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**HOWARD**  

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**UNIVERSITY**

**The Howard University**  
Consolidated Financial Statements  
For Fiscal Years Ended June 30, 2023 and 2022

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**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, 2023, 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 11, 2023



## 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, 2023 and 2022, 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, 2023 and 2022, 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 contained 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 University's ability to continue as a going concern within one year after the date that the consolidated financial statements are 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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 11, 2023 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, P.C.

December 11, 2023

**The Howard University**  
**Consolidated Statements of Financial Position**  
**June 30, 2023 and 2022**  
(In thousands)

	2023	2022
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 205,693	\$ 215,412
Operating investments	7,719	7,794
Deposits with trustees	1,310	3,487
Receivables, net	178,349	170,467
Healthcare contract assets, net	2,401	2,153
Inventories, prepaids and other assets	47,738	34,468
Restricted investments	50,046	46,747
Total Current Assets	493,256	480,528
<b>Long Term Assets:</b>		
Deposits with trustees	25,858	25,796
Receivables, net	37,801	71,218
Inventories, prepaids and other assets	9,211	17,443
Unexpended bond proceeds	340,386	347,715
Restricted investments	8,580	9,017
Endowment investments	926,633	862,784
Operating lease right of use assets	39,346	39,375
Finance lease right of use assets	23,441	54,362
Overfunded defined benefit pension plan	20,602	20,900
Long-lived assets, net	710,730	678,803
Total Long Term Assets	2,142,588	2,127,413
Total Assets	\$ 2,635,844	\$ 2,607,941
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 157,123	\$ 167,820
Deferred revenue	123,613	84,311
Other liabilities	29,381	28,791
Accrued post-retirement benefits	3,932	3,817
Reserve for self-insured liabilities	9,160	11,529
Notes payable	869	1,121
Operating lease obligations	8,903	16,741
Finance lease obligations	3,817	29,171
Bonds payable, net	12,966	12,593
Total Current Liabilities	349,764	355,894
<b>Long Term Liabilities:</b>		
Other liabilities	1,951	3,144
Accrued post-retirement benefits	35,063	37,727
Reserve for self-insured liabilities	52,035	51,967
Operating lease obligations	25,374	20,291
Finance lease obligations	17,531	24,211
Bonds payable, net	808,762	820,766
Refundable advances under Federal Student Loan Program	4,037	4,028
Total Long Term Liabilities	944,753	962,134
Total Liabilities	1,294,517	1,318,028
<b>Net Assets:</b>		
Without donor restrictions	512,874	530,902
With donor restrictions	828,453	759,011
Total Net Assets	1,341,327	1,289,913
Total Liabilities and Net Assets	\$ 2,635,844	\$ 2,607,941

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

**The Howard University**  
Consolidated Statements of Activities  
For the years ended June 30, 2023 and 2022  
(In thousands)

