

University of Southern California
Report on Audit of the Consolidated Financial
Statements and on Federal Awards Programs in
Accordance with the OMB Uniform Guidance
For the Year Ended June 30, 2016

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University of Southern California
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Report of Independent Auditors

To the Board of Trustees of the
University of Southern California

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the University of Southern California (the "University") and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Southern California and its subsidiaries as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2016 is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the University of Southern California's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Southern California's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

October 12, 2016

CONSOLIDATED BALANCE SHEET*(in thousands)*

	<i>a</i>	<i>b</i>	
	June 30, 2016	June 30, 2015	
Assets:			
1 Cash and cash equivalents	\$356,881	\$370,960	1
2 Accounts receivable, net	383,714	363,539	2
Notes receivable, net of allowance for doubtful			
3 accounts, \$4,894 (2016), \$5,575 (2015)	75,648	81,377	3
4 Pledges receivable, net	663,803	648,619	4
5 Investments	5,315,745	5,537,327	5
6 Inventories, prepaid expenses and other assets	256,489	247,786	6
7 Property, plant and equipment, net	3,582,465	3,107,968	7
8 Total Assets	\$10,634,745	\$10,357,576	8
Liabilities:			
9 Accounts payable	\$299,975	\$291,977	9
10 Accrued liabilities	552,844	454,473	10
11 Refundable advances	19,853	18,553	11
12 Current portion of long-term debt	1,340	8,515	12
13 Deposits and deferred revenue	200,625	170,264	13
14 Actuarial liability for annuities payable	146,598	152,463	14
15 Federal student loan funds	68,871	68,195	15
16 Asset retirement obligations	115,828	110,637	16
17 Capital lease obligations	126,995	126,459	17
18 Long-term debt	1,215,248	1,227,145	18
19 Other liabilities	4,146	3,948	19
20 Total Liabilities	2,752,323	2,632,629	20
Net Assets:			
21 Unrestricted	3,683,990	3,482,886	21
22 Temporarily restricted	1,792,593	1,999,459	22
23 Permanently restricted	2,405,839	2,242,602	23
24 Total Net Assets	7,882,422	7,724,947	24
25 Total Liabilities and Net Assets	\$10,634,745	\$10,357,576	25

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF ACTIVITIES

(in thousands)

	Year Ended				
	June 30, 2016				
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	
Revenues:					
1 Student tuition and fees	\$1,793,219			\$1,793,219	1
2 Less: financial aid	(483,068)			(483,068)	2
3 Net student tuition and fees	1,310,151			1,310,151	3
4 Investment income	63,413		\$917	64,330	4
5 Net (depreciation) in fair value of investments	(53,484)	(\$63,326)	(7,930)	(124,740)	5
6 Contracts and grants	434,746			434,746	6
7 Contributions	349,712	93,462	161,772	604,946	7
8 Sales, services and other	252,269			252,269	8
9 Auxiliary enterprises	318,525			318,525	9
10 Health care services	1,467,336			1,467,336	10
11 Present value adjustment to annuities payable		697	8,594	9,291	11
12 Net assets released from restrictions / redesignations	237,815	(237,699)	(116)		12
13 Total Revenues	4,380,483	(206,866)	163,237	4,336,854	13
Expenses:					
14 Educational and general activities	2,529,214			2,529,214	14
15 Health care services	1,368,121			1,368,121	15
16 Depreciation and amortization	208,069			208,069	16
17 Interest on indebtedness	73,975			73,975	17
18 Total Expenses	4,179,379			4,179,379	18
19 Increase (decrease) in Net Assets	201,104	(206,866)	163,237	157,475	19
20 Beginning Net Assets	3,482,886	1,999,459	2,242,602	7,724,947	20
21 Ending Net Assets	\$3,683,990	\$1,792,593	\$2,405,839	\$7,882,422	21
Nature of specific net assets:					
22 Designated	\$959,609			\$959,609	22
23 Externally restricted		\$64,247	\$25,217	89,464	23
24 Pledges		323,299	340,504	663,803	24
25 Unexpended endowment income	239,178			239,178	25
26 Annuity and living trusts		53,167	75,428	128,595	26
27 True endowment and net appreciation		1,351,880	1,964,690	3,316,570	27
28 Funds functioning as endowment	1,292,144			1,292,144	28
29 Debt service funds	111,070			111,070	29
30 Invested in plant	1,081,989			1,081,989	30
31	\$3,683,990	\$1,792,593	\$2,405,839	\$7,882,422	31

CONSOLIDATED STATEMENT OF ACTIVITIES

(in thousands)

	Year Ended				
	June 30, 2015				
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total Net Assets	
Revenues:					
1 Student tuition and fees	\$1,710,225			\$1,710,225	1
2 Less: financial aid	(460,276)			(460,276)	2
3 Net student tuition and fees	1,249,949			1,249,949	3
4 Investment income	59,887		\$637	60,524	4
5 Net appreciation (depreciation) in fair value of investments	33,565	\$73,090	(2,214)	104,441	5
6 Contracts and grants	455,177			455,177	6
7 Contributions	248,837	124,011	164,917	537,765	7
8 Sales, services and other	217,457			217,457	8
9 Auxiliary enterprises	308,515			308,515	9
10 Health care services	1,310,882			1,310,882	10
11 Present value adjustment to annuities payable		37	(2,033)	(1,996)	11
12 Net assets released from restrictions / redesignations	161,063	(164,473)	3,410		12
13 Total Revenues	4,045,332	32,665	164,717	4,242,714	13
Expenses:					
14 Educational and general activities	2,415,602			2,415,602	14
15 Health care services	1,300,218			1,300,218	15
16 Depreciation and amortization	198,357			198,357	16
17 Interest on indebtedness	66,178			66,178	17
18 Total Expenses	3,980,355			3,980,355	18
19 Increase in Net Assets	64,977	32,665	164,717	262,359	19
20 Beginning Net Assets	3,417,909	1,966,794	2,077,885	7,462,588	20
21 Ending Net Assets	\$3,482,886	\$1,999,459	\$2,242,602	\$7,724,947	21
Nature of specific net assets:					
22 Designated	\$808,017			\$808,017	22
23 Externally restricted		\$53,802	\$25,422	79,224	23
24 Pledges		327,070	321,549	648,619	24
25 Unexpended endowment income	214,053			214,053	25
26 Annuity and living trusts		54,168	88,222	142,390	26
27 True endowment and net appreciation		1,564,419	1,807,409	3,371,828	27
28 Funds functioning as endowment	1,337,683			1,337,683	28
29 Debt service funds	86,322			86,322	29
30 Invested in plant	1,036,811			1,036,811	30
31 Total	\$3,482,886	\$1,999,459	\$2,242,602	\$7,724,947	31

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CASH FLOWS*(in thousands)*

	a	b	
	Year Ended June 30, 2016	Year Ended June 30, 2015	
Cash Flows from Operating Activities:			
1 Change in Net Assets	\$157,475	\$262,359	1
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
2 Depreciation and amortization	208,069	198,357	2
3 Loss on the disposal/sale of plant assets	1,128	8,276	3
4 In-kind receipt of property, plant and equipment	(2,825)	(5,340)	4
5 Maturities and present value adjustment to annuities payable	(7,486)	2,044	5
6 Increase in accounts receivable	(20,175)	(11,318)	6
7 Increase in pledges receivable	(222,392)	(205,034)	7
8 Increase (decrease) in inventories, prepaid expenses and other assets	18,744	(29,180)	8
9 (Decrease) increase in accounts payable	(6,775)	85,129	9
10 Increase in accrued liabilities	40,370	18,437	10
11 Increase in refundable advances	1,300	1,617	11
12 Increase in deposits and deferred revenue	30,361	6,344	12
13 Increase (decrease) in other liabilities	198	(2,916)	13
14 Contributions restricted for property, plant and equipment and permanent investment	(194,947)	(165,088)	14
15 Net realized gain on sale of investments	(166,740)	(225,507)	15
16 Net unrealized depreciation in investments	291,695	121,241	16
17 Net cash provided by operating activities	128,000	59,421	17
Cash Flows from Investing Activities:			
18 Proceeds from note collections	14,941	13,311	18
19 Notes issued	(8,531)	(9,987)	19
20 Proceeds from sale and maturity of investments	4,860,425	4,372,440	20
21 Purchase of investments	(4,753,532)	(4,434,823)	21
22 Purchase of property, plant and equipment	(660,370)	(364,850)	22
23 Net cash used in investing activities	(547,067)	(423,909)	23
Cash Flows from Financing Activities:			
Contributions restricted for permanent investment:			
24 Endowment	272,399	212,849	24
25 Plant	128,419	79,547	25
26 Trusts and other	1,338	6,133	26
27 Repayment of long-term debt	(34,932)	(7,120)	27
28 Proceeds from issuance of long-term debt	35,467		28
29 Increase in federal student loan funds	676	244	29
30 Investment gain on annuities payable	10,163	5,900	30
31 Payments on annuities payable	(13,939)	(13,686)	31
32 Increase to annuities payable resulting from new contributions	5,397	9,158	32
33 Net cash provided by financing activities	404,988	293,025	33
34 Net decrease in cash and cash equivalents	(14,079)	(71,463)	34
35 Cash and cash equivalents at beginning of year	370,960	442,423	35
36 Cash and cash equivalents at end of year	\$356,881	\$370,960	36

The accompanying notes are an integral part of this statement.

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

- v The University of Southern California is a not-for-profit, major private research university. The consolidated financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which 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.
- v 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:

Unrestricted net assets are free of donor-imposed restrictions. This classification includes all revenues, gains, and losses not temporarily or permanently restricted by donors. The university reports all expenditures in the unrestricted class of net assets, since the use of restricted contributions in accordance with donors' stipulations results in the release of the restriction.

Temporarily restricted net assets:

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

Permanently restricted net assets:

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

Other accounting policies:

- v Cash equivalents consist of highly liquid investments with original maturities of three months or less. The university has classified all cash and cash equivalents as Level I financial instruments.
- v 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.
- v 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.
- v The university applies the provision of FASB ASC 820, Fair Value Measurements, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

- Level I - Quoted prices in active markets for identical assets or liabilities.
- Level II - Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Note 1 (continued).

- 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. Level III investments are valued by the university based upon valuation information received from the relevant entity which may include last trade information, third-party appraisals of real estate, or valuations prepared by custodians for assets held in trusts by other trustees where the university is named as a beneficiary. The university may also utilize industry standard valuation techniques, including discounted cash flow models. Significant increases or decreases in these inputs in isolation may result in a significantly lower or higher fair value measurement, respectively.

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.

The university applies the authoritative guidance contained in FASB ASC 820-10, Fair Value Measurements and Disclosures, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (NAV) per share in accordance with FASB ASC 946-10, Financial Services-Investment Companies (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted, to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the university uses the NAV as reported by the money managers as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2016 and 2015, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient.

- v Inventories are valued at the lower of cost (first-in, first-out) or market.
- v Property, plant and equipment, including collections of works of art and historical treasures, are stated at cost or fair value at the date of contribution, plus the estimated value of any associated legal retirement obligations, less accumulated depreciation, computed on a straight-line basis over the estimated useful or component lives of the assets (equipment and library books useful lives ranging from 4 to 10 years and buildings component lives ranging from 5 to 50 years). Equipment is removed from the records at the time of disposal. The university follows the policy of recording contributions of long-lived assets directly in invested in plant assets when the purpose or time restriction is met instead of recognizing the contribution over the useful life of the asset.
- v 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 2.7% to 9.5%. The liabilities are adjusted during the terms of the trusts for changes in the fair value of the assets, accretion of discounts, and other changes in the estimates of future benefits. The valuation followed generally accepted actuarial methods and is based on the requirements of FASB ASC 958. The 2012 Individual Annuity Mortality Basic Table (without margin) for Males and Females with Projection Scale G2 for Males and Females were used in the valuations. For split interest agreements related to the State of Washington, the university holds a Certificate of Exemption issued by the State of Washington's Office of Insurance Commissioner to issue charitable gift annuities. The university has been in compliance with Revised Code of Washington 48.38.010(6) throughout the time period covered by the financial statements.
- v The university has recorded conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its 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 years ended June 30, 2016 and 2015, the university recognized accretion expense related to the conditional asset retirement obligation of approximately \$5,745,000 and \$5,649,000, respectively. For the years ended June 30, 2016 and 2015, the university settled asset retirement obligations of approximately \$1,240,000 and \$1,835,000, respectively. As of June 30, 2016 and 2015, included in the Consolidated Balance Sheet is an asset retirement obligation of \$115,828,000 and \$110,637,000, respectively.
- v 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.

Note 1 (continued).

- v Sponsored research agreements recognize contracts and grants revenue as it is earned through expenditure in accordance with the agreement. Any funding received in advance of expenditure is recorded as refundable advances. Departmental net assets include contributions to the university and its various schools and departments. The university has determined that any donor-imposed restrictions of contributions for current or developing programs and activities are generally met within the operating cycle of the university and, therefore, the university's policy is to record these net assets as unrestricted. Internally designated net assets are those which have been appropriated by the Board of Trustees or designated by management.
- v 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 establishes principles for determining such reimbursable costs and requires conformity of the lives and methods used for federal cost reimbursement accounting and financial reporting purposes. The university's policies and procedures are in conformity with these principles.
- v Contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Non-cash contributions are valued using quoted market prices, market prices for similar assets, independent appraisals or by university management. Contributions receivable are reported at their discounted value using credit-adjusted borrowing rates and an allowance for amounts estimated to be uncollectible is provided. Donor-restricted contributions, which are received and either spent, or deemed spent, within the same year, are reported as unrestricted revenue. Contributions of long-lived assets with no donor-imposed time restrictions are reported as unrestricted revenue in the year received. Contributions restricted to the acquisition or construction of long-lived assets or subject to other time or purpose restrictions are reported as temporarily restricted revenue. The temporarily restricted net assets resulting from these contributions are released to unrestricted net assets when the donor-imposed restrictions are fulfilled or the assets are placed in service. Contributions received for endowment investment are held in perpetuity and recorded as permanently restricted revenue.
- v Health care services revenues include the net patient service revenues associated with Keck Hospital of USC, USC Norris Cancer Hospital, USC Verdugo Hills Hospital and USC Care Medical Group, Inc. Net patient service revenue is reported as estimated net realizable amounts from patients, third party payors, government programs and others in the period in which services are provided. The majority of the health care 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 include the revenues associated with the professional services agreement with the County of Los Angeles.
- v 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.
- v 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. Certain reclassifications have been made to prior years' financial statements for comparative purposes.

