the defined contribution plan, participants make contributions to purchase a variety of mutual funds. The university makes its contribution following the end of the calendar year and matches 100% of the participants' contributions up to 3% of eligible earnings providing the participant was employed on the last day of the calendar year. Effective May 2012, the university match contribution was increased to 4%. In addition, the university makes a 1% retiree medical benefit contribution to all participants who were both employed on the last day of the calendar year and worked 1,500 hours in that calendar year. The university contribution is subject to a five year vesting schedule although previously credited years from before the acquisition have been carried over. Benefits commence at age 59 1/2, termination of employment, or retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$1,989,000 during the year ended June 30, 2012.

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, 2012 (in thousands):

**Obligations and Plan Assets**

<b>Change in Projected Benefit Obligation</b>	
Benefit obligation at end of prior year	\$182,325
Interest cost	10,026
Actuarial loss	37,943
Benefits paid	(6,188)
<hr/> Benefit obligation at end of year	<hr/> \$224,106
<b>Change in Plan Assets</b>	
Fair value of plan assets at end of prior year	\$157,904
Actual return on plan assets	(5,456)
Benefits paid	(6,188)
<hr/> Fair value of plan assets at end of year	<hr/> \$146,260
<b>Reconciliation of Funded Status</b>	
Accumulated benefit obligation at end of year	\$224,106
 Projected benefit obligation at end of year	 (224,106)
Fair value of plan assets at end of year	146,260
<hr/> Funded status	<hr/> (77,846)
<b>Components of Net Periodic Benefit Cost</b>	
Interest cost	\$10,026
Expected return on plan assets	(12,371)
Amortization of net loss	3,496
<hr/> Total benefit cost	<hr/> \$1,151
<b>Amounts recognized in the Statement of Financial Position</b>	
Noncurrent liabilities	(\$77,846)
<b>Amounts not yet recognized as components of Net Periodic Benefit Cost</b>	
Net loss	\$111,021
<b>Changes in the net reduction to Unrestricted Net Assets</b>	
Net loss	\$55,770
Amortization of net loss	(3,496)
<hr/> Total	<hr/> \$52,274

**Note 12 (continued).**

The estimated net loss/(gain) and prior service cost for the USC Support Staff Retirement Plan that will be recognized as components of net periodic benefit cost over the next fiscal year are \$7,766,000 and \$0, respectively.

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

No special accounting for curtailments, settlements or termination benefits was required during the year ended June 30, 2012.

**Assumptions**

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

Discount rate	5.60%
Expected return on plan assets	8.00%
Rate of compensation increase	N/A

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

Discount rate	4.40%
Rate of compensation increase	N/A

**Plan Assets**

In managing the plan assets, our objective is to be a responsible fiduciary while minimizing financial risk. Plan assets include a diversified mix of fixed income securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in our expense and cash flow. The target allocation for pension benefit plan assets is 65% equity securities and 35% fixed income securities.

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

**Fair Value**

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

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

A summary of fair value measurements by level for investments measured at fair value on a recurring basis is as follows (in thousands):

	Level I	Level II	Level III	Total
Collective Trust Funds:				
Short-term investment fund		\$1,632		\$1,632
Equity securities	\$93,968			93,968
Fixed income securities	50,660			50,660
Total	\$144,628	\$1,632		\$146,260

**Note 12 (continued).****Allocation of Assets**

The year-end asset allocation, which approximates the weighted-average allocation for the Plan assets as of June 30, 2012 and in comparison to target percentages for each asset category, is as follows:

Asset Category	June 30, 2012	Target at June 30, 2012
Short-term investment fund	1.1%	1.0%
Equity securities	64.3%	65.0%
Debt securities	34.6%	34.0%
Total	100.0%	100.0%

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

**Contributions**

No contribution to the pension plan was required during the year ended June 30, 2012. The university may make discretionary contributions to its pension plan during the next fiscal year. This will be reassessed during the year.

**Estimated Future Benefit Payments**

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

Fiscal Year Ending June 30,	
2013	\$7,370
2014	\$8,000
2015	\$8,598
2016	\$9,166
2017	\$9,730
2018– 2022	\$55,350

**Note 13.**

The university is the lessee of various equipment and space under noncancelable operating and capital leases. Operating lease rental expense for the year ended June 30, 2012 was approximately \$28,593,000. Space leases contained customary escalation clauses, which are included in annual aggregate minimum rentals.

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

Future minimum rental payments:	Operating	Capital
2013	\$25,746	\$3,713
2014	22,393	3,769
2015	21,408	3,826
2016	19,833	3,883
2017	19,241	3,941
Thereafter	166,177	85,849
	274,798	104,981
Less: Interest on capital leases		(45,037)
Total	\$274,798	\$59,944

**Note 14.**

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

Functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fund Raising Activities	Year Ended June 30, 2012
Compensation	\$1,216,773	\$239,931	\$22,799	\$1,479,503
Fringe benefits	347,589	77,690	7,638	432,917
Operating expenses	632,796	245,937	12,867	891,600
Cost of goods sold	29,470	56,282		85,752
Travel	44,372	8,481	759	53,612
Allocations:				
Depreciation	119,797	39,251	190	159,238
Interest	21,877	40,897		62,774
Plant operations and maintenance	129,470	(129,724)	254	
	<u>\$2,542,144</u>	<u>\$578,745</u>	<u>\$44,507</u>	<u>\$3,165,396</u>

**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 \$1,428,200,000 at June 30, 2012. This fair value was estimated based upon the discounted amount of future cash outflows using the rates offered to the university for debt of the same remaining maturities.

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

**Note 17.**

Members of the Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. For senior management, the university requires annual disclosure of significant financial interest in entities doing business with the university. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the university. The university has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she or an immediate family member has a material financial interest. Each trustee is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether the university does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring the recusal of the conflicted trustee and that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the university, and in accordance with applicable conflict of interest laws. As part of a competitive process the university entered into a contract for the construction of a building with a company associated with a trustee. The value of the contract was approximately \$36,000,000.

**Note 18.**

The university has performed an evaluation of subsequent events through October 11, 2012, which is the date the financial statements were issued. On August 29, 2012, the university issued \$41,595,000 of CEFA Series 2012A bonds. The proceeds of this bond issue were deposited in a refunding escrow account to pay interest and principal for the CEFA Series 2003A outstanding bonds. The CEFA Series 2003A bonds are scheduled to be redeemed, at par, on April 1, 2013.

Subsequent to the year ended June 30, 2012, the university signed a non-binding letter of intent to acquire the assets of Verdugo Hills Health Services (VHHS), a California non-profit corporation. The primary operation of VHHS is Verdugo Hills Hospital, a 158-bed acute care hospital located in Glendale, California. The acquisition of VHHS is not expected to have a material impact on the university's results of operations.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

**Sponsor**

<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>	<b>CFDA*</b>	<b>Current Year Expenditures</b>
<u>DIRECT AWARDS</u>		
Agency for International Development		
Agency for International Development	98.RDG	\$ 120,626
<b>Total - Agency for International Development</b>		<b>120,626</b>
Department of Agriculture		
Department of Agriculture	10.206	45,661
Department of Commerce	11.478	30,302
<b>Total - Department of Agriculture</b>		<b>75,963</b>
Department of Defense		
Air Force Materiel Command	12.RDC	12,943
Air Force Office of Scientific Research	12.300	4,506
Air Force Office of Scientific Research	12.630	170,614
Air Force Office of Scientific Research	12.800	3,375,520
Air Force Office of Scientific Research	12.RDC	11,724
Air Force Office of Scientific Research	12.RDG	295
Air Force Research Laboratory	12.300	18,061
Air Force Research Laboratory	12.910	432,559
Air Force Research Laboratory	12.RDC	971,256
Air Force Research Laboratory	12.RDG	111,186
Army Med. Res. & Development Committee	12.420	398,860
Army Medical Research Acquisition Activity	12.420	3,266,113
Army Rdecom Acquisition Center	12.431	644,085
Army Rdecom Acquisition Center	12.RDC	595,103
Army Research Laboratory	12.RDC	402,847
Army Research Laboratory	12.RDG	817,189
Army Research Office	12.431	403,959
Army Research Office	12.630	6,347
Army Research Office	12.910	1,181
Army Research Office	12.RDC	29,425,693
Army Research Office	12.RDG	602,046
Asian Office of Aerospace Research and Development	12.800	166,367
Coast Guard	12.RDC	189,263
Defense Advanced Research Projects Agency	12.910	2,066,832
Defense Advanced Research Projects Agency	12.RDC	4,527,343
Defense Advanced Research Projects Agency	12.RDG	1,789,917
Defense Threat Reduction Agency	12.351	1,476,899

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
Defense Threat Reduction Agency	12.RDC	\$ 18,676
Department of Defense	12.240	342,043
Department of Defense	12.420	1,662,339
Department of Defense	12.RDC	157,112
Department of Defense	12.910	386,476
Department of the Army	12.RDG	39,835
Department of the Navy	12.RDC	2,377,642
Medical Research and Material Command Broad Ag	12.420	319,867
Missile Defense Agency	12.RDC	168,960
National Geospatial-Intelligence Agency	12.RDC	131,011
National Geospatial-Intelligence Agency	12.RDG	258,162
National Institute for Occupational Safety and Health	12.RDC	47,915
National Reconnaissance Office	12.RDC	848,238
National Security Agency	12.901	76,343
Naval Air Warfare Center	12.RDC	54,265
Naval Postgraduate School	12.300	40,729
Naval Supply Systems Command	12.RDC	118,189
Naval Weapons Center, China Lake	12.RDG	1,969
Office of Naval Research	12.300	4,923,110
Office of Naval Research	12.630	6,896
Office of Naval Research	12.RDC	3,199,762
Space and Missile Command	12.RDC	50
Space and Naval Warfare Systems Command	12.910	696,117
Space and Naval Warfare Systems Command	12.RDC	5,451,681
Specialty Center Acquisitions NAVFAC	12.RDC	2,292
The Intelligence Advanced Research Projects Activities	12.RDC	2,044,981
U.S. Government	12.RDC	367,601
Walter Reed Army Medical Center	12.RDG	10,255
<b>Total - Department of Defense</b>		<b><u>75,641,224</u></b>
Department of Education		
Department of Education	84.376	266,348
Department of Education	84.133E	1,231,762
Department of Education	84.206A	113,208
Department of Education	84.220A	(583)
Department of Education	84.305A	409,383
English Language Aquisition:National Professional Development Program	84.195N	127,731
TOTS: Training Occupational Therapy Specialists: Personnel	84.325K	225,736
UCLA/USC Joint East Asian Studies Center NRC/FLAS Program	84.015B	290,395
UCLA/USC Joint East Asian Studies Center NRC/FLAS Program	84.RDG	188,703
<b>Total - Department of Education</b>		<b><u>2,852,683</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
Department of Energy		
Argonne National Laboratory	12.RDC	\$ 12,151
Department of Energy	81.049	4,001,000
Department of Energy	81.064	366,119
Department of Energy - ARRA	81.049	3,423,487
Department of Energy	81.086	908,527
Department of Energy	81.087	434,064
Department of Energy	81.089	844,659
Department of Energy	12.RDG	96,513
Department of Energy	81.RDG	74,958
<b>Total - Department of Energy</b>		<b><u>10,161,478</u></b>
Department of Health and Human Services		
Agency for Healthcare Research & Quality - ARRA	93.715	472,549
Agency for Healthcare Research & Quality	93.726	1,094,624
Center for Disease Control	93.283	526,166
Center for Disease Control	93.941	318,503
Health and Human Services	93.RDC	577
Health and Human Services	93.RDC	68,636
Health Resources & Services Administration	93.124	12,016
Health Resources & Services Administration	93.358	5,776
Health Resources & Services Administration - ARRA	93.403	361,277
Health Resources & Services Administration	93.514	88,000
Health Resources & Services Administration	93.884	666,876
Health Resources & Services Administration	93.925	866,298
National Cancer Institute	93.393	21,460,941
National Cancer Institute - ARRA	93.393	69
National Cancer Institute	93.394	5,917,531
National Cancer Institute	93.395	1,741,013
National Cancer Institute	93.396	3,174,967
National Cancer Institute	93.397	9,705,502
National Cancer Institute	93.398	1,221,036
National Cancer Institute	93.399	737,118
National Cancer Institute	93.701	1,092,695
National Cancer Institute	93.RDC	3,796,194
National Cancer Institute	93.RDG	5,478
National Center For Advancing Translational Sciences	93.350	110,109

