The Howard University

Consolidated Financial Statements and Reports and Schedules Required by *Government Auditing Standards* and the Uniform Guidance

For the year ended June 30, 2018

EIN 53-0204707

Content

OFFICE OF THE SENIOR VICE PRESIDENT
CHIEF FINANCIAL OFFICER AND TREASURER

December 19, 2018

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, 2018, as described in Note 11 of the accompanying financial statements.

Michael J. Masch

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

John D. Gordon

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

Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2018 and 2017, 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 Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2018 and 2017, 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 Title 2 U.S. Code of Federal Regulations ("CRF") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 19, 2018 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.

Report on Summarized Comparative Information

We have previously audited The Howard University's 2017 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated November 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

December 19, 2018, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is March 31, 2019.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(*in thousands*)	June 30, 2018	June 30, 2017
Current Assets:		
Cash and cash equivalents	$ 32,998	$ 28,900
Operating investments	39,940	39,851
Deposits with trustees	1,732	401
Receivables, net	89,771	89,730
Inventories, prepaids and other current assets	11,862	8,579
Restricted Investments	49,988	43,911
Total Current Assets	**226,291**	**211,372**
Long Term Assets:		
Deposits with trustees	13,386	15,058
Receivables, net	22,607	21,659
Inventories, prepaids and other noncurrent assets	18,420	22,695
Unexpended bond proceeds	3,117	3,038
Restricted investments	4,126	3,302
Endowment investments	688,562	646,556
Operating right of use assets	3,764	4,599
Finance right of use assets	56,085	25,930
Long-lived assets	510,261	517,955
Total Long Term Assets	**1,320,328**	**1,260,792**
Total assets	**$1,546,619**	**$ 1,472,164**
Current Liabilities:		
Accounts payable and accrued expenses	$ 131,804	$ 96,792
Deferred revenue	15,710	15,097
Other liabilities	15,206	13,581
Accrued post-retirement benefits	3,842	4,325
Reserves for self-insured liabilities	10,392	16,752
Operating lease obligations	211	251
Finance lease obligations	7,732	3,520
Bonds payable	11,200	12,101
Total Current Liabilities	**196,097**	**162,419**
Long Term Liabilities:		
Deferred revenue	4,495	762
Other liabilities	5,949	6,606
Accrued post-retirement benefits	44,599	50,670
Underfunded defined benefit pension plan	116,807	139,046
Reserves for self-insured liabilities	56,699	57,462
Operating lease obligations	3,637	3,848
Finance lease obligations	47,024	25,595
Bonds payable	397,444	398,865
Refundable advances under Federal Student Loan	6,333	6,341
Total Long Term Liabilities	**682,987**	**689,195**
Total Liabilities	**879,084**	**851,614**
Net Assets:		
Unrestricted	233,839	222,165
Temporarily restricted	291,409	265,935
Permanently restricted	142,287	132,450
Total Net Assets	**667,535**	**620,550**
Total Liabilities and Net Assets	**$ 1,546,619**	**$ 1,472,164**

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2018 (with summarized comparative information for fiscal year ended June 30, 2017) (*in thousands*)	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2018	Summarized June 30, 2017
Operating					
Revenues and reclassifications:					
Academic services:					
Tuition and fees, net	$ 143,631	$ -	$ -	$ 143,631	$ 147,867
Grants and contracts	53,251	-	-	53,251	53,763
Auxiliary services	37,445	-	-	37,445	38,901
Clinical services:					
Patient service - Hospital, net	207,977	-	-	207,977	231,499
Patient service - Faculty medical practice, net	23,047	-	-	23,047	12,854
Patient service - Dental clinic, net	2,049	-	-	2,049	1,972
Public support:					
Federal appropriation	226,439	3,405	-	229,844	221,821
Contributions	17,904	6,768	8,439	33,111	15,739
Endowment transfer	9,967	11,492	738	22,197	15,128
Operating investment income (loss)	4,541	-	-	4,541	5,270
Real Property	20,535	-	-	20,535	3,811
Other income	14,984	-	59	15,043	14,538
Total revenues	**761,770**	**21,665**	**9,236**	**792,671**	**763,163**
Net assets released from restrictions	10,523	(10,523)	-	-	-
Total revenues and reclassifications	**772,293**	**11,142**	**9,236**	**792,671**	**763,163**
Expenses:					
Program services:					
Instruction	180,761	-	-	180,761	200,737
Research	41,928	-	-	41,928	40,555
Public service	12,250	-	-	12,250	11,079
Academic support	39,202	-	-	39,202	36,441
Student services	35,562	-	-	35,562	30,037
Patient care	254,327	-	-	254,327	241,131
Total program services	**564,030**	**-**	**-**	**564,030**	**559,980**
Supporting services:					
Institutional support	162,424	-	-	162,424	169,186
Auxiliary enterprises	65,366	-	-	65,366	65,635
Total supporting services	**227,790**	**-**	**-**	**227,790**	**234,821**
Total operating expenses	**791,820**	**-**	**-**	**791,820**	**794,801**
Income from defeased bonds	-	-	-	-	33,105
Operating revenues over (under) operating expenses	**(19,527)**	**11,142**	**9,236**	**851**	**1,467**
Non-operating					
Investment income (loss) in excess of amount designated	31,406	27,323	467	59,196	80,705
Endowment transfer	(8,973)	(12,991)	(233)	(22,197)	(15,128)
Net unrealized gain in beneficial interest trust	-	-	367	367	513
Restructuring costs	-	-	-	-	118
Change in funded status of defined benefit pension plan	15,436	-	-	15,436	32,753
Change in obligation for post-retirement benefit plan	(6,746)	-	-	(6,746)	(100)
Change in funded status of supplemental retirement plan	78	-	-	78	107
Increase (decrease) in non-operating activities	**31,201**	**14,332**	**601**	**46,134**	**98,968**
Change in net assets	**11,674**	**25,474**	**9,837**	**46,985**	**100,435**
Net assets, beginning of year	**222,165**	**265,935**	**132,450**	**620,550**	**520,115**
Net assets, end of year	**$ 233,839**	**$ 291,409**	**$ 142,287**	**$ 667,535**	**$ 620,550**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	June 30, 2018	June 30, 2017
Cash flows from operating activities		
Change in net assets	$ $46,985	$ 100,435
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by/(used in) operating activities:		
Depreciation and amortization	39,814	50,154
Bonds defeased	-	(33,105)
Bond discount amortization	221	223
Bonds issuance costs	255	254
Net realized gain on sale of investment	(39,755)	(47,384)
Unrealized (gain) loss on investments	(23,982)	(38,591)
Donated long-lived asset	(12,727)	-
Loss (gain) on sale/disposal of long-lived assets	(16,306)	1,210
Change and/or remeasurement of leases	-	2,714
Change in deposits with trustees	341	(808)
Change in receivables (excluding notes)	(8,059)	105,464
Change in allowance for doubtful receivables	5,671	6,743
Change in inventory, prepaid expenses and other assets	991	3,347
Change in Operating right of use assets	835	(641)
Change in accounts payable and accrued expenses and other	35,012	288
Change in deferred revenue	4,346	(92,707)
Change in other liabilities	968	(6,581)
(Decrease) increase in pension/post retirement liability	(28,793)	(40,245)
Change in reserve for self-insured liabilities	(7,123)	(12,997)
Change in operating lease obligation	(251)	-
Change in refundable advances under Federal Student Loan Program	(8)	(49)
Net cash and cash equivalents used in operating activities	**(1,565)**	**(2,276)**
Cash flows from investing activities		
Proceeds from sale of investments	454,112	481,023
Purchases of investments	(439,371)	(476,131)
Return on unexpended bond proceeds	(79)	1,989
Proceeds from property/land sale	18,392	-
Purchases and renovations of long-lived assets	(16,503)	(12,248)
Restricted contributions	(8,439)	(2,881)
Net cash and cash equivalents provided by/(used in) investing activities	**8,112**	**(8,248)**
Cash flows from financing activities		
Proceeds from notes payable	45,000	15,000
Payment on notes payable	(45,000)	(15,000)
Proceeds from bonds payable	-	-
Payment on bonds payable	(2,798)	(2,545)
Payment on interest rate swap	-	-
Principal payments on financing lease obligations	(9,490)	(6,945)
Student loans issued	(483)	(825)
Student loans collected	1,883	1,564
Proceeds from restricted contributions	8,439	2,881
Net cash and cash equivalents used in financing activities	**(2,449)**	**(5,870)**
Net (decrease) increase in cash and cash equivalents	4,098	(16,394)
Cash and cash equivalents at beginning of year	28,900	45,294
Cash and cash equivalents at end of period	**$ 32,998**	**$ 28,900**
Supplemental cash flow information:		
Cash paid for interest	$ 23,143	$ 21,650
Supplemental non-cash investing activities:		
Acquisition of equipment under financing leases	34,942	6,784
Donated long-lived assets	12,727	-
Stock distributions	2,434	1,560

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

1. Summary of Significant Accounting Policies

(a) ***Description of the University***

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

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

The University conveyed its fee simple interest in the properties known as the East Tower, the West Tower, Drew Hall and Cook Hall to Howard Dormitory Holdings 1, LLC by Special Warranty Deed recorded in January, 2017. The Howard SPE is wholly-owned by the University.

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, 2018, and 2017, 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, 2018 and 2017 and determined that there were no uncertain tax positions that would have a material impact on Howard's consolidated financial statements.

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

The consolidated financial statements of Howard have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Howard has elected to show summarized comparative financial information with respect to the statement of activities for the year ended June 30, 2017. Such summarized information is prepared in a manner consistent with the statement of activities information from which it was derived.

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

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. These estimates affect the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts realized or paid could differ significantly from the amounts reported for these assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of receivables, accumulated depreciation related to property, plant and equipment and investments whose fair values are not readily determinable; and the adequacy of reserves for professional liabilities, retirement benefits, self-insured health benefits, self-insured workers' compensation and environmental liabilities.

(d) ***Cash and Cash Equivalents***

Short-term investments with maturities at date of purchase of nine months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with trustees or Investments, respectively. Cash equivalents include certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at approximate fair value. Howard classifies any cash or money market accounts held by external managers as investments, as these amounts are not readily available for operations and are part of the long-term investment portfolio.

(e) ***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.

The fair values of Howard's investments are determined by the most relevant available and observable valuation inputs as defined in Note 5. 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.

(amounts in thousands)

(f) ***Receivables and Revenue Recognition***

(1) **Contributions** 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. There were no conditional contributions in 2018 or 2017, respectively. 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, 2018 and 2017 are shown below:

CONTRIBUTIONS REVENUE	2018	2017
Unrestricted	$ 17,904	$ 5,265
Temporarily restricted	6,768	7,578
Permanently restricted	8,439	2,896
TOTAL	**$ 33,111**	**$ 15,739**

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

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

NET TUITION REVENUE	2018	2017
Gross tuition and fees	**$ 259,701**	**$ 247,142**
Financial aid:		
Merit	68,463	57,775
Need	9,670	15,083
Talent	7,999	8,174
Other	29,938	18,243
Total financial aid	**$ 116,070**	**$ 99,275**
TOTAL NET TUITION	**$ 143,631**	**$ 147,867**

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, 2018 and 2017 was $116,070 and $99,275, respectively.

(2) **Other income** represents income from activities other than those that are ongoing and central to Howard's core business operations and is recognized as revenue in the period it is earned and collectible.

(3) **Federal appropriation** revenue is recognized when received and expended. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as a temporarily restricted term endowment which is required to be held for 20 years. For fiscal years ended June 30, 2018 and 2017, Howard received 29% and 29%, respectively, of its revenue support from the Federal appropriation. The $3,405 and $3,405, receivable for the fiscal years ended June 30, 2018 and 2017, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 13.

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

(amounts in thousands)

NET PATIENT SERVICE REVENUE	2018	2017
Gross Revenues	**$ 713,815**	**$ 682,710**
Third-party settlement revenue	60,309	63,702
Contractual allowances and adjustments	(488,292)	(444,653)
Charity services	(10,445)	(4,200)
Bad debt	(42,314)	(51,234)
Total net patient service revenue	**$ 233,073**	**$ 246,325**
% of contractuals and charity services of gross revenues	**70%**	**66%**

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

GRANTS AND CONTRACTS REVENUE	2018	2017
Reimbursement of direct expenses	$ 45,413	$ 45,439
Recovery of indirect costs	7,838	8,324
Total grants and contracts revenue	**$ 53,251**	**$ 53,763**
Indirect costs recovery as a % of direct costs	**17%**	**18%**

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

GRANTS AND CONTRACTS REVENUE BY TYPE	2018	2017
Research	$ 34,839	$ 35,688
Training	11,665	9,490
Service/other	6,747	8,585
Total grants and contracts revenue by type	**$ 53,251**	**$ 53,763**

(amounts in thousands)

(5) **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 and bookstore vendors.

AUXILIARY SERVICES REVENUE	2018	2017
Student housing	$ 7,358	$ 12,925
Meal plans	16,457	12,841
Radio station	8,732	8,461
Bookstore	682	672
Parking fees	1,844	1,875
Vending sales and fees	1,006	888
Ticket sales	614	537
Licensing	150	109
Other	602	593
Total auxiliary services revenue	**$ 37,445**	**$ 38,901**

(6) **Real property** revenue is comprised of income and gains from real estate transactions including lease income and is recognized as revenue in the period it is earned and collectible. Revenue recognition for real property lease income transactions is disclosed in further detail in Note 10.

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

Howard's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under this Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

(amounts in thousands)

(g) ***Changes in Accounting Principle***

ASU 2015-03 – Interest – Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs requires that debt issuance costs related to a recognized debt liability be presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability. The ASU was effective for fiscal years beginning after December 15, 2015. This is a change from previous treatment where debt issuance costs were reported as an asset in the statement of financial position. In fiscal year 2017, Howard adopted the new principle and has in accordance, reclassed the debt issuance costs from other assets and deducted it from the bonds payable liability.

For fiscal years ending 2018 and 2017, Howard had debt issuance costs related to the 2010, 2011 and 2016 bonds of $4,428 and $4,683, respectively.

(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 deferred health charges, intellectual property, beneficial interest trust and investment interest in a dialysis joint venture (see Note 22).

(i) ***Long-Lived Assets***

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

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

Title to certain equipment purchased using funds provided by government grants or contracting agencies is vested with Howard, and therefore is included in reported property balances. Such assets are subject to transfer or disposal by the relevant cognizant agency.

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 placed in service for their intended use.

The recorded values of certain properties include the fair value of any environmental remediation 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) ***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, 2018 and 2017 the obligation was $4,840 and $4,444, respectively.

(k) ***Other Liabilities***

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

(l) ***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 either 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.

(m) ***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.

(n) ***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.

(o) ***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.

(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 gains and losses from real estate related transactions which were 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 credits and (costs) that do not pertain to continuing core program services.

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

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") number 2018-13 Fair Value Measurement (Topic 820) *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the Concepts Statement, including the consideration of costs and benefits. Howard is currently evaluating the impact of this amendment on its financial statements.

In June 2018, the FASB issued ASU number 2018-08 (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this Update should assist entities in 1.) Evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-For-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and 2.) Determining whether a contribution is conditional. Howard is currently evaluating Topic 958 and its impact on its fiscal year 2019 financial statements.

In January 2018, the FASB issued ASU number 2018-01 (Topic 842), *Leases: Land Easement Practical Expedient for Transition to Topic 842*. The ASU provides optional transition practical expedient for the adoption of ASU 2016-02 Leases and clarifies that new or modified land easements should be evaluated under ASU 2016-02 once an entity has adopted the new standard. Howard early adopted ASU 2016-02 Leases in fiscal year 2016 and will apply the provisions of ASU 2018-01 in its current reporting where applicable.
In July 2017, the FASB issued ASU number 2017-11 (Topic 815), *Derivatives and Hedging*. The ASU addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of

certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Howard is currently evaluating Topic 815 and planning for the implementation in fiscal year 2019.

In May 2017, the FASB issued ASU number 2017-10 (Topic 853), *Service Concession Agreements: Determining the Customer of the Operations Services*. Topic 853 provides guidance for operating entities when they enter into a service concession arrangement with a public-sector grantor. Howard has reviewed the guidance under Topic 853 and has determined that its service concession agreements do not fall under this guidance and is not applicable to its operations.

In March 2017, the FASB issued ASU number 2017-07 (Topic 715*), Compensation—Retirement Benefits,* which provides guidance on the presentation of net benefit cost in the income statement and on the components eligible for capitalization in assets. The Update requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It allows only the service cost component to be eligible for capitalization when applicable. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented. Howard is currently evaluating and assessing the implementation of this new pronouncement, which will be adopted in fiscal year 2019.

In February 2017, the FASB issued ASU number 2017-05 (Topic 610-20), *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets,* which provides clarity to the scope of Subtopic 610-20, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets, and to add guidance for partial sales of nonfinancial assets. The amendments define the term *in substance nonfinancial asset*, in part, as a financial asset promised to a counterparty in a contract if substantially all of the fair value of the assets (recognized and unrecognized) that are promised to the counterparty in the contract is concentrated in nonfinancial assets. If substantially all of the fair value of the assets that are promised to the counterparty in a contract is concentrated in nonfinancial assets, then all of the financial assets promised to the counterparty are in substance nonfinancial assets within the scope of Subtopic 610-20. Howard is currently evaluating and assessing ASU number 2017-05 to determine whether it applies to its operations.

In January 2017, the FASB issued ASU number 2017-02 (Subtopic 958-810), *Not-for-Profit Entities—Consolidation*. The ASU provides guidance on when a not-for-profit entity (NFP) that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in Accounting Standards Update No. 2015-02 are effective. Subtopic 958-810 provides general guidance in Subtopic 810-10 on when NFP limited partners should consolidate a limited partnership. The update applies to an NFP that is a general partner or a limited partner of a for-profit limited partnership or a similar legal entity. A similar legal entity is an entity such as a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. In those entities, a managing member is the functional equivalent of a general partner, and a non-managing member is the functional equivalent of a limited partner. Howard is currently evaluating and assessing ASU number 2017-02 to determine whether it applies to its operations due to the entities created as part of the real estate transactions.

In December 2016, the FASB issued ASU number 2016-18 (Topic 230), *Statement of Cash Flows.* The ASU provides guidance on all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. Howard is currently evaluating Topic 230 and planning for the implementation in fiscal year 2019.

In August 2016, the FASB issued ASU number 2016-15 (Topic 230), *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments.* The ASU provides guidance *on* all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. This Update provide guidance on the following eight specific cash flow issues: (1) Debt Prepayment or Debt Extinguishment Costs, (2) Settlement of Zero-Coupon Debt Instruments or Other Debt Instruments with Coupon Interest Rates That Are Insignificant in Relation to the Effective Interest Rate of the Borrowing, (3) Contingent Consideration Payments Made after a Business Combination, (4) Proceeds from the Settlement of Insurance Claims, (5) Proceeds from the Settlement of Corporate-Owned Life Insurance Policies, including Bank-Owned Life Insurance Policies, (6) Distributions Received from Equity Method Investees, (7) Beneficial Interests in Securitization Transactions, and (8) Separately Identifiable Cash Flows and Application of the Predominance Principle. Howard has assessed and evaluated ASU number 2016-15 and determined it is applicable to its operations. These new pronouncements will be adopted in fiscal year 2019.

In August 2016, the FASB issued ASU number 2016-14 (Topic 958), *Not-for-Profit Entities.* The ASU provides guidance improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entity's (NFP's) such as liquidity, financial performance, and cash flows so useful information can be provided to donors, grantors, creditors, and other users of financial statements. This Update makes several improvements to current reporting requirements that address, among others, the following problems: (1) Complexities about the use of the currently required three classes of net assets that focus on the absence or presence of donor-imposed restrictions and whether those restrictions are temporary or permanent, (2) Deficiencies in the transparency and utility of information useful in assessing an entity's liquidity caused by potential misunderstandings and confusion about the term *unrestricted net assets* and how restrictions or limits imposed by donors, grantors, laws, contracts, and governing boards affect an entity's liquidity, classes of net assets, and financial performance, (3) Inconsistencies in the type of information provided about expenses of the period, and (4) Impediment of preparing the indirect method reconciliation if an NFP chooses to use the direct method of presenting operating cash flows. This new pronouncement will be adopted in fiscal year 2019.

In January 2016, the FASB issued ASU number 2016-01 (Subtopic 825-10), *Financial Instruments—Overall.* The ASU provides guidance on certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Board also is addressing measurement of credit losses on financial assets in a separate project. The updates affect all entities that hold financial assets or owe financial liabilities. The amendments in this Update make targeted improvements to generally accepted accounting principles (GAAP) as follows: (1) Require equity investments to be measured at fair value with changes in fair value recognized in net income, (2) Simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (3) Eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities, (4) Eliminate the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (5) Require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (6) Require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (7) Require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements, and (8)

(amounts in thousands)

Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. Howard is currently evaluating and assessing ASU number 2016-01 to determine whether it applies to its operations due to the entities that either hold investments or debt.

In April 2015, the FASB issued ASU number 2015-04 (Topic 715), *Compensation—Retirement Benefits: Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets.* The ASU provides guidance on reducing the complexity in accounting standards by identifying, evaluating, and improving areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. A reporting entity with a fiscal year-end that does not coincide with a month-end may incur more costs than other entities when measuring the fair value of plan assets of a defined benefit pension or other postretirement benefit plan. Howard has assessed and evaluated ASU number 2015-04 and determined it is applicable to its operations. This new pronouncement was adopted in fiscal year 2017.

(r) ***Reclassifications***

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.

2. Receivables

Accounts receivable, prior to adjustment for doubtful collections, are summarized as follows at fiscal years ended June 30, 2018 and 2017:

RECEIVABLES	2018	2017
Student	$ 33,140	$ 38,372
Notes	13,467	14,867
Federal appropriation	3,405	3,405
Patients and third-party payors - Hospital	87,493	86,729
Patients and third-party payors - FPP	6,656	7,552
Patients and third-party payors - Dental	1,908	2,401
Grants and contracts	16,477	13,283
Contributions	10,726	6,052
Insurance claims	3,954	-
Auxiliary services	5,190	5,600
Other	6,447	3,943
Total	**$ 188,863**	**$ 182,204**

(amounts in thousands)

Other receivables include checks pending deposit at year end, rent receivables and certain vendor credit balances.

Allowance for doubtful receivables is summarized as follows at fiscal years ended June 30, 2018 and 2017:

ALLOWANCE FOR DOUBTFUL ACCOUNTS	2018	2017
Student	$ 12,520	$ 20,531
Notes	6,421	7,315
Patients and third-party payors - Hospital	49,657	36,315
Patients and third-party payors - FPP	3,199	1,270
Patients and third-party payors - Dental	538	1,082
Grants and contracts	616	616
Contributions	3,029	2,867
Insurance claims	-	-
Auxiliary services	506	819
Other	-	-
Totals	**$ 76,486**	**$ 70,815**
Total receivables, net	**$ 112,377**	**$ 111,389**

Provision for bad debt is summarized as follows at fiscal years ended June 30, 2018 and 2017:

PROVISION FOR BAD DEBT	2018	2017
Non-clinical services:		
Student services	$ 6,276	$ (1,614)
Notes	(788)	1,532
Grants and contracts	-	(500)
Contributions	162	812
Other	22	(7)
Total non-clinical	**$ 5,672**	**$ 223**
Clinical services:		
Patients and third-party payors - Hospital	36,292	38,245
Patients and third-party payors - FPP	6,221	12,905
Patients and third-party payors - Dental	(199)	84
Total clinical services	**$ 42,314**	**$ 51,234**
Total provision for bad debt	**$ 47,986**	**$ 51,457**

Bad debt expense of $5,672 and $223 for fiscal years ended June 30, 2018 and 2017, respectively, reflected in total operating expenses under Institutional support 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.