For the year ended June 30, 2023 (with summarized comparative information for fiscal year ended June 30, 2022)	Without Donor Restrictions	With Donor Restrictions	Total 2023	Summarized 2022
<b>Operating</b>				
<b>Revenues, support and reclassifications:</b>				
Academic services:				
Tuition and fees, net of financial aid	\$ 222,416	\$ —	\$ 222,416	\$ 193,448
Grants and contracts	92,439	—	92,439	92,473
Auxiliary services	48,970	—	48,970	40,854
Clinical services:				
Patient service - Hospital, net	294,595	—	294,595	292,408
Patient service - Faculty Practice Plan, net	23,087	—	23,087	20,097
Patient service - Dental clinic, net	1,621	—	1,621	214
Public support:				
Federal appropriation	248,199	3,405	251,604	244,018
Contributions of cash and other financial assets	25,219	49,049	74,268	147,447
Endowment transfer	13,010	8,523	21,533	21,175
Operating investment income (loss)	16,580	—	16,580	(85)
Real property	5,298	—	5,298	61,759
Other income	17,684	196	17,880	34,936
Total revenues and support	1,009,118	61,173	1,070,291	1,148,744
Net assets released from restrictions	18,743	(18,743)	—	—
Total revenues, support and reclassifications	1,027,861	42,430	1,070,291	1,148,744
<b>Expenses:</b>				
Academic and student support	359,143	—	359,143	322,810
Research	81,871	—	81,871	63,707
Healthcare services	305,856	—	305,856	302,344
Auxiliary enterprises	46,084	—	46,084	39,795
Administrative and support services	253,043	—	253,043	261,541
Total operating expenses	1,045,997	—	1,045,997	990,197
Operating revenues over operating expenses	(18,136)	42,430	24,294	158,547
<b>Non-operating</b>				
Investment income (loss) in excess of amount designated for operations	27,542	31,702	59,244	(19,192)
Endowment transfer	(13,010)	(8,523)	(21,533)	(21,175)
Net unrealized gain (loss) in beneficial interest trust	—	393	393	(1,120)
Net periodic benefit cost other than service cost	3,002	—	3,002	7,016
Change in funded status of defined benefit pension plan	(4,042)	—	(4,042)	22,678
Change in obligation for post-retirement benefit plan	786	—	786	5,713
Change in funded status of supplemental retirement plan	13	—	13	78
Other non-operating items, net	(14,183)	3,440	(10,743)	—
Increase (decrease) in non-operating activities	108	27,012	27,120	(6,002)
Change in net assets	(18,028)	69,442	51,414	152,545
Net assets, beginning of year	530,902	759,011	1,289,913	1,137,368
Net assets, end of year	\$ 512,874	\$ 828,453	\$ 1,341,327	\$ 1,289,913

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



**The Howard University**  
**Consolidated Statements of Cash Flows**  
For the years ended June 30, 2023 and 2022  
(In thousands)

For the years ended	2023	2022
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 51,414	\$ 152,545
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	42,241	47,196
Bond discount amortization	235	80
Bonds issuance cost amortization	727	721
Net realized loss (gain) on sale of investments	7,673	(73,807)
Unrealized (gain) loss on investments	(16,824)	114,316
Stock distributions	(3,932)	(19,929)
Contributions restricted in perpetuity	(24,765)	(40,282)
Loss on sale/disposal of long-lived assets	4,787	5,613
Change in deposits with trustees	2,115	10,839
Change in receivables (excluding notes)	27,733	(79,662)
Change in contract assets	(248)	(138)
Change in allowance for doubtful receivables	(2,975)	6,000
Change in inventory, prepaids and other assets	(5,209)	(2,629)
Change in operating right of use assets	29	(34,303)
Change in accounts payable and accrued expenses	(10,697)	35,739
Change in deferred revenue	39,302	23,690
Change in other liabilities	(603)	3,852
Change in pension/post retirement liability	(2,251)	(38,400)
Change in reserve for self-insured liabilities	(2,301)	(10,661)
Change in operating lease obligation	(2,755)	31,620
Change in refundable advances under Federal Student Loan Program	9	(469)
Net cash and cash equivalents provided by operating activities	<u>103,705</u>	<u>131,931</u>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	895,238	908,613
Purchases of investments	(948,791)	(944,812)
Return on unexpended bond proceeds	7,329	(269,080)
Purchases and renovations of long-lived assets	(74,656)	(119,588)
Net cash and cash equivalents used in investing activities	<u>(120,880)</u>	<u>(424,867)</u>
<b>Cash flows from financing activities</b>		
Contributions restricted in perpetuity	24,765	40,282
Payment on notes payable	(252)	(207)
Proceeds from bonds payable	2,491	298,266
Payments on bonds payable	(12,593)	(12,242)
Bond issuance costs	(2,491)	(567)
Principal payments on finance lease obligations	(4,514)	(9,129)
Change in finance right of use assets and lease obligation	(727)	(3,670)
Change in student loans issued	—	(66)
Change in student loans collected	777	605
Net cash and cash equivalents (used in) provided by financing activities	<u>7,456</u>	<u>313,272</u>
(Decrease) increase in cash and cash equivalents	(9,719)	20,336
Cash and cash equivalents at beginning of year	215,412	195,076
Cash and cash equivalents at end of year	<u>\$ 205,693</u>	<u>\$ 215,412</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 36,124	\$ 25,754
<b>Supplemental non-cash investing and financing activities:</b>		
Acquisition of equipment under financing leases	3,885	5,569
Stock distributions	3,932	19,929

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.*

**The Howard University**  
Notes to the Consolidated Financial Statements  
June 30, 2023 and 2022  
(In thousands)

## 1. University Organization

The Howard University (hereafter referred to as Howard or the University) is a private, nonprofit institution of higher education 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 Research Institute for Tactical Autonomy (RITA) is a University Affiliated Research Center (UARC) competitively awarded by the U.S. Department of Defense to Howard University in 2023.

