



Consolidated Financial Statements
For the Years Ended
June 30, 2025 and 2024



Report of Independent Auditors

To the Board of Trustees of the University of Southern California

Opinion

We have audited the accompanying consolidated financial statements of the University of Southern California and its subsidiaries (the "University"), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Los Angeles, California
December 18, 2025

Consolidated Balance Sheets

as of June 30, 2025 and 2024

in thousands

	June 30, 2025	June 30, 2024
Assets		
Cash and cash equivalents	\$680,146	\$846,875
Accounts receivable, net	1,179,177	1,126,544
Notes receivable, net	21,390	25,182
Pledges receivable, net	666,137	550,790
Investments	9,635,847	8,850,426
Inventories, prepaid expenses and other assets	583,613	473,928
Assets whose use is limited by bond indentures	639,447	-
Right-of-use assets - operating leases	221,902	256,268
Property, plant and equipment, net	5,521,427	5,202,922
Total Assets	\$19,149,086	\$17,332,935
Liabilities		
Accounts payable	\$420,017	\$351,001
Accrued liabilities	1,023,780	853,460
Self insurance reserves	129,952	106,638
Deposits and deferred revenue	399,483	403,647
Actuarial liability for annuities payable	60,598	66,360
Federal student loan funds	23,928	26,832
Asset retirement obligations	174,300	166,536
Operating lease obligations	231,852	264,637
Finance lease obligations	243,944	176,365
Bonds and notes payable	3,837,553	3,179,612
Other liabilities	84,155	73,489
Total Liabilities	6,629,562	5,668,577
Net Assets		
Without donor restrictions	4,862,237	4,763,180
With donor restrictions	7,657,287	6,901,178
Total Net Assets	12,519,524	11,664,358
Total Liabilities and Net Assets	\$19,149,086	\$17,332,935

The accompanying notes are an integral part of these statements.

Consolidated Statements of Activities

for the year ended June 30, 2025, with summarized comparative totals for the year ended June 30, 2024

in thousands

			Year Ended June 30, 2025	Year Ended June 30, 2024
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Total Net Assets
Operating				
Revenues:				
1 Student tuition and fees	\$1,779,798		\$1,779,798	\$1,722,612
2 Health care services	3,154,648		3,154,648	3,186,529
3 Contracts and grants	885,315		885,315	860,368
4 Auxiliary enterprises	356,562		356,562	319,937
5 Sales, services and other	545,224		545,224	512,288
6 Contributions	329,119	\$86,579	415,698	424,514
7 Allocation of endowment spending	384,264		384,264	381,976
8 Total Revenues	7,434,930	86,579	7,521,509	7,408,224
9 Net assets released from restrictions	105,107	(105,107)		
10 Total Revenues and Reclassifications	7,540,037	(18,528)	7,521,509	7,408,224
Expenses:				
11 Salaries and benefits	4,513,774		4,513,774	4,302,453
12 Operating expenses	2,804,746		2,804,746	2,794,809
13 Depreciation	346,563		346,563	350,392
14 Interest on indebtedness	107,393		107,393	118,349
15 Total Expenses before Insurance recoveries	7,772,476		7,772,476	7,566,003
16 (Decrease) in Net Assets from Operating Activities before Insurance recoveries	(232,439)	(18,528)	(250,967)	(157,779)
17 Insurance recoveries (refer to Note 14)	55,500		55,500	
18 (Decrease) in Net Assets from Operating Activities	(176,939)	(18,528)	(195,467)	(157,779)
Non-operating				
19 Allocation of endowment spending to operations	(129,681)	(254,583)	(384,264)	(381,976)
20 Changes in funding status of defined benefit plan	4,486		4,486	534
21 Other components of net periodic benefit costs	(2,229)		(2,229)	(1,689)
22 Donor redesignations and other reclassifications				
23 Investment and endowment income	43,567	1,872	45,439	74,413
24 Net appreciation in fair value of investments	291,447	790,784	1,082,231	775,909
25 Contributions	68,406	232,250	300,656	287,075
26 Restricted contribution revenue - Arcadia ground lease		607	607	412
27 Present value adjustment to annuities payable		3,707	3,707	4,427
28 Increase in Net Assets from Non-operating Activities	275,996	774,637	1,050,633	759,105
29 Total increase in Net Assets	99,057	756,109	855,166	601,326
30 Beginning Net Assets	4,763,180	6,901,178	11,664,358	11,063,032
31 Ending Net Assets	\$4,862,237	\$7,657,287	\$12,519,524	\$11,664,358

The accompanying notes are an integral part of these statements.

Consolidated Statements of Activities

for the year ended June 30, 2024

in thousands

			Year Ended June 30, 2024
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Operating			
Revenues:			
1 Student tuition and fees	\$1,722,612		\$1,722,612
2 Health care services	3,186,529		3,186,529
3 Contracts and grants	860,368		860,368
4 Auxiliary enterprises	319,937		319,937
5 Sales, services and other	512,288		512,288
6 Contributions	336,211	\$88,303	424,514
7 Allocation of endowment spending	381,976		381,976
8 Total Revenues	7,319,921	88,303	7,408,224
9 Net assets released from restrictions	15,077	(15,077)	
10 Total Revenues and Reclassifications	7,334,998	73,226	7,408,224
Expenses:			
11 Salaries and benefits	4,302,453		4,302,453
12 Operating expenses	2,794,809		2,794,809
13 Depreciation	350,392		350,392
14 Interest on indebtedness	118,349		118,349
15 Total Expenses before Insurance recoveries	7,566,003		7,566,003
16 (Decrease) increase in Net Assets from Operating Activities before Insurance recoveries	(231,005)	73,226	(157,779)
17 Insurance recoveries			
18 (Decrease) increase in Net Assets from Operating Activities	(231,005)	73,226	(157,779)
Non-operating			
19 Allocation of endowment spending to operations	(132,745)	(249,231)	(381,976)
20 Changes in funding status of defined benefit plan	534		534
21 Other components of net periodic benefit costs	(1,689)		(1,689)
22 Donor redesignations and other reclassifications	(48,339)	48,339	
23 Investment and endowment income	71,818	2,595	74,413
24 Net appreciation in fair value of investments	222,861	553,048	775,909
25 Contributions	51,383	235,692	287,075
26 Restricted contribution revenue - Arcadia ground lease		412	412
27 Present value adjustment to annuities payable		4,427	4,427
28 Increase in Net Assets from Non-operating Activities	163,823	595,282	759,105
29 Total (decrease) increase in Net Assets	(67,182)	668,508	601,326
30 Beginning Net Assets	4,830,362	6,232,670	11,063,032
31 Ending Net Assets	\$4,763,180	\$6,901,178	\$11,664,358

