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HOWARD

UNIVERSITY

The Howard University

**Consolidated Financial Statements and Reports Schedules and Required by
Government Auditing Standards and OMB Circular A-133**

For the year ended June 30, 2015

EIN 53-0204707

HOWARD UNIVERSITY

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Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

Report on Consolidated Financial Statements

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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 June 30, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BDO USA, LLP

December 10, 2015, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 31, 2016

**Office of the Senior Vice President
Chief Financial Officer and Treasurer**

Report of Treasurer on Financial Statements

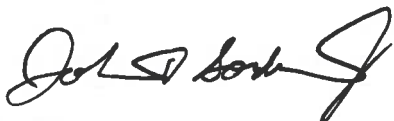
The administration of The Howard University is responsible for the preparation, accuracy, integrity and objectivity of the financial statements contained herein. Such financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, 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			
<i>(in thousands)</i>			
	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			
<i>(in thousands)</i>			
	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
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(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.

(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.

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.

The Howard University
Notes to the Consolidated Financial Statements
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 contractals 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

- (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
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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
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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.

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

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:

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

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

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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

(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
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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.

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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.

The Howard University
Notes to the Consolidated Financial Statements
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.

The Howard University
Notes to the Consolidated Financial Statements
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

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.

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

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

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

Interpretation of Relevant Law

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

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

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

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

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

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

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

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

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

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
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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

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.

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.

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
<i>District of Columbia issues:</i>			
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.

(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.

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

(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

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investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

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

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

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:

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
	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

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

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental		
	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:

Retirement Benefits	Pension			Medical and Life Insurance		
	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.

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:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	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:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	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.

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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.

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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.

The Howard University
Notes to the Consolidated Financial Statements
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.

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

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

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:

Expected Future Benefit Payments	Pension Benefits	Post-retirement 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

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

(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
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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.

Reports and Schedules Required by *Government Auditing
Standards* and OMB Circular A-133



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
The Howard University
Washington, D.C.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified below and described in the greater detail in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies identified below and described in greater detail in the accompanying schedule of findings and questioned costs as items 2015-007 through 2015-010 to be significant deficiencies.



Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

The University's Response to Findings

The University's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 10, 2015



Independent Auditor's Report on Compliance for Each Major Federal Programs Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Board of Trustees
The Howard University
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited The Howard University's (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We did not audit the University's compliance with the billing, collection, and due diligence student loan repayment compliance requirements specified by the Federal Perkins Loan Program ("Perkins Loan") and described in the *OMB Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed therein, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors.



Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-011, 2015-012, 2015-013, 2015-014, 2015-015, 2015-016, 2015-017, 2015-018, 2015-019, 2015-020 and 2015-021. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to our auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of finding and questioned costs as items 2015-015, 2015-018 and 2015-021 to be significant deficiencies.



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

March 31, 2016

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<u>ANNUAL APPROPRIATION</u>			
DEPARTMENT OF EDUCATION Annual Appropriation		84.915A	\$ 212,034,407
TOTAL ANNUAL APPROPRIATION			212,034,407
<u>FEDERAL ENDOWMENTS</u>			
DEPARTMENT OF JUSTICE Constitutional Law Chair Endowment		16.000	5,279,656
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			5,279,656
DEPARTMENT OF HEALTH AND HUMAN SERVICES Excellence in Health Professional Education Endowment		93.375	4,610,995
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,610,995
DEPARTMENT OF EDUCATION Matching Endowment		84.000	130,394,654
Law School Clinical Endowment		84.998D	10,209,731
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			140,604,385
TOTAL FEDERAL ENDOWMENTS			150,495,036
<u>STUDENT FINANCIAL AID CLUSTER</u>			
DEPARTMENT OF EDUCATION Federal Supplemental Educational Opportunity Grants		84.007	1,006,182
Federal Work Study		84.033	1,001,154
Federal Perkins Loan (FPL) Federal Capital Contribution		84.038	331,754
Federal Pell Grant Program		84.063	15,663,410
Federal Direct Loans		84.268	175,831,156
Teacher Education Assistance for College and Higher Education Grants (TEACH)		84.379	37,544
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			193,871,200
DEPARTMENT OF HEALTH AND HUMAN SERVICES Primary Care Loans for Disadvantaged Students		93.342	1,189,984
Nursing Student Loans		93.364	489,002
Scholarship for Disadvantaged Students		93.925	2,424,994
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,103,980
TOTAL FOR THE STUDENT FINANCIAL AID CLUSTER			197,975,180
<u>TRIO CLUSTER</u>			
DEPARTMENT OF EDUCATION TRIO - Student Support Service		84.042	343,312
Office of Postsecondary Education Upward Bound Program		84.047A	621,692
Upward Bound Program		84.047M	290,393
Graduate Assistance in Areas Of National Need		84.200A	120,000
Subtotal for the Office of Postsecondary Education			1,032,085
TOTAL FOR THE TRIO CLUSTER			1,375,397
<u>RESEARCH AND DEVELOPMENT CLUSTER</u>			
<i>Direct Research and Development Awards</i>			
DEPARTMENT OF COMMERCE Polymer Hydrogel Structure of Nanorod Encapsulation Using Small Angeneutron		11.609	17,575
			17,575
National Oceanic and Atmospheric Administration NOAA Center for Atmospheric Sciences at Howard University		11.481	421,031
NOAA Center for Atmospheric Sciences at Howard University		11.481	852,683
NOAA Center for Atmospheric Sciences at Howard University		11.481	1,121,303
Subtotal for the National Oceanic and Atmospheric Administration			2,395,017
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			2,412,592
DEPARTMENT OF DEFENSE Infrared Analysis in Counterfeit Parts Detection and Supply Chain Validation		12.000	495,393
Feasibility Study to Evaluate Candidate Materials of Nano Filled Block Co-Polymers for use in Ultra High Density Pulsed Power Capacitors		12.800	125,023
The Summer Program in Research and Learning		12.901	58,110

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
US Army Medical Command			
A Partnership Training Program: Studying Targeted Drug Delivery Using Nanoparticles in Breast Cancer Diagnosis and Therapy		12.420	212,366
Global Epigenetic Changes May Underlie Ethnic Differences and Susceptibility to Prostate Cancer		12.420	19,398
Diverting the Pathway to Substance Misuse by Improving Sleep		12.420	78,831
Subtotal for the US Army Medical Command			<u>310,595</u>
US Army Materiel Command			
Extracting Social Meaning From Linguistic Structures in African Languages		12.431	486,131
Bio-inspired structured Graphical Models for Inference and Information Fusion		12.431	73,139
Microstructure-Sensitive Fatigue Design of Notched Components		12.431	18,722
Probing of Fast Chemical Dynamics at High Pressures and Temperature Using Pulsed Laser Techniques		12.431	24,652
Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection		12.431	546,932
Dynamic Failure of Aluminum-Based and Polymer Matrix Composites at High Strain Rates		12.431	137,590
Fast Chemical Dynamics of Energetic Materials at High Pressures and Temperatures Studied by Ultrafast Laser Techniques		12.431	107,543
			<u>1,394,709</u>
Improving Cloud and Aerosol Treatment in Modtran		12.630	56,623
Howard University Flow Cytometric Sorter for Research and Education		12.630	252,926
Request Twin Screw Extruder to Enhance DoD Interest Polymer Nanocomposit Research and STEM Program		12.630	276,050
			<u>585,599</u>
Acquisition of Biaxial (Torsion -Tension) Testing System to Advance Research , Education and Training at Howard University		12.800	63,534
Subtotal for the US Army Materiel Command			<u>2,043,842</u>
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			<u>3,032,963</u>
DEPARTMENT OF THE INTERIOR			
Hawaiian Land Snails Extinction Prevention		15.657	18,267
African Burial Ground		15.904	43,996
CESU Network National Office Minority Fellowship - Geodatabase, Policy Analysis, Multi-Scale Assessment		15.904	25,098
Ethnographic Overview and Assessment of the Quaker/Colored Union Benevolent Cemetery Site at Rock Creek and Potomac Parkway for Rock Creek Park		15.904	8,532
			<u>77,626</u>
Diversity Research in Coordination with the Healthy Parks Healthy People Program		15.945	8,334
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			<u>104,227</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Howard University Beltsville Center for Climate System Observation		43.AAA	64,787
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>64,787</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES			
NEH Challenge Grants		45.130	37,735
The J. Clay Smith, Jr., Papers Project		45.149	38,441
From Classical Civilization to Ancient Mediterranean Studies		45.162	5,920
Portal to the Black Expectance		45.312	149,029
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			<u>231,125</u>
NATIONAL SCIENCE FOUNDATION			
Engineering Grants			
Efficient Operation and Control of Power System Networks with Increased DG Penetration Workshop: Sustainable Energy		47.041	67,540
Collaborative Proposal: Using Lean Launchpad to Promote Transfer Students' Persistence in Engineering		47.041	336
CAREER: Passive Seismic Protective Systems for Nonstructural System and Components in Multistory Building		47.041	121,548
Collaborative Research: PSERC: Collaborative Proposal for Phase III Industry University Cooperative Research Center Program		47.041	25,467
A Pre-College for Engineering Systems (PCES) Outreach Program		47.041	61,559
Subtotal for the Engineering Grants			<u>276,450</u>
Mathematical and Physical Sciences			
Ramsey Theory: Central Sets and Related Combinatorial Rich Sets		47.049	5,155
REU Site in Physics at Howard University		47.049	90,771
CBMS Conference: Mathematical Foundations of Transpiration Optics		47.049	12,475
Partnership for Reduced Dimensional Materials		47.049	441,252
MRI: Acquisition of an Electrospray Mass Spectrometer for Chemical Research and Training		47.049	3,258
FRG: Collaborative Research : Developing Mathematical Algorithms for Adoptive Geodisc Mash MHD for use in Astrophysics and Space Physics.		47.049	59,148
Subtotal for the Mathematical and Physical Sciences			<u>612,059</u>
Geosciences			
COLLABORATIVE RESEARCH: An Exceptional Window into Late Triassic Terrestrial Ecosystems from the Western United States		47.050	7,949
Understanding Northern Hemisphere (NH) Summer Season Tropospheric Ozone Variability Across the Northern Tropical Atlantic Through Focused Upstream/Downstream Campaigns			
Fossil Sirenians from Mexico and Puerto Rico		47.050	13,521
EAGER: Evolutionary History and Paleocology of the Last Old World Hyperion Super lineage		47.050	11,915
Subtotal for the Geosciences			<u>33,385</u>

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Computer and Information Science and Engineering			
CS 10K: The Partnership for Early Engagement in Computer Sciences High School Program		47.070	204,668
Subtotal for the Computer and Information Science and Engineering			<u>204,668</u>
Biological Sciences			
Cannabinoid Signaling in olfactory Glomeruli		47.074	8,340
URM: Howard University Environment Biology Scholars		47.074	177,195
Collaborative Proposal: ARTS: Revisionary Systematics of Fossil and Living Caribbean Favilid and Mussid reef corals (Cindaria, Anthozoa, Scleractina)		47.074	62,514
MRI: Acquisition of Flow Cytometric Analyzer for Research and Training at Howard University		47.074	30,541
Subtotal for the Biological Sciences			<u>278,590</u>
Social, Behavioral, and Economic Sciences			
SBES Alliance Collaborative Research: Atlantic Coast		47.075	23,773
Collaborative Research: Skeletal Muscle constraint on relative brain size		47.075	8,081
Subtotal for the Social, Behavioral, and Economic Sciences			<u>31,854</u>
Education and Human Resources			
Howard University Science Teacher Certification Program (HU-STCP)		47.076	44,791
LSAMP - Washington Baltimore Hampton Roads Alliance		47.076	1,329,964
Targeted Infusion Project: An Innovative Approach to Improving Undergraduate Student Performance in Computer Science at Howard University		47.076	28,813
Experimental Centric Based Engineering Curriculum for HBCUs.		47.076	1,758,901
Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers		47.076	968,550
Targeted Infusion Project: Integrating Innovation in Engineering Design		47.076	16,940
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	16,397
Collaborative Proposal: Pathways of Blacks and Hispanics in Engineering Education		47.076	74,215
Collaborative Research: Developing Course Modules to Teach Service- Oriented Programming Through Exemplification and Visualization		47.076	4,472
Plant Science as STEM Education at HBCU		47.076	2,083
I-Corps : Effective Protection Against Damage to Crops in Drought Conditions		47.076	35,828
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	11,832
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	11,130
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	4,008
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	1,648
HU Advance IT: Women of Color Faculty in STEM as Change Agents		47.076	629
PAC- Involved : Engaging students in PAC (Physics, Astronomy, Cosmology) Learning through Repurposing of Popular Media		47.076	155,801
Enhancing Participation Research Project: Minority Status and Stereotypes: : The Benefits and Consequences as they related to STEM Participation and Success at an HBCU		47.076	53,174
Research Initiation Award- Basic Mechanism of DNA Assembly into Nano- Shells		47.076	106,045
Planning Grant for the Howard University Institute of Psychological Science Excellence in STEM Workforce Development and Education of Women and Girls		47.076	52,816
Enhancement of the Undergraduate Physics Program in the Department of Physics and Astronomy at Howard University		47.076	61,214
Broadening STEM Participation of African American Males		47.076	51,313
Building Connections and Learning Communities among Educators and Researchers at HBCUs		47.076	500,362
Mentoring by Example		47.076	5,502
ACE Implementation Grant: STEM Global Undergraduate Research Initiative		47.076	430,423
Subtotal for the Education and Human Resources			<u>5,726,851</u>
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			<u>7,163,857</u>
NUCLEAR REGULATORY COMMISSION			
HU Critical Mass Project: Increasing the Number of African Americans Receiving Doctoral Degrees In Nuclear Physics		77.007	39,375
SUBTOTAL FOR THE NUCLEAR REGULATORY COMMISSION			<u>39,375</u>
DEPARTMENT OF ENERGY			
Utilization of Renewable Energy to Meet New National Challenges in Energy and Climate Change		81.087	35,619
Novel Low-Cost Environmentally Friendly Synthetic Approaches Toward Core-Shell Structured Micro-Particles for Fossil Energy Applications		81.089	134,852
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			<u>170,471</u>
DEPARTMENT OF EDUCATION			
National Resource Centers		84.015A	88,092
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>88,092</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
High Strength Bioresorbable Polyactide/Calcium Phosphate Composites		93.121	257,551
Howard University Substance Abuse and HIV Prevention Outreach Program		93.243	306,864
Howard University SBIRTMedical Professionla Program		93.243	154,759
Behavioral Health Workforce Education and Training for Professionals and Paraprofessionals		93.243	30,000
Ward 1 Drug Free Coalition		93.276	53,593
Ward 1 Drug Free Coalition		93.276	38,048