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 consolidated 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2022, from which the summarized information is derived.

Operating results in the consolidated 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 sources 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 the 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 funds are donor-restricted assets until they are appropriated for expenditure by the University's governing body or law.

**The Howard University**  
Notes to the Consolidated Financial Statements  
June 30, 2023 and 2022  
(In thousands)

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 consolidated 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. For the years ended June 30, 2023 and 2022, there were no uncertain tax positions considered to be material.

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 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, 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 6).

**The Howard University**  
Notes to the Consolidated Financial Statements  
June 30, 2023 and 2022  
(In thousands)

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) Revenue Recognition**

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: (i) identify the contract; (ii) identify performance obligations; (iii) determine transaction price; (iv) allocate transaction price; and (v) recognize revenue.

The University (i) evaluates other revenue streams based on whether transactions should be accounted for as contributions (nonreciprocal transactions) or as revenue from contracts with customers (reciprocal) transactions and (ii) determined whether a contribution is conditional.

The University earns revenue primarily through patient care, and instruction in the form of tuition and fees and auxiliary 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.

**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, 2023 and 2022 was \$177,937 and \$163,622, respectively.

**The Howard University**  
Notes to the Consolidated Financial Statements  
June 30, 2023 and 2022  
(In thousands)

<b>TUITION AND FEES, NET</b>	<u><b>2023</b></u>	<u><b>2022</b></u>
Gross tuition and fees	\$ 400,353	\$ 357,070
Less financial aid:		
Merit	104,218	81,603
Need	52,131	56,259
Talent	10,691	10,109
Other	10,897	15,651
Total financial aid	<u>\$ 177,937</u>	<u>\$ 163,622</u>
Total tuition and fees, net of financial aid	<u><u>\$ 222,416</u></u>	<u><u>\$ 193,448</u></u>

**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). For the years ended June 30, 2023 and 2022, Howard recognized \$90,725 and \$91,584 of revenue subject to Topic 958, respectively, and an immaterial amount of revenue is subject to ASC 606, Revenue from Contracts with Customers.

Grants and contracts 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. As of June 30, 2023, the University did not have any grants that represented more than 10% of grants and contracts revenue. As of June 30, 2022, the University had one grant of \$17,291, which was 19% of the balance.

<b>GRANTS AND CONTRACTS REVENUE</b>	<u><b>2023</b></u>	<u><b>2022</b></u>
Reimbursement of direct expenses	\$ 81,223	\$ 82,974
Recovery of indirect costs	11,216	9,499
Total University grants and contracts revenue	<u>\$ 92,439</u>	<u>\$ 92,473</u>
Indirect costs recovery as a % of direct costs	14%	11%

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

<b>GRANTS AND CONTRACTS REVENUE BY TYPE</b>	<u><b>2023</b></u>	<u><b>2022</b></u>
Research	\$ 63,236	\$ 42,528
Training	11,649	15,424
Service/other	17,554	34,521
Total grants and contracts revenue by type	<u><u>\$ 92,439</u></u>	<u><u>\$ 92,473</u></u>

**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.

**The Howard University**  
Notes to the Consolidated Financial Statements  
June 30, 2023 and 2022  
(In thousands)

<b>AUXILIARY SERVICES REVENUE</b>	<b>2023</b>	<b>2022</b>
Student housing	\$ 11,122	\$ 7,743
Meal plans	24,326	20,713
Radio station	8,628	7,993
Bookstore	888	844
Parking fees	1,897	1,631
Other	2,109	1,930
Total auxiliary services revenue	<u>\$ 48,970</u>	<u>\$ 40,854</u>

**Net patient service revenue** arises from contracts to provide health care services to patients. Revenue is recognized when services are provided, and performance obligations are satisfied. This revenue often involves third-party payors (e.g., Medicare, Medicaid, and insurance companies), with transaction prices dependent on terms set by or negotiated with these payors. Howard estimates net revenue based on expected payments from patients and payors, considering price concessions in managed care and insurance plans as specified in contracts. Revenue from uninsured patients and insured co-payments or deductibles may include discounts. Howard also accounts for estimated implicit price concessions for uninsured accounts, based on historical collections.

