The Howard University

Consolidated Financial Statements

For Fiscal Years Ended June 30, 2016, 2015, and 2014

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Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

We have audited the accompanying consolidated financial statements of The Howard University, which comprise the consolidated statements of financial position as of June 30, 2016, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Howard University as of June 30, 2016, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Howard University's 2015 and 2014 consolidated financial statements, and we expressed unmodified opinions on those consolidated financial statements in our reports dated December 10, 2015 and December 23, 2014, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2015 and 2014 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

November 23, 2016

HOWARD
UNIVERSITY

Office of the Senior Vice President
Chief Financial Officer and Treasurer

Report of Treasurer on Financial Statements

The administration of The Howard University is responsible for the preparation, accuracy, integrity and objectivity of the financial statements contained herein. Such financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include certain amounts that represent our best estimates and judgments. Actual amounts could differ from those estimates.

These financial statements have been prepared under my supervision. Based on my knowledge, these financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of The Howard University for the periods presented herein.

Furthermore, I hereby certify that The Howard University, as Borrower under separate agreements with certain banks and lending institutions, is in compliance with the respective financial covenants as of June 30, 2016, as described in Note 18 of the accompanying financial statements.

Michael J. Masch

Michael J. Masch
Senior Vice President, Chief Financial Officer
and Treasurer

John D. Gordon, Jr.

John D. Gordon, Jr. MS, CPA, CGMA
Controller and Chief Accounting Officer

November 23, 2016

Statements of Financial Position As of June 30, 2016, 2015 and 2014 *(in thousands)*	2016	2015	2014
Current assets:			
Cash and cash equivalents	$ 45,294	$ 22,522	$ 14,820
Operating investments	34,433	36,333	40,095
Deposits with trustees	348	137	971
Receivables, net	145,783	63,532	72,907
Operating leases	1,895	1,746	900
Inventories, prepaids and other current assets	11,904	10,701	11,748
Restricted Investments	37,820	45,911	42,118
Total current assets	**277,477**	**180,882**	**183,559**
Long term assets:			
Deposits with trustees	14,303	14,120	12,882
Receivables, net	76,657	53,729	53,826
Operating leases	12,596	14,491	16,237
Inventories, prepaids and other noncurrent assets	27,654	16,398	17,457
Unexpended bond proceeds	5,027	10,440	46,325
Restricted investments	3,152	2,190	2,122
Endowment investments	577,132	590,659	591,902
Long-lived assets	576,453	619,743	625,602
Total long term assets	**1,292,974**	**1,321,770**	**1,366,353**
Total assets	**$ 1,570,451**	**$ 1,502,652**	**$ 1,549,912**
Current liabilities:			
Accounts payable and accrued expenses	$ 99,482	$ 143,350	$ 122,955
Deferred revenue	107,391	14,081	10,000
Deferred rent payable	1,895	$ 1,746	900
Other liabilities	8,522	11,309	11,010
Accrued post retirement benefits	4,505	4,293	5,471
Reserves for self-insured liabilities	6,918	11,543	6,440
Notes payable	-	98,971	23,948
Financing lease obligations	6,570	8,754	9,571
Bonds payable	1,602	1,838	406
Total current liabilities	**236,885**	**295,885**	**190,701**
Long term liabilities:			
Deferred revenue	1,175	-	-
Deferred rent payable	12,596	14,491	16,237
Other liabilities	15,267	18,216	19,165
Accrued post retirement benefits	63,103	59,145	65,831
Underfunded defined benefit pension plan	166,678	130,128	106,629
Reserves for self-insured liabilities	80,293	83,005	80,191
Notes payable	-	-	46,499
Financing lease obligations	18,475	24,734	34,554
Bonds payable	449,474	291,016	292,788
Refundable advances under Federal Student Loan Program	6,390	6,827	6,369
Total long term liabilities	**813,451**	**627,562**	**668,263**
Total liabilities	**1,050,336**	**923,447**	**858,964**
Net Assets:			
Unrestricted	155,513	200,180	308,222
Temporarily restricted	236,353	250,919	256,783
Permanently restricted	128,249	128,106	125,943
Total net assets	**520,115**	**579,205**	**690,948**
Total liabilities and net assets	**$ 1,570,451**	**$ 1,502,652**	**$ 1,549,912**

The accompanying notes are an integral part of these consolidated financial statements.

Statements of Activities For The Fiscal Year Ended June 30, 2016 (with summarized comparative information for the fiscal years ended June 30, 2015 and 2014) *(in thousands)*	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015	2014
Operating						
Revenues and reclassifications:						
Academic services:						
Tuition and fees, net	$ 155,453	$ -	$ -	$ 155,453	$ 154,068	$ 164,722
Grants and contracts	56,379	-	-	56,379	64,450	57,048
Auxiliary services	52,481	-	-	52,481	53,998	64,937
Clinical services:						
Patient service - Hospital	228,075	-	-	228,075	230,915	209,752
Patient service - Faculty medical practice	27,012	-	-	27,012	25,401	33,802
Patient service - Dental clinic	1,594	-	-	1,594	2,450	2,202
Public support:						
Federal appropriation	218,416	3,405	-	221,821	212,035	222,751
Contributions	4,156	(433)	6,832	10,555	12,442	12,298
Endowment transfer	6,581	7,217	476	14,274	13,718	13,096
Operating investment income (loss)	(1,015)	-	-	(1,015)	966	7,053
Other income	17,529	1,827	(2,909)	16,447	16,505	16,459
Total revenues	**766,661**	**12,016**	**4,399**	**783,076**	**786,948**	**804,120**
Net assets released from restrictions	14,296	(14,296)	-	-	-	-
Total revenues and reclassifications	**780,957**	**(2,280)**	**4,399**	**783,076**	**786,948**	**804,120**
Expenses:						
Program services:						
Instruction	193,405	-	-	193,405	207,796	215,022
Research	40,136	-	-	40,136	42,375	35,609
Public service	11,221	-	-	11,221	12,500	10,492
Academic support	38,700	-	-	38,700	41,768	47,173
Student services	30,605	-	-	30,605	29,862	27,754
Patient care	245,368	-	-	245,368	276,988	299,372
Total program services	**559,435**	**-**	**-**	**559,435**	**611,289**	**635,422**
Supporting services:						
Institutional support	144,968	-	-	144,968	163,103	144,070
Auxiliary enterprises	67,053	-	-	67,053	67,756	69,244
Total supporting services	**212,021**	**-**	**-**	**212,021**	**230,859**	**213,314**
Total operating expenses	**771,456**	**-**	**-**	**771,456**	**842,148**	**848,736**
Operating revenues over (under) operating expenses	**9,501**	**(2,280)**	**4,399**	**11,620**	**(55,200)**	**(44,616)**
Non-operating						
Investment income/(loss) in excess of amount designated for operations	(6,983)	(4,085)	(4,103)	(15,171)	5,134	85,027
Endowment transfer	(5,920)	(8,201)	(153)	(14,274)	(13,718)	(13,096)
Restructuring costs	(44)	-	-	(44)	(10,502)	(3,433)
Change in funded status of defined benefit pension plan	(40,712)	-	-	(40,712)	(31,973)	19,283
Change in obligation for post-retirement benefit plan	(19,244)	-	-	(19,244)	(5,530)	(15,003)
Change in funded status of supplemental retirement plan	142	-	-	142	-	-
Gain on property/land sale	18,581	-	-	18,581	-	1,675
Other items, net	12	-	-	12	46	-
(Decrease) increase in non-operating activities	**(54,168)**	**(12,286)**	**(4,256)**	**(70,710)**	**(56,543)**	**74,453**
Change in net assets	**(44,667)**	**(14,566)**	**143**	**(59,090)**	**(111,743)**	**29,837**
Net assets, beginning of year	**200,180**	**250,919**	**128,106**	**579,205**	**690,948**	**661,111**
Net assets, end of year	**$ 155,513**	**$ 236,353**	**$ 128,249**	**$ 520,115**	**$ 579,205**	**$ 690,948**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows **For Fiscal Years Ended June 30, 2016, 2015 and 2014** *(in thousands)*	**2016**	**2015**	**2014**
Cash flows from operating activities			
Change in net assets	$ (59,090)	$ (111,743)	$ 29,837
Adjustments to reconcile change in net assets to net cash and cash equivalents (used in)/provided by operating activities:			
Depreciation	44,883	51,596	55,900
Bond discount amortization	221	235	206
Net realized gain on sale of investment	(15,955)	(29,417)	(39,553)
Unrealized loss (gain) on investments	36,720	32,910	(37,855)
Increase (decrease) in pension/post retirement liability	40,720	15,635	(17,376)
(Gain) loss on sale/disposal of long-lived assets	(18,581)	133	-
Change in receivables (excluding notes)	(98,208)	4,254	3,490
Change in inventory, prepaid expenses and other assets	(12,459)	2,106	769
Change in deposits with trustees	(394)	(404)	3,772
Change in accounts payable and accrued expenses and other	(43,837)	20,395	14,878
Change in allowance for doubtful receivables	(6,885)	6,136	10,070
Change in deferred revenue	94,485	4,081	309
Change in reserve for self-insured liabilities	(7,338)	7,918	(3,768)
Change in other liabilities	(2,141)	(650)	(4,393)
Change in refundable advances under Federal Student Loan Program	(437)	458	(115)
Net cash and cash equivalents (used in)/provided by operating activities	**(48,296)**	**3,643**	**16,171**
Cash flows from investing activities			
Proceeds from sale of investments	397,929	343,516	373,782
Purchases of investments	(396,138)	(346,287)	(384,598)
Return on unexpended bond proceeds	5,413	35,885	25,345
Proceeds from property/land sale	23,035	-	1,709
Purchases and renovations of long-lived assets	(8,946)	(45,870)	(63,212)
Restricted contributions	(6,832)	(1,548)	(1,162)
Net cash and cash equivalents provided by/(used in) investing activities	**14,461**	**(14,304)**	**(48,136)**
Cash flows from financing activities			
Proceeds from notes payable	88,000	30,000	100,000
Payment on notes payable	(186,971)	(1,476)	(76,052)
Proceeds from bonds payable	160,000	-	-
Payment on bonds payable	(1,998)	(576)	(508)
Financing leases, net	(9,170)	(10,637)	(10,148)
Student loans issued	(726)	(1,218)	(3,821)
Student loans collected	640	722	1,357
Proceeds from restricted contributions	6,832	1,548	1,162
Net cash and cash equivalents provided by financing activities	**56,607**	**18,363**	**11,990**
Net increase (decrease) in cash and cash equivalents	22,772	7,702	(19,975)
Cash and cash equivalents at beginning of year	22,522	14,820	34,795
Cash and cash equivalents at end of period	**$ 45,294**	**$ 22,522**	**$ 14,820**
Supplemental cash flow information:			
Cash paid for interest	$ 25,525	$ 24,513	$ 23,111
Supplemental non-cash investing activities:			
Acquisition of equipment under capital leases, net	727	-	6,918
Stock distributions	344	-	-
Supplemental non-cash financing activities:			
Donated securities	-	215	2,254

The accompanying notes are an integral part of these consolidated financial statements.

Note 1 Summary of Significant Accounting Policies

(a) *Description of the University*

The Howard University (Howard) is a private, nonprofit institution of higher education (the University) which also operates Howard University Hospital (the Hospital) located in Washington, DC. The University provides academic services in the form of education and training, primarily for students at the undergraduate, graduate and postdoctoral levels, and performs research, training and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government. Howard also provides patient healthcare services at the Hospital and by certain members of the University's faculty as part of its academic clinical activities.

The consolidated financial statements also include the activities of Howard University International (HUI), Howard University Global Initiative – Nigeria, LTD/GTE. (HUGIN), Howard University Technical Assistance Program in Malawi Limited (HUTAP), and Howard University Global Initiative South Africa NPC (HUGISA), wholly-owned subsidiaries of the University. The activities and balances of these entities are reflected in the statements of activities and statements of position, and any intercompany balances have been eliminated in consolidation.

The Hospital has a 49% joint venture interest in the Howard University Dialysis Center LLC (LLC). Howard accounts for its interest in the LLC using the equity method which requires Howard to record a proportional share of the LLC's net income or loss as increases and decreases to the initial investment are received.

Howard is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. Any unrelated business income tax generated by Howard is recorded as income tax using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or to be settled. As of June 30, 2016, 2015, and 2014, Howard had no unrelated business income and therefore had no deferred tax assets or liabilities. In addition, Howard analyzed its tax positions for the years ended June 30, 2016, 2015, and 2014, and determined that there were no uncertain tax positions that would have a material impact on Howard's consolidated financial statements.

(b) ***Basis of Presentation***

The consolidated financial statements of Howard have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Howard has elected to show summarized comparative financial information with respect to Howard's statement of activities for the years ended June 30, 2015 and 2014. Such summarized information is prepared in a manner consistent with the statement of activities information from which it was derived.