Recent Accounting Pronouncements:

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. ASU 2014-09 outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. In addition, ASU 2014-09 will require new and enhanced disclosures. ASU 2014-09 will become effective for annual reporting periods beginning after December 15, 2017. The university is currently evaluating the effect of adoption to the financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. The university early adopted ASU 2015-03 for fiscal 2016 and the change was applied retrospectively.

Note 1 (continued).

In April 2015, the FASB issued ASU 2015-05, Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2015-05 clarifies how customers in cloud computing arrangements should determine whether arrangements include a software license. The standard also eliminates the requirement that customers analogize to the leases standard when determining the asset acquired in a software licensing arrangement. ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The university early adopted ASU 2015-05 for fiscal 2016.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 affects all entities that hold financial assets or owe financial liabilities and primarily affects the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The standard is effective for non-public business entities for annual periods beginning after December 15, 2018. The university early adopted the provisions of ASU 2016-01 permitting the elimination of fair value disclosures for financial instruments measured at cost or amortized cost for fiscal 2016.

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the balance sheet. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. The university is currently evaluating the effect of adoption to the financial statements.

In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities, which revises the not-for-profit financial reporting model. ASU 2016-14 streamlines and clarifies net asset reporting, provides flexibility regarding the definition of reported operating subtotals and imposes new reporting requirements related to expenses. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The university is currently evaluating the effect of adoption to the financial statements.

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

Accounts receivable are summarized as follows at June 30:

	2016	2015
U.S. Government	\$35,600	\$36,314
Student and other, net of allowance for doubtful accounts of \$10,500 (2016), \$11,500 (2015)	124,708	99,032
Patient care, net of allowance for doubtful accounts of \$21,429 (2016), \$76,572 (2015)	223,406	228,193
	<u>\$383,714</u>	<u>\$363,539</u>

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

Investments consisted of the following at June 30:

	2016	2015
Equities	\$1,863,520	\$1,927,150
Fixed income securities	1,051,915	1,134,088
Alternative investments:		
Hedge funds	914,369	869,240
Private capital	1,126,585	1,209,154
Real estate and other	209,638	246,410
Assets held by other trustees	149,718	151,285
Total	<u>\$5,315,745</u>	<u>\$5,537,327</u>

Note 3 (continued).

The following table summarizes the levels of financial instruments carried at fair value as defined by ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2016:

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$1,695,867	\$1,155	\$73,602	\$92,896	\$1,863,520
Fixed income securities	260,271	782,173	9,471		1,051,915
Hedge funds				914,369	914,369
Private capital				1,126,585	1,126,585
Real estate and other			37,545	172,093	209,638
Assets held by other trustees			149,718		149,718
Total investments	\$1,956,138	\$783,328	\$270,336	\$2,305,943	\$5,315,745

The following table summarizes the levels of financial instruments carried at fair value as defined by ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2015:

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$1,744,656	\$54,421	\$75,702	\$52,371	\$1,927,150
Fixed income securities	251,546	873,632	8,910		1,134,088
Hedge funds				869,240	869,240
Private capital				1,209,154	1,209,154
Real estate and other			36,936	209,474	246,410
Assets held by other trustees			151,285		151,285
Total investments	\$1,996,202	\$928,053	\$272,833	\$2,340,239	\$5,537,327

The following table summarizes the university's Level III reconciliation of investments for the year ended June 30, 2016:

	Beginning Balance	Purchases	Sales and maturities	Realized gain	Unrealized gain/(loss)	Transfers in	Transfers out	Ending balance
June 30, 2016								
Equities	\$75,702				(\$2,100)			\$73,602
Fixed income securities	8,910	\$2,694	(\$3,197)	(\$728)	1,792			9,471
Real estate and other	36,936	1,543	(525)		(409)			37,545
Assets held by other trustees	151,285	4,426	(411)	2	(5,107)		(\$477)	149,718
Total	\$272,833	\$8,663	(\$4,133)	(\$726)	(\$5,824)	\$ -	(\$477)	\$270,336

The following table summarizes the university's Level III reconciliation of investments for the year ended June 30, 2015:

	Beginning Balance	Purchases	Sales and maturities	Realized gain	Unrealized gain/(loss)	Transfers in	Transfers out	Ending balance
June 30, 2015								
Equities	\$104,087	\$3,549	(\$19,361)	\$1,106	(\$6,861)		(\$6,818)	\$75,702
Fixed income securities	13,348	4,457	(8,621)	29	(215)		(88)	8,910
Real estate and other	27,717	7,269	(173)		641	\$1,482		36,936
Assets held by other trustees	144,724	9,411	(1,307)		(1,543)			151,285
Total	\$289,876	\$24,686	(\$29,462)	\$1,135	(\$7,978)	\$1,482	(\$6,906)	\$272,833

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 by major category for the years ending June 30, 2016 and 2015, respectively:

At June 30, 2016

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Distressed Obligation Partnerships	US and Non-US Distressed Debt Securities	\$36,631,000	\$22,773,000	Approximately 2 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Hedge Funds	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$914,369,000	\$18,000,000	99.7% of NAV has an open ended life and 0.3% of NAV will be liquidated on an undetermined basis.	Ranges between bi-monthly redemptions with 75 days notice, monthly redemption with 90 days notice, quarterly redemption with up to 90 days notice, semi-annual redemption with 60 to 90 days notice, and annual redemption with up to 180 days notice and 5 year lockup with 90 days notice.	17% of NAV is locked up for 3 months, 53% of NAV is locked-up for 1 year, and 30% 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	\$367,040,000	\$188,397,000	Approximately 5 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Capital Partnerships	US and Non-US Private Equity and Venture Capital Investments	\$722,914,000	\$164,933,000	Approximately 3 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	\$170,932,000	\$77,113,000	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Equity Funds	US and Non-US Equity Securities	\$92,896,000	Not Applicable	Open Ended	Minimum Monthly	None	None
Other Funds	US and Non-US Investments in Securities Other than Equity and Fixed Income	\$1,161,000	Not Applicable	Open Ended	Monthly	None	None
Total		<u>\$2,305,943,000</u>	<u>\$471,216,000</u>				

At Jun 30, 2015

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms	Redemption Restrictions and Terms in Place at Year End
Distressed Obligation Partnerships	US and Non-US Distressed Debt Securities	\$48,603,000	\$27,245,000	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Hedge Funds	US and Non-US Investments in Relative Value, Event Driven, Long/Short, and Directional Strategies	\$869,240,000	\$0	99.6% 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 120 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, 45% of NAV is locked-up for 1 year, and 36% 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	\$345,070,000	\$160,487,000	Approximately 5 Years	Redemptions are not permitted during the life of the fund.	Not Applicable	Not Applicable
Private Capital Partnerships	US and Non-US Private Equity and Venture Capital Investments	\$815,481,000	\$118,741,000	Approximately 3 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	\$208,213,000	\$86,929,000	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	\$52,371,000	Not Applicable	Open Ended	Minimum Monthly	None	None
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
Total		<u>\$2,340,239,000</u>	<u>\$393,402,000</u>				

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

Property, plant, and equipment consisted of the following at June 30:

	2016	2015
Land and improvements	\$188,139	\$179,778
Buildings and improvements	3,658,581	3,426,427
Buildings under capital leases	126,518	128,854
Equipment	603,301	576,066
Library books and collections	357,332	337,325
Construction-in-progress	802,841	434,931
	<hr/> 5,736,712	<hr/> 5,083,381
Less: Accumulated depreciation	2,154,247	1,975,413
	<hr/> \$3,582,465	<hr/> \$3,107,968

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

	Interest %	Maturity	2016	2015
<i>California Educational Facilities Authority</i>				
<i>(CEFA) Revenue Bonds and Notes:</i>				
Series 2003B	5.00	2016	\$ -	\$1,255
Premium				25
Series 2005	4.75-5.00	2016	-	55,140
Premium				1,780
Series 2007A	4.50-4.75	2034-2038	257,085	257,085
Premium			1,850	1,938
Series 2009A	5.00-5.25	2039-2040	217,605	217,605
Discount			(739)	(772)
Series 2009B	5.00-5.25	2039-2040	197,900	197,900
Premium			2,569	2,681
Series 2009C	5.25	2025	82,305	82,305
Premium			4,881	5,491
Series 2012A	5.00	2024	41,595	41,595
Premium			6,968	8,099
Series 2015A	5.00	2026	42,960	-
Premium			9,200	-
<i>University of Southern California Bonds</i>				
Series 1998	6.26	2019	4,585	4,585
Discount			(10)	(12)
Series 2011	5.25	2112	300,000	300,000
Discount			(2,559)	(2,585)
<i>California Infrastructure Revenue Bonds USC</i>				
<i>(USC – Soto Street Health Sciences)</i>				
Series 2010	3.25-5.00	2016-2032	30,960	32,240
Premium			1,933	2,062
Notes Payable	4.00-5.50	2016-2020	17,500	27,243
			<hr/> 1,216,588	<hr/> 1,235,660
Less: current portion of long-term debt			1,340	8,515
			<hr/> \$1,215,248	<hr/> \$1,227,145

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2017 \$1,340,000; 2018 \$1,400,000; 2019 \$6,055,000; 2020 \$19,040,000; 2021 \$1,620,000; thereafter \$1,163,040,000.

Interest payments for fiscal year 2016 and 2015 were \$60,129,000 and \$61,427,000, respectively.

Note 5 (continued).

The university has a \$300,000,000 revolving line of credit with a bank with a maturity date of November 30, 2020. 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, 2016 and 2015, 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.**Student Financial Aid (in thousands):**

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, 2016 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$262,375	\$140,832	\$403,207
Endowed scholarships	22,421	12,035	34,456
External financial aid	29,546	15,859	45,405
	<u>\$314,342</u>	<u>\$168,726</u>	<u>\$483,068</u>

Financial aid for the year ended June 30, 2015 consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$250,357	\$133,168	\$383,525
Endowed scholarships	22,474	11,954	34,428
External financial aid	27,628	14,695	42,323
	<u>\$300,459</u>	<u>\$159,817</u>	<u>\$460,276</u>

Note 7.**Endowment (in thousands):**

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

Endowment and long-term investment net assets functioning as endowment are summarized as follows for the year ended June 30, 2016 (in thousands):

	Endowment	Funds functioning as endowment	Total
Pooled	\$3,211,176	\$1,215,298	\$4,426,474
Non-pooled	105,394	76,846	182,240
	<u>\$3,316,570</u>	<u>\$1,292,144</u>	<u>\$4,608,714</u>

Endowment and long-term investment net assets functioning as endowment are summarized as follows for the year ended June 30, 2015 (in thousands):

	Endowment	Funds functioning as endowment	Total
Pooled	\$3,263,884	\$1,255,259	\$4,519,143
Non-pooled	107,944	82,424	190,368
	<u>\$3,371,828</u>	<u>\$1,337,683</u>	<u>\$4,709,511</u>

Note 7 (continued).

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. At June 30, 2016 and 2015, the pool is comprised of cash and cash equivalents (2.30%) and (3.76%), equities (51.97%) and (51.19%), fixed income securities (9.87%) and (6.62%), alternative investments (32.11%) and (33.96%) and real estate and other investments (3.75%) and (4.47%), respectively. 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, 2016 and 2015 was \$603.87 and \$647.59, respectively.

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

Endowment net asset composition by type of fund as of June 30, 2016 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$1,351,880	\$1,964,690	\$3,316,570
Board-designated endowment funds	\$1,292,144			1,292,144
	<u>\$1,292,144</u>	<u>\$1,351,880</u>	<u>\$1,964,690</u>	<u>\$4,608,714</u>

Endowment net asset composition by type of fund as of June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$1,564,419	\$1,807,409	\$3,371,828
Board-designated endowment funds	\$1,337,683			1,337,683
	<u>\$1,337,683</u>	<u>\$1,564,419</u>	<u>\$1,807,409</u>	<u>\$4,709,511</u>

Changes in endowment net assets for the year ended June 30, 2016 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2015	\$1,337,683	\$1,564,419	\$1,807,409	\$4,709,511
Investment return:				
Investment income	28,521		616	29,137
Net depreciation	(48,669)	(87,376)		(136,045)
Total investment return	<u>(20,148)</u>	<u>(87,376)</u>	<u>616</u>	<u>(106,908)</u>
Contributions and transfers	56,981		156,665	213,646
Appropriation of endowment assets for expenditure	<u>(82,372)</u>	<u>(125,163)</u>		<u>(207,535)</u>
Endowment net assets at June 30, 2016	<u>\$1,292,144</u>	<u>\$1,351,880</u>	<u>\$1,964,690</u>	<u>\$4,608,714</u>

Note 7 (continued).

Changes in endowment net assets for the year ended June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at July 1, 2014	\$1,330,010	\$1,592,011	\$1,670,993	\$4,593,014
Investment return:				
Investment income	45,527		432	45,959
Net appreciation	35,348	73,578		108,926
Total investment return	80,875	73,578	432	154,885
Contributions and transfers	16,100		135,984	152,084
Appropriation of endowment assets for expenditure	(89,302)	(101,170)		(190,472)
Endowment net assets at June 30, 2015	<u>\$1,337,683</u>	<u>\$1,564,419</u>	<u>\$1,807,409</u>	<u>\$4,709,511</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:

	2016	2015
Restricted for scholarship support	\$476,568	\$444,171
Restricted for faculty support	437,534	416,023
Restricted for program support	1,050,588	947,215
Total endowment assets classified as permanently restricted net assets	<u>\$1,964,690</u>	<u>\$1,807,409</u>

Temporarily restricted net assets (in thousands):

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

	2016	2015
Restricted for scholarship support	\$309,950	\$357,027
Restricted for faculty support	365,455	422,187
Restricted for program support	676,475	785,205
Total endowment assets classified as permanently restricted net assets	<u>\$1,351,880</u>	<u>\$1,564,419</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor contribution amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$15,278,000 and \$1,884,000 as of June 30, 2016 and 2015, respectively. 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.