Howard University Hospital and the Faculty Practice Plan have payment arrangements with third-party payors at established rates, including per discharge, reimbursed costs, discounted charges, and per-diem payments. The University accrues retroactive adjustments based on estimates when services are rendered, adjusting them as final settlements are determined. Receivables represent amounts due for services rendered by the University's Faculty Practice and the Hospital.

<b>NET PATIENT SERVICE REVENUE</b>	<b>2023</b>	<b>2022</b>
Gross Revenues	\$ 834,755	\$ 788,658
Third-party settlement revenue	94,215	106,182
Price concessions	(609,667)	(582,121)
Total net patient service revenue	<u>\$ 319,303</u>	<u>\$ 312,719</u>

**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, 2023 and 2022, Howard received 24% and 21%, respectively, of its revenue support from the Federal appropriation. The \$3,405 receivable as of June 30, 2023 and 2022, 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 the 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.

The University recognized approximately \$5,991 and \$23,600 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, 2023 and 2022, 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.

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Contributions income for fiscal years ended June 30, 2023 and 2022 is shown below:

<b>CONTRIBUTIONS INCOME</b>	<b>2023</b>	<b>2022</b>
Without donor restrictions	\$ 25,219	\$ 39,550
With donor restrictions	49,049	107,897
Total	<u>\$ 74,268</u>	<u>\$ 147,447</u>

Contributions 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. As of June 30, 2023, the University did not have any single donors that represented greater than 10% of contribution income. As of June 30, 2022, the University had two individual donors of \$23,644 and \$20,537, which represented 16% and 14% of the balance, respectively.

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 \$52 and \$1,164 for fiscal years ended June 30, 2023 and 2022, 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 ended June 30, 2023, other income was primarily composed of revenue recognized related to distributions of the DC Medicaid Indigent Care Grant related to the Hospital's operations in the amount of \$8,069. For the year ended 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 of \$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. As a result of recent regulations related to the winding down of the Federal Perkins Loan Program, Howard has begun the process of returning outstanding loans to the Department of Education.

**(h) Inventories, Prepaids and Other Assets**

Inventories consist primarily of medical supplies and are recorded at the lower of cost or realizable value on a first-in, first-out basis. Prepaids consist primarily of insurance, dues, subscriptions and other fees and are amortized over the useful period. Other assets consist primarily of deferred health charges, intellectual property, and beneficial interest trust.

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**(i) Long-Lived Assets**

Long-lived assets include (i) property, (ii) 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, (iii) capital improvements, (iv) equipment, (v) software, (vi) library books, and (vii) art and historical treasures for the University. Long-lived assets are recorded 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. Land, which is included in (i) land and land improvements, and (ii) property held for expansion, is not depreciated.

The University capitalizes and recognizes purchased and donated works of art and historical treasures on the consolidated statement of financial position. 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 loss on the consolidated 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. The useful lives for fiscal years reported are as follow:

Land improvements	1-25 years
Building and building improvements	5-40 years
Property held for expansion	40 years
Furniture and equipment	3-20 years
Library books	10 years
Software	3-10 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. As of June 30, 2023 and 2022, unexpended bond proceeds totaled \$340,386 and \$347,715, 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 (see Note 11).



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**(l) Pension and Post-Retirement Benefits**

The funded status of Howard's pension benefit (the Plan) is actuarially determined and recognized in the consolidated statements of financial position as either an asset to reflect an overfunded status, or as a liability to reflect an underfunded status. Howard's actuarially determined post-retirement benefit obligation is recognized on the consolidated statements of financial position as an asset. Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan (see Note 15).

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

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice and worker's compensation claims and includes estimates of the ultimate cost to resolve such claims (see Note 7 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.

