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HOWARD UNIVERSITY

The Howard University

Consolidated Financial Statements

For Fiscal Years Ended June 30, 2015, 2014, and 2013

HOWARD UNIVERSITY

Page(s)

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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, 2015, 2014 and 2013, 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.

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 December 31, 2015, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

December 10, 2015

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, 2015, as described in Note 18 of the accompanying financial statements. Howard, as required by the terms of the Multi-bank Credit Agreement, has granted lenders a security interest in collateral in the form of cash and securities which has been delivered to its collateral agent.

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

John D. Gordon, Jr., CPA, CGMA
Controller

December 10, 2015

Statement of Financial Position **As of June 30, 2015, 2014 and 2013** *(in thousands)*	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Assets:			
Cash and cash equivalents	$ 22,522	$ 14,820	$ 34,795
Operating investments	36,333	40,095	36,185
Deposits with trustees	14,257	13,853	17,625
Receivables, net	117,261	126,733	137,830
Inventories, prepaids and other assets	27,099	29,205	29,974
Unexpended bond proceeds	10,440	46,325	71,670
Restricted investments	48,101	44,240	37,754
Endowment investments	590,659	591,902	514,073
Property, plant and equipment, net	619,743	625,602	613,081
Total assets	**$ 1,486,415**	**$ 1,532,775**	**$ 1,492,987**
Liabilities:			
Accounts payable and accrued expenses	$ 143,350	$ 122,955	$ 108,077
Deferred revenue	14,081	10,000	9,691
Other liabilities	29,525	30,175	34,568
Accrued post retirement benefits	63,438	71,302	67,852
Underfunded defined benefit pension plan	130,128	106,629	127,455
Reserves for self-insured liabilities	94,549	86,631	90,399
Notes payable	98,971	70,447	46,499
Capital lease obligations	33,488	44,125	47,355
Bonds payable	292,853	293,194	293,496
Refundable advances under Federal Student Loan Program	6,827	6,369	6,484
Total liabilities	**907,210**	**841,827**	**831,876**
Net Assets:			
Unrestricted	200,180	308,222	315,051
Temporarily restricted	250,919	256,783	222,850
Permanently restricted	128,106	125,943	123,210
Total net assets	**579,205**	**690,948**	**661,111**
Total liabilities and net assets	**$ 1,486,415**	**$ 1,532,775**	**$ 1,492,987**

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

Consolidated Statements of Activities **For Fiscal Years Ended June 30, 2015, 2014 and 2013** *(in thousands)*	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Operating						
Revenues and reclassifications:						
Academic services:						
Tuition and fees, net	$ 154,068	$ -	$ -	$ 154,068	$ 164,722	$ 160,429
Grants and contracts	64,450	-	-	64,450	57,048	58,284
Auxiliary services	53,998	-	-	53,998	64,937	62,174
Clinical services:						
Patient service - Hospital	230,915	-	-	230,915	209,752	241,136
Patient service - Faculty medical practice	25,401	-	-	25,401	33,802	32,441
Patient service - Dental clinic	2,450	-	-	2,450	2,202	1,864
Public support:						
Federal appropriation	208,630	3,405	-	212,035	222,751	233,691
Contributions	4,970	5,924	1,548	12,442	12,298	13,652
Endowment transfer	6,346	6,918	454	13,718	13,096	12,513
Operating investment income	966	-	-	966	7,053	4,639
Other income	15,863	476	166	16,505	16,459	21,147
Total revenues	**768,057**	**16,723**	**2,168**	**786,948**	**804,120**	**841,970**
Net assets released from restrictions	17,712	(17,712)	-	-	-	-
Total revenues and reclassifications	**785,769**	**(989)**	**2,168**	**786,948**	**804,120**	**841,970**
Expenses:						
Program services:						
Instruction	207,796	-	-	207,796	215,022	205,891
Research	42,375	-	-	42,375	35,609	35,285
Public service	12,500	-	-	12,500	10,492	8,189
Academic support	41,768	-	-	41,768	47,173	40,589
Student services	29,862	-	-	29,862	27,754	27,154
Patient care	276,988	-	-	276,988	299,372	302,772
Total program services	**611,289**	**-**	**-**	**611,289**	**635,422**	**619,880**
Supporting services:						
Institutional support	163,103	-	-	163,103	144,070	139,427
Auxiliary enterprises	67,756	-	-	67,756	69,244	73,148
Total supporting services	**230,859**	**-**	**-**	**230,859**	**213,314**	**212,575**
Total operating expenses	**842,148**	**-**	**-**	**842,148**	**848,736**	**832,455**
Operating revenues (under) over operating expenses	**(56,379)**	**(989)**	**2,168**	**(55,200)**	**(44,616)**	**9,515**
Non-operating						
Investment (loss) income in excess of amount designated for operations	(3,885)	(4,570)	(129)	(8,584)	71,931	45,739
Restructuring costs	(10,502)	-	-	(10,502)	(3,433)	(1,808)
Change in funded status of defined benefit pension plan	(31,973)	-	-	(31,973)	19,283	27,689
Change in obligation for post-retirement benefit plan	(5,530)	-	-	(5,530)	(15,003)	121,101
Gain on sale of land	-	-	-	-	1,675	-
Change in value of interest rate swap, net	-	-	-	-	-	21
Other items, net	227	(305)	124	46	-	(131)
(Decrease) increase in non-operating activities	**(51,663)**	**(4,875)**	**(5)**	**(56,543)**	**74,453**	**192,611**
Change in net assets	**(108,042)**	**(5,864)**	**2,163**	**(111,743)**	**29,837**	**202,126**
Net assets, beginning of year	**308,222**	**256,783**	**125,943**	**690,948**	**661,111**	**458,985**
Net assets, end of year	**$ 200,180**	**$ 250,919**	**$ 128,106**	**$ 579,205**	**$ 690,948**	**$ 661,111**

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

Consolidated Statements of Cash Flows As of June 30, 2015, 2014 and 2013 *(in thousands)*	June 30, 2015	June 30, 2014	June 30, 2013
Cash flows from operating activities			
Change in net assets	$ (111,743)	$ 29,837	$ 202,126
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:			
Depreciation	51,596	55,900	52,625
Unrealized loss (gain) on investments	32,910	(37,855)	(26,329)
Net realized (gain) on sale of investment	(29,417)	(39,553)	(28,165)
Increase (decrease) in pension/post retirement liability	15,635	(17,376)	(162,331)
Loss on disposal of fixed assets	133	-	-
Change in interest rate swap	-	-	(21)
Restricted contributions	(1,548)	(1,162)	(5,770)
Bond discount amortization	235	206	226
Change in receivables (excluding notes)	4,254	3,490	(18,435)
Change in inventory, prepaid expenses and other assets	2,106	769	(6,235)
Change in deposits with trustees	(404)	3,772	20,525
Change in accounts payable and accrued expenses and other	20,395	14,878	(7,050)
Change in allowance for doubtful receivables	6,136	10,070	(223)
Change in deferred revenue	4,081	309	(247)
Change in reserve for self-insured liabilities	7,918	(3,768)	9,804
Change in other liabilities	(650)	(4,393)	1,263
Change in refundable advances under Federal Student Loan Program	458	(115)	(368)
Net cash and cash equivalents provided by operating activities	**2,095**	**15,009**	**31,395**
Cash flows from investing activities			
Proceeds from sale of investments	343,516	373,782	388,245
Purchases of investments	(346,287)	(384,598)	(394,555)
Change in unexpended bond proceeds	35,885	25,345	15,537
Proceeds from land sale	-	1,709	-
Purchases and renovations of property, plant and equipment	(45,870)	(63,212)	(45,354)
Net cash and cash equivalents used in investing activities	**(12,756)**	**(46,974)**	**(36,127)**
Cash flows from financing activities			
Proceeds from notes payable	30,000	100,000	70,000
Payment on notes payable	(1,476)	(76,052)	(62,070)
Payment on bonds payable	(576)	(508)	(515)
Capital leases payments, net	(10,637)	(10,148)	(7,734)
Student loans issued	(1,218)	(3,821)	(2,537)
Student loans collected	722	1,357	1,467
Proceeds from restricted contributions	1,548	1,162	5,770
Net cash and cash equivalents provided by financing activities	**18,363**	**11,990**	**4,381**
Net increase (decrease) in cash and cash equivalents	7,702	(19,975)	(351)
Cash and cash equivalents at beginning of year	14,820	34,795	35,146
Cash and cash equivalents at end of period	**$ 22,522**	**$ 14,820**	**$ 34,795**
Supplemental cash flow information:			
Cash paid for interest	$ 24,513	$ 23,111	$ 23,978
Supplemental non-cash investing activities:			
Acquisition of equipment under capital leases	-	6,918	11,658
Supplemental non-cash financing activities:			
Donated securities	215	2,254	73