(c) ***Use of Estimates***

The preparation of consolidated 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. These estimates affect the disclosures 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 amounts realized or paid could differ significantly from the amounts reported for these assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of receivables, accumulated depreciation related to property, plant and equipment and investments whose fair values are not readily determinable; and the adequacy of reserves for professional liabilities, retirement benefits, self-insured health benefits, self-insured workers' compensation and environmental liabilities.

(d) ***Change in Accounting Estimate***

As a result of a new study completed in 2016, Howard revised its estimate of its liability related to the abatement of asbestos found in its facilities for FY 2016, resulting in a reduction of net expenses and the liability by $5,200 and $7,900, respectively.

(e) ***Changes in Accounting Principle***

In FY 2016 Howard completed an early adoption of ASU 2016-02 (Topic 842), Leases, which is a change in accounting principle. See note 17 for a description of the impact of this change on the financial statements.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

(f) ***Net Assets***

Net assets are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

Permanently restricted – Net assets subject to donor-imposed stipulations that do not expire with time or University action. Generally, the donors of these assets permit Howard to use all or part of the income earned on related investments for general or specific purposes.

Contributions are reported in the appropriate category of revenue, except that contributions with donor-imposed restrictions met in the same fiscal year are included in unrestricted revenues. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

(g) ***Receivables and Revenue Recognition***

(1) **Contributions,** including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the gift date. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Contribution revenue for fiscal years ended June 30, 2016, 2015, and 2014 are shown below:

Contributions Revenue	**2016**	**2015**	**2014**
Unrestricted	$ 4,156	$ 4,970	$ 3,601
Temporarily restricted	(433)	5,924	7,535
Permanently restricted	6,832	1,548	1,162
Total contributions revenue	**$ 10,555**	**$ 12,442**	**$ 12,298**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Unconditional promises to give with payments to be received after one year from the date of the consolidated financial statements are discounted. Allowance is made for creditworthiness of the donors, past collection experience, and other relevant factors.

Tuition and fees from student services are recognized ratably over the academic time period to which they apply. A portion of tuition and fees charged in the current fiscal year for the summer term are recognized in the following fiscal year due to summer sessions between May and July crossing fiscal years. To incentivize students to earn their degree early or on-time, Howard University has established a tuition rebate, 50% off of the final semester's tuition, to on-time or early graduates. The rebate is applicable to direct payments made to the University by the student or family toward the final semester's tuition.

Student receivables represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through the University's formal registration process. Howard maintains a policy of offering qualified applicants admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans and employment during the academic year. Tuition and fees are recorded net of discounts for scholarships (merit, talent, and need based), fellowships, graduate remission and employee tuition remission. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for fiscal years ended June 30, 2016, 2015, and 2014 was $101,434, $110,239 and $92,923, respectively.

Net Tuition Revenue	2016	2015	2014
Gross tuition and fees	**$ 256,887**	**$ 264,307**	**$ 257,645**
Financial aid:			
Merit	64,115	64,925	53,373
Need	15,142	18,967	16,683
Talent	6,304	6,861	7,183
Other	15,873	19,486	15,684
Total financial aid	**$ 101,434**	**$ 110,239**	**$ 92,923**
Total net tuition	**$ 155,453**	**$ 154,068**	**$ 164,722**

(2) **Other income** represents income from activities other than core business operations and is recognized as revenue in the period it is received.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

(3) **Federal Appropriation** revenue is recognized when received and expended. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as a temporarily restricted term endowment. For fiscal years ended June 30, 2016, 2015, and 2014, Howard received 28%, 27% and 28%, respectively, of its revenue support from the Federal appropriation. The $4,302, $3,405 and $3,405, receivable for the fiscal years ended June 30, 2016, 2015, and 2014, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 13.

(4) **Net patient service revenue** is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debt expense. The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital.

Net Patient Service Revenue	2016	2015	2014
Gross Revenues	**$ 645,624**	**$ 659,509**	**$ 725,111**
Third-party settlement revenue	46,637	58,716	49,952
Contractual allowances and adjustments	(411,292)	(410,244)	(494,137)
Charity services	(5,468)	(12,276)	(8,241)
Bad debt	(18,820)	(36,939)	(26,929)
Total net patient service revenue	**$ 256,681**	**$ 258,766**	**$ 245,756**
% of contractuals and charity services of gross revenues	**65%**	**64%**	**69%**

(5) **Grants and contracts** revenue is recognized when reimbursable expenses are incurred (for cost plus contracts) or when deliverables or milestones are met (for fixed price contracts). These revenues include recoveries of eligible direct expenses and indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent the amounts due from Federal, state, local, private grants, contracts and others.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Grants and contracts revenue	2016	2015	2014
Reimbursement of direct expenses	$ 48,324	$ 55,608	$ 49,651
Recovery of indirect costs	8,055	8,842	7,397
Total grants and contracts revenue	**$ 56,379**	**$ 64,450**	**$ 57,048**
Indirect costs recovery as a % of direct costs	**17%**	**16%**	**15%**

Grants and contracts revenue by type is detailed in the table below.

Grants and contracts revenue by type	2016	2015	2014
Research	$ 34,178	$ 34,590	$ 32,119
Training	12,188	16,427	13,873
Service/other	10,013	13,433	11,056
Total grants and contracts revenue by type	**$ 56,379**	**$ 64,450**	**$ 57,048**

(6) **Auxiliary services** revenue is generally recognized when services are rendered or as activities have been completed. Auxiliary receivables are comprised primarily of amounts due from advertisers on Howard's commercial radio station WHUR, bookstore vendors and property rents.

Auxiliary services revenue	2016	2015	2014
Student housing	$ 23,622	$ 24,913	$ 32,370
Radio station	9,900	11,507	12,851
Meal plans	14,141	13,145	10,321
Bookstore	706	665	5,094
Property rentals	1,503	1,508	1,505
Parking fees	544	657	775
Vending sales and fees	432	752	678
Ticket sales	923	303	793
Licensing	72	79	11
Other	638	469	539
Total auxiliary services revenue	**$ 52,481**	**$ 53,998**	**$ 64,937**

(7) **Notes receivable** represent loans the University extended to students from institutional resources and Federal Student Loan programs with outstanding balances, which includes Federal Perkins Loans. Management regularly assesses the adequacy of the allowance for credit losses on student loans by performing ongoing evaluations of the student loan portfolio, including the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans.

Howard's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under this 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.

(h) ***Cash and Cash Equivalents***

Short-term investments with maturities at date of purchase of nine months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with trustees or Investments, respectively. Cash equivalents include certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at approximate fair value.

(i) ***Investments***

Investments are segregated between operating, restricted and endowment investments and deposits with trustees on the consolidated statements of financial position, all of which are stated at fair value and defined as follows:

Operating Investments – represent investments free of any donor or lender imposed restrictions. These investments are short-term in nature and can be liquidated at the discretion of the Board of Trustees (the "Board") to meet operational demands.

Restricted Investments – represent non-endowed investments whose principal and or income are restricted by external sources, including liquidation restrictions. The use of the principal and interest of these investments is not subject to the discretion of the Board and as such they are not available to meet the operational needs of the University.

Endowment Investments – represent the pooled endowment and the Federal matching endowment investments. The endowment investments are spread across various asset categories with the use of the income from these investments restricted based on stated donor stipulations.

Fair values of the University's investments are determined by the most relevant available and observable valuation inputs as defined in Note 12. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

Realized and unrealized investment gains and losses are allocated in a manner consistent with interest and dividends, to either unrestricted, temporarily restricted or permanently restricted net assets (distinguished between operating and non-operating), based on donor intent or lack thereof. Such amounts may be expended for operations, for specified donor purposes if temporarily restricted, or held in perpetuity at the donor's request. Realized and unrealized investment gains and losses on loan funds are accumulated in permanently restricted net assets.

Operating investment income includes interest, dividends and operating investment returns. This balance is calculated using operating investments as a percentage of total Level 1 investments in common stock and mutual funds.

(j) ***Inventories, Prepaids and Other Assets***

Inventories consist primarily of medical supplies, and are recorded at the lower of cost or realizable value on a first-in, first-out basis. Prepaids consist primarily of insurance, dues, subscriptions and other fees and are amortized over the useful period. Other assets consist primarily of unamortized bond issuance costs, deferred health charges, intellectual property, beneficial interest trust and investment interest in a dialysis joint venture (see Note 21).

(k) ***Long-Lived Assets***

Long-lived assets include right to use assets – operating and financing as well as property, plant and equipment balances for Howard. Property, plant and equipment are stated at cost or at fair value if received by gift, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives for fiscal years reported are as follow:

Land and land improvements	0-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

Property, plant and equipment acquired under financing leases are amortized over the life of the lease.

Property, plant and equipment is capitalizable when the unit cost is equal to or exceeds $3 and has a useful life of more than one year.

Title to certain equipment purchased using funds provided by government grants or contracting agencies is vested with Howard, and therefore is included in reported property balances. Interest costs eligible for capitalization are the costs of restricted borrowings, less any interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until qualifying assets are intended for use. The recorded values of certain properties include the fair value of any asset retirement obligation necessary to meet contractual or regulatory requirements for disposal or remediation of the property. This primarily pertains to the cost of removal and disposal of asbestos.

(l) *Refundable Advances Under Federal Student Loan Program*

Funds provided by the United States Department of Education under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. The portion of these funds provided by the Department of Education are ultimately refundable to the Department of Education and are reported as liabilities in the consolidated statements of financial position and as cash flows from financing activities in the consolidated statements of cash flows. Loans issued to students are reported as part of receivables in the consolidated statements of financial position.

(m) *Operating Expenses by Category*

Expenses were incurred for the following categories for the years ended June 30, 2016, 2015, and 2014:

Operating expenses (in thousands)	2016	2015	2014
Salaries and wages	$ 347,750	$ 365,126	$ 385,707
Employee benefits other than retirement plans	61,419	78,451	73,981
Retirement plans excluding amortization	2,246	12,327	15,366
Total employment expenses	**411,415**	**455,904**	**475,054**
Telecommunications	8,114	9,987	10,772
Utilities	22,704	18,573	21,589
Medical and office supplies	30,293	38,737	39,889
Repairs and maintenance	23,651	28,267	21,763
Food service costs	15,875	14,694	13,495
Grant subcontracts	17,682	20,194	19,752
Insurance and risk management	22,032	28,179	27,473
Professional and administrative services	131,398	132,443	125,413
Provision for bad debts	9,349	9,483	5,939
Total operating expenses exclusive of interest, depreciation and amortization expense	**692,513**	**756,461**	**761,139**
Interest expense	25,133	24,730	23,025
Depreciation	44,883	51,596	55,900
Amortization of retirement plan actuarial losses	8,927	9,361	8,672
Total operating expenses	**$ 771,456**	**$ 842,148**	**$ 848,736**

Howard presents its Statements of Activities by function. Howard allocates its expenses on a functional basis among its various programs and institutional support. Expenses that can be identified with a specific program are charged directly. Costs related to the operation and maintenance of physical plant including utilities, depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

(n) ***Reserves for Self-Insured Liabilities***

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice and worker's compensation claims and includes estimates of the ultimate cost to resolve such claims. The reserve also includes an estimate of the cost to resolve unasserted claims that actuarial analyses indicate are probable of assertion in the future. Medical malpractice claim reserves are stated at an undiscounted amount.

(o) ***Other Liabilities***

Other liabilities are comprised primarily of unclaimed property, student deposits, deposits held in custody for others, reserves for legal and other contingencies and miscellaneous items.

(p) ***Compensated Absences***

Howard records an amount due to employees for future absences, which are attributable to services performed in the current and prior periods and subject to a maximum carryover. This obligation is recognized on the consolidated statements of financial position as part of accounts payable and accrued expenses. At fiscal years ended June 30, 2016, 2015, and 2014 the obligation was $5,283, $5,848 and $7,421, respectively.

(q) ***Pension and Post-Retirement Benefits***

The funded status of Howard's pension benefit (the "Plan") is actuarially determined and recognized in the consolidated statements of financial position as an asset to reflect an overfunded status, or as a liability to reflect an underfunded status. Howard's actuarially determined post-retirement benefit obligation is recognized on the consolidated statements of financial position as a liability. Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan.

(r) ***Measure of Operations***

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the amortization of actuarial gains and losses previously recorded as non-operating items. Howard uses a spending rate methodology to determine the amount of endowment assets allocated to operations in a given year. Non-operating income and expenses include realized and unrealized appreciation (depreciation), investments, changes in retirement plan liabilities due to market factors, restructuring costs and (charges) credits that do not pertain to continuing core program services.

