



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, 2020

EIN 53-0204707

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THE HOWARD UNIVERSITY
Supplementary Information
(amounts in thousands)

OFFICE OF THE SENIOR VICE PRESIDENT
CHIEF FINANCIAL OFFICER AND TREASURER

Report of Treasurer on Consolidated Financial Statements

The administration of The Howard University is responsible for the preparation, accuracy, integrity and objectivity of the consolidated financial statements contained herein. Such consolidated 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 consolidated 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, 2020, as described in Note 13 of the accompanying consolidated financial statements.

Michael J. Masch

Senior Vice President, Chief Financial Officer and Treasurer

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

Controller and Chief Accounting Officer

December 15, 2020



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Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Howard University as of June 30, 2020 and 2019, 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. Such 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 15, 2020 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 University's 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent in all material respects with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

December 15, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands)</i>	June 30, 2020	June 30, 2019
Current Assets:		
Cash and cash equivalents	\$ 123,018	\$ 29,515
Operating investments	7,748	22,485
Deposits with trustees	3,186	2,917
Receivables, net	101,408	122,411
Healthcare contract assets	3,239	5,529
Inventories, prepaids and other assets	16,575	25,425
Restricted investments	34,624	34,126
Total Current Assets	289,798	242,408
Long Term Assets:		
Deposits with trustees	12,974	12,865
Receivables, net	21,967	17,611
Inventories, prepaids and other assets	15,717	4,995
Unexpended bond proceeds	3,172	3,104
Restricted investments	12,984	23,664
Endowment investments	712,449	692,832
Operating right of use assets	6,209	4,761
Finance right of use assets	44,838	51,525
Long-lived assets, net	546,902	541,698
Total Long Term Assets	1,377,212	1,353,055
Total Assets	\$ 1,667,010	\$ 1,595,463
Current Liabilities:		
Accounts payable and accrued expenses	\$ 113,471	\$ 137,741
Deferred revenue	72,844	15,862
Other liabilities	25,300	25,814
Accrued post-retirement benefits	3,583	3,066
Underfunded defined benefit pension plan	-	1,513
Reserve for self-insured liabilities	14,289	10,446
Notes payable	26,000	8,562
Operating lease obligations	1,106	232
Finance lease obligations	8,903	4,017
Bonds payable, net	4,684	13,213
Total Current Liabilities	270,180	220,466
Long Term Liabilities:		
Other liabilities	3,490	3,110
Accrued post-retirement benefits	46,858	46,055
Underfunded defined benefit pension plan	167,649	157,020
Reserve for self-insured liabilities	49,159	55,091
Operating lease obligations	5,381	4,782
Finance lease obligations	38,096	47,115
Bonds payable, net	380,130	384,231
Refundable advances under Federal Student Loan Program	5,640	6,517
Total Long Term Liabilities	696,403	703,921
Total Liabilities	966,583	924,387
Net Assets:		
Without donor restrictions	211,353	217,376
With donor restrictions	489,074	453,700
Total Net Assets	700,427	671,076
Total Liabilities and Net Assets	\$ 1,667,010	\$ 1,595,463

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2020 (with summarized comparative information for fiscal year ended June 30, 2019) (in thousands)	Without Donor Restrictions	With Donor Restrictions	June 30, 2020	Summarized June 30, 2019
Operating				
Revenues and reclassifications:				
Academic services:				
Tuition and fees, net	\$ 146,708	\$ -	\$ 146,708	\$ 142,365
Grants and contracts	61,473	-	61,473	48,791
Auxiliary services	29,123	-	29,123	32,550
Clinical services:				
Patient service - Hospital, net	267,064	-	267,064	238,161
Patient service - Faculty medical practice, net	24,864	-	24,864	27,965
Patient service - Dental clinic, net	1,017	-	1,017	2,364
Public support:				
Federal appropriation	235,738	3,405	239,143	235,456
Contributions	27,416	25,520	52,936	53,579
Endowment transfer	10,319	14,216	24,536	23,462
Operating investment income	582	-	582	984
Real property	30,209	-	30,209	43,669
Other income	21,479	295	21,774	12,069
Total revenues	855,992	43,436	899,428	861,415
Net assets released from restrictions	8,180	(8,180)	-	-
Total revenues and reclassifications	864,172	35,256	899,428	861,415
Expenses:				
Academic and research:				
Instruction	204,378	-	204,378	217,437
Research	39,333	-	39,333	42,849
Public service	12,242	-	12,242	12,463
Academic support	48,124	-	48,124	53,493
Student services	38,016	-	38,016	34,022
Total academic and research	342,093	-	342,093	360,264
Healthcare services	269,395	-	269,395	249,118
Administrative support:				
Institutional support	187,764	-	187,764	196,318
Fundraising	4,932	-	4,932	4,789
Auxiliary enterprises	36,484	-	36,484	40,007
Total administrative support	229,180	-	229,180	241,114
Total operating expenses	840,668	-	840,668	850,496
Net insurance proceeds	-	-	-	30,889
Operating revenues over operating expenses	23,504	35,256	58,760	41,807
Non-operating				
Investment income in excess of amount designated for operations	12,431	14,822	27,253	43,369
Endowment transfer	(9,753)	(14,783)	(24,536)	(23,462)
Net unrealized gain in beneficial interest trust	-	79	79	260
Net periodic benefit cost other than service cost	(5,604)	-	(5,604)	(48)
Change in funded status of defined benefit pension plan	(23,348)	-	(23,348)	(49,296)
Change in obligation for post-retirement benefit plan	(2,854)	-	(2,854)	(9,045)
Change in funded status of supplemental retirement plan	295	-	295	(44)
Other items, net	(694)	-	(694)	-
(Decrease) increase in non-operating activities	(29,527)	118	(29,409)	(38,266)
Change in net assets	(6,023)	35,374	29,351	3,541
Net assets, beginning of year	217,376	453,700	671,076	667,535
Net assets, end of year	\$ 211,353	\$ 489,074	\$ 700,427	\$ 671,076

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	June 30, 2020	June 30, 2019
Cash flows from operating activities		
Change in net assets	\$ 29,351	\$ 3,541
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by/(used in) operating activities:		
Depreciation	47,921	47,167
Net insurance proceeds	-	30,889
Bond discount amortization	248	205
Bonds issuance cost amortization	779	254
Net realized gain on sale of investment	(26,283)	(56,055)
Unrealized (gain) loss on investments	(679)	11,810
Loss (gain) on sales type lease	1,155	(36,519)
Loss on sale/disposal of long-lived assets	618	1,626
Gain on contributed works of art	(2,520)	(37,719)
Change in deposits with trustees	(378)	(664)
Change in receivables (excluding notes)	24,478	(29,468)
Change in contract assets	2,290	-
Change in allowance for doubtful receivables	(7,880)	(232)
Change in inventory, prepaids and other assets	(1,872)	(110)
Change in operating right of use assets	(1,448)	(997)
Change in accounts payable and accrued expenses	(24,270)	5,937
Change in deferred revenue	56,982	(4,343)
Change in other liabilities	(134)	7,769
Change in pension/post retirement liability	10,432	42,406
Change in reserve for self-insured liabilities	(2,089)	(1,554)
Change in operating lease obligation	1,474	1,166
Change in refundable advances under Federal Student Loan Program	(877)	184
Net cash and cash equivalents provided by/(used in) operating activities	107,298	(14,707)
Cash flows from investing activities		
Proceeds from sale of investments	980,390	753,650
Purchases of investments	(948,126)	(699,924)
(Return) loss on unexpended bond proceeds	(68)	13
Proceeds from sales type leases	-	2,040
Purchases and renovations of long-lived assets	(42,174)	(33,525)
Restricted contributions	(25,520)	(7,781)
Net cash and cash equivalents (used in)/provided by investing activities	(35,498)	14,473
Cash flows from financing activities		
Proceeds from notes payable	143,000	98,562
Payment on notes payable	(125,562)	(90,000)
Proceeds from bonds payable	146,097	-
Payment on bonds payable	(156,940)	(11,658)
Bond issuance costs	(2,813)	-
Principal payments on finance lease obligations	(7,909)	(3,624)
Finance lease obligation additions	2,940	-
Change in finance right of use assets	(2,680)	(4,331)
Student loans issued	(1,462)	(1,769)
Student loans collected	1,512	1,790
Proceeds from restricted contributions	25,520	7,781
Net cash and cash equivalents provided by/(used in) financing activities	21,703	(3,249)
Increase (decrease) in cash and cash equivalents	93,503	(3,483)
Cash and cash equivalents at beginning of year	29,515	32,998
Cash and cash equivalents at end of year	\$ 123,018	\$ 29,515
Supplemental cash flow information:		
Cash paid for interest	\$ 26,682	\$ 27,466
Supplemental non-cash investing and financing activities:		
Acquisition of equipment under financing leases	3,531	7,679
Stock distributions	1,325	1,477

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

THE HOWARD UNIVERSITY
Notes to the Consolidated Financial Statements
(amounts in thousands)

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 special-purpose entity 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.

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.

(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, 2019. Such summarized

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

information is prepared in a manner consistent with the statement of activities information from which it was derived.

Operating results in the statements of activities reflect all transactions increasing and decreasing net assets except those that the University defines as non-operating. Non-operating includes all investment returns in excess of those classified as operating by the spending policy, unrealized gains and losses from operating accounts, unrealized gains and losses on beneficial interests in perpetual trusts, endowment transfers, changes in accounting principle, and net changes in pension liabilities and other post-retirement benefit plans.

(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 determination of variable consideration in revenue transactions in accordance with ASC 606, 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) *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. In addition, Howard analyzed its tax positions for the years ended June 30, 2020 and 2019 and determined that there were no uncertain tax positions that would have a material impact on Howard's consolidated financial statements. Howard's operations do not give rise to transfer pricing activities.

THE HOWARD UNIVERSITY
Notes to the Consolidated Financial Statements
(amounts in thousands)

(e) ***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.

(f) ***Investments***

Investments are segregated between operating, donor 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 include items that are short-term in nature and can be liquidated at the discretion of the Board of Trustees (the “Board”) to meet operational demands. Operating investments also includes a non-controlling interest in a dialysis joint venture (see Note 23).

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.

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

Deposits with Trustees – represent a debt service reserve fund consisting primarily of fixed income investments and other short-term securities (see Note 6).

The fair values of Howard’s investments are determined by the most relevant available and observable valuation inputs as defined in Note 7. 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 HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

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.

Investment income (losses) are allocated in a manner consistent with interest and dividends, to either net assets with donor restrictions or net assets without donor restrictions (distinguished between operating and non-operating), based on donor intent or lack thereof. Such amounts may be expended for operations, based on donor time or purpose restrictions or held in perpetuity at the donor's request. Investment income (losses) on loan funds are accumulated in net assets without donor restrictions.

Operating investment income includes interest, dividends and operating investment returns.

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

(1) **Revenue**

The University adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) on July 1, 2018, using the modified retrospective approach. As a result, the University updated its revenue recognition accounting policies as outlined below. The accompanying consolidated statement of activities for the years ended June 30, 2020 and 2019 are presented in accordance with ASC 606 and ASC Subtopic 958-605 *Not for Profit Entities - Revenue* (where applicable).

Subsequent to the adoption of ASC 606, the University measures revenue from contracts with customers based on the consideration specified in a contract with a customer, and recognizes revenue as a result of satisfying its promise to transfer goods or services in a contract with a customer using the following general revenue recognition five-step model: (1) identify the contract; (2) identify performance obligations; (3) determine transaction price; (4) allocate transaction price; and (5) recognize revenue.

Disaggregation of Revenue from Contracts with Customers

ASC 606 requires that entities disclose disaggregated revenue information in categories (such as type of good or service, geography, market, type of contract, etc.) that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. ASC 606 explains that the extent to which an entity's revenue is disaggregated depends on the facts and circumstances that pertain to the entity's contracts with customers and

THE HOWARD UNIVERSITY
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that some entities may need to use more than one type of category to meet with the objective for disaggregating revenue.

Judgements

The University earns revenue primarily through instruction in the form of tuition and fees on its Washington, DC campuses. The University serves both domestic and international students. Tuition and fees are recognized over the course of the semester based on the published start and end dates for classes. In addition to tuition and fees, the University also earns revenue through auxiliary services and other sources. These sources of revenue can be disaggregated by whether there is a contract with a student or non-student, or if there is no contract. The University recognizes non-student contracts based on the date of the event or when the service is provided.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to a customer and is the unit of account under ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The University does not capitalize contract costs.

The performance obligations related to contracts with students involves providing instruction, housing and dining (if applicable), and access to the University's facilities and services throughout the contract term. As a result, the performance obligations are satisfied over time ratably throughout each contract's applicable period.

Howard enters into contracts that include various combinations of services, which are generally capable of being distinct and are accounted for as separate performance obligations.

The University's contracts with customers subject to ASC 606 guidance applies to the following revenue:

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. Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, are reported as a reduction of tuition revenues. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that

THE HOWARD UNIVERSITY
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is billed to the student and/or third parties making payments on behalf of the student. For any such arrangements, the transaction price only includes tuition and fees net of the awarded discounts or institutional aid. The University also grants a tuition discount in the form of a tuition rebate program to incentivize students to earn their degree early or on-time. 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	2020	2019
Gross tuition and fees	\$ 265,522	\$ 254,300
Financial aid:		
Merit	61,838	76,166
Need	38,872	10,484
Talent	8,813	7,775
Other	9,291	17,510
Total financial aid	\$ 118,814	\$ 111,935
TOTAL NET TUITION	\$ 146,708	\$ 142,365

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.

Net patient service revenue relate to contracts with patients in which our performance obligations are to provide health care services to the patients. Revenues are recorded during the period the obligations to provide health care services are satisfied. The contractual relationship with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payors. Net patient service revenue is based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors. Estimates of price concessions under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and insured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). Management also records estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts that it expects to collect.

THE HOWARD UNIVERSITY
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(amounts in thousands)

The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third-party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital.

NET PATIENT SERVICE REVENUE	2020	2019
Gross Revenues	\$ 808,389	\$ 826,942
Third-party settlement revenue	90,948	68,983
Price concessions	(606,392)	(627,435)
Total net patient service revenue	\$ 292,945	\$ 268,490

Auxiliary services are generally recognized when services are rendered or as activities have been completed. Auxiliary revenue is mostly comprised of meal plans, income generated from advertisers on Howard's commercial radio station (WHUR), and student housing. Advertising revenues are recognized when the advertising spots are aired. Other revenues include the Howard University bookstore, parking fees, vending sales, ticket sales and licensing.

The University considers collectability and other price concessions and variable consideration in determination of the transaction prices of the respective streams of auxiliary services revenue.

AUXILIARY SERVICES REVENUE	2020	2019
Student housing	\$ 3,415	\$ 3,730
Meal plans	15,261	16,474
Radio station	6,421	8,142
Bookstore	1,030	262
Parking fees	1,689	2,163
Vending sales and fees	519	532
Ticket sales	626	642
Licensing	121	135
Other	41	470
Total auxiliary services revenue	\$ 29,123	\$ 32,550

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(amounts in thousands)

Real property revenue is comprised of income and gains from real estate transactions (i.e. sales-type leases) 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 12.

The following revenue streams are subject to the guidance in Topic 958, *Not for Profit Entities*, unless otherwise noted:

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). Howard adopted ASU 2018-08, *Not for Profit Entities*, Topic 958 on July 1, 2018. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The University adopted this standard using the modified prospective approach and it did not have a material impact to Howard's consolidated financial statements. For the year ended June 30, 2020, Howard recognized \$53,744 of revenue subject to Topic 958 and \$546 of revenue subject to ASC 606, *Revenue from Contracts with Customers*.

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	2020	2019
Reimbursement of direct expenses	\$ 46,845	\$ 42,365
Recovery of indirect costs	14,628	6,426
Total grants and contracts revenue	\$ 61,473	\$ 48,791
Indirect costs recovery as a % of direct costs	31%	15%

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

GRANTS AND CONTRACTS REVENUE BY TYPE	2020	2019
Research	\$ 27,569	\$ 25,956
Training	15,084	13,680
Service/other	18,820	9,155
Total grants and contracts revenue by type	\$ 61,473	\$ 48,791

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or

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nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions with donor specified conditions are not recognized until the conditions have been met.

In fiscal year 2020, the University received approx. \$17 million in federal contributions from the Department of Education as part of the CARES ACT appropriations for educational institutions. The funds were used primarily for student grants and to offset losses caused by COVID 19 (see note 22).

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contribution revenue for fiscal years ended June 30, 2020 and 2019 is shown below:

CONTRIBUTIONS REVENUE	2020	2019
Without donor restrictions	\$ 27,416	\$ 45,798
With donor restrictions	25,520	7,781
TOTAL	\$ 52,936	\$ 53,579

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.

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are capitalized. Donations of such collections are recorded for financial statement purposes as contributions. The University received art contributions of in the amount of \$2,520 and \$37,719 for fiscal years ended June 30, 2020 and 2019, respectively.

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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, 2020 and 2019, Howard received 27% and 27%, respectively, of its revenue support from the Federal appropriation. The \$3,405 and \$3,405, receivable for the fiscal years ended June 30, 2020 and 2019, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 15.

- (2) **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 operations and assets without donor restrictions. Financial aid for fiscal years ended June 30, 2020 and 2019 was \$118,814 and \$111,935, respectively.

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

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

(h) ***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, and beneficial interest trust.

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

Long-lived assets include property, capital improvements, equipment, software, library books, and art and historical treasures for the University. Long-lived assets are stated at cost or at fair value if received by gift, less accumulated depreciation and amortization, and are capitalizable when the unit cost is equal to or exceeds \$3 and has a useful life of more than one year. Work in process for campus approved projects are capitalizable and not depreciated until assets are placed in service.

The University capitalizes and recognizes purchased and donated works of art and historical treasures on the balance sheet. Howard does not depreciate works of art and historical treasures where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. However, impaired works of art are adjusted to fair market value, with change in value being recognized as a gain or loss on the statement of activities.

The University's policy for disposal of art and historical treasures from its collection limits the use of proceeds from such disposals for direct care of the remaining collection. In addition, any proceeds received by the University for loans from its collection are used to maintain the quality of the collection.

The University defines direct care of the collection as specific costs used to maintain the value, integrity, and quality of the collection. The direct care of the collection at the University includes appraisals, insurance coverage, security, storage inclusive of climate control, installation inclusive of shipping or relocation, and conservation.

Depreciation for all other long-lived assets 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	1-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

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 potential transfer or disposal by the relevant cognizant agency.

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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 is 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, 2020 and 2019 the obligation was \$4,610 and \$4,866, respectively.

(k) ***Other Liabilities***

Other liabilities are comprised primarily of student refunds for housing due to COVID-19 (see Note 22), unclaimed property, student deposits, deposits held in custody for others, environmental liability, reserves for legal and other contingencies and miscellaneous items.

(l) ***Deferred Revenue***

Deferred revenue represents cash received, but not earned as of June 30, 2020. This is primarily composed of unearned cash received from the general stimulus and safety net distributions of the CARES Provider Relief Fund, the Medicare Accelerated and Advanced Payment Program, and the DC Surge Grant

(m) ***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 (see Note 14-*Retirement Plans*).

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

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice and worker's compensation claims and includes estimates of the ultimate cost to resolve such claims (see Note 6-*Deposits with Trustees and Reserves for Self-insured Liabilities*). The reserve also includes an estimate of the cost to resolve unasserted claims that actuarial analyses indicate are probable of assertion in the future. Medical malpractice claim reserves are stated at an undiscounted amount.

(o) ***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.

(p) ***Net Assets***

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

Without Donor Restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. From time to time the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

With Donor Restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

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 revenues without donor restrictions. 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 with donor restrictions net assets to without donor restrictions 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.

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(q) ***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) on investments, and changes in retirement plan liabilities due to market factors.

(r) ***Recently Adopted Accounting Pronouncements***

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. ASU 2019-03 modifies the definition of the term "collections" so that they are subject to an organizational policy that stipulates the use of proceeds from collection items that are sold to be for the acquisition of new collection items, the direct care of existing collections, or both. The amendment has been applied on a prospective basis. Howard has early adopted ASU 2019-03 for the year ended June 30, 2020.

In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*, effective for fiscal years beginning after December 15, 2020. The ASU aligns the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842 with that of existing guidance. As a result, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between when the underlying asset is acquired and when the lease commences, the definition of fair value (in Topic 820, *Fair Value Measurement*) should be applied. Howard elected to early adopt the provisions of ASU 2019-01 for the year ended June 30, 2020. There were no material impacts to the financial statements as a result of adoption.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, effective for annual periods beginning after December 15, 2020. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license).

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The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. Howard elected to early adopt the provisions of ASU 2018-15 for the year ended June 30, 2020. There were no material impacts to the financial statements as a result of adoption.

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*, effective for annual periods beginning after December 15, 2020. The amendments modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Howard has early adopted the provisions of ASU 2018-14. There were no material impacts to the financial statements as a result of adoption.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, effective for fiscal years beginning after December 15, 2019. ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. Howard has early adopted the provisions of ASU 2018-13. The impact includes removal of disclosures related to timing of transfers between levels and requires disclosure of transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities (see Note 7-Fair Value Measurements).

In March 2017, the FASB issued ASU number 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU applies to all entities that offer employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715, *Compensation — Retirement Benefits*. It 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. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations. The ASU also allows only the service cost component to be eligible for capitalization when applicable. Howard adopted the provisions of ASU 2017-07 on a retrospective basis for the years ended June 30, 2020 and 2019. and has presented a separate line item for net periodic benefit cost other than service cost in the non-operating section of the consolidated statement of activities.

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

Periodically, the Financial Accounting Standards Board (FASB) issues updates to the Accounting Standards Codification (ASC) which impact Howard's financial reporting and related disclosures. The following paragraphs summarize relevant updates. Unless otherwise noted, Howard University is currently evaluating the impact that these updates will have on the Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-03, *Codification improvements to Financial Instruments*, effective for annual financial statements issued for fiscal years beginning after December 15, 2019. The ASU clarifies that all nonpublic companies and organizations are required to provide certain fair value option disclosures. Howard is evaluating the impact on ASU 2020-03.

In January 2020, the FASB issued ASU 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. For non-public entities, ASU 2020-01 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2021. The new ASU clarifies that, when determining the accounting for certain forward contracts and purchased options a company should not consider, whether upon settlement or exercise, if the underlying securities would be accounted for under the equity method or fair value option. Howard is evaluating the impact ASU 2020-01.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. For non-public entities, ASU 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The ASU improves financial statement preparers' application of income tax-related guidance and simplifies GAAP for: franchise taxes that are partially based on income; transactions with a government that result in a step up in the tax basis of goodwill; separate financial statements of legal entities that are not subject to tax; and enacted changes in tax laws in interim periods. Howard is evaluating the impact ASU 2019-12.

(t) ***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.

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2. Liquidity and Availability of Resources

As of June 30, 2020, financial assets and liquidity resources that are available within one year for general expenditures consists of the following:

FINANCIAL ASSETS AND LIQUIDITY RESOURCES	2020
<i>Financial Assets:</i>	
Cash and cash equivalents	\$ 123,018
Operating investments	7,748
Receivables, net (excluding pledges with donor restrictions)	99,945
Contract assets	3,239
Other investments appropriated for current use	20,902
Total financial assets available within one year	\$ 254,852
<i>Liquidity Resources:</i>	
Bank line of credit available	150,000
Total financial assets and liquidity resources available within one year	\$ 404,852

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. Receivables includes pledges that are subject to implied time restrictions but are expected to be collected within one year. The University's endowment investments consist of donor-restricted and quasi-endowment assets that is subject to a board spending policy of 4 percent. Within the next year, \$20,902 is expected to be made available for general expenditures from the endowment. Although the University requires Board approval to spend from its Board-designated quasi-endowment assets, other than investment income appropriated for general expenditures, amounts from the quasi-endowment could be made available if necessary. See Notes 8 and 15 for additional disclosures on Board-designated quasi-endowment assets. In addition, to help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$150,000 which it could draw upon. As of June 30, 2020, there was no outstanding balance on the line of credit.

