

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, 2019

Location

EIN

University Park, Los Angeles

95-1642394

University of Southern California
Table of Contents
Year Ended June 30, 2019

	Page(s)
Report of Independent Auditors.....	1-2
Consolidated Financial Statements	3-33
Schedule of Expenditures of Federal Awards	34-62
Notes to Schedule of Expenditures of Federal Awards	63-66
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	67-68
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.....	69-71
Schedule of Findings and Questioned Costs	72-75
Summary Schedule of Prior Audit Findings	76
Management’s Views and Corrective Action Plan	77-78



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, 2019 and 2018, and the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Southern California and its subsidiaries as of June 30, 2019 and 2018, and their changes in 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, 2019 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. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 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, 2019. 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.



December 16, 2019

Consolidated Balance Sheets

in thousands

	June 30, 2019	June 30, 2018
Assets		
1 Cash and cash equivalents	\$1,042,239	\$818,978
2 Accounts receivable, net	471,711	461,051
3 Notes receivable, net	61,066	68,585
4 Pledges receivable, net	462,329	570,186
5 Investments	6,351,236	6,231,311
6 Inventories, prepaid expenses and other assets	386,941	278,831
7 Property, plant and equipment, net	4,363,842	4,174,090
8 Total Assets	\$13,139,364	\$12,603,032
Liabilities		
9 Accounts payable	\$285,359	\$273,631
10 Accrued liabilities	1,373,097	751,430
11 Refundable advances	21,477	15,974
12 Deposits and deferred revenue	257,066	261,894
13 Actuarial liability for annuities payable	104,442	108,842
14 Federal student loan funds	67,936	64,319
15 Asset retirement obligations	132,918	126,865
16 Capital lease obligations	75,869	74,222
17 Bonds and notes payable	1,626,346	1,652,388
18 Other liabilities	6,692	4,936
19 Total Liabilities	3,951,202	3,333,501
Net Assets		
20 Without donor restrictions	4,279,003	4,331,141
21 With donor restrictions	4,909,159	4,938,390
22 Total Net Assets	9,188,162	9,269,531
23 Total Liabilities and Net Assets	\$13,139,364	\$12,603,032

The accompanying notes are an integral part of these statements.

Consolidated Statements of Activities

in thousands

Year Ended
June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Operating			
Revenues:			
1 Net Student tuition and fees	\$1,575,446		\$1,575,446
2 Health care services	1,890,318		1,890,318
3 Contracts and grants	571,059		571,059
4 Auxiliary enterprises	372,584		372,584
5 Sales and services	157,850		157,850
6 Contributions	273,875		273,875
7 Other	139,619		139,619
8 Allocation of endowment spending	245,579		245,579
9 Total Revenues	5,226,330		5,226,330
10 Net assets released from restrictions	228,859	(\$228,859)	
11 Total Revenues and Reclassifications	5,455,189	(228,859)	5,226,330
Expenses:			
12 Salaries and benefits	3,114,194		3,114,194
13 Operating expenses	2,162,650		2,162,650
14 Depreciation	281,159		281,159
15 Interest on indebtedness	64,324		64,324
16 Total Expenses	5,622,327		5,622,327
17 Decrease in Net Assets from Operating Activities	(167,138)	(228,859)	(395,997)
Non-operating			
18 Allocation of endowment spending to operations	(112,895)	(132,684)	(245,579)
19 Changes in funding status of defined benefit plan	13,165		13,165
20 Investment and endowment income	88,343	549	88,892
21 Net appreciation in fair value of investments	59,833	155,668	215,501
22 Contributions	5,973	166,914	172,887
23 Present value adjustment to annuities payable		9,181	9,181
24 Increase in Net Assets from Non-operating Activities	54,419	199,628	254,047
25 Total Decrease in Net Assets	(112,719)	(29,231)	(141,950)
26 Beginning Net Assets	4,331,141	4,938,390	9,269,531
27 Cumulative effect of accounting change	60,581		60,581
28 Beginning Net Assets, as restated	4,391,722	4,938,390	9,330,112
29 Ending Net Assets	\$4,279,003	\$4,909,159	\$9,188,162

The accompanying notes are an integral part of these statements.

Consolidated Statements of Activities

in thousands

	Year Ended June 30, 2018		
Operating	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Revenues:			
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 Total Revenues and Reclassifications	5,092,753	(155,927)	4,936,826
Expenses:			
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 Expenses before Settlement	4,828,775		4,828,775
19 Increase (decrease) in Net Assets from Operating Activities before Settlement	263,978	(155,927)	108,051
20 Settlement (refer to Note 14)	215,000		215,000
21 Increase (decrease) in Net Assets from Operating Activities	48,978	(155,927)	(106,949)
Non-operating			
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 Increase in Net Assets from Non-operating Activities	130,948	465,314	596,262
29 Total increase in Net Assets	179,926	309,387	489,313
30 Beginning Net Assets	4,151,215	4,629,003	8,780,218
31 Ending Net Assets	\$4,331,141	\$4,938,390	\$9,269,531

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

in thousands

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash Flows from Operating Activities		
Change in Net Assets	(\$81,369)	\$489,313
1 Adjustments to reconcile change in net assets to net cash provided by operating activities:		
2 Depreciation and amortization	281,159	261,462
3 Loss on the disposal/sale of plant assets	248	1,160
4 In-kind receipt of property, plant and equipment	(4,797)	(1,624)
5 Present value adjustment to annuities payable	(9,003)	(1,663)
6 Increase in accounts receivable	(10,660)	(54,421)
7 Decrease (increase) in pledges receivable	9,528	(64,109)
8 Increase in inventories, prepaid expenses and other assets	(22,472)	(46,188)
9 Increase in accounts payable	(410)	(34,017)
10 Increase in accrued liabilities	505,825	263,974
11 Increase (decrease) in refundable advances	5,503	(2,216)
12 (Decrease) increase in deposits and deferred revenue	(4,827)	15,253
13 Increase in other liabilities	1,756	1,493
14 Contributions restricted for property, plant and equipment and permanent investment	(163,965)	(242,161)
15 Net realized gain on sale of investments	(185,014)	(228,398)
16 Net unrealized appreciation in investments	(28,396)	(232,402)
17 Net Cash provided by Operating Activities	293,106	125,456
Cash Flows from Investing Activities		
18 Proceeds from note collections	12,972	16,372
19 Notes issued	(4,612)	(10,251)
20 Proceeds from sale and maturity of investments	4,775,556	4,471,561
21 Purchase of investments	(4,652,547)	(4,495,337)
22 Purchase of property, plant and equipment	(448,171)	(420,545)
23 Net Cash used in Investing Activities	(316,802)	(438,200)
Cash Flows from Financing Activities		
Contributions restricted for permanent investment:		
19 Endowment	190,368	223,520
20 Plant	70,632	139,252
21 Trusts and other	1,292	1,947
22 Repayment of long-term debt	(23,555)	(1,400)
23 Increase (decrease) in federal student loan funds	3,617	(1,330)
24 Investment gain (loss) on annuities payable	8,500	(6,667)
25 Payment on annuities payable	(11,007)	(11,315)
26 Increase to annuities payable resulting from new contributions	7,110	4,210
27 Net Cash provided by Financing Activities	246,957	348,217
28 Net increase in Cash and Cash equivalents	223,261	35,473
29 Cash and Cash equivalents at beginning of year	818,978	783,505
30 Cash and Cash equivalents at end of year	\$1,042,239	\$818,978

The accompanying notes are an integral part of these statements.

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 expenses, with the exception of investment expenses, which are required to be netted against investment return, 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 includes 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.

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 statements of activities by natural classification.

The university’s non-operating activity within the consolidated statements 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.

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 statements 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

Notes to Consolidated Financial Statements

Note 1. (continued)

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, 2019 and 2018, 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.

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 longlived assets directly in without donor restrictions, when the asset is placed in service.

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 2.2% 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.

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, 2019 and 2018, the university recognized accretion expense related to conditional asset retirement obligations of approximately \$6,526,000 and \$6,237,000, respectively. For the years ended June 30, 2019 and 2018, the university settled asset retirement obligations of approximately \$944,000 and \$1,000,000, respectively. As of June 30, 2019 and 2018, included in the consolidated balance sheets are asset retirement obligations of \$132,918,000 and \$126,865,000, respectively.

The university recognizes tuition and fees revenue on a straight-line basis over each academic session based on gross price, net of explicit price concessions such as scholarships, discounts and waivers ("Financial aid"), and is displayed in the consolidated statements of activities in "Tuition and fees." Given the timing of each year's academic sessions, nearly all performance obligations are satisfied by the university within the fiscal year. Tuition and fees revenue is derived from degree programs and executive and continuing education programs. 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.

Notes to Consolidated Financial Statements

Note 1. (continued)

Financial aid for the year ended June 30, 2019, consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$330,683	\$170,758	\$501,441
Endowed scholarships	36,488	18,842	55,330
External financial aid	30,182	15,585	45,767
Total	\$397,353	\$205,185	\$602,538

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
Total	\$358,273	\$197,848	\$556,121

Room and board revenues are included as part of auxiliary enterprises, however the revenue recognition process mirrors that for tuition and fees. Each of these items is supported by separate contracts entered into between the university and the individual student. Tuition and fees and room and board revenues are recognized as operating revenue in the period in which the university satisfies its performance obligations to its students. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in ASC 606. The university's performance obligations are to provide education to the student and, in certain instances, other performance obligations such as room and board. The value that is recognized for each performance obligation is set forth in publicly available university price lists, which the university believes approximates the standalone selling price, and is codified in the individual contracts with each student. Individual contracts for tuition and fees and room and board display the transaction price on a standalone basis for each service to be provided to each specific student. Additionally, the contract will contain the price adjustment in the form of financial aid grants that are being awarded to the student.

The timing(s) of billings, cash collections and revenue recognition results in accounts receivable and deferred revenue and student deposits on the consolidated statements of financial position. Receivables are recognized only to the extent that the university has an unconditional right to consideration to which it is entitled in exchange for goods and services transferred to the student. Receipts received in advance of goods and services performed are recorded as deferred revenue and student deposits.

Sponsored research agreements are primarily considered non-exchange transactions which are recognized in contracts and grants revenue on the consolidated statements of activities as the associated barriers are overcome, which generally is as allowable expenditures under such agreements are incurred. Non-exchange agreements are considered conditional if the terms of the agreement include both a right of return/release of assets received/promised and a barrier. Any funding received in advance of expenditure is recorded as a refundable advance. For sponsored research agreements considered to be exchange transactions, revenues are recognized as performance obligations are satisfied which in most cases mirrors the timing of when

related costs are incurred. 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, and reflected in net assets without donor restrictions.

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.

Contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Noncash contributions are recorded at fair value 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 revenue without donor restrictions 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 revenue with donor restrictions. The donor-restricted net assets resulting from these contributions are released to net assets without donor-restricted 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 revenue with donor restrictions. Included in contributions on the consolidated statements of activities is a reclassification of private

Notes to Consolidated Financial Statements

Note 1. (continued)

contracts and grants revenue. For the years ended June 30, 2019 and 2018, the university recognized approximately \$145,000,000 and \$164,000,000 of private contracts and grants revenue in contributions on the consolidated statements of activities.

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. Health care services revenue is reported at the amount that reflects the consideration to which the organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, government programs and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the university bills patients and third-party payors several days after the services are performed or the patient is discharged. Revenue is recognized as performance obligations are satisfied. Health care services revenues also include the revenues associated with the professional services agreement with the County of Los Angeles.

The majority of the hospitals' services are rendered to patients with commercial or managed care insurance, or under the federal Medicare and California State Medi-Cal programs. Reimbursement from these various payors is based on a combination of prospectively determined rates per discharge, per diem payments, discounted charges and reimbursed costs. Amounts received under the Medicare program are subject to retroactive settlements based on review and final determination by program intermediaries or their agents. The gross charges may be reduced by explicit price concessions, which include contractual adjustments based on agreements with third-party payors or implicit price concessions provided to uninsured patients. Provisions for contractual adjustments and retroactive settlements related to these payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as additional information becomes known or as final settlements are determined.

Net patient service revenue is recorded over time during the period these performance obligations are satisfied and at the determined transaction price, which represents the estimated net realizable amounts due from patients, third-party payors and others for health care services rendered. Estimated net realizable amounts represent amounts due, net of implicit and explicit price concessions. Implicit price concessions are based on management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The university believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care or patients receiving care in our outpatient centers. The university measures the performance obligation from admission into the hospital or commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services.

Sales and services revenue include revenues from university pharmacies and student clinics. The university recognizes revenue as it provides

pharmaceutical products and consultative services to the community (students, faculty, staff, retired employees, alumni, broader Los Angeles market). The transaction price is the amount the university expects to be entitled to in exchange for the products provided (either published rates available on the university pharmacy websites or agreed upon rates from third-party payers). Retail pharmacy sales revenue is recognized at a point in time when the pharmaceutical is provided to the patient, and consultative services, although the performance obligation meets over time revenue recognition as the patient benefits over time from the university, revenue is recognized at a point in time. This is due to consultative services being outpatient in nature, and thus, all services are provided on the same day.

Auxiliary enterprise revenue includes multiple revenue streams which are included in the consolidated statements of activities, and reported as net assets without donor restrictions. These multiple revenue streams include point of sale transactions from hospitality, food, beverage, bookstore transactions, transportation and revenue generated from athletics. Revenue generated from hospitality, food, beverage, and bookstore goods is recognized at a point in time, and the value that is recognized for each performance obligation is explicitly listed at each location, which the university believes approximates the standalone transaction price. The transaction price for revenue related to athletics is publicly available on the university Ticket Office website. The performance obligation related to football season tickets is completely satisfied within the fiscal year, and any season ticket sales that occur in advance of the next fiscal year are recognized as deferred revenue.

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. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Under ASC 606, amounts recognized as bad debt expense related to health care services under the previous revenue recognition guidance are considered implicit price concessions which reduce the revenue that is recorded and no longer requires the presentation of allowance for doubtful accounts. Prior to the adoption of ASC 606, the university presented health care services revenue net of bad debt expense and accounts receivable related to patient care, net of allowance for doubtful accounts. Therefore, there was no impact to the presentation of revenue on the consolidated statements of activities as a result of adopting the standard, and the presentation of patient care receivables on the consolidated balance sheets. Furthermore, as a result of

Notes to Consolidated Financial Statements

Note 1. (continued)

this adoption, tuition and fees revenue are recorded net of explicit price concessions such as scholarships, discounts and waivers (“Financial aid”), and displayed in the consolidated statements of activities in “Tuition and fees.” Prior to the adoption of ASC 606, the university presented tuition and fees revenue less financial aid on the consolidated statements of activities. The university adopted this standard for fiscal year 2019 using the modified retrospective method for all contracts that are not completed at the adoption date. The adoption of this standard did not materially impact the university’s financial position.

In January 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, Financial Instruments—Overall Recognition and Measurement of Financial Assets and Financial Liabilities. This update impacts all organizations that hold financial assets and liabilities and changes how these organizations will recognize, measure, present, and disclose information about certain financial instruments. ASU 2016-01 is effective for annual reporting periods beginning after December 15, 2018. The university is currently evaluating the effect of adoption to the financial statements.

In 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 consolidated balance sheets. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018. The university is currently evaluating the effect of adoption to the financial statements.