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), and Howard University Technical Assistance Program in Malawi Limited (HUTAP), 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, 2015, 2014, and 2013, 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, 2015, 2014, and 2013, 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).

(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 asset retirement obligations.

(d) ***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.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

(e) ***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, 2015, 2014, and 2013 are shown below:

Contributions Revenue	June 30, 2015	June 30, 2014	June 30, 2013
Unrestricted	$ 4,970	$ 3,601	$ 3,805
Temporarily restricted	5,924	7,535	4,077
Permanently restricted	1,548	1,162	5,770
Total contributions revenue	**$ 12,442**	**$ 12,298**	**$ 13,652**

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.

(2) **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.

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, 2015, 2014, and 2013 was $110,239, $92,923, and $87,849, respectively.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Net Tuition Revenue	June 30, 2015	June 30, 2014	June 30, 2013
Gross tuition and fees	**$ 264,307**	**$ 257,645**	**$ 248,278**
Financial aid:			
Merit	64,925	53,373	50,070
Need	18,967	16,683	14,933
Talent	6,861	7,183	7,082
Other	19,486	15,684	15,764
Total financial aid	**$ 110,239**	**$ 92,923**	**$ 87,849**
Total net tuition	**$ 154,068**	**$ 164,722**	**$ 160,429**

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

(4) **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, 2015, 2014, and 2013, Howard received 27%, 28%, and 28%, respectively, of its revenue support from the Federal appropriation. The $3,405, $3,405, and $3,452, receivable fiscal years ended June 30, 2015, 2014, and 2013, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 13.

(5) **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.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Net Patient Service Revenue	June 30, 2015	June 30, 2014	June 30, 2013
Gross Revenues	**$ 659,509**	**$ 725,111**	**$ 704,912**
Third-party settlement revenue	58,716	49,952	54,559
Contractual allowances and adjustments	(410,244)	(494,137)	(420,442)
Charity services	(12,276)	(8,241)	(35,986)
Bad debt	(36,939)	(26,929)	(27,602)
Total net patient service revenue	**$ 258,766**	**$ 245,756**	**$ 275,441**
% of contractuals and charity services of gross revenues	**64%**	**69%**	**65%**

(6) **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 amounts due from Federal, state, local, private grants, contracts and others.

Grants and contracts revenue	June 30, 2015	June 30, 2014	June 30, 2013
Reimbursement of direct expenses	$ 55,608	$ 49,651	$ 50,318
Recovery of indirect costs	8,842	7,397	7,966
Total grants and contracts revenue	**$ 64,450**	**$ 57,048**	**$ 58,284**
Indirect costs recovery as a % of direct costs	**16%**	**15%**	**16%**

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

Grants and contracts revenue by type	June 30, 2015	June 30, 2014	June 30, 2013
Research	$ 34,590	$ 32,119	$ 31,036
Training	16,427	13,873	14,732
Service/other	13,433	11,056	12,516
Total grants and contracts revenue by type	**$ 64,450**	**$ 57,048**	**$ 58,284**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

(7) **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	June 30, 2015	June 30, 2014	June 30, 2013
Student housing	$ 24,913	$ 32,370	$ 29,517
Radio station	11,507	12,851	13,664
Meal plans	13,145	10,321	8,748
Bookstore	665	5,094	6,309
Property rentals	1,508	1,505	1,384
Parking fees	657	775	807
Vending sales and fees	752	678	691
Ticket sales	303	793	511
Licensing	79	11	148
Other	469	539	395
Total auxiliary services revenue	**$ 53,998**	**$ 64,937**	**$ 62,174**

(8) **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. A reasonable estimate of the fair value of the loans receivable advances from the Federal Government under the Federal Student Loan Program could not be made because the loan receivables are not stable and can only be assigned to the U.S. Government or its designees. 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.

(f) ***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 repurchase agreements, certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at approximate fair value. Howard's practice is to enter into repurchase agreements only when collateralized by government or other agency securities held in safekeeping by a bank. These transactions are recorded on the consolidated statements of financial position, with any earnings recorded as interest income. Howard's repurchase arrangement was suspended in August 2011.

(g) ***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.

Deposits with Trustees – represent short-term investments in various operating trusts, designed to meet certain obligations including professional liability, workers' compensation, health insurance, capitalized interest and the debt service reserve funds. Investment balances may include some cash and cash equivalents held by investment managers for a specific purpose.

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.

(h) ***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 and investment interest in a dialysis joint venture (see Note 21).

(i) ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost or at estimated 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 capital leases are amortized in a manner consistent with Howard's normal depreciation policy for owned assets. Lease obligations are amortized using the straight-line method, over the shorter period of the lease term or the estimated useful life.

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.

Property held for expansion consists 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.

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.

(j) ***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.

(k) ***Operating Expenses by Category***

Expenses were incurred for the following categories for the years ended June 30, 2015, 2014, and 2013:

Operating expenses (in thousands)	June 30, 2015	June 30, 2014	June 30, 2013
Salaries and wages	$ 365,126	$ 385,707	$ 374,843
Employee benefits other than retirement plans	78,451	73,981	72,657
Retirement plans excluding amortization	12,327	15,366	20,004
Total employment expenses	**455,904**	**475,054**	**467,504**
Telecommunications	9,987	10,772	9,208
Utilities	18,573	21,589	21,982
Medical and office supplies	38,737	39,889	44,411
Repairs and maintenance	28,267	21,763	20,108
Food service costs	14,694	13,495	11,550
Grant subcontracts	20,194	19,752	16,456
Insurance and risk management	28,179	27,473	31,089
Professional and administrative services	132,443	125,413	119,431
Provision for bad debts	9,483	5,939	5,268
Total operating expenses exclusive of interest, depreciation and amortization expense	**756,461**	**761,139**	**747,007**
Interest expense	24,730	23,025	22,985
Depreciation	51,596	55,900	52,625
Amortization of retirement plan actuarial losses	9,361	8,672	9,838
Total operating expenses	**$ 842,148**	**$ 848,736**	**$ 832,455**

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.