(amounts in thousands)

Contributions receivable at June 30, 2018 and 2017 are expected to be received as follows:

CONTRIBUTIONS RECEIVABLE	2018	2017
Within one year	$ 4,510	$ 2,829
Between one and five years	6,960	3,355
Thereafter	394	552
Contributions receivable gross	11,864	6,736
Unamortized discount on contributions receivable (2%-6.5%)	(1,138)	(684)
Contributions receivable, net of discounts	10,726	6,052
Allowance for uncollectible contributions	(3,029)	(2,867)
Contributions receivable, net of discounts and allowance	$ 7,697	$ 3,185

3. Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2018 and 2017 are as follows:

INVENTORIES, PREPAIDS, AND OTHER ASSETS	2018	2017
Inventories - Hospital	$ 3,784	$ 4,097
Prepaid expenses	7,738	6,755
Dialysis joint venture interest	4,753	5,054
Beneficial interest trust	5,968	5,601
Self-insured assets	6,248	7,972
Intellectual property costs	1,240	1,337
Other	552	458
Total	**$ 30,283**	**$ 31,274**

(amounts in thousands)

4. Deposits with Trustees and Self-insured Liabilities

DEDICATED ASSETS		
	2018	**2017**
Debt service reserve	$ 13,386	$ 13,220
Professional liability	-	-
Workers' compensation	4	9
Health insurance trust	1,728	2,230
Total	**$ 15,118**	**$ 15,459**
LIABILITIES		
	2018	**2017**
Professional liability	$ 46,979	$ 53,976
Workers' compensation	14,442	15,861
Health insurance trust	5,670	4,377
Total	**$ 67,091**	**$ 74,214**

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

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

(b) ***Professional Liability***

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice that have been asserted against the Hospital and certain faculty physicians are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2018. 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, 2018 and 2017 of approximately $46,979 and $53,976, respectively is adequate to provide for losses resulting from probable asserted and unasserted claims and pending or threatened litigation.

(amounts in thousands)

Professional liability activity is summarized as follows for fiscal years ended June 30, 2018 and 2017 in the table below.

PROFESSIONAL LIABILITY	2018	2017
Beginning balance	$ 53,976	$ 59,127
Malpractice claims expense	6,153	6,081
Settlement payments	(13,150)	(11,232)
Ending balance	**$ 46,979**	**$ 53,976**

(c) *Workers' Compensation*

Prior to July 1, 2012, Howard had established a revocable trust fund to partially provide for the satisfaction of its liability under applicable workers' compensation liability. The assets in the workers' compensation trust fund consisted of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. As of June 30, 2018, workers' compensation liabilities are being satisfied as claims arise. For fiscal years ended June 30, 2018 and 2017, Howard maintained $6,248 and $7,972 in letters of credit, respectively, which serve as collateral for specific insurance carriers. Howard is self-insured for workers' compensation claims up to per occurrence retention of $500. The excess is covered through commercial insurance.

For fiscal years ended June 30, 2018 and 2017 expenses related to workers' compensation were $2,318 and $5,670, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately $14,442 and $15,861 at June 30, 2018 and 2017, 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 $0 at June 30, 2018 and 2017, net of allowances for uncollectible amounts and are reflected in other receivables.

(d) *Health Insurance*

Prior to July 1, 2012, Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consisted primarily of investments in money market funds. As of June 30, 2018, 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, 2018 and 2017, is approximately $5,670 and $4,377, respectively.

5. Fair Value Measurements

Howard applies applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish a hierarchy which consists of 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, 2018 and 2017 are subject to fair value accounting.

(amounts in thousands)

Fair value as of June 30, 2018 is as follows:

FAIR VALUE AS OF JUNE 30, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	$ -	$ 3,117	$ -	$ 3,117
Deposits with trustees (7)	1,732	13,386	-	15,118
Other assets (8)	6,248	-	5,968	12,216
Total assets (non investment)	**$ 7,980**	**$ 16,503**	**$ 5,968**	**$ 30,451**
Operating investments				
Common Stock (3)	39,940	-	-	39,940
Total operating investments	**$ 39,940**	**$ -**	**$ -**	**$ 39,940**
Restricted investments				
Money Market Instrument (1)	-	1,036	-	1,036
Common Stock (3)	49,672	-	-	49,672
Private Equity (4)	-	-	3,156	3,156
Real Estate (4)	-	-	250	250
Total restricted investments	**$ 49,672**	**$ 1,036**	**$ 3,406**	**$ 54,114**
Endowment investments				
Money Market Fund (1)	8,870	50,901	-	59,771
Comingled Funds				
Emerging Market Equity (3)	-	35,128	-	35,128
Global Fixed Income Security (2)	-	38,588	-	38,588
International Equity Security (3)	-	118,435	-	118,435
Domestic Common Stock (3)	-	-	-	-
Commodity Inflation Hedging (8)	-	12,897	-	12,897
Common Stock (3)	63,351	-	-	63,351
Fixed Income				
Mortgage Backed Securities (2)	-	-	-	-
Corporate Bond (2)	-	12	-	12
Government Bond (2)	-	-	-	-
Hedge Funds				
Distressed Debt (4)	-	-	-	-
Equity Long/short (4)	-	20,777	-	20,777
Event driven (4)	-	-	12	12
Global opportunities (4)	-	5,832	-	5,832
Multi-strategy (4)	-	34,585	2	34,587
Credit Opportunities (4)	-	10,150	-	10,150
Mutual Funds				
Emerging Market Equity Security (3)	15,458	-	-	15,458
Domestic Common Stock (3)	36,527	-	-	36,527
Domestic Fixed Income (2)	83,341	-	-	83,341
International Equity Security (3)	10,069	-	-	10,069
Private Equity and Venture Capital (4)	-	-	105,268	105,268
Real estate (4)	-	-	38,698	38,698
Total endowment investments	**$ 217,616**	**$ 327,305**	**$ 143,980**	**$ 688,901**
Total investments	**$ 307,228**	**$ 328,341**	**$ 147,386**	**$ 782,955**
Assets not subject to fair value reporting	718	-	-	718
Liabilities not subject to fair value reporting	(1,057)	-	-	(1,057)
Total assets and liabilities measured at fair value	**$ 314,869**	**$ 344,844**	**$ 153,354**	**$ 813,067**

Level 3 investments were 19% of total investments.

(amounts in thousands)

Fair value as of June 30, 2017 is as follows:

FAIR VALUE AS OF JUNE 30, 2017	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	$ -	$ 3,038	$ -	$ 3,038
Deposits with trustees (7)	2,239	13,220	-	15,459
Other assets (8)	7,972	-	5,601	13,573
Total assets (non investment)	**$ 10,211**	**$ 16,258**	**$ 5,601**	**$ 32,070**
Operating investments				
Common Stock (3)	39,851	-	-	39,851
Total operating investments	**$ 39,851**	**$ -**	**$ -**	**$ 39,851**
Restricted investments				
Money Market Instrument (1)	-	1,112	-	1,112
Common Stock (3)	42,799	-	-	42,799
Private Equity (4)	-	-	3,052	3,052
Real Estate (4)	-	-	250	250
Total restricted investments	**$ 42,799**	**$ 1,112**	**$ 3,302**	**$ 47,213**
Endowment investments				
Money Market Fund (1)	418	62,064	-	62,482
Common/collective trusts				
Emerging Market Equity (3)	-	54,433	-	54,433
Global Fixed Income Security (2)	-	33,743	-	33,743
International Equity Security (3)	-	118,895	-	118,895
Commodity Inflation Hedging (8)	-	11,471	-	11,471
Common Stock (3)	60,552	-	-	60,552
Fixed income				
Corporate Bond (2)	-	25	-	25
Hedge funds				
Equity Long/short (4)	-	13,244	-	13,244
Event driven (4)	-	-	12	12
Global opportunities (4)	-	6,332	-	6,332
Multi-strategy (4)	-	23,800	62	23,862
Mutual funds investment				
Emerging Market Equity Security (3)	34,904	-	-	34,904
Domestic Common Stock (3)	31,801	-	-	31,801
Domestic Fixed Income (2)	78,021	-	-	78,021
International Equity Security (3)	10,452	-	-	10,452
Limited partnerships (4)	-	-	84,459	84,459
Real estate (4)	-	-	21,536	21,536
Total endowment investments	**$ 216,148**	**$ 324,007**	**$ 106,069**	**$ 646,224**
Total investments	**$ 298,798**	**$ 325,119**	**$ 109,371**	**$ 733,288**
Assets not subject to fair value reporting (9)	**1,239**	**-**	**-**	**1,239**
Liabilities not subject to fair value reporting (9)	**(907)**	**-**	**-**	**(907)**
Total assets and liabilities measured at fair value	**$ 309,341**	**$ 341,377**	**$ 114,972**	**$ 765,690**

Level 3 investments were 15% 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 underlying trust assets comprise of a variety of investments, primarily exchange-traded funds and corporate fixed income. 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

(amounts in thousands)

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.

(9) Assets and liabilities not subject to fair value reporting represent exchanges between the University and its investment managers that have been entered into but not settled by the reporting date of June 30, 2018. These transactions are shown net with endowment investments.

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, 2018 is as follows:

CHANGES IN LEVEL 3 FOR THE PERIOD ENDED JUNE 30, 2018	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2017	$ 87,511	$ 74	$ 21,786	$ 5,601	$ 114,972
Gain and Loss (Realized and unrealized)	11,881	(60)	5,082	367	17,270
Acquisitions	29,321	-	19,600	-	48,921
Sales	(20,289)	-	(7,520)	-	(27,809)
Balance June 30, 2018	**$ 108,424**	**$ 14**	**$ 38,948**	**$ 5,968**	**$ 153,354**
Change in unrealized investments held	**$ 11,353**	**$ 2**	**$ 9,050**	**$ 367**	**$ 20,772**

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2018. Transfers, when made, are deemed to be made at the end of the fiscal year.

(amounts in thousands)

Changes in Level 3 securities for the period ended June 30, 2017 is as follows:

CHANGES IN LEVEL 3 FOR THE PERIOD ENDED JUNE 30, 2017	Private Equity and Venture Capital	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2016	$ 78,680	$ 86	$ 17,113	$ 5,588	$ 101,467
Gain and Loss (Realized and unrealized)	12,040	(12)	2,085	13	14,126
Acquisitions	23,008	-	9,885	-	32,893
Sales	(26,217)	-	(7,297)	-	(33,514)
Balance June 30, 2017	**$ 87,511**	**$ 74**	**$ 21,786**	**$ 5,601**	**$ 114,972**
Change in unrealized investments held	**$ 2,628**	**$ 37**	**$ 893**	**$ 13**	**$ 3,571**

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2017. Transfers, when made, are deemed to be made at the end of the fiscal year.

Net investment income (loss) is summarized as follows for fiscal years June 30, 2018 and 2017:

NET INVESTMENT INCOME (LOSS)	2018	2017
Interest and dividends	$ 9,728	$ 13,559
Net realized gains	35,004	37,535
Net unrealized gains (losses)	23,982	38,591
Other investment income, net of expense	297	99
Investment expenses	(5,274)	(3,809)
Net investment income (loss)	**$ 63,737**	**$ 85,975**
Current year unrestricted operating return (loss)	**$ 4,541**	**5,270**
Current year non-operating investment return (loss):		
Unrestricted	31,406	41,152
Restricted	27,790	39,553
Total current year investment return	**$ 63,737**	**$ 85,975**
Prior year return designated for current operations:		
Unrestricted	(9,967)	(6,954)
Restricted	(12,230)	(8,174)
Total designated for current operation	**$ (22,197)**	**$ (15,128)**
Net non-operating investment return:		
Unrestricted	21,439	34,198
Restricted	15,560	31,379

(amounts in thousands)

Liquidity Terms and Unfunded Commitments – The following tables represent Howard's investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2018 and 2017. 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, 2018	Fair Value	Unfunded Commitments	Redemption / Withdrawal Frequency	Redemption / Withdrawal Notice Period
Hedge funds	$ 71,358	$ -	Monthly - Annually	45 - 90 days
Real estate funds	38,948	16,934	-	2 – 10 years
Common/collective trusts	205,161	-	Monthly	-
Limited partnerships	108,424	67,330	-	≤ 10 years

INVESTMENTS AS OF JUNE 30, 2017	Fair Value	Unfunded Commitments	Redemption / Withdrawal Frequency	Redemption / Withdrawal Notice Period
Hedge funds	$ 43,450	$ -	Monthly - Annually	45 - 90 days
Real estate funds	21,786	11,473	-	2 – 10 years
Common/collective trusts	218,665	-	Monthly	-
Limited partnerships	87,511	59,381	-	≤ 10 years

6. Endowment Fund

Howard's endowment includes approximately 900 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. 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.

(amounts in thousands)

As of fiscal years ended June 30, 2018 and 2017 total endowment funds classified as permanently restricted and temporarily restricted net assets were:

RESTRICTED ENDOWMENT	2018	2017
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:	**$ 94,720**	**$ 90,663**
Temporarily Restricted Net Assets		
Time restricted funds	155,010	146,907
The portion of perpetual endowment funds subject to a time restriction under DC UPMIFA:		
Without purpose restrictions	4,543	4,048
With purpose restrictions	63,723	56,662
Total endowment funds classified as temporarily restricted net assets	**$ 223,276**	**$ 207,617**

The change in value and the composition of amounts classified as endowment as of June 30, 2018 is as follows:

ENDOWMENT CHANGE IN VALUE FOR PERIOD ENDING JUNE 30, 2018	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	**$ 351,681**	**$ 207,617**	**$ 90,663**	**$ 649,961**
Adjustment to Beginning Balance	-	-	-	-
Adjusted Beginning Balance	**$ 351,681**	**$ 207,617**	**$ 90,663**	**$ 649,961**
Investment return:				
Investment income	3,965	4,893	151	9,009
Net appreciation (realized and unrealized)	20,039	22,768	285	43,092
Total investment return	**$ 24,004**	**$ 27,661**	**$ 436**	**$ 52,101**
Contributions	1,230	3,413	3,627	8,270
Appropriation of endowment assets for operations	(8,973)	(12,996)	(228)	(22,197)
Other changes:				
Match release	2,566	(2,566)	-	-
Transfer and other changes	3,463	147	222	3,832
Endowment net assets, end of year	**$ 373,971**	**$ 223,276**	**$ 94,720**	**$ 691,967**
Donor-restricted endowment funds	(3,209)	223,276	94,720	314,787
Board-designated endowment funds	377,180	-	-	377,180
Endowment net assets, end of year	**$ 373,971**	**$ 223,276**	**$ 94,720**	**$ 691,967**

(amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2017 is as follows:

ENDOWMENT CHANGE IN VALUE FOR PERIOD ENDING JUNE 30, 2017	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	**$ 305,340**	**$ 187,436**	**$ 88,658**	**$ 581,434**
Investment return:				
Investment income	5,785	6,594	178	12,557
Net appreciation (realized and unrealized)	31,198	30,790	279	62,267
Total investment return	**$ 36,983**	**$ 37,384**	**$ 457**	**$ 74,824**
Contributions	162	3,424	1,710	5,296
Appropriation of endowment assets for operations	(6,257)	(8,709)	(162)	(15,128)
Other changes:				
Match release	11,985	(11,985)	-	-
Transfer and other changes	3,468	67	-	3,535
Endowment net assets, end of year	**$ 351,681**	**$ 207,617**	**$ 90,663**	**$ 649,961**
Donor-restricted endowment funds	(4,740)	207,617	90,663	293,540
Board-designated endowment funds	356,421	-	-	356,421
Endowment net assets, end of year	**$ 351,681**	**$ 207,617**	**$ 90,663**	**$ 649,961**

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, 2018 and 2017 receivables of $3,405 and $3,405, respectively were recorded, and represent the difference between endowment investments reflected on consolidated statements of financial position and endowment net assets reported above.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in unrestricted net assets and totaled $3,209 and $4,740 as of fiscal years ended June 30, 2018 and 2017, 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 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 4 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.

(amounts in thousands)

7. Long-Lived Assets

LONG-LIVED ASSETS	2018	2017
Land and land improvements	$ 40,750	$ 27,996
Buildings and building improvements	871,565	876,234
Property held for expansion	56,929	54,819
Property held under leases	28,773	28,236
Furniture and equipment	331,188	332,674
Library books	92,106	91,736
Software	115,988	118,532
Software in progress	369	111
Construction in progress	12,714	10,390
Long-lived assets, gross	1,550,382	1,540,728
Accumulated depreciation and amortization	(1,040,121)	(1,022,773)
Long-lived assets, net	**$ 510,261**	**$ 517,955**

For the fiscal year ended June 30, 2018 there were $18,392 in sales, disposals and retirements and for the fiscal year ended June 30, 2017 there were $1,210 in disposals.

Depreciation expense for the years ended June 30, 2018 and 2017 were $40,491 and $45,133, respectively. For fiscal years ended June 30, 2018 and 2017, respectively, net interest costs of $0 and $0 were incurred during construction and capitalized as part of the cost of capital projects.

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

(amounts in thousands)

8. Accounts Payable and Accrued Expenses

Components of this liability account at fiscal years ended June 30, 2018 and 2017 are as follows:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2018	2017
Vendor invoices	$ 94,356	$ 59,688
Accrued salaries and wages	24,268	23,652
Accrued employee benefits	3,807	3,261
Accrued annual leave	4,840	4,444
Accrued faculty retirement incentive payments	-	1,008
Accrued interest	4,475	4,649
Other	58	90
Total	**$ 131,804**	**$ 96,792**

9. Other Liabilities and Deferred Revenue

These obligations include the following at fiscal years ended June 30, 2018 and 2017:

OTHER LIABILITIES	2018	2017
Environmental liabilities	$ 4,799	$ 5,093
Residence halls	5,621	1,806
Unclaimed property	3,380	3,681
Student deposits and refunds	1,487	3,329
Reserve for legal contingencies	2,450	1,600
Deposits held in custody for others	1,309	703
Other	2,109	3,975
Total	**$ 21,155**	**$ 20,187**

DEFERRED REVENUE	2018	2017
Deferred tuition, room and board	$ 1,727	$ 3,145
Deferred grant revenue	13,186	11,190
Deferred savings incentive revenue	575	1,175
Other	4,717	349
Total	**$ 20,205**	**$ 15,859**

(amounts in thousands)

Amounts for the fiscal years ended June 30, 2018 and 2017, were as follows:

ENVIRONMENTAL LIABILITIES	2018	2017
Accumulated depreciation	$ (4)	$ -
Accretion expense	-	43
Environmental liabilities	4,799	5,093
Total	**$ 4,795**	**$ 5,136**

Howard incurred costs related to remediation during fiscal years ended June 30, 2018 and 2017 of $294 and $1,177, respectively.

10. Leases

Lease Obligations

In fiscal year 2016, Howard University elected to adopt ASC 842 – *Leases*. The new standard defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (the underlying asset) for a period of time in exchange for consideration.

The primary difference between accounting for leases under ASC 840 and the new guidance under ASC 842 is the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. Accordingly, Howard has recognized all lease assets and liabilities, with certain exceptions, on its statements of financial position. Both financing leases and operating leases create an asset (right-of-use or ROU asset) and a liability measured at the present value of the lease payments.

The classification criteria in ASC 842 for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under ASC 840. Under ASC 842, a lessee finance lease exists when any of the following criteria are met at lease commencement:

a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.

b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

c. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.

d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in accordance with paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.

e. The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

A lessor would classify a lease having any of the above characteristics as a sales-type lease.

If the lease has none of the above characteristics, then a lessee would classify the lease as an operating lease. A lessor would classify the lease as either an operating lease or a direct financing lease.

Howard measures its lease assets and lease liabilities using the discount rate implicit in the lease. If that rate is not available or readily determinable, Howard uses its incremental borrowing rate.

Howard has elected to use the practical expedient election under ASC 842-10-15-37. The Practical expedient election allows the lessee to elect by class to choose not to separate non-lease components from lease components and instead account for each lease component as a single lease.

Finance Leases

In June 2017, Howard University entered into a seven-year network management service agreement with IBM, which commenced on August 1, 2017, for equipment that included an imbedded lease. The agreement is to achieve efficiencies and improvements to the University's IT services and infrastructure. Howard considered that the agreement grants the University the rights to control and direct the use of the equipment and software upon installation, as well as to obtain the economic benefits from the use of the equipment and software in determining that the contract contains a lease. Further, there is specific documentation that identifies the specific assets installed. Howard has elected to use the practical expedient election under ASC 842-10-15-37, which allows the lessee to not separate non-lease components from lease components and instead account for each lease component as a single lease.

Howard determined that the lease is a finance type lease as there is transfer of ownership of the underlying assets, and the lease term is equal to 75% or more of the economic life of the underlying assets. Howard has the right to terminate the IBM agreement upon at least 90 days written notice. There is no extension to the initial term unless a new statement of work is enacted. The contract covers all properties of the University including 75 buildings set forth in several phases identified as the "transition and transformation phase." The consideration for the lease consists of annual fixed lease payments. The discount used to calculate the present value of the lease asset and obligation was the incremental borrowing rate of 6.5% for the University.

(amounts in thousands)

Howard is obligated under other finance leases for office, technology and medical equipment that extend through 2024, and the chiller plant that extends through 2031, in the amounts of $54,756 and $29,115, respectively at fiscal years ended June 30, 2018 and 2017. Lease payments for the chiller plant include both fixed and variable payments. The variable payments are based upon consumption exceeding the threshold specified in the lease.

Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities. With the exception of leases for certain medical equipment that will expend its useful life by the end of the lease, Howard has included renewal periods in its assessment of lease terms. The right-of-use assets are amortized over their estimated useful lives. The finance lease right-of-use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

RIGHT OF USE ASSETS – FINANCE LEASE	2018	2017
Right of use assets - financing	$ 121,944	$ 85,152
Accumulated amortization	(65,859)	(59,222)
Right of use assets, net	**$ 56,085**	**$ 25,930**

The discount rates used in measuring the finance right-of-use assets and liabilities are the rates as explicitly stated in each lease.

At June 30, 2018, the future minimum lease payments under finance leases (with initial or remaining lease terms in excess of one year) are as follows:

LEASE OBLIGATIONS	FINANCE LEASES
Future principal and interest years ending June 30	
2019	$ 11,350
2020	10,003
2021	9,520
2022	8,871
2023	8,208
2024 and thereafter	26,663
Obligation, gross	74,615
Amounts representing interest rates from 2% to 10%	(19,859)
Total Lease Obligations, net	**$ 54,756**

(amounts in thousands)

At June 30, 2018, the minimum interest payments under finance leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

LEASE OBLIGATIONS - INTEREST	FINANCING LEASES
Future principal and interest years ending June 30	
2019	$ 3,618
2020	3,155
2021	2,703
2022	2,257
2023	1,817
2024 and thereafter	6,309
Total Lease Obligations interest	**$ 19,859**

Operating Leases

Howard has several non-cancelable operating leases for broadcast antennas, equipment and a vehicle fleet that extend through 2029.

Rent expense is recognized on a straight-line basis and is allocated in the statements of activities by function. Rent expense related to building space and equipment for fiscal years ended June 30, 2018 and 2017 was $6,837 and $9,626, respectively. Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities, and has included renewal periods in its assessment of lease terms. The right-of-use assets are amortized over their estimated useful lives. The operating lease right-of-use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

RIGHT OF USE ASSETS – OPERATING LEASE	2018	2017
Right of use assets - operating	$ 3,764	$ 4,599
Right of use assets, net	**$ 3,764**	**$ 4,599**

(amounts in thousands)

At June 30, 2018, the minimum future payments under operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

LEASE OBLIGATIONS	OPERATING LEASES
Future principal and interest years ending June 30	
2019	$ 455
2020	453
2021	467
2022	482
2023	500
2024 and thereafter	3,063
Obligation, gross	$ 5,420
Amounts representing interest rates from 2% to 10%	(1,572)
Total Operating Lease Obligations, net	**$ 3,848**

LEASE OBLIGATIONS - INTEREST	OPERATING LEASES
Future interest years ending June 30	
2019	$ 244
2020	230
2021	215
2022	197
2023	178
2024 and thereafter	509
Total Lease Obligations Interest	**$ 1,573**

Lease Income

Sales-Type Lease

In August 2017, Howard entered into lease contracts related to the Carver Hall transaction and the Slowe Hall transactions and determined the leases were sales-type leases under ASC 842. The ground leases were assessed as sales-type leases due to the length of the term (99 years) and the fair value of the land and building relative to the consideration received. Because of these factors, the net investment in the leases were determined to be zero. There are no residual value guarantees, renewal options, or variable lease payments.

As a result of both ground leases, Howard recognized gains of $6,891 and $9,415, respectively, in its statements of activities for the year ended June 30, 2018 and removed the related land and building assets from its books.

(amounts in thousands)

Lessor Operating Leases

Howard has assessed all contracts that convey control of its assets to third parties as lessor leases. Lessors recognize an unbilled lease receivable for their operating leases. Such treatment results in the recognition of lease income on a straight-line basis, while the underlying leased asset remains on the lessor's statement of financial position and is continuously depreciated.