In August 2016, the FASB issued ASU 2016-15, 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 November 2016, the FASB issued ASU 2016-18, a standard on Restricted Cash. This standard requires that the Consolidated Statement of Cash Flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents (“Total Cash”). Additionally, a disclosure describing the nature of the restrictions and a reconciliation of Total Cash to the amounts of Cash and cash equivalents presented on the consolidated balance sheet is required. 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 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 consolidated statements of activities 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 adopted this standard, on a modified prospective basis for fiscal year 2019, and the adoption of this standard did not materially impact the university’s financial position.

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*. This standard removes certain disclosures, modifies certain disclosures and adds additional disclosures related to fair value measurement. 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 consolidated balance sheet date for general expenditure are as follows as of June 30 (in thousands):

	Year Ended June 30, 2019	Year Ended June 30, 2018
Total assets at year end	\$13,139,364	\$12,603,032
Less:		
Notes receivable due in more than one year	(9,337)	(11,562)
Pledges receivable due in more than one year	(381,413)	(454,270)
Donor-restricted endowment funds	(4,222,348)	(4,060,117)
Board-designated endowment funds	(1,517,217)	(1,484,150)
Annuities and living trusts	(169,328)	(168,332)
Inventories, prepaid expenses and other assets	(127,154)	(124,080)
Property, plant and equipment	(4,363,842)	(4,174,090)
Financial assets available at year end for current use	\$2,348,725	\$2,126,431

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 2019 and 2018, 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 2019 and 2018, the Board of Trustees approved an endowment pool payout of \$29.45 a share, for a total spending rule allocation of \$246,551,000 and \$233,765,000. As described in Note 6, the university also has unfunded commitments on alternative investments totaling \$749,821,000 and \$656,181,000 for fiscal year 2019 and 2018.

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 \$1,517,217,000 as of June 30, 2019. 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):

	2019	2018
U.S. government	\$40,010	\$37,938
Student and other, net of allowance for doubtful accounts of \$12,505 (2019), \$12,505 (2018)	157,919	187,992
Patient care, net of allowance for doubtful accounts of \$0 (2019), \$13,999 (2018)	273,782	235,121
Total	\$471,711	\$461,051

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, 2019, consist of the following (in thousands):

	June 30, 2019		
	Financing Receivables, Gross	Allowance for Doubtful Accounts	Net
Perkins loans	\$38,255		\$38,255
University student loans	8,552	(\$2,106)	6,446
Other student loans	16,365		16,365
Total student loans	63,172	(2,106)	61,066
Faculty and other loans	31,052		31,052
Total	\$94,224	(\$2,106)	\$92,118

Long-term financing receivables as of June 30, 2018, consist of the following (in thousands):

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

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 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.

Notes to Consolidated Financial Statements

Note 4. (continued)

The following table illustrates the aging analysis of receivables as of June 30, 2019 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$1,188	\$273	\$6,281	\$30,513	\$38,255
University student loans	135	14	4,221	4,182	8,552
Other student loans	172		224	15,969	16,365
Total student loans	1,495	287	10,726	50,664	63,172
Faculty and other loans				31,052	31,052
Total	\$1,495	\$287	\$10,726	\$81,716	\$94,224

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
Total student loans	1,858	232	13,113	56,350	71,553
Faculty and other loans				33,532	33,532
Total	\$1,858	\$232	\$13,113	\$89,882	\$105,085

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, 2019 and 2018, 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 \$31,052,000 and \$33,532,000 were outstanding as of June 30, 2019 and 2018, 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, 2019, 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 in 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 as of June 30 (in thousands):

	2019	2018
Less than one year	\$80,916	\$115,916
One to five years	313,667	362,714
More than five years	194,727	242,007
Less: discount	(75,398)	(94,478)
Less: allowance	(51,583)	(55,973)
Total	\$462,329	\$570,186

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

	2019	2018
Endowment for departmental programs and activities	\$203,837	\$254,888
Endowment for scholarship	28,133	28,492
Building construction	97,515	144,507
Departmental programs and activities	132,844	142,299
Total	\$462,329	\$570,186

Conditional pledges for the university, which depend on the occurrence of specified future and uncertain events, at June 30, 2019 and 2018, was \$316,536,000 and \$345,517,000, 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.

Notes to Consolidated Financial Statements

Note 6.

Investments:

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

	2019	2018
Equities	\$2,344,188	\$2,291,991
Fixed income securities	1,024,505	1,114,134
Alternative investments:		
Hedge funds	1,217,195	1,107,682
Private capital	1,340,500	1,360,698
Real estate and other	276,671	207,078
Assets held by other trustees	148,177	149,728
Total	\$6,351,236	\$6,231,311

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, 2019 (in thousands):

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$2,133,797	\$984	\$94,425	\$114,982	\$2,344,188
Fixed income securities	263,994	736,046	24,464		1,024,504
Hedge funds				1,217,196	1,217,196
Private capital				1,340,500	1,340,500
Real estate and other			30,566	246,105	276,671
Assets held by other trustees			148,177		148,177
Total	\$2,397,791	\$737,030	\$297,632	\$2,918,783	\$6,351,236

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
Total	\$2,405,664	\$758,647	\$312,126	\$2,754,874	\$6,231,311

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, 2019 (in thousands):

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equities	\$94,416					\$9		\$94,425
Fixed income securities	31,737	\$34,523	(\$41,437)	\$160	(\$70)		(\$449)	24,464
Real estate and other	36,245		(4,480)	(1,350)	237		(86)	30,566
Assets held by other trustees	149,728	4,979	(8,298)	1,787	(19)			148,177
Total	\$312,126	\$39,502	(\$54,215)	\$597	\$148	\$9	(\$535)	\$297,632

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/(Loss)	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
Total	\$302,411	\$41,138	(\$44,998)	(\$544)	\$14,214	\$0	(\$95)	\$312,126

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.

Investment income and gains presented on the consolidated statements of activities contains endowment appreciation utilized to fund the spending rule, and investment income net of expenses. Current year investment return reported in non-operating activities is net of external and direct internal investment costs, reduced by endowment appreciation utilized to fund the spending rule. The university's total investment return for the years ended June 30, 2019 and 2018, was \$304,393,000 and \$529,188,000, respectively.

Notes to Consolidated Financial Statements

Note 6. (continued)

The following table lists investments by major category for the year ending June 30, 2019 (in thousands):

At June 30, 2019

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Unfunded Commitments	Remaining Life	Redemption Terms	Redemption Restrictions and Terms
Distressed Obligation Partnerships	U.S. and Non-U.S. Distressed Debt Securities	\$9,867	\$15,255	Approximately 2 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
Hedge Funds	U.S. and Non-U.S. Investments in Relative Value, Event Driven, Long/Short and Directional Strategies	1,217,196	98,576	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, quarterly redemption with up to 185 days notice, semiannual redemption with up to 120 days notice, annual redemption with up to 120 days notice, biannual redemption with 90 days notice and 5-year lockup with 90 days notice.	2% of NAV is locked-up for 1 month, 11% of NAV is locked-up for 3 months, 45% of NAV is locked-up for 1 year, and 42% of NAV is locked-up for more than 1 year.
Natural Resources Partnerships	U.S. and Non-U.S. Investments in Upstream, Midstream and Downstream Natural Resources Investments	417,816	151,782	Approximately 4 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
Private Capital Partnerships	U.S. and Non-U.S. Private Equity and Venture Capital Investments	912,817	273,424	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
Private Real Estate Partnerships	U.S. and Non-U.S. Real Estate	239,056	210,784	Approximately 5 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
Equity Funds	U.S. and Non-U.S. Equity Securities	114,982	Not Applicable	Open Ended	Minimum monthly	None
Other Funds	U.S. and Non-U.S. Investments in Securities Other than Equity and Fixed Income	7,049	Not Applicable	Open Ended	Monthly	None
Total		\$2,918,783	\$749,821			

Notes to Consolidated Financial Statements

Note 6. (continued)

The following table lists investments by major category for the year 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
Distressed Obligation Partnerships	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
Hedge Funds	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 and 30% of NAV is locked-up for more than 1 year.
Natural Resources Partnerships	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
Private Capital Partnerships	U.S. and Non-U.S. Private Equity and Venture Capital Investments	843,413	216,373	Approximately 3 Years	Redemptions are not permitted during the life of the fund.	Not Applicable
Private Real Estate Partnerships	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
Equity Funds	U.S. and Non-U.S. Equity Securities	115,661	Not Applicable	Open Ended	Minimum monthly	None
Other Funds	U.S. and Non-U.S. Investments in Securities Other than Equity and Fixed Income	114	Not Applicable	Open Ended	Monthly	None
Total		\$2,754,874	\$656,181			

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, 2019 (in thousands):

	Board-Designated Endowment Funds	Donor-Restricted Endowment	Total
Pooled	\$1,421,852	\$4,093,419	\$5,515,271
Non-pooled	95,365	128,929	224,294
Total	\$1,517,217	\$4,222,348	\$5,739,565

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
Total	\$1,484,150	\$4,060,117	\$5,544,267

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, 2019 and 2018, the pool is comprised of cash and cash equivalents (0.65%) and (0.63%), equities (56.70%) and (54.29%), fixed income securities (11.86%) and (12.06%), alternative investments (26.61%) and (29.94%) and real estate and other investments (4.18%) and (3.08%), 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, 2019 and 2018, was \$676.76 and \$676.51, 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, 2019 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$4,222,348	\$4,222,348
Board-designated endowment funds	\$1,517,217		1,517,217
Total	\$1,517,217	\$4,222,348	\$5,739,565

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
Total	\$1,484,150	\$4,060,117	\$5,544,267

Changes in endowment net assets for the year ended June 30, 2019 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2017	\$1,484,150	\$4,060,117	\$5,544,267
Total investment return, net	114,815	138,274	253,089
Contributions and transfers	31,147	156,641	187,788
Appropriation of endowment assets for expenditure	(112,895)	(132,684)	(245,579)
Endowment net assets at June 30, 2018	\$1,517,217	\$4,222,348	\$5,739,565

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2017	\$1,404,699	\$3,725,821	\$5,130,520
Total investment return, net	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)
Endowment net assets at June 30, 2018	\$1,484,150	\$4,060,117	\$5,544,267

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 as of June 30 (in thousands):

	2019	2018
Restricted for scholarship support	\$982,166	\$945,638
Restricted for faculty support	975,872	955,824
Restricted for program support	2,264,310	2,158,655
Total endowment assets with donor restrictions	\$4,222,348	\$4,060,117

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 net assets with donor restrictions. Deficits of this nature exist in various donor-restricted endowment funds, which together have an original value of \$36,070,000 and a current value of \$35,756,000 with a deficiency of \$314,000 and an original value of \$26,978,000 and a current fair value of \$26,743,000 and a deficiency of \$235,000 as of June 30, 2019 and 2018, 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 interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

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 2019 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, \$29.45 was distributed to each time-weighted unit for a total spending rule allocation of \$246,551,000. Investment income amounting to \$7.14 per time-weighted unit was earned, totaling \$59,756,000, and \$186,795,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2019 represent 4.47% of the market value of the endowment pool at June 30, 2019.

For the 2018 fiscal year, the Board of Trustees approved current distribution of 102% 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 8.

Property, Plant and Equipment:

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

	2019	2018
Land and improvements	\$201,409	\$196,738
Buildings and improvements	5,538,709	5,170,770
Buildings under capital leases	65,822	65,822
Equipment	740,141	679,578
Library books and collections	421,392	399,399
Construction-in-progress	253,250	250,575
	7,220,723	6,762,882
Less: Accumulated depreciation	2,856,881	2,588,792
Total	\$4,363,842	\$4,174,090

Note 9.

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, 2019 and 2018, was approximately \$42,122,000 and \$37,539,000, respectively. Space leases contain customary escalation clauses, which are included in annual aggregate minimum rentals.

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

Future minimum rental payments:	Operating	Capital
2020	\$54,350	\$1,642
2021	50,084	1,685
2022	48,554	1,730
2023	41,305	1,775
2024	35,987	1,823
Thereafter	246,267	664,470
	476,547	673,125
Less: Interest on capital leases		(597,256)
Total	\$476,547	\$75,869

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, 2019 and 2018, is \$75,869,000 and \$74,222,000, respectively.

Notes to Consolidated Financial Statements

Note 10.

Bonds and Notes Payable:

Bond and notes payable outstanding as of June 30 (in thousands):

	Interest %	Maturity	2019	2018
California Educational Facilities Authority Revenue Bonds and Notes:				
Series 2009C	5.25	2025	\$82,305	\$82,305
Premium			3,051	3,661
Series 2012A	5.00	2024	41,595	41,595
Premium			4,389	5,401
Series 2015A	5.00	2026	42,960	42,960
Premium			6,248	7,232
University of Southern California Bonds:				
Series 1998 Taxable	6.26	2019		4,585
Discount				(5)
Series 2011 Taxable	5.25	2112	300,000	300,000
Discount			(2,478)	(2,505)
Series 2016 Taxable	3.03	2040	722,580	722,580
Discount			(3,236)	(3,395)
Series 2017 Taxable	3.84	2048	402,320	402,320
Discount			(1,682)	(1,740)
California Infrastructure Revenue Bonds (USC - Soto Street Health Sciences):				
Series 2010 (Soto)	3.25-5.00	2018-2032	26,750	28,220
Premium			1,544	1,674
Notes Payable	5.00	2018-2020		17,500
			1,626,346	1,652,388
Less: current portion of long-term debt			1,540	6,055
Total			\$1,624,806	\$1,646,333

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years are approximately: 2020 \$1,540,000; 2021 \$1,620,000; 2022 \$1,700,000; 2023 \$1,755,000; 2024 \$43,435,000, thereafter \$1,568,460,000.

Interest payments for fiscal year 2019 and 2018 were \$63,428,000 and \$63,405,000, 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, 2019 and 2018, 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, 2019 and 2018.

Notes to Consolidated Financial Statements

Note 11.

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 expenses for the university's share of costs were approximately \$181,478,000 and \$169,505,000 during the years ended June 30, 2019 and 2018, 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 \$0 and \$33,000 during the years ended June 30, 2019 and 2018, 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):

Changes in Projected Benefit Obligation	2019	2018
Benefit obligation at end of prior year	\$229,537	\$251,857
Interest cost	8,779	9,862
Actuarial gain	30,498	(12,939)
Annuity purchase for plan participants	(108,958)	
Benefits paid	(11,691)	(19,243)
	\$148,165	\$229,537

Change in Plan Assets

Fair value of plan assets at the end of prior year	\$208,841	\$190,974
Actual return on plan assets	16,481	16,110
Employer contribution	22,000	21,000
Annuity purchase for plan participants	(108,958)	
Benefits paid	(11,691)	(19,243)
	\$126,673	\$208,841

Notes to Consolidated Financial Statements

Note 11. (continued)

Reconciliation of Funded Status	2019	2018
Accumulated benefit obligation at end of year	(\$148,165)	(\$229,537)
Projected benefit obligation at end of year	(148,165)	(229,537)
Fair value of plan assets at end of year	126,672	208,840
Funded status	(\$21,493)	(\$20,697)

Components of Net Periodic Benefit Cost		
Interest cost	\$8,779	\$9,862
Expected return on plan assets	(10,300)	(11,513)
Amortization of net loss	3,702	5,898
Settlement	33,781	
Total benefit cost	\$35,962	\$4,247

Amounts recognized in the Statement of Financial Position		
Accrued liabilities	(\$21,493)	(\$20,697)

Amounts not yet recognized as components of Net Periodic Benefit Cost		
Net Loss	\$48,219	\$61,384

Changes in the net reduction to Without Donor Restrictions		
Net gain (loss)	\$24,318	(\$17,535)
Amortization of net loss	(3,702)	(5,898)
Recognition of net (gain) due to settlement	(33,781)	
Total benefit cost	(\$13,165)	(\$23,433)

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 \$3,512,000 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. On April 5, 2019, a payment of \$108,957,844 was made to purchase annuities for 1,720 retirees and beneficiaries who were receiving monthly benefit payments from the Plan. As a result of this transaction, the responsibility for payment of the pension benefits was transferred to the insurance company, and ASC 715 settlement accounting was required. The effect of the settlement was determined based on a measurement date of March 31, 2019, in accordance with ASC 715-30-35-66A. As a result of the annuity purchase, 44.15% of the benefit obligation for the Plan was settled, and a pro rata portion of the net actuarial loss was recognized in expense, resulting in additional pension expense during fiscal 2019 of \$33,781,181.