**(n) Refundable Advances Under Federal Student Loan Program**

Funds provided by the United States Department of Education under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. The portion of these funds provided by the Department of Education are ultimately refundable to the Department of Education and are reported as liabilities in the consolidated statements of financial position and as cash flows from financing activities in the consolidated statements of cash flows. Loans issued to students are reported as part of receivables in the consolidated statements of financial position.

**(o) 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.

**(p) Measure of Operations**

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

**(q) New Accounting Pronouncements**

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

In January 2020, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. For non-public entities, ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The ASU requires credit losses on most financial assets carried at amortized cost and certain other instruments to be measured using an expected credit loss model. Howard is evaluating the impact of ASU 2016-13.

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 adopted this standard during the year ended June 30, 2023 and it did not have a material impact to the consolidated financial statements.

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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 adopted this standard during the year ended June 30, 2023 and it did not have a material impact to the consolidated financial statements.

**(r) Reclassifications**

Certain 2022 amounts have been reclassified to conform to the 2023 presentation. Such reclassifications did not have any impact on the University's previously reported net asset balances.

In fiscal year 2023, the University adjusted its consolidated statement of financial position to reclassify amounts for unidentified deposits. For consistency, comparative amounts in the financial statements and related notes were reclassified, resulting in a shift of \$5,292 from other liabilities to deferred revenue.

Also during fiscal year 2023, the University aimed an initiative to spend grant research funds before expiration. Therefore the University enhanced its research spending which entailed the efforts of reclassifying grants and contracts originally classified among the categories of Research, Training, and Service/other.

**3. Liquidity and Availability of Resources**

As of June 30, 2023 and 2022, financial assets and liquidity resources that are available within one year for general expenditures consists of the following:

<b>FINANCIAL ASSETS AND LIQUIDITY RESOURCES</b>	<b>2023</b>	<b>2022</b>
<b>Financial Assets:</b>		
Cash and cash equivalents	\$ 205,693	\$ 215,412
Operating investments	7,719	7,794
Receivables, net (excluding donor stipulated restrictions)	108,048	145,590
Healthcare contract assets, net	2,401	2,153
Other investments appropriated for current use	22,864	21,533
Total financial assets available within one year	<u>\$ 346,725</u>	<u>\$ 392,482</u>
<b>Liquidity Resources:</b>		
Unused bank line of credit available	75,000	75,000
Total financial assets and liquidity resources available within one year	<u>\$ 421,725</u>	<u>\$ 467,482</u>

None of the financial assets included above are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the consolidated statement of financial position. Receivables includes pledges that are subject to time restrictions but are expected to be collected within one year. The University's endowment investments, which include donor-restricted and quasi-endowment assets, are subject to a Board spending policy of 4 percent. Aside from investment income allocated for general expenditures, these quasi-endowment funds can be accessed, if necessary, with Board approval. 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, 2023 and 2022, there was no outstanding balance on the line of credit.

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**4. Receivables, Net**

The major components of receivables, net of reserves for doubtful accounts of \$14,800 and \$17,700 as of June 30, 2023 and 2022, respectively, were as follows:

<b>RECEIVABLES</b>	<b>2023</b>	<b>2022</b>
Student	\$ 15,749	\$ 13,351
Notes	3,240	4,017
Federal appropriation	3,405	3,405
Patients and third-party payors - Hospital	35,909	63,614
Patients and third-party payors - FPP	39	—
Grants and contracts	29,263	49,055
Contributions	61,558	52,315
Auxiliary services	2,977	2,542
Real property	64,010	53,386
Total	<u>\$ 216,150</u>	<u>\$ 241,685</u>

As of June 30, 2023 and 2022, the University had one real property receivable which attributed to 19% and 17% of total receivables, respectively.