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
National Center for Complementary & Alternative Medicine	93.213	\$ 1,190,678
National Center for Complementary & Alternative Medicine - ARRA	93.701	47,843
National Center for Research Resources	93.389	13,376,257
National Center for Research Resources - ARRA	93.701	7,617
National Center On Minority Health and Health Disp	93.307	1,893,632
National Ctr For Advancing Translational Sciences	93.350	2,302,250
National Eye Institute - ARRA	93.701	27,725
National Eye Institute	93.867	13,796,175
National Heart, Lung, and Blood Institute - ARRA	93.701	285,321
National Heart, Lung, and Blood Institute	93.837	2,982,234
National Heart, Lung, and Blood Institute	93.838	3,517,220
National Heart, Lung, and Blood Institute	93.839	316,328
National Human Genome Research Institute	93.172	3,724,452
Nat'l Inst. of Biomedical Imaging & Bioengineering	93.286	2,761,171
National Institute of Alcohol Abuse and Alcoholism	92.273	(8,502)
National Institute of Alcohol Abuse and Alcoholism	93.272	121,166
National Institute of Alcohol Abuse and Alcoholism	93.273	4,548,677
National Institute of Alcohol Abuse and Alcoholism - ARRA	93.701	652,333
National Institute of Alcohol Abuse and Alcoholism	93.891	859,588
National Institute of Allergy and Infectious Diseases - ARRA	93.701	227,652
National Institute of Allergy and Infectious Diseases	93.855	8,634,646
National Institute of Allergy and Infectious Diseases	93.999	459,778
National Institute of Arthritis & Musculoskeletal & Skin Diseases - ARRA	93.701	515,604
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.846	3,857,995
National Institute of Arthritis, Diabetes, Digestive & Kidney Diseases	93.847	381,531
National Institute of Child Health and Human Development - ARRA	93.701	723,009
National Institute of Child Health and Human Development	93.855	821
National Institute of Child Health and Human Development	93.865	7,851,162
National Institute of Dental and CranioFacial Rese	93.121	7,738,515
National Institute of Dental and CranioFacial Rese - ARRA	93.121	82,451
National Institute of Dental and CranioFacial Rese	93.701	1,568,141
National Institute of Dental Research	93.121	154,284
National Institute of Diabetes & Digestive & Kidney Diseases	93.701	382,323
National Institute of Diabetes & Digestive & Kidney Diseases - ARRA	93.701	148,302
National Institute of Diabetes & Digestive & Kidney Diseases	93.847	9,056,075
National Institute of Diabetes & Digestive & Kidney Diseases	93.848	(8,926)

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
National Institute of Diabetes & Digestive & Kidney Diseases	93.849	\$ (7,970)
National Institute of Drug Abuse	93.277	141,180
National Institute of Drug Abuse	93.279	4,585,045
National Institute of Drug Abuse	93.310	408,690
National Institute of Drug Abuse - ARRA	93.701	485,225
National Institute of Environmental Health Sciences	93.113	9,278,207
National Institute of Environmental Health Sciences - ARRA	93.113	9,766
National Institute of Environmental Health Sciences	93.701	493,206
National Institute of General Medical Sciences	93.272	15,954
National Institute of General Medical Sciences	93.310	417,177
National Institute of General Medical Sciences	93.389	1,625,723
National Institute of General Medical Sciences - ARRA	93.701	213,919
National Institute of General Medical Sciences	93.859	8,967,491
National Institute of Mental Health	93.242	11,151,275
National Institute of Mental Health	93.281	162,930
National Institute of Mental Health	93.282	26,628
National Institute of Mental Health	93.310	27,120
National Institute of Mental Health - ARRA	93.701	2,624,536
National Institute of Neurological Disorders and Stroke	93.310	(4,144)
National Institute of Neurological Disorders and Stroke - ARRA	93.701	253,839
National Institute of Neurological Disorders and Stroke	93.853	9,387,168
National Institute on Aging	93.273	291,330
National Institute on Aging - ARRA	93.701	5,377,496
National Institute on Aging	93.866	18,523,354
National Institute on Aging	93.RDG	114,889
National Institute on Deafness and other Communicative Disorders	93.173	1,351,889
National Library of Medicine	93.879	9,453
Office of the Director, NIH	93.310	429,564
Office of the Director, NIH	93.351	326,002
Office of the Director, NIH	93.389	271,852
<b>Total - Department of Health and Human Services</b>		<b><u>224,578,273</u></b>
Department of Homeland Security		
Department of Homeland Security	97.061	4,036,545
Department of Homeland Security	97.104	182,249
Department of Homeland Security	97.RDC	15,226
<b>Total - Department of Homeland Security</b>		<b><u>4,234,020</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
Department of Justice		
National Institute of Justice	16.560	\$ 187,909
National Institute of Justice	16.RDG	329,561
United States Department of Justice	16.525	92,157
<b>Total - Department of Justice</b>		<b>609,627</b>
Department of the Interior		
Department of the Interior	15.RDC	690,499
Fish and Wildlife Service	15.608	15,693
Geological Survey	15.807	2,070,563
Geological Survey	15.808	184,547
Geological Survey	15.810	34,046
Geological Survey	15.807	14,883
US Geological Survey	15.807	1,565
US Geological Survey	15.RDC	33,818
<b>Total - Department of the Interior</b>		<b>3,045,614</b>
Department of Transportation		
Department of Transportation	20.200	1,668
Department of Transportation	20.514	145,357
Department of Transportation	20.704	350,167
Department of Transportation	20.RDA	278,935
Department of Transportation	20.RDC	225,754
<b>Total - Department of Transportation</b>		<b>1,001,881</b>
Department of Veterans Affairs		
Department of Veterans Affairs	64.RDA	8,262
Department of Veterans Affairs	64.RDG	10,336
Veterans Administration	64.RDC	43,202
West Los Angeles Va Medical Center	64.018	46,159
West Los Angeles Va Medical Center	64.RDC	7,720
<b>Total - Department of Veterans Administration</b>		<b>115,679</b>
Environmental Protection Agency		
Environmental Protection Agency	66.509	375,197
<b>Total - Environmental Protection Agency</b>		<b>375,197</b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
Federal Communications Commission		
Federal Communications Commission	32.RDC	\$ 2,608
<b>Total - Federal Communications Commission</b>		<b><u>2,608</u></b>
Library of Congress		
Congressional Research Service, Library of Congress	42.RDC	5,300
<b>Total - Library of Congress</b>		<b><u>5,300</u></b>
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43.001	132,020
National Aeronautics and Space Administration	43.007	30,875
National Aeronautics and Space Administration	43.009	49,996
National Aeronautics and Space Administration	12.RDC	1,606,695
National Aeronautics and Space Administration	43.RDC	405,077
National Aeronautics and Space Administration	43.RDG	498,972
National Aeronautics and Space Administration	43.RDG	16,647
<b>Total - National Aeronautics and Space Administration</b>		<b><u>2,740,282</u></b>
National Endowment for the Arts		
National Endowment for the Arts	45.RDC	108,457
<b>Total - National Endowment for the Arts</b>		<b><u>108,457</u></b>
National Endowment for the Humanities		
National Endowment for the Humanities	45.149	109,612
National Endowment for the Humanities	45.161	31,612
National Endowment for the Humanities	45.169	259,531
<b>Total - National Endowment for the Humanities</b>		<b><u>400,755</u></b>
National Historical Publications and Records Commission		
National Historical Publications and Records Commission	89.003	14,255
<b>Total - National Historical Publications and Records Commission</b>		<b><u>14,255</u></b>
National Oceanic and Atmospheric Administration		
National Oceanic and Atmospheric Administration	11.417	897,631
National Oceanic and Atmospheric Administration	11.478	68,359
National Oceanic and Atmospheric Administration	11.431	315,910
<b>Total - National Oceanic and Atmospheric Administration</b>		<b><u>1,281,900</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Current Year Expenditures
<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>		
<u>DIRECT AWARDS (Continued)</u>		
National Science Foundation		
National Science Foundation	47.041	\$ 5,929,555
National Science Foundation	47.047	125,900
National Science Foundation	47.049	3,634,667
National Science Foundation	47.050	14,493,996
National Science Foundation	47.070	8,482,856
National Science Foundation	47.071	10,000
National Science Foundation	47.074	2,516,164
National Science Foundation	47.075	1,003,101
National Science Foundation	47.076	1,609,943
National Science Foundation	47.078	394,792
National Science Foundation	47.079	50,465
National Science Foundation	47.080	821,528
National Science Foundation - ARRA	47.082	2,971,694
National Science Foundation	47.RDG	(792)
<b>Total - National Science Foundation</b>		<b><u>42,043,869</u></b>
 Nuclear Regulatory Commission		
Nuclear Regulatory Commission	77.006	62,422
<b>Total - Nuclear Regulatory Commission</b>		<b><u>62,422</u></b>
 Other		
USC Clinical Research Organization	93.RDA	1,261,463
<b>Total - Other</b>		<b><u>1,261,463</u></b>
 <b>Total Research and Development Cluster - Direct Awards</b>		<b><u>\$ 370,733,576</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
<u>PASS-THROUGH FUNDS</u>			
Department of Agriculture			
California Cut Flower Commission	10.RDG	0348-0004	\$ 59,491
<b>Total - Department of Agriculture</b>			<b>59,491</b>
Department of Commerce			
University of California, San Diego	11.012	NA11NOS0120029	117,305
University of California, San Diego	11.417	NA10OAR4170060	123,359
<b>Total - Department of Commerce</b>			<b>240,664</b>
Department of Defense			
Adventium Enterprises (Labs)	12.RDC	N00014-11-C-006	17,995
Anthrotronix, Inc.	12.RDC	W81XWH-11-C-047	49,803
Arizona State University	12.300	FA9550-06-1-030	36,049
BAE Systems Info. and Electronics Systems Int. Inc	12.RDC	FA8650-12-C-721	54,335
BAE Systems Info. and Electronics Systems Int. Inc	12.RDC	HR0011-09-C-010	672
BAE Systems Info. and Electronics Systems Int. Inc	12.RDG	N00014-09-C-018	223
Battelle Memorial Institute	12.RDG	WR91CRB-04-0016	44,109
BBN Technologies	12.RDC	9500008412	57
BBN Technologies	12.RDC	FA9750-09-C-017	260,361
BBN Technologies	12.RDC	HR0011-06-C-002	281,311
BBN Technologies	12.RDC	HR0011-12-C-001	882,560
BBN Technologies	12.RDC	N66001-11-C-400	225,757
BBN Technologies	12.RDC	W911NF-09-D-000	161,454
Booz/Allen/Hamilton, Inc.	12.RDC	W15P7T-06-D-E40	15,557
Brown University	12.431	W911NF-07-1-004	(6,657)
California Institute of Technology	12.RDC	N66001-10-C-200	597,364
CaridianBCT Biotechnologies, LLC	12.RDG	W81XWH-09-2-010	3,958
Cancer Prevention Institute of California	12.RDG	W81XWH-10-1-037	17,217
Carnegie Mellon University	12.RDC	W911NF-08-1-030	221,298
Carnegie Mellon University	12.431	W911NF-10-1-053	418,194
Children's Oncology Group	12.420	W81XWH-10-1-101	100,481
Citizens United for Research in Epilepsy	12.420	W81XWH-09-2-013	6,858
CODEX BioSolutions	12.RDC	W81XWH-12-C-004	15,224
Cogent Systems, Inc.	12.RDC	W911NF-07-R-000	122,487
Cornell University	12.420	W81XWH-09-1-059	15,218
Cornell University	12.420	W81XWH-10-1-104	1,206,348
Cornell University	12.630	FA9550-09-1-001	17,419
Dartmouth College/Neukom Institute For Computation	12.300	N00014-08-1-069	140,746
ERC Incorporated	12.RDC	FA9300-06-C-002	1,812