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
National Institutes of Health			
<i>Mental Health Research Grants</i>			
Using Olfactory Epithelial Tissue to Define Molecular Mediators of Lithium Action		93.242	590,959
Mechanisms of Pediatric HIV Neurological Impairment		93.242	8,004
Sleep and Processing Traumatic Memory		93.242	8,980
<i>Subtotal for the Mental Health Research Grants</i>			<u>607,943</u>
<i>Alcohol Research Programs</i>			
Novel Interventions in Alcohol Induced Depression		93.273	3,626
Mechanism of Alcohol Induced Cardiomyopathy		93.273	55,352
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression		93.273	478,632
<i>Subtotal for the Alcohol Research Programs</i>			<u>537,610</u>
Drug Abuse and Addiction Research Programs			
Research Training in the Prevention of Drug Abuse and AIDS in Communities of Color		93.279	23,187
The Role of Orexin in the Co-Occurrence of Binge Eating and Drug Addiction Violence, Drug Use & AIDS in South African Youth: A U.S./South Africa Research Collaboration		93.279	130,291
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			<u>153,478</u>
National Institute on Minority Health and Health Disparities			
Washington DC-Baltimore Research Center on Child Health Disparities		93.307	1,853,129
Biomedical Infrastructure for Health Disparities Research		93.307	227,589
Biomedical Infrastructure for Health Disparities Research		93.307	660,021
Biomedical Infrastructure for Health Disparities Research		93.307	376,446
Biomedical Infrastructure for Health Disparities Research		93.307	41,465
Biomedical Infrastructure for Health Disparities Research		93.307	629,693
Biomedical Infrastructure for Health Disparities Research		93.307	2,952
Biomedical Infrastructure for Health Disparities Research		93.307	2,902
Biomedical Infrastructure for Health Disparities Research		93.307	2,525
Biomedical Infrastructure for Health Disparities Research		93.307	105,665
Biomedical Infrastructure for Health Disparities Research		93.307	83,104
Biomedical Infrastructure for Health Disparities Research		93.307	61,479
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	357,245
Sleep Adaption to Stress		93.307	13,062
Scientific Conference R13		93.307	3,844
<i>Subtotal for the National Institute on Minority Health and Health Disparities</i>			<u>4,421,121</u>
National Cancer Institute			
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies		93.393	21,701
Use of Allogenicity to Stimulate Effector Responses Against Multiple Myeloma		93.398	5,120
<i>Subtotal for the National Cancer Institute</i>			<u>26,821</u>
Administration for Children and Families			
Family Strengthening : A Deeper Look at Drivers of Program Success		93.647	103,036
<i>Subtotal for the Administration for Children and Families</i>			<u>103,036</u>
National Heart, Lung, and Blood Institute			
Center for Hemoglobin Research in Minorities (CHaRM)		93.837	947,316
Inhibition of HIV-1 in Sickle Cell Disease		93.839	261,367
<i>Subtotal for the National Heart, Lung, and Blood Institute</i>			<u>1,208,683</u>
National Institute of Arthritis and Musculoskeletal and Skin Diseases			
Targeting Accessory Proteins of Alpha2C Adrenergic Receptor in Raynaud Phenomenon		93.846	26,075
<i>Subtotal for the National Institute of Arthritis and Musculoskeletal and Skin Diseases</i>			<u>26,075</u>
National Institute of Diabetes and Digestive and Kidney Diseases			
Improving Attendance to Outpatient Endoscopy Appointments Among Blacks		93.847	112,664
<i>Subtotal for the National Institute of Diabetes and Digestive and Kidney Diseases</i>			<u>112,664</u>
Biomedical Research and Research Training			
Molecular Analyses of RECQ1 Functions in Genome Maintenance		93.859	210,899
NsrR regulation of the small noncoding RNA RybB in Escherichia coli		93.859	146,947
Crosstalk and the Cytoskeleton in Dendritic Cell Antigen Presentation		93.859	27,127
HU MARC USTAR Program		93.859	86,089
Molecular Analyses of RECQ1 Functions in Genome Maintenance		93.859	102,727
<i>Subtotal for the Biomedical Research and Research Training</i>			<u>573,789</u>
National Institute of Aging			
Advancing Aging Research Through Development of Minority Gerontologists		93.866	141,902
Genes, Exercise, Neurocognitive and Neurodegeneration: Community-Based Approach		93.866	165,803
<i>Subtotal for the National Institute of Aging</i>			<u>307,705</u>
Subtotal for National Institutes of Health			<u>8,078,925</u>
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>8,919,740</u>
DEPARTMENT OF HOMELAND SECURITY			
The Graduating Engineers in the U.S. (GENIUS) Research Program: Infusing DHS Research into Undergraduate Education at Howard University		97.062	45,016
<i>Subtotal for the Direct Research and Development Awards</i>			<u>45,016</u>
Pass-Through Research and Development Awards			<u>22,272,245</u>
DEPARTMENT OF COMMERCE			
Implementation of the GCOS Reference Upper Air Network (University of Maryland at College Park)	Z763705	11.440	90,271
Cooperative Institute for Climate and Satellites	20135- Z7813002	11.432	6,833
WARN -Public Broadcasting Services	51-51-W10606 81	11.553	211,975
<i>Subtotal for the Department of Commerce</i>			<u>309,079</u>
DEPARTMENT OF DEFENSE			
Investigation of the Structure-Property Relationship of Functionalized Multi Walled Carbon			

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
Nanotube/Epoxy Nano composite (Massachusetts Institute of Technology)	5710003423	12.000	56,343
Tunable Nano scale Thermal And Electrical Transport Via Surface Polaritons	13-S7404-02-C1	12.000	47,387
			<u>103,730</u>
Improving Health Literacy in African-America Prostate Cancer Patients	3078401	12.420	72,813
Intelligence Community Center of Academic Excellence Initiative - Virginia Tech	450237-19782	12.598	100,834
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			<u>277,377</u>
NATIONAL SCIENCE FOUNDATION			
Engineering Grants			
NNIN National Nanotechnology Infrastructure Network (Cornell University)	44771-7480	47.041	429,901
NEESR-CR - Innovative Seismic Retrofits for Resilient Reinforced Concrete Buildings (Georgia Institute of Technology)	CMM1-1041607 R8134G1	47.041	43,451
NSF Engineering Research Center for Smart Lighting (Rensselaer Polytechnic Institute)	EEC-0812056	47.041	62,935
Mini Wave Flume - Operation and Maintenance at Howard University (Purdue University)	CMMI-0927178	47.041	9,463
Subtotal for the Engineering Grants			<u>545,750</u>
Mathematical and Physical Sciences			
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	503,615
Collaborative EDGE Program	PC55250	47.049	49,581
Alliance for Building Faculty Diversity in the Mathematical Sciences	2009-2719-06	47.049	55,600
Collaborative Research :US URUGUY - BRAZIL : IRES AMPLIFIED: Ampullariidae Model Using Phylogeography, Laboratory Integration with Field Investigations into Ecology and Diversity.	OISE- 1130694	47.049	17,452
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	200,477
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	49,271
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	15,995
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	47,909
The Summer Program in Research and Learning	MAA27500	47.049	14,000
Center for Integrated Quantum Materials - Harvard University	123826- 5056261	47.049	5,387
Materials Research Science and Engineering Center on Polymer (University of Massachusetts)	09-005233D00	47.049	38,339
Subtotal for the Mathematical and Physical Sciences			<u>997,626</u>
Computer and Information Science and Engineering			
Emerging Frontiers of the Science of Information (Purdue University)	0939370-CCF	47.070	47,187
Subtotal for the Computer and Information Science and Engineering			<u>47,187</u>
Biological Sciences			
Center for the Environmental Implications of Nanotechnology (Duke University)	09-NSF-1051	47.074	46,201
Center for the Environmental Implications of Nanotechnology (Duke University)	14-NSF-1050	47.074	84,635
Center for the Environmental Implications of Nanotechnology (Duke University)	EF-0830093	47.074	33,787
Subtotal for the Biological Sciences			<u>164,623</u>
Social, Behavioral, and Economic Sciences			
Collaborative Research: Stereotype Validation and Intellectual Performance	BCS-1225804	47.075	41,288
Subtotal for the Social, Behavioral, and Economic Sciences			<u>41,288</u>
Education and Human Resources			
IGERT: Educating and the Interface: Nanomaterial Environmental Impacts and Policy (Carnegie Mellon University)	DGE-0966227	47.076	40,781
The CIRTL Network: 25 Research Universities Preparing a National Faculty to Advance STEM Undergraduate Learning	530K471	47.076	26,033
Preparing Students for Writing in Civil Engineering Practice Research - based Materials Development and Assessment (Portland State University)	203CON405	47.076	4,260
A National Model for Engineering Mathematics Education	P0029309	47.076	12,303
Dynamics of Behavior Shifts in Human Evolution (George Washington University)	DGE-0801634	47.076	11,199
Subtotal for the Education and Human Resources			<u>94,576</u>
Polar Programs			
Collaborative Research Continued Research on the Jurassic Vertebrate Fauna from the Beardmore Glacier Region of Antarctica	50119-1-FDP	47.078	24,096
Collaborative Research Continued Research on the Jurassic Vertebrate Fauna from the Beardmore Glacier Region of Antarctica	50119-1 FDP	47.078	13,658
Subtotal for the Polar Programs			<u>37,754</u>
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			<u>1,928,804</u>
DEPARTMENT OF ENERGY			
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	19067-S1	81.000	44,976
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			<u>44,976</u>
DEPARTMENT OF EDUCATION			
Mathematics and Science Partnerships	32366B	84.366B	75,769
Mathematics and Science Partnerships	42366B	84.366B	66,968
Improving Teacher Quality State Grants- State Agency for Higher Education	42367B	84.366B	30,126
Improving Teacher Quality State Grants- State Agency for Higher Education	32367B	84.367B	23,764
2014- 2015 SEED Professional Development in a High-Need School Grant	95- DC01-SEED-2012	84.367D	18,948
2014-2016 SEED Teacher Leadership Development Grant	95-DC01-SEED2012 1A	84.367D	8,864
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>224,439</u>

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National Center for MCH Workforce Development (University of North Carolina)	5-37982	93.110	36,772
Sickle Cell Treatment Demonstration Program	JHU PO-2002376518	93.361	26,303
Strong Start for Mothers and Newborns	1D1CMS331151-02-01	93.611	205,929
African American Rheumatoid Arthritis Network (AARAN) (University of Alabama at Birmingham)	UAB-HU-2011	93.846	63
JHU - UMD Diabetes Research Center	SOM-PO-2002462531	93.847	41,560
School Base Health Center - HUH Colts Wellness Center at Coolidge HS (District of Columbia Department of Health)	TCTH3/3109	93.847	38,328
National Institutes of Health			
<i>National Center for Advancing Translational Sciences</i>			
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-075-HU-CER	93.350	143,151
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-082-HU-KL2	93.350	57,766
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-081-HU-EVAL	93.350	11,115
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-076-HU-PCIR	93.350	1,053,511
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-074-HU-REKS	93.350	96,365
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-073-HU-DBPS	93.350	88,808
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-071-HU-GOV	93.350	146,982
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-0072-HU-BI	93.350	113,642
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-0078-HU-TTR	93.350	29,240
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-0077-HU-RETC	93.350	97,370
Center for Clinical and Translational Sciences - (Georgetown University)	1UL1RR031975-01	93.350	34,288
Center for Clinical and Translational Sciences - (Georgetown University)	RX 4004-079-HU-PCSP	93.350	57,850
<i>Subtotal for the National Center for Advancing Translational Sciences</i>			2,279,043
<i>Allergy, Immunology and Transplantation Research</i>			
Therapeutics Targeting Filoviral Interferon - Antagonist and Replication Functions	0255-6772-4609	93.855	57,055
In Vitro and in Vivo Studies of Cytomegalovirus MIE Gene Regulation	15-M07R	93.855	31,325
Preparation and Characterization of 2nd Generation HIV/1 Maturation Inhibitor Drugs	DFHPSA02	93.855	55
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	12-M65R	93.855	14,835
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	14-M11 R	93.855	76,256
A City-Wide DC Cohort of HIV Infected Persons in Care in the District of Columbia	15-M07R	93.855	19,367
The District of Columbia Developmental Center for AIDS Research (DCD-CFAR) (George Washington University)	11-M56R	93.855	28,204
A City-Wide DC Cohort of HIV Infected Persons in Care in the District of Columbia	15-M08R	93.855	40,897
Therapeutics Targeting Filoviral Interferon - Antagonist and Replication Function.	0255-6771-4609	93.855	351,476
A City-Wide Cohort of HIV Infected Persons in Care in the District of Columbia (George Washington University)	14-M12R	93.855	50,695
<i>Subtotal for the Allergy, Immunology and Transplantation Research</i>			670,165
<i>Drug Abuse and Addiction Research Programs</i>			
Development of the Based Telencephalic Limic System (children's Research Institute)	30000732-13-01	93.279	7,654
HIV, Buprenorphine, and the Criminal Justice System (Yale University)	A08167 (M11A11068)	93.279	109,152
Longitudinal Pediatric Palliative Care: Quality of Life and Spiritual Struggle.	30000163-13-04	93.279	11,085
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			127,891
<i>Minority Health and Health Disparities Research</i>			
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-033-HU	93.307	8,618
The Hampton University Regional Transdisciplinary Collaborative Center	HU-140005	93.307	48,775
Health Disparities Research through International Exchange	1T37MD008639-01	93.307	219,519
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	4442-031-HU	93.307	59,200
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-030-HU	93.307	14,613
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-031-HU	93.307	73,406
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX-4442-029-HU	93.307	14,252
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX 4442-032-HU	93.307	1,368
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	4442-033-HU	93.307	1,021
Center of Excellence for Health Disparities in the Nation's Capital (Georgetown University)	RX4442-032-HU	93.307	2,358
<i>Subtotal for the Minority Health and Health Disparities Research</i>			443,130
<i>National Cancer Institute</i>			
A follow-up study for Causes of Cancer in Black Women	4500001254	93.397	(496)
<i>Subtotal for the National Cancer Institute</i>			(496)
<i>Aging Research</i>			
Cumulative Stress and CVD Risk in Middle -Aged and Older Women	7R01AG038492-03	93.866	565,930
Alzheimer's Disease Neuroimaging Initiative - Execution Phase (University of California, San Diego)	109-00-ADNI	93.866	22,037
<i>Subtotal for the Aging Research</i>			587,967
<i>National Heart, Lung, and Blood Institute</i>			
Inhibition of HIV-1 in Sickle Cell Disease	2001443920	93.839	80,633
<i>Subtotal for the National Heart, Lung, and Blood Institute</i>			80,633
<i>Blood Diseases and Resources Research</i>			
Respect , Trust, and Patient out comes in Sickle Cell Diseases (John Hopkins University)	2001603368	93.839	67,773
<i>Subtotal for the Blood Diseases and Resources Research</i>			67,773
<i>Subtotal for the National Institutes of Health</i>			4,188,333
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			4,256,106
DEPARTMENT OF HOMELAND SECURITY			
Center of Excellence for Command , Control and Interoperability	5358	97.061	29,856
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			29,856
<i>Subtotal for the Pass-Through Research and Development Awards</i>			7,070,637
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			29,342,882
AGING CLUSTER			