Contributions receivable at June 30, 2023 and 2022 are expected to be received as follows:

<b>CONTRIBUTIONS RECEIVABLE</b>	<b>2023</b>	<b>2022</b>
Within one year	\$ 47,963	\$ 39,657
Between one and five years	21,780	25,092
Thereafter	2,002	3,000
Contributions receivable gross	71,745	67,749
Unamortized discount on contributions receivable (2%-6.5%)	(4,563)	(6,752)
Contributions receivable, net of discounts	67,182	60,997
Allowance for uncollectible contributions	(5,624)	(8,682)
Contributions receivable, net of discounts and allowance	<u>\$ 61,558</u>	<u>\$ 52,315</u>

**5. Inventories, Prepaids and Other Assets**

Components of inventories, prepaids and other assets accounts as of June 30, 2023 and 2022 are as follows:

<b>INVENTORIES, PREPAIDS, AND OTHER ASSETS</b>	<b>2023</b>	<b>2022</b>
Inventories - Hospital	\$ 6,103	\$ 5,165
Prepaid expenses	33,030	24,873
Beneficial interest trust	2,829	6,437
Self-insured assets	5,328	5,328
Intellectual property costs	864	1,035
Other	8,795	9,073
Total	<u>\$ 56,949</u>	<u>\$ 51,911</u>

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**6. Deposits with Trustees**

<b>DEPOSITS WITH TRUSTEES (DEDICATED ASSETS)</b>	<b>2023</b>	<b>2022</b>
Debt service reserve	\$ 25,450	\$ 28,256
Workers' compensation	—	2
Health insurance trust	1,718	1,025
Total	<u>\$ 27,168</u>	<u>\$ 29,283</u>

**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 \$24,292. As of June 30, 2023 and 2022, the balance of the debt service reserve fund was \$25,450 and \$28,256, respectively. The assets in the debt service reserve fund consist primarily of cash, fixed income investments, capitalized interest and other short-term securities.

**7. Reserve for Self-insured Liabilities**

<b>RESERVE FOR SELF-INSURED LIABILITIES</b>	<b>2023</b>	<b>2022</b>
Professional liability	\$ 52,104	\$ 52,992
Workers' compensation	4,988	6,563
Health insurance trust	4,103	3,941
Total	<u>\$ 61,195</u>	<u>\$ 63,496</u>

**(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, 2023. 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, 2023 and 2022 of approximately \$52,104 and \$52,992, 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 consolidated statement of financial position.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2023 and 2022 in the table below.

<b>PROFESSIONAL LIABILITY</b>	<b>2023</b>	<b>2022</b>
Beginning balance	\$ 52,992	\$ 49,699
Malpractice claims expense	4,935	9,464
Settlement payments	(5,823)	(6,171)
Ending balance	<u>\$ 52,104</u>	<u>\$ 52,992</u>

**(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, 2023 and 2022, workers' compensation liabilities are being satisfied as claims arise. For fiscal years ended June 30, 2023 and 2022, Howard maintained \$5,173 and \$5,146 in letters of credit, respectively, which serve as collateral for specific insurance carriers. Howard is self-insured for workers' compensation claims up to per occurrence retention of \$500. The excess is covered through commercial insurance.

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For fiscal years ended June 30, 2023 and 2022 expenses related to workers' compensation were \$561 and \$(598) respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported incidents. Estimated claims for which payments will be covered under existing insurance policies were \$0 at June 30, 2023 and 2022, 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, 2023 and 2022, 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.

**8. Fair Value Measurements**

U.S. GAAP defines fair value 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. 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, domestic fixed income 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.

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- (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 Net Asset Value (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.
- (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) The estimated fair value of Howard's bonds is determined based on quoted market prices. As of June 30, 2023 and 2022, the estimated fair value was approximately \$713,879 and \$736,606, 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.

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Howard's financial liabilities, as referenced above, are presented in Footnote 14. Howard's financial assets as of June 30, 2023 and 2022 are subject to fair value accounting. Fair value as of June 30, 2023 is as follows:

