The Howard University

Consolidated Financial Statements

For Fiscal Years Ended June 30, 2022 and 2021

Contents

OFFICE OF THE SENIOR VICE PRESIDENT
CHIEF FINANCIAL OFFICER

Management's Responsibility for the 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, 2022, as described in Note 14 of the accompanying consolidated financial statements.

Stephen Graham
Senior Vice President, Chief Financial Officer

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

December 20, 2022

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Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Howard University (the "University" or "Howard"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits containted in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Univerity's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Financial Responsibility Supplemental Schedule 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the University's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022 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 solely 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 the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BDO USA, LLP

December 20, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(*in thousands*)	June 30, 2022	June 30, 2021
Current Assets:		
Cash and cash equivalents	$ 215,412	$ 195,076
Operating investments	7,794	42,218
Deposits with trustees	3,487	26,660
Receivables, net	170,467	104,215
Healthcare contract assets, net	2,153	2,015
Inventories, prepaids and other assets	34,468	32,378
Restricted investments	46,747	47,972
Total Current Assets	**480,528**	**450,534**
Long Term Assets:		
Deposits with trustees	25,796	13,462
Receivables, net	71,218	64,346
Inventories, prepaids and other assets	17,443	16,904
Unexpended bond proceeds	347,715	78,636
Restricted investments	9,017	14,113
Endowment investments	862,784	806,419
Operating lease right of use assets	39,375	5,072
Finance lease right of use assets	54,362	57,770
Overfunded defined benefit pension plan	20,900	-
Long-lived assets, net	678,803	602,998
Total Long Term Assets	**2,127,413**	**1,659,720**
Total Assets	**$ 2,607,941**	**$ 2,110,254**
Current Liabilities:		
Accounts payable and accrued expenses	$ 167,820	$ 132,081
Deferred revenue	79,019	60,621
Other liabilities	34,083	24,796
Accrued post-retirement benefits	3,817	3,608
Reserve for self-insured liabilities	11,529	27,928
Notes payable	1,121	1,328
Operating lease obligations	16,741	620
Finance lease obligations	29,171	9,426
Bonds payable, net	12,593	12,242
Total Current Liabilities	**355,894**	**272,650**
Long Term Liabilities:		
Other liabilities	3,144	3,287
Accrued post-retirement benefits	37,727	46,156
Underfunded defined benefit pension plan	-	9,280
Reserve for self-insured liabilities	51,967	46,229
Operating lease obligations	20,291	4,792
Finance lease obligations	24,211	51,138
Bonds payable, net	820,766	534,857
Refundable advances under Federal Student Loan Program	4,028	4,497
Total Long Term Liabilities	**962,134**	**700,236**
Total Liabilities	**1,318,028**	**972,886**
Net Assets:		
Without donor restrictions	530,902	453,292
With donor restrictions	759,011	684,076
Total Net Assets	**1,289,913**	**1,137,368**
Total Liabilities and Net Assets	**$ 2,607,941**	**$ 2,110,254**

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

CONSOLIDATED STATEMENTS OF ACTIVITY

For the year ended June 30, 2022 (with summarized comparative information for fiscal year ended June 30, 2021) (*in thousands*)	Without Donor Restrictions	With Donor Restrictions	June 30, 2022	Summarized June 30, 2021
Operating				
Revenues and reclassifications:				
Academic services:				
Tuition and fees, net	$ 193,448	$ -	$ 193,448	$ 164,045
Grants and contracts	92,473	-	92,473	86,644
Auxiliary services	40,854	-	40,854	7,932
Clinical services:				
Patient service - Hospital, net	292,408	-	292,408	280,440
Patient service - Faculty medical practice, net	20,097	-	20,097	23,166
Patient service - Dental clinic, net	214	-	214	920
Public support:				
Federal appropriation	240,613	3,405	244,018	243,018
Contributions	39,550	107,897	147,447	177,200
Endowment transfer	13,463	7,712	21,175	20,902
Operating investment (loss) income	(85)	-	(85)	3,455
Real property	61,759	-	61,759	5,377
Other income	34,544	392	34,936	48,544
Total revenues	**1,029,338**	**119,406**	**1,148,744**	**1,061,643**
Net assets released from restrictions	30,666	(30,666)	-	-
Total revenues and reclassifications	**1,060,004**	**88,740**	**1,148,744**	**1,061,643**
Expenses:				
Academic and research:				
Instruction	220,148	-	220,148	201,387
Research	63,707	-	63,707	41,404
Public service	12,552	-	12,552	13,738
Academic support	59,162	-	59,162	62,757
Student services	30,948	-	30,948	30,062
Total academic and research	**386,517**	**-**	**386,517**	**349,348**
Healthcare services	**302,344**	**-**	**302,344**	**291,423**
Administrative support:				
Institutional support	255,364	-	255,364	190,964
Fundraising	4,076	-	4,076	3,842
Auxiliary enterprises	41,896	-	41,896	21,825
Total administrative support	**301,336**	**-**	**301,336**	**216,631**
Total operating expenses	**990,197**	**-**	**990,197**	**857,402**
Operating revenues over operating expenses	**69,807**	**88,740**	**158,547**	**204,241**
Non-operating				
Investment (loss) income in excess of amount designated for operations	(14,219)	(4,973)	(19,192)	187,661
Endowment transfer	(13,463)	(7,712)	(21,175)	(20,902)
Net unrealized (loss) gain in beneficial interest trust	-	(1,120)	(1,120)	1,589
Loss on extinguishment of debt	-	-	-	(14,916)
Net periodic benefit cost other than service cost	7,016	-	7,016	1,021
Change in funded status of defined benefit pension plan	22,678	-	22,678	79,437
Change in obligation for post-retirement benefit plan	5,713	-	5,713	(1,417)
Change in funded status of supplemental retirement plan	78	-	78	227
Increase (Decrease) in non-operating activities	**7,803**	**(13,805)**	**(6,002)**	**232,700**
Change in net assets	**77,610**	**74,935**	**152,545**	**436,941**
Net assets, beginning of year	**453,292**	**684,076**	**1,137,368**	**700,427**
Net assets, end of year	**$ 530,902**	**$ 759,011**	**$ 1,289,913**	**$ 1,137,368**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended (*in thousands*)	**June 30, 2022**	**June 30, 2021**
Cash flows from operating activities		
Change in net assets	$ 152,545	$ 436,941
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	47,196	31,210
Bond discount amortization	80	403
Bonds issuance cost amortization	721	649
Loss on extinguishment of debt	-	14,916
Net realized gain on sale of investment	(73,807)	(56,454)
Unrealized gain on investments	114,316	(101,064)
Stock distributions	(19,929)	(6,631)
Loss on sale/disposal of long-lived assets	5,613	-
Change in deposits with trustees	10,839	(23,962)
Change in receivables (excluding notes)	(79,662)	(42,367)
Change in contract assets	(138)	1,224
Change in allowance for doubtful receivables	6,000	(4,066)
Change in inventory, prepaids and other assets	(2,629)	(16,989)
Change in operating right of use assets	(34,303)	1,137
Change in accounts payable and accrued expenses	35,739	18,608
Change in deferred revenue	18,398	(12,222)
Change in other liabilities	9,144	(708)
Change in pension/post retirement liability	(38,400)	(159,046)
Change in reserve for self-insured liabilities	(10,661)	10,708
Change in operating lease obligation	31,620	(1,075)
Change in refundable advances under Federal Student Loan Program	(469)	(1,143)
Net cash and cash equivalents provided by operating activities	**172,213**	**90,069**
Cash flows from investing activities		
Proceeds from sale of investments	908,613	1,038,815
Purchases of investments	(944,812)	(1,017,584)
Return on unexpended bond proceeds	(269,080)	(75,463)
Purchases and renovations of long-lived assets	(119,588)	(77,399)
Net cash and cash equivalents used in investing activities	**(424,867)**	**(131,631)**
Cash flows from financing activities		
Proceeds from notes payable	-	36,330
Payment on notes payable	(207)	(61,000)
Proceeds from bonds payable	298,266	150,209
Payments on bonds payable	(12,242)	(3,893)
Bond issuance costs	(567)	-
Principal payments on finance lease obligations	(9,129)	(8,388)
Change in finance right of use assets and lease obligation	(3,670)	(885)
Change in student loans issued	(66)	(151)
Change in student loans collected	605	1,398
Net cash and cash equivalents provided by financing activities	**272,990**	**113,620**
Increase in cash and cash equivalents	20,336	72,058
Cash and cash equivalents at beginning of year	195,076	123,018
Cash and cash equivalents at end of year	**$ 215,412**	**$ 195,076**
Supplemental cash flow information:		
Cash paid for interest	$ 25,754	$ 20,124
Supplemental non-cash investing and financing activities:		
Acquisition of equipment under financing leases	5,569	1,899
Stock distributions	19,929	6,631
Refer to Footnote 13 for Supplemental disclosure of cash flow information for leases.		

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

1. University Organization

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 wholly-owned subsidiaries Howard University International (HUI), Howard University Global Initiative – Nigeria, LTD/GTE (HUGIN), and Howard University Global Initiative South Africa NPC (HUGISA). 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.

2. Summary of Significant Accounting Policies

(a) ***Basis of Presentation***

The accompanying 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). The financial statements include certain prior year summarized comparative information in total, not by net asset classification. Such summarized information may not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2021, from which the summarized information is 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, and net changes in pension liabilities and other post-retirement benefit plans.