Howard has several operating leases for retail and commercial space for which rent payments are fixed at the time of lease commencement. Howard considered the likelihood of its tenants exercising renewal or termination terms in its leases, based upon prior renewals or extensions, sales and revenue forecasts, etc. in determining the ultimate term of the lease. Some tenants have the option of re-negotiating a new agreement upon the termination of the lease or extending the terms in the current lease for another couple of years or go on a month-to-month lease. Termination terms are explicitly stated in each lease agreement as both the Lessor and Lessee can exercise rights to terminate the agreement. Lease payments are governed by the lease agreement and are generally fixed, although some lease agreements provide for payment escalations based on CPI. Howard only includes consideration for lease components in its determination of lease payments.

Howard's leased properties are comprised of (1) the Wonder Plaza Building, (2) land dedicated to use as parking lots, (3) space available on the top of certain buildings, and (4) ground leases (Provident and Barry Place). Other standalone buildings owned by Howard are leased to private companies such as (5) a public charter school, (6) a car rental company, and (7) a pharmacy. Howard also leases space in the Hospital to a large private pharmacy. Howard's leases do not have any provisions for tenants to purchase the underlying asset being leased at the end of the lease term, or that provide for residual value guarantees.

Howard University receives rental income under these lease agreements, which have termination dates through 2024 and thereafter. The total lease income received for fiscal years ended June 30, 2018 and 2017 was $3,965 and $2,059, respectively and are reported in real property revenue on the statements of activities.

LEASE INCOME	**2018**	**2017**
Sales Type Lease Income		
Lease Payments	$ 18,392	$ -
Less: Leased Assets Book Values	$ 2,086	$ -
Total Sales Type Lease Income	$ 16,306	$ -
Operating Lease Income	$ 3,965	$ 2,059
Total Lease Income	**$ 20,271**	**$ 2,059**

(amounts in thousands)

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

FUTURE MINIMUM LEASE INCOME	JUNE 30
2019	$ 1,809
2020	1,830
2021	1,872
2022	1,932
2023	1,960
2024 and thereafter	18,004
Total Minimum Lease Income Receipts	**$ 27,407**

Certain additional supplemental quantitative information as required under ASC 842 is as follows for the fiscal years ended June 30:

LEASE EXPENSE	2018	2017
Finance lease expense:		
Amortization of right of use assets	$ (676)	$ 7,526
Interest on lease liabilities	3,951	2,345
Operating lease expense	542	456
Total	**$ 3,817**	**$ 10,327**
Other information	**2018**	**2017**
Cash paid for amounts included in the measurements of lease liabilities for finance leases:		
Operating cash flows	$ 3,951	$ 2,345
Financing cash flows	9,490	6,945
Cash paid for amounts included in the measurement of lease liabilities for operating leases:		
Operating cash flows	835	409
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Finance leases	34,942	6,784
Operating leases	-	2,818
Weighted-average remaining lease term (in years):		
Finance leases	8.38	10.22
Operating leases	10.44	11.48
Weighted-average discount rate:		
Finance leases	7.14%	7.57%
Operating leases	6.50%	6.50%

(amounts in thousands)

11. Bonds and Notes Payable

(a) ***Bonds Payable***

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

BONDS PAYABLE	2018	2017
District of Columbia issues:		
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	$ 6,161	$ 6,847
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	192,145	192,145
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	59,639	61,750
2016 Revenue bonds 1.98% Serial due 2015 through 2031	160,000	160,000
Total bonds payable, gross	**$ 417,945**	**$ 420,742**
Unamortized bond premium (discount)	(4,873)	(5,093)
Unamortized bond issuance costs	(4,428)	(4,683)
Total bonds payable, net	**$ 408,644**	**$ 410,966**

(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 the fiscal year ended June 30, 2018 the fund balance was $13,386.

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.

(amounts in thousands)

In fiscal year 2017, Howard University entered into a Service Concession Agreement with Corvias Campus Living – HU, LLC. resulting in a bond defeasance of $33,105 for the 2011A Bonds. The defeased bonds are deemed to be paid and no longer outstanding bonds of the District of Columbia. This is reported as a part of income from continuing operations on the statement of activities after total operating expenses. See Note 22 for a description of the Service Concession Agreement.

MATURITY DATE REFUNDED BONDS	REDEEMED PRINCIPAL	RATE	CALL DATE
10/1/2027	$ 8,645	5.75%	4/1/2021
10/1/2032*	22,755	6.25%	4/1/2021
10/1/2037*	440	6.50%	4/1/2021
10/1/2041*	1,265	6.50%	4/1/2021
Total	**$ 33,105**		

**The amounts shown for these maturities represent a portion of the principal amount of the bonds originally issued. Only the specified portions of the principal amounts provided in this notice have been defeased as of the defeasance date.*

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

2011 Bond proceeds of $19,782 were used to create a deposit for capitalized interest. The remaining balance of this fund is $0 at June 30, 2018 and 2017.

(3) **2016 Revenue Bonds**

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

(4) **Fair Value of Bonds**

Currently the estimated fair value of Howard’s bonds is determined based on quoted market prices. At fiscal years ended June 30, 2018 and 2017, the estimated fair value was approximately $436,340 and $437,210, 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.

(amounts in thousands)

(b) ***Notes Payable***

In June 2016, Howard entered into a $75,000 JP Morgan Chase Revolving Credit Agreement. There was no outstanding balance at June 30, 2018 and 2017. The initial agreement terminates in June 2019. Howard is obligated to pay a quarterly non-refundable commitment fee. The Commitment fee shall be payable upon availability of funds commencing on October 1, 2016.

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

The 2011 Bond, 2016 Revenue Bonds and Revolving Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2018.

COVENANT	INSTRUMENT	MEASUREMENT DATE	CRITERIA
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2016 Revenue Bonds	June 30 each year	1.10:1.00
Liquidity Ratio	Revolving Credit Agreement	Quarterly	$160 million

At June 30, 2018 and 2017, Howard was compliant with the Liquidity Ratio measurements and with the Debt Service Coverage Ratio measurements for the 2011 and 2016 Revenue Bonds and the Revolving Credit Agreement.

(amounts in thousands)

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

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

AGGREGATE ANNUAL MATURITIES	2018	2017
2018	$ -	$ 12,101
2019	11,675	12,079
2020	13,736	14,148
2021	14,502	14,957
2022	15,316	15,786
2023	16,148	16,643
2024 and thereafter	346,568	335,028
Subtotal	417,945	420,742
Bond premiums/(discounts)	(4,873)	(5,093)
Bond issuance costs	(4,428)	(4,683)
Total	**$ 408,644**	**$ 410,966**

12. Retirement Plans

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

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

During fiscal year 2017 there was a reduction to the life insurance benefits of future retirees for Howard plans which created a new prior service cost base of

$8,635 to be recognized starting in fiscal year 2018. Howard stopped including the value of fully-insured premium payments in both Employee contributions and Benefits paid from plan because the non-Class I post-65 retirees moved out of the Howard plan into an exchange. This had no impact on net obligations or net payments from the plan.

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 $1,383 and $1,533 at fiscal years ended June 30, 2018 and 2017, respectively. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of $921 and $999 at June 30, 2018 and 2017, 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, 2018 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 active financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Voya Financial. Effective July 1, 2011 Lincoln Financial was replaced as a financial administrator by Voya Financial. While Lincoln Financial is no longer an active financial administrator of Howard, employees with investments with Lincoln are still allowed to hold their investments with Lincoln Financial. 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 $18,231 and $22,052 for fiscal years ended June 30, 2018 and 2017, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2018 and 2017 were $982,470 and $970,291, respectively. These investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

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

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, 2018 and 2017 are as follows:

(amounts in thousands)

Retirement Benefits	Pension 2018	Pension 2017	Medical and Life Insurance 2018	Medical and Life Insurance 2017	Supplemental 2018	Supplemental 2017
Change in benefit obligation						
Projected benefit obligation at beginning of year	$ 679,561	$ 701,879	$ 54,995	$ 67,608	$ 1,533	$ 1,711
Service Cost	-	-	223	588	-	-
Interest Cost	26,610	26,375	2,140	2,588	57	62
Actuarial (gain)/loss	(8,085)	(11,013)	(6,110)	(3,445)	37	4
Benefits paid	(41,294)	(37,680)	(3,624)	(4,676)	(244)	(244)
Medicare Part D subsidy	-	-	-	72	-	-
Employee contributions	-	-	817	895	-	-
Plan curtailments			-	-	-	-
Plan amendments	-	-	-	(8,635)	-	-
Projected benefit obligation at end of period	**$ 656,792**	**$ 679,561**	**$ 48,441**	**$ 54,995**	**$ 1,383**	**$ 1,533**
Change in plan assets:						
Fair value of plan assets at beginning of year	540,515	535,201	-	-	-	-
Actual return on plan assets	29,531	42,994	-	-	-	-
Employer contributions	11,233	-	2,807	3,709	-	-
Employee contributions	-	-	817	895	244	244
Medicare Part D subsidy	-	-	-	72	-	-
Benefits paid	(41,294)	(37,680)	(3,624)	(4,676)	(244)	(244)
Fair value of plan assets at end of period	**$ 539,985**	**$ 540,515**	**$ -**	**$ -**	**$ -**	**$ -**
Total	**$ (116,807)**	**$ (139,046)**	**$ (48,441)**	**$ (54,995)**	**$ 1,383**	**$ 1,533**

Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at fiscal years ended June 30, 2018 and 2017:

Retirement Benefits	Pension 2018	Pension 2017	Medical and Life Insurance 2018	Medical and Life Insurance 2017	Supplemental 2018	Supplemental 2017
Recognized in Statement of Activities						
Amortization of transition obligation	$ -	$ -	$ -	$ -	$ -	$ -
Amortization of prior service cost	100	100	-	-	-	-
Amortization of net actuarial loss	8,695	9,467	458	581	115	112
Total amortization	**$ 8,795**	**$ 9,567**	**$ 458**	**$ 581**	**$ 115**	**$ 112**
Service Cost	-	-	223	588	-	-
Interest Cost	26,610	26,375	2,140	2,588	57	62
Curtailment recognition of prior service credit	-	-	(13,314)	(11,825)	-	-
Expected return on plan assets	(30,975)	(30,821)	-	-	-	-
Recognized in operating expenses	**$ 4,430**	**$ 5,121**	**$ (10,493)**	**$ (8,068)**	**$ 172**	**$ 174**
Amortization of transition obligation	-	-	-	-	-	-
Amortization of prior service cost	(100)	(100)	-	-	-	-
Amortization of net actuarial loss	(8,695)	(9,467)	(458)	(581)	(115)	(112)
Total amortization	**$ (8,795)**	**$ (9,567)**	**$ (458)**	**$ (581)**	**$ (115)**	**$ (112)**
Net actuarial (gain) loss during the year	(6,641)	(23,187)	(6,110)	(2,509)	37	4
Curtailment recognition of prior service credit	-	-	13,314	11,825	-	-
New prior service costs arising during period	-	-	-	(8,635)	-	-
Total recognized in other changes in unrestricted net assets	**$ (15,436)**	**$ (32,754)**	**$ 6,746**	**$ 100**	**$ (78)**	**$ (108)**
Total recognized in Statements of Activities	**$ (11,006)**	**$ (27,633)**	**$ (3,747)**	**$ (7,968)**	**$ 94**	**$ 66**

(amounts in thousands)

Amounts included in unrestricted net assets at fiscal years ended June 30, 2018 and 2017:

	Pension		Medical and Life Insurance	
Retirement Benefits	**2018**	**2017**	**2018**	**2017**
Net actuarial loss	$ (252,754)	$ (268,089)	$ 303	$ (6,265)
Prior service cost	(2,301)	(2,401)	13,296	26,610
Total	**$ (255,055)**	**$ (270,490)**	**$ 13,599**	**$ 20,345**

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 $8,296, $100, and $0, respectively.

Contributions to the pension plan of $11,234 and $0, were made in fiscal years ended June 30, 2018 and 2017, respectively. Contributions of $14,264 are projected for fiscal year 2019.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2018 and 2017 were as follows:

	Pension Benefits		Post-retirement Benefits	
Actuarial Assumptions	**2018**	**2017**	**2018**	**2017**
Discount rate	4.39%	4.05%	4.40%	4.05%
Expected return on plan assets	7.00%	7.00%	0.00%	0.00%
Rate of compensation increase	-	-	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2018 and 2017 were as follows:

	Pension Benefits		Post-retirement Benefits	
Actuarial Assumptions	**2018**	**2017**	**2018**	**2017**
Discount rate	4.05%	3.88%	4.05%	3.96%
Expected return on plan assets	7.00%	7.00%	0.00%	0.00%
Rate of compensation increase				
To age 35	-	-	3.50%	3.50%
Thereafter	-	-	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.

(amounts in thousands)

Pension plan investments as of June 30, 2018 were as follows:

PENSION PLAN INVESTMENTS AS OF JUNE 30, 2018	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	$ -	$ 28,762	$ -	$ 28,762
Commingled Funds				
Emerging Market Equity (3)	-	7,212	-	7,212
International Equity-Developed (3)	-	94,556	-	94,556
Domestic Common Stock (3)	-	-	-	-
Commodity Inflation Hedging (8)	-	11,901	-	11,901
Common Stock (3)	54,189	-	-	54,189
Fixed Income	-	-	-	
Mortgage Backed Securities (2)	-	4,481	-	4,481
Corporate Bond (2)	-	50,405	-	50,405
Government Bond (2)	54,573	-	-	54,573
Hedge Fund	-	-	-	
Distressed Debt (4)	-	-	-	-
Credit Opportunities (4)	-	7,111	-	7,111
Equity Long/short (4)	-	9,991	-	9,991
Event Driven (4)	-	-	10	10
Global opportunities (4)	-	6,220	-	6,220
Multi-strategy (4)	-	-	2	2
Mutual Fund	-	-	-	
Emerging Market Equity Security (3)	8,682	-	-	8,682
Domestic Common Stock (3)	40,289	-	-	40,289
International Equity Security (3)	-	-	-	-
Domestic Fixed Income (2)	70,970	-	-	70,970
Private Equity and Venture Capital (4)	-	-	66,827	66,827
Real Estate (4)	-	-	27,611	27,611
Total assets	**$ 228,703**	**$ 220,639**	**$ 94,450**	**$ 543,792**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ 247	$ -	$ 247
Total liabilities	**$ -**	**$ 247**	**$ -**	**$ 247**
Total pension plan investments	**$ 228,703**	**$ 220,886**	**$ 94,450**	**$ 544,039**
Operating asset not subjected to fair value reporting	30,627	-	-	30,627
Operating liabilities not subjected to fair value reporting	(32,993)	-	-	(32,993)
Total plan assets	**$226,337**	**$ 220,886**	**$ 94,450**	**$ 541,673**

Level 3 investments were 17% of total plan investments.

Refer to Note 5 – Fair Value Measurements for explanation of financial instrument classifications.

(amounts in thousands)

Pension plan investments as of June 30, 2017 were as follows:

PENSION PLAN INVESTMENTS AS OF JUNE 30, 2017	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	$ -	$ 6,121	$ -	$ 6,121
Common/Collective Trusts				
Emerging Market Equity (3)	-	13,184	-	13,184
International Equity-Developed (3)	-	97,236	-	97,236
Commodity Inflation Hedging (8)	-	10,590	-	10,590
Common Stock (3)	51,869	-	-	51,869
Fixed Income				
Mortgage Backed Securities (2)	-	4,488	-	4,488
Corporate Bond (2)	-	45,832	-	45,832
Government Bond (2)	87,410	-	-	87,410
Hedge Fund				
Equity Long/short (4)	-	5,773	-	5,773
Global opportunities (4)	-	7,786	-	7,786
Multi-strategy (4)	-	-	45	45
Mutual Fund				
Emerging Market Equity Security (3)	19,197	-	-	19,197
Domestic Common Stock (3)	35,611	-	-	35,611
Domestic Fixed Income (2)	103,504	-	-	103,504
Private Equity and Venture Capital (4)	-	-	67,921	67,921
Real Estate (4)	-	-	15,867	15,867
Total assets	**$ 297,591**	**$ 191,010**	**$ 83,833**	**$ 572,434**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ 681	$ -	$ 681
Total liabilities	**$ -**	**$ 681**	**$ -**	**$ 681**
Total pension plan investments	**$ 297,591**	**$ 191,691**	**$ 83,833**	**$ 573,115**
Operating asset not subjected to fair value reporting (9)	8,901	-	-	8,901
Operating liabilities not subjected to fair value reporting (9)	(41,501)	-	-	(41,501)
Total plan assets	**$264,991**	**$191,691**	**$ 83,833**	**$540,515**

Level 3 investments were 16% of total plan investments.

(amounts in thousands)

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2018.

CHANGES IN LEVEL 3 FOR THE PERIOD ENDED JUNE 30, 2018	PRIVATE EQUITY AND VENTURE CAPITAL	HEDGE FUNDS	REAL ESTATE	TOTAL
Balance July 1, 2017	$ 67,921	$ 46	$ 15,867	$ 83,333
Gain and loss (realized and unrealized)	6,252	(34)	3,775	9,993
Purchases	9,444	-	13,190	22,634
Transfer out and sales	(16,790)	-	(5,222)	(22,011)
Balance at June 30, 2018	**$ 66,827**	**$ 12**	**$ 27,611**	**$ 94,450**
Change in unrealized investments held	**$ 2,885**	**$ (21)**	**$ 2,702**	**$ 5,566**

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2017.

CHANGES IN LEVEL 3 FOR THE PERIOD ENDED JUNE 30, 2017	PRIVATE EQUITY AND VENTURE CAPITAL	HEDGE FUNDS	REAL ESTATE	TOTAL
Balance July 1, 2016	$ 71,620	$ 57	$ 10,790	$ 82,467
Gain and loss (realized and unrealized)	10,653	(12)	1,451	12,092
Purchases	5,331	-	8,031	13,362
Transfer out and sales	(19,683)	-	(4,405)	(24,088)
Balance at June 30, 2017	**$ 67,921**	**$ 45**	**$ 15,867**	**$ 83,833**
Change in unrealized investments held	**$ 55**	**$ (24)**	**$ 435**	**$ 466**

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, 2018 and 2017. 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, 2018	Fair Value	Unfunded Commitments	Redemption / Withdrawal Frequency	Redemption / Withdrawal Notice Period
Hedge funds	$ 24,333	$ -	Monthly - Annually	45 - 90 days
Real estate funds	27,611	28,128	-	2 – 10 years
Common/collective trusts	113,686	-	Monthly	-
Limited partnerships	66,827	30,335	-	≤ 10 years

(amounts in thousands)

INVESTMENTS AS OF JUNE 30, 2017	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	$ 13,621	$ -	Monthly - Annually	45 - 90 days
Real estate funds	15,867	7,766	-	2 – 10 years
Common/collective trusts	121,028	-	Monthly	-
Limited partnerships	67,921	23,656	-	≤ 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	2018	2017	Allowable Range
Mid-Large Cap U.S. Equity	9.7%	10.2%	7-23%
Small Cap U.S. Equity	3.8%	2.6%	1-5%
International Equity - Developed	16.8%	18.2%	7-17%
Private Equity/Venture Capital	11.7%	11.7%	2-20%
Hedge Funds	4.5%	2.5%	1-5%
Inflation Hedging	6.9%	8.9%	1-5%
Emerging Markets Equity	3.4%	6.1%	2-8%
Real Estate	4.5%	0.0%	3-11%
Liability Hedging Assets	36.9%	39.3%	25-45%
Cash and Cash Equivalents	1.7%	0.5%	0-5%
Total	**100%**	**100%**	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2018 is 6.69%. This growth rate was assumed to decrease gradually to 4.5% in 2038 and to remain at this level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

(amounts in thousands)

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:				
2019	$ 46,885	$ 3,987	$ 145	$ 4,132
2020	47,003	3,931	141	4,072
2021	46,720	3,851	136	3,987
2022	46,519	3,777	130	3,907
2023	45,993	3,672	123	3,795
Years 2024-2028	218,014	16,945	511	17,456
Total	**$ 451,134**	**$ 36,163**	**$ 1,186**	**$ 37,349**

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

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

RETIREMENT AGE	ASSUMED RATE OF RETIREMENT
55 - 60	5%
61 - 63	12%
64	16%
65	25%
66 – 69	16%
70+	100%

(amounts in thousands)

13. Net Assets

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

TEMPORARILY RESTRICTED NET ASSETS	2018	2017
Scholarships	$ 61,011	$ 54,494
Professorships	39,412	36,232
Student loans	2,220	1,987
Federal term endowment	144,119	132,739
General operations and other	44,647	40,483
Total	**$ 291,409**	**$ 265,935**

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, 2018 and 2017, the transfer amounts were $719 and $11,985, 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	2018	2017
Scholarships	$ 60,979	$ 58,465
Professorships	27,538	25,783
Student loans	36,076	35,287
General operations and other	17,694	12,915
Total	**$ 142,287**	**$ 132,450**

Release from restrictions of temporarily restricted net assets 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, 2018 and 2017 are as follows:

(amounts in thousands)

NET ASSETS RELEASED FROM RESTRICTIONS	2018	2017
Federal term	$ 2,566	$ 11,985
Restrictions released based on purpose:		
Scholarships and fellowships	3,491	3,596
Professorships	1,513	1,522
Student loans	162	128
General operations and other	2,791	2,234
Total	**$ 10,523**	**$ 19,465**

14. Estimated Third-Party Settlements

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

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

Medicare 2017-2018
Medicaid 2017-2018

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in a decrease in net patient service revenues of approximately $1,163 for the fiscal year ended June 30, 2018 and an increase in net patient service revenues of approximately $9,368 for fiscal year ended June 30, 2017.

THIRD-PARTY SETTLEMENT REVENUE	2018	2017
Medicare pass-through	$ 11,519	$ 11,091
Disproportionate Share Hospital	38,755	36,171
Graduate and Indirect Medical Education	9,682	6,793
Other	353	9,647
Total third-party settlement revenue	**$ 60,309**	**$ 63,702**

15. Fundraising Expenses

For fiscal years ended June 30, 2018 and 2017, Howard incurred expenses of approximately $5,105 and $6,386, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying consolidated statements of activities within Institutional support.

16. Charity Care

The Hospital provides services to patients who meet the criteria of its charity care policy without charge, or at amounts less than established rates. The criteria for charity services are comprised of family income, net worth and eligibility at time of application. In addition the Hospital provides services to patients under the District of Columbia charity care program, DC Alliance. The total of costs foregone for services furnished under the Hospital's charity care policy and the DC Alliance program were $3,620 and $4,200 for fiscal years ended June 30, 2018 and 2017, respectively.

Total uncompensated care costs under all of Howard's clinical services which includes bad debt write offs as well as charity care, for fiscal years ended June 30, 2018 and 2017 were $52,759 and $55,434, respectively.

17. Operating Expenses

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.

Expenses were incurred for the following categories for the years ended June 30, 2018 and 2017:

OPERATING EXPENSES (IN THOUSANDS)	2018	2017
Salaries and wages	$ 343,558	$ 333,842
Employee benefits other than retirement plans	59,586	72,857
Retirement plans excluding amortization	5,956	8,301
Total employment expenses	**409,100**	**415,000**
Telecommunications	6,852	9,305
Utilities	24,858	24,446
Medical and office supplies	31,916	29,574
Repairs and maintenance	28,656	25,033
Food service costs	19,693	16,179
Grant subcontracts	15,035	13,053
Insurance and risk management	22,246	27,389
Professional and administrative services	155,756	152,568
Provision for bad debts	5,672	223
Total operating expenses exclusive of interest, depreciation and amortization expense	**719,784**	**712,770**
Interest expense	22,969	21,618
Depreciation and amortization	39,814	50,154
Amortization of retirement plan actuarial losses	9,253	10,260
Total operating expenses	**$ 791,820**	**$ 794,802**

18. Insurance and Risk Management

Howard, along with 16 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverage. Howard's annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Through December 31, 2015, Pinnacle reinsured 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 16 other higher education institutions. Genesis reinsured general liability and automobile liability risks of its shareholders. On January 1, 2016, Genesis merged into Pinnacle. At June 30, 2018, Howard had an approximate 6% interest in Pinnacle. Howard's interest in Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of $125,000 from commercial insurance companies.