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3. Receivables

Accounts receivable, prior to adjustment for doubtful collections, are summarized as follows at fiscal years ended June 30, 2020 and 2019:

RECEIVABLES	2020	2019
Student	\$ 18,297	\$ 29,369
Notes	13,396	13,445
Federal appropriation	3,405	3,405
Patients and third-party payors - Hospital	35,686	43,145
Patients and third-party payors - FPP	3,861	4,671
Patients and third-party payors - Dental	383	1,421
Grants and contracts	16,276	14,829
Contributions	14,003	9,767
Auxiliary services	1,702	4,415
Real property	26,025	34,145
Other	6,137	5,086
Total	\$ 139,171	\$ 163,698

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, 2020 and 2019:

ALLOWANCE FOR DOUBTFUL ACCOUNTS	2020	2019
Student	\$ 6,312	\$ 11,843
Notes	6,556	6,556
Grants and contracts	490	616
Contributions	2,438	4,219
Auxiliary services	-	196
Real property	-	246
Totals	\$ 15,796	\$ 23,676
Total receivables, net	\$ 123,375	\$ 140,022

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Provision for bad debt is summarized as follows at fiscal years ended June 30, 2020 and 2019:

PROVISION FOR BAD DEBT	2020	2019
<i>Non-clinical services:</i>		
Student services	\$ -	\$ 4,390
Contributions	294	1,189
Total non-clinical	\$ 294	\$ 5,579
<i>Clinical services:</i>		
Patients and third-party payors - Dental	831	-
Total clinical services	\$ 831	\$ -
Total provision for bad debt	\$ 1,125	\$ 5,579

Bad debt expense of \$1,125 and \$5,579 for fiscal years ended June 30, 2020 and 2019, 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.

Contributions receivable at June 30, 2020 and 2019 are expected to be received as follows:

CONTRIBUTIONS RECEIVABLE	2020	2019
Within one year	\$ 3,945	\$ 4,748
Between one and five years	11,490	5,797
Thereafter	-	100
Contributions receivable gross	15,435	10,645
Unamortized discount on contributions receivable (2%-6.5%)	(1,432)	(878)
Contributions receivable, net of discounts	14,003	9,767
Allowance for uncollectible contributions	(2,438)	(4,219)
Contributions receivable, net of discounts and allowance	\$ 11,565	\$ 5,548

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4. Healthcare Contract Assets

In compliance with ASC 606, estimated reimbursement from patients that were inhouse at the end of the reporting period are reported as Contract Assets on the consolidated statements of financial position. The following is a summary of the balances at June 30, 2020 and 2019:

Inhouse Receivables - Contract Assets	2020	2019
Inhouse charges	\$ 12,643	\$ 19,510
Price concessions	(9,404)	(13,981)
Net contract assets	\$ 3,239	\$ 5,529

5. Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2020 and 2019 are as follows:

INVENTORIES, PREPAIDS, AND OTHER ASSETS	2020	2019
Inventories - Hospital	\$ 4,939	\$ 3,720
Prepaid expenses	8,824	6,995
Beneficial interest trust	6,291	6,212
Self-insured assets	5,125	6,248
Intellectual property costs	1,121	1,296
Other	5,992	5,949
Total	\$ 32,292	\$ 30,420

6. Deposits with Trustees and Reserves for Self-insured Liabilities

DEDICATED ASSETS		
	2020	2019
Debt service reserve	\$ 13,074	\$ 12,865
Workers' compensation	2	2
Health insurance trust	3,084	2,915
Total	\$ 16,160	\$ 15,782
LIABILITIES		
	2020	2019
Professional liability	\$ 41,068	\$ 45,371
Workers' compensation	12,624	13,882
Health insurance trust	9,756	6,284
Total	\$ 63,448	\$ 65,537

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(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, 2020. 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, 2020 and 2019 of approximately \$41,068 and \$45,371, respectively is adequate to provide for losses resulting from probable asserted and unasserted claims and pending or threatened litigation.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2020 and 2019 in the table below.

PROFESSIONAL LIABILITY	2020	2019
Beginning balance	\$ 45,371	\$ 46,979
Malpractice claims expense	(2,209)	2,927
Settlement payments	(2,094)	(4,535)
Ending balance	\$41,068	\$ 45,371

(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, 2020 and 2019, workers' compensation liabilities are being satisfied as claims arise. For fiscal years ended June 30, 2020 and 2019, Howard maintained \$5,128 and \$6,340 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.

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For fiscal years ended June 30, 2020 and 2019 expenses related to workers' compensation were \$1,826 and \$2,356, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately \$12,624 and \$13,882 at June 30, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, is approximately \$9,756 and \$6,284, respectively.

7. 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.

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Howard's financial assets and liabilities as of June 30, 2020 and 2019 are subject to fair value accounting.

Fair value as of June 30, 2020 is as follows:

FAIR VALUE AS OF JUNE 30, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (5)	\$ -	\$ 3,172	\$ -	\$ 3,172
Deposits with trustees (6)	3,186	12,974	-	16,160
Other assets (7)	-	-	6,291	6,291
Total assets (non investment)	\$ 3,186	\$ 16,146	\$ 6,291	\$ 25,623
Operating investments				
Common Stock (3)	7,748	-	-	7,748
Equity Investment (7)	-	-	4,398	4,398
Total operating investments	\$ 7,748	\$ -	\$ 4,398	\$ 12,146
Restricted investments				
Money Market Instrument (1)	-	1,619	-	1,619
Common Stock (3)	34,049	-	-	34,049
Mutual Fund	1,204	-	-	1,204
Private Equity (4)	-	-	260	260
Private Debt (4)	-	-	7,861	7,861
Real Estate (4)	-	-	2,615	2,615
Total restricted investments	\$ 35,253	\$ 1,619	\$ 10,736	\$ 47,608
Endowment investments				
Money Market Fund (1)	496	13,874	-	14,370
Common/collective trusts				
Emerging Market Equity (3)	-	32,368	-	32,368
Global Fixed Income Security (2)	-	13,075	-	13,075
International Equity Security (3)	-	35,299	-	35,299
Commodity Inflation Hedging (7)	-	-	-	-
Common Stock (3)	94,389	-	-	94,389
Fixed income				
Corporate Bond (2)	-	4	-	4
Hedge funds				
Equity Long/short (4)	-	29,280	-	29,280
Global opportunities (4)	-	11,199	-	11,199
Multi-strategy (4)	-	15,923	-	15,923
Credit Opportunities (4)	-	17,328	-	17,328
Mutual funds investment				
Emerging Market Equity Security (3)	-	-	-	-
Domestic Common Stock (3)	36,098	-	-	36,098
Domestic Fixed Income (2)	87,492	-	-	87,492
International Equity Security (3)	9,988	-	-	9,988
Private Equity and Venture Capital (4)	-	-	122,167	122,167
Private Debt (4)	-	-	86,459	86,459
Real estate (4)	-	-	88,035	88,035
Total endowment investments	\$ 228,463	\$ 168,350	\$ 296,661	\$ 693,474
Total investments	\$ 271,464	\$ 169,969	\$ 311,795	\$ 753,228
Assets not subject to fair value reporting (8)	21,081	-	-	21,081
Liabilities not subject to fair value reporting (8)	(2,106)	-	-	(2,106)
Total assets and liabilities measured at fair value	\$ 293,625	\$ 186,115	\$ 318,086	\$ 797,826

Level 3 investments were 41% of total investments.

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Fair value as of June 30, 2019 is as follows:

FAIR VALUE AS OF JUNE 30, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (5)	\$ -	\$ 3,104	\$ -	\$ 3,104
Deposits with trustees (6)	2,917	12,865	-	15,782
Other assets (7)	-	-	6,212	6,212
Total assets (non investment)	\$ 2,917	\$ 15,969	\$ 6,212	\$ 25,098
Operating investments				
Common Stock (3)	22,485	-	-	22,485
Equity Investment (7)	-	-	4,781	4,781
Total operating investments	\$ 22,485	\$ -	\$ 4,781	\$ 27,266
Restricted investments				
Money Market Instrument (1)	8,216	750	-	8,966
Common Stock (3)	28,913	-	-	28,913
Private Equity (4)	-	-	3,199	3,199
Private Debt (4)	-	-	14,097	14,097
Real Estate (4)	-	-	2,615	2,615
Total restricted investments	\$ 37,129	\$ 750	\$ 19,911	\$ 57,790
Endowment investments				
Money Market Fund (1)	425	36,182	-	36,607
Common/collective trusts				
Emerging Market Equity (3)	-	29,635	-	29,635
Global Fixed Income Security (2)	39,838	23,417	-	63,255
International Equity Security (3)	-	58,170	-	58,170
Commodity Inflation Hedging (7)	-	2,000	-	2,000
Common Stock (3)	79,136	-	-	79,136
Fixed income				
Corporate Bond (2)	-	7	-	7
Hedge funds				
Equity Long/short (4)	-	29,725	-	29,725
Global opportunities (4)	-	6,137	-	6,137
Multi-strategy (4)	-	28,306	1	28,307
Credit Opportunities (4)	-	15,077	-	15,077
Mutual funds investment				
Emerging Market Equity Security (3)	4,181	-	-	4,181
Domestic Common Stock (3)	2,340	-	-	2,340
Domestic Fixed Income (2)	85,891	-	-	85,891
International Equity Security (3)	9,843	-	-	9,843
Private Equity and Venture Capital (4)	-	-	109,969	109,969
Private Debt (4)	-	-	50,126	50,126
Real estate (4)	-	-	81,883	81,883
Total endowment investments	\$ 221,654	\$ 228,656	\$ 241,979	\$ 692,289
Total investments	\$ 281,268	\$ 229,406	\$ 266,671	\$ 777,345
Assets not subject to fair value reporting (8)	2,964	-	-	2,964
Liabilities not subject to fair value reporting (8)	(2,421)	-	-	(2,421)
Total assets and liabilities measured at fair value	\$ 284,728	\$ 245,375	\$ 272,883	\$ 802,986

Level 3 investments were 34% of total investments.

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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

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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) 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.
- (6) 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.
- (7) 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 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.
- (8) 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, 2020. 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.

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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, 2020 is as follows:

CHANGES IN LEVEL 3 FOR THE YEAR ENDED JUNE 30, 2020	Private Equity / Debt	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2019	\$ 177,391	\$ 1	\$ 84,498	\$ 10,993	\$ 272,883
Gain and Loss (Realized and unrealized)	8,756	(1)	3,722	(270)	12,207
Acquisitions	77,901	-	20,847	-	98,748
Sales	(47,300)	-	(18,417)	-	(65,717)
Balance June 30, 2020	\$ 216,748	\$ -	\$ 90,650	\$ 10,723	\$ 318,121
Change in unrealized investments held	\$ 3,890	\$ (1)	\$ (4,649)	\$ (270)	\$ (1,030)

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2020.

Changes in Level 3 securities for the period ended June 30, 2019 is as follows:

CHANGES IN LEVEL 3 FOR THE YEAR ENDED JUNE 30, 2019	Private Equity / Debt	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2018	\$ 108,424	\$ 14	\$ 38,948	\$ 10,721	\$ 158,107
Gain and Loss (Realized and unrealized)	16,919	(13)	8,420	272	25,598
Acquisitions	102,572	-	42,818	-	145,390
Sales	(50,524)	-	(5,688)	-	(56,212)
Balance June 30, 2019	\$ 177,391	\$ 1	\$ 84,498	\$ 10,993	\$ 272,883
Change in unrealized investments held	\$ -	\$ (1)	\$ 6,374	\$ 245	\$ 6,618

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2019.

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Net investment income (loss) is summarized as follows for fiscal years June 30, 2020 and 2019:

NET INVESTMENT INCOME (LOSS)	2020	2019
Interest and dividends	\$ 15,342	\$ 17,490
Net realized gains	18,419	45,243
Net unrealized gains (losses)	1,540	(11,892)
Other investment income, net of expense	270	323
Investment expenses	(7,736)	(6,806)
Net investment income	\$ 27,835	\$ 44,358
Current year unrestricted operating return	\$ 582	\$ 984
Current year non-operating investment return:		
Without donor restriction	12,431	22,798
With donor restriction	14,822	20,576
Total current year investment return	\$ 27,835	\$ 44,358
Prior year return designated for current operations:		
Without donor restriction	(10,319)	(10,308)
With donor restriction	(14,216)	(13,154)
Total designated for current operation	\$ (24,536)	\$ (23,462)
Net non-operating investment return:		
Without donor restriction	2,112	12,490
With donor restriction	378	7,422

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, 2020 and 2019. 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, 2020	Fair Value	Unfunded Commitments	Redemption/Withdrawal Frequency	Redemption/Withdrawal Notice Period
Hedge funds	\$ 73,730	\$ -	Monthly - Annually	45 - 90 days
Real estate funds	90,650	24,188	-	1 - 10 years
Common/collective trusts	80,742	-	Monthly	-
Limited partnerships	216,748	127,595	-	≤ 10 years

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INVESTMENTS AS OF JUNE 30, 2019	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 79,245	\$ 1,020	Monthly - Annually	45 - 90 days
Real estate funds	84,498	32,438	-	1 - 10 years
Common/collective trusts	153,182	-	Monthly	-
Limited partnerships	177,391	131,852	-	≤ 10 years

8. Endowment Fund

Howard's endowment includes approximately 935 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 donor-restricted net assets in perpetuity:

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 is classified as net assets with donor restrictions 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

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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.

The change in value and the composition of amounts classified as endowment as of June 30, 2020 is as follows:

ENDOWMENT CHANGE IN VALUE FOR YEAR ENDING JUNE 30, 2020	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$ 372,191	\$ 329,311	\$ 701,502
Investment return:			
Investment income	6,296	7,476	13,772
Net appreciation (realized and unrealized)	11,312	2,277	13,589
Total investment return	\$ 17,608	\$ 9,753	\$ 27,361
Contributions	341	14,678	15,019
Appropriation of endowment assets for operations	(9,814)	(14,721)	(24,535)
Other changes:			
Endowment withdrawals	-	-	-
Transfer and other changes	51	502	553
Change in underwater classification	-	-	-
Endowment net assets, end of year	\$ 380,377	\$ 339,523	\$ 719,900
Donor-restricted endowment funds	\$ -	\$ 343,431	\$ 343,431
Underwater endowment funds	-	(3,908)	(3,908)
Board designated quasi-endowment	380,377	-	380,377
Endowment net assets, end of year	\$ 380,377	\$ 339,523	\$ 719,900

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The change in value and the composition of amounts classified as endowment as of June 30, 2019 is as follows:

ENDOWMENT CHANGE IN VALUE FOR YEAR ENDING JUNE 30, 2019	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$ 373,971	\$ 317,996	\$ 691,967
Investment return:			
Investment income	7,148	9,090	16,238
Net appreciation (realized and unrealized)	12,923	11,413	24,336
Total investment return	\$ 20,071	\$ 20,503	\$ 40,574
Contributions	938	7,592	8,530
Appropriation of endowment assets for operations	(9,453)	(14,009)	(23,462)
Other changes:			
Endowment withdrawals	(20,000)	-	(20,000)
Transfer and other changes	3,465	428	3,893
Change in underwater classification	3,199	(3,199)	-
Endowment net assets, end of year	\$ 372,191	\$ 329,311	\$ 701,502
Donor-restricted endowment funds	\$ -	\$ 332,493	\$ 332,493
Underwater endowment funds	-	(3,182)	(3,182)
Board designated quasi-endowment	372,191	-	372,191
Endowment net assets, end of year	\$ 372,191	\$ 329,311	\$ 701,502

The original gift amount and net appreciation of net assets with donor restrictions as of June 30, 2020 and 2019 is as follows:

NET ASSETS WITH DONOR RESTRICTIONS	2020	2019
Original Gift	\$ 188,157	\$ 173,232
Net Appreciation	151,366	156,079
Total	\$ 339,523	\$ 329,311

Howard's endowment net assets include receivables related to the federal term endowment and contributions, which have not been invested and therefore not included as part of endowment investments. For fiscal years ended June 30, 2020 and 2019 receivables of \$7,451 and \$8,670, 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 donors require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in net assets with donor restriction and totaled \$3,908 and \$3,182 as of fiscal years ended June 30, 2020 and 2019, respectively. Howard has adopted a policy allowing spending in

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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.

Funds with Deficiencies	2020	2019
Fair value of underwater endowments	\$ 36,233	\$ 24,670
Original endowment gift amount	40,141	27,853
Deficiencies of underwater endowment funds	\$ (3,908)	\$ (3,182)

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.

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9. Long-Lived Assets

LONG-LIVED ASSETS	2020	2019
Land and land improvements	\$ 40,141	\$ 40,759
Buildings and building improvements	877,445	872,246
Property held for expansion	56,383	56,929
Property held under leases	33,373	32,053
Furniture and equipment	349,131	344,176
Library books	92,197	92,178
Works of art, historical treasures, literary works and artifacts	40,239	37,719
Software	122,007	116,909
Software in progress	303	414
Construction in progress	48,201	23,305
Long-lived assets, gross	1,659,420	1,616,688
Accumulated depreciation and amortization	(1,112,518)	(1,074,990)
Long-lived assets, net	\$ 546,902	\$ 541,698

For the fiscal year ended June 30, 2020 there were \$1,962 in sales, disposals and retirements. For the fiscal year ended June 30, 2019 there were \$7,524 in disposals. There were no disposals of works of art, historical treasures, literary works and artifacts for either fiscal year presented.

Depreciation expense for the years ended June 30, 2020 and 2019 was \$47,921 and \$47,167, respectively. For fiscal years ended June 30, 2020 and 2019, net interest costs of \$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. Long-lived assets include capitalization of donated artwork that is not subject to depreciation.

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10. Accounts Payable and Accrued Expenses

Components of this line item at June 30, 2020 and 2019 are as follows:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2020	2019
Vendor invoices	\$ 65,796	\$ 95,836
Accrued salaries and wages	32,487	28,190
Accrued employee benefits	3,158	4,956
Accrued annual leave	4,744	4,866
Accrued interest	5,835	4,449
Other	1,451	(556)
Total	\$ 113,471	\$ 137,741

11. Other Liabilities and Deferred Revenue

These obligations include the following at June 30, 2020 and 2019:

OTHER LIABILITIES	2020	2019
Environmental liabilities	\$ 3,786	\$ 4,683
Residence halls	8,076	6,747
Unclaimed property	3,187	3,166
Student deposits and refunds	5,798	4,561
Reserve for legal contingencies	1,016	3,850
Deposits held in custody for others	2,639	1,960
Other	4,288	3,957
Total	\$ 28,790	\$ 28,924

DEFERRED REVENUE	2020	2019
Deferred tuition, room and board	\$ 3,825	\$ 1,567
Deferred grant revenue	16,178	9,454
Medicare advance payment	26,230	-
Deferred CARES funding	19,736	-
Deferred DC Surge Grant	2,940	-
Other	3,935	4,841
Total	\$ 72,844	\$ 15,862

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Amounts accrued for environmental liabilities at June 30, 2020 and 2019, were as follows:

ENVIRONMENTAL LIABILITIES	2020	2019
Accumulated depreciation	\$ (4)	\$ (4)
Environmental liabilities	3,786	4,683
Total	\$ 3,782	\$ 4,679

Howard incurred costs related to remediation during fiscal years ended June 30, 2020 and 2019 of \$897 and \$116, respectively.

12. 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:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- 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.
- 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.

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- 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 the prior year, Howard University entered into a seven-year network management service agreement with IBM for equipment that included an imbedded lease. Howard determined that the lease is a finance type lease based on the transfer of ownership of the underlying assets, and the length of the lease term.

Howard is obligated under other finance leases for office, technology and medical equipment that extend through 2024, the IBM lease that extends through 2025 and the chiller plant that extends through 2031, in the amounts of \$46,999 and \$51,132 respectively at fiscal years ended June 30, 2020 and 2019. 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.

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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, management reviews each lease option to modify terms on a case by case basis. 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:

FINANCE RIGHT OF USE ASSETS	2020	2019
Right of use assets - financing	\$ 68,294	\$ 127,762
Accumulated amortization	(23,456)	(76,237)
Right of use assets, net	\$ 44,838	\$ 51,525

The discount rates used in measuring the finance right-of-use assets and liabilities are the rates implicit in the lease if readily determinable (if applicable) or Howard's incremental borrowing rate near the date of lease commencement.

At June 30, 2020, 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	
2021	\$ 11,788
2022	10,789
2023	10,035
2024	9,061
2025	2,738
2026 and thereafter	16,030
Obligation, gross	60,441
Amounts representing interest rates from 2% to 10%	(13,442)
Total lease obligations, net	\$ 46,999

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At June 30, 2020, 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 interest years ending June 30	
2021	\$ 2,885
2022	2,365
2023	1,875
2024	1,389
2025	1,061
2026 and thereafter	3,867
Total lease obligations interest	\$ 13,442

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, 2020 and 2019 was \$1,432 and \$7,452, 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:

OPERATING RIGHT OF USE ASSETS	2020	2019
Right of use assets - financing	\$ 7,792	\$ 4,991
Accumulated amortization	(1,583)	(230)
Right of use assets, net	\$ 6,209	\$ 4,761

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At June 30, 2020 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	
2021	\$ 1,397
2022	866
2023	861
2024	859
2025	887
2026 and thereafter	3,019
Obligation, gross	\$ 7,889
Amounts representing interest rates from 2% to 10%	(1,402)
Total Operating Lease Obligations, net	\$ 6,487

LEASE OBLIGATIONS - INTEREST	OPERATING LEASES
Future interest years ending June 30	
2021	\$ 291
2022	258
2023	227
2024	196
2025	163
2026 and thereafter	267
Total Lease Obligations Interest	\$ 1,402

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

LEASE EXPENSE	2020	2019
Finance lease expense:		
<i>Amortization of right of use assets</i>	\$ 8,729	\$ 9,043
<i>Interest on lease liabilities</i>	3,342	3,594
Operating lease expense	1,432	602
Total	\$ 13,503	\$ 13,239
Other information		
Cash paid for amounts included in the measurements of lease liabilities for finance leases:		
Operating cash flows	\$ 1,094	\$ 475
Financing cash flows	7,909	7,955
Change in operating right of use (ROU) leases:		
Operating cash flows	(1,448)	(997)
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Finance leases	68,294	38,036
Operating leases	6,209	4,772
Weighted-average remaining lease term (in years):		
Finance leases	6.25	4.90
Operating leases	6.98	9.37
Weighted-average discount rate:		
Finance leases	6.67%	6.22%
Operating leases	4.71%	6.50%

Operating Lease Agreement - Benning Road

In fiscal year 2019, the University entered a nine and a half (9.5) year sub-sublease for approximately 5,800 square feet in a healthcare building leased by Unity Health Care, Inc (Unity), to service additional patients. The University will pay Unity annual rent in the amount of \$180 in equal monthly installments payable on the first day of each calendar month during the term of the lease. There are rent escalators after year two of this lease. This lease is defined as an operating lease under ASC 842-10-25 because none of the five criteria were met that would trigger the recognition of a finance lease. Howard occupied the space in November 2020.

Lessor Leases

A lease conveys the right to use an identified asset for a period of time. The University assesses all its rental contracts using the provisions within ASC 842 to determine if they meet the criteria of a sales type lease. For leases that meet the sales type criteria, the University removes the underlying assets from the statement of financial position, and

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recognizes revenue in accordance with the terms specified in the agreement. Leases that do not meet the criteria are defined and treated as operating leases. The University recognizes earned rental income on a straight-line basis, while the underlying leased assets remain on the University's statement of financial position and are continuously depreciated.