(b) **Net Asset Classifications**

For purpose of financial reporting, the University classifies resources into two classes of net assets based on the existence or absence of donor-imposed restrictions:

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 legal or donor-imposed stipulations that will be satisfied by the passage of time, fulfilled by actions of the University pursuant to those stipulations, or both. These net assets include net assets subject to donor-imposed restrictions that are invested to provide perpetual source of income to the University (endowment funds). Donor-restricted endowment funds generally result from donor's stipulation or by extension of donor restriction imposed through the Uniform Prudent Management of Institutional Funds Act (UPMIFA) that limits University's use of an endowment fund. The original gifted amount, any additional gifts to that fund, and any resulting investment returns shall initially be classified as net assets with donor restrictions. Therefore, unless stated otherwise in the gift, the assets in donor-restricted endowment fund are donor-restricted assets until they are appropriated for expenditure by the University's governing body or law.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Contributions are reported in the appropriate category of revenue, except those contributions with donor-imposed restrictions met in the same fiscal year are included in revenues without donor restrictions. Satisfaction of restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated 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.

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

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

(d) ***Income Tax***

The University is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted by U.S. Congress. The Act impacts the University in several ways, including the addition of excise taxes on executive compensation and net investment income, as well as new rules for calculating unrelated business taxable income. The University records an estimate for related tax expense based on available guidance of the Act.

(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.

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 7).

The fair values of Howard's investments are determined by the most relevant available and observable valuation inputs as defined in Note 8. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

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 accompanying consolidated statement of activities for the years ended June 30, 2022 and 2021 are presented in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (ASC 606)* and ASC Subtopic 958-605 *Not for Profit Entities - Revenue* (where applicable).

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.

For those revenue streams subject to ASC Subtopic 958-605 *Not for Profit Entities - Revenue* the University (1) evaluates whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determined whether a contribution is conditional.

The University earns revenue primarily through patient care, and instruction in the form of tuition and fees on its Washington, DC campuses. 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 patient and other non-student contracts based on the date of the event or when the service is provided.

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 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 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 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 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. 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.

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, 2022 and 2021 was $163,622 and $148,341, respectively.

(amounts in thousands)

NET TUITION REVENUE	2022	2021
Gross tuition and fees	**$ 357,070**	**$ 312,386**
Less financial aid:		
Merit	81,603	67,086
Need	56,259	59,541
Talent	10,109	8,618
Other	15,651	13,096
Total financial aid	**$ 163,622**	**$ 148,341**
Total net tuition	**$ 193,448**	**$ 164,045**

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). 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 years ended June 30, 2022 and 2021, Howard recognized $91,584 and $85,453 of revenue subject to Topic 958, respectively, and $889 and $1,191 of revenue subject to ASC 606, *Revenue from Contracts with Customers,* respectively.

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. The University evaluates whether these grants and contracts should be accounted for as a conditional or unconditional contribution (nonreciprocal transactions), or as revenue from a contract where the government is the customer. Receivables under research grants and development agreements represent the amounts due from Federal, state, local, private grants, contracts and others.

GRANTS AND CONTRACTS REVENUE	2022	2021
Reimbursement of direct expenses	$ 82,974	$ 77,844
Recovery of indirect costs	9,499	8,800
Total University grants and contracts revenue	**$ 92,473**	**$ 86,644**
Indirect costs recovery as a % of direct costs	**11%**	**11%**

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

GRANTS AND CONTRACTS REVENUE BY TYPE	2022	2021
Research	$ 36,349	$ 33,044
Training	20,056	21,228
Service/other	36,068	32,372
Total grants and contracts revenue by type	**$ 92,473**	**$ 86,644**

(amounts in thousands)

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 television station and preschool center fees.

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	2022	2021
Student housing	$ 7,743	$ 10
Meal plans	20,713	376
Radio station	7,993	6,401
Bookstore	844	-
Parking fees	1,631	326
Vending sales and fees	279	342
Ticket sales	1	91
Licensing	476	220
Other	1,174	166
Total auxiliary services revenue	**$ 40,854**	**$ 7,932**

Net patient service revenue relates 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.

(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	2022	2021
Gross Revenues	**$ 788,658**	**$ 774,765**
Third-party settlement revenue	106,182	97,205
Price concessions	(582,121)	(567,444)
Total net patient service revenue	**$ 312,719**	**$ 304,526**

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, 2022 and 2021, Howard received 21% and 23%, respectively, of its revenue support from the Federal appropriation. The $3,405 receivable as of June 30, 2022 and 2021, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 16.

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

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

(amounts in thousands)

The University recognized approximately $23,600 and $20,000 in federal contributions from the Department of Education as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) appropriations for educational institutions for the fiscal years ended June 30, 2022 and 2021, respectively. The funds were used primarily for student grants and to offset losses caused by COVID 19 (see Note 23).

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, 2022 and 2021 is shown below:

CONTRIBUTIONS REVENUE	2022	2021
Without donor restrictions	$ 39,550	$ 64,321
With donor restrictions	107,897	112,879
TOTAL	**$ 147,447**	**$ 177,200**

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 nonfinancial gifts that are valued at their estimated fair value and the revenue is presented within the changes in net assets with donor restrictions contributions line in the consolidated statements of activities. The University received art contributions in the amount of $1,164 and $0 for fiscal years ended June 30, 2022 and 2021, respectively.

Real property revenue is comprised of income and gains from real estate transactions including lease income and is recognized as revenue in the period it is earned and collectible. Revenue recognition for real property lease transactions is disclosed in further detail in Note 13.

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. For the year ending June 30, 2022, other income was primarily composed of revenue recognized related to distributions of the Department of Education Grant and the DC Medicaid Indigent Care Grant related to the Hospital's operations in the amount $25,349.

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.

Patient receivables represent unpaid health care fees for health care services provided to the patients. The receivable balance is based upon the estimated amounts that management expects to be entitled to receive from patients and third-party payors.

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 can 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.

(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 long-lived assets is computed using the straight-line method over the estimated useful lives of the assets. For leased assets, the it is the shorter of the useful life or lease term. 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. 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) ***Unexpended Bond Proceeds***

Unexpended bond proceeds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. At fiscal June 30, 2022 and 2021, unexpended bond proceeds totaled $347,715 and $78,636, respectively.

(k) ***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 June 30, 2022 and 2021 the obligation was $5,775 and $6,160, respectively.

(l) ***Other Liabilities***

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

(m) ***Deferred Revenue***

Deferred revenue represents cash received, but not earned as of June 30, 2022. This is primarily composed of refundable grant revenue advances, deferred lease income and Medicare advance payment program.

(n) ***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 an asset. Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan (see Note 15).

(o) ***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 7 *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.

(p) ***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.

(q) ***Leases***

The University and the Hospital have entered into a variety of operating and finance leases for office space and equipment. 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. More information is included in Note 13.

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

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the gains and losses from real estate related transactions.

(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.

Effective July 1, 2021, the University adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This update requires presentation of contributed nonfinancial assets in the consolidated statements of activities. The guidance did not have a material impact on the consolidated financial statements. Note 2(f)(1) provides additional information regarding the recognition of nonfinancial gifts.

Effective July 1, 2021, the University adopted ASU 2021-05, *Leases (Topic 842): Lessors – certain leases with variable lease payments.* The amendments in the update affect lessors with lease contracts that (1) have variable lease payments that do not depend on a reference index or a rate and (2) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing lease. The University adopted ASU 2021-05 prospectively. The guidance did not have a material impact on the University's consolidated financial statements.

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).* 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 of 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 of ASU 2019-12.

(t) ***Reclassifications***

Certain 2021 amounts have been reclassified to conform to the 2022 presentation. Such reclassifications did not have any impact on the University's previously reported net asset balances.

During fiscal year 2022, the University modified its consolidated statements of activities to re-allocate operations and maintenance costs from Healthcare services to Institutional support to more appropriately reflect the way in which the economic benefit is derived. Comparative amounts in the statement of activities were reclassified for consistency, which resulted in $50,492 being reclassified from Healthcare services to Institutional support.

(amounts in thousands)

3. Liquidity and Availability of Resources

As of June 30, 2022 and 2021, financial assets and liquidity resources that are available within one year for general expenditures consists of the following:

FINANCIAL ASSETS AND LIQUDITY RESOURCES	2022	2021
Financial Assets:		
Cash and cash equivalents	$ 215,412	$ 195,076
Operating investments	7,794	42,218
Receivables, net (excluding donor stipulated restrictions)	145,590	95,395
Healthcare contract assets	2,153	2,015
Other investments appropriated for current use	21,533	21,173
Total financial assets available within one year	**$ 392,482**	**$ 355,877**
Liquidity Resources:		
Bank line of credit available	75,000	150,000
Total financial assets and liquidity resources available within one year	**$ 467,482**	**$ 505,877**

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, $21,533 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 9 and 16 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 $75,000 which it could draw upon. As of June 30, 2022, there was no outstanding balance on the line of credit.