Notes to Consolidated Financial Statements

Note 11. (continued)

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

	2019	2018
Discount rate	4.40%	4.00%
Expected return on plan assets	5.70%	6.20%
Rate of compensation increase	N/A	N/A

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

	2019	2018
Discount rate	3.65%	4.40%
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 40% equity securities and 60% 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, 2019, 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		\$3,637			\$3,637
Equity securities		46,715			46,715
Fixed income securities		76,320			76,320
Total		\$126,672			\$126,672

Notes to Consolidated Financial Statements

Note 11. (continued)

At June 30, 2018, 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		\$3,647			\$3,647
Equity securities		99,114			99,114
Fixed income securities		106,079			106,079
Total		\$208,840			\$208,840

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, 2019	Target at June 30, 2019	Actual at June 30, 2018	Target at June 30, 2018
Short-term investment fund	2.9%	0.0%	1.7%	0.0%
Equity securities	36.9%	40.0%	47.5%	50.0%
Fixed income securities	60.2%	60.0%	50.8%	50.0%
Total	100.0%	100.0%	100.0%	100.0%

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

Estimated Future Benefit Payments

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

Fiscal Year Ending June 30	
2020	\$1,987
2021	2,892
2022	3,742
2023	4,509
2024	5,198
2025-2029	34,521

Notes to Consolidated Financial Statements

Note 12.

Net Assets:

The university's net assets as of June 30, 2019, includes the following (in thousands):

Nature of Specific Net Assets	Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Internally reserved	\$1,030,039		\$1,030,039
Donor-restricted		\$55,154	55,154
Pledges		462,329	462,329
Unexpended endowment income	302,203		302,203
Annuity and living trusts		169,328	169,328
Donor-restricted endowment funds		4,222,348	4,222,348
Board-designated endowment funds	1,517,217		1,517,217
Debt service funds	120,696		120,696
Invested in plant	1,308,848		1,308,848
Total	\$4,279,003	\$4,909,159	\$9,188,162

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

Nature of Specific Net Assets	Year Ended June 30, 2018		
	Without Donor Restrictions	With Donor Restric- tions	Total Net Assets
Internally reserved	\$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
Total	\$4,331,141	\$4,938,390	\$9,269,531

Notes to Consolidated Financial Statements

Note 13.

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, 2019, functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fundraising Activities	Year Ended June 30, 2019
Compensation	\$2,040,161	\$340,824	\$32,563	\$2,413,548
Fringe benefits	578,002	111,633	11,011	700,646
Operating expenses	1,100,015	858,153	14,865	1,973,033
Cost of goods sold	85,483	43,982		129,465
Travel	48,734	10,640	778	60,152
Settlement				
Allocations:				
Depreciation	188,348	91,127	1,684	281,159
Interest	21,239	43,085		64,324
Plant operations and maintenance	162,475	(165,365)	2,890	
Total	\$4,224,457	\$1,334,079	\$63,791	\$5,622,327

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	
Total	\$3,930,747	\$1,044,421	\$68,607	\$5,043,775

Notes to Consolidated Financial Statements

Note 14.

Commitments and Contingencies:

Contractual commitments for educational plant amounted to approximately \$104,934,000 and \$132,631,000 at June 30, 2019 and 2018, 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.

The university has a broad portfolio of civil litigation, which reflects the complexity of the higher education environment and the diversity of issues facing universities today. Among other matters, these include lawsuits regarding the retirement plan, research and faculty recruitment, student disciplinary matters, athletic injuries, medical malpractice and employment litigation. In preparing these financial statements, management reviewed the entire litigation portfolio with the assistance of legal counsel and in accordance with ASC 450, Contingencies, and recorded a contingent liability on the consolidated balance sheets to properly account for the entire litigation portfolio.

Of note, during fiscal years ended June 30, 2018 and 2019 the university was named in civil 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. 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. As of June 30, 2019 there have been no payments made in connection with the federal class-action settlement. The federal class-action settlement is currently being processed in accordance with the terms of the settlement and is expected to receive final approval by the court and related payments made during calendar 2020. For the years ended June 30, 2018 and 2019, the university has recorded a liability for the federal class-action settlement of \$215 million. The state court civil lawsuits have continued to proceed through the court process. There have been significant developments in related matters that could impact the civil litigation, including currently, approximately 800 cases have opted out of the federal class action settlement, criminal charges being filed against the physician who was previously employed by the student health center and the change in California state law that eliminated the statute of limitations for certain individuals potentially impacted.

Management has assessed the risk of loss related to the alleged misconduct above together with other litigation and for those matters deemed estimable and probable has accrued expenses included in operating expenses in the consolidated statement of activities. While the university expects that a significant portion of the settlement accrual and the liability will be covered by insurance, no insurance reimbursements for settlements have been received as of June 30, 2019, and there can be no guarantee of the ultimate amount of coverage. Subsequent to year end certain amounts have been received from insurance which have been considered in the recording of the contingent liability estimate at June 30, 2019. Amounts of future insurance reimbursements are unknown as of June 30, 2019, and as a result no insurance recovery accruals have been recorded in the 2018 and 2019 consolidated financial statements. The university recognizes that the ultimate outcome of these matters may be different than the estimates made in the consolidated financial statements as of and for the years ended June 30, 2019 and 2018, and those differences may be material to the university's financial position.

Notes to Consolidated Financial Statements

Note 15.

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):

	2019	2018
Current sponsored awards	\$780,063	\$764,272
Executed grants and contracts for future periods	1,414,199	1,192,476
Total	\$2,194,262	\$1,956,748

Note 16.

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 17.

Subsequent Events:

The university has performed an evaluation of subsequent events through December 16, 2019, which is the date the financial statements were issued.

In November 2019, the Lord Foundation of California, a non-profit foundation that supports the university, has received approximately \$262 million to fund research and teaching as a beneficiary of the recent sale of the North Carolina-based LORD Corporation.

Events Subsequent to Original Issuance of Financial Statements (Unaudited)

In connection with the reissuance of the financial statements, the university has evaluated subsequent events through April 24, 2020, the date the financial statements were reissued.

On February 4, 2020, the university issued \$320,000,000 of Series 2020A taxable bonds. These bonds bear interest at 3.23% and mature on October 1, 2120. The proceeds of the Series 2020A Bonds will be used by the university for its general corporate purposes, including, but not limited to, the acquisition, construction, renovation, improvement, rehabilitation and/or equipping by the university of higher educational and healthcare facilities, and to pay all or a portion of the costs of issuance of the Series 2020A Bonds.

On February 12, 2020, the university issued \$308,835,000 of Series 2020B taxable bonds. These bonds bear interest at 2.81% and mature on October 1, 2050. \$223,658,675 of the proceeds of the Series 2020B Bonds were irrevocably deposited into separate refunding escrow accounts in amounts that are sufficient to pay interest and principal for the CEFA Series 2009C, Series 2012A, Series 2015A and California Infrastructure Revenue Bonds Series 2010 (Soto) outstanding bonds. Any remaining bond proceeds after funding the aforementioned escrow accounts are intended for general corporate purposes including, but not limited, to the acquisition, construction, renovation, improvement, rehabilitation and/or equipping by the university of higher educational and healthcare facilities.

On March 20, 2020, the university initiated and drew down its revolving line of credit in the amount of \$500,000,000. This transaction was in preparation to meet any liquidity needs that may arise.

Notes to Consolidated Financial Statements

Note 17. (continued)

The outbreak of COVID-19 has caused domestic and global disruption in operations for institutions of higher education and health care providers. The outbreak has also negatively impacted both the global financial markets and the university's investments and may continue to do so. Other adverse consequences of COVID-19 or any other similar outbreaks in the future may include, but are not limited to, decline in enrollment, decline in demand for university housing, decline in demand for university programs that involve travel or that have international connections, and the rescheduling of elective or non-critical procedures (which the university believes is temporary and such procedures will be performed at a later date). We believe we have sufficient liquidity to meet our operating and financing needs; however, given the difficulty in predicting the ultimate duration and severity of the impact of the novel coronavirus on the university, the economy and the financial markets, the ultimate impact may be material.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

RESEARCH & DEVELOPMENT CLUSTER		Current Year	Pass-Through Funds
<u>DIRECT AWARDS</u>	CFDA	Expenditures	to Sub recipients
Department of Agriculture			
Agricultural Research Service	10.001	328,036	-
Economic Research Service	10.253	43,221	-
Forest Service	10.699	13,146	-
National Institute of Food and Agriculture	10.310	145,268	98,509
Total Department of Agriculture		529,671	98,509
Department of Commerce			
Economic Development Administration	11.303	40,843	-
Economic Development Administration	11.312	8,781	-
Economic Development Administration	11.313	565,694	-
Minority Business Development Agency	11.805	(5,145)	-
National Institute of Standards and Technology (NIST)	11.609	626,553	-
National Institute of Standards and Technology (NIST)	11.619	9,762	9,762
National Oceanic and Atmospheric Administration (NOAA)	11.417	1,169,627	198,153
National Oceanic and Atmospheric Administration (NOAA)	11.431	45,519	-
National Oceanic and Atmospheric Administration (NOAA)	11.478	38,787	-
National Oceanic and Atmospheric Administration (NOAA)	11.482	36,149	8,484
Total Department of Commerce		2,536,570	216,399
Department of Defense			
Advanced Research Projects Agency	12.910	19,506,238	4,072,131
Department Of Defense	12.RD	57,609,516	11,958,126
Department of the Air Force, Materiel Command	12.800	4,584,781	259,107
Department of the Navy, Office of the Chief of Naval Research	12.300	16,699,703	4,813,333
Department of the Navy, Office of the Chief of Naval Research	12.330	448,838	-
Department of the Navy, Office of the Chief of Naval Research	12.350	104,424	-
National Security Agency	12.900	98,472	-
National Security Agency	12.901	206,188	-
Office of the Secretary of Defense	12.630	604,091	-
U.S. Army Materiel Command	12.431	16,434,385	3,268,348
U.S. Army Medical Command	12.420	4,179,750	349,318
Total Department of Defense		120,476,386	24,720,363

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

Department of Education

	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Institute of Education Sciences	84.305	1,001,959	365,096
Office of Elementary and Secondary Education	84.206	628,845	-
Office of Postsecondary Education	84.015	166,820	108,479
Office of Postsecondary Education	84.116	308,774	41,798
Total Department of Education		2,106,398	515,374

Department of Energy

Department of Energy	81.049	2,992,499	444,390
Department of Energy	81.086	552,170	335,281
Department of Energy	81.087	410,993	-
Department of Energy	81.089	439,057	283,343
Department of Energy	81.108	321,345	117,144
Department of Energy	81.135	711,974	114,905
Total Department of Energy		5,428,038	1,295,062

Department of Health and Human Services

Administration for Children and Families	93.713	10,275	-
Administration for Community Living	93.048	1,076,739	47,671
Administration for Community Living	93.747	727,204	61,135
Agency for Healthcare Research and Quality	93.226	588,400	183,622
Centers for Disease Control and Prevention	93.262	685,792	11,821
Centers for Disease Control and Prevention	93.283	12,122	-
Centers for Medicare and Medicaid Services	93.986	306,913	-
Department Of Health And Human Services	93.RD	3,569,736	-
Health Resources and Services Administration	93.124	42,315	-
Health Resources and Services Administration	93.732	428,795	-
Health Resources and Services Administration	93.924	942,239	-
Health Resources and Services Administration	93.969	843,512	67,668
National Institutes of Health	93.077	3,321,553	30,361
National Institutes of Health	93.113	10,770,439	854,399
National Institutes of Health	93.121	12,348,243	732,696
National Institutes of Health	93.172	4,046,827	692,987
National Institutes of Health	93.173	6,676,958	478,363
National Institutes of Health	93.213	122,798	-
National Institutes of Health	93.233	35,041	-
National Institutes of Health	93.242	13,834,575	3,903,300
National Institutes of Health	93.273	4,291,970	553,619
National Institutes of Health	93.279	6,998,637	1,487,403

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
National Institutes of Health	93.286	6,574,956	702,980
National Institutes of Health	93.307	2,435,913	242,744
National Institutes of Health	93.310	8,382,993	788,261
National Institutes of Health	93.350	7,023,275	339,529
National Institutes of Health	93.351	2,036,779	92,020
National Institutes of Health	93.361	736,405	54,850
National Institutes of Health	93.389	33,144	-
National Institutes of Health	93.393	14,090,723	1,872,306
National Institutes of Health	93.394	2,783,333	166,526
National Institutes of Health	93.395	1,577,578	385,232
National Institutes of Health	93.396	3,614,235	1,033,774
National Institutes of Health	93.397	6,796,390	344,349
National Institutes of Health	93.398	733,971	-
National Institutes of Health	93.837	4,193,661	330,630
National Institutes of Health	93.838	2,353,463	158,257
National Institutes of Health	93.839	2,303,412	1,529,302
National Institutes of Health	93.840	69,527	-
National Institutes of Health	93.846	3,588,449	312,448
National Institutes of Health	93.847	17,489,012	2,690,951
National Institutes of Health	93.853	13,724,389	3,370,779
National Institutes of Health	93.855	7,353,400	583,561
National Institutes of Health	93.859	9,725,752	249,521
National Institutes of Health	93.865	4,880,760	832,622
National Institutes of Health	93.866	53,410,903	7,568,378
National Institutes of Health	93.867	7,840,526	1,469,713
National Institutes of Health	93.879	260,929	-
National Institutes of Health	93.989	448,086	117,290
Office of the Secretary	93.297	1,056,936	516,985
Substance Abuse and Mental Health Services Administration	93.243	1,119,260	341,124
Total Department of Health and Human Services		258,319,243	35,199,178
Department of Homeland Security			
Department of Homeland Security	97.RD	1,826,944	157,892
Federal Emergency Management Agency (FEMA)	97.082	185,818	-
Science and Technology (S&T)	97.061	878,681	59,807
Total Department of Homeland Security		2,891,443	217,699
Department of Justice			
National Institute of Justice	16.560	228,084	-
Total Department of Justice		228,084	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

Department of State

	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Bureau of Educational and Cultural Affairs	19.401	675,845	-
Bureau of Educational and Cultural Affairs	19.415	1,530,732	35,000
Bureau of Near Eastern Affairs	19.021	60,865	-
Bureau of Near Eastern Affairs	19.221	451,882	-
Total Department of State		2,719,324	35,000