Lessor Sales-Type Leases

Howard Manor

Howard University as lessor has executed a 99-year lease with the Manor Lessee LLC (Manor) on June 30, 2020 to lease the approximately 75,000 square foot building at 654 Girard Street, NW, Washington, DC. The lease proceeds were a one-time payment of \$3,000 and annual rent of \$120 per year with an annual 2.25% rent increase. The underlying building and land has a fair market value of \$4,660. Howard evaluated this lease as a sales type lease under ASC 842-10-25-3 after considering the present value of the minimum lease payments relative to the fair value of the underlying value of the asset.

Shining Stars

Howard University as lessor has executed a 45-year lease with the Shining Stars Montessori Academy Public Charter School (Shining Stars) on June 30, 2020 to lease the 28,767 square foot building at 1240 Randolph Street, NE, Washington, DC. The lease proceeds are a one-time payment of \$7,500 and \$3,500 due over a 25-year amortization period with an interest charge of 5% per annum. A balloon payment is due to Howard at the end of the 16th year of the lease term for all amounts due. Howard evaluated this lease as a sales type lease under ASC 842-10-25-3 as the present value of the minimum lease payments is substantially higher than the fair value of the underlying value of the asset.

930 Club

In the prior year, Howard University as lessor executed a 99-year ground lease of certain property at 9th and V Street and the related meaningful connection to the 930 Club building to 9th AND W OWNER, LLC. The lease proceeds were a one-time payment of \$34,384 and a yearly lease payment of \$1 per year. Howard evaluated this lease as a sales type lease under ASC 842-10-25-3 because the present value of the minimum lease payments is substantially higher than the fair value of the underlying value of the asset.

Howard Center

In prior years, Howard University executed a 40-year transaction to lease certain floors of the Howard Center, (known as Lot 36, Square 3065 at 2225 Georgia Avenue, N.W, Washington, DC) to 9th and Provident Group-Howard Center, Inc.. The University received a one-time payment of \$2,040, which the University allocated for the redevelopment of the 78,131 square foot Miner Building for use by the Howard University School of Education and the Howard University Charter Middle School for Mathematics

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and Science. The Provident Group will maintain control of the leased area and remit annual commissions to Howard, commencing in fiscal year 2020. Howard evaluated this lease as a sales type lease under ASC 842-10-25-3 because the lease term will consume more than 75% of the estimated economic life of the leased property.

Lessor Operating Leases

Howard has several operating leases for retail and commercial space for which rent payments are fixed at the time of lease commencement. Howard considers 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. Termination terms are explicitly stated in each lease 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) space available on the top of certain buildings, and (3) ground lease Barry Place). Other standalone buildings owned by Howard are leased to private companies such as (4) a public charter school, (5) a car rental company, (6) a pharmacy, and (7) the Harriett Tubman Quadrangle. 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, 2020 and 2019 was \$25,502 and \$4,007, respectively and are reported in real property revenue on the statements of activities.

LEASE INCOME	2020	2019
<i>Sales Type Lease Income</i>		
Lease Payments	\$ 22,727	\$ 2,040
Less: Leased Assets Book Values	618	1,531
Total Sales Type Lease Income	\$ 22,109	\$ 509
<i>Operating Lease Income</i>	3,393	3,497
Total Lease Income	\$ 25,502	\$ 4,007

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At June 30, 2020, the future minimum lease income for years ending at June 30 is as follows:

FUTURE MINIMUM LEASE INCOME	JUNE 30
2021	\$ 1,967
2022	2,027
2023	1,988
2024	1,853
2025	1,813
2026 and thereafter	25,712
Total Minimum Lease Income Receipts	\$ 35,360

13. Bonds Payable and Notes Payable

(a) ***Bonds Payable***

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

BONDS PAYABLE	2020	2019
<i>District of Columbia issues:</i>		
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	\$ 4,736	5,466
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	52,450	56,855
2016 Revenue bonds 1.98% Serial due 2015 through 2031	-	151,805
2020 Taxable Bonds 2.42% to 3.00% Serial due 2021 through 2031	146,900	-
Total bonds payable, gross	\$ 396,231	\$ 406,271
Unamortized bond discount	(5,207)	(4,628)
Unamortized bond issuance costs	(6,210)	(4,199)
Total bonds payable, net	\$ 384,814	\$ 397,444

(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.

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(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 5.00% 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, 2020 the fund balance was \$13,074.

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.

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 21 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.

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(3) 2016 Revenue Bonds

In June 2016, Howard issued \$162,420 of taxable private placement bonds ("the 2016 Revenue Bonds"). The Bonds bore interest at a weekly rate with a maximum bond rate of 12%. The 2016 Revenue Bonds are repayable by August 2031. In February 2020, Howard retired the Series 2016 bonds with the issuance of the Series 2020 Bonds.

(4) 2020 Taxable Bonds

In February 2020, Howard issued the Series 2020 Taxable Bonds in the amount of \$146,900. The bonds bear interest between 2.42% to 3.00% and are repayable between 2021 and 2031. The proceeds of the Series 2020 Bonds were used to repay and settle the total outstanding principal amount of the Series 2016 Revenue Bonds. Howard received a more favorable interest rate with the 2020 bonds compared to the 2016 bonds.

(5) 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, 2020 and 2019, the estimated fair value was approximately \$401,711 and \$424,822, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

(b) Notes Payable

In June 2016, Howard entered into a \$75,000 JP Morgan Revolving Credit Agreement. The initial agreement, which was to terminate in June 2019, was extended during the fiscal year to December 2021. In addition, the commitment was increased from \$75,000 to \$100,000 during the year ended June 30, 2019 and increased from \$100,000 to \$150,000 during the year ended June 30, 2020. There was no outstanding balance at June 30, 2020 and 2019. Howard is paying a quarterly non-refundable unutilized commitment fee at a rate of 2.30%.

During the year ended June 30, 2019, the University entered a Credit Agreement with Engie Inc. for short term financing related to rental of temporary boilers. Borrowings drawn on this credit facility bore interest at LIBOR plus a stated margin of 3.50%. As of June 30, 2019, a total of \$8,562 was outstanding. Howard repaid the financing in full in November 2019.

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In October 2019, Howard entered into a bridge loan agreement with Barclays Bank PLC. The purpose of the loan was to repay the outstanding Engie North America Inc. loan, and to provide interim financing for capital projects. Howard received an initial commitment on the credit facility for \$12,000. Borrowings drawn on the facility is subject to an adjusted LIBOR rate plus an applicable spread of 3.00%. During the year, the commitment increased to \$26,000. As of June 30, 2020, a total of \$26,000 was outstanding. Howard is paying a quarterly non-refundable unutilized commitment fee at a rate of 1.75%.

(c) **Compliance with Contractual Covenants**

The 2011 Bond, 2020 Revenue Bonds and Revolving Credit Agreement contain restrictive financial covenants as summarized in the table below as of June 30, 2020.

COVENANT	INSTRUMENT	MEASUREMENT DATE	CRITERIA
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2020 Revenue Bonds	June 30 each year	1.10:1.00
Liquidity Ratio	Revolving Credit Agreement	Quarterly	\$160 million
Debt Service Coverage Ratio	Bridge Loan Agreement	June 30 each year	1.10:1.00

At June 30, 2020 and 2019, Howard was compliant with the Debt Service Coverage Ratio measurements and with the Liquidity Ratio measurements for the 2011 and 2020 Revenue Bonds and the Revolving Credit Agreement.

The University has pledged revenue for payment obligations to the Series 2020 bondholders. "Pledged Revenues" consist of all gross revenues of the University (including all undergraduate and graduate schools and colleges) derived from (i) tuition (net of student financial aid provided by the University) and (ii) certain fees (other than tuition) collected from or on behalf of students for the purpose of supporting student instruction and administrative costs related thereto. Pledged Revenues will not include any revenues of the University associated with room and/or board, special purpose fees such as health and wellness fees, or net patient service revenue generated from operation of HUH. Pledged Revenues excludes any revenues generated from clinical services related to HUH and the University's federal appropriation.

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The Series 2020 Bonds are also secured by the Restricted Academic Property. Restricted Academic Property consists of the properties on the Main Campus of the University for so long as any such property is actively in-use for the principal purpose of instruction, research, student activity or academic administration. The properties on the Main Campus that constitute Restricted Academic Property consist of the following:

1. Classroom Building #4, used primarily by the School of Business and located at 2600 6th Street, NW
2. Mackey Building, used primarily by the Department of Architecture and located at 2366 6th Street, NW
3. Downing Building, used primarily by the Department of Engineering and located at 2300 6th Street, NW

(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	2020	2019
2021	\$ 30,684	\$ 22,299
2022	17,282	14,502
2023	17,953	15,316
2024	18,706	16,148
2025	19,782	17,066
2026 and thereafter	317,824	329,502
Subtotal	\$ 422,231	\$ 414,833
Bond discounts	(5,207)	(4,628)
Bond issuance costs	(6,210)	(4,199)
Total	\$ 410,814	\$ 406,006

(e) ***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-.

On February 28, 2020, S&P Global Ratings maintained its BBB- ratings for the issuance of Series 2020 bonds.

On April 29, 2020 S&P Global Ratings changed its outlook on Howard University from "stable" to "negative." This action was not focused solely on Howard nor was it triggered by any specific event or fact related to the University's financial condition and performance. Rather, the action was part of a wholesale downgrade of outlooks for 127 public and private higher education institutions "due to the

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heightened risks associated with the financial toll caused by the COVID-19 pandemic and related recession.”

14. Retirement Plans

Employee Retirement Plan - Howard has 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 the 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 \$1,025 and \$1,358 at fiscal years ended June 30, 2020 and 2019, respectively. The amounts not yet reflected in operating expenses, but included in net assets without donor restrictions pertain to accumulated losses of \$670 and \$966 at June 30, 2020 and 2019, 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, 2020 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan – Howard offers 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:

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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 \$21,396 and \$20,726 for fiscal years ended June 30, 2020 and 2019, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2020 and 2019 were \$268,300 and \$698,299, 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, 2020 and 2019 are as follows:

Retirement Benefits	Pension		Medical and Life Insurance		Supplemental	
	2020	2019	2020	2019	2020	2019
Change in benefit obligation						
Projected benefit obligation at beginning of year	\$ 696,180	\$ 656,792	\$ 49,121	\$ 48,441	\$ 1,358	\$ 1,383
Service Cost	-	-	241	194	-	-
Interest Cost	24,339	27,804	1,722	2,047	45	56
Actuarial loss/(gain)	33,022	59,951	1,747	1,676	(173)	152
Benefits paid	(41,300)	(48,367)	(2,834)	(3,833)	(205)	(233)
Medicare Part D subsidy	-	-	-	74	-	-
Employee contributions	-	-	444	522	-	-
Projected benefit obligation at end of period	\$ 712,241	\$ 696,180	\$ 50,441	\$ 49,121	\$ 1,025	\$ 1,358
Change in plan assets:						
Fair value of plan assets at beginning of year	539,158	539,985	-	-	-	-
Actual return on plan assets	29,191	33,253	-	-	-	-
Employer contributions	17,543	14,287	2,390	3,237	-	-
Employee contributions	-	-	444	522	205	233
Medicare Part D subsidy	-	-	-	74	-	-
Benefits paid	(41,300)	(48,367)	(2,834)	(3,833)	(205)	(233)
Fair value of plan assets at end of period	\$ 544,592	\$ 539,158	\$ -	\$ -	\$ -	\$ -
Total	\$(167,649)	\$ (157,022)	\$ 50,441	\$ (49,121)	\$ 1,025	\$ (1,358)

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Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions at fiscal years ended June 30, 2020 and 2019:

Retirement Benefits	Pension		Medical and Life Insurance		Supplemental	
	2020	2019	2020	2019	2020	2019
Recognized in Statement of Activities:						
Service cost	\$ -	\$ -	\$ 241	\$ 194	\$ -	\$ -
Recognized in operating expenses	\$ -	\$ -	\$ 241	\$ 194	\$ -	\$ -
Interest cost	24,339	27,804	1,722	2,047	45	56
Amortization of prior service cost	100	100	(1,489)	(7,639)	122	108
Amortization of net actuarial loss	11,020	8,026	382	270	-	-
Expected return on plan assets	(30,637)	(30,724)	-	-	-	-
Net periodic benefit cost other than service cost	\$ 4,822	\$ 5,206	\$ 615	\$ (5,322)	\$ 167	\$ 164
Net actuarial loss (gain) during the year	34,468	57,423	1,747	1,676	(173)	152
Amortization of prior service cost	(100)	(100)	1,489	7,639	-	-
Amortization of net actuarial loss	(11,020)	(8,026)	(382)	(270)	(122)	(108)
Total change in funded status or obligation	\$ 23,348	\$ 49,297	\$ 2,854	\$ 9,045	\$ (295)	\$ 44
Total recognized in non-operating activities	\$ 28,170	\$ 54,503	\$ 3,469	\$ 3,723	\$ (128)	\$ 208
Total recognized in Statements of Activities	\$ 28,170	\$ 54,503	\$ 3,710	\$ 3,917	\$ (128)	\$ 208

Amounts included in net assets without donor restriction at fiscal years ended June 30, 2020 and 2019:

Retirement Benefits	Pension		Medical and Life Insurance	
	2020	2019	2020	2019
Net actuarial loss	\$ (325,598)	\$ (302,150)	\$ (2,468)	\$ (1,103)
Prior service cost	(2,201)	(2,201)	4,168	5,657
Total	\$ (327,699)	\$ (304,351)	\$ 1,700	\$ 4,554

The estimated net actuarial loss, prior service cost/(credit), and transition obligation for the pension and post-retirement plans that are projected to be accounted for as a part of net periodic benefit cost over the next fiscal year are \$12,916, (\$1,389), and \$0, respectively.

Contributions to the pension plan of \$17,543 and \$14,287 were made in fiscal years ended June 30, 2020 and 2019, respectively. Contributions of \$17,642 are projected for fiscal year 2021.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2020 and 2019 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2020	2019	2020	2019
Discount rate	2.87%	3.62%	2.92%	3.64%
Expected return on plan assets	7.00%	7.00%	-	-
Rate of compensation increase	-	-	3.50%	3.50%

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The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2020 and 2019 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2020	2019	2020	2019
Discount rate	3.62%	4.39%	3.64%	4.40%
Expected return on plan assets	7.00%	7.00%	0.00%	0.00%
Rate of compensation increase	-	-	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.

Pension plan investments as of June 30, 2020 were as follows:

PENSION PLAN INVESTMENTS AS OF JUNE 30, 2020	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	\$ -	\$9,110	\$ -	\$ 9,110
Commingled Funds				
Emerging Market Equity (3)	-	9,770		9,770
International Equity-Developed (3)	-	21,616		
Global Fixed Income Securities (2)	-	-		-
Common Stock (3)	46,177	-		46,177
Fixed Income				
Mortgage Backed Securities (2)	-	6,809		6,809
Corporate Bond (2)	-	70,294		70,294
Government Bond (2)	18,844	-		18,844
Hedge Fund				
Credit Opportunities (4)	-	11,470		11,470
Equity Long/short (4)	-	19,190		19,190
Global opportunities (4)	-	8,143		8,143
Multi-strategy (4)	-	-		-
Mutual Fund				
Emerging Market Equity Security (3)	-	-		-
Domestic Common Stock (3)	50,384	-		50,384
Domestic Fixed Income (2)	102,683	-		102,683
Private Equity and Venture Capital (4)			70,548	70,548
Private Debt (4)	-	-	42,737	42,737
Real Estate (4)	-	-	60,279	60,279
Total assets	\$ 218,088	\$ 156,402	\$ 173,564	\$ 548,054
Liabilities:				
Financial Derivatives – Option Contracts	\$ -	\$ (5,114)	\$ -	\$ (5,114)
Total liabilities	\$ -	\$ (5,114)	\$ -	\$ (5,114)
Total pension plan investments	\$ 218,088	\$ 151,288	\$ 173,564	\$ 542,940
Operating asset not subjected to fair value reporting	36,384	-	-	36,384
Operating liabilities not subjected to fair value reporting	(27,748)	-	-	(27,748)
Total plan assets	\$226,724	\$ 151,288	\$173,564	\$ 551,576

Level 3 investments were 31% of total plan investments.

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Refer to Note 7 – Fair Value Measurements for further explanation of financial instrument classifications.

Pension plan investments as of June 30, 2019 were as follows:

PENSION PLAN INVESTMENTS AS OF JUNE 30, 2019	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Instrument (1)	\$ -	\$ 14,259	\$ -	\$ 14,259
Commingled Funds				
Emerging Market Equity (3)	-	8,903	-	8,903
International Equity-Developed (3)	-	44,531	-	44,531
Global Fixed Income Securities (2)	9,285	-	-	-
Common Stock (3)	46,705	-	-	46,705
Fixed Income				
Mortgage Backed Securities (2)	-	14,279	-	14,279
Corporate Bond (2)	-	71,823	-	71,823
Government Bond (2)	85,788	-	-	85,788
Hedge Fund				
Credit Opportunities (4)	-	10,113	-	10,113
Equity Long/short (4)	-	19,768	-	19,768
Global opportunities (4)	-	6,914	-	6,914
Multi-strategy (4)	-	-	1	1
Mutual Fund				
Emerging Market Equity Security (3)	3,788	-	-	3,788
Domestic Common Stock (3)	28,603	-	-	28,603
Domestic Fixed Income (2)	71,970	-	-	71,970
Private Equity and Venture Capital (4)	-	-	60,177	60,177
Private Debt (4)	-	-	37,846	37,846
Real Estate (4)	-	-	60,636	60,636
Total assets	\$ 246,139	\$ 190,590	\$ 158,660	\$ 595,389
Liabilities:				
Financial Derivatives – Option Contracts	\$ -	\$ (2,542)	\$ -	\$ (2,542)
Total liabilities	\$ -	\$ (2,542)	\$ -	\$ (2,542)
Total pension plan investments	\$ 246,139	\$ 188,048	\$ 158,660	\$ 592,847
Operating asset not subjected to fair value reporting	55,696	-	-	55,696
Operating liabilities not subjected to fair value reporting	(103,507)	-	-	(103,507)
Total plan assets	\$ 198,328	\$ 188,048	\$ 158,660	\$ 545,036

Level 3 investments were 29% of total plan investments.

Refer to Note 7 – Fair Value Measurements for further explanation of financial instrument classifications.

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The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2020.

CHANGES IN LEVEL 3 FOR THE PERIOD ENDED JUNE 30, 2020	PRIVATE EQUITY / DEBT	HEDGE FUNDS	REAL ESTATE	TOTAL
Balance July 1, 2019	\$ 98,022	\$ 1	\$ 60,636	\$ 158,660
Gain and loss (realized and unrealized)	2,153	(1)	2,344	4,496
Purchases	38,860		11,212	50,072
Transfer out and sales	(25,750)		(13,913)	(39,664)
Balance at June 30, 2020	\$ 113,286	\$ -	\$ 60,278	\$ 173,564
Change in unrealized investments held	\$ (721)	\$ (1)	\$ (2,916)	\$ (3,638)

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy as previously defined, at June 30, 2019.

CHANGES IN LEVEL 3 FOR THE PERIOD ENDED JUNE 30, 2019	PRIVATE EQUITY / DEBT	HEDGE FUNDS	REAL ESTATE	TOTAL
Balance July 1, 2018	\$ 66,827	\$ 12	\$ 27,611	\$ 94,450
Gain and loss (realized and unrealized)	8,094	(11)	6,384	14,467
Purchases	57,932	-	30,504	88,436
Transfer out and sales	(34,831)	-	(3,862)	(38,693)
Balance at June 30, 2019	\$ 98,022	\$ 1	\$ 60,637	\$ 158,660
Change in unrealized investments held	\$ (27)	\$ (1)	\$ 4,834	\$ 4,806

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, 2020 and 2019. 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, 2020	Fair Value	Unfunded Commitments	Redemption/Withdrawal Frequency	Redemption/Withdrawal Notice Period
Hedge funds	\$ 38,803	\$ -	Monthly - Annually	45 - 90 days
Real estate funds	60,278	13,986	-	1 - 5 years
Common/collective trusts	81,785	-	Monthly	-
Limited partnerships	113,286	57,068	-	≤ 10 years

INVESTMENTS AS OF JUNE 30, 2019	Fair Value	Unfunded Commitments	Redemption/Withdrawal Frequency	Redemption/Withdrawal Notice Period
Hedge funds	\$ 36,967	\$ 680	Monthly - Annually	45 - 90 days
Real estate funds	60,636	16,790	-	1 - 5 years
Common/collective trusts	62,736	-	Monthly	-
Limited partnerships	98,022	58,519	-	≤ 10 years

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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	2020	2019	Allowable Range
Mid-Large Cap U.S. Equity	14.8%	9.9%	7-23%
Small Cap U.S. Equity	2.9%	2.5%	1-5%
International Equity - Developed	4.0%	8.2%	7-17%
Private Equity/Venture Capital	9.9%	10.3%	2-20%
Private Debt	6.6%	6.5%	2-8%
Hedge Funds	7.1%	6.7%	1-5%
Inflation Hedging	3.5%	2.6%	1-5%
Emerging Markets Equity	2.6%	3.3%	2-8%
Real Estate	10.1%	10.9%	3-11%
Liability Hedging Assets	38.0%	34.3%	25-45%
Cash and Cash Equivalents	0.5%	4.8%	0-5%
Total	100%	100%	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2020 is 6.09%. 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.

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:				
2021	\$ 47,626	\$ 3,698	\$ 115	\$ 3,583
2022	47,436	3,639	109	3,530
2023	46,874	3,534	104	3,430
2024	46,174	3,415	97	3,318
2025	45,300	3,334	91	3,243
Years 2026-2030	208,889	15,293	369	14,924
Total	\$ 442,299	\$ 32,913	\$ 885	\$ 32,028

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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%

15. Net Assets

Net assets with donor restrictions are restricted for the following purposes as follows at June 30:

NET ASSETS WITH DONOR RESTRICTIONS	2020	2019
Subject to expenditure or use for specified purpose:		
Scholarships	\$ 22,991	\$ 22,104
Professorships	18,990	18,078
Student loans	2,714	2,492
Federal term endowment	165,559	157,649
General operations and other	39,605	28,335
Total subject to expenditure for specified purpose	\$ 249,859	\$ 228,658
Funds subject to time restrictions and to be held in perpetuity:		
Subject to time restrictions	\$ 5,882	\$ 2,895
To be held in perpetuity	165,795	148,426
Total funds to be held in perpetuity and subject to time restriction	\$ 171,677	\$ 151,321
Endowments subject to spending policy and appropriation:		
Scholarships	\$ 41,617	\$ 39,725
Professorships	20,844	21,691
Student loans	(234)	(215)
General operations and other	5,311	12,520
Total endowments subject to spending policy and appropriation	\$ 67,538	\$ 73,721
Total net assets with donor restrictions	\$ 489,074	\$ 453,700

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 net assets without donor restriction at the end of each 20 year period. For fiscal years ended June 30, 2020 and 2019, the transfer amounts were \$0.

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For the fiscal years ended June 30, 2020 and 2019, net assets without donor restriction were \$211,353 and \$217,376, respectively. Net assets without donor restrictions include board-designated and non-board-designated amounts. Any revenue or expense transactions funded by contributions or sources that have no external donor restrictions are classified as non-board designated amounts.

Net assets without donor restrictions include the following board-designated funds at June 30:

NET ASSETS WITHOUT DONOR RESTRICTIONS	2020	2019
Non-board designated	\$ 176,815	\$ 203,772
Board designated	34,538	13,604
Total	\$ 211,353	\$ 217,376

Release of net assets with donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for fiscal years ended June 30, 2020 and 2019 are as follows:

NET ASSETS RELEASED FROM RESTRICTIONS	2020	2019
Restrictions released based on purpose:		
Scholarships and fellowships	\$ 4,500	\$ 3,720
Professorships	1,254	1,317
Student loans	96	129
General operations and other	2,329	3,110
Total	\$ 8,179	\$ 8,276

16. Functional 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. Allocation rates are evaluated and updated annually to provide the most accurate allocation of operation and maintenance costs.