(amounts in thousands)

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	2018	2017
Malpractice claims expense	$ 6,153	$ 6,081
Malpractice excess insurance	1,430	1,710
Student sickness	11,004	9,727
General and other	3,659	9,871
Totals	**$ 22,246**	**$ 27,389**

19. 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 year 2017, 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 $118. 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, 2018, $0 remains accrued, reflecting $19,816 of cumulative payment activity.

20. 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 cash account as of June 30, 2018.

Aggregate cash and cash equivalent balances maintained at financial institutions exceed the amount guaranteed by federal agencies, but Howard has not experienced any loss due to this risk. Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students. Financial instruments that potentially subject Howard to market risk consist primarily of investments. Howard attempts to mitigate this risk through its investment strategy.

21. 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, 2018 and 2017 Howard reserved $2,450 and $1,600, 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 1,207 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

(amounts in thousands)

22. Related Party Transactions

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

The 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. For fiscal years ended June 30, 2018 and 2017, Howard has contributed to the Middle School as follows:

RELATED PARTY TRANSACTIONS	2018	2017
Cash operating support	$ 500	$ 1,000
Facility leased (market value)	1,451	1,451
Total	**$ 1,951**	**$ 2,451**

(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, 2018 and 2017, the consolidated statements of financial position for the LLC are as follows:

HOWARD DIALYSIS CENTER, LLC STATEMENTS OF FINANCIAL POSITION	2018	2017
Total Assets	$ 10,625	$ 11,389
Total Liabilities	$ 925	$ 1,075
Equity		
Partner	5,086	5,586
Retained earning	4,615	4,729
Total Equity	**$ 9,701**	$ 10,315
ARA interest	$ 4,948	$ 5,261
Howard interest	$ 4,753	$ 5,054

(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, 2018.

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

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

(f) ***Paladin Healthcare***

Howard signed a five year Management Service Agreement (MSA) with Paladin Healthcare, effective October 1, 2014, with an option to extend the agreement for an additional five years. On that date, 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.

(g) ***Corvias Campus Living – HU, LLC***

In January, 2017, the University, Howard Dormitory Holdings 1, LLC, a wholly-owned subsidiary of Howard University and Corvias Campus Living – HU, LLC entered into a 40 year term service concession agreement. Under this agreement, Corvias Campus Living – HU, LLC will handle the financing, design, engineering, renovation, management, operation, maintenance, and repair of the East Tower, the West Tower, Drew Hall and Cook Hall. The University and Howard SPE pledged all revenues from these properties to Corvias Campus Living.

(1) ***Residence Life Service Provider*** – In January 2017, as part of the afore mentioned service concession agreement, Corvias Campus Living – HU, LLC entered into a 40 year term Residence Life Management Agreement with Corvias Campus Management, Inc., an independent contractor, to manage on its behalf, any and all of the residence life duties and responsibilities relating to the East Tower, the West Tower, Drew Hall and Cook Hall. In compensation for the performance of its duties under this Agreement, the Residence Life Service Provider will be paid the Residence Life Management Fee as set forth in Section 6.3 of the Service Concession Agreement escalating by three percent (3%) per annum on the first day of each Fiscal Year of the Term. In August 2018, this relationship was expanded such that Corvias will manage any and all residence life duties and responsibilities for the University's central office of residence life (inclusive of the Annex).

(2) ***Renovation of Howard Plaza Towers*** – In January 2017, as part of the afore mentioned service concession agreement, Corvias Campus Living – HU, LLC, entered into a construction contract with Gilbane Building Company for the renovation of the East Tower and the West Tower.

(h) ***211 Elm Street, LLC***

In August 2017, the University (Lessor) entered into a ninety-nine (99) year Ground Lease related to land under the Carver Hall dormitory with 211 Elm Street, LLC (Lessee) for the conversion of the dormitory into a rental apartment building with supporting indoor amenity spaces and enhanced outdoor amenity spaces. The lessee prepaid all Ground Rent for the ninety-nine (99) year term of the Ground Lease. If, over the term of the Ground Lease there is a substantial change in use of the Property, the parties will negotiate a reset of the lease based on the incremental value derived from the new project. The lessee will assume all risks associated with zoning, historic preservation and other regulatory approvals.

(i) ***1919 3rd Street, LLC***

In August 2017, the University (Lessor) entered into a ninety-nine (99) year Ground Lease related to land under the Slowe Hall Dormitory with 1919 3rd Street, LLC (Lessee) for the conversion of the dormitory into a rental apartment building with supporting indoor amenity spaces and enhanced outdoor amenity spaces. The lessee prepaid all Ground Rent for the ninety-nine (99) year term of the Ground Lease. If, over the term of the Ground Lease there is a substantial change in use of the Property, the parties will negotiate a reset of the lease based on the incremental value derived from the new project. The lessee will assume all risks associated with zoning, historic preservation and other regulatory approvals.

23. Subsequent Events

(a) ***Steam Plant Repair and Modernization***

In October 2018, Howard entered into a term loan agreement with ENGIE North America Inc. to provide bridge financing for up to $9,700 to cover costs in connection with repairs to the steam distribution tunnel and temporary boiler rental costs incurred for the temporary heating solutions during the 2017-2018 academic year.

In October 2018, Howard entered into a Consulting Services Agreement with ENGIE Development, LLC (EDL). EDL will provide advisory and consulting services related to the design and, in collaboration with Howard, implementation of a temporary heating solution for Howard's main campus for the 2018-2019 school year as part of its Short Term Solution. As part of the agreement, EDL will provide a proposal for the long-term overhaul, modernization and ongoing operation of the steam plant and its related facilities including a financing plan for implementation.

(b) ***Howard Center Project***

Howard owns improved property known as Howard Center. As part of the Howard Center Project ("Project") Howard is dividing a total of thirteen (13) air tracts and tax lots and leasing seven (7) of those tracts of Howard Center.

(1) ***Lease Agreement -*** In November 2018, Howard entered into a 50 year lease with Provident Group-Howard Center, Inc. ("Lessee"). The Lessee will design, develop, construct and furnish approximately 176 dormitory/residential units and associated amenities and improvements on the seven (7) leased tracts, for the use and benefit of the students, faculty, staff and associates of Howard. The Lessee issued $33,175 in revenue bonds through the District of Columbia to finance the Project. In general, revenues and expenses including management fees and rental payments associated with the Project are the responsibility of the Lessee. The bonds will be repaid from revenues generated from the Project. On the effective date of the lease, the Lessee made a one-time initial rent payment that Howard will use to finance a portion of its capital plan with respect to its facilities on the Central Campus.

The Howard Center Project is expected to be completed and available for occupancy in August 2019 in time for Fall 2019 move-in. Howard will retain exclusive ownership of lots described in the lease.

(2) ***Management Agreement -*** In November 2018, Howard and Provident Group-Howard Center, Inc. entered into a management agreement such that the University will manage the day-to-day operation, management, maintenance and repair of the Howard Center Project. Under a submanagement agreement, Howard assigned and delegated its management rights and responsibilities for the Howard Center Project to Corvias Management, LLC.

(c) ***Bond Downgrade***

On October 12, 2018, S&P Global Ratings lowered its long-term and underlying ratings on Howard's Series 2011A and 2011B bonds from BBB to BBB-.

The rating action reflects Howard's placement on Heightened Cash Monitoring 2 (HCM2) status by the U.S. Department of Education (DOE) so that it can closely monitor the institution's federal financial aid management.

Howard performed an evaluation of subsequent events through December 17, 2018, which is the date the financial statements were available to be issued, noting no additional events which affect the consolidated financial statements as of June 30, 2018.

Reports and Schedules Required by *Government Auditing Standards* and Uniform Guidance

Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

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

Board of Trustees
The Howard University
Washington, DC

We were engaged to audit, 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, 2018, and the related consolidated statements of activities 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 19, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements of the University, we considered 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 the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of University's internal control. Accordingly, we do not express an opinion on the effectiveness of University's internal control.

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 have not been 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.

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 University's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2018-001 through 2018-006 in the accompanying schedule of findings and questioned costs 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 described as items 2018-007 through 2018-009 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University's consolidated financial statements are free from 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 *Government Auditing Standards*.

University's Response to Findings

The University's response to the findings identified in our engagement is described in the accompanying management's corrective action plan. The University's response was not subjected to the auditing procedures applied in the engagement to audit 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 University's internal control or on compliance. This report is an integral part of an engagement to perform an audit 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 19, 2018

Tel: 919-754-9370
Fax: 919-754-9369
www.bdo.com

421 Fayetteville Street
Suite 300
Raleigh, NC 27601

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
The Howard University
Washington, DC

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, 2018. 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 federal statues, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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.

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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-010 through 2018-022. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance findings identified in our audit is 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 the Uniform Guidance, 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 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 a 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.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-010, 2018-011, 2018-015 and 2018-020 that we consider to be a significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying management's *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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

March 31, 2019

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
ANNUAL APPROPRIATION				
DEPARTMENT OF EDUCATION				
Annual Appropriation		84.915A	$ 229,843,750	$ -
TOTAL ANNUAL APPROPRIATION			**229,843,750**	**-**
FEDERAL ENDOWMENTS				
DEPARTMENT OF JUSTICE				
Constitutional Law Chair Endowment		16.000	6,074,238	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			**6,074,238**	**-**
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Excellence in Health Professional Education Endowment		93.375	4,926,174	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			**4,926,174**	**-**
DEPARTMENT OF EDUCATION				
Matching Endowment		84.000	163,176,645	-
Law School Clinical Endowment		84.998D	10,375,022	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			**173,551,667**	**-**
TOTAL FEDERAL ENDOWMENTS			**184,552,079**	**-**
STUDENT FINANCIAL AID CLUSTER				
DEPARTMENT OF EDUCATION				
Federal Supplemental Educational Opportunity Grants		84.007	826,846	-
Federal Work Study		84.033	793,748	-
Federal Pell Grant Program		84.063	14,064,444	-
Federal Direct Loans		84.268	177,567,049	-
Teacher Education Assistance for College and Higher Education Grants (TEACH)		84.379	18,077	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			**193,270,164**	
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Scholarship for Disadvantaged Students		93.925	1,071,360	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			**1,071,360**	**-**
TOTAL FOR THE STUDENT FINANCIAL AID CLUSTER			**194,341,524**	**-**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
TRIO CLUSTER				
DEPARTMENT OF EDUCATION				
Office of Postsecondary Education				
Upward Bound Program		84.047A	3,675	-
Upward Bound Program		84.047A	540,989	-
Upward Bound Program		84.047M	56,575	-
Upward Bound Program		84.047M	185,742	-
Subtotal for the Office of Postsecondary Education			786,981	-
TOTAL FOR THE TRIO CLUSTER			**786,981**	**-**
RESEARCH AND DEVELOPMENT CLUSTER				
Direct Research and Development Awards				
DEPARTMENT OF AGRICULTURE				
National Oceanic and Atmospheric Administration				
NOAA Center for Atmospheric Sciences at Howard University		11.481	503,122	31,495
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	1,666,359	246,011
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	118,625	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	91,023	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	173,942	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	15,000	
Subtotal for the National Oceanic and Atmospheric Administration			**2,568,071**	**277,506**
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			**2,568,071**	**277,506**
DEPARTMENT OF DEFENSE				
Examination of Molecular Recognition of Amino Acid Based Macromolecular Assemblies		12.300	59,486	-
US Army Medical Command				
Diverting the Pathway to Substance Misuse by Improving Sleep		12.420	221,128	-
Subtotal for the US Army Medical Command			**221,128**	**-**
US Army Materiel Command				
Extracting Social Meaning From Linguistic Structures in African Languages		12.431	25,550	-
Bio-inspired structured Graphical Models for Inference and Information Fusion		12.431	101,558	-
Bayesian Imaging and Advanced Signal Processing for Landmine and IED Detection		12.431	146,045	48,000
Fast Chemical Dynamics of Energetic Materials at High Pressures and Temperatures Studied by Ultrafast Laser Techniques		12.431	52,677	-
			325,830	48,000

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Improving Cloud and Aerosol Treatment in Modtran		12.630	134,984	49,992
Optimizing the Dynamic Response of Ultrafine Grain and Hybrid Alloys under Impact Loading		12.630	220,140	-
Acquisition of Terahertz Spectrometer for Research and Education at Howard University		12.630	6,000	-
Acquisition of a PET/CT Imaging System for STEM Research and Education at Howard University		12.630	205,076	-
			566,200	**49,992**
Atomic Layered Two Dimensional Material-based Metasurfaces for Terahertz Modulators		12.800	108,512	-
The Effect of Multi-Mode Induced Transition in a Hypersonic Boundary Layers		12.800	132,459	-
Novel Methods for Fatigue Life Prediction for Turbine Engine Components		12.800	50,044	
			291,015	**-**
Subtotal for the US Army Materiel Command			**1,183,045**	**97,992**
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			**1,463,659**	**97,992**
DEPARTMENT OF THE INTERIOR				
Hawaiian Land Snails Extinction Prevention		15.657	1,654	-
Contemporary Recreational Use Study at Median Hill park and the Parklands		15.945	55,944	-
Caroline County Underground Railroad Research Project		15.945	3,507	-
Diversity Research in Coordination with the Healthy Parks Healthy People Program		15.945	1,756	-
			61,207	-
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			**62,861**	**-**
DEPARTMENT OF JUSTICE				
Domestic Violence Homicide Prevention TA Initiative		16.526	189,813	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			**189,813**	**-**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
ROSES -2016 / Solar System Observations (SSD) Program		43.001	17,625	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			**17,625**	**-**
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Inscribing the Institute for the Arts and Humanities' National Black Writers Conference 1975 - 1983		45.162	92,882	-
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			**92,882**	**-**
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
Workshop: Sustainable Energy		47.041	34,020	14,528
I-Corps Sites : Howard University		47.041	53,334	-
MRI: Development of Testbed Platform for Advanced Multi-Stage Automation and Control for Smart and				

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For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Micro Grid		47.041	217,063	36,177
CAREER: Passive Seismic Protective Systems for Nonstructural System and Components in Multistory Building		47.041	74,392	-
Bridging the Gap Between Education and Research through Pre-College Engineering Systems (PCES) Outreach Program		47.041	41,346	-
Subtotal for the Engineering Grants			**420,155**	**50,705**
Mathematical and Physical Sciences				
Ramsey Theory: Central Sets and Related Combinatorially Rich Sets		47.049	48,000	-
REU Site in Physics at Howard University		47.049	3,529	-
Collaborative Research -RUI: Toward Structure-Based Models of Chiral Recognition by Amino Acid Based Macromolecula Assemblies		47.049	24,016	-
CBMS Conference: Mathematical Foundations of Transformation Optics		47.049	3,542	-
Partnership for Reduced Dimensional Materials		47.049	174,922	52,967
REU Site in Physics at Howard University		47.049	92,525	-
2018 NSF-CBMS Conference on Mathematical Biology: Modeling and Analysis at Howard University		47.049	12,804	-
Personnel Act (IPA) Assignmet		47.049	96,013	-
FRG: Collaborative Research : Developing Mathematical Algorithms for Adoptive , Geodisc Mash MHD for use in Astrophysics and Space Physics		47.049	70,475	-
Subtotal for the Mathematical and Physical Sciences			**525,826**	**52,967**
Computer and Information Science and Engineering				
Compsustnet: Expanding the Horizons of Computational Sustainability		47.070	33,957	-
CAREER: leveraging Wireless Virtualication for Enhancing Network Capacity, Coverage, Energy Efficiency and Security		47.070	50,511	-
GIRLS ROCK TECH: Integrating Computer Science Education into a National Drills Empowerment Program		47.070	139,677	40,722
Collaborative Research: II-NEW: RUI: ROAR - A Research Infrastructure for Real-time Opportunistic Spectrum Access in Cloud based Cognitive Radio Networks		47.070	88,989	-
CPS: Breakthrough: Collaborative Research: Track and Fallback: Intrusion Detection to Counteract Carjack Hacks with Fail- Operational Feedback		47.070	68,744	-
CS 10K: The Partnership for Early Engagement in Computer Sciences High School Program		47.070	188,540	-
Subtotal for the Computer and Information Science and Engineering			**570,418**	**40,722**
Biological Sciences				
Cannabinoid Signaling in olfactory Glomeruli		47.074	35,230	5,175
Collaborative Research: Digitization TCN: The Mid-Atlantic megalopolis: Achieving a Greater Scientific Understanding of Our Urban World		47.074	3,676	-
Subtotal for the Biological Sciences			**38,906**	**5,175**
Education and Human Resources				
Howard University Science Teacher Certification Program (HU-STCP)		47.076	33,871	-
Chemistry, Mathematics, and Physics Scholarships (CMaPS) at Howard University		47.076	142,140	-
Targeted Infusion Project: An Innovative Approach to Improving Undergraduate Student Performance in Computer Science at Howard University		47.076	7,598	-

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Experimental Centric Based Engineering Curriculum for HBCUs		47.076	154,739	52,807
Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers		47.076	207,538	-
Collaborative Research ; AGEP Transformation Alliance : CIRTL AGEP - Improved Academic Climate for STEM Dissertators and Postdocs to Increase Interest in Faculty Careers		47.076	2,080	-
Multiple Consciousnesses: Investigating the Identities (Academic, Gender, Race and Disability) of Black Women Undergraduate Students in STEM and Their Impact on Persistence		47.076	256,790	-
EAGER: Exploring thre Influence of an Asset-Focused Intervention on Students' Interest, Motivation and Sense of Belonging in the Life Sciences		47.076	113,748	-
E-Communities: Investigating how a collaboration between STEM educators and engineers impact underserved youth's participation in engineering design		47.076	357,117	75,218
2015 - 2020 Washington Baltimore Hampton Roads (WBHR) Louis Stokes Alliances for Minority Participation Program		47.076	605,536	292,957
Collaborative Proposal: Pathways of Blacks and Hispanics in Engineering Education		47.076	42,400	-
Women of Color Faculty in Stem as Change Agents		47.076	1,033	-
Women of Color Faculty in Stem as Change Agents		47.076	15,098	-
Research Initiation Award : A Model plant Group to Study the Evolution of Diverse Reproductive Systems		47.076	44,291	-
Women in STEM Conference		47.076	27,108	-
Research Initiation Award- Basic Mechanism of DNA Assembly into Nano- Shells		47.076	47,699	-
Collaborative Research: Developing and Assessing Effective Cyber learning within the STEMWiki Hyperlibrary		47.076	2,415	-
Targeted Infusion Project : Promoting Environmental Education in Urban Sicial - Ecological Resilience		47.076	14,050	-
Enhancement of the Undergraduate Physics Program in the Department of Physics and Astronomy at Howard University		47.076	9,313	-
I-Corps L; Scaling Up STEM Equity Audits		47.076	27,950	-
Research Initiative Award : Mathematical Modeling On The Geometric Optics Problem of Refraction		47.076	48,433	-
ACE Implementation Grant: STEM Global Undergraduate Research Initiative		47.076	416,708	20,000
Subtotal for the Education and Human Resources			**2,577,655**	**440,982**
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			**4,132,960**	**590,551**
DEPARTMENT OF VETEANS AFFAIRS				
The Age-Related Muscle Function Study (ARMS) Phase II - Assessment and Intervention		64.RD	3,322	-
SUBTOTAL FOR THE DEPARTMENT OF VETEANS AFFAIRS			**3,322**	**-**
DEPARTMENT OF EDUCATION				
National Resource Centers		84.015A	167,422	-
National Resource Centers		84.015A	1,543	-
Foreign Language and Area Studies Fellowships		84.015B	182,863	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			**351,828**	**-**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Humanized EGFR and EGFRvII-bispecific Immunotoxin for HNSCC Therapy		93.121	111,290	-
Howard University Summer Research Experience Program in Oral Health Disparity for Underrepresented Racial and Ethnic Students		93.121	31,500	-
			142,790	-
Centers of Excellence		93.157	542,889	-
Howard University NWDP Project		93.137	73,648	6,573
Howard University NWDP Project		93.137	284,296	-
			900,833	6,573
Howard University Substance Abuse and HIV Prevention Outreach Program (HU SHOP II)		93.243	105,130	
Howard University Substance Abuse and HIV Prevention Outreach Program (HU SHOP II)		93.243	174,597	-
Howard University SBIRT Medical Professional Program		93.243	202,933	5,309
Behavioral Health Workforce Education and Training for Professionals and Paraprofessionals		93.243	72,450	-
			555,110	5,309
The Evaluation of the Extent and Impact of Gender Sensitive Advertising		93.RD	29,432	-
An Examination of the Role of Advertising and Promotional Labeling in Adult Immunization Disparities		93.RD	8,078	-
			37,510	-
Mental Health Research Grants				
Mechanisms of Pediatric HIV Neurological Impairment		93.242	16,920	-
REU Site in Physics at Howard University		93.242	111,384	-
Subtotal for the Mental Health Research Grants			**128,304**	**-**
Alcohol Research Programs				
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression		93.273	389,750	174,552
Subtotal for the Alcohol Research Programs			**389,750**	**174,552**
Drug Abuse and Addiction Research Programs				
Using Implementation Science for Community- Based SBIRT Delivery to Older Adults		93.279	241,657	4,911
The Role of Orexin in the Co-Occurrence of Binge Eating and Drug Addiction		93.279	5,704	-
Subtotal for the Drug Abuse and Addiction Research Programs			**247,361**	**4,911**
National Institute on Minority Health and Health Disparities				
Washington DC-Baltimore Research Center on Child Health Disparities		93.307	240,653	56,459
Biomedical Infrastructure for Health Disparities Research		93.307	1,201	-
Biomedical Infrastructure for Health Disparities Research		93.307	10,629	-
Biomedical Infrastructure for Health Disparities Research		93.307	3,739	-
Biomedical Infrastructure for Health Disparities Research		93.307	4,292	-

