

**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, 2018**

Location

EIN

University Park, Los Angeles

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**University of Southern California**  
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**Year Ended June 30, 2018**

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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 and its subsidiaries (collectively "The University"), which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended.

#### ***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, 2018 and 2017, 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, 2018 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 November 21, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2018. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

November 21, 2018

## Consolidated Balance Sheets

in thousands

	June 30, 2018	June 30, 2017
<b>Assets</b>		
1 Cash and cash equivalents	\$818,978	\$783,505
2 Accounts receivable, net	461,051	406,630
3 Notes receivable, net	68,585	72,950
4 Pledges receivable, net	570,186	628,633
5 Investments	6,231,311	5,770,926
6 Inventories, prepaid expenses and other assets	278,831	288,969
7 Property, plant and equipment, net	4,174,090	4,009,596
<b>8 Total Assets</b>	<b>\$12,603,032</b>	<b>\$11,961,209</b>
<b>Liabilities</b>		
9 Accounts payable	\$273,631	\$308,480
10 Accrued liabilities	750,430	564,341
11 Refundable advances	15,974	18,190
12 Deposits and deferred revenue	261,894	246,641
13 Actuarial liability for annuities payable	108,842	124,277
14 Federal student loan funds	64,319	65,649
15 Asset retirement obligations	126,865	121,085
16 Capital lease obligations	74,222	72,606
17 Bonds and notes payable	1,652,388	1,656,279
18 Other liabilities	4,936	3,443
<b>19 Total Liabilities</b>	<b>3,333,501</b>	<b>3,180,991</b>
<b>Net Assets</b>		
20 Without donor restrictions	4,331,141	4,151,215
21 With donor restrictions	4,938,390	4,629,003
<b>22 Total Net Assets</b>	<b>9,269,531</b>	<b>8,780,218</b>
<b>23 Total Liabilities and Net Assets</b>	<b>\$12,603,032</b>	<b>\$11,961,209</b>

The accompanying notes are an integral part of this statement.

# Consolidated Statements of Activities

in thousands

	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
<b>Operating</b>			
<b>Revenues:</b>			
1 Student tuition and fees	\$2,043,455		\$2,043,455
2 Less financial aid	(556,121)		(556,121)
3 Net student tuition and fees	1,487,334		1,487,334
4 Health care services	1,726,724		1,726,724
5 Contracts and grants	515,956		515,956
6 Auxiliary enterprises	375,898		375,898
7 Sales and services	163,052		163,052
8 Contributions	292,758		292,758
9 Other	138,208		138,208
10 Allocation of endowment spending	236,896		236,896
11 Total Revenues	4,936,826		4,936,826
12 Net assets released from restrictions	155,927	(\$155,927)	
13 <b>Total Revenues and Reclassifications</b>	<b>5,092,753</b>	<b>(155,927)</b>	<b>4,936,826</b>
<b>Expenses:</b>			
14 Salaries and benefits	2,808,353		2,808,353
15 Operating expenses	1,693,235		1,693,235
16 Depreciation	261,462		261,462
17 Interest on indebtedness	65,725		65,725
18 <b>Expenses before Settlement</b>	<b>4,828,775</b>		<b>4,828,775</b>
19 <b>Increase (decrease) in Net Assets from Operating Activities before Settlement</b>	<b>263,978</b>	<b>(155,927)</b>	<b>108,051</b>
20 Settlement (refer to Note 15)	215,000		215,000
21 <b>Increase (decrease) in Net Assets from Operating Activities</b>	<b>48,978</b>	<b>(155,927)</b>	<b>(106,949)</b>
<b>Non-operating</b>			
22 Allocation of endowment spending to operations	(97,462)	(139,434)	(236,896)
23 Changes in funding status of defined benefit plan	23,433		23,433
24 Investment and endowment income	67,665	737	68,402
25 Net appreciation in fair value of investments	124,229	336,557	460,786
26 Contributions	13,083	265,664	278,747
27 Present value adjustment to annuities payable		1,790	1,790
28 Loss on bond refunding			
29 <b>Increase in Net Assets from Non-operating Activities</b>	<b>130,948</b>	<b>465,314</b>	<b>596,262</b>
30 <b>Total increase in Net Assets</b>	<b>179,926</b>	<b>309,387</b>	<b>489,313</b>
31 Beginning Net Assets	4,151,215	4,629,003	8,780,218
32 <b>Ending Net Assets</b>	<b>\$4,331,141</b>	<b>\$4,938,390</b>	<b>\$9,269,531</b>

The accompanying notes are an integral part of this statement.

# Consolidated Statements of Activities

in thousands

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2017 Total Net Assets
<b>Operating</b>			
<b>Revenues:</b>			
1 Student tuition and fees	\$1,899,584		\$1,899,584
2 Less financial aid	(510,550)		(510,550)
3 Net student tuition and fees	1,389,034		1,389,034
4 Health care services	1,552,230		1,552,230
5 Contracts and grants	475,185		475,185
6 Auxiliary enterprises	346,401		346,401
7 Sales and services	158,140		158,140
8 Contributions	281,084		281,084
9 Other	113,652		113,652
10 Allocation of endowment spending	227,920		227,920
11 Total Revenues	4,543,646		4,543,646
12 Net assets released from restrictions	141,320	(\$141,320)	
13 <b>Total Revenues and Reclassifications</b>	<b>4,684,966</b>	<b>(141,320)</b>	<b>4,543,646</b>
<b>Expenses:</b>			
14 Salaries and benefits	2,532,294		2,532,294
15 Operating expenses	1,486,579		1,486,579
16 Depreciation	245,411		245,411
17 Interest on indebtedness	68,009		68,009
18 <b>Total Expenses</b>	<b>4,332,293</b>		<b>4,332,293</b>
19 <b>Increase (decrease) in Net Assets from Operating Activities</b>	<b>352,673</b>	<b>(141,320)</b>	<b>211,353</b>
<b>Non-operating</b>			
20 Allocation of endowment spending to operations	(91,670)	(136,250)	(227,920)
21 Changes in funding status of defined benefit plan	(38,376)		(38,376)
22 Investment and endowment income	81,913	2,170	84,083
23 Net appreciation in fair value of investments	162,141	418,767	580,908
24 Contributions	22,547	306,378	328,925
25 Present value adjustment to annuities payable		(3,896)	(3,896)
26 Loss on bond refunding	(37,281)		(37,281)
27 <b>Increase in Net Assets from Non-operating Activities</b>	<b>99,274</b>	<b>587,169</b>	<b>686,443</b>
28 <b>Total increase in Net Assets</b>	<b>451,947</b>	<b>445,849</b>	<b>897,796</b>
29 Beginning Net Assets	3,699,268	4,183,154	7,882,422
30 <b>Ending Net Assets</b>	<b>\$4,151,215</b>	<b>\$4,629,003</b>	<b>\$8,780,218</b>

The accompanying notes are an integral part of this statement.

# Consolidated Statements of Cash Flows

in thousands

	Year Ended June 30, 2018	Year Ended June 30, 2017
<b>Cash Flows from Operating Activities</b>		
1 <b>Change in Net Assets</b>	<b>\$489,313</b>	<b>\$897,796</b>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation and amortization	261,462	245,411
3 Loss on the disposal/sale of plant assets	1,160	6,560
4 In-kind receipt of property, plant and equipment	(1,624)	(3,205)
5 Maturities and present value adjustment to annuities payable	(1,663)	3,685
6 Increase in accounts receivable	(54,421)	(22,916)
7 Increase in pledges receivable	(64,109)	(82,942)
8 Increase in inventories, prepaid expenses and other assets	(46,188)	(10,848)
9 (Decrease) increase in accounts payable	(34,017)	28,391
10 Increase (decrease) in accrued liabilities	262,358	(44,529)
11 Decrease in refundable advances	(2,216)	(1,663)
12 Increase in deposits and deferred revenue	15,253	46,016
13 Increase (decrease) in other liabilities	1,493	(703)
14 Contributions restricted for property, plant and equipment and permanent investment	(242,161)	(244,298)
15 Net realized gain on sale of investments	(228,398)	(128,978)
16 Net unrealized (appreciation) in investments	(232,402)	(452,088)
17 <b>Net Cash provided by Operating Activities</b>	<b>123,840</b>	<b>235,689</b>
<b>Cash Flows from Investing Activities</b>		
18 Proceeds from note collections	16,372	14,584
19 Notes issued	(10,251)	(11,436)
20 Proceeds from sale and maturity of investments	4,471,561	5,476,450
21 Purchase of investments	(4,495,337)	(5,327,902)
22 Purchase of property, plant and equipment	(420,545)	(690,526)
23 <b>Net Cash used in Investing Activities</b>	<b>(438,200)</b>	<b>(538,830)</b>
<b>Cash Flows from Financing Activities</b>		
Contributions restricted for permanent investment:		
24 Endowment	223,520	244,180
25 Plant	139,252	117,402
26 Trusts and other	1,947	830
27 Repayments of capital lease obligation	1,616	(54,389)
28 Repayment of long-term debt	(1,400)	(673,930)
29 Proceeds from issuance of long-term debt		1,124,900
30 Decrease in federal student loan funds	(1,330)	(3,222)
31 Investment (loss) on annuities payable	(6,667)	(17,414)
32 Payment on annuities payable	(11,315)	(11,269)
33 Increase to annuities payable resulting from new contributions	4,210	2,677
34 <b>Net Cash provided by Financing Activities</b>	<b>349,833</b>	<b>729,765</b>
35 <b>Net increase in Cash and Cash equivalents</b>	<b>35,473</b>	<b>426,624</b>
36 Cash and Cash equivalents at beginning of year	783,505	356,881
37 <b>Cash and Cash equivalents at end of year</b>	<b>\$818,978</b>	<b>\$783,505</b>

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:

#### General:

The University of Southern California (“university”) is a not-for-profit (“NFP”), major private research university. 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.

#### Basis of Presentation:

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 two categories according to donor-imposed restrictions: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions. All material transactions between the university and its subsidiaries have been eliminated.

#### Net Assets Without and With Donor Restrictions:

Net assets without donor restrictions are the part of net assets of a not-for-profit entity that are not subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation that specifies a use for a contributed asset that is more specific than broad limits resulting from the following: a) the nature of the not-for-profit entity, b) the environment in which it operates and c) the purposes specified in its articles of incorporation or bylaws or comparable documents.

This classification includes all revenues, gains and expenses not restricted by donors. The university reports all expenditures in this class of net assets, since the use of restricted contributions in accordance with donors’ stipulations results in the release of the restriction.

The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions include 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 are included in with donor restrictions net assets.

#### Measure of Operations:

The university’s measure of operations as presented in the consolidated statements of activities includes revenue from tuition (net of certain scholarships and fellowships) and fees, grants and contracts, health care services, contributions for operating programs, the allocation of endowment spending for operations and other revenues. Operating expenses are reported on the consolidated statement of activities by natural classification.

The university’s non-operating activity within the consolidated statement of activities includes investment returns and other activities related to endowment, long-term benefit plan obligation funding changes, student loan net assets and contributions related to land, buildings and equipment that are not part of the university’s operating activities.

#### Other Accounting Policies:

Cash and cash equivalents consist of U.S. Treasury bills, certificates of deposit, money market funds and all other short-term investments available for current operations with original maturities of 90 days or less at the time of purchase.

## Notes to Consolidated Financial Statements

### Note 1. (continued)

Investments are stated at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the consolidated statement of activities. Realized gains and losses upon the sale of investments are calculated using the specific identification method and trade date.

Alternative investment holdings and certain other limited partnership interests are invested in both publicly traded and privately owned securities. The fair values of private investments are based on estimates and assumptions of the general partners or partnership valuation committees in the absence of readily determinable market values. Such valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments and other pertinent information.

The university applies the provision of FASB ASC 820, *Fair Value Measurements*, which defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

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

- Level I - Quoted prices in active markets for identical assets or liabilities.
- Level II - Inputs other than Level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. 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, 2018 and 2017, the fair value of all such investments in investment funds has been determined by using NAV as a practical expedient, adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio.

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

## Notes to Consolidated Financial Statements

### Note 1. (continued)

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 without donor restrictions when the purpose or time restriction is met instead of recognizing the contribution over the useful life of the asset.

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 7.5%. 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 follows generally accepted actuarial methods and is based on the requirements of FASB ASC 958. Included in the university's investments are split interest agreements.

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.

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 is estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows is 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, 2018 and 2017, the university recognized accretion expense related to conditional asset retirement obligations of approximately \$6,237,000 and \$5,973,000, respectively. For the years ended June 30, 2018 and 2017, the university settled asset retirement obligations of approximately \$1,000,000 and \$800,000, respectively. As of June 30, 2018 and 2017, included in the consolidated balance sheets are asset retirement obligations of \$126,865,000 and \$121,085,000, respectively.

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.

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 a refundable advance. 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 without donor restrictions. Internally designated net assets are those which have been appropriated by the Board of Trustees or designated by management.

The university receives federal reimbursement for a portion of the costs of its facilities and equipment used in organized sponsored research. The federal 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.

# Notes to Consolidated Financial Statements

## Note 1. (continued)

Contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Noncash contributions are valued using quoted market prices, market prices for similar assets, independent appraisals or appraisals performed 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 revenue without donor restrictions.

Contributions of long-lived assets with no donor-imposed time restrictions are reported as without donor restrictions 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 with donor restrictions revenue. The donor-restricted net assets resulting from these contributions are released to without donor-restricted 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 with donor restrictions revenue.

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 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 final settlements are determined. Health care services revenues also include the revenues associated with the professional services agreement with the County of Los Angeles.

Allowance for doubtful accounts is 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 allowance for doubtful accounts based upon historical write-off experience. The results of this review are then used to make any modifications to the allowance for doubtful accounts.

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

## Notes to Consolidated Financial Statements

### Note 1. (continued)

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. The standard addresses the classification of certain transactions within the statement of cash flows, including cash payments for debt repayment or debt extinguishment costs, contingent considerations payments made after a business combination, and distribution received from equity method investments. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The university is currently evaluating the effect of adoption to the financial statements.

In January 2017, the FASB issued ASU 2017-02, *Clarifying When a Not-for-Profit Entity that is a General Partner or a Limited Partner Should Consolidate a For Profit Limited Partnership or Similar Entity*, which amends the consolidation guidance for NFP entities in ASC 958-810. The issued final guidance clarifies the model used by NFP entities to evaluate the consolidation of investments in limited partnerships (and limited liability companies that are similar to limited partnerships). Under the new guidance, NFP investors in a limited partnership or a similar entity will continue to apply a presumption that the general partner has control and should consolidate the investments unless substantive kick-out or participation rights held by any limited partners overcome that presumption. If the general partner does not have control, the limited partners have to evaluate whether they have control. If a limited partner has control, the consolidation is required unless the investment is part of a portfolio for which the NFP “portfolio-wide” fair value option has been elected. In that situation, the limited partner can instead report its interest at fair value, mirroring an exception that already exists for NFP general partners.

The new standard also affirms the FASB’s intent to retain that NFP “portfolio-wide” fair value option under its new investment recognition and measurement rules that will take effect in fiscal years beginning after December 15, 2018. NFPs that early-adopt the consolidation guidance should apply the new guidance retrospective to earlier periods affected by that adoption. The university is evaluating the impact that the standard will have on the consolidated financial statements and related disclosures.

In March 2017, the FASB issued ASU 2017-17, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires that an employer report the service cost component of pension costs in the same line item as employee compensation costs within operating income. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, and will not be eligible for capitalization. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The university is currently evaluating the effect of adoption to the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard is intended to clarify and improve the scope and the accounting guidance for contributions received and made. The ASU is effective for fiscal years beginning after June 15, 2018, including interim periods within that annual period. Early adoption is permitted. The university is currently evaluating the effect of adoption to the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which requires nonpublic entities to report transfers in and out of Level 3 of the fair value hierarchy, as well as purchases and issue of Level 3 assets and liabilities, instead of the requirement to provide a reconciliation of opening and closing balances. Under the new guidance, for investments in certain entities that calculate net asset value, the requirement to disclose the estimate of period of time over which the underlying assets might be liquidated is replaced by the disclosure of that time period if the investee has announced the timing publicly. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The university is currently evaluating the effect of adoption to the financial statements.