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

for the years ended June 30, 2025 and 2024

in thousands

	Year Ended June 30, 2025	Year Ended June 30, 2024
Cash Flows from Operating Activities		
1 Change in Net Assets	\$855,166	\$601,326
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
2 Depreciation	346,563	350,392
3 Loss on the disposal/sale of plant assets	10,415	17,547
4 In-kind receipt of property, plant and equipment	(1,293)	(14,265)
5 Actuarial adjustment to annuities payable	(3,685)	(4,448)
6 Contributions received for property, plant and equipment and permanent investment	(154,403)	(75,431)
7 Net realized gain on sale of investments	(359,626)	(144,977)
8 Net unrealized appreciation in investments	(722,744)	(631,012)
9 (Increase) in accounts receivable	(52,634)	(172,200)
10 (Increase) in pledges receivable	(203,241)	(218,962)
11 (Increase) decrease in inventories, prepaid expenses and other assets	(115,582)	27,760
12 Increase in accounts payable	103,134	19,628
13 Increase in accrued liabilities	174,250	42,812
14 Increase in self insurance reserves	23,314	37,892
15 (Decrease) increase in deposits and deferred revenue	(4,164)	42,174
16 Increase (decrease) in other liabilities	12,246	(4,932)
17 Net Cash (used in) Operating Activities	(92,284)	(126,696)
Cash Flows from Investing Activities		
18 Proceeds from note collections	7,096	8,452
19 Notes issued	(3,304)	(2,415)
20 Proceeds from sale and maturity of investments	3,387,454	5,316,938
21 Purchase of investments	(3,085,795)	(4,881,824)
22 Proceeds from sale of assets whose use is limited	25,699	-
23 Purchase of assets whose use is limited	(665,146)	-
24 Purchase of property, plant and equipment	(663,728)	(491,584)
25 Net Cash (used in) Investing Activities	(997,724)	(50,433)
Cash Flows from Financing Activities		
Contributions received for long term investment:		
26 Endowment	179,081	122,097
27 Plant	59,210	3,158
28 Trusts and other	4,008	2,021
29 Repayment of finance lease obligation	(2,339)	(1,224)
30 Repayment of long-term debt	(5,200)	(5,500)
31 Proceeds from issuance of long-term debt	693,501	498,108
32 Decrease in federal student loan funds	(2,904)	(3,651)
33 Change in annuities payable	3,991	4,011
34 Payment on annuities payable	(9,513)	(9,406)
35 Increase to annuities payable resulting from new contributions	3,444	441
36 Net Cash provided by Financing Activities	923,279	610,055
37 Net (decrease) increase in Cash and Cash equivalents	(166,729)	432,926
38 Cash and Cash equivalents at beginning of year	846,875	413,949
39 Cash and Cash equivalents at end of year	\$680,146	\$846,875

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.

USC Health System is comprised of the operations of Keck Hospital of USC, USC Norris Cancer Hospital, USC Verdugo Hills Hospital, USC Arcadia Hospital (“USCAH”), and USC Care Medical Group, collectively referred to as the “Health System” or the “System”. The University is the sole corporate member of the Health System. The Health System is among the nation’s leading medical centers, providing inpatient and outpatient medical and healthcare services to patients throughout Southern California, the United States and internationally.

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, comparable documents, or d) time restrictions.

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, other revenues, and investment returns generated from the University’s operating cash and assets whose use is limited by bond indenture. 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, present value adjustment to annuities payable, gain/losses on extinguishment of debt, student loan net assets, and contributions related to land, buildings and equipment and other long-term purposes which are not part of the University’s operating activities.

Notes to Consolidated Financial Statements

Note 1. (continued)

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. Cash equivalents that are part of the University's investment portfolio and assets whose use is limited by bond indenture are reported as investments and included in Note 6 and Note 10, respectively.

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 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level II - Inputs other than level I that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level III - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level III investments are valued by the University based upon valuation information received from the relevant entity, which may include last trade information, third-party appraisals of real estate or valuations prepared by custodians for assets held in trusts by other trustees where the University is named as a beneficiary. The University may also utilize industry standard valuation techniques, including discounted cash flow models. Significant increases or decreases in these inputs in isolation may result in a significantly lower or higher fair value measurement, respectively.

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

The University applies the authoritative guidance contained in FASB ASC 820-10, *Fair Value Measurements and Disclosures*, for estimating the fair value of investments in investment funds that have calculated Net Asset Value (NAV) per share in accordance with FASB ASC 946-10, *Financial Services-Investment Companies* (formerly the American Institute of Certified Public Accountants Audit and Accounting Guide, Investment Companies). According to this guidance, in circumstances in which NAV per share of an investment is not determinative of fair value, a reporting entity is permitted to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined in accordance with FASB ASC 946-10 as of the reporting entity's measurement date. Accordingly, the University uses the NAV as reported by the money managers as a practical expedient to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2025 and 2024, 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.

Notes to Consolidated Financial Statements

Note 1. (continued)

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 records contributions of long-lived assets in net assets without donor restrictions, when the asset is placed in service.

The University determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The University determines these assets are leased because the University has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. The University determines lease classification as operating or finance at the lease commencement date. Operating leases where the University is the lessee are included in right-of-use assets-operating leases and operating lease obligations on the consolidated balance sheets. Finance leases as a lessee are included in property, plant, and equipment, net and finance lease obligations on the consolidated balance sheets. Right-of-use assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. For operating leases, the right-of-use asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. For the initial and subsequent measurement of all lease liabilities, the discount rate is based on the rate implied within the lease or is based on the University's incremental borrowing rate using a period comparable with the lease term. The lease term will include options to extend or to terminate the lease that the University is reasonably certain to exercise. Operating lease expense is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases. The University's lease agreements do not contain any material residual value guarantees or restrictive covenants. Rental income arising from operating leases as a lessor is included in operating revenue within sales, services and other revenues in the consolidated statements of activities.

The University's split interest agreements with donors consist primarily of gift annuities, unitrusts, pooled income funds and life estates. For irrevocable agreements where the University is the trustee, 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 was used in the valuations. For split interest agreements related to the state of Washington, the University holds a Certificate of Exemption issued by the state of Washington's Office of Insurance Commissioner to issue charitable gift annuities. The University has been in compliance with Revised Code of Washington 48.38.010(6) throughout the time period covered by the consolidated financial statements.

The University self-insures at varying levels for unemployment, disability, workers' compensation, property losses, certain healthcare plans, cyber liability, medical malpractice professional liability, and certain ancillary and personal lines of coverage; and obtains coverage through a captive insurance company for general liability, auto liability, directors and officers liability, employment practices liability, educator legal liability, sexual molestation liability, neurodegenerative injury liability, medical malpractice professional liability and certain litigation defense responsibilities. Insurance is purchased to cover liabilities above self-insurance limits. Where appropriate, estimates of retained exposures are reserved and accrued for within self insurance reserves on the consolidated balance sheets.

Notes to Consolidated Financial Statements

Note 1. (continued)

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 obligation 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, 2025 and 2024, the University recognized accretion expense related to conditional asset retirement obligations of approximately \$8,392,000 and \$7,981,000, respectively. For the years ended June 30, 2025 and 2024, the University settled asset retirement obligations of approximately \$916,000 and \$1,368,000, respectively. As of June 30, 2025, and 2024, included in the consolidated balance sheets are asset retirement obligations of \$174,300,000 and \$166,536,000, 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"), as displayed in the consolidated statements of activities in student 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.