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
ERC Incorporated	12.800	FA9300-06-C-002	\$ 90,387
ERC Incorporated	12.800	W91260-09-C-002	28,361
Exogi, LLC	12.RDC	W91CRB-10-C-012	193,349
Eye-com Corporation	12.RDC	W81XWH-09-2-014	4,524
Fetch Technologies, Inc.	12.RDC	FA8750-11-C-012	142,742
General Dynamics Information Technology, Inc.	12.RDS	N00178-04-D-401	2,438
General Technical Services, L.L.C.	12.RDC	GS02T10CJC0511	37,046
Geneva Foundation	12.RDC	USAMRMC GENEVA	1,617
Geneva Foundation	12.420	W81XWH-08-2-001	4,919
Georgia Institute of Technology	12.800	W911NF-11-1-004	219,679
Georgia Tech University	12.RDG	HR0011-10-C-012	20,742
Geosemble Technologies	47.070	FA9550-08-C-0010	27
Geosemble Technologies	12.RDC	W31P4Q-09-C-031	95,012
Henry M. Jackson Foundation	12.420	W81XWH-04-2-002	34,810
Henry M. Jackson Foundation	12.800	F18650-05-2-651	(4,510)
Honeywell, Inc.	12.RDG	N10PC20048	30,065
HRL Laboratories, LLC	12.910	HM1582-07-C-0017	237
HRL Laboratories, LLC	12.RDC	802084-BS	179,522
IBM Foundation	12.RDC	HR0011-12-C-001	96,379
IBM Foundation	12.RDC	W911NF-12-C-0012	8,456
Indiana University	12.431	W911NF-10-1-044	120,256
Intelligent Automation Inc	12.420	W81XWH-09-C-013	6
Intelligent Automation Inc	12.RDC	FA8650-08-C-781	62
Intelligent Automation Inc	12.RDC	W81XWH-09-C-013	26,741
International Business Machines Corporation	12.RDC	FA8750-09-0172	930,520
International Business Machines Corporation	12.RDC	W911NF-11-C-020	126,423
International Computer Science Institute	12.RDC	W911NF-12-C-002	17,360
Jet Propulsion Laboratory, California Institute of Technology	12.300	N00014-06-1-073	37,499
Johns Hopkins University	12.420	W81XWH1020090	47,772
Kitware, Inc.	12.910	HR0011-08-C-013	129,674
LGS Innovations, LLC	12.RDC	GOV0013897	32,373
Massachusetts Institute of Technology	12.300	N00014-11-1-039	86,384
Media and Process Technology, Inc.	12.RDC	HR001-10-C-0058	(225)
Neuralgenix, LLC	12.RDC	N00014-12-C-037	95,451
New Mexico State University	12.RDC	W74V8H-06-C-0042	1
Numerex, LLC	12.RDC	N00014-09-C-039	162,543
Objectvideo, Inc.	12.RDC	W911NF-08-C-006	25,840
Office of Naval Research	12.300	UNKNOWN	(13,503)
Pennsylvania State University	12.RDC	W911NF-09-2-005	357,596
Perceptronics Solutions, Inc.	12.RDC	FA8750-12-C-018	173

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Perceptronics Solutions, Inc.	12.RDC	N00014-09-C-040	\$ 2,500
Perceptronics Solutions, Inc.	12.RDC	W15P7T-09-C-S63	35,428
Perceptronics Solutions, Inc.	12.RDC	W91WAW-09-C-015	40,391
Perceptronics Solutions, Inc.	12.300	N00014-11-M-012	17,959
PhaseSpace, Inc.	12.RDC	N00014-11-C-031	52,630
Photonics Systems, Inc.	12.300	GS9550-10-C-011	2,841
Photonics Systems, Inc.	12.RDG	W911NF-11-1-003	18,674
Precision Therapeutics	12.420	W81XWH-06-2-002	12,554
Quanterion Solutions Incorporated	12.RDC	FA1500-10-D-001	67,465
Raytheon BBN Technologies Corp.	12.RDC	W911NF-09-2-0053	140,511
Raytheon Company	12.RDC	2003*I297300*00	172,448
Rensselaer Polytechnic Institute	12.300	N00014-09-1-102	145,161
Sandia National Laboratories	81.RDC	DE-AC04-94AL850	1,036,138
Sandia National Laboratories	81.RDC	DE-AC04-94AL85000	35,257
Science Applications International Corporation	12.RDC	AG-3142-C-10-00	24,103
Science Applications International Corporation	12.RDC	N66001-11-C-415	161,551
Shared Spectrum Corporation	12.RDC	FA8750-11-C-016	737,318
Sierra Nevada Corp	12.RDC	FA9453-08-C-024	109,875
Skaion Corp	12.RDC	HR0011-10-C-003	138,055
Soar Technology, Inc.	12.RDC	N00014-10-C-052	158,054
Soar Technology, Inc.	12.RDC	N00014-11-M-036	19,578
Soar Technology, Inc.	12.RDC	N00014-12-M-001	27,990
SRI International	12.RDC	HR0011-07-C-006	5,950
SRI International	12.910	FA8650-10-C-705	537,235
Stevens Institute of Technology	12.RDC	H98230-08-0171	12,106
Stevens Institute of Technology	12.RDC	H98230-08-D-01	71,646
Stevens Institute of Technology	12.RDC	H98230-08-D-017	344,547
Tactical Language Training, Llc	12.RDC	FA8750-09-0172	13,602
Trideum Corporation	12.RDC	W91ZLK-10-C-000	103
United Technologies Research Center	12.RDC	N00014-09-C-021	40,765
University of California, Berkeley	12.190	HR0011-09-C-012	188
University of California, Davis	12.431	w911nf-08-1-002	24,059
University of California, Los Angeles	12.300	FA9550-10-1-056	457,672
University of California, Los Angeles	12.300	N00014-08-C-056	72,802
University of California, Los Angeles	12.300	N00014-09-C-081	139,825
University of California, Los Angeles	12.300	N00014-10-1-097	36,271
University of California, Los Angeles	12.300	N0014-11-10089	43,333
University of California, Los Angeles	12.RDC	N00014-08-C-056	111,688
University of California, Los Angeles	12.RDC	N00014-12-C-009	65,679
University of Maryland	12.300	N00014-07-1-078	6,064

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of Michigan	12.420	W81XWH-10-1-073	\$ 66,064
University of Michigan	12.RDC	W15P7T-08-C-P40	23,616
University of Pittsburgh of the Commonwealth Sys.	12.RDC	N66001-11-C-417	44,415
University of Texas	12.630	W911NF-07-1-002	52,138
University of Utah	12.800	FA9550-08-1-040	265,783
<b>Total - Department of Defense</b>			<b>13,868,990</b>
Department of Education			
Anthrotronix, Inc.	84.RDG	H133S100077A	12,962
Florida State University	84.305	R305A090169	111,000
Los Angeles Unified School District	84.RDG	U165A100057	63,528
Los Angeles Unified School District - ARRA	84.RDG	U396C100336	243,408
The Rehabilitation Institute Research Corporation	84.133B	H133B040032.08	8,826
University of California, Davis	84.RDC	CN088622	84,550
University of California, Los Angeles	84.015B	P015A060036-08	164
University of California, Los Angeles	84.305C	R305C080015	92,281
University of New Orleans	84.215K	U215K100251	19,338
University of Texas	84.305	R305A100995	69,359
WestEd	84.RDG	ED-04-CO-0060/0	(39,110)
<b>Total - Department of Education</b>			<b>666,306</b>
Department of Energy			
Caterpillar, Inc.	81.003	DE-FC26-01CH110	81,677
Lawrence Berkeley Laboratory	12.RDC	DE-AC02-05CH112	238,372
Lawrence Livermore National Laboratory	81.RDG	DE-AC52-07NA273	192,765
Los Angeles Department of Water & Power - ARRA	81.122	DE-OE0000192	1,883,758
Media and Process Technology, Inc.	81.RDC	DE-FG3605GO1509	(2,084)
Media and Process Technology, Inc.	81.RDG	DE-FG36-08GO181	51,089
Pacific Northwest National Lab	81.105	DE-AC05-76RL018	(94)
Princeton University	81.049	DE-SC0001198	302,648
Sandia National Laboratories	12.RDC	UNKNOWN	(69)
Southern California Edison - ARRA	81.122	DE-OE0000199	198,830
University of Delaware - ARRA	81.049	DE-SC001004	759
University of Texas	81.000	DE-FC52-08-NA28	131,675
<b>Total - Department of Energy</b>			<b>3,079,326</b>
Department of Health and Human Services			
Advanced Medical Electronics Corporation	93.866	9R44AG033522-02	14,482
American Cancer Society, Inc.	93.393	5 U01 CA098710-	149,794
American Cancer Society, Inc.	93.393	5U01CA098710-08	168,890