Department of the Interior

Bureau of Land Management	15.224	5,001	-
U.S. Geological Survey	15.807	1,649,734	1,189,688
U.S. Geological Survey	15.808	6,100	-
U.S. Geological Survey	15.810	17,990	-
Total Department of the Interior		1,678,825	1,189,688

Department of Transportation

Office of the Secretary (OST) Administration Secretariate	20.701	2,713,452	1,859,127
Total Department of Transportation		2,713,452	1,859,127

Department of Veterans Affairs

VA Health Administration Center	64.009	66,884	-
VA Health Administration Center	64.035	71,736	-
Total Department of Veterans Affairs		138,620	-

Environmental Protection Agency

Office of Research and Development (ORD)	66.509	838,386	55,459
Office of Research and Development (ORD)	66.516	5,705	-
Total Environmental Protection Agency		844,091	55,459

Institute of Museum and Library Services

Institute of Museum and Library Services	45.312	1,656	-
Institute of Museum and Library Services	45.313	35,457	-
Total Institute of Museum and Library Services		37,113	-

National Aeronautics and Space Administration

National Aeronautics and Space Administration	43.001	1,938,198	136,173
National Aeronautics and Space Administration	43.003	36	-
National Aeronautics and Space Administration	43.012	208,747	-
Total National Aeronautics and Space Administration		2,146,981	136,173

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

National Archives and Records Administration

National Archives and Records Administration

Total National Archives and Records Administration

National Endowment for the Arts

National Endowment for the Arts

Total National Endowment for the Arts

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

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

Total Research & Development Cluster - Direct Awards

CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
89.003	(91)	-
	<u>(91)</u>	<u>-</u>
45.024	57,858	-
	<u>57,858</u>	<u>-</u>
45.149	245,876	-
45.161	71,919	-
45.164	12,594	-
45.169	21,892	-
	<u>352,281</u>	<u>-</u>
47.041	16,748,632	2,230,559
47.049	4,561,483	-
47.050	12,599,375	4,296,151
47.070	11,868,876	925,779
47.074	1,246,212	116,484
47.075	1,464,142	60,680
47.076	3,276,374	105,942
47.079	62,347	-
	<u>51,827,441</u>	<u>7,735,594</u>
	<u>\$ 455,031,728</u>	<u>\$ 73,273,625</u>

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA	Expenditures	to Sub recipients
Agency for International Development				
University of California Regents	AID-OAA-A-14-00008	98.001	234,531	-
Total Agency for International Development			234,531	-
Department of Agriculture				
Civilian Research and Development Foundation	59-0210-6-004	10.001	1,023	-
Johns Hopkins University	2017-67007-26154	10.310	14,777	-
Knexus Research Corporation	W31P4Q-18-C-0069	10.RD	40,429	-
Leidos Incorporated	N62645-17-F0520	10.RD	28,333	-
Leidos Incorporated	N62645-12-C-4100	10.001	42,104	-
Nevada Division of Forestry	14-DG-11046000-611	10.664	14,190	-
Remote Sensing Solutions	2018-33610-28273	10.212	12,821	-
Santa Barbara Mariculture	2019-00606	10.212	1,169	-
Social and Scientific Systems, Incorporated	HHSN261200800001E	10.001	(23,637)	-
Space Telescope Science Institute	NAS5-26555	10.001	9,649	-
US-National Renewable Energy Laboratory - DOEN	DE-AC36-08GO28308	10.RD	28,001	-
Total Department of Agriculture			168,859	-
Department of Commerce				
CA-State Coastal Conservancy	NA16NOS4780205	11.478	238	-
Catalina Sea Ranch	WC-133R-16-CN-0114	11.RD	6,930	-
University of California San Diego	NA16NOS0120022	11.012	219,016	-
University of California San Diego	NA18OAR4170073	11.417	11,973	-
Total Department of Commerce			238,157	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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
Acta, Incorporated	N68335-17-C-0662	12.RD	8,676	-
ADA Technologies, Incorporated	W911NF-16-C-0118	12.RD	15,379	-
ADA Technologies, Incorporated	W911NF-18-C-0061	12.RD	55,283	-
Advanced Robotics for Manufacturing Institute	W911NF-17-3-0004	12.630	174,575	66,873
Advanced Technology International	HR0011-18-C-0037	12.RD	178,704	-
Applied Physics Laboratory, Johns Hopkins University	2016-16081700004	12.RD	140,679	-
Aptima, Incorporated	N68335-18-C-0334	12.RD	8,651	-
Aptima, Incorporated	W56KGU-19-C-0004	12.RD	11,466	-
Boeing Company	Classified	12.RD	5,105	-
Boeing Company	NNG17PX06C	12.RD	1,499,181	179,310
California Institute of Technology	FA9550-16-1-0510	12.800	58,327	-
California Institute of Technology	FA9550-18-1-0161	12.800	89,520	-
California Office of Emergency Services	2017-VA-GX-0084	12.RD	29,102	-
Carbonics, Incorporated	A18B-004-0042	12.630	15,904	-
Carnegie Mellon University	FA8750-18-2-0018	12.300	380,225	-
Carnegie Mellon University	W911NF-14-1-0436	12.431	12,210	-
Case Western Reserve University	N00014-16-1-2535	12.300	139,995	-
CA-State of California	AA-32213-18-55-A-6	12.RD	6,307	-
CA-State of California	ST1441-15-01	12.617	764,772	-
CA-State of California	ST1441-17-02	12.617	249,738	-
Charles River	FA8750-16-C-0045	12.RD	289,233	-
Children's Hospital of Los Angeles	W81XWH-16-1-0253	12.420	316,719	-
Civil-Military Innovation Institute, Incorporated	HQ0034-14-D-0027	12.RD	1	-
Concepts to Systems, Incorporated	FA9550-18-C-0004	12.RD	80,564	-
Creative Associates International	AID-522-TO-16-00001	12.RD	34,134	-
Eduworks	FA3002-19-P-A088	12.RD	13,682	-
Eduworks	FA3002-19-P-A156	12.RD	20,259	-
Emory University	FA9550-18-1-0420	12.800	62,057	-
ERC, Incorporated	FA9300-15-C-0004	12.RD	72,198	-
General Technical Services, LLC	GS07T12BGD0012	12.RD	97,390	-
George Mason University	FA9550-18-1-0455	12.800	73,604	-
Georgia Institute of Technology	18-C-0340	12.RD	326,625	-
Georgia Institute of Technology	FA8075-14-D-0018-0026	12.RD	343,859	48,420
Georgia Institute of Technology	FA8750-17-C-0086	12.RD	261,021	-
Georgia Institute of Technology	FA8750-18-2-0108	12.910	58,046	-
Global Science & Technology, Incorporated	ST-1330-17-CQ-0050	12.RD	85,068	-
Global Science & Technology, Incorporated	TO002 WA015	12.RD	2,384	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA	Expenditures	to Sub recipients
Graf Research	HQ0147-17-C-7326	12.RD	167,999	-
GXM Consulting, LLC	W911NF-16-D-0039	12.RD	22,293	-
H. F. Webster Engineering Services	W911NF-15-2-0034	12.RD	112,300	-
Intelligent Automation Inc	80NSSC18P2014	12.RD	6,000	-
Intelligent Automation Inc	NNX16CG06C	12.RD	56,034	-
Intelligent Optical Systems, Incorporated	68HE0D18C0013	12.RD	17,290	-
Intelligent Optical Systems, Incorporated	80NSSC18P1983	12.RD	19,710	-
John Snow, Incorporated	13567.2015.0001	12.RD	802	-
Johns Hopkins University	N00014-15-1-2312	12.300	66,536	-
Johns Hopkins University	W911NF-17-1-0304	12.431	128,729	-
Kessler Foundation	W81XWH-14-2-0150	12.420	5,585	-
LeafLabs, LLC	HR0011199036	12.RD	2,747	-
Lockheed Martin Corporation	FA8650-15-D-6583	12.RD	2	-
Lockheed Martin Corporation	N00014-16-C-1029	12.RD	82,012	-
Lockheed Martin Corporation	W911NF-17-3-0004	12.RD	208,002	-
Luminit, LLC	FA9451-19-P-0514	12.RD	46,205	-
Mahlet Consulting	Classified	12.RD	463,542	-
Massachusetts Institute of Technology	FA9550-15-1-0514	12.800	244,936	-
National Opinion Research Center	HHSP233201600020I/HHSP23337001T	12.RD	14,475	-
Next Century Corporation	FA8750-15-C-0138	12.RD	110,336	-
Next Century Corporation	HR0011-15-C-0112	12.RD	477,732	-
Noetic Corporation	HQ0034-10-A-0021	12.RD	(128,098)	-
North Carolina State University	W911NF-16-1-0406	12.431	203,983	-
Northern California Institute for Research	W81XWH-12-2-0012	12.420	17,097	-
Northern California Institute for Research	W81XWH-13-1-0259	12.420	377,910	-
Northern California Institute for Research	W81XWH-14-1-0462	12.420	644,498	-
Northrop Grumman Corporation	FA8014-18-C-5023	12.RD	129,196	-
Northrop Grumman Corporation	FA8650-16-C-6697	12.RD	862,380	169,851
Northrop Grumman Corporation	FA875017C0041	12.RD	1,972	-
Oregon Health Science University	NA	12.RD	3,192	-
Oregon State University	W81XWH-16-1-0794	12.420	61,714	-
Pacific Architects and Engineers	DJJ13-C-2442	12.RD	90,723	(2,705)
Peraton, Incorporated	N00173-16-D-2009	12.RD	94,657	-
Purdue University	FA8750-16-2-0193	12.300	66,207	-
Purdue University	HR0011-18-3-0004	12.RD	417,427	-
Rand Corporation	HHSM-500-2013-13014I	12.RD	37,363	-
Raytheon BBN Technologies	2017-17072100002	12.RD	488,179	-
Raytheon BBN Technologies	FA8650-17-C-7716	12.800	10,321	-
Raytheon BBN Technologies	HR0011-15-C-0113	12.RD	31,137	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA	Expenditures	to Sub recipients
R-DEX Systems	2-AF181-064	12.RD	49,478	-
R-DEX Systems	2-N181-027	12.RD	41,500	-
Regents of the University of Michigan	1 RDR18000002-01-00	12.RD	57,596	-
Regents of the University of Michigan	NNL13AQ00C	12.RD	13,372	-
Regents of the University of Michigan	W911NF1810208	12.431	105,608	-
Sandia National Laboratories	DE-AC04-94AL85000	12.910	171,273	-
Sandia National Laboratories	DE-AC04-94AL85000	12.RD	(94)	-
Sandia National Laboratories	DE-NA-0003525	12.RD	608,301	-
Soar Technology, Incorporated	W56HZV-17-C-0012	12.RD	37,293	-
Soar Technology, Incorporated	W911NF-18-C-0011	12.RD	146,517	-
Software Engineering Institute	FA8702-15-D-0002	12.800	80,812	-
Sri International	140D6319C0007	12.RD	42,445	-
Stevens Institute of Technology	HQ0034-13-D-0004	12.RD	969,423	-
Storagenergy Technologies, Incorporated	N6833518C0384	12.RD	60,014	-
Systems and Technology Research	2016-16041100004	12.RD	1,010,422	561,489
Tel-Aviv University	W81XWH-16-C-0198	12.RD	305,653	-
Temple University	W911NF-16-2-0189	12.431	305,429	-
The Board of Regents of the University System of Georgia	N00014-13-1-0563	12.300	105,996	-
The Board of Trustees of the Leland Stanford Junior University	FA9550-16-1-0051	12.800	85,775	-
The Design Knowledge Company	FA8650-13-D-1547	12.RD	125,863	-
The Design Knowledge Company	FA8650-18-D-1614	12.RD	551,521	-
UCLA Luskin School of Public Affairs	20184594	12.RD	2,514,130	-
University of California Berkeley	FA8750-17-2-0091	12.910	261,119	-
University of California Berkeley	W911NF-12-1-0541	12.431	47,238	-
University of California Regents	HR00111910001	12.910	54,723	-
University of California San Diego	H8A-MC-LZAZ	12.RD	(125,014)	-
University of California San Diego	W81XWH-12-2-0012	12.420	(94,849)	-
University of California San Francisco	W81XWH-14-2-0176	12.420	123,699	-
University of California San Francisco	W911NF-14-2-0043	12.431	212,791	-
University of California Santa Barbara	W911NF-15-1-0577	12.431	179,324	-
University of California, Los Angeles	N00014-17-1-2652	12.300	160,747	-
University of California, Los Angeles	OPM2615D0001 (TO F0414)	12.RD	78,340	-
University of California, Los Angeles	TI080222	12.RD	136,117	-
University of California, Los Angeles	W81XWH-15-1-0700	12.420	43,956	-
University of Cincinnati	FA8650-12-2-6B11	12.800	42,036	-
University of Colorado, Denver Anschutz Medical Campus	W81XWH-15-1-0504	12.420	6,520	-
University of Connecticut	N00014-17-1-2656	12.300	152,570	-
University of Illinois	FA9550-16-1-0042	12.800	129,500	-
University of Illinois	W911NF-17-2-0196	12.630	444,982	-
University of Maryland	FA9550-15-1-0350	12.800	24,502	-
University of Massachusetts, Worcester	1-17-IBS-176	12.RD	38,259	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA	Expenditures	to Sub recipients
University of Minnesota	FA9550-16-1-0009	12.800	186,433	-
University of Minnesota	N00014-17-1-2308	12.300	127,606	-
University of Pennsylvania	FA8750-18-2-0117	12.910	128,838	-
University of Pennsylvania	W911NF-17-2-0181	12.630	366,354	-
University of Pittsburgh	W81XWH-15-1-0663	12.420	200,869	-
University of Rochester	N00014-15-1-2635	12.300	35,148	-
University of Rochester	W911NF-18-0369	12.431	122,778	-
University of Utah	N00014-18-1-2407	12.630	71,917	-
University of Utah	W81XWH-15-1-0632	12.420	335,712	-
US-Jet Propulsion Laboratory, California Institute of Technology	80NM0018D0004	12.RD	14,958	-
US-Jet Propulsion Laboratory, California Institute of Technology	NNN12AA01C	12.RD	304,608	-
Walter R. Mc Donald & Associates, Incorporated	HHSP23337004T	12.RD	26,629	-
Total Department of Defense			22,870,505	1,023,239
Department of Education				
East Los Angeles College	P031C160250	84.031	82,300	-
McRel International	U411C150011	84.411	182,856	-
Tulane University	R305C180025	84.305	23,600	-
University of North Carolina, Chapel Hill	H325D130041-17	84.325	12,288	-
University of North Carolina, Chapel Hill	R305A150109-17	84.305	12,117	-
University of Pennsylvania	R305C150007	84.305	67,656	-
Total Department of Education			380,817	-
Department Of Energy				
California Institute of Technology	DE-SC0019227	81.049	58	-
General Motors Corporation	DE-EE0006826	81.086	136,425	-
Honeywell Federal Manufacturing & Technologies	DE-NA0002839	81.RD	118,193	-
Lawrence Berkeley Laboratory	DE-AC02-05CH11231	81.RD	1,276	-
Marine BioEnergy, Incorporated	DE-AR0000689	81.135	243,422	-
Mirage Systems, Incorporated	DE-SC0017165	81.049	29,922	-
Pennsylvania State University	DE-FE0026825	81.089	69,153	-
RadiaBeam Systems, LLC	DE-SC0015103	81.049	14,599	-
San Diego State University Foundation	DE-SC0016484	81.049	459	-
Sandia National Laboratories	DE-NA0003525	81.RD	84,684	-
The Board of Trustees of the Leland Stanford Junior University	DE-SC0019165	81.049	213,762	-
University of California, Los Angeles	DE-SC0019245	81.049	94,395	-
University of California, Los Angeles	DE-SC0019381	81.049	246,860	-
University of Houston	DE-NE0008438	81.121	996	-
University of Houston	DE-NE0008529	81.121	261,361	-
University of Illinois at Urbana Champaign	DE-SC0012504	81.049	53,931	-
University of Wisconsin, Milwaukee	DE-AR0000914	81.135	293,572	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