(amounts in thousands)

4. Receivables, Net

The major components of receivables, net of reserves for doubtful accounts of $17,700 and $24,100 as of June 30, 2022 and 2021, respectively, were as follows:

RECEIVABLES	2022	2021
Student	$ 13,351	$ 10,131
Notes	4,017	4,555
Federal appropriation	3,405	3,405
Patients and third-party payors - Hospital	63,614	37,299
Patients and third-party payors - FPP	-	2,690
Patients and third-party payors - Dental	-	494
Grants and contracts	49,055	31,804
Contributions	52,315	54,554
Auxiliary services	2,542	2,575
Real property	53,386	16,136
Other	-	4,918
Total	**$ 241,685**	**$ 168,561**

Contributions receivable at June 30, 2022 and 2021 are expected to be received as follows:

CONTRIBUTIONS RECEIVABLE	2022	2021
Within one year	$ 39,657	$ 8,065
Between one and five years	25,092	48,566
Thereafter	3,000	4,640
Contributions receivable gross	67,749	61,271
Unamortized discount on contributions receivable (2%-6.5%)	(6,752)	(4,138)
Contributions receivable, net of discounts	60,997	57,133
Allowance for uncollectible contributions	(8,682)	(2,579)
Contributions receivable, net of discounts and allowance	**$ 52,315**	**$ 54,554**

(amounts in thousands)

5. Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2022 and 2021 are as follows:

INVENTORIES, PREPAIDS, AND OTHER ASSETS	2022	2021
Inventories - Hospital	$ 5,165	$ 5,314
Prepaid expenses	24,873	22,665
Beneficial interest trust	6,437	7,880
Self-insured assets	5,328	5,005
Intellectual property costs	1,035	1,035
Other (including interest in HUH Dialysis see Note 24)	9,073	7,383
Total	**$ 51,911**	**$ 49,282**

6. Deposits with Trustees

DEPOSITS WITH TRUSTEES (DEDICATED ASSETS)		
	2022	2021
Debt service reserve	$ 24,771	$ 24,761
Capitalized interest	3,485	10,677
Workers' compensation	2	2
Health insurance trust	1,025	4,682
Total	**$ 29,283**	**$ 40,122**

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

As required by the 2011B Revenue Bonds and 2021A bonds, Howard maintains a debt service reserve fund in an amount greater than or equal to the Debt Service Fund Requirement of $24,771 and $24,761 as of June 30, 2022 and 2021, respectively. The assets in the debt service reserve fund consist primarily of cash, fixed income investments and other short-term securities.

7. Reserve for Self-insured Liabilities

RESERVE FOR SELF-INSURED LIABILITIES		
	2022	2021
Professional liability	$ 52,992	$ 49,699
Workers' compensation	6,563	10,725
Health insurance trust	3,941	13,733
Total	**$ 63,496**	**$ 74,157**

(amounts in thousands)

(a) ***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, 2022. 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, 2022 and 2021 of approximately $52,992 and $49,699, respectively is adequate to provide for losses resulting from probable asserted and unasserted claims and pending or threatened litigation. Professional liability is reported in the reserve for self-insured liabilities on the statement of financial position.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2022 and 2021 in the table below.

PROFESSIONAL LIABILITY	2022	2021
Beginning balance	$ 49,699	$ 41,068
Malpractice claims expense	9,464	9,561
Settlement payments	(6,171)	(930)
Ending balance	**$ 52,992**	**$ 49,699**

(b) **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, 2022 and 2021, workers' compensation liabilities are being satisfied as claims arise. For fiscal years ended June 30, 2022 and 2021, Howard maintained $5,146 and $5,125 in letters of credit, respectively, which serve as collateral for specific insurance carriers. Howard is self-insured for workers' compensation claims up to per occurrence retention of $500. The excess is covered through commercial insurance.

For fiscal years ended June 30, 2022 and 2021 expenses related to workers' compensation were $(598) and $(771) respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately $6,563 and $10,725 at June 30, 2022 and 2021, respectively, and includes liabilities for claims covered under existing insurance policies. Workers' compensation liability claims is reported in reserve for self-insured liabilities on the statement of financial position. 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, 2022 and 2021, net of allowances for uncollectible amounts and are reflected in other receivables.

(c) **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, 2022 and 2021, 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, 2022 and 2021, is approximately $3,941 and $13,733, respectively, and is reported in reserve for self-insured liabilities on the statement of financial position.

8. 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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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.

(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. These investments are reported at the NAV, as provided by the fund managers. The NAV is used as a practical expedient to measure fair value but is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The fund managers use pricing models, appraisals, discounted cash flow models, and other valuation techniques to determine fair value of the underlying investments in each fund. Units held within common/collective trusts ("CCTs") are valued at the NAV. The NAV is used as a practical expedient to estimate fair value and is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

(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 are comprised 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) Currently the estimated fair value of Howard's bonds is determined based on quoted market prices. At fiscal years ended June 30, 2022 and 2021, the estimated fair value was approximately $736,606 and $608,726, 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.

(9) Donations of collections are nonfinancial gifts that are valued at their estimated fair value and the revenue is presented within the changes in net assets with donor restrictions contributions line in the consolidated statements of activities. The University received art contributions in the amount of $1,164 and $0 for fiscal years ended June 30, 2022 and 2021, respectively.

(10) 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, 2022. These transactions are shown net with endowment investments.

(amounts in thousands)

Howard's financial liabilities, as referenced above, are presented in Footnote 14. Fair value of Howard's financial assets as of June 30, 2022 is as follows:

FAIR VALUE AS OF JUNE 30, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (5)	$ -	$ 347,715	$ -	$ 347,715
Deposits with trustees (6)	1,026	28,257	-	29,283
Other assets (7)	-	-	6,760	6,760
Total assets (non investment)	**$ 1,026**	**$ 375,972**	**$ 6,760**	**$ 383,758**
Operating investments				
Common Stock (3)	7,794	-	-	7,794
Total operating investments	**$ 7,794**	**$ -**	**$ -**	**$ 7,794**
Restricted investments				
Money Market Instrument (1)	-	19,227	-	19,227
Common Stock (3)	30,979	-	-	30,979
Total restricted investments	**$ 30,979**	**$ 19,227**	**$ -**	**$ 50,206**
Endowment investments				
Money Market Fund (1)	-	86,973	-	86,973
Common Stock (3)	158,482	-	-	158,482
Fixed income				
Corporate Bond (2)	-	2	-	2
Mutual funds investment				
Domestic Common Stock (3)	28,292	-	-	28,292
Domestic Fixed Income (2)	46,868	-	-	46,868
International Equity Security (3)	6,531	-	-	6,531
Total endowment investments	**$ 240,173**	**$ 86,975**	**$ -**	**$ 327,148**
Total investments measured at the NAV as a practical expedient				**535,734**
Assets not subject to fair value reporting (8)	6,947	-	-	6,947
Liabilities not subject to fair value reporting (8)	(1,487)	-	-	(1,487)
Total investments	**$ 284,406**	**$ 106,202**	**$ -**	**$ 926,342**
Total assets and liabilities measured at fair value	**$ 285,432**	**$ 482,174**	**$ 6,760**	**$ 1,310,100**

(amounts in thousands)

Fair value as of June 30, 2021 is as follows:

FAIR VALUE AS OF JUNE 30, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (5)	$ -	$ 78,636	$ -	$ 78,636
Deposits with trustees (6)	3,875	36,247	-	40,122
Other assets (7)	-	-	7,880	7,880
Total assets (non investment)	**$ 3,875**	**$ 114,883**	**$ 7,880**	**$ 126,638**
Operating investments				
Common Stock (3)	42,218	-	-	42,218
Total operating investments	**$ 42,218**	**$ -**	**$ -**	**$ 42,218**
Restricted investments				
Money Market Instrument (1)	-	409	-	409
Common Stock (3)	49,835	-	-	49,835
Mutual Fund	1,511	-	-	1,511
Total restricted investments	**$ 51,346**	**$ 409**	**$ -**	**$ 51,755**
Endowment investments				
Money Market Fund (1)	6,726	24,643	-	31,369
Common Stock (3)	71,369	-	-	71,369
Fixed income				
Corporate Bond (2)	-	3	-	3
Mutual funds investment				
Domestic Common Stock (3)	55,903	-	-	55,903
Domestic Fixed Income (2)	81,295	-	-	81,295
International Equity Security (3)	10,538	-	-	10,538
Total endowment investments	**$ 225,831**	**$ 24,646**	**$ -**	**$ 250,477**
Total investments measured at the NAV as a practical expedient				**565,856**
Assets not subject to fair value reporting (8)	784	-	-	784
Liabilities not subject to fair value reporting (8)	(368)	-	-	(368)
Total investments	**$ 319,811**	**$ 25,055**	**$ -**	**$ 910,722**
Total assets and liabilities measured at fair value	**$ 323,686**	**$ 139,938**	**$ 7,880**	**$ 1,037,360**

Investments measured at the NAV as a practical expedient are summarized for fiscal years 2022 and 2021 as follows:

INVESTMENTS AS OF JUNE 30, 2022	Fair Value	Unfunded Commitments	Redemption/ Withdrawal	Redemption/ Withdrawal Notice
Hedge funds[(a)]	$ 82,731	$ 157	Semi-Annually	45-180 days
Real estate funds[(b)]	46,557	16,481	None to Annually	1-5 years
Common/collective trusts[(c)]	50,000	-	-	Monthly
Limited partnerships[(d)]	356,446	163,846	Allowed	≤ 10 years
Total investments measured at the NAV as practical expedient	**$ 535,734**	**$ 180,484**		

(amounts in thousands)

INVESTMENTS AS OF JUNE 30, 2021	Fair Value	Unfunded Commitments	Redemption/ Withdrawal	Redemption/ Withdrawal Notice
Hedge funds[(a)]	$ 73,933	$ -	Semi-Annually	45-180 days
Real estate funds[(b)]	90,970	11,957	None to Annually	1-5 years
Common/collective trusts[(c)]	89,448	-	-	Monthly
Limited partnerships[(d)]	311,505	137,325	Allowed	≤ 10 years
Total investments measured at the NAV as practical expedient	**$ 565,856**	**$ 149,282**		

The tables presented above represent Howard's net asset value of investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2022 and 2021. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

The investment objectives for the investments measured using the net asset or unit value are as follows:

(a) ***Hedge Funds***: The objective of the hedge funds is to generate superior risk-adjusted returns on its assets, maximize total return on investments and achieve long-term capital appreciation. This objective is achieved through a diversified mix of strategies including long/short equity, event driven, distressed securities and credit opportunities.