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.

Note 7 (continued).

For the 2016 fiscal year, the Board of Trustees approved current distribution of 104% 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, \$27.76 was distributed to each time-weighted unit for a total spending rule allocation of \$205,553,000. Investment income amounting to \$3.58 per time-weighted unit was earned, totaling \$26,539,000, and \$179,014,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2016 represent 4.64 % of the market value of the endowment pool at June 30, 2016.

For the 2015 fiscal year, the Board of Trustees approved current distribution of 105% 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, \$26.69 was distributed to each time-weighted unit for a total spending rule allocation of \$189,341,000. Investment income amounting to \$6.26 per time-weighted unit was earned, totaling \$44,387,000, and \$144,954,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2015 represent 4.05% of the market value of the endowment pool at June 30, 2015.

Note 8.**Loans and Notes Receivable (in thousands):**

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, 2016 consist of the following (in thousands):

	June 30, 2016		
	Financing Receivables, at Gross	Allowance for Doubtful Accounts	Net
Perkins loans	\$47,854		\$47,854
University student loans	18,063	(\$4,894)	13,169
Other student loans	14,625		14,625
Total student loans	80,542	(4,894)	75,648
Faculty and other student loans	33,583		33,583
Total	\$114,125	(\$4,894)	\$109,231

Long-term financing receivables as of June 30, 2015 consist of the following (in thousands):

	June 30, 2015		
	Financing Receivables, at Gross	Allowance for Doubtful Accounts	Net
Perkins loans	\$50,741		\$50,741
University student loans	19,974	(\$5,575)	14,399
Other student loans	16,237		16,237
Total student loans	86,952	(\$5,575)	81,377
Faculty and other student loans	35,162		35,162
Total	\$122,114	(\$5,575)	\$116,539

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).

Note 8 (continued).

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, include, but are 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 it is deemed to be uncollectible.

The following table illustrates the aging analysis of receivables as of June 30, 2016 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,239	\$376	\$7,296	\$38,943	\$47,854
University student loans	298	40	9,400	8,325	18,063
Other student loans	422	4	673	13,526	14,625
Total student loans	1,959	420	17,369	60,794	80,542
Faculty and other loans				33,583	33,583
Total	\$1,959	\$420	\$17,369	\$94,377	\$114,125

The following table illustrates the aging analysis of receivables as of June 30, 2015 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,482	\$423	\$7,173	\$41,663	\$50,741
University student loans	615	90	9,760	9,509	19,974
Other student loans	563	7	677	14,990	16,237
Total student loans	2,660	520	17,610	66,162	86,952
Faculty and other loans				35,162	35,162
Total	\$2,660	\$520	\$17,610	\$101,324	\$122,114

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, 2016 and 2015 is adequate to absorb credit losses inherent in the portfolio as of these dates.

As part of the program to attract and retain exemplary faculty and senior staff, the university provides home mortgage financing assistance. Notes receivable amounting to \$33,583,000 and \$35,162,000 were outstanding as of June 30, 2016 and 2015, respectively, 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, 2016 and 2015, there were no amounts past due under the faculty and staff loan program.

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 9.**Pledges Receivable (in thousands):**

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):

	2016	2015
In one year or less	\$162,518	\$207,563
Between one year and five years	350,491	273,298
More than five years	293,970	311,941
Less: discount	(117,910)	(121,585)
Less: allowance	(25,266)	(22,598)
	\$663,803	\$648,619

Note 9 (continued).

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

	2016	2015
Endowment for departmental programs and activities	\$330,234	\$315,479
Endowment for scholarship	10,550	6,372
Building construction	166,813	146,028
Departmental programs and activities	156,206	180,740
	<u>\$663,803</u>	<u>\$648,619</u>

Conditional pledges for the university, which depend on the occurrence of specified future and uncertain events, were \$406,925,000 at June 30, 2016. The majority of these conditional pledges are related to construction of the Institute for Transformative Medicine, as well as the renovation of the Los Angeles Coliseum.

Note 10.**Grants and Contracts (in thousands):**

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

	2016	2015
Current sponsored awards	\$784,034	\$506,507
Executed grants and contracts for future periods	626,952	635,841
	<u>\$1,410,986</u>	<u>\$1,142,348</u>

Note 11.**Commitments and Contingencies:**

At June 30, 2016 and 2015, the university had remaining commitments of approximately \$471,216,000 and \$393,402,000 with alternative investment managers and/or limited partnerships, respectively.

Contractual commitments for educational plant amounted to approximately \$428,646,000 and \$386,101,000 at June 30, 2016 and 2015, respectively. It is expected that the resources to satisfy these commitments will be provided from certain unexpended plant net assets, anticipated contributions and/or debt proceeds.

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

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 12.**Retirement Benefits:**

Retirement benefits for eligible university employees are provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, The Vanguard Group, AIG SunAmerica, Fidelity Investments and Prudential Financial. Under these defined contribution plans, the university and plan participants make contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds or commingled funds. Under the USC Retirement Savings Program, 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 \$147,287,000 and \$138,591,000 during the year ended June 30, 2016 and 2015, respectively.

Retirement benefits for hospital employees covered under a collective bargaining agreement with the National Union of Healthcare Workers (NUHW) and employees of USC Verdugo Hills Hospital and University Physician Associates 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 California Nurses Association were also covered under this 401(k) plan. Under the 401(k) defined contribution plan, participants make contributions to purchase a variety of mutual funds. The university makes its contribution following the end of the calendar year and matches 100% of the participants' contributions up to 4% of eligible earnings, providing the participant was employed on the last day of the calendar year. In addition, the university makes a 1% retiree medical benefit contribution to all NUHW participants who were both employed on the last day of the calendar year and worked 1,500 hours in that calendar year. Effective July 2013, all employees of the USC Verdugo Hills Hospital are eligible to participate in the 401(k) plan. Employees of University Physician Associates are eligible to participate upon employment by USC. They will receive a discretionary employer match of up to 4% of eligible earnings. The university contribution is subject to a five year vesting schedule although previously credited years prior to the Tenet and Verdugo acquisitions have been carried over. Benefits commence at age 59 1/2, termination of employment, or retirement and pre-retirement survivor death benefits are also provided. Charges to education and general activities expenses for the university's share of costs were approximately \$5,268,000 and \$1,472,000 during the year ended June 30, 2016 and 2015, respectively.

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

Obligations and Plan Assets	2016	2015
Change in Projected Benefit Obligation		
Benefit obligation at end of prior year	\$242,426	\$243,835
Interest cost	10,937	10,540
Actuarial loss (gain)	27,704	(3,833)
Benefits paid	(8,805)	(8,116)
Benefit obligation at end of year	<u>\$272,262</u>	<u>\$242,426</u>
Change in Plan Assets		
Fair value of plan assets at end of prior year	\$170,719	\$177,445
Actual return on plan assets	1,089	1,390
Employer contribution	10,000	-
Benefits paid	(8,805)	(8,116)
Fair value of plan assets at end of year	<u>\$173,003</u>	<u>\$170,719</u>
Reconciliation of Funded Status		
Accumulated benefit obligation at end of year	\$272,262	\$242,426
Projected benefit obligation at end of year	(\$272,262)	(\$242,426)
Fair value of plan assets at end of year	173,003	170,719
Funded status	<u>(\$99,259)</u>	<u>(\$71,707)</u>
Components of Net Periodic Benefit Cost		
Interest cost	10,937	\$10,540
Expected return on plan assets	(11,625)	(12,123)
Amortization of net loss	5,987	5,753
Total benefit cost	<u>\$5,299</u>	<u>\$4,170</u>
Amounts recognized in the Statement of Financial Position		
Accrued liabilities	(\$99,259)	(\$71,707)
Amounts not yet recognized as components of Net Periodic Benefit Cost		
Net loss	\$120,552	\$88,299
Changes in the net reduction to Unrestricted Net Assets		
Net loss	\$38,240	\$6,900
Amortization of net loss	(5,987)	(5,753)
Total	<u>\$32,253</u>	<u>\$1,147</u>

Note 12 (continued).

The estimated net loss/(gain) and prior service cost for the USC Support Staff Retirement Plan (“Plan”) that will be recognized as components of net periodic benefit cost over the next fiscal year are \$8,965,000 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 years ended June 30, 2016 and 2015.

Assumptions

Weighted-average assumptions used to determine net periodic benefit cost for year ended June 30:	2016	2015
Discount rate	4.60%	4.40%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A
Weighted-average assumption used to determine net year-end benefit obligations at June 30:		
Discount rate	3.80%	4.60%
Rate of compensation increase	N/A	N/A

Plan Assets

In managing the Plan assets, our objective is to be a responsible fiduciary while minimizing financial risk. Plan assets include a diversified mix of fixed income securities and equity securities across a range of sectors and levels of capitalization to maximize the long-term return for a prudent level of risk. In addition to producing a reasonable return, the investment strategy seeks to minimize the volatility in our expense and cash flow. The target allocation for pension benefit plan assets is 75% equity securities and 25% fixed income securities.

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

Fair Value

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

At June 30, 2016 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	NAV	Total
Collective Trust Funds:					
Short-term investment fund		\$9,310			\$9,310
Equity securities		121,342			121,342
Fixed income securities		42,351			42,351
Total		\$173,003			\$173,003

At June 30, 2015 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	NAV	Total
Collective Trust Funds:					
Short-term investment fund		\$39			\$39
Equity securities		129,279			129,279
Fixed income securities		41,401			41,401
Total		\$170,719			\$170,719

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 and in comparison to target percentages for each asset category, is as follows:

Asset Category	Actual at June 30, 2016	Target at June 30, 2016	Actual at June 30, 2015	Target at June 30, 2015
Short-term investment fund	5.4%	0%	0.0%	0%
Equity securities	70.1%	75.0%	75.7%	75.0%
Fixed income securities	24.5%	25.0%	24.3%	25.0%
Total	100.0%	100.0%	100.0%	100.0%

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

Contributions

No contribution to the Plan was required during the years ended June 30, 2016 or 2015. The university may make discretionary contributions to the Plan during the next fiscal year. This will be reassessed during fiscal year 2017.

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,	
2017	\$10,131
2018	10,738
2019	11,263
2020	11,864
2021	12,464
2022– 2026	68,738

Note 13.**Leases:**

The university is the lessee of various equipment and space under noncancelable operating and capital leases. Operating lease rental expense for the years ended June 30, 2016 and 2015 was approximately \$31,858,000 and \$29,722,000, respectively. Space leases contain customary escalation clauses, which are included in annual aggregate minimum rentals.

Future aggregate minimum rental payments as of June 30, 2016 under operating and capital leases are as follows (in thousands):

Future minimum rental payments:	Operating	Capital
2017	\$37,841	\$5,461
2018	36,531	5,560
2019	34,923	5,660
2020	32,936	5,763
2021	24,557	5,868
Thereafter	65,575	739,282
	232,363	767,594
Less: Interest on capital leases		(640,599)
Total	\$232,363	\$126,995

The university entered into a lease agreement with the Los Angeles Memorial Coliseum Commission (LAMCC) to assume the operations of the Los Angeles Memorial Coliseum and Los Angeles Memorial Sports Arena. The lease agreement with the LAMCC expires in 2033, or in 2054, if all options are exercised, at which time a second lease agreement with the California Science Center (CSC), an institution of the State of California, commences. The lease with the CSC expires in 2111, assuming all options are exercised. Under the terms of both lease agreements the university is required to make significant capital improvements. The present value of the future minimum lease payments as of June 30, 2016 and 2015 is \$71,018,000 and \$69,335,000, respectively.

Note 14.**Functional Expenses:**

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.

For the year ended June 30, 2016 functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fund Raising Activities	Year Ended June 30, 2016
Compensation	\$1,591,071	\$297,697	\$31,464	\$1,920,232
Fringe benefits	467,307	95,000	10,403	572,710
Operating expenses	920,278	305,875	12,622	1,238,775
Cost of goods sold	53,137	50,134		103,271
Travel	50,513	10,883	951	62,347
Allocations:				
Depreciation	152,988	54,897	184	208,069
Interest	15,121	58,854		73,975
Plant operations and maintenance	154,704	(154,977)	273	
	<u>\$3,405,119</u>	<u>\$718,363</u>	<u>\$55,897</u>	<u>\$4,179,379</u>

For the year ended June 30, 2015 functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fund Raising Activities	Year Ended June 30, 2015
Compensation	\$1,515,179	\$282,549	\$30,169	\$1,827,897
Fringe benefits	419,374	89,765	9,985	519,124
Operating expenses	897,519	295,985	13,793	1,207,297
Cost of goods sold	47,382	53,240		100,622
Travel	49,918	10,148	814	60,880
Allocations:				
Depreciation	149,206	48,993	158	198,357
Interest	13,138	53,040		66,178
Plant operations and maintenance	154,388	(154,639)	251	
	<u>\$3,246,104</u>	<u>\$679,081</u>	<u>\$55,170</u>	<u>\$3,980,355</u>

Note 15.**Related parties:**

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

Note 16.**Subsequent events:**

The university has performed an evaluation of subsequent events through October 12, 2016, which is the date the financial statements were issued.

On August 22, 2016, the university issued \$722,580,000 of Series 2016 taxable bonds. The proceeds of this bond issue were irrevocably deposited into separate refunding escrow accounts in amounts that are sufficient to pay interest and principal for the CEFA Series 2007A, Series 2009A and Series 2009B outstanding bonds. As of August 22, 2016, USC had no additional liability related to the referenced CEFA bonds, and they are legally defeased. The CEFA bonds will be redeemed, from amounts on deposit in the respective escrows, at a price of par at their respective first call dates of October 1, 2017 (2007A), and October 1, 2018 (2009A/B).