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
American College of Radiology	93.395	U01 CA80098	\$ 65,926
American College of Radiology Imaging Network	93.395	CA80098	46,321
American College of Radiology Imaging Network	93.395	U01 CA80098	2,420
American College of Radiology Imaging Network	93.RDC	U01CA80098	3,054
American Institutes for Research	93.RDC	200-2007-20026	108,768
Anergix, LLC	93.853	1 R43 NS064618-	4,981
Arizona State University - ARRA	93.701	3 U01 ES016064-	27,422
Association of American Medical Colleges	93.283	5U36CD319276	21,004
Axio Research Company, LLC	93.837	1) U01HL081616	717
Banner Sun Health Research Institute	93.866	5 R01 AG036400-	508,874
Battelle Memorial Institute	93.RDC	HHSD20020020057	1,452
Baylor College of Medicine	93.395	1 R01 CA148748-	15,695
Beckman Research Institute of the City of Hope	93.121	5 R01 DE010742-	90,632
Beckman Research Institute of the City of Hope	93.393	5R01CA077398-13	758,583
Beckman Research Institute of the City of Hope	93.395	5 R21 CA137639-	5,900
Beckman Research Institute of the City of Hope	93.395	5 U01 CA062505-	91,824
Beckman Research Institute of the City of Hope	93.395	5U01CA062505-19	32,487
BioFormatix, Inc.	93.867	5 R44 EY015373-	1,909
BioReliance	93.RDC	N02-CP-55502 HH	80,757
Boston University	93.121	7 R01 DE019156-	77,093
Brigham & Women's Hospital, Inc.	93.859	1P01GM095467	413,944
Brigham & Women's Hospital, Inc. - ARRA	93.701	5 R01 CA134958-	426,557
Brigham & Women's Hospital, Inc.	93.701	5 RC2 HL101543-	459,947
Calibrant Biosystems	93.395	5 R42 CA122715-	73,252
California Department of Public Health	93.238	CDC-RFA-DP11-11	106,691
California Social Work Education Center	93.658	11-2036	5,341
Case Western Reserve University	93.394	R01 CA136726-02	249,774
Cedars-Sinai Medical Center	93.867	5 R01 EY015557	(2,897)
Ceremed, Inc.	93.839	1 R01 HL 092732	(7,629)
Ceremed, Inc. - ARRA	93.701	1 R41 AR056177-	493
Children's Hospital of Boston	93.855	7R01AI065617-12	1,811
Children's Hospital of Los Angeles	93.395	5P01CA081403-12	153,038
Children's Hospital of Los Angeles	93.395	5R01CA139060-04	10,031
Children's Hospital of Los Angeles	93.838	5 P01 HL060231-	(17)
Children's Hospital of Los Angeles	93.839	1 U54 HL090511-	20,915
Children's Hospital of Los Angeles	93.839	5 U54 HL090511-	40,135
Children's Hospital of Los Angeles	93.847	5 R25 DK078385-	810
Children's Hospital of Los Angeles	93.847	5R25DK078385-05	1,555
Children's Hospital of Los Angeles	93.847	5R56DK078385-05	868
Children's Hospital of Los Angeles	93.853	1R21NS77288-01	88,301

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Children's Hospital of Los Angeles	93.865	5 K12 HD052954-	\$ 58,462
Children's Hospital of Los Angeles	93.865	7R01HD053893-05	35,045
Children's Hospital of Los Angeles - ARRA	93.701	5RC2CA148216	25,758
Children's Hospital of Philadelphia	93.393	5R01CA133881-03	18,675
Children's Institute Inc.	93.104	DMH-02286	32,519
Children's Institute Inc.	93.243	2U79SM058241-05	42,534
Children's Institute Inc.	93.243	5 U79 SM058241-	29,276
Children's Institute Inc.	12.RDC	5U79SM059940-02	266,480
City of Hope National Medical Center	93.395	5 P01 CA043904-	786
Claremont Graduate University	93.279	2 R01 DA016310-	(24,840)
Claremont Graduate University	93.837	5U01HL097839-02	59,837
Claremont Graduate University	93.847	5 R21 DK088313-	32,094
Cleveland Clinic Lerner College of Medicine	93.853	5 P01 NS064932-	194,423
Cold Spring Harbor Laboratory - ARRA	93.701	1RC2CA148507-01	13,309
Cold Spring Harbor Laboratory	93.701	1RC2HD064459-01	12,763
Cold Spring Harbor Laboratory	93.701	5RC2HL101846-02	9,427
Columbia University	93.121	7 R01 DE019156-	53
Columbia University	93.867	1 R01 EY021470-	41,800
Columbia University	93.867	1 R01 EY21529-0	7,944
Community Health Councils, Inc.	93.118	1U58DP001056-01	(306)
Community Health Councils, Inc.	93.118	5U58DP001056-03	8,047
Cornell University	93.397	5U54CA143876-03	5,955
County of Los Angeles Department of Public Health	93.RDC	T1023865	116,815
Curesearch-NCCF-COG	93.395	5 U10 CA098543-	(34)
Dana-Farber Cancer Institute/HCC	93.397	5 P50 CA100707-	47,340
Dana-Farber Cancer Institute/HCC	93.397	5P50CA100707-09	135,789
Downtown Women's Center	93.137	5 CPIMP101063-0	57,257
Duke University	93.847	2 U01 DK065176	4,788
Duke University	93.853	R01 NS050506-05	20
Duke University	93.855	5 U19 AI056363-	79,545
Duke University Medical Center - ARRA	93.701	2 R01 CA076016-	14,273
DVX, Llc	93.837	2R44HL071359-04	3,069
Emmes Corporation	93.865	2 U01 CA121947-	76,158
Excell Therapeutic, Inc.	93.855	1R43AI084359-01	2,211
Florida State University	93.865	5U0HD060292-03	45,207
Florida State University	93.865	5U0HD060292-04	44,888
Fred Hutchinson Cancer Center	93.393	5 R01 CA136725-	88,331
Fred Hutchinson Cancer Center	93.394	1 R21 CA1139256	3,480
Fred Hutchinson Cancer Center	93.394	1R21CA164545-01	2,431
Fred Hutchinson Cancer Center - ARRA	93.701	20388	76,777

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
GeneFluidics, Inc.	93.865	5 R43 HD065303-	\$ 28,565
Harvard Medical School	93.173	1 R01 DC009837-	120,404
Harvard Medical School - ARRA	93.728	90TR0001/01	342,828
Harvard School of Public Health	93.172	1 U01 HG005922-	58,853
Harvard School of Public Health	93.393	1 U19 CA148065-	247
Harvard School of Public Health	93.393	U19CA148065-02	142,624
Harvard School of Public Health	93.865	2 U01 HD052102-	49,319
Harvard School of Public Health	93.865	5 U01 HD052102-	447,945
Haskins Laboratories	93.173	R01 DC008780	71,645
Health Research, Inc.	93.393	1 R01 CA139426-	537,403
Health Research, Inc.	93.393	5R01CA139426-02	370,408
Indiana Latino Institute	93.283	5 U85 DP001515-	11,608
Indiana Latino Institute	93.283	U58DP001515-04	34,412
Indiana University	93.728	90TR0001/01	1,734
Indiana University	93.837	5 R01 HL095149-	12,792
Institute for Community Research	93.279	5R01DA031594-02	24,437
Intelligent Automation Inc	93.RDG	1R43LM011326-01	21,208
Jet Propulsion Laboratory, California Institute of Technology	93.395	1P01CA132681-01	181,580
Johns Hopkins University	93.393	5 U01 CA089600-	15,773
Johns Hopkins University	93.393	5R01CA140311-02	13,001
Johns Hopkins University	93.393	5U01CA089600-09	15,107
Johns Hopkins University	93.867	5R01AG031348-04	104,051
Johns Hopkins University	93.867	5U10EY014660	17,575
Johns Hopkins University - ARRA	93.701	U10 EY014660	6,001
Johns Hopkins University	93.701	3 R01 AG0313448	124,655
Kuakini Medical Center - ARRA	93.701	3 U01 AG017155-	17,062
LA County Community and Senior Services	93.RDC	AP-1112-19	169,225
LA County Dept. Health Services Aids Program Office	93.145	H-204756-11	(3,039)
Legacy For Health	93.393	1R01CA155369-01	9,737
L-Nutra Inc.	93.394	HHSN26120100009	(8,055)
Louisiana State University - ARRA	93.701	RC2AT005909	160,427
Lovelace Respiratory Research Institute	93.113	5 R01 ES015262-	56,496
Lovelace Respiratory Research Institute	93.394	5R01CA0975356-0	434,790
Magnetus, LLC	93.398	1R21CA113986-01	18,899
Massachusetts General Hospital	93.242	5 R01 MH071681-	2,190
Massachusetts General Hospital	93.242	5 R01 MH085542-	980,922
Massachusetts General Hospital	93.242	RO1 MH071681-03	(3,938)
Massachusetts General Hospital	93.286	5 R01 EB009408-	166,163
Memorial Sloan Kettering	93.393	5 R01 CA129639-	289,613
Memorial Sloan Kettering	93.393	5R01CA129639-04	44,698

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Michigan State University	93.393	5R01CA136861-02	\$ 68,888
Moffitt Cancer Center	93.393	1 U19 CA148112-	6,864
Moffitt Cancer Center	93.393	5 U19 CA148112-	447,669
Moffitt Cancer Center	93.393	5R01CA149429-03	19,627
MRI Research Inc.	93.867	2R44EY015655-02	81,963
Mt. Sinai School of Medicine	93.837	7 U01 HL088942	73,631
National Center On Minority Health and Health Disp - ARRA	93.701	UNKNOWN	10,239
National Institute of Allergy and Infectious Diseases - ARRA	93.701	UNKNOWN	8,728
Nationwide Children's Hospital	93.173	1R01DC011818-01	109,745
Neumedicines, LLC	93.RDC	HHSO10020080006	57,148
Neumedicines, LLC	93.RDC	HHSO10020110003	70,190
Northeast Valley Health Corporation	93.224	H80CS00139	170,629
North American Assn. of Central Cancer Registries	93.RDC	HHSN26120090001	39,738
Northrop Grumman Corporation	93.RDC	C10SP2305	(30,000)
Northshore University Healthsystem Research Inst	93.363	HHSN26020060000	40,713
Northwestern University	93.121	2 R01 DE015920-	188,384
Northwestern University	93.121	5 R01 DE015920-	(11,960)
Northwestern University	93.242	1P20MH090318-01	137,098
Northwestern University	93.395	R01CA128641	46,423
Northwestern University - ARRA	93.701	1 RC1 EY021357-	17,986
Ohio State University	93.262	5R21OH009907-02	2,145
Oklahoma Medical Research Foundation	93.855	5 P01 AI083194-	88,628
Oregon Health Science University	93.859	2 R01 GM032741-	(835)
Oregon Health Science University	93.859	R01 GM032741-29	32,202
Oregon Health Science University	93.867	5 R01 EY013516-	333,432
Premitec, Inc. - ARRA	93.701	5 RC3 EY020790-	198,284
Public Health Institute	93.283	1 U58 DP000807-	(9,507)
Public Health Institute	93.283	1U58DP000807-04	31,237
Public Health Institute	93.283	1U58DP000807-05	383,227
Q-Chem, Inc.	93.859	2 R44 GM076847-	53,736
Rady Children's Hospital Research Center	93.242	P30MH074678	91,477
Rand Corporation	93.226	R01 HS018541	29,050
Rand Corporation	93.279	R 01 DA020351	60,433
Rand Corporation	93.361	R01NR013372	858
Rand Corporation	93.866	5 R01 AG031260-	3,844
Rand Corporation - ARRA	93.701	HHSA29020060001	80,124
Rand Corporation	93.701	R01 HD054877	23,520
Rand Corporation	93.RDC	R03AG031990	17,364
Rand Corporation	93.RDC	HHSP23320095649	6,376
Research Corporation - University of Hawaii	93.172	5 U01 HG004802-	(10,813)
Research Corporation - University of Hawaii	93.172	5U01HG004802-04	848,703