(s) ***New Accounting Pronouncements***

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02 (Topic 842), *Leases*, which supersedes lease requirements in ASU 2013-270 (Topic 840). Topic 842 establishes the principles that lessees and lessors shall report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease by increasing transparency and comparability by recognizing lease assets and lease liabilities on the Statement of Financial Position. Howard University is adopting ASU 2016-02. Early adoption has resulted in an update to Lease disclosure, as described in Footnote 17.

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-01, *Financial Instruments*, requiring all equity investments to be measured at fair value with changes in the fair value recognized through net income, other than those accounted for under the equity method of accounting or those that result in consolidation of the investee. Howard is evaluating adopting ASU 2016-01.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03 (Subtopic 835-30), *Interest - Imputation of Interest, Simplifying the Presentation of Debt Issuance Costs*, so cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. ASU 2015-03 requires that debt issuance cost related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Howard University is evaluating adopting ASU 2015-03.

(t) ***Reclassification***

Certain prior year amounts have been reclassified to conform to the current year's presentation. Such reclassifications did not have any impact on the University's previously reported net asset balances.

Note 2 Fundraising Expenses

For fiscal years ended June 30, 2016, 2015, and 2014, Howard incurred expenses of approximately $4,691, $5,684 and $4,803, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying consolidated statements of activities within each respective expense category, as appropriate.

Note 3 Charity Care

The Hospital provides services to patients who meet the criteria of its charity care policy without charge, or at amounts less than established rates. The criteria for charity services are comprised of family income, net worth and eligibility at time of application. In addition the Hospital provides services to patients under the District of Columbia charity care program, DC Alliance. The total of charges foregone for services furnished under the Hospital’s charity care policy and the DC Alliance program were $5,468, $12,276 and $8,241 for fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Total uncompensated care charges under all of Howard’s clinical services which includes bad debt write offs as well as charity care, for fiscal years ended June 30, 2016, 2015, and 2014 were $24,288, $49,215 and $35,170, respectively.

Note 4 Insurance and Risk Management

Howard, along with 16 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverage. Howard’s annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Through December 31, 2015, Pinnacle reinsured 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 16 other higher education institutions. Genesis reinsured general liability and automobile liability risks of its shareholders. On January 1, 2016, Genesis merged into Pinnacle. At June 30, 2016, Howard had an approximate 6% interest in Pinnacle. Howard’s interest in Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of $125,000 from commercial insurance companies.

Howard is self-insured for initial layers of medical malpractice, worker’s compensation, and employee health benefits. The reserves for self-insured risks are actuarially determined and Howard has set aside assets in revocable trusts to partially fund these self-insured risks.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The self-insured program covers professional liability costs up to $7,500 per occurrence depending on the cause. In addition, there are two layers of excess insurance coverage. The first layer of the excess insurance coverage is up to $35,000 on a claims-made basis. This layer is purchased through a captive insurance company, Howard University Capitol Insurance Company Ltd. (HUCIC), organized under the laws of the Cayman Islands. HUCIC covers prior acts retroactive to two separate policy periods dating July 1, 1996 and January 1, 1986, and is completely reinsured. The second layer of excess liability insurance which also covers patient care related general liability and professional liability, is up to $50,000 on a claims-made basis. The second layer of excess coverage is provided by an independent excess insurance company.

The types of insurance and risk management coverages are detailed in the table below:

Insurance and Risk Management	2016	2015	2014
Malpractice claims expense	$ 5,176	$ 13,667	$ 14,705
Malpractice excess insurance	1,470	1,414	1,590
Student sickness	11,622	9,430	6,771
General and other	3,764	3,668	4,407
Totals	**$ 22,032**	**$ 28,179**	**$ 27,473**

Note 5 Restructuring Costs

Restructuring costs represent non-recurring expenses required to facilitate management, faculty and staff changes resulting from Howard's various renewal initiatives. In fiscal years 2016, 2015, and 2014, Howard implemented a reduction-in-force to better align the number of administrative staff with expected needs and its financial capacity. Severance and other payments related thereto amounted to $44, $10,502 and $3,433, respectively. Additionally, Howard implemented a Faculty Phased Retirement Program with incentive payments of $19,816 payable between September 2012 and September 2017, which was accrued as of June 30, 2012. As of June 30, 2016, $2,088 is accrued, reflecting $17,728 of cumulative payment activity.

Note 6 Concentration of Risks

Financial instruments that potentially subject Howard to significant concentrations of credit risk consist principally of deposits of cash, cash equivalents, and investments in financial institutions in excess of the applicable government insurance limits. The limit was $250 per account as of June 30, 2016. Aggregate cash and cash equivalent balances maintained at financial institutions exceed the amount guaranteed by federal agencies, but Howard has not experienced any loss due to this risk. Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students. Financial instruments that potentially subject Howard to market risk consist primarily of investments. Howard attempts to mitigate this risk through its investment strategy.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 7 Receivables

Accounts receivable, prior to adjustment for doubtful collections, are summarized as follows at fiscal years ended June 30, 2016, 2015, and 2014:

Receivables	2016	2015	2014
Student	$ 131,905	$ 31,643	$ 20,151
Notes	15,607	15,521	15,024
Federal appropriation	4,302	3,405	4,290
Patients and third-party payors - Hospital	73,423	64,532	88,326
Patients and third-party payors - FPP	18,970	25,070	16,611
Patients and third-party payors - Dental	3,628	2,631	1,851
Grants and contracts	15,006	14,860	17,343
Contributions	3,643	6,861	4,566
Insurance claims	7,526	12,355	14,057
Auxiliary services	5,673	6,856	6,176
Other	6,829	4,436	3,532
Total	**$ 286,512**	**$ 188,170**	**$ 191,927**

Other receivables includes checks pending deposit at period and year end, and certain vendor credit balances.

Allowance for doubtful receivables is summarized as follows at fiscal years ended June 30, 2016, 2015, and 2014:

Allowance for Doubtful Receivables	2016	2015	2014
Student	$ 23,327	$ 16,979	$ 10,444
Notes	5,821	2,789	3,210
Patients and third-party payors - Hospital	26,649	33,226	38,943
Patients and third-party payors - FPP	1,357	9,465	4,349
Patients and third-party payors - Dental	1,409	660	571
Grants and contracts	1,119	3,308	4,505
Contributions	2,055	2,527	1,623
Insurance claims	1,689	1,689	1,326
Auxiliary services	531	152	109
Other	115	114	114
Totals	**$ 64,072**	**$ 70,909**	**$ 65,194**
Total receivables, net	**$ 222,440**	**$ 117,261**	**$ 126,733**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Provision for bad debt is summarized as follows at fiscal years ended June 30, 2016, 2015, and 2014:

Provision for Bad Debt	2016	2015	2014
Non-clinical services:			
Student services	$ 8,583	$ 6,762	$ 5,011
Research grants and development agreements	848	1,739	717
Insurance claims	-	(22)	(162)
Auxiliary services	389	100	234
Uncollectible pledges	(471)	904	266
Other	-	-	(127)
Total non-clinical	**$ 9,349**	**$ 9,483**	**$ 5,939**
Clinical services:			
Patients and third-party payors - Hospital	19,504	22,872	20,057
Patients and third-party payors - FPP	(1,480)	13,919	6,755
Patients and third-party payors - Dental	796	148	117
Total clinical services	**$ 18,820**	**$ 36,939**	**$ 26,929**
Total provision for bad debt	**$ 28,169**	**$ 46,422**	**$ 32,868**

Bad debt expense of $9,349, $9,483 and $5,939 for fiscal years ended June 30, 2016, 2015, and 2014, respectively, reflected in total operating expenses on the statements of activities excludes bad debt expense related to certain clinical services determined to be uncollectible. Clinical services bad debt expense, as shown in the table above, has been netted against patient service revenues.

Contributions receivable at June 30, 2016, 2015, and 2014 are expected to be received as follows:

Contributions Receivable	2016	2015	2014
Within one year	$ 2,731	$ 5,529	$ 4,314
Between one and five years	1,554	1,026	274
Thereafter	402	604	4
Contributions receivable gross	4,687	7,159	4,592
Unamortized discount on contributions receivable (2%-6.5%)	(1,044)	(298)	(26)
Contributions receivable, net of discounts	3,643	6,861	4,566
Allowance for uncollectible contributions	(2,055)	(2,527)	(1,623)
Contributions receivable, net of discounts and allowance	$ 1,588	$ 4,334	$ 2,943

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 8 Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2016, 2015, and 2014 are as follows:

Inventories, Prepaids and Other Assets	2016	2015	2014
Inventories - Hospital	$ 3,568	$ 3,416	$ 4,679
Prepaid expenses	5,450	6,709	6,154
Unamortized bond issuance costs	4,937	4,563	4,778
Deferred health charges	-	-	1,414
Dialysis joint venture interest	5,588	5,638	5,337
Beneficial interest trust	10,286	5,038	4,968
Self-insured assets	7,972	-	-
Intellectual property costs	1,530	1,530	1,682
Other	227	205	193
Total	**$ 39,558**	**$ 27,099**	**$ 29,205**

Note 9 Accounts Payable and Accrued Expenses

Components of this liability account at fiscal years ended June 30, 2016, 2015, and 2014 are as follows:

Accounts Payable and Accrued Expenses	2016	2015	2014
Vendor invoices	$ 55,705	$ 97,677	$ 73,739
Accrued salaries and wages	24,083	22,823	21,930
Accrued employee benefits	7,224	6,984	7,194
Accrued annual leave	5,283	5,848	7,421
Accrued faculty retirement incentive payments	2,088	3,610	6,118
Accrued interest	4,680	5,071	4,822
Other	419	1,337	1,731
Total	**$ 99,482**	**$ 143,350**	**$ 122,955**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 10 Other Liabilities and Deferred Revenue

These obligations include the following at fiscal years ended June 30, 2016, 2015, and 2014:

Other liabilities	2016	2015	2014
Asset retirement obligation	$ -	$ 13,514	$ 13,128
Environmental remediation	-	3,000	3,000
Environmental liabilities	8,887	-	-
Due to Provident	5,977	-	-
Unclaimed property	3,499	2,644	2,879
Student deposits and refunds	2,578	3,300	2,725
Reserve for legal contingencies	235	1,574	3,664
Deposits held in custody for others	1,376	1,702	2,425
Other	1,237	3,791	2,354
Total	**$ 23,789**	**$ 29,525**	**$ 30,175**

Deferred revenue	2016	2015	2014
Deferred tuition, room and board	$ 94,100	$ 2,932	$ 2,825
Deferred grant revenue	11,810	8,430	6,677
Deferred savings incentive revenue	1,775	2,375	-
Other	881	344	498
Total	**$ 108,566**	**$ 14,081**	**$ 10,000**

Howard recorded an asset retirement obligation in FY06 to comply with FIN 47 (prior to the issuance of ASC 410) and subsequently updated the estimate in FY09. In FY16 a study was performed to review the documentation and methodology used the establish the remediation liability. Based on the study, the liability does not qualify for ASC 410 treatment and is considered a general liability. Accordingly, in FY16, the liability was reduced by $7,900 and the net expense impact of $5,200 is recorded as a reduction to institutional support.

Howard's environmental remediation liability has been discounted using a rate of 4.9%. Amounts for the fiscal years ended June 30, 2016, 2015, and 2014, were as follows:

Environmental liabilities	2016	2015	2014
Asset retirement costs	$ 969	$ 4,565	$ 4,565
Accumulated depreciation	841	2,253	2,205
Accretion expense	(2,662)	344	410
Asset retirement obligation	-	13,514	13,128
Environmental liabilities	8,887	-	-
Total	**$ 8,035**	**$ 20,676**	**$ 20,308**

Howard incurred costs related to asbestos abatement during fiscal years ended June 30, 2016, 2015, and 2014 of $113, $234 and $135, respectively.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 11 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets		
	2016	**2015**	**2014**
Debt service reserve	$ 12,848	$ 12,847	$ 12,880
Professional liability	15	16	5
Workers' compensation	10	10	12
Health insurance trust	1,778	1,384	956
Total	**$ 14,651**	**$ 14,257**	**$ 13,853**
	Liabilities		
	2016	**2015**	**2014**
Debt service reserve	NA	NA	NA
Capitalized interest	NA	NA	NA
Professional liability	$ 59,127	$ 55,671	$ 54,365
Workers' compensation	21,234	28,891	27,956
Health insurance trust	6,850	9,987	4,310
Total	**$ 87,211**	**$ 94,549**	**$ 86,631**

NA = Not applicable

(a) ***Debt Service Reserve Fund***

As required by the 2011 Revenue Bonds, Howard maintains a debt service reserve fund in an amount greater than or equal to the Debt Service Fund Requirement of $12,634 for all periods reported. The assets in the debt service reserve fund consist primarily of cash, fixed income investments and other short-term securities.

(b) ***Professional Liability***

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and certain faculty physicians and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2016. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued for fiscal years ended June 30, 2016, 2015, and 2014 of approximately $59,127, $55,671 and $54,365, respectively is adequate to provide for losses resulting from probable unasserted claims and pending or threatened litigation.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Professional liability activity is summarized as follows for fiscal years ended June 30, 2016, 2015, and 2014 in the table below.