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Ward 6 Senior Wellness Center (District of Columbia Office of Aging)	HOW16BW-14	93.044	71,885
Staff Development and Training Grant	HOW016-15	93.044	81,816
Hayes Senior Wellness Center Operation	HUSCW-15	93.044	297,785
TOTAL FOR THE AGING CLUSTER			451,486
<u>CHILD CARE AND DEVELOPMENT FUND</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pre-Kindergarten and Child Care Subsidy program Enhancement and Expansion Services - District of Columbia	ECE-GD-11-0006-R3	93.575	257,114
TOTAL FOR THE CHILD CARE AND DEVELOPMENT FUND CLUSTER			257,114
<u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u>			
DEPARTMENT OF TRANSPORTATION			
Highway Planning and Construction			
Transportation Research and Technology Development Howard University Intern Program	PO509104	20.205	7,000
DC PLUG Project	PO506130	20.205	4,560
Transportation Research and Technology Development Howard University Interim Program	PO504158	20.205	5,000
Quick Responses for Research Activities	PO488373	20.205	44,169
National Summer Internship Program	PO498052	20.205	48,022
City Wide Parking Division Interns	PO512629	20.205	20,000
DC PLUG Program	PO512631	20.205	8,360
2014 Internship Research Program	PO488522	20.205	54,430
Howard University Transportation Research Administrative Support	PO488507	20.205	241,892
2014 Internship Parking Studies in District of Columbia	PO492611	20.205	6,600
National Summer Transportation Institute Program	PO492388	20.205	18,901
Seat Belt Use Survey Design for Washington DC	PO493684	20.205	45,195
FY2014 National Summer Transportation Institute Program with Howard University	PO497388	20.205	36,688
Howard University Summer Transportation Institute Program	PO498028	20.205	11,000
Update of District Department of Transportation Standard Drawings	PO494323	20.205	107,844
Operational Research on Transportation Infrastructure within the District of Columbia	PO469589	20.205	154,191
Subtotal for the Highway Planning and Construction			813,852
Highway Training and Education			
2014 Eisenhower Historically Black Colleges and Universities Fellowship	DTFH6414G00075	20.215	7,500
2014 Eisenhower Historically Black Colleges and Universities Fellowship	DTFH6414G00076	20.215	5,000
2014 Eisenhower Historically Black Colleges and Universities Fellowship	DTFH6414G00074	20.215	10,000
Transportation Research and Technology Development	PO521890	20.215	5,797
Subtotal for the Highway Training and Education			28,297
TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			842,149
<u>AIDS EDUCATION AWARDS</u>			
<i>Direct AIDS Education Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
National AIDS Education and Training Centers		93.145	187,619
<i>Subtotal for the Direct AIDS Education Awards</i>			187,619
<i>Pass-Through AIDS Education Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
AIDS Education Training Center	0019469(124872-3)	93.145	263,873
AIDS Education and Training Centers (University of Pittsburgh)	9008957(125416-2)	93.145	8,685
<i>Subtotal for the Pass-Through AIDS Education Awards</i>			272,558
TOTAL FOR THE AIDS EDUCATION AWARDS			460,177
<u>HIV AND RYAN WHITE AWARDS</u>			
<i>Direct HIV and Ryan White Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Health Resources and Services Administration			
Ryan White Part C Out Patient EIS Program		93.918	271,385
Ryan White Part C Outpatient EIS Program		93.918	67,972
			339,357
Dental Reimbursement Program		93.924	122,207
Subtotal for the Health Resources and Services Administration			461,564
<i>Subtotal for the Direct HIV and Ryan White Awards</i>			461,564

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
<i>Pass-Through HIV and Ryan White Awards</i>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Laboratory Science Programs: Planning, Implementation and Assessment (American Society for Clinical Pathology)	ASCP-2012	93.918	5,220
<i>HIV Emergency Relief Project Grants</i>			
HIV Care Medical Services and /or HIV Support Services	15Y016	93.914	236,457
HIV Care Medical Services and /or HIV Support Services	14X016-B	93.914	606,437
<i>Subtotal for the HIV Care Formula Grants</i>			<u>842,894</u>
<i>HIV Care Formula Grants</i>			
HIV Core Medical Service and/or HIV Support Services	15Y4-04	93.917	38,338
Ryan White Part A&B (District of Columbia Department of Health)	14X404-B	93.917	229,491
<i>Subtotal for the HIV Care Formula Grants</i>			<u>267,829</u>
Subtotal for the Health Resources and Services Administration			<u>1,110,723</u>
<i>Subtotal for the Pass-Through HIV & Ryan White Awards</i>			<u>1,115,943</u>
TOTAL FOR THE HIV AND RYAN WHITE AWARDS			<u>1,577,507</u>
<u>OTHER FEDERAL AWARDS</u>			
DEPARTMENT OF JUSTICE			
Howard University Campus Safety First Program		16.525	96,249
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>96,249</u>
U.S. DEPARTMENT OF STATE			
<i>Academic Exchange Programs - Undergraduate Programs</i>			
Washington Fellowship for Young Africa Leaders	FY15-YALI- Howard- 01	19.009	66,132
Mandela Washington Fellowship	FY15-YALI- Howard- 02	19.009	79,307
<i>Subtotal for the Academic Exchange Programs - Undergraduate Programs</i>			<u>145,439</u>
<i>Charles B. Rangel International Affairs Program</i>			
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program		19.020	22,600
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program		19.020	443,328
Charles B. Rangel International Affairs Graduate Fellowship and Summer Enrichment Program		19.020	989,108
2012 Rangel Fellowship and Summer Enrichment Programs		19.020	22,566
2013 Charles B. Rangel Fellowship		19.020	820,760
<i>Subtotal for the Charles B. Rangel International Affairs Program</i>			<u>2,298,362</u>
SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE			<u>2,443,801</u>
DEPARTMENT OF TRANSPORTATION			
Design and Implementation of an ALS Protection and Power Quality Control Scheme with Improved Performance		20.108	7,240
Tier 1 Transit-Focused University Transportation Center (San Jose State University)	21-1100-4903-HU	20.701	72,130
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			<u>79,370</u>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
NASA Earth and Space Science Fellowship 2013 (NESSF 2013)		43.001	28,305
Solar System Exploration Research Virtual Institute		43.001	21,716
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>50,021</u>
SMALL BUSINESS ADMINISTRATION			
Small Business Development Center (District of Columbia)	SBAHQ-14 B-0056	59.037	407,696
Small Business Development Center (District of Columbia)	SBAHQ-14 B-0056/0001	59.037	19,998
Small Business Development Center- District of Columbia	SBAHQ-15-B-0070	59.037	224,405
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			<u>652,099</u>
DEPARTMENT OF ENERGY			
Applied Research and Workforce Development for High Power Density Electronic Device Technology		81.123	216,174
DOE Chair of Excellence Professorship in Environmental Discipline		81.123	260,524
Exploring the Roll of Individual Employee Characteristics and Personality on Employee Compliance with Cyber Security Policies	270111D	81.123	30,932
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			<u>507,630</u>
DEPARTMENT OF EDUCATION			
Integrated Program to Improve Compitative Employment in Dually Diagnosed Clients		84.133A	21,765
Office of Special Education and Rehabilitative Services			
Combined Priority for Personnel Development		84.325	255,293
Howard University Pipeline for Leaders and Scholars in Communication Disorders		84.325K	82,239
Subtotal for the Office of Special Education and Rehabilitative Services			<u>337,532</u>
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>359,297</u>

The Howard University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Program Description	Pass-Through Award / Contract Number	CFDA Number	Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Centers of Excellence	D34HP16042	93.157	625,300
ARRA - Training in Primary Care Medicine and Dentistry: Physician Assistant Training in Primary Care	D58HP20440	93.403	69,341
Field - Imitated Program	90IF0085-01-00	93.433	54,120
Howard University Health Careers Opportunity Program	1 D18HP23023-01-00	93.822	1,009,968
Living Smartly with Diabetes: Using PWP and Mobile PWP for Self-Management	1G08LM011545-01	93.879	90,177
Baby Hug Follow-up Study II: Clinical Sites	HHSN268201200013C	93.936	75,999
Routine HIV Screening in Clinical Settings - District of Columbia Department of Health	14X202	93.943	65,837
HIV Prevention & Intervention Services - District of Columbia Department of Health	15Y202	93.943	45,977
Centers for Disease Control and Prevention			
Global AIDS Program			
Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership with SANAC	1U2GGH000391-01	93.067	60,457
GH11 - 1154 , S. Africa : Surveillance of HIV Positive Pre-Arts Persons by HU in Partnership W SANAC	5U2GGH000391-04	93.067	333,422
Surveillance of HIV Positive Pre-arts persons by HU in partnership with SANAC	5U2GGH000391-02	93.067	68,122
Surveillance of HIV Positive Pre-ARTS Persons by HU in Partnership with SANAC	3U2GGH000391-03S1	93.067	162,559
Supporting the Scale-up of High Quality HIV Care and Treatment Programs	5U2GPS001938-05	93.067	2,421,171
Subtotal for the Global AIDS Program			<u>3,045,731</u>
Public Health Emergency Preparedness			
Medical Research Center and Community Outreach Training - District of Columbia Department of Health	RQ880310	93.069	22,097
Medical Research Center and Community Outreach Training	RQ880310	93.069	4,800
Medical Research Center and Community Outreach Training - District of Columbia Department of Health	RQ833961	93.069	47,152
Subtotal for the Public Health Emergency Preparedness			<u>74,049</u>
Subtotal for the Centers for Disease Control and Prevention			<u>3,119,780</u>
Health Resources and Services Administration			
MCH Pipeline Training Program	2T16MC06954-06-00	93.110	158,058
School- Based Health Center	PO353895-8	93.501	230,807
Adult Transition Program for Children and Young Adults with Sickle Cell Disease (District of Columbia Department of Health)	PO462459	93.994	154,327
A Comprehensive Sickle Cell Disease Program - District of Columbia Department of Health	CHA-PSMB.HU-PED.052013	93.994	48,766
A Comprehensive Sickle Cell Disease Program - District of Columbia Department of Health	CHA-PSMB. HU-PED.052013	93.994	94,152
A Comprehensive Sickle Cell Disease Program	CHA-PSMB.HU-PED.052013	93.994	4,920
			<u>302,165</u>
Grants for Training in Primary Care Medicine and Dentistry			
Post-Doctoral Training in Pediatrics	D88HP20130-01-00	93.884	951,436
Subtotal for the Health Resources and Services Administration			<u>1,642,466</u>
Substance Abuse and Mental Health Services Administration			
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
Howard University SBIRT Medical Residency Program	5U79T1020245-05	93.243	62,714
Subtotal for the Substance Abuse and Mental Health Services Projects of Regional and National Significance			<u>62,714</u>
Subtotal for Substance Abuse and Mental Health Services Administration			<u>62,714</u>
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>6,861,679</u>
AGENCY FOR INTERNATIONAL DEVELOPMENT			
USAID Foreign Assistance for Programs Overseas			
Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	AID-620-A-11-00002	98.001	3,618,824
Road to a Healthy Future - Zambia (Family Health International)	611-A-00090003-00	98.001	48,209
Foreign Service Diversity Fellowship Program		98.001	490,088
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			<u>4,157,121</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Jumpstart DC at Howard University Program	410200	94.006	58,654
Jumpstart for Young Children - AMERICORPS	JUMSTA-FY14-63581	94.006	2,373
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>61,027</u>
TOTAL FOR THE ALL OTHER FEDERAL AWARDS			<u>15,268,294</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 610,079,629</u>

The Howard University

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the expenditures of The Howard University (the "University") under programs of the federal government for the year ended June 30, 2015. Because the Schedule presents only a portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards made to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. CFDA numbers and pass through numbers are provided when available.

The University was the recipient of federal funds awarded through the American Recovery and Reinvestment Act ("ARRA"). These funds were expended by the federal government with the intent to stimulate the American economy, supplement existing federal programs and create new programs. There are additional compliance and reporting matters associated with these awards. These awards are separately presented in the Schedule and the title ARRA precedes each award title.

(2) Summary of Significant Accounting Policies for Federal Award Expenditures

(a) *Basis of Presentation*

The accompanying Schedule has been prepared using the accrual basis of accounting.

(b) *Expenditures*

Expenditures for federal student financial aid programs are recognized as incurred and include Federal Pell Grant Program awards to students, Federal Supplemental Educational Opportunity Grant awards to students and Federal Work-Study Program wages paid, certain other federal financial assistance grants for students, administrative cost allowances, and loan disbursements.

Expenditures for other federal awards are determined using the cost accounting principles and procedures set forth in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Facilities and Administrative Costs ("F&A Costs")

Expenditures for non-financial aid awards include indirect costs, relating primarily to facilities operation and maintenance, general, divisional, and departmental administrative services, which are allocated to direct cost objectives (including federal award programs) based on negotiated formulas commonly referred to as indirect cost rates, which were negotiated with the Department of Health and Human Services. A portion of indirect costs allocated to some awards for the year ended June 30, 2015 were based on individual grantor rates.

The Howard University

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

The University operates under predetermined F&A cost rates which are effective from July 1, 2012 to June 30, 2016 and provisional rates from July 1, 2016 until amended. The predetermined fixed rates are based on 2012 financial information. The base rates for off-campus research and on-campus research have been amended effective July 1, 2014 to June 30, 2016 to 26% and 51%, respectively, based on 2012 data. Base rates for the other F&A cost recoveries ranged from 8% to 55% for the year ended June 30, 2015.