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

Department of Agriculture

	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
Agricultural Research Service	10.001	\$ 1,867,276	\$ 540,467
Department Of Agriculture	10.RD	73,352	-
Economic Research Service	10.253	21,095	-
National Institute of Food and Agriculture	10.310	504,803	56,915
Total - Department of Agriculture		2,466,526	597,382

Department of Commerce

Economic Development Administration	11.303	93,127	-
Economic Development Administration	11.312	698,437	42,862
Economic Development Administration	11.313	654,551	-
Minority Business Development Agency	11.805	394,557	100,000
National Institute of Standards and Technology (NIST)	11.609	116,546	-
National Institute of Standards and Technology (NIST)	11.619	106,579	12,371
National Oceanic and Atmospheric Administration (NOAA)	11.417	1,717,049	492,270
National Oceanic and Atmospheric Administration (NOAA)	11.431	51,340	-
National Oceanic and Atmospheric Administration (NOAA)	11.478	342,856	-
U.S. Census Bureau	11.001	689	-
Total - Department of Commerce		4,175,731	647,503

Department of Defense

Advanced Research Projects Agency	12.910	4,698,213	968,695
Department Of Defense	12.RD	40,297,016	5,623,150
Department of the Air Force, Materiel Command	12.800	3,104,518	723,623
Department of the Navy, Office of the Chief of Naval Research	12.300	7,740,575	1,407,183
National Security Agency	12.900	37,609	-
National Security Agency	12.901	49,943	-
Office of the Secretary of Defense	12.351	363,915	17,722
Office of the Secretary of Defense	12.630	(1,109)	-
U.S. Army Materiel Command	12.431	7,110,324	1,257,616
U.S. Army Medical Command	12.420	4,877,382	972,416
Total - Department of Defense		68,278,386	10,970,405

Department of Education

Institute of Education Sciences	84.305	377,726	210,147
Office of Elementary and Secondary Education	84.206	270,646	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
Office of Postsecondary Education	84.015	445,282	174,632
Office of Postsecondary Education	84.116	751,453	187,699
Total - Department of Education		1,845,107	572,478

Department of Energy

Department of Energy - ARRA	81.049	(1,285)	
Department of Energy	81.049	3,362,511	308,728
Department of Energy	81.089	211,964	76,716
Department of Energy	81.108	687,791	239,794
Department of Energy	81.113	167,537	-
Department of Energy	81.135	827,967	457,698
Total - Department of Energy		5,256,485	1,082,936

Department of Health and Human Services

Administration for Children and Families	93.670	97,927	-
Administration for Community Living	93.048	907,470	104,797
Administration for Community Living	93.747	181,378	-
Agency for Healthcare Research and Quality	93.226	479,361	88,783
Centers for Disease Control and Prevention	93.118	74,497	-
Centers for Disease Control and Prevention	93.262	463,278	105,411
Centers for Disease Control and Prevention	93.283	290,241	-
Centers for Medicare and Medicaid Services	93.610	1,133,403	191,239
Department Of Health And Human Services	93.RD	4,150,566	143,126
Health Resources and Services Administration	93.124	17,670	-
Health Resources and Services Administration	93.514	88,000	-
Health Resources and Services Administration	93.884	104,553	-
Health Resources and Services Administration	93.924	1,864,404	-
Health Resources and Services Administration	93.928	71,701	-
Health Resources and Services Administration	93.964	62,732	-
Health Resources and Services Administration	93.969	548,989	47,124
National Institute of Diabetes and Dig. & Kidney Diseases	93.848	(149)	-
National Institutes of Health	93.077	4,364,850	-
National Institutes of Health	93.113	10,246,844	705,377
National Institutes of Health	93.121	9,973,363	967,143
National Institutes of Health	93.172	2,250,730	546,985
National Institutes of Health	93.173	5,180,234	893,095
National Institutes of Health	93.213	868,231	82,940

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
National Institutes of Health	93.233	453,861	129,929
National Institutes of Health	93.242	7,427,872	359,902
National Institutes of Health	93.273	4,394,804	666,070
National Institutes of Health	93.279	6,510,685	892,727
National Institutes of Health	93.286	3,234,607	137,789
National Institutes of Health	93.307	1,475,990	275,143
National Institutes of Health	93.310	2,552,918	660,115
National Institutes of Health	93.350	5,885,460	977,326
National Institutes of Health	93.351	1,532,008	8,819
National Institutes of Health	93.361	2,664	-
National Institutes of Health	93.389	(46)	-
National Institutes of Health	93.393	11,644,188	1,203,554
National Institutes of Health	93.394	2,953,407	287,631
National Institutes of Health	93.395	2,128,188	12,684
National Institutes of Health	93.396	8,638,926	3,000,046
National Institutes of Health	93.397	6,662,441	588,439
National Institutes of Health	93.398	1,482,920	-
National Institutes of Health	93.399	152,583	-
National Institutes of Health	93.701	509,819	-
National Institutes of Health	93.837	3,173,837	677,888
National Institutes of Health	93.838	3,538,364	346,647
National Institutes of Health	93.839	918,994	337,067
National Institutes of Health	93.846	2,509,223	35,138
National Institutes of Health	93.847	10,117,374	477,242
National Institutes of Health	93.853	7,345,831	802,941
National Institutes of Health	93.855	4,713,669	66,196
National Institutes of Health	93.859	9,719,712	694,708
National Institutes of Health	93.865	3,894,983	337,334
National Institutes of Health	93.866	25,170,828	6,223,852
National Institutes of Health	93.867	7,513,042	2,178,958
National Institutes of Health	93.989	249,253	1,291
Office of the Secretary	93.001	94,061	-
Office of the Secretary	93.297	1,719,124	274,112
Substance Abuse and Mental Health Services Admin.	93.243	1,972,808	543,900
Total - Department of Health and Human Services		193,714,671	26,073,468

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

<u>DIRECT AWARDS</u>	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
Department of Homeland Security			
Department of Homeland Security	97.061	4,380,271	1,403,223
Department of Homeland Security	97.082	151,888	-
Department of Homeland Security	97.104	140,528	-
Department of Homeland Security	97.RD	1,916,896	60,332
Total - Department of Homeland Security		6,589,583	1,463,555
Department of Justice			
Federal Bureau of Investigation	16.304	(7)	-
National Institute of Justice	16.560	217,259	-
Total - Department of Justice		217,252	-
Department of State			
Bureau of Educational and Cultural Affairs	19.415	1,444,488	74,137
Bureau of Near Eastern Affairs	19.021	67,592	-
Bureau of Near Eastern Affairs	19.221	5,188	-
Total - Department of State		1,517,268	74,137
Department of the Interior			
Department Of The Interior	15.RD	146,436	109,399
U.S. Geological Survey	15.807	65,995	-
U.S. Geological Survey	15.808	1,537,973	876,450
U.S. Geological Survey	15.810	13,813	-
Total - Department of the Interior		1,764,217	985,849
Department of Transportation			
Department Of Transportation	20.RD	600	-
Federal Transit Administration (FTA)	20.514	75,709	23,308
National Highway Traffic Safety Administration (NHTSA)	20.614	(23,784)	-
Office of the Secretary (OST) Administration Secretariate	20.701	1,004,152	424,346
Total - Department of Transportation		1,056,677	447,654
Department of Veterans Affairs			
Department Of Veterans Affairs	64.RD	101,524	-
VA Health Administration Center	64.009	12,257	-
Total - Department of Veterans Affairs		113,781	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

<u>DIRECT AWARDS</u>	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
Environmental Protection Agency			
Office of Research and Development (ORD)	66.509	635,443	37,016
Office of Water	66.436	161,002	132,989
Total - Environmental Protection Agency		796,445	170,005
Institute of Museum and Library Services			
Institute of Museum and Library Services	45.301	11,610	-
Institute of Museum and Library Services	45.313	241,808	134,452
Total - Institute of Museum and Library Services		253,418	134,452
Library Of Congress			
Library Of Congress	42.RD	500	-
Total - Library Of Congress		500	-
Military Medical Research and Development			
Military Medical Research and Development	12.240	253,452	24,938
Total - Military Medical Research and Development		253,452	24,938
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43.001	2,413,935	666,721
National Aeronautics and Space Administration	43.002	9,000	-
National Aeronautics and Space Administration	43.003	366,734	-
National Aeronautics and Space Administration	43.008	9,000	-
National Aeronautics and Space Administration	43.009	95,270	45,136
National Aeronautics and Space Administration	43.012	42,039	-
Total - National Aeronautics and Space Administration		2,935,978	711,857
National Endowment for the Arts			
National Endowment for the Arts	45.024	63,202	-
Total - National Endowment for the Arts		63,202	-
National Endowment for the Humanities			
National Endowment for the Humanities	45.149	(413)	-
National Endowment for the Humanities	45.164	132,611	-
National Endowment for the Humanities	45.169	81,205	-
Total - National Endowment for the Humanities		213,403	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

National Science Foundation

	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
National Science Foundation	47.041	7,493,779	570,714
National Science Foundation	47.049	4,409,034	-
National Science Foundation	47.050	15,053,633	5,164,014
National Science Foundation	47.070	9,626,457	303,328
National Science Foundation	47.074	1,907,694	116,331
National Science Foundation	47.075	1,754,629	8,944
National Science Foundation	47.076	2,624,519	115,948
National Science Foundation	47.078	65,047	-
National Science Foundation	47.079	95,883	-
National Science Foundation	47.080	1,023,929	312,577
National Science Foundation - ARRA	47.082	(5,119)	-
National Science Foundation	47.RD	67,458	-
Total - National Science Foundation		44,116,943	6,591,856

Total Research & Development Cluster - Direct Awards

\$ 335,629,025 **\$ 50,548,475**

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

Agency for International Development

California Institute of Technology

1001624-13S-19790 98.001 \$ 136,265 \$ -

University of California Regents

AID-OAA-A-14-00008 98.001 300,374 -

Total - Agency for International Development

436,639 -

Department of Agriculture

Anthrotronix, Incorporated

W31P4Q-13-C-0196 10.001 55,142 -

Duke University

59-5000-4-0062 10.253 7,151 -

Ecology Center

2015-70018-23338 10.331 67,869 -

ERC, Incorporated

FA9300-06-C-0023 10.001 18,832 -

Indiana University

N66001-12-C-0137 10.001 289,467 -

International Business Machines Corporation

W911NF-12-C-0012 10.001 161,621 -

Lawrence Berkeley Laboratory

DE-AC02-05CH11231 10.001 225,753 -

MDA Information Systems, Incorporated

D12PC00387 10.001 (31) -

Next Century Corporation

2016-16041100002 10.RD 250,043 -

Northrop Grumman Corporation

FA8650-13-C-7312 10.RD 48,056 -

Quanterion Solutions Incorporated

FA8075-12-D-0001 10.001 68,214 -

Raytheon BBN Technologies

FA8750-13-C-0008 10.001 95,850 -

Raytheon BBN Technologies

HR0011-08-C-0004 10.001 611,953 -

Raytheon BBN Technologies

HR0011-12-C-0014 10.001 2,242 -

SAIC-Frederick, Incorporated - ARRA

HHSN261200800001E 10.001 139,295 -

Sanford-Burnham Medical Research Institute

HHSN261200800001E 10.001 76,216 -

Science Applications International Corporation

N62645-12-C-4100 10.001 27,734 -

Science Applications International Corporation

N66001-11-C-4159 10.001 737,657 -

Southwest Research Institute

NNG05EC85C 10.001 26,790 -

Space Telescope Science Institute

NAS5-26555 10.001 15,258 -

University of California Davis

HHSN261201100038C 10.001 65,145 -

University of Wisconsin, Madison

2011-51130-31148 10.303 (597) -

US-National Renewable Energy Laboratory

DE-AC36-08GO28308 10.RD 10,059 -

US-Pacific Northwest National Lab

DE-AC05-76RL01830 10.001 73,774 -

Wayne State University

N00024-13-D-6400 10.RD 129,847 -

Total - Department of Agriculture

3,203,340 -

Department of Commerce

Global Science & Technology, Incorporated

DG-133E-13-SE-1560 11.417 29,880 -

Oregon State University

NA10OAR4170059 11.417 (698) -

University of California San Diego

NA11NOS0120029 11.012 236,325 -

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
University of California San Diego	NA14OAR170075	11.417	52,864	-
University of California San Diego	NA14OAR4170075	11.417	22,480	-
Total - Department of Commerce			340,851	-