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Research Corporation - University of Hawaii	93.279	R01 DA021865	\$ 23,923
Research Corporation - University of Hawaii	93.393	5 R01 CA126895-	187,519
Research Corporation - University of Hawaii	93.393	5 R37 CA054281-	597,723
Research Corporation - University of Hawaii	93.393	5R01CA140636-03	2,563
Research Corporation - University of Hawaii	93.393	5R37CA54281-20	296,472
Research Corporation - University of Hawaii	93.393	R01 CA140636	6,143
Research Corporation - University of Hawaii - ARRA	93.701	3 R01 CA126895-	30,131
Research Corporation - University of Hawaii	93.701	5 P01 CA033619-	127,592
Research Triangle Institute	93.779	HHSM-500-2005-0	71,134
Research Triangle Institute	93.865	1 U01 HD051276-	68,344
Rockefeller University	93.RDG	2 U54 RR022220-	12,683
Rockefeller University	93.RDG	5U54RR022220-07	103,712
Roswell Park Cancer Institute	93.393	1P01CA151135-01	92,010
Roswell Park Cancer Institute	93.839	1 R01 HL102278-	538,865
Rti International	93.279	R21 FA024966	37,223
Rutgers, The State University of New Jersey	93.172	5 U01 HG004801-	367,707
Rutgers, The State University of New Jersey	93.172	5U24MH068457	21,800
Rutgers, The State University of New Jersey	93.242	5U24MH068457-08	(89)
Rutgers, The State University of New Jersey	93.242	5U24MH068457-09	706,526
Rutgers, The State University of New Jersey	93.242	5U5U24MH068457	43,045
Rutgers, The State University of New Jersey - ARRA	93.701	3U01HG004801-02	29,012
Salk Institute For Biological Studies - ARRA	93.701	R01DC010241	5,953
Science Applications International Corporation	93.RDC	HHSN26120080000	115,148
Social & Scientific Systems, Inc.	93.242	U01 AI068632	64,707
Social & Scientific Systems, Inc.	93.242	UM1AI068632-06	34,254
Social & Scientific Systems, Inc.	93.837	1 R01 HL095132-	83,400
Social & Scientific Systems, Inc.	93.837	5 R01 HL095149-	31,667
Social & Scientific Systems, Inc.	93.855	1 U01 AI008636-	18,087
Social & Scientific Systems, Inc.	93.855	1 U01 AI068636-	5,988
Social & Scientific Systems, Inc.	93.855	1U01AI068636-01	1,986
Social & Scientific Systems, Inc.	93.855	HHSN27220090000	3,713
Social & Scientific Systems, Inc.	93.855	UM1AI068636-06	18,536
Social & Scientific Systems, Inc.	93.RDS	SSS-A5280	478
Social & Scientific Systems, Inc. - ARRA	93.701	3 U01 AI068632-	127
Social & Scientific Systems, Inc.	93.RDC	HHSN27220090000	2,121
Southwest Oncology Group	93.395	U10 CA32102	84,162
Southwest Oncology Group	93.395	U10CA058882	(3,178)
Southwest Oncology Group	93.395	U10CA32102	176,283
St. Jude Children's Research Hospital	93.396	5 R01 CA120583-	15,533
St. Luke's-Roosevelt Institute for Health Sciences	93.867	1 U10 EY017281-	210

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Stanford University	93.172	3U54HG004558-05	\$ 263,262
Stanford University	93.393	R01 CA067044	86,205
State University of New York at Buffalo	93.113	1 R01 ES018846	30,521
State University of New York at Buffalo	93.121	5 R01 DE003223-	8,913
Temple University	93.866	1 R01 AG023742-	11,527
Texas Tech University	93.242	5R01MH061884-09	21,072
The Forsyth Institute	93.121	1R34DE022272-01	23,111
The Forsyth Institute	93.121	5 R01 DE019117	77,152
The Hope Foundation	93.395	U10CA32102	42,602
The Jackson Laboratory	93.172	5P41HG002273-11	100,961
The Scripps Research Institute	93.273	5 U01 AA013517-	23,769
The Scripps Research Institute	93.RDG	5 U54 CA143906-	89,827
The Scripps Research Institute - ARRA	93.RDG	5 U54 CA143906-	47,857
Therapeutic Systems Research Laboratories, Inc.	93.855	1R43AI091216-01	76,853
Therapeutic Systems Research Laboratories, Inc.	93.856	5R44AI056864-05	48,044
University of Alabama	93.853	5U01NS042685-07	200
University of Alabama at Birmingham	93.855	N01-AI-30025	1,513
University of California, Berkeley	93.113	1R01ES020409-01	59,575
University of California, Berkeley	93.113	5 R01 ES009137-	126,754
University of California, Berkeley	93.393	5R01CA154643-02	9,291
University of California, Berkeley	93.658	11.2036	875,759
University of California, Davis	93.389	R21 RR025818	(4,523)
University of California, Davis	93.397	U54CA153499-01S	75,435
University of California, Davis	93.RDC	HHSN26100062200	186,166
University of California, Davis - ARRA	93.701	1R21MH085904-01	9,831
University of California, Irvine	93.113	2 R01 ES012243-	16,314
University of California, Irvine	93.173	2R01DC003681-11	107,920
University of California, Irvine	93.242	1 R01 MH081018-	88,112
University of California, Irvine	93.286	EB010090-01	73,491
University of California, Irvine	93.855	U54 AI065359	317,595
University of California, Irvine	93.865	HD057884	44,049
University of California, Irvine	93.867	2R01EY017491-10	91,625
University of California, Irvine	93.867	9 R01 EY017491	(10,914)
University of California, Irvine - ARRA	93.701	NS045260	52,436
University of California, Los Angeles	93.121	5 P01 DE019085	295,246
University of California, Los Angeles	93.121	5P01DA019085	45,106
University of California, Los Angeles	93.135	5U48DP001934	96,553
University of California, Los Angeles	93.242	5 P30 MH082760	49,808
University of California, Los Angeles	93.242	5 P30 MH082760-	292
University of California, Los Angeles	93.242	5 U01 MH083500-	34,431
University of California, Los Angeles	93.273	1 R01 AA021301-	26,518

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of California, Los Angeles	93.389	2 P41 RR013642	\$ 87,291
University of California, Los Angeles	93.389	3 P41 RR013642-	20,409
University of California, Los Angeles	93.393	NCS-07-11	7,174
University of California, Los Angeles	93.837	1 P50 HL105188-	289,265
University of California, Los Angeles	93.837	5P50HL105188	172,600
University of California, Los Angeles	93.839	5 P01 HL073104-	534,351
University of California, Los Angeles	93.839	5P01HL073104-08	554
University of California, Los Angeles	93.848	5 P50 DK064539	67,983
University of California, Los Angeles	93.848	5 P50 DK064539-	(2,535)
University of California, Los Angeles	93.852	1R01NS074980-01	95,994
University of California, Los Angeles	93.853	1 U01 NS059821-	167,463
University of California, Los Angeles	93.853	5U01NS059821-02	843
University of California, Los Angeles	93.853	U01 NS044364	32,388
University of California, Los Angeles	93.855	1 U19 AI070453	61,815
University of California, Los Angeles	93.RDG	09-H9002	(9)
University of California, Los Angeles - ARRA	93.701	5 RC1 AG035664-	1,083
University of California, Merced	93.113	5 R01 ES005511	80,130
University of California, Riverside	93.866	5 R01 AG028555-	(468)
University of California, San Diego	93.242	5 P30 MH080002-	11,225
University of California, San Diego	93.242	5P30MH080002-05	50,798
University of California, San Diego	93.242	5R01MH092950-02	131,571
University of California, San Diego	93.273	1R01MH087054-01	61,201
University of California, San Diego	93.865	1R01HD069305-01	52,035
University of California, San Diego	93.866	2 U01 AG024904-	152,338
University of California, San Diego	93.866	5 U01 AG010483-	(9,491)
University of California, San Diego	93.866	5 U01 AG10483-2	15,553
University of California, San Diego	93.866	5U01AG010483-21	49,937
University of California, San Diego	93.866	5U01AG10483-21	47,689
University of California, San Diego	93.867	2R01EY016323-06	38,570
University of California, San Diego	93.867	5 R01 EY016323-	31,266
University of California, San Diego	93.867	5R01EY007366-25	23,929
University of California, San Diego - ARRA	93.701	1 RC2 AG036535-	12,201
University of California, San Francisco	93.113	5U01ES017154-04	166,659
University of California, San Francisco	93.136	5R01CE001589-03	15,022
University of California, San Francisco	93.145	6 H4 AHA00058-0	8,402
University of California, San Francisco	93.145	H4 AHA00058-10-	757,403
University of California, San Francisco	93.172	R01 HG004049-01	358
University of California, San Francisco	93.399	5 R01 CA088164-	108,291
University of California, San Francisco	93.847	5R01DK058214-09	13,452
University of California, San Francisco	93.853	5 U01 NS058634-	(1,832)