Professional Liability	**2016**		**2015**		**2014**	
Beginning balance	$	55,671	$	54,365	$	55,204
Malpractice claims expense		5,176		13,667		14,705
Settlement payments		(1,720)		(12,361)		(15,544)
Ending balance	**$**	**59,127**	**$**	**55,671**	**$**	**54,365**

(c) *Workers' Compensation*

Prior to July 1, 2012, Howard had established a revocable trust fund to partially provide for the satisfaction of its liability under applicable workers' compensation liability. The assets in the workers' compensation trust fund consisted of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. As of June 30, 2016, workers' compensation liabilities are being satisfied as claims arise. Howard also maintains $7,972 in letters of credit, which serve as collateral for specific insurance carriers. Howard is self-insured for workers' compensation claims up to per occurrence retention of $500. The excess is covered through commercial insurance.

For fiscal years ended June 30, 2016, 2015, and 2014 expenses related to workers' compensation were $(4,327), $3,860 and $3,234, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately $21,234, $28,891 and $27,956 at June 30, 2016, 2015, and 2014, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported incidents. This liability is recorded on the accompanying consolidated statements of financial position in reserves for self-insured liabilities. Estimated claims for which payments will be covered under existing insurance policies were $5,837, $10,666 and $12,731 at June 30, 2016, 2015, and 2014, respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

(d) *Health Insurance*

Prior to July 1, 2012, Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consisted primarily of investments in money market funds. As of June 30, 2014, health insurance claims are being funded as incurred. Deposits to the fund are amounts withheld from employees' salaries and wages and Howard's contributions based on estimates established by the claims administrator. Disbursements from the fund are made in accordance with the payment plan established with the claims administrator. The total estimated liability for asserted and unasserted probable claims at June 30, 2016, 2015, and 2014, is approximately $6,850, $9,987 and $4,310, respectively.

Note 12 Fair Value Measurements

Howard applies applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish three categories for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

Howard's financial assets and liabilities as of June 30, 2016, 2015, and 2014 are subject to fair value accounting.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Fair value as of June 30, 2016 is as follows:

Fair Value as of June 30, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	$ -	$ 5,027	$ -	$ 5,027
Deposits with trustees (7)	1,734	12,917	-	14,651
Other assets (8)	7,972	-	5,588	13,560
Total assets (non investment)	**$ 9,706**	**$ 17,944**	**$ 5,588**	**$ 33,238**
Operating investments				
Fixed Income-Government Bonds (2)	-	-	-	-
Common Stock (3)	34,433	-	-	34,433
Total operating investments	**$ 34,433**	**$ -**	**$ -**	**$ 34,433**
Restricted investments				
Money Market Instrument (1)	-	1,001	-	1,001
Common Stock (3)	36,819	-	-	36,819
Private Equity (4)	-	-	2,902	2,902
Real Estate (4)	-	-	250	250
Total restricted investments	**$ 36,819**	**$ 1,001**	**$ 3,152**	**$ 40,972**
Endowment investments				
Money Market Fund (1)	30	50,635	-	50,665
Common/collective trusts	-	-	-	
Emerging Market Equity (3)	-	43,281	-	43,281
Global Fixed Income Security (2)	-	32,196	-	32,196
International Equity Security (3)	-	96,687	-	96,687
Domestic Common Stock (3)	-	21,931	-	21,931
Commodity Inflation Hedging (8)	-	12,121	-	12,121
Common Stock (3)	42,511	-	-	42,511
Fixed income	-	-	-	
Mortgage Backed Securities (2)	-	-	-	-
Corporate Bond (2)	-	27	-	27
Hedge funds				
Distressed Debt (4)	-	-	-	-
Equity Long/short (4)	-	12,683	-	12,683
Event driven (4)	-	158	12	170
Global opportunities (4)	-	6,108	-	6,108
Multi-strategy (4)	-	22,741	74	22,815
Mutual funds investment	-	-	-	
Emerging Market Equity Security (3)	28,133	-	-	28,133
Domestic Common Stock (3)	30,454	-	-	30,454
Domestic Fixed Income (2)	76,282	-	-	76,282
International Equity Security (3)	9,317	-	-	9,317
Limited partnerships (4)	-	-	75,778	75,778
Real estate (4)	-	-	16,863	16,863
Total endowment investments	**$ 186,727**	**$ 298,568**	**$ 92,727**	**$ 578,022**
Total investments	**$ 257,979**	**$ 299,569**	**$ 95,879**	**$ 653,427**
Assets not subject to fair value reporting (9)	**1,164**	-	-	**1,164**
Liabilities not subject to fair value reporting (9)	**(2,054)**	-	-	**(2,054)**
Total assets and liabilities measured at fair value	**$ 266,795**	**$ 317,513**	**$ 101,467**	**$ 685,775**

Level 3 investments were 15% of total investments.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Fair value as of June 30, 2015 is as follows:

Fair Value as of June 30, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Unexpended bond proceeds (6)	$ -	$ 10,440	$ -	$ 10,440
Deposits with trustees (7)	1,395	12,862	-	14,257
Other assets (8)	-	-	5,038	5,038
Total assets (non investment)	**$ 1,395**	**$ 23,302**	**$ 5,038**	**$ 29,735**
Operating investments				
Fixed Income-Government Bonds (2)	-	-	-	-
Common Stock (3)	36,333	-	-	36,333
Total operating investments	**$ 36,333**	**$ -**	**$ -**	**$ 36,333**
Restricted investments				
Money Market Instrument (1)	-	1,820	-	1,820
Common Stock (3)	44,091	-	-	44,091
Private Equity (4)	-	-	1,940	1,940
Real Estate (4)	-	-	250	250
Total restricted investments	**$ 44,091**	**$ 1,820**	**$ 2,190**	**$ 48,101**
Endowment investments				
Money Market Fund (1)	283	38,730	-	39,013
Common/collective trusts				
Emerging Market Equity (3)	-	27,543	-	27,543
Global Fixed Income Security (2)	-	30,848	-	30,848
International Equity Security (3)	-	104,663	-	104,663
Domestic Common Stock (3)	-	23,348	-	23,348
Commodity Inflation Hedging (8)	-	14,384	-	14,384
Common Stock (3)	46,703	-	-	46,703
Fixed income				
Corporate Bond (2)	-	44	-	44
Hedge funds				
Distressed Debt (4)	-	2,769	-	2,769
Equity Long/short (4)	-	13,541	-	13,541
Event driven (4)	-	3,328	3,096	6,424
Global opportunities (4)	-	6,233	-	6,233
Multi-strategy (4)	-	25,889	3,578	29,467
Mutual funds investment				
Emerging Market Equity Security (3)	33,035	-	-	33,035
Domestic Common Stock (3)	30,915	-	-	30,915
Domestic Fixed Income (2)	74,038	-	-	74,038
International Equity Security (3)	9,814	-	-	9,814
Limited partnerships (4)	-	-	81,305	81,305
Real estate (4)	-	-	16,362	16,362
Total endowment investments	**$ 194,788**	**$ 291,320**	**$ 104,341**	**$ 590,449**
Total investments	**$ 275,212**	**$ 293,140**	**$ 106,531**	**$ 674,883**
Assets not subject to fair value reporting (9)	**935**	-	-	**935**
Liabilities not subject to fair value reporting (9)	**(725)**	-	-	**(725)**
Total assets and liabilities measured at fair value	**$ 276,817**	**$ 316,442**	**$ 111,569**	**$ 704,828**

Level 3 investments were 16% of total investments.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Fair value as of June 30, 2014 is as follows:

Fair Value as of June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets:				
Unexpended bond proceeds (6)	$ -	$ 46,325	$ -	$ 46,325
Deposits with trustees (7)	968	12,885	-	13,853
Other assets (8)	-	-	4,968	4,968
Total assets (non investment)	**$ 968**	**$ 59,210**	**$ 4,968**	**$ 65,146**
Operating investments				
Fixed Income-Government Bonds (2)	8,431	-	-	8,431
Common Stock (3)	31,664	-	-	31,664
Total operating investments	**$ 40,095**	**$ -**	**$ -**	**$ 40,095**
Restricted investments				
Money Market Instrument (1)	-	3,434	-	3,434
Common Stock (3)	38,684	-	-	38,684
Private Equity (4)	-	-	1,872	1,872
Real Estate (4)	-	-	250	250
Total restricted investments	**$ 38,684**	**$ 3,434**	**$ 2,122**	**$ 44,240**
Endowment investments				
Money Market Fund (1)	841	34,890	-	35,731
Common/collective trusts				
Emerging Market Equity (3)	-	22,357	-	22,357
Global Fixed Income Security (2)	-	32,693	-	32,693
International Equity Security (3)	-	105,359	-	105,359
Domestic Common Stock (3)	-	22,661	-	22,661
Commodity Inflation Hedging (8)	-	19,016	-	19,016
Common Stock (3)	61,777	-	-	61,777
Fixed income				
Mortgage Backed Securities (2)	-	1,840	-	1,840
Corporate Bond (2)	-	4,153	-	4,153
Hedge funds				
Distressed Debt (4)	-	3,002	-	3,002
Equity Long/short (4)	-	9,084	-	9,084
Event driven (4)	-	3,697	3,804	7,501
Global opportunities (4)	-	7,901	-	7,901
Multi-strategy (4)	-	24,679	3,584	28,263
Mutual funds investment				
Emerging Market Equity Security (3)	27,275	-	-	27,275
Domestic Common Stock (3)	26,838	-	-	26,838
Domestic Fixed Income (2)	57,563	-	-	57,563
International Equity Security (3)	9,942	-	-	9,942
Limited partnerships (4)	-	-	91,102	91,102
Real estate (4)	-	-	17,054	17,054
Total endowment investments	**$ 184,236**	**$ 291,332**	**$ 115,544**	**$ 591,112**
Total investments	**$ 263,015**	**$ 294,766**	**$ 117,666**	**$ 675,447**
Assets not subject to fair value reporting (9)	1,416	-	-	1,416
Liabilities not subject to fair value reporting (9)	(626)	-	-	(626)
Total assets and liabilities measured at fair value	**$ 264,773**	**$ 353,976**	**$ 122,634**	**$ 741,383**

Level 3 investments were 17% of total investments.

The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

(1) Money market instruments include investments in open ended mutual funds that invest in US treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.

(2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.

(3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2. Investments in comingled funds with underlying securities in common stock are classified as Level 2 because there is a readily determinable unit price and the units held can be redeemed in less than one month.

(4) Alternative investments include Howard's limited partnership interests, hedge funds, private equity and real estate and commodity funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued based on valuation techniques that take into account each fund's underlying assets and include valuation methods such as market, cost and income approaches. In accordance with ASC 820, *Fair Value Measurement,* which governs the classification of certain investments with the option of Net Asset Value redemption value as Level 2, Howard has classified qualifying investments in Hedge Funds and Commodity Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. Hedge Funds and Commodity Funds with liquidation terms in excess of 90 days are classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3.

These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by management indicate that the values reported are reasonable. These investments are classified as Level 3.

(5) Interest rate swaps are valued using observable and unobservable inputs, such as quotations received from counterparty dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of the observed inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, pre-payment rates, assumptions for non-performance risk, and correlations of such inputs. Certain parts of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore, classified as Level 2 within the fair value hierarchy.

(6) Unexpended bond proceeds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. These investments are classified as Level 2.

(7) Deposits held with trustees, including workers' compensation, professional and general liability, health insurance and bond debt service deposits, are comprised primarily of money market instruments, US treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or Level 2 based on whether their prices are quoted daily. Investments in US treasury securities are classified as Level 1 and other fixed income securities are classified as Level 2.

(8) Other assets represent the University's beneficial interest in certain trust assets held by third parties. The fair value of this interest has been measured using the income approach as there is no active principal market trading in this interest. This interest was valued using the quoted market value for the underlying marketable securities of the Trust discounted for expected future cash flows to the University. These interests are classified as Level 3 assets as the reported fair values are based on a combination of observable and unobservable inputs.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

(9) Assets and liabilities not subject to fair value reporting represent transactions that have been entered into but not settled by the reporting date of June 30.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while Howard 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 estimate of fair value as of the reporting date.

The following tables present the changes in amounts included in the consolidated statements of financial position for financial instruments classified within Level 3 of the valuation hierarchy defined above.

Changes in Level 3 securities for the period ended June 30, 2016 is as follows:

Changes in Level 3 for the period ended June 30, 2016	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2015	$ 83,245	$ 6,674	$ 16,612	$ 5,038	$ 111,569
Gain and Loss (Realized and unrealized)	5,527	(303)	2,824	550	8,598
Acquisitions	8,261	-	2,518	-	10,779
Sales	(18,353)	(6,285)	(4,841)	-	(29,479)
Balance June 30, 2016	**$ 78,680**	**$ 86**	**$ 17,113**	**$ 5,588**	**$ 101,467**
Change in unrealized investments held	**$ 6,306**	**$ (1,325)**	**$ 2,903**	**$ 550**	**$ 8,435**

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2016. Transfers, when made, are deemed to be made at the end of the fiscal year.