(b) ***Real Estate Funds***: The University achieves its exposure to this asset class through interests in operating partnerships that invest in real estate and real estate-related assets. The various funds are made up of a portfolio of high-yield commercial real estate and real estate-related assets that utilize various structures including mezzanine debt, joint ventures and discounted notes to achieve its objectives. These funds have predetermined termination dates that range from two to ten years with optional renewal terms.

(c) ***Common/Collective Trusts ("CCTs")***: The University invests a portion of its assets in common collective trusts where its assets are comingled with other assets and invested through one common medium with the goal of pursuing a common strategy of higher returns.

(d) ***Limited Partnerships***: A portion of the University assets are allocated for investment in private equity. This is accomplished through ownership interests in partnerships that pursue this investment approach. The life spans of these partnerships are stated at the inception of each partnership, which as of the year ended June 30, 2022, had a maximum life span of ten years. Throughout the course of the partnership strategic decisions made by the general partners may result in return of capital to the University.

(amounts in thousands)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University 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 fair value measurement as of the reporting date.

Net investment (loss) income is summarized as follows for fiscal years June 30, 2022 and 2021:

NET INVESTMENT (LOSS) INCOME	2022	2021
Interest and dividends	$ 21,376	$ 26,324
Net realized gains	88,291	79,499
Net unrealized (losses) gains	(110,770)	100,418
Other investment income, net of expense	576	656
Investment expenses	(20,132)	(15,781)
Net investment (loss) income	**$ (20,659)**	**$ 191,116**
Current year unrestricted operating (loss) return	$ (347)	$ 3,455
Current year non-operating investment (loss) return:		
Without donor restriction	(14,219)	89,468
With donor restriction	(6,093)	98,193
Total current year investment (loss) return	**$ (20,659)**	**$ 191,116**
Prior year (loss) designated for current operations:		
Without donor restriction	(13,463)	(8,625)
With donor restriction	(7,712)	(12,277)
Total designated for current operation	**$ (21,175)**	**$ (20,902)**
Net non-operating investment (loss) return:		
Without donor restriction	(27,682)	81,253
With donor restriction	(13,801)	85,917

9. Endowment Fund

Howard's endowment includes several 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 DC 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 DC UPMIFA.

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

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

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

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

(amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2022 is as follows:

ENDOWMENT CHANGE IN VALUE FOR YEAR ENDING JUNE 30, 2022	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	**$ 380,768**	**$ 437,625**	**$ 818,393**
Investment return:			
Investment income	9,302	12,372	21,674
Net appreciation (realized and unrealized)	(20,929)	(13,331)	(34,260)
Total investment return	**$ (11,627)**	**$ (959)**	**$ (12,586)**
Contributions	30,430	40,282	70,712
Appropriation of endowment assets for operations	(13,540)	(7,633)	(21,173)
Other changes:			
Transfer and other changes	17,735	(14,156)	3,579
Endowment net assets, end of year	**$ 403,766**	**$ 455,159**	**$ 858,925**
Donor-restricted endowment funds	$ -	$ 456,648	$ 456,648
Underwater endowment funds	-	(1,489)	(1,489)
Board designated quasi-endowment	403,766	-	403,766
Endowment net assets, end of year	**$ 403,766**	**$ 455,159**	**$ 858,925**

The change in value and the composition of amounts classified as endowment as of June 30, 2021 is as follows:

ENDOWMENT CHANGE IN VALUE FOR YEAR ENDING JUNE 30, 2021	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	**$ 380,377**	**$ 339,523**	**$ 719,900**
Investment return:			
Investment income	9,984	13,881	23,865
Net appreciation (realized and unrealized)	77,556	72,053	149,609
Total investment return	**$ 87,540**	**$ 85,934**	**$ 173,474**
Contributions	750	24,821	25,571
Appropriation of endowment assets for operations	(8,123)	(12,779)	(20,902)
Other changes:			
Transfer and other changes	(79,776)	126	(79,650)
Endowment net assets, end of year	**$ 380,768**	**$ 437,625**	**$ 818,393**
Donor-restricted endowment funds	$ -	$ 438,199	$ 438,199
Underwater endowment funds	-	(574)	(574)
Board designated quasi-endowment	380,768	-	380,768
Endowment net assets, end of year	**$ 380,768**	**$ 437,625**	**$ 818,393**

(amounts in thousands)

The original gift amount and net appreciation of net assets with donor restrictions as of June 30, 2022 and 2021 is as follows:

ENDOWMENT NET ASSETS WITH DONOR RESTRICTIONS	2022	2021
Original Gift	$ 248,119	$ 207,408
Net Appreciation	207,040	230,217
Total	**$ 455,159**	**$ 437,625**

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. At June 30, 2022 and 2021 receivables of $3,859 and $11,974, 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 restrictions and totaled $1,489 and $574 as of fiscal years ended June 30, 2022 and 2021, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard's investment and spending policy is intended to conform with DC UPMIFA which allows spending in underwater endowments, in support of an endowment's purpose.

Funds with Deficiencies	2022	2021
Fair value of underwater endowments	$ 29,107	$ 5,946
Original endowment gift amount	30,596	6,520
Deficiencies of underwater endowment funds	**$ (1,489)**	**$ (574)**

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.

(amounts in thousands)

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.

10. Long-Lived Assets

LONG-LIVED ASSETS	2022	2021
Land and land improvements	$ 63,547	$ 40,141
Buildings and building improvements	956,326	890,468
Property held for expansion	55,562	56,383
Property held under leases	33,428	33,428
Furniture and equipment	362,173	358,836
Library books	92,224	92,224
Works of art, historical treasures, literary works and artifacts	43,703	40,239
Software	107,201	106,451
Software in progress	12,222	12,135
Construction in progress	120,074	106,454
Long-lived assets, gross	1,846,460	1,736,759
Accumulated depreciation and amortization	(1,167,657)	(1,133,761)
Long-lived assets, net	**$ 678,803**	**$ 602,998**

For the fiscal year ended June 30, 2022 there were $20,187 in sales, disposals and retirements. For the fiscal year ended June 30, 2021 there were no sales, disposals and retirements. There were no disposals of works of art, historical treasures, literary works and artifacts for either fiscal year presented.

(amounts in thousands)

Depreciation expense for the years ended June 30, 2022 and 2021 was $47,196 and $31,210, respectively. For fiscal years ended June 30, 2022 and 2021, net interest costs of $9,031 and $1,876 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.

11. Accounts Payable and Accrued Expenses

Components of this line item at June 30, 2022 and 2021 are as follows:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2022	2021
Vendor invoices	$ 121,496	$ 89,932
Accrued salaries and wages	23,230	23.196
Accrued employee benefits	4,440	4,976
Accrued annual leave	5,775	6,160
Accrued interest	9,940	6,571
Other	2,939	1,246
Total	**$ 167,820**	**$ 132,081**

12. Other Liabilities and Deferred Revenue

These obligations include the following at June 30, 2022 and 2021:

OTHER LIABILITIES	2022	2021
Environmental liabilities	$ 1,801	$ 3,346
Residence halls	5,890	3,387
Unclaimed property	6,677	3,758
Student deposits and refunds	7,524	4,558
Reserve for legal contingencies	2,583	2,000
Deposits held in custody for others	2,655	2,436
Other	10,097	8,598
Total	**$ 37,227**	**$ 28,083**

(amounts in thousands)

Environmental liabilities are reported in other liabilities on the statement of financial position. Howard incurred costs related to remediation during fiscal years ended June 30, 2022 and 2021 of $1,545 and $440, respectively.

DEFERRED REVENUE	2022	2021
Deferred tuition, room and board	$ 5,032	$ 4,960
Deferred grant revenue	54,031	30,415
Deferred lease income	16,338	-
Medicare advance payment	3,618	23,491
Deferred Federal funding	-	1,557
Deferred DC Surge Grant	-	157
Other	-	41
Total	**$ 79,019**	**$ 60,621**

13. Leases

Finance Leases

In the 2017, Howard University entered into a seven-year network management service agreement with IBM for equipment that included an embedded 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.

On May 26, 2021 a lease amendment was executed with Rock Creek Property Group, LLC to allow for additional purchase options of the underlying asset, which Howard University is reasonably expected to exercise. As such, the Rock Creek lease agreement was adjusted and reclassified as a finance lease.

In 2022, the University entered into ground subleases in connection with the University's development of land and improvements at the 66.25-acre property now known as "The Parks at Walter Reed" ("building 6" and "building 7"). The building 6 property contains an existing 65,649 square feet, and the building 7 property contains an existing building of approximately 50,379 square feet. The existing improvements on building 6 Property will be demolished, in whole or in part, whereas the improvements on the building 7 property will be renovated. The lease has a term of 50 years and subject to 25 years further extension. The lease agreements contain certain restrictions, and covenants, including but not limited to the University's responsibility for design, development, permitting, construction, financing and delivery of the Properties.

Howard is obligated under other finance leases for office, technology and medical equipment that extend through fiscal year 2032, with the exception of the properties at The Parks at Walter Reed.