Department Of Defense

ADA Technologies, Incorporated	W911NF-15-P-0013	12.431	44,998	-
American College of Radiology Imaging Network	ACRIN 6701	12.RDC	11,491	-
Applied Communication Sciences	W911NF-14-R-0001	12.RDC	70,056	-
Applied Mathematics, Incorporated	W911NF-14-C-0151	12.RDC	178,059	-
Aptima, Incorporated	N00014-15-P-1186	12.RDC	40,146	-
BBN Technologies	N66001-11-C-4006	12.RDC	11,681	-
BBN Technologies	W911NF-09-2-0053	12.630	363,935	-
BBN Technologies	W911NF-09-D-0006	12.RDC	(930)	-
California Institute of Technology	FA9550-16-1-0510	12.800	1,846	-
Carnegie Mellon University	FA8750-12-2-0342	12.800	166,133	-
Carnegie Mellon University	W911NF-10-1-0533	12.431	267,136	-
Carnegie Mellon University	W911NF-14-1-0436	12.431	166,551	-
CA-State of California	ST1441-15-01	12.617	217,557	-
Charles River	FA8750-16-C-0045	12.RDC	167,400	-
Chula Vista Elementary School District	HE1254-13-1-0017	12.556	1,504,834	458,952
Concepts to Systems, Incorporated	FA9550-16-C-0012	12.RDC	6,792	-
Cornell University	FA9550-11-1-0064	12.800	494	-
Cornell University	N00014-13-1-0094	12.300	55,422	-
Cornell University	W81XWH-10-1-1045	12.420	202,753	-
Creative Associates International	AID-519-C-00002	12.RDC	2,816	-
Dartmouth College/Neukom Institute For Comp.	N00014-08-1-0693	12.300	(40)	-
Denver Research Institute	W81XWH-10-2-0178	12.420	2,977	-
Design Interactive, Incorporated	W81XWH-13-1-0311	12.RDC	143,942	-
ERC, Incorporated	FA9300-06-C-0023	12.800	18,363	-
ERC, Incorporated	FA9300-15-C-0004	12.RDC	6,722	-
FOMS, Incorporated	N00014-15-P-1180	12.RDC	23,300	-
General Technical Services, LLC	GS07T-12-BGD-0012	12.RDC	133,810	-
Geneva Foundation	W911QY-15-1-0010	12.420	15,666	-
Georgia Institute of Technology	N00014-13-1-0563	12.300	75,082	-
Georgia Institute of Technology	W911NF-11-1-0046	12.800	140,113	-
H. F. Webster Engineering Services	W911NF-15-2-0034	12.431	57,841	-
Henry M. Jackson Foundation	HU0001-15-2-0019	12.750	85,064	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
HRL Laboratories, LLC	HR0011-06-0052	12.RD	5,046	-
HRL Laboratories, LLC	W911NF-16-C-0018	12.RD	121,150	-
Indiana University	W911NF-10-1-0444	12.431	130,641	-
Inferlink Corporation	W31P4Q-13-C-0198	12.RD	52,220	-
International Business Machines Corporation	FA8750-09-C-0172	12.RD	31,806	-
Itt Exelis	W911QX-12-C-0037	12.RD	17,190	-
Johns Hopkins University	N00014-15-1-2312	12.300	20,471	-
Kessler Foundation	W81XWH-14-2-0150	12.420	104,429	-
Massachusetts Institute of Technology	FA8721-05-C-0002	12.800	(403)	-
Massachusetts Institute of Technology	FA9550-15-1-0514	12.800	130,916	-
NexGen Communications, LLC	FA8750-14-D-0123	12.RD	180,896	-
Next Century Corporation	FA8750-15-C-0138	12.RD	424,364	-
Next Century Corporation	HR0011-15-C-0112	12.RD	150,121	-
Noetic Corporation	HQ0034-10-A-0021	12.RD	358,173	-
Northern California Institute for Research and Educ.	W81XWH-12-2-0012	12.RD	160,288	-
Northern California Institute for Research and Educ.	W81XWH-13-1-0259	12.420	142,996	-
Northern California Institute for Research and Educ.	W81XWH-14-1-0462	12.420	96,912	-
Northrop Grumman Corporation	FA8650-13-C-7312	12.RD	214,728	-
Northrop Grumman Corporation	FA8750-11-D-0001 T12	12.RD	65,716	-
Northrop Grumman Corporation	HR0011-15-C-0046	12.RD	154,136	-
Oregon Health Science University	U1GCA180888	12.RD	19,658	-
Pacific Architects and Engineers, Incorporated	DJJ13-C-2442	12.RD	44,088	-
Physical Optics Corporation	HHSN271201500036C	12.RD	170	-
Premitec, Incorporated	W81XWH-15-C-0182	12.420	55,700	-
R-DEX Systems	FA9550-15-C-0024	12.RD	38,502	-
Reactions Systems, LLC	FA8650-14-C-2526	12.RD	269	-
Regents of the University of Michigan	W81XWH14-1-0172	12.420	22,204	-
Rensselaer Polytechnic Institute	N00014-09-1-1029	12.300	5,060	-
Soar Technology, Incorporated	N00014-14-C-0307	12.RD	146,273	-
Soar Technology, Incorporated	W56HZV-15-C-0188	12.RD	19,499	-
SRI International	03-000227TASK7	12.910	95	-
SRI International	2013-13083000007	12.RD	3,048	-
SRI International	HR0011-15-C-0037	12.RD	100,726	-
Stanford University	FA9550-12-1-0215	12.800	146,784	-
Stevens Institute of Technology	HQ0034-13-D-0004	12.RD	222,608	-
Stinger Ghaffarian Technologies	NNA14AA60C	12.RD	8,000	-
TechWerks	HHSN316201200036W	12.RD	20,076	-
The Board of Trustees of the Leland Stanford Jun. Univ.	FA9550-16-1-0051	12.800	120,789	-

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
Transient Plasma Systems, Incorporated	FA9550-15-C-0051	12.RD	48,901	-
University Corporation For Atmospheric Research	N00173-12-2-C902	12.300	87,498	-
University of Alabama at Birmingham	Infrastructure Award	12.RD	6,516	-
University of California Berkeley	W911NF-12-1-0541	12.431	93,357	-
University of California San Diego	W81XWH-08-2-0159	12.420	7,644	-
University of California San Diego	W81XWH-12-2-0012	12.420	106,335	-
University of California San Francisco	W81XWH-14-2-0176	12.420	79,071	-
University of California San Francisco	W911NF-14-2-0043	12.431	188,245	-
University of California Santa Barbara	W911NF-15-1-0577	12.431	71,139	-
University of California, Los Angeles	FA9550-10-1-0569	12.300	177,566	-
University of California, Los Angeles	N00014-1-0051	12.300	99,886	-
University of California, Los Angeles	N00014-14-C-0146	12.RD	96,962	-
University of California, Los Angeles	N00014-15-1-0038	12.300	105,296	-
University of California, Los Angeles	W81XWH-14-1-0491	12.420	21,685	-
University of California, Los Angeles	W81XWWH-14-1-0602	12.420	75,469	-
University of Dayton Research Institute	FA8650-12-D-2224	12.RD	33,750	-
University of Illinois	FA9550-16-1-0042	12.800	60,102	-
University of Memphis	N00014-12-C-0643	12.300	163,614	-
University of Memphis	N00014-16-C-3027	12.300	45,436	-
University of New Mexico	FA9453-15-1-0305	12.800	107,247	-
University of Pennsylvania	FA8750-13-2-0045	12.910	254,935	-
University of Pittsburgh	W81XWH-15-1-0663	12.420	155,157	-
University of Rochester	N00014-15-1-2635	12.300	119,228	-
University of Utah	W81XWH-15-1-0632	12.RD	174,498	-
URS Energy and Construction, Incorporated	DE-FE0004000	12.RD	14,350	-
US BioTest	W81XWH-15-1-0057	12.420	88,282	-
US-Jet Propulsion Laboratory, California Instit. of Tech.	NNN12AA01C	12.RD	550,621	-
Westat, Incorporated	HHSN261201200075C	12.RD	17,368	-
Weston Geophysical Corporation	HDTRA1-11-1-0029	12.351	39,444	-
Zeta Associates	10-C-0064	12.RD	372,089	-
Total - Department Of Defense			11,179,046	458,952

Department of Education

East Los Angeles College	P031C110092 - 15	84.031	73,092	-
Los Angeles Community College District	P031C110092	84.031	78,502	-
McRel International	U411C150011	84.411	16,609	-
University of Pennsylvania	R305C150007	84.305	124,581	-
US-Smithsonian Institute	U396B100097	84.396	392,360	-
Total - Department of Education			685,144	-

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
Department of Energy				
Advanced Computing Technology	DE-SC0011884	81.049	7,003	-
ARC Technology	DE-SC0013921	81.049	20,455	-
Fermi National Accelerator Laboratory	DE-AC02-07CH11359	81.RD	35,025	-
General Motors Corporation	DE-EE0006826	81.086	244,107	-
Lawrence Berkeley Laboratory	DE-AC02-05CH11231	81.RD	55,834	-
Los Angeles City-Dept. of Water and Power - ARRA	DE OE0000192	81.122	883,978	34,126
Media and Process Technology, Incorporated	DE-FE0013064	81.089	102,377	-
National Council On Radiation Protection and Measure	DE-SC0008944	81.049	844	-
Oregon State University	DE-EE0006789	81.087	81,729	-
Princeton University	DE-SC0001198	81.049	(1,192)	-
Regents of the University of Michigan	DE-EE0007077	81.086	67,730	-
Research Partnership to Secure Energy for America	DE-AC26-07NT2677	81.RD	564,968	265,414
Sandia National Laboratories	DE-AC04-94AL85000	81.RD	101,379	-
University of Illinois at Urbana Champaign	DE-SC0012504	81.049	245,979	-
University of Wisconsin, Madison	DE-SC0008713	81.049	19,273	-
US-Lawrence Livermore National Laboratory	DE-AC52-07NA27344	81.RD	64,469	-
US-Oakridge National Laboratories	DE-AC05-00OR22725	81.RD	57,594	-
UT-Battelle, LLC	DE-AC05-00OR22725	81.RD	36,523	-
Total - Department of Energy			2,588,075	299,540
Department of Health and Human Services				
Academy Health	1U18HS022789-01	93.226	(15,000)	-
AgeneBio	U01AG041140	93.866	164,138	-
Aids United	U90HA29237-01-00	93.928	6,747	-
Albert Einstein College of Medicine of Yeshiva Univ.	5R01AI065309	93.855	(7,486)	-
Albert Einstein College of Medicine of Yeshiva Univ.	5R01HL126543-02	93.837	18,173	-
Albert Einstein College of Medicine of Yeshiva Univ.	5U01AI035004-22	93.855	19,929	-
American College of Radiology	U01 CA080098	93.395	(308)	-
Applied Integrin Sciences, Incorporated	1R41CA165626-01A1	93.395	(5,938)	-
Arizona State University	1R21AG049216-01	93.866	75,503	-
Arizona State University	R24DK090958	93.847	227	-
Banner Alzheimer's Institute	1UF1AG046150	93.866	39,088	-
Banner Alzheimer's Institute	RF1AG041705	93.866	38,669	-
Baylor College of Medicine	1R01CA175026-01A1	93.396	31,460	-
Baylor College of Medicine	5R01CA108614	93.273	8,533	-
Baylor College of Medicine	5R01CA139020-06	93.393	17,345	-
Baylor College of Medicine	5R01CA148748-04	93.395	17,498	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
Baylor College of Medicine	5R01CA164024-03	93.394	3,919	-
Beckman Research Institute of the City of Hope	1R01CA184585-01	93.393	28,733	-
Beckman Research Institute of the City of Hope	5R01CA166219-02	93.393	(2,338)	-
Beckman Research Institute of the City of Hope	5UM1CA164917-03	93.393	25,756	-
Beckman Research Institute of the City of Hope	5UM1CA164917-04	93.393	34,809	-
Beckman Research Institute of the City of Hope	5UM1CA186717-03	93.395	31,703	-
Beckman Research Institute of the City of Hope	R01CA196854	93.395	1,927	-
Beckman Research Institute of the City of Hope	R03CA188549-01	93.393	6,905	-
Beckman Research Institute of the City of Hope	U01CA199277	93.393	170,428	-
Beckman Research Institute of the City of Hope	UM1CA186717-02	93.395	71,074	-
BioAIM	5R41AI106375-02	93.855	35,045	-
BioVinc LLC	1R41DE025789-01	93.121	3,005	-
Boston Rehabilitation Outcomes Center	5R24HD065688-04	93.865	10,962	-
Brigham and Women's Hospital	1R01HL118455-01A1	93.838	105,701	-
Brigham and Women's Hospital	2P01GM095467-06	93.859	16,502	-
Brigham and Women's Hospital	2UM1AI068636-08	93.855	219,158	-
Brigham and Women's Hospital	5P01GM095467-05	93.859	217,133	-
Brigham and Women's Hospital	5R01HL117713-03	93.837	2,525	-
Brigham and Women's Hospital	5U01HL101422-03	93.837	12,197	-
Brigham and Women's Hospital	5U54EB005149-09	93.286	4	-
Brigham and Women's Hospital	5UM1AI068636-09	93.855	3,004	-
Brigham and Women's Hospital	7UM1AI068636-07	93.855	(273)	-
Brigham and Women's Hospital	UM1AI068636	93.855	690,556	-
CA-Department of Public Health	1U58DP000807-05	93.283	977,809	-
CA-Department of Public Health	PS12-1201	93.940	295,639	-
California Institute of Technology	P01CA132681	93.395	6,373	-
California Institute of Technology	R01HD075605A	93.865	165,234	-
Cancer Prevention Institute of California	1R01CA170394-01	93.393	(1,091)	-
Cancer Prevention Institute of California	7R01CA140636-05	93.393	8,909	-
Cancer Prevention Institute of California	7R01CA154644-03	93.393	32,187	-
Case Western Reserve University	5R01DA036171-03	93.279	37,157	-
Case Western Reserve University	R01DA036171	93.279	23,590	-
Cedars-Sinai Medical Center	1R01HS024284-01	93.226	213	-
Cedars-Sinai Medical Center	5U01NS088312-02	93.853	71,850	-
Cedars-Sinai Medical Center	7U01CA184826-02	93.393	32,185	-
Children's Hospital Corporation	4R01AI065617-16	93.855	25,474	-
Children's Hospital Corporation	5R01AI065617-13	93.855	(337)	-
Children's Hospital Corporation	5R01AI065617-14	93.855	(60)	-

*See footnote 2.