(l) ***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.

(m) ***Other Liabilities***

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

(n) ***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, 2015, 2014, and 2013 the obligation was $5,848, $7,421, and $6,920, respectively.

(o) ***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.

(p) ***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.

(q) ***New Accounting Pronouncements***

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-11, *Simplifying the Measurement of Inventory*. ASU 2015-11 amended Accounting Standards Codification ("ASC") 330, *Inventory*, by requiring an entity to measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. For nonpublic business entities the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The amendments should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. Howard is evaluating the impact of adopting ASU 2015-11.

In June 2015, FASB issued ASU 2015-10, *Technical Corrections and Improvements*, which clarified guidance related to expiration of donor-imposed restriction. The amendment to the accounting guidance focuses on the accounting for situations involving two temporary restrictions- a purpose and time restriction, that were specified by the donor. The new guidance indicates that when a purpose restriction has been satisfied, the time restriction may be released. The new guidance is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. Howard does not anticipate that the ASU will have a material impact to the financial statements.

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 amended Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, by removing the requirement to categorize within the fair value hierarchy all investments for which a fair value is measured using the net asset value per share practical expedient. It also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient, limiting those disclosures to investments for which the entity has elected to measure the fair value using that practical expedient. The amendments are to be applied retrospectively and are effective for fiscal year periods beginning after December 15, 2016, and interim periods within those fiscal years. Early application is permitted. Howard is evaluating the impact of ASU 2015-07.

In February 2015, the FASB issued Accounting Standards Update ("ASU") 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*. The new ASU simplifies US GAAP by eliminating entity specific consolidation guidance for limited partnerships. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying variable interest entity guidance. The amendments are effective for nonpublic entities for fiscal years beginning after December 15, 2016. Early adoption is permitted. Howard is currently evaluating the impact of adopting the ASU 2015-02.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Howard is currently evaluating the impact of adopting the ASU 2014-09.

In August 2015, ASU 2015-14 Revenue from Contracts with Customers: Deferral of the Effective Date was issued. With the issuance of ASU 2015-14, entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Howard is currently evaluating the impact of adopting ASU 2014-09 and the different transition methods available.

In January 2014, the FASB issued ASU 2014-05, *Service Concession Arrangements.* The amendments specify that an operating entity should not account for a service concession arrangement that is within the scope of this Update as a lease in accordance with Topic 840. The amendments also specify that the infrastructure used in a service concession arrangement should not be recognized as property, plant, and equipment of the operating entity. For an entity other than a public business entity, the amendments are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted. Howard does not expect ASU 2014-05 to have a material impact to its consolidated financial statements.

(r) ***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, 2015, 2014, and 2013, Howard incurred expenses of approximately $5,684, $4,803, and $6,278, 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 forgone for services furnished under the Hospital's charity care policy and the DC Alliance program were $12,276, $8,241, and $35,986 for fiscal years ended June 30, 2015, 2014, and 2013, 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, 2015, 2014, and 2013 were $49,215, $35,170, and $63,588, 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. Pinnacle reinsures 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 reinsures general liability and automobile liability risks of its shareholders. At June 30, 2015, Howard had an approximate 6% interest of Genesis and Pinnacle, respectively. Howard's interest in Genesis and 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.

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.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

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

Insurance and Risk Management	June 30, 2015		June 30, 2014		June 30, 2013	
Malpractice claims expense	$	13,667	$	14,705	$	16,636
Malpractice excess insurance		1,414		1,590		1,640
Student sickness		9,430		6,771		6,646
General and other		3,668		4,407		6,167
Totals	**$**	**28,179**	**$**	**27,473**	**$**	**31,089**

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 2015, 2014, and 2013, 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 $10,502, $3,433, and $1,808, 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, 2015, $3,610 is accrued, reflecting $16,206 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, 2015. 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.

Note 7 Receivables

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Accounts receivable, prior to adjustment for doubtful collections, is summarized as follows at fiscal years ended June 30, 2015, 2014, and 2013:

Receivables	June 30, 2015	June 30, 2014	June 30, 2013
Student	$ 31,643	$ 20,151	$ 15,331
Notes	15,521	15,024	12,561
Federal appropriation	3,405	4,290	3,452
Patients and third-party payors - Hospital	64,532	88,326	103,544
Patients and third-party payors - FPP	25,070	16,611	12,171
Patients and third-party payors - Dental	2,631	1,851	1,629
Grants and contracts	14,860	17,343	16,739
Contributions	6,861	4,566	3,364
Insurance claims	12,355	14,057	16,896
Auxiliary services	6,856	6,176	4,300
Other	4,436	3,532	2,967
Total	**$ 188,170**	**$ 191,927**	**$ 192,954**

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, 2015, 2014, and 2013:

Allowance for Doubtful Receivables	June 30, 2015	June 30, 2014	June 30, 2013
Student	$ 16,979	$ 10,444	$ 7,396
Notes	2,789	3,210	3,210
Patients and third-party payors - Hospital	33,226	38,943	32,300
Patients and third-party payors - FPP	9,465	4,349	3,041
Patients and third-party payors - Dental	660	571	709
Grants and contracts	3,308	4,505	3,788
Contributions	2,527	1,623	1,738
Insurance claims	1,689	1,326	1,488
Auxiliary services	152	109	235
Other	114	114	1,219
Totals	**$ 70,909**	**$ 65,194**	**$ 55,124**
Total receivables, net	**$ 117,261**	**$ 126,733**	**$ 137,830**

Provision for bad debt is summarized as follows at fiscal years ended June 30, 2015, 2014, and 2013:

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Provision for Bad Debt	June 30, 2015	June 30, 2014	June 30, 2013
Non-clinical services:			
Student services	$ 6,762	$ 5,011	$ 3,266
Research grants and development agreements	1,739	717	210
Insurance claims	(22)	(162)	(127)
Auxiliary services	100	234	321
Uncollectible pledges	904	266	89
Other	-	(127)	1,509
Total non-clinical	**$ 9,483**	**$ 5,939**	**$ 5,268**
Clinical services:			
Patients and third-party payors - Hospital	22,872	20,057	20,754
Patients and third-party payors - FPP	13,919	6,755	6,777
Patients and third-party payors - Dental	148	117	71
Total clinical services	**$ 36,939**	**$ 26,929**	**$ 27,602**
Total provision for bad debt	**$ 46,422**	**$ 32,868**	**$ 32,870**

Bad debt expense of $9,483, $5,939, and $5,268 for fiscal years ended June 30, 2015, 2014, and 2013, 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, 2015, 2014, and 2013 are expected to be received as follows:

Contributions Receivable	June 30, 2015	June 30, 2014	June 30, 2013
Within one year	$ 5,529	$ 4,314	$ 2,969
Between one and five years	1,026	274	433
Thereafter	604	4	-
Contributions receivable gross	7,159	4,592	3,402
Unamortized discount on contributions receivable (2%-6.5%)	(298)	(26)	(38)
Contributions receivable, net of discounts	6,861	4,566	3,364
Allowance for uncollectible contributions	(2,527)	(1,623)	(1,738)
Contributions receivable, net of discounts and allowance	$ 4,334	$ 2,943	$ 1,626