(amounts in thousands)

Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities. Except for leases for certain medical equipment that will extend 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	2022	2021
Right of use assets - financing	$ 95,887	$ 91,484
Accumulated amortization	(41,525)	(33,714)
Finance right of use assets, net	**$ 54,362**	**$ 57,770**

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, 2022, 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	
2023	$ 31,734
2024	10,004
2025	4,104
2026	2,673
2027	2,454
2028 and thereafter	11,419
Obligation, gross	62,388
Amounts representing interest rates from 2% to 10%	(9,006)
Total lease obligations, net	**$ 53,382**

(amounts in thousands)

At June 30, 2022, 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	
2023	$ 2,563
2024	1,470
2025	1,093
2026	964
2027	841
2028 and thereafter	2,075
Total lease obligations interest	**$ 9,006**

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, 2022 and 2021 was $12,236 and $911, 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	2022	2021
Right of use assets - operating	$ 52,212	$ 6,736
Accumulated amortization	(12,837)	(1,664)
Operating right of use assets, net	**$ 39,375**	**$ 5,072**

(amounts in thousands)

As of June 30, 2022 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		
2023	$	18,317
2024		7,086
2025		5,751
2026		5,661
2027		2,793
2028 and thereafter		1,173
Obligation, gross	$	40,781
Amounts representing interest rates from 2% to 10%		(3,749)
Total lease obligations, net	**$**	**37,032**

LEASE OBLIGATIONS - INTEREST	OPERATING LEASES	
Future interest years ending June 30		
2023	$	1,576
2024		959
2025		667
2026		377
2027		114
2028 and thereafter		56
Total lease obligations Interest	**$**	**3,749**

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

LEASE EXPENSE	2022	2021
Finance lease expense:		
Amortization of right of use assets	$ 8,516	$ 11,419
Interest on lease liabilities	2,910	3,504
Operating lease expense	12,052	911
Total	**$ 21,492**	**$ 15,834**

(amounts in thousands)

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR LEASES	2022	2021
Cash paid for amounts included in the measurements of lease liabilities for finance leases:		
Operating cash flows	$ 12,037	$ 847
Financing cash flows	9,129	8,388
Change in operating right of use (ROU) leases:		
Operating cash flows	31,620	(1,075)

OTHER INFORMATION	2022	2021
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Finance leases	64,520	61,341
Operating leases	37,671	5,072
Weighted-average remaining lease term (in years):		
Finance leases	4.10	10.33
Operating leases	3.84	7.08
Weighted-average discount rate:		
Finance leases	5.19%	10.23%
Operating leases	5.56%	5.01%

Lessor Leases

The University has several properties that are under sales-type or operating leases, as further discussed below.

Lessor Sales-Type Leases

East Towers Lot Lease

In fiscal year 2022, the University as lessor, executed a 99-year ground lease for approximately 80,392 square feet of land at 2251 Sherman Avenue, NW, Washington, D.C and 2047 9th Street, NW, Washington, D.C., ("East Towers Lot") for $60,500. The lease payments will be paid in three installments: (i) $20,000 at the initial June 2022 closing; (ii) $22,000 on the earlier of June 30, 2023 or 30 days after the alley closure pursuant to the agreement; and (iii) $18,500 on the date that is 15 days after the final approvals for alley closure. Additionally, the University will be entitled to receive a 15% share of net proceeds from a refinance or disposition of the initial ground lessee's tenant interest after achievement of stipulated internal rate of return. At the expiration of the terms for the lease, title to and ownership of any improvements then on the land and tenant's leasehold interest therein shall automatically and immediately revert, convey and vest in the University, for no further consideration and free and clear of all mortgages, liens, impositions and defects in title. The lease does not include a guaranteed residual value.

(amounts in thousands)

This lease is defined 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. Howard also is the lessor for current sales-type leases for the Howard Manor and Shining Star properties. As of June 30, 2022, the total lease receivable for sales-type leases in reverse chronological order are as follows:

SALES-TYPE LEASE RECEIVABLE	2022	2021
East Towers Lot	$ 40,500	$ -
Howard Manor	9,983	12,857
Shining Star	2,903	2,976
Total sales-type lease receivable	**$ 53,386**	**$ 15,833**

SALES-TYPE LEASES	LEASE RECEIVABLE
Future maturity of lease receivables for years ending June 30	
2023	$ 40,872
2024	375
2025	378
2026	381
2027	384
2028 and thereafter	11,159
Total undiscounted cash flows lease obligations, net	**$ 53,549**
Impact of present value discount	(163)
Total sales-type lease receivable	**$ 53,386**

Lessor Operating Leases

HURB-1 Lease

During the year ended June 30, 2022, the University as lessor executed a 99-year ground lease for approximately 42,750 square feet of land at 1840 7th Street, N.W. Washington, D.C., for (i) rent in the amount of $1 per year, (ii) upfront closing of $16,250, and (iii) an annual participation payment to be paid to the University on or before April 30th of each calendar year in an amount equal to 1.5% of net cash flow for the prior calendar year. At the expiration of the terms for the lease, title to and ownership of any improvements then on the land and tenant's leasehold interest therein shall automatically and immediately revert, convey and vest in the University, for no further consideration and free and clear of all mortgages, liens, impositions and defects in title. The lease does not include a guaranteed residual value.

Howard has several other 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.

(amounts in thousands)

Howard's other leased properties are comprised of (1) the Wonder Plaza Building, (2) space available on the top of certain buildings, and (3) the ground lease of 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, (7) the Harriett Tubman Quadrangle, (8) cosmetic store, (9) restaurant and (10) fast food chain. 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.

The 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, 2022 and 2021 was $70,628 and $5,517, respectively and are reported in real property revenue on the statements of activities.

LEASE INCOME	2022	2021
Sales Type Lease Income		
Lease income	$ 59,397	$ 2,069
Less: leased assets book values	821	-
Total sales type lease income	$ 58,576	$ 2,069
Interest income on sales type lease	193	-
Operating lease income	2,989	3,448
Total lease income	**$ 61,758**	**$ 5,517**

As of June 30, 2022, the future minimum operating lease payments to be paid for years ending at June 30 is as follows:

FUTURE MINIMUM OPERATING LEASE PAYMENTS	JUNE 30
2023	$ 1,637
2024	1,523
2025	1,485
2026	927
2027	637
2028 and thereafter	21,195
Total minimum operating lease payments	**$ 27,404**

(amounts in thousands)

14. Bonds Payable and Notes Payable

(a) *Bonds Payable*

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

BONDS PAYABLE	2022	2021
District of Columbia issues:		
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	$ 3,162	$ 3,968
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	49,325	49,325
2020A Taxable bonds 2.42% to 3.00% Serial due 2021 through 2031	135,465	146,900
2020B Taxable bonds 1.99% to 3.48% Serial due 2021 through 2042	209,085	209,085
2021A Revenue bonds, 3.89% to 4.76% Serial due 2021 through 2051	151,285	151,285
2022A Revenue bonds, 5.209% Serial due 2022 through 2053	300,000	-
Total bonds payable, gross	**$ 848,322**	**$ 560,563**
Unamortized bond discount	(5,260)	(3,667)
Unamortized bond issuance costs	(9,703)	(9,797)
Total bonds payable, net	**$ 833,359**	**$ 547,099**

(1) **2010 Revenue Bonds**

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

(2) **2011B Taxable Bonds**

In April 2011, Howard issued $65,065 of Series 2011B bonds to refund the Series 1998 and Series 2006 bonds and to finance new capital improvements. The Series 2011B bonds bear interest between 4.31% and 7.63% and are repayable from 2015 to 2035. The average coupon rate is 6.57%. The 2011 bonds require Howard to maintain a debt service fund of $12,634. At the fiscal year ended June 30, 2022 the fund balance was $13,113.

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.

(3) **Series 2020A 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.

(4) **Series 2020B Taxable Bonds**

In July 2020, Howard issued $29,085 of Series 2020B bonds to refund the Series 2011A bonds and to purchase securities which, along with cash, were deposited with an escrow agent to provide all future debt service payments owed to holders of the Series 2011A bonds through 2041. The Series 2020B bonds bear interest between 1.99% to 3.48% and are repayable between 2025 and 2041.

(5) **Series 2021A Revenue Bonds**

In March 2021, the University issued the Series 2021A Revenue Bonds in the amount of $151,285. The proceeds of the Series 2021A bonds will be used to finance a new steam generation plant on the University's Main Campus, a distribution system, and related expenses (the "Project"), including repayment of an outstanding $26,000 bridge loan and accrued interest that funded portions of the Project. The bonds bear interest between 3.89% to 4.76% and are repayable between 2032 and 2051. As security for its payment obligations, the University will grant to the Trustee for the benefit of the Bondholders a first priority party lien upon its Pledge Revenues. The 2021 bonds require Howard to maintain a debt service fund of $11,657. At the fiscal year ended June 30, 2022 the fund balance was $15,143.

(6) **Series 2022A Revenue Bonds**

In March 2022, the University issued the Series 2022A Revenue Bonds in the amount of $300,000. The proceeds of the Series 2022A bonds will be used to finance or reimburse itself for (i) costs related to certain capital projects for the University, and (ii) costs of issuance related to the Series 2022A Bonds (collectively, the "Project). The bonds bear interest at 5.209% repayable from 2022 to 2053.

(amounts in thousands)

(b) ***Line of Credit***

As of June 30, 2022, Howard has a $150,000 JP Morgan Revolving Credit Agreement. The Revolving Credit Agreement was further amended on November 5, 2021 to extend the termination date from December 31, 2021 to December 31, 2024. In November 2022, the JP Morgan Revolving Credit Agreement was amended to reduce the amount available from $150,000 to $75,000.