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Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Biomedical Infrastructure for Health Disparities Research		93.307	3,002	-
Biomedical Infrastructure for Health Disparities Research		93.307	50,784	-
Biomedical Infrastructure for Health Disparities Research		93.307	10,623	-
Biomedical Infrastructure for Health Disparities Research		93.307	27,975	-
Biomedical Infrastructure for Health Disparities Research		93.307	608,603	-
Biomedical Infrastructure for Health Disparities Research		93.307	421,451	-
Biomedical Infrastructure for Health Disparities Research		93.307	551,782	-
Biomedical Infrastructure for Health Disparities Research		93.307	56,814	-
Biomedical Infrastructure for Health Disparities Research		93.307	242,565	-
Biomedical Infrastructure for Health Disparities Research		93.307	3,723	-
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	276,360	-
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	3,780	-
International Conferece on Stigma		93.307	37,506	
Health Disparities Research through International Exchange		93.307	209,346	-
Biomedical Infrastructure for Health Disparities Research		93.307	109,647	-
Subtotal for the National Institute on Minority Health and Health Disparities			**2,874,475**	**56,459**
Leadership om Public Health Social Work Education Grant Program				
Leadership in Public Health Social Work Education Grant Program		93.330	85,137	-
Subtotal for the Leadership om Public Health Social Work Education Grant Program			**85,137**	**-**
National Cancer Institute				
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies		93.393	106,502	-
Genetic Signatures Underlying Prostate Cancer Metastasis in African Americans		93.393	78,890	-
1/2 Howard/ Hopkins Intercenter Collaboration in HPV-Associated Cancer Studies		93.393	215,189	-
Subtotal for the National Cancer Institute			**400,581**	**-**
Cardiovascular Diseases Research				
Stress, Sleep and Cardiovascular Risk		93.837	354,277	-
Inhibition of HIV-1 in Sickle Cell Disease		93.837	4,316	
Subtotal for the Cardiovascular Diseases Research			**358,593**	**-**
National Heart, Lung, and Blood Institute				
Center for Hemoglobin Research in Minorities (CHaRM)		93.839	140,586	15,587
Center for Hemoglobin Research in Minorities(CHaRM)		93.839	1,075,426	26,735
Inhibition of HIV-1 in Sickle Cell Disease		93.839	409,082	-
Subtotal for the National Heart, Lung, and Blood Institute			**1,625,094**	**42,322**
National Institute of Arthtitis and Musculoskeletal and Skin Diseases				
Targeting Accessory Proteins of Alpha2C Adrenergic Receptor in Raynaud Phenomenon		93.846	88,255	-
Subtotal for the National Institute of Arthtitis and Musculoskeletal and Skin Diseases			**88,255**	**-**
National Institute of Diabetes and Digestive and Kidney Diseases				
Improving Attendance to Outpatient Endoscopy Appointments Among Blacks		93.847	15,325	-
Subtotal for the National Institute of Diabetes and Digestive and Kidney Diseases			**15,325**	**-**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
National Institute of Neurologycal Diseases and Stroke				
Investigating the Neural Correlates of Fatigue in Myalgic Encephalomyelities / Chronic Fatigue Syndrome (ME/CFS)		93.853	28,044	-
Sub total for National Institute of Neurologycal Diseases and Stroke			**28,044**	**-**
Allergy and Infectious Diseases Research				
Effective Replicating Adenovirus- HIV Vaccines		93.855	173,143	-
Subtotal for the Allergy and Infectious Diseases Research			**173,143**	**-**
Biomedical Research and Research Training				
Crosstalk and the Cytoskeleton in Dendritic Cell Antigen Presentation		93.859	121,901	-
Molecular Analysis of RECQ1 Functions in Genome Maintenance		93.859	114,681	-
HU MARC USTAR Program		93.859	68,841	-
Novel Nanotechnology Platform for Breast Cancer Treatment		93.859	233,884	-
Subtotal for the Biomedical Research and Research Training			**539,307**	**-**
National Institute of Aging				
Advancing Aging Research Through Development of Minority Gerontologists		93.866	284,899	-
APOE genotype and sex dependent effects of 17 -alpha-estradiol and AD pathology		93.866	41,952	-
Genes, Exercise, Neurrocognitive and Neurodegeneration: Community-Based Approch		93.866	154,888	-
Dopamine-Mediated Regulation of Blood Pressure in Aging: Role of NHERF-1		93.866	1,617	-
Subtotal for the National Institute of Aging			**483,356**	**-**
Eunice Kennedy Shriver national Institute of Child Health & Human Development				
Defining the Novel Role for the RNA Binding Protein ETR-1 in C Elegans Gametogenesis		93.865	113,091	-
Subtotal for the Eunice Kennedy Shriver national Institute of Child Health & Human Development			**113,091**	**-**
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			**9,186,059**	**290,126**
DEPARTMENT OF HOMELAND SECURITY				
2016 DHS Scientific Leadership Awards for Minority Serving Institutions (MSI)		97.062	62,086	6,000
The Graduating Engineers in the U.S. (GENIUS) Research Program: Infusing DHS Research into Undergraduate Education at Howard University		97.062	152,107	-
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			**214,193**	**6,000**
Subtotal for the Direct Research and Development Awards			**18,283,273**	**1,262,175**
Pass-Through Research and Development Awards				
DEPARTMENT OF AGRICULTURE				
Get Fruved: A Peer-Led, Train-In-The-Trainer Social Marketing Intervention to Increase Fruit and Vegitable Intake and Prevent Childhood Obesity (The University of Tennessee Knoxville)	2014-67001-2185	10.RD	400	-
SUBTOTAL FOR THE DEPARTMENT OF AGRICULTURE			**400**	**-**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF DEFENSE				
Tailoring the Properties of Stimuli Responsive Nanocomposite Hydrogels for Potential Use in Wound Healing and Prevention of Antimicrobial Infection (Massachusetts Institute of Technology)	5710004062	12.431	55,945	-
Roswell Park/Howard University Prostate Cancer Scholars Program (Health Research Inc.)	145-01	12.420	2,179	-
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			**58,124**	**-**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	54,948	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			**54,948**	**-**
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
Engineering Research Center for Power Optimization for Electro-Thermal Systems (POETS) (University of Illnois)	073708-16492	47.041	14,646	-
Engineering Research Center for Power Optimization for Electro-Thermal Systems (POETS) (University of Illinois)	073708-16490 (REU)	47.041	11,219	-
NSF Engineering Research Center for Smart Lighting (Rensselaer Polytechnic Institute)	EEC-0812056	47.041	58,077	-
Subtotal for the Engineering Grants			**83,942**	**-**
Mathematical and Physical Sciences				
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	222,825	62,045
Center for Integrated Quantum Materials (Harvard University)	123826-5056261	47.049	12,602	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	2,893	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	90,232	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	4,857	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	31,145	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	4,881	-
Subtotal for the Mathematical and Physical Sciences			**369,435**	**62,045**
Computer and Information Science and Engineering				
Emerging Frontiers of the Science of Information (Purdue University)	0939370-CCF	47.070	148,572	-
Subtotal for the Computer and Information Science and Engineering			**148,572**	**-**
Biological Sciences				
Center for the Environmental Implications of Nanotechnology (Duke University)	09-NSF-1051	47.074		
Center for the Environmental Implications of Nanotechnology (Duke University)	14-NSF-1050	47.074	88,768	-
CSBR: Natural History Collections: Housing, Databasing, Digitizing and Accessibility Upgrades to the Larges Pacific Island Land Snail Collection (Bishop Museum)	250701-HU01	47.074	7,476	-
Subtotal for the Biological Sciences			**96,244**	**-**

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Schedule of Expenditure of Federal Awards

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Social, Behavioral, and Economic Sciences				
Education and Human Resources				
Program to Integrate Mobile, Hands-on Experiments into the ME, AE, and ECE Curricula (Georgia Institute of Technology)	RH386-G1	47.076	22,881	-
The CIRTL Network: 25 Research Universities Preparing a National Faculty to Advance STEM Undergraduate Learning (University of Wisconsin)	530K471	47.076	2,859	-
National Research Experience for Undergraduates Program (NREUP)	3-8-710-890	47.076	2,000	-
Subtotal for the Education and Human Resources			**27,740**	**-**
Office of International Science and Engineering				
PIRE: Building Extreme Weather Resiliency and Global Community Resiliency through Improved Weather and Climate Prediction and Emergency Response Strategies (Harvard University)	15-65	47.079	76,138	-
PIRE: Building Extreme Weather Resiliency and Global Community Resiliency through Improved Weather and Climate Prediction and Emergency Response Strategies (Harvard University)	15-65	47.079	70,640	-
Subtotal for the Office of International Science and Engineering			**146,778**	**-**
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			**872,711**	**62,045**
DEPARTMENT OF ENERGY				
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	19067-S1	81.000	2,400	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			**2,400**	**-**
DEPARTMENT OF EDUCATION				
Mathematics and Science Partnerships (DC State Education Office)	52366B	84.366B	770	-
Investing in the National Writing Project's College-Ready Writers Program: Expanding the Reach of Effective Teacher- Leaders to Support All Students (National Writing Project)	95-DC01-SEED2017-CRWPAI	84.367D	7,537	-
Investing in the National Writing Project's College-Ready Writers Program: Expanding the Reach of Effective Teacher- Leaders to Support All Students (National Writing Project)	95-DC01-SEED2017-ILI	84.367D	5,400	-
			12,937	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			**13,707**	**-**
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
The Hampton University Regional Transdisciplinary Collaborative Center (Hamption University)	HU-140005	93.007	55,918	-
AIDS Education and Training Centers (University of Pittsburgh)	0056096 (130384-4)	93.145	7,207	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (129935-1)	93.145	182,611	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (129935-1)	93.145	13,779	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (129935-1)	93.145	23,160	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (129935-1)	93.145	11,210	-
			237,967	-

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Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Poverty Research Center (University of Wisconsin)	708K326	93.239	38,869	-
Poverty Research Center (University of Wisconsin)	780K931	93.239	81,002	-
			119,871	-
Develop New Dental Composites With Long Lifetime (Morehouse College)	003HU16	93.307	54,973	-
Sickle Cell Treatment Demonstration Program (John Hopkins University)	JHU PO-2002376518	93.361	17,921	-
Sickle Cell Treatment Demonstration Program (John Hopkins University)	056282296	93.365	13,783	-
National Institutes of Health				
Biomarker and Safety Study of Clozapine in Benign Ethnic Neutropenia (University of Maryland)	1R01MH102215-01A1	93.242	131,056	-
Kids Seek Cure for Kids (Children's Hospoital of Los Angeles)	TGF010062-C	93.847	540	-
Type 2 Diabetes Risk and Prevention Communication: Perspectives from African American (John Hopkins University)	056282296	93.847	20,327	-
JHU - UMD Diabetes Research Center (John Hopkins University)	05282296	93.847	16,526	-
JHU - UMD Diabetes Research Center (John Hopkins University)	SOM-PO-2002462531	93.847	36,974	-
JHU - UMD Diabetes Research Center (John Hopkins University)	PO-DRC-2002061853	93.847	81,600	-
			155,967	-
Functional Inhibitor of RACK1A Protein Potentially Regulates IRES Mediated Virus Translation: A Target for HIV-1 Proliferation Inhibition (George Washington University)	M-0025R	93.856	14,868	-
National Center for Advancing Translational Sciences				
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	155,965	-
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	287,326	-
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	173,084	-
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	686,366	29,594
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	81,058	-
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	39,450	-
Center for Clinical and Translational Sciences - (Georgetown University)	UL1TR001409	93.350	36,007	-
Center for Clinical and Translational Sciences - (Georgetown University)	KL2TR001432	93.350	67,090	-
Center for Clinical and Translational Sciences - (Georgetown University)	TL1TR001431	93.350	114,496	-
Center for Clinical and Transitional Sciences - (Georgetown University)	411850_GR411426-HU-TSB	93.350	6,616	-
Center for Clinical and Transitional Sciences - (Georgetown University)	411851_GR411427-HU-REM	93.350	395	-
Center for Clinical and Translational Sciences - (Georgetown University)	411849_GR411425-HU-ADM	93.350	28,725	-
Subtotal for the National Center for Advancing Translational Sciences			**1,676,578**	**29,594**

Howard University

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For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
Allergy and Infectious Diseases Research				
Therapeutics Targeting Filoviral Interferon-Antagonist and Replication Functions (Georgia State University)	SP00012854-06	93.855	337,935	
In Vitro and in Vivo Studies of Cytomegalovirus MIE Gene Regulation	15-M07R	93.855	370,180	-
District of Columbia Center for AIDS Research (DC CFAR) (George Washington University)	17-M72R	93.855	25,652	-
Therapeutics Targeting Filoviral Interferon-Antagonist and Replication Functions (Georgia State University)	SP00013286-06	93.855	46,525	-
Terry Beirn CPCRA Clinical Trials Unit - George Washington University	17-M06R	93.855	122,730	-
Terry Beirn CPCRA Clinical Trials Unit - George Washington University	17-MO7R	93.855	17,028	-
BELIEVE: Bench to Bed Enhanced Lymphocyte Infusions to Engineer Viral Eradication (George Washington University)	17-M34R	93.855	89,450	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	18-M06R	93.855	2,355	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	18-M07R	93.855	13,373	-
Subtotal for the Allergy and Infectious Diseases Research			**1,025,228**	**-**
Drug Abuse and Addiction Research Programs				
Interactive Effects of Cannabinoids and Sex Hormones in Females (LSU Health Science Center)	15-21-233/R01DA03725	93.279	41,786	
Subtotal for the Drug Abuse and Addiction Research Programs			**41,786**	
National Cancer Institute				
High hroughput Mechanical Modulatory Assay for Brest Cancer Drug Testing (Virgina Tech)	431945-19782	93.395	27,088	-
Analysis of Racial Disparities in HCC by Systems Metabolomics- Georgetown University	U01CA185188-01A1	93.396	13,170	-
Subtotal for the National Cancer Institute			**40,258**	**-**
Aging Research				
District of Columbia Intellectual and Developmental Disabilities Research Center (Children's Research Institute)	30003624-01-17	93.865	61,090	-
Alzheimer's Disease Neuroimaging Initative (ADNI3) (University of Southern California)	87744943	93.866	100,501	-
Subtotal for the Aging Research			**161,591**	**-**
Cell Therapy for Neuroprotection in Congenital Heart Disease (Children's Researcg Institute)	30004431	93.837	13,121	
			13,121	**-**
Blood Diseases and Resources Research				
DISPLACE: Dissemination and Implementation of Stroke Prevention Looking at the Care Environment (Medical University of South Carolina)	MUSC17-0628C868	93.839	24,887	
Subtotal for the Blood Diseases and Resources Research			**24,887**	**-**
Subtotal for the National Institutes of Health			**3,285,340**	**29,594**
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			**3,785,773**	**29,594**
Subtotal for the Pass-Through Research and Development Awards			**4,788,063**	**91,639**
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			**23,071,336**	**1,353,814**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
AGING CLUSTER				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Hayes Senior Wellness Center Operation (DC Office of Aging)	HUSCW-17	93.043	110,014	-
TOTAL FOR THE AGING CLUSTER			**110,014**	**-**
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER				
DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction				
Transportation Research Adminstration Support (DC - Dpeartment of Transportation)	PO 531635	20.205	12,080	-
Analysis Per-Ride Fare Data for Capital Bikeshare (DC - Dpeartment of Transportation)	PO 555669	20.205	24,425	24,425
Trafic Safty Data Center (DC - Dpeartment of Transportation)	PO533336	20.205	732	-
Civil Rights Internship Program 2017-2018 (DC - Dpeartment of Transportation)	PO 565523	20.205	18,720	-
2017-2018 Operations, OITI & Communications Internships (DC - Dpeartment of Transportation)	PO 571568	20.205	149,020	-
Development of Prototype on Board Unit for Connected Vehicle Initiatives (DC - Dpeartment of Transportation)	PO548790	20.205	92,355	92,355
District Freight Trip Generation - On Site Berths and the Curbside Implications Study (DC - Dpeartment of Transportation)	PO552953	20.205	100,578	83,370
Traffic Safety Data Center at Howard University (DC - Dpeartment of Transportation)	PO557608	20.205	174,746	30,000
Renewable Energy Generation for Transportation Infrastructure (DC - Dpeartment of Transportation)	PO 576020	20.205	36,882	17,650
Research and ITS Internship Program (DC - Dpeartment of Transportation)	PO 581917	20.205	32,456	-
Analysis of Bicycle and Pedestrian Crash causes and Interventions (DC - Dpeartment of Transportation)	PO 559711	20.205	56,994	-
Automated Enforcement of Bus Lanes and Bus Zones (DC - Dpeartment of Transportation)	PO 566898	20.205	21,950	21,950
DDOT Transportation Research Administration Support with Howard University	PO 576053	20.205	89,265	-
Research Interns Summer 2018 Program (DC - Dpeartment of Transportation)	PO 584806	20.205	17,120	-
Experimental Study for Non-standard Pedstrian Crodding Sing in DC (DC - Dpeartment of Transportation)	PO 576052	20.205	36,675	-
Transportation Research Administrative support- Summer (DC - Dpeartment of Transportation)	PO562429	20.205	13,402	-
Research Internships Summer 2017 Program (DC - Dpeartment of Transportation)	PO563817	20.205	100,000	-
Subtotal for the Highway Planning and Construction			**977,400**	**269,750**
State and Community Highway Safety				
2018 Seat Belt use Survey Design for Washington DC (DC - Dpeartment of Transportation)	PO 581947	20.600	77,292	-
2017 Annual Seat Belt Use Survey Design (DC - Dpeartment of Transportation)	PO555671	20.600	43,897	-
Subtotal for the State and Community Highway Safety			**121,189**	**-**
TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			**1,098,589**	**269,750**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
HIV AND RYAN WHITE AWARDS				
Direct HIV and Ryan White Awards				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Resources and Services Administration				
Ryan White Part C Out Patient EIS Program		93.918	4,033	-
Ryan White Part C Out Patient EIS Program		93.918	360,234	-
			364,267	-
Dental Reimbursement Program		93.924	145,698	-
Subtotal for the Health Resources and Services Administration			**509,965**	**-**
Subtotal for the Direct HIV and Ryan White Awards			**509,965**	**-**
Pass-Through HIV and Ryan White Awards				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
HIV Emergency Relief Project Grants				
FY2017 Ryan White HIV/AIDS Programt Part - A (DC - Department of Health)	18B016	93.914	33,405	-
FY2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	17A016	93.914	105,306	-
Ryan White Part A Grant (DC Department of Health)	16Z016A	93.914	434,517	-
Subtotal for the HIV Care Formula Grants			**573,228**	**-**
HIV Care Formula Grants				
Ryan White Non-Medical Case ManagementProgram Support Service (DC - Department of Health)	CW56350-DOC323866	93.917	77,049	
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	17A404	93.917	191,835	-
Ryan White Part B Grant (DC - Department of Health)	16Z404A	93.917	136,512	-
FY2017 Ryan White HIV/AIDS Programt Part - A (DC - Department of Health)	188404	93.917	91,925	-
			497,321	-
Ryan White Part C Outpatient EIS Program (Health Resources and Services Administration)	2 H76HA04384-14-00	93.918	59,786	-
Subtotal for the HIV Care Formula Grants			**557,107**	**-**
Subtotal for the Health Resources and Services Administration			**1,130,335**	**-**
Subtotal for the Pass-Through HIV & Ryan White Awards			**1,130,335**	**-**
TOTAL FOR THE HIV AND RYAN WHITE AWARDS			**1,640,300**	**-**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
OTHER FEDERAL AWARDS				
DEPARTMENT OF JUSTICE				
Invited Application Between the national Institute of Justice (NIJ) and Howard University (HU) in Support of NIJ's Research Assistantship Program		16.560	4,075	-
Do DOJ Intervention and Citizen Oversight Improve Police Accountability		16.566	148,826	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			**152,901**	**-**
U.S. DEPARTMENT OF STATE				
Academic Exchange Programs - Undergraduate Programs				
Mandela Washington Fellowship, the Flagship Program of the Young African Leaders Initative (YALI) (IREX)	FY18-YALI-PM-Howard-05	19.009	25,090	-
Mandela Washington Fellowship for Young African Leaders (IREX)	FY17-YALI-PM-Howard-04	19.009	137,108	-
Subtotal for the Academic Exchange Programs - Undergraduate Programs			**162,198**	
Charles B. Rangel International Affairs Program				
2018 Charles B. Rangel International Affairs Program		19.020	552,820	
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program		19.020	55,382	-
Charles B. Rangel International Affairs Graduate Fellowship and Summer Enrichment Program		19.020	43,868	-
The 2016 Charles B. Rongel International Affairs Program		19.020	1,396,240	-
The 2017 Charles B. Rangel International Affairs Program		19.020	1,799,520	-
Subtotal for the Charles B. Rangel International Affairs Program			**3,847,830**	**-**
SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE			**4,010,028**	**-**
DEPARTMENT OF TRANSPORTATION				
Mineta Consortium for Transportation Mobility (MCTM)	21-1100-5726-HU	20.701	282,667	-
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATON			**282,667**	**-**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
NASA Early Opportunities Program for Underrepresented Minorities in Earth and Space Sciences		43.001	189,359	13,140
Solar System Exploration Research Virtual Institute		43.001	19,498	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			**208,857**	**13,140**
SMALL BUSINESS ADMINISTRATION				
Small Business Development Centers (District of Columbia)	SBAHQ-17- B-0036	59.037	316,026	83,455
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			**316,026**	**83,455**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF ENERGY				
Consortium for Pipeline Development of Skilled Workforce through Advanced Manufacturing (North Carolina A&T University)	270129E	81.123	35,314	-
Pipeline Development of Skilled Workforce through Advanced Manufacturing		81.123	42,426	-
Exploring the Roll of Individual Employee Characteristics and Personality on Employee Compliance with Cyber Security Policies		81.123	42,321	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			**120,061**	**-**
DEPARTMENT OF EDUCATION				
Summer 2018 Intesive Advanced Yoruba Language GPA Course in Nigeria		84.021A	45,240	-
Institutional Research Engagement Program at Howard University (IREPHU)		84.120A	254,905	-
Office of Special Education and Rehabilitative Services				
Howard University Pipeline for Leaders and Scholars in Communication Disorders		84.325K	190,192	-
Title II-B - Math-Science Partnership (DC - State Education Office)	72366B	84.366B	234,956	-
Subtotal for the Office of Special Education and Rehabilitative Services				**-**
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			**725,293**	**-**
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Hayes Senior Wellness Center (DC Office of Aging)	HUSWC-18	93.043	16,442	16,442
Centers for Disease Control and Prevention				
Global AIDS Program				
Surveillance of HIV Positive Pre-arts persons by HU in partnership with SANAC (Center for Disease Control)	5U2GGH000391-05	93.067	11,212	-
Subtotal for the Global AIDS Program			**11,212**	**-**
Centers of Excellence (Health Resources and Services Administration)	5D34HP16042-07-00	93.157	148	-
HIV/AIDS Twinning Center Program, PERPFAR HBCU Initiative (American International Health Alliance)	H-FD-HBC-18-P-PTR-HWRD-00	93.266	48,070	
Field - Imitated Program (Department of Health and Human Services)	90IF0085-01-00	93.433	91,648	13,445
Howard University Health Careers Opportunity Program (Health Resources and Services Administration)	1 D18HP29035-01-00	93.822	830,660	-
Behavioral Health Workforce Education and Training (BHWET) Program (Health Resources and Services Administration)	1 M01HP31303-01-00	93.732	274,400	-
HIV Prevention & Intervention Services - District of Columbia Department of Health	15Y202	93.943	50,349	-
Dental Faculty Loan Repayment (Health Resources and Services Administration)	6 D87HP31253-01-01	93.884	4,867	
Substance Abuse and Mental Health Services Administration				
Drug-Free Communities Support Program Grants				
Ward 1 Drug Free Coalition (Substance Abuse and Mental Health Services)	2H79SP014723-06	93.276	191,342	-
Subtotal for the Drug-Free Communities Support Program Grants			**191,342**	**-**
Subtotal for Substance Abuse and Mental Health Services Administration			**191,342**	**-**

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2018

Program Description	Pass-Through Award / Contract Number	CFDA Number	Total	Pass through to Subrecipient
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			**1,519,138**	**29,887**
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	3,501,963	-
Donald Payne Fellowship Program		98.001	658,175	-
USAID Tulonge Afya - Tanzania		98.001	4,530	-
Open Door Project - Zambia (Family Health International)	AID-611-A-16-00005	98.001	99,721	-
Clinical HIV/ AIDS System Strengthening (Family Health International)	AID-656-A-00-10-00113-00	98.001	1,216,192	-
Foreign Service Diversity Fellowship Program		98.001	346,004	-
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			**5,826,585**	**-**
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Jumpstart DC at Howard University Program (Jump Start Children First)	410200	94.006	13,513	-
Jumpstart DC at Howard University Program (Jump Start Children First)	410200	94.006	18,874	-
Jumpstart DC at Howard University Program (Jump Start Children First)	410200	94.006	115,135	-
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			**147,522**	**-**
TOTAL FOR THE ALL OTHER FEDERAL AWARDS			**13,309,078**	**126,482**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 648,753,651**	**$ 1,750,046**

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, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). 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 reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment would be immaterial to the University’s consolidated financial position or changes in net assets. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

All of the University’s federal awards were in the form of cash assistance for the year ended June 30, 2018.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Basis of Presentation

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

Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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.

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, 2018 were based on individual grantor rates.

The University operates under predetermined F&A cost rates which are effective from July 1, 2012 to June 30, 2018. 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, 2018 to 26% and 51%, respectively. Base rates for the other F&A cost recoveries ranged from 8% to 55% for the year ended June 30, 2018.

4. 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, 2018 were zero. Additional information regarding these programs for the year ended June 30, 2018 is summarized below:

Campus-Based Loan Programs	CFDA #	Outstanding June 30, 2018
Federal Perkins Loans	84.038	$ 2,707,984
Health Professional and Disadvantaged Students	93.342	3,413,365
Nursing Student Loans	93.364	156,370
Total Campus-Based Loan Programs		**$ 6,277,719**

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 $177,567,049. 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, 2018.

Section I—Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP	**Unmodified**			
Internal control over financial reporting:				
• Material weakness(es) identified?	X	yes		no
• Significant deficiency(ies) identified?	X	yes		none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?		yes	X	no
• Significant deficiency(ies) identified?	X	yes		none reported
Type of auditor's report issued on compliance for major federal and state programs:	**Unmodified**			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X	yes		no

Identification of major programs:

CFDA Number(s)	**Name of Federal Program or Cluster**
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
84.047A, 84.047M	TRIO Cluster
19.020	Charles B. Rangel International Affairs Program
84.915A	Annual Appropriation
93.375	Excellence in Health Professional Education Endowment
98.001	USAID Foreign Assistance for Programs Overseas

Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**

Auditee qualified as low-risk auditee? ______ yes ___**X**___ no

Section II – Financial Statement Findings Section

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* require reporting.