Financial aid for the year ended June 30, 2025, which is included in student tuition and fees on the consolidated statement of activities, consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$489,143	\$226,596	\$715,739
Endowed scholarships	52,162	24,165	76,327
External financial aid	37,503	17,373	54,876
Total	\$578,808	\$268,134	\$846,942

Financial aid for the year ended June 30, 2024, which is included in student tuition and fees on the consolidated statement of activities, consists of the following (in thousands):

	Undergraduate	Graduate	Total
Institutional scholarships	\$486,829	\$215,285	\$702,114
Endowed scholarships	43,943	19,432	63,375
External financial aid	42,520	18,803	61,323
Total	\$573,292	\$253,520	\$826,812

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, *Revenue from Contracts with Customers*. 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 stand-alone 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.

Notes to Consolidated Financial Statements

Note 1. (continued)

The timing(s) of billings, cash collections and revenue recognition results in accounts receivable and deposits and deferred revenue 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 deposits and deferred revenue.

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 deferred revenue. 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. For the years ended June 30, 2025 and 2024, the University recognized approximately \$176,000,000 and \$170,000,000 of private contracts and grants revenue in contributions on the consolidated statements of activities.

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.

Unconditional contributions from donors, including contributions receivable (unconditional promises to give), are recorded as revenues in the year received. Non-financial 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. The presence of both a performance barrier and a right of return make a contribution conditional. Conditional promises to give are not recognized until specified obligations or barriers, such as milestones or performance targets, are met.

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 restrictions 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.

Health care services revenues include the net patient service revenues associated with the Health System. Healthcare 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 Health System 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.

Notes to Consolidated Financial Statements

Note 1. (continued)

The majority of the Health System 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 payers, 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 payers 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, services and other revenue includes 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 and alumni in the 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 revenue, although the patient benefits over time from the University, is also recognized at a point in time as the services are provided to the patient on the same day. 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 stand-alone transaction price. Transportation revenue is recognized at a point in time and satisfied within the fiscal year. 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.

Reclassification:

Certain prior year amounts have been reclassified in order to conform to current year presentation on the consolidated statements of activities. These reclassifications had no effect on the change in net assets from operating activities.

Notes to Consolidated Financial Statements

Note 1. (continued)

Recent Accounting Pronouncements:

Effective July 1, 2023, the University adopted ASU 2016-13 *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost must be presented at the net amount expected to be collected by using an allowance for credit losses. This guidance did not have a significant impact on the University’s consolidated financial statements.

Note 2.

Liquidity and Availability:

The University's financial assets available for general expenditure within one year of the date of the consolidated balance sheets are as follows as of June 30 (in thousands):

	Year Ended June 30, 2025	Year Ended June 30, 2024
Total assets at year end	\$19,149,086	\$17,332,935
<i>Less:</i>		
Notes and loans receivable due in more than one year	(57,884)	(47,365)
Pledges receivable due in more than one year or otherwise purpose restricted	(575,281)	(495,725)
Donor-restricted and donor-restricted endowment funds	(6,882,399)	(6,221,730)
Board-designated endowment funds	(2,069,705)	(2,097,693)
Annuities and living trusts	(227,674)	(223,990)
Inventories, prepaid expenses and other assets	(473,289)	(234,003)
Assets whose use is limited by bond indentures	(639,447)	-
Right-of-use assets, operating leases	(221,902)	(256,268)
Property, plant and equipment, net	(5,521,427)	(5,202,922)
Financial assets available at year end for current use	\$2,480,078	\$2,553,239

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 years 2025 and 2024, the Board of Trustees approved the current distribution of 100% and 102% respectively, 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 years 2025 and 2024, the Board of Trustees approved an endowment pool payout of \$40.09 and \$40.09 a share respectively, for a total spending rule allocation of \$395,437,000 and \$386,432,000. As described in Note 6, the University also has unfunded commitments on alternative investments totaling \$1,296,096,000 and \$1,420,433,000 for fiscal years 2025 and 2024, respectively.

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. Furthermore, the University has a board-designated endowment of \$2,069,705,000 and \$2,097,693,000 as of June 30, 2025 and 2024, respectively. 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).

Notes to Consolidated Financial Statements

Note 3.

Accounts Receivable:

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

	2025	2024
U.S. Government	\$175,550	\$242,524
Student and other, net of allowance for credit losses \$32,716 (2025), \$29,229 (2024)	249,529	233,952
Patient care	754,098	650,068
Total	\$1,179,177	\$1,126,544

The University's receivables are reviewed and monitored for aging and other factors that affect collectability. The University measures the expected credit losses on a collective (pool) basis, separating the accounts receivable by type based on similar risk characteristics. Management quantifies the loss rate based on historical collection experience, adjusted for management's expectations about current and future economic conditions.

The Health System receives payment for services rendered to patients from the federal and state governments under the Medicare and Medi-Cal programs, privately sponsored managed care programs for which payment is made based on terms defined under formal contracts, and other payors. The Health System recognizes that revenues and receivables from the government are significant to its operations, but it does not believe there are significant credit risks associated with these government agencies. There are no significant concentrations of receivables from any payor that would subject the Health System to significant credit risks in the collection of patient accounts receivable.

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 and the changes and reasons for those changes in the allowance for credit losses.

Long-term financing receivables as of June 30, 2025, consist of the following (in thousands):

	June 30, 2025		
	Financing Receivables, Gross	Allowance for Credit Losses	Net
Perkins loans	\$6,770		\$6,770
University student loans	3,058	(\$2,124)	934
Other student loans	13,686		13,686
Total student loans	23,514	(2,124)	21,390
Faculty and other loans	55,995		55,995
Total	\$79,509	(\$2,124)	\$77,385

Long-term financing receivables as of June 30, 2024, consist of the following (in thousands):

	June 30, 2024		
	Financing Receivables, Gross	Allowance for Credit Losses	Net
Perkins loans	\$8,980		\$8,980
University student loans	3,729	(\$2,361)	1,368
Other student loans	14,834		14,834
Total student loans	27,543	(2,361)	25,182
Faculty and other loans	45,016		45,016
Total	\$72,559	(\$2,361)	\$70,198

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.

Notes to Consolidated Financial Statements

Note 4. (continued)

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.

The following table illustrates the aging analysis of receivables as of June 30, 2025 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$463	\$54	\$802	\$5,451	\$6,770
University student loans	158		1,344	1,556	3,058
Other student loans	533		670	12,483	13,686
Total student loans	1,154	54	2,816	19,490	23,514
Faculty and other loans				55,995	55,995
Total	\$1,154	\$54	\$2,816	\$75,485	\$79,509

The following table illustrates the aging analysis of receivables as of June 30, 2024 (in thousands):

	1-60 Days Past Due	61-90 Days Past Due	> 91 Days Past Due	Current	Total Financing Receivables
Perkins loans	\$493	\$104	\$766	\$7,617	\$8,980
University student loans	134	7	1,864	1,724	3,729
Other student loans	1,305	151	208	13,170	14,834
Total student loans	1,932	262	2,838	22,511	27,543
Faculty and other loans				45,016	45,016
Total	\$1,932	\$262	\$2,838	\$67,527	\$72,559

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, 2025 and 2024, 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 that are included within accounts receivable on the consolidated balance sheets amounting to \$55,995,000 and \$45,016,000 were outstanding as of June 30, 2025 and 2024, respectively, and are collateralized by deeds of trust. No allowance for credit losses has been recorded against these loans based on their collateralization and prior collection history. At June 30, 2025 and 2024, 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.