There was no outstanding balance at either June 30, 2022 or 2021. Howard is paying a quarterly non-refundable unutilized commitment fee at a rate of 1.70%.

Compliance with Contractual Covenants

The Series 2011B, Series 2020A, Series 2020B, Series 2021A, Series 2022A Bonds and the Revolving Credit Agreement all contain restrictive financial covenants as summarized in the table below as of June 30, 2022.

COVENANT	INSTRUMENT	MEASUREMENT DATE	CRITERIA
Debt Service Coverage Ratio	2011B Revenue Bond	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2020A & 2020B Taxable Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2021A Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	2022A Revenue Bonds	June 30 each year	1.10:1.00
Liquidity Ratio	Revolving Credit Agreement	Quarterly	$160 million

As of June 30, 2022 and 2021, Howard was compliant with the Debt Service Coverage Ratio measurements for the 2011B, 2020A, 2020B, 2021A and 2022A Revenue Bonds and the Liquidity Ratio for Revolving Credit Agreement.

The University has pledged revenue for payment obligations to the Series 2020 and 2022A 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 Howard University Hospital (“HUH”). Pledged Revenues also excludes any revenues generated from clinical services related to HUH and the University’s federal appropriation.

The Series 2020A, Series 2020B, and Series 2021A, and 2022A 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:

(amounts in thousands)

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

The University has pledged certain rent and lease income as collateral for the JP Morgan line of credit.

(c) ***Scheduled Bond Repayments***

The scheduled principal repayments of bonds payable are as follows as of June 30, 2022:

AGGREGATE ANNUAL MATURITIES	AMOUNT
2023	$ 12,593
2024	12,966
2025	24,727
2026	24,836
2027	24,960
2028 and thereafter	748,240
Total	**$ 848,322**

15. Retirement Plans

Employee Retirement Plan - Howard has a noncontributory defined benefit pension plan (the Plan) that was available to substantially all full-time employees through June 30, 2010. 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.

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 $583 and $694 at fiscal years ended June 30, 2022 and 2021, respectively. The amounts not yet reflected in operating expenses, but included in net assets without donor restrictions pertain to accumulated losses of $273 and $352 at June 30, 2022 and 2021, 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, 2022 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: 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 $21,522 and $21,836 for fiscal years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021 are as follows:

(amounts in thousands)

Retirement Benefits	Pension 2022	Pension 2021	Medical and Life Insurance 2022	Medical and Life Insurance 2021	Supplemental 2022	Supplemental 2021
Change in benefit obligation						
Projected benefit obligation at beginning of year	$ 698,745	$ 712,241	$ 49,764	$ 50,441	$ 694	$ 1,025
Service cost	-	-	306	297	-	-
Interest cost	19,497	19,763	1,415	1,418	19	27
Actuarial (gain)/loss	(91,048)	8,271	(6,707)	1,331	(33)	(227)
Benefits paid	(42,461)	(41,530)	(3,675)	(4,037)	(97)	(131)
Medicare Part D subsidy	-	-	49	54	-	-
Employee contributions	-	-	298	260	-	-
Projected benefit obligation at end of period	**$ 584,733**	**$ 698,745**	**$ 41,450**	**$ 49,764**	**$ 583**	**$ 694**
Change in plan assets:						
Fair value of plan assets at beginning of year	$ 689,465	$ 544,592	$ -	$ -	$ -	$ -
Actual return on plan assets	(41,371)	106,403	-	-	-	-
Employer contributions	-	80,000	3,328	3,723	97	-
Employee contributions	-	-	298	260	-	131
Medicare Part D subsidy	-	-	49	54	-	-
Benefits paid	(42,461)	(41,530)	(3,675)	(4,037)	(97)	(131)
Fair value of plan assets at end of period	**$ 605,633**	**$ 689,465**	**$ -**	**$ -**	**$ -**	**$ -**
Total	**$ 20,900**	**$ (9,280)**	**$ (41,450)**	**$ (49,764)**	**$ (583)**	**$ (694)**

Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions at fiscal years ended June 30, 2022 and 2021:

Retirement Benefits	Pension 2022	Pension 2021	Medical and Life Insurance 2022	Medical and Life Insurance 2021	Supplemental 2022	Supplemental 2021
Recognized in Statement of Activities:						
Service cost	$ -	$ -	$ 306	$ 297	$ -	$ -
Interest cost	19,497	19,763	1,415	1,418	19	27
Amortization of prior service cost	100	100	(1,489)	(1,489)	45	92
Amortization of net actuarial loss	12,103	12,383	495	441	-	-
Expected return on plan assets	(39,201)	(31,179)	-	-	-	-
Net periodic benefit cost	**$ (7,501)**	**$ 1,067**	**$ 727**	**$ 667**	**$ 64**	**$ 119**
Net actuarial loss (gain) during the year	(10,476)	(66,954)	(6,707)	1,331	(33)	(227)
Amortization of prior service cost	(100)	(100)	1,489	1,489	-	-
Amortization of net actuarial loss	(12,103)	(12,383)	(495)	(441)	(45)	(92)
Total change in funded status or obligation	**$ (22,679)**	**$ (79,437)**	**$ (5,713)**	**$ 2,379**	**$ (78)**	**$ (319)**
Total recognized in Statements of Activities	**$ (30,180)**	**$ (78,370)**	**$ (4,986)**	**$ 3,046**	**$ (14)**	**$ (200)**

Amounts included in net assets without donor restrictions at fiscal years ended June 30, 2022 and 2021:

Retirement Benefits	Pension 2022	Pension 2021	Medical and Life Insurance 2022	Medical and Life Insurance 2021
Net actuarial loss	$ (223,683)	$ (258,689)	$ (3,844)	$ (3,358)
Prior service cost	(1,901)	(2,001)	(1,190)	2,679
Total	**$ (225,584)**	**$ (260,690)**	**$ (5,034)**	**$ (679)**

(amounts in thousands)

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 \$3,940, \$(1,090), and \$0, respectively.

Contributions to the pension plan of \$0 and \$80,000 were made in fiscal years ended June 30, 2022 and 2021, respectively. No contributions are projected for fiscal year 2023. The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2022 and 2021 were as follows:

	Pension Benefits		Post-retirement Benefits	
Actuarial Assumptions	**2022**	**2021**	**2022**	**2021**
Discount rate	4.67%	2.89%	4.82%	2.95%
Expected return on plan assets	6.50%	7.00%	-	-
Rate of compensation increase	-	-	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2022 and 2021 were as follows:

	Pension Benefits		Post-retirement Benefits	
Actuarial Assumptions	**2022**	**2021**	**2022**	**2021**
Discount rate	2.89%	2.87%	2.95%	2.92%
Expected return on plan assets	7.00%	7.00%	-	-
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.

(amounts in thousands)

Pension plan investments as of June 30, 2022 were as follows:

PENSION PLAN INVESTMENTS AS OF JUNE 30, 2022	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Funds (4)	$ -	$ 1,445	$ -	$ 1,445
U.S. Government Securities (3)	53,097	-		53,097
Common Stock (1)	100,387	-	-	100,387
Fixed Income				
Mortgage Backed Securities (2)	-	1,210	-	1,210
Corporate Bond (2)	-	86,950	-	86,950
Obligations of Foreign Governments (3)	-	1,467	-	1,467
Private Debt Investments (2)	-	-	-	-
Mutual Fund				
Domestic Fixed Income (4)	53,436	-	-	53,436
Total assets	**$ 206,920**	**$ 91,072**	**$ -**	**$ 297,992**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ 603	$ -	$ 603
Total liabilities	**$ -**	**$ 603**	$ -	**$ 603**
Total investments measured at the NAV as a practical expedient				**303,784**
Total pension plan investments	**$ 206,920**	**$ 91,675**	**$ -**	**602,379**
Operating asset not subjected to fair value reporting	16,680	-	-	16,680
Operating liabilities not subjected to fair value reporting	(11,885)	-	-	(11,885)
Total plan assets	**$ 211,715**	**$ 91,675**	**$ -**	**$ 607,174**

Pension plan investments as of June 30, 2021 were as follows:

PENSION PLAN INVESTMENTS AS OF JUNE 30, 2021	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Funds (4)	$ -	$ 1,079	$ -	$ 1,079
U.S. Government Securities (3)	59,211	-		59,211
Common Stock (1)	88,943	-	-	88,943
Fixed Income				
Mortgage Backed Securities (2)	-	2,178	-	2,178
Corporate Bond (2)	-	94,597	-	94,597
Obligations of Foreign Governments (3)	-	2,739	-	2,739
Private Debt Investments (2)	-	1,036	-	1,036
Mutual Fund				
Domestic Common Stock (4)	58,324	-	-	58,324
Domestic Fixed Income (4)	63,427	-	-	63,427
Total assets	**$ 269,905**	**$ 101,629**	**$ -**	**$ 371,534**
Liabilities:				
Financial Derivatives – Option Contracts	$ -	$ (507)	$ -	$ (507)
Total liabilities	**$ -**	**$ (507)**	**$ -**	**$ (507)**
Total investments measured at the NAV as a practical expedient				**309,241**
Total pension plan investments	**$ 269,905**	**$ 101,122**	**$ -**	**$ 680,268**
Operating asset not subjected to fair value reporting	33,316	-	-	33,316
Operating liabilities not subjected to fair value reporting	(24,118)	-	-	(24,118)
Total plan assets	**$ 279,103**	**$ 101,122**	**$ -**	**$ 689,466**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2022 and 2021.