US-Lawrence Livermore National Laboratory
 US-Oakridge National Laboratories
 West Virginia University Research Corporation
Total Department Of Energy

Pass-Through Entity

Identifying Number

CFDA

Current Year

Expenditures

Pass-Through Funds

to Sub recipients

DE-AC52-07NA27344	81.RD	65,194	-
DE-AC05-00OR22725	81.RD	139,312	-
DE-AC05-00OR22725	81.049	9,250	-
		2,076,824	-

Department of Health and Human Services

Acurastem, Incorporated
 Acurastem, Incorporated
 Advanced Brain Monitoring, Incorporated
 AgeneBio
 Aids United
 Aids United
 Albert Einstein College of Medicine, Inc.
 American College of Radiology Imaging Network
 American College of Radiology Imaging Network
 Ann & Robert H. Lurie Children's Hospital of Chicago
 Arizona State University
 Arizona State University
 Arizona State University
 Arlene Fink Associates
 ATGC, Incorporated
 Banner Alzheimer's Institute
 Banner Alzheimer's Institute
 Banner Alzheimer's Institute
 Baylor College of Medicine
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
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 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 Beckman Research Institute of the City of Hope
 BioAIM
 BioVinc LLC
 Brigham & Women's Hospital
 Brigham and Women's Hospital