## Notes to Consolidated Financial Statements

### Note 2.

#### Liquidity and Availability:

USC's financial assets available within one year of the balance sheet date for general expenditure are as follows (in thousands):

	<b>Year Ended June 30, 2018</b>	<b>Year Ended June 30, 2017</b>
<b>Total assets at year end</b>	\$12,603,032	\$11,961,209
<i>Less:</i>		
Notes receivable due in more than one year	(11,562)	(14,501)
Pledges receivable due in more than one year	(454,270)	(509,162)
Donor-restricted endowment funds	(4,060,117)	(3,725,821)
Board-designated endowment funds	(1,484,150)	(1,404,699)
Annuities and living trusts	(168,332)	(149,323)
Inventories, prepaid expenses and other assets	(100,622)	(218,417)
Property, plant and equipment	(4,174,090)	(4,009,596)
<b>Financial assets available at year end for current use</b>	<b>\$2,149,889</b>	<b>\$1,929,690</b>

The university's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and therefore, is not available for general expenditure. As described in Note 7, for fiscal year 2018 and 2017, the Board of Trustees approved current distribution of 100% of the prior year's payout, within a minimum of 4% and a maximum of 6% of the average market value for the previous 12 calendar quarters. Under the provision of the spending rule, for fiscal year 2018 and 2017, the Board of Trustees approved an endowment pool payout of \$28.87 a share, for a total spending rule allocation of \$233,765,000 and \$224,725,000. As described in Note 6, the university also has unfunded commitments on alternative investments totaling \$656,181,000 and \$522,228,000 for fiscal year 2018 and 2017.

As part of the university's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the university invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the university has committed lines of credit in the amount of \$500,000,000, which it could draw upon. Additionally, the university has a board-designated endowment of \$1,484,150,000 as of June 30, 2018. Although the university does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment fund and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 6 for disclosures about investments).

### Note 3.

#### Accounts Receivable:

Accounts receivable are summarized as follows at June 30 (in thousands):

	<b>2018</b>	<b>2017</b>
U.S. Government	\$37,938	\$39,909
Student and other, net of allowance for doubtful accounts of \$12,505 (2018), \$12,000 (2017)	187,992	152,193
Patient care, net allowance for doubtful accounts of \$13,999 (2018), \$10,125 (2017)	235,121	214,528
<b>Total</b>	<b>\$461,051</b>	<b>\$406,630</b>



## Notes to Consolidated Financial Statements

### Note 4.

#### Notes and Loans Receivable:

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, 2018, consist of the following (in thousands):

	<b>June 30, 2018</b>		<b>Net</b>
	<b>Financing Receivables, Gross</b>	<b>Allowance for Doubtful Accounts</b>	
Perkins loans	\$45,734		\$45,734
University student loans	11,547	(\$2,968)	8,579
Other student loans	14,272		14,272
<b>Total student loans</b>	<b>71,553</b>	<b>(2,968)</b>	<b>68,585</b>
Faculty and other loans	33,532		33,532
<b>Total</b>	<b>\$105,085</b>	<b>(\$2,968)</b>	<b>\$102,117</b>

Long-term financing receivables as of June 30, 2017, consist of the following (in thousands):

	<b>June 30, 2017</b>		<b>Net</b>
	<b>Financing Receivables, Gross</b>	<b>Allowance for Doubtful Accounts</b>	
Perkins loans	\$47,350		\$47,350
University student loans	15,761	(\$4,432)	11,329
Other student loans	14,271		14,271
<b>Total student loans</b>	<b>77,382</b>	<b>(4,432)</b>	<b>72,950</b>
Faculty and other loans	33,182		33,182
<b>Total</b>	<b>\$110,564</b>	<b>(\$4,432)</b>	<b>\$106,132</b>

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 loans represent 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 student loans are loans related to the Federal Health Professional Student Loan Program and Loans for Disadvantaged Students.

Factors also considered by management when performing its assessment of the adequacy of the allowance, 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

## Notes to Consolidated Financial Statements

### Note 4. (continued)

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, 2018 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,164	\$210	\$6,865	\$37,495	\$45,734
University student loans	277	14	5,940	5,316	11,547
Other student loans	417	8	308	13,539	14,272
<b>Total student loans</b>	<b>1,858</b>	<b>232</b>	<b>13,113</b>	<b>56,350</b>	<b>71,553</b>
Faculty and other loans				33,532	33,532
<b>Total</b>	<b>\$1,858</b>	<b>\$232</b>	<b>\$13,113</b>	<b>\$89,882</b>	<b>\$105,085</b>

The following table illustrates the aging analysis of receivables as of June 30, 2017 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,174	\$333	\$6,719	\$39,124	\$47,350
University student loans	297	39	8,633	6,792	15,761
Other student loans	878	5	338	13,050	14,271
<b>Total student loans</b>	<b>2,349</b>	<b>377</b>	<b>15,690</b>	<b>58,966</b>	<b>77,382</b>
Faculty and other loans				33,182	33,182
<b>Total</b>	<b>\$2,349</b>	<b>\$377</b>	<b>\$15,690</b>	<b>\$92,148</b>	<b>\$110,564</b>

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, 2018 and 2017, 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 \$33,532,000 and \$33,182,000 were outstanding as of June 30, 2018 and 2017, 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, 2018, 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.



## Notes to Consolidated Financial Statements

### Note 5.

#### Pledges Receivable:

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% in order to derive the present value of the future cash flows.

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

	2018	2017
Less than one year	\$115,916	\$119,471
One to five years	362,714	372,118
More than five years	242,007	279,057
Less: discount	(94,478)	(117,951)
Less: allowance	(55,973)	(24,062)
<b>Total</b>	<b>\$570,186</b>	<b>\$628,633</b>

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

	2018	2017
Endowment for departmental programs and activities	\$254,888	\$316,789
Endowment for scholarship	28,492	27,487
Building construction	144,507	125,398
Departmental programs and activities	142,299	158,959
<b>Total</b>	<b>\$570,186</b>	<b>\$628,633</b>

Conditional pledges for the university, which depend on the occurrence of specified future and uncertain events, at June 30, 2018 and 2017, was \$345,517,000 and \$392,958,000, respectively. The majority of these conditional pledges are related to construction of the Ellison Institute for Transformative Medicine, as well as the renovation of the Los Angeles Memorial Coliseum.

### Note 6.

#### Investments:

Investments consist of the following at June 30 (in thousands):

	2018	2017
Equities	\$2,291,991	\$2,129,926
Fixed income securities	1,114,134	1,014,546
Alternative investments:		
Hedge funds	1,107,682	1,056,032
Private capital	1,360,698	1,226,246
Real estate and other	207,078	198,056
Assets held by other trustees	149,728	146,120
<b>Total</b>	<b>\$6,231,311</b>	<b>\$5,770,926</b>

## Notes to Consolidated Financial Statements

### Note 6. (continued)

The following table summarized the levels of financial instruments carried at fair value as defined by ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2018 (in thousands):

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$2,081,176	\$738	\$94,416	\$115,661	\$2,291,991
Fixed income securities	324,488	757,909	31,737		1,114,134
Hedge funds				1,107,682	1,107,682
Private capital				1,360,698	1,360,698
Real estate and other			36,245	170,833	207,078
Assets held by other trustees			149,728		149,728
<b>Total</b>	<b>\$2,405,664</b>	<b>\$758,647</b>	<b>\$312,126</b>	<b>\$2,754,874</b>	<b>\$6,231,311</b>

The following table summarized the levels of financial instruments carried at fair value as defined by ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2017 (in thousands):

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$1,935,088	\$699	\$83,402	\$110,737	\$2,129,926
Fixed income securities	315,350	669,907	29,289		1,014,546
Hedge funds				1,056,032	1,056,032
Private capital				1,226,246	1,226,246
Real estate and other			43,600	154,456	198,056
Assets held by other trustees			146,120		146,120
<b>Total</b>	<b>\$2,250,438</b>	<b>\$670,606</b>	<b>\$302,411</b>	<b>\$2,547,471</b>	<b>\$5,770,926</b>

The following table summarized the university's Level III reconciliation of investments for the year ended June 30, 2018 (in thousands):

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equities	\$83,402				\$11,014			\$94,416
Fixed income securities	29,289	\$41,104	(\$38,324)	\$276	(608)			31,737
Real estate and other	43,600	34	(6,674)	(820)	200		(\$95)	36,245
Assets held by other trustees	146,120				3,608			149,728
<b>Total</b>	<b>\$302,411</b>	<b>\$41,138</b>	<b>(\$44,998)</b>	<b>(\$544)</b>	<b>\$14,214</b>	<b>\$0</b>	<b>(\$95)</b>	<b>\$312,126</b>

## Notes to Consolidated Financial Statements

### Note 6. (continued)

The following table summarized the university's Level III reconciliation of investments for the year ended June 30, 2017 (in thousands):

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equities	\$73,602		(\$7)		\$9,807			\$83,402
Fixed income securities	9,471	\$49,242	(30,306)	\$481	99	\$302		29,289
Real estate and other	37,545	8,883	(2,891)	(309)	(184)	660	(\$104)	43,600
Assets held by other trustees	149,718	272	(4,895)	(578)	2,263		(660)	146,120
<b>Total</b>	<b>\$270,336</b>	<b>\$58,397</b>	<b>(\$38,099)</b>	<b>(\$406)</b>	<b>\$11,985</b>	<b>\$962</b>	<b>(\$764)</b>	<b>\$302,411</b>

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.

# Notes to Consolidated Financial Statements

## Note 6. (continued)

The following table lists investments by major category for the years ending June 30, 2018 (in thousands):

At June 30, 2018

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms
<b>Distressed Obligation Partnerships</b>	U.S. and Non-U.S. Distressed Debt Securities	\$15,736	\$17,042	Approximately 2 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Hedge Funds</b>	U.S. and Non-U.S. Investments in Relative Value, Event Driven, Long/Short and Directional Strategies	1,107,683	58,868	99.9% of NAV has an open-ended life and 0.1% of NAV will be liquidated on an undetermined basis.	Ranges between bimonthly redemption with 75 days notice, monthly redemption with 90 days notice, quarterly redemption with up to 120 days notice, semiannual redemption with 60 to 90 days notice, annual redemption with up to 120 days notice, biannual redemption with 90 days notice and 5-year lockup with 90 days notice.	1% of NAV is locked-up for 1 month, 17% of NAV is locked-up for 3 months, 52% of NAV is locked-up for 1 year 30% of NAV is locked-up for more than 1 year.
<b>Natural Resources Partnerships</b>	U.S. and Non-U.S. Investments in Upstream, Midstream and Downstream Natural Resources Investments	501,549	191,668	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Private Capital Partnerships</b>	U.S. and Non-U.S. Private Equity and Venture Capital Investments	843,413	216,373	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Private Real Estate Partnerships</b>	U.S. and Non-U.S. Real Estate	170,718	172,230	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Equity Funds</b>	U.S. and Non-U.S. Equity Securities	115,661	Not Applicable	Open Ended	Minimum monthly	None
<b>Other Funds</b>	U.S. and Non-U.S. Investments in Securities Other than Equity and Fixed Income	114	Not Applicable	Open Ended	Monthly	None
<b>Total</b>		<b>\$2,754,874</b>	<b>\$656,181</b>			

# Notes to Consolidated Financial Statements

## Note 6. (continued)

The following table lists investments by major category for the years ending June 30, 2017 (in thousands):

At June 30, 2017

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms
<b>Distressed Obligation Partnerships</b>	U.S. and Non-U.S. Distressed Debt Securities	\$25,405	\$21,601	Approximately 2 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Hedge Funds</b>	U.S. and Non-U.S. Investments in Relative Value, Event Driven, Long/Short and Directional Strategies	1,056,032	26,700	99.8% of NAV has an open-ended life and 0.2% of NAV will be liquidated on an undetermined basis.	Ranges between bimonthly redemption with 75 days notice, monthly redemption with 90 days notice, quarterly redemption with up to 120 days notice, semiannual redemption with 60 to 90 days notice, annual redemption with up to 120 days notice, biannual redemption with 90 days notice and 5-year lockup with 90 days notice.	17% of NAV is locked-up for 3 months, 46% of NAV is locked-up for 1 year and 37% of NAV is locked-up for more than 1 year.
<b>Natural Resources Partnerships</b>	U.S. and Non-U.S. Investments in Upstream, Midstream and Downstream Natural Resources Investments	447,091	228,951	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Private Capital Partnerships</b>	U.S. and Non-U.S. Private Equity and Venture Capital Investments	753,750	159,195	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Private Real Estate Partnerships</b>	U.S. and Non-U.S. Real Estate	154,342	85,781	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
<b>Equity Funds</b>	U.S. and Non-U.S. Equity Securities	110,737	Not Applicable	Open Ended	Minimum monthly	None
<b>Other Funds</b>	U.S. and Non-U.S. Investments in Securities Other than Equity and Fixed Income	114	Not Applicable	Open Ended	Monthly	None
<b>Total</b>		<b>\$2,547,471</b>	<b>\$522,228</b>			

## Notes to Consolidated Financial Statements

### Note 7.

#### Endowment:

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 (board-designated endowment funds) 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.

Donor-restricted and board-designated endowment funds are summarized as follows for the year ended June 30, 2018 (in thousands):

	Board-Designated Endowment Funds	Donor-Restricted Endowment	Total
Pooled	\$1,409,305	\$3,933,331	\$5,342,636
Non-pooled	74,845	126,786	201,631
<b>Total</b>	<b>\$1,484,150</b>	<b>\$4,060,117</b>	<b>\$5,544,267</b>

Donor-restricted and board-designated endowment funds are summarized as follows for the year ended June 30, 2017 (in thousands):

	Board-Designated Endowment Funds	Donor-Restricted Endowment	Total
Pooled	\$1,335,689	\$3,603,416	\$4,939,105
Non-pooled	69,010	122,405	191,415
<b>Total</b>	<b>\$1,404,699</b>	<b>\$3,725,821</b>	<b>\$5,130,520</b>

Pooled investments represent donor-restricted and board-designated endowment funds which have been commingled in a unitized pool (unit value basis) for purposes of investment. At June 30, 2018 and 2017, the pool is comprised of cash and cash equivalents (0.63% and (0.43%), equities (54.29% and (53.89%), fixed income securities (12.06% and (12.03%), alternative investments (29.94% and (30.64%) and real estate and other investments (3.08% and (3.01%), 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 value at June 30, 2018 and 2017, was \$676.51 and \$647.73, 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 donor-restricted funds (a) the original value of contributions donated to the endowment, (b) the original value of subsequent contributions to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. 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.

## Notes to Consolidated Financial Statements

### Note 7. (continued)

Endowment net asset composition by type of funds as of June 30, 2018 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$4,060,117	\$4,060,117
Board-designated endowment funds	\$1,484,150		1,484,150
<b>Total</b>	<b>\$1,484,150</b>	<b>\$4,060,117</b>	<b>\$5,544,267</b>

Endowment net asset composition by type of funds as of June 30, 2017 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$3,725,821	\$3,725,821
Board-designated endowment funds	\$1,404,699		1,404,699
<b>Total</b>	<b>\$1,404,699</b>	<b>\$3,725,821</b>	<b>\$5,130,520</b>

Changes in endowment net assets for the year ended June 30, 2018 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets at July 1, 2017</b>	\$1,404,699	\$3,725,821	\$5,130,520
Total investment return	156,808	314,605	471,413
Contributions and transfers	20,105	159,125	179,230
Appropriation of endowment assets for expenditure	(97,462)	(139,434)	(236,896)
<b>Endowment net assets at June 30, 2018</b>	<b>\$1,484,150</b>	<b>\$4,060,117</b>	<b>\$5,544,267</b>

Changes in endowment net assets for the year ended June 30, 2017 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets at July 1, 2016,</b>	\$1,307,422	\$3,301,292	\$4,608,714
Total investment return	185,961	388,500	574,461
Contributions and transfers	2,986	172,279	175,265
Appropriation of endowment assets for expenditure	(91,670)	(136,250)	(227,920)
<b>Endowment net assets at June 30, 2017</b>	<b>\$1,404,699</b>	<b>\$3,725,821</b>	<b>\$5,130,520</b>

## Notes to Consolidated Financial Statements

### Note 7. (continued)

Endowments classified with donor restrictions are to be utilized for the following purposes:

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

	2018	2017
Restricted for scholarship support	\$945,638	\$872,922
Restricted for faculty support	955,824	896,990
Restricted for program support	2,158,655	1,955,909
<b>Total endowment assets with donor restrictions</b>	<b>\$4,060,117</b>	<b>\$3,725,821</b>

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-restricted endowment fund deficits exist, they are classified as a reduction of donor-restricted net assets. Deficits of this nature exist in various donor-restricted endowment funds, which together have an original value of \$26,978,000 and a current value of \$26,743,000 with a deficiency of \$235,000 and an original value of \$53,815,000 and a current fair value of \$52,066,000 and a deficiency of \$1,749,000 as of June 30, 2018 and 2017, 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% 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 board-designated as endowment.