FINDING 2018-001

Criteria:

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 financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain issues with respect to the operation of the human resources function at the University.

Condition:

For the past several years, we have noted certain matters with respect to the operation of the human resources function at the University. Such issues noted included:

1) As noted in prior years, issues remain within the hiring and on-boarding process:

    a. The current workflow of the ePAR process allows for several points of failure that considerably slow or entirely halt the hiring process – leading in several instances to the loss of highly desired candidates (as asserted by several University stakeholders);
    b. Inconsistent job descriptions and role responsibilities remain an issue, resulting in widely varying pay for similar types of job duties;

2) We also noted that aspects of the hiring process for faculty is still heavily paper-dependent, despite the implementation of the ePar system in prior years; there are still communication issues remaining within the terminations process, consistent with what we noted in prior years. The initial responsibility for communicating that a termination, separation, or retirement has occurred lies with the individual University departments.

    The timeliness of those departments sharing termination information with other relevant departments, including HR and ETS, remains an issue, resulting in some employees still receiving salary/wage payments and/or having systems access subsequent to their termination. In addition, there is a lack of a preventative review control to ensure that terminated employees only receive the compensation due and not overpayments;

3) In prior years, a segregation of duties issue was noted with respect to the University's former benefits administrator. While some steps were taken to change access rights in the Plan's Trustee's system and further segregate controls, in the current year we noted that management does not maintain documentation to support who should have access to which benefits systems, and whether access changes were appropriately authorized;

4) Consistent with prior years, we noted data integrity issues with the personnel files and records maintained by the Office of Human Resources for employees that were hired prior to the year ended June 30, 2018. With respect to payroll testing, we were unable to substantiate the data within PeopleSoft and had to perform the more time consuming step of confirming pay rate information with individual departments. However, we noted that employees that were newly hired during the current year did have employee contracts to support their pay information. With respect to testing of Plan participants, documentation to support participant data or participant changes was either incomplete or entirely missing.

We also noted other process issues, such as lack of documentation to support pay rates for sample selections tested by the Hospital audit team. Additionally, the Lawson system (the Hospital's system) was not timely maintained during the termination process that ultimately resulted in delays in removing or dismissing poorly performing employees.

As a result of the above controls issues, the University is exposed to several potential financial reporting issues such as inaccurate payroll accruals (which in turn can also impact expected cash flows and the accuracy of budgeting), and the risk of additional fraud and misappropriation.

Cause:

The University did not have adequately designed internal controls over various processes within the human resources department. Additionally, certain internal controls were not operating effectively throughout the fiscal year.

Effect or Possible Effect:

In certain instances, the University's internal controls were not operating effectively during the year resulting in errors and inadequate transaction support.

Recommendation:

Management should reconsider the structure and overall processes and procedures surrounding the University's (including Hospital) human resources function. Such matters need to consider overall on-boarding process, documentation maintenance/retention, and internal control procedures over pay rate changes as well as key benefit functions.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-002

Criteria:

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 financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain issues related to the University's approval of tuition remission and awarding of institutional aid.

Condition:

During the prior year, management noted instances where individuals received both tuition remission benefits and institutional aid in the form of grants. As tuition remission benefits effectively reduce tuition billings to zero, the award of institutional aid grants resulted in refund checks or direct deposits being issued to certain individuals. The underlying cause of this issue was deemed to be that the policy for awarding institutional aid was entirely at the discretion of the Office of Student Financial Aid. Note that the refunds ultimately had no impact on the financial statements, or on financial statement line items. The expense related to the institutional aid that was awarded is reflected as unrestricted "Other" aid in the financial statements.

While management terminated the employees involved, the staffing constraints during the year ultimately impacted the availability of documentation during the year ended June 30, 2018.

In the current year, we noted that in some instances the University was unable to provide sufficient documentation to support how specific students were selected for scholarship awards, and did not always obtain signed student award contracts in compliance with specific controls. As a result, we noted scholarship awards to students who did not meet specified GPA requirements, etc.

We also noted that documentation to support the execution of several controls as described by system process narratives was not maintained. Examples of such controls include reconciliation of Study Abroad students to Banner, and review of student loan accounts.

We also noted several adjustments to tuition revenue in the current year related to financial aid errors in prior years.

Lastly, we noted instances where there were credits rolling forward in student accounts for former students that had withdrawn from the University. Of the accounts we reviewed that had credit balances and withdrawals, we also noted that the University had issued refund checks to three of the students shortly before their withdrawals.

Financial Reporting Impact: The issues noted with the Student Financial Aid controls impact the Yellow Book report that is issued with the Single Audit, which is monitored by the Department of Education and has some bearing on the Department's decisions to perform additional reviews or take corrective measures.

Cause:

The University did not have adequately designed internal controls over the approval of tuition remission and awarding of institutional aid that were operating effectively.

Effect or Possible Effect:

Sufficient and appropriate documentation supporting the approval of certain tuition remission and awarding of institutional aid was either not performed or not retained during the year ended June 30, 2018.

Recommendation:

Management should reconsider the structure and overall processes and internal control procedures surrounding the approval of tuition remissions and awarding of institutional aid. Additionally, we recommend that the University enhance and adhere to its current internal controls to ensure that sufficient and appropriate documentation supporting these approvals and awards be maintained for a reasonable period of time.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-003

Criteria:

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 financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies related to the appropriate approval of significant agreements and contracts.

Condition:

In July 2018, management brought to our attention that there were several material agreements that were executed in the prior year but never recorded. Those agreements included both a material real estate contribution (for which the revenue was not properly reflected in fiscal year 2017), and a material lease agreement that was not appropriately disclosed in the footnotes to the financial statements in accordance with ASC 842 in the prior fiscal year, that was not recorded until the current fiscal year. The contractual agreement of the material land contribution was not brought to the attention of the Office of the Controller for recording and review, resulting in an adjustment to record the prior year contribution revenue in the current year.

Additionally, per University policy, all agreements and contracts are reviewed by the University's Office of General Counsel ("the OGC"). Any changes resulting from the OGC review are required to be updated by the original "owner" of the agreement. However, there is not a subsequent OGC review and acceptance of the final version of the agreement or contract, nor are the final versions of such agreements or contracts retained by the Office of General Counsel. As a result, the University is unable to perform completeness procedures at any given point in time in order to determine:

1. The total number of material or high dollar contracts entered into during the year,
2. That all such contracts or agreements were appropriately accounted for during the year, and
3. That the final form of such contracts or agreements are in the form prescribed by the Office of General Counsel.

Cause:

The University did not have adequately designed internal controls over the appropriate review and approval of significant agreements and contracts that were operating effectively.

Effect or Possible Effect:

In certain instances, accounting matters resulting from key or significant agreements were not recorded properly in accordance with the final, executed agreements.

Recommendation:

Management should reconsider the structure and overall processes and procedures surrounding the University's review and approval of significant agreements and contracts. The lack of appropriate controls around the communication of material transactions can continue to result in materially incorrect or misstated financial statements arising from transactions that are recorded in the wrong year or never recorded at all.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-004

Criteria:

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 financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies with respect to patient accounts receivable and the related allowance.

Condition:

For the past several years, we have noted material weaknesses as related to the controls and process for the estimation of allowances for doubtful accounts and contractual adjustments.

For fiscal year 2018, the Hospital recorded the allowance for contractual adjustments and bad debt on a monthly basis using a consistent methodology as in prior years. However, there were changes in the IT and revenue cycle which had a negative impact on operations. The hospital management team made some IT system changes in the patient billing system without proper implementation and testing before going live in production which caused errors in reporting. In addition, there were key changes in personnel in charge of denial management and the process over denial management which resulted in a significant increase in denial activity due to lack of proper authorization of services and untimely billing issues. We also noted clerical errors in the calculations to estimate the reserves for patient receivables.

As a result of issues within the revenue cycle process discussed as well as estimation process for the allowance for contractuals and bad debt, management made approximately $20 million in post-closing adjustments to increase reserves at June 30, 2018. Based upon our review, we found the assumptions over collections and current denial rates to be unreasonable based on the issues noted. We proposed an additional adjustment to increase reserves of $9.3 million which was recorded as of June 30, 2018.

The failure to follow policy with respect to development and implementation controls resulted in revenue numbers that were misstated in the University's quarterly reporting for its financial covenants. In addition, management estimates based upon the faulty data were also materially incorrect. Inaccurate data also impacts the University's ability to adequately manage cash flow and budgeting, and the ability of the Board of Trustees to effectively monitor the University's fiscal performance.

Cause:

The University did not have adequately designed internal controls over patient accounts receivable and the related reserves that were operating effectively.

Effect or Possible Effect:

The University's patient accounts receivable and related reserves were not properly stated and thus significant adjustments were required to adjust the consolidated financial statements for the year ended June 30, 2018.

Recommendation:

We recommend the Hospital challenge and implement a reserve methodology that reflects current contractual, collection and operational changes. In addition, the Hospital should implement a monthly control to compare prior reserve estimates with subsequent cash receipts in order to assess the effectiveness of their model to accurately estimate allowance for doubtful accounts and contractual adjustments. Additionally, based on the intricate and manual process associated with the current reserve model, we recommend the Hospital implement a comprehensive process to ensure the completeness and accuracy of all underlying reports used in the model and to ensure the accuracy of all manual calculations in the model.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-005

Criteria:

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 financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies related to account reconciliations and consolidated financial reporting.

Condition:

For the past few years, we noted that many accounts lacked timely and accurate reconciliations at year-end. Reconciliations were either not being performed consistently throughout the fiscal year and/or adequately reviewed by management.

In the current year, while there was improvement in both the timing and accuracy of account reconciliations, we did identify deficiencies within information system reconciliations, especially in the patient revenue cycle. We noted the following:

The reconciliation performed between the patient accounting system, Invision, and the general ledger system, Lawson, was not designed to operate in adequate detail to prevent significant errors. In general, rather than reconciling and explaining differences between the two systems, the Hospital created journal entries to force the two systems to agree. Additionally, there was not a reconciliation performed between individual service codes in Invision and general ledger accounts in Lawson. As a result, the Hospital did not identify that new service codes were not appropriately interfaced in a timely manner, resulting in approximately $14 million in invalid adjustments being automatically posted as a receivable to the general ledger.

The reconciliation performed between Invision and Crowe (the contractual model software used to calculate patient account receivable reserve throughout the year) was not designed to reconcile all necessary data fields. The Hospital only reconciled gross patient accounts receivable between these two systems in total, displaying but not reconciling differences between aging buckets. Additionally, HUH did not reconcile payments and adjustments between Invision and Crowe during the year. The Crowe software utilizes this data in underlying calculations performed to determine reserves. Through our audit procedures, we noted that certain outpatient accounts were not being correctly aged in Crowe, and that a number of payments and contractual adjustments as reflected by Crowe were inaccurate.

In recording the monthly allowance for doubtful accounts and contractual adjustments, the Hospital did not consider all necessary general ledger accounts due to the interface issue above, and as a result, did not record a large enough reserve based on the model by approximately $9.7 million.

The preparation of timely, accurate and complete reconciliations between information systems, subjected to an appropriate level of review by management is a key control to ensure the accuracy of financial information provided to other members of Hospital Management, University Management and ultimately the University Board.

The failure to enforce the necessary controls to ensure timely monthly and/or quarterly reconciliations has a direct impact on the accuracy of the information used in management estimates as well as in the preparation of the financial statements. This in turn impacts the effective monitoring of debt covenant compliance, internal management reporting, and the ability of the Board of Trustees to effectively monitor the University's fiscal performance.

Cause:

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

Effect or Possible Effect:

The appropriate preparation and review of account reconciliations did not take place during the year ended June 30, 2018.

Recommendation:

We recommend that the Hospital develop a monthly checklist to assist in its closing procedures that includes the preparation of reconciliations for all accounts and review by an independent party within the finance department, ideally at a manager level. Reconciliations should also be reviewed by the Assistant Chief Financial Officer as well as the Chief Financial Officer. Evidence of their review(s) should be noted. Additionally, the design of these reconciliations should be adjusted in order to include all necessary components.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-006

Criteria:

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 financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies related to fixed asset reconciliations.

Condition:

From past audits, we noted that the Hospital had a historical cost of approximately $5.9 million in various fixed asset classes (excluding lease right-of-use assets) which were not incorporated into the Lawson Asset Management System ("AM System"). Through the current fiscal year, the Hospital recorded depreciation related to these assets in an "accumulated depreciation estimate" account. This account contained a blend of accumulated depreciation across various asset classes, including leases, and the accumulated depreciation was not tracked by either unique asset or even asset class.

In the current year, the Hospital researched those fixed assets not already incorporated into the AM System, determining the composition of the assets and estimating useful lives. Management then added these fixed assets to the AM System at net book value. However, the Hospital never trued up the differences in accumulated depreciation as a result of this research, causing a difference between the AM System and the trial balance. This resulted in a $2.8 million audit adjustment to decrease depreciation expense and accumulated amortization.

In both prior years and in the current year, we noted that the Hospital does not perform gross to net reconciliations of fixed assets from the AM System to the trial balance. The reconciliation is only performed at the historical cost level and does not include accumulated depreciation. If accumulated depreciation were incorporated into the reconciliation by asset class, the above findings likely would have been detected.

Finally, in the current year, we noted that the Hospital does not continuously assess the reasonableness of useful lives assigned to fixed assets. The useful lives assigned to certain assets in prior years were not in accordance with American Hospital Association (AHA) guidelines. Upon re-assessing useful lives, the Hospital identified 416 units for which they determined it was necessary to change the useful life estimate. This resulted in a $4.3 million audit adjustment to increase depreciation expense and accumulated depreciation. We recommend that the Hospital develop a consistent method of assigning useful lives of fixed assets based on the relevant asset class.

The issues noted with the design of the reconciliation and estimation controls had a direct impact on the financial reporting numbers for the period, and also impacted management and the Board of Trustees' ability to effectively monitor the University's fiscal performance during the course of the year.

Cause:

The University did not have adequately designed internal controls over the fixed asset reconciliations that were operating effectively.

Effect or Possible Effect:

Certain fixed asset balances (including the related accumulated depreciation) were not properly stated and thus significant adjustments were required to adjust the consolidated financial statements for the year ended June 30, 2018.

Recommendation:

We recommend the Hospital revise the design of the fixed asset reconciliation to include a reconciliation of accumulated depreciation per the AM System to the trial balance by fixed asset class.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-007

Criteria:

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. During our audit procedures, we noted certain deficiencies with respect to segregation of duties issues within the faculty practice plan financial reporting information system.

Condition:

As a part of our assessment of IT general controls for the Faculty Practice Plan, we reviewed Practice Management access for appropriate segregation of duties. As a result of our review, we noted that certain functions can be performed by users with overlapping roles:

1. Users in the Manager role have access to register patients, and can also enter claims;
2. Users in the Revenue role have access to enter claims, approve claims, and generate billings; and
3. Users in the Super User role have access to register patients, enter claims, approve claims, and generate billings. There are 30+ users assigned to the Super User role.

While the University communicated that it initiated a comprehensive user access review, that review was still in progress subsequent to year end.

Cause:

The University did not have adequately designed internal controls over the faculty practice plan financial reporting information system that were operating effectively.

Effect or Possible Effect:

Improper segregation of duties within the faculty practice plan information system resulted in certain users with overlapping roles.

Recommendation:

BDO recommends that the University assess segregation of duties rules that are required to support an effective internal control environment related to the faculty practice plan. The rules defined by management should be incorporated into the access review and revisions that are currently in progress.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-008

Criteria:

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. During our audit procedures, we noted certain deficiencies with respect to consolidated financial reporting.

Condition:

For the current year, at the Hospital, we noted that there was a high volume and dollar value of journal entries recorded months after the year-end close was designed to be completed. While we also noted this in previous years, the ultimate effect was much more pervasive in the current year.

A punctual and thorough close process is important to ensure accurate financial information is provided to other members of Hospital Management, University Management and ultimately the University Board, in a timely manner.

Cause:

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

Effect or Possible Effect:

Material transactions were recorded within the University's general ledger system subsequent to year-end close.

Recommendation:

We recommend the Hospital implement procedures within day-to-day activities to keep reconciliations up to date. We also recommend management more closely monitor trends and significant estimates throughout the year to avoid the need for large adjustments towards the end of the reporting period.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-009

Criteria:

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. During our audit procedures, we noted certain deficiencies with respect to the adoption of a new accounting pronouncements and lease accounting.

Condition:

We noted the following as related to accounting for the adoption of Accounting Standards Codification ("ASC") Topic 842 in fiscal year 2018:

1. The Hospital did not correctly account for lease modifications where there is no new lease contract under ASC 842-20-35-4, which resulted in an audit adjustment in the current year under audit to increase right-of-use assets by approximately $500,000.
2. The Hospital began amortizing multiple right-of-use assets a month early, which resulted in an audit adjustment in the current year under audit to decrease amortization expense by approximately $135,000.
3. When calculating a true up entry for right-of-use assets as part of adopting ASC Topic 840, the Hospital did not include the entirety of accumulated amortization of lease assets per the trial balance, resulting in an overstatement of amortization expense. Refer to finding 2018-03.
4. Additionally, we noted that amortization expense was incorrectly calculated on one lease due to using the incorrect lease term. This resulted in an audit adjustment to decrease amortization expense by approximately $385,000.
5. Further, note that the Hospital's lease accounting process is manual in nature and there was not an adequate detailed review performed of underlying schedules to prevent misstatement.

The lack of controls designed to address new accounting pronouncements directly impacts the accuracy and completeness of information reported in the financial statements, and increases the likelihood of a material misstatement.

Cause:

The Hospital did not have adequately designed internal controls over the adoption of new accounting pronouncements.

Effect or Possible Effect:

The Hospital incorrectly accounted for certain lease transactions and thus significant adjustments were required to adjust the consolidated financial statements for the year ended June 30, 2018.

Recommendation:

We recommend the Hospital implement adequately designed internal controls to address new accounting pronouncements in order to decrease the likelihood of a material misstatement within the consolidated financial statements.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

Section III – Federal Awards Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by the Uniform Guidance, Section .516(a) (for example, material weaknesses, significant deficiencies and material instances of noncompliance, including questioned costs and material abuse). Where practical, findings should be organized by federal agency or pass-through entity.

FINDING 2018-010

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 shall require an applicant selected for verification to submit acceptable documentation that will verify or update the following information used to determine the applicant's expected family contribution ("EFC"): adjusted gross income, U.S. income tax paid, aggregate number of family members in the household, number of family members in the household who are enrolled in as at least half-time students in postsecondary educational institutions if that number is greater than one and untaxed income subject to U.S. income tax reporting requirements in the base year which is included on the tax return form, excluding information contained on schedules appended to such forms. Untaxed income and benefits include: Social Security benefits if the institution has reason to believe that those benefits were received and were not reported or were not correctly reported; child support if the institution has reason to believe child support was received; U.S. income tax deductions for a payment made to an individual retirement account or Keough account; interest on tax-free bond; foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received; and all other untaxed income subject to U.S. income tax reporting requirements in the base year included on the tax return form, excluding information contained on schedules appended to such forms. (34 CFR section 668.56).

For students whose applications were selected for verification, if the institution has reason to believe that information included in the application is inaccurate, the institution may not (1) disburse any Pell or campus-based aid, (2) employ the applicant in its FWS program, or (3) originate Federal Direct Student Loans (or process proceeds of previously originated loans) until the applicant verifies or corrects the information. If the institution does not have any reason to believe that the information is inaccurate, the institution may withhold payment of Pell or Campus-based aid, or may make one interim disbursement of Pell or Campus-based aid, employ or allow an employer to employ an eligible student under FWS for the first 60 consecutive days after the student's enrollment and may originate the Direct Loan, but cannot process the proceeds. If the verification process is not complete within the time period specified, the institution shall return loan proceeds. In addition, the institution is liable for an interim disbursement if verification shows that a student received an overpayment or if the student fails to complete verification (34 CFR sections 668.58, 668.60(b)(3), and 668.61))

Condition:

For certain students who were properly selected for verification, the information required to be verified either did not match the underlying supporting documentation or could not be provided by the University. We consider Finding 2018-010 to be a significant deficiency.

Cause:

Insufficient internal controls and administrative oversight in regards to verification requirements.

Effect or Potential Effect:

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

Questioned Costs:

None.

Context:

For 8 of 40 students selected for verification testing, the University did not perform appropriate verification procedures.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-009 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-011

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 –Disbursements To or On Behalf of Students - If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System ("NSLDS") Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will "monitor" those students on the school's "inform" list and "alert" the school of any relevant financial aid history changes. A school must wait 7 days after it "informs" NSLDS about a transfer student before disbursing Title IV aid to that student (34 CFR section 668.19).

Condition:

Transfer students were not added to the NSLDS alert list and/or management was unable to provide documentation confirming their request of the students' financial aid history prior to disbursing Title IV funds. We consider Finding 2018-011 to be a significant deficiency.

Cause:

Insufficient internal controls and administrative oversight in regards to transfer monitoring procedures.

Effect or Potential Effect:

Federal awards were not disbursed in accordance with federal regulations.

Questioned Costs:

None.

Context:

- For 3 of 7 students who transferred to the University during the year, the University disbursed Title IV funds prior to adding the student to the NSLDS alert list.

- For 1 of 7 students who transferred to the University during the year, the University did not wait at least 7 days after adding the student to the NSLDS alert list before disbursing Title IV funds.

- For 3 of 7 students who transferred to the University during the year, the University was unable to provide documentation that the students were added to the NSLDS alert list as required.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-010 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University implement policies to ensure the University adds all transfer students to the NSLDS alert list as required.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-012

Federal Program Information:

Federal Direct Loans (CFDA #84.268); Federal Pell Grant Program (CFDA #84.063)

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

N. Special Tests and Provisions – Borrower Data Transmission and Reconciliation - Direct Loans - Federal regulations (34 CFR 690.83 and 685.301) require that the University submit Common Origination and Disbursement ("COD") information for students in an accurate and timely manner (no earlier than 7 days before and no later than 15 days after disbursement of funds).

Condition:

For certain students identified through our testing, the University did not submit Federal Direct Student Loans payment data through the COD website within the required timeframes.

Cause:

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

Effect or Potential 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 Title IV funds.

Questioned Costs:

None.

Context:

- For 1 of 40 students selected for disbursement testing, the University did not report the Federal Direct Loan disbursements to COD within the required time frame.

- For 1 of 40 students selected for disbursement testing the University was unable to provide documentation to support that a valid master promissory note was received prior to the disbursement of funds.

- For 3 of 40 students selected for disbursement testing, the University did not report the Federal Pell Grant disbursements to COD within the required time frame.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-011 in the prior year schedule of findings and questioned costs.

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.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-013

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 - The University is required to update students' statuses on the National Student Loans Data System ("NSLDS") website if they graduate, withdraw or drop to less than half-time status during the fiscal year within 30 days of the date the University becomes aware of the change in enrollment status. Additionally, institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. As with any school/servicer arrangement for the administration of the Title IV programs, if the school uses a third party to meet the NSLDS enrollment reporting requirements it is the school that must ensure that enrollment information is submitted timely, accurately, and completely.

Condition:

The University did not submit an accurate status change notification or failed to submit timely notification to the NSLDS website for certain students who graduated, withdrew or had a change in their enrollment status (full time, half time or less than half time) during the year.

Cause:

Insufficient internal controls and administrative oversight with respect to enrollment reporting requirements.

Effect or Potential 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.

Questioned Costs:

None.

Context:

- For 2 of 40 students sampled whose status changed during the fiscal year, the University failed to submit a timely notification to the NSLDS website.

- For 5 out of 40 students sampled whose status changed during the fiscal year, the University was unable to provide documentation that an accurate notification was submitted to the NSLDS website.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-012 in the prior year schedule of findings and questioned costs.

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.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-014

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:

The University did not prepare certain students' refund calculations properly and did not refund Title IV funds within the required time frame.

Cause:

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

Effect:

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

Questioned Costs:

None.

Context:

- For 1 of 23 students selected for refund calculation testing, the University incorrectly calculated the students' Title IV refund amount.

- For 3 of 23 students selected for refund calculation testing, the required refund was not adjusted within the COD system within the required timeframe.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-013 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials:

Please refer to the accompanying management’s corrective action plan.