Note 8 Inventories, Prepaids and Other Assets

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2015, 2014, and 2013 are as follows:

Inventories, Prepaids and Other Assets	June 30, 2015	June 30, 2014	June 30, 2013
Inventories - Bookstore	$ -	$ -	$ 1,076
Inventories - Hospital	3,416	4,679	5,912
Prepaid expenses	6,709	6,154	5,683
Unamortized bond issuance costs	4,563	4,778	4,993
Deferred health charges	-	1,414	1,621
Dialysis joint venture interest	5,638	5,337	4,800
Beneficial interest trust	5,038	4,968	4,423
Intellectual property costs	1,530	1,682	1,163
Other	205	193	303
Total	**$ 27,099**	**$ 29,205**	**$ 29,974**

Note 9 Accounts Payable and Accrued Expenses

Components of this liability account at fiscal years ended June 30, 2015, 2014, and 2013 are as follows:

Accounts Payable and Accrued Expenses	June 30, 2015	June 30, 2014	June 30, 2013
Vendor invoices	$ 97,677	$ 73,739	$ 58,769
Accrued salaries and wages	22,823	21,930	21,440
Accrued employee benefits	6,984	7,194	6,372
Accrued annual leave	5,848	7,421	6,920
Accrued faculty retirement incentive payments	3,610	6,118	9,125
Accrued interest	5,071	4,822	4,908
Other	1,337	1,731	543
Total	**$ 143,350**	**$ 122,955**	**$ 108,077**

Note 10 Other Liabilities and Deferred Revenue

These obligations include the following at fiscal years ended June 30, 2015, 2014, and 2013:

Other liabilities	June 30, 2015	June 30, 2014	June 30, 2013
Asset retirement obligation	$ 13,514	$ 13,128	$ 12,687
Environmental remediation	3,000	3,000	3,000
Unclaimed property	2,644	2,879	2,588
Student deposits and refunds	3,300	2,725	4,974
Reserve for legal contingencies	1,574	3,664	6,690
Deposits held in custody for others	1,702	2,425	2,260
Other	3,791	2,354	2,369
Total	**$ 29,525**	**$ 30,175**	**$ 34,568**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Deferred revenue	June 30, 2015	June 30, 2014	June 30, 2013
Deferred tuition, room and board	$ 2,932	$ 2,825	$ 3,159
Deferred grant revenue	8,430	6,677	5,924
Deferred savings incentive revenue	2,375	-	-
Other	344	498	608
Total	**$ 14,081**	**$ 10,000**	**$ 9,691**

Howard's asset retirement costs and obligations have been discounted using a rate of 4.9%. Amounts for the fiscal years ended June 30, 2015, 2014, and 2013, were as follows:

Asset Retirement Costs and Obligations	June 30, 2015	June 30, 2014	June 30, 2013
Asset retirement costs	$ 4,565	$ 4,565	$ 4,565
Accumulated depreciation	2,253	2,205	2,147
Accretion expense	344	410	412
Asset retirement obligation	13,514	13,128	12,687
Total	**$ 20,676**	**$ 20,308**	**$ 19,811**

Howard incurred costs related to asbestos abatement during fiscal years ended June 30, 2015, 2014, and 2013 of $234, $135, and $87, respectively. Howard plans to have an engineering re-evaluation performed in fiscal year 2016 which may significantly change the estimate.

Note 11 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets		
	June 30, 2015	June 30, 2014	June 30, 2013
Debt service reserve	$ 12,847	$ 12,880	$ 12,880
Capitalized interest	-	-	3,737
Professional liability	16	5	239
Workers' compensation	10	12	14
Health insurance trust	1,384	956	755
Total	**$ 14,257**	**$ 13,853**	**$ 17,625**
	Liabilities		
	June 30, 2015	**June 30, 2014**	**June 30, 2013**
Debt service reserve	NA	NA	NA
Capitalized interest	NA	NA	NA
Professional liability	$ 55,671	$ 54,365	$ 55,204
Workers' compensation	28,891	27,956	30,306
Health insurance trust	9,987	4,310	4,889
Total	**$ 94,549**	**$ 86,631**	**$ 90,399**

NA = Not applicable

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

(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) ***Capitalized Interest Fund***

As required by the 2011 Revenue Bonds, Howard established a capitalized interest fund of $19,782 for the fiscal year ended June 30, 2011. These funds are intended to satisfy bond interest payments through June 30, 2014. As of June 30, 2015, the capitalized interest fund balance is $0, as a result of interest payments of $19,782 from the fund.

(c) ***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, 2015. 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, 2015, 2014, and 2013 of approximately $55,671, $54,365, and $55,204, respectively is adequate to provide for losses resulting from probable unasserted claims and pending or threatened litigation.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2015, 2014, and 2013 in the table below.

Professional Liability	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Beginning balance	$ 54,365	$ 55,204	$ 42,863
Malpractice claims expense	13,667	14,705	16,636
Settlement payments	(12,361)	(15,544)	(4,295)
Ending balance	**$ 55,671**	**$ 54,365**	**$ 55,204**

(d) ***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, 2015, workers' compensation liabilities are being satisfied as claims arise. Howard also maintains $7,838 in letters of credit, which serve as collateral for specific insurance carriers. These letters of credit are secured by Howard's principal lending bank. 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, 2015, 2014, and 2013 expenses related to workers' compensation were $3,860, $3,234, and $2,433, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately $28,891, $27,956, and $30,306 at June 30, 2015, 2014, and 2013, 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 $10,666, $12,731, and $15,408 at June 30, 2015, 2014, and 2013, respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

(e) ***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, 2015, 2014, and 2013, is approximately $9,987, $4,310, and $4,889, 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, 2015, 2014, and 2013 are subject to fair value accounting.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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	**935**	**-**	**-**	**935**
Liabilities not subject to fair value reporting	**(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, 2015, 2014, and 2013 (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	1,416	-	-	1,416
Liabilities not subject to fair value reporting	(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.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Fair value as of June 30, 2013 is as follows:

Fair Value as of June 30, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	$ -	$ 71,670	$ -	$ 71,670
Deposits with trustees (7)	770	16,855	-	17,625
Other assets (8)	-	-	4,378	4,378
Total assets (non investment)	**$ 770**	**$ 88,525**	**$ 4,378**	**$ 93,673**
Operating investments				
Fixed Income-Government Bonds (2)	6,877	-	-	6,877
Common Stock (3)	28,217	-	-	28,217
Total operating investments	**$ 35,094**	**$ -**	**$ -**	**$ 35,094**
Restricted investments				
Money Market Instrument (1)	-	1,089	-	1,089
Common Stock (3)	34,074	-	-	34,074
Private Equity (4)	-	-	2,341	2,341
Real Estate (4)	-	-	250	250
Total restricted investments	**$ 34,074**	**$ 1,089**	**$ 2,591**	**$ 37,754**
Endowment investments				
Money Market Fund (1)	704	27,644	-	28,348
Common/collective trusts				
Global Fixed Income Security (2)	-	30,200	-	30,200
International Equity Security (3)	-	53,378	-	53,378
Domestic Common Stock (3)	-	17,788	-	17,788
Commodity Inflation Hedging (8)	-	17,357	-	17,357
Common Stock (3)	50,741	-	-	50,741
Fixed income				
Mortgage Backed Securities (2)	-	2,054	-	2,054
Corporate Bond (2)	-	4,804	-	4,804
Hedge funds				
Distressed Debt (4)	-	2,793	-	2,793
Equity Long/short (4)	-	4,866	-	4,866
Event driven (4)	-	3,123	3,562	6,685
Global opportunities (4)	-	4,399	-	4,399
Multi-strategy (4)	-	26,802	2,369	29,171
Mutual funds investment				
Emerging Market Equity Security (3)	51,892	-	-	51,892
Domestic Common Stock (3)	20,320	-	-	20,320
Domestic Fixed Income (2)	54,883	-	-	54,883
International Equity Security (3)	32,114	-	-	32,114
Limited partnerships (4)	-	-	93,565	93,565
Real estate (4)	-	-	8,715	8,715
Total endowment investments	**$ 210,654**	**$ 195,208**	**$ 108,211**	**$ 514,073**
Total investments	**$ 279,822**	**$ 196,297**	**$ 110,802**	**$ 586,921**
Assets not subject to fair value reporting	1,368	-	-	1,368
Liabilities not subject to fair value reporting	(277)	-	-	(277)
Total assets and liabilities measured at fair value	**$ 281,683**	**$ 284,822**	**$ 115,180**	**$ 681,685**