For the 2018 fiscal year, the Board of Trustees approved current distribution of 100% of the prior year's payout, within a minimum of 4% and a maximum of 6% of the average market value for the previous 12 calendar quarters. Under the provisions of the spending rule, \$28.87 was distributed to each time-weighted unit for a total spending rule allocation of \$233,765,000. Investment income amounting to \$4.51 per time-weighted unit was earned, totaling \$36,517,000, and \$197,249,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2018 represent 4.38% of the market value of the endowment pool at June 30, 2018.



## Notes to Consolidated Financial Statements

### Note 7. (continued)

For the 2017 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, \$28.87 was distributed to each time-weighted unit for a total spending rule allocation of \$224,725,000. Investment income amounting to \$3.91 per time-weighted unit was earned, totaling \$30,450,000 and \$194,275,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2017 represent 4.55% of the market value of the endowment pool at June 30, 2017.

### Note 8.

#### Property, Plant and Equipment:

Property, plant and equipment consisted of the following at June 30 (in thousands):

	2018	2017
Land and improvements	\$196,738	\$196,890
Buildings and improvements	5,170,770	4,659,505
Buildings under capital leases	65,822	65,822
Equipment	679,578	655,391
Library books and collections	399,399	378,402
Construction-in-progress	250,575	415,925
	<b>6,762,882</b>	<b>6,371,935</b>
Less: Accumulated depreciation	2,588,792	2,362,339
<b>Total</b>	<b>\$4,174,090</b>	<b>\$4,009,596</b>

### Note 9.

#### Student Financial Aid:

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, 2018, consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$302,203	\$166,884	\$469,087
Endowed scholarships	28,938	15,980	44,918
External financial aid	27,132	14,984	42,116
<b>Total</b>	<b>\$358,273</b>	<b>\$197,848</b>	<b>\$556,121</b>

## Notes to Consolidated Financial Statements

### Note 9. (continued)

Financial aid for the year ended June 30, 2017, consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$278,894	\$154,894	\$433,788
Endowed scholarships	24,177	13,428	37,605
External financial aid	25,176	13,981	39,157
<b>Total</b>	<b>\$328,247</b>	<b>\$182,303</b>	<b>\$510,550</b>

### Note 10.

#### Leases:

The university is the lessee of various equipment and space under non-cancelable operating and capital leases. Operating lease rental expense for the years ended June 30, 2018 and 2017, was approximately \$37,539,000 and \$34,154,000, respectively. Space leases contain customary escalation clauses, which are included in annual aggregate minimum rentals.

Future aggregate minimum rental payments as of June 30, 2018, under operating and capital leases are as follows (in thousands):

Future minimum rental payments:	Operating	Capital
2019	\$42,735	\$1,600
2020	45,366	1,642
2021	43,031	1,685
2022	41,378	1,730
2023	33,840	1,775
Thereafter	201,371	666,293
	<b>407,721</b>	674,725
Less: Interest on capital leases		(600,503)
<b>Total</b>	<b>\$407,721</b>	<b>\$74,222</b>

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 certain capital improvements. The present value of the future minimum lease payments as of June 30, 2018 and 2017, is \$74,222,000 and \$72,606,000, respectively.

## Notes to Consolidated Financial Statements

### Note 11.

#### Bonds and Notes Payable (in thousands):

	Interest %	Maturity	2018	2017
<i>California Educational Facilities Authority Revenue Bonds and Notes:</i>				
Series 2009C	5.25	2025	\$82,305	\$82,305
Premium			3,661	4,271
Series 2012A	5.00	2024	41,595	41,595
Premium			5,401	6,415
Series 2015A	5.00	2026	42,960	42,960
Premium			7,232	8,216
<i>University of Southern California Bonds:</i>				
Series 1998 Taxable	6.26	2019	4,585	4,585
Discount			(5)	(7)
Series 2011 Taxable	5.25	2112	300,000	300,000
Discount			(2,505)	(2,532)
Series 2016 Taxable	3.028	2040	722,580	722,580
Discount			(3,395)	(3,554)
Series 2017 Taxable	3.841	2048	402,320	402,320
Discount			(1,740)	(1,799)
<i>California Infrastructure Revenue Bonds (USC- Soto Street Health Sciences):</i>				
Series 2010 (Soto)	3.25-5.00	2018-2032	28,220	29,620
Premium			1,674	1,804
Notes Payable	5.00	2018-2020	17,500	17,500
			1,652,388	1,656,279
Less: current portion of long-term debt			6,055	1,400
<b>Total</b>			<b>\$1,646,333</b>	<b>\$1,654,879</b>

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2019 \$6,055,000; 2020 \$19,040,000; 2021 \$1,620,000; 2022 \$1,700,000; 2023 \$1,755,000, thereafter \$1,611,895,000.

Interest payments for fiscal year 2018 and 2017 were \$63,405,000 and \$56,759,000, respectively.

The university has a revolving line of credit with a bank with a maturity date of November 30, 2020. The credit agreement was amended on April 12, 2017, to increase the revolving line of credit to \$500,000,000, with all other terms and conditions, including the applicable rate and maturity, remaining substantially the same. The line of credit accrues interest based on LIBOR and contains a fee on the unused portion of the line of credit. During fiscal years ending June 30, 2018 and 2017, the university did not draw down on the line of credit. The line of credit contains certain restrictive covenants which include a minimum credit rating of "A" and "A2" from Standard and Poor's and Moody's, respectively, as well as a minimum total net assets of \$5,500,000,000. USC was in compliance with these covenants during fiscal years ending June 30, 2018 and 2017.

## Notes to Consolidated Financial Statements

### Note 12.

#### Retirement Benefits:

Retirement benefits for eligible university employees are provided through the Teachers Insurance and Annuity Association, The Vanguard Group, AIG Sun America, 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. 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 operating activities expenses for the university's share of costs were approximately \$169,505,000 and \$155,398,000 during the years ended June 30, 2018 and 2017, respectively.

Retirement benefits for 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 Keck and Norris hospital employees covered under a collective bargaining agreement with California Nurses Association were also covered under this 401(k) plan. Until January 2017, the National Union of Healthcare Workers ("NUHW") employees at Keck and Norris hospitals 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.

Effective January 2018, the university contribution to the 401(k) plan is made on a paycheck-by-paycheck basis. Prior to this, the university made its contribution in a lump sum following the end of the calendar year and matched 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 made 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. 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. Pre-retirement survivor death benefits are also provided. Charges to operating activities expenses for the university's share of costs were approximately \$33,000 and \$1,701,000 during the years ended June 30, 2018 and 2017, respectively.

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

<b>Changes in Projected Benefit Obligation</b>	<b>2018</b>	<b>2017</b>
Benefit obligation at end of prior year	\$251,857	\$272,262
Interest cost	9,862	10,155
Actuarial gain	(12,939)	(13,584)
Benefits paid	(19,243)	(16,976)
	<b>\$229,537</b>	<b>\$251,857</b>
<b>Change in Plan Assets</b>		
Fair value of plan assets at the end of prior year	\$190,974	\$173,003
Actual return on plan assets	16,110	24,947
Employer contribution	21,000	10,000
Benefits paid	(19,243)	(16,976)
	<b>\$208,841</b>	<b>\$190,974</b>

## Notes to Consolidated Financial Statements

### Note 12. (continued)

<b>Reconciliation of Funded Status</b>		
Accumulated benefit obligation at end of year	\$229,537	\$251,857
Projected benefit obligation at end of year	(229,537)	(251,857)
Fair value of plan assets at end of year	208,840	190,974
<b>Funded status</b>	<b>(\$20,697)</b>	<b>(\$60,883)</b>

<b>Components of Net Periodic Benefit Cost</b>		
Interest cost	\$9,862	\$10,155
Expected return on plan assets	(11,513)	(11,762)
Amortization of net loss	5,898	8,965
<b>Total benefit cost</b>	<b>\$4,247</b>	<b>\$7,358</b>

<b>Amounts recognized in the Statement of Financial Position</b>		
Accrued liabilities	(\$20,697)	(\$60,883)

<b>Amounts not yet recognized as components of Net Periodic Benefit Cost</b>		
Net loss	\$61,384	\$84,818

<b>Changes in the net reduction to Without Donor Restrictions</b>		
Net gain	(\$17,535)	(\$26,769)
Amortization of net loss	(5,898)	(8,965)
<b>Total benefit cost</b>	<b>(\$23,433)</b>	<b>(\$35,734)</b>

The estimated net loss/(gain) and prior service cost for the Plan that will be recognized as components of net periodic benefit cost over the next fiscal year are \$3,922,000 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, 2018 and 2017.

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

	<b>2018</b>	<b>2017</b>
Discount rate	4.00%	3.80%
Expected return on plan assets	6.20%	7.00%
Rate of compensation increase	N/A	N/A

## Notes to Consolidated Financial Statements

### Note 12. (continued)

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

	2018	2017
Discount rate	4.40%	4.00%
Rate of compensation increase	N/A	N/A

### Plan Assets

In managing the Plan assets, the university's 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 the university's expense and cash flow. The target allocation for pension benefit plan assets is 50% equity securities and 50% 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, 2018, a summary of fair value measurements by level for Plan 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		\$3,647			\$3,647
Equity securities		99,114			99,114
Fixed income securities		106,080			106,080
<b>Total</b>		<b>\$208,841</b>			<b>\$208,841</b>

## Notes to Consolidated Financial Statements

### Note 12. (continued)

At June 30, 2017, 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		\$2,062			\$2,062
Equity securities		145,125			145,125
Fixed income securities		43,787			43,787
<b>Total</b>		<b>\$190,974</b>			<b>\$190,974</b>

### 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, 2018	Target at June 30, 2018	Actual at June 30, 2017	Target at June 30, 2017
Short-term investment fund	1.7%	0.0%	1.1%	0.0%
Equity securities	47.5%	50.0%	76.0%	75.0%
Fixed income securities	50.8%	50.0%	22.9%	25.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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 university's Investment Committee.

### Contributions

No contribution to the plan is required to be made during the fiscal year ending June 30, 2019. At this time, it is anticipated that the university will make discretionary contributions to the pension plan during the next fiscal year, although the total amount of such contributions has not yet been determined.

## Notes to Consolidated Financial Statements

### Note 12. (continued)

#### Estimated Future Benefit Payments

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

	<b>Fiscal Year Ending June 30</b>
2019	\$11,207
2020	11,740
2021	12,317
2022	12,849
2023	13,249
2024-2028	69,424

### Note 13.

#### Net Assets:

The university's net assets as of June 30, 2018, includes the following (in thousands):

<b>Nature of Specific Net Assets</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Year Ended</b>
			<b>June 30, 2018</b>
			<b>Total Net Assets</b>
Designated	\$1,252,267		\$1,252,267
Donor-restricted		\$139,755	139,755
Pledges		570,186	570,186
Unexpended endowment income	295,792		295,792
Annuity and living trusts		168,332	168,332
Donor-restricted endowment funds		4,060,117	4,060,117
Board-designated endowment funds	1,484,150		1,484,150
Debt service funds	121,413		121,413
Invested in plant	1,177,519		1,177,519
<b>Total</b>	<b>\$4,331,141</b>	<b>\$4,938,390</b>	<b>\$9,269,531</b>



## Notes to Consolidated Financial Statements

### Note 13. (continued)

The university's net assets as of June 30, 2017, includes the following (in thousands):

Nature of Specific Net Assets	Without Donor Restrictions	With Donor Restrictions	Year Ended
			June 30, 2017
			Total Net Assets
Designated	\$1,223,092		\$1,223,092
Donor-restricted		\$125,226	125,226
Pledges		628,633	628,633
Unexpended endowment income	266,144		266,144
Annuity and living trusts		149,323	149,323
Donor-restricted endowment funds		3,725,821	3,725,821
Board-designated endowment funds	1,404,699		1,404,699
Debt service funds	106,380		106,380
Invested in plant	1,150,900		1,150,900
<b>Total</b>	<b>\$4,151,215</b>	<b>\$4,629,003</b>	<b>\$8,780,218</b>

### Note 14.

#### Functional Expenses:

Expenses are presented below 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, 2018, functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fundraising Activities	Year Ended June 30, 2018
Compensation	\$1,850,553	\$321,320	\$35,970	\$2,207,843
Fringe benefits	480,922	107,207	12,381	600,510
Operating expenses	1,086,780	390,897	14,336	1,492,013
Cost of goods sold	87,895	49,188		137,083
Travel	51,256	12,041	842	64,139
Settlement		215,000		215,000
Allocations:				
Depreciation	180,797	78,514	2,151	261,462
Interest	22,332	43,393		65,725
Plant operations and maintenance	170,212	(173,139)	2,927	
<b>Total</b>	<b>\$3,930,747</b>	<b>\$1,044,421</b>	<b>\$68,607</b>	<b>\$5,043,775</b>

## Notes to Consolidated Financial Statements

### Note 14. (continued)

For the year ended June 30, 2017, functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fundraising Activities	Year Ended June 30, 2017
Compensation	\$1,698,766	\$309,213	\$32,920	\$2,040,899
Fringe benefits	388,758	92,508	10,129	491,395
Operating expenses	964,585	334,092	14,954	1,313,631
Cost of goods sold	63,389	49,436		112,825
Travel	47,999	11,314	810	60,123
Allocations:				
Depreciation	175,132	70,106	173	245,411
Interest	17,448	50,561		68,009
Plant operations and maintenance	162,641	(162,894)	253	
<b>Total</b>	<b>\$3,518,718</b>	<b>\$754,336</b>	<b>\$59,239</b>	<b>\$4,332,293</b>

### Note 15.

#### Commitments and Contingencies

Contractual commitments for educational plant amounted to approximately \$132,631,000 and \$142,456,000 at June 30, 2018 and 2017, 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 Los Angeles County+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. To date, 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.

In the normal course of its activities, the university has been a party in various legal actions. Historically, the university has not experienced material losses from such actions. 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.

During the year ended June 30, 2018, the university was named in lawsuits in state and federal court in connection with alleged misconduct by a physician who was previously employed by the university and practiced at the university student health center; this individual was alleged to have engaged in inappropriate conduct and made inappropriate statements to patients. The university has been named in both federal and state court civil lawsuits. On October 9, 2018, the university and the federal plaintiffs reached an agreement in principle for a federal class action settlement of \$215 million, plus attorneys' fees not to exceed \$25 million. The settlement will ultimately need to be approved by the court. For the year ended June 30, 2018, the university has recorded a liability for the federal class action settlement of \$215 million. While the university expects that a significant portion of the settlement will be covered by insurance, no insurance reimbursements for settlements have been received to date. Amounts of future insurance reimbursements are unknown as of June 30, 2018, and as a result no insurance recovery accruals have been recorded in the 2018 financial statements. The outcome of the state court lawsuits is unknown at June 30, 2018, and therefore, no accruals for future costs have been recorded in the 2018 consolidated financial statements.

## Notes to Consolidated Financial Statements

### Note 15. (continued)

It is possible that additional individuals may file similar actions. The outcome of the pending and potential litigation is unknown as of June 30, 2018, but the university recognizes that the ultimate outcome may have a material impact on the university's financial position.