USCAH is located on property held under a lease from the City of Arcadia, expiring in 2066. The lease provides for an annual rental amount of one dollar. Upon the affiliation with the Health System on July 1, 2022, USCAH extended the ground lease term with the City of Arcadia for 99 years from such date and transferred the lease to the Health System. Effective July 1, 2023, the lease was assigned from the Health System back to USCAH. As there is no consideration paid to the City of Arcadia for use of the land, the lease is accounted for as a contribution from the City of Arcadia pursuant to ASC 958-605, *Revenue Recognition*. Because the land is restricted for future use in the Health System's operation of USCAH, restricted contribution revenue – Arcadia ground lease was recorded within net assets with donor restrictions on the consolidated statement of activities and pledges receivable was recorded on the consolidated balance sheet in connection with the affiliation. Accretion of the discount will be recorded annually until the end of the lease term within restricted contribution revenue - Arcadia ground lease on the consolidated statements of activities. Additionally, as the land is utilized by USCAH, the donor restriction is satisfied, and the related net assets will be released from restriction on an annual basis.

Unconditional promises are expected to be realized in the following periods as of June 30 (in thousands):

	2025	2024
Less than one year	\$172,814	\$133,191
One to five years	430,102	336,864
More than five years	1,318,756	1,337,440
Less: discount	(1,062,375)	(1,061,551)
Less: allowance	(193,160)	(195,154)
Total	\$666,137	\$550,790

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

	2025	2024
Endowment for departmental programs and activities	\$235,590	\$222,410
Endowment for scholarship	19,523	11,184
Building construction	152,467	90,907
Use of land contribution	39,767	42,102
Departmental programs and activities	218,790	184,187
Total	\$666,137	\$550,790

At June 30, 2025 and 2024, conditional pledges not reflected in the consolidated financial statements, which consist primarily of conditional promises to give with barriers to entitlement, were \$97,611,000 and \$55,374,000, respectively. When conditional promises to give become unconditional, they are recorded as revenues.

Notes to Consolidated Financial Statements

Note 6.

Investments:

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

	2025	2024
Equities	\$2,004,621	\$1,957,847
Fixed income securities	681,266	740,239
Alternative investments:		
Hedge funds	2,911,371	2,545,386
Private capital	3,185,577	2,858,213
Real estate and other	704,745	600,515
Assets held by other trustees	148,267	148,226
Total	\$9,635,847	\$8,850,426

The following table summarizes the levels of financial instruments carried at fair value as defined by the ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2025 (in thousands):

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$1,086,490	\$559,866	\$15,414	\$342,851	\$2,004,621
Fixed income securities	400,649	280,030	587		681,266
Hedge funds				2,911,371	2,911,371
Private capital				3,185,577	3,185,577
Real estate and other	5,573		22,166	677,006	704,745
Assets held by other trustees			148,267		148,267
Total	1,492,712	839,896	186,434	7,116,805	9,635,847
Other instruments held at Level III					
Gift annuity, trust receivable, and charitable remainder trusts			1,540		1,540
Non-contributory defined split-dollar life insurance arrangement			32,635		32,635
Total	-	-	34,175	-	34,175
Total financial instruments	\$1,492,712	\$839,896	\$220,609	\$7,116,805	\$9,670,022

Notes to Consolidated Financial Statements

Note 6. (continued)

The following table summarizes the levels of financial instruments carried at fair value as defined by the ASC 820 valuation hierarchy defined previously, for the year ended June 30, 2024 (in thousands):

	Level I	Level II	Level III	NAV	Total
Investments:					
Equities	\$1,692,264	\$68	\$15,414	\$250,101	\$1,957,847
Fixed income securities	408,312	331,567	360		740,239
Hedge funds				2,545,386	2,545,386
Private capital				2,858,213	2,858,213
Real estate and other	516		21,532	578,467	600,515
Assets held by other trustees			148,226		148,226
Total	2,101,092	331,635	185,532	6,232,167	8,850,426
Other instruments held at Level III					
Gift annuity, trust receivable, and charitable remainder trusts			1,546		1,546
Non-contributory defined split-dollar life insurance arrangement			32,215		32,215
Total	-	-	33,761	-	33,761
Total financial instruments	\$2,101,092	\$331,635	\$219,293	\$6,232,167	\$8,884,187

Other instruments held at Level III are recorded in other assets on the consolidated balance sheets for years ended June 30, 2025 and 2024.

The following table summarizes the University's level III reconciliation for the year ended June 30, 2025 (in thousands):

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equities	\$15,414							\$15,414
Fixed income securities	360	\$33,127	(\$32,900)					587
Real estate and other	21,532	2,050	(1,350)	(\$602)	(\$39)	\$575		22,166
Assets held by other trustees	148,226		(2,855)	(226)	3,122			148,267
Total	185,532	35,177	(37,105)	(828)	3,083	575	-	186,434
Other instruments held at level III								
Gift annuity, trust receivable, and charitable remainder trusts	1,546	40	(49)	7	9	17	(30)	1,540
Non-contributory defined split-dollar life insurance arrangement	32,215				187	233		32,635
Total	33,761	40	(49)	7	196	250	(30)	34,175
Total Level III	\$219,293	\$35,217	(\$37,154)	(\$821)	\$3,279	\$825	(\$30)	\$220,609

Notes to Consolidated Financial Statements

Note 6. (continued)

The following table summarizes the University's level III reconciliation of investments for the year ended June 30, 2024 (in thousands):

	Beginning Balance	Purchases	Sales and Maturities	Realized Gain/(Loss)	Unrealized Gain/(Loss)	Transfers In	Transfers Out	Ending Balance
Investments:								
Equities	\$15,403				\$11			\$15,414
Fixed income securities	15,740	\$35,308	(\$50,809)	\$112	9			360
Real estate and other	17,426	4,101	(3)	2	6			21,532
Assets held by other trustees	142,340				3,025	\$2,861		148,226
Total	190,909	39,409	(50,812)	114	3,051	2,861	-	185,532
Other instruments held at level III								
Gift annuity, trust receivable, and charitable remainder trusts	1,505	53	(64)	3	71	11	(33)	1,546
Non-contributory defined split-dollar life insurance arrangement	31,615				263	337		32,215
Total	33,120	53	(64)	3	334	348	(33)	33,761
Total Level III	\$224,029	\$39,462	(\$50,876)	\$117	\$3,385	\$3,209	(\$33)	\$219,293

Certain level III assets totaling \$185,847,000 and \$185,172,000 as of June 30, 2025 and 2024, respectively, have been valued using unadjusted third-party quotations. The primary unobservable inputs for level III fixed income securities as of June 30 2025 and 2024, which are mainly non-public short-term commingled funds, include the applicable return which was 4.91% and 5.62%, applicable duration ranging from 0.20 years and 0.23 years, and applicable maturity was 0.70 years and 0.76 years. The weighted average return is 4.91% and 5.62%, the weighted average duration is 0.20 years and 0.76 years, and the weighted average maturity is 0.70 years and 0.76 years as of June 30, 2025 and 2024, respectively.