(4) Subrecipients

Of the federal expenditures presented in the Schedule, the University provided federal awards from the following agencies to subrecipients as follows:

Agency	CFDA Numbers	Research & Development Cluster	Highway Planning and Construction	Other Federal Awards	Total
Department of Commerce	11.481	\$ 1,207,352	\$ -	\$ -	\$ 1,207,352
Department of Defense	12.420, 12.431	233,586	-	-	233,586
Department of Education	84.116	-	-	5,251	5,251
Department of Energy	81.123, 81.089	56,989	-	136,041	193,030
Department of Health and Human Services	93.121, 93.242, 93.307, 93.433, 93.859, 93.067, 93.157, 93.243, 93.273, 93.307, 93.350, 93.866	2,683,571	-	216,317	2,899,888
Department of Interior	15.657	14,498	-	-	14,498
Department of Transportation	12.000, 12.800, 20.205	477,122	38,453	-	515,575
National Aeronautics and Space Administration	43.AAA	40,043	-	-	40,043
National Endowment for Humanities	45.312	125,818	-	-	125,818
National Science Foundation	47.049, 47.076	2,136,765	-	-	2,136,765
Small Business Administration	59.037	-	-	80,074	80,074
U.S. Department of State	19.020	-	-	75,000	75,000
Grand Total		\$ 6,975,744	\$ 38,453	\$ 512,683	\$ 7,526,880

The Howard University

Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

(5) Federal Student Loan Programs

The University receives awards to make loans to eligible students under the Federal Perkins Loan Program and Federal Direct Student Loans Program of the Department of Education, and Health Professions and Nursing Student Loan Programs of the Department of Health and Human Services. Campus-based loan programs which include the Federal Perkins Loan Program are administered directly by the University. Balances and transactions relating to these programs are included in the University's basic financial statements. These administrative allowances related to these loan programs for the year ended June 30, 2015 were zero. Additional information regarding these programs for the year ended June 30, 2015 is summarized below:

Campus-Based Loan Programs	FY 2015 Loans Issued	FY 2015 Loans Collected/ Cancelled	Outstanding June 30, 2015
Federal Perkins Loans	\$ 331,754	10,115	\$ 3,362,267
Health Professional and Disadvantaged Students	1,189,984	-	3,760,675
Nursing Student Loans	489,002	314	250,732
Total Campus-Based Loan Programs	\$ 2,010,740	10,429	\$ 7,373,674

The University is responsible for the performance of certain administrative duties with respect to Federal Direct Student Loans disbursed by the Department of Education on behalf of the University's students under the Federal Direct Student Loans programs (Subsidized Stafford Loans, Unsubsidized Stafford Loans, and Parent PLUS Loans). These loan programs collectively are CFDA number 84.268 and are disclosed on the Schedule in the amount of \$175,831,156. It is not practical to determine the balance of loans outstanding to students and former students of the University under these federally guaranteed loan programs at June 30, 2015.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u> X </u> Yes	<u> </u> No
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The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
96.375	Excellence in Health Professional Education Endowment
84.000	Matching Endowment
93.067	Global AIDS Programs
98.001	USAID Foreign Assistance for Programs Overseas
Various	HIV and Ryan White Awards
19.020	Charles B. Rangel International Affairs Program

Dollar threshold used to distinguish between Type A and
Type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

Yes ☒ No ☐

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Circular A-133 audit.

FINDING 2015-001

Criteria or Specific Requirement:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Condition/Effect/Cause:

In the prior year, we noted that the University experienced issues related to billing and accounting practices for the Faculty Practice Plan (FPP). In the current year, Office of the Controller personnel identified \$11.7 million of untimely filing adjustments through September 2015 that were for the year ended June 30, 2015. The majority of these adjustments were due to claims that were either not rebilled or appealed timely, or there is a lack of evidence that an appeal or rebill was ever processed (approximately 64% of the claims included in the final adjustment). The impact of these adjustments was to effectively offset the related receivables as there was no longer any expectation of collectability. The final net impact was a \$5.7 million decrease to FPP revenue as of June 30, 2015. In our review of the monthly adjustments file, we noted that beginning in April 2015 and continuing through October 2015, insurance adjustments for untimely filings grew in dollars and number of adjustments throughout that time period. While the initial increases in the adjustments associated with these claims were not overly significant, their presence and trending growth should have prompted further discussion and potential accounting actions.

FPP management was aware that there was a strong likelihood that some of the receivables were ultimately not collectible because appeals deadlines were missed as early as April 2015. However, this information was not discussed and vetted with Office of the Controller personnel at that time, in order to determine if any additional reserves against FPP accounts receivables were necessary for the quarter ended March 31, 2015.

In addition, in the current year we noted that the FPP receivables subledger had a difference of \$1.1 million when compared to the general ledger that had not been adequately reconciled. Ultimately, this difference was attributable to the prior year charge lag entry that was not properly recorded to the subledger.

Context:

The University did not have adequately designed internal controls over faculty practice plan accounting that were operating effectively.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Recommendation:

Given the multi-year comments with respect to the accounting for the Faculty Practice Plan, we recommend the following changes to the overall internal control and reporting structure:

- Change the organizational structure between FPP and the Office of the CFO (inclusive of the Office of the Controller) such that those ultimately responsible for the financial information have full and appropriate insight into the balances. We suggest that the individuals responsible for recording the accounting information for FPP should report directly to Finance, and that FPP management and Finance should formally establish monthly reporting requirements such that information is provided timely, and accounting trends, whether positive or negative, can be timely identified and considered.
- Those responsible for FPP accounting should review and sign-off on any monthly analyses of 1. unbilled claims relative to the service date, 2. outstanding appealed and rebilled claims, and 3. an aging of denied claims eligible for appeal/rebill but not yet appealed or rebilled. Having management insight into this information will allow management to determine if any accounting adjustments are necessary for internal monthly or external quarterly reporting.
- Management should evaluate whether there are any additional changes warranted in direct FPP operations such that the billing process, especially for processing of appeals and rebills, is more timely.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

In the Howard University Faculty Practice Plan (FPP) there were transitional issues stemming from the move to a private structure in January 2014, which resulted in revenue cycle challenges including physician credentialing, duplicate payor dictionaries and duplicate billing.

These multiple processes have been and are being addressed as they were recognized and fixes were implemented. The resolution of several issues resulted in a lag in submission of billings beyond the timely filing deadlines.

Management submits that there have been wholesale corrections put in place to prevent future deviations:

1. A new CEO dedicated only to the FPP is being recruited and will be in place by the third quarter of FY 16.
2. Tight management oversight of the revenue cycle processes including contractual adjustments and timely write offs have been implemented and are checked every Monday.
3. General accounting principles are being strictly enforced and a monthly reporting system to the University Controller is being put in place to ensure a secondary review of the FPP financial operations.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

4. The revenue cycle operations that were largely understaffed have been outsourced and performance and regulator processes are in place. Weekly meetings are conducted to audit the correct implementation of the new processes.
5. A detailed and accurate accounting of the revenues and expenses that are not co-mingled with other University ledgers is being implemented so that accurate forecasting and identification of potential challenges can be addressed in a timely manner.

FPP will work with the University Controller to establish an acceptable test and margin of difference for reconciliation with the general ledger at close.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-002

Criteria or Specific Requirement:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Condition/Effect/Cause:

As a result of our expenses testing, we identified several invoices that should have been expensed during previous fiscal years that were not expensed until the 2015 fiscal year. The total extrapolated error for the year ended June 30, 2015 was \$4.8 million. The invoices that we identified had invoice dates throughout fiscal year 2014, and were expensed at various dates throughout fiscal year 2015, so there was no specifically identified cut-off determination. This issue was also noted in the prior year.

Additionally, we identified an extrapolated error of \$1.7 million in invoices that should have been expensed in fiscal year 2016 but were expensed in the year ended June 30, 2015. This includes invoices received near the end of the 2015 fiscal year related to work not yet performed.

Context:

The University did not have adequately designed internal controls over expense cut-off that were operating effectively.

Recommendation:

We recommend that management consider alternative methods to the collection of invoices from the various departments on campus (including central depositories), as invoices appear to be held within various departments for significant periods of time.

Additionally, invoices being input into the general ledger should be reviewed for appropriate accrual/expensing in the proper period.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Finance management is working closely with ETS to implement a vendor portal for all vendors to use for the submission of invoices to the University. The portal will be implemented by June 30, 2016 and will be the process for vendors to submit invoices to the University.

Also, the Budget Office for the University will be reestablished to aid in the proper management of the expenses of the University at a department level. The skill set of the current budget officers deployed throughout the organization will be assessed and standards established to hold the position. Those who do not meet the standards will be reassigned or let go from the organization by the end of the fiscal year.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

The accounting staff that was responsible for gathering the information and preparing the month end accruals and were challenged with properly recording the year end accruals were terminated in October and November 2015 and are being replaced with more experienced staff.

The communication of financial activities will be improved by the changes mentioned above along with consequences for not adhering to the processes in place.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

FINDING 2015-003

Criteria or Specific Requirement:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Condition/Effect/Cause:

Similar to issues noted in the prior year, during our current year audit procedures we noted several issues related to the accuracy of the underlying information that supported the consolidated financial statements:

- The information provided by Hospital management is not timely and was inaccurate at various points in the financial statements reporting process. Most notably, the cash flows provided by Hospital management for the consolidated Statement of Cash Flows were arithmetically incorrect by \$12 million, suggesting that management review controls are not operating appropriately. In addition, Hospital management was unable to provide documentation that satisfies the requirements of accounting guidance to support the classification of material restructuring expenses in the consolidated Statement of Activities.
- Updates to investments balances based on audit confirmations were not appropriately updated in the consolidated Statement of Cash Flows, and investments activity in the cash flows did not agree to footnote disclosures.
- Additionally, we note that the flow of information that may impact financial processes can be improved. As an example, there was a change in the third-party service provider for the University's loans receivable processor during fiscal year 2015, but this information was not shared with the Office of the Controller. As a result, the University did not obtain and evaluate the information processing control environment for the third party provider in a timely manner. An additional example is that costs that were incurred to abate asbestos in prior years were not communicated to the Office of the Controller. As a result, those costs were not charged against the liability. Further, the liability has not been updated with a full engineering estimate of the costs to abate any remaining asbestos.

Context:

The University did not have adequately designed internal controls over consolidated financial reporting that were operating effectively.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Recommendation:

We recommend that management update the internal reporting structure as appropriate such that there are clear reporting responsibilities related to the preparation of the consolidated financial statements. There should be clear and constant lines of communication between Hospital management and overall University management. The Hospital is a segment of the University and not a stand-alone entity, and ultimate responsibility for the Hospital financial information lies with overall University management. As a result, management should re-examine its review and vetting controls such that the appropriate University personnel are involved in that process.

In addition, management should involve personnel that are responsible for providing information included in the consolidated footnotes, etc. in reviewing the consolidated financial statements so that errors can be quickly and easily identified.

Lastly, any activities that could have a financial impact should be discussed and/or vetted with someone of the appropriate background and knowledge in order to determine if there are accounting or legal ramifications, or if there are actions that have to be taken in order to maintain the University's compliance with all applicable guidance and laws.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Hospital management has restructured the Hospital Finance Department and implemented a number of procedures to strengthen internal and financial reporting controls. Additionally, the University Office of the Chief Financial Officer has established regular meetings with the Hospital Chief Financial Officer in order to improve communication and collaboration between the University and the Hospital with regard to financial matters and financial reporting.

The Hospital Controller has been relieved of his duties. The financial reporting function for the University is in the process of being restructured, which will be completed by the end of the third quarter. The University Controller has implemented a review of the consolidation process and has streamlined the consolidation process. The details of the supporting documentation for the statements and disclosures will be reviewed by the University Controller prior to being finalized.

The University Office of the Controller will hire a technical accountant that will be responsible for vetting the accounting treatment by the University and the Hospital prior to review by the University Controller.

Management will continue to improve communication across the various disciplines. The CFO meets regularly with the cabinet and deans.

As part of the accounting close, the University Controller and Assistant Controller reach out to management to ascertain if there are any activities that may require accounting input. Once the budget office is established and training is provided, the process of obtaining financial information will improve.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

FINDING 2015-004

Criteria or Specific Requirement:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Condition/Effect/Cause:

Although much of the responses to our prior management letter comments were delayed until later in fiscal year 2015, we have begun to see management developing control activities that will eventually enable Enterprise Technology Services (ETS) to deliver stable and reliable services. However, there are still several issues remaining that should be addressed including:

- As noted in prior years, the University continues to lack a formal disaster recovery plan (DRP) that categorizes potential levels of impact (e.g., usually based on outage duration/loss of operations), defines roles and responsibilities, and prescribes the respective response procedures for all University business units (including the Hospital). As also noted in the prior year, formal backup and recovery procedures were still not in place during fiscal year 2015. The University has recently suffered several breakdowns in its delivery of IT services including, but not limited to, wireless network coverage gaps, network failures, interruptions to customer service, and systems outages in both Banner and PeopleSoft. The continued lack of a disaster recovery plan and formal policies and procedures that address business interruption and backup procedures negatively impacted the University's ability to quickly and nimbly respond with appropriate IT solutions.
- In the prior year we noted issues related to access rights and user administration within certain applications that are related to the financial statement close process. Based on our current year procedures, we noted that 4 employees had posting access to PeopleSoft although this type of access was not a part of their job duties.
- In the prior year, we noted that the change management process over PeopleSoft Financials/HCM, Sorian Clinicals, and InVision could be improved. In the current year, due to the changes in ETS, we noted certain areas where only a single person was able to respond to our inquiries. Where individual people represent a single point of failure, the University risks not being able to deliver services in that individual's absence.