Changes in Level 3 securities for the period ended June 30, 2015 is as follows:

Changes in Level 3 for the period ended June 30, 2015	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2014	$ 92,974	$ 7,388	$ 17,305	$ 4,968	$ 122,635
Gain and Loss (Realized and unrealized)	5,681	(714)	2,544	70	7,581
Acquisitions	7,604	-	1,210	-	8,814
Sales	(23,014)	-	(4,447)	-	(27,461)
Balance June 30, 2015	**$ 83,245**	**$ 6,674**	**$ 16,612**	**$ 5,038**	**$ 111,569**
Change in unrealized investments held	**$ (7,690)**	**$ (714)**	**$ 1,175**	**$ 70**	**$ (7,159)**

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2015. Transfers, when made, are deemed to be made at the end of the fiscal year.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Changes in Level 3 securities for the period ended June 30, 2014 is as follows:

Changes in Level 3 for the period ended June 30, 2014	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2013	$ 95,906	$ 5,931	$ 8,965	$ 4,378	$ 115,180
Gain and Loss (Realized and unrealized)	16,859	1,457	2,142	590	21,048
Acquisitions	8,113	-	7,012	-	15,125
Sales	(27,904)	-	(814)	-	(28,718)
Balance June 30, 2014	**$ 92,974**	**$ 7,388**	**$ 17,305**	**$ 4,968**	**$ 122,635**
Change in unrealized investments held	**$ 3,212**	**$ 457**	**$ 2,252**	**$ 589**	**$ 6,510**

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2014.

Net investment income (loss) is summarized as follows for fiscal years ended June 30, 2016, 2015, and 2014:

Net Investment Income (Loss)	2016	2015	2014
Interest and dividends	$ 7,997	$ 12,397	$ 13,810
Net realized gains (losses)	15,955	29,417	39,553
Net unrealized gains (losses)	(36,720)	(32,910)	37,855
Other investment income (expenses)	71	201	339
Investment expenses	(3,490)	(3,006)	(4,539)
Net investment income (loss)	**$ (16,189)**	**$ 6,099**	**$ 87,018**
Current year unrestricted operating return (loss)	**(1,015)**	**966**	**7,053**
Current year non-operating investment return (loss):			
Unrestricted	(6,984)	1,826	38,834
Restricted	(8,190)	3,307	41,131
Total current year investment return	**$ (16,189)**	**$ 6,099**	**$ 87,018**
Prior year return designated for current operations:			
Unrestricted	(6,581)	(6,346)	(6,080)
Restricted	(7,693)	(7,372)	(7,016)
Total designated for current operation	**$ (14,274)**	**$ (13,718)**	**$ (13,096)**
Net non-operating investment return:			
Unrestricted	(13,565)	(4,520)	33,387
Restricted	(15,883)	(4,064)	33,481

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Liquidity Terms and Unfunded Commitments – The following tables represent Howard's investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2016, 2015, and 2014. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investments as of June 30, 2016	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 41,776	$ -	Monthly-Annually	45-90 days
Real estate funds	17,113	1,082	-	2-10 years
Common/collective trusts	206,216	-	Monthly	-
Limited partnerships	78,680	31,983	-	≤ 10 years

Investments as of June 30, 2015	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 58,434	$ -	Monthly-Annually	45-90 days
Real estate funds	16,612	3,059	-	2-10 years
Common/collective trusts	200,786	-	Monthly	-
Limited partnerships	83,245	26,841	-	≤ 10 years

Investments as of June 30, 2014	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 55,751	$ -	Monthly-Annually	45-90 days
Real estate funds	17,304	3,148	-	2-10 years
Common/collective trusts	202,086	-	Monthly	-
Limited partnerships	92,974	29,234	-	≤ 10 years

Note 13 Net Assets

Temporarily restricted net assets consist of the following at June 30:

Temporarily Restricted Net Assets	2016	2015	2014
Scholarships	$ 48,910	$ 52,050	$ 54,511
Professorships	33,136	34,405	34,753
Student loans	1,721	1,405	1,173
Federal term endowment	119,145	124,883	128,648
General operations and other	33,441	38,176	37,698
Total	**$ 236,353**	**$ 250,919**	**$ 256,783**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The Federal term endowment restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to unrestricted net assets at the end of each 20 year period. For fiscal years ended June 30, 2016, 2015, and 2014, the transfer amounts were $7,701, $10,146 and $10,612, respectively.

Permanently restricted net assets are held in perpetuity and the income there from is only expendable for the noted purposes at June 30:

Permanently Restricted Net Assets	2016	2015	2014
Scholarships	$ 57,296	$ 55,122	$ 54,633
Professorships	24,713	24,431	24,151
Student loans	34,548	36,943	36,321
General operations and other	11,691	11,610	10,838
Total	**$ 128,249**	**$ 128,106**	**$ 125,943**

Temporarily restricted net assets that were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for fiscal years ended June 30, 2016, 2015, and 2014 are as follows:

Net Assets Released from Restrictions	2016	2015	2014
Federal term	$ 7,701	$ 10,146	$ 10,612
Restrictions released based on purpose:			
Scholarships and fellowships	3,242	5,032	3,671
Professorships	711	463	626
Student loans	57	128	127
General operations and other	2,584	1,943	2,024
Total	**$ 14,296**	**$ 17,712**	**$ 17,060**

Note 14 Endowment Fund

Howard's endowment includes approximately 800 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position – Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (DC UPMIFA).

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift that is not classified as permanently restricted is classified as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending - In accordance with UPMIFA, Howard considers the following factors in making a determination to spend or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Howard and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of Howard
7. The investment policies of Howard

Management and Investment - In accordance with UPMIFA, Howard considers the following factors in making investment, as well as other management decisions, regarding donor-restricted endowment funds:

1. General economic conditions
2. The possible effect of inflation and deflation
3. The expected tax consequences, if any
4. The role of an investment/action in context of the entire portfolio
5. The expected total income and appreciation
6. Other University resources
7. The needs to preserve capital and make distributions
8. An asset's special relationship or value to the University's charitable purpose.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

As of fiscal years ended June 30, 2016, 2015, and 2014 total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	2016	2015	2014
Permanently Restricted Net Assets			
The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA:	**$ 88,658**	**$ 81,904**	**$ 80,975**
Temporarily Restricted Net Assets			
Time restricted funds	134,335	140,868	145,272
The portion of perpetual endowment funds subject to a time restriction under DC UPMIFA:			
Without purpose restrictions	3,578	4,204	4,707
With purpose restrictions	49,523	58,106	64,463
Total endowment funds classified as temporarily restricted net assets	**$ 187,436**	**$ 203,178**	**$ 214,442**

The change in value and the composition of amounts classified as endowment as of June 30, 2016 is as follows:

Endowment Change in Value For period ended June 30, 2016	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 308,982**	**$ 203,178**	**$ 81,904**	**$ 594,064**
Investment return:				
Investment income	3,200	3,719	175	7,094
Net depreciation (realized and unrealized)	(10,594)	(9,783)	(38)	(20,415)
Total investment return	**$ (7,394)**	**$ (6,064)**	**$ 137**	**$ (13,321)**
Contributions	373	3,458	6,727	10,558
Appropriation of endowment assets for operations	(7,775)	(6,389)	(110)	(14,274)
Other changes:				
Match release	7,701	(7,701)	-	-
Transfer and other changes	3,453	954	-	4,407
Endowment net assets, end of year	**$ 305,340**	**$ 187,436**	**$ 88,658**	**$ 581,434**
Donor-restricted endowment funds	(7,137)	187,436	88,658	268,957
Board-designated endowment funds	312,477	-	-	312,477
Endowment net assets, end of year	**$ 305,340**	**$ 187,436**	**$ 88,658**	**$ 581,434**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2015 is as follows:

Endowment Change in Value For period ended June 30, 2015	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ 299,890**	**$ 214,442**	**$ 80,975**	**$ 595,307**
Investment return:				
Investment income	4,821	5,803	239	10,863
Net depreciation (realized and unrealized)	(2,068)	(3,780)	(153)	(6,001)
Total investment return	**$ 2,753**	**$ 2,023**	**$ 86**	**$ 4,862**
Contributions	182	3,426	827	4,435
Appropriation of endowment assets for operations	(6,994)	(6,615)	(108)	(13,717)
Other changes:				
Match release	10,146	(10,146)	-	-
Transfer and other changes	3,005	48	124	3,177
Endowment net assets, end of year	**$ 308,982**	**$ 203,178**	**$ 81,904**	**$ 594,064**
Donor-restricted endowment funds	(4,181)	203,178	81,904	280,901
Board-designated endowment funds	313,163	-	-	313,163
Endowment net assets, end of year	**$ 308,982**	**$ 203,178**	**$ 81,904**	**$ 594,064**

The change in value and the composition of amounts classified as endowment as of June 30, 2014 is as follows:

Endowment Change in Value For period ended June 30, 2014	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	**$ 250,937**	**$ 187,817**	**$ 78,771**	**$ 517,525**
Investment return:				
Investment income	5,934	7,046	163	13,143
Net depreciation (realized and unrealized)	35,959	35,617	525	72,101
Total investment return	**$ 41,893**	**$ 42,663**	**$ 688**	**$ 85,244**
Contributions	330	3,475	1,199	5,004
Appropriation of endowment assets for operations	(3,131)	(9,797)	(168)	(13,096)
Other changes:				
Match release	9,820	(9,820)	-	-
Transfer and other changes	41	104	485	630
Endowment net assets, end of year	**$ 299,890**	**$ 214,442**	**$ 80,975**	**$ 595,307**
Donor-restricted endowment funds	(2,666)	214,442	80,975	292,751
Board-designated endowment funds	302,556	-	-	302,556
Endowment net assets, end of year	**$ 299,890**	**$ 214,442**	**$ 80,975**	**$ 595,307**

Howard’s endowment net assets include receivables related to the federal term endowment, which have not been received and therefore not included as part of endowment investments. For fiscal years ended June 30, 2016, 2015, and 2014 receivables of $4,302, $3,405 and $3,405, respectively were recorded, and represent the difference between endowment investments reflected on consolidated statements of financial position and endowment net assets reported above.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called “underwater accounts”, are reported in unrestricted net assets and totaled $7,137, $4,181 and $2,666 as of fiscal years ended June 30, 2016, 2015, and 2014, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard’s investment and spending policy is intended to conform with the UPMIFA which allows spending in underwater endowments, in support of an endowment’s purpose.

Return Objectives and Risk Parameters - Howard has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to minimize the risk associated with obtaining such income streams. Endowment assets include those that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated endowment funds. Under these policies the endowment assets are invested through a well-diversified investment program designed to exceed the risk-adjusted performance of the market benchmark representative of each asset class over rolling five to seven year periods. Howard’s objective, over time, is to obtain an average total real rate of return (inflation adjusted) that exceeds its targeted distribution amount over rolling five to seven year periods. Howard’s investment strategy aims for a low to moderate level of investment risk. Actual returns in any given year may significantly vary from this objective.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, Howard relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). Howard targets a diversified asset allocation which places greater emphasis on global public equity-based investments complimented by private markets, real estate and fixed income strategies to achieve its long-term return objectives within prudent risk constraints. The endowment’s long-term target asset allocation is approved by the Investment Committee of the Board of Trustees.

Spending Policy and How the Investment Objectives Relate to Spending Policy - Howard’s spending policy allows for distribution each year of up to 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, Howard considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 15 Estimated Third-Party Settlements

Certain services rendered by the Hospital are reimbursed by third-party payors at cost, based upon cost reports filed after year-end. Contractual allowances are recorded based upon preliminary estimates of reimbursable costs.