The fair value of the non-contributory defined split dollar life insurance arrangement is reported at the lower of total premiums paid or cash surrender value of the policies, which are considered level III in the fair value hierarchy. The methods described above for level III instruments may produce a fair value that may not be indicative of net present value or reflective of future values. While the University believes that its valuation methods are appropriate, the use of different methodologies or assumptions to determine the fair value could result in different estimates of fair value at the reporting date.

Notes to Consolidated Financial Statements

Note 6. (continued)

The University uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

Investment income and gains presented on the consolidated statements of activities contains endowment appreciation utilized to fund the spending rule, and investment 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, 2025 and 2024, was \$1,127,670,000 and \$850,322,000, respectively.

The following table lists investments by major category, measured using the NAV practical expedient, for the year ending June 30, 2025 (in thousands):

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	\$116	\$599	Approximately 1 Year	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	2,911,371	71,532	90% of NAV has an open ended life, 5% of NAV will be liquidated in under 3 years, 3% of NAV will be liquidated between 4 and 7 years, and 2% of NAV will be liquidated on an undetermined basis.	Ranges between monthly redemption with 60 days notice, quarterly redemption with up to 185 days notice, semi annual redemption with up to 180 days notice, and annual redemption with up to 120 days notice; lock ups can be up to 4 years.	19% of NAV is locked up for 3 months or less, 30% of NAV is locked up for 6 months, 7% of NAV is locked up for 9 months, 5% of NAV is locked-up for 1 year, 18% of NAV is locked for 2 years, 11% of NAV is locked-up for 3 years and 10% is locked up for more than 3 years or is undetermined.
Natural Resources Partnerships	U.S. and Non-U.S. Investments in Upstream, Midstream and Downstream Natural Resources Investments	363,087	71,651	Approximately 1 Year	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	2,800,208	868,020	Approximately 5 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	699,172	284,294	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	342,851	Not Applicable	Open Ended	Minimum Monthly	None
Total		\$7,116,805	\$1,296,096			

Notes to Consolidated Financial Statements

Note 6. (continued)

The following table lists investments by major category, measured using the NAV practical expedient, for the year ending June 30, 2024 (in thousands):

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	\$1,412	\$899	Approximately 1 Year	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	2,545,386	39,323	94.6% of NAV has an open ended life and 2.6% of NAV will be liquidated in under 2 years, and 2.7% of NAV will be liquidated between 4 and 7 years, and 0.1% will be liquidated on an undetermined basis.	Ranges between monthly redemption with 60 days notice, quarterly redemption with up to 185 days notice, semi annual redemption with up to 120 days notice, annual redemption with up to 90 days notice, bi annual redemption with 90 days notice; lock ups can be up to 5 years.	22% of NAV is locked up for 3 months or less, 25% of NAV is locked up for 6 months, 4% of NAV is locked up for 9 months, 6% of NAV is locked-up for 1 year, 22% of NAV is locked for 2 years, 11% of NAV is locked-up for 3 years and 10% is locked up for more than 3 years.
Natural Resources Partnerships	U.S. and Non-U.S. Investments in Upstream, Midstream and Downstream Natural Resources Investments	520,474	83,884	Approximately 1 Year	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	2,317,039	965,900	Approximately 5 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	597,755	330,427	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	250,101	Not Applicable	Open Ended	Minimum Monthly	None
Total		\$6,232,167	\$1,420,433			

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 similar purposes as endowment as determined on an annual basis. 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, 2025 (in thousands):

	Board-Designated Endowment Funds	Donor-Restricted Endowment	Total
Pooled	\$1,833,197	\$6,642,373	\$8,475,570
Non-pooled	236,508	62,202	298,710
Total	\$2,069,705	\$6,704,575	\$8,774,280

Notes to Consolidated Financial Statements

Note 7. (continued)

Donor-restricted and board-designated endowment funds are summarized as follows for the year ended June 30, 2024 (in thousands):

	Board-Designated Endowment Funds	Donor-Restricted Endowment	Total
Pooled	\$1,743,682	\$5,937,297	\$7,680,979
Non-pooled	354,011	57,856	411,867
Total	\$2,097,693	\$5,995,153	\$8,092,846

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, 2025 and 2024, the pool is comprised of cash and cash equivalents (1.43%) and (1.01%), equities (51.74%) and (52.79%), fixed income securities (4.06%) and (4.22%), alternative investments (35.06%) and (34.87%) and real estate and other investments (7.71%) and (7.11%), 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, 2025 and 2024, was \$913.15 and \$840.64, 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.

Endowment net asset composition by type of funds as of June 30, 2025 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$6,704,575	\$6,704,575
Board-designated endowment funds	\$2,069,705		2,069,705
Total	\$2,069,705	\$6,704,575	\$8,774,280

Endowment net asset composition by type of funds as of June 30, 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds		\$5,995,153	\$5,995,153
Board-designated endowment funds	\$2,097,693		2,097,693
Total	\$2,097,693	\$5,995,153	\$8,092,846

Notes to Consolidated Financial Statements

Note 7. (continued)

Changes in endowment net assets for the year ended June 30, 2025 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2024	\$2,097,693	\$5,995,153	\$8,092,846
Total investment return, net	279,545	779,608	1,059,153
Contributions and transfers	(177,852)	184,397	6,545
Appropriation of endowment assets for expenditure	(129,681)	(254,583)	(384,264)
Endowment net assets at June 30, 2025	\$2,069,705	\$6,704,575	\$8,774,280

Changes in endowment net assets for the year ended June 30, 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2023	\$2,026,279	\$5,562,800	\$7,589,079
Total investment return, net	173,655	548,247	721,902
Contributions and transfers	30,504	133,337	163,841
Appropriation of endowment assets for expenditure	(132,745)	(249,231)	(381,976)
Endowment net assets at June 30, 2024	\$2,097,693	\$5,995,153	\$8,092,846

The portion of endowment funds that are required to be retained in perpetuity and/or for time or purpose either by explicit donor stipulation or by UPMIFA as of June 30 (in thousands):

	2025	2024
Restricted for scholarship support	\$1,607,639	\$1,417,347
Restricted for faculty support	1,500,410	1,342,916
Restricted for program support	3,596,526	3,234,890
Total endowment assets with donor restrictions	\$6,704,575	\$5,995,153

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 \$11,014,000 and a current fair value of \$10,847,000 with a deficiency of \$167,000 and an original value of \$55,346,000 and a current fair value of \$53,742,000 with a deficiency of \$1,604,000 as of June 30, 2025 and 2024, 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 7.0% annually. Actual returns in any given year may vary from this amount.

Notes to Consolidated Financial Statements

Note 7. (continued)

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

For the 2025 fiscal year, the Board of Trustees approved the 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, \$40.09 was distributed to each endowment unit for a total spending rule allocation of \$395,437,000. Investment income amounting to \$4.64 per endowment unit was earned, totaling \$46,312,000, and \$349,125,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2025 represent 4.67% of the market value of the endowment pool at June 30, 2025.

For the 2024 fiscal year, the Board of Trustees approved the 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, \$40.09 was distributed to each endowment unit for a total spending rule allocation of \$386,432,000. Investment income amounting to \$4.30 per endowment unit was earned, totaling \$41,990,000, and \$344,442,000 was appropriated for current operations from cumulative gains of pooled investments. Endowment pool earnings allocated for spending in fiscal year 2024 represent 5.03% of the market value of the endowment pool at June 30, 2024.