Context:

The University did not have adequately designed internal controls over its information technology activities that were operating effectively.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

Recommendation:

We recommend management undertake a significant effort to align and articulate the priorities of its Enterprise Technology Systems department with those of the University and Hospital by doing the following:

- Before drafting and finalizing a disaster recovery plan, management should perform a detailed IT risk assessment to thoroughly identify potential risks that may not have been identified within the scope of the audit. This risk assessment should take into account the stability and remaining life of the IT infrastructure.
- The Disaster Recovery Plan should be specific to business continuity and minimizing business interruptions, to prevent the type of interruptions that occurred at the beginning of the 2016 fiscal year. Management should review the draft DRP and determine whether it addresses all potential gaps in coverage, given the system and network outages that were experienced in early fiscal year 2016.
- Once a preliminary draft is completed, the Disaster Recovery Plan should be tested before any final approvals.
- We continue to stress that access rights and roles should be determined based on job duties in order to preserve segregation of duties and prevent fraud or misappropriation of assets. All access rights should be considered with segregation of duties in mind. Access logs should be enabled and reviewed periodically.
- We recommend that management minimize single points of failure where possible.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

- A risk assessment started in late 12/2015 and is currently underway. This assessment will cover cyber security, network and system stability - including remaining infrastructure life. The assessment is expected to be completed by the end of 02/2016. The results of this report will be factored into the process of reviewing current drafts of the Disaster Recovery Plan (DRP).
- A Business Continuity /DRP team will be set up by the end of 02/2016 to refine and formally implement SOPs. The SOPs and draft DRP will be completed by the end of 05/2016 and will be communicated to all key stakeholders - including cabinet members, deans, and department leadership.
- Final testing and approval of the DRP will commence by the start of 06/2016 and be completed by the end of 07/2016. Testing will run outside the regular school year in order to reduce risk of service interruptions while testing.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

- The last major service breakdown (end of 10/2015), which affected Banner, PeopleSoft and all internally hosted systems, is a result of UPS battery systems provided and managed in concert with PFM. Business was interrupted thus, the current draft DRP has been updated to include a response process for emergency cases resulting from power loss and UPS failure. In addition, a maintenance agreement for the UPS has been established with an external vendor.
- A Cyber Security Assessment - to be completed by the end of 02/2016 - has been scoped to include disclosure and resolution of access authorization vulnerabilities. In addition, access log review has been implemented as of the end of 06/2015.
- There has been significant improvement as all listed applications undergo change management both at the Hospital and the University. A new change management tool, JIRA, was deployed within ETS in the middle of 08/2015. The Hospital has used SharePoint as their change management tool since before 2015.
- While there are significant resource gaps which create single points of knowledge, ETS deployed Confluence in the middle of 08/2015, a new knowledge management tool to be used as a documentation repository. ETS teams have a mandate to get all documentation current and in full use by the end of 05/2016 to minimize the potential of knowledge loss.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

FINDING 2015-005

Criteria or Specific Requirement:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Condition/Effect/Cause:

Patient accounts receivable valuation represents one of the most significant estimates for healthcare entities for financial reporting purposes. The entire revenue cycle process has an impact in the development of this estimate. The Hospital establishes allowances for contractual adjustments and uncollectable accounts for patient accounts receivable based upon historical collection trends for each of its major payor sources and write-off experience. Contractual allowances are based on utilization of twelve months of historical adjudicated claims payment information and existing contracts with third party payors experience with more weight given to more recent months' performance. Uncollectable account allowance is estimated based on the value of accounts aged greater than six months. During fiscal 2015, Paladin (contract management for the Hospital) implemented process improvements in the revenue cycle resulting in improved revenue cycle processes and cash collections. During our audit procedures over patient accounts receivable and related reserves for bad debts and contractual allowances, we noted the following:

- A retrospective review of cash collections and write-offs related to fiscal year 2014 and prior periods that took place in fiscal year 2015 indicated that the allowances for contractual adjustments and uncollectible accounts at June 30, 2014 were overstated by approximately \$7 million. No adjustment was made to reflect this favorable development.
- At June 30, 2015, management recorded non-specific allowance reserves of approximately \$3 million to provide for third party payor audit recoveries and potential unrecorded liabilities in addition to the average historical collection experience by aging/payor classification. There was not a specific analysis to support this reserve.
- At June 30, 2015, credit balances related to patient accounts were approximately \$12 million which was an increase of 45% over prior year, most of which had been classified as refunds due to patients and third party payors in accounts payable. Management, bringing these issues forward and noting that the issues contributing to this have persisted for several years, requested us to work with them to correctly classify these amounts. Management provided information that we confirmed through testing that a significant portion of these credit balances actually represented cash posting errors, account adjustments, etc. We determined that approximately \$3 million of these credit balances represented overpayments that should be recorded as a third party payor or patient refund liability.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

- At June 30, 2015, the AR Unapplied Cash account had a debit balance of \$1 million. This account should normally have a credit balance representing timing of unposted cash receipts at the end of the period. Upon further investigation and discussion with management, this amount represented patient account adjustments that should have been recorded in the Statement of Operations.

Context:

The University did not have adequately designed internal controls over Patient Receivables valuation and reporting that were operating effectively.

Recommendation:

- During the course of our work we noted management had identified and has begun to make changes to improve the processes utilized to establish reserves for contractual adjustments and bad debts and cash posting. Accordingly, we recommend that management continue its efforts implementing its plans to improve these processes including the following:
- During the year end under review, management implemented more rigorous processes for valuation of patient receivables. We further recommend that management improve those processes to include more timely adjustment for favorable financial outcomes as a result of revenue cycle improvements.
- Implement greater financial reporting from the IT system to allow contractual reserve analysis by payor for both the Statement of Financial Position compared to the Statement of Operations. This additional reporting functionality will enable greater trend analysis. In addition, perform key financial metric analyses for patient accounts receivable and related reserves for contractual adjustments and uncollectible accounts for each financial reporting period compared to the prior period with management discussion and analysis supporting current results. These key financial metrics should include gross and net days in accounts receivable, reserves by payor class as a percentage of receivables by payor class, current cash collection as a percentage of gross patient service charges, contractual adjustments by payor class as a percentage of gross patient service revenue by payor class, bad debt expense as a percentage of gross patient service revenue, charity care as a percentage of gross patient service revenue, changes in payor mix, and changes in patient accounts receivable aging.
- Ensure all reserves are for a specific purpose with documented methodology and rationale.
- Increased education and monitoring of posting of remittances and small balance adjustments to patient accounts.
- Review and resolve credit balances in a timely fashion to properly reflect patient accounts and refunds due to third party payors or patients.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Hospital management has continued to implement more rigorous processes during its month end close processes. With respect to Patient Accounts Receivable (A/R) valuations, Hospital management has transitioned to valuing A/R by payor, inpatient and outpatient.

As stated above, as part of the closing process, Hospital management will review all contractual reserves for accuracy and ensure they are tied to a specific purpose. As recommended, these reserves are now determined based by payor, inpatient and outpatient. Additionally, metrics for monitoring A/R have been put in place.

In order to improve the accuracy of reserves and improve the adjudication of accounts receivable, Hospital management will enhance the billing system to automatically discount bills to contracted amounts or expected payment. This will reduce the use of estimates except for unbilled and net collection exceptions.

Hospital management has assigned Patient Financial Services (PFS) staff to focus exclusively on credit balance management activities. PFS job responsibilities include evaluating the population of credit balances to identify trends, developing processes to prevent credits from occurring and analyzing and remediating high dollar credit balances. Additionally, an outside agency has been engaged to assist with the review and cleanup of old credit balances.

As part of the month end close process, Hospital management reviews all reserves to assure that they are necessary, adequate and appropriately documented.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-006

Criteria or Specific Requirement:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Condition/Effect/Cause:

The internal controls over the financial statement close process for preparing year-end financial statements include:

- Accounting for all entries and closing of the general ledger trial balance;
- Controls to ensure timely review of all account reconciliations; and
- Controls over the review of the year-end consolidated financial statements.

During the course of our audit of the Hospital's standalone financial statements, we noted several control weaknesses in the monthly and year-end financial reporting process. These control weaknesses caused significant delays in the year-end financial reporting process and resulted in a significant number of audit adjustments recorded with a cumulative effect of approximately \$11 million. In addition, there were approximately \$1.8 million in uncorrected misstatements. The following items represent the significant matters noted:

- Timely and accurate preparation of monthly reconciliations: In general, account reconciliations are being performed by the Hospital on a monthly basis. However, we noted for some account reconciliations that research and resolution of certain reconciling items is not being performed timely. Certain areas required additional review and resulted in significant audit adjustments which included; patient accounts receivable, estimated third-party payor liabilities, inventory, accounts payable and capital lease payable.
- Financial statement reporting: The year-end financial statements that management prepared and presented during the audit contained a number of errors, inconsistencies, and disclosure omissions. The Hospital does not have a well- controlled process that ensures the financial statements are complete, accurate and disclosures in conformity with generally accepted accounting principles (GAAP).

Significant changes in executive and financial management took place during fiscal year 2015 with further significant turnover in executive management in late April of 2015 which included the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Chief Nursing Officer. The new management team had discussions with BDO about many of the weaknesses noted, but were unable to effect change due to the short timeframe prior to year-end closing and the start of the audit.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Context:

The University did not have adequately designed internal controls over hospital financial reporting that were operating effectively.

Recommendation:

We believe that the monthly and year-end financial reporting process could be more efficient and effective by developing a logical order of closing procedures with appropriate assignment of responsibility and review. The closing procedures should be documented in a checklist that indicates who will perform the procedure, review and ultimately, the timeline for completion. All significant financial statement accounts should be reconciled on a monthly basis. All reconciliations should be reviewed by the appropriate designated individual to ensure accuracy, and verification that reconciled items have been properly handled.

Lastly, as part of the financial statement close process, there should be timely prepared documentation (with review and approval) of appropriate accounting and reporting matters for any nonrecurring or complex transactions entered into during the month.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Hospital management has implemented a comprehensive checklist for the month end closing process that includes responsible party, target dates and a description of the task.

Hospital management has adopted a new reconciliation process for posting cash that limits only identifiable cash to be posted to the Unapplied Cash account.

All reconciliations will be completed by the accounting staff and approved by the Hospital Assistant Chief Financial Officer by the 20th of the month. As part of the reconciliation process, the accounting staff has been directed to clear all variances within the next accounting cycle.

In an effort to bolster controls over accounts payable, we will use a separate address specific to Hospital accounts payable. This will significantly reduce the time an invoice is in transit. Hospital management has also included as part of the month end close process a review of vendor payment histories in order to reduce the risk of unrecorded liabilities, identify potential past duplicate payments as well as avoid making duplicate payments in the future. These vendor payment history reports identify expenses posted by vendor by month and the related General Ledger account. Hospital management believes this process will help improve monthly reporting.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-007

Criteria or Specific Requirement:

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Condition/Effect/Cause:

In the prior year, we noted that the University's Accounts Payable balance included a number of significantly aged items that appeared to have been carried forward over multiple prior periods, and we recommended that management investigate such amounts in order to determine their continued accuracy. Management performed research over 25 vendors with aged balances, and was able to confirm and determine that \$2.7 million could be written off.

Context:

The University did not have adequately designed internal controls over Accounts Payable that were operating effectively.

Recommendation:

We encourage management to continue researching older Accounts Payable balances to determine whether those balances represent valid vendor obligations of the University.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Management agrees and will continue to research the remaining balance through working with the vendors to obtain support for the liability amounts or evidence that they should be removed.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-008

Criteria or Specific Requirement:

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Condition/Effect/Cause:

Subsequent to the current year end, we noted that the E-PAR on-boarding process was not appropriately followed. As a result, there were several students that were not paid timely. These students were ultimately paid through Accounts Payable instead of through the payroll process. We initially noted this same matter in our 2013 management letter. While this occurrence is not as severe or delayed as what was noted in 2013, it is concerning that the revised controls and procedures that were put in place beginning April 1, 2014 were not entirely effective in this situation.

In addition, as previously reported by the Internal Audit function, in the current year certain key payroll controls were not functioning appropriately in Kronos and Lawson. As a result, employees were able to record more than 24 hours of work in one day. In addition, employees were able to record sick hours and vacation hours on days where 8 hours of work time or more was already recorded in order to generate overtime pay. The total potential loss to the University was less than \$800k.

Context:

The University did not have adequately designed internal controls over employee on-boarding and payroll that were operating effectively.

Recommendation:

We recommend that management enforce controls that were put in place such that the E-PAR process is appropriately followed. In addition, we recommend that management implement controls in Kronos and Lawson in order to prevent any potential employee fraud. Management should also monitor employee payroll records to identify potential waste or abuse related to recording PTO hours that count towards overtime.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

We will continue to enforce the E-PAR control process. However, early in the current school year we instituted a position control methodology that required departments to have an approved budget prior to hiring any new people. Some department delegates incorrectly applied this process to students also and as a result they were not input in the E-PARs while waiting for that department to have an approved budget. As a result some of the students were “working” while not in the system, and by law we had to pay them. We did some of these payments through Accounts Payable instead of Payroll to avoid hardships to the students. We had a meeting with the department delegates to correct this problem to ensure that the position controls measures will no longer result in students not being entered timely in the onboarding process.

We have hired a manager and an analyst to manage the HRIS department. They will run reports biweekly to ensure that these abuses are monitored and corrected in a timely manner to avoid potential losses.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-009

Criteria or Specific Requirement:

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Condition/Effect/Cause:

During the course of our audits we evaluated the "interface" between the Banner and PeopleSoft systems that shares information related to student receivables, revenues, and other related transactions. As a result of our evaluation, we determined that the process is only partly automated, and the controls over the completion and accuracy of the data shared between the two systems are more manual. This increases the chances of material error and differences between the data reflected in each system, as we noted during certain periods testing (including our quarterly review procedures).

Context:

The University did not have adequately designed internal controls over information technology system interface that were operating effectively.

Recommendation:

In order to validate that data is complete and accurate, management should employ controls such as comparing hash totals, control totals, record counts and header records each time that data is shared between the two systems. Employing such controls would reduce management's reliance on manual controls and specific individuals to identify errors and differences.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

ETS is managing a comprehensive, strategic review of enterprise applications - including Banner and PeopleSoft - to address the functional and technical shortcomings of the current workflow.

The end users are part of the review and the related business processes will be overhauled as part of the review to improve controls and business processes.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-010

Criteria or Specific Requirement:

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

Condition/Effect/Cause:

The Hospital does not maintain perpetual inventory records for its entire inventory and relies on its year-end physical inventory count to establish year-end inventory balances. During our testing procedures, we noted the following deficiencies related to inventory:

- No procedure was established for review of reconciliations between extended physical counts and general ledger control accounts. In addition, the final inventory count had approximately two hundred inventory items with no price associated. As a result, these items were not properly accounted for in the general ledger.
- There is no formal review of authorized personnel who should have access to the inventory system (Omniceil). There are instances when nurses are not removed from the network timely in accordance with their separation from the organization leaving their access active for a period of time after separation.
- There is no true approval of inventory supply requests. Often, employees go to central storage and simply request an item without materials management keeping an adequate record of the person who ordered the item. This lack of control and documentation provides an opportunity for misappropriation of assets.