Net patient service revenue recorded under cost reimbursement agreements for the current and prior years is subject to audit and retroactive adjustments by significant third-party payors for the following years:

Medicare 2015-2016
Medicaid 2011-2016

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an increase (decrease) in net patient service revenues of approximately $7,961, $8,764 and ($8,879) for fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Third-party settlement revenue	**2016**	**2015**	**2014**
Medicare appeals	$ -	$ -	$ (9,472)
Medicare pass-through	9,990	8,644	10,907
Disproportionate Share Hospital	25,990	43,262	37,406
Graduate Medical Education	6,429	6,973	5,338
Other	4,228	(163)	5,773
Total third-party settlement revenue	**$ 46,637**	**$ 58,716**	**$ 49,952**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 16 Long-Lived Assets

Long-Lived Assets	2016	2015	2014
Land and land improvements	$ 27,911	$ 27,911	$ 27,911
Buildings and building improvements	871,570	847,079	836,112
Property held for expansion	54,819	54,819	54,819
Property held under leases	28,236	28,236	28,236
Furniture and equipment	321,277	292,669	292,751
Library books	91,376	91,075	91,036
Right to use assets - operating	3,958	4,886	5,330
Right to use assets - financing	68,871	76,589	76,145
Software	114,827	114,353	112,941
Software in progress	6,169	6,169	5,833
Construction in progress	15,186	77,798	50,849
Long-lived assets, gross	1,604,200	1,621,584	1,581,963
Accumulated depreciation and amortization	(1,027,747)	(1,001,841)	(956,361)
Long-lived assets, net	**$ 576,453**	**$ 619,743**	**$ 625,602**

For the fiscal year ended June 30, 2016 there were $14,662 in additions and $27,339 in sales, disposals and retirements. Right to use assets – operating and financing are not available by Howard for use as collateral.

Depreciation expense for the years ended June 30, 2016, 2015, and 2014 were $44,883, $51,596 and $55,900, respectively. For fiscal years ended June 30, 2016, 2015, and 2014, respectively, net interest costs of $158, $198 and $592 were incurred during construction and capitalized as part of the cost of capital projects.

Long-lived assets includes property held for expansion, consisting of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use.

Note 17 Leases

Lease Obligations

Howard University has elected to adopt the new Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)* for leases issued by the Financial Accounting Standards Board (FASB). The new standard defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (the underlying asset) for a period of time in exchange for consideration.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Under the new standard, Howard has recognized lease assets and liabilities, with certain exceptions, on the statement s of financial position. Both financing leases and operating leases create an asset (right-of-use or ROU asset) and a liability measured at the present value of the lease payment, that are reflected on our statement of financial position.

Howard University assessed whether any expired or existing contracts are or contain leases. The lease classification was also assessed to determine whether there were any expired or existing leases classified as operating leases. All existing leases that were classified as capital leases will now be classified as finance leases.

Howard is obligated under financing leases for office and medical equipment that extend through 2020, and the chiller plant that extends through 2031 in the amounts of $25,045, $33,488 and $44,125, respectively at fiscal years ended June 30, 2016, 2015, and 2014. The assets are amortized over their estimated useful lives. Accumulated amortization related to the leased assets is $51,066, $55,068 and $46,764, respectively.

Howard has several non-cancelable operating leases for office space, master antenna, fleet and equipment that expire by 2019. Future rental lease obligation payments for the master antenna and fleet for fiscal years ended June 20, 2017, 2018 and 2019 will be $566, $522, $213, respectively.

Rental payments are recognized on a straight-line basis and are allocated in the statements of activities by function. Rent expense related to building space and equipment for fiscal years ended June 30, 2016, 2015, and 2014 was $8,446, $6,012, and $5,590, respectively.

At June 30, 2016, the minimum future lease principal payments under financing leases and non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease Obligations	**Financing Leases**	**Operating Leases**
Future principal and interest years ending June 30		
2017	$ 6,570	$ 566
2018	4,107	522
2019	2,913	212
2020	2,204	-
2021	2,216	-
2022 and thereafter	21,764	-
Obligation, gross	39,774	1,300
Amounts representing interest rates from 2% to 10%	(14,729)	-
Total Lease Obligations, net	**$ 25,045**	**$ 1,300**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

At June 30, 2016, the minimum lease interest payments under finance leases and non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease obligations - interest	**Financing Leases**
Future interest payments years ending June 30	
2017	$ 1,804
2018	1,601
2019	1,461
2020	1,378
2021	1,306
2022 and thereafter	7,179
Total lease obligation interest	**$ 14,729**

The right to use operating and finance lease assets are reported on the Statement of Financial Position as a component of Property Plant and Equipment, and are disclosed in Footnote 16.

At June 30, 2016, the amortization of finance right to use lease assets for fiscal years ended June 30, 2016, 2015, and 2014 was, $3,958, $4,886 and $5,330, respectively. The minimum future lease payments for right to use financing assets for years ending June 30, are as follow:

Lease assets	**Right to Use Financing Assets**
2017	$ 970
2018	109
2019	-
2020	-
2021	-
2022 and thereafter	-
Total minimum lease income receipts	**$ 1,079**

Lease Income

Howard University assessed the Meridian Hill transaction to be a lease and determined the lease was of 2 separate components, namely building and land. Howard University has engaged an independent 3rd party company to value land and building respectively. The Meridian Hill lease is treated separately from other leases. Howard University has elected to account for each separate lease component separately from the non-lease components of the contract. Howard University has classified each separate lease component at the lease commencement date. For the modification of lease contracts, Howard University has accounted for it as a separate contract when required to do so.

Howard University determined that land is a part of the underlying assets in the Meridian Hill lease transaction. Therefore, Howard University has appropriately accounted for the right to use land as a separate lease component unless the accounting effect of doing so would be insignificant (for instance, separating the land element would have no effect on lease classification of any lease component or the amount recognized for the land lease component would be insignificant).

Under ASC 842-30-50-3, lessors are required to classify leases. Operating leases are to be recognized by lessors as lease receivables. Such leases results in the recognition of lease income on a straight-line basis, while the underlying leased asset remains on the lessor's statement of financial position and is continuously depreciated.

Howard has several operating leases for retail and commercial space for which rent payments are fixed at the time of lease commencement. The Basis, terms, conditions and extensions for each leased property is specified in the lease agreement. Lease payments are governed by the lease agreement and are fixed. Some lessors either have the option of re-negotiating a new agreement upon the termination of the lease or extending the terms in the current lease for another couple of years or go on a month-to-month lease. Termination terms are explicitly stated in each lease agreements as both the Lessor and Lessee can exercise rights to terminate agreement.

Howard's leased properties are comprised of (1). Wonder Plaza Building, (2) Parking Spaces, (3) Rooftops Towers, and (4) Ground Lease (Provident and Meridian Hill). Other standalone buildings owned by Howard are leased to private corporations such as (5) Public Charter School, (6) Car Rental Company, and (7) Pharmacy. Howard leases space in the Hospital to a large private pharmacy. Howard does not have any standing agreements for lessee to purchase the underlying asset being leased at the end of the lease term.

Howard University receives monthly income under these lease agreements, which have termination dates through 2022 and thereafter. The total lease income received for fiscal years ended June 30, 2016, 2015, and 2014 was $1,745, $1,508 and $1,505, respectively.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The future minimum lease income for years ending at June 30 is as follows:

Future minimum lease income	June 30, 2016
2017	1,895
2018	1,605
2019	1,640
2020	1,641
2021	1,542
2022 and thereafter	6,168
Total minimum lease income receipts	**$ 14,491**

Note 18 Bonds and Notes Payable

(a) ***Bonds Payable***

Howard is obligated with respect to the following bond issues at June 30:

Bonds Payable	2016	2015	2014
District of Columbia issues:			
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	$ 7,477	$ 8,048	$ 8,650
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	225,250	225,250	225,250
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	63,665	65,065	65,065
2016 Revenue bonds Serial due 2015 through 2031	160,000	-	-
Total bonds payable, gross	**$ 456,392**	**$ 298,363**	**$ 298,965**
Unamortized bond premium (discount)	(5,316)	(5,510)	(5,771)
Total bonds payable, net	**$ 451,076**	**$ 292,853**	**$ 293,194**

(1) **2010 Revenue Bonds**

In August 2010, Howard issued $10,400 of Series 2010 bonds. The bonds bear interest at 5.05% repayable from 2010 to 2025. The proceeds were used to retire an expiring equipment note and to fund energy related projects.

(2) **2011 Revenue Bonds**

In April 2011, Howard issued $225,250 of tax exempt revenue bonds (Series 2011A) and $65,065 of taxable revenue bonds (Series 2011B) to refund the Series 1998 and Series 2006 bonds and to finance new capital improvements. The interest rate on the tax exempt bonds range from 5.25% to 6.50% and the bonds are repayable from 2020 to 2041. The taxable bonds bear interest between 4.31% and 7.63% and are repayable from 2015 to 2035. The average coupon is 6.57%. The 2011 bonds require Howard to maintain a debt service fund of $12,634. At fiscal year ended June 30, 2016 the fund balance was $12,848.

The Series 2011A Bonds maturing on or after October 1, 2021 are subject to optional redemption by the District of Columbia, at the written direction of Howard, in its sole discretion, on or after April 1, 2021 in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed, plus accrued interest, if any, to the redemption date.

The Series 2011B Bonds are subject to optional redemption prior to maturity in whole or in part on any Business Day at the Make-Whole Redemption Price at the direction of Howard.

2011 Bond proceeds of $19,782 were used to create a deposit for capitalized interest. The remaining balance of this fund is $0 at June 30, 2016.

On June 5, 2015, Moody's Investors Service placed under review a downgrade of Howard's Series 2011A and 2011B bonds to Ba2 with a negative outlook from Baa3. The downgrade to Ba2 reflects the cumulative effect on ongoing losses at both Howard University Hospital and Howard University combined with expected continued pressure on revenue and liquidity management. On July 30, 2015, Moody's Investors Service confirmed the June 5, 2015 review for downgrade of Howard's Series 2011A and 2011B bonds to Ba2 with a negative outlook from Baa3.

(3) **2016 Revenue Bonds**

In June 2016, Howard issued $162,420 of taxable private placement bonds ("the 2016 Revenue Bonds"). The Bonds will bear interest at a weekly rate with a maximum bond rate of 12%. The 2016 Revenue Bonds are repayable by August 2031.

(4) **Fair Value of Bonds**

Currently the estimated fair value of Howard's bonds is determined based on quoted market prices. At fiscal years ended June 30, 2016, 2015, and 2014, the estimated fair value was approximately $480,939, $316,072 and $330,896, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

(b) ***Notes Payable***

Howard is obligated with respect to the following notes payable at June 30:

Notes Payable	2016	2015	2014
Bank of America Property Loan			
Due monthly, through June 1, 2017, variable interest rate of Libor plus 3.50%	$ -	$ 3,971	$ 5,447
Multi-bank Agreement			
Due July 24, 2016, variable interest rate at daily LIBOR plus 2.5%	-	95,000	65,000
Total Notes Payable	**$ -**	**$ 98,971**	**$ 70,447**

In June 2016, Howard entered into a $75,000 JP Morgan Chase Revolving Credit Agreement. There is no outstanding balance at June 30, 2016. The initial agreement terminates in June 2019. Howard is obligated to pay a quarterly non-refundable commitment fee. The Commitment fee shall be payable upon availability of funds commencing on October 1, 2016.

In June 2014, Howard replaced its $135,000 Multi-bank Credit Agreement with a $100,000 Multi-bank Credit Agreement that extended through July 2016. The outstanding balance of $95,000 was paid with proceeds from the 2016 Revenue Bonds in June 2016. Outstanding borrowings under these agreements at fiscal years ended June 30, 2016, 2015, and 2014 were $0, $95,000 and $65,000, respectively.

In February 2014, Howard amended its financing agreement for the Bank of America Property Loan for the unpaid principal balance of $5,447, extending the final maturity date from May 31, 2014 to June 1, 2017. In June 2016, the outstanding balance of $3,971 was paid with proceeds from the 2016 Revenue Bonds.

(c) ***Compliance with Contractual Covenants***

In May 2011, Howard's debt covenants were amended in conjunction with the 2011 Bond issuance and Multi-bank Credit Agreement execution. In June 2014, the debt covenants were amended for the re-negotiated Multi-bank Credit Agreement.

In 2015, Howard, as was required by the terms of the Multi-bank Credit Agreement, granted lenders a security interest in collateral in the form of cash and securities delivered to their collateral agent. Howard would pledge additional collateral when the collateral value was less than the minimum collateral amount. The collateral agent was not allowed to re-pledge or sell the collateral securities. At June 30, 2015, the carrying value of the pledged securities was $133,903 and was reported in endowment investments. There were no pledged securities at fiscal years ended June 30, 2016 or 2014.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

At June 30, 2016, 2015, and 2014, Howard was compliant with the Liquidity Ratio measurements and with the Debt Service Coverage Ratio measurements for the 2011 Revenue Bonds and the Property Loan. At June 30, 2016, 2015, and 2014, Howard was compliant with the Liquidity Ratio measurement for the Multi-bank Credit Agreement. The Debt Service Coverage Ratio measurement requirement was removed for fiscal year 2015 for the Multi-bank Credit Agreement. Howard was not in compliance with the Debt Service Coverage Ratio for the Multi-bank Credit Agreement at June 30, 2014.

