

**2.11.1** The institution has a sound financial base and demonstrated financial stability to support the mission of the institution and the scope of its programs and services. The member institution provides the following financial statements: (1) an institutional audit (or *Standard Review Report* issued in accordance with *Statements on Standards for Accounting and Review Services* issued by the AICPA for those institutions audited as part of a system-wide or statewide audit) and written institutional management letter for the most recent fiscal year prepared by an independent certified public accountant and/or an appropriate governmental auditing agency employing the appropriate audit (or *Standard Review Report*) guide; (2) a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets attributable to operations for the most recent year; and (3) an annual budget that is preceded by sound planning, is subject to sound fiscal procedures, and is approved by the governing board. **(Financial Resources)**

The Off-Site Review Committee found that the University provided audited financial statements for the fiscal year ended June 30, 2010. Per the Management Discussion and Analysis, unrestricted net assets increased by 26 percent to \$326 million as of June 30, 2010. The net increase was a result of additional tuition revenue, federal State Fiscal Stabilization Funds, and actions to control costs. The University did not provide a statement of financial position of unrestricted net assets, exclusive of plant assets and plant-related debts, for the most recent fiscal year ended June 30, 2010.

The institution has a comprehensive approach to budget planning which culminates in approval of the annual budget by the Board of Trustees. USC's Value Center Management (VCM) is a form of Responsibility Centered Management that provides incentives for planning, cost effectiveness, and revenue generation. Rather than a centralized budgeting model, VCM moves the budget decisions into each unit to provide local responsibility and authority presuming that those closest to the action make the best decisions.

The On-Site Review Committee found that the institution provided the statement of financial position of unrestricted net assets exclusive of plant assets and plant-related debt for the most recent fiscal year ending June 30, 2010. The statement shows that the institution has managed its financial resources well even in the face of budget reductions by the State. For unrestricted net assets, the Columbia campus comprises about 90% of the University system assets and over 96% of the total for it and its regional campuses. Its assets grew at least 10% per year over the past three years and over 20% per year for two of those years.