Context:

The University did not have adequately designed internal controls over inventory recordkeeping that were operating effectively.

Recommendation:

We recommend the Hospital implement formal policies and procedures to remediate deficiencies noted in order to ensure the proper tracking and accounting for inventory. The Hospital should establish control procedures over purchase invoices and usages received/issued shortly before and after the physical count. These controls should include a reconciliation of the perpetual records to the physical inventory and the general ledger, taking into account any purchase invoices and/or usages for all goods not included in the physical count. There should be timely procedures to terminate access to the system upon employee termination and formal periodic review of access. In addition, controls should be put in place to approve and properly track inventory supply requests and fulfillment.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Hospital management will ensure that Hospital finance staff are assigned to observe future inventories, reconcile all variances, and ensure that all items included in inventory counts are properly valued.

Hospital management has developed a procedure to charge the requisitioning department from materials management. This process includes a monthly report that accounting will use to charge the department and relieve inventory.

Hospital finance is working with Hospital Materials Management, Hospital Human Resources and Hospital Information Technology to ensure only authorized personnel have access to the Omnicell system and that access by employees be promptly disabled upon their termination.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

Section III - Federal Awards Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133 Section .510(a) (for example, significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse finding involving federal awards that are material to a major program. Where practical, findings have been organized by a federal agency or pass-through entity.

FINDING 2015-011

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

N. Special Tests and Provisions - Verification - An institution may participate under an ED-approved Quality Assurance Program ("QA Program") that exempts it from verifying those applicants selected by the central processor, provided that the applicants do not meet the institution's own verification selection criteria. Per the Federal Student Aid Handbook, institutions participating in the QA Program develop a quality improvement approach to their administration of the FSA programs. They design a verification program that fits their population, and they have flexibility regarding certain verification regulations. To help with the design of verification criteria, QA schools must use the IA Tool to test the criteria's effectiveness. The tool shows which application elements changed when verified and reveals the impact that those changes have on the Estimated Family Contribution.

Condition:

The University is a participant in the Department of Education's QA Program. Under the QA Program, the University is required to design and implement a comprehensive program to verify student financial aid application data based on analysis of institution specific criteria. Although the University appropriately established the selection criteria, they did not verify all students who met this established criteria for verification.

Questioned Costs:

None.

Context:

6 of 40 students selected for testing who met the University's criteria for verification, were not properly verified.

Effect:

Federal awards were not disbursed in accordance with federal regulations and the University was not in compliance with the verification compliance requirements.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Cause:

Lack of sufficient administrative oversight in regards to QA Program verification procedures.

Recommendation:

We recommend that the University establish written policies and procedures to ensure that verification is performed for all students who meet the University's selection criteria for verification unless excluded by the federal regulations.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The University agrees with these findings and notes that over the hundreds of selected and verified students, this small number of students had multiple ISIR issues which led to their files not being selected via our algorithm. However, the Student Financial Aid Office has corrected the issue during academic year 2015-2016 through enhanced verification procedures and based on our implemented changes do not project any future findings. Additionally, we note that the U.S. Department of Education's (ED) Quality Assurance (QA) is closing with the conclusion of the 2016-2017 academic year. The University will return to ED's regular verification process following the closure of the QA program.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-012

Federal Program Information:

Federal Pell Grant Program (CFDA #84.063)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

L. Reporting - Common Origination and Disbursement ("COD") System - All institutions receiving Pell grants submit Pell payment data to the Department of Education through the COD System. Institutions must report student payment data no earlier than 7 days before and no later than 15 days after the institution makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data.

Condition:

The University did not submit Federal Pell Grant Program payment data through the COD website within the required timeframes.

Questioned Costs:

None.

Context:

For 1 of 40 students selected for Federal Pell Grant Program disbursement testing, the University did not report the disbursements to the COD system within the required time frame.

Effect:

The University is not in compliance with COD reporting requirements. Failure to submit and update COD records in a timely manner could result in improper awards of student funds.

Cause:

Lack of sufficient administrative oversight resulted in the untimely reporting of certain Federal Pell Grant Program payment data.

Recommendation:

We recommend the University ensure that disbursement dates are entered into the COD website no earlier than 7 days before and no later than 15 days after disbursement as required by federal regulations.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The University agrees with this finding and notes that we identified a unique timing issue with this particular COD transmission. This issue has been corrected by the University's Student Financial Aid Office through additional monitoring of COD transmissions and we do not project any future findings in this area. Additionally, we note the improvement over the prior year's audit based on our modified review and submission process.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

FINDING 2015-013

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

N. Special Tests and Provisions - Enrollment Reporting - Institutions that disburse student financial assistance loan program funds are required to communicate changes in student status via the National Student Loan Data System ("NSLDS"). Additionally, unless the school expects to complete its next roster within 60 days, the school must notify the lender or the guaranty agency within 30 days, if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half-time basis.

Condition:

For 10 of 40 students selected for testing who graduated, withdrew or had a change in their enrollment status (full time, half time or less than half time) during the year, the University did not submit status change notification or failed to submit timely notification to the NSLDS website.

Questioned Costs:

None.

Context:

The University did not submit any status change notification or failed to submit timely notification to the NSLDS website for 10 out of 40 students sampled whose status changed during the fiscal year.

Effect:

The University is not in compliance with enrollment reporting requirements. Failure to promptly report accurate and timely changes in enrollment status may adversely impact the repayment status for student loan borrowers.

Cause:

Lack of sufficient administrative oversight with respect to enrollment reporting requirements.

Recommendation:

We recommend that the University properly follow its policies and procedures over the applicable compliance requirements of the Enrollment Reporting requirement to ensure that all status changes are submitted to the NSLDS website within the required timeframe.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The University agrees with this finding and effective the 2015-2016 academic year, the Student Financial Aid Office has adopted a dual-reporting process on a weekly basis directly with NSLDS and the National Student Clearinghouse to eliminate findings in this regard going forward.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-014

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

N. Special Tests and Provisions - Return of Title IV Funds: The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date.

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

Condition:

For 1 student selected for testing, the University did not refund Title IV funds within the required time frame.

Questioned Costs:

None.

Context:

For 1 of 34 students selected for refund calculation testing, the required refund was not made to the Department of Education within the required time frame.

Effect:

The University was not compliant with the Return of Title IV Funds compliance requirements.

Cause:

Lack of sufficient administrative oversight with respect to return of Title IV funds requirements.

Recommendation:

We recommend that the University enhances its procedures surrounding the disbursement of federal student aid to ensure compliance with the return of Title IV Funds requirements.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The University agrees with this finding and notes the unusual nature of this return. Effective the 2015-2016 academic year, we have created an internal review process in which personnel in our Student Financial Aid Office will audit returns from the reporting through to the return process to eliminate any future findings.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-015

Federal Program Information:

Research and Development Cluster (various CFDA #'s), Excellence in Health Professional Education Endowment (CFDA #93.375), Global AIDS Programs (CFDA #96.067), USAID Foreign Assistance for Programs Overseas (CFDA #98.001), HIV and Ryan White Awards (various CFDA #'s) and Charles B. Rangel International Affairs Program (CFDA #19.020)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

B. Allowable Costs/Cost Principles (Effort Certification) - OMB Circular A-21, *Cost Principles for Educational Institutions*, outlines the guidelines governing effort certification and the verification of salary distributions. Specifically, OMB Circular A-21 allows that charges may be made initially on the basis of estimates made before the services are performed, but the institution is required to subsequently confirm that the labor effort costs charged to an award reasonably represent the actual labor effort. To confirm that the distribution of activity represents a reasonable estimate of the work performed the effort certification should contain (1) the signature of the employee or of a person having direct knowledge of the work, confirming that the record of activities allocable as direct costs of each sponsored agreement is appropriate; and, (2) the signature of responsible person(s) who use suitable means of verification that the work was performed and is consistent with the overall distribution of the employee's compensated activities. These signatures may all be on the same document. The effort certifications will be prepared each academic term, but no less frequently than every six months.

Condition:

We noted that for certain payroll transactions the effort certification was not completed timely or was not properly prepared and approved, which is not in compliance with the OMB Circular A-21 requirements and the University's internal policy.

Questioned Costs:

None.

Context:

- For 7 of 19 Research and Development Cluster effort certifications selected for testing, the effort certification was not prepared timely.
- For 7 of 19 Research and Development Cluster effort certifications selected for testing, the effort certification was not signed by the employee and principal investigator or other responsible official using suitable means of verification that the work was performed.
- For 3 of 4 Excellence in Health Professional Education Endowment effort certifications selected for testing, the effort certification was not prepared timely.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

- For 3 of 4 Excellence in Health Professional Education Endowment effort certifications selected for testing, the effort certification was not signed by the employee and principal investigator or other responsible official using suitable means of verification that the work was performed.
- For 5 of 6 Global AIDS Programs effort certifications selected for testing, the effort certification was not prepared timely.
- For 4 of 6 Global AIDS Programs effort certifications selected for testing, the effort certification was not signed by the employee and principal investigator or other responsible official using suitable means of verification that the work was performed.
- For 2 of 2 USAID Foreign Assistance for Programs Overseas effort certifications selected for testing, the effort certification was not prepared timely.
- For 2 of 2 USAID Foreign Assistance for Programs Overseas effort certifications selected for testing, the effort certification was not signed by the employee and principal investigator or other responsible official using suitable means of verification that the work was performed.
- For 17 of 20 HIV and Ryan White Awards effort certifications selected for testing, the effort certification was not prepared timely.
- For 19 of 20 HIV and Ryan White Awards effort certifications selected for testing, the effort certification was not signed by the employee and principal investigator or other responsible official using suitable means of verification that the work was performed.
- For 1 of 4 Charles B. Rangel International Affairs Program effort certifications selected for testing, the effort certification was not prepared timely.
- For 4 of 4 Charles B. Rangel International Affairs Program effort certifications selected for testing, the effort certification was not signed by the employee and principal investigator or other responsible official using suitable means of verification that the work was performed.

Effect:

The University is not in compliance with OMB Circular A-21 and its own internal policies regarding the timely and complete preparation of effort certification.

Cause:

Lack of effective internal controls and administrative oversight in regards to effort certification preparation and submission. Certain payroll transactions held in suspense within the accounting system as well as untimely cost transfer adjustments resulted in delayed effort certifications being obtained from employees and/or principal investigators.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Recommendation:

We recommend that the University ensure established policies and procedures are followed in order to comply with the requirements of OMB Circular A-21 and to meet the accountability requirements as established in federal regulations. This includes ensuring that all effort certifications are compiled on a bi-annual basis and that payroll expenses recorded in the general ledger are reconciled to what is reported on the effort certificate to ensure completeness and accuracy of the effort calculated and used in evaluation by the responsible individuals.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The effort certification process was hampered by unallocated employee earnings. To address this issue, Grants and Contracts will improve the process by establishing new project IDs and accounts thereby allowing allocation changes to take immediate effect. By ensuring initial earnings are allocated appropriately to new awards or budget periods, the amount of earnings in suspense accounts will be reduced, and the overall effort certification process will be improved. Effective for the 2015-2016 academic year, Howard now requires bi- annual certifications. The effort certification periods are for the periods July 1 - December 31, and January 1 - June 30. Effort certificate corrections are routed to Research Administrative Services (RAS) for secondary approval. Approval is granted once the general ledger is adjusted.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

FINDING 2015-016

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

F. Equipment and Real Property Management - Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. Equipment property records should contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and any ultimate disposition data including, the date of disposal and sales price or method used to determine current fair market value. Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, further states that equipment owned by the Federal Government shall be identified (tagged) to indicate Federal ownership.

Condition:

The University was unable to provide documentation to support that the appropriate property records for federally funded equipment is being maintained.

Questioned Costs:

None.

Context:

While an inventory listing of all University equipment and real property as of June 30, 2015 was provided, the University was unable to provide documentation to support that the appropriate property records for federally funded equipment is being maintained. The inventory listing of equipment did not include all required information and 3 of 6 equipment items selected for testing could not be traced back to the provided inventory listing.

Effect:

The University did not comply with the requirements of Equipment and Real Property Management.

Cause:

Lack of administrative oversight in regards to Equipment and Real Property Management requirements.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Recommendation:

We recommend that the University enhance its policies and procedures over the applicable compliance requirements of the Equipment and Real Property Management to ensure that equipment and real property purchased with federal funds are appropriately maintained.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Howard concurs with this finding. The third-party vendor hired to conduct the bi-annual inventory failed to capture all equipment purchased through federal funding on their final inventory report. Howard monitors federally funded equipment through an asset management database. The database tracks inventory tag numbers, serial numbers, locations, as well as any other required detail. All equipment selected for testing was located and the inventory tag numbers were agreed to property records in the asset management database. Starting in fiscal year ending June 30, 2016, we will reconcile all third party reports to our internal records and perform additional inventory procedures should differences be identified.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-017

Federal Program Information:

Charles B. Rangel International Affairs Program (CFDA #19.020)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

B. Allowable Costs/Cost Principles - The University is required to comply with the applicable compliance requirements of Allowable Cost/Cost Principles. Per OMB Circular A-21, *Cost Principles for Educational Institutions*, costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

Condition:

The University did not comply with the requirements of Allowable Costs/Cost Principles.

Questioned Costs:

Below reporting threshold.

Context:

For 1 of 60 expenditure selections, the amount charged to the federal award was for entertainment costs and thus not allowable under the terms of the grant agreement and federal regulations.

Effect:

The University did not comply with the requirements of Allowable Costs/Cost Principles.

Cause:

Lack of effective administrative oversight over Allowable Costs/Cost Principles.

Recommendation:

We recommend that the University enhance its policies and procedures over the applicable compliance requirements of the Allowable Costs/Cost Principles requirement to ensure that the University is appropriately charging amounts to federal awards.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Howard agrees with this finding. To eliminate unallowable costs on purchasing cards, a new control will be implemented prior to June 30, 2016 to provide purchasing card approval authority to Grants and Contracts personnel. Upon implementation, purchasing card transactions will not be charged to federal awards without final Grants and Contracts approval.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-018

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

I. Procurement and Suspension and Debarment - OMB Circular A-133 require recipients of federal awards have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation collaborates compliance with these requirements. All procurement transactions are required to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Additionally, procurement records and files for purchases in excess of the small purchase threshold (\$25,000) shall include a) a basis for contractor selection, b) justification for the lack of competition when competitive bids or offers are not obtained, and c) a basis for award cost or price. Organizations are also required to be alert to any organizational conflicts of interest (2 CFR 215.40 - 215.48).