### Note 16.

#### Grants and Contracts:

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 (in thousands):

	2018	2017
Current sponsored awards	\$764,272	\$756,757
Executed grants and contracts for future periods	1,192,476	800,997
<b>Total</b>	<b>\$1,956,748</b>	<b>\$1,557,754</b>

### Note 17.

#### 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 18.

#### Subsequent Events

The university has performed an evaluation of subsequent events through November 21, 2018, which is the date the financial statements were issued.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

RESEARCH & DEVELOPMENT CLUSTER		Current Year	Pass-Through Funds
<u>DIRECT AWARDS</u>	CFDA	Expenditures	to Sub recipients
<b>Agency for International Development</b>			
Agency for International Development	98.001	\$ 140	\$ -
<b>Total Agency for International Development</b>		<b>140</b>	<b>-</b>
<b>Department of Agriculture</b>			
Agricultural Research Service	10.001	139,514	-
Economic Research Service	10.253	41,103	-
Forest Service	10.699	5,615	-
National Institute of Food and Agriculture	10.310	172,552	63,378
<b>Total Department of Agriculture</b>		<b>358,784</b>	<b>63,378</b>
<b>Department of Commerce</b>			
Economic Development Administration	11.303	35,706	-
Economic Development Administration	11.312	807,169	4,404
Economic Development Administration	11.313	820,694	-
Minority Business Development Agency	11.805	247,344	-
National Institute of Standards and Technology (NIST)	11.609	571,646	-
National Institute of Standards and Technology (NIST)	11.619	93,466	18,597
National Oceanic and Atmospheric Administration (NOAA)	11.417	1,431,868	209,037
National Oceanic and Atmospheric Administration (NOAA)	11.431	15,583	-
National Oceanic and Atmospheric Administration (NOAA)	11.478	142,316	-
National Oceanic and Atmospheric Administration (NOAA)	11.482	18,690	-
<b>Total Department of Commerce</b>		<b>4,184,482</b>	<b>232,037</b>
<b>Department of Defense</b>			
Advanced Research Projects Agency	12.910	12,843,884	2,075,269
Defense Threat Reduction Agency	12.351	88,433	-
Department Of Defense	12.RD	59,702,375	14,596,402
Department of the Air Force, Materiel Command	12.800	3,828,566	308,917
Department of the Navy, Office of the Chief of Naval Research	12.300	10,509,879	1,921,907
Department of the Navy, Office of the Chief of Naval Research	12.330	279,595	-
National Security Agency	12.900	35,775	-
National Security Agency	12.901	48,923	-
Office of the Secretary of Defense	12.630	320,326	142,654
U.S. Army Materiel Command	12.431	15,118,696	2,573,483
U.S. Army Medical Command	12.420	4,665,614	503,458
<b>Total Department of Defense</b>		<b>107,442,066</b>	<b>22,122,090</b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

**DIRECT AWARDS**

**Department of Education**

	<b>CFDA</b>	<b>Current Year Expenditures</b>	<b>Pass-Through Funds to Sub recipients</b>
Institute of Education Sciences	84.305	328,273	144,440
Office of Elementary and Secondary Education	84.206	413,627	-
Office of Postsecondary Education	84.015	635,788	363,580
Office of Postsecondary Education	84.116	959,020	111,050
Office of Postsecondary Education	84.022	29,067	-
		<b>2,365,775</b>	<b>619,069</b>

**Department of Energy**

Department of Energy	81.049	3,275,870	472,246
Department of Energy	81.086	183,346	44,638
Department of Energy	81.087	127,925	-
Department of Energy	81.089	336,918	142,401
Department of Energy	81.108	445,732	163,303
Department of Energy	81.135	868,634	93,509
<b>Total Department of Energy</b>		<b>5,238,425</b>	<b>916,098</b>

**Department of Health and Human Services**

Administration for Children and Families	93.713	255,809	-
Administration for Community Living	93.048	875,898	56,472
Administration for Community Living	93.747	555,000	27,900
Agency for Healthcare Research and Quality	93.226	294,074	54,109
Centers for Disease Control and Prevention	93.118	33,317	-
Centers for Disease Control and Prevention	93.262	565,174	19,434
Centers for Disease Control and Prevention	93.283	266,339	-
Department Of Health And Human Services	93.RD	4,857,338	-
Health Resources and Services Administration	93.124	18,144	-
Health Resources and Services Administration	93.732	421,557	-
Health Resources and Services Administration	93.884	14,781	-
Health Resources and Services Administration	93.924	753,723	-
Health Resources and Services Administration	93.928	706	-
Health Resources and Services Administration	93.969	1,003,379	81,264
National Institutes of Health- ARRA	93.701	(16,996)	-
National Institutes of Health	93.077	3,890,295	31,900
National Institutes of Health	93.113	10,374,412	618,297
National Institutes of Health	93.121	10,687,101	641,880

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

**DIRECT AWARDS**

	<b>CFDA</b>	<b>Current Year Expenditures</b>	<b>Pass-Through Funds to Sub recipients</b>
National Institutes of Health	93.172	4,537,207	2,449,829
National Institutes of Health	93.173	5,341,750	712,229
National Institutes of Health	93.213	504,422	-
National Institutes of Health	93.242	8,901,664	1,467,510
National Institutes of Health	93.273	3,584,397	626,330
National Institutes of Health	93.279	8,394,929	1,674,788
National Institutes of Health	93.286	5,519,285	1,062,333
National Institutes of Health	93.307	1,905,004	149,668
National Institutes of Health	93.310	5,982,686	1,092,624
National Institutes of Health	93.313	41,075	-
National Institutes of Health	93.350	10,037,331	2,866,389
National Institutes of Health	93.351	1,954,277	114,995
National Institutes of Health	93.361	932,222	51,051
National Institutes of Health	93.389	210,180	24,092
National Institutes of Health	93.393	11,963,238	924,965
National Institutes of Health	93.394	1,753,965	143,716
National Institutes of Health	93.395	1,535,838	242,889
National Institutes of Health	93.396	3,283,839	1,120,638
National Institutes of Health	93.397	6,396,476	655,884
National Institutes of Health	93.398	642,960	-
National Institutes of Health	93.399	(220)	-
National Institutes of Health	93.837	3,342,620	549,616
National Institutes of Health	93.838	2,120,728	-
National Institutes of Health	93.839	2,797,597	1,968,758
National Institutes of Health	93.840	125,133	-
National Institutes of Health	93.846	3,309,736	49,175
National Institutes of Health	93.847	16,638,648	2,383,269
National Institutes of Health	93.853	15,385,842	3,660,690
National Institutes of Health	93.855	6,556,106	177,434
National Institutes of Health	93.859	9,702,162	240,063
National Institutes of Health	93.865	5,703,504	842,656
National Institutes of Health	93.866	34,064,578	5,096,319
National Institutes of Health	93.867	10,211,672	2,816,824
National Institutes of Health	93.879	106,450	-
National Institutes of Health	93.989	481,759	121,508
Office of the Secretary	93.297	1,887,219	549,285
Substance Abuse and Mental Health Services Administration	93.243	1,289,977	458,695
<b>Total Department of Health and Human Services</b>		<b>231,996,307</b>	<b>35,825,476</b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

**Department of Homeland Security**

	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Department of Homeland Security	97.RDC	3,468,647	355,595
Federal Emergency Management Agency (FEMA)	97.082	150,200	-
Science and Technology (S&T)	97.061	593,317	199,838
<b>Total Department of Homeland Security</b>		<b>4,212,164</b>	<b>555,433</b>

**Department of Justice**

National Institute of Justice	16.560	238,802	-
<b>Total Department of Justice</b>		<b>238,802</b>	<b>-</b>

**Department of State**

Bureau of Educational and Cultural Affairs	19.401	260,860	-
Bureau of Educational and Cultural Affairs	19.415	1,788,203	70,000
Bureau of Near Eastern Affairs	19.221	583,394	-
Office of the Coordinator of U.S. Assistance to Europe and Eurasia	19.900	53,159	-
<b>Total Department of State</b>		<b>2,685,616</b>	<b>70,000</b>

**Department of the Interior**

Bureau of Land Management	15.224	12,730	-
U.S. Geological Survey	15.807	1,855,933	886,755
U.S. Geological Survey	15.808	7,087	(4,596)
<b>Total Department of the Interior</b>		<b>1,875,750</b>	<b>882,159</b>

**Department of Transportation**

Office of the Secretary (OST) Administration Secretariate	20.701	2,726,877	1,776,284
<b>Total Department of Transportation</b>		<b>2,726,877</b>	<b>1,776,284</b>

**Department of Veterans Affairs**

Department Of Veterans Affairs	64.RDC	77,120	-
VA Health Administration Center	64.009	114,371	-
<b>Total Department of Veterans Affairs</b>		<b>191,491</b>	<b>-</b>

**Environmental Protection Agency**

Office of Research and Development (ORD)	66.509	1,319,874	171,121
Office of Water	66.436	9,295	-
<b>Total Environmental Protection Agency</b>		<b>1,329,169</b>	<b>171,121</b>

**Institute of Museum and Library Services**

Institute of Museum and Library Services	45.301	50,055	-
Institute of Museum and Library Services	45.312	14,604	-
Institute of Museum and Library Services	45.313	16,251	11,701
<b>Total Institute of Museum and Library Services</b>		<b>80,910</b>	<b>11,701</b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

**National Aeronautics and Space Administration**  
National Aeronautics and Space Administration  
National Aeronautics and Space Administration  
National Aeronautics and Space Administration  
National Aeronautics and Space Administration  
**Total National Aeronautics and Space Administration**

CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
43.001	2,767,273	744,303
43.007	(12)	-
43.008	6,000	-
43.012	174,434	-
43.RDC	(1,902)	-
	<b>2,945,793</b>	<b>744,303</b>

**National Archives and Records Administration**  
National Archives and Records Administration  
**Total National Archives and Records Administration**

89.003	12,200	-
	<b>12,200</b>	<b>-</b>

**National Endowment for the Arts**  
National Endowment for the Arts  
**Total National Endowment for the Arts**

45.024	128,128	-
	<b>128,128</b>	<b>-</b>

**National Endowment for the Humanities**  
National Endowment for the Humanities  
National Endowment for the Humanities  
National Endowment for the Humanities  
National Endowment for the Humanities  
**Total National Endowment for the Humanities**

45.149	242,201	-
45.161	71,989	-
45.164	197,112	-
45.169	136,522	-
	<b>647,824</b>	<b>-</b>

**National Science Foundation**  
National Science Foundation  
National Science Foundation  
National Science Foundation  
National Science Foundation  
National Science Foundation  
National Science Foundation  
National Science Foundation  
National Science Foundation  
National Science Foundation  
**Total National Science Foundation**

47.041	8,555,796	562,698
47.049	4,446,086	71,071
47.050	10,924,652	3,272,646
47.070	11,348,518	634,260
47.074	2,090,207	516,062
47.075	1,563,688	72,435
47.076	2,401,500	6,255
47.079	59,190	-
47.080	297,966	271,263
	<b>41,687,603</b>	<b>5,406,690</b>

**Total Research & Development Cluster - Direct Awards**

<b>\$ 410,348,306</b>	<b>\$ 69,395,840</b>
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The accompanying notes are an integral part of this Schedule.



**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

<u>PASS-THROUGH FUNDS</u>	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
<b>Agency for International Development</b>				
California Institute of Technology	AID-OAA-A-12-00039	98.001	\$ (379)	\$ -
University of California Regents	AID-OAA-A-14-00008	98.001	348,337	-
<b>Total Agency for International Development</b>			<b>347,958</b>	<b>-</b>
<b>Department of Agriculture</b>				
Advanced Brain Monitoring, Incorporated	W81XWH-10-C-0061	10.001	897	-
Civilian Research and Development Foundation	59-0210-6-004	10.001	23,898	-
Duke University	59-5000-4-0062	10.253	20,474	-
Ecology Center	2015-70018-23338	10.331	3,026	-
Johns Hopkins University	2017-67007-26154	10.310	87,119	-
Leidos Incorporated	N62645-12-C-4100	10.001	46,663	-
Northrop Grumman Corporation	FA8650-13-C-7312	10.RDC	32,939	-
Raytheon BBN Technologies	FA8750-13-C-0008	10.001	167,051	-
Social and Scientific Systems, Incorporated	HHSN261200800001E	10.001	(15,115)	-
Space Telescope Science Institute	NAS5-26555	10.001	13,369	-
US-National Renewable Energy Laboratory - DOEN	DE-AC36-08GO28308	10.RDC	35,486	-
US-Pacific Northwest National Lab	DE-AC05-76RL01830	10.001	138	-
<b>Total Department of Agriculture</b>			<b>415,945</b>	<b>-</b>
<b>Department of Commerce</b>				
Catalina Sea Ranch	WC-133R-16-CN-0114	11.RDC	70,289	-
CA-State Coastal Conservancy	NA16NOS4780205	11.478	21,038	-
University of California San Diego	NA16NOS0120022	11.012	156,264	-
University of California San Diego	NA11NOS0120029	11.012	(910)	-
<b>Total Department of Commerce</b>			<b>246,681</b>	<b>-</b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

Department of Defense

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Abt Associates	HHSP233201500069I	12.RDC	2,449	-
Acta, Incorporated	N68335-17-C-0662	12.RDC	28,824	-
ADA Technologies, Incorporated	W911NF-16-C-0118	12.RDC	197,552	-
Advanced Technology International	HR0011-18-C-0037	12.RDC	101,540	-
Boeing Company	NNG17PX06C	12.RDC	580,517	-
CA-Governor's Office - OES	6075-16	12.RDC	53,002	-
California Institute of Technology	FA9550-16-1-0510	12.800	60,827	-
Carnegie Mellon University	W911NF-14-1-0436	12.431	124,938	-
Carnegie Mellon University	FA8750-18-2-0018	12.300	210,043	-
Carnegie Mellon University	FA8750-12-2-0342	12.800	342,858	-
Carnegie Mellon University	FA8702-15-D-0002	12.800	40,603	-
Case Western Reserve University	N00014-16-1-2535	12.300	201,584	-
CA-State of California	ST1441-15-01	12.617	928,238	-
CA-State of California	ST1441-17-02	12.617	95,926	-
Charles River	FA8750-16-C-0045	12.RDC	288,301	-
Children's Hospital of Los Angeles	W81XWH-16-1-0253	12.420	449,484	-
Chula Vista Elementary School District	HE1254-13-1-0017	12.556	265,252	-
Civil-Military Innovation Institute, Incorporated	HQ0034-14-D-0027	12.RDC	28,720	-
Concepts to Systems, Incorporated	W9113M-17-C-0021	12.RDC	30,000	-
Concepts to Systems, Incorporated	FA9550-18-C-0004	12.RDC	36,663	-
Cornell University	W81XWH-10-1-1045	12.420	16,469	-
Corporation for Public Broadcasting	007555-00001	12.RDC	417,288	-
Creative Associates International	AID-522-TO-16-00001	12.RDC	151,478	-
Design Interactive, Incorporated	W81XWH-13-1-0311	12.RDC	1,081	-
Eduworks	FA8650-17-P-6853	12.800	49,690	-
ERC, Incorporated	FA9300-15-C-0004	12.RDC	109,807	-
General Technical Services, LLC	GS07T-12-BGD-0012	12.RDC	31,499	-
General Technical Services, LLC	GS07T12BGD0012	12.RDC	100,001	-
Georgia Institute of Technology	FA8075-14-D-0018-0018	12.RDC	1,276,630	-
Georgia Institute of Technology	FA8075-14-D-0018-0026	12.RDC	1,113,095	288,446
Georgia Institute of Technology	FA8750-17-C-0086	12.RDC	237,432	-
Global Science & Technology, Incorporated	TO002 WA015	12.RDC	44,863	-
Graf Research	HQ0147-17-C-7326	12.RDC	106,819	-
Graf Research	HQ0147-16-C-7004	12.RDC	13,186	-
GXM Consulting, LLC	W911NF-16-D-0039	12.RDC	323,149	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

<u>PASS-THROUGH FUNDS</u>	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
H. F. Webster Engineering Services	W911NF-15-2-0034-S	12.RDC	76,484	-
HRL Laboratories, LLC	W911NF-16-C-0018	12.RDC	141,278	-
ICF Incorporated, LLC	HHSP233201500071I	12.RDC	49,521	-
Intelligent Automation Inc	NNX16CG06C	12.RDC	43,091	-
International Business Machines	W911NF-12-C-0012	12.RDC	(735)	-
Johns Hopkins University	N00014-15-1-2312	12.300	182,887	-
Johns Hopkins University	W911NF-17-1-0304	12.431	86,274	-
Kessler Foundation	W81XWH-14-2-0150	12.420	86,415	-
Lockheed Martin Corporation	N00014-16-C-1029	12.RDC	282,041	-
Lockheed Martin Corporation	FA8650-15-D-6583	12.RDC	99,998	-
Logos Technologies, LLC	NRO000-17-C-0033	12.RDC	149,937	88,736
Mahlet Consulting	Classified	12.RDC	367,174	-
Massachusetts Institute of Technology	FA9550-15-1-0514	12.800	178,753	-
Nalas Engineering Systems, Incorporated	N00014-16-P-1032	12.RDC	(6,873)	-
National Opinion Research Center	HHSP233201600020I/HHSP23337001T	12.RDC	10,592	-
National Trauma Institute	W81XWH-15-2-0089	12.420	3,345	-
Next Century Corporation	FA8750-15-C-0138	12.RDC	965,742	-
Next Century Corporation	2016-16041100002	12.RDC	1,689,672	960,268
Next Century Corporation	HR0011-15-C-0112	12.RDC	550,470	-
Noetic Corporation	HQ0034-10-A-0021	12.RDC	140,331	-
North Carolina State University	W911NF-16-1-0406	12.431	179,074	-
Northern California Institute for Research	W81XWH-12-2-0012	12.420	112,073	-
Northern California Institute for Research	W81XWH-13-1-0259	12.420	385,789	(77,989)
Northern California Institute for Research	W81XWH-14-1-0462	12.420	620,406	-
Northrop Grumman Corporation	FA875017C0041	12.RDC	81,072	-
Northrop Grumman Corporation	FA8650-16-C-6697	12.RDC	782,205	57,018
Oregon Health Science University	006751-00002	12.RDC	29,205	-
Oregon State University	W81XWH-16-1-0794	12.420	59,230	-
Pacific Architects and Engineers,	DJJ13-C-2442	12.RDC	201,901	31,812
Purdue University	HR0011-18-3-0004	12.RDC	45,337	-
Purdue University	FA8750-16-2-0193	12.300	59,021	-
Quanterion Solutions Incorporated	FA8075-17-D-0001	12.RDC	36,351	-
Raytheon BBN Technologies	HR0011-15-C-0113	12.RDC	118,394	-
Raytheon BBN Technologies	FA8650-17-C-7716	12.800	8,122	-
Raytheon BBN Technologies	2017-17072100002	12.RDC	361,567	-
R-DEX Systems	FA9550-16-C-0008	12.RDC	214,869	-
SAIC, Incorporated	Classified	12.RDC	69,966	-
Sandia National Laboratories	DE-AC04-94AL85000	12.910	224,455	-
Soar Technology, Incorporated	W911NF-18-C-0011	12.RDC	36,777	-
Soar Technology, Incorporated	W56HZV-17-C-0012	12.RDC	62,292	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