1R43AG058325-01	93.866	26,182	-
R44NS105156	93.853	15,282	-
1R43AG061994-01	93.866	61,859	-
4UH2NS101856-02	93.853	244,108	-
6 U90HA29237-04-01	93.928	239,117	-
U90HA29237	93.928	43,469	-
5R01HL126543-05	93.837	(2,222)	-
5UG1CA189828-02	93.399	6,000	-
UCA080098C	93.395	9	-
1R21DC016069-01A1	93.173	25,725	-
1U54CA217376-01A1	93.397	204,879	-
5U18DP006255-02	93.535	27,218	-
U01EB021980-01	93.286	13,765	-
2R44AA022014-02	93.273	13,233	-
1 R41 OD023245-01A1	93.351	77,123	-
1R01AG058468-01	93.866	64,236	-
5R01AG055444-02	93.866	40,866	-
5R01AG055444-02	93.866	18,610	-
5R01CA175026-05	93.396	27,593	-
1R01CA174683-01A1	93.395	11	-
5R01CA184585-05	93.393	15,394	-
5R01CA196854-04	93.395	8,870	-
5U01CA189283-03	93.394	8,413	-
5U01CA189283-04	93.394	53,346	-
5U01CA199277-03	93.393	97,789	-
5UM1CA186717-03	93.395	(714)	-
5UM1CA186717-03S1	93.395	(3,377)	-
5UM1CA186717-04	93.395	100,020	-
5UMCA186717-05	93.395	32,140	-
5U01CA199277-04	93.273	197,970	-
2R42AI06375-03	93.855	238,131	-
2R42DE025789-02	93.121	186,625	-
1RC2HL101543-01	93.701	(6,596)	-
3RF1AG047866-01AS1	93.866	(542)	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Brigham and Women's Hospital	5P01GM095467-09	93.859	160,768	-
Brigham and Women's Hospital	5UM1AI068636-10	93.855	504,245	-
Brigham and Women's Hospital	7UM1AI068636-07	93.855	(6,452)	-
Brigham and Women's Hospital	R01AG063689	93.866	12,000	-
Brigham and Women's Hospital	U01HL101422	93.837	1,966	-
Brigham and Women's Hospital	U19AG010483	93.866	519,388	(163,500)
Brigham and Women's Hospital	UM1AI068636	93.855	18,708	-
CA-Department of Public Health	5NU58DP003862-05-00	93.283	974,108	-
CA-Department of Public Health	PS12-1201	93.940	136,185	-
California Institute of Technology	1U01NS098975-01	93.853	24,119	-
California Institute of Technology	U01NS098975	93.853	29,118	5,305
California Institute of Technology	U24HG002223	93.172	257,204	-
California Institute of Technology	U41HG002223	93.172	89,289	-
Case Western Reserve University	2R01AI100560-06A1	93.855	11,761	-
Case Western Reserve University	5R01DA036171-04	93.279	(63)	-
Case Western Reserve University	5R01DA036171-05	93.279	(24)	-
Case Western Reserve University	7U01CA188392-03	93.393	94,767	-
Cedars-Sinai Medical Center	5R01AG055865-02	93.866	32,716	-
Cedars-Sinai Medical Center	5R01HL117983-05	93.837	2,771	-
Cedars-Sinai Medical Center	5R01HS024284-02	93.226	734	-
Cedars-Sinai Medical Center	5U01CA206610-02	93.393	15,141	-
Cedars-Sinai Medical Center	5U01NS088312-04	93.853	(286)	-
Cedars-Sinai Medical Center	R01EY013431	93.867	16,834	-
Chapman University	3RF1AG054442-02S3	93.866	286,878	-
Children's Hospital Corporation (As Boston Children's Hospital)	5R01AI065617-18	93.855	91,815	-
Children's Hospital Corporation (As Boston Children's Hospital)	R01AI065617	93.855	11,194	-
Children's Hospital of Los Angeles	1P50FD00642501	93.103	19,511	-
Children's Hospital of Los Angeles	1R01HD095456-01	93.865	17,056	-
Children's Hospital of Los Angeles	1R01HL141856-01	93.838	27,030	-
Children's Hospital of Los Angeles	1U01FD006549-01	93.103	17,363	-
Children's Hospital of Los Angeles	5P01CA217959-02	93.395	80,047	-
Children's Hospital of Los Angeles	5R01AA025653-03	93.273	118,862	-
Children's Hospital of Los Angeles	5R01HL130172-03	93.837	37,844	-
Children's Hospital of Los Angeles	5R01HL134666-02	93.838	51,672	-
Children's Hospital of Los Angeles	5U01HL117718-05	93.839	52,297	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Children's Hospital of Los Angeles	5U01HL122681-05	93.838	20,341	-
Children's Hospital of Los Angeles	U01HL117718	93.839	(165)	-
Children's Institute, Incorporated	15H79SM063397-01	93.104	37,500	-
Children's Institute, Incorporated	1H79SM063397-01	93.104	105,434	-
City College of New York	1R01MH11896-01	93.242	6,667	-
City College of New York	3R01MH11896-03S1	93.242	144,163	-
City College of New York	5R01MH11896-03	93.242	148,663	-
Cleveland Clinic Lerner College of Medicine	1R01CA218195-01	93.394	20,542	-
Cleveland Clinic Lerner College of Medicine	5R01NS089212-05	93.853	137,536	-
Cleveland Clinic Lerner College of Medicine	5UH3CA189883-05	93.396	6,775	-
Cleveland Clinic Lerner College of Medicine	5UH3CA189883-06	93.396	18,134	-
Cold Spring Harbor Laboratory	1U19MH114821-01	93.242	383,504	-
Cold Spring Harbor Laboratory	5U19MH114821-02	93.242	709,620	-
Cold Spring Harbor Laboratory	5U19MH114821-03	93.242	1,030	-
Columbia University	5R01HG003008-14	93.172	127,100	-
Columbia University	5U01AG051412-04	93.866	66,244	-
DARTNet Institute	200-2015-87699	93.RD	22,125	-
Doheny Eye Institute	5R01EY026935-02	93.867	8,021	-
DRVision Technologies LLC	1R44NS097094-01A1	93.853	524,801	-
Duke University	1R01DK118019-01A1	93.847	5,483	-
Duke University	1R01MH111671-01A1	93.242	12,838	-
Duke University	2U01DK065176-11	93.847	589	-
Duke University	3U24DK065716-16S1	93.847	2,316	-
Duke University	5R01MH111671-02	93.242	24,275	-
Duke University	UM1AI104681	93.855	990	-
Eden Medical, Incorporated	2R44DK102244-02A1	93.847	61,829	-
Emerson College	5R01 DC012774-04	93.173	8,250	-
Emory University	1R21ES028903-01A1	93.113	16,332	-
Emory University	1R56MH111459-01A1	93.242	29,941	-
Emory University	U01NS038455	93.853	25	-
Fred Hutchinson Cancer Research Center	5R01CA190661-03	93.395	20,773	-
Fred Hutchinson Cancer Research Center	5R01CA201407-02	93.393	89,998	-
Fred Hutchinson Cancer Research Center	5R01CA201407-03	93.393	406,522	-
George Washington University	2R01MH100028-06	93.242	50,395	-
Georgetown University	1R21CA209213-01	93.395	(9,428)	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Identifying Number				
Georgia Institute of Technology	4P50FD004193-05	93.103	10,879	-
Georgia State University	4P01HD070837-03	93.865	24,366	-
Harvard School of Public Health	5U01HD052102-13	93.865	29,853	-
Harvard School of Public Health	5U01HD052102-14	93.865	814,592	-
Harvard University	5P01AG041710-05	93.866	43,411	-
Harvard University	5R01DK121409-02	93.847	497,947	-
Health Research, Incorporated	1R01CA228156-01A1	93.393	5,168	-
Henry Ford Health System	1R01CA222146-01A1	93.393	9,601	-
Henry M. Jackson Foundation	R01MH102151	93.242	4,611	-
Huntington Medical Research Institute	5R01NS088379-05	93.853	111,328	-
Hura Imaging, LLC	R41EB024438	93.286	27,821	-
Icahn School of Medicine at Mount Sinai	5R01CA175491-05	93.394	16,801	-
Icahn School of Medicine at Mount Sinai	5U01HL088942-08	93.853	234	-
Icahn School of Medicine at Mount Sinai	5U54NS081764-06	93.853	10,275	-
Icahn School of Medicine at Mount Sinai	U01HL125506	93.837	245	-
ID Genomics, Incorporated	R42A1116114	93.855	23,595	-
IMPAQ International, LLC	75D30118F00001	93.RD	60,220	-
Indiana University	1R56AG057195-01	93.866	182,185	-
Indiana University	5R01AA021751-05	93.273	23,638	-
Indiana University	U01AG057195	93.866	1,316,199	-
Infinite Biomedical Technologies, LLC	1R43HD072668-01	93.865	(9,107)	-
InnoSense LLC	2R44AG046059-02A1	93.866	14,990	-
Integrated Interfaces LLC	1R43DE027306-01	93.121	29,954	-
Intelligent Optical Systems, Incorporated	1R43AA027123-01	93.273	9,943	-
Jackson Laboratory	4U41HG007497-04	93.172	36,925	-
JAEB Center for Health Research	1UC4DK108520-01	93.847	90,260	-
Johns Hopkins Medicine	UM1AI068632	93.855	165,027	-
Johns Hopkins University	5 UM1 AI068632-12	93.855	6,431	-
Johns Hopkins University	5R01AG021092-16	93.866	230,361	-
Johns Hopkins University	5R01AG052510-03	93.866	22,996	-
Johns Hopkins University	5R01ES023780-04	93.113	72,928	-
Johns Hopkins University	H98230-16-D-0026/003	93.RD	26,836	-
Johns Hopkins University	U10 EY014660	93.867	452	-
Johns Hopkins University	U10EY014660	93.867	1,060	-
Johns Hopkins University	U10EY024527	93.867	(499)	-
Kaiser Foundation Research Institute	5R01CA181242-04	93.394	26,033	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Kennedy Krieger Institute	R56MH113627	93.242	18,494	-
LA Biomedical Research Institute at Harbor-UCLA Medical Center	UL1TR0001881	93.350	9,252	-
LA County Community and Senior Services	A3-1314-19/A9-1314-19	93.052	638	-
Leidos Biomedical Research, Incorporated	HHSN261200800001E	93.RD	87,762	-
L-Nutra, Incorporated	HHSN271201400030C	93.RD	11,616	-
Los Angeles County	A3-1314-19/A9-1314-19	93.052	900,873	-
Los Angeles County-Department of Public Health	5NU58DP005509	93.757	70,000	-
Louisiana State University	5R01NS104117-02	93.853	98,187	-
Lovelace Biomedical and Environmental Research Institute	1U01CA232505-01	93.393	7,129	-
Massachusetts General Hospital	5R01MH116173-02	93.242	159,012	-
Massachusetts General Hospital	5U01NS090259-02	93.853	36,439	-
Massachusetts General Hospital	U01HL123336	93.837	37,099	-
Mayo Clinic	5R01CA195527-03	93.394	63,979	-
Mayo Clinic	5R01CA195527-04	93.394	10,248	-
Mayo Clinic	5U01AG045390-04	93.866	(5,646)	-
Mayo Clinic	5U01AG045390-05	93.866	51,329	-
Mayo Clinic	5U01CA089600-12	93.393	(29)	-
Mayo Clinic	U01NS080168	93.853	9,390	-
Mayo Clinic Jacksonville	R01NS097876	93.853	557	-
Medical University of South Carolina	3U01DK104833-04S1	93.847	39,683	-
Memorial Sloan Kettering	R01CA207442	93.393	3,854	-
Menssana Research, Incorporated	5R44CA203019-01A1	93.RD	(20,765)	-
Methodist Hospital Research Institute	R01HL115003	93.837	(1,849)	-
Microsensor Labs, LLC	1R43CA228917-01	93.394	74,871	-
Modulated Imaging, Incorporated	5R44DK094625-03	93.847	2,880	-
National Association of Chronic Disease Directors	5NU38OT000225-05	93.424	16,959	-
National Bureau of Economic Research	P01AG005842	93.866	(37)	-
NCT Holdings, Incorporated dba NeuroCog Trials	4R44AG058345-02	93.866	145,706	-
NEONC Technologies, Incorporated	1R41CA217551-01A1	93.396	172,021	-
New England Research Institutes	U01HL107407	93.837	199,031	-
New York University	1R01NS104923-01	93.853	257,113	-
New York University	5R01DE026798-03	93.121	41,348	-
North Carolina State University	5R01EB015508-04	93.286	1,399	-
North Carolina State University	5R21EY022174-02	93.867	(410)	-
Northern California Institute for Research and Education	5U01AG024904-10	93.866	(24,642)	-
Northern California Institute for Research and Education	5U01AG024904-12	93.866	22,582	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Northern California Institute for Research and Education	U01AG024904	93.866	10,412	-
Northern California Institute for Research and Education	U19AG024904	93.866	9,225,440	323,001
Northwestern University	1R01AR072721-01A1	93.846	33,565	-
Northwestern University	51R01AG055121-02	93.866	13,705	-
Northwestern University	5P30DA027828-08	93.279	62,505	-
Northwestern University	5P50CA180995-03	93.397	112,185	-
Northwestern University	5P50CA180995-04	93.397	61,945	-
Northwestern University	5R21AG057383-02	93.866	7,581	-
Northwestern University	5U01TR001806-02	93.350	2,003	-
Northwestern University	5U01TR001806-03	93.350	247,352	-
Northwestern University	5U01TR001806-04	93.350	1,681	-
Northwestern University	R01CA218436	93.393	3,297	-
Northwestern University	R01DC010191	93.173	2,510	-
NRG Oncology Foundation, Incorporated	NA	93.RD	45,589	-
Oregon Health Science University	5R01DK098382-06	93.847	70,340	-
Oregon Health Science University	5U01CA180888-05	93.395	14,946	-
Oryn Therapeutics, LLC	1R44AR068833-01	93.846	32	-
Pennsylvania State University	1U2CAG060408-01	93.866	15,121	-
Pennsylvania State University	5R01HD059783-07	93.865	101,457	-
President and Fellows of Harvard College	5P01AG041710-05	93.866	33,853	-
President and Fellows of Harvard College	5R01AG042778-05	93.866	154,018	-
President and Fellows of Harvard College	5U01HD052102-13	93.865	88,022	-
President and Fellows of Harvard College	R01AG042778	93.866	1	-
Princeton University	5P30AG024928-14	93.866	33,000	-
Princeton University	5P30AG024928-15	93.866	39,716	-
Proteogenomics Research Institute for Systems Medicine	5P01HL11965-04	93.838	97,468	-
Proteogenomics Research Institute for Systems Medicine	5P01HL11965-05	93.838	13,458	-
Public Health Institute	U10CA180899	93.393	369,810	-
Public Health Institute	UG1CA189955	93.393	65,549	-
Rand Corporation	HHSM-500-2013-13014I	93.RD	39,711	-
Rand Corporation	P01AG008291	93.866	101,734	-
Rand Corporation	R01AG036784	93.866	-	-
Rand Corporation	R01HD087257	93.865	19,999	-
Rand Corporation	R21AG053716	93.866	32,335	-
Rand Corporation	R21AG057396	93.866	3,300	-
Rand Corporation	R34AA025968	93.273	22,355	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Regents of the University of Michigan	1R21MD012683-01	93.307	29,914	-
Regents of the University of Michigan	1RF1AG051710-01	93.866	35,368	-
Regents of the University of Michigan	3R01DA001411-44S1	93.077	82,919	-
Regents of the University of Michigan	3R01DA001411-45S1	93.077	1,258	-
Regents of the University of Michigan	5R01CA201198-04	93.393	229,589	-
Regents of the University of Michigan	5R24AG045061-05	93.866	131,593	-
Regents of the University of Michigan	5U01AG009740-28	93.866	(708)	-
Regents of the University of Michigan	5U01AG009740-29	93.866	157,533	-
Regents of the University of Michigan	7R01EY022931-05	93.867	60,410	-
Research Foundation for Mental Hygiene, Incorporated	R01AG051346	93.866	23,117	-
Research Foundation for the State University of New York	1R01HD093907-01A1	93.865	31,568	-
Research Foundation of State University of New York	1R01DC017720-01	93.173	5,848	-
Research, Evaluation, and Social Solutions, Incorporated	5R44MD008582-04	93.307	105,510	-
Rush University Medical Center	5R01HL112756-05	93.233	14,383	-
Rutgers, The State University of New Jersey	1R56HG010297-01	93.172	108,045	-
Rutgers, The State University of New Jersey	R56HG010297	93.172	69,790	-
Rutgers, The State University of New Jersey	U01HG007419	93.172	(17)	-
Rutgers, The State University of New Jersey	U24MH068457	93.242	654,108	-
Salk Institute For Biological Studies	5U19MH114831-02	93.242	456,537	-
Salk Institute For Biological Studies	5U19MH114831-03	93.242	1,271	-
Scott & White Memorial Hospital	5R21AA025997-02	93.273	60,174	-
Scripps Research Institute	1U24OD023176-01	93.310	5,291	-
Scripps Research Institute	5R01DE025167-05	93.121	177,531	-
Scripps Research Institute	5R01NS094721-05	93.853	23,885	-
Scripps Research Institute	5U24OD023176-02	93.310	34,240	-
Simmetrix, Incorporated	R41CA224898	93.393	5,278	-
Social and Scientific Systems, Incorporated	1U01AI068636-01	93.855	48,391	-
Social and Scientific Systems, Incorporated	HHSN272200900001	93.855	13,450	-
Social and Scientific Systems, Incorporated	HHSN272200900001	93.855	72,259	-
Southern California Institute for Research and Education	U01AA021884/U01AA021886	93.273	74,671	-
Southern California Institute for Research and Education	U01AA021886	93.273	26,490	-
Stanford School of Medicine	U01NS038455	93.853	121,749	-
Syracuse University	1R01AG055481-01	93.866	136,500	-
Temple University	1R01GM130889-01	93.859	3,932	-
The Board of Regents of the University System of Georgia	5U24DK115255-02	93.847	16,768	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
The Board of Trustees of the Leland Stanford Junior University	5R01CA182514-05	93.395	15,956	-
The Board of Trustees of the Leland Stanford Junior University	5R01CA211602-04	93.394	100,827	-
The Board of Trustees of the Leland Stanford Junior University	5R01CA225697-02	93.393	43,271	-
The Board of Trustees of the Leland Stanford Junior University	5U41HG001315-24	93.172	60,439	-
The Board of Trustees of the Leland Stanford Junior University	5U54MD010724-03	93.307	99,805	-
The Board of Trustees of the Leland Stanford Junior University	R01GM117097	93.859	91,928	-
Tufts Medical Center	2U01DK098245-06	93.847	83,630	-
Tufts Medical Center	U01DK098245	93.847	35,096	-
University of Alabama	5R01AG057684-02	93.866	111,003	-
University of Alabama at Birmingham	5R01CA174683-05	93.395	5,456	-
University of Alabama at Birmingham	5U01EY025858-03	93.857	12,841	-
University of Alabama at Birmingham	HHSN27220 13000 12I	93.RD	(54,287)	-
University of Arizona	2P01AG026572-11	93.866	48,612	-
University of Arizona	2U24DK076169-11	93.847	584	-
University of Arizona	5P01AG026572-14	93.866	469,760	-
University of Arizona	5R01EB018921-04	93.286	95,660	-
University of Arizona	HHSN261201200031I	93.RD	81,252	-
University of California	UM1AI068636	93.855	52,014	-
University of California Berkeley	5P50ES018172-09	93.113	52,185	-
University of California Berkeley	P30AG012839	93.866	21,529	-
University of California Davis	200-2016-91951	93.RD	15	-
University of California Davis	W81XWH-09-1-0746	93.RD	12,500	-
University of California Regents	5R01AG049020-05	93.866	153,855	-
University of California Regents	5R01CA185058-05	93.393	59,112	-
University of California Regents	5R01CA207360-02	93.393	10,418	-
University of California Regents	5R01CA213129-02	93.395	88,781	-
University of California Regents	5R01NS100911-02	93.853	36,545	-
University of California Regents	R01MH098062	93.242	55,558	-
University of California Riverside	1R01NS104041-01	93.853	71,934	-
University of California Riverside	5R01MH116220-02	93.242	67,108	-
University of California Riverside	5R21MH110814-02	93.242	30,035	-
University of California San Diego	1 RC2 AG036535-01	93.701	386	-
University of California San Diego	1OT2OD026552-01	93.310	678,291	-
University of California San Diego	1U01AA027681-01	93.353	188,199	-
University of California San Diego	3OT2OD024611-01S1	93.310	(5,398)	-
University of California San Diego	5R01AI114671-04	93.855	148,040	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity		Current Year	Pass-Through Funds
	Identifying Number	CFDA	Expenditures	to Sub recipients
University of California San Diego	5R01DA037217-05	93.279	28,124	-
University of California San Diego	5R01DA040648-03	93.279	38,267	-
University of California San Diego	5R01GM126016-02	93.859	50,108	-
University of California San Diego	5U01AA022614-05	93.273	72,850	-
University of California San Diego	5U01AG024904-09	93.866	(38,523)	-
University of California San Diego	5U19AG010483	93.866	2,029	-
University of California San Diego	5UM1AI069432-11	93.855	268,251	-
University of California San Diego	OT2OD026552	93.310	51,266	-
University of California San Diego	R01AG048650	93.866	236,765	-
University of California San Diego	UM1AI069432	93.855	336,428	-
University of California San Francisco	5R01AG038791-09	93.866	22,153	-
University of California San Francisco	5R01CA197422-03	93.393	19,277	-
University of California San Francisco	5R01ES026171-03	93.113	180,230	-
University of California San Francisco	5R01HD093012-02	93.865	75,761	-
University of California San Francisco	5TP2AH000045-03-00	93.297	(385)	-
University of California San Francisco	5TP2AH000045-04-00	93.297	39,651	-
University of California San Francisco	5U01DK082944-11	93.847	15,626	-
University of California San Francisco	5U01NS086090-05	93.853	259,418	-
University of California San Francisco	5U24DE026914-02	93.121	698,379	-
University of California San Francisco	5U24DE02691403	93.121	35,875	-
University of California San Francisco	5U24DE026914-03	93.121	104,538	-
University of California San Francisco	4U54NS092089-04 REVISED	93.853	13,863	-
University of California San Francisco	5UH3NS100544-02	93.853	72,538	-
University of California San Francisco	R01MH098062	93.242	1,690	-
University of California San Francisco	R24AG048024	93.866	45,157	-
University of California San Francisco	U54NS092089	93.853	14,118	-
University of California San Francisco	UM1AI110498	93.855	(6,926)	-
University of California, Irvine	3UL1TR001414-04S1	93.350	39,599	-
University of California, Irvine	5R01HL125084-08	93.837	131,763	-
University of California, Irvine	5R01HL127271-04	93.837	106,455	-
University of California, Irvine	5R01MH113026-02	93.242	12,316	-
University of California, Irvine	R01NR105591	93.361	1,255	-
University of California, Los Angeles	1R01ES029395-01	93.113	61,385	-
University of California, Los Angeles	1R01HL140472-01A1	93.837	53,653	-
University of California, Los Angeles	1R01MH117982-01	93.242	61,007	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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 California, Los Angeles	1RF1AG050967-01A1	93.866	12,510	-
University of California, Los Angeles	1U01MH117079-01	93.242	198,122	-
University of California, Los Angeles	1U54EB022002-01S1	93.266	484,955	-
University of California, Los Angeles	1U54NS081764-01	93.853	(2,306)	-
University of California, Los Angeles	2U24MH100929-06	93.242	10,989	-
University of California, Los Angeles	3U01DK082370-10S1	93.847	160,947	-
University of California, Los Angeles	3ULTR001881-03S4	93.350	34,079	-
University of California, Los Angeles	5K08DK107934-03	93.847	24,686	-
University of California, Los Angeles	5P01HL073104	93.839	12	-
University of California, Los Angeles	5-P01-HL073104-07	93.839	(75)	-
University of California, Los Angeles	5P30MH058107-22	93.242	8,715	-
University of California, Los Angeles	5R01AI140718-02	93.855	274,690	-
University of California, Los Angeles	5R01DE022045-05	93.121	115,201	-
University of California, Los Angeles	5R01ES027027-03	93.113	52,185	-
University of California, Los Angeles	5R01GM120507-03	93.859	46,455	-
University of California, Los Angeles	5R01HS025394-02	93.226	53,904	-
University of California, Los Angeles	5R01NR015038-04	93.361	21,363	-
University of California, Los Angeles	5R01NR016463-04	93.361	17,867	-
University of California, Los Angeles	5R01NS074980-08	93.853	154,259	-
University of California, Los Angeles	5R21MH115404-02	93.242	77,465	-
University of California, Los Angeles	5R61MH110526-02	93.242	225,044	-
University of California, Los Angeles	5U01DK082370-09	93.847	(1,470)	-
University of California, Los Angeles	5U01MH110008-03	93.242	33,309	-
University of California, Los Angeles	5U01MH117079-02	93.242	1,129	-
University of California, Los Angeles	5U01NS086497-05	93.853	9,203	-
University of California, Los Angeles	5U1OHA29292-03-00	93.145	366,082	-
University of California, Los Angeles	OPM2615D0001	93.RD	53,695	-
University of California, Los Angeles	TI080222	93.788	397,212	25,200
University of California, Los Angeles	U01DK082370	93.847	126,442	-
University of Chicago	1 OT3 OD025458	93.310	345,701	-
University of Chicago	5R01AI103342-02	93.855	(12,064)	-
University of Chicago	5R01CA228198-02	93.393	239,604	-
University of Chicago	R01HL121330	93.837	281,804	20,994
University of Chicago	RC2 HL101651	93.701	(482)	-
University of Cincinnati	1U01NS102353-01A1	93.853	153	-
University of Cincinnati	U01NS095869	93.853	13,561	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
University of Cincinnati Medical Center	U01NS092076	93.853	14,278	-
University of Delaware	1R01GM120351-01A1	93.865	16,885	-
University of Florida	R01GM128193	93.859	97,478	-
University of Hawaii at Honolulu	1R01CA228905-01	93.077	118,456	-
University of Hawaii at Honolulu	2U01CA164973-06	93.393	392,883	-
University of Hawaii at Honolulu	4P01CA168530-05	93.393	88,443	-
University of Hawaii at Honolulu	U01CA164973	93.393	1,061,673	-
University of Illinois at Chicago	5R21AG056782-02	93.866	6,427	-
University of Kentucky	7R01HS02378304	93.226	8,158	-
University of Kentucky Research Foundation	1R01HS025148-01A1	93.226	21,354	-
University of Louisville	5R21MH09844-02	93.242	21,234	-
University of Maryland	1OT3OD025459-01	93.310	346,566	-
University of Maryland	1R01EY028666-01	93.867	116,422	-
University of Maryland	1R01HD097093-01	93.865	3,775	-
University of Maryland	7R01AI103342-05	93.855	36,012	-
University of Massachusetts	5R01DK113300-02	93.847	46,575	-
University of Miami	3P30DA027828-02	93.279	(3,875)	-
University of Miami	5R01NS096212-03	93.853	57,570	-
University of Miami	5R21HD095636-02	93.865	22,529	-
University of Minnesota	5P01CA138338-07	93.393	97,707	32,690
University of Minnesota	5P01CA138338-08	93.393	176,518	-
University of Nebraska Medical Center	5R01AG037120-03	93.866	52,154	-
University of Nebraska Medical Center	R01AG037120	93.866	36,725	-
University of New South Wales	5R01CA172404-05	93.393	30,659	-
University of North Carolina, Chapel Hill	5R01CA218392-02	93.395	102,000	-
University of North Carolina, Chapel Hill	5R01DK101855-03	93.847	8,673	-
University of North Carolina, Chapel Hill	5R01HL142302-02	93.837	33,184	-
University of North Carolina, Chapel Hill	5U01DK092239-04	93.847	(98)	-
University of North Carolina, Chapel Hill	R21HD091547	93.865	46,955	-
University of North Texas Fort Worth	1R01AG058537-01	93.866	93,572	-
University of North Texas Fort Worth	1R56AG058533-01	93.866	12,398	-
University of North Texas Fort Worth	5R01AG054073-03	93.866	152,716	-
University of Oklahoma	1R21DA044430-01A1	93.279	1,650	-
University of Pennsylvania	5R01DK105155-03	93.847	67,786	-
University of Pennsylvania	5R01EY023557-05	93.866	48,080	-
University of Pennsylvania	5R01MH075916-09	93.242	90,618	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
University of Pittsburgh	1U01DE027452-01	93.121	(18,209)	-
University of Pittsburgh	3U01AG051406-04S4	93.866	4,700	-
University of Pittsburgh	3UL1TR001857-03S1	93.350	32,925	-
University of Pittsburgh	5R01AG034852-09	93.866	147,534	-
University of Pittsburgh	5R01DK115476-02	93.847	349,586	-
University of Pittsburgh	5U01AG051406-04	93.866	128,274	-
University of Pittsburgh	5U01DE027452-02	93.121	25,765	-
University of Pittsburgh	5UL1TR001857-03	93.350	117,048	-
University of Pittsburgh	5UL1TR001857-04	93.350	390	-
University of Pittsburgh	U01AG051406	93.866	397,342	-
University of South Florida	1UC4DK097835-01	93.847	11,603	-
University of Tennessee Health Science Center	5R21CA208161-02	93.393	20,942	-
University of Texas	2K12HD055929-11	93.865	59,106	-
University of Texas	5K12HD055929-12	93.865	187,323	-
University of Texas Health Science Center at San Antonio	1R21AI129883-01	93.855	1,126	-
University of Texas Health Science Center at San Antonio	1R21AI130668-01	93.855	1,126	-
University of Utah	4U02GM104604-05	93.859	1,919	-
University of Virginia	5R01CA207260-03	93.393	49,229	-
University of Virginia	7R01CA143237-07	93.393	31,232	-
University of Virginia	7R01CA204279-03	93.393	8,557	-
University of Virginia	7R01MH100028-08	93.242	1,555	-
University of Washington	1R01GM123993-01	93.859	52,082	-
University of Washington	5R01AA018673-08	93.273	278,014	-
University of Washington	5R01AG055653-02	93.866	92,910	-
University of Washington	5R01AI127463-03	93.855	43,950	-
University of Washington	5U01AG016976-19	93.866	2,655	-
University of Washington	5U01AG016976-20	93.866	9,958	-
University of Washington	5U01CA194393-03	93.393	85,727	-
University of Washington	R01AI127463	93.855	31,393	-
University of Washington at Seattle	5R01DK099165-05	93.847	6,823	-
University of Wisconsin, Madison	1RM1GM130450-01	93.859	271	-
Van Andel Research Institute	5R35CA209859-02	93.393	39,502	-
Van Andel Research Institute	5R35CA209859-03	93.393	47,503	-
Vanderbilt University	5R01CA202981-02	93.393	(3,115)	-
Vanderbilt University	5R01CA202981-03	93.393	142,991	-
Vanderbilt University	6R01HS022640-02	93.226	24,753	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA*	Current Year Expenditures	Pass-Through Funds to Sub recipients
Vanderbilt University Medical Center	1R01CA227133-01A1	93.394	1,049	-
Vanderbilt University Medical Center	1R01EY0296390-01	93.867	9,904	-
Vanderbilt University Medical Center	R01AG047992	93.866	2,491,192	47,112
Vanderbilt University Medical Center	R01HS022640-01	93.226	(2,168)	-
VioMedix, LLC	1R41CA210877-01A1	93.395	46,685	-
Virginia Commonwealth University	2U54DA036105-06	93.077	15,277	-
Wake Forest University	5R01HD084606-03	93.865	28,173	-
Wake Forest University	R01AG058571	93.866	76,744	-
Wake Forest University Health Sciences	RF1AG041845	93.866	13,117	-
Washington University	5R01AG053267-02	93.866	52,109	-
Washington University In St. Louis	5R01NS089932-04	93.853	162,318	-
Washington University In St. Louis	UF1AG032438	93.866	41,833	-
Washington University School of Medicine	5R01CA211711-03	93.394	25,421	-
Washington University School of Medicine	5R01EY027387-03	93.867	172,798	-
Weill Cornell Medical College	5R01MH114925-02	93.242	41,762	-
Westat, Incorporated	HHSN275201300003C	93.RD	379,379	-
Westat, Incorporated	HHSN275201800001I	93.RD	578,391	-
Yale University	UH3TR000967	93.310	23,835	22,036
Total Department of Health and Human Services			49,636,829	312,838