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of California, San Francisco	93.853	5U01NS058634-03	\$ 59,699
University of California, San Francisco	93.RDC	N01-AI-15416	10,137
University of Chicago - ARRA	93.701	RC2 HL101651	250,755
University of Cincinnati (Primary)	93.853	1 U01 NS069763-	30,655
University of Cincinnati (Primary)	93.853	5 U01 NS069763-	286,143
University of Colorado	93.394	5 R03 CA136048-	11,542
University of Delaware	93.389	5 P20 RR017716-	(3,550)
University of Florida	93.859	R01 GM076618	21,137
University of Florida - ARRA	93.701	R01 GM077618	8,304
University of Hawaii at Honolulu	93.393	5 P01 CA138338-	112,526
University of Hawaii at Honolulu	93.393	5P01CA138338-02	34,118
University of Hawaii at Manoa	93.393	1R01CA154644-01	48,979
University of Illinois at Chicago	93.242	5 R01 MH089830-	19,319
University of Kansas	93.859	3 P01 GM084077-	14,476
University of Kansas	93.859	5P01GM084077-06	418,613
University of Kansas - ARRA	93.701	3P01GM084077-03	(1,788)
University of Massachusetts	93.393	5 R03CA153078-0	22,255
University of Medicine & Dentistry of New Jersey	93.389	1 R25 RR018490	37
University of Medicine & Dentistry of New Jersey	93.853	5R01NS038384-08	1,130
University of Miami	93.279	1P30DA027828-01	33,445
University of Miami	93.279	5R01DA025694-04	148,629
University of Miami	93.286	R01EB008275	114,773
University of Miami	93.RDG	P30AI073961	8,889
University of Miami - ARRA	93.701	1 R01 HD060325-	1,985
University of Miami	93.701	5 R01 CA141077	108,525
University of Michigan	93.393	5 R01 CA119202-	28,695
University of Michigan	93.393	5U19CA148107-02	497,559
University of Michigan	93.393	CA109696-06	24,841
University of Michigan	93.395	2 U10 CA32102-3	41,340
University of Michigan	93.846	R01AR060350	50,925
University of Michigan	93.847	5 U01 DK085584-	19,585
University of Michigan	93.RDG	1 U19 CA148107-	5,075
University of Michigan - ARRA	93.701	1 RC HL101881-0	51,698
University of Michigan	93.701	3 U01 AG009740-	73,011
University of Michigan	93.701	4R01CA139014-03	128,778
University of Michigan	93.701	RC4AG039029	18,981
University of Minnesota	93.393	1 P01 CA138338-	404,987
University of Minnesota	93.393	5 R01 CA127236-	64,490
University of Minnesota	93.393	R01CA151284	21,052
University of Minnesota	93.394	1R21CA155524-01	3,039

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
University of Minnesota	93.838	5 P01 HL091775-	\$ 66,834
University of Minnesota	93.847	5R01DK080720-04	218,868
University of Minnesota	93.853	3R21NS070955-02	49,561
University of North Carolina, Chapel Hill	93.393	5R01CA059005-16	65,888
University of North Carolina, Chapel Hill	93.393	5R01CA098286-09	175,146
University of Pennsylvania	93.172	5R01HG005854-02	39,892
University of Pennsylvania	93.242	1R34MH094207-01	50,899
University of Pennsylvania	93.279	5U01DA020830-07	16,494
University of Pennsylvania	93.865	2 R01 HD036455-	(675)
University of Pittsburgh of the Commonwealth Sys. - ARRA	93.701	5RC1HL102429-02	7,361
University of Pittsburgh of the Commonwealth Sys.	93.701	5 RC1 HL102429-	20,118
University of Rochester Medical Center	93.113	5R01ES019165-03	67,548
University of Rochester Medical Center	93.242	5R01MH091452-03	24,252
University of Tennessee - ARRA	93.701	5R21AI084710-02	3,796
University of Texas	93.865	5K12HD055929-05	289,207
University of Texas	93.999	3U01HL077863-06	122,969
University of Toledo	93.838	U01 HL071556	711
University of Toronto	93.121	2 R01 DE13230	207,721
University of Utah - ARRA	93.701	5 RC1 NS069066-	6,657
University of Washington	93.273	1 R01 AA018673-	157,294
University of Washington	93.394	1R01CA157277-01	121,954
University of Washington	93.837	1 R01 HL088214-	6,695
University of Washington	93.837	5 R01 HL063895-	6,858
University of Washington	93.837	5 R01 HL088214-	1,134
University of Washington	93.866	5 U01 AG016976-	32,361
University of Washington - ARRA	93.701	5 RC2 AG036538-	940
US BioTest	93.RDC	HHSO10020111000	477,341
Vanderbilt University	93.394	U01 CA114771	(3,142)
Vanderbilt University Medical Center	93.242	5 P50 MH078028-	(1,641)
Vanderbilt University Medical Center	93.242	5R01MH094604-02	11,146
Vanderbilt University Medical Center	93.242	P50 MH078028	223,483
Vanderbilt University Medical Center - ARRA	93.715	1 R01 HS019356-	505,060
Wake Forest University	93.847	5R01DK085175-13	269,573
Washington University	93.853	5 U01 NS032228-	162
Wayne State University	93.395	5 R01 CA120772-	24,915
Westat, Inc.	93.865	HHSN26720080000	2,523,271
Western University of Health Sciences	93.853	7R01NS057128-05	51,127
WinProbe Corporation	93.286	1 R44 EB012429-	7,755
Yale University	93.286	2 R01 EB000473-	111,197
Yale University	93.853	2 U01 NS044876-	(32,612)

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Yale University	93.853	5 U01 NS044876-	\$ 1,678
Yale University	93.853	5U01NS044876-08	5,113
Yale University	98.837	R01 HL081153	4,934
<b>Total - Department of Health and Human Services</b>			<b><u>35,027,856</u></b>
Department of Homeland Security			
California Emergency Management Agency	11.RDG	RD-83435801	137,201
Lockheed Martin Corporation	12.RDC	R-82811201	5,048
Rutgers, The State University of New Jersey	97.061	RD-83241701	543,792
Texas A&M University	97.061	RD-83241301-0	78,926
University of Texas	97.061	RD-83169701	79,942
<b>Total - Department of Homeland Security</b>			<b><u>844,909</u></b>
Department of Interior			
Inferlink Corporation	81.RDG	D11PC20233	9,738
Santa Rosa Band of Cahuilla Indians	15.034	GTJ54T59020	6,060
SRI International	81.RDG	NBCHD030010	11
SRI International	15.RDC	D11PC20067	501,854
<b>Total - Department of Interior</b>			<b><u>517,663</u></b>
Department of Justice			
City of Los Angeles	16.RDC	2009-SB-B9-2024	183,673
City of Los Angeles - ARRA	16.RDC	2009-SB-B9-2024	(1,668)
<b>Total - Department of Justice</b>			<b><u>182,005</u></b>
Department of Labor			
California Emergency Management Agency	97.042	2010-0085	25,980
<b>Total - Department of Labor</b>			<b><u>25,980</u></b>
Environmental Protection Agency			
California Institute of Technology	66.RDG	RD-83435801	14,028
Health Effects Institute	66.500	R-82811201	18,767
Johns Hopkins University	66.RDG	RD-83241701	5,749
University of California, Los Angeles	66.509	RD-83241301-0	246,170
University of Washington at Seattle	66.509	RD-83169701	1,693
<b>Total - Environmental Protection Agency</b>			<b><u>286,407</u></b>
Internal Revenue Service			
Applied Integrin Sciences, Inc.	93.RDG	27-3077360	70,073
<b>Total - Internal Revenue Service</b>			<b><u>70,073</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
National Aeronautics and Space Administration			
American GNC Corporation	84.RDG	ED-04-CO-0060/0	\$ 1
HoneyBee Robotics Ltd.	43.RDG	HHN09CE89C	85,584
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710973	7,420
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710076	27,775
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710775	49,181
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710819	62,452
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710876	16,300
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710979	20,856
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0710991	75,930
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711027	3,968
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711048	142,666
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711061	12,950
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711062	147
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0711067	6,105
Jet Propulsion Laboratory, California Institute of Technology	43.RDC	NM0716144	385,358
Jet Propulsion Laboratory, California Institute of Technology	43.RDG	NM0710819	(1,304)
Southwest Research Institute	43.RDG	NAS5-01095	22,032
Southwest Research Institute	43.RDG	NNG05EC85C	67,422
Space Telescope Science Institute	43.RDG	NAS5-26555	4,162
Stanford University	43.RDC	NAS5-02139	102,653
University of California, San Diego	12.RDG	NNX10AT93H	4,125
University of Colorado	43.002	NAS5-02140	363,917
University of Michigan	43.RDC	NNL11AA24C	39,004
University of Michigan	43.RDC	NNX09AE91G	55,300
<b>Total - National Aeronautics and Space Administration</b>			<b>1,554,004</b>
National Oceanic and Atmospheric Administration			
California Emergency Management Agency	11.RDC	123456	20,284
University of California, San Diego	11.432	NA17RJ1231	27,114
University of California, San Diego	11.473	NA08OAR4320894	41,513
<b>Total - National Oceanic and Atmospheric Administration</b>			<b>88,911</b>
National Science Foundation			
Arizona State University	47.076	910115	114,033
BBN Technologies	47.070	CNS-0737890	264,935
BBN Technologies	47.RDC	UNKNOWN	30,577
BBN Technologies - ARRA	47.RDC	UNKNOWN	104,217
Carnegie Mellon University	47.070	930868	24,316
Chemat Technology Inc.	47.049	IIP-1026215	109,388
Computing Research Association	47.070	937060	16,722

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

<b>Sponsor</b>	<b>CFDA*</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Current Year Expenditures</b>
<b>RESEARCH AND DEVELOPMENT CLUSTER (Continued)</b>			
<u>PASS-THROUGH FUNDS (Continued)</u>			
Computing Research Association	47.070	1019343	\$ 115,073
Consortium for Ocean Leadership, Inc.	47.050	OCE-0652315	69,196
Corporation Education Network Initiatives in Calif	47.RDG	OCI-09622931	7,952
Dartmouth College	47.050	GEO-1010280	136,099
Decision Research	47.075	SES-0728934	6,795
Drexel University - ARRA	47.082	CNS-0960061	24,866
Indiana University	47.080	OCI-0910812	211,079
IQ Engines	47.041	IIP-0822713	74,369
Massachusetts Institute of Technology	47.075	BCS-1134780	32,062
Media and Process Technology, Inc.	47.041	839653	(2)
Northwestern University	47.070	IIS-0841583	25,028
Northwestern University - ARRA	47.082	SES-0921869	30,540
Purdue University	47.049	CHE-1037992	113,717
Rice University	47.070	CNS-0103759	4
The Algebra Project, Inc.	47.049	DRL-0822175	4,411
The Huntington Library	47.075	SES-0957382	11,400
University of Arizona	47.041	EEC-0812072	241,608
University of California, Los Angeles	47.070	CCR-0120778	447,839
University of California, Los Angeles	47.070	CNS-0725354	44,536
University of California, Regents	47.076	DUE-0631188	4,125
University of Michigan	47.049	CHE-0934098	270,209
University of Minnesota	47.041	CMMI-1100528	60,396
University of Nebraska-Lincoln	47.078	ANT-0342484	8,889
University of New Hampshire	47.041	CMMI-1135026	23,533
University of Rochester	47.070	IIS-1016735	14,786
University of Washington	47.050	OCE-1205233	22,490
University of Wisconsin, Madison	47.041	EFRI-1136903	119,157
University of Wisconsin, Madison	47.049	621704	138,512
Virginia Tech	47.041	CMMI-0654023	2,266
Wet Labs, Inc.	47.030	OCE-0838099	791
<b>Total - National Science Foundation</b>			<b><u>2,925,914</u></b>
<b>Total Research and Development Cluster - Pass-Through Funds</b>			<b><u>59,438,499</u></b>
<b>Total Research and Development Cluster</b>			<b><u>\$ 430,172,075</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