Note 8.

Property, Plant and Equipment:

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

	2025	2024
Land and improvements	\$279,075	\$245,440
Buildings and improvements	6,959,950	6,508,207
Buildings and equipment under finance leases	149,882	113,068
Equipment	1,622,001	1,439,325
Library books and collections	489,887	487,864
Construction-in-progress	676,165	754,814
	10,176,960	9,548,718
Less: Accumulated depreciation	4,655,533	4,345,796
Total	\$5,521,427	\$5,202,922

Notes to Consolidated Financial Statements

Note 9.

Leases:

The University is committed to minimum annual lease payments under several long-term non-cancellable operating and finance leases for equipment, buildings and office space expiring at various dates through 2111.

The University has entered into the following lease arrangements:

Finance Leases

These leases consist of various equipment leases and a lease 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 and the University has assumed that all options will be exercised. Under the terms of both lease agreements for the Coliseum, the University is required to make certain capital improvements.

In June 2021, the University entered into a build-to-suit lease agreement for a 101,000 square foot Class A medical office building and the underlying land. The lease commenced on May 23, 2024 and maintains a term of thirty-four years with five options to renew for five years each. The University may exercise the right of first offer at any time between lease commencement and the last day of the 19th lease year. A purchase option period commences on the first day of the 20th lease year and expires on the last day of the 22nd lease year. The University has a commitment to pay minimum lease payments totaling \$327,470,000 through year 34. Under the lease agreement, the landlord has agreed to contribute \$72,000,000 for improvements. The University is responsible for managing the construction and development of the new building, which remains in progress as of June 30, 2025. Additionally, landlord construction costs are reflected as finance lease obligations as amounts are spent to fund construction. Lease payments made during the construction period are capitalized to the project and recorded as construction-in-progress within property, plant, and equipment. Under ASC 842, *Leases*, and upon project completion, the present value of all future lease payments will be recorded as a finance lease obligation.

Operating Leases

The University has various equipment, vehicle and real estate leases for office space and housing that expire in various years through 2061. These leases generally contain renewal options for periods ranging from 2 years to 10 years and require the University to pay all executory costs (property taxes, maintenance, and insurance). The University is not reasonably certain the renewal options will be exercised and has not included them in the terms. Space leases contain customary escalation clauses, which are included in annual aggregate minimum rentals. Total operating lease expense for the years ending June 30, 2025 and 2024 was \$74,548,000 and \$76,759,000, respectively.

Short-Term Leases

The University has certain leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less. The University does not include short-term leases within the consolidated balance sheets since it has elected the practical expedient to exclude these leases from right-of-use assets - operating leases and operating lease obligations. Total short-term lease expense included in operating expenses for the year ending June 30, 2025 and 2024 was \$2,221,000 and \$2,805,000, respectively.

Operating Leases - Lessor

The University has various leases in which it is the lessor. The University leases to others portions of certain buildings owned for retail, office, and medical office purposes. Leases are generally ten-year terms or less and are classified as operating leases. These leasing arrangements are not material to the consolidated financial statements.

Notes to Consolidated Financial Statements

Note 9. (continued)

The components of lease expense for the years ended June 30, are as follows (in thousands):

	2025	2024
Lease Expense		
Finance lease expense		
Amortization of right-of-use assets	\$4,059	\$2,463
Interest on lease liabilities	4,568	3,687
Operating lease expense	74,548	76,759
Short-term lease expense	2,221	2,805
Variable lease expense	475	600
Total	\$85,871	\$86,314
Other Information		
Cash paid for amounts included in the measurement of lease liabilities		
Finance - Financing cash flows	\$2,339	\$1,224
Finance - Operating cash flows	2,608	1,763
Operating - Operating cash flows	72,537	71,922
Assets obtained in the exchange for lease liabilities		
Finance leases	67,958	31,557
Operating leases	37,916	90,507
Weighted-average remaining lease term		
Finance leases	60.0 years	78.4 years
Operating leases	6.0 years	7.4 years
Weighted-average discount rate		
Finance leases	4.5%	4.5%
Operating leases	3.4%	3.1%

Future aggregate minimum lease payments as of June 30, 2025, under finance and operating leases are as follows (in thousands):

Future minimum lease payments:	Finance	Operating
2026	\$7,267	\$67,414
2027	6,919	47,528
2028	6,966	40,466
2029	7,041	33,851
2030	7,118	27,766
Thereafter	794,134	40,647
	829,445	257,672
Less: amounts representing interest	(585,501)	(25,820)
Present value of net minimum lease payments	\$243,944	\$231,852

Notes to Consolidated Financial Statements

Note 10.

Bonds Payable and Line of Credit:

Bonds payable and line of credit outstanding as of June 30 (*in thousands*):

	Interest %	Maturity	2025	2024
<i>University of Southern California Bonds:</i>				
Series 2011 Taxable	5.25	2112	\$300,000	\$300,000
Discount			(2,317)	(2,343)
Series 2016 Taxable	3.03	2040	722,580	722,580
Discount			(2,284)	(2,443)
Series 2017 Taxable	3.84	2048	402,320	402,320
Discount			(1,332)	(1,390)
Series 2020A Taxable	3.23	2121	320,000	320,000
Discount			(2,661)	(2,689)
Series 2020B Taxable	2.81	2051	308,835	308,835
Discount			(1,120)	(1,165)
Series 2021A Taxable	2.95	2052	400,000	400,000
Discount			(1,303)	(1,353)
Series 2023 Taxable	4.98	2053	500,000	500,000
Discount			(1,765)	(1,829)
Series 2025 Revenue Bonds	5.00	2036	200,000	
	5.00	2056	400,000	
Premium			62,975	
California Statewide Communities Development Authority, Hospital Revenue Refunding Bonds, Series 2018	4.25 - 5.00	2048	227,660	232,860
Premium			5,965	6,229
Total			\$3,837,553	\$3,179,612

Principal payment requirements relating to bonds and notes payable, after giving effect to refunding, for the next five fiscal years and thereafter are approximately: 2026 \$5,465,000; 2027 \$5,750,000; 2028 \$6,040,000; 2029 \$6,480,000; 2030 \$6,710,000, thereafter \$3,750,950,000.

Interest payments for fiscal year 2025 and 2024 were \$114,340,000 and \$101,334,000, respectively. Separately, a net of \$6,371,000 interest expense and interest earned on the Series 2025 Bonds was accrued and capitalized for fiscal year 2025. No interest was capitalized for fiscal year 2024.

The University maintains multiple standby letters of credit carrying an aggregate value of \$19,471,000 and \$15,470,000 during the years ended June 30, 2025 and 2024, respectively. The designated beneficiaries include various insurance companies and the Employment Development Department for the State of California.

In April 2025, the University issued \$600,000,000 in par value tax-exempt Series 2025 revenue bonds via the California Educational Facilities Authority (CEFA). The bonds were issued with an average coupon rate of 5.0% and final maturity on October 1, 2055. The bonds were issued at a premium for gross total proceeds of \$665,146,000. The University will use the proceeds of the bonds to (i) finance and/or refinance the costs of the acquisition, construction, improvement, rehabilitation and/or equipping by the University of higher educational and healthcare facilities, (ii) fund capitalized interest on the bonds, and (iii) pay costs of issuance. The bonds constitute an unsecured general obligation of the University.