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

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values are based on a combination of observable and unobservable inputs.

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, 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.

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.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Changes in Level 3 securities for the period ended June 30, 2013 is as follows:

Changes in Level 3 for the period ended June 30, 2013	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2012	$ 95,545	$ 5,521	$ 9,250	$ -	$ 110,316
Gain and Loss (Realized and unrealized)	13,180	703	808	(44)	14,647
Acquisitions	9,047	-	-	4,422	13,469
Sales	(21,866)	(293)	(1,093)	-	(23,252)
Balance June 30, 2013	**$ 95,906**	**$ 5,931**	**$ 8,965**	**$ 4,378**	**$ 115,180**
Change in unrealized investments held	**$ 5,783**	**$ 703**	**$ 906**	**$ (44)**	**$ 7,348**

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2013.

Net investment income (loss) is summarized as follows for fiscal years ended June 30, 2015, 2014, and 2013:

Net Investment Income (Loss)	June 30, 2015	June 30, 2014	June 30, 2013
Interest and dividends	$ 12,397	$ 13,810	$ 12,553
Net realized gains (losses)	29,417	39,553	28,165
Net unrealized gains (losses)	(32,910)	37,855	26,329
Other investment income (expenses)	201	339	(270)
Investment expenses	(3,006)	(4,539)	(4,014)
Net investment income (loss)	**$ 6,099**	**$ 87,018**	**$ 62,763**
Current year unrestricted operating return	**966**	**7,053**	**4,639**
Current year non-operating investment return:			
Unrestricted	1,826	38,834	25,256
Restricted	3,307	41,131	32,868
Total current year investment return	**$ 6,099**	**$ 87,018**	**$ 62,763**
Prior year return designated for current operations:			
Unrestricted	(6,346)	(6,080)	(5,866)
Restricted	(7,372)	(7,016)	(6,647)
Total designated for current operation	**$ (13,718)**	**$ (13,096)**	**$ (12,513)**
Net non-operating investment return:			
Unrestricted	(4,520)	33,387	19,391
Restricted	(4,064)	33,481	26,221

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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, 2015, 2014, and 2013. 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, 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

Investments as of June 30, 2013	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 47,914	$ -	Monthly-Annually	45-90 days
Real estate funds	8,715	223	-	2-5 years
Common/collective trusts	118,723	-	Monthly	-
Limited partnerships	93,565	23,808	-	≤ 10 years

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Note 13 Net Assets

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

Temporarily Restricted Net Assets	June 30, 2015	June 30, 2014	June 30, 2013
Scholarships	$ 52,050	$ 54,511	$ 47,271
Professorships	34,405	34,753	29,758
Student loans	1,405	1,173	947
Federal term endowment	124,883	128,648	114,677
General operations and other	38,176	37,698	30,197
Total	**$ 250,919**	**$ 256,783**	**$ 222,850**

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, 2015, 2014, and 2013, the transfer amounts were $10,146, $10,612, and $8,300, 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	June 30, 2015	June 30, 2014	June 30, 2013
Scholarships	$ 55,122	$ 54,633	$ 52,863
Professorships	24,431	24,151	23,530
Student loans	36,943	36,321	35,925
General operations and other	11,610	10,838	10,892
Total	**$ 128,106**	**$ 125,943**	**$ 123,210**

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, 2015, 2014, and 2013 are as follows:

Net Assets Released from Restrictions	June 30, 2015	June 30, 2014	June 30, 2013
Federal term	$ 10,146	$ 10,612	$ 8,300
Restrictions released based on purpose:			
Scholarships and fellowships	5,032	3,671	4,130
Professorships	463	626	743
Student loans	128	127	114
General operations and other	1,943	2,024	2,130
Total	**$ 17,712**	**$ 17,060**	**$ 15,417**

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

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

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.

As of fiscal years ended June 30, 2015, 2014, and 2013 total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
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:	**$ 81,904**	**$ 80,975**	**$ 78,771**
Temporarily Restricted Net Assets			
Time restricted funds	140,868	145,272	129,425
The portion of perpetual endowment funds subject to a time restriction under DC UPMIFA:			
Without purpose restrictions	4,204	4,707	3,921
With purpose restrictions	58,106	64,463	54,471
Total endowment funds classified as temporarily restricted net assets	**$ 203,178**	**$ 214,442**	**$ 187,817**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2013 is as follows:

Endowment Change in Value For period ended June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ 221,937**	**$ 167,042**	**$ 75,326**	**$ 464,305**
Investment return:				
Investment income	5,158	6,047	207	11,412
Net depreciation (realized and unrealized)	22,478	24,522	169	47,169
Total investment return	**$ 27,636**	**$ 30,569**	**$ 376**	**$ 58,581**
Contributions	376	3,513	1,068	4,957
Appropriation of endowment assets for operations	(7,350)	(5,073)	(89)	(12,512)
Other changes:				
Match release	8,300	(8,300)	-	-
Transfer and other changes	38	66	2,090	2,194
Endowment net assets, end of year	**$ 250,937**	**$ 187,817**	**$ 78,771**	**$ 517,525**
Donor-restricted endowment funds	(5,182)	187,817	78,771	261,406
Board-designated endowment funds	256,119	-	-	256,119
Endowment net assets, end of year	**$ 250,937**	**$ 187,817**	**$ 78,771**	**$ 517,525**

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, 2015, 2014, and 2013 receivables of $3,405, $3,405, and $3,452, 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 $4,181, $2,666, and $5,182 as of fiscal years ended June 30, 2015, 2014, and 2013, 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.

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 2013-2015
Medicaid 2011-2015

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

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 $18,337, ($8,879), and $2,756 for fiscal years ended June 30, 2015, 2014, and 2013, respectively.