Condition:

The University's purchasing policy and procedures are not being appropriately followed in all cases with respect to the procurement of goods and services funded by federal awards. As a result, certain competitive bidding documentation was not retained and certain sole source documentation could not be provided or did not appear to give adequate reasoning for the lack of a competitive bidding process.

Questioned Costs:

None.

Context:

The University is not properly following their policies and procedures surrounding procurement of goods and expenditures using federal awards. We noted the following during our testing:

- For 7 of the 7 procurement transactions, the University was unable to provide adequate sole source or competitive bidding documentation.

Effect:

Failure to follow formal policies and procedures as well as evidence and documentation of the competitive bidding process or justification for the lack of competition results in noncompliance with the Procurement requirements.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Cause:

Inadequate monitoring of policies and procedures and lack of effective administrative oversight over Procurement requirements.

Recommendation:

We recommend that the University enforce the policies and procedures established to ensure that its personnel, especially those responsible for making procurement decisions, are aware of and comply with all federal purchasing rules and regulations.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Howard will establish new controls and procedures governing competitive bidding, sole source requirements, and appropriate documentation in accordance to applicable federal regulations prior to June 30, 2016. Going forward on a quarterly basis, assigned Grants and Contracts personnel will monitor new purchase requests to ensure documentation is appropriate, and maintained in compliance with federal regulations.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-019

Federal Program Information:

Research and Development Cluster (various CFDA #'s), Matching Endowment (CFDA #84.000), USAID Foreign Assistance for Programs Overseas (CFDA #98.001), Ryan White Awards (various CFDA #'s) and Global AIDS Programs (CFDA #96.067)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

L. Reporting - The University is required to comply with the requirements of Reporting associated with its federal awards. According to the OMB Circular A-133 compliance supplement, the University may be required to submit performance reports at least annually but not more frequently than quarterly. Additionally, if required based on the terms of the grant agreement, the University should submit financial reports that are complete, accurate, and prepared in accordance with the required accounting basis. Amounts reported should agree to accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards.

Condition:

The University is not in compliance with certain requirements of Reporting. Certain progress and financial reports were either not submitted or not submitted in a timely manner. It was also noted that certain financial information submitted to funding agencies within these reports did not agree to the amounts per the general ledger detail and reconciliations from these reports could not be provided.

Questioned Costs:

None.

Context:

We noted the following in during our testing:

- For 1 of 25 Research and Development Cluster reports selected for testing, the progress and/or financial report was not submitted timely to the respective awarding agency.
- For 8 of 25 Research and Development Cluster reports selected for testing, the University was unable to provide a copy of the progress and/or financial report submitted to the respective awarding agency.
- For 1 of 1 Matching Endowment report selected for testing, the progress and/or financial report was not submitted timely to the respective awarding agency.
- For 8 of 12 Global AIDS Programs reports selected for testing, the University was unable to provide a copy of the progress and/or financial report submitted to the respective awarding agency.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

- For 11 of 34 USAID Foreign Assistance for Programs Overseas reports selected for testing, the progress and/or financial reports were not submitted timely to the respective awarding agency.
- For 12 of 34 USAID Foreign Assistance for Programs Overseas reports selected for testing, the University was unable to provide a copy of the progress and/or financial report submitted to the respective awarding agency.
- For 17 of 52 Ryan White Awards reports selected for testing, the progress and/or financial reports were not submitted timely to the respective awarding agency.
- For 11 of 52 Ryan White Awards reports selected for testing, the University was unable to provide a copy of the progress and/or financial report submitted to the respective awarding agency.

Additionally, the accuracy of the reports submitted in certain instances could not be determined as the University was unable to provide certain reconciliations.

Effect:

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to the Reporting compliance requirements and certain progress and financial reports were not submitted timely.

Cause:

Inadequate monitoring of policies and procedures and administrative oversight with respect to Reporting requirements.

Recommendation:

We recommend that the University properly follow its policies and procedures over the applicable compliance requirements of the Reporting requirement to ensure that all required reporting requirements are met in accordance with federal regulations as well as the grant agreements.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

We concur with this finding. Prior to June 30, 2016, Howard University will ensure all progress and financial reporting will be completed and submitted to external agencies in a timely manner. As a component of this, Howard will provide the "Due Financial Report" to all employees who prepare financial reports as a reminder of the due dates of financial reports and such due date requirements will be monitored. On a quarterly basis, Howard will review completed financial reports to confirm they are in compliance with terms and conditions stipulated in the award agreement. A composite checklist of financial terms and conditions for each grant was developed to determine: the type of financial report needed, the frequency of reporting, whether cost share/matching is required, due dates, other compliances, etc.

The Howard University

Schedule of Finding and Questioned Costs Year Ended June 30, 2015

FINDING 2015-020

Federal Program Information:

Research and Development Cluster (various CFDA #'s) and Excellence in Health Professional Education Endowment (CFDA #93.375)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

N. Special Tests and Provisions (Publications) - Per grant agreements between the University and multiple federal agencies, all publications (including conference presentations, promotional material, agendas and internet sites that results from federal grant support by the grantors, the University must include an acknowledgement of support and a disclaimer that the contents are the responsibility of the authors and not of the grantors.

Condition:

The University did not properly include the appropriate acknowledgement of support and a disclaimer of responsibility in certain publications selected for testing.

Questioned Costs:

None.

Context:

We noted the following in regards to publications:

- For 2 of 35 Research and Development Cluster publications selected for testing, the publication did not include the appropriate acknowledgement of support.
- For 11 of 35 Research and Development Cluster publications selected for testing, the publication did not include the appropriate disclaimer of responsibility.
- For 3 of 4 Excellence in Health Professional Education Endowment publications selected for testing, the publication did not include the appropriate acknowledgement of support and a disclaimer of responsibility.
- For 1 of 4 Excellence in Health Professional Education Endowment publications selected for testing, we were unable to obtain a copy of the publication for testing.

Effect:

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to the compliance requirements associated with published information resulting from federal grant support.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Cause:

Inadequate monitoring of policies and procedures and administrative oversight with respect to Special Tests and Provisions requirements.

Recommendation:

We recommend that the University strengthen its policies and procedures over the monitoring of Special Tests and Provisions within grant agreements.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Research Administrative Services will establish a database detailing publication titles, authors, dates of publication, and the periodical or website where published. Prior to June 30, 2016, Principal Investigators will be required to enter this information on a quarterly basis along with appropriate acknowledgements and disclaimers, as such information will be monitored and reviewed to determine compliance. In addition, a discussion of this compliance requirement has been added to the agenda for all grant kick-off meetings.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

FINDING 2015-021

Federal Program Information:

Research and Development Cluster (various CFDA #'s), USAID Foreign Assistance for Programs Overseas (CFDA #98.001) and Charles B. Rangel International Affairs Program (CFDA #19.020)

Criteria or Specific Requirement (Including Statutory, Regulatory or Other Citation):

N. Special Tests and Provisions (Fly America) - Federal award recipients must comply with the terms of the Fly America Act, as applicable. Recipients with foreign travel must comply with the requirement that U.S. flag air carriers be used by domestic recipients to the maximum extent possible when commercial air transportation is the means of travel between the United States and a foreign country or between foreign countries. This requirement must not be influenced by factors of cost, convenience, or personal travel preference. The cost of travel under a ticket issued by a U.S. flag air carrier that leases space on a foreign air carrier under a code-sharing agreement is allowable if the purchase is in accordance with GSA regulations on U.S. flag air carriers and code shares. A code-sharing agreement is an arrangement between a U.S. flag carrier and a foreign air carrier in which the U.S. flag carrier provides passenger service on the foreign air carrier's regularly scheduled commercial flights.

Condition:

During our audit procedures, we noted that the University does not properly monitor international travel charged to federal awards. Information regarding international travel is maintained by each respective principal investigator as opposed to being monitored collectively by an individual within the Grants and Contracts Department. This not only makes it difficult to determine that international travel is in accordance with the requirements of the Fly America Act prior to the purchase of airline tickets, but also affects the accuracy of information that is ultimately reported to the respective federal agency. Additionally, we noted that certain international travel requisitions were not approved prior to purchase.

Questioned Costs:

None.

Context:

The University is not properly monitoring international travel charged to federal awards and that a listing of all international travel charged to federal awards is not appropriately maintained by the Grants and Contracts Department.

Effect:

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to the compliance requirements associated with published information resulting from federal grant support.

The Howard University
Schedule of Finding and Questioned Costs
Year Ended June 30, 2015

Cause:

Lack of effective internal controls and administrative oversight in regards to the required special provisions of the Fly America Act.

Recommendation:

We recommend that the University strengthen its policies and procedures over the monitoring of international travel charged to federal awards.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

We concur with this finding. To remediate, all international travel itineraries must be submitted to appropriate Grants and Contracts personnel for approval prior to purchase effective during the 2015-2016 academic year. Additionally, the Office of the Provost and the Office of Grants and Contracts will add a provision regarding the Fly America Act into Howard's existing international travel review memorandum and checklist.

The Howard University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2015

FINDING 2014-001

Type of Finding:

Financial statement finding.

Recommendation:

We recommend that the University consider the following:

- Establishing processes or revising existing processes such that differences between different accounting and reporting systems, subledgers and reports are timely reconciled to the PeopleSoft general ledger, and reconciling items are fully identified, researched and resolved; and,
- Establishing processes ensuring two-way communication between the Office of the Controller and those within the University responsible for providing financial or other information that could have a financial statement impact to the Office of the Controller on a timely basis.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-003.

FINDING 2014-002

Type of Finding:

Financial statement finding.

Recommendation:

In order to remediate the issues noted with the Accounts Payable process, we recommend that management:

- Continue to take the necessary steps to determine whether the invoices that make up the stale Accounts Payable balances (estimated at \$3.8m currently) represents true obligations of the University to third parties including confirming vendor balances as necessary);
- Strengthen and refine the controls within PeopleSoft that should detect and flag potential duplicate invoices. The control should operate in such a way that invoices that are flagged as potential duplicates cannot be paid until the warning (or other identifying mechanism) is cleared. In addition, enforcing budgetary controls at the department or unit level and the vouchering of invoices to a related requisition or purchase order within PeopleSoft will increase the detection of potential duplicate payments; and,
- Alter the current procedures for processing Payment Request Forms, such that the related invoices are entered into the PeopleSoft Accounts Payable module instead of being a direct debit to expense.

The Howard University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2015

Status of Findings as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-007.

FINDING 2014-003

Type of Finding:

Financial statement finding.

Recommendation:

As a result, Howard should institute overall processes (with adequate surrounding internal controls) that will allow for the appropriate year-end revenue and accounts receivable cut-off (including the performance of cash to accrual basis reconciliations over FPP accounts). In addition, policies should be implemented and appropriately monitored such that physicians are completing paperwork necessary to ensure proper revenue recognition in a timely manner.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-001.

FINDING 2014-004

Type of Finding:

Financial statement finding.

Recommendation:

We recommend that management consider alternative methods to the collection of invoices from the various departments on campus (including central depositories), as it appears that the core issue was due to invoices being held within various departments for significant periods of time and not being provided to the Office of Controller in a timely manner.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-002.

The Howard University

Summary Schedule of Prior Year Findings Year Ended June 30, 2015

FINDING 2014-005

Type of Finding:

Financial statement finding.

Recommendation:

We believe that the monthly and yearend financial reporting process could be more efficient and effective by developing a logical order of closing procedures with the appropriate assignment of responsibility and review. The closing procedures should be documented in a checklist that indicates who will perform the procedure, review and ultimately, the timeline for completion. All significant financial statement accounts should be reconciled on a monthly basis. All reconciliations should be reviewed by a designated individual to ensure accuracy, completeness and verification that reconciled items have been properly handled. In addition, implement appropriation segregation of duties so that the same individual is not responsible for the creation, approval, and/or monitoring of manual journal entries, and require a secondary level of review or sign-off within the system before the journal entries can be posted to the general ledger. Lastly, as part of the financial statement close process, there should be timely prepared documentation (with review and approval) of appropriate accounting and reporting matters for any nonrecurring or complex transactions entered into during the month.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-006.

FINDING 2014-006

Type of Finding:

Financial statement finding.

Recommendation:

We recommend IT management, with guidance from an IT steering committee made up of business owners, establish priorities for establishing processes and controls adequate to appropriately address the risks identified. Also, management should perform its own risk assessment to more thoroughly identify potential risks that may not have been identified within the scope of the audit.

In addition, formal procedures should be established and documented for all applications that have an impact on the University's financial information, and that any necessary tools/mechanisms for logging access requests should be established so that users' access requests can be tracked for management's review and audit purposes. Policies and procedures should be implemented that provide for timely, periodic reviews of user access rights to all applications that have an impact on the University's financial information in order to detect potential segregation of duties issues with respect to access, as well as terminated users, users with excessive access rights given their job function, any unauthorized or unapproved users, etc.

The Howard University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2015

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-004.

FINDING 2014-007

Type of Finding:

Financial statement finding.

Recommendation:

We note that management currently has several process changes in place, including completing documentation of standardized operating procedures for hiring and onboarding, finalizing lists of direct reports, and making further process changes related to procedures for implementing pay rate, position, and funding allocation changes. However, these process changes should include both the hiring and on-boarding protocols for both existing and new positions that do not result in undue time delays that incentivize circumventing the on-boarding control structure.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-008.

FINDING 2014-008

Type of Finding:

Financial statement finding.

Recommendation:

We recommend that management determine the appropriate mechanism (through the Global Business Steering Committee or another body) to approve such activities before they are undertaken, perform effective monitoring, and ensure the performance of necessary material statutory compliance requirements in foreign countries in which Howard conducts activities. Such monitoring activities will require the allocation of adequate resources and a reporting structure that supports obtaining the necessary information from professors and others. In addition, management should determine how such information is timely shared as needed, including for financial statement reporting purposes.

Status of Finding as of June 30, 2015:

No similar findings noted during the 2015 audit.

The Howard University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2015

FINDING 2014-009

Type of Finding:

Financial statement finding.

Recommendation:

Due to the importance of compliance with policies and procedures as part of the overall internal control structure and environment, we recommend that it is made clear that circumventing such policies established by the current Administration will result in appropriate disciplinary action and that any known such deviations should be reported.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-011.

FINDING 2014-010

Type of Finding:

Financial statement finding.