1) **Common Stock:** Valued at the closing price as reported on the New York Stock Exchange.

2) **Corporate Bonds, Mortgage-Backed Securities and Private Debt Investments:** Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.

3) **U.S. Government Securities and Obligations of Foreign Governments:** Valued using pricing models maximizing the use of observable inputs for similar securities.

4) **Money Market, Mutual Funds, and Other Registered Investments**: Represent investments with various investment managers. The mutual funds are valued at the daily closing net asset value as reported by the fund. Mutual funds held by the Plan are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. Money market investments are short-term investments in money market mutual funds which invest in highly liquid government or corporate debt instruments. The Plan invests in a other registered investment called the PIMCO Long Duration Credit Bond Portfolio, which seeks to maximize return by investing in corporate fixed income instruments, options, futures, and swap agreements. They are comprised of units held within a portfolio of an open-end management investment company and are valued at the NAV. The portfolios are registered with the SEC, but are not publicly traded. The NAV is used as a practical expedient to estimate fair value and is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

5) **Alternative Investments:** Alternative investments include the Plan’s limited partnership interests in private equity, real estate funds and hedge funds. These investments are reported at the NAV, as provided by the fund managers. The NAV is used as a practical expedient to measure fair value but is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. The fund managers use pricing models, appraisals, discounted cash flow models, and other valuation

(amounts in thousands)

techniques to determine fair value of the underlying investments in each fund. The Plan also invests in a other registered investment called the PIMCO Long Duration Credit Bond Portfolio, which seeks to maximize return by investing in corporate fixed income instruments, options, futures, and swap agreements. They are comprised of units held within a portfolio of an open-end management investment company and are valued at the NAV. The portfolios are registered with the SEC, but are not publicly traded. The NAV is used as a practical expedient to estimate fair value and is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

6) **Common/Collective Trusts:** Units held within common/collective trusts ("CCTs") are valued at the NAV. The NAV is used as a practical expedient to estimate fair value and is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV.

7) **Foreign Currency Contracts:** Valued using pricing models that implement a variety of numerical techniques that most efficiently consider the underlying variables embodied in the intrinsic value and time value of the underlying financial instruments. The contracts are recorded at fair value on the date the contract is entered into, which is typically zero.

Plan investments measured at the NAV as a practical expedient are summarized for fiscal years 2022 and 2021 as follows:

INVESTMENTS AS OF JUNE 30, 2022	Fair Value	Unfunded Commitments	Redemption/ Withdrawal	Redemption/ Withdrawal
Hedge funds[a]	$ 44,640	$ -	Monthly to Annually	45-180 days
Real estate funds[b]	21,403	5,271	None to Annually	1-5 years
Common/collective trusts[c]	94,846	-	-	Monthly
Limited partnerships[d]	131,289	38,296	-	≤ 10 years
Other registered investments[e]	11,606	-	-	Daily
Total investments measured at the NAV as practical expedient	**$ 303,784**	**$ 43,567**		

INVESTMENTS AS OF JUNE 30, 2021	Fair Value	Unfunded Commitments	Redemption/ Withdrawal	Redemption/ Withdrawal
Hedge funds[a]	$ 41,592	$ -	Monthly to Annually	45-180 days
Real estate funds[b]	58,577	6,939	None to Annually	1-5 years
Common/collective trusts[c]	34,732	-	-	Monthly
Limited partnerships[d]	146,668	45,297	-	≤ 10 years
Other registered investments[e]	27,672			Daily
Total investments measured at the NAV as practical expedient	**$ 309,241**	**$ 52,236**		

(amounts in thousands)

The tables presented above represent Howard's net asset value of investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2022 and 2021. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions. Refer to Note 8 – Fair Value Measurements for further explanation of investment objectives for the investments measured at net asset value.

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	2022	2021	Allowable Range
Mid-Large Cap U.S. Equity	11.7%	15.4%	7-23%
Small Cap U.S. Equity	3.4%	6.3%	1-5%
International Equity - Developed	4.0%	4.3%	7-17%
Private Equity/Venture Capital	10.5%	10.0%	2-20%
Private Debt	6.6%	6.9%	2-8%
Hedge Funds	6.7%	6.0%	1-5%
Inflation Hedging	4.2%	3.0%	1-5%
Emerging Markets Equity	3.0%	3.4%	2-8%
Real Estate	7.6%	8.5%	3-11%
Liability Hedging Assets	29.0%	29.7%	25-45%
Cash and Cash Equivalents	13.3%	6.5%	0-5%
Total	**100%**	**100%**	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2022 is 5.41%. This growth rate was assumed to decrease gradually to 4.00% in 2046 and to remain at this level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

(amounts in thousands)

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

EXPECTED FUTURE BENEFIT PAYMENTS	PENSION BENEFITS	POST-RETIREMENT BENEFITS		
		EXCLUDING SUBSIDY	SUBSIDY PAYMENTS	NET OF SUBSIDY
Year ending June 30:				
2023	$ 47,903	$ 3,814	$ 90	$ 3,724
2024	47,241	3,702	84	3,618
2025	46,423	3,623	77	3,546
2026	45,571	3,509	71	3,438
2027	44,575	3,417	66	3,351
Years 2028-2032	201,348	15,787	252	15,535
Total	**$ 433,061**	**$ 33,852**	**$ 640**	**$ 33,212**

The mortality retirement rates base table used Pri-2012 Mortality Table without collar adjustment projected using the MP-2021 Mortality Improvement Scale.

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

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

(amounts in thousands)

16. Net Assets

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

NET ASSETS WITH DONOR RESTRICTIONS	2022	2021
Subject to expenditure or use for specified purpose:		
Scholarships	$ 71,894	$ 59,686
Professorships	21,982	20,588
Student loans	3,202	2,951
Federal term endowment	176,227	203,842
General operations and other	104,848	61,013
Total subject to purpose restrictions	**$ 378,153**	**$ 348,080**
Funds subject to time restrictions and to be held in perpetuity:		
Subject to time restrictions	$ -	$ 7,257
To be held in perpetuity	263,807	224,049
Total funds to be held in perpetuity and subject to time restrictions	**$ 263,807**	**$ 231,306**
Endowments subject to spending policy and appropriation:		
Scholarships	$ 75,177	$ 65,308
Professorships	32,038	30,459
Student loans	27	(13)
General operations and other	9,809	8,936
Total endowments subject to spending policy and appropriation	**$ 117,051**	**$ 104,690**
Total net assets with donor restrictions	**$ 759,011**	**$ 684,076**

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, 2022 and 2021, there were transfers of $14,283 and $0, respectively.

For the fiscal years ended June 30, 2022 and 2021, net assets without donor restrictions were $530,902 and $453,292, 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.

(amounts in thousands)

Net assets without donor restrictions include the following at June 30:

NET ASSETS WITHOUT DONOR RESTRICTIONS	2022	2021
Non-board designated	$ 127,137	$ 72,523
Board designated	403,765	380,769
Total	**$ 530,902**	**$ 453,292**

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, 2022 and 2021 are as follows:

NET ASSETS RELEASED FROM RESTRICTIONS	2022	2021
Restrictions released based on purpose:		
Scholarships and fellowships	$ 24,655	$ 17,405
Professorships	907	809
Student loans	12	80
General operations and other	5,092	2,556
Total	**$ 30,666**	**$ 20,850**

17. 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.

Consolidated Statements of Functional Expenses For year ended June 30, 2022 *(in thousands)*	**Academic and Research**	**Healthcare Services**	**Administrative Support**	**Total**
Operating expenses:				
Compensation	$ 236,973	$ 158,352	$ 81,511	$ 476,836
Medical and office supplies	7,390	32,026	5,792	45,208
Repairs and maintenance	13,057	1,679	8,369	23,105
Food service costs	158	4,229	18,269	22,656
Grant subcontracts	24,545	53	287	24,885
Insurance and risk management	8,564	7,188	15,560	31,312
Professional and administrative services	66,492	81,425	116,970	264,887
Other costs	10,273	5,478	16,370	32,121
Total operating expenses before interest, depreciation, and amortization	**367,452**	**290,430**	**263,128**	**921,010**
Interest expense	7	2,936	19,048	21,991
Depreciation	19,058	8,978	19,160	47,196
Interest, depreciation, and amortization	**19,065**	**11,914**	**38,208**	**69,187**
Total operating expenses	**$ 386,517**	**$ 302,344**	**$ 301,336**	**$ 990,197**

Consolidated Statements of Functional Expenses For year ended June 30, 2021 *(in thousands)*	**Academic and Research**	**Healthcare Services**	**Administrative Support**	**Total**
Operating expenses:				
Compensation	$ 226,454	$ 175,577	$ 77,006	$ 479,037
Medical and office supplies	9,016	32,248	4,083	45,347
Repairs and maintenance	1,179	1,784	5,657	8,620
Food service costs	94	3,797	2,884	6,775
Grant subcontracts	19,704	1	178	19,883
Insurance and risk management	9,196	11,373	9,691	30,260
Professional and administrative services	12,375	46,554	54,378	113,307
Operations and maintenance costs	27,473	7,419	15,011	49,903
Other costs	30,157	2,378	21,289	53,824
Total operating expenses before interest, depreciation, and amortization	**335,648**	**281,131**	**190,177**	**806,956**
Interest expense	4,416	3,674	11,146	19,236
Depreciation	9,284	6,618	15,308	31,210
Interest, depreciation, and amortization	**13,700**	**10,292**	**26,454**	**50,446**
Total operating expenses	**$ 349,348**	**$ 291,423**	**$ 216,631**	**$ 857,402**

18. 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.