<u>PASS-THROUGH FUNDS</u>	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Stevens Institute of Technology	HQ0034-13-D-0034	12.RDC	13,474	-
Stevens Institute of Technology	HQ0034-13-D-0004	12.RDC	489,359	-
Systems and Technology Research	2016-16041100004	12.RDC	367,878	43,416
Tel-Aviv University	W81XWH-16-C-0198	12.RDC	220,201	-
Temple University	W911NF-16-2-0189	12.431	299,979	-
The Board of Regents of the University	N00014-13-1-0563	12.300	149,966	-
The Board of Trustees of the Leland Stanford	FA9550-12-1-0215	12.800	203,532	-
The Board of Trustees of the Leland Stanford	FA9550-16-1-0051	12.800	142,822	-
The Design Knowledge Company	FA8650-13-D-1547	12.RDC	13,978	-
Transient Plasma Systems, Incorporated	FA9550-15-C-0051	12.RDC	(96)	-
Trex Enterprises Corporation	HR0011-17-C-0103	12.RDC	75,000	-
University Corporation For Atmospheric	N00173-16-2-C903	12.300	32,805	-
University of California Berkeley	FA8750-17-2-0091	12.910	149,200	-
University of California Berkeley	W911NF-12-1-0541	12.431	54,600	-
University of California San Diego	H8A-MC-LZAZ	12.RDC	(130,779)	-
University of California San Diego	W81XWH-12-2-0012	12.420	(23,712)	-
University of California San Francisco	14-10709	12.RDC	75,000	-
University of California San Francisco	W81XWH-14-2-0176	12.420	146,958	-
University of California San Francisco	W911NF-14-2-0043	12.431	281,972	-
University of California Santa Barbara	W911NF-15-1-0577	12.431	174,917	-
University of California Santa Barbara	W911NF-16-1-0005	12.431	43,690	-
University of California, Los Angeles	N00014-17-1-2652	12.300	74,369	-
University of California, Los Angeles	N00014-15-1-0038	12.300	100,000	-
University of California, Los Angeles	W81XWH-14-1-0491	12.420	1,385	-
University of Colorado, Denver Anschutz	W81XWH-15-1-0504	12.420	2,196	-
University of Connecticut	N00014-17-1-2656	12.300	112,962	-
University of Dayton Research Institute	FA8650-12-D-2224	12.RDC	(184)	-
University of Illinois	FA9550-16-1-0042	12.800	242,248	-
University of Illinois	W911NF-17-2-0196	12.630	72,859	-
University of Maryland	N000141310597	12.300	18,401	-
University of Maryland	FA9550-15-1-0350	12.800	77,342	-
University of Massachusetts, Worcester	1-17-IBS-176	12.RDC	21,300	-
University of Memphis	N00014-16-C-3027	12.RDC	152,529	-
University of Minnesota	N00014-17-1-2308	12.300	50,642	-
University of Minnesota	N00014-15-1-2522	12.300	48,390	-
University of Minnesota	FA9550-16-1-0009	12.800	117,318	-
University of North Carolina, Chapel Hill	W81XWH-14-1-0528	12.420	5,625	-
University of Pennsylvania	W911NF-17-2-0181	12.630	10,427	-
University of Pennsylvania	FA8750-13-2-0045	12.910	234,170	188,750

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

<b>PASS-THROUGH FUNDS</b>	<b>Pass-Through Entity Identifying Number</b>	<b>CFDA</b>	<b>Current Year Expenditures</b>	<b>Pass-Through Funds to Sub recipients</b>
University of Pittsburgh	W81XWH-15-1-0663	12.420	216,827	-
University of Rochester	N00014-15-1-2635	12.300	185,099	-
University of Utah	W81XWH-15-1-0632	12.420	317,307	-
University of Utah	FA9550-08-1-0400	12.800	1,916	-
US-Jet Propulsion Laboratory, California Institute of	NNN12AA01C	12.RDC	361,752	-
Walter R. Mc Donald & Associates, Incorporated	HHSP23337004T	12.RDC	3,174	-
Weston Geophysical Corporation	HDTRA1-11-1-0029	12.351	55,142	-
<b>Total Department of Defense</b>			<b>22,108,251</b>	<b>1,580,458</b>

**Department of Education**

East Los Angeles College	P031C160250	84.031	91,168	-
McRel International	U411C150011	84.411	183,903	-
University of California, Los Angeles	CN150380	84.RDC	125,202	-
University of North Carolina, Chapel Hill	R305A150109-17	84.305	52,132	-
University of North Carolina, Chapel Hill	H325D130041-16	84.325	7,215	-
University of Pennsylvania	R305C150007	84.305	75,287	-
<b>Total Department of Education</b>			<b>534,907</b>	<b>-</b>

**Department Of Energy**

Advanced Cooling Technologies, Incorporated	DE-SC0011884	81.049	12,786	-
General Motors Corporation	DE-EE0006826	81.086	294,076	-
Lawrence Berkeley Laboratory	DE-AC02-05CH11231	81.RDC	148,066	-
Lawrence Berkeley Laboratory	DE-AC02-05CH11231	81.049	85,745	-
Los Angeles City-Department of Water and Power	DE-OE0000192	81.122	(355)	(8,434)
Los Angeles City-Department of Water and Power	DE-OE0000192	81.122	3	-
Marine BioEnergy, Incorporated	DE-AR0000689	81.135	214,952	-
Media and Process Technology, Incorporated	DE-FE0013064	81.089	2,692	-
Mirage Systems, Incorporated	DE-SC0017165	81.049	22,891	-
Pennsylvania State University	DE-FE0026825	81.089	158,445	-
RadiaBeam Systems, LLC	DE-SC0015103	81.049	39,410	-
Regents of the University of Michigan	DE-EE0007077	81.086	143,959	-
San Diego State University Foundation	DE-SC0016484	81.049	38,843	-
University of Houston	DE-NE0008529	81.121	233,999	-
University of Houston	DE-NE0008438	81.121	64,569	-
University of Illinois at Urbana Champaign	DE-SC0012504	81.049	199,254	-
University of Wisconsin, Milwaukee	DE-AR0000914	81.135	18,838	-
US-Lawrence Livermore National Laboratory	DE-AC52-07NA27344	81.RDC	35,314	-
US-Oakridge National Laboratories	DE-AC05-00OR22725	81.RDC	106,007	-
<b>Total Department Of Energy</b>			<b>1,819,494</b>	<b>(8,434)</b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

Department of Health and Human Services

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Academy Health	U18HS022789	93.226	(26,982)	-
AgeneBio	1UH2NS101856-01	93.853	215,568	-
Aids United	U90HA29237	93.928	292,534	-
Albert Einstein College of Medicine, Inc.	5R01HL126543-05	93.837	16,353	-
Arizona State University	1R21AG049216-01	93.866	42,667	-
Arizona State University	1U18DP006255-01	93.535	126	-
Arizona State University	1U54CA217376-01A1	93.397	80	-
Arizona State University	5U18DP006255-02	93.535	97,830	-
Arizona State University	U01EB021980-01	93.286	7,468	-
Arlene Fink Associates	2R44AA022014-02	93.273	100,161	-
ATGC, Incorporated	1 R41 OD023245-01A1	93.351	71,038	-
Banner Alzheimer's Institute	1R01AG055444-01	93.866	40,675	-
Banner Alzheimer's Institute	1RF1AG041705-01A1	93.866	(320)	-
Banner Alzheimer's Institute	RF1AG041705	93.866	(1)	-
Banner Alzheimer's Institute	UF1AG046150	93.866	23,873	-
Baylor College of Medicine	5R01CA164024-05	93.394	20,501	-
Baylor College of Medicine	5R01CA175026-04	93.396	38,996	-
Baylor Scott & White Healthcare	1R21AA025997-01	93.273	8,252	-
Beckman Research Institute of the City of Hope	5U01CA199277-03	93.393	215,106	-
Beckman Research Institute of the City of Hope	5UM1CA186717-03	93.395	215,217	-
Beckman Research Institute of the City of Hope	5UM1CA186717-04	93.395	31,130	-
Beckman Research Institute of the City of Hope	U01CA199277	93.393	127,430	-
Beckman Research Institute of the City of Hope	5R01CA184585-04	93.393	15,509	-
Beckman Research Institute of the City of Hope	5U01CA189283-03	93.394	26,587	-
Beckman Research Institute of the City of Hope	5R01CA196854-02	93.395	8,873	-
Beckman Research Institute of the City of Hope	1R01CA174683-01A1	93.395	(1,089)	-
BioAIM	2R42AI06375-03	93.855	126,847	-
BioVinc LLC	2R42DE025789-02	93.121	140,111	-
Brigham and Women's Hospital	5UM1AI068636-10	93.855	69,189	-
Brigham and Women's Hospital	3RF1AG047866-01AS1	93.866	66,763	(406,362)
Brigham and Women's Hospital	5R01HL118455-04	93.838	211,405	-
Brigham and Women's Hospital	U01HL101422	93.837	13,718	-
Brigham and Women's Hospital	U19AG010483	93.866	4,085,242	-
Brigham and Women's Hospital	U19AG010483-25R	93.866	(10,000)	-
Brigham and Women's Hospital	UM1AI068636	93.855	314,691	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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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
Brigham and Women's Hospital	5P01GM095467-08	93.859	186,737	-
CA-Department of Public Health	1U58DP000807-05	93.283	36,217	-
CA-Department of Public Health	5NU58DP003862-05-00	93.283	762,599	-
CA-Department of Public Health	PS12-1201	93.940	581,621	-
California Institute for Biomedical Research	5R01NS094721-02	93.853	158,844	-
California Institute of Technology	U41HG002223	93.172	182,379	-
California Institute of Technology	1U01NS098975-01	93.853	211,812	44,797
California Institute of Technology	R01HD075605B	93.865	(467)	-
Cancer Prevention Institute of California	7R01CA154644-03	93.393	(2,236)	-
Cancer Prevention Institute of California	R01ES026171	93.113	44,487	-
Case Western Reserve University	5R01CA197780-02	93.395	3,692	-
Case Western Reserve University	5R01DA036171-04	93.279	(172)	-
Case Western Reserve University	5R01DA036171-05	93.279	66,067	-
Case Western Reserve University	7U01CA188392-03	93.393	40,371	-
Cedars-Sinai Medical Center	5R01HS024284-02	93.226	77,620	-
Cedars-Sinai Medical Center	5U01NS088312-04	93.853	73,064	-
Cedars-Sinai Medical Center	5U01NS088312-03	93.853	(3)	-
Chapman University	7RF1AG054442-02	93.866	79,090	-
Children's Hospital Corporation (Doing Business As Boston Children's	5R01AI065617-15	93.855	15	-
Children's Hospital Corporation (Doing Business As Boston Children's	R01AI065617	93.855	97,363	-
Children's Hospital of Los Angeles	5U01HL122681-04	93.838	20,341	-
Children's Hospital of Los Angeles	H30MC24045	93.110	429	-
Children's Hospital of Los Angeles	U01DA036926	93.279	4,966	-
Children's Hospital of Los Angeles	U01HL122681	93.838	1	-
Children's Hospital of Los Angeles	5R01HL130172-02	93.837	32,663	-
Children's Hospital of Los Angeles	5U01HL117718-05	93.839	290,889	-
Children's Hospital of Los Angeles	1P01CA217959-01	93.395	46,302	-
Children's Hospital of Los Angeles	1R01HL130172-01A1	93.837	30,056	-
Children's Hospital of Los Angeles	1R01HL134666-01A1	93.838	50,395	-
Children's Hospital of Los Angeles	1T71MC30799-01-00	93.110	39,679	-
Children's Hospital of Los Angeles	2R25DK078385-11	93.847	540	-
Children's Hospital of Los Angeles	5R01DK097115-05	93.847	(10,547)	-
Children's Hospital of Philadelphia	1U19AR069525-01	93.846	43,500	-
Children's Institute, Incorporated	1H79SM063397-01	93.104	235,656	-
City College of New York	1R01MH11896-01	93.242	250,867	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

<u>PASS-THROUGH FUNDS</u>	<u>Pass-Through Entity</u> <u>Identifying Number</u>	<u>CFDA</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Pass-Through Funds</u> <u>to Sub recipients</u>
Cleveland Clinic Lerner College of Medicine	5UH3CA189883-05	93.396	13,772	-
Cleveland Clinic Lerner College of Medicine	5R01NS089212-04	93.853	298,973	-
Cleveland Clinic Lerner College of Medicine	4UH3CA189883-04	93.396	21,703	-
Cold Spring Harbor Laboratory	1U19MH114821-01	93.242	256,889	-
Cold Spring Harbor Laboratory	5U19MH114821-02	93.242	1,538	-
Columbia University	2R01HG003008-12	93.172	65,381	-
Cornell University	5U34HL115015-02	93.837	(2,018)	-
Dana Farber Cancer Institute	5R01CA172067-06	93.395	22,364	-
DARTNet Institute	200-2015-87699	93.RDC	17,732	-
Doheny Eye Institute	1R01EY026935-01A1	93.867	8,007	-
Doheny Eye Institute	2P30EY00304031A1	93.867	(21,001)	-
Dr. Susan Love Research Foundation	4UH3CA189966-03	93.396	2,092	-
DRVision Technologies LLC	1R44NS097094-01A1	93.853	346,986	-
Duke University	1R01MH111671-01A1	93.242	23,805	-
Duke University	2U01DK065176-11	93.847	6,559	-
Duke University	5R01DK098382-04	93.847	48,255	-
Duke University	5UM1AI104681-06	93.855	12,271	-
Duke University	UM1AI104681	93.855	19,295	-
Emerson College	5R01 DC012774-04	93.173	50,873	-
Emory University	1R13HS025670-01	93.226	25,694	-
Emory University	4U01NS038455-15	93.853	76,170	-
Emory University	U01NS038455	93.853	(25)	-
Emory University	5U01DA036233-05	93.279	12,329	-
Florida State University	5U0HD060292-05	93.865	(3,689)	-
Fred Hutchinson Cancer Research Center	5R01CA201407-02	93.393	362,400	-
Fred Hutchinson Cancer Research Center	1R01CA201407	93.393	98,446	-
Fred Hutchinson Cancer Research Center	4R01CA114563-10	93.394	8,459	-
Fred Hutchinson Cancer Research Center	5R01CA160872-02	93.394	(7,647)	-
Fred Hutchinson Cancer Research Center	5R01CA190661-02	93.395	20,326	-
Fred Hutchinson Cancer Research Center	5U01CA154967-06	93.395	8,420	-
George Washington University	2R01MH100028-06	93.242	214,595	-
George Washington University	7R01MH100028-05	93.242	4,014	-
Georgetown University	1R21CA212298-01A1	93.393	8,677	-
Georgetown University	1R21CA209213-01	93.395	56,057	-
Georgia Institute of Technology	4P50FD004193-05	93.103	13,530	-
Georgia State University	4P01HD070837-03	93.865	65,375	-

The accompanying notes are an integral part of this Schedule.