Recommendation:

We suggest that management appoint a designated liaison within the Office of the Controller to whom project managers should provide periodic updates on the status of Construction in Progress assets, and final reporting when such assets are placed in service. This will allow for better recording of such assets throughout the University's fiscal year, including the related depreciation expense necessary for quarterly reporting purposes.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-011.

FINDING 2014-011

Type of Finding:

Financial statement finding.

Recommendation:

We recommend that appropriate mechanisms to monitor that specific segregation of duties controls are not circumvented should be implemented. Included in such considerations, would be the identification of control gaps when there is employee turnover so that temporary measures can be taken to ensure that appropriate segregation of duties are functioning.

The Howard University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2015

Status of Findings as of June 30, 2015:

No similar findings noted during the 2015 audit.

FINDING 2014-012

Type of Finding:

Financial statement finding.

Recommendation:

In addition to completing planned revisions to procurement policies and procedures, we recommend that management have the Purchase Card Administrator audit a sample of purchase card supporting documentation as a regular procedure in order to verify that the card use is in accordance with policies and procedures. Further, management should consider the lack a detection control surrounding assets received outside of Central Receiving and that are not tagged as Howard University property.

Status of Finding as of June 30, 2015:

No similar findings noted during the 2015 audit.

FINDING 2014-013

Type of Finding:

Financial statement finding.

Recommendation:

Howard should implement a backup site that is located outside of the primary data center and beyond the geographic area of the campus within a reasonable distance that will limit the potential for a single point of failure.

Per our discussions with management, we note that a business continuity plan and backup and recovery policies and procedures were drafted but were not tested and approved as of June 30, 2014. We recommend that management complete approval and testing of both the business continuity plan and their backup and recovery policies and procedures.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-004.

The Howard University
Summary Schedule of Prior Year Findings
Year Ended June 30, 2015

FINDING 2014-014

Type of Finding:

Financial statement finding.

Recommendation:

We recommend Howard develop a formal policy that prescribes the process and workflows supporting program changes administered for the PeopleSoft Financials/HCM application. Further, we recommend management establish policies and mechanisms (through reporting, logging or proper restrictions of access) to prevent or detect instances of inappropriate or unauthorized changes to data and applications.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-004.

FINDING 2014-015

Type of Finding:

Federal award finding.

Condition:

Howard prepares the Schedule on the accrual basis of accounting. The process used by Howard to prepare the Schedule uses data gathered from its General Ledger. We noted several items during our testing of the awards noted above related to inappropriate identification of CFDA numbers and inappropriate classification between federal expenditures and non-federal expenditures.

Status Update on Corrective Action Plan:

CFDA Numbers: All new awards set-up in PeopleSoft during the fiscal year are reviewed bi-annually to validate system data against the final award agreements.

Classification of expenditures: Background data fields for a report used during SEFA preparation had been modified by a new employee in Enterprise Technology Services (ETS). To resolve, the fields were corrected by ETS and user access to the fields was restricted. Note: the modification only affected the type of information displayed on a small number of queries; overall system integrity was not compromised at any point. As an additional safe-guard, monthly financial reports are compared against reports created during the previous period to confirm consistency in reported data. The issue has not re-occurred and appears to be an isolated incident.

Status of Finding as of June 30, 2015:

No similar findings noted during the 2015 audit.

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Year Ended June 30, 2015

FINDING 2014-016

Type of Finding:

Federal award finding.

Condition:

Out of the 47 payroll transactions selected for testing, we noted that for 38 payroll transactions the effort certification was only prepared annually which is not in compliance with the OMB Circular A-21 requirements and Howard's internal policy.

Status Update on Corrective Action Plan:

Effort certifications: Howard now requires bi-annual certifications. The effort certification periods are for the periods July 1 - December 31, and January 1 - June 30. Effort certificate corrections are routed to Research Administrative Services (RAS) for secondary approval. Approval is granted once the general ledger is adjusted.

Status of Findings as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-015.

FINDING 2014-017

Type of Finding:

Federal award finding.

Condition:

During our testing for compliance with applicable F&A and fringe benefit cost rates based on the terms and conditions of the awards, we noted the F&A and fringe benefit costs for the following programs were not properly charged to the period during which the costs were incurred resulting in overcharges and undercharges of F&A and fringe benefit costs on the preliminary Schedule. Management subsequently corrected the overcharged (undercharged) amounts for all programs noted below to ensure that the amounts were properly excluded (included) from the Schedule.

Status Update on Corrective Action Plan:

Fiscal Year cut-off: After all closing transactions for the fiscal year are entered into the general ledger, a report is run to recalculate indirect charges for the fiscal year. Each variance is investigated to determine the cause. When cumulative indirect costs are correct, the Schedule is adjusted to account for the fiscal year cut-off variance. When cumulative indirect costs are incorrect, the variance is further investigated and, when necessary, an adjusting entry is posted to the general ledger.

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Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-020.

FINDING 2014-018

Type of Finding:

Federal award finding.

Condition:

Out of 70 students with 134 Pell Grant disbursements selected for testing, we noted 17 Pell Grant disbursements where the disbursement information was not submitted to the COD system within the 15 day timeframe.

Status Update on Corrective Action Plan:

The Banner system used by Student Financial Aid was updated with an important software patch. The update was necessary to ensure that all disbursements are reported within the prescribed 15 day timeframe. In addition, Student Financial Aid conducts monthly reviews of Pell Grant disbursements to verify they were reported within 15 days.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-012.

FINDING 2014-019

Type of Finding:

Federal award finding.

Condition:

Out of 25 students selected for testing, we noted that 1 refund submission in the amount of \$7,999 was returned 88 days after the determination that the student withdrew. In addition, the amount that should have been returned by Howard was \$9,052 instead of \$7,999.

Status Update on Corrective Action Plan:

The Banner system update described in the section above also corrected the timeliness of Title IV refund submissions. In addition, Student Financial Aid conducts monthly reviews for every return of title IV funds to ensure compliance and timeliness.

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Summary Schedule of Prior Year Findings
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Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-014.

FINDING 2014-020

Type of Finding:

Federal award finding.

Condition:

Our audit disclosed that although Howard has policies and procedures for transmitting information to the National Student Clearinghouse (NSC), Howard did not report timely a change in a student's enrollment status, which would have allowed for the NSC to report timely to the National Student Loan Data System (NSLDS), within the prescribed timeframe.

Status Update on Corrective Action Plan:

Howard no longer uses a third-party servicer for reporting enrollment changes. As recommended by the Department of Education, Howard now reports enrollment changes directly.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-013.

FINDING 2014-021

Type of Finding:

Federal award finding.

Condition:

In fiscal year 2014, Howard became a participant in the Department of Education's Quality Assurance (QA) Program. Under the QA Program, Howard is required to design and implement a comprehensive program to verify student financial aid application data based on analysis of institution specific data. Although Howard established the selection criteria for verification, Howard did not verify all students who met Howard's criteria for verification.

During our review of a sample of 40 students who met Howard's criteria for verification, we noted that FAFSA information of 6 students was not verified.

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Status Update on Corrective Action Plan:

Howard updated verification procedures to align with guidance received from the Department of Education.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-011.

FINDING 2014-022

Type of Finding:

Federal award finding.

Condition:

During a review of 10 sample transactions selected for testing, we noted that 3 transactions included a total amount of \$26 for purchases of goods for personal consumption.

Status Update on Corrective Action Plan:

Procurement Cards (P-Card): On December 1, 2013, Howard adopted a web-based platform for cardholders, approvers, and P-Card program administrators. Cardholders are required to upload all support documentation into the system. The system also allows users to review, reconcile, approve, and dispute transactions. P-Cards are established with a fixed available balance which is only replenished by the P-Card Administrator once support documentation is uploaded and the charges are reviewed/approved by a secondary approver. The P-Card Administrator monitors card expiration dates, declining balances, approvals, and reconciliations, and notifies cardholders of delinquencies. An escalating series of punitive actions may be taken for delinquent support, approvals, or reconciliations.

Status of Finding as of June 30, 2015:

No similar findings noted during the 2015 audit.

FINDING 2014-023

Type of Finding:

Federal award finding.

Condition:

During our review of the matching requirements, we noted that Howard does not monitor on a regular basis whether or not matching requirements are met. In addition, documentation for how Howard complies with this matching requirement is not maintained and tracked through its

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accounting system. However, subsequently during our audit, Howard was able to recalculate and demonstrate it had met the matching requirement.

Status Update on Corrective Action Plan:

Research Financial Controls (RFC) conducts quarterly reviews of all awards with matching requirements. When the required match is not being met, RFC contacts program staff for an explanation.

Status of Finding as of June 30, 2015:

No similar findings noted during the 2015 audit.

FINDING 2014-024

Type of Finding:

Federal award finding.

Condition:

Out of 5 foreign travel transactions selected for testing, we noted that a U.S. flag air carrier was not used to the maximum extent possible in 1 transaction from the U.S. to Johannesburg, South Africa with a ticket cost of \$1,002. In addition, there was no code-sharing agreement between the U.S. flag carrier and the foreign air carrier used for this travel.

Status Update on Corrective Action Plan:

All international travel itineraries must be submitted to appropriate Grants and Contracts personnel for approval prior to purchase. Additionally, the Office of the Provost and the Office of Grants and Contracts will add a provision regarding the Fly America Act into Howard's existing international travel review memorandum and checklist.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-021.

FINDING 2014-025

Type of Finding:

Federal award finding.

Condition:

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During our review of equipment acquired under federal awards, we noted that 7 out of the 12 equipment items selected for physical inspection were not tagged or identified to indicate federal ownership.

Status Update on Corrective Action Plan:

Howard contracted an asset management company to tag all University assets with bar-code labels. The bar-codes will improve inventory management by allowing staff to quickly update the system in real-time using a bar-code scanner rather than manually keying in changes. Equipment purchased with federal funds will receive a bar code tag that clearly states "Federal."

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-016.

FINDING 2014-026

Type of Finding:

Federal award finding.

Condition:

Out of the 6 procurement files with a total purchase order amount of \$305,168 selected for testing, we noted the following:

- 3 procurement files with a total purchase order amount of \$131,799 had no evidence of cost or price analysis and/or written justification for utilizing the sole source method.
- In 1 of the 3 procurement files in the amount of \$25,000, there was no evidence verifying whether the vendor involved in a procurement transaction had been debarred or suspended from providing service where federal funds are utilized.

Status Update on Corrective Action Plan:

Howard contracted a risk management company, Dun & Bradstreet, to screen all vendors in our database and flag any which were suspended or debarred. In addition, Howard maintains a subscription with Dun & Bradstreet to automatically notify us should vendors become suspended or debarred in the future.

In addition, the vendor monitoring procedures were revised as follows:

1. New Vendor Setup

- Internal customer completes a "vendor set-up request form" to request a new vendor
- If Office of Procurement & Contracting (OPC) approves vendor setup, the vendor completes a Substitute W-9 and provides ACH information
- OPC representative verifies debarment status by accessing "SAM" (System for Award Management)

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- Verification is attached to the vendor setup request form
- If vendor is debarred no setup takes place

2. Existing Vendors

- OPC currently subscribes to Dunn & Bradstreet's "SRM" (Supply Risk Manager)
- Each year OPC uploads new vendors added to the SRM vendor master
- Alerts are set up related to debarment and other risk factors
- Reports are scheduled to run and delivered to OPC monthly
- If a debarment alert is received, OPC informs vendor and deactivate vendor in PeopleSoft. Customers cannot create requisitions using this vendor
- Vendor is added to OPC's debarment list and shared with OPC staff

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-018.

FINDING 2014-027

Type of Finding:

Federal award finding.

Condition:

Out of the 69 publications selected for testing, we noted the following:

- 19 publications were not available for testing;
- 8 publications did not have acknowledgement of support; and
- 24 publications did not have the required disclaimer.

Status Update on Corrective Action Plan:

Research Administrative Services will establish a database detailing publication titles, authors, dates of publication, and the periodical or website where published. Prior to June 30, 2016, Principal Investigators will be required to enter this information on a quarterly basis along with appropriate acknowledgements and disclaimers, as such information will be monitored and reviewed to determine compliance. Principal Investigators received a reminder to include proper acknowledgements and disclaimers on any publication supported through federal grant funds. In addition, a discussion of this compliance requirement has been added to the agenda for all grant kick-off meetings.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-021.

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FINDING 2014-028

Type of Finding:

Federal award finding.

Condition:

During our review of the matching requirements, we noted that Howard does not monitor on a regular basis whether or not matching requirements are met. In addition, documentation for how Howard complies with this matching requirement is not maintained and tracked through its accounting system. However, subsequently during our audit, Howard was able to recalculate and demonstrate it had met the matching requirement.

Status Update on Corrective Action Plan:

Research Administrative Services conducts a quarterly review of all awards with matching requirements. When the required match is not being met, RAS contacts program staff for an explanation.

Status of Finding as of June 30, 2015:

No similar findings noted during the 2015 audit.

FINDING 2014-029

Type of Finding:

Federal award finding.

Condition:

During our testing performed over a total of 5 quarterly financial status reports from the Charles B. Rangel International Affairs Program, we noted that Howard did not include its contributed amount of cost sharing on 2 quarterly financial status reports as required by the grant agreement.

Status Update on Corrective Action Plan:

On a quarterly basis, Howard reviews completed financial reports to confirm they are in compliance with terms and conditions stipulated in the award agreement. A composite checklist of financial terms and conditions for each grant was developed to determine: the type of financial report needed, the frequency of reporting, whether cost share/matching is required, due dates, other compliances, etc.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-019.

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Summary Schedule of Prior Year Findings
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FINDING 2014-030

Type of Finding:

Federal award finding.

Condition:

Howard prepares the Schedule on the accrual basis of accounting. The process used by Howard to prepare the Schedule uses data gathered from the general ledger. We noted several items during our testing of allowable costs for the awards noted above relating to out of period expenditures.

Status Update on Corrective Action Plan:

Subrecipient invoices: Invoices submitted to accounts payable (AP) during the year end close will include specific instructions to record or accrue the charge in the closing year. In addition, 90 days before year end, RAS sends notifications to subrecipients reminding them that all expenses for the period must be received prior to the close of the fiscal year. If necessary, RAS will prepare accruals based on estimate received from the subrecipient or program staff.

Employee expense reports: Howard now conducts a manual search of charges entered into the Concur expense reporting system. Any charges not yet recorded in the closing period will be accrued.

Status of Finding as of June 30, 2015:

This finding was not fully remediated as of June 30, 2015 and is part of finding 2015-002.