In April 2025, the University put in place a new \$250,000,000 taxable commercial paper program. Under the program, the University may issue a maximum aggregate principal amount not to exceed \$250,000,000 outstanding at any one time. The obligation of the University to pay the principal and interest on the notes is not supported or insured by any liquidity facility or other credit enhancement. New short term credit ratings were provided by Moody's at "P-1", and S&P Global at "A-1+". The notes constitute a general, unsecured obligation of the University.

Notes to Consolidated Financial Statements

Note 10. (continued)

The University has a revolving line of credit with a bank with a maturity date of November 30, 2025. The committed size of the revolving line of credit is \$500,000,000. The line of credit accrues interest based on the 'Secured Overnight Financing Rate' (SOFR) and contains a fee on the unused portion. 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. The University was in compliance with these covenants during fiscal years ending June 30, 2025 and 2024.

In December 2018, USCAH issued \$251,770,000 of California Statewide Communities Development Authority Hospital Revenue Refunding Bonds (Series 2018 Bonds). Pursuant to the loan agreement and indenture for the Certificate of Bonds, USCAH must comply with certain restrictive financial and non-financial covenants.

In April 2024, the University and USCAH executed a Master Trust Indenture ("MTI") substitution transaction for the outstanding Series 2018 bonds totaling \$232,860,000. The bonds became secured by a new note issued by the University and USCAH as members of a new obligated group under the new MTI. The new note was delivered in replacement of the original Arcadia obligated group note, as permitted by the original Arcadia MTI. The University and USCAH are jointly and severally obligated to make debt service payments on the new note. The University's obligations under the note are on parity with the general obligation of USC to make debt service payments on any and all of its unsecured obligations. As a result of this transaction, certain restrictive covenants and requirements were eliminated on the Series 2018 bonds.

As of June 30, 2025, the University had unspent bond proceeds related to the Series 2025 revenue bonds. These proceeds are designated for construction and improvement of facilities, and are held at the Bank of New York Mellon Trust Company, N.A., as bond trustee, and consist of cash equivalents of \$58,798,000 and investments of \$580,649,000 in fixed income securities that are considered Level 1 under the fair value hierarchy. These amounts are reflected as assets whose use is limited by bond indenture on the consolidated balance sheet.

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 (frozen July 2007), Fidelity Investments and Prudential Financial (frozen April 2016). 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 University 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, have the University non-elective contribution subject to a four-year vesting schedule. Employees hired on or after January 1, 2019, are subject to a one year waiting period counted under the elapsed time method. Benefits commence at the earliest of age 59 ½, termination of employment or retirement. Pre-retirement survivor death benefits are also provided. Charges to operating expenses for the University's share of costs were approximately \$258,187,000 and \$240,937,000 during the years ended June 30, 2025 and 2024, respectively.

Retirement benefits for employees of USC Verdugo Hills Hospital, Las Vegas Culinary Health Center and University Physician Associates are provided by a defined contribution 401(k) plan through Fidelity Investments. In December 2021, University Physicians Associates moved to the University Retirement Savings Program. 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.

Notes to Consolidated Financial Statements

Note 11. (continued)

Effective January 2017, 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 various acquisitions made by the University have been carried over. Benefits commence at the earliest of age 59 ½, termination of employment or retirement; however, retiree medical benefit contributions may not be withdrawn until disabled or after age 59 ½ regardless of employment status. Pre-retirement survivor death benefits are also provided.

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	2025	2024
Benefit obligation at end of prior year	\$136,290	\$134,132
Interest cost	7,450	7,093
Actuarial (gain) loss	(230)	317
Benefits paid	(4,983)	(5,252)
	\$138,527	\$136,290
Changes in Plan Assets	2025	2024
Fair value of plan assets at the end of prior years	\$133,854	\$132,001
Actual return on plan assets	9,477	6,255
Employer contribution	3,200	850
Benefits paid	(4,983)	(5,252)
	\$141,548	\$133,854
Reconciliation of Funded Status	2025	2024
Accumulated benefit obligation at end of year	(\$138,527)	(\$136,290)
Projected benefit obligation at end of year	(138,527)	(136,290)
Fair value of plan assets at end of year	141,548	133,854
Funded status	\$3,021	(\$2,436)
Other Components of Net Periodic Benefit Cost	2025	2024
Interest cost	\$7,450	\$7,093
Expected return on plan assets	(6,353)	(6,590)
Amortization of net loss	1,132	1,186
Total benefit cost	\$2,229	\$1,689

Notes to Consolidated Financial Statements

Note 11. (continued)

Amounts recognized in the Statement of Financial Position	2025	2024
Noncurrent assets	\$3,021	\$0
Accrued liabilities	\$0	(\$2,436)
Amounts not yet recognized as components of Net Periodic Benefit Cost	2025	2024
Net loss	\$18,331	\$22,817
Changes in the net reduction to Without Donor Restrictions	2025	2024
Net (gain) loss	(\$3,354)	\$652
Amortization of net (gain)	(1,132)	(1,186)
Total benefit cost	(\$4,486)	(\$534)

The net (gain)/loss and prior service cost for the Plan that will be recognized as components of net periodic benefit cost over the next fiscal year is \$546,000 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, and thereby transferring the responsibility for payment of the pension benefits to the insurance company. The effect of the settlement was determined based on a measurement date of March 31, 2019, in accordance with ASC 715, *Compensation-Retirement Benefits*. As a result of the annuity purchase, 44.15% of the benefit obligation for the Plan was settled, and a prorata portion of the net actuarial loss was recognized in expense, resulting in additional pension expense during fiscal 2019 of \$33,781,181.

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

	2025	2024
Discount rate	5.60%	5.40%
Expected return on plan assets	4.80%	5.10%
Rate of compensation increase	N/A	N/A

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

	2025	2024
Discount rate	5.65%	5.60%
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 25% equity securities and 75% 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.

Notes to Consolidated Financial Statements

Note 11. (continued)

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, 2025, 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		\$3,860			\$3,860
Equity securities		31,353			31,353
Fixed income securities		106,335			106,335
Total		\$141,548			\$141,548

At June 30, 2024, 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		\$936			\$936
Equity securities		28,433			28,433
Fixed income securities		104,485			104,485
Total		\$133,854			\$133,854

Notes to Consolidated Financial Statements

Note 11. (continued)

Allocation of Assets

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

Asset Category	Actual at June 30, 2025	Target at June 30, 2025	Actual at June 30, 2024	Target at June 30, 2024
Short-term investment fund	3.0%	0.0%	0.0%	0.0%
Equity securities	22.0%	20.0%	22.0%	20.0%
Fixed income securities	75.0%	80.0%	78.0%	80.0%
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

Contributions of \$1,200,000 are expected to be made during the fiscal year ending June 30, 2026, in order to satisfy minimum funding requirements for the plan. The University may make additional discretionary contributions to the pension plan during the next fiscal year, although the total amount of such contributions, if any, 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	
2026	\$7,333
2027	8,072
2028	8,728
2029	9,264
2030	9,682
2031-2035	51,689

Notes to Consolidated Financial Statements

Note 12.