Third-party settlement revenue	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Medicare appeals	$ -	$ (9,472)	$ 2,114
Medicare pass-through	8,644	10,907	11,895
Disproportionate Share Hospital	43,262	37,406	34,656
Graduate Medical Education	6,973	5,338	5,719
Other	(163)	5,773	175
Total third-party settlement revenue	**$ 58,716**	**$ 49,952**	**$ 54,559**

Note 16 Property, Plant and Equipment

Property, Plant and Equipment	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Land and land improvements	$ 27,911	$ 27,911	$ 27,911
Buildings and building improvements	873,205	862,238	834,969
Property held for expansion	56,929	56,929	57,013
Furniture and equipment	292,669	292,751	285,777
Library books	91,075	91,036	90,758
Equipment under capital leases	81,475	81,475	74,557
Software	114,353	112,941	107,464
Software in progress	6,169	5,833	3,228
Construction in progress	77,798	50,849	31,973
Property, plant and equipment, gross	1,621,584	1,581,963	1,513,650
Accumulated depreciation and amortization	(1,001,841)	(956,361)	(900,569)
Property, plant and equipment, net	**$ 619,743**	**$ 625,602**	**$ 613,081**

For the fiscal year ended June 30, 2015 there were $45,876 in additions and $6,255 in sales, disposals and retirements.

Depreciation expense for the years ended June 30, 2015, 2014, and 2013 were $51,596, $55,900, and $52,625, respectively. For fiscal years ended June 30, 2015, 2014, and 2013, respectively, net interest costs of $198, $592, and $905, were incurred during construction and capitalized as part of the cost of capital projects.

Note 17 Leases

Lease Obligations

Howard is obligated under capital leases for office and medical equipment that extend through 2017 and the chiller plant that extends through 2031 (see below) in the amounts of $33,488, $44,125, and $47,355, respectively at fiscal years ended June 30, 2015, 2014, and 2013. The assets are amortized over their estimated useful lives. Accumulated amortization related to the leased assets is $55,068, $46,764, and $38,685, respectively.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

At June 30, 2015, Howard has remaining capacity to draw an additional $15,341 under an existing lease financing arrangement primarily to finance medical and information technology equipment. The lease periods commence in future months and continue for a period of five years after the start date.

Howard has several non-cancelable operating leases for office space and equipment that expire by 2019. Rental payments are recognized on a straight-line basis and reflected in the statements of activities within professional and administrative services expense. Rent expense related to building space and equipment for fiscal years ended June 30, 2015, 2014, and 2013 was $6,012, $5,590, and $5,832, respectively.

At June 30, 2015, the minimum lease payments under capital 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	Capital Leases	Operating Leases
2016	$ 10,107	$ 798
2017	6,500	530
2018	4,099	492
2019	2,913	191
2020	2,204	-
2021 and thereafter	24,644	-
Obligation, gross	50,467	2,011
Amounts representing interest rates from 2% to 10%	(16,979)	-
Total Lease Obligations, net	**$ 33,488**	**$ 2,011**

Lease Income

Howard leases property to several area businesses, non-profit organizations and individuals under non-cancelable operating leases. Howard receives monthly income under these lease agreements, which have termination dates through 2021 and thereafter. Total lease income received for fiscal years ended June 30, 2015, 2014, and 2013 was $1,508, $1,505, and $1,384, respectively.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

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

Future minimum lease income	June 30
2016	$ 766
2017	680
2018	623
2019	577
2020	560
2021 and thereafter	1,645
Total minimum lease income receipts	**$ 4,851**

Note 18 Bonds and Notes Payable

(a) *Bonds Payable*

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

Bonds Payable	June 30, 2015	June 30, 2014	June 30, 2013
District of Columbia issues:			
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	$ 8,048	$ 8,650	$ 9,159
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	65,065	65,065	65,065
Total bonds payable, gross	**$ 298,363**	**$ 298,965**	**$ 299,474**
Unamortized bond premium (discount)	(5,510)	(5,771)	(5,978)
Total bonds payable, net	**$ 292,853**	**$ 293,194**	**$ 293,496**

(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, 2015 the fund balance was $12,847.

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 have been used to create a deposit for capitalized interest. The remaining balance of this fund is $0 at June 30, 2015.

On March 5, 2014, Standard & Poor's Rating Services lowered its long-term and underlying rating on the 2011A and 2011B bonds to BBB+ from A- with a stable outlook. The lowered rating is as a result of management turnover, fiscal operating pressures that eroded financial margins and an expected operating deficit for the fiscal year end June 30, 2014.

On July 3, 2014, Moody's Investors Service downgraded Howard's Series 2011A and 2011B bonds to Baa3 with a negative outlook from Baa1. The downgrade to Baa3 reflects the precipitous deterioration of the Hospital's operations.

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.

(3) **Fair Value of Bonds**

The estimated fair value of Howard's bonds is determined based on quoted market prices. At fiscal years ended June 30, 2015, 2014, and 2013, the estimated fair value was approximately $316,072, $330,896, and $330,776, 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, 2015, 2014, and 2013 (amounts in thousands)

(b) ***Notes Payable***

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

Notes Payable	June 30, 2015	June 30, 2014	June 30, 2013
Bank of America Property Loan			
Due monthly, through June 1, 2017, variable interest rate of Libor plus 3.50%	$ 3,971	$ 5,447	$ 6,499
Multi-bank Agreement			
Due July 24, 2016, variable interest rate at daily LIBOR plus 2.5%	95,000	65,000	40,000
Total Notes Payable	**$ 98,971**	**$ 70,447**	**$ 46,499**

In July 2015, Howard entered into a $50,000 Bank of America Credit Agreement that extends through July 2016.

In June 2014, Howard replaced its $135,000 Multi-bank Credit Agreement with a $100,000 Multi-bank Credit Agreement that extends through July 2016. Outstanding borrowings under these agreements at fiscal years ended June 30, 2015, 2014, and 2013 were $95,000, $65,000, and $40,000, 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.

(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.

Howard, as required by the terms of the Multi-bank Credit Agreement, has granted lenders a security interest in collateral in the form of cash and securities delivered to their collateral agent. Howard will pledge additional collateral when the collateral value is less than the minimum collateral amount. The collateral agent is not allowed to re-pledge or sell the collateral securities. At June 30, 2015, the carrying value of the pledged securities is $133,903 is reported in endowment investments. There were no pledged securities at fiscal years ended June 30, 2014 and 2013.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

At June 30, 2015, 2014, and 2013, 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, 2015, 2014, and 2013, 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. At June 30, 2013, Howard was in compliance with the Debt Service Coverage Ratio measurement.

The 2011 Bond, Multi-bank Credit Agreement and Property Loan agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2015.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Liquidity Ratio	Multi-bank Credit Agreement	Quarterly	0.25:1.00
Liquidity Ratio	Property Loan	Quarterly	0.25:1.00
Debt Service Coverage Ratio	Property Loan	Quarterly	0.75:1.00

The 2011 Bond, Multi-bank Credit Agreement and Property Loan agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2014.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	Multi-bank Credit Agreement	Quarterly	1.25:1.00
Liquidity Ratio	Multi-bank Credit Agreement	Quarterly	0.25:1.00
Liquidity Ratio	Property Loan	Quarterly	0.25:1.00
Debt Service Coverage Ratio	Property Loan	Quarterly	0.75:1.00

The 2011 Bond and Multi-bank Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2013.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	Multi-bank Credit Agreement	June 30 each year	1.25:1.00
Liquidity Ratio	Multi-bank Credit Agreement	June 30 and December 31	0.35:1.00

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

(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	June 30, 2015	June 30, 2014	June 30, 2013
2014	NA	NA	$ 47,041
2015	NA	67,352	$ 569
2016	98,813	3,813	1,998
2017	4,700	4,426	2,544
2018	2,771	2,771	2,771
2019	3,480	3,480	3,480
2020	5,135	5,135	5,135
2021 and thereafter	282,435	282,435	282,435
Subtotal	397,334	369,412	345,973
Bond premiums/(discounts)	(5,510)	(5,771)	(5,978)
Total	**$ 391,824**	**$ 363,641**	**$ 339,995**

(e) ***Interest Rate Swaps***

In April 1998, Howard entered into an interest rate swap agreement, a derivative instrument, with Bank of America, N.A., whereby Howard agreed to pay Bank of America a 6.7% fixed rate of interest on $17,233 in exchange for the receipt of a floating interest payment based on the 30-day London Interbank Offered Rate (LIBOR) plus 75 basis points. (LIBOR at June 30, 2013 was 0.19%). This agreement ended June 30, 2013.