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Schedule of Expenditures of Federal Awards
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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
Children's Hospital Corporation	5R01AI065617-15	93.855	58,645	-
Children's Hospital of Los Angeles	1U01HL117718-01	93.839	(1,508)	-
Children's Hospital of Los Angeles	5P50FD004896-02	93.103	15,090	-
Children's Hospital of Los Angeles	5P50MH096972-03	93.242	25,252	-
Children's Hospital of Los Angeles	5R01DK097115-03	93.847	49,351	-
Children's Hospital of Los Angeles	5R01GM068968-12	93.859	71,466	-
Children's Hospital of Los Angeles	5U01HL117718-03	93.839	377,937	-
Children's Hospital of Los Angeles	R01GN068968	93.859	38,820	-
Children's Hospital of Los Angeles	R01HD070886	93.865	67,453	-
Children's Hospital of Los Angeles	T77MC25732-03	93.110	3,269	-
Children's Hospital of Los Angeles	U01HL117718	93.839	45,682	-
Children's Hospital of Los Angeles	U01HL122681	93.838	19,818	-
Children's Hospital of Philadelphia	R01CA165277	93.395	75,581	-
Children's Institute, Incorporated	U79SM059940	93.243	241,956	-
City of Hope Research Institute	R01CA077398	93.393	236,872	-
Claremont Graduate School	1U01HL097839-04	93.837	(1,129)	-
Cleveland Clinic Foundation	R01NS089212	93.853	216,938	-
Cleveland Clinic Lerner College of Medicine	UH2CA189883	93.396	75,024	-
Colorado State University	R01GM107520	93.859	13,673	-
Columbia University	5R01EY021529-04	93.867	16,446	-
Community Health Councils, Incorporated	1U58DP004732-01	93.RD	316,611	-
Cornell University	5R21AG037741-02	93.866	20,465	-
Cornell University	5U34HL115015-02	93.837	36,377	-
Dana Farber Cancer Institute	7R01CA172067-04	93.395	12,108	-
Doheny Eye Institute	2P30EY00304031A1	93.867	(2,036)	-
Dr. Susan Love Research Foundation	1UH2EB019889-01	93.286	42,552	-
Duke University	1R18FD005292-01	93.103	12,871	-
Duke University	2U01DK065176-11	93.847	6,134	-
Duke University	4UM1AI104681-04	93.855	22,713	-
Duke University	5R18FD005292-02	93.103	16,224	-
Duke University	5UM1AI104681-03	93.855	19,782	-
Duke University	R01DK098382	93.847	53,478	-
Emerson College	5R01 DC012774-03	93.173	72,130	-
Emerson College	5R01DC012774-02	93.173	9,839	-
Emory University	2U01NS038455-11A1	93.853	21,624	-
Emory University	2U01NS038455-12	93.853	6,641	-
Emory University	3U01NS038455-13	93.853	7,221	-
Emory University	3U01NS038455-14	93.853	121,068	-

*See footnote 2.

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
Emory University	U01DA036233	93.279	27,755	-
EyeMedix, Incorporated	1R41EY025490	93.867	53,316	-
EyeRx Research, Incorporated	1R41EY022514-01A1	93.113	1,065	-
Fred Hutchinson Cancer Research Center	4R01CA160872-05	93.394	2,101	-
Fred Hutchinson Cancer Research Center	5R01CA114563-08	93.394	5,951	-
Fred Hutchinson Cancer Research Center	5R01CA114563-09	93.394	34,334	-
Fred Hutchinson Cancer Research Center	5R01CA160872-04	93.394	14,593	-
Fred Hutchinson Cancer Research Center	5U19AI096111-04	93.855	(327)	-
George Washington University	5R01MH100028-04	93.242	72,673	-
Georgia State University	5P01HD070837-02	93.865	55,318	-
Glaxo Smith Kline	HHSO100201300011C	93.RD	495	-
Harvard Medical School	5R01DC009837-04	93.173	(139)	-
Harvard School of Public Health	5U19CA148065-04	93.393	1,655	-
Harvard School of Public Health	U01HD052102	93.865	678,879	-
Harvard University	3U19CA148065-04S1	93.393	25,334	-
Haskins Laboratories	P01HD001994	93.865	19,879	-
Haskins Laboratories	R01HD065794	93.865	(3,371)	-
Henry M. Jackson Foundation	R01MH102151	93.242	59,559	-
Hope Foundation	U10CA32102	93.395	2,679	-
Howard University	5R01AG045058-02	93.701	37,758	-
Huntington Medical Research Institute	1R01NS088379-01A1	93.853	159,604	-
Icahn School of Medicine at Mount Sinai	5U01HL088942-08	93.837	101,715	-
Icahn School of Medicine at Mount Sinai	7 R01 CA175491-03	93.394	19,339	-
Indiana University	5R01AA021751-03	93.273	48,323	-
Jackson Laboratory	5U41HG002273-14	93.172	365,771	-
Jackson Laboratory	5U41HG002273-15	93.172	147,396	-
Johns Hopkins University	3R01ES023780-03S1	93.113	4,378	-
Johns Hopkins University	3U01EY024627	93.867	8,209	-
Johns Hopkins University	5 UM1 AI068632-10	93.855	2,697	-
Johns Hopkins University	5R01CA140311-05	93.393	60,121	-
Johns Hopkins University	5U01NS062851-04	93.853	33,457	-
Johns Hopkins University	5U54HD070725	93.865	16,040	-
Johns Hopkins University	R01ES023780	93.113	32,882	-
Johns Hopkins University	U10EY014660	93.867	1,654	-
Johns Hopkins University	UM1 AI068632	93.855	8,426	-
Kaiser Foundation Research Institute	1R01CA181242-01A1	93.394	7,629	-
Kaiser Permanente Regional Office	1R01DK100302-01A1	93.847	2	-
Kaiser Permanente Regional Office	5R01DK100302-02	93.847	111,012	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
Kitware, Incorporated	2R44NS081792-03A1	93.853	137,703	-
LA Biomedical Research Inst. at Harbor-UCLA Med. Ctr.	R03HS024146	93.226	35,178	-
Legacy For Health	5R01CA155369-03	93.393	5,623	-
Leidos Biomedical Research, Incorporated	HHSN261200800001E	93.RD	1,533,245	-
L-Nutra, Incorporated	HHSN261120120051C	93.RD	6,771	-
L-Nutra, Incorporated	HHSN271201400030C	93.RD	26,197	-
Lovelace Respiratory Research Institute	5 R01 CA0975356-10	93.394	5	-
Massachusetts General Hospital	1R01EB013293-01A1	93.286	16,473	-
Massachusetts General Hospital	4R01EB009048-08	93.286	35,461	-
Massachusetts General Hospital	5R01EB009048-07	93.286	171,455	-
Massachusetts General Hospital	5R01EB013293-04	93.286	(2)	-
Massachusetts General Hospital	5U01MH093765-05	93.242	32,399	-
Massachusetts General Hospital	U01HL123336	93.837	1,236	-
Mayo Clinic	1U01AG045390-01A1	93.866	(6,632)	-
Mayo Clinic	5U01AG045390-02	93.866	179,579	-
Mayo Clinic	5U01CA089600-11	93.393	4,260	-
Mayo Clinic	5U01CA089600-12	93.393	6,506	-
Mayo Clinic	R01AT006515	93.213	191,434	-
Medical University of South Carolina	5U01NS057748-02	93.853	11,896	-
Memorial Sloan Kettering	5R01CA129639-05	93.393	19,822	-
Methodist Hospital Research Institute	R01HL115003	93.837	4,382	-
Moffitt Cancer Center	5R01CA149429-04	93.393	(60)	-
Mt. Sinai Medical Center	5U54NS081764-04	93.853	106,134	-
Mt. Sinai School of Medicine	7 U01 HL088942	93.837	(21,058)	-
National Bureau of Economic Research	5P01AG005842-29	93.866	12,427	-
National Bureau of Economic Research	R01AG040629	93.866	39,649	-
New England Research Institutes	U01HL107407	93.837	1,696	-
North Carolina State University	5R01EB015508-04	93.286	107,347	-
North Carolina State University	5R21EY022174-02	93.867	46,191	-
Northeastern University	5R21HL108018-02	93.837	(504)	-
Northern California Institute for Research and Educ.	5U01AG024904-09	93.866	(2,127)	-
Northern California Institute for Research and Educ.	5U01AG024904-10	93.866	6,923,975	-
Northwestern University	1P50CA180995-01A1	93.397	44,697	-
Northwestern University	5K12HD073945-04	93.865	36,345	-
Northwestern University	5R01DE015920-10	93.121	181,081	-
Northwestern University	K12HD073945	93.865	(27)	-
Northwestern University	P30DA027828	93.279	49,113	-
Northwestern University	R01DE015920	93.121	(1,958)	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
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RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
Northwestern University	U01MH097435	93.242	128,652	-
NRG Oncology Foundation, Incorporated	USNCI-005685-00002	93.RD	7,255	-
Oregon Health Science University	7U10CA032101-35	93.395	(144)	-
Oregon Health Science University	R01GM032741-31	93.859	5,928	-
Oregon Social Learning Center	5P50DA035763-03	93.279	31,405	-
Oregon Social Learning Center	5P50DA035763-04	93.279	801	-
Oryn Therapeutics, LLC	1R44AR068833-01	93.846	103,472	-
Peking University	2R01AG037031-06A1	93.866	20,710	-
Pennsylvania State University	5 R01 HD072468-04	93.865	38,338	-
Perception Research Systems, Incorporated	1R34MH101606-01A1	93.242	(771)	-
Perception Research Systems, Incorporated	1R43MH099771-01	93.242	(353)	-
Population Council	2U54HD029990	93.865	101	-
Population Council	U54HD029990	93.865	22,218	-
Premitec, Incorporated	5R42EY018794-03	93.867	77,519	-
President and Fellows of Harvard College	5P01DK056246-15	93.847	333,989	-
President and Fellows of Harvard College	5U01HD052102-10	93.865	25,557	-
President and Fellows of Harvard College	R01AG042778	93.866	597,904	-
President and Fellows of Harvard College	U01CA194393	93.393	(4,645)	-
Princeton University	5P30AG024928-10	93.866	33,202	-
Princeton University	P30AG024928	93.866	68,426	-
Proteogenomics Research Institute for Systems Medicine	1P01HL11965-01A1	93.838	196,124	-
Proteogenomics Research Institute for Systems Medicine	5P01HL11965-02	93.838	63,070	-
Radiation Therapy Oncology Group	U10CA021661	93.395	8,260	-
Rand Corporation	P30AG021684	93.866	3,500	-
Rand Corporation	PO1AG008291	93.866	175,403	-
Rand Corporation	R01AG035010	93.866	21,758	-
Rand Corporation	R01AG036784	93.866	26,231	-
Rand Corporation	R01DA033280	93.279	34,617	-
Rand Corporation	R01HD067536	93.865	286,547	-
Rand Corporation	R01NR013372	93.361	51,500	-
Regents of the University of Michigan - ARRA	5R01CA139014-04	93.701	(4,150)	-
Regents of the University of Michigan	1P01CA163233-01A1	93.393	3,748	-
Regents of the University of Michigan	1R24AG054061-01A1	93.866	13,204	-
Regents of the University of Michigan	4U01AG009740-27	93.866	2,946	-
Regents of the University of Michigan	5P01CA163233-03	93.393	111,603	-
Regents of the University of Michigan	5P01CA163233-04	93.393	307,183	-
Regents of the University of Michigan	5R01AG040787-04	93.866	203,849	-
Regents of the University of Michigan	5R24AG045061-02	93.866	38,128	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
Regents of the University of Michigan	5U01DK085584-03	93.847	305	-
Regents of the University of Michigan	U01AG009740	93.866	150,234	-
Research Corporation - University of Hawaii	5P01CA138338-05	93.393	55,641	-
Research Triangle Institute	1 U01 HD051276-01	93.865	20,915	-
Roswell Park Cancer Institute	P01CA151135	93.393	137,414	-
Rutgers, The State University of New Jersey	U01HG007419	93.172	193,560	-
Rutgers, The State University of New Jersey	U24MH068457	93.242	690,157	-
Salk Institute For Biological Studies	R01DC011538-04	93.173	9,035	-
Sanford-Burnham Medical Research Institute	P01 CA138390-05	93.395	41,714	-
Scripps Research Institute	5R01 EY020796-18	93.867	15,313	-
Scripps Research Institute	5R01DE025167-03	93.121	18,758	-
Scripps Research Institute	5U01AA13517-15	93.273	31,065	-
Scripps Research Institute	R01 GM103838	93.393	21,309	-
Scripps Research Institute	R01 GM103838	93.859	24,116	-
Scripps Research Institute	R01DE025167	93.121	178,830	-
Southern California Institute for Research and Educ.	U01AA021884	93.273	302,572	-
Southwest Oncology Group	5U10CA058882-20	93.395	998	-
Stanford University	5U54HG006996-03	93.172	15,485	-
Stanford University	5UM1CA167551	93.393	96,404	-
State University of New York at Stony Brook	5P30AG024928-12	93.866	11,843	-
Suny Downstate Medical Center	7R01MH104964-02	93.242	191,529	-
Tel Aviv Sourasky Medical Center	1R01EB017206-01	93.286	232,053	-
The Board of Trustees of the Leland Stanford Jun. Univ.	5R01CA182514-02	93.395	23,828	-
The Board of Trustees of the Leland Stanford Jun. Univ.	5UM1CA167551	93.393	29,329	-
The Board of Trustees of the Leland Stanford Jun. Univ.	R01GM117097	93.859	11,264	-
The Board of Trustees of the Leland Stanford Jun. Univ.	U54HG006996	93.172	158,319	-
The Komoto Family Foundation	P30MH090322	93.242	29,723	-
Therapeutic Systems Research Laboratories, Inc.	2R44A1100401-03	93.855	114,112	-
Therapeutic Systems Research Laboratories, Inc.	R43AI112185	93.855	39,013	-
Trustees of Columbia University in the City of New York	5R01HG003008-10	93.172	75,924	-
Tufts Medical Center	5U01DK098245-03	93.847	80,936	-
Tufts Medical Center	U01 DK098245-02	93.847	59,448	-
Tufts Medical Center	U01DK098245-01	93.847	769	-
Tufts University	R01EY012383-13	93.867	103,077	-
University of Alabama at Birmingham	R01CA174683	93.395	6,572	-
University of Arizona	5R01EB018921-02	93.286	46,002	-
University of Arizona	HHSN261201200031I	93.RD	23,243	-
University of California Berkeley	15-IA-00850	93.RD	524	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
University of California Berkeley	5R01ES009137-15	93.113	3,690	-
University of California Davis	1R1HS021477-01A1	93.336	7,924	-
University of California Davis	5H79AE000100-04	93.239	9,220	-
University of California Regents	HHSN26620040074C	93.RD	53,553	-
University of California San Diego	1R01AI114671-01A1	93.855	62,096	-
University of California San Diego	1R01DA037217-01	93.279	35,917	-
University of California San Diego	1U01AA022614-01A1	93.273	14,805	-
University of California San Diego	2U19AG010483-22	93.866	2,997	-
University of California San Diego	2UM1AI069432-08	93.855	(72,867)	-
University of California San Diego	5R01MH092950	93.242	116,089	-
University of California San Diego	5U01AA022614-02	93.273	71,899	-
University of California San Diego	5U01AG024904-07	93.866	(1,895)	-
University of California San Diego	5U01AG024904-09	93.866	61,802	-
University of California San Diego	5U19AG010483-24	93.866	29,060	-
University of California San Diego	5U24DA039832-02	93.279	5,851	-
University of California San Diego	5UM1AI069432-09	93.855	(46,348)	-
University of California San Diego	5UM1AI069432-10	93.855	125,869	-
University of California San Diego	H8A-MC-LZAZ	93.RD	359,136	-
University of California San Diego	R01AG048650-01A1	93.866	122,043	-
University of California San Diego	R21DA039782	93.361	15,692	-
University of California San Francisco	14-10709	93.RD	84,999	-
University of California San Francisco	1R21 ES024844-01	93.113	87,744	-
University of California San Francisco	1TP2AH000045-01-00	93.297	76,343	-
University of California San Francisco	1UM1AI110498-01	93.855	520	-
University of California San Francisco	5 R01 CA088164-10	93.399	113	-
University of California San Francisco	5R01CA172067-03	93.395	10,508	-
University of California San Francisco	5R01MH098062-02	93.242	(8,428)	-
University of California San Francisco	5R24AG048024-03	93.866	45,761	-
University of California San Francisco	5U01NS058634-05	93.853	8,733	-
University of California San Francisco	5U01NS086090-02	93.853	56,680	-
University of California San Francisco	5U01NS086090-03	93.853	157,807	-
University of California San Francisco	6 H4AHA00058-13-07	93.145	71,835	-
University of California San Francisco	R01CA197422-01A1	93.393	8,255	-
University of California San Francisco	R01MH089722-05	93.242	109,432	-
University of California San Francisco	U01NS058634	93.853	18,331	-
University of California Santa Barbara	7R03HD071334-03	93.865	23,126	-
University of California, Irvine	1R01HL127271-01	93.837	93,874	-
University of California, Irvine	5R01HL125084-06	93.837	167,855	-

*See footnote 2.