Department of Homeland Security

CA-Governor's Office - OES	EMF-2017-CA-00010-S01	97.082	161,817	-
CA-Governor's Office - OES	EMF-2018-CA-00013	97.082	137,105	-
University of California, Irvine	2017-ST-061-QA0001-01	97.061	45,354	-
University of Illinois at Urbana Champaign	2015-ST-061-CIRC01	97.061	35,890	2,466
Vision System, Incorporated	D17PC00288	97.RD	443,935	-
Wake Forest University Health Sciences	N66001-14-C-4016	97.034	1,301,641	30,793
Total Department of Homeland Security			2,125,742	33,259

Department of Justice

Rand Corporation	2017-R2-CX-0025	16.560	153,479	-
Total Department of Justice			153,479	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER	Pass-Through Entity		Current Year	Pass-Through Funds
<u>PASS-THROUGH FUNDS</u>	Identifying Number	CFDA*	Expenditures	to Sub recipients
Department of State				
Creative Associates International	S-NEAAC-16-GR-1029	19.222	(18,414)	
Global Ties U.S.	SINLEC-16CA-2006	19.703	48,182	-
Total Department of State			29,768	-
Department of the Interior				
CA-Department of Parks and Recreation	P17AP00240	15.925	3,757	
Total Department of the Interior			3,757	-
Department of Transportation				
CA-Department of Transportation	69A3551747109	20.701	192,489	17,916
California State University Long Beach Foundation	DTFH61-14-H-00026	20.200	19,397	-
National Academy of Sciences	DTFH61-13-H-00024	20.200	37,371	-
University of California Regents	69A3551747114	20.701	277,461	100,100
University of California Regents	DTRT13-G-UTC29	20.701	324,689	211,314
Total Department of Transportation			851,407	329,330
Environmental Protection Agency				
Health Effects Institute	CR-83590201	66.511	185,044	72,637
Southern California Coastal Water Research Project	99T66601	66.461	40,466	
Total Environment Protection Agency			225,510	72,637
Institute of Museum and Library Services				
CA-State Library	LS-00-18-0005-18	45.312	85,474	-
Crystal Bridges Museum of American Art	MG-30-15-0064-15	45.312	373	
Total Institute of Museum and Library Services			85,847	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

PASS-THROUGH FUNDS

National Aeronautics and Space Administration

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Massachusetts Institute of Technology	80NSSC17K0283	43.001	160,172	-
Parabilis Space Technologies, Incorporated	T1.01-8823	43.RD	23,288	-
Princeton University	80NSSC18K0237	43.001	14,656	-
Universities Space Research Association	NNA168D14C	43.RD	16,842	-
University of Colorado	NAS5-02140	43.002	251,229	-
University of Colorado	NNX17AC59A	43.001	44,448	-
University of Maryland	80NSSC18M0148	43.002	30,860	-
US-Jet Propulsion Laboratory, California Institute of Technology	NNH16ZDA001N	43.RD	1,238	-
US-Jet Propulsion Laboratory, California Institute of Technology	NNN12AA01C	43.001	88,021	-
US-Jet Propulsion Laboratory, California Institute of Technology	NNN12AA01C	43.RD	63,448	-
Utah State University	80NSSC19K0619	43.001	22,467	-
Total National Aeronautics and Space Administration			716,669	-

National Science Foundation

American Educational Research Association	DRL-1749275	47.076	974	-
American Physical Society	OMA-1649297	47.049	12,369	-
Associated Universities, Incorporated	AST-1806429	47.049	19,175	-
Association of American Universities	DUE-1432766	47.076	7,901	-
California State University Los Angeles	IIP-1827782	47.041	15,190	-
Cornell University	CCF-1522054	47.070	69,131	-
Corporation for Education Network Initiatives in California	ACI-1451050	47.070	57,477	-
Florida International University	1638990	47.070	37,481	-
Florida International University	ACI-1451018	47.070	106,851	-
Florida International University	ACI-1451024	47.070	101,907	-
Florida International University	AST-1202910	47.049	50,314	-
Gallaudet University	1547178	47.070	53,905	-
Hauptman-Woodward Institute	DBI-1231306	47.074	33,833	-
Iowa State University	1739551	47.070	63,455	-
Northeastern University	5R01DA045020-02	47.070	299,376	-
Northwestern University	IIS-1832234	47.070	8,103	-
Phoenix Bioinformatics	1661543	47.074	141,738	-
Princeton University	CNS-1827977	47.070	22,808	-
Rand Corporation	NSF1831770	47.070	29,222	-
Raytheon BBN Technologies	W911NF-09-2-0053	47.070	364,784	-

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University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

<u>PASS-THROUGH FUNDS</u>	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
National Science Foundation				
Rochester Institute of Technology	1633275	47.076	15,708	-
Rutgers, The State University of New Jersey	1756248	47.074	54,573	-
Syracuse University	ACI-1443047	47.070	66,801	-
Texas Womans University	SES-1655281	47.050	14,671	-
The Board of Trustees of the Leland Stanford Junior University	N00014-18-1-2659	47.049	138,427	-
University of Arizona	EEC-0812072	47.041	12,436	-
University of California Berkeley	CMMI-1612843	47.041	65,532	-
University of California Santa Barbara	DUE-1826632	47.076	5,354	-
University of Illinois at Urbana Champaign	ACI-1548562	47.070	57,124	-
University of Minnesota	DE-SC0008688	47.049	67,830	-
University of Nebraska-Lincoln	1649365	47.049	4,230	-
University of North Carolina, Chapel Hill	1826997	47.070	12,885	-
University of Oregon	1661157	47.075	62,907	-
University of Texas at Austin	CMMI-1520817	47.041	(398)	-
University of Wisconsin, Madison	ECCS-1727523	47.041	94,051	-
University of Wisconsin, Madison	PHY-1148698	47.049	66,672	-
Utah State University	AGS-1329544	47.050	8,144	-
Virginia Polytechnic Institute State University	ACI-1547580	47.070	112,105	-
Virginia Polytechnic Institute State University	CNS-1617203	47.070	70,379	-
Virginia Polytechnic Institute State University	FA8650-18-C-7826	47.RD	64,459	-
Virginia Polytechnic Institute State University	IOS-1645740	47.074	50,203	-
WestEd	1621470	47.076	25,450	-
Yale University	1712674	47.070	46,852	-
Yale University	EFMA-1542815	47.041	131,769	-
Total National Science Foundation			2,744,158	-
Social Security Administration				
Regents of the University of Michigan	5 RRC08098401-10-00	96.007	88,211	-
Regents of the University of Michigan	RDR18000002-01	96.007	47,512	-
Total Social Security Administration			135,723	-
Total Research & Development Cluster - Pass-Through Funds			\$ 82,678,582	\$ 1,771,303
Total Research & Development Cluster - Direct Awards and Pass-Through Funds			\$ 537,710,307	\$ 75,044,928

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR		Current Year
STUDENT FINANCIAL ASSISTANCE CLUSTER	CFDA	Expenditures
Department of Education		
Office of Federal Student Aid		
Federal Direct Student Loans	84.268	\$ 642,910,412
Federal Pell Grant Program	84.063	20,557,724
Federal Work-Study Program	84.033	6,003,838
Federal Work-Study Program-Administrative cost allowance	84.033	-
Federal Perkins Loans		
Federal Perkins Loans as of July 1, 2018	84.038	45,733,760
New loans issued during 2019	84.038	-
Administrative cost allowance	84.038	-
Federal Supplemental Educational Opportunity Grants	84.007	4,185,299
Total Department of Education		<u><u>719,391,033</u></u>
 Department of Health and Human Services		
Health Resources and Services Administration		
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925	647,956
Health Professional Student Loans		
Health Professional Student Loans as of July 1, 2018	93.342	12,885,989
New loans issued during 2019	93.342	4,068,597
Loans for Disadvantaged Students		
Loans for Disadvantaged Students as of July 1, 2018	93.342	1,386,083
New loans issued during 2019	93.342	195,000
Total Department of Health and Human Services		<u><u>19,183,625</u></u>
 Total Student Financial Assistance Cluster		 <u><u>\$ 738,574,658</u></u>

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR	Pass-Through Entity	CFDA	Current Year	Pass-Through Funds
OTHER PROGRAMS	Identifying Number		Expenditures	to Sub recipients
<u>DIRECT AWARDS</u>				
Economic Development Cluster				
Department of Commerce				
Economic Adjustment Assistance		11.307	\$ 182,011	\$ -
Total Economic Development Cluster			182,011	-
TRIO Cluster				
Department of Education				
TRIO- Talent Search		84.044	\$ 696,521	\$ -
TRIO- Upward Bound		84.047	2,393,611	-
Total TRIO Cluster			3,090,132	-
Other Programs				
Department of Health and Human Services				
Coordinated Services and Access to Research for Women, Infants, Children, and Youth		93.153	815,970	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		93.918	346,608	-
Head Start		93.600	5,246,860	78,338
Total Department of Health and Human Services			6,409,438	78,338
Total Other Programs - Direct Awards			9,681,581	78,338
<u>PASS-THROUGH FUNDS</u>				
Foreign Food Aid Donation Cluster				
Agency for International Development				
USAID for International Development	482-C-1-15-0001	98.U01	61,280	-
Total Foreign Food Aid Donation Cluster			61,280	-
Health Center Program Cluster				
Health Center Program				
Health Center Program	H80CS00139	93.224	526,726	-
Total Health Center Program Cluster			526,726	-
Other Programs				
Corporation for National and Community Service				
AmeriCorps	CFDA-94.006-JS-SITE #91	94.006	58,901	-
Total Corporation for National and Community Service			58,901	-

The accompanying notes are an integral part of this Schedule.