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Consolidated Statements of Functional Expenses For year ended June 30, 2020 (in thousands)	Academic and Research	Healthcare Services	Administrative Support	Total
Operating expenses:				
Compensation	\$ 214,411	\$ 171,567	\$ 72,793	\$ 458,771
Medical and office supplies	6,461	30,477	4,010	40,948
Repairs and maintenance	1,282	982	17,141	19,405
Food service costs	709	3,570	15,490	19,769
Grant subcontracts	14,824	2	43	14,869
Insurance and risk management	13,397	727	6,504	20,628
Professional and administrative services	11,742	37,099	40,569	89,410
Operations and maintenance costs	31,969	3,513	13,535	49,017
Other costs	18,952	7,542	28,174	54,668
Total operating expenses before interest, depreciation, and amortization	313,747	255,479	198,259	767,485
Interest expense	9,707	4,762	10,793	25,263
Depreciation	18,639	9,154	20,128	47,921
Amortization of retirement plan actuarial losses	-	-	-	-
Interest, depreciation, and amortization	28,346	13,916	30,921	73,183
Total operating expenses	\$ 342,093	\$ 269,395	\$ 229,180	\$ 840,668

Consolidated Statements of Functional Expenses For year ended June 30, 2019 (in thousands)	Academic and Research	Healthcare Services	Administrative Support	Total
Operating expenses:				
Compensation	\$ 212,118	\$ 159,921	\$ 65,970	\$ 438,009
Medical and office supplies	6,160	27,262	3,481	36,903
Repairs and maintenance	2,948	942	12,851	16,741
Food service costs	449	4,274	14,065	18,788
Grant subcontracts	15,545	-	240	15,785
Insurance and risk management	10,870	5,351	3,546	19,767
Professional and administrative services	11,908	33,507	49,550	94,965
Operations and maintenance costs	43,978	-	16,877	60,855
Other costs	24,056	6,991	37,743	68,790
Total operating expenses before interest, depreciation, and amortization	328,032	238,248	204,323	770,603
Interest expense	10,896	3,758	12,796	27,450
Depreciation	21,336	7,756	18,075	47,167
Amortization of retirement plan actuarial losses	-	(644)	5,920	5,276
Interest, depreciation, and amortization	32,232	10,870	36,791	79,893
Total operating expenses	\$ 360,264	\$ 249,118	\$ 241,114	\$ 850,496

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17. 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 2019-2020

Medicaid 2019-2020

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an decrease in net patient service revenues of approximately \$1,753 for fiscal year ended June 30, 2020 and a decrease of approximately \$1,271 for fiscal year ended June 30, 2019.

THIRD-PARTY SETTLEMENT REVENUE	2020	2019
Medicare pass-through	\$ 10,075	\$ 10,212
Disproportionate Share Hospital	67,930	50,461
Graduate and Indirect Medical Education	11,075	8,195
Other	1,868	115
Total third-party settlement revenue	\$ 90,948	\$ 68,983

18. 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 costs foregone for services furnished under the Hospital's charity care policy and the DC Alliance program were \$4,243 and \$4,143 for fiscal years ended June 30, 2020 and 2019, respectively.

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19. Insurance and Risk Management

Howard, along with 17 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, 2019, Howard had an approximate 6% interest in Pinnacle. Howard's interest in Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of \$125,000 from commercial insurance companies.

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

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	2020	2019
Malpractice claims expense	\$ (2,209)	\$ 2,927
Malpractice excess insurance	1,897	2,025
Student health	7,397	10,659
General and other	13,544	3,906
Totals	\$ 20,629	\$ 19,517

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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, 2020 and 2019.

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, 2020 and 2019 Howard reserved \$1,016 and \$3,850, 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 1,722 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

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22. COVID-19 and the CARES Act

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The COVID-19 pandemic substantially impacted the global economy including significant volatility in financial markets.

(a) Howard University

As a result of the COVID-19 outbreak, the University closed its campus to students in March 2020 and prorated adjustments were issued to students for a portion of room and board charges that were not utilized by students. The cash payments were issued for credit balances resulting from the prorated adjustments. Students with institutional scholarships covering room and/or board charges were not entitled to a cash payment, and accordingly adjustments were made to reduce the institutional scholarship award. The University resumed virtual classes for the Fall semester in August 2020, and allowed certain students involved in specific programs to return to campus in September 2020. The University is currently evaluating when to resume full on campus academic instruction.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES”) Act.” The CARES Act, among other things, includes funds for the Higher Education Emergency Relief Fund (“HEERF”).

During the year ended June 30, 2020, the University received federal funding from the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) for Higher Education Emergency Relief Fund (“HEERF grant”) in the total amount of approximately \$8.7 million related to relief efforts in light of the COVID-19 outbreak. No less than 50% of the HEERF grant is to be utilized for direct emergency aid to eligible students. The University has expended \$2.7 million of the funds received for the student portion of the HEERF grant, included in grant revenue and recognized as academic support expense on the consolidated statements of activities. The University recognized the remaining 50% of the grant, \$4.3 million, that was allocated to the institution as allowed by Sections 18004(a)(1) and 18004(c) of the CARES Act as a reimbursement for COVID-19 response related expenses and forgone revenue resulting from student refunds for services that could not be provided as a result of campus closure on March 16, 2020.

During the year ended June 30, 2020, the University also received federal funding from the CARES Act for HBCU Education Stabilization Fund (“CARES HBCU grant”) in the amount of approximately \$13 million related to relief efforts in light of the COVID-19 outbreak. Sections 18004(a)(1) and 18004(c) of the CARES Act allows for the funds to be used to provide economic relief to HBCU’s due to the impact of COVID-19. As of June 30, 2020, the University recognized contribution revenue of approximately \$13 million for the institutional portion of the CARES HBCU grant.

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(b) Howard University Hospital (HUH)

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The COVID-19 pandemic substantially impacted the global economy including significant volatility in financial markets. As a result of the COVID-19 pandemic, patient volumes and associated patient net revenues at the Hospital were significantly reduced in the months of March through June 2020. The Hospital began experiencing gradual and continued improvement in patient volumes in late June as stay-at-home restrictions were eased and hospitals were permitted to resume elective surgeries and procedures.

The District asked all city hospitals, including Howard University Hospital, to increase bed capacity by 125%. The Hospital reopened approximately 170 inpatient beds and added an Emergency Department triage tent to one of its main parking lots. As of June 30, 2020, the District had provided the Hospital approximately \$14,239 of initial funding to cover the cost of this increased capacity and related expenses. \$11,299 of this funding was expended and recognized as either other income (as related to expenses) or non-operating change in net asset (as related to capitalized expenditures) for the fiscal year ended June 30, 2020, with the remaining amount recorded in deferred revenue.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act, among other things, authorized \$100 billion in funding to hospitals and other healthcare providers to be distributed through the Provider Relief Fund (PRF). These funds are not required to be repaid provided the recipients attest to, and comply with, certain terms and conditions, including among other things, that the funds are being used for lost operating revenues and COVID-19 related expenses. The U.S. Department of Health and Human Services (HHS) initially distributed \$30 billion of this funding based on each provider's share of total Medicare fee for-service reimbursement in 2019. Subsequently, HHS distributed an additional \$20 billion in CARES Act funding based on an allocation proportional to the providers' share of 2018 net patient revenue. Distributions of the additional \$50 billion were targeted primarily to hospitals in COVID-19 high impact areas, to rural providers, safety net hospitals, skilled nursing facilities and to reimburse providers for COVID-19-related treatment of uninsured patients. During the year ended June 30, 2020, the Hospital received payments of \$30,210 from the general stimulus and safety net distributions of the PRF. The Hospital recognized the entire amount of the general disbursement grants and a partial amount of the safety net disbursement totaling \$10,358 during the year ended June 30, 2020, as permitted by the terms and conditions, as other operating revenue. The remainder of the funding is recorded in deferred revenue. The funds received from HHS are subject to specific terms, conditions and audit by HHS. Noncompliance with any of the terms or conditions is grounds for HHS to recoup some or all of the payments received by the Hospital. Management believes it has complied with the terms and conditions.

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The CARES Act also made other forms of financial assistance available to healthcare providers, including through Medicare and Medicaid payment adjustments and an expansion of the Medicare Accelerated and Advanced Payment Program, which makes available accelerated payments of Medicare funds in order to increase cash flow to providers. The Hospital received \$26,230 of advance payments, which are recorded in deferred revenue as of June 30, 2020, given that recoupment will not begin until at least 120 days subsequent to receipt of the funding, which will be subsequent to June 30, 2020.

23. 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, 2020 and 2019, Howard has contributed to the Middle School as follows:

RELATED PARTY TRANSACTIONS	2020	2019
Cash operating support	\$ 250	\$ 1,000
Facility leased (market value)	1,451	1,451
Total	\$ 1,701	\$ 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.

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.

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As of fiscal years ending June 30, 2020 and 2019, the consolidated statements of financial position for the LLC are as follows:

HOWARD DIALYSIS CENTER, LLC STATEMENTS OF FINANCIAL POSITION	2020	2019
Total Assets	\$ 10,875	\$ 11,481
Total Liabilities	\$ 2,289	\$ 1,923
Equity		
Partner	5,651	5,086
Retained earning	2,934	4,471
Total Equity	\$ 8,585	\$ 9,557
ARA interest	\$ 4,378	\$ 4,766
Howard interest	\$ 4,207	\$ 4,781

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

In July 2019, 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.

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

The University engaged Barnes & Noble College Booksellers, LLC to manage and operate its bookstore. The original relationship was 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. In January 2019, the parties agreed to exercise an option to renew the agreement from April 1, 2019 through March 31, 2024.

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(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, while Howard continued to be the licensed operator of the Hospital. The MSA was terminated as of April 30, 2019.

(g) ***Adventist Healthcare, Inc.***

Howard University signed a three-year Management Service Agreement (MSA) with Adventist Healthcare, Inc. effective January 31, 2020. The term of the agreement shall extend for three years unless terminated sooner as provided under the MSA, with an automatic renewal and extension after the initial term for additional one (1) year terms. Adventist Healthcare, Inc. commenced full performance effective February 17, 2020, under the MSA for day-to-day operations of the Hospital under the oversight of a joint Howard and Adventist Healthcare, Inc. Management Committee, while Howard continues to be the licensed operator of the Hospital.

(h) ***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 handled 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. As part of this 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, which were completed in fall of 2018.

(1) ***Residence Life Service Provider*** – In January 2017, as part of the aforementioned 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

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

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). Management of the central office of residence life was transferred back to Howard in October of 2019.

(i) ***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.

(j) ***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.

(k) ***9th and W Owner, LLC***

In June 2019, the University (Lessor) entered into a ninety-nine (99) year transaction to ground lease the land at 9th and V Street and the related meaningful connection to the 930 Club building to 9th AND W Owner, LLC (Lessee).. The development project consists of constructing an approximately 257,000 square foot 10 story building with a penthouse for mixed-use purposes that would include market rate and affordable units along with ground floor retail space. The lessee will assume all risks associated with zoning, historic preservation and other regulatory approvals. At the end of the lease term, the property and all improvements revert back to Howard University (see Note 11-*Lease Income*).

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

(l) ***Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc.***

In May 2019, the University, and Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc. entered into a 40 year term agreement. Under this agreement, Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc. will handle the financing, design, engineering, renovation, management, operation, maintenance, and repair of the Tubman Quad. The University pledged all revenues from these properties to Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc.

(m) ***ENGIE North America, Inc.***

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. The bridge financing was paid in full in November 2019.

(n) ***Howard Center Project***

In November 2018, Howard entered into a 50 year lease with Provident Group-Howard Center, Inc. (“Lessee”) for seven (7) tracts of the Howard Center Project. (see Note 11-Leases for additional information). 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 sub-management agreement, Howard assigned and delegated its management rights and responsibilities for the Howard Center Project to Corvias Management, LLC.

(o) ***It’s My Corner, LLC***

The University entered into a Participation Agreement with It’s My Corner, LLC (IMC) for the transfer and development of the certain property located on Florida Avenue. HU was the owner of real property located on Florida Avenue, NW, Washington, DC. IMC also owned real property located on Florida Avenue, NW, Washington, DC. The properties were combined and will be developed by IMC as a mixed use project with a new building.

The University has received a 24% equity share in the combined properties that is subject to adjustments if the timing of the commencement of construction for the project is has not occurred within 36 calendar months after the date that the deed was recorded and if the construction is not substantially completed within 36 calendar months after commencement. With all potential adjustments, the University’s equity share shall not exceed 45%.

IMC has also granted the University a right of first offer to purchase the combined properties prior to any efforts by IMC to sell or market the project.

THE HOWARD UNIVERSITY
Notes to the Consolidated Financial Statements
(amounts in thousands)

24. Subsequent Events

Howard performed an evaluation of subsequent events through December 15, 2020, which is the date the consolidated financial statements were available to be issued, noting no additional events which affect the consolidated financial statements as of June 30, 2020.

- (a) In July 2020, the University issued \$209,085 of taxable bonds (Series 2020B). The proceeds of the Series 2020B Bonds were used to settle the outstanding District of Columbia Revenue Bonds, Series 2011A for interest savings (See Note 12-*Bonds Payable and Notes Payable*). The Series 2020B bonds bear interest between 1.99% to 3.48% and are repayable between 2025 and 2041. On the closing date, the net proceeds from the sale of the Series 2020B Bonds in the amount of \$207,795, which represents an Underwriter's discount of \$1,290.
- (b) In July 2020, the University received a \$40,000 unrestricted gift from author and philanthropist MacKenzie Scott. Ms. Scott's gift marks the largest gift from a single donor in school history. This gift will be used to support components of Howard's 5-year strategic plan, including on-going campus infrastructure improvement projects, such as essential renovations to the steam plant system and updates to improve technology. Howard will implement a new faculty development plan to provide additional educational development opportunities for faculty to increase rigor and quality of instruction, and to promote professional advancement and specialized skills training. Howard will also develop a program focused on social innovation and entrepreneurship to further enhance Howard's outreach to instill the importance of financial wellness in our campus community. Lastly, the Scott gift will help underwrite a portion of one of Howard's signature retention programs, the Graduation & Retention Access to Continued Excellence (GRACE) Grant. This need-based program provides a 100 percent match for students who receive the maximum Federal Pell Grant and provides additional funding to students with an expected family contribution of zero.
- (c) In July 2020, Life Technologies Corporation, a part of Thermo Fisher Scientific, Inc., loaned certain equipment and donated consumables and services to Howard to assist in conducting SARS-CoV-2 testing on-site during the 2020-2021 school year for faculty, staff, and students. The loaned equipment will be for the 2020-2021 school year unless mutually agreed to extend. Thermo Fisher is a world leader in servicing science with a corporate mission of enabling customer to make the world healthier, cleaner and safer, including through the discover, development, manufacture, distribution, and marketing of innovative clinical products and services. Thermo Fischer fulfills its corporate mission in part by being a socially responsible community partner with a giving strategy that includes in-kind support in the form of Thermo Fisher product and services.

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

- (d) In September 2020, Michael Bloomberg and Bloomberg Philanthropies announced they are making a \$32,800 donation to support scholarships for current College of Medicine students with financial need. The gift is part of a total \$100,000 awarded to the nation's four historically Black medical schools to help increase the number of Black doctors in the U.S. by significantly reducing the debt burden of approximately 800 medical students, many of whom face increased financial pressure due to COVID-19. The gift marks the largest donation to the College of Medicine in its history.
- (e) In 2020, Howard University Hospital was given a COVID-19 stimulus grant of \$13,750 from the U.S. Department of Health and Human Services as part of the HHS High Impact Relief Fund. The stimulus is made to hospitals that had a high number of confirmed COVID-19 positive inpatient admissions.
- (f) On September 19, 2020, HHS issued a Post-Payment Notice of Reporting Requirements for the PRF that were disbursed under the CARES Act. This notice changed guidance that had been previously communicated in June and July 2020. Key differences include introduction of the concept of calendar year measurement as opposed to quarterly measurement, the requirement to first apply stimulus monies received to healthcare related expenses attributable to COVID-19 (net of reimbursements from other sources), and change (negative change comparing 2020 over 2019) from lost revenues, as defined to net patient care operating income as defined, net of healthcare related expenses previously applied. On October 22, 2020, HHS issued a Reporting Requirements Policy Update reverting back to the initial definition of lost revenues. These changing requirements may result in a change in the amount of CARES Act stimulus funds the Hospital will be able to retain based on the terms and conditions. If the Hospital does not expend PRF in full by December 31, 2020, they will have an additional six months through June 30, 2021, in which to use the remaining amounts toward expenses attributable to COVID-19 not reimbursed by other sources, or apply toward lost net patient care operating income in an amount not to exceed the calendar 2019 net gain. The definitions included in the Post-Payment Notice of Reporting Requirements may be subject to change or further interpretation. As a result, management cannot estimate the impact resulting from this change in guidance. Management will continue to evaluate and monitor compliance with the terms and conditions through June 30, 2021.
- (g) The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, the University is uncertain as to the full magnitude that the pandemic will have on the University's financial condition, liquidity, and future results of operations. The University is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the University is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

Our audit of the consolidated financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following section of this report 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 audits 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.

BDO USA, LLP

December 15, 2020

THE HOWARD UNIVERSITY
Supplementary Information
(amounts in thousands)

THE HOWARD UNIVERSITY

Financial Responsibility Supplemental Schedule
Year Ended June 30, 2020

Financial Statement Reference	Ratio/Variable Description	Data	Strength Factor	Strength Factor Calculation	Strength Factor Weight	Weighted Strength Factor
Primary Reserve Ratio						
Statement of Financial Position	Net assets without donor restrictions	+ \$ 211,353				
Statement of Financial Position	Net assets with donor restrictions	+ 489,074				
Note 15	Net assets with donor restrictions: restricted in perpetuity	- 165,795				
Note 8	Annuities, term endowment, and life income funds with donor restrictions	- 339,523				
N/A	Intangible assets	- -				
Statement of Financial Position	Net property, plant and equipment	- 591,740				
Statement of Financial Position	Post-employment and defined benefit pension liabilities	+ 218,090				
Statement of Financial Position	All debt obtained for long-term purposes, not to exceed net property plant	+ 431,813				
N/A	Unsecured related-party receivables	- -				
	Numerator total	\$ 253,272				
Statement of Activities	All expenses and losses without donor restrictions less any losses without donor restriction on investments, post-employment and defined benefit pensions, and annuities	+ \$ 808,860				
	Denominator total	\$ 808,860				
	Primary Reserve Ratio:	0.31	10.00	3.00	0.40	1.20
Equity Ratio						
Statement of Financial Position	Net assets without donor restrictions	+ \$ 211,353				
Statement of Financial Position	Net assets with donor restrictions	+ 489,074				
N/A	Intangible assets	- -				
N/A	Unsecured related-party receivables	- -				
	Numerator total	\$ 700,427				
Statement of Financial Position	Total assets	+ \$1,667,010				
N/A	Intangible assets	- -				
N/A	Unsecured related-party receivables	- -				
	Denominator total	\$1,667,010				
	Equity Ratio:	0.42	6.00	2.52	0.40	1.01
Net Income Ratio						
Statement of Activities	Change in net assets without donor restrictions	+ \$ (6,023)				
	Numerator total	\$ (6,023)				
Statement of Activities	Total revenues without donor restriction, including net assets released from restrictions and gains	+ \$ 876,898				
	Denominator total	\$ 876,898				
	Net Income Ratio:	-0.01	1 + (25x)	0.83	0.20	0.17
Financial Responsibility Composite Score						2.4

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



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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 have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2020, 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 15, 2020.

Internal Control Over Financial Reporting

In connection with 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 item 2020-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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 in the accompanying schedule of findings and questioned costs as items 2020-002 through 2020-006 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 financial statements. 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 15, 2020



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, 2020. 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 statutes, 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, 2020.



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 2020-007 through 2020-016. 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 and/or management's corrective action plan. 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.

The University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 2020-007, 2020-008, 2020-011, 2020-012, 2020-013, 2020-014 and 2020-015 that we consider to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or 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 University is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The University's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

September 30, 2021

The Howard University
Schedule of Expenditure of Federal Awards
For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<u>ANNUAL APPROPRIATION</u>				
DEPARTMENT OF EDUCATION				
Annual Appropriation		84.915A	\$ 239,143,000	\$ -
COVID-19 - Coronavirus Aid, Relief and Economic Security for Historically Black Colleges and Universities Federal Appropriations		84.915A	\$ 13,000,000	\$ -
TOTAL ANNUAL APPROPRIATION			252,143,000	-
<u>FEDERAL ENDOWMENTS</u>				
DEPARTMENT OF JUSTICE				
Constitutional Law Chair Endowment		16.000	6,141,730	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			6,141,730	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Excellence in Health Professional Education Endowment		93.375	5,019,104	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,019,104	-
DEPARTMENT OF EDUCATION				
Matching Endowment		84.000	174,494,646	-
Law School Clinical Endowment		84.998D	9,986,315	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			184,480,961	-
TOTAL FEDERAL ENDOWMENTS			195,641,795	-
<u>STUDENT FINANCIAL ASSISTANCE CLUSTER</u>				
DEPARTMENT OF EDUCATION				
Federal Supplemental Educational Opportunity Grants		84.007	1,246,992	-
Federal Work Study		84.033	1,345,214	-
Federal Pell Grant Program		84.063	14,364,376	-
Federal Direct Loans		84.268	178,239,890	-
Teacher Education Assistance for College and Higher Education Grants (TEACH)		84.379	17,822	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			195,214,294	-

The Howard University
Schedule of Expenditure of Federal Awards
For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Scholarship for Disadvantaged Students		93.925	487,680	-
Scholarship for Disadvantaged Students		93.925	649,116	-
			<u>1,136,796</u>	
Health Professions Student Loans		93.342	433,816	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,570,612</u>	-
TOTAL FOR THE STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>196,784,906</u>	-
<u>TRIO CLUSTER</u>				
DEPARTMENT OF EDUCATION				
Office of Postsecondary Education				
Upward Bound Program		84.047A	528,518	-
Upward Bound Program		84.047M	288,805	-
Subtotal for the Office of Postsecondary Education			<u>817,323</u>	-
TOTAL FOR THE TRIO CLUSTER			<u>817,323</u>	-
<u>RESEARCH AND DEVELOPMENT CLUSTER</u>				
<i>Direct Research and Development Awards</i>				
DEPARTMENT OF COMMERCE				
Howard University Partnership Development and Design (HUPDD)		11.802	222,024	-
National Oceanic and Atmospheric Administration				
NOAA Cooperative Scinse Center in Atmospheric Sciences and meteorology at Howard University		11.481	58,181	1,200
NOAA Cooperative Scinse Center in Atmospheric Sciences and meteorology at Howard University		11.481	1,611,421	657,865
NOAA Cooperative Scinse Center in Atmospheric Sciences and meteorology at Howard University		11.481	22,343	-
NOAA Cooperative Scinse Center in Atmospheric Sciences and meteorology at Howard University		11.481	433,402	-
NOAA Cooperative Scinse Center in Atmospheric Sciences and meteorology at Howard University		11.481	134,451	-
NOAA Cooperative Scinse Center in Atmospheric Sciences and meteorology at Howard University		11.481	53,143	-
Subtotal for the National Oceanic and Atmospheric Administration			<u>2,312,941</u>	<u>659,065</u>
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			<u>2,534,965</u>	<u>659,065</u>

The Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
DEPARTMENT OF DEFENSE				
Polymer based replicated multi-modal fiber Bragg granting (FBG) for Fentanyl detection		12.910	123,681	1,643
Water-Mediated Correlations in Biomolecular Behavior		12.910	272,039	28,750
			395,720	30,393
US Army Materiel Command				
Fast Chemical Transformations in Energetic Materials Under Conditions of High Pressure, Temperature and Strain Tate		12.431	169,401	-
Optimizing the Dynamic Response of Ultrafine Grain and Hybrid Alloys under Impact Loading		12.630	46,187	-
Enhancing research in the STEM disciplines at Howard University by investigating novel regulation of the 26S proteasome		12.630	79,259	-
			125,446	
Atomic Layered Two Dimensional Material-based Metasurfaces for Terahertz Modulators		12.800	16,628	-
Multit-mode Induced Transition in Hypersonic Boundary Layers		12.800	59,291	-
Novel Methods for Fatigue Life Prediction for Turbine Engine Components		12.800	63,705	-
			139,624	-
Subtotal for the US Army Materiel Command			434,471	-
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			830,191	30,393
DEPARTMENT OF THE INTERIOR				
Historically Black Colleges and Universities Grant		15.904	48,737	-
CESU Network National Office Minority Fellowship - Geodatabase, Policy Analysis, Multi-Scale Assessment		15.904	1,474	-
			50,211	
Contemporary Recreational Use Study at Median Hill park and the Parklands		15.945	4,364	-
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			54,575	-
DEPARTMENT OF JUSTICE				
Domestic Violence Homicide Prevention TA Initiative		16.526	254,820	-
NIJ Research Assistantship Program		16.560	68,836	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			323,656	-

The Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
ROSES -2016 / Solar System Observations (SSD) Program		43.001	15,795	-
Lunar Environment and Dynamics for Exploration Research (LEADER)		43.001	23,633	-
Subtotal for the Science			39,428	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			39,428	-
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Gender, Segregation, and Urban Life in Literature by African American Women		45.160	2,622	-
Reviving the Bethel Literary and Historical Association in the 21st Century ("Bethel 21")		45.162	21,234	-
The Africana Theatre and Dance Collection as a Teaching Resource and Curriculum Development		45.162	33,303	-
			54,537	-
Museum Grants African American History and Culture		45.309	137,449	-
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			194,608	-
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
GOALI : Collaborative Research: Advancing wastewater treatment resiliency and sustainability goals in the face of climate change		47.041	16,302	-
Workshop: Sustainable Energy		47.041	33,301	17,610
MRI: Development of Testbed Platform for Advanced Multi-Stage Automation and Control for Smart and Micro Grid		47.041	85,542	28,951
Workshop on Empowering Microgrids with Smart Grid Attributes: Developments in U.S. and Africa		47.041	36,443	-
Bridging the Gap Between Education and Research through Pre-College Engineering Systems (PCES)				
Outreach Program		47.041	33,894	-
Collaborative Proposal: EiR : Understanding Interactions of Gold and silver Nanoparticles with Proteins to Achieve Optimum Surface Plasmon Effect		47.041	209,701	-
Subtotal for the Engineering Grants			415,183	46,561
Mathematical and Physical Sciences				
Excellence in Research - Collaborative: Hierarchical multilayered block copolymer dielectrics with z-gradient nanofiller for capacitive energy storage and gate dielectric		47.049	95,201	34,905
Collaborative Research - RUI: Toward Structure-Based Models of Chiral Recognition by Amino Acid Based Macromolecule Assemblies		47.049	9,416	-
CAREER: Understanding the Effects of the immediate environment on Intrinsic Properties of 2D Crystals: From Fundamental Science to Real World Applications		47.049	119,315	-

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Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
Collaborative Research: Physics and Quantum Technology Applications of Defects in Silicon Carbide		47.049	61,188	-
REU Site in Physics at Howard University		47.049	43,092	-
Excellence in Research : Numerical Analysis of Quasiperiodic Topology		47.049	39,043	-
Personnel Act (IPA) Assignment		47.049	103,395	-
Collaborative Research: Linking Pharmacokinetics to Epidemiological Models of Vector- Born Diseases and Drug Resistance Prevention		47.049	64,434	-
Subtotal for the Mathematical and Physical Sciences			535,084	34,905
Geosciences				
Workshop in Measurements, Modeling and Data Analysis of Planetary Boundary Layer; Beltsville, Maryland, Summer 2020		47.050	1,082	-
HBCU - Excellence in Research: Vertical Profiles of Aerosols and Their Radiative Impacts		47.050	58,085	-
Subtotal for the Geosciences			59,166	-
Computer and Information Science and Engineering				
Compsustnet: Expanding the Horizons of Computational Sustainability		47.070	22,029	-
CICI: SSC: Real-Time Operating System and Net work Security for Scientific Middleware		47.070	40,633	-
CAREER: leveraging Wireless Virtualization for Enhancing Network Capacity, Coverage, Energy Efficiency and Security		47.070	105,773	-
MRI: Development of Interactive Immersive Environment that Senses and Responds to Humans		47.070	8,855	-
HDR DSC : Collaborative Research : Transforming Data Science Education through a portable and Sustainable Anthropocentric Data Analytics for Community Enrichment Program		47.070	44,056	-
CPS: Breakthrough: Collaborative Research: Track and Fallback: Intrusion Detection to Counteract Carjack Hacks with Fail - Operational Feedback		47.070	21,155	-
Subtotal for the Computer and Information Science and Engineering			242,500	-
Biological Sciences				
Cannabinoid Signaling in olfactory Glomeruli		47.074	95,844	-
Collaborative Research: ABI Innovation: FuTRES, an Ontology-Based Functional Trait Resource for Paleo- and Neo-biologists		47.074	43,586	-
Epitranscriptomic regulation of codon biased stress response genes in Escherichia coli		47.074	68,751	-
Excellence in Research : Involvement of MEF -2 transcription factor in mitochondrial stress response through SOD2		47.074	90,793	-
Excellence in Research : Influence of Neuropeptide Regulation and the Gut Microbiota on Foraging and Food Choice		47.074	68,875	-
Collaborative Research: Digitization TCN: The Mid-Atlantic megalopolis: Achieving a Greater Scientific Understanding of Our Urban World		47.074	2,394	-

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Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
Excellence in Research : Investigation of RECQ1 helicase in DNA transactions upon oxidative stress		47.074	125,724	-
Excellence in Research : Contribution of Terrestrial Bacteria to Iodine Biogeochemical Cycling		47.074	148,655	26,907
Subtotal for the Biological Sciences			644,622	26,907
Social, Behavioral, and Economic Sciences				
Collaborative Proposal: Developmental mechanisms of African American Ethnic and Racial Identity during the transition to adulthood		47.075	85,820	-
Excellence in Research : The Visible Ape Project		47.075	92,141	-
EAGER: Toward a General Framework for Optimal Experimentation in Computational Cognition		47.075	50,534	-
Excellence in Research : A Comparison of Educational Outcomes at Institutions of Higher Education.		47.075	122,688	-
Subtotal for the Social, Behavioral, and Economic Sciences			351,183	-
Education and Human Resources				
Chemistry, Mathematics, and Physics Scholarships (CMapS) at Howard University		47.076	39,292	-
Catalyst Project: Creating and Evaluating a Culturally Representative STEM Curriculum Supported by Next Generation Science Standards		47.076	118,421	-
Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers		47.076	6,237	-
Collaborative Research ; AGEP Transformation Alliance : CIRTl AGEP - Improved Academic Climate for STEM Dissertators and Postdocs to Increase Interest in Faculty Careers		47.076	14,288	-
Multiple Consciousnesses: Investigating the Identities (Academic, Gender, Race and Disability) of Black Women Undergraduate Students in STEM and Their Impact on Persistence		47.076	175,866	10,898
EAGER: Exploring the Influence of an Asset-Focused Intervention on Students' Interest, Motivation and Sense of Belonging in the Life Sciences		47.076	30,662	-
E-Communities: Investigating how a collaboration between STEM educators and engineers impact underserved youth's participation in engineering design.		47.076	98,551	18,534
2015 - 2020 Washington Baltimore Hampton Roads (WBHR) Louis Stokes Alliances for Minority Participation Program		47.076	530,050	194,195
HBCU-RISE: Security Engineering for Resilient Mobile Cyber - Physical Systems		47.076	173,224	-
Research Initiation Award : Investigation on Tribo-charging behavior of Agricultural Particles in the Development of Water-free Bio-separation Approach for Biomass Residues		47.076	77,935	-
Third HBCU-HDI Women in STEM Conference		47.076	40,307	-
Engaging Howard University Computer Science Students in Interactive Human-Centered Computing Infused Curricula		47.076	69,946	-
Research Initiation Award : A Model plant Group to Study the Evolution of Diverse Reproductive Systems		47.076	52,262	-
Research Initiation Award : Spatial Organization and Temporal Coordination involved in secretory vesicle trafficking and exocytosis in live cells		47.076	46,634	-

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Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
LSAMP BD: Howard University Washington Baltimore Hampton Roads		47.076	536,196	-
Targeted Infusion Project : Promoting Environmental Education in Urban Social - Ecological Resilience		47.076	135,024	-
Research Initiative Award : Mathematical Modeling On The Geometric Optics Problem of Refraction		47.076	32,545	-
ACE Implementation Grant: STEM Global Undergraduate Research Initiative		47.076	473,231	-
Subtotal for the Education and Human Resources			<u>2,650,671</u>	<u>223,627</u>
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			<u>4,898,410</u>	<u>332,000</u>
DEPARTMENT OF EDUCATION				
National Resource Centers		84.015A	36,750	-
National Resource Center and Foreign Language and Area Studies Fellowships		84.015A	176,504	-
			<u>213,254</u>	<u>-</u>
National Resource Center and Foreign Language and Area Studies Fellowships		84.015B	200,840	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>414,094</u>	<u>-</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Humanized EGFR and EGFRvII-bispecific Immunotoxin for HNSCC Therapy		93.121	143,179	-
Howard University Summer Research Experience Program in Oral Health Disparity for Underrepresented Racial and Ethnic Students		93.121	17,979	-
			<u>161,158</u>	<u>-</u>
Howard University NWDP Project		93.137	86,043	-
Howard University NWDP Project		93.137	329,343	-
Howard University NWDP Project		93.137	19,454	-
			<u>434,840</u>	<u>-</u>
Historically Black Colleges and Universities Grant		93.173	95,215	-
Functional Mechanisms Underlying the Inteabulbar Associational Circuit in the Olfactory System		93.173	146,460	-
			<u>241,675</u>	<u>-</u>
Howard University Hospital Screening, Brief Intervention and Referral to Treatment (SBIRT) Community Expansion Initiative		93.243	377,130	52,761
Mental Health Awareness at Howard University		93.243	46,305	-
Howard University Hospital-Unit Health Care Screening Brief Intervention and Referral to Treatment (SBIRT) Program		93.243	418,149	189,263
			<u>841,584</u>	<u>242,024</u>

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Schedule of Expenditure of Federal Awards For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<i>Mental Health Research Grants</i>				
Elucidating Olfactory Mechanisms of PTS Vulnerability and Trauma Resilience		93.242	97,179	23,195
Improving Child mental Service Utilization in Ibadan Nigeria Using a Community Based Participatory Research Approach		93.242	105,704	49,741
REU Site in Physics at Howard University		93.242	162,114	-
<i>Subtotal for the Mental Health Research Grants</i>			364,997	72,936
<i>Alcohol Research Programs</i>				
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression		93.273	61,776	-
<i>Subtotal for the Alcohol Research Programs</i>			61,776	-
<i>Center for Substance abuse Prevention</i>				
Ward 2 Drug Free Community Coalition		93.276	108,085	-
<i>Subtotal for Center for Substance abuse Prevention</i>			108,085	-
<i>Drug Abuse and Addiction Research Programs</i>				
Using Implementation Science for Community- Based SBIRT Delivery to Older Adults		93.279	31,979	17,411
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			31,979	17,411
<i>National Institute on Minority Health and Health Disparities</i>				
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	63,074	-
Health Disparities Research through International Exchange		93.307	43,515	-
Howard University Research Center for Minority Health and Health Disparities		93.307	65,299	-
Howard University Research Center for Minority Health and Health Disparities		93.307	64,240	-
Howard University Research Center for Minority Health and Health Disparities		93.307	34,429	-
Howard University Research Center for Minority Health and Health Disparities		93.307	30,717	-
Howard University Research Center for Minority Health and Health Disparities		93.307	254,647	-
Howard University Research Center for Minority Health and Health Disparities		93.307	17,018	-
Howard University Research Center for Minority Health and Health Disparities		93.307	183,638	-
Howard University Research Center for Minority Health and Health Disparities		93.307	166,841	28,302
Howard University Research Center for Minority Health and Health Disparities		93.307	161,455	-
Howard University Research Center for Minority Health and Health Disparities		93.307	168,910	-
Howard University Research Center for Minority Health and Health Disparities		93.307	10,078	-
Howard University Research Center for Minority Health and Health Disparities		93.307	50,384	-
Howard University Research Center for Minority Health and Health Disparities		93.307	491,832	-
Howard University Research Center for Minority Health and Health Disparities		93.307	702,564	28,500
<i>Subtotal for the National Institute on Minority Health and Health Disparities</i>			2,508,641	56,802

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Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<i>Leadership om Public Health Social Work Education Grant Program</i>				
Leadership in Public Health Social Work Education Grant Program		93.330	71,364	-
<i>Subtotal for the Leadership om Public Health Social Work Education Grant Program</i>			71,364	-
<i>National Cancer Institute</i>				
1/2 Howard/ Hopkins IntelCenter Collaboration in HPV-Associated Cancer Studies		93.393	6,616	-
Genetic Signatures Underlying Prostate Cancer Metastasis in African Americans		93.393	83,131	-
1/2 Howard -Georgetown Collaborative Partnership In Cancer Research		93.397	81,593	-
<i>Subtotal for the National Cancer Institute</i>			171,340	-
<i>Cardiovascular Diseases Research</i>				
Stress, Sleep and Cardiovascular Risk		93.837	371,737	-
Sickle Cell Disease and Sickle Cell Trait Protection Against HIV-1infection in Africans and African Americans		93.837	76,132	-
Inhibition of HIV-1 in Sickle Cell Disease		93.837	9,857	-
<i>Subtotal for the Cardiovascular Diseases Research</i>			457,726	-
<i>National Heart, Lung, and Blood Institute</i>				
Inhibition of HIV-1 in Sickle Cell Disease		93.839	1,122	-
The role of HGFL in the sickle cell disease nephropathy		93.839	98,985	-
Center for Hemoglobin Research in Minorities(CHaRM)		93.839	217,583	-
Inhibition of HIV-1 in Sickle Cell Disease		93.839	321,194	-
<i>Subtotal for the National Heart, Lung, and Blood Institute</i>			638,884	-
<i>National Institute of Neurological Diseases and Stroke</i>				
Investigating the Neural Correlates of Fatigue in Myalgic Encephalomyelitis / Chronic Fatigue Syndrome (ME/CFS)		93.853	50,016	-
<i>Sub total for National Institute of Neurological Diseases and Stroke</i>			50,016	-
<i>Allergy and Infectious Diseases Research</i>				
In Vitro and in Vivo Studies of Cytomegalovirus MIE Gene Regulation		93.855	180,828	-
<i>Sub total for Allergy and Infectious Diseases Research</i>			180,828	-
<i>Biomedical Research and Research Training</i>				
Stealth Brusatol and Docetaxel-loaded Nanoparticles for Targeted Prostate Cancer Therapy		93.859	127,843	-
Molecular Analysis of RECQ1 Functions in Genome Maintenance		93.859	42,184	-
Alleviate Type 1 Diabetes		93.859	362,451	-
<i>Subtotal for the Biomedical Research and Research Training</i>			532,478	-
<i>National Institute of Aging</i>				

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Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
Advancing Aging Research Through Development of Minority Gerontologists		93.866	210,621	-
Genes, Exercise, Neurocognitive and Neurodegeneration: Community-Based Approach		93.866	393,677	2,478
Urinary Incontinence, Mobility, Muscle Function in Older Women		93.866	77,031	23,405
Mechanisms of APOE-Induced Preclinical Alzheimer's Pathophysiology in Human Olfactory System		93.866	138,618	-
<i>Subtotal for the National Institute of Aging</i>			819,947	25,883
<i>Eunice Kennedy Shriver national Institute of Child Health & Human Development</i>				
Defining the Novel Role for the RNA Binding Protein ETR-1 in C Elegans Gametogenesis		93.865	63,820	-
Placental Mitochondria and Pregnancy related Disorders		93.865	61,903	-
<i>Subtotal for the Eunice Kennedy Shriver national Institute of Child Health & Human Development</i>			125,723	-
Subtotal for National Institutes of Health			6,123,784	173,032
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			7,803,041	415,056
DEPARTMENT OF HOMELAND SECURITY				
2016 DHS Scientific Leadership Awards for Minority Serving Institutions (MSI)		97.062	178,959	8,000
SUBTOTAL FOR THE DEPARTMENT OF HOMELAND SECURITY			178,959	8,000
<i>Subtotal for the Direct Research and Development Awards</i>			17,271,928	1,444,514
<i>Pass-Through Research and Development Awards</i>				
DEPARTMENT OF AGRICULTURE				
Get Fruved: A Peer-Led, Train-In-The-Trainer Social Marketing Intervention to Increase Fruit and Vegetable Intake and Prevent Childhood Obesity (The University of Tennessee Knoxville)	2014-67001-2185	10.RD	1,401	-
SUBTOTAL FOR THE DEPARTMENT OF AGRICULTURE			1,401	-
DEPARTMENT OF DEFENSE				
Data Provenance Assurance in Cloud using Black Chain (Old Dominion University Research Foundation)	19-115-100728-010	12.910	45,910	-
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			45,910	-
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	78,940	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	77,407	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	4,500	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	55,053	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	32,658	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	33,626	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	23,943	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	114,910	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	91,128	-
			512,165	-

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National space Grant College and Fellowship Program (SPACE Grant) Training Grant 2015-2018 (American University)	31377-HU-16	43.008	54,362	-
The Habitats Optimized for Missions of Exploration (HOME) Space Technology Research Institute for Deep Space Habitat Design (University of California)	A19-2477-S004	43.012	46,464	-
Science				
Developing an electrochemistry-Based Geochemical Framework for Organic Systems (California Institute of Technology)	RSA No. 1640393	43.001	17,523	-
A Novel Approach to Coronagraph Design for ExoEarth Observations - (California Institute of Technology)	RSA No. 1645847	43.001	7,133	-
Enhancing Undergraduate Research Opportunities (EURO) - (California Institute of Technology)	1625282	43.001	8,850	-
Subtotal for the Science			33,506	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			646,497	-
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
EIR: Doping Cubic Boron Nitride, and Extreme Material for Power Electronics and Radiation (Morgan State University)	HU-183-01	47.041	105,921	-
Engineering Research Center for Power Optimization for Electro-Thermal Systems (POETS) (University of Illinois)	073708-16490 (REU)	47.041	9,610	-
SRN: Urban Water Innovation Network (U-WIN): Transitioning Toward Sustainable Water Systems (Colorado State University)	G-00973-17	47.041	66,412	-
Subtotal for the Engineering Grants			181,943	-
Mathematical and Physical Sciences				
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	319,726	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	17,389	-
Subtotal for the Mathematical and Physical Sciences			337,115	-
Geosciences				
HBCU- Excellence In Research: Radiative Effects of Biomass Burning Aerosols Laboratory and Field Measurements and Modeling of Climate and Health Impacts (North Carolina Agricultural and Technical State University)	260328B	47.050	24,930	-
Subtotal for the Geosciences			24,930	-
Computer and Information Science and Engineering				
Emerging Frontiers of the Science of Information (Purdue University)	0939370-CCF	47.070	111,644	-
Subtotal for the Computer and Information Science and Engineering			111,644	-
Biological Sciences				
Center for the Environmental Implications of Nanotechnology (Duke University)	14-NSF-1050	47.074	32,217	-
Subtotal for the Biological Sciences			32,217	-

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Social, Behavioral, and Economic Sciences				
Understanding PhD Career Pathways for Program Improvement - (Council of Graduate Schools)	CSG1661272	47.075	50,127	-
Subtotal for the Social, Behavioral, and Economic Sciences			50,127	-
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	10,163	-
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	154,373	-
Subtotal for the Office of International Science and Engineering			164,536	-
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			902,512	-
DEPARTMENT OF ENERGY				
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	19067-S1	81.000	82,281	-
Partnership for Proactive Cybersecurity Training (PACT) (University of Arizona)	537447	81.123	53,600	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			135,881	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
In Situ Structures of Three Components Essential to Human Cytomegalovirus Pathogenesis: Genome-Packaging Machinery, Capsid-Associated Tegument and Prefusion Glycoprotein Complexes (University of California)	2301 G WF737	93.121	32,799	-
Poverty Research Center (University of Wisconsin)	860K543	93.239	33,492	-
Poverty Research Center (University of Wisconsin)	860K543	93.239	31,133	-
			64,625	-
Sickle Cell Treatment Demonstration Program (John Hopkins University)	056282296	93.365	7,236	-
Sickle Cell Treatment Demonstration Program (John Hopkins University)	2004057508	93.365	12,183	-
			19,419	-
DISPLACE: Dissemination and Implementation of Stroke Prevention Looking at the Care Environment (University of Alabama)	000524452*SC018	93.839	22,450	-
National Institutes of Health				
Alzheimer's Disease Neuroimaging Initiative 3 (ADNI3) (University of Northern California)	79685223	93.051	7,393	-
Biomarker and Safety Study of Clozapine in Benign Ethnic Neutropenia (University of Maryland, Baltimore)	1R01MH102215-01A1	93.242	11,739	-
Axonoprotection in pediatric cardiac arrest (Children's Research Institute)	30005478-01	93.853	70,954	-
			90,086	-

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Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<i>National Center for Advancing Translational Sciences</i>				
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413746_GR413560-HU-ADM	93.350	238,804	23,266
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413747_GR413561-HU-TSB	93.350	153,849	-
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413748_GR413562-HU-REM	93.350	119,745	-
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413749_GR413563-HU-RIP	93.350	378,865	3,429
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413750_GR413564-HU-NRO	93.350	61,116	-
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413736_GR413566-HU-KL2	93.350	33,681	-
Georgetown-Howard Universities Center for Clinical and Translational Science (GHUCCTS) (Georgetown University)	413863_GR413565-HU-TL	93.350	52,550	-
<i>Subtotal for the National Center for Advancing Translational Sciences</i>			1,038,610	26,695
<i>Allergy and Infectious Diseases Research</i>				
The Roll of the Foxo Pathway in the Control of Culex pipiens Disease (Baylor University)	32030239-01	93.855	17,301	-
District of Columbia Center for AIDS Research (DC CFAR) (The George Washington University)	19-M40R	93.855	47,087	-
District of Columbia Center for AIDS Research (DC CFAR) (The George Washington University)	19-M41R	93.855	37,782	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	19-N94R	93.855	12,228	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	19-N93R	93.855	12,873	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	18-M07R	93.855	24,230	-
Believe: Bench to Bed Enhanced Lymphocyte Infusion to Engineer Viral Eradication (Cornell University)	193572-07	93.855	23,169	-
Terry Beirn CPCRA Clinical Trials Unit (The George Washington University)	19-M13R	93.855	64,153	-
<i>Subtotal for the Allergy and Infectious Diseases Research</i>			238,823	-
<i>Drug Abuse and Addiction Research Programs</i>				
Development and Evaluation of Computerized Chemosensory-Based Orbitofrontal Cortex Training (CBOT) for relapse prevention in patients with Opioid Use (OUD) - (Evon Medics, LLC)	HUCM03002	93.279	42,632	-
Implementation of Seek, Test, Treat & Retain Strategies among People who Inject Drugs in Malaysia (Yale University)	GR104676 (CON-80001487)	93.279	20,224	-
Clinical Trials Network: Mid-Atlantic Integrated Care Research Collaborative (Johns Hopkins University)	2004167725	93.279	606,639	118,827
<i>Subtotal for the Drug Abuse and Addiction Research Programs</i>			669,495	118,827
<i>Minority Health and Health Disparities Research</i>				
Evaluation of a Cultural Dexterity Training Program for Surgeons: The PACTS Trial (Brigham and Women's Hospital, Inc.)	119569	93.307	15,051	-
<i>Subtotal for the Minority Health and Health Disparities Research</i>			15,051	-

The Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<i>National Cancer Institute</i>				
Analysis of Racial Disparities in HCC by Systems Metabolomics (Georgetown University)	U01CA185188-01A1	93.396	17,392	-
Analysis of Racial Disparities in HCC by Systems Metabolomics (Georgetown University)	411181_GR411051-HU	93.396	10,892	-
Metabolomic Characterization of Conditionally Reprogramed Cells Derived from Racially Diverse Hepatocellular Carcinoma Patients (Georgetown University)	412581_GR412538-HU	93.396	13,690	-
<i>Subtotal for the National Cancer Institute</i>			41,974	-
<i>Substance Abuse and Mental Health Services Administration</i>				
FY18 Opioid Treatment expansion Initiative - (DC Department of Health)	20D801	93.788	42,248	-
FY18 Opioid Treatment expansion Initiative - (DC Department of Health)	20D801	93.788	175,762	-
<i>Subtotal for the Substance Abuse and Mental Health Services Administration</i>			218,010	-
<i>Aging Research</i>				
District of Columbia Intellectual and Development Disabilities Research Center (Children's Research Institute)	30003624-01	93.865	59,596	-
Development and Evaluation of Computerized Olfactory Training Program (COT) for Cognitive Decline in Preclinical and Early Alzheimer's Disease (AD) - (Evon Medics, LLC)	HUCM3001	93.866	3,860	-
Development and Evaluation of Computerized Olfactory Training Program (COT) for Cognitive Decline in Preclinical and Early Alzheimer's Disease (AD) - (Evon Medics, LLC)	HUCM3001	93.866	10,023	-
Longitudinal Evaluation of Amyloid Risk and Neurodegeneration- the LEARN Study (University of Southern California)	HUCM3001	93.866	15,831	-
Alzheimer's Clinical Trials Consortium (ACTC) (University of Southern California)	105765308	93.866	68,466	-
<i>Subtotal for the Aging Research</i>			98,180	-
			157,776	-
Cell Therapy for Neuroprotection in Congenital Heart Disease (Children's Research Institute)	30004431	93.837	33,555	-
Spironolactone Initiation Registry Randomized Interventional Trial in Heart Failure with Preserved Ejection Fraction, SPIRRIT -HFpEf "Study" (Duke University)	2037894	93.837	721	-
			34,276	-
<i>Subtotal for the National Institutes of Health</i>			2,504,101	145,522
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,643,394	145,522
SOCIAL SECURITY ADMINISTRATION				
Center for Financial Security Retirement and Disability Research Consortium - (University of Wisconsin)	851K351	96.007	40,981	-
Center for Financial Security Retirement and Disability Research Consortium-Year 2 (University of Wisconsin)	0000000455	96.007	11,214	-
SUB TOTAL FOR SOCIAL SECURITY ADMINISTRATION			52,195	-
<i>Subtotal for the Pass-Through Research and Development Awards</i>			4,427,790	145,522
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			21,699,718	1,590,036

The Howard University
Schedule of Expenditure of Federal Awards
For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u>				
DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction				
Traffic Data Center at Howard University (DC - Department of Transportation)	PO595256	20.205	272,326	-
Fiscal Year 2019 Summer Internship Program with Howard University (DC - Department of Transportation)	PO605342	20.205	89,646	-
Vision Sero Risk Analysis Model (DC - Department of Transportation)	PO602233	20.205	162,750	150,000
Transportation Research Administration Support FY2020 (DC - Department of Transportation)	PO621761	20.205	55,988	-
Research Internships for FY2020 (DC - Department of Transportation)	PO621760	20.205	29,535	-
Howard University Administration Support	PO610730	20.205	48,016	-
Learning and Development Intern thru December 2019	PO614863	20.205	4,336	-
Experimental Study for Non-standard Pedestrian Cording Sing in DC (DC - Department of Transportation)	PO 576052	20.205	19,200	-
Subtotal for the Highway Planning and Construction			681,797	150,000
Motor Carrier Safety Assistance				
MCSAP- Grant Development and Management Services Contractor (DC- Police Department)	RK141657	20.218	149,583	-
Subtotal for the Motor Carrier Safety Assistance			149,583	-
State and Community Highway Safety				
2019 District of Columbia Annual Seatbelt Usage Survey (DC - Department of Transportation)	DCKA-2018-T-0055	20.600	78,606	-
Subtotal for the State and Community Highway Safety			78,606	-
TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			909,986	150,000
<u>AIDS EDUCATION AWARDS</u>				
<i>Direct AIDS Education Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Howard University Minority AIDS Network Effort (HUMMANE) Project		93.243	251,723	-
Howard University Minority AIDS Network Effort (HUMMANE) Project		93.243	207,483	40,000
			459,206	40,000
AIDS Education Training Centers Program		93.145	209,428	-
AIDS Education Training Centers Program		93.145	269,348	-
			478,776	-
Subtotal for the Direct AIDS Education Awards			937,982	40,000

The Howard University
Schedule of Expenditure of Federal Awards
For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
<i>Pass-Through AIDS Education Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
AIDS Education and Training Centers (University of Pittsburgh)	CNVA00050178(132978-2)	93.145	92,072	-
AIDS Education and Training Centers (University of Pittsburgh)	CNVA00050178(132978-2)	93.145	11,602	-
AIDS Education and Training Centers (University of Pittsburgh)	CNVA00050178(132978-2)	93.145	144,832	-
<i>Subtotal for the Pass-Through AIDS Education Awards</i>			248,506	-
TOTAL FOR THE AIDS EDUCATION AWARDS			1,186,488	40,000
<u>HIV AND RYAN WHITE AWARDS</u>				
<i>Direct HIV and Ryan White Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Resources and Services Administration				
Ryan White Part C Out Patient EIS Program		93.918	39,027	-
Ryan White Part C Out Patient EIS Program		93.918	264,996	-
COVID-19 - Ryan White HIV/AIDS Program Part C EIS COVID-19 Response		93.918	13,610	-
Subtotal for the Health Resources and Services Administration			317,633	-
<i>Subtotal for the Direct HIV and Ryan White Awards</i>			317,633	-
<i>Pass-Through HIV and Ryan White Awards</i>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
HARC Center: HIV Accessory and Regulatory Complexes (University of California)	11591sc	93.859	18,963	-
Leading Emerging and Diverse Scientist to Success (LEADS) (University of Pittsburgh)	CNVA00047882(126884-8)	93.859	10,663	-
			29,626	-
Improving STI Screening and Treatment Among People Living with or at Risk for HIV (Rutgers University)	1236	93.928	89,853	-
Improving STI Screening and Treatment Among People Living with or at Risk for HIV (Rutgers University)	1237	93.928	92,264	-
Improving STI Screening and Treatment Among People Living with or at Risk for HIV (Rutgers University)	0713	93.928	37,148	-
Improving STI Screening and Treatment Among People Living with or at Risk for HIV (Rutgers University)	0714	93.928	10,036	-
			229,301	-

The Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
Health Resources and Services Administration				
<i>HIV Emergency Relief Project Grants</i>				
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	20D016	93.914	68,222	-
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	19C016	93.914	184,378	-
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	16Z016A	93.914	85,802	-
<i>Subtotal for the Emergency Relief Project Grants</i>			338,402	-
<i>HIV Care Formula Grants</i>				
Ryan White Non-Medical Case Management Program Support Service (DC - Department of Health)	CW56350-D0C323866	93.917	150,210	-
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	19C404	93.917	312,225	-
<i>Subtotal for the HIV Care Formula Grants</i>			462,435	-
Subtotal for the Health Resources and Services Administration			800,837	-
<i>Subtotal for the Pass-Through HIV & Ryan White Awards</i>			1,059,764	-
TOTAL FOR THE HIV AND RYAN WHITE AWARDS			1,377,397	-
<u>OTHER FEDERAL AWARDS</u>				
DEPARTMENT OF JUSTICE				
Do DOJ Intervention and Citizen Oversight Improve Police Accountability		16.566	401	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			401	-
U.S. DEPARTMENT OF STATE				
<i>Academic Exchange Programs</i>				
2019 Thomas R. Pickering Foreign Affairs Fellowship Graduate Program		19.013	1,181,277	-
2020 Thomas R. Pickering Foreign Affairs Fellowship Graduate Program		19.013	197,406	-
<i>Subtotal for the Academic Exchange Programs</i>			1,378,683	-
<i>Charles B. Rangel International Affairs Program</i>				
2018 Charles B. Rangel International Affairs Program		19.020	820,300	-
Charles B. Rangel International Affairs Graduate Fellowship Program		19.020	417,437	-
2019 Charles B. Rangel International Affairs Graduate Fellowship		19.020	1,424,046	-
The 2017 Charles B. Rangel International Affairs Program		19.020	132,588	-
<i>Subtotal for the Charles B. Rangel International Affairs Program</i>			2,794,371	-
SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE			4,173,054	-
DEPARTMENT OF TRANSPORTATION				
Mineta Consortium for Transportation Mobility (MCTM)	21-1100-5726-HU	20.701	186,457	-
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			186,457	-

The Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
NASA Early Opportunities Program for Underrepresented Minorities in Earth and Space Sciences		43.001	53,754	7,006
Developing and Electrochemistry - Based Geochemical Framework for Organic Systems (California Institute of Technology)	RSN No. 1615603	43.001	4,367	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			58,121	7,006
SMALL BUSINESS ADMINISTRATION				
Small Business Development Centers		59.037	228,981	40,573
Small Business Development Centers (District of Columbia)	SBAHQ-19-B-0035	59.037	373,859	83,478
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			602,840	124,051
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)				
Wetland and Peroxide Treated Harmful Algal Blooms		66.513P3	12,718	-
SUBTOTAL FOR THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY (EPA)			12,718	-
DEPARTMENT OF ENERGY				
Project Starfish: Dynamic Testing of ABS FDM parts		81.117	120,262	-
Additive Manufacturing Post Processing Partnership (AMP3) (University of the District of Columbia)	UDC249876	81.123	36,000	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			156,262	-
DEPARTMENT OF EDUCATION				
National Resource Centers Program and Foreign Language and Area Studies Fellowships program (University of California)	00010149	84.015	10,000	-
Institutional Research Engagement Program at Howard University (IREPHU)		84.120A	34,869	-
Precollege Program and Access to Careers in Engineering		84.120A	54,811	-
Industry-Research Inclusion in STEM Education (I-RISE)		84.120A	176,921	-
			266,601	-
Content, Community, and Collaboration: Advancing Children's Learning through Personalized Media				
Experiences - Corporation for Public Broadcasting		84.295A	84,246	-
Howard University Teacher Residency Program		84.336S	43,058	-
COVID-19 Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") for Higher Education Emergency Relief Fund - Student Portion		84.425E	2,670,000	-
COVID-19 Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") for Higher Education Emergency Relief Fund - Institutional Portion		84.425F	3,531,432	-

The Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
Office of Special Education and Rehabilitative Services				
21st Century Community Learning Center (DC State Education Office)	92287C	84.287C	140,833	-
Howard University Pipeline for Leaders and Scholars in Communication Disorders		84.325K	103,290	-
NAEP/ETS - Howard Summer Evaluation Institute (Educational Testing Services)	ETS348300	84.UNKNOWN	2,620	-
Subtotal for the Office of Special Education and Rehabilitative Services			<u>246,743</u>	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>6,852,080</u>	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health/Disease Prevention (DC Office of Aging)	3F1717-20	93.043	16,442	-
Dental Faculty Loan Repayment		93.059	1,690	-
Centers for Disease Control and Prevention				
Centers of Excellence		93.157	514,520	-
Centers of Excellence		93.157	52,822	-
Centers of Excellence		93.157	17,805	-
			<u>585,147</u>	-
Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatment Under the President's Emergency Plan for AIDS Relief Program (American International Health Alliance)	H-FD-HBC-18-P-PTR-HWRD-00	93.266	156,565	-
Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatment under the President's Emergency Plan for AIDS Relief Program (Jhpiego)	19-SBA-180	93.266	1,190,559	-
			<u>1,347,124</u>	-
Behavioral Health Workforce Education and Training (BHWET) Program		93.732	1,759	-
Behavioral Health Workforce Education and Training (BHWET) Program		93.732	397,333	-
			<u>399,092</u>	-
Health Careers Opportunity Program		93.822	89,242	-
Targeting ACE2 Ubiquitination for hypertension (Louisiana State University)	20-21-329	93.837	27,821	-
NHLBI Data STAGE Coordination Center (University of North Carolina)	5116779	93.837	17,607	-
			<u>45,428</u>	-
Subtotal for Centers for Disease Control and Prevention			<u>2,466,033</u>	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,484,165</u>	-

The Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2020

Federal Grants/Pass-Through Grantor/Program or Cluster Title	Pass-Through Award / Contract Number	CFDA Number	Total	Pass- Through to Subrecipient
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	1,489,145	-
Donald Payne Fellowship Program (Family Health International)	AID-OAA-A-17-00025	98.001	1,273,154	-
USAID Tulonge Afya - Tanzania (Family Health International)	AID-621-A-17-002	98.001	8,094	-
Clinical HIV/ AIDS System Strengthening (CHASS) (Family Health International)	AID-656-A-00-10-00113-00	98.001	200,018	-
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			2,970,411	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Jumpstart DC at Howard University Program (Jumpstart Children First)	410200	94.006	119,690	-
Jumpstart DC at Howard University Program (Jumpstart Children First)	410200	94.006	19,096	-
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			138,786	-
TOTAL FOR THE ALL OTHER FEDERAL AWARDS			17,635,295	131,057
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 688,195,908	\$ 1,911,093

The accompanying notes are an integral part of this schedule.

The Howard University

Notes to Schedule of Expenditures of Federal Awards

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, 2020. 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. Catalog of Federal Domestic Assistance (“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, 2020.

Due to the certain restrictions resulting from the COVID-19 pandemic and shutdown of the University’s campus, the University elected to delay the submission of its data collection form and complete submission no later than September 30, 2021 as required.

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.

The Howard University

Notes to Schedule of Expenditures of Federal Awards

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, 2020 were based on individual grantor rates.

The University operates under predetermined F&A cost rates. Base rates for the other F&A cost recoveries ranged from 8% to 55% for the year ended June 30, 2020.

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, 2020 were zero. Additional information regarding these programs as of June 30, 2020 is summarized below:

Campus-Based Loan Programs	CFDA #	Outstanding June 30, 2020
Federal Perkins Loans	84.038	\$2,029,810
Health Professional and Disadvantaged Students	93.342	2,645,670
Nursing Student Loans	93.364	121,999
Total Campus-Based Loan Programs		\$4,797,479

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 \$178,239,890. 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, 2020.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

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 programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X yes no

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
19.013	Thomas R. Pickering Foreign Affairs Fellowship Graduate Program
84.425E and 84.425F	COVID-19 - Higher Education Emergency Relief Fund
84.915A	Annual Appropriation
84.915A	COVID-19 - Coronavirus Aid, Relief, and Economic Security for Historically Black Colleges and Universities Federal Appropriations
93.266	Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatment Under the President's Emergency Plan for AIDS Relief Program

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

\$3,000,000

Auditee qualified as low-risk auditee?

_____ yes X no

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Section II - Financial Statement Findings Section

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

FINDING 2020-001

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 deficiencies related to the University's patient receivable process.

Condition:

During the fiscal year 2019 audit, we noted that the Howard University Hospital management had not implemented key ratio analysis over patient receivable valuation and revenue metrics on a monthly basis, as well as a process to assess impact of operational changes on the patient receivable valuation process (e.g. contract changes; billing, collection and/or write-off policy changes; etc.). These same weaknesses in internal controls and processes from fiscal year 2019 continued to remain in place for fiscal year 2020.

In February 2020, Adventist Healthcare, Inc. commenced their role in accounting and operations management under the Management Service Agreement executed with Howard University. Shortly thereafter, they began to assess the patient revenue cycle, including the process and controls around the estimate of allowance for doubtful accounts and contractual adjustments. While the management team is still enhancing processes in the patient revenue cycle and the design of their controls to be more precise, a major element of which involves an effort to obtain relevant, timely, and reliable data to use for these processes and controls, the new management team took tangible steps to address the deficiencies we identified in fiscal year 2019 in the latter half of fiscal year 2020 and subsequent to year end. These included re-assessing significant assumptions in their patient accounts receivable valuation model and implementing high level controls to review key ratios and revenue metrics. The management team also used their expertise to ensure changes in policies or operations were effectively considered when determining the final allowances for doubtful account and contractual adjustments as of fiscal year end.

Cause:

The University did not have adequately designed internal controls over the patient receivable process that were operating effectively.

Effect or Potential Effect:

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

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Recommendation:

We recommend that the management continue efforts to improve processes and internal controls around obtaining relevant, timely, and reliable data in the patient revenue cycle, and design more precise controls and analyses related to the valuation of patient accounts receivable.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

In FY2021, Hospital management continues to implement process and internal control improvements. Hospital management has been reviewing contractual allowance methodologies, enhancing processes and looking closely into reimbursement and payor changes to be applied to the valuation of patient accounts receivable. Howard University Hospital has been working closely with Adventist HealthCare as part of the management agreement that was effective in February 2020. Hospital management will produce reporting to include key ratios and revenue metrics monthly beginning with the March 2021 accounting close. Management will finalize implementation of the revised process for evaluating the reserves consistent with industry standards on a quarterly basis no later than June 30, 2021. The partnership with Adventist HealthCare will support the controls of appropriate management that BDO has recommended.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-002

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 related to the University's grant accounting process.

Condition:

As a part of our testing of grant revenue, we noted that revenue was not initially recorded in the current fiscal year for certain Howard University Hospital grants. This resulted in an approximate \$11 million post-closing adjustment to appropriately recognize the revenue in the current year fiscal year ended June 30, 2020. Based on inquiries of management, there was uncertainty with respect to communications from the cognizant agency and the stated instructions surrounding timing of grant expenditures. Additionally, the grant was administered outside of the existing process at the University which likely contributed to the issues around appropriately recording such amounts.

Cause:

The University did not have adequately designed internal controls over grant accounting process that were operating effectively.

Effect or Potential Effect:

The University's grant revenue balance was not properly stated, and thus significant adjustments were required to adjust the consolidated financial statements for the year ended June 30, 2020.

Recommendation:

Consistent with the University's overall process and internal controls for grants, personnel in grant administration should be assigned responsibility for post-award grant administration.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

For FY2021, University Grants Administration will oversee the setup and management of all grants for Howard University in accordance with University policy and Uniform Guidance requirements. Research Administrative Services (RAS) and Grants and Contracts Accounting (GCA) will coordinate with the Hospital CFO to review and approve all new grants, or grants at the time of renewal beyond the original grant period for the Hospital. Hospital Finance will meet with RAS and GCA monthly to review financial and compliance reporting for all active Hospital grants.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-003

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 related to the University's review and approval of significant transactions, agreements and contracts.

Condition:

As noted in prior years, BDO identified multiple instances of contracts and agreements that executed without the knowledge and input of all relevant internal University stakeholders, which includes the Office of Procurement and Contracting (for budgetary, vendor, and Uniform Guidance considerations), the Office of the General Counsel (for legal considerations), and the Office of the Controller (for accounting and reporting considerations), amongst others.

In the current year, these communication and process gaps led to management's discovery of a lease for the WHUR Antenna that was executed in 2017 but that was recorded for the first time in the 2020 financial statements. Another occurrence noted in the current year was a lease at Benning Road that was initially accounted for in 2019, but upon receiving further amendments management discovered that the lease commencement should have been delayed to 2020. These examples underscore the primary issue discussed in the prior year comment, which is the need for a well-integrated procurement process flow for all contracts and agreements that begins with the Office of Procurement and Contracting, and includes the Office of the General Counsel, as well as the Office of the Controller (when necessary prior to contract execution but in all cases subsequent to contract execution).

With respect to the prior year comment, we noted that the Office of the General Counsel instituted a new contract review process prior to execution in order to determine that contract terms and conditions are appropriate. In addition, in our inquiries with the Office of the Controller we noted that personnel were able to obtain copies of material contracts executed during the year ended June 30, 2020. However, it is unclear whether any amendments or changes to contracts are shared internally as necessary and on a timely basis. It is also unclear how the new contracts review process is appropriately integrated with the Office of Procurement's existing process such that contracts are not approved and executed outside of that process, and that budget dollar impacts in the current year (and subsequent years if a long-term contract) are appropriately considered and approved prior to contract execution.

Cause:

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

Effect or Potential Effect:

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

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Recommendation:

We urge the University to continue focusing efforts in this area to further develop and refine this process by making sure all contract bid requirements are met, budget controls are considered, amendments and contract changes are vetted for their impact (both legal and accounting) on the original contract, and that a repository is established so that the correct and current version of all University contracts and agreements are readily accessible.

University leadership should further refine internal controls and the Procurement process flow and enforce compliance with the process across all accountable units. This can be aided by a successful implementation of Scout RFP as a part of the WorkDay implementation, which is scheduled to occur in FY 2021. Management should also consider if developing pre-approved standard contract templates would reduce the review burden on the Office of the General Counsel.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Management will execute the following actions in FY2021 to further strengthen the control environment, increase understanding and awareness of expected process and controls, and enforce accountability and compliance within both the University and Hospital:

- Document the integrated process flow (and expected controls) for procurement, contracting, and accounting of contracts (including changes and amendments) and incorporate them into policy and procedures before June 30, 2021.
- Update the OGC and Finance websites to communicate and reinforce the procurement process and controls.
- Update the procurement Contracting policy by June 30, 2021.
- Deploy OPC's "After the Fact" protocol to communicate instances of improper or lack of following procurement procedures in the purchase of goods and services by March 31, 2021.
- Provide further communication and training on a bi-annual period starting in the 4th quarter for FY2021.

In addition, management is will continue to provide additional enhancements to increase effectiveness and efficiency of process and controls - such as the use of standard contract templates, risk-based contract review process (based on predetermined thresholds), etc.

Management will Implement Workday's Scout Life Cycle Contract Management prior to June 30, 2021 to establish approval workflows, provide visibility and status of the contract, connect internal and external customers, provide approval and expiration alerts, and serve as the contract repository.

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FINDING 2020-004

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 related to the University's process to identify and respond to cybersecurity breaches.

Condition:

Organizations, including institutions of higher education, continue to operate under an elevated risk of cybersecurity incidents and breaches as data is increasingly stored in the "cloud" and users can remotely access systems. Underscoring that heightened risk, in the current year Blackbaud, one of the University's vendor systems, suffered a ransomware breach where hackers were able to access data held in Blackbaud's systems over a three month period before the hackers were detected by Blackbaud's security measures. Upon detection, the hackers demanded a ransom from Blackbaud in order destroy the data they were able to obtain - which Blackbaud paid. The University currently uses four Blackbaud software systems:

1. NetCommunity - Alumni portal and engagement
2. Raiser's Edge - Donor management and contributions tracking
3. ResearchPoint - Donor research tool
4. Blackbaud Merchant Services - Payment processing

Based on the timing of when the breach occurred, the University was not yet utilizing NetCommunity. Of the remaining software systems, Blackbaud has asserted that the University's data maintained in Raiser's Edge and Blackbaud Merchant Services were not accessed nor otherwise impacted. However, the University's data in ResearchPoint was a part of the data breach.