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RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
University of California, Irvine	DC003681	93.173	28,167	-
University of California, Irvine	ES012243	93.113	113,845	-
University of California, Irvine	R01EB010090	93.286	(75)	-
University of California, Los Angeles	1R01HL129727-01	93.837	62,927	-
University of California, Los Angeles	1R21AI109059-01A1	93.855	1,276	-
University of California, Los Angeles	1U01MH106008-01	93.242	(1)	-
University of California, Los Angeles	1U54NS081764-01	93.853	41,670	-
University of California, Los Angeles	2U01DK082370-06	93.847	127,252	-
University of California, Los Angeles	5 UL1 TR000124-05	93.350	14,979	-
University of California, Los Angeles	5P01HL073104	93.839	2,978	-
University of California, Los Angeles	5P20NS080181-03	93.853	81,356	-
University of California, Los Angeles	5P30AG021684-14	93.866	331	-
University of California, Los Angeles	5P30AG21684-14	93.865	14,490	-
University of California, Los Angeles	5P50DK064539-14	93.847	99,051	-
University of California, Los Angeles	5P50HL105188-04	93.837	(1,550)	-
University of California, Los Angeles	5R01DE022045-04	93.121	220,439	-
University of California, Los Angeles	5R01HL118650-02	93.837	2,894	-
University of California, Los Angeles	5R01MH097268-02	93.242	675	-
University of California, Los Angeles	5R01MH101198-03	93.242	30,470	-
University of California, Los Angeles	5R01NS074980-05	93.853	54,090	-
University of California, Los Angeles	5U01 DK082370-07	93.847	20,168	-
University of California, Los Angeles	5U01DK082370-07	93.847	73,501	-
University of California, Los Angeles	5U79TI025410-02	93.243	6,249	-
University of California, Los Angeles	U01DK082370	93.847	73,544	-
University of California, Los Angeles	U01MH106008	93.242	243,565	-
University of California, Los Angeles	U01NS086497	93.853	185,139	-
University of California, Los Angeles	U10NS086497	93.853	26,346	-
University of California, Los Angeles	U1OHA29292	93.145	290,070	-
University of California, Los Angeles	U54EB022002	93.266	127,852	-
University of California, Los Angeles	U54NS081764	93.853	47,089	-
University of California, Los Angeles	U79TI025410	93.243	16,380	-
University of California, Los Angeles	W81XWH-12-1-0081	93.350	(7,088)	-
University of Chicago	5R01AI103342-02	93.855	215,970	-
University of Chicago	R01HL121330	93.837	228,752	-
University of Cincinnati	5U01NS069763-03	93.853	122,166	-
University of Cincinnati	5U01NS069763-04	93.853	(2,303)	-
University of Cincinnati	5U01NS069763-05	93.853	16,306	-
University of Cincinnati	R01 NS039512-05	93.853	11,218	-

*See footnote 2.

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University of Southern California
Schedule of Expenditures of Federal Awards
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RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
University of Cincinnati	U01NS069763	93.853	121,746	-
University of Colorado	5 R21 NS085514-02	93.853	37,134	-
University of Colorado	5U01DE024440-03	93.121	8,250	-
University of Connecticut	1U01GM111849-01	93.859	116,047	-
University of Florida	R01GM102227	93.859	106,160	-
University of Hawaii at Honolulu	1P01CA168530-01	93.393	4,859	-
University of Hawaii at Honolulu	5P01CA168530-03	93.393	153,833	-
University of Hawaii at Honolulu	5UM1CA164973-03	93.393	369,264	-
University of Hawaii at Honolulu	P01CA168530	93.393	902,277	-
University of Hawaii at Honolulu	U01	93.393	1,644,589	-
University of Houston	1R34DA034741-01	93.279	32,520	-
University of Illinois at Chicago	5R01EY022651-05	93.867	58,699	-
University of Illinois at Chicago	5U10EY011753-16	93.867	(5,304)	-
University of Kansas	1R21HD082484-01	93.865	26,589	-
University of Kansas Center for Research Incorporated	5R01MH104603-02	93.242	259,813	-
University of Maryland	1P50MH103222-01	93.242	(1,116)	-
University of Maryland	5P30DK090868-06	93.847	50,010	-
University of Maryland	5P50MH103222-03	93.242	8,296	-
University of Maryland	90C01121	93.652	111,467	-
University of Maryland	P50MH103222	93.242	42,802	-
University of Medicine and Dentistry of New Jersey	5R01NS038384-08	93.853	2,275	-
University of Miami	5R01DA025694-05	93.279	34,220	-
University of Minnesota	P01CA138338	93.393	98,226	-
University of Minnesota	R01CA127236	93.393	18,243	-
University of Minnesota	R01CA151284	93.393	18,629	-
University of Mississippi Medical Center	5U10CA027469-33	93.395	1,057	-
University of Nebraska Medical Center	5R01AG037120-03	93.866	3,249	-
University of Nebraska Medical Center	R01AG037120	93.866	1,012	-
University of North Carolina at Chapel Hill	R01CA098286	93.393	112,365	-
University of North Carolina, Chapel Hill	1R01DK101855-01	93.847	110,897	-
University of North Carolina, Chapel Hill	5R01CA098286-12	93.393	7,424	-
University of North Carolina, Chapel Hill	5U01DK092239-04	93.847	248	-
University of North Carolina, Chapel Hill	5U10HD077844-02	93.865	(1)	-
University of North Carolina, Chapel Hill	5U10HD077844-03	93.865	41,064	-
University of North Carolina, Chapel Hill	7R01EB014354-02	93.286	48,327	-
University of Oklahoma Health Sciences Center	R56AI078993	93.855	13,154	-
University of Pennsylvania	5R01DE019932-06	93.121	(231)	-
University of Pennsylvania	5R01EY023557-02	93.867	103,149	-

*See footnote 2.

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RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
University of Pennsylvania	5R01EY023557-03	93.867	33,053	-
University of Pittsburgh	1R56HL128134-01A1	93.837	4,713	-
University of Pittsburgh	5R01AG034852-05	93.866	(477)	-
University of Pittsburgh	R01NS037704	93.853	51,601	-
University of Rochester Medical Center	R01MH091452	93.242	42,927	-
University of South Florida	R01CA164147	93.113	9,260	-
University of Texas	1R01MH085667-02	93.242	57,010	-
University of Texas	5K12HD055929-08	93.865	95,422	-
University of Texas	5U01HL077863-11	93.837	234,794	-
University of Texas	K12HD055929	93.865	360,055	-
University of Utah	1U02GM104604-01	93.859	(14,042)	-
University of Utah	5R01MH104964-03	93.242	13,023	-
University of Utah	5R34DA034860-03	93.279	41,014	-
University of Utah	5U01GM104604-03	93.859	66,675	-
University of Utah	5U02GM104604-04	93.859	116,187	-
University of Washington	5R01AA018673	93.273	254,103	-
University of Washington	5U01AG016976-17	93.866	24,755	-
University of Wisconsin, Madison	4R01MH081884-08	93.242	1,692	-
University of Wisconsin, Madison	R01MH081884	93.242	23,632	-
University of Wisconsin, Milwaukee	5R01CA136861-06	93.393	573,291	-
US BioTest	HHSO1002011100003C	93.RD	99,564	-
Van Andel Research Institute	5R01CA082422-17	93.393	52,205	-
Vanderbilt University	R01AG047992	93.866	136,321	-
Vanderbilt University Medical Center	R01HS022640-01	93.226	16,121	-
Virtually Better, Incorporated	1R43MH104102-01	93.242	71,494	-
Virtually Better, Incorporated	2R42MH094019-03	93.242	10,004	-
Wake Forest University	7RF1AG041845-02	93.866	1,270,974	-
Wake Forest University	R21 AG051113	93.866	36,074	-
Washington University	5R01CA157277-05	93.394	21,580	-
Washington University In St. Louis	1R01NS089932-01A1	93.853	12,796	-
Westat, Incorporated	HHSN261201200075C	93.RD	101,873	-
Westat, Incorporated	HHSN261201300016C	93.RD	(15)	-
Westat, Incorporated	HHSN275201300003C	93.RD	1,885,993	-
Yale University	4UH3TR000967-02	93.310	1,564,999	-
Yale University	5R01MH100028-03	93.242	316,864	-
Yale University	5U01NS044876-10	93.853	1,758	-
Total - Department of Health and Human Services			41,471,819	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
Department of Homeland Security				
Carnegie Mellon University	2009-ST-CCI002-05	97.061	538	-
Carnegie Mellon University	2009-ST-CCI002-07	97.061	125,176	-
Rutgers, The State University of New Jersey	2009-ST-0061-CCI002	97.061	4,500	-
University of Illinois at Urbana Champaign	2015-ST-061-CIRC01	97.061	39,734	-
Wake Forest University	N66001-14-C-4016	97.034	728,885	-
Total - Department of Homeland Security			898,833	-
Department of Housing and Urban Development				
Los Angeles City-Community Development	C-122081	14.523	72,381	-
Total - Department of Housing and Urban Development			72,381	-
Department Of The Interior				
SRI International	D11PC20066	15.RD	227,415	-
Total - Department Of The Interior			227,415	-
Department of Transportation				
California State University Long Beach Foundation	DTFH61-14-H-00026	20.200	22,990	-
Michigan State University	DTFH61-13-H-00009	20.200	48,893	-
Transportation Research Board	DTFH61-08-H-00035	20.200	9	-
University of California Regents	DTRT13-G-UTC29	20.701	194,593	-
Total - Department of Transportation			266,485	-
Institute of Museum and Library Services				
Crystal Bridges Museum of American Art	MG-30-15-0064-15	45.312	14,506	-
Total - Institute of Museum and Library Services			14,506	-
National Aeronautics and Space Administration				
Black Swift Technologies	NNX13CG33P	43.001	9,999	-
City College of New York	NNX11AP26A	43.001	(5,044)	-
University of California San Diego	NNX10AT93H	43.001	5,390	-
University of Colorado	NAS5-02140	43.002	277,253	-
US-Jet Propulsion Laboratory, California Institute of Tech.	NNN12AA01C	43.RD	83,547	-
US-Jet Propulsion Laboratory, California Institute of Tech.	NMO711048	43.RD	121,964	-
Total - National Aeronautics and Space Administration			493,109	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

National Science Foundation

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA*	Expenditures	to Sub recipients
Alelo TLT, LLC	1549752	47.041	33,876	-
Asia-Pacific Network	ICER-1348085	47.050	(2,780)	-
Association of American Universities	DUE-1432766	47.076	127,343	-
Bandwidth10, Incorporated	EEC-1347563	47.041	(143)	-
California Institute of Technology	1240626	47.074	99,534	-
Chemat Technology Incorporated	IIP-1026215	47.049	(29,805)	-
Clemson University	ACI-1341935	47.070	186,784	-
Columbia University	ICER-1440351	47.050	8,259	-
Consortium for Ocean Leadership, Incorporated	OCE-0652315	47.050	15,151	-
Cornell University	CCF-1522054	47.070	22,054	-
Corporation for Education Network Initiatives in Calif.	ACI-1451050	47.070	20,558	-
Corporation for Education Network Initiatives in Calif.	OCI-0962931	47.070	1,304	-
Drexel University - ARRA	CNS-0960061	47.082	43,094	-
Florida International University	ACI-1451018	47.070	19,253	-
Florida International University	ACI-1451024	47.070	3,113	-
Florida International University	AST-1202910	47.049	16,140	-
Gallaudet University	1547178	47.070	53,892	-
Galois, Incorporated	H98230-15-C-0265	47.RD	52,995	-
Hauptman-Woodward Institute	1231306	47.074	52,932	-
Helios Lightworks	IIP-1415695	47.070	11,883	-
Iowa State University	CNS-1528731	47.070	18,124	-
Lehigh University	IIS-1637369	47.070	47,806	-
Pennsylvania State University	IIS-1344272	47.070	102,488	-
Reach Bionics, Incorporated	IIP-1330971	47.041	24,419	-
Regents of the University of Michigan	CCF-1111061	47.070	27,219	-
Syracuse University	ACI-1443047	47.070	148,585	-
Texas A&M University	BCS-1461766	47.075	9,622	-
The Spirituality Network, Incorporated	IIP-1431024	47.041	5,334	-
Trustees of Columbia University in the City of New York	OCE 14-50528	47.050	12,659	-
University of Arizona	EEC-0812072	47.041	128,796	-
University of California Riverside	1135455	47.050	59,556	-
University of California Santa Barbara	DRL-1417601	47.076	8,251	-
University of California, Los Angeles	SES-1427469	47.075	87,230	-
University of Illinois at Urbana Champaign	H98230-14-C-0141	47.RD	109,784	-
University of Illinois at Urbana Champaign	OCI-0725070	47.070	(491)	-
University of Illinois at Urbana Champaign	OCI-1053575	47.070	99,894	-
University of New Hampshire	CMMI-1135026	47.041	58,135	-