The gains and losses recognized under the interest rate swap agreements for fiscal years ended June 30, 2015, 2014, and 2013 were as follows:

Interest Rate Swaps	June 30, 2015	June 30, 2014	June 30, 2013
Cumulative gain (loss) at beginning of year	$ -	$ -	$ (21)
Gain (loss) during the year	-	-	21
Cumulative gain (loss) at end of year	$ -	$ -	$ -

Note 19 Retirement Plans

Pension Plan - Howard has a noncontributory defined benefit pension plan (the Plan) 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.

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.

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 $1,704, $1,710, and $1,737 at fiscal years ended June 30, 2015, 2014, and 2013, respectively. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of $1,024, $943, and $882 at June 30, 2015, 2014, and 2013, 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, 2015 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 $22,502, $22,989, and $16,180 for and fiscal years ended June 30, 2015, 2014, and 2013, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2015, 2014, and 2013 were $929,126, $921,876, and $859,653, respectively. These investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

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.

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, 2015, 2014, and 2013 are as follows:

	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
Retirement Benefits	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**
Change in benefit obligation									
Projected benefit obligation at beginning of year	$ 659,234	$ 616,455	$ 629,163	$ 71,302	$ 67,852	$ 189,430	$ 1,710	$ 1,737	$ 1,814
Service Cost	-	-	-	507	459	658	-	-	-
Interest Cost	27,147	28,760	26,180	2,927	3,198	6,631	67	78	72
Actuarial (gain)/loss	17,285	43,938	(7,185)	(7,051)	4,678	(8,894)	171	139	95
Benefits paid	(34,576)	(32,619)	(31,703)	(11,970)	(10,270)	(13,656)	(244)	(244)	(244)
Special termination benefits	-	-	-	-	-	-	-	-	-
Medicare Part D subsidy	-	-	-	820	828	813	-	-	-
Employee contributions	-	-	-	6,903	4,557	5,825	-	-	-
Prior service amendment	-	-	-	-	-	-	-	-	-
Plan amendments	-	2,700	-	-	-	(112,955)	-	-	-
Projected benefit obligation at end of period	**$ 669,090**	**$ 659,234**	**$ 616,455**	**$ 63,438**	**$ 71,302**	**$ 67,852**	**$ 1,704**	**$ 1,710**	**$ 1,737**
Change in plan assets:									
Fair value of plan assets at beginning of year	552,605	489,000	460,955	-	-	-	-	-	-
Actual return on plan assets	4,632	85,230	42,383	-	-	-	-	-	-
Employer contributions	16,301	10,994	17,365	4,247	4,885	7,018	22,502	22,722	16,424
Employee contributions	-	-	-	6,903	4,557	5,825	-	-	-
Medicare Part D subsidy	-	-	-	820	828	813	-	-	-
Benefits paid	(34,576)	(32,619)	(31,703)	(11,970)	(10,270)	(13,656)	(244)	(244)	(244)
Fair value of plan assets at end of period	**$ 538,962**	**$ 552,605**	**$ 489,000**	**$ -**	**$ -**	**$ -**	**NA**	**NA**	**NA**
Total	**$ (130,128)**	**$ (106,629)**	**$ (127,455)**	**$ (63,438)**	**$ (71,302)**	**$ (67,852)**	**NA**	**NA**	**NA**

NA = Not Applicable

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at fiscal years ended June 30, 2015, 2014, and 2013:

	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
Retirement Benefits	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**
Recognized in Statement of Activities									
Amortization of transition obligation	$ -	$ -	$ -	$ -	$ -	$ 2,841	$ -	$ -	$ -
Amortization of prior service cost	100	-	-	-	-	(1,634)	-	-	-
Amortization of net actuarial loss	8,459	7,972	8,058	802	621	498	91	79	75
Total amortization	**$ 8,559**	**$ 7,972**	**$ 8,058**	**$ 802**	**$ 621**	**$ 1,705**	**$ 91**	**$ 79**	**$ 75**
Service Cost	-	-	-	507	459	658	22,502	22,478	16,180
Interest Cost	27,147	28,760	26,180	2,927	3,198	6,631	67	78	73
Curtailment recognition of prior service credit	-	-	-	(12,785)	(12,785)	-	-	-	-
Expected return on plan assets	(27,834)	(27,287)	(29,937)	-	-	-	-	-	-
Recognized in operating expenses	**$ 7,872**	**$ 9,445**	**$ 4,301**	**$ (8,549)**	**$ (8,507)**	**$ 8,994**	**$ 22,660**	**$ 22,635**	**$ 16,328**
Amortization of transition obligation	-	-	-	-	-	(2,841)	-	-	-
Amortization of prior service cost	(100)	-	-	-	-	1,634	-	-	-
Amortization of net actuarial loss	(8,459)	(7,972)	(8,058)	(802)	(621)	(498)	(91)	(79)	(75)
Total amortization	**$ (8,559)**	**$ (7,972)**	**$ (8,058)**	**$ (802)**	**$ (621)**	**$ (1,705)**	**$ (91)**	**$ (79)**	**$ (75)**
Net actuarial (gain) loss during the year	40,532	(14,011)	(19,631)	(6,453)	2,839	(6,441)	171	139	95
New prior service cost arising during period	-	2,700	-	12,785	12,785	(112,955)	-	-	-
Total recognized in other changes in unrestricted net assets	**$ 31,973**	**$ (19,283)**	**$ (27,689)**	**$ 5,530**	**$ 15,003**	**$ (121,101)**	**$ 80**	**$ 60**	**$ 20**
Total recognized in Statements of Activities	**$ 39,845**	**$ (9,838)**	**$ (23,388)**	**$ (3,019)**	**$ 6,496**	**$ (112,107)**	**$ 22,740**	**$ 22,695**	**$ 16,348**

Amounts included in unrestricted net assets at fiscal years ended June 30, 2015, 2014, and 2013:

	Pension			Medical and Life Insurance		
Retirement Benefits	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**
Net actuarial loss	$ (259,931)	$ (227,858)	$ (249,900)	$ (6,420)	$ (13,675)	$ (12,818)
Prior service cost	(2,600)	(2,700)	-	45,142	57,927	70,712
Total	**$ (262,531)**	**$ (230,558)**	**$ (249,900)**	**$ 38,722**	**$ 44,252**	**$ 57,894**

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 \$8,827, \$100, and \$0 respectively.