University of Southern California
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

SPONSOR

OTHER PROGRAMS

PASS-THROUGH FUNDS

	Pass-Through Entity Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Department of Education				
CDE Contract for Vended Meals	CACFP 19	84.U01	285,482	-
Total Department of Education			285,482	-
Department of Health and Human Services				
Foster Care_Title IV-E	18-7018	93.658	46,105	-
HIV Emergency Relief Project Grants	H89HA00016-21	93.914	661,368	-
Total Department of Health and Human Services			707,473	-
National Endowment for the Humanities				
Promotion of the Humanities_Federal/State Partnership	SO-253167-17	45.129	5,000	-
Total National Endowment of the Humanities			5,000	-
Social Security Administration				
Social Security_Disability Insurance	1 RDR18000002-01-00	96.001	9,432	-
Total National Endowment of the Humanities			9,432	-
Total Other Programs - Pass-Through Funds			1,127,568	-
Total Other Programs - Direct Awards and Pass-Through Funds			\$ 10,809,149	\$ 78,338
TOTAL FEDERAL PROGRAMS			\$ 1,287,620,843	\$ 75,123,266

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, 2019

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, 2019

2. CFDA Numbers (Continued)

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

SPONSOR				
RESEARCH & DEVELOPMENT CLUSTER			Current Year	Pass-Through Funds
<u>DIRECT AWARDS</u>	Identifying Number	CFDA	Expenditures	to Sub recipients
Department of Defense				
Department Of Defense	005492-00001	12.RD	201,299	-
Department Of Defense	010081-00001	12.RD	867,983	-
Department Of Defense	16-C-0255	12.RD	103,277	-
Department Of Defense	2014-14071600011	12.RD	103,558	-
Department Of Defense	2017-17020200005	12.RD	3,543,733	1,105,060
Department Of Defense	70RSAT18FR0000022	12.RD	256,815	230,455
Department Of Defense	CRS# 18-08	12.RD	5,798	-
Department Of Defense	DUE-1741798	12.RD	14,248	-
Department Of Defense	FA8650-17-C-7715	12.RD	1,596,100	256,124
Department Of Defense	FA8650-17-C-9112	12.RD	1,337,553	946,544
Department Of Defense	FA8750-14-C-0240	12.RD	720,472	534,372
Department Of Defense	FA8750-16-C-0112	12.RD	179,663	169,924
Department Of Defense	FA8750-17-C-0011	12.RD	999,486	572,137
Department Of Defense	FA8750-17-C-0106	12.RD	1,830,142	148,156
Department Of Defense	FA8819-18-C-0012	12.RD	748,976	-
Department Of Defense	FA9453-15-C-0065	12.RD	(65)	-
Department Of Defense	H98230-18-C-0284	12.RD	377,206	-
Department Of Defense	HHSF223201400115C	12.RD	873,301	413,000
Department Of Defense	HHSF223201710199C	12.RD	694,273	426,530
Department Of Defense	HHSN261201800015I	12.RD	240,349	-
Department Of Defense	HM047619C0012	12.RD	20,012	-
Department Of Defense	HR0011-15-C-0096	12.RD	1,023,455	530,052
Department Of Defense	HR0011-15-C-0115	12.RD	2,532,802	732,184
Department Of Defense	HR0011-16-C-0017	12.RD	4,944,499	-
Department Of Defense	HR0011-16-C-0043	12.RD	1,429,851	715,787
Department Of Defense	HR001117C0053	12.RD	1,979,274	-
Department Of Defense	HR00111890019	12.RD	325,265	46,085
Department Of Defense	HR001119C0053	12.RD	151,225	-
Department Of Defense	HSBP1016J00813	12.RD	619,353	300,000
Department Of Defense	HSHQDC-16-C-00024	12.RD	(410)	(410)
Department Of Defense	HSHQDC-16-J-00467	12.RD	(28,208)	-
Department Of Defense	HSN261201800015I	12.RD	27,862	-
Department Of Defense	HSTS03-16-J-FLT014	12.RD	62,758	-
Department Of Defense	IIP-1929833	12.RD	35,429	-
Department Of Defense	N00244-16-D-0056	12.RD	226,722	-

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

2. CFDA Numbers (Continued)

SPONSOR

RESEARCH & DEVELOPMENT CLUSTER

DIRECT AWARDS

Department of Defense

	Identifying Number	CFDA	Current Year Expenditures	Pass-Through Funds to Sub recipients
Department Of Defense	N4175619C3033	12.RD	78,500	-
Department Of Defense	N66001-10-C-2018	12.RD	2,253	-
Department Of Defense	W81XWH-16-C-0086	12.RD	213,699	-
Department Of Defense	W911NF-14-D-0005-0001	12.RD	10,612,553	52,641
Department Of Defense	W911NF-14-D-0005-0002	12.RD	1,868,901	7,687
Department Of Defense	W911NF-14-D-0005-0005	12.RD	3,710,819	1,642,064
Department Of Defense	W911NF-14-D-0005-0006	12.RD	1,759,244	376,098
Department Of Defense	W911NF-14-D-0005-0007	12.RD	1,834,878	-
Department Of Defense	W911NF-14-D-0005-0008	12.RD	758,478	19,001
Department Of Defense	W911NF-14-D-0005-0009	12.RD	4,601,650	1,805,128
Department Of Defense	W911NF-14-D-0005-0010	12.RD	1,150,315	458,525
Department Of Defense	W911NF-16-C-0033	12.RD	714,497	-
Department Of Defense	W911NF-16-C-0034	12.RD	661,578	-
Department Of Defense	W911NF-18-C-0020	12.RD	1,518,964	403,711
Department Of Defense	W911NF19C0058	12.RD	11,862	-
Department Of Defense	W912HQ-14-C-0051	12.RD	67,272	67,271
Total Department of Defense			57,609,516	11,958,126

Department of Health and Human Services

Department of Health and Human Services	HHSN2612013000041	93.RD	9,707	-
Department of Health and Human Services	HHSN2612018000151	93.RD	3,560,029	-
Department of Health and Human Services			3,569,736	-

Department of Homeland Security

Department of Homeland Security	70RSAT18C00000015	97.RD	130,032	-
Department of Homeland Security	D15PC00184	97.RD	52,705	-
Department of Homeland Security	HSHQDC-16-C-00024	97.RD	1,205,566	16,209
Department of Homeland Security	HSHQDC-17-J-00316	97.RD	53,376	-
Department of Homeland Security	HSHQDC-17-J-00504	97.RD	385,265	141,683
Department of Homeland Security			1,826,944	157,892

University of Southern California
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

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, 2019 were reviewed by the Department of Health and Human Services for compliance with applicable cost principles.

For the year ended June 30, 2019, 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, 2019:

	Loans Outstanding
Federal Perkins Loans	\$ 38,255,145
Health Professional Student Loans	15,047,685
Loans for Disadvantaged Students	1,317,770

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 2019, the University received Cal Grant A and B funds in the amount of \$21,809,279; 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 (collectively the "University"), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2019.

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.

A handwritten signature in cursive script, appearing to read "Priscilla Shurtz" followed by a flourish.

December 16, 2019



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control Over Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees of the University of Southern California

Report on Compliance for Each Major Federal Program

We have audited the University of Southern California and its subsidiaries' (collectively 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, 2019. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University of Southern California and its subsidiaries complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of

this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 10 “Gramm-Leach-Bliley Act-Student Information Security.” This section includes three suggested audit procedures with respect to verification that the institution (1) designated an individual to coordinate the information security program, (2) performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management’s documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

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 2019-001, 2019-002 and 2019-003. 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 University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Priscilla Hunter-Carpenter LLB

April 24, 2020

**University of Southern California
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2019**

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	Student Financial Assistance Cluster
Various	TRIO Cluster

Dollar threshold used to distinguish between type A and type B programs: \$3,862,862

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, 2019

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001: Federal Direct Subsidized Loan Limits Exceeded

Federal Awarding Agency: Department of Education

Cluster: Student Financial Assistance

Program names and specific award name: Federal Direct Student Loans

CFDA #: 84.268

Award #: P268K161192

Award Years: Academic Year 2018 – 2019

Criteria

34 CFR 685.203(d)(1) establishes aggregate Federal Direct Subsidized Loan limits that should not be exceeded.

Condition

We selected a sample of 60 students for testing from a total population of 22,696 students who were awarded Title IV assistance and tested those selected for various eligibility requirements across their respective aid awards. Of the students tested, we identified one student as having been over-awarded Federal Direct Subsidized Loans. Upon learning of this exception, the University reviewed the remaining population and identified 55 additional students, for a total of 56 students, that were over-awarded Federal Direct Subsidized Loans.

Cause

Institutional Student Information Records include Student Aid Report (“SAR”) comment codes, some of which require resolution by the Financial Aid Office. The Financial Aid Office generates reporting within the Student Information System (“SIS”) to identify students with SAR comment codes that indicate students may have received a total amount of student loans that is close to or equal to the loan limits established for federal loan programs. The error was determined to have occurred due to reporting within SIS not being updated for additional SAR comment codes that were added for the 2018 – 2019 academic year.

Effect

The students identified were over-awarded Federal Direct Subsidized Loans.

Questioned Cost

The 56 students identified exceeded the Federal Direct Subsidized Loan limit by an aggregate of \$123,989.

Recommendation

We recommend that management enhance controls to ensure reporting within SIS is updated to reflect all SAR comment codes applicable to the academic year. We also recommend that the University discuss the appropriate resolution of the over-awarded Federal Direct Subsidized loans with the Department of Education.

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, 2019

Finding 2019-002: Federal Direct Graduate PLUS Loan Entrance Counseling

Federal Awarding Agency: Department of Education

Cluster: Student Financial Assistance

Program names and specific award name: Federal Direct Student Loans

CFDA #: 84.268

Award #: P268K161192

Award Years: Academic Year 2018 – 2019

Criteria

34 CFR 685.304(a) requires borrowers to complete entrance counseling prior to a school making the first disbursement of the proceeds of a loan.

Condition

We selected a sample of 60 students for testing from a total population of 22,696 students who were awarded Title IV assistance and tested the students for various eligibility requirements across their respective aid awards. Of the students tested, we identified one student that did not complete PLUS entrance counseling prior to being disbursed a Federal Direct Graduate PLUS loan. Upon learning of this exception, the University reviewed the remaining population and identified three additional students, for a total of four students, that were also affected.

Cause

The University offers Progressive Degree programs that allow students to begin taking graduate courses while completing their undergraduate degree. The four students identified were undergraduate students in the Fall semester of 2018 and became graduate students in the Spring semester of 2019. The Financial Aid Office generates reporting within the Student Information System (“SIS”) to identify students that have not completed entrance counseling and takes action to ensure students identified complete entrance counseling prior to disbursing the loan. All four students received entrance counseling for Federal Direct Subsidized and Unsubsidized loans prior to being disbursed loan funds in the Fall semester of 2018. However, when these students became graduate students in the Spring semester of 2019, reporting within SIS did not identify that PLUS entrance loan counseling had not been completed for Federal Direct Graduate PLUS loans.

Effect

The students identified did not receive PLUS entrance counseling prior to Federal Direct Graduate PLUS loans being disbursed.

Questioned Cost

The four students identified received \$76,559 in Federal Direct Graduate PLUS loans prior to completing entrance counseling.

Recommendation

We recommend that management enhance reporting within SIS to be able to identify students that progress from undergraduate to graduate students during the academic year to ensure these students complete Federal Direct Graduate PLUS loan entrance counseling prior to being disbursed loan funds.

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, 2019

Finding 2019-003: Timing of Payment and Reimbursement of Funds

Federal Awarding Agency: Department of Education

Cluster: TRIO

Program names and specific award name: TRIO -Upward Bound; TRIO - Talent Search

CFDA #: 84.044; 84.047

Award #: P044A160605 – 18, P047M170185, P047A170499 - 18C, P047A170648 - 18

Award Years: Academic Year 2018 – 2019

Criteria

Appendix XI to 2 CFR 200 (*2019 OMB Compliance Supplement*) Part 3, Section 3.1 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 16 individual drawdown requests on an invoice basis from a total population of drawdowns that were requested during fiscal year 2019. Of the samples tested, the University requested reimbursement before program costs were paid for six invoices for the awards listed above.

Cause

The University extracted 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

\$4,910

Recommendation

As a result of testing the Research and Development Cluster in fiscal year 2018, we identified a similar finding as discussed in the accompanying Summary Schedule of Prior Audit Findings. In fiscal year 2019, management took corrective actions to address this finding for all programs, including the TRIO Cluster. However, although corrective actions were taken in June 2019, the deficiency existed for substantially all of fiscal year 2019.

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, 2019

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

Condition

In fiscal year 2018, PwC 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 drawdown requests. The error occurred because program costs were recorded as an accrual on the date they were incurred, rather than the date of payment. As a result, certain costs were not paid before the request for reimbursement of federal funds was made.

Current Status

In response to the fiscal year 2018 finding, the University has designed and implemented appropriate controls to ensure cash draws under the reimbursement method are completed after all payments have been made. This process was implemented in June 2019 to ensure that Federal cash draw-downs do not occur prior to the University wiring funds or cutting the check.

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

Condition

In fiscal year 2018, the University 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. The discrepancy 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.

Current Status

In response to the fiscal year 2018 finding, research administrative personnel within the School of Medicine were re-trained on the definition of on-campus versus off-campus rates and how to determine and apply the correct rate to sponsored projects, including NIH-sponsored projects. Personnel in the Department of Contracts and Grants (DCG) were re-trained on the definition of on-campus versus off-campus space and how to verify that the departments selected the appropriate rate to be applied to sponsored projects, including NIH-sponsored projects, and make adjustments, if necessary. DCG is also implementing changes to the University's pre-award proposal system through the development and roll-out of a pre-populated list that identifies a research location as on or off-campus, thereby enhancing the ability to appropriately assign the correct indirect cost rate. We have also implemented a formal University policy on indirect costs. The Office of Compliance, in partnership with several central administrative units including the Office of Financial Analysis, Sponsored Projects Accounting, DCG and Space Management, has performed extensive monitoring since the time of the finding to monitor and confirm that indirect cost rates are being charged consistent with University policy and sponsor requirements. Ongoing monitoring is scheduled with Space Management to enable tracking of research locations to verify accuracy of information provided at the time of proposal submission and to identify potential changes in research locations. On January 11, 2019, USC self-reported to the NIH in an attempt to resolve the matter. We continue to await a response from NIH.

University of Southern California
Management's Views and Corrective Action Plan
For the Year Ended June 30, 2019



OFFICE OF THE COMPTROLLER

Management response to finding 2019-001: Federal Direct Subsidized Loan Limits Exceeded

As described in finding 2019-001, the Financial Aid Office (“FAO”) thoroughly investigated the issue and reviewed the 56 affected students. Of the 56 students, 37 have already graduated and the rest have either repaid the overaward or have been asked for a reaffirmation agreement if they wish to continue to receive federal financial aid. Students who graduated do not need to do anything unless they wish to regain eligibility for federal financial aid (e.g., going to graduate school). Students can regain eligibility by consolidating their loans, repaying the excess loan amount, or completing a reaffirmation agreement. The FAO notes that students are already obligated to repay their student loans per the terms of their promissory notes.

We revised the Aggregate Max report in the Student Information System (SIS) to capture all Aggregate Max comment codes on the Student Aid Report for review. Staff in the Loan Unit now use the revised report to check for overawards and adjust files as needed.

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

A handwritten signature in black ink, appearing to read "Thomas McWhorter".

Management response to finding 2019-002: Federal Direct Graduate PLUS Loan Entrance Counseling

As described in finding 2019-002, the FAO reviewed the four Progressive Degree students in 2018-2019 who did not complete PLUS entrance counseling prior to receiving Federal Direct Graduate PLUS loans. The FAO notes that these students completed entrance loan counseling for their Federal Direct Subsidized and Unsubsidized loans at the beginning of the academic year, thereby mitigating the impact of this finding. Moreover, students are already obligated to repay their student loans per the terms of their promissory notes.

We updated the process tracking codes in SIS so that students who advance to graduate status in the middle of the academic year will not be able to receive Graduate PLUS loans until they have completed PLUS entrance counseling.

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

A handwritten signature in black ink, appearing to read "Thomas McWhorter".

University of Southern California
Management's Views and Corrective Action Plan
For the Year Ended June 30, 2019



USC University of
Southern California

OFFICE OF THE COMPTROLLER

Management response to finding 2019-003: Timing of Payment and Reimbursement of Funds

In response to finding 2019-003, the University has designed and implemented appropriate controls to ensure cash draws under the reimbursement method are completed after all payments have been made. This process was implemented in June 2019 to ensure that Federal cash draw-downs do not occur prior to the University wiring funds or cutting the check.

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

A handwritten signature in blue ink, appearing to read "Robert Johnson".