**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

**PASS-THROUGH FUNDS**

	<b>Pass-Through Entity</b>		<b>Current Year</b>	<b>Pass-Through Funds</b>
	<b>Identifying Number</b>	<b>CFDA</b>	<b>Expenditures</b>	<b>to Sub recipients</b>
Harvard School of Public Health	5U01HD052102-13	93.865	681,370	-
Harvard School of Public Health	1R56AG054066-01	93.866	9,437	-
Harvard University	1R56AG054066-01	93.866	31,688	-
Henry M. Jackson Foundation	R01MH102151	93.242	25,247	-
Howard University	5R01AG045058-03	93.701	(486)	-
Huntington Medical Research Institute	5R01NS088379-04	93.853	120,569	-
Hura Imaging, LLC	R41EB024438	93.286	47,174	-
Icahn School of Medicine at Mount Sinai	5R01CA175491-05	93.394	59,664	-
Icahn School of Medicine at Mount Sinai	5U01HL088942-08	93.837	53,350	-
Icahn School of Medicine at Mount Sinai	5U01HL088942-08	93.853	27,712	-
Icahn School of Medicine at Mount Sinai	5U54NS081764-06	93.853	83,467	-
ID Genomics, Incorporated	R42AI116114	93.855	34,731	-
Indiana University	1R56AG057195-01	93.866	453,528	-
Indiana University	5R01AA021751-05	93.273	66,947	-
InnoSense LLC	2R44AG046059-02A1	93.866	26,667	-
Integrated Interfaces LLC	1R43DE027306-01	93.121	2,113	-
Jackson Laboratory	3U41HG007497-04S1	93.172	31,195	-
Jackson Laboratory	4U41HG002273-16	93.172	(3,767)	-
JAEB Center for Health Research	1UC4DK108520-01	93.847	109,198	-
JAEB Center for Health Research	5U10EY020797-04	93.867	1,786	-
Jewish Family Services of Los Angeles	90HS0001-01-00	93.048	8,779	-
John Snow, Incorporated	13567.2015.0001	93.226	13,144	-
Johns Hopkins Medicine	UM1 AI068632	93.855	3,168	-
Johns Hopkins University	HG0034-13-D-0034	93.RDC	17,222	-
Johns Hopkins University	3R01ES023780-03S1	93.113	140	-
Johns Hopkins University	5 UM1 AI068632-10	93.855	8,576	-
Johns Hopkins University	U1 AI068632-12 REVISED	93.855	2,146	-
Johns Hopkins University	5R01AG021092-16	93.866	49,093	-
Johns Hopkins University	5R01ES023780-04	93.113	92,783	-
Johns Hopkins University	U10EY024527	93.867	176	-
Johns Hopkins University	5R01AG052510-02	93.866	19,055	-
Kaiser Foundation Research Institute	5R01DK100302-03	93.847	(359)	-
Kitware, Incorporated	R44NS081792	93.853	74,373	-
LA County Community and Senior Services	A3-1314-19/A9-1314-19	93.052	264,509	-
Leidos Biomedical Research, Incorporated	HHSN261200800001E	93.RDC	255,317	-
L-Nutra, Incorporated	HHSN271201400030C	93.RDC	56,693	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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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
Louisiana State University	1R01NS104117-01A1	93.853	103	-
Massachusetts General Hospital	4R01EB009048-08	93.286	5,722	-
Massachusetts General Hospital	U01HL123336	93.837	92,143	-
Massachusetts General Hospital	5U01NS090259-02	93.853	17,692	-
Mayo Clinic	4U01CA089600-13	93.393	10,343	-
Mayo Clinic	5R01CA195527-03	93.394	8,681	-
Mayo Clinic	5U01AG045390-04	93.866	277,423	-
Mayo Clinic	5U01CA089600-11	93.393	(29)	-
Mayo Clinic	5U01CA089600-12	93.393	29	-
Mayo Clinic	5U01NS080168-02	93.853	6,700	-
Mayo Clinic Jacksonville	U01NS080168	93.853	28,881	-
Medical University of South Carolina	5U01NS057748-04	93.853	4,103	-
Memorial Sloan Kettering	R01CA207442	93.393	2,797	-
Menssana Research, Incorporated	5R44CA203019-01A1	93.RDC	113,048	-
Methodist Hospital Research Institute	4R01HL115003-07	93.837	70	-
Modulated Imaging, Incorporated	5R44DK094625-03	93.847	49,538	-
National Association of Chronic Disease Directors	5NU38OT000225-05	93.424	33,041	-
National Bureau of Economic Research	P01AG005842	93.866	20,525	-
NEONC Technologies, Incorporated	1R41CA192419-01A1	93.395	157	-
New England Research Institutes	U01HL107407	93.837	101,144	-
New York University	1R01NS104923-01	93.853	147,107	-
North Carolina State University	5R21EY022174-02	93.867	14,436	-
North Carolina State University	5R01EB015508-04	93.286	23,020	-
Northern California Institute for Research and Education	5U01AG024904-10	93.866	(44,124)	(148,426)
Northern California Institute for Research and Education	5U01AG024904-12	93.866	60,442	-
Northern California Institute for Research and Education	U19AG024904	93.866	11,080,227	502,590
Northwestern University	1R01AG055121-01A1	93.866	13,703	-
Northwestern University	1U01TR001806-01	93.350	26,265	-
Northwestern University	5P30DA027828-07	93.279	61,648	-
Northwestern University	5P50CA180995-03	93.397	72,582	-
Northwestern University	5R01DE015920-10	93.121	(19)	-
Northwestern University	5U01TR001806-02	93.350	253,747	-
Northwestern University	P50CA180995	93.397	130,706	-
Northwestern University	R01CA218436	93.393	14,266	-
Northwestern University	U01MH097435	93.242	68,841	-
NUVIEW Radiopharmaceuticals, Incorporated	R41HL102891	93.837	(115,167)	-

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**

	<b>Pass-Through Entity</b>		<b>Current Year</b>	<b>Pass-Through Funds</b>
	<b>Identifying Number</b>	<b>CFDA</b>	<b>Expenditures</b>	<b>to Sub recipients</b>
Oregon Health Science University	5U01CA180888-05	93.395	5,602	-
Oregon Health Science University	5U1GCA180888-04	93.395	20,112	-
Oryn Therapeutics, LLC	1R44AR068833-01	93.846	44,649	-
Peking University	2R01AG037031-06A1	93.866	8,487	-
President and Fellows of Harvard College	U01CA194393	93.393	5,901	-
President and Fellows of Harvard College	R01AG042778	93.866	311,416	-
President and Fellows of Harvard College	5U01HD052102-12	93.865	100,716	-
President and Fellows of Harvard College	2U01HD052102-11	93.865	1	-
Princeton University	5P30AG024928-10	93.866	10,183	-
Princeton University	5P30AG024928-14	93.866	104,279	-
Proteogenomics Research Institute for Systems	5P01HL11965-04	93.838	45,201	-
Proteogenomics Research Institute for Systems	5P01HL11965-03	93.838	106,304	-
Proteogenomics Research Institute for Systems	1P01HL11965-01A1	93.838	(7,474)	-
Proteogenomics Research Institute for Systems	5P01HL11965-02	93.838	7,337	-
Proteris Biotech	1R41EY025890-01A1-S1	93.867	65,216	-
Radiological Society of North America	HHSN268201500021C	93.RDC	15,484	-
Rand Corporation	R21AG053716	93.866	11,542	-
Rand Corporation	R01AG036784	93.866	220,130	-
Rand Corporation	P01AG008291	93.866	63,997	-
Rand Corporation	R01HD087257	93.865	59,999	-
Rand Corporation	HHSM-500-2013-13014I	93.RDC	13,316	-
Recovery Force, LLC	1R43HL132624-01A1	93.837	62,826	-
Regents of the University of Michigan	1RF1AG051710-01	93.866	79,839	-
Regents of the University of Michigan	4P01CA163233-05	93.393	68,845	-
Regents of the University of Michigan	5 U01 DK085584-03	93.847	(1,445)	-
Regents of the University of Michigan	5P01AG029409-10	93.866	19,999	-
Regents of the University of Michigan	5P01CA163233-05	93.393	3,058	-
Regents of the University of Michigan	5R01CA201198-03	93.393	289,007	-
Regents of the University of Michigan	5R24AG045061-05	93.866	97,412	-
Regents of the University of Michigan	5U01AG009740-28	93.866	233,393	-
Regents of the University of Michigan	5U01AG009740-29	93.866	31,207	-
Regents of the University of Michigan	5U01DK085584-03	93.847	(2,766)	-
Regents of the University of Michigan	7R01EY022931-05	93.867	163,812	-
Research, Evaluation, and Social Solutions,	5R44MD008582-04	93.307	56,156	-
Rush University Medical Center	5R01HL112756-05	93.233	12,970	-
Rutgers, The State University of New Jersey	U24MH068457	93.242	784,807	-

The accompanying notes are an integral part of this Schedule.

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**SPONSOR**

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**PASS-THROUGH FUNDS**

	<b>Pass-Through Entity</b>		<b>Current Year</b>	<b>Pass-Through Funds</b>
	<b>Identifying Number</b>	<b>CFDA</b>	<b>Expenditures</b>	<b>to Sub recipients</b>
Rutgers, The State University of New Jersey	U01HG007419	93.172	164,265	-
Rutgers, The State University of New Jersey	5R01NS038384-08	93.853	(5,025)	-
Salk Institute For Biological Studies	1U19MH114831-01	93.242	347,140	-
Sarcoma Alliance For Research Through	U54CA168512-04	93.397	1,331	-
Scripps Research Institute	1U24OD023176-01	93.310	41,345	-
Scripps Research Institute	R01 GM103838	93.859	12,258	-
Scripps Research Institute	5R01DE025167-05	93.121	3,361	-
Scripps Research Institute	5R01DE025167-03	93.121	(551)	-
Scripps Research Institute	5R01DE025167-04	93.121	177,202	-
Simmetrix, Incorporated	R41CA224898	93.393	47,222	-
Social and Scientific Systems, Incorporated	UM1AI068632-06	93.242	36,270	-
Southern California Institute for Research and	U01AA021884/U01AA021886	93.273	289,116	-
Southern California Institute for Research and	U01AA021884	93.273	54,336	-
Suny Downstate Medical Center	5R01MH104964-05	93.242	186,063	-
Tel Aviv Sourasky Medical Center	1R01EB017206-01	93.286	51	-
The Board of Trustees of the Leland Stanford Junior	R01GM117097	93.859	210,685	-
The Board of Trustees of the Leland Stanford Junior	U54HG006996	93.172	7,243	-
The Board of Trustees of the Leland Stanford Junior	5UM1CA167551	93.393	815	-
The Board of Trustees of the Leland Stanford Junior	5U54MD010724-03	93.307	26,103	-
The Board of Trustees of the Leland Stanford Junior	5U54MD010724-02	93.307	115,280	-
The Board of Trustees of the Leland Stanford Junior	5R01CA182514-04	93.395	15,321	-
The Board of Trustees of the Leland Stanford Junior	3U41HG001315-23S1	93.172	133,962	-
The Board of Trustees of the Leland Stanford Junior	U54MD010724-01	93.307	(5,186)	-
Therapeutic Systems Research Laboratories,	2R44A1100401-03	93.855	(15,009)	-
Tufts Medical Center	U01DK098245	93.847	109,381	-
University of Alabama at Birmingham	5R01CA174683-05	93.395	11,140	-
University of Alabama at Birmingham	1R01AG057684-01	93.866	56,794	-
University of Alabama at Birmingham	5U01EY025858-02	93.857	12,841	-
University of Alabama at Birmingham	1U01EY025858-01A1	93.857	(1)	-
University of Alabama at Birmingham	HHSN27220 13000 12I	93.RDC	87,080	-
University of Arizona	HHSN261201200031I	93.RDC	16,962	-
University of Arizona	5R01EB018921-03	93.286	18,063	-
University of Arizona	5P01AG026572-13	93.866	318,936	-
University of Arizona	5P01AG026572-12	93.866	267,728	-
University of Arizona	2U24DK076169-11	93.847	3,525	-
University of California Berkeley	P30AG012839	93.866	7,901	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

**PASS-THROUGH FUNDS**

	<b>Pass-Through Entity Identifying Number</b>	<b>CFDA</b>	<b>Current Year Expenditures</b>	<b>Pass-Through Funds to Sub recipients</b>
University of California Davis	5R21CA204563-02	93.394	184,006	-
University of California Davis	1R01CA211602-01A1	93.394	126,845	-
University of California Davis	200-2016-91951	93.RDC	43,384	-
University of California Regents	5R01NS100911-02	93.853	41,248	-
University of California Regents	5R01AG049020-04	93.866	34,725	-
University of California Regents	5R01MH098062-05	93.242	55,694	-
University of California Regents	5R01CA185058-04REVISED	93.393	34,251	-
University of California Regents	5R01CA172067-02	93.395	(810)	-
University of California Regents	1R01CA213129-01A1	93.395	85,859	-
University of California Riverside	5R21MH110814-02	93.242	10,268	-
University of California Riverside	1R01NS104041-01	93.853	54,912	-
University of California San Diego	1OT2OD024611-01	93.310	16,161	-
University of California San Diego	3OT2OD024611-01S1	93.310	341,864	-
University of California San Diego	5R01DA037217-05	93.279	31,725	-
University of California San Diego	5R01DA040648-02	93.279	75,397	-
University of California San Diego	5U01AA022614-04	93.273	68,294	-
University of California San Diego	5U19AG010483-26	93.866	26,586	-
University of California San Diego	5UM1AI069432-11	93.855	335,924	-
University of California San Diego	OT2OD024611	93.310	68,744	-
University of California San Diego	R01AG048650	93.866	362,273	-
University of California San Diego	R01FD004147	93.103	19,000	-
University of California San Diego	U01 AG10483	93.866	37,445	-
University of California San Diego	1OT2OD026552-01	93.310	70,091	-
University of California San Diego	5R01AI114671-04	93.855	164,516	-
University of California San Francisco	R21 ES024844	93.113	37,798	-
University of California San Francisco	UM1AI110498	93.855	1,955	-
University of California San Francisco	R01MH098062	93.242	41,317	-
University of California San Francisco	1UH3NS100544-01	93.853	43,547	-
University of California San Francisco	5U01NS086090-05	93.853	97,767	-
University of California San Francisco	R01HD093012	93.865	57,785	-
University of California San Francisco	R01CA197422-01A1	93.393	16,075	-
University of California San Francisco	7R01ES026171-02	93.113	111,996	-
University of California San Francisco	5U24DE026914-02	93.121	106,826	-
University of California San Francisco	1U24DE026914-01	93.121	205,651	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

**PASS-THROUGH FUNDS**

	<b>Pass-Through Entity Identifying Number</b>	<b>CFDA</b>	<b>Current Year Expenditures</b>	<b>Pass-Through Funds to Sub recipients</b>
University of California San Francisco	5TP2AH000045-03-00	93.297	40,036	-
University of California San Francisco	5R24AG048024-05	93.866	23,934	-
University of California San Francisco	5R01CA197422-03	93.393	545	-
University of California San Francisco	5R01AG038791-07	93.866	15,821	-
University of California San Francisco	4U01NS086090-04	93.853	123,309	-
University of California San Francisco	5U54NS092089-04 REVISED	93.853	17,658	-
University of California, Irvine	1R01MH113026-01A1	93.242	1,870	-
University of California, Irvine	5R01HL125084-08	93.837	107,499	-
University of California, Irvine	5R01HL127271-04	93.837	206,235	-
University of California, Los Angeles	5U01NS086497-05	93.853	168,539	-
University of California, Los Angeles	5U1OHA29292-03-00	93.145	273,093	-
University of California, Los Angeles	U01DK082370	93.847	161,771	-
University of California, Los Angeles	U1OHA29292	93.145	5,412	-
University of California, Los Angeles	5U01MH106008-03	93.242	188,340	-
University of California, Los Angeles	5U01DK082370-09	93.847	97,780	-
University of California, Los Angeles	5P01HL073104	93.839	(12)	-
University of California, Los Angeles	1R01AI140718-01	93.855	37,788	-
University of California, Los Angeles	1R01HS025394-01	93.226	56,405	-
University of California, Los Angeles	1R21MH115404-01A1	93.242	4,460	-
University of California, Los Angeles	1R61MH110526-01A1	93.242	103,108	-
University of California, Los Angeles	1RF1AG050967-01A1	93.866	57,580	-
University of California, Los Angeles	1U54EB022002-01S1	93.266	330,526	-
University of California, Los Angeles	1U54NS081764-01	93.853	(1,476)	-
University of California, Los Angeles	4P30AG021684-15 REVISED	93.866	(1)	-
University of California, Los Angeles	4P50DK064539-15 REVISED	93.847	75,615	-
University of California, Los Angeles	5U01MH110008-02	93.242	33,303	-
University of California, Los Angeles	5R01MH101198-03	93.242	31,649	-
University of California, Los Angeles	5U01DK082370-08	93.847	(1,608)	-
University of California, Los Angeles	5R21AI109059-02	93.855	42,155	-
University of California, Los Angeles	5R01NS074980-07 REVISED	93.853	265,001	-
University of California, Los Angeles	5R01NR016463-02	93.361	12,869	-
University of California, Los Angeles	4U01NS086497-04	93.853	7,922	-
University of California, Los Angeles	5R01NR014669-04	93.361	25,940	-
University of California, Los Angeles	5K08DK107934-02	93.847	33,277	-
University of California, Los Angeles	5R01HL129727-03	93.837	64,741	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