FINDING 2018-015

Federal Program Information:

Federal Work Study Program (CFDA# 84.033)

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

N. Special Tests and Provisions – Disbursements to or on Behalf of Students - General Disbursement Criteria – Federal Work-Study Program - For students receiving Federal Work-Study (“FWS”) Program funds, federal regulations (34 CFR 675.16) require that the University pay FWS compensation at least once a month. Before an institution makes an initial disbursement of FWS compensation to a student for an award period, the institution must notify the student of the amount of funds the student is authorized to earn, and how and when the FWS compensation will be paid. Regardless of who employs the student, the institution is responsible for ensuring that the student is paid for work performed.

Condition:

For certain students identified through our testing, the University did not pay the student FWS compensation based on their hours worked. We consider Finding 2018-015 to be a significant deficiency.

Cause:

Insufficient administrative oversight with respect to disbursement of federal awards.

Effect:

The University was not in compliance with FWS disbursement compliance requirements.

Questioned Costs:

Indeterminable.

Context:

9 of 20 students tested were not paid FWS compensation based on their hours worked.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-015 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend the University follow its policies and procedures to ensure that students receiving FWS compensation are paid timely, and for the correct amounts.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-016

Federal Program Information:

Federal Supplemental Educational Opportunity Grant ("FSEOG") (CFDA#: 84.007)

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

E. Eligibility - In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contribution who will also receive Federal Pell Grants in that year (34 CFR 676.10).

Condition:

The University did not give priority to Federal Pell recipients when disbursing FSEOG funds.

Cause:

Lack of administrative oversight over the disbursement of FSEOG funds.

Effect:

The University is not in compliance with required federal guidelines.

Questioned Costs:

Below reporting threshold.

Context:

Of the total population of students awarded FSEOG funds during the year, 3 students were given priority over Federal Pell Grant recipients.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-017 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University enhance its procedures to ensure that it disburses FSEOG funds to those students with the lowest expected family contribution who will also receive Federal Pell Grants in that year.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-017

Federal Program Information:

Student Financial Assistance Cluster (CFDA#: Various)

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

N. Special Tests and Provisions – Disbursements to or on Behalf of Students - Credit Balances - An institution is required to refund credit balances on student accounts within 14 days of the creation of the credit balance. If an institution attempts to refund the credit balance by check and the check is not cashed, the institution must return the funds to the Department of Education no later than 240 days after the date the school issued the check.

Condition:

The University did not refund credit balances to certain students within the required timeframe.

Cause:

Insufficient administrative oversight with respect to the disbursement of federal awards.

Effect:

The University was also not in compliance with the required federal guidelines over credit balances from student financial assistance.

Questioned Costs:

None.

Context:

For 2 of 25 students selected for testing, the credit balance created by the disbursement of Title IV awards was not refunded to the student within the required 14 day timeframe.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-018 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University implement a process to disburse credit balances created by federal awards within the required time frame.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-018

Federal Program Information:

Student Financial Assistance Cluster (CFDA#: various)

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

L. Special Reporting – Fiscal Operations Report and Application to Participate ("FISAP") - An institution is required to submit the FISAP annually by September 30, following the end of the award year, and to accurately complete all required key line items containing critical information. The deadline for submitting data corrections is December 15 of the year in which a school submits its FISAP.

Condition:

The University submitted the 2017-2018 FISAP with errors in the report and data corrections were not submitted by the required deadline. Additionally, the University was unable to provide documentation to support certain data within the submitted FISAP for purposes of our testing procedures. We consider finding 2017-018 to be a significant deficiency.

Cause:

Insufficient internal controls and lack of sufficient administrative oversight resulted in data errors reported in the FISAP which were not subsequently corrected within the allowable time frame.

Effect:

The University is not in compliance with special reporting requirements.

Questioned Costs:

None.

Context:

The University submitted the annual FISAP for the 2017-2018 reporting year by the required deadline, however subsequently errors were identified within the report. As of the date of our Single Audit report, these errors remain uncorrected. Additionally, the University was unable to provide schedules and documentation supporting certain amounts reported within the submitted FISAP, and we were therefore unable to perform testing of certain key line items for the 2017-2018 year.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-019 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend the University enhance its internal controls and procedures to ensure that the FISAP is completed accurately prior to submission.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-019

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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

N. Special Test and Provisions – Disbursements To or On Behalf of Students - Award Notification - Federal regulations (34 CFR section 668.165 (a)(6)(i)) require that the institution notify the student, or parent, in writing of (1) the date and amount of the disbursement; (2) the student's right, or parent's right, to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan or the TEACH Grant payments returned to the U.S. Department of Education; and (3) the procedure and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, TEACH Grant, or TEACH Grant disbursement. Institutions that implement an affirmative confirmation process (as described in 34 CFR section 668.165 (a)(6)(i)) must make this notification to the student or parent no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution with Direct Loan, FPL funds, or TEACH Grants.

Condition:

For certain students who received disbursements of Federal Direct Loan funds, the University did not notify the student or parent of their award disbursement within the required time frame after crediting the student's account.

Cause:

Lack of sufficient administrative oversight with respect to student aid award notifications

Effect:

The University is not in compliance with award notification requirements.

Questioned Costs:

None.

Context:

2 of 25 students tested did not receive award notifications within the required time frame.

Identification as a Repeat Finding:

No similar findings noted in the prior year.

Recommendation:

We recommend the University enhance its policies and procedures over award notifications to ensure that such notifications are sent to students within the required timeframe.

Views of Responsible Officials:

Please refer to the accompanying management’s corrective action plan.

FINDING 2018-020

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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

N. Special Tests and Provisions – Borrower Data Transmission and Reconciliation - Direct Loans - Each month, the U.S. Department of Education's Common Origination and Disbursement system (the "COD") provides institutions with a School Account Statement ("SAS") data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 303).

Condition:

Certain instances were identified during the year where the University was unable to support that a reconciliation was performed between the SAS data files provided from the COD and the University's financial records. We consider Finding 2018-020 to be a significant deficiency.

Cause:

Insufficient internal controls and administrative oversight resulted in noncompliance with borrower data transmission and reconciliation requirements and adequate documentation not being retained to evidence the University's performance of monthly SAS data file reconciliations.

Effect or Potential Effect:

The University is not properly following its policies and procedures in place to ensure that compliance is maintained with respect to borrower data transmission and reconciliation compliance requirements.

Questioned Costs:

None.

Context:

For 2 of 2 months selected for testing, the University was unable to provide documentation supporting that reconciliations had been performed between the University's financial records and the SAS data files received from the COD.

Identification as a Repeat Finding:

No similar findings noted in the prior year.

Recommendation:

We recommend that the University enhance its procedures to ensure that it disburses FSEOG funds to those students with the lowest expected family contribution who will also receive Federal Pell Grants in that year.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-021

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 – The Uniform Guidance requires recipients of federal awards to 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 corroborates 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.

Cause:

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

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.

Questioned Costs:

None.

Context:

For 1 of 4 procurement transactions selected for testing, the University was unable to provide adequate sole source or competitive bidding documentation.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-022 in the prior year schedule of findings and questioned costs.

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:

Please refer to the accompanying management's corrective action plan.

FINDING 2018-022

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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 result from federal grant support by the grantors 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.

Cause:

Insufficient administrative oversight with respect to Special Tests and Provisions requirements.

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.

Questioned Costs:

None.

Context:

We noted the following in regards to publications:

- For 39 of 53 Research and Development Cluster publications selected for testing, the publication did not include the appropriate acknowledgement of support and/or disclaimer of responsibility.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2017-024 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University properly follow its policies and procedures over the applicable Special Tests and Provisions requirements within its grant agreements.

Views of Responsible Officials:

Please refer to the accompanying management's corrective action plan.

FINDING 2017-001

Type of Finding:

Financial statement finding.

Condition:

For the past several years, we have noted certain issues with respect to the operation of the human resources function at the University. Such issues noted included:

1) As noted in prior years, issues remain within the hiring and on-boarding process:
    a. The current workflow of the ePAR process allows for several points of failure that considerably slow down or entirely halt the hiring process – leading in several instances to the loss of highly desired candidates (as asserted by several University stakeholders);
    b. Inconsistent job descriptions and role responsibilities remain an issue, resulting in widely varying pay for similar types of job duties;
    c. There were several instances noted in the current year where new employees were coded to receive inappropriate 403(b), FICA taxes, and social security taxes withholdings. This coding is performed at the department level by delegates and not within the HR function;
    d. With respect to some faculty new hires, some discrepancies remain between the records maintained by the Office of the Provost and the Office of Human Resources. We noted several faculty new hires with IBS letters but with missing or incomplete ePARs;
    e. We were unable to obtain proof that new employees were required to review and sign the Code of Ethics and Conduct;
    f. We also noted that aspects of the hiring process for faculty is still heavily paper-dependent, despite the implementation of the ePar system in a prior period; and
    g. Lastly, we noted the lack of an appropriate review control to prevent overpayments that primarily stem from contractors that were converted to employees, and faculty employees changing job responsibilities or ending certain temporary roles.

2) There are some issues remaining within the terminations process, consistent with what we noted in prior years. The initial responsibility for communicating that a termination, separation, or retirement has occurred lies with the individual University departments. The timeliness of those departments sharing termination information with other relevant departments, including HR and ETS, remains an issue, resulting in some employees still receiving salary/wage payments and/or having systems access subsequent to their termination. In addition, there is a lack of a preventative review control to ensure that terminated employees only receive the compensation due and are not over paid.

3) In the prior year, a segregation of duties issue was noted with respect to the University's former benefits administrator. While some steps were taken to change access rights in the Plan’s Trustee’s system and further segregate controls, in the current year we noted that management does not maintain documentation to support who should have access to which

benefits systems, and whether access changes were appropriately authorized. In addition, we noted that there was no documentation maintained to support that management's control to monitor monthly benefit payments was properly executed during the year.

4) We noted that management did not appropriately analyze or vet the impact of benefit plan changes from a legal or accounting perspective prior to final approval of any amendments.

5) Consistent with prior years, we noted data integrity issues with the personnel files and records maintained by the Office of Human Resources. With respect to payroll testing, we were unable to substantiate the data within PeopleSoft. With respect to testing of Plan participants, documentation to support participant data was either incomplete or entirely missing.

6) We noted several instances where incorrect account coding was provided by the Office of Human Resources to record employee benefits transactions. As a result, we noted instances where employer contributions to the 403(b) plan were incorrectly coded to the employee accrual account, COBRA payments were coded to the post-retirement account instead of the health insurance account, and 403(b) payments already paid out were resubmitted for accrual.

We also noted other process issues, such as a lack of budgetary position controls in Lawson (the Hospital's system), department-level deviations from the performance management and performance improvement plan, termination processes that ultimately result in delays in removing or dismissing poorly performing employees, and an overly complex job coding structure in PeopleSoft that is not tied to standardized job descriptions.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-001.

FINDING 2017-002

Type of Finding:

Financial statement finding.

Condition:

During the current year, management noted instances where individuals received both tuition remission benefits and institutional aid in the form of grants. As tuition remission benefits effectively reduce tuition billings to zero, the award of institutional aid grants resulted in refund checks or direct deposits being issued to certain individuals. Upon further investigation, management determined that this practice was systemic, involved those charged with management responsibilities in the Office of Student Financial Aid and the Office of the Bursar, and had been on-going for several years. In certain instances, individuals employed by the University used the receipt of institutional aid grants to compensate for salaries that they perceived as too low and never attended any classes. In total, this practice involved the issuance of $3.7 million in refunds from 2007 through December 2016.

The underlying cause of this issue was deemed to be that the policy for awarding institutional aid was entirely at the discretion of the Office of Student Financial Aid. Note that the refunds ultimately have no impact on the financial statements, or on financial statement line items. The expense related to the institutional aid that was awarded is reflected as unrestricted “Other” aid in the financial statements.

With respect to the documentation maintained to support the approval of tuition remission, we note that the records within the system could be improved if there were fields identifying whether the individual was an employee, retiree, or a beneficiary of an employee or retiree (and if so, which specific related individual).

In addition, in the current year we noted that in some instances the University was unable to provide sufficient documentation to support how specific students were selected for scholarship awards, and did not always obtain signed student award contracts in compliance with specific controls. We also noted that documentation to support the execution of several controls as described by system process narratives was not maintained. Examples of such controls include reconciliation of Study Abroad students to Banner and review of student loan accounts.

Lastly, we noted instances where credits were rolling forward in student accounts for former students that had withdrawn from the University. Of the accounts we reviewed that had credit balances and withdrawals, we also noted that the University had issued refund checks to three of the students shortly before their withdrawals.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-002.

FINDING 2017-003

Type of Finding:

Financial statement finding.

Condition:

In the prior year, BDO noted that many accounts lacked timely and accurate reconciliations at year end. Reconciliations were either not being performed consistently throughout the fiscal year and/or adequately reviewed by management.

For the current year, the Hospital made a number of improvements to remedy the prior year comment. The current Chief Financial Officer and Director of Financial Reporting, ensured that current activity for all accounts were reconciled and reviewed throughout the fiscal year. In going about this process, there were several accounts in which unsupported transactions were identified.

Given staffing constraints and turnover experienced within the Hospital's finance department in recent years, researching and resolution these items was a time consuming task that culminated in approximately twenty-one (21) post-closing entries. Many of these entries had a significant impact on the account balances with which they were associated. Given the nature and volume of these entries, the accuracy and completeness of account balances reported during the year are questionable.

The preparation of timely, accurate and complete reconciliations, subjected to an appropriate level of review by management is a key control to ensure the accuracy of financial information provided to other members of Hospital management, University management and ultimately the University's Board of Trustees. Such reconciliations and related review of those reconciliations are also necessary to ensure that Hospital assets are properly safeguarded against misappropriation.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-005.

FINDING 2017-004

Type of Finding:

Financial statement finding.

Condition:

As noted in the prior year's audit, net patient accounts receivable, including the related allowances for doubtful accounts and contractual adjustments, had several deficiencies noted. Many of these deficiencies were addressed by the Hospital during the current year.

In reviewing the calculation provided by Hospital management to support the allowance for doubtful accounts, BDO noted a formula error that resulted in an audit adjustment of approximately $3.8 M, resulting in an increase to the allowance and corresponding expense accounts. The fact the error went unidentified was due in part to the fact that the Chief Financial Officer was too close to the preparation of the calculation to provide an objective review.

Patient accounts receivable/revenue and related allowance accounts represent a significant portion of the Hospital's balance sheet and income statement, reflective of its significance to the Hospital's mission and operations. The accuracy of this information is key to accurate financial reporting as well as tools to be utilized by management to improve Hospital operations.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-004.

FINDING 2017-005

Type of Finding:

Financial statement finding.

Condition:

As noted in prior years, we noted that there are time lags between when various University departments receive invoices for goods or services rendered, and when those departments remit those invoices to Accounts Payable for recording and payment. The average time lag is 4.5 months. As a result, management cannot effectively track spending against the budget and has had to rely on analyzing encumbrances (e.g. purchase orders or contracts), which is an imperfect measure. As a result, this issue impacts quarterly reporting, effective monitoring of debt covenant compliance, internal management reporting, and the ability of the Board of Trustees to effectively monitor the University's fiscal performance.

For the fiscal year ended June 30, 2017, these time lags resulted in a post-closing adjustment of approximately $10 million.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-008.

FINDING 2017-006

Type of Finding:

Financial statement finding.

Condition:

As a part of our assessment of IT general controls, we reviewed Practice Management access for appropriate segregation of duties. As a result of our review, we noted that certain functions can be performed by users with overlapping roles:

1. Users in the Manager role have access to register patients, and can also enter claims;
2. Users in the Revenue role have access to enter claims, approve claims, and generate billings; and
3. Users in the Super User role have access to register patients, enter claims, approve claims, and generate billings. There are 30+ users assigned to the Super User role.

While the University communicated that it initiated a comprehensive user access review, this review was still in progress subsequent to year end.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-007.

FINDING 2017-007

Type of Finding:

Financial statement finding.

Condition:

As a part of our assessment of IT general controls, we tested the logical access controls for the Active Directory, Aurora, Crowe, Invision, Lawsom, 3M and Soarian Clinicals applications. As a result of our testing, we noted the following:

<u>Aurora</u>

1. No formal documented policies in place that govern adding or modifying access;
2. No formal documentation in place that governs how users are terminated; and
3. Noted four user accounts with system administrative access that potentially creates a segregation of duties conflict.

<u>Crowe</u>

1. No formal documented policies in place that govern adding or modifying access;
2. No formal documentation in place that governs how users are terminated; and
3. Noted two user accounts with system administrative access that potentially creates a segregation of duties conflict.

<u>Invision</u>

1. Noted one user account with system administrative access that potentially creates a segregation of duties conflict; and
2. Noted eight user accounts that had access to both the Production and Development environments. In one instance, one of the users had this access, as well as system administrative access and access to the Revenue module.

<u>Lawson</u>

1. Noted two generic user accounts that management should review to determine if the accounts should be disabled.

<u>3M</u>

1. Noted three user accounts with system administrative access that potentially creates a segregation of duties conflict.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-007.

FINDING 2017-008

Type of Finding:

Financial statement finding.

Condition:

The third-party settlement reserves account roll forward lacked adequate documentation to support the Hospital's position with respect to potential exposure items related to open as well as unaudited cost report submissions. Third-party reimbursement is a highly specialized role within any hospital.

Status of Findings as of June 30, 2018:

No similar findings noted.

FINDING 2017-009

Type of Finding:

Federal award finding.

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 Federal Student Aid 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 Program 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 Expected Family Contribution.

An institution shall require an applicant selected for verification to submit acceptable documentation that will verify or update the following information used to determine the applicant's EFC: adjusted gross income, U.S. income tax paid, aggregate number of family members in the household, number of family members in the household who are enrolled as at least half-time students in postsecondary educational institutions if that number is greater than one, and untaxed income subject to U.S. income tax reporting requirements in the base year which is included on the tax return form, excluding information contained on schedules appended to such forms. Untaxed income and benefits include: Social Security benefits if the institution has reason to believe that those benefits were received and were not reported or were not correctly reported; child support if the institution has reason to believe child support was received; U.S. income tax deductions for a payment made to an individual retirement account or Keough account; interest on tax-free bond; foreign income excluded from U.S. income taxation if the institution has reason to believe that foreign income was received; and all other untaxed income subject to U.S. income tax reporting requirements in the base year included on the tax return form, excluding information contained on schedules appended to such forms (34 CFR 668.56).

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. For certain students who were properly selected for verification, the information required to be verified either did not match the underlying supporting documentation or could not be provided by the University. Additionally, certain students requiring verification were disbursed federal aid prior to the completion of verification procedures. We consider Finding 2017-009 to be a significant deficiency.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-010.

FINDING 2017-010

Type of Finding:

Federal award finding.

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 –Disbursements To or On Behalf of Students - If a student received financial aid while attending one or more other institutions, schools are required to request financial aid history using the National Student Loan Data System ("NSLDS") Student Transfer Monitoring Process. Under this process, a school informs NSLDS about its transfer students. NSLDS will "monitor" those students on the school's "inform" list and "alert" the school of any relevant financial aid history changes. A school must wait 7 days after it "informs" NSLDS about a transfer student before disbursing Title IV aid to that student (34 CFR section 668.19).

Condition:

Transfer monitoring procedures were not properly completed during the year ended June 30, 2017. The University was unable to provide documentation confirming management's request of the students' financial aid history prior to disbursing Title IV funds. The transfer students were also not added to the NSLDS alert list as required. We consider Finding 2017-010 to be a significant deficiency.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-011.

FINDING 2017-011

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Direct Loans (CFDA #84.268)

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

N. Special Tests and Provisions – Borrower Data Transmission and Reconciliation - Direct Loans - Federal regulations (34 CFR 690.83 and 685.301) require that the University submit Common Origination and Disbursement ("COD") information for students in an accurate and timely manner (no earlier than 7 days before and no later than 15 days after disbursement of funds).

Condition:

For certain students identified through our testing, the University did not submit Federal Direct Student Loans payment data through the COD website within the required timeframes.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-012.

FINDING 2017-012

Type of Finding:

Federal award finding.

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 - The University is required to update students' statuses on the National Student Loans Data System ("NSLDS") website if they graduate, withdraw or drop to less than half-time status during the fiscal year within 30 days of the date the University becomes aware of the change in enrollment status. Additionally, institutions are responsible for timely reporting, whether they report directly or via a third-party servicer. As with any school/servicer arrangement for the administration of the Title IV programs, if the school uses a third party to meet the NSLDS enrollment reporting requirements it is the school that must ensure that enrollment information is submitted timely, accurately, and completely.

Condition:

The University did not submit an accurate status change notification or failed to submit timely notification to the NSLDS website for certain students who graduated, withdrew or had a change in their enrollment status (full time, half time or less than half time) during the year. We consider Finding 2017-012 to be a significant deficiency.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-013.

FINDING 2017-013

Type of Finding:

Federal award finding.

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:

The University did not prepare certain students' refund calculations properly and did not refund Title IV funds within the required time frame.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-014.

FINDING 2017-014

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Direct Loans (CFDA# 84.268), Federal Pell Grant Program (CFDA #84.063) and Federal Work Study Program (CFDA# 84.033)

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

C. Cash Management - Institutions are permitted to draw down Title IV funds prior to disbursing funds to eligible students and parents. The institution's request must not exceed the amount immediately needed to disburse funds to students or parents. A disbursement of funds occurs on the date an institution credits a student's account or pays a student or parent directly with either student financial aid funds or institutional funds. The institution must make the disbursements as soon as administratively feasible, but no later than 3 business days following the receipt of funds. Any amounts not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education (the "ED") (34 CFR section 668.166(a)(1)). Excess cash includes any funds received from the ED that are deposited or transferred to the institution's Federal account as a result of an award adjustment, cancellation, or recovery. However, an excess cash balance tolerance is allowed if that balance: (1)

is less than one percent of its prior-year drawdowns; and (2) is eliminated within the next 7 calendar days (34 CFR sections 668.166(a) and (b)).

Condition:

Certain instances during the year were identified where funds drawn were held in excess of the allowable time frame and/or allowable thresholds. We consider Finding 2017-014 to be a significant deficiency.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-00.

FINDING 2017-015

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Work Study Program (CFDA# 84.033)

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

N. Special Tests and Provisions – Disbursements to or on Behalf of Students - General Disbursement Criteria – Federal Work-Study Program - For students receiving Federal Work-Study ("FWS") Program funds, federal regulations (34 CFR 675.16) require that the University pay FWS compensation at least once a month. Before an institution makes an initial disbursement of FWS compensation to a student for an award period, the institution must notify the student of the amount of funds the student is authorized to earn, and how and when the FWS compensation will be paid. Regardless of who employs the student, the institution is responsible for ensuring that the student is paid for work performed.

Condition:

For one student identified through our testing, the University did not pay the student at least once a month for their FWS compensation earned.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-015.

FINDING 2017-016

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Direct Loans (CFDA #84.268)

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

E. Eligibility - Annual Limits for Subsidized Loans - For an undergraduate student who has not yet successfully completed the first year of study, the annual loan limit is $3,500 for a program of study at least an academic year in length. For an undergraduate student who has successfully completed the first year but has not successfully completed the second year of an undergraduate program: up to $4,500 for a program of study at least an academic year in length. For an undergraduate student who has successfully completed the first and second year of study but has not successfully completed the remainder of the program or for a student in a program who has an associate or baccalaureate degree which is required for admission into the program: up to $5,500 for a program of study at least an academic year in length.

Condition:

For 1 student selected for testing, the University disbursed subsidized Federal Direct Loans in excess of allowable annual limits.

Status of Findings as of June 30, 2018:

No similar findings noted in the current year.

FINDING 2017-017

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Supplemental Educational Opportunity Grant ("FSEOG") (CFDA#: 84.007)

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

E. Eligibility - In selecting among eligible students for FSEOG awards in each award year, an institution shall select those students with the lowest expected family contribution who will also receive Federal Pell Grants in that year (34 CFR 676.10).

Condition:

The University did not give priority to Federal Pell recipients when disbursing FSEOG funds.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-016.

FINDING 2017-018

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (CFDA#: Various)

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

N. Special Tests and Provisions – Disbursements to or on Behalf of Students - Credit Balances - An institution is required to refund credit balances on student accounts within 14 days of the creation of the credit balance. If an institution attempts to refund the credit balance by check and the check is not cashed, the institution must return the funds to the Department of Education no later than 240 days after the date the school issued the check.

Condition:

The University did not refund credit balances to certain students within the required timeframe.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-017.