Sponsor	CFDA*	Current Year Expenditures
<b>STUDENT FINANCIAL AID CLUSTER</b>		
<u>Student Financial Aid Cluster</u>		
Academic Competitiveness Grant	84.376	\$ 2,669
Department of Education	84.033	5,072,864
Federal Direct Loan Program	84.268	509,965,030
Pell Grant	84.063	17,478,183
Supplemental Education Opportunity Grant	84.007	1,556,286
Teach Program	84.286	237,000
<b>Total - Student Financial Aid Cluster</b>		<b><u>534,312,032</u></b>
 <b>HEAD START CLUSTER</b>		
Administration of Children, Youth, & Families	93.600	1,415,136
Administration of Children, Youth, & Families - ARRA	93.708	13,892
Administration of Children, Youth, & Families	93.709	331,280
Health and Human Services	93.600	2,913,028
<b>Total - Head Start Cluster</b>		<b><u>4,673,336</u></b>
 <b>TRIO CLUSTER</b>		
Department of Education	84.044A	108,435
Department of Education	84.047A	1,615,447
Department of Education	84.047M	298,002
Department of Education	84.217A	217,223
<b>Total - Trio Cluster</b>		<b><u>2,239,107</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Current Year Expenditures
<b>OTHER PROGRAMS</b>		
<u>Direct Awards</u>		
Agency for International Development		
Embassy of the United States Kyiv, Ukraine	19.900	\$ 5,767
<b>Total - Agency for International Development</b>		<b>5,767</b>
Department of Commerce		
Department of Commerce	11.307	212,565
Department of Commerce	11.313	1,017,321
Department of Commerce	11.800	4,766
Department of Commerce	11.805	388,253
<b>Total - Department of Commerce</b>		<b>1,622,905</b>
Department of Defense		
Army Medical Research and Materiel Command	12.RDC	20,128
Army Research Office	12.RDC	28,245
Defense Microelectronics Activity	12.RDC	262,805
Department of Defense	12.800	58,319
Federal Emergency Mangement Agency	12.RDC	50,983
Naval Postgraduate School	12.300	1
Naval Research Laboratory	12.300	56,246
Office of Naval Research	12.300	179,048
Space and Missile Command	43.103	266,303
<b>Total - Department of Defense</b>		<b>922,078</b>
Department of Education		
Department of Education	84.220A	291,965
<b>Total - Department of Education</b>		<b>291,965</b>
Department of Health and Human Services		
Center for Disease Control	93.070	10,074
Health and Human Services	93.297	33,952
Health Resources & Services Administration	93.153	1,093,524
Health Resources & Services Administration	93.918	266,150
Health Resources & Services Administration	93.924	338,398
Health Resources & Services Administration	93.928	29,643
National Cancer Institute	93.393	12,587
National Center for Research Resources	93.389	(430)
National Center for Research Resources-ARRA	93.701	1,039,916
National Heart, Lung, and Blood Institute	93.RDG	26,780
National Institute of Alcohol Abuse and Alcoholism	93.273	89,028
National Institute of Dental and CranioFacial Rese	93.121	12,930

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Current Year Expenditures
<b>OTHER PROGRAMS (Continued)</b>		
<u>Direct Awards</u>		
Nat'l Inst. of Biomedical Imaging & Bioengineering	93.286	\$ 9,998
Substance Abuse & Mental Health Services Administr	93.243	608,940
<b>Total - Department of Health and Human Services</b>		<b><u>3,571,490</u></b>
Department of State Bureau of Educational and Cultural Affairs		
Department of State Bureau of Educational and Cultural Affairs	19.415	232,283
<b>Total - Department of State Bureau of Educational and Cultural Affairs</b>		<b><u>232,283</u></b>
Institute For Museum and Library Services		
Institute For Museum and Library Services	45.303	32,973
<b>Total - Institute For Museum and Library Services</b>		<b><u>32,973</u></b>
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43.RDG	29,275
<b>Total - National Aeronautics and Space Administration</b>		<b><u>29,275</u></b>
National Endowment for the Humanities		
National Endowment for the Humanities	45.149	2,100
National Endowment for the Humanities	45.163	303
National Endowment for the Humanities	45.169	49,000
<b>Total - National Endowment for the Humanities</b>		<b><u>51,403</u></b>
National Science Foundation		
National Science Foundation	47.041	12,849
National Science Foundation	47.049	17,614
National Science Foundation	47.050	11,192
National Science Foundation	47.070	173,803
National Science Foundation	47.075	35,406
National Science Foundation	47.080	(3,200)
National Science Foundation	47.RDG	198,834
National Science Foundation - ARRA	47.082	83,007
<b>Total - National Science Foundation</b>		<b><u>529,505</u></b>
<b>Total Other Programs - Direct Awards</b>		<b><u>\$ 7,289,644</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>OTHER PROGRAMS</b>			
<u>Pass-Through Funds</u>			
Commission on National & Community Service			
Jumpstart For Young Children - ARRA	94.006	CFDA-94.006-JS-	\$ 63,524
<b>Total - Commission on National &amp; Community Service</b>			<b>63,524</b>
Department of Agriculture			
University of Wisconsin, Madison	10.303	2011-51130-3114	19,808
<b>Total - Department of Agriculture</b>			<b>19,808</b>
Department of Defense			
Applied Technology Council	97.RDC	HSFEHQ-08-D-072	5,654
California Emergency Management Agency	97.082	EHRSA09-0001	29,433
Fallbrook Union Elementary School District	12.557	HE1254-10-1-004	1,627,271
Soar Technology, Inc.	12.420	W81XWH-09-C-007	112,270
<b>Total - Department of Defense</b>			<b>1,774,628</b>
Department of Education			
View Park Preparatory Accelerated Charter Schools	84.RDC	1964733-6117048	40,836
<b>Total - Department of Education</b>			<b>40,836</b>
Department of Health and Human Services			
California State University Fullerton	93.397	1 U54 CA153458-	10,227
California State University Fullerton	93.397	5 U54 CA153458-	44,660
Children's Hospital of Los Angeles	93.849	5 R25 DK078385	(750)
Northeast Valley Health Corporation	93.224	H80CS00139	136,672
Northeast Valley Health Corporation - ARRA	93.RDC	C81CS13366	(748)
Office of Aids Programs & Policy	93.145	H-204756-11	(6,646)
Office of Aids Programs & Policy	93.914	2 H89HA00016-21	462,072
Office of Aids Programs & Policy	93.914	UNKNOWN	(54,461)
Outcome Sciences, Inc.	93.715	HHSA29020050035	143
<b>Total - Department of Health and Human Services</b>			<b>591,169</b>
Department of Labor			
Odle Management Group LLC	16.RDS	DOLJ09SA00009	(3,151)
<b>Total - Department of Labor</b>			<b>(3,151)</b>
Department of the Interior			
Metropolitan Water District of Southern California	15.530	06FC350200	9,601
<b>Total - Department of the Interior</b>			<b>9,601</b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

Sponsor	CFDA*	Pass-Through Entity Identifying Number	Current Year Expenditures
<b>OTHER PROGRAMS (Continued)</b>			
<u>Pass-Through Funds</u>			
National Oceanic and Atmospheric Administration			
Oregon State University	11.417	NA10OAR4170059	\$ 5,254
University of California, San Diego	11.RDG	NA17RJ1231	7,975
<b>Total - National Oceanic and Atmospheric Administration</b>			<b><u>13,229</u></b>
National Science Foundation			
California State University San Bernardino	47.050	EAR-0844400	8,494
University of California, Berkeley	47.076	DRL-0917614	52,531
Woods Hole Oceanographic Institution	47.050	SA-10-06	(5,951)
<b>Total - National Science Foundation</b>			<b><u>55,074</u></b>
<b>Total Other Programs - Pass-Through Funds</b>			<b><u>\$ 2,564,718</u></b>
<b>Total Other Programs - Direct and Pass Through Funds</b>			<b><u>\$ 9,854,362</u></b>
<b>TOTAL FEDERAL PROGRAMS</b>			<b><u>\$ 981,250,912</u></b>

\*See footnote 2.

The accompanying notes are as integral part of this Schedule.

# University of Southern California

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2012

---

#### 1. Summary of Significant Accounting Policies

##### **Basis of Presentation**

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

##### **Subrecipients and Pass-through Funding**

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

##### **Negative Balances**

Amounts reflected as negative balances represent adjustments to prior periods.

#### 2. CFDA Numbers

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

#### 3. Facilities and Administration Rates

The predetermined fixed rates for the year ended June 30, 2012 were based on fiscal year 2009 financial information and were reviewed by the Department of Health and Human Services for compliance with applicable cost principles (OMB Circular A-21).

For the year ended June 30, 2012, the base Facilities and Administration (Indirect Cost) Rate for on-campus research was 63% of Modified Total Direct Cost ("MTDC"). Off-campus Facilities and Administration Rates were 26% for the Information Sciences Institute ("ISI"), Institute for Creative Technologies ("ICT") and all other off-campus projects.

#### 4. Loan Advances

The following schedule represents loans advanced by the university for the year ended June 30, 2012:

Federal Perkins Loan Advances (CFDA 84.038)	\$	9,207,237
Health Professional Student Loan Advances (CFDA 93.342)		1,291,499
Loans for Disadvantaged Students (CFDA 93.342)		216,900

**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

**4. Loan Advances (Continued)**

The Federal Perkins, Health Professional Student Loan Program (“HPSL”) and Loans for Disadvantaged Students are administered directly by the university and balances and transactions relating to these programs are included in the university’s consolidated financial statements. The balances of loans outstanding under the Federal Perkins, HPSL and Loans for Disadvantaged Students programs were \$51,216,802, \$12,966,077 and \$1,336,586, respectively, as of June 30, 2012. The cancellations related to the Federal Perkins loan program as of June 30, 2012 was \$1,472,545.

**5. Administrative Cost Allowance Received Under Loan Program**

During fiscal year 2011-2012, the university claimed \$0 administrative cost allowance from the Federal Supplemental Education Opportunity Grant Program and the Federal Work Study Program, and \$350,000 from the Federal Perkins Loan Program.