<u>PASS-THROUGH FUNDS</u>	<u>Pass-Through Entity</u> <u>Identifying Number</u>	<u>CFDA</u>	<u>Current Year</u> <u>Expenditures</u>	<u>Pass-Through Funds</u> <u>to Sub recipients</u>
University of California, Los Angeles	5R01GM120507-03	93.859	97,736	-
University of California, Los Angeles	5R01ES027027-02	93.113	66,822	-
University of California, Los Angeles	5R01DE022045-05	93.121	157,831	-
University of California, Los Angeles	5R01DA041226-03	93.279	30,723	-
University of California, Los Angeles	5R01NR015038-04	93.361	21,350	-
University of Chicago	5R01AI103342-02	93.855	12,064	-
University of Chicago	1 OT3 OD025458	93.310	394,479	-
University of Chicago	R01HL121330	93.837	260,631	4,514
University of Cincinnati	5U01NS069763-05	93.853	31,991	-
University of Cincinnati	U01NS069763	93.853	(86,559)	-
University of Cincinnati Medical Center	U01NS092076	93.853	56,484	-
University of Colorado	5U01DE024440-04_REV	93.121	26,249	-
University of Connecticut	5U01GM111849-03	93.859	(164)	-
University of Delaware	1R01GM120351-01A1	93.865	15,799	-
University of Florida	R01GM102227	93.859	19,264	-
University of Hawaii at Honolulu	2U01CA164973-06	93.393	868,645	-
University of Hawaii at Honolulu	U01CA164973	93.393	440,056	-
University of Hawaii at Honolulu	P01CA168530	93.393	50,903	-
University of Hawaii at Honolulu	5P01CA168530-02	93.393	(1,358)	-
University of Hawaii at Honolulu	4P01CA168530-05	93.393	152,478	-
University of Illinois at Chicago	5R01EY022651-05	93.867	(62)	-
University of Illinois at Chicago	1R21AG056782-01	93.866	10,779	-
University of Kansas	5R21HD082484-02	93.865	12,849	-
University of Louisville	5R21MH09844-02	93.242	72,804	-
University of Maryland	7R01AI103342-05	93.855	33,163	-
University of Maryland	5P50MH103222-03	93.242	44,042	-
University of Maryland	1R01EY028666-01	93.867	35,516	-
University of Miami	5R01NS096212-02	93.853	74,543	-
University of Minnesota	5P01CA138338-07	93.393	456,307	101,462
University of Nebraska Medical Center	R01AG037120	93.866	6,478	-
University of Nevada, Las Vegas	5R01HD087994-02	93.865	33,970	-
University of New South Wales	5R01CA172404-05	93.393	28,795	-
University of North Carolina, Chapel Hill	R01HD067721	93.865	1	-
University of North Carolina, Chapel Hill	5R01DK101855-03	93.847	122,893	-
University of North Carolina, Chapel Hill	1R21HD091547-01	93.865	25,306	-
University of North Texas Fort Worth	5R01AG054073-02	93.866	137,864	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

<u>PASS-THROUGH FUNDS</u>	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
University of North Texas Fort Worth	1R56AG054073-01	93.866	143,098	-
University of Pennsylvania	5R01DK105155-03	93.847	100,177	-
University of Pennsylvania	5R01MH075916-07	93.242	87,534	-
University of Pennsylvania	5R01EY023557-04	93.867	61,401	-
University of Pennsylvania	5R01EY023557-05	93.866	34,249	-
University of Pittsburgh	5U01AG051406-03	93.866	128,939	-
University of Pittsburgh	5R01AG034852-08	93.866	36,741	-
University of Pittsburgh	1U01DE027452-01	93.121	86,056	-
University of Pittsburgh	U01AG051406	93.866	316,301	-
University of Pittsburgh Medical Center	1R01CA196953-01A1	93.395	9,756	-
University of Texas	2K12HD055929-11	93.865	193,136	-
University of Texas	K12HD055929	93.865	38,941	-
University of Texas	4R01MH085667-05	93.242	34,426	-
University of Texas at Austin	5R13AG029767-07	93.866	43,000	-
University of Texas Health Science Center at	3U01HL077863	93.837	157,132	-
University of Texas Health Science Center at San	1R21AI130668-01	93.855	10,674	-
University of Texas Health Science Center at San	1R21AI129883-01	93.855	10,674	-
University of Utah	4U02GM104604-05	93.859	32,526	-
University of Utah	5U02GM104604-02	93.859	(2,568)	-
University of Utah	7R01MH104964-03	93.242	30,606	-
University of Virginia	7R01CA204279-03	93.393	223,536	-
University of Virginia	7R01CA204279-02	93.393	(1,423)	-
University of Virginia	7R01CA143237-07 REVISED	93.393	38,927	-
University of Virginia	5R01CA207260-02	93.393	82,828	-
University of Washington	5U01AG016976-19	93.866	24,125	-
University of Washington	5U01CA194393-03	93.393	51,283	-
University of Washington	7U01CA194393-02	93.393	18,128	-
University of Washington	R01AI127463	93.855	10,720	-
University of Washington	1R01AG055653-01	93.866	27,472	-
University of Washington	5R01AA018673-07	93.273	202,351	-
University of Washington	1R01GM123993-01	93.859	51,346	-
University of Wisconsin, Milwaukee	5R01CA136861-07	93.393	19	-
US-National Institute of Allergy and Infectious	N01-AI-15416	93.RDC	30,471	-
Van Andel Research Institute	1R35CA209859-01	93.393	70,656	-
Van Andel Research Institute	5R01CA082422-17	93.393	6,198	-
Van Andel Research Institute	5R35CA209859-02	93.393	86,941	-

The accompanying notes are an integral part of this Schedule.



**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

**SPONSOR**

<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>	<b>Pass-Through Entity</b>		<b>Current Year</b>	<b>Pass-Through Funds</b>
<b><u>PASS-THROUGH FUNDS</u></b>	<b>Identifying Number</b>	<b>CFDA</b>	<b>Expenditures</b>	<b>to Sub recipients</b>
Vanderbilt University	5R01CA202981-02	93.393	122,394	-
Vanderbilt University	6R01HS022640-02	93.226	8,244	-
Vanderbilt University Medical Center	5R01AG047992-03	93.866	1,785,425	-
Vanderbilt University Medical Center	R01HS022640-01	93.226	(13,057)	-
VioMedix, LLC	1R41CA210877-01A1	93.395	106,349	-
Virtually Better, Incorporated	2R42MH094019-03	93.242	9	-
Wake Forest University	5R01HD084606-03	93.865	22,336	-
Wake Forest University Health Sciences	RF1AG041845	93.866	154,874	154,874
Wake Forest University Health Sciences	R21 AG051113	93.866	54,068	-
Washington University	1R01AG053267-01A1	93.866	66,019	-
Washington University In St. Louis	UF1AG032438	93.866	75,050	-
Washington University In St. Louis	5R01NS089932-03	93.853	149,378	-
Washington University School of Medicine	1R01EY027387-01	93.867	86,441	-
Washington University School of Medicine	1R56AG053267-01	93.866	15,586	-
Washington University School of Medicine	5R01CA211711-02	93.394	25,412	-
Weill Cornell Medical College	R01MH114925	93.242	33,364	-
Westat, Incorporated	HHSN275201300003C	93.RDC	705,000	-
Westat, Incorporated	HHSN261201200075C	93.RDC	77,061	-
Yale University	UH3TR000967	93.310	561,122	-
Yale University	5U10HD055925-09	93.865	(3,237)	-
<b>Total Department of Health and Human Services</b>			<b>49,407,744</b>	<b>253,449</b>
<b>Department of Homeland Security</b>				
Arizona State University	2017-ST-061-QA0001-01	97.RDC	21,594	-
CA-Governor's Office - OES	EMF-2017-CA-00010-S01	97.082	66,137	-
University of California, Irvine	2017-ST-061-QA0001-01	97.061	10,088	-
University of Illinois at Urbana Champaign	2015-ST-061-CIRC01	97.061	135,240	61,761
Vision System, Incorporated	D17PC00288	97.RDC	322,692	-
Wake Forest University Health Sciences	N66001-14-C-4016	97.034	1,169,069	6,752
<b>Total Department of Homeland Security</b>			<b>1,724,820</b>	<b>68,513</b>
<b>Department of Justice</b>				
Rand Corporation	2017-R2-CX-0025	16.560	14,987	-
<b>Total Department of Justice</b>			<b>14,987</b>	<b>-</b>
<b>Department of State</b>				
Creative Associates International	S-NEAAC-16-GR-1029	19.222	(8,123)	-
<b>Total Department of State</b>			<b>(8,123)</b>	<b>-</b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018**

**SPONSOR**

<b>RESEARCH &amp; DEVELOPMENT CLUSTER</b>	<b>Pass-Through Entity</b>		<b>Current Year</b>	<b>Pass-Through Funds</b>
<b><u>PASS-THROUGH FUNDS</u></b>	<b>Identifying Number</b>	<b>CFDA</b>	<b>Expenditures</b>	<b>to Sub recipients</b>
<b>Department of Transportation</b>				
California State University Long Beach Foundation	DTFH61-14-H-00026	20.200	30,827	-
Michigan State University	DTFH61-13-H-00009	20.200	845	-
University of California Regents	DTRT13-G-UTC29	20.701	290,368	110,897
University of California Regents	69A3551747114	20.701	69,178	15,296
<b>Total Department of Transportation</b>			<b>391,218</b>	<b>126,193</b>
<b>Environmental Protection Agency</b>				
Southern California Coastal Water Research	99T66601	66.461	9,534	-
<b>Total Institute of Museum and Library Services</b>			<b>9,534</b>	<b>-</b>
<b>National Aeronautics and Space Administration</b>				
HoneyBee Robotics Limited	NNX17CA339	43.RDC	14,627	-
Massachusetts Institute of Technology	NNX16AK25A	43.002	33,304	-
Massachusetts Institute of Technology	80NSSC17K0283	43.001	74,374	-
Princeton University	NNX17AB04G	43.001	13,879	-
Princeton University	80NSSC18K0237	43.001	10,512	-
University of California San Diego	NNX15AP87H	43.008	600	-
University of Colorado	NNX17AC59A	43.001	63,543	-
University of Colorado	NAS5-02140	43.002	250,469	-
US-Jet Propulsion Laboratory, California Institute	NNH16ZDA001N	43.RDC	23,416	-
US-Jet Propulsion Laboratory, California Institute	NNN12AA01C	43.001	69,203	-
US-Jet Propulsion Laboratory, California Institute	NMO711048	43.RDC	(1,904)	-
US-Jet Propulsion Laboratory, California Institute	N/A	43.RDC	7,097	-
US-Jet Propulsion Laboratory, California Institute	NNN12AA01C	43.RDC	271,528	-
<b>Total National Aeronautics and Space</b>			<b>830,648</b>	<b>-</b>
<b>National Science Foundation</b>				
American Educational Research Association	DRL-0941014	47.076	35,359	-
American Physical Society	OMA-1649297	47.049	50,580	-
Association of American Universities	DUE-1432766	47.076	68,700	-
Chemat Technology Incorporated	IIP-1026215	47.049	29,805	-
Clemson University	ACI-1341935	47.070	102,902	-
Columbia University	ICER-1440351	47.050	1,116	-
Cornell University	CCF-1522054	47.070	80,402	-
Corporation for Education Network Initiatives in	ACI-1451050	47.070	33,764	-
Florida International University	AST-1202910	47.049	75,634	-
Florida International University	1638990	47.070	84,052	-

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**SPONSOR**

**RESEARCH & DEVELOPMENT CLUSTER**

<u>PASS-THROUGH FUNDS</u>	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Florida International University	ACI-1451024	47.070	47,789	-
Florida International University	CNS-1724805	47.070	1,294	-
Florida International University	ACI-1451018	47.070	114,082	-
Gallaudet University	1547178	47.070	126,429	-
Greater Washington Educational	1516347	47.076	(4,015)	-
Hauptman-Woodward Institute	1231306	47.074	8,580	-
Hauptman-Woodward Institute	DBI-1231306	47.074	16,057	-
Iowa State University	CNS-1528731	47.070	(127)	-
Northeastern University	1R01DA045020-01	47.070	159,144	-
Pennsylvania State University	IIS-1344272	47.070	35,979	-
Phoenix Bioinformatics	1661543	47.074	9,091	-
Prosapia Genetics, LLC	IIP-1622840	47.041	5,481	-
Raytheon BBN Technologies	W911NF-09-2-0053	47.070	366,742	-
R-DEX Systems	IIP-1622777	47.041	3,916	-
Syracuse University	ACI-1443047	47.070	163,169	-
Texas A&M University	BCS-1461766	47.075	4,770	-
Texas Womans University	SES-1655281	47.050	98,564	-
The American Association for the Advancement of	DUE-1548986	47.076	6,967	-
Trustees of Columbia University in the City of New	OCE 14-50528	47.050	4,250	-
University of Arizona	EEC-0812072	47.041	88,647	-
University of California Berkeley	CMMI-1612843	47.041	89,859	-
University of California Riverside	1135455	47.050	12,527	-
University of Illinois at Urbana Champaign	H98230-14-C-0141	47.RDC	3,703	-
University of Illinois at Urbana Champaign	DMS-1107452	47.049	19,685	-
University of Illinois at Urbana Champaign	ACI-1548562	47.070	77,819	-
University of Illinois at Urbana Champaign	1107452	47.049	25,290	-
University of Minnesota	DE-SC0008688	47.049	105,307	-
University of Nebraska-Lincoln	1649365	47.049	830	-
University of Oregon	1661157	47.075	27,833	-
University of Texas at Austin	CMMI-1520817	47.041	83,310	-
University of Wisconsin, Madison	ECCS-1727523	47.041	95,879	-
University of Wisconsin, Madison	PHY-1148698	47.049	155,990	-
Utah State University	AGS-1329544	47.050	37,999	-
Virginia Polytechnic Institute State University	FA8650-18C7826	47.RDC	18,291	-
Virginia Polytechnic Institute State University	CNS-1617203	47.070	88,196	-
Virginia Polytechnic Institute State University	IOS-1645740	47.074	121,436	-
Virginia Polytechnic Institute State University	ACI-1547580	47.070	78,707	-

The accompanying notes are an integral part of this Schedule.

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**Year Ended June 30, 2018**

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SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Yale University	1712674	47.070	79,616	-
Yale University	EFMA-1542815	47.041	65,245	-
<b>Total National Science Foundation</b>			<b>3,006,645</b>	<b>-</b>

Social Security Administration

Regents of the University of Michigan	RRC08098401-10-00	96.007	90,260	-
Regents of the University of Michigan	RRC08098401-09-00	96.007	87,422	-
<b>Total Social Security Administration</b>			<b>177,682</b>	<b>-</b>

Total Research & Development Cluster - Pass-Through Funds

**\$ 81,028,391**      **\$ 2,020,927**

Total Research & Development Cluster - Direct Awards and Pass-Through Funds

**\$ 491,376,697**      **\$ 71,416,018**

The accompanying notes are an integral part of this Schedule.

**University of Southern California  
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Year Ended June 30, 2018**

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SPONSOR		Current Year
STUDENT FINANCIAL ASSISTANCE CLUSTER	CFDA	Expenditures
<b>Department of Education</b>		
Office of Federal Student Aid		
Federal Direct Student Loans	84.268	\$ 612,949,416
Federal Pell Grant Program	84.063	19,392,392
Federal Work-Study Program	84.033	5,022,991
Federal Work-Study Program-Administrative cost allowance	84.033	-
Federal Perkins Loans		
Federal Perkins Loans as of July 1, 2017	84.038	47,219,059
New loans issued during 2018	84.038	5,802,555
Administrative cost allowance	84.038	525,000
Federal Supplemental Educational Opportunity Grants	84.007	3,201,002
<b>Total Department of Education</b>		<b><u>694,112,415</u></b>
 <b>Department of Health and Human Services</b>		
Health Resources and Services Administration		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	617,831
Health Professional Student Loans		
Health Professional Student Loans as of July 1, 2017	93.342	12,879,595
New loans issued during 2018	93.342	3,331,001
Loans for Disadvantaged Students		
Loans for Disadvantaged Students as of July 1, 2017	93.342	1,291,647
New loans issued during 2018	93.342	213,894
<b>Total Department of Health and Human Services</b>		<b><u>18,333,968</u></b>
 <b>Total Student Financial Assistance Cluster</b>		 <b><u>\$ 712,446,383</u></b>

The accompanying notes are an integral part of this Schedule.