The 2011 Bond, 2016 Revenue Bonds and Revolving Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2016.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2016 Revenue Bonds	June 30 each year	1.10:1.00
Liquidity Ratio	Revolving Credit Agreement	Quarterly	0.25:1.00

(d) ***Scheduled Bond and Note Repayments***

The scheduled principal repayments of bonds and notes payable, including sinking fund requirements, are as follows:

Aggregate Annual Maturities	2016	2015	2014
2015	NA	NA	$ 67,352
2016	NA	$ 98,813	3,813
2017	$ 2,546	4,700	4,426
2018	10,966	2,771	2,771
2019	12,079	3,480	3,480
2020	14,148	5,135	5,135
2021	14,957	3,892	3,892
2022 and thereafter	401,696	278,543	278,543
Subtotal	456,392	397,334	369,412
Bond premiums/(discounts)	(5,316)	(5,510)	(5,771)
Total	**$ 451,076**	**$ 391,824**	**$ 363,641**

Note 19 Retirement Plans

Employee Retirement Plan - Howard had a noncontributory defined benefit pension plan (the Plan) that was available to substantially all full-time employees. In accordance with government funding regulations, Howard's policy is to make annual contributions to the Plan at least equal to the minimum contribution. Based upon years of service and other factors, the Plan's benefit formula provides that eligible retirees receive a percentage of their final annual pay, based upon years of service and other factors. Plan assets consist primarily of common equity securities, U.S. Treasury securities, corporate bonds, and private investment funds. Effective July 1, 2010, the Plan no longer accrues benefits and is closed to new participants.

Post-retirement Plan - Howard provides post-retirement medical benefits and life insurance to employees who, at the time they retire, meet specified eligibility and service requirements. Howard pays a portion of the cost of such benefits depending on various factors, including employment start date, age, years of service and either the date of actual retirement or the retirement eligibility date of the participant. The post-retirement benefit plan is unfunded and has no plan assets.

Effective April 1, 2013 Howard eliminated the subsidy for post-65 medical and dental coverage for Class II and Class IV participants. This plan change is considered a significant event, and triggered a plan amendment as of the re-measurement date. The action resulted in (1) revised expense for the final quarter of the fiscal year ended June 30, 2013, which included amortization of the new prior service credit generated from the negative plan amendment and (2) reduction to the Accumulated Pension Benefit Obligation of $113,000.

During FY 2016 there was a curtailment of the Hospital's plan due to a nearly 20% decrease in active participants in FY 2015. This reduced the Accumulated Benefit Obligation by $2,600.

Supplemental Retirement Plan – Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is $1,711, $1,704 and $1,710 at fiscal years ended June 30, 2016, 2015, and 2014, respectively. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of $1,106, $1,024 and $943 at June 30, 2016, 2015, and 2014, respectively. The actuarial cost method and the assumption on discount rate used to determine the benefit obligation and net periodic cost in the actuarial valuation for the year ended June 30, 2016 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan – Howard supplements its pension plan by offering employees a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible employees received a contribution of 6% of base salary and are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Lincoln Financial. Effective July 1, 2011 Lincoln Financial has been replaced as a financial administrator by Voya Financial (formally ING Financial Advisors). These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the consolidated statements of activities were $20,494, $22,502 and $22,989 for fiscal years ended June 30, 2016, 2015, and 2014, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2016, 2015, and 2014 were $914,319, $929,126 and $921,876, respectively. These investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

Effective July 1, 2010, the Savings Plan was modified such that Howard will automatically, upon hire, contribute 6% of any eligible employee's base pay, regardless of tenure or election into the Savings Plan. Howard will contribute a matching contribution of up to 2% of employee elected self contributions.

Effective March 1, 2013 employer base (6%) and matching (2%) contributions were suspended. Employees were still able to contribute to the Savings Plan. This suspension was ended effective July 1, 2013.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Howard recognizes a plan's overfunded or underfunded status as an asset or liability, with an offsetting adjustment to unrestricted net assets. The reconciliation of the Plan's funded status to amounts recognized in the consolidated financial statements at fiscal years ended June 30, 2016, 2015, and 2014 are as follows:

	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
Retirement Benefits	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Change in benefit obligation									
Projected benefit obligation at beginning of year	$ 669,090	$ 659,234	$ 616,455	$ 63,438	$ 71,302	$ 67,852	$ 1,704	$ 1,710	$ 1,737
Service Cost	-	-	-	479	507	459	-	-	-
Interest Cost	28,291	27,147	28,760	2,728	2,927	3,198	69	67	78
Actuarial (gain)/loss	40,972	17,285	43,938	5,279	(7,051)	4,678	182	171	139
Benefits paid	(36,474)	(34,576)	(32,619)	(10,833)	(11,970)	(10,270)	(244)	(244)	(244)
Special termination benefits	-	-	-	-	-	-	-	-	-
Medicare Part D subsidy	-	-	-	18	820	828	-	-	-
Employee contributions	-	-	-	7,281	6,903	4,557	-	-	-
Prior service amendment	-	-	-	-	-	-	-	-	-
Plan curtailments				(782)					
Plan amendments	-	-	2,700	-	-	-	-	-	-
Projected benefit obligation at end of period	**$ 701,879**	**$ 669,090**	**$ 659,234**	**$ 67,608**	**$ 63,438**	**$ 71,302**	**$ 1,711**	**$ 1,704**	**$ 1,710**
Change in plan assets:									
Fair value of plan assets at beginning of year	538,962	552,605	489,000	-	-	-	-	-	-
Actual return on plan assets	24,393	4,632	85,230	-	-	-	-	-	-
Employer contributions	8,320	16,301	10,994	3,534	4,247	4,885	20,494	22,502	22,722
Employee contributions	-	-	-	7,281	6,903	4,557	-	-	-
Medicare Part D subsidy	-	-	-	18	820	828	-	-	-
Benefits paid	(36,474)	(34,576)	(32,619)	(10,833)	(11,970)	(10,270)	(244)	(244)	(244)
Fair value of plan assets at end of period	**$ 535,201**	**$ 538,962**	**$ 552,605**	**$ -**	**$ -**	**$ -**	**NA**	**NA**	**NA**
Total	**$ (166,678)**	**$ (130,128)**	**$ (106,629)**	**$ (67,608)**	**$ (63,438)**	**$ (71,302)**	**NA**	**NA**	**NA**

NA = Not Applicable

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at fiscal years ended June 30, 2016, 2015, and 2014:

	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
Retirement Benefits	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Recognized in Statement of Activities									
Amortization of transition obligation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Amortization of prior service cost	100	100	-	-	-	-	-	-	-
Amortization of net actuarial loss	8,102	8,459	7,972	626	802	621	99	91	79
Total amortization	**$ 8,202**	**$ 8,559**	**$ 7,972**	**$ 626**	**$ 802**	**$ 621**	**$ 99**	**$ 91**	**$ 79**
Service Cost	-	-	-	479	507	459	20,494	22,502	22,478
Interest Cost	28,291	27,147	28,760	2,728	2,927	3,198	69	67	78
Curtailment recognition of prior service credit	-	-	-	(15,342)	(12,785)	(12,785)	-	-	-
Expected return on plan assets	(32,337)	(27,834)	(27,287)	-	-	-	-	-	-
Recognized in operating expenses	**$ 4,156**	**$ 7,872**	**$ 9,445**	**$ (11,509)**	**$ (8,549)**	**$ (8,507)**	**$ 20,662**	**$ 22,660**	**$ 22,635**
Amortization of transition obligation	-	-	-	-	-	-	-	-	-
Amortization of prior service cost	(100)	(100)	-	-	-	-	-	-	-
Amortization of net actuarial loss	(8,102)	(8,459)	(7,972)	(626)	(802)	(621)	(99)	(91)	(79)
Total amortization	**$ (8,202)**	**$ (8,559)**	**$ (7,972)**	**$ (626)**	**$ (802)**	**$ (621)**	**$ (99)**	**$ (91)**	**$ (79)**
Net actuarial (gain) loss during the year	48,914	40,532	(14,011)	4,528	(6,453)	2,839	182	171	139
New prior service cost arising during period	-	-	2,700	15,342	12,785	12,785	-	-	-
Total recognized in other changes in unrestricted net assets	**$ 40,712**	**$ 31,973**	**$ (19,283)**	**$ 19,244**	**$ 5,530**	**$ 15,003**	**$ 83**	**$ 80**	**$ 60**
Total recognized in Statements of Activities	**$ 44,868**	**$ 39,845**	**$ (9,838)**	**$ 7,735**	**$ (3,019)**	**$ 6,496**	**$ 20,745**	**$ 22,740**	**$ 22,695**

Amounts included in unrestricted net assets at fiscal years ended June 30, 2016, 2015, and 2014:

	Pension			Medical and Life Insurance		
Retirement Benefits	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Net actuarial loss	$ (300,743)	$ (259,931)	$ (227,858)	$ (10,322)	$ (6,420)	$ (13,675)
Prior service cost	(2,500)	(2,600)	(2,700)	29,800	45,142	57,927
Total	**$ (303,243)**	**$ (262,531)**	**$ (230,558)**	**$ 19,478**	**$ 38,722**	**$ 44,252**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The estimated net actuarial loss, prior service cost, and transition obligation for the pension and post-retirement plans that were accounted for as a part of net periodic benefit cost over the next fiscal year are $10,160, $100 and $0, respectively.

Contributions to the pension plan of $8,320, $16,301 and $10,994, were made in fiscal years ended June 30, 2016, 2015, and 2014, respectively. Contributions of $0 are expected to be paid to the pension plan during the fiscal year ended June 30, 2017.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2016, 2015, and 2014 were as follows:

	Pension Benefits			Post-retirement Benefits		
Actuarial Assumptions	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Discount rate	3.88%	4.36%	4.25%	3.96%	4.45%	4.29%
Expected return on plan assets	7.00%	7.00%	7.00%	0.00%	0.00%	0.00%
Rate of compensation increase	-	-	-	3.50%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2016, 2015, and 2014 were as follows:

	Pension Benefits			Post-retirement Benefits		
Actuarial Assumptions	**2016**	**2015**	**2014**	**2016**	**2015**	**2014**
Discount rate	4.36%	4.25%	4.82%	4.45%	4.29%	4.89%
Expected return on plan assets	7.00%	7.00%	7.00%	0.00%	0.00%	0.00%
Rate of compensation increase						
To age 35	-	-	-	3.50%	3.50%	3.50%
Thereafter	-	-	-	3.50%	3.50%	3.50%

The overall long-term rate of return for the pension plan assets was developed by estimating the expected long-term real return for each asset class within the portfolio. An average weighted real rate of return was computed for the portfolio which reflects the Plan’s targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Pension plan investments as of June 30, 2016 were as follows:

Pension Plan Investments as of June 30, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	$ -	$ 6,969	$ -	$ 6,969
Common/Collective Trusts				
Emerging Market Equity (3)	-	10,545	-	10,545
International Equity-Developed (3)	-	78,737	-	78,737
Domestic Common Stock (3)	-	20,717	-	20,717
Commodity Inflation Hedging (8)	-	11,185	-	11,185
Common Stock (3)	26,974	-	-	26,974
Fixed Income	-	-	-	-
Mortgage Backed Securities (2)	-	10,468	-	10,468
Corporate Bond (2)	-	37,517	-	37,517
Government Bond (2)	81,691	-	-	81,691
Hedge Fund	-	-	-	-
Distressed Debt (4)	-	-	-	-
Equity Long/short (4)	-	5,525	-	5,525
Event driven (4)	-	(0)	-	(0)
Global opportunities (4)	-	7,173	-	7,173
Multi-strategy (4)	-	-	57	57
Mutual Fund	-	-	-	-
Emerging Market Equity Security (3)	15,473	-	-	15,473
Domestic Common Stock (3)	32,177	-	-	32,177
International Equity Security (3)	-	-	-	-
Domestic Fixed Income (2)	122,828	-	-	122,828
Private Equity and Venture Capital (4)	-	-	71,620	71,620
Real Estate (4)	-	-	10,790	10,790
Total assets	**$ 279,143**	**$ 188,835**	**$ 82,467**	**$ 550,445**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ (308)	$ -	$ (308)
Total liabilities	**$ -**	**$ (308)**	**$ -**	**$ (308)**
Total pension plan investments	**$ 279,143**	**$ 188,527**	**$ 82,467**	**$ 550,137**
Operating asset not subjected to fair value reporting (9)	21,467	-	-	21,467
Operating liabilities not subjected to fair value reporting (9)	(36,403)	-	-	(36,403)
Total plan assets	**$ 264,206**	**$ 188,527**	**$ 82,467**	**$ 535,201**

Level 3 investments were 15% of total plan investments.