**6. Subrecipient Pass-Throughs**

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

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
<b><u>Research and Development - Pass-Throughs</u></b>		
Department of Agriculture		
Department of Agriculture	10.206	\$ 24,437
<b>Total - Department of Agriculture</b>		<b>24,437</b>
Department of Commerce		
Department of Commerce	11.805	116,667
<b>Total - Department of Commerce</b>		<b>116,667</b>
Department of Defense		
Air Force Office of Scientific Research	12.800	236,371
Air Force Research Laboratory	12.910	170,103
Air Force Research Laboratory	12.RDC	648,991
Army Medical Research Acquisition Activity	12.420	91,508
Army Rdecom Acquisition Center	12.431	161
Army Rdecom Acquisition Center	12.RDC	423,900
Army Research Laboratory	12.RDG	148,365
Army Research Office	12.RDC	3,599,007
Army Research Office	12.RDG	392,500
Battelle Memorial Institute	12.RDS	27,497

**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

**7. Subrecipient Pass-Throughs (Continued)**

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to</u> <u>Subrecipients</u>
<b>Research and Development - Pass-Throughs (Continued)</b>		
BBN Technologies	12.RDC	\$ 45,834
Cornell University	12.420	14,750
Dartmouth College	47.050	88,853
Defense Advanced Research Projects Agency	12.910	341,718
Defense Advanced Research Projects Agency	12.RDC	787,684
Defense Advanced Research Projects Agency	12.RDG	1,173,544
Defense Special Weapons Agency	12.351	279,363
Department of Defense	12.240	130,532
Department of Defense	12.420	179,708
Department of State	19.415	16,667
Department of the Interior	12.910	65,503
Department of the Interior	12.RDC	643,251
Department of the Interior	15.RDC	54,051
Fallbrook Union Elementary School	12.557	309,425
Immersive Naval Officer Training	12.RDC	1,900
Los Angeles Department of Water & Power - ARRA	81.122	5,742
Missile Defense Agency	12.RDC	51,361
National Reconnaissance Office	12.RDC	326,380
Office of Naval Research	12.300	1,149,882
Space and Naval Warfare System	12.910	277,461
Space and Naval Warfare System	12.RDC	1,082,814
Stanford University	43.RDC	28,642
Stevens Institute of Technology	12.RDC	48,000
U.S. Government	12.RDC	285,245
University of California, Los	66.509	32,580
University of Colorado	43.002	2,850
<b>Total - Department of Defense</b>		<b>13,162,143</b>
Department of Education		
Department of Education	84.015B	130,950
Department of Education	84.133E	268,912
Department of Education	84.305A	76,800
Department of Education	84.376	57,502
Department of Education	84.RDG	100,038
<b>Total - Department of Education</b>		<b>634,202</b>

**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

**7.Subrecipient Pass-Throughs (Continued)**

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to</u>
<u>Research and Development - Pass-Throughs (Continued)</u>		<u>Subrecipients</u>
Department of Energy		
Department of Energy	81.049	\$ 74,799
Department of Energy - ARRA	81.049	170,056
Department of Energy	81.087	20,191
Department of Energy	81.135	175,598
<b>Total - Department of Energy</b>		<b>440,644</b>
Department of Health and Human Services		
Administration of Children, Youth, & Families	93.600	8,430
Administration of Children, Youth, & Families - ARRA	93.600	23,711
Agency for Healthcare Research - ARRA	93.726	183,251
Center for Disease Control	93.941	207,062
Health and Human Services	93.RDC	25,027
Health Resources & Services Administration	93.884	408,059
LA County Community and Senior Services	93.RDC	74,755
Massachusetts General Hospital	93.242	140,206
National Cancer Institute	93.393	6,520,614
National Cancer Institute	93.394	588,447
National Cancer Institute	93.396	414,560
National Cancer Institute	93.397	2,661,761
National Cancer Institute	93.399	308,699
National Cancer Institute	93.RDC	97,485
National Cancer Institute - ARRA	93.701	130,356
National Center for Complement	93.213	202,780
National Center for Complementary & Alternative Me - ARRA	93.701	45,867
National Center for Research Resources	93.389	3,906,718
National Center for Research Resources - ARRA	93.701	5,837
National Center On Minority Health and Health Disp	93.307	22,578
National Eye Institute	93.867	4,194,988
National Heart, Lung, and Blood Institute	93.837	402,541
National Heart, Lung, and Blood Institute	93.838	147,308
National Heart, Lung, and Blood Institute - ARRA	93.701	24,102
National Human Genome Research	93.172	430,094
National Institute of Alcohol	93.273	205,067
National Institute of Alcohol	93.891	267,605
National Institute of Alcohol - ARRA	93.701	165,375
National Institute of Allergy	93.855	2,016,286
National Institute of Allergy - ARRA	93.701	22,214

**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

**7. Subrecipient Pass-Throughs (Continued)**

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to Subrecipients</u>
<b>Research and Development - Pass-Throughs (Continued)</b>		
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.846	\$ 73,239
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.847	93,813
National Institute of Child Health and Human Development	93.865	418,871
National Institute of Child Health and Human Development - ARRA	93.701	255,326
National Institute of Dental and CranioFacial Rese	93.121	391,893
National Institute of Dental and CranioFacial Rese - ARRA	93.701	50,208
National Institute of Diabetes & Digestive & Kidney Diseases	93.847	530,334
National Institute of Diabetes & Digestive & Kidney Diseases - ARRA	93.113	191
National Institute of Diabetes & Digestive & Kidney Diseases	93.701	14,097
National Institute of Drug Abuse	93.279	686,595
National Institute of Environmental Health Sciences	93.113	1,874,045
National Institute of Environmental Health Sciences - ARRA	93.113	3,226
National Institute of Environmental Health Sciences	93.701	38,726
National Institute of General Medical Sciences	93.242	3,044,307
National Institute of General Medical Sciences	93.389	898,384
National Institute of General Medical Sciences	93.859	998,193
National Institute of Mental Health - ARRA	93.701	120,431
National Institute of Neurological Disorders and Stroke	93.853	2,012,437
National Institute on Aging	93.866	3,248,649
National Institute on Aging - ARRA	93.701	2,636,768
National Institute on Aging	93.866	10,346
Nat'l Inst. of Biomedical Imaging & Bioengineering	93.286	151,798
Substance Abuse & Mental Health	93.243	494,680
Westat, Inc.	93.865	300,236
<b>Total - Department of Health and Human Services</b>		<b>42,198,576</b>
Department of Homeland Security		
California Emergency Management Agency	97.042	24,228
Department of Homeland Security	97.061	1,300,777
Rutgers, The State University	97.061	39,724
<b>Total - Department of Homeland Security</b>		<b>1,364,729</b>
Department of Interior		
Geological Survey	15.807	1,270,351
<b>Total - Department of Interior</b>		<b>1,270,351</b>
Department of Justice		
Department of Justice	16.525	12,007
<b>Total - Department of Justice</b>		<b>12,007</b>

**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2012**

---

**7. Subrecipient Pass-Throughs (Continued)**

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Provided to</u> <u>Subrecipients</u>
<b>Research and Development - Pass-Throughs (Continued)</b>		
Department of Transportation		
Department of Transportation	12.RDA	\$ 80,001
Department of Transportation	20.704	86,254
<b>Total - Department of Transportation</b>		<b>166,255</b>
Environmental Protection Agency		
Environmental Protection Agency	66.509	156,293
<b>Total - Environmental Protection Agency</b>		<b>156,293</b>
Institute for Museum and Library Services		
Institute For Museum and Library Services	45.303	32,973
Institute For Museum and Library Services	98.RDG	75,000
<b>Total - Institute for Museum and Library Services</b>		<b>107,973</b>
National Oceanic and Atmospheric Administration		
National Oceanic and Atmospheric Administration	11.417	6,378
<b>Total - National Oceanic and Atmospheric Administration</b>		<b>6,378</b>
National Science Foundation		
National Science Foundation	47.041	1,941,759
National Science Foundation	47.050	4,932,860
National Science Foundation	47.070	113,642
National Science Foundation	47.074	507,712
National Science Foundation	47.075	68,282
National Science Foundation	47.076	169,885
National Science Foundation	47.080	46,717
National Science Foundation	47.082	6,110
National Science Foundation - ARRA	47.082	758,791
<b>Total - National Science Foundation</b>		<b>8,545,758</b>
<b>Total Amount Provided to Subrecipients</b>		<b>\$ 68,206,413</b>



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

To The Board of Trustees of the  
University of Southern California

We have audited the financial statements of the University of Southern California and its subsidiaries (the "university") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the university's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the university's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the university's Audit and Compliance Committee, Board of Trustees, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

October 11, 2012



**Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and  
on Internal Control over Compliance in Accordance with OMB Circular A-133**

To The Board of Trustees of the  
University of Southern California

Compliance

We have audited the compliance of the University of Southern California and its subsidiaries (the "university") with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012, except as described in the second paragraph of this report. The university's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the university's management. Our responsibility is to express an opinion on the university's compliance based on our audit.

We did not audit the university's compliance with the requirements governing Student Loan Billing and Due Diligence in Collection compliance requirements specified by the Federal Perkins Loan Program ("Perkins Loan"), Student Status Confirmation Reports specified by the Federal Direct Loan Program ("FD Loan") and described in the OMB *Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to university's compliance with those requirements, is based solely on the report of the other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the university's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the university's compliance with those requirements.

In our opinion, based on our audit and the reports of other auditors, the university complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.



### Internal Control over Compliance

Management of the university is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, except as noted in the following paragraph, we considered the university's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the university's internal control over compliance.

We did not consider internal control over compliance with the Student Loan Billing and Due Diligence in Collection compliance requirements specified by the Perkins Loan and described in the OMB *Circular A-133 Compliance Supplement*. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the university's internal control over those compliance requirements, is based solely upon the reports of the other auditors.

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

Our consideration and the other auditors' consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. Also, the reports of the other auditors did not identify any deficiencies in internal control over compliance that they consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the university's Audit and Compliance Committee, Board of Trustees, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

March 26, 2013

**University of Southern California  
Independent Auditors' Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012**

---

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unqualified

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

Identification of major programs: <u>CFDA Number(s)</u> Various Various	<u>Name of Federal Program or Cluster</u> Research and Development Cluster Student Financial Aid Cluster
--	--

Dollar threshold used to distinguish between type A and type B programs: \$ 3,140,311

Auditee qualified as low-risk auditee?  yes  no

**Section II – Financial Statement Findings**

No matters are reportable.

**Section III – Federal Award Findings and Questioned Costs**

There are no reportable findings.

**University of Southern California**  
**Summary Schedule of Prior Year Audit Findings and Questioned Costs**  
**For the Year Ended June 30, 2012**

---

**Summary Schedule of Prior Year Findings**

**Finding 11-1: Ensure Title IV Funds are Returned on a Timely Basis**

Condition

Out of 20 selections from a population of students who withdrew after beginning attendance, we noted six instances in which the funds were not returned within 45 days. Delays of 13, 29, 33, 63 and two instances of 14 days were noted.

Current Status

The Financial Aid Office (FAO) immediately established a schedule to generate the enrollment reports that identify students subjected to the R2T4 and assigned a financial aid manager to monitor the reports. A financial aid manager must also review and sign off on a pre-R2T4 worksheet and the R2T4 worksheet filed in the student's financial aid record. Training was provided to all staff in the unit responsible for the R2T4. The FAO will update the R2T4 manual annually to ensure compliance with established guidelines.

Management has successfully implemented their remediation plan and no similar exceptions were noted subsequent to the implementation of these controls.