FINDING 2017-019

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (CFDA#: various)

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

L. Special Reporting – Fiscal Operations Report and Application to Participate ("FISAP") - An institution is required to submit the FISAP annually by September 30, following the end of the award year, and to accurately complete all required key line items containing critical information. The deadline for submitting data corrections is December 15 of the year in which a school submits its FISAP.

Condition:

The University submitted the 2016-2017 FISAP with errors in the report and data corrections were not submitted by the required deadline. Additionally, the University was unable to provide documentation to support certain data within the submitted FISAP for purposes of our testing procedures. We consider finding 2017-019 to be a significant deficiency.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-018.

FINDING 2017-020

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Work Study Program (CFDA# 84.033)

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

G. Earmarking – Federal Work Study - An institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities unless waived by the Secretary of Education (34 CFR section 675.18).

Condition:

The University was unable to provide timely documentation to support that the seven percent FWS earmarking requirement was met for the year. While, documentation needed to verify compliance was ultimately obtained, the appropriate internal controls are not in place to ensure that FWS documentation is properly maintained. We consider Finding 2017-020 to be a significant deficiency.

Status of Findings as of June 30, 2018:

No similar findings noted in the current year.

FINDING 2017-021

Type of Finding:

Federal award finding.

Federal Program Information:

Research and Development Cluster (various CFDA #'s), 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) – The Uniform Guidance outlines the guidelines governing effort certification and the verification of salary distributions. Specifically, 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. 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 which is not in compliance with the Uniform Guidance requirements and the University's internal policy. We consider Finding 2017-021 to be a significant deficiency.

Status of Findings as of June 30, 2018:

No similar findings noted in the current year.

FINDING 2017-022

Type of Finding:

Federal award finding.

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 – The Uniform Guidance requires recipients of federal awards to 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 corroborates 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.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-021.

FINDING 2017-023

Type of Finding:

Federal award finding.

Federal Program Information:

Research and Development Cluster (various CFDA #'s) and USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

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 Uniform Guidance, 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 not submitted in a timely manner.

Status of Findings as of June 30, 2018:

No similar findings noted in the current year.

FINDING 2017-024

Type of Finding:

Federal award finding.

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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 result from federal grant support by the grantors 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.

Status of Findings as of June 30, 2018:

This finding was not fully remediated as of June 30, 2018 and is part of Finding 2018-022.

Finding 2018-001

Name of Responsible Individual: Director of Human Resources

Corrective Action: We are dedicating additional technology resources to perform a clean-up of ePAR users and enable workflow notifications to improve hiring, employee change in status, and terminations processing speed. We are providing additional training for ePAR approvers to ensure compliance and full utilization of the process.

We have implemented manual processing and individualized communications with key stakeholders:

1) Reviewing payroll reports with departmental/unit managers on a weekly basis for the authorization and approval of hours worked for correct pay.
2) Currently working with ETS to provide systematic notifications of all pending ePAR transactions to all ePAR workflow participants
3) We will provide individual reminder notifications to managers of ePAR transactions that are pending in their queue for approval
4) Send the pending ePAR report to all managers for action. If approved timely, escalated to respective cabinet member with final action escalated to CHRO.

Timeline

1) The payroll reports for hourly employees was implemented effective March 1, 2019.
2) ETS anticipates the ePAR notification emails to go live in April 2019.
3) Effective April 2019, Human Resources will proactively generate pending ePAR reports for distribution to the 65 departmental/unit managers.
4) Focus on those units that are require focused interventions

The Inconsistent job descriptions and role responsibilities issue involves redefining job families, job codes and position descriptions in PeopleSoft HRMS. The Office of Human Resources engaged Mercer to accomplish this remediation (please refer to attached draft proposal).

Remediation - Phase 1

Develop a job architecture that creates a consistent job leveling structure inclusive of job families and grades.

- Create all new job codes with updated pay ranges
- Develop a new position description template for all positions
- Design a baseline guide for the new structure
- Slot 75 key jobs into the new structure including but not limited to the following;
    - FPP and College of Medicine
        - Patient Service Representatives
        - Medical Assistants
    - Enrollment Management
        - Financial Aid Counselors
        - Academic Recorders
        - Academic Specialist
    - Administrative Staff

Remediation - Phase 2

Slot additional jobs within the newly developed pay ranges and work with the Budget Office to strategically bring all employees to 50% of market (timeframe TBD)
Provide all managers and employees with the revised position descriptions

- Configure the current PeopleSoft HRMS system to reflect the changes
- As part of the implementation, train all managers on the adapted structure

Timeline

Phase I (Completion by 06/30/19)
Phase II (Completion by 09/30/19)

The hiring process for faculty has been remediated. All faculty go through the APT (Appointment, Promotion, and Tenure) process. The timing and requirements for the APT process varies from college to college. The Office of Human Resources in collaboration with the Offices of the Provost and Budget have streamlined and automated both the hiring and onboarding of faculty members along with the faculty hiring request process for colleges in PeopleSoft HRMS. This resulted in significant improvements in the hiring and on-boarding process and increased the number faculty who have been cleared to teach at the beginning of the semester in the current academic year.

The HR Services and Employee Relations team has developed standard operating procedures (SOPs) for the various types of terminations. These procedures were vetted by the Office of the General Counsel and centralized all terminations within the Office of Human Resources. In addition to the creation of termination process standard operating procedures, we have communicated these procedures with departmental/unit key stakeholders and reinforced the need for timely information input. Process improvement has occurred with the systematic processing of terminations. However, we are challenged by the timeliness of inputting data into the system as well as the decentralized nature of the accountable units. We must devise a means for employee's to directly input resignation and/or retirement notices into a system that directly feeds to the Office of Human Resources (OHR), as opposed to intermediary department / unit organizational chains before data and information is received by OHR. Our recommendation is a centralized approach by establishing a dedicated email account for termination notification. The establishment of the new email account with publicized via an HU Communication notice.

Timeline

- SOPs and departmental communications – Completed – July 2018
- Self-service resignation / retirement portal - April 2020

Effective June 2018, management of the retirement programs was separated from health and welfare benefits with direct reporting relations to the CHRO and limited access to the respective systems.

A digitization project was completed for both University and HUH personnel records in September 2018 as part of a larger Defined Benefit Plan project with AON. The project commenced in May 2018.

With the implementation of the new ERP system, we will have a separate performance management tool with the appropriate flexibility to effectively address the various University and HUH constituents (faculty, staff and clinicians). The performance management tool will enable both the University and HUH to identify and assign goals to employees and effectively manage the annual performance review process. Currently, the termination process at HUH is paper based. The HUH Human Resources team provides updates about the termination process and other people processes during the regular Executive Directors Forum (EDF) meetings. Managers and above are in attendance for EDF meetings. On an ongoing basis, the HUH Human Resources team conducts training for new managers who are responsible for supervising employees.

Anticipated Completion Date: Phase I (Completion by June 30, 2019); Phase II (Completion by September 30, 2019)

Finding 2018-002

Name of Responsible Individual: Director of Student Financial Aid, Controller and Chief Accounting Officer, Senior Director of Financial Grants and Sponsored Programs

Corrective Action: Controls have been implemented to prevent the inaccurate awarding of both tuition remission benefits and institutional aid in the form of grants within the Office of Student Financial Aid. Howard University's policy for Financial Aid Requisitions has been updated to include an approval process from authorized university officials in the offices of Budgets, Financial Grants and Sponsored Programs, and the Controller. No awards are approved by the Office of Student of Financial Aid (OSFA).

The designated officer in the respective Colleges and Schools (scholarships/grants) use the Financial Aid Requisition (FAR) form to indicate the amount of restricted or unrestricted institutional aid in the form of grants to be awarded and their approval of that award. FARs requesting restricted aid are sent to the Controller's Office. FARs requesting unrestricted aid are sent to the Budget Office. FARs requesting institutional aid in the form of grants are sent to the office of Grants and Sponsored Programs.

For tuition remission, the employee and/or dependent submits their application to the Office of Human Resources. The designated official in the Human Resources Office determines the employee's active employment and eligibility status with the university. The Controller's Office reviews and records the number of approved tuition remission requests. The Office of Student Financial Aid processes and awards the tuition remission benefit, and records it in the student's financial aid award letter.

The Controller, Financial Grants and Sponsored Programs, and Budget Offices review and approve the awarding of the restricted and unrestricted institutional aid in form of grants, respectively, based on amounts confirmed as available in the funds. The FARs are then forwarded to the Office of Student Financial Aid (OSFA) for processing. The Controller, Financial Grants and Sponsored Programs, and Budget Offices also sends a final copy of the FAR with all authorized university officials' signatures as well as the summary of unrestricted aid approved and processed.

OSFA reviews the FARs it receives, ensuring the proper Banner fund code and signatures are included, and applies the restricted and/or unrestricted institutional aid in form of grants unto the student's financial aid award letter. Once applied to the student's financial aid award letter, the approved award is posted to the student's account via an automated Banner Disbursement job as noted by the Office of the Bursar.

Effective March 2019, to ensure the amounts were applied correctly, a quality assurance review will be conducted monthly by the Financial Aid Compliance Officer through the ARGOS All Aid Report that shows all financial aid awarded to the student. The Director of Financial Aid will review, address (if applicable) and sign-off on the findings of the Compliance Officer.

All Howard students are strongly encouraged to complete a FAFSA, including a campus-wide FAFSA campaign "Race to 100" that seeks to get 100% of Howard students to complete.

Controls were updated to prevent the formula based process that applies institutional aid in the form of grants from awarding unqualified students or providing student more aid than indicated in the awarding guidelines and outside of Howard University's updated policy to be implemented for the 2019-2020 Award Year.

Starting AY 2019-20 Award Year, the institutional aid in the form of grants awarding criteria and guidelines will be signed-off on by various members of senior leadership (President, Provost, COO, CFO, and AVP Enrollment) before moving into production.

The Financial Aid Systems Analyst programs the award criteria and guidelines in the Banner Student Information System test environment, then transfers it to the Banner Student Information System production environment, once approved.

The Director of Enrollment Systems will review and sign-off on the programming of the Financial Aid Systems Analyst.

There is the potential for students to receive institutional aid from multiple sources if the awarding guidelines inadvertently allows it or if the student's financial aid package is updated after the initial financial aid package, thus leading to possible over-awarding. Starting AY 2019-2020, a quality control process will be conducted on a monthly basis by the Financial Aid Compliance Officer to ensure awarded institutional aid consistently complies with the university's policy. The Director of Financial Aid will review, address (if applicable), and sign-off on the findings of the Financial Aid Compliance Officer.

To ensure the formula was programmed accurately and applied aid appropriately, a quality assurance process for institutional aid awarded via the matrix will be reviewed monthly by the Financial Aid Compliance Officer through the ARGOS All Aid Report that show all financial aid received by a student. The Director of Financial Aid will review, address (if applicable), and sign-off on the findings of the Financial Aid Compliance Officer.
An Ellucian Consultant was hired to review the New Year Checklist setup each year. In February 2019, Howard University engaged Ellucian-Banner to develop and implement system controls within the financial aid modules. Such system controls include establishing awarding and disbursements rules for federal, state, and institutional funding. The development of these system controls will ensure financial aid activities that are allowed and unallowed to reduce financial aid errors. Financial aid errors will also be reduced through the development and review of exception reports

such as disbursement error, financial aid disbursements, and reconciliation reports. Controls were implemented to ensure consistency for selecting donor related scholarship recipients. The Office of the Provost has selected a Donor Scholarship Committee charged with,

1. Evaluating scholarship criteria for accuracy;
2. OSFA supplies financial need information to the committee for consideration;
3. Reviewing and selecting scholarship finalists who apply using an online scholarship application that must be submitted by a publicized deadline;
4. Reporting selection to OSFA who applies the restricted and/or unrestricted institutional aid in form of grants onto the student's financial aid award letter. Once applied to the student's financial aid award letter, the approved award is posted to the student's account via an automated Banner Disbursement job as noted by the Office of the Bursar.

The Director of Student Financial Aid created and established procedures for document retention in accordance to Federal Regulations and Polices. Thus, the availability of financial aid documentation will be retained based on the specifications and guidelines outlined in 34 CFR 668.24.

To ensure or reduce the risk of both tuition remission benefits and institutional aid in the form of grants outside of the Howard University's updated policy, the following procedures will be implemented for quality assurance:

1. Currently, once all federal and institutional aid requirements are satisfied, all aid is disbursed onto the accounts of Graduate and Professional students 10 days prior to the 1st day of class.

2. Currently, all refund requests from the Office of the Bursar are required to be approved by the Office of Treasury Services before any processing can begin.

3. For students who withdraw, the Office of Financial Aid will performs a Return to Title IV (R2T4) calculation upon receipt of the Total Withdrawal thus adjusting the amount of federal aid and pro-ration of the tuition, if any, based on the date of withdrawal.

4. All refund processing is performed on Tuesdays and Thursdays. This is to capture any last-minute adjustments in either tuition and/or aid.

5. Starting in Fall 2019, aid (Pell Grant& Tuition Remissions) for Undergraduate students will be disbursed after the Add-Drop Period and "attendance" has been confirmed.

6. The Office of the Bursar will rely on the Office of Student Financial Aid to review and analyze over-awards, as it relates to Title IV.

Anticipated Completion Date: June 30, 2019

Finding 2018-003

Name of Responsible Individual: General Counsel, Controller and Chief Accounting Officer

Corrective Action: In the short term, OGC will add resources to review the final version of the agreement or contract to ensure that the final version is in the form prescribed by the Office of the General Counsel. All material contracts of the University will be housed in a database that can be accessed by OGC, Procurement and Accounting. The Office of the Controller will formally request all executed contracts from the Cabinet officers on a monthly basis to load in the database. The improved manual controls will be put in place prior to May 31, 2019.

In the long term, a contract management system with electronic workflow will be implemented by the University to facilitate a transparent process for tracking contract requests, review and approval. The management system will be completed prior to December 31, 2019.

Anticipated Completion Date: June 30, 2019

Finding 2018-004

Name of Responsible Individual: Hospital Chief Financial Officer

Corrective Action: The Hospital is establishing and developing a new methodology based on based on current contractual, collection and operational changes. The Hospital will have the external auditors review the current methodology and account balances at the end of its third quarter for the nine months ending March 31, 2019, to insure that the Hospital is positioned to avoid any material year-end adjustments for the year ending June 30, 2019. This will also to address any concerns proactively and on a real time basis rather than after year end.

The Hospital is reviewing and analyzing its allowances and gross to net calculations on a monthly basis to assess the effectiveness of its model to accurately estimate allowances for doubtful accounts and contractual allowances. The Hospital has implemented a process that included Hospital CFO review to ensure accuracy of the underlying reports used in its calculations effective with the February 2019 accounting close.

Anticipated Completion Date: February 28, 2019

Finding 2018-005

Name of Responsible Individual: Hospital Chief Financial Officer

Corrective Action: Third party consultants have been engaged to review the entire revenue cycle and provide improvements and to oversee the implementation. Subsidiary to general ledger reconciliations are being performed monthly and quarterly analytical procedures have been put into place to review the receivables and the related allowance. Staff have been directed to follow up on untouched accounts receivable accounts daily. Bad debt write-offs are forwarded to management for review and approval. Denial management has been centralized and the detailed information for amounts written off are reviewed for proper coding and reconciliation. The revenue cycle improvements are ongoing and the reconciliation process was put in place in February 2019.

Anticipated Completion Date: February 28, 2019

Finding 2018-006

Name of Responsible Individual: Hospital Chief Financial Officer

Corrective Action: HUH management is revising its fixed asset reconciliation process to include reconciliation of accumulated depreciation per the AM/Lawson System to the trial balance by asset class. HUH management is now consistently reviewing its useful lives of its asset class based on the relevant asset classes on a quarterly basis. HUH management will account for fixed asset items in accordance to AHA guidelines. The Hospital Finance will enhance and make strong reconciliation of assets in conjunction with accumulated depreciation. The improved process and controls will be in place by May 31, 2019.

Anticipated Completion Date: May 31, 2019

Finding 2018-007

Name of Responsible Individual:

Corrective Action: The segregation of duties issues were remediated. Managers as part of their duties, may be required to provide front desk support during operations and thus must have access to register patients. Managers do not have access to enter claims and charges.

Users in the Revenue/Charge entry role have access to enter charges, process charge edits through claims validation and billing clearinghouse, and generate bills. This function is supervised by the Billing Manager who reviews the work performed.

The Super User role in the Allscripts system does not provide system administrator rights. Super Users in Allscripts have the ability to register patients and schedule appointments. Super users do not have the ability to enter claims, charges or generate billings.

Anticipated Completion Date: June 30, 2019

Finding 2018-008

Name of Responsible Individual: Controller to Assistant Chief Financial Officer

Corrective Action: The Hospital has promoted the current Controller to Assistant Chief Financial Officer to assist in streamlining and improving the close process. Changes to the close process were implemented in February 2019.

The Hospital has implemented the recommendations:

- To implement procedures within the day to day accounting activities to keep reconciliations more timely and up to date.
- Hospital Management is more closely monitoring trends and estimates throughout the year.
- Hospital Management has developed key performance indicator reports to report performance trends daily and monthly.
- The month end close schedule is closely monitored in conjunction with reconciliations. Accounts have been monitored and expected adjustments from any prior residuals have been addressed and resolved.

Anticipated Completion Date: February 28, 2019

Finding 2018-009

Name of Responsible Individual:

Corrective Action: The Hospital accounting team will perform its analyses of leases more timely and in more detail. Accounting adjustments for leases and fixed assets has been streamlined and coordination with the University accounting team has been implemented on a quarterly basis starting with the quarter ending March 31, 2019. The Hospital Assistant Chief Financial Officer will be charged with reviewed accounting treatment and forwarding results to the University Financial Reporting team quarterly.

Anticipated Completion Date: March 31, 2019

Finding 2018-010

Name of Responsible Individual: Director of Student Financial Aid and Deputy Director/Compliance Officer

Corrective Action: The University is currently addressing the staffing attrition issues within the Office of Financial Aid. Additionally, the Financial Aid Deputy Director/Compliance Officer will schedule training to ensure current and new staff members under federal regulations and policies related to Verification.

Anticipated Completion Date: June 30, 2019

Finding 2018-011

Name of Responsible Individual: Director of Student Financial Aid and Deputy Director/Compliance Officer

Corrective Action: The Office of Financial Aid will implement procedures for ensuring students' NSLDS history is reviewed prior to disbursements. Additionally, the Financial Aid Deputy Director/Compliance Officer will schedule training to ensure staff members understand when to add students to NSLDS for Transfer Monitoring in accordance with federal regulations.

Anticipated Completion Date: June 30, 2019

Finding 2018-012

Name of Responsible Individual: Director of Student Financial Aid

Corrective Action: The University is currently addressing the lack of administrative capability issues (e.g. staffing and internal controls) to address the administration of Title IV programs. Additional staff members will be hired to monitor exception reports for Direct Loan reconciliation to ensure proper reporting and updating. Also, the University outsourced Ellucian-Banner to implement system controls within the financial aid modules. System controls include establishing awarding and disbursements rules for federal, state, and institutional funding. The development of these system controls will ensure financial aid activities that are allowed and unallowed to reduce financial aid errors.

Anticipated Completion Date: June 30, 2019

Finding 2018-013

Name of Responsible Individual: Director of Student Financial Aid and Executive Director of Admissions and Registrar

Corrective Action: The University identified and corrected this issue prior to the external audit review. The Executive Director of Admissions and Registrar is currently responsible for uploading enrollment information to National Student Clearinghouse (third-party servicer) and collaborating with the Director of Student Financial Aid to ensure timely and accurate reporting.

Anticipated Completion Date: June 30, 2019

Finding 2018-014

Name of Responsible Individual: Director of Student Financial Aid and Deputy Director/Compliance Officer

Corrective Action: The University is currently addressing the staffing attrition issues within the Office of Financial Aid. Additionally, the Financial Aid Deputy Director/Compliance Officer will schedule training to ensure current and new staff members under federal regulations and policies related to Return of Title IV funds.

Anticipated Completion Date: June 30, 2019

Finding 2018-015

Name of Responsible Individual: Director of Student Financial Aid and Director of Human Resources Information System

Corrective Action: The Office of Student Financial Aid will request bi-weekly payroll data from the Office of Human Resources Information System to ensure timely compensation of FWS funds. Additionally, the Office of Student Financial Aid will record the student employment work history into the Banner Student Information Student and, subsequently, the Reconciliation Coordinator will reconcile the Title IV program.

Anticipated Completion Date: June 30, 2019

Finding 2018-016

Name of Responsible Individual: Director of Student Financial Aid

Corrective Action: The Office of Student Financial Aid has developed a policy for awarding FSEOG to eligible students. The Deputy Director/Compliance Officer will develop and implement a quality control process to ensure FSEOG awards are applied accordingly. Additionally, financial aid staff members will be trained on federal regulations and policies to ensure they understand proper awarding rules for FSEOG.

Anticipated Completion Date: June 30, 2019

Finding 2018-017

Name of Responsible Individual: Director of Student Account and Office of the Bursar

Corrective Action: The Director of Student Accounts and Office of the Bursar will be responsible for refunding students within 14 days of the creation of students' credit balance in compliance with Title IV regulations. The Director will also work closely with the University Treasurer and Director of Student Financial Aid to ensure that checks not cashed or rejected ACHs are returned to the U.S. Department of Education timely.

Anticipated Completion Date: June 30, 2019

Finding 2018-018

Name of Responsible Individual: Director of Student Financial Aid

Corrective Action: The Director of Student Financial Aid will be responsible for creating and establishing procedures for document retention in accordance with Federal Regulations and Polices. The Director will ensure the availability of financial aid documentation are retained as guidelines outlined in 34 CFR 668.24.

Anticipated Completion Date: June 30, 2019

Finding 2018-019

Name of Responsible Individual: Director of Student Accounts and Office of the Bursar

Corrective Action: The Office of the Bursar will implement a Quality Control process to ensure disbursement notifications are properly scheduled and issued to students in timely manner.

Anticipated Completion Date: June 30, 2019

Finding 2018-020

Name of Responsible Individual: Director of Student Financial Aid

Corrective Action: The University is currently addressing the lack of administrative capability issues (e.g. staffing and internal controls) to address the administration of Title IV programs. Additional staff members are being hired to monitor exception reports for Direct Loan reconciliation to ensure proper reporting and updating. More specially, a Financial Aid Reconciliation Coordinator has been hired who will be primarily responsible for monitoring Title IV disbursements from Banner to COD for ensuring disbursement records are reported accurately, (2) following and updating procedures for reviewing the COD Reconciliation from the U.S. Department of Education,(3) reviewing and comparing the reports from Banner against the COD Reconciliation data reports to identify and resolve any discrepancies and (4) working collaboratively with other offices, such as Controller and Bursar, to reconcile between the financial systems and COD. Also, the Financial Aid Reconciliation Coordinator works with the third-party servicer to reconcile the Title IV programs in accordance with federal regulations.

Anticipated Completion Date: June30, 2019

Finding 2018-021

Name of Responsible Individual: AVP & Chief Procurement Officer, Executive Director for Research Administration

Corrective Action: Research Administration Services (RAS) and the Office of Procurement & Contracting (OPC) will convene to review the various workflows related to grant submission, grant award, request for purchases, vendor credentialing, criteria for purchases, procurement of goods and services, the receipt of goods and services, and document retention

RAS and OPC will modify their respective policies and procedures to ensure that all personnel comply with all federal purchasing rules and regulations

All purchases in excess of the small purchase threshold ($25,000) will be reviewed by a Supervisor to certify that all records and files comply with with all federal purchasing rules and regulations

Institute bi-annual staff training to raise awareness and ensure that staff is in compliance with all federal purchasing rules and regulations

Anticipated Completion Date: June 30, 2019

Finding 2018-022

Name of Responsible Individual: Vice President for Research

Corrective Action: The Vice President for Research will establish procedures to adhere to federal regulations requiring appropriate acknowledgements and disclaimers for federally funded publications including presentations, papers, posters, flyers, press releases, etc. The new procedures will include a checklist to be approved by the Vice President for Research before the communications are released and/or published.

The Vice President for Research will communicate the appropriate federal regulations to the Principal Investigators and staff regarding publications. Also, the Vice President for Research will maintain and monitor publications by updating the publication portal to be used by all Principal investigators.

Anticipated Completion Date: June 30, 2019