**University of Southern California**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

SPONSOR

OTHER PROGRAMS

DIRECT AWARDS

Economic Development Cluster

Department of Commerce

Economic Adjustment Assistance

**Total Economic Development Cluster**

Pass-Through Entity

Identifying Number

CFDA

Current Year

Expenditures

Pass-Through Funds

to Sub recipients

11.307

\$ 81,617

\$ -

**81,617**

**-**

TRIO Cluster

Department of Education

TRIO- Talent Search

TRIO- Upward Bound

**Total TRIO Cluster**

84.044

\$ 710,132

\$ -

84.047

1,859,411

-

**2,569,543**

**-**

Other Programs

Department of Health and Human Services

Coordinated Services and Access to Research for

Grants to Provide Outpatient Early Intervention

Head Start

**Total Department of Health and Human Services**

93.153

928,016

-

93.918

295,946

-

93.600

5,160,253

356,303

**6,384,215**

**356,303**

**Total Other Programs - Direct Awards**

**9,035,375**

**356,303**

PASS-THROUGH FUNDS

Health Center Program Cluster

Health Center Program

Health Center Program (Community Health

**Total Health Center Program Cluster**

H80CS00139 93.224

451,675

-

**451,675**

**-**

Other Programs

Corporation for National and Community Service

AmeriCorps

**Total Corporation for National and Community**

CFDA-94.006-JS-SITE #91 94.006

64,491

-

**64,491**

**-**

Department of Education

CDE Contract for Vended Meals

**Total Department of Education**

CACFP 19 84.U01

240,665

-

**240,665**

**-**

The accompanying notes are an integral part of this Schedule.

**University of Southern California  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018**

---

SPONSOR

OTHER PROGRAMS

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA	Expenditures	to Sub recipients
Department of Health and Human Services				
Advance Interoperable Health Information	11-H9014	93.719	7,846	
Block Grants for Prevention and Treatment of	T1023865	93.959	(227)	-
Foster Care_Title IV-E	16-IA-00775	93.658	646,220	-
Foster Care_Title IV-E	12-2011	93.658	138	-
HIV Emergency Relief Project Grants	H89HA00016-21	93.914	967,839	-
<b>Total Department of Health and Human Services</b>			<b>1,621,816</b>	<b>-</b>
National Endowment for the Humanities				
Promotion of the Humanities_Federal/State	CDP16-177	45.129	40,000	40,000
<b>Total National Endowment of the Humanities</b>			<b>40,000</b>	<b>40,000</b>
<b>Total Other Programs - Pass-Through Funds</b>			<b>2,418,647</b>	<b>40,000</b>
<b>Total Other Programs - Direct Awards and Pass-Through Funds</b>			<b>\$ 11,454,022</b>	<b>\$ 396,303</b>
<b>TOTAL FEDERAL PROGRAMS</b>			<b>\$ 1,215,277,102</b>	<b>\$ 71,812,321</b>

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, 2018**

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**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**

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**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.



**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

---

**2. CFDA Numbers (Continued)**

The following table below provides additional identification numbers for those R&D direct award programs where CFDA information was unknown:

<b>Sponsor</b>	<b>Research &amp; Development Cluster</b>	<b>Entity Identifying Number</b>	<b>CFDA</b>	<b>Current Year Expenditures</b>
	<b><u>Direct Awards</u></b>			
	<b>Department of Defense</b>			
	Department of Defense	005492-00001	12.RD	268,685
	Department of Defense	2014-14071600011	12.RD	1,301,445
	Department of Defense	2014-14080800011	12.RD	446,829
	Department of Defense	2016-16070100002	12.RD	37,164
	Department of Defense	2017-17020200005	12.RD	3,576,405
	Department of Defense	70RSAT18FR0000022	12.RD	130,117
	Department of Defense	D11PC20165	12.RD	9
	Department of Defense	FA8650-17-C-7715	12.RD	947,110
	Department of Defense	FA8650-17-C-9112	12.RD	5,976,352
	Department of Defense	FA8750-14-C-0240	12.RD	1,480,942
	Department of Defense	FA8750-16-C-0112	12.RD	3,237,571
	Department of Defense	FA8750-17-C-0011	12.RD	1,106,492
	Department of Defense	FA8750-17-C-0106	12.RD	1,214,752
	Department of Defense	FA8819-18-C-0012	12.RD	174,950
	Department of Defense	FA9453-15-C-0065	12.RD	226,067
	Department of Defense	H98230-16-C-0255	12.RD	121,279
	Department of Defense	HDTRA1-14-C-0126	12.RD	222,760
	Department of Defense	HHSF223201400115C	12.RD	1,955,249
	Department of Defense	HHSF223201710199C	12.RD	295,916
	Department of Defense	HHSO100201600044P	12.RD	(16,547)
	Department of Defense	HHSP233201600010C	12.RD	311,497
	Department of Defense	HR0011-12-C-0094	12.RD	20,251
	Department of Defense	HR0011-15-C-0096	12.RD	2,515,376
	Department of Defense	HR0011-15-C-0115	12.RD	2,287,942
	Department of Defense	HR0011-16-C-0017	12.RD	512,054
	Department of Defense	HR0011-16-C-0039	12.RD	5,102
	Department of Defense	HR0011-16-C-0043	12.RD	784,235
	Department of Defense	HR001117C0053	12.RD	197,691
	Department of Defense	HR00111890019	12.RD	9,101
	Department of Defense	HSBP1016J00813	12.RD	758,451
	Department of Defense	HSQDC-16-J-00467	12.RD	720,103
	Department of Defense	HSTS03-16-J-FLT014	12.RD	47,881
	Department of Defense	N00104-12-D-Q337	12.RD	40,849
	Department of Defense	N00244-16-D-0056	12.RD	325,222
	Department of Defense	NRO000-16-C-0255	12.RD	134,244
	Department of Defense	W81XWH-16-C-0086	12.RD	710,062
	Department of Defense	W911NF-04-D-0005-0046	12.RD	5,214
	Department of Defense	W911NF-14-D-0005-0001	12.RD	11,748,383
	Department of Defense	W911NF-14-D-0005-0002	12.RD	1,662,492

University of Southern California  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

2. CFDA Numbers (Continued)

Sponsor Research & Development Cluster <u>Direct Awards</u>	Entity Identifying Number	CFDA	Current Year Expenditures
<b>Department of Defense</b>			
Department of Defense	W911NF-14-D-0005-0005	12.RD	3,142,147
Department of Defense	W911NF-14-D-0005-0006	12.RD	3,959,287
Department of Defense	W911NF-14-D-0005-0007	12.RD	1,725,848
Department of Defense	W911NF-14-D-0005-0008	12.RD	2,072,326
Department of Defense	W911NF-14-D-0005-0009	12.RD	1,888,548
Department of Defense	W911NF-14-D-0005-0010	12.RD	331,522
Department of Defense	W911NF-16-C-0033	12.RD	365,918
Department of Defense	W911NF-16-C-0034	12.RD	404,500
Department of Defense	W911NF-18-C-0020	12.RD	93,681
Department of Defense	W912HQ-14-C-0051	12.RD	174,231
<b>Total Department of Defense</b>		<b>12.RD</b>	<b>59,702,375</b>
<b>Department of Health and Human Services</b>			
Department of Health and Human Services	HHSN26100007	93.RD	14,991
Department of Health and Human Services	HHSN2610005	93.RD	3,120,430
Department of Health and Human Services	HHSN261201300004I	93.RD	280,776
Department of Health and Human Services	HHSN261201800015I	93.RD	412,814
Department of Health and Human Services	HHSN268201500017C	93.RD	1,028,327
<b>Total Department of Health and Human Services</b>		<b>93.RD</b>	<b>4,857,338</b>
<b>Department of Homeland Security</b>			
Department of Homeland Security	70RSAT18C00000015		49,518
Department of Homeland Security	D15PC00184	97.RD	570,945
Department of Homeland Security	EMW-2015-CA-00228-S01	97.RD	9,202
Department of Homeland Security	HSFE20-15-C-0232	97.RD	5,106
Department of Homeland Security	HSHQDC-10-D-00019	97.RD	12
Department of Homeland Security	HSHQDC-16-C-00024	97.RD	2,293,482
Department of Homeland Security	HSHQDC-16-J-00467	97.RD	152,375
Department of Homeland Security	HSHQDC-17-J-00504	97.RD	388,007
<b>Total Department of Homeland Security</b>		<b>97.RD</b>	<b>3,468,647</b>
<b>Department of Veterans Affairs</b>			
Department of Veterans Affairs	004405-00001	64.RD	(398)
Department of Veterans Affairs	VA260-16-P-0314	64.RD	77,519
<b>Total Department of Veterans Affairs</b>		<b>64.RD</b>	<b>77,120</b>
<b>National Aeronautics And Space Administration</b>			
National Aeronautics And Space Administration	NNL12AA21C	43.RD	(1,902)
<b>Total National Aeronautics And Space Administration</b>		<b>43.RD</b>	<b>(1,902)</b>

**University of Southern California**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

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**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, 2018 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, 2018, 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. Loans Outstanding**

The following schedule represents loans outstanding by the University for the year ended June 30, 2018:

	<b>Loans Outstanding</b>
Federal Perkins Loans	\$ 45,733,760
Health Professional Student Loans	12,885,989
Loans for Disadvantaged Students	1,386,083

**5. 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. In fiscal year 2018, the University received Cal Grant A and B funds in the amount of \$21,206,618; however, CSAC is unable to determine the exact amount of Federal Temporary Assistance for Needy Families (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 sheet as of June 30, 2018, 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 November 21, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

November 21, 2018



**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 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, 2018. 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 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, 2018.



### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002, that we consider to be significant deficiencies.



The University's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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.

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 29, 2019



**University of Southern California  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2018**

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

***Financial Statements***

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted?  yes  no

***Federal Awards***

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
Various	Student Financial Assistance Cluster
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between type A and type B programs: \$3,645,831

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, 2018**

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

**Finding 2018-001: Timing of Payment and Reimbursement of Funds**

**Federal Awarding Agencies:** Department of Health and Human Services, National Science Foundation, National Aeronautics and Space Administration,

**Cluster:** Research and Development

**CFDA#, specific award name and award#**

- 93.867: Vision Research (Award # 2R01EY017918-11A1)

- 47.070: Computer and Information Science and Engineering (Award # ACI-1450451)

- 43.001: Science (Award # NNa13AA921)

- 93.847: Diabetes, Digestive, and Kidney Diseases Extramural Research (Award # 5Re7DK054364-20)

- 47.074: Biological Sciences (Award # IOS-1150259)

**Award Years:** 2017 - 2018

Criteria

Appendix XI to 2 CFR 200 (2017 OMB Compliance Supplement) Part 3, Section 3.2 C. Cash Management) states that when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition

We selected a sample of 25 individual drawdown requests from a total population of drawdowns that were requested during fiscal year 2018. Of the samples tested, the University requested reimbursement before program costs were paid, for five drawdowns requests.

Cause

The University extracts the amount of expenses charged to a Federal Award from the general ledger when preparing the cash drawdown invoices, which are sent to the awarding agency when a reimbursement request is made. Program costs are recorded as an accrual on the date they are incurred, rather than the date of payment and as a result certain costs, were not paid before the request for reimbursement of federal funds was made.

Effect

The University received reimbursement for certain requests before payment of program costs was made.

Questioned Cost

\$32,705

Recommendation

We recommend that management implement controls to ensure that there is appropriate monitoring of the timing of reimbursement requests and the timeliness of program cost payments. Additionally, management should look to incorporate system modifications in order to ensure that program cost payments are executed before reimbursement requests are made.

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

## Schedule of Findings and Questioned Costs

### For the Year Ended June 30, 2018

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**Finding 2018-002: Facilities & Administration (F&A) rates applied to off-campus research (Significant Deficiency)**

**Federal Awarding Agency:** National Institute of Health

**Cluster:** Research and Development

**Program names and specific award name:** Various

**CFDA #:** 93.389, 93.701, 93.837, 93.838, 93.855, 93.865, 93.866, 93.RD

**Award #:** Various

**Award Years:** 2011-2016

#### Criteria

34 CFR 200.414 establishes that negotiated rates must be accepted by all Federal awarding agencies. A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation.

#### Condition

The University informed us that it had self-reported to NIH the incorrect application of the F&A reimbursement amounts for six researchers performing research at off-campus locations during the period 2011 to 2016. The University applied an on-campus rate to research performed by these individuals at five third party-owned buildings, rather than applying an off-campus rate in the calculation.

We tested the rates used at a sample of research locations that were selected for testing during 2018 and did not identify any instances in which the incorrect rate was applied.

#### Cause

The discrepancy was determined to have occurred due to the lack of appropriate design of the controls in place to assess and monitor the application of F&A rates at the five identified locations.

#### Effect

The University charged the incorrect rate to NIH grants for research performed in the five off-campus locations during the award years of 2011 to 2016.

#### Questioned Cost

Management has provided an estimate of \$3.6 million to the NIH of the known questioned costs. Due to the ongoing nature of the assessment being performed by the NIG, providing an estimate of likely questioned costs is not possible at this time.

#### Recommendation

We recommend that management assess the operation of current controls to ensure that there is appropriate monitoring of the rates that are being applied at locations where research is being performed, including the assessment of the use of the correct F&A rates. Additionally, management should ensure that there is appropriate review and approval of the rates currently being applied at these locations.

#### 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, 2017**

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

**Finding 2017-001: Direct Loan Limits Exceeded**

Condition

In fiscal year 2017, PwC selected a sample of 60 students for testing from a total population of all students who were awarded Title IV assistance and tested the students for various eligibility requirements across their respective aid awards. Of the students tested, the University overawarded one student in Federal Direct Unsubsidized Loans for the student's program of study. From the population of all Fourth year Pharmacy students within this program, it was determined 69 additional students, for a total of 70 students, were also affected. The error was due to students being incorrectly assigned a packaging type that corresponded to Medical programs, which have higher unsubsidized loan limits.

Current Status

In response to the fiscal year 2017 finding, in fiscal year 2018, the Financial Aid Office ("FAO") investigated the issue and corrected the Pharmacy fourth year loan limits going forward. In response to this finding, the FAO updated the annual packaging setup procedures in fiscal year 2018. The Senior Assistant Director of Aid Coordination now seeks the Associate Dean of Loan's review and approval of the annual loan limits for each class level and program before packaging begins.

**Finding 2017-002: Incorrect Disbursement of Funds**

Condition

In fiscal year 2017, PwC selected a sample of 60 students for testing from a total population of students who received Title IV assistance and withdrew from the University during fiscal year 2017. Of the students tested, the University disbursed Title IV funds subsequent to one student's withdrawal and subsequent to the Financial Aid Office's determination that the student had not received any Title IV aid and was therefore not subject to Return of Title IV (R2T4). As a result, the University disbursed aid to the student after the student had ceased to be enrolled. From the population of all students that withdrew and subsequently received aid, it was determined 4 additional students, for a total of 5 students, were also affected. The error occurred primarily because of a failure within the Student Information System ("SIS") to flag students who had completely withdrawn from classes and prevent processing and disbursement of Title IV aid on their accounts.

Current Status

In response to the fiscal year 2017 finding, the FAO reviewed the five students who received aid after a R2T4 "no Title IV Aid" determination had been made. For all five students, the University returned the amounts owed to the respective Department of Education programs and used institutional funds to hold students harmless. In fiscal year 2018, the FAO implemented a change to SIS programming to automatically prevent awarding or disbursement of aid after a student has ceased to be enrolled in the term, unless a post-withdrawal disbursement is authorized.



**Management response to finding 2018-001 Timing of Payment and Reimbursement of Funds**

As described in finding 2018-001, the University will design and implement appropriate controls to ensure cash draws under the reimbursement method are completed after all payments have been made. USC will immediately evaluate the feasibility of designing and implementing a system control in our financial system that will address Federal cash draw-downs prior to outstanding checks being cashed. If this assessment deems a system control to be impractical or not feasible, manual procedures and controls will be developed to mitigate this risk.

Contact Person: Robert Johnson, Associate Senior Vice President, Financial and Business Services, (213) 821-1900

**Management response to finding 2018-002 Facilities & Administration (F&A) rates applied to off-campus research**

We note that, since 2016, the University has not been charging its on-campus rate for research taking place in any County buildings. That said, in order to prevent reoccurrence of a similar issue, we intend to implement the following corrective action plan:

- We will retrain all research administrative personnel responsible for budgeting on sponsored research projects within the University's School of Medicine regarding the definition of on versus off-campus space and how to select and apply the correct rate to NIH sponsored project.
- We will retrain all central research administrative personnel in USC's Department of Contracts and Grants regarding the same issues.
- We will draft and implement a formal university policy on indirect costs that explains the difference between on and off campus research, appropriate rate charging practices, and provides for sanctions in the event the policy is not followed.
- The Office of Compliance will conduct regular monitoring in partnership with Space Management and School of Medicine research administrative personnel in the form of periodic testing for the purpose of assessing compliance with the policy described above.

Contact Person: Erik Brink, Associate Senior Vice President, University Comptroller, Office of Senior Vice President, Finance, (213) 821-1900