Refer to Note 12 – Fair Value Measurements for explanation of financial instrument classifications.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Pension plan investments as of June 30, 2015 were as follows:

Pension Plan Investments as of June 30, 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	$ 391	$ 10,505	$ -	$ 10,896
Common/Collective Trusts				
Emerging Market Equity (3)	-	4,616	-	4,616
International Equity-Developed (3)	-	85,472	-	85,472
Domestic Common Stock (3)	-	22,056	-	22,056
Commodity Inflation Hedging (8)	-	13,274	-	13,274
Common Stock (3)	30,937	-	-	30,937
Fixed Income				
Mortgage Backed Securities (2)	-	6,938	-	6,938
Corporate Bond (2)	-	2,181	-	2,181
Government Bond (2)	64,809	-	-	64,809
Hedge Fund				
Distressed Debt (4)	-	2,769	-	2,769
Equity Long/short (4)	-	5,657	-	5,657
Event driven (4)	-	2,663	2,477	5,140
Global opportunities (4)	-	2,488	-	2,488
Multi-strategy (4)	-	-	2,578	2,578
Mutual Fund				
Emerging Market Equity Security (3)	18,169	-	-	18,169
Domestic Common Stock (3)	33,357	-	-	33,357
International Equity Security (3)	-	-	-	-
Domestic Fixed Income (2)	145,579	-	-	145,579
Limited Partnerships (4)	-	-	80,380	80,380
Real Estate (4)	-	-	11,720	11,720
Total assets	**$ 293,242**	**$ 158,619**	**$ 97,155**	**$ 549,016**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ (63)	$ -	$ (63)
Total liabilities	**$ -**	**$ (63)**	**$ -**	**$ (63)**
Total pension plan investments	**$ 293,242**	**$ 158,556**	**$ 97,155**	**$ 548,953**
Operating asset not subjected to fair value reporting (9)	11,989	-	-	11,989
Operating liabilities not subjected to fair value reporting (9)	(21,980)	-	-	(21,980)
Total plan assets	**$ 283,251**	**$ 158,556**	**$ 97,155**	**$ 538,962**

Level 3 investments were 18% of total plan investments.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Pension plan investments as of June 30, 2014 were as follows:

Pension Plan Investments as of June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	$ -	$ 27,336	$ -	$ 27,336
Common/Collective Trusts	-	-	-	-
Emerging market equity (3)	-	5,382	-	5,382
International Equity-Developed (3)	-	85,821	-	85,821
US Common Stock (3)	-	21,407	-	21,407
Commodity Inflation Hedging (8)	-	17,545	-	17,545
Common Stock (3)	40,216	-	-	40,216
Fixed Income (2)				
Asset backed	-	6,961	-	6,961
Corporate Bonds	-	2,276	-	2,276
Government Bond	65,391	-	-	65,391
Hedge Funds (4)				
Distressed Debt	-	3,002	-	3,002
Equity Long/short	-	5,271	-	5,271
Event driven	-	2,958	3,043	6,001
Inflation hedge	-	-	-	-
Multi-Global opportunities	-	4,079	-	4,079
Multi-strategy	-	7,342	2,578	9,920
Mutual Funds Investment				
Domestic common stock (3)	46,018	-	-	46,018
Emerging market equity (3)	7,198	-	-	7,198
International equity (3)	-	-	-	-
Domestic Fixed Income (2)	102,539	-	-	102,539
Limited Partnerships (4)	-	-	90,901	90,901
Real Estate (4)	-	-	13,171	13,171
Total assets	**$ 261,362**	**$ 189,380**	**$ 109,693**	**560,435**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ (7)	$ -	$ (7)
Total liabilities	**$ -**	**$ (7)**	**$ -**	**$ (7)**
Total pension plan investments	**$ 261,362**	**$ 189,373**	**$ 109,693**	**$ 560,428**
Assets not subject to fair value reporting (9)	$ 4,557	**$ -**	**$ -**	$ 4,557
Liabilities not subject to fair value (9)	$ (12,380)	**$ -**	**$ -**	$ (12,380)
Total plan assets	**$ 253,539**	**$ 189,373**	**$ 109,693**	**$ 552,605**

Level 3 investments were 20% of total plan investments.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2016.

Changes in Level 3 for the period ended June 30, 2016	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2015	$ 80,380	$ 5,055	$ 11,720	$ 97,155
Gain and loss (realized and unrealized)	4,546	(9)	(2,520)	2,018
Purchases	4,542	-	5,800	10,342
Transfer out and sales	(17,848)	(4,990)	(4,210)	(27,048)
Balance at June 30, 2016	**$ 71,620**	**$ 57**	**$ 10,790**	**$ 82,467**
Change in unrealized investments held	**$ (5,553)**	**$ (590)**	**$ 1,072**	**$ (5,070)**

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2015.

Changes in Level 3 for the period ended June 30, 2015	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2014	$ 90,901	$ 5,621	$ 13,171	$ 109,693
Gain and loss (realized and unrealized)	5,411	(566)	1,797	6,642
Purchases	6,977	-	605	7,582
Transfer out and sales	(22,909)	-	(3,853)	(26,762)
Balance at June 30, 2015	**$ 80,380**	**$ 5,055**	**$ 11,720**	**$ 97,155**
Change in unrealized investments held	**$ (5,473)**	**$ (566)**	**$ 784**	**$ (5,255)**

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2014.

Changes in Level 3 for the period ended June 30, 2014	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2013	$ 93,450	$ 5,218	$ 8,743	$ 107,411
Gain and loss (realized and unrealized)	17,422	403	1,736	19,561
Purchases	7,926	-	3,506	11,432
Transfer out and sales	(27,897)	-	(814)	(28,711)
Balance at June 30, 2014	**$ 90,901**	**$ 5,621**	**$ 13,171**	**$ 109,693**
Change in unrealized investments held	**$ 4,073**	**$ 402**	**$ 1,854**	**$ 6,329**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Pension Plan Liquidity Terms and Unfunded Commitments – The following tables represent Howard's investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2016, 2015, and 2014. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investments as of June 30, 2016	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 12,755	$ -	Monthly-Annually	45-90 days
Real estate funds	10,790	621	-	2-5 years
Common/collective trusts	121,202	-	Monthly	-
Limited partnerships	72,072	16,487	-	≤ 10 years

Investments as of June 30, 2015	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 18,632	$ -	Monthly-Annually	45-90 days
Real estate funds	11,720	1,609	-	2-10 years
Common/collective trusts	125,418	-	Monthly	-
Limited partnerships	80,380	15,263	-	≤ 10 years

Investments as of June 30, 2014	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 28,273	$ -	Monthly-Annually	45-90 days
Real estate funds	13,171	1,654	-	2-10 years
Common/collective trusts	130,155	-	Monthly	-
Limited partnerships	90,901	22,029	-	≤ 10 years

The asset allocation of the Plan is analyzed annually to determine the need for rebalancing to maintain an allocation that is within the allowable ranges. The investment strategy is to invest in asset classes that are negatively correlated to minimize overall risk in the portfolio. Interim targets outside of the allowable ranges were set to allow for flexibility in reaching the long-term targets in the private equity and real estate categories.

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

The actual allocation of the Plan for June 30, and the allowable range is as follows:

Pension Plan Asset Allocation	2016	2015	2014	Allowable Range
Mid-Large Cap U.S. Equity	8.8%	9.7%	11.5%	10-20%
Small Cap U.S. Equity	3.0%	3.3%	3.9%	0-10%
International Equity - Developed	14.7%	16.0%	15.8%	10-20%
Private Equity/Venture Capital	15.4%	16.3%	15.7%	5-15%
Hedge Funds	2.4%	3.5%	5.2%	5-10%
Inflation Hedging	5.4%	5.9%	9.7%	10-15%
Emerging Markets Equity	4.9%	4.3%	2.3%	0-10%
U.S. Long Bonds	44.7%	39.3%	31.7%	25-35%
Cash and Cash Equivalents	0.7%	1.7%	4.2%	0-5%
Total	**100%**	**100%**	**100%**	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2016 is 7.31%. This growth rate was assumed to decrease gradually to 4.5% in 2030 and to remain at this level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid over the next ten years as follows:

Expected Future Benefit Payments	Pension Benefits	Post-retirement Benefits		
		Excluding Subsidy	Subsidy Payments	Net of Subsidy
Year ending June 30:				
2017	$ 43,333	$ 4,645	$ 140	$ 4,785
2018	43,932	4,601	139	4,740
2019	44,498	4,515	137	4,652
2020	44,781	4,459	133	4,592
2021	44,666	4,376	128	4,504
Years 2022-2026	217,545	20,313	550	20,863
Total	**$ 438,755**	**$ 42,909**	**$ 1,227**	**$ 44,136**

The mortality retirement rates base table used MRP-2007 (Actuary adaptation of the Society of Actuaries' RP2014 table).

If eligible, participants are assumed to retire according to the following schedule:

Retirement Age	Assumed Rate of Retirement
55 - 60	5%
61 - 63	12%
64	16%
65	25%
66 - 69	16%
70+	100%

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

Note 20 Commitments and Contingencies

(a) ***Federal Awards***

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University's Title IV and Title VII programs and its federal grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

(b) ***Litigation and Other Claims***

During the ordinary course of business**,** Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice by the Hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In fiscal years ended June 30, 2016, 2015, and 2014 Howard reserved $1,135, $1,574 and $3,664, respectively for legal contingencies. In the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses upon ultimate resolution of these matters.

(c) ***Collective Bargaining Agreements***

Howard has several collective bargaining agreements currently in effect with unions representing approximately 1,800 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

Note 21 Related Party Transactions

(a) ***Howard University Charter Middle School***

Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. The Middle School is a separate legal entity and not a component of Howard University. For fiscal years ended June 30, 2016, 2015, and 2014, Howard has contributed to the Middle School as follows:

Related Party Transactions	2016	2015	2014
Cash operating support	$ 1,000	$ 1,000	$ 900
Facility leased (market value)	1,577	1,577	1,009
Total	**$ 2,577**	**$ 2,577**	**$ 1,909**

For Fiscal Years Ended June 30, 2016, 2015, and 2014 (amounts in thousands)

(b) ***The Howard Dialysis Center***

Howard and American Renal Associates, LLC (ARA) have a joint venture agreement for the operation of the Howard University Dialysis Center LLC (LLC). The entity was formed on March 1, 2012. Howard and the LLC are parties to a non-compete agreement, and Howard jointly guarantees the LLC's debt agreements.

On March 1, 2012, the LLC commenced a lease with Howard for the current space, employees, and Medical Director associated with its Hospital outpatient dialysis services which will result in monthly rental income for Howard in addition to its proportionate share of earnings (losses) of the LLC.

As of fiscal years ending June 30, 2016, 2015, and 2014, the consolidated statements of financial position for the LLC are as follows:

Howard Dialysis Center, LLC Statements of Financial Position	**2016**	**2015**	**2014**
Total Assets	$ 12,200	$ 12,096	$ 12,069
Total Liabilities	795	590	1,177
Equity			
Partner	6,911	7,837	8,986
Retained earning	4,493	3,669	1,906
Total Equity	$ 11,404	$ 11,506	$ 10,892
ARA interest	$ 5,816	$ 5,868	$ 5,555
Howard interest	$ 5,588	$ 5,638	$ 5,337

(c) ***Provident Group – Howard Properties, LLC***

The University entered into a 40-year ground lease with Provident Group – Howard Properties, LLC and Provident Resources Group, Inc. ("Owner") in which the Owner will design, construct and furnish the College Hall North and South dormitory facilities ("dorms") for the benefit of the University. The Owner issued $113,900 in revenue bonds through the District of Columbia to finance the construction of the dorms. The University and Owner entered into a management agreement such that the University will be responsible for managing, operating and maintaining the dorms in conjunction with general business. In general, revenues and expenses associated with the dorm are the responsibility of the Owner. The bonds will be repaid solely from revenues from the dorms. A management fee and ground lease payment will be paid to the University only upon the settlement of various expenses and if minimum cash requirements are made. Reimbursement of utilities expense will be subordinate to debt service. Ownership of the dorms will revert to Howard upon termination of the Ground Lease and full repayment of the debt. The University has not recorded any transactions related to potential future title to or ownership in the dorms for the year ended June 30, 2016.

(d) ***Barnes & Noble College Booksellers, LLC***

Howard engaged Barnes & Noble College Booksellers, LLC to manage and operate its bookstore. The relationship is for the period of April 1, 2014 through March 31, 2019 with an option to renew for an additional five two-year periods, subject to mutual agreement.

(e) ***Campus Apartments***

In August 2014, Howard entered into a subcontractor agreement with Campus Apartments to perform all management responsibilities relating to the newly constructed Student Dormitory Facilities that were completed and placed into service in August 2014.

(f) ***Paladin Healthcare***

Howard University signed a Management Service Agreement (MSA) with Paladin Healthcare. Effective October 6, 2014, Paladin Healthcare assumed responsibility for day-to-day operations of the Hospital under the oversight of a joint Howard and Paladin Healthcare Management Committee. Under the MSA, Howard will continue to be the licensed operator of the Hospital.

Note 22 Subsequent Events

Howard performed an evaluation of subsequent events through November 23, 2016, which is the date the financial statements were issued, noting no additional events which affect the consolidated financial statements as of June 30, 2016.