Net Assets:

The University's net assets as of June 30, 2025, includes the following (in thousands):

			Year Ended June 30, 2025
	Without Donor	With Donor	Total
Nature of Specific Net Assets	Restrictions	Restrictions	Net Assets
Undesignated	\$1,542,122		\$1,542,122
Donor-restricted		\$177,824	177,824
Pledges	58,325	607,812	666,137
Unexpended endowment income	539,336		539,336
Annuity and living trusts		167,076	167,076
Donor-restricted endowment funds		6,704,575	6,704,575
Board-designated endowment funds	2,069,705		2,069,705
Debt service funds	10,764		10,764
Invested in plant	641,985		641,985
Total	\$4,862,237	\$7,657,287	\$12,519,524

The University's net assets as of June 30, 2024, includes the following (in thousands):

			Year Ended June 30, 2024
	Without Donor	With Donor	Total
Nature of Specific Net Assets	Restrictions	Restrictions	Net Assets
Undesignated	\$1,546,863		\$1,546,863
Donor-restricted		\$226,577	226,577
Pledges	28,972	521,818	550,790
Unexpended endowment income	473,799		473,799
Annuity and living trusts		157,630	157,630
Donor-restricted endowment funds		5,995,153	5,995,153
Board-designated endowment funds	2,097,693		2,097,693
Debt service funds	138,682		138,682
Invested in plant	477,171		477,171
Total	\$4,763,180	\$6,901,178	\$11,664,358

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, 2025, functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fundraising Activities	Year Ended June 30, 2025
Compensation	\$3,030,666	\$482,538	\$60,380	\$3,573,584
Fringe benefits	782,341	137,918	19,931	940,190
Operating expenses	1,944,670	589,003	22,329	2,556,002
Cost of goods sold	119,758	42,329		162,087
Travel	51,694	35,524	1,668	88,886
Allocations:				
Depreciation	267,469	76,149	2,945	346,563
Interest	44,270	63,123		107,393
Plant operations and maintenance	217,278	(220,903)	3,625	
Total	\$6,458,146	\$1,205,681	\$110,878	\$7,774,705

For the year ended June 30, 2024, functional expense consists of the following (in thousands):

	Academic, Health Care and Student Services	Support Services	Fundraising Activities	Year Ended June 30, 2024
Compensation	\$2,900,715	\$464,538	\$56,244	\$3,421,497
Fringe benefits	730,344	132,048	18,564	880,956
Operating expenses	1,856,323	672,850	23,085	2,552,258
Cost of goods sold	112,170	45,987	6	158,163
Travel	53,788	30,746	1,543	86,077
Allocations:				
Depreciation	264,957	83,577	1,858	350,392
Interest	48,019	70,330		118,349
Plant operations and maintenance	199,596	(202,648)	3,052	
Total	\$6,165,912	\$1,297,428	\$104,352	\$7,567,692

Notes to Consolidated Financial Statements

Note 14.

Commitments and Contingencies:

Contractual commitments for educational plant amounted to approximately \$245,470,000 and \$310,498,000 at June 30, 2025 and 2024, 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.

Pursuant to the affiliation agreement, the Health System committed to investing \$200,700,000 in USCAH's equipment, infrastructure and services and, as such, it reimburses USCAH's capital expenditures as they are incurred. \$27,469,000 and \$32,039,000 were expended by the Health System for the period ended June 30, 2025 and 2024, respectively.

Under the Medical Services Affiliation Agreement dated July 1, 2019 ("MSAA") between the University and the Los Angeles County Department of Health Services (the "County"), the USC Keck School of Medicine provides clinical and teaching services at LA General Medical Center ("LA General"). On March 29, 2023, the University gave notice to the County that it was invoking its rights to cease providing services at LA General effective July 1, 2024. By providing this notice, the University expressed intent to initiate negotiations over a new agreement that would address deficiencies in the current MSAA. The parties commenced a formal negotiation process, in the course of which the University agreed to LA General's request that the term of the MSAA be extended by one year to July 1, 2025. On February 14, 2024, the County notified the University of its intent to substantially reduce the scope of services obtained from the University. On May 13, 2025, the parties mutually executed and adopted the New Agreement which took effect as of July 1, 2025.

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 student disciplinary and campus safety matters, antitrust, athletic injuries, disputes with students over tuition and fees charged, personal injuries, inappropriate touching, late fees, dental and 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*, recorded a contingent liability on the consolidated balance sheets to properly account for the entire litigation portfolio.

The University has resolved all civil lawsuits brought by alleged victims arising out of the alleged misconduct by Dr. George Tyndall, a gynecologist formerly employed by the University at its student health center. In the fiscal year ended June 30, 2025, the University agreed to settlements by which it collected approximately \$55,500,000 in indemnity payments from the University's insurers in connection with litigation related to Dr. Tyndall. The University also continues to seek contributions from other carriers. While the University continues to expect that an additional portion of the Tyndall settlements will be covered by insurance, there can be no guarantee of the ultimate amount of coverage. Amounts of future insurance reimbursements are unknown as of June 30, 2025, and as a result no insurance recovery accruals have been recorded in the 2025 or 2024 consolidated financial statements.

During the fiscal year ended June 30, 2020, the University was named in civil putative class action lawsuits (since consolidated into a single class action) that assert various legal claims seeking a partial refund of tuition and fees as a result of the University's campus closure and transition to remote instruction in response to the COVID-19 pandemic in the Spring 2020 semester. The University and plaintiffs have agreed to a settlement to resolve the dispute; the University expects the court to grant final approval of that settlement in the fiscal year ending June 30, 2026.

During the fiscal year ended June 30, 2023, the University was named in a civil putative class action seeking a partial refund of tuition paid by online Master of Social Work ("MSW") students, on the basis that the University allegedly falsely advertised that the online and in-person MSW programs were the "same," and in another civil putative class action seeking damages on the basis of plaintiffs' allegations that they paid tuition that they would not otherwise have paid as a result of the submissions of allegedly false data to U.S. News and World Report by the USC Rossier School of Education ("USC Rossier") causing an inaccurate U.S. News ranking of USC Rossier. The University is also cooperating with regulatory matters related to the subject matters of these lawsuits.

During 2025, federal legislation, executive orders, and related regulatory actions resulted in numerous changes affecting institutions of higher education, including requirements associated with federally sponsored research, program administration, and compliance activities. Management continues to monitor these developments and assess their potential impact. As of the date of these financial statements, the University is not aware of any significant loss of federal funding, nor any pending or threatened investigations, that would have a material effect on the University's consolidated financial statements for the year ended June 30, 2025.

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):

	2025	2024
Current sponsored awards	\$1,141,818	\$971,700
Executed grants and contracts for future periods	1,162,292	1,121,963
Total	\$2,304,110	\$2,093,663

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. As part of their regular engagement with the University, board members may make contributions and may have outstanding pledges.

Note 17.

Subsequent Events:

On October 24, 2025, the University renewed the existing Bank of America line of credit with a new maturity date of November 30, 2028. The committed line maintains similar terms including up to \$500 million in capacity for general corporate purposes, a base rate of 'Secured Overnight Financing Rate' (SOFR), and certain rating and net asset covenants.

The University has performed an evaluation of subsequent events through December 18, 2025, the date these consolidated financial statements were issued.