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
University of Oregon	1548288	47.075	13,461	-
University of Pennsylvania	IIS-1450877	47.076	4,956	-
University of Wisconsin, Madison	EFRI-1136903	47.041	36,154	-
University of Wisconsin, Madison	PHY-1148698	47.049	194,260	-
Utah State University	AGS-1329544	47.050	28,806	-
Yale University	EFMA-1542815	47.041	116,630	-
Total - National Science Foundation			2,077,115	-
Social Security Administration				
Regents of the University of Michigan	RRC08098401	96.007	48,070	-
Total - Social Security Administration			48,070	-
Total Research & Development Cluster - Pass-Through Funds			64,002,828	758,492
Total Research & Development Cluster - Direct Awards and Pass-Through Funds			\$ 399,631,853	\$ 51,306,967

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR		Current Year
STUDENT FINANCIAL ASSISTANCE CLUSTER	CFDA*	Expenditures
Department of Education		
Office of Federal Student Aid		
Federal Direct Student Loans	84.268	\$ 563,923,567
Federal Pell Grant Program	84.063	19,109,647
Federal Work-Study Program	84.033	4,186,101
Federal Work-Study Program-Administrative cost allowance	84.033	450,000
Federal Perkins Loans		
Federal Perkins Loans as of July 1, 2015	84.038	50,741,398
New loans issued during 2016	84.038	5,612,402
Administrative cost allowance	84.038	75,000
Federal Supplemental Educational Opportunity Grants	84.007	3,133,241
Total - Department of Education		647,231,356
Department of Health and Human Services		
Health Professional Student Loans		
Health Professional Student Loans as of July 1, 2015	93.342	14,515,057
New loans issued during 2016	93.342	2,122,047
Loans for Disadvantaged Students		
Loans for Disadvantaged Students as of July 1, 2015	93.342	1,721,762
New loans issued during 2016	93.342	160,000
Total - Department of Health and Human Services		18,518,866
Total - Student Financial Assistance Cluster		\$ 665,750,222

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

SPONSOR

OTHER PROGRAMS

DIRECT AWARDS

Economic Development Cluster

Department of Commerce

Economic Adjustment Assistance

11.307

\$ 19,759

\$ -

Total Economic Development Cluster -

Direct Funds

19,759

TRIO Cluster

Department of Education

TRIO- Talent Search

84.044

879,407

-

TRIO- Upward Bound

84.047

1,954,226

-

Total TRIO Cluster - Direct Funds

2,833,633

Other Programs

Department of Health and Human Services

Coordinated Services and Access to
Research for Women, Infants, Children,
and Youth

93.153

881,613

-

Grants to Provide Outpatient Early
Intervention Services with Respect to HIV
Disease

93.918

310,743

-

Head Start

93.600

5,507,979

206,968

Total Department of Health and Human

Services - Direct Funds

6,700,335

206,968

Total Other Programs - Direct Awards

9,553,727

206,968

PASS-THROUGH FUNDS

Foreign Food Aid Donation Cluster

Agency for International Development

USAID for International Development

AID-OAA-I-15-00011 98.RD

13,429

-

Total Foreign Food Aid Donation Cluster -

Pass-Through Funds

13,429

Health Center Program Cluster

Department of Health and Human Services

Health Center Program (Community
Health Centers, Migrant Health Centers,
Health Care for the Homeless, and Public
Housing Primary Care)

H80CS00139 93.224

340,012

-

Total Health Center Program Cluster -

Pass-Through Funds

340,012

Other Programs

Corporation for National and Community Service

AmeriCorps - ARRA

CFDA-94.006-JS-SITE#91 94.006

(881)

-

AmeriCorps

CFDA-94.006-JS-SITE#91 94.006

68,563

-

Total Corporation for National and

Community Service - Pass-Through

Funds

67,682

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

OTHER PROGRAMS	Pass-Through Entity	Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	Expenditures	to Sub recipients
Department of Education			
State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants Recovery Act	040910-002 84.395	40,968	
Teacher Incentive Fund	S374A120066 84.374	183,674	5,000
Total Department of Education - Pass- Through Funds		224,642	5,000
Department of Health and Human Services			
Foster Care Title IV-E	14-2025/40878 93.658	1,125,330	-
Foster Care Title IV-E	A3-1314-19/ A9-1314-19 93.658	226,895	-
HIV Emergency Relief Project Grants	2 H89HA00016-21-00 93.914	(52)	-
Block Grants for Prevention and Treatment of Substance Abuse	T1023865 93.959	269,673	-
HIV Care Formula Grants	H89HA00016-21 93.917	992,773	-
Total Department of Health and Human Services - Pass-Through Funds		2,614,619	-
Total Other Programs - Pass-Through Funds		3,260,384	5,000
Total Other Programs - Direct and Pass- Through Funds		12,814,111	211,968
TOTAL FEDERAL PROGRAMS		\$ 1,078,196,186	\$ 51,518,935

*See footnote 2.

The accompanying notes are an integral part of this Schedule.

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

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") 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 "RD" is utilized for the federal identification number. When the federal agency number is not available, "99" is used. Pass-through entity numbers or sponsor's award numbers that are not available are identified as unknown.

3. Facilities and Administration Rates

The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The predetermined Facilities & Administration fixed rates for the year ended June 30, 2016 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, 2016, the base Facilities and Administration (Indirect Cost) Rate for on campus research was 65% 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 and Loans Outstanding

The following schedule represents loans advanced by the University for the year ended June 30, 2016:

	Loan Advances	Loans Outstanding
Federal Perkins Loans	\$ 5,612,402	\$ 47,853,919
Health Professional Student Loans	2,122,047	13,124,515
Loans for Disadvantaged Students	160,000	1,500,217

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

5. Administrative Cost Allowance Received Under Loan Program

During fiscal year 2015-2016, the University claimed \$0 administrative cost allowance from the Federal Supplemental Education Opportunity Grant Program, \$450,000 from the Federal Work Study Program, and \$75,000 from the Federal Perkins Loan Program.

6. Commingled Assistance

The California Student Aid Commission (CSAC) administers the State Cal Grant A and B Programs, selects the student recipients of these grant awards, and provides funds to participating institutions for disbursement. Federal Temporary Assistance for Needy Families (TANF) funds, CFDA Number 93.558, from the United States Department of Health and Human Services may comprise up to approximately 25% of the total funding for these Cal Grant awards. In fiscal year 2016, the University received Cal Grant A and B funds in the amount of \$21,774,254; however, CSAC is unable to determine the exact amount of TANF funds, if any, represented in those awards. Therefore, the Schedule does not include State Cal Grant A and B awards.



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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of Southern California and its subsidiaries (the "University"), which comprise the consolidated balance sheets as of June 30, 2016, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

PricewaterhouseCoopers LLP

October 12, 2016



**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 the Uniform Guidance**

To the Board of Trustees of the
University of Southern California

Report on Compliance for Each Major Federal Program

We have audited the University of Southern California and its subsidiaries (the “University”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs for the year ended June 30, 2016. 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.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ Responsibility

Our responsibility is to express an opinion on compliance for each of the University’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University’s compliance.

Opinion on Each Major Federal Program

In our opinion, the University of Southern California and its subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying Management's Views and Corrective Action Plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

PricewaterhouseCoopers LLP

March 13, 2017

**University of Southern California
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2016**

Section I – Summary of Auditors Results

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>CFDA Number(s)</u> Various Various 84.044, 84.047	<u>Name of Federal Program or Cluster</u> Research and Development Cluster Student Financial Assistance Cluster TRIO Cluster
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Dollar threshold used to distinguish between type A and type B programs: \$ 3,234,589

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

None noted

University of Southern California

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs

Finding 2016-001: Calculation of the Amount of Title IV Assistance Earned by the Student (Repeat Finding)

Federal Awarding Agency: Department of Education

Cluster: Student Financial Assistance

Program names and specific award name: Federal Pell Grant Program

CFDA #: 84.063

Award #: P063P141192

Award Years: Academic Year 2015 – 2016

Condition

We selected a sample of 60 students for testing from a total population of 283 students who received Title IV assistance and subsequently withdrew enrollment from the University during fiscal year 2016. Of the students tested, the University did not return the correct amount of unearned Title IV assistance on behalf of 1 student in the amount of \$4.

Criteria

34 CFR Section 668.22 requires that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date.

Cause

The calculation was incorrect as the break dates for the session this student was enrolled in were subsequently determined to be incorrect and both sessions the student withdrew from were not considered in the calculation. The break dates were changed by the Registrar's Office subsequent to the Return of Title IV Funds ("R2T4") calculation being performed by the Financial Aid Office and there was no communication to the Financial Aid Office of this change and therefore no control to trigger the re-evaluation of the R2T4 calculation. The miscalculation was thus inadvertent and largely the result of inadequate communication among the relevant University departments. The error of not identifying that 2 sessions were dropped was due to this situation being rare and thus it was inadvertently overlooked by the R2T4 preparer and reviewer.

Effect

The R2T4 calculation was not calculated using accurate data and thus resulted in \$4 not being returned to the government.

Questioned Cost

\$4

Recommendation

We recommend that management enhance controls to ensure that multiple sessions dropped over a period of time are considered in determining total days and that any changes to session dates by the Registrar's Office, after classes have begun, are communicated to the Financial Aid Office in a timely manner and are reviewed. Additionally, management should institute a control that allows for identification of students in multiple sessions.

Management's Views and Corrective Action Plan

Management's response is reported in "Management's Views and Corrective Action Plan" at the end of this report.

University of Southern California

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2016

Finding 2015-001: Lack of Segregation of Duties related to the Creation/Posting of Journal Entries

Condition

In the fiscal year 2015 audit, a deficiency in internal control over financial reporting was identified and considered to be a significant deficiency relating to lack of segregation of duties for the creation/posting of journal entries at the Keck Medical Center of the University of Southern California (the "Hospital").

Current Status

In response the Hospital has implemented controls surrounding segregation of duties over journal entries effective September 2015. The ability to create journal entries has been restricted to the "Accountant" security role. The ability to remove hold codes in the general ledger system which allows posting access has been restricted to the "Finance Manager" security role. Currently, only the Hospital's Controller, Associate Chief Financial Officer, and Director of Finance have been assigned the "Finance Manager" security role. The control was designed to prevent employees responsible for preparing/initiating journal entries from approving and recording the journal entry.

We have implemented the steps outlined above and no similar exceptions were noted subsequent to the implementation of these controls.

Finding 2015-002: Calculation of the Amount of Title IV Assistance Earned by the Student

Condition

In fiscal year 2015, PwC selected a sample of 23 students for testing from a total population of 146 students who received Title IV assistance and subsequently withdrew enrollment from the University during the same term. Of the students tested, the University did not return the correct amount of unearned Title IV assistance on behalf of two students formerly enrolled in one of the University's programs in the amount of \$13,209. The miscalculations were inadvertent and largely the result of inadequate communication among the relevant USC departments as a session end date that was incorrectly represented within the Registrar's system and then subsequently corrected.

Current Status

A similar condition was a factor contributing to Finding 2016-001 (Repeat Finding). In response to the 2015 finding, in the current fiscal year the R2T4 process transitioned from the Loan Unit to the Compliance Unit under the supervision of the Senior Assistant Director, Eligibility and the Assistant Dean, Compliance & Training. The Senior Assistant Director, Eligibility and the Assistant Dean, Compliance & Training are familiar with the Registrar's process for inputting session and break dates and are working with the Registrar to create a SIS process that should increase accuracy and reduce the need for changes after sessions have already begun. The Registrar's anticipated completion date for the system changes is May 30, 2017. In addition, the Senior Assistant Director, Eligibility now reviews changes to confirm that none of the students for whom an R2T4 was performed were impacted.



Management response to finding 2016-001

As described above in finding 2016-001: Calculation of the Amount of Title IV Assistance Earned by the Student, the university returned amounts owed to the Department of Education and held the student affected by the inaccurate days in period harmless for the miscalculation of Return of Title IV. The Financial Aid Office (“FAO”) has taken the following steps during May 2016 in response to the finding:

1. The FAO is continuing to strengthen its partnership with the Registrar’s Office and improve communications across departments. The FAO worked with the Registrar’s Office to develop a training module entitled “Financial Aid Eligibility Consideration in Course Scheduling.” This training is required for all session schedulers and is part of a concerted effort to inform departments of the importance of reporting accurate session dates. The goal is to reduce the number of administrative changes that need to be made after classes have begun that could ultimately affect Return of Title IV funds.
2. In addition, the R2T4 process transitioned from the Loan Unit to the Compliance Unit under the supervision of the Senior Assistant Director, Eligibility and the Assistant Dean, Compliance & Training. The Senior Assistant Director, Eligibility and the Assistant Dean, Compliance & Training are familiar with the Registrar’s process for inputting session and break dates and are working with the Registrar to create a SIS process that should increase accuracy and reduce the need for changes after sessions have already begun. The Registrar’s anticipated completion date for the system changes is May 30, 2017. In addition, the Senior Assistant Director, Eligibility now reviews changes to confirm that none of the students for whom we have performed R2T4 are impacted.

Contact Person: Thomas McWhorter, Dean of Financial Aid, (213) 740-5445