(amounts in thousands)

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
Medicare 2020-2021
Medicare 2021-2022

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in a decrease in net patient service revenues of approximately $34,819 for fiscal year ended June 30, 2022 and a decrease of approximately $18,189 for fiscal year ended June 30, 2021.

THIRD-PARTY SETTLEMENT REVENUE	2022	2021
Medicare pass-through	$ 10,563	$ 9,951
Disproportionate Share Hospital	75,529	80,365
Graduate and Indirect Medical Education	12,874	10,954
Other	7,209	(4,065)
Total third-party settlement revenue	**$ 106,175**	**$ 97,205**

19. 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 $1,802 and $3,117 for fiscal years ended June 30, 2022 and 2021, respectively.

20. 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.

(amounts in thousands)

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

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

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

INSURANCE AND RISK MANAGEMENT	2022	2021
Malpractice claims expense	$ 9,584	$ 10,392
Malpractice excess insurance	2,031	1,525
Student health	8,507	8,970
General and other	11,190	9,373
Totals	**$ 31,312**	**$ 30,260**

21. 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, 2022 and 2021.

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.

22. 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, 2022 and 2021 Howard reserved $2,583 and $2,000 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 is exposed to concentration risk related to labor subject to collective bargaining agreements ("CBA"). The risk is associated with the potential for labor disputes, strikes, and other labor related disruptions that could adversely affect the University's operations and financial performance. As of the balance sheet date approximately 14% of the labor force is covered by a CBA, and 0% covered by an agreement that will expire within one year.

23. COVID-19 and COVID-19 Relief Funds

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.

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, 2021, the University received federal funding from the American Rescue Plan Act (ARP Act) for Higher Education Emergency Relief Fund (HEERF Grant) in the total amount of approximately $35,200 related to relief efforts in light COVID-19. The University has expended $18,100 of the funds received for the HEERF grant during the year ended June 30, 2021, and the remaining $17,100 during the year ended June 30, 2022. This amount is included in grant revenue and recognized as academic expense on the consolidated statements of activities.

During the years ended June 30, 2022 and 2021, the University also received federal funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) Act for HBCU Education Stabilization Fund in the amount of approximately $35,000 and $20,000, respectively, related to relief efforts in light of COVID-19. As of June 30, 2022 and 2021, the University recognized contribution revenue of approximately $23,600 and $20,000, respectively, for the institutional portion of this grant.

(b) ***Howard University Hospital (HUH)***

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 $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, 2022, the Hospital recognized an additional amount of $1,557 of the High Impact disbursement of the PRF, as permitted by the terms and conditions, as other operating revenue. The Hospital also recognized an additional amount of $869 of the Phase Four disbursement of the PRF during the year ended June 30, 2022, as permitted by the terms and conditions, as other operating 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.

(amounts in thousands)

The District of Columbia Department of Health Care Finance provided a grant to support the district's hospitals in their response to the ongoing COVID-19 public health emergency that further intensified District Hospitals' existing shortage for nursing staff. Nursing staff is a critical component of providing essential care for COVID-19 and the shortage caused an increased reliance on contracted "travel" nurses to meet the hospitals' staffing needs. The Hospital received a grant award in the amount of $1,876 to support personnel cost incurred to respond to the COVID-19 pandemic. This grant was recognized as of June 30, 2022, as permitted by the terms and conditions, as other operating revenue.

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 were recorded as deferred revenue as of June 30, 2020. Recoupment of the funds began in April 2021 through a reduction of payment made on Medicare claims. The Hospital maintained an Accelerated and Advanced Payment Program balance in the amount of $3,609 in deferred revenue as of June 30, 2022.

24. 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 (the Middle School), which operates from premises owned by Howard. The Middle School is a separate legal entity. For fiscal years ended June 30, 2022 and 2021, Howard has contributed to the Middle School as follows:

RELATED PARTY TRANSACTIONS	2022	2021
Cash operating support	$ 500	$ 500
Facility leased (market value)	1,451	1,451
Total	**$ 1,951**	**$ 1,951**

(amounts in thousands)

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

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

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

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.

As of fiscal years ending June 30, 2022 and 2021, the consolidated statements of financial position for the LLC are as follows:

HOWARD DIALYSIS CENTER, LLC STATEMENTS OF FINANCIAL POSITION	2022	2021
Total Assets	$ 11,949	$ 12,020
Total Liabilities	$ 2,910	$ 3,417
Equity		
Partner	6,280	5,831
Retained earning	2,759	2,772
Total Equity	**$ 9,039**	**$ 8,603**
ARA interest	$ 4,610	$ 4,387
Howard interest	$ 4,429	$ 4,216

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

In July 2019, the University entered 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) ***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.

(e) ***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 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.

(f) ***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.

(g) ***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.

(h) ***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.

(i) ***Trustees and Officers***

Transactions between the University and any of its trustees and officers are subject to the University's conflict of interest policies, which require disclosure of conflict of interests and abstention by the conflicted persons from University decision making.

25. Subsequent Events

The University evaluated subsequent events through December 20, 2022 which is the date the consolidated financial statements were issued. Except as disclosed below, the University concluded that no material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.

(a) On July 13, 2022, Provident Resources Group Inc., acquired 100% of the 5.91% Senior Secured Notes due June 1, 2031 issued by Corvias Campus Living-HU LLC in connection with the Note Purchase Agreement and transaction referenced in note 24(e), including the Service Concession Agreement for the Operation and Management of Student Housing. Provident, as the Required Holder and Approved Lender, terminated the (i) the Concessionaire Account Manager; (ii) Corvias as the Concessionaire; (iii) Corvias Management, LLC as the Project Manager and the Residence Life Service Provider. Provident appointed itself as the Concessionaire; and will rely on Howard University to perform project management and residence life services on an interim basis. Howard Dormitory Holding 1, LLC and Howard University consented to and agreed with the terminations and appointments.

(b) In November 2022, the University's JP Morgan Revolving Credit Agreement was amended JP Morgan Revolving Credit Agreement to reduce the line of credit amount available from $150,000 to $75,000.

Supplementary Information

THE HOWARD UNIVERSITY

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

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	+	$ 530,902				
Statement of Financial Position	Net assets with donor restrictions	+	759,011				
Note 16	Net assets with donor restrictions: restricted in perpetuity	-	263,807				
Note 9	Annuities, term endowment, and life income funds with donor restrictions	-	455,159				
N/A	Intangible assets	-	-				
Statement of Financial Position	Net property, plant and equipment (See Note A to this schedule)	-	765,072				
Statement of Financial Position	Post-employment and defined benefit pension liabilities	+	41,544				
Statement of Financial Position	All debt obtained for long-term purposes, not to exceed net property, plant and equipment (See Note B to this schedule)	+	765,072				
(Note C to this Schedule)	Unsecured related-party receivables (See Note C to this schedule)	-	-				
	Numerator total		$ 612,491				
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	+	$ 1,017,879				
	Denominator total		$ 1,017,879				
	Primary Reserve Ratio:		0.60	10.00	3.00	0.40	1.20
	Equity Ratio						
Statement of Financial Position	Net assets without donor restrictions	+	$ 530,902				
Statement of Financial Position	Net assets with donor restrictions	+	759,011				
N/A	Intangible assets	-	-				
(Note C to this Schedule)	Unsecured related-party receivables (see Note C to this schedule)	-	-				
	Numerator total		$ 1,289,913				
Statement of Financial Position	Total assets	+	$ 2,607,941				
N/A	Intangible assets	-	-				
N/A	Unsecured related-party receivables (see Note C to this schedule)	-	-				
	Denominator total		$ 2,607,941				
	Equity Ratio:		0.49	6.00	2.97	0.40	1.19
	Net Income Ratio						
Statement of Activities	Change in net assets without donor restrictions	+	$ 77,610				
	Numerator total		$ 77,610				
Statement of Activities	Total revenues without donor restriction, including net assets released from restrictions and gains	+	$ 1,095,489				
	Denominator total		$ 1,095,489				
	Net Income Ratio:		0.07	1 + (50x)	3.00	0.20	0.60
			Strength Factor Score				**3.0**

THE HOWARD UNIVERSITY

Financial Responsibility Supplemental Schedule

Year Ended June 30, 2022

Note A. Property, Plant and Equipment, Net and Finance Right of Use Asset

June 30,		2022
Pre-Implementation:		
Net property, plant and equipment	$	376,971
Post-Implementation:		
Net property plant and equipment - With outstanding debt for original purchase		-
Net property plant and equipment - Without outstanding debt for original purchase		174,290
Finance lease right of use asset		54,362
Operating lease right of use asset		39,375
Construction in progress		120,074
Total property and equipment, net and finance and operating right of use asset	$	765,072

The above total includes property plant and equipment assets purchased through finance and operating leases.

Note B. Long-Term Debt for Long-Term Purposes

June 30,		2022
Long term debt for long term purposes - pre-implementation	$	253,606
Long term debt for long term purposes - post-implementation		421,052
Finance lease obligations		53,382
Operating lease obligations		37,032
Total long-term debt for long-term purposes	$	765,072

Long term debt exceeds twelve months and was used to fund capitalized assets (i.e., property, plant and equipment or capitalized expenditures in accordance with accounting standards generally accepted in the United States of America).

Note C. Related Party Receivables

There were no related party receivables as of and for the year ended June 30, 2022.