Blackbaud notified Development staff at the University of the breach as well as the estimated impact to University data in July 2020. Blackbaud sent a second communication to Development staff in September 2020 advising Howard that information related to the breach was being shared with the Attorney Generals of several states. The Blackbaud notifications were sent to Development as the application owners of the Blackbaud systems in use.

Upon receipt of the second September 2020 Blackbaud communication, Development staff forwarded the email to Enterprise Technology Staff the same day.

In November 2020, BDO began performing inquiries with relevant personnel regarding the breach. Upon inquiring with the Office of General Counsel and with the Chief Operating Officer, it became clear that a communication gap had occurred with respect to timely notifying the appropriate parties within the University. In this instance, the result was a delay in the necessary legal evaluation under the various state statutes of the University's burden in notifying impacted donors of the breach.

Once aware of the breach and the University data impacted, the Office of the General Counsel worked with outside counsel to determine the extent of required notifications to donors. In addition, Enterprise Technology Services under the direction of the Chief Operating Officer, took

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

steps to investigate the integrity of the data, performed interviews with Blackbaud technical personnel, requested the most recent Service Organization Controls Type II report on the internal controls environment at Blackbaud (which should be issued in the near future), and requested further data encryption with respect to certain data fields.

While BDO agrees that the above steps are appropriate, the University's existing communications process for these types of cybersecurity breaches was not immediately followed after Development staff notified Enterprise Technology Systems staff in September 2020. Because the nature of this type of data breach intersects with state laws, the University risked being fined for failure to provide timely notification to impacted stakeholders.

Cause:

The University did not have adequately designed internal controls over process to identify and respond to cybersecurity breaches that were operating effectively.

Effect or Potential Effect:

Delays in the necessary response and legal evaluation of a cybersecurity breach resulted in untimely notification to potentially impacted donors, alumni, other third parties.

Recommendation:

The University has recently hired a new Information Security Officer and is currently in the process of updating and revising its cybersecurity monitoring and response policies and procedures. BDO recommends reviewing and updating as necessary the portions of the process and internal controls that addresses the procedures for notifying other stakeholders in response to cybersecurity breaches.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

ETS will hold an initial communication (e.g. ETS hosted call with Cabinet, Dean, and other managers to share incident, and appropriate (general) steps for reporting) by April 1, 2021. The University will implement an incident response capability that considers leading practices by May 1, 2021.

A sensitive data handling policy will be developed to include required actions when a security incident is suspected - including critical timeframes and legal requirements by May 1, 2021. A formal incident response team will be formed, with charter and responsibilities assigned by June 1, 2021. The incident response stakeholders and team members will be trained on the policy and appropriate procedures, including an approved workflow for handling incidents by June 1, 2021.

Security awareness training, including how to recognize and report suspected security issues will be required for the university community at large by June 1, 2021.

As the University continues to mature its incident response, planned activities will include running a tabletop cybersecurity mock incident to exercise the process annually starting in the 4th quarter FY2021.

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FINDING 2020-005

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 related to the University's fixed assets process.

Condition:

Consistent with prior year, we still noted the existence of deficiencies related to the complexity and manual nature of the fixed asset reconciliation that resulted in an audit adjustment. Additionally, the monthly reconciliation and depreciation true up process was not performed consistently throughout the year in a manner that separately accounted for assets tracked manually outside the Asset Management ("AM") system. Rather, for some months, depreciation for these separately tracked assets appears to have been calculated based on the data elements in the AM system, even though the assets had not been adjusted in the system to properly depreciate.

Cause:

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

Effect or Potential 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, 2020.

Recommendation:

Consistent with our fiscal year 2019 recommendation, the main source of complexity in the reconciliation is due to various assets being tracked and reconciled based on manual spreadsheets outside of the AM system. Fixed assets are in the AM system, but have not been updated to all reflect the correct useful life, historical cost, and accumulated depreciation. Correcting the assets in the AM system would help to reduce the manual work needed during the month end close process and would reduce the complexity of the reconciliation.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Hospital management has already begun the implementation of a revised fixed asset management process to include quarterly asset and accumulated depreciation reconciliations per the AM/Lawson System and to the trial balance by asset class. By June 30, 2021, reconciliations to the general ledger will occur on a monthly basis.

Assets that were audited as part of the FY 2020 audit that are currently being tracked manually will be added to the Lawson system by June 30, 2021. An additional accountant has been added to the Hospital accounting team to assist with the execution of the revised process.

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Additionally, Hospital management has already implemented a consistent review of asset useful lives based on the assigned asset classes at least quarterly throughout the fiscal year. Hospital management will account for fixed asset items in accordance with Howard University guidelines. Useful life corrections in the AM system have begun in FY21 and efforts will be completed before June 30, 2021.

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FINDING 2020-006

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 related to the University's procurement process.

Condition:

As a part of our assessment of internal controls and walkthrough procedures, the engagement team noted multiple instances where the existing procurement process of the Office of Procurement and Contracting ("OPC") was circumvented in the development and execution of material contracts at the Hospital. While negotiation of material agreements can be delegated to parties outside of the Office of Procurement and Contracting, there are important controls that are built into the overall procurement process that should always be scoped in and included both pre and post contract execution:

1. Accumulation of documentation to substantiate that all key controls operated as designed (audit evidence)
2. Monitoring for conflicts with collective bargaining agreements
3. Accumulation of underlying documentation for payment (and audit evidence)
4. Monitoring of payments against approved purchase orders to ensure that vendors are paid timely and accurately

As a result, in the current year there were union grievances filed with the National Labor Relations Board that could lead to unnecessary fines, sanctions, or other consequences. In addition, we noted some instances where payments were late or were made without approved purchase orders or other documentation, as the final version of contracts were not provided timely to the OPC.

Cause:

The University did not have adequately designed internal controls over the accounts payable and procurement functions that were operating effectively during the fiscal year.

Effect or Potential Effect:

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

Recommendation:

While it is typical at comparable institutions for certain contract negotiations and agreements to be led by individuals outside of the normal procurement process (and the process should allow for that flexibility), the finalization of such contracts and agreements ordinarily still occur within the procurement process in order to avoid circumvention of key controls. Management should support and enforce compliance with the documented and approved process as the controls are designed to ultimately protect the University.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Hospital Management will implement the following:

1. Provide mandatory annual training for all HUH requesters and approvers regarding the Procurement & Contracting process before June 30, 2021.
2. Establish quarterly communication from the Chief Procurement Office through HUH's CEO and CFO regarding compliance with the Procurement & Contracting process starting with the 3rd quarter of 2021.
3. Coordinate and confirm through Human Resources that all requesters and approvers receive the required annual Consent Order training before June 30, 2021.
4. Collaborate with Accounts Payable monthly to ensure the following occurs:
 - a. Monthly reconciliation of actual Vendor creation against OPC vendor setup requests
 - b. All goods and services will be procured through a Purchase Order and/or a contract
5. Creation of an updated contracting policy by June 30, 2021.
6. Staff will be required to follow the above policies and procedures and will lose their privileges to conduct transactions if the policies are violated. Continued violation will result in additional discipline that may include suspension and termination.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Section III - Federal Awards Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses 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 2020-007

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.

According to the Federal Student Aid Handbook, schools are required to certify enrollment for all students who are included on their roster file scheduled at least every two months, and within 15 days of the date that NSLDS sends a roster file to the school or its third-party servicer. Any errors identified and returned by NSLDS in an Error/Acknowledgement file should be corrected and resubmitted within 10 days.

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. Additionally, the University's fiscal year SCHER1 report, included multiple instances in which error records were not corrected within the required timeframe.

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.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Questioned Costs:

None.

Context:

- For 27 of 40 students sampled whose status changed during the fiscal year, the University failed to submit a timely notification to the NSLDS website.
- For 4 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.
- For 7 of 12 months in the fiscal year, error records identified in Error/Acknowledgment files were not corrected within the required timeframe.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2019-008 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University properly follow its policies and procedures and enhance its internal controls 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 and error records are corrected and submitted timely.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The Executive Director of Admission and University Registrar supervises the process for the Enrollment Report provided to the third-party servicer, National Student Clearinghouse (NSC). NSC submits the report to NSLDS. Subsequent error reports are generated by NSC and shared with the University Registrar who has a team of staff members who review the reports and ensures that corrections are resubmitted within the required timeframe.

The Office of Financial Aid provided the Office of the Registrar personnel with access to National Student Loan Data System (NSLDS) so that they can review, compare, and resolve data, working with the Office of Financial Aid as necessary. This direct access was not made available prior to this. Additionally, the Office of the Registrar (and other pertinent personnel) now have access to training regarding NSLDS reporting via the National Association of Student Financial Aid Administrators (NASFAA) and other financial aid groups (regional and local).

The appropriate policies and procedures will be updated regarding process of enrollment reporting.

The Office will conduct a review of progress twice monthly (or as warranted) to ensure that the processes are working and to identify areas where practices may be strengthened.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-008

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:

Insufficient internal controls and administrative oversight with respect to student aid award notifications

Effect or Potential Effect:

The University is not in compliance with award notification requirements.

Questioned Costs:

None.

Context:

- For 2 of 40 students selected for testing who received Federal Direct PLUS Loan funds, the University did not properly notify the parent borrower as required.
- For 16 of 40 students selected for testing, the University was unable to provide documentation confirming that an award notification was sent and thus, we were unable to determine whether notifications were made within the required timeframe.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2019-011 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend the University enhance its internal controls over award notifications to ensure that such notifications are sent to students and/ or parents within the required timeframe.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, loan disbursement notifications are the responsibility of the Office of the Bursar. To ensure quality control, the following areas of focus have been addressed:

- Daily disbursement of notifications (Students)
- Daily disbursement of notifications (Parents)

Disbursement notifications are currently sent via the “Bursar Help” email account to students and parents. A daily report is generated by the Enrollment Systems team that extracts the parent’s name and email address, student’s ID and name, and the parent PLUS loan disbursement amount. These are emailed to the Bursar’s staff. The data from this report is then merged into emails which are sent through Microsoft Outlook to students/parents. The email notifications are stored one on the Office of the Bursar’s MS OneDrive (for record-keeping).

It is important to note that the Office of the Bursar was not able to demonstrate proof of the disbursement notifications because the person who was responsible for them passed away and the office lost access to where he stored them. Subsequently, the responsibility was given to an employee who resigned without significant notice making it difficult to trace the notifications that had been completed by the long-serving employee.

In the future Banner will be used to generate loan disbursement notifications.

Policies, procedures, controls, and standard operating procedures will be updated accordingly.

The Office will conduct a review of progress at least twice monthly (or as warranted) to ensure that the processes are working and to identify areas where practices may be strengthened.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-009

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 institution must provide within 30 days of the date of the institution's determination that the student withdrew, a written notification to the student, or parent in the case of parent PLUS loan, that requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account and/or that the student/parent can receive as a direct disbursement, identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds (34 CFR 668.22(a)(5)(iii)(A)).

The deadline to submit an origination or disbursement record under the Direct Loan Program is the earlier of (a) 15 calendar days after the institution makes a disbursement or becomes aware of the need to make an adjustment to previously reported disbursement data, except that records of disbursements made between October 1, 2017 and March 25, 2018, may be submitted no later than April 9, 2018; or (b) July 31, 2020 (83 FR 62563).

Condition:

The University did not send written notifications regarding certain students' post-withdrawal disbursements and/or adjust previously reported disbursement data within the required timeframe.

Cause:

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

Effect or Potential Effect:

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

Questioned Costs:

None.

Context:

- For 1 of 25 students selected for refund calculation testing, written notification providing the student the opportunity to accept all or part of a post-withdrawal disbursement of Title IV loan funds was not sent within the required timeframe.
- For 2 of 25 students selected for refund calculation testing, the required refund was not adjusted within the COD system within the required timeframe.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2019-012 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, the Reconciliation Coordinator conducts the initial review of RT24's. Designated senior Office of Financial Aid staff conduct a second review. The Office of Financial Aid developed a reconciliation calendar, which assists with monitoring and performing required tasks.

Additionally, various offices (i.e., Office of Undergraduate Studies, Graduate, Professional Schools, Office of the Registrar and Office of Financial Aid) within the university must develop a plan to ensure that the Title IV regulations regarding the reporting of withdrawals are followed. This requires a University-wide effort. Students do not always follow the required process to formally withdraw from the University, making it difficult for the Admission, Registrar and Financial Aid office to know when they have departed, and in turn, when to conduct an RT24.

Policies, procedures, controls, standard operating procedures and communications to the campus will be updated accordingly.

The Office will conduct a review of progress of at least twice monthly (or as warranted) to ensure that the processes are working and to identify areas where practices may be strengthened.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-010

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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

E. Eligibility - Aggregate Loan Limits for Subsidized and Unsubsidized Loans: Aggregate loan limits for subsidized and unsubsidized loans are: \$31,000 for a dependent undergraduate student (except for dependent students whose parents cannot borrow a PLUS loan) (subsidized loan portion may not exceed \$23,000 of the aggregate limit amount); \$57,500 for an independent student and for a dependent student whose parents cannot borrow a PLUS loan (subsidized loan portion may not exceed \$23,000 of the aggregate limit amount); and \$138,500 for a graduate or professional student (subsidized portion limited to \$65,500). This \$138,500 limit includes loans for undergraduate study.

Condition:

A student was disbursed Federal Direct Loan funds in excess of the aggregate Subsidized and Unsubsidized direct loan limit.

Cause:

Lack of administrative oversight over the packaging of Federal Direct Loans.

Effect or Potential Effect:

The University is not in compliance with packaging direct loan within aggregate loan limits.

Questioned Costs:

Below reporting threshold.

Context:

For 1 of 25 students selected for testing, the student was packaged and disbursed Federal Direct Loans in excess of the aggregate loan limit.

Identification as a Repeat Finding:

No similar findings identified in the prior year.

Recommendation:

We recommend that the University enhance its procedures to ensure that its Federal Direct Loans are awarded/dispensed in accordance with federal guidelines.

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Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The Office of Financial Aid will review the student(s) in question and provide a response based on the circumstances of challenge(s). This response is given because the Office of Financial Aid is aware that some students at Howard University graduate from their undergraduate course of study and matriculate into a graduate or professional degree at the University. In doing so, errors such as the one described may occur due to timing of student information being updated within the university's Enterprise Resource Planning (ERP) - Banner.

The corrective action will be in concert with the Office of Financial Aid findings and will include policies, procedures, controls, and standard operating procedures updates.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-011

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 2019-2020 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.

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 2019-2020 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 2019-2020 year.

Identification as a Repeat Finding:

No similar findings identified in the prior year.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

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 and Planned Corrective Actions and Conclusion:

University personnel (i.e., Center for Career and Professional Services, Office of Payroll, Office of Grants and Contracts, and Office of Financial Aid) coordinate efforts for reconciliation and review pertinent data that is included on the FISAP. The FISAP is reviewed for errors after the first submission - October 1, with the errors being reviewed and resolved prior to the December 15 deadline.

Additionally, the Office of Financial Aid has backup personnel to assist with the FISAP, providing another level of administrative support (e.g., Deputy Director, Compliance Officer) to ensure that the document is completed.

Controls, policies, and procedures will be updated and developed as necessary to ensure that SOPs are followed.

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FINDING 2020-012

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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 in which Title IV funds drawn were held in excess of the allowable time frame and/or allowable thresholds.

Cause:

Lack of administrative oversight regarding Cash Management compliance requirements.

Effect or Potential Effect:

The University should continue to enhance its policies and procedures in place to ensure that compliance is maintained with respect to the Cash Management. As a result, certain funds were overdrawn or held in excess of the allowable time frame and/or allowable thresholds.

Questioned Costs:

None.

Context:

2 instances of funds drawn and held in excess of the allowable time frame and/or thresholds were identified throughout the University's fiscal year.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Identification as a Repeat Finding:

No similar findings identified in the prior year.

Recommendation:

While improvements have been made, we recommend that the University continue to enhance its internal controls to ensure that an account review occurs no later than the third business date after a federal draw to determine whether amounts were appropriately disbursed in accordance with federal regulations or require a return to the U.S. Department of Education.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The University has controls in place to ensure that this challenge is addressed and corrected. The reconciliation procedure is attached, which holds each partner accountable to a maximum three-day turnaround. The language from the document is provided below:

- Bursar staff member:
 - prepares a Direct Loan Payment Request Form (Fed Wire); and
 - sends to Treasury within 1-2 business days following receipt of request. If a delay is encountered in processing the Fed Wire request, Bursar staff member will notify all pertinent team members via email.
- Treasury staff member:
 - reviews the Federal G5 system to verify the amount on the Fed Wire Form is available; and
 - draws authorized amount and notifies pertinent team members with confirmation data via email. (Should take place within 1-2 business days)
- Bursar staff member:
 - verifies amount of funds transferred to the University's federal account via review of Bank of America (BOA) CashPro System; and
 - prepares Direct Loan "Transfer" Request Form and submits to Treasury to transfer funds from "federal" account to BOA "operating" account. (Should take place within 1-2 business days)
- Treasury staff member executes the transfer via BOA CashPro System and notifies pertinent team members with confirmation data via email.

As a note, the Offices of Financial Aid, Bursar, Contracts and Grants (and other pertinent personnel) have access to training regarding best financial aid practices relating to cash management, via the National Association of Student Financial Aid Administrators (NASFAA) and other financial aid groups (regional and local). Training will be provided via webinars as well as conferences when available. Such training will further strengthen the policies, procedures, and controls regarding cash management.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-013

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 certain 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. Additionally, the University's procurement policy was not appropriately updated to reflect the new Procurements requirements in the Uniform Guidance.

Cause:

Insufficient internal controls and lack of effective administrative oversight over Procurement requirements.

Effect or Potential Effect:

The University was not in compliance with Procurement compliance requirements.

Questioned Costs:

None.

Context:

The University did not have formal policies and procedures in place during the fiscal year to ensure compliance with the Procurement requirements included in the Uniform Guidance, resulting in 2 of 8 procurement transactions selected for testing not having adequate sole source or competitive bidding documentation.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2019-015 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The procurement policy was revised and formally approved on May 1, 2021. The policy requires evidence of open-source or competitive bidding on all procurements greater than \$10,000. In addition, the justification criteria for sole-source bids were strengthened and clarified. Further, Workday provides complete vendor history and information. This will allow Howard to appropriately document procurements related to continuing contracts and agreements which were previously approved by Procurement in compliance with Uniform Guidance criteria.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-014

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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

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

Condition:

While a physical inventory of equipment was performed for the year ended June 30, 2020, the University was unable to provide documentation to support that all federally funded equipment included in their inventory procedures.

Cause:

Insufficient internal controls and administrative oversight in regard to Equipment and Real Property Management requirements.

Effect or Potential Effect:

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

Questioned Costs:

None.

Context:

For 6 of 7 equipment items selected for testing, the equipment was not included in the inventory report provided.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2019-016 in the prior year schedule of findings and questioned costs.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Recommendation:

We recommend that the University enhance its policies, procedures and internal controls over the applicable compliance requirements of the Equipment and Real Property Management to ensure that equipment and real property purchased with federal funds are appropriately maintained and that a physical inventory is performed every 2 years as required.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Beginning in FY2022, all equipment purchased with federal funds will be maintained in the WorkDay property management system by Grants and Contracts. WorkDay will also provide additional functionality to review and monitor all assets, and reconcile to the physical inventory report. Workday property records include fields for the equipment description, relevant identification numbers, source, title information, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and ultimate disposition data. Further, automated processes in WorkDay will replace manual PeopleSoft procedures.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-015

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 internal controls and administrative oversight with respect to Special Tests and Provisions requirements.

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 the compliance requirements associated with published information resulting from federal grant support.

Questioned Costs:

None.

Context:

We noted the following exceptions:

- For 7 of 8 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:

No similar findings identified in the prior year.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

The Vice President for Research will establish procedures to adhere to federal regulations requiring disclaimers for federally funded publications including presentations, papers, posters, flyers, press releases, etc.

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.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

FINDING 2020-016

Federal Program Information:

Higher Education Emergency Relief Fund ("HEERF") Student Aid Portion (CFDA 84.425E) and Institutional Portion (CFDA 84.425F)

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

L. Reporting - Auditors should determine if an institution was both timely and accurate in posting in publicly posting its Quarterly Reporting Form from October 30, 2020, onward and sample these quarterly public reports and reconcile the publicly reported amounts with underlying documentation to ensure accuracy. Auditors should examine the annual report and reconcile that reported amounts with underlying documentation and the public quarterly reporting amounts to ensure accuracy.

Condition:

The University did not prepare or disclose a quarterly report for the 1st quarter due October 30, 2020. Data included within the annual report provided by the University did not reconcile with underlying documentation.

Cause:

Insufficient administrative oversight with respect to HEERF reporting requirements.

Effect or Potential Effect:

The University did not comply with the requirements of HEERF reporting.

Questioned Costs:

None.

Context:

We noted the following exceptions:

- For 1 of 2 quarterly reports selected, the University did not post required data on its website for public disclosure.

Identification as a Repeat Finding:

No similar findings identified in the prior year.

Recommendation:

We recommend that the University properly follow its policies and procedures over the applicable HEERF reporting requirements.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2020

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

As of FY2022, all HEERF Financial Reporting responsibilities were reassigned to the Office of Grants and Contracts. Grants and Contracts maintains all federal award financial information to ensure reporting is timely and complies with federal regulations.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

FINDING 2019-001

Type of Finding:

Financial statement finding.

Condition:

As a part of our normal testing procedures, we performed substantive tests over payroll information in order to substantiate payroll expense throughout the year, as well as the year end payroll accrual. Similarly, we performed testing over the participants of the Howard University Employees' Retirement Fund Plan (Pension) and the Howard University Postretirement Medical/Visual, Dental, and Life Plans ("OPEB") to support the actuarial accruals of the related liabilities and net periodic benefit cost. We also performed testing over the population of worker's compensation claims in support of the actuarially estimated self-insurance liability for worker's compensation.

Over the last few years, we have noted issues as a result of this testing - primarily stemming from document retention. We have also noted a number of changes in the leadership of the Human Resources function over the same time period, while the University searched for a permanent Vice President of Human Resources. The changes in leadership has increased the difficulty of implementing lasting changes to address these issues.

During the year ended June 30, 2019 and as a part of our procedures to gain an understanding of the Human Resources policies and procedures that were in place during the year, we were made aware of several areas in which the current Human Resources leadership made necessary changes in order to address management letter comments issued in prior years. Given the timing of such changes, we anticipate the full impact to be reflected in future years. However, in the current year we saw certain repeat matters due to testing certain underlying data at specific points in time as compared to when management began implementing changes and improvements. As a result, while the scope of issues detected in the current year have decreased, continuing matters with respect to documentation and its receipt did occur, including:

We experienced severe delays in obtaining access to the worker's compensation census data that is housed at the Howard University Hospital (the "Hospital") in order to sample and test that information. As a result, we were unable to complete testing of that area until December 2019 (long after the desired issuance date for the consolidated financial statements).

Similar to prior years, we were unable to obtain supporting documentation for a selection of employees selected for testing, including original employment documentation. This includes employees that were hired during the year ended June 30, 2019, as well as employees selected that were hired in prior years.

We were unable to obtain support for benefit plan changes and elections for the OPEB and Pension census data for a number of selected participants. In addition, we were unable to establish eligibility for some Plan participants due to missing support or lack of access to systems. Note that the census data used to support the actuarial calculation of the liability is the census data as of July 1, 2018, and this is the population that we used for our testing procedures in support of that calculation.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

These issues were noted with both University and Hospital Plan participants, but there was a larger number of Hospital employees for whom support was never provided.

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), inaccurate actuarial estimates for material liabilities on the Statement of Financial Position, and the risk of fraud and/or misappropriation from fictitious employees.

Status of Findings as of June 30, 2020:

No similar findings noted in the current year.

FINDING 2019-002

Type of Finding:

Financial statement finding.