Contributions to the pension plan of \$16,301, \$10,994, and \$17,365 were made in fiscal years ended June 30, 2015, 2014, and 2013, respectively. Contributions of \$16,000 are expected to be paid to the pension plan during the fiscal year ended June 30, 2016.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2015, 2014, and 2013 were as follows:

	Pension Benefits			Post-retirement Benefits		
Actuarial Assumptions	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**
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	-	-	-	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, 2015, 2014, and 2013 were as follows:

	Pension Benefits			Post-retirement Benefits		
Actuarial Assumptions	**6/30/2015**	**6/30/2014**	**6/30/2013**	**6/30/2015**	**6/30/2014**	**6/30/2013**
Discount rate	4.25%	4.82%	4.29%	4.29%	4.89%	4.25%
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, 2015, 2014, and 2013 (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	11,989	-	-	11,989
Operating liabilities not subjected to fair value reporting	(21,980)	-	-	(21,980)
Total plan assets	**$ 283,251**	**$ 158,556**	**$ 97,155**	**$ 538,962**

Level 3 investments were 18% of total plan investments.

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

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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
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
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	$ 4,557	**$ -**	**$ -**	$ 4,557
Liabilities not subject to fair value	$ (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, 2015, 2014, and 2013 (amounts in thousands)

Pension plan investments as of June 30, 2013 were as follows:

Pension Plan Investments as of June 30, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	$ -	$ 5,486	$ -	$ 5,486
Common/Collective Trusts				
Emerging market equity (3)	-	48,256	-	48,256
US Common Stock (3)	-	26,683	-	26,683
Commodity Inflation Hedging (8)	-	16,015	-	16,015
Common Stock (3)	46,606	-	-	46,606
Fixed Income (2)				
Asset backed	-	6,281	-	6,281
Corporate Bonds	-	2,131	-	2,131
Government Bond	46,547	-	-	46,547
Hedge Funds (4)				
Distressed Debt	-	2,793	-	2,793
Equity Long/short	-	4,866	-	4,866
Event driven	-	2,561	2,849	5,410
Multi-Global opportunities	-	3,752	-	3,752
Multi-strategy	-	25,060	2,369	27,429
Mutual Funds Investment				
Domestic common stock (3)	34,388	-	-	34,388
Emerging market equity (3)	22,242	-	-	22,242
International equity (3)	27,856	-	-	27,856
Domestic Fixed Income (2)	60,998	-	-	60,998
Limited Partnerships (4)	-	-	93,450	93,450
Real Estate (4)	-	-	8,743	8,743
Total assets	**$ 238,637**	**$ 143,884**	**$ 107,411**	**$ 489,932**
Liabilities:				
Financial Derivatives – Option Contracts	-	(239)	-	(239)
Total liabilities	**$ -**	**$ (239)**	**$ -**	**$ (239)**
Total pension plan investments	**$ 238,637**	**$ 143,645**	**$ 107,411**	**$ 489,693**
Assets not subject to fair value reporting	3,197	-	-	3,197
Liabilities not subject to fair value	(3,890)	-	-	(3,890)
Total plan assets	**$ 237,944**	**$ 143,645**	**$ 107,411**	**$ 489,000**

Level 3 investments were 22% of total plan investments.

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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, 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**

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2013.

Changes in Level 3 for the period ended June 30, 2013	**Private Equity and Venture Capital**	**Hedge Funds**	**Real Estate**	**Total**
Balance July 1, 2012	$ 93,070	$ 4,617	$ 9,000	$ 106,687
Gain and loss (realized and unrealized)	13,753	601	836	15,190
Purchases	8,858	-	-	8,858
Transfer out and sales	(22,231)	-	(1,093)	(23,324)
Balance at June 30, 2013	**$ 93,450**	**$ 5,218**	**$ 8,743**	**$ 107,411**
Change in unrealized investments held	**$ 5,003**	**$ 601**	**$ 934**	**$ 6,538**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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, 2015, 2014, and 2013. 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, 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

Investments as of June 30, 2013	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 44,250	$ -	Monthly-Annually	45-90 days
Real estate funds	8,743	98	-	2-5 years
Common/collective trusts	90,954	-	Monthly	-
Limited partnerships	93,450	21,687	-	≤ 10 years

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (amounts in thousands)

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.

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

Pension Plan Asset Allocation	June 30, 2015	June 30, 2014	June 30, 2013	Allowable Range
Mid-Large Cap U.S. Equity	9.7%	11.5%	13.6%	10-20%
Small Cap U.S. Equity	3.3%	3.9%	4.8%	0-10%
International Equity - Developed	16.0%	15.8%	15.5%	10-20%
Private Equity/Venture Capital	16.3%	15.7%	19.1%	5-15%
Hedge Funds	3.5%	5.2%	9.0%	5-10%
Inflation Hedging	5.9%	9.7%	8.6%	10-15%
Emerging Markets Equity	4.3%	2.3%	4.5%	0-10%
U.S. Long Bonds	39.3%	31.7%	23.7%	25-35%
Cash and Cash Equivalents	1.7%	4.2%	1.2%	0-5%
Total	**100%**	**100%**	**100%**	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2015 is 7.58%. This growth rate was assumed to decrease gradually to 4.5% in 2030 and to remain at this level thereafter. The growth rate in the trend rate dental care costs used in the calculations for fiscal year 2015 is 5.7%. The growth rate was assumed to decrease gradually to 4.5% by 2030 and to remain at that 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:

		Post-retirement Benefits		
Expected Future Benefit Payments	**Pension Benefits**	**Excluding Subsidy**	**Subsidy Payments**	**Net of Subsidy**
Year ending June 30:				
2016	$ 40,415	$ 4,454	$ (161)	$ 4,293
2017	41,651	4,454	(162)	4,292
2018	42,522	4,428	(162)	4,266
2019	43,275	4,347	(159)	4,188
2020	43,745	4,294	(157)	4,137
Years 2021-2025	217,241	20,172	(710)	19,462
Total	**$ 428,849**	**$ 42,149**	**$ (1,511)**	**$ 40,638**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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, 2015, 2014, and 2013 Howard reserved $1,574, $3,664, and $6,690, 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, 2015, 2014, and 2013, Howard has contributed to the Middle School as follows:

Related Party Transactions	June 30, 2015	June 30, 2014	June 30, 2013
Cash operating support	$ 1,000	$ 900	$ 764
Donated computer equipment	-	-	236
Facility leased (market value)	1,577	1,009	1,009
Total	**$ 2,577**	**$ 1,909**	**$ 2,009**

For Fiscal Years Ended June 30, 2015, 2014, and 2013 (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, 2015, 2014, and 2013, the consolidated statements of financial position for the LLC are as follows:

Howard Dialysis Center, LLC Statements of Financial Position	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
Total Assets	$ 12,096	$ 12,069	$ 11,919
Total Liabilities	590	1,177	2,123
Equity			
Partner	7,837	8,986	8,986
Retained earning	3,669	1,906	810
Total Equity	$ 11,506	$ 10,892	$ 9,796
ARA interest	$ 5,868	$ 5,555	$ 4,996
Howard interest	$ 5,638	$ 5,337	$ 4,800

(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, 2015.

(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) ***Howard University Hospital***

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

On August 25, 2015, Howard University Global Initiative South Africa NPC (HUGISA) was registered as a wholly-owned subsidiary of the University to assist in carrying out Howard's activities in South Africa.

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.

Howard performed an evaluation of subsequent events through December 10, 2015, which is the date the financial statements were issued, noting no additional events which affect the consolidated financial statements as of June 30, 2015.