Condition:

In the last several years, there were multiple instances of material transactions and agreements that were not timely communicated to internal stakeholders, including the Office of the Controller. The delays in sharing this information, as well as obtaining additional information necessary to comply with accounting standards (such as real estate valuations), have delayed the financial statement reporting process. Upon our further inquiry, we determined:

1. There were other instances where agreements were executed entirely outside of the Procurement process, bypassing necessary controls to comply with the Uniform Guidance (of particular importance for all research grants and awards);
2. As a part of the overall Procurement process, there was not a tracking control to ensure that all agreements meeting the criteria specified by University policy were submitted to the Office of the General Counsel for review, and that any agreements that were reviewed were executed in a form that included any changes proscribed by the Office of the General Counsel;
3. There was not a control in place where the University had access to, or the ability to share, all executed contracts. Ordinarily this information could be requested from the Office of Procurement, however as noted in the first point above, there were already noted exceptions; and

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

4. There was not a control in place to subsequently monitor and communicate any subsequent actions, amendments, etc. for agreements previously executed that had additional accounting implications.

As a result of the above issues, in prior years we noted an instance where a contractor that did not have contracting authority executed a contract on behalf of the University, several instances where material real estate agreements executed during the fiscal year were not communicated until during audit fieldwork, the most recent being a \$2.4 million operating lease with a related \$12.7 million land contribution that was executed in fiscal 2017, but was not communicated or recorded until the year ended June 30, 2018.

In the current year, we noted that the Office of the General Counsel management instituted a new contracts review process subsequent to the year ended June 30, 2019. As the timing of this remediation took place after the end of the current fiscal year, we were unable to obtain a definitive list of material contracts executed during the year and test that the review occurred for the year under audit. As a result, a portion of this the finding has repeated, but with the effective implementation of the new contracts review process described, this portion of the finding should not repeat for the fiscal year ended June 30, 2020.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-006.

FINDING 2019-003

Type of Finding:

Financial statement finding.

Condition:

Since fiscal year 2015, we have communicated a material weakness for the Hospital related to the process and controls surrounding the estimate of allowances for doubtful accounts and contractual adjustments. These same weaknesses in internal controls and processes from fiscal year 2018 continued to remain in place throughout a portion of fiscal year 2019 until the Howard University finance team stepped in and began to address controls and processes around the revenue cycle process and valuation model for establishing estimates for the allowance for doubtful accounts and contractual adjustments. This included hiring an outside firm to address revenue cycle issues, improving reconciliations, developing new controls over underlying data used as inputs to the patient accounts receivable valuation model, and engaging a consultant to review both the accuracy of the new model and the significant assumptions incorporated. While these actions resulted in an estimate for reserves on patient accounts receivable that was fairly stated at June 30, 2019, we noted that the Hospital management had not implemented key ratio analysis over patient receivable valuation and revenue metrics on a monthly basis, as well as, a process to assess impact of operational changes on the patient receivable valuation process (e.g. contract changes; billing, collection and/or write-off policy changes; etc). The external consultant provided the appropriate

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

assessment and review over patient receivable valuation to determine valuation was appropriate in relation to operational trends, payor mix, and current contracts.

In addition, the Hospital was required to adopt ASU 2014-09, Revenue from Contracts with Customers, for fiscal year ended June 30, 2019. This ASU changed and replaced existing revenue recognition guidance with the most significant impact from the adoption of this new standard relating to the estimation for the allowance for doubtful accounts and the resulting change in presentation and disclosures. The interim Hospital management had not taken any measures to prepare for the adoption of this new standard. The Howard University finance team took measures in the latter part of the fiscal year to hire an external accounting advisory team to assist in the adoption of this significant new standard at the Hospital level, including assessment, documentation, financial presentation and related disclosures required by the new standard.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-002.

FINDING 2019-004

Type of Finding:

Financial statement finding.

Condition:

During our testing of student accounts receivable, we noted that the Student AR Refund Clearing general ledger account had a significant debit balance. This account should have either:

1. A credit balance, reflecting that there are refunds due to students, or
2. A zero balance, reflecting that all student refunds have been paid at that point in time.

The existence of a debit balance in the account suggests that there were more payments posted in the general ledger than there are student refunds per the Banner system. Management has researched the cause of this issue noting system issues - as well as a lack of a control to ensure that the amount of refunds generated per Banner agrees to the amount of refunds processed by Accounts Payable. Per further inquiry with Student Financial Services, the lack of a control to verify that the information communicated was appropriately recorded has persisted for several years. In the prior year, the account had a debit balance of approximately \$1 million. The debit balance in the account grew to approximately \$2 million in the current year. As a result, the debit balance was corrected by a decrease to Change in Net Assets of approx. \$2 million for the year ended June 30, 2019.

Status of Findings as of June 30, 2020:

No similar findings noted in the current year.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

FINDING 2020-005

Type of Finding:

Financial statement finding.

Condition:

In the current year, the accounts payable (“AP”) function within the University’s overall organizational structure was moved such that the AP function now reports to the Chief Procurement Officer. In order to address any new segregation of duties risks raised by this reorganization, we specifically reviewed IT general controls within the Procurement process.

As a result of our review, segregation of duties conflicts were identified within the Procurement process related to PeopleSoft access and roles. Three employees were identified with system access to submit, approve requisitions and perform vendor maintenance. Two employees were noted with access to submit, review, and approve purchase card transactions, and one with access to distribute purchase cards and submit, review and approve transactions.

This creates an access-based segregation of duties risk within the Procurement cycle which could result in the opportunity to misappropriate assets. BDO performed further substantive procedures and determined that the access was not used inappropriately.

BDO recommends that current access be reviewed and restricted as appropriate, or other mitigating review controls be put in place to monitor transactions.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-006.

FINDING 2019-006

Type of Finding:

Financial statement finding.

Condition:

In the prior year, we communicated a material weakness related to fixed asset accounting. This was mainly due to an ineffective reconciliation process and not periodically assessing the reasonableness of fixed asset useful lives and related depreciation. During the year ended June 30, 2019, the Hospital addressed the lack of assessment of useful lives of fixed assets. They also made improvements to the design of the fixed asset reconciliation. However, this reconciliation process is manual in nature and still resulted in the Hospital not identifying an error within the fixed asset recorded balances.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-005.

FINDING 2019-007

Type of Finding:

Federal award finding.

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.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-009.

FINDING 2019-008

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

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

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.

According to the Federal Student Aid Handbook, schools are required to certify enrollment for all students who are included on their roster file scheduled at least every two months, and within 15 days of the date that NSLDS sends a roster file to the school or its third-party servicer. Any errors identified and returned by NSLDS in an Error/Acknowledgement file should be corrected and resubmitted within 10 days.

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. Additionally, the University's fiscal year SCHER1 report, included multiple instances in which error records were not corrected within the required timeframe.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-007.

FINDING 2019-009

Type of Finding:

Federal award finding.

Federal Program Information:

F Student Financial Assistance Cluster (CFDA#: Various)

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

N 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.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

Status of Findings as of June 30, 2020:

No similar findings noted in the current year.

FINDING 2019-010

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 - Per the Federal Student Aid Handbook, A student's need places a limit on the total FWS earnings permissible but has no bearing on his or her wage rate. It is not acceptable to base the wage rate on need or on any other factor not related to the student's skills or job description. However, in most cases, students performing jobs comparable to those of other employees should be paid comparable wages, whether the other employees are students at different class levels or are regular employees.

Condition:

For certain students identified through our testing, the University paid FWS compensation pay rates that exceeded required limits.

Status of Findings as of June 30, 2020:

No similar findings noted in the current year.

FINDING 2019-011

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

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.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-008.

FINDING 2019-012

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 - Return of Title IV Funds: The institution must provide within 30 days of the date of the institution's determination that the student withdrew, a written notification to the student, or parent in the case of parent PLUS loan, that requests confirmation of any post-withdrawal disbursement of loan funds that the institution wishes to credit to the student's account and/or that the student/parent can receive as a direct disbursement, identifying the type and amount of those loan funds and explaining that a student, or parent in the case of a parent PLUS loan, may accept or decline some or all of those funds (34 CFR 668.22(a)(5)(iii)(A)).

The deadline to submit an origination or disbursement record under the Direct Loan Program is the earlier of (a) 15 calendar days after the institution makes a disbursement or becomes aware of the

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

need to make an adjustment to previously reported disbursement data, except that records of disbursements made between October 1, 2017 and March 25, 2018, may be submitted no later than April 9, 2018; or (b) July 31, 2020 (83 FR 62563).

Condition:

The University did not send written notifications regarding certain students' post-withdrawal disbursements and/or adjust previously reported disbursement data within the required timeframe.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-009.

FINDING 2019-013

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 documentation to support that the seven percent FWS earmarking requirement was met for the year.

Status of Findings as of June 30, 2020:

No similar findings noted in the current year.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

FINDING 2019-014

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, 2020:

No similar findings noted in the current year.

FINDING 2019-015

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

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

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. Additionally, the University's procurement policy was not approximately updated to reflect the new Procurements requirements in the Uniform Guidance.

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-013.

FINDING 2019-016

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):

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

Condition:

The University was unable to provide documentation to support that a physical inventory of federally funded equipment was performed during the year ended June 30, 2019.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2020**

Status of Findings as of June 30, 2020:

This finding was not fully remediated as of June 30, 2020 and is part of Finding 2020-014.

**Management's Corrective Action Plan
Year Ended June 30, 2020**

FINDING 2020-001

Name of Responsible Individual: Joe Perry, Howard University Hospital Chief Financial Officer

Corrective Action: In FY2021, Hospital management continues to implement process and internal control improvements. Hospital management has been reviewing contractual allowance methodologies, enhancing processes and looking closely into reimbursement and payor changes to be applied to the valuation of patient accounts receivable. Howard University Hospital has been working closely with Adventist HealthCare as part of the management agreement that was effective in February 2020. Hospital management will produce reporting to include key ratios and revenue metrics monthly beginning with the March 2021 accounting close. Management will finalize implementation of the revised process for evaluating the reserves consistent with industry standards on a quarterly basis no later than June 30, 2021. The partnership with Adventist HealthCare will support the controls of appropriate management that BDO has recommended.

Anticipated Completion Date: June 30, 2021

FINDING 2020-002

Name of Responsible Individual: Joe Perry, Howard University Hospital Chief Financial Officer & Brenda Willis, Senior Director of Financial Grants and Sponsored Programs

Corrective Action: For FY2021, University Grants Administration will oversee the setup and management of all grants for Howard University in accordance with University policy and Uniform Guidance requirements. Research Administrative Services (RAS) and Grants and Contracts Accounting (GCA) will coordinate with the Hospital CFO to review and approve all new grants, or grants at the time of renewal beyond the original grant period for the Hospital. Hospital Finance will meet with RAS and GCA monthly to review financial and compliance reporting for all active Hospital grants.

Anticipated Completion Date: June 30, 2021

FINDING 2020-003

Name of Responsible Individual: John Gordon, AVP, Controller and Chief Accounting Officer & Joe Perry, Howard University Hospital Chief Financial Officer

Corrective Action: Management will execute the following actions in FY2021 to further strengthen the control environment, increase understanding and awareness of expected process and controls, and enforce accountability and compliance within both the University and Hospital:

- Document the integrated process flow (and expected controls) for procurement, contracting, and accounting of contracts (including changes and amendments) and incorporate them into policy and procedures before June 30, 2021.

**Management's Corrective Action Plan
Year Ended June 30, 2020**

- Update the OGC and Finance websites to communicate and reinforce the procurement process and controls.
- Update the procurement Contracting policy by June 30, 2021.
- Deploy OPC's "After the Fact" protocol to communicate instances of improper or lack of following procurement procedures in the purchase of goods and services by March 31, 2021.
- Provide further communication and training on a bi-annual period starting in the 4th quarter for FY2021.

In addition, management is will continue to provide additional enhancements to increase effectiveness and efficiency of process and controls - such as the use of standard contract templates, risk-based contract review process (based on predetermined thresholds), etc.

Management will Implement Workday's Scout Life Cycle Contract Management prior to June 30, 2021 to establish approval workflows, provide visibility and status of the contract, connect internal and external customers, provide approval and expiration alerts, and serve as the contract repository.

Anticipated Completion Date: June 30, 2021

FINDING 2020-004

Name of Responsible Individual: Olga Laramie, Interim Chief Information Officer

Corrective Action: ETS will hold an initial communication (e.g. ETS hosted call with Cabinet, Dean, and other managers to share incident, and appropriate (general) steps for reporting) by April 1, 2021. The University will implement an incident response capability that considers leading practices by May 1, 2021.

A sensitive data handling policy will be developed to include required actions when a security incident is suspected - including critical timeframes and legal requirements by May 1, 2021. A formal incident response team will be formed, with charter and responsibilities assigned by June 1, 2021. The incident response stakeholders and team members will be trained on the policy and appropriate procedures, including an approved workflow for handling incidents by June 1, 2021.

Security awareness training, including how to recognize and report suspected security issues will be required for the university community at large by June 1, 2021.

As the University continues to mature its incident response, planned activities will include running a tabletop cybersecurity mock incident to exercise the process annually starting in the 4th quarter FY2021.

Anticipated Completion Date: June 30, 2021

**Management's Corrective Action Plan
Year Ended June 30, 2020**

FINDING 2020-005

Name of Responsible Individual: Joe Perry, Howard University Hospital Chief Financial Officer, and Rawle Howard, AVP, Procurement

Corrective Action: Hospital management has already begun the implementation of a revised fixed asset management process to include quarterly asset and accumulated depreciation reconciliations per the AM/Lawson System and to the trial balance by asset class. By June 30, 2021, reconciliations to the general ledger will occur on a monthly basis.

Assets that were audited as part of the FY 2020 audit that are currently being tracked manually will be added to the Lawson system by June 30, 2021. An additional accountant has been added to the Hospital accounting team to assist with the execution of the revised process.

Additionally, Hospital management has already implemented a consistent review of asset useful lives based on the assigned asset classes at least quarterly throughout the fiscal year. Hospital management will account for fixed asset items in accordance with Howard University guidelines. Useful life corrections in the AM system have begun in FY21 and efforts will be completed before June 30, 2021.

Anticipated Completion Date: June 30, 2021

FINDING 2020-006

Name of Responsible Individual: Joe Perry, Howard University Hospital Chief Financial Officer, and Rawle Howard, AVP, Procurement

Corrective Action:

Hospital Management will implement the following:

1. Provide mandatory annual training for all HUH requesters and approvers regarding the Procurement & Contracting process before June 30, 2021.
2. Establish quarterly communication from the Chief Procurement Office through HUH's CEO and CFO regarding compliance with the Procurement & Contracting process starting with the 3rd quarter of 2021.
3. Coordinate and confirm through Human Resources that all requesters and approvers receive the required annual Consent Order training before June 30, 2021.
4. Collaborate with Accounts Payable monthly to ensure the following occurs:
 - a. Monthly reconciliation of actual Vendor creation against OPC vendor setup requests
 - b. All goods and services will be procured through a Purchase Order and/or a contract
5. Creation of an updated contracting policy by June 30, 2021.

**Management's Corrective Action Plan
Year Ended June 30, 2020**

6. Staff will be required to follow the above policies and procedures and will lose their privileges to conduct transactions if the policies are violated. Continued violation will result in additional discipline that may include suspension and termination.

Anticipated Completion Date: June 30, 2021

FINDING 2020-007

Name of Responsible Individual: Latrice Byam, Executive Director of Admission and University Registrar

Corrective Action: The Executive Director of Admission and University Registrar supervises the process for the Enrollment Report provided to the third-party servicer, National Student Clearinghouse (NSC). NSC submits the report to NSLDS. Subsequent error reports are generated by NSC and shared with the University Registrar who has a team of staff members who review the reports and ensures that corrections are resubmitted within the required timeframe.

The Office of Financial Aid provided the Office of the Registrar personnel with access to National Student Loan Data System (NSLDS) so that they can review, compare, and resolve data, working with the Office of Financial Aid as necessary. This direct access was not made available prior to this. Additionally, the Office of the Registrar (and other pertinent personnel) now have access to training regarding NSLDS reporting via the National Association of Student Financial Aid Administrators (NASFAA) and other financial aid groups (regional and local).

The appropriate policies and procedures will be updated regarding process of enrollment reporting.

The Office will conduct a review of progress twice monthly (or as warranted) to ensure that the processes are working and to identify areas where practices may be strengthened.

Anticipated Completion Date: November 30, 2021

FINDING 2020-008

Name of Responsible Individual: Kathy Jewett, Interim Bursar

Corrective Action: Currently, loan disbursement notifications are the responsibility of the Office of the Bursar. To ensure quality control, the following areas of focus have been addressed:

- Daily disbursement of notifications (Students)
- Daily disbursement of notifications (Parents)

Disbursement notifications are currently sent via the "Bursar Help" email account to students and parents. A daily report is generated by the Enrollment Systems team that extracts the parent's

**Management's Corrective Action Plan
Year Ended June 30, 2020**

name and email address, student's ID and name, and the parent PLUS loan disbursement amount. These are emailed to the Bursar's staff. The data from this report is then merged into emails which are sent through Microsoft Outlook to students/parents. The email notifications are stored on the Office of the Bursar's MS OneDrive (for record-keeping).

It is important to note that the Office of the Bursar was not able to demonstrate proof of the disbursement notifications because the person who was responsible for them passed away and the office lost access to where he stored them. Subsequently, the responsibility was given to an employee who resigned without significant notice making it difficult to trace the notifications that had been completed by the long-serving employee.

In the future Banner will be used to generate loan disbursement notifications.

Policies, procedures, controls, and standard operating procedures will be updated accordingly.

The Office will conduct a review of progress at least twice monthly (or as warranted) to ensure that the processes are working and to identify areas where practices may be strengthened.

Anticipated Completion Date: November 30, 2021

FINDING 2020-009

Name of Responsible Individual: Robert T. Muhammad, Executive Director of Financial Aid

Corrective Action: Currently, the Reconciliation Coordinator conducts the initial review of RT24's. Designated senior Office of Financial Aid staff conduct a second review. The Office of Financial Aid developed a reconciliation calendar, which assists with monitoring and performing required tasks.

Additionally, various offices (i.e., Office of Undergraduate Studies, Graduate, Professional Schools, Office of the Registrar and Office of Financial Aid) within the university must develop a plan to ensure that the Title IV regulations regarding the reporting of withdrawals are followed. This requires a University-wide effort. Students do not always follow the required process to formally withdraw from the University, making it difficult for the Admission, Registrar and Financial Aid office to know when they have departed, and in turn, when to conduct an RT24.

Policies, procedures, controls, standard operating procedures and communications to the campus will be updated accordingly.

The Office will conduct a review of progress of at least twice monthly (or as warranted) to ensure that the processes are working and to identify areas where practices may be strengthened.

Anticipated Completion Date: November 30, 2021

**Management's Corrective Action Plan
Year Ended June 30, 2020**

FINDING 2020-010

Name of Responsible Individual: Robert T. Muhammad, Executive director of Financial Aid

Corrective Action: The Office of Financial Aid will review the student(s) in question and provide a response based on the circumstances of challenge(s). This response is given because the Office of Financial Aid is aware that some students at Howard University graduate from their undergraduate course of study and matriculate into a graduate or professional degree at the University. In doing so, errors such as the one described may occur due to timing of student information being updated within the university's Enterprise Resource Planning (ERP) - Banner.

The corrective action will be in concert with the Office of Financial Aid findings and will include policies, procedures, controls, and standard operating procedures updates.

Anticipated Completion Date: January 30, 2022

FINDING 2020-011

Name of Responsible Individual: Robert T. Muhammad, Executive Director of Financial Aid

Corrective Action: University personnel (i.e., Center for Career and Professional Services, Office of Payroll, Office of Grants and Contracts, and Office of Financial Aid) coordinate efforts for reconciliation and review pertinent data that is included on the FISAP. The FISAP is reviewed for errors after the first submission - October 1, with the errors being reviewed and resolved prior to the December 15 deadline.

Additionally, the Office of Financial Aid has backup personnel to assist with the FISAP, providing another level of administrative support (e.g., Deputy Director, Compliance Officer) to ensure that the document is completed.

Controls, policies, and procedures will be updated and developed as necessary to ensure that SOPs are followed.

Anticipated Completion Date: December 15, 2021

**Management's Corrective Action Plan
Year Ended June 30, 2020**

FINDING 2020-012

Name of Responsible Individual(s): Robert T. Muhammad, Executive Director of Financial Aid; Kathy Jewett, Bursar; Bobby Young, Asst. Treasurer, Brenda Willis, Senior Director of Financial Grants

Corrective Action: The University has controls in place to ensure that this challenge is addressed and corrected. The reconciliation procedure is attached, which holds each partner accountable to a maximum three-day turnaround. The language from the document is provided below:

- Bursar staff member:
 - prepares a Direct Loan Payment Request Form (Fed Wire); and
 - sends to Treasury within 1-2 business days following receipt of request. If a delay is encountered in processing the Fed Wire request, Bursar staff member will notify all pertinent team members via email.
- Treasury staff member:
 - reviews the Federal G5 system to verify the amount on the Fed Wire Form is available; and
 - draws authorized amount and notifies pertinent team members with confirmation data via email. (Should take place within 1-2 business days)
- Bursar staff member:
 - verifies amount of funds transferred to the University's federal account via review of Bank of America (BOA) CashPro System; and
 - prepares Direct Loan "Transfer" Request Form and submits to Treasury to transfer funds from "federal" account to BOA "operating" account. (Should take place within 1-2 business days)
- Treasury staff member executes the transfer via BOA CashPro System and notifies pertinent team members with confirmation data via email.

As a note, the Offices of Financial Aid, Bursar, Contracts and Grants (and other pertinent personnel) have access to training regarding best financial aid practices relating to cash management, via the National Association of Student Financial Aid Administrators (NASFAA) and other financial aid groups (regional and local). Training will be provided via webinars as well as conferences when available. Such training will further strengthen the policies, procedures, and controls regarding cash management.

Anticipated Completion Date: October 1, 2021

Management's Corrective Action Plan
Year Ended June 30, 2020

FINDING 2020-013

Name of Responsible Individual: Brenda Willis, Senior Director of Financial Grants and Sponsored Programs

Corrective Action: The procurement policy was revised and formally approved on May 1, 2021. The policy requires evidence of open-source or competitive bidding on all procurements greater than \$10,000. In addition, the justification criteria for sole-source bids were strengthened and clarified. Further, Workday provides complete vendor history and information. This will allow Howard to appropriately document procurements related to continuing contracts and agreements which were previously approved by Procurement in compliance with Uniform Guidance criteria.

Anticipated Completion Date: May 1, 2021

FINDING 2020-014

Name of Responsible Individual: Brenda Willis, Senior Director of Financial Grants and Sponsored Programs

Corrective Action: Beginning in FY2022, all equipment purchased with federal funds will be maintained in the WorkDay property management system by Grants and Contracts. WorkDay will also provide additional functionality to review and monitor all assets, and reconcile to the physical inventory report. Workday property records include fields for the equipment description, relevant identification numbers, source, title information, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and ultimate disposition data. Further, automated processes in WorkDay will replace manual PeopleSoft procedures.

Anticipated Completion Date: June 30, 2021

FINDING 2020-015

Name of Responsible Individual: Bruce Jones, Vice President for Research

Corrective Action: The Vice President for Research will establish procedures to adhere to federal regulations requiring disclaimers for federally funded publications including presentations, papers, posters, flyers, press releases, etc.

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, 2021

Management's Corrective Action Plan
Year Ended June 30, 2020

FINDING 2020-016

Name of Responsible Individual: Brenda Willis, Senior Director of Financial Grants and Sponsored Programs

Corrective Action: As of FY2022, all HEERF Financial Reporting responsibilities were reassigned to the Office of Grants and Contracts. Grants and Contracts maintains all federal award financial information to ensure reporting is timely and complies with federal regulations.

Anticipated Completion Date: June 30, 2021