FAIR VALUE	Level 1	Level 2	Level 3	Total
Non-investment assets				
Unexpended bond proceeds (5)	\$ —	\$ 340,386	\$ —	\$ 340,386
Deposits with trustees (6)	1,719	25,449	—	27,168
Other assets (7)	—	—	3,153	3,153
<b>Total non investments</b>	<b>\$ 1,719</b>	<b>\$ 365,835</b>	<b>\$ 3,153</b>	<b>\$ 370,707</b>
Operating investments				
Common Stock (3)	7,719	—	—	7,719
Total operating investments	\$ 7,719	\$ —	\$ —	\$ 7,719
Restricted investments				
Money Market Instrument (1)	—	17,957	—	17,957
Common Stock (3)	25,906	—	—	25,906
Fixed income				
Government Bond (2)	9,970	—	—	9,970
Total restricted investments	\$ 35,876	\$ 17,957	\$ —	\$ 53,833
Endowment investments				
Money Market Fund (1)	4,409	43,457	—	47,866
Common Stock (3)	176,715	—	—	176,715
Fixed income				
Government Bond (2)	6,360	—	—	6,360
Corporate Bond (2)	16,215	1	—	16,216
Mutual funds investment				
Domestic Common Stock (3)	31,387	—	—	31,387
Domestic Fixed Income (2)	41,343	—	—	41,343
Total endowment investments	\$ 276,429	\$ 43,458	\$ —	\$ 319,887
Assets not subject to fair value reporting (8)	4,812	—	—	4,812
Liabilities not subject to fair value reporting (8)	(2,156)	—	—	(2,156)
<b>Total investments</b>	<b>\$ 322,680</b>	<b>\$ 61,415</b>	<b>\$ —</b>	<b>\$ 384,095</b>
<b>Total non-investments and investments, net of liabilities</b>	<b>\$ 324,399</b>	<b>\$ 427,250</b>	<b>\$ 3,153</b>	<b>\$ 754,802</b>
Total investments measured at the NAV as a practical expedient (4)				608,884
<b>Total assets and liabilities measured at fair value</b>				<b>\$ 1,363,686</b>

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Fair value as of June 30, 2022 is as follows:

FAIR VALUE	Level 1	Level 2	Level 3	Total
Non-investment 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
<b>Total non investments</b>	<b>\$ 1,026</b>	<b>\$ 375,972</b>	<b>\$ 6,760</b>	<b>\$ 383,758</b>
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
Assets not subject to fair value reporting (8)	6,947	—	—	6,947
Liabilities not subject to fair value reporting (8)	(1,487)	—	—	(1,487)
<b>Total investments</b>	<b>\$ 284,406</b>	<b>\$ 106,202</b>	<b>\$ —</b>	<b>\$ 390,608</b>
<b>Total non-investments and investments, net of liabilities</b>	<b>\$ 285,432</b>	<b>\$ 482,174</b>	<b>\$ 6,760</b>	<b>\$ 774,366</b>
Total investments measured at the NAV as a practical expedient (4)				535,734
<b>Total assets and liabilities measured at fair value</b>				<b>\$ 1,310,100</b>

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Investments measured at the NAV as a practical expedient at June 30, 2023 are summarized as follows:

INVESTMENTS	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds(a)	\$ 74,612	\$ —	Monthly- Annually	45-90 days
Common stock	3,670	—	Monthly	<30 days
Real estate funds(b)	51,832	12,468	—	1-10 years
Common/collective trusts(c)	85,357	—	Monthly	—
Limited partnerships(d)	393,413	179,972	—	≤ 10 years
Total investments measured at the NAV as practical expedient	<u>\$ 608,884</u>	<u>\$ 192,440</u>		

Investments measured at the NAV as a practical expedient at June 30, 2022 are summarized as follows:

INVESTMENTS	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
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	<u>\$ 535,734</u>	<u>\$ 180,484</u>		

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, 2023 and 2022. 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, 2023, 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.

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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, 2023 and 2022:

<b>NET INVESTMENT (LOSS) INCOME</b>	<b>2023</b>	<b>2022</b>
Interest and dividends	\$ 26,904	\$ 21,376
Net realized gains	27,153	88,291
Net unrealized gains (losses)	17,509	(110,770)
Other investment income, net of expense	3	576
Investment expenses	(11,373)	(20,132)
Net investment income (loss)	<u>\$ 60,196</u>	<u>\$ (20,659)</u>
Current year unrestricted operating return (loss)	1,251	(347)
Current year non-operating investment return (loss):		
Without donor restriction	27,725	(14,219)
With donor restriction	31,220	(6,093)
Total current year investment return (loss)	<u>\$ 60,196</u>	<u>\$ (20,659)</u>
Prior year (loss) designated for current operations:		
Without donor restriction	(13,745)	(13,463)
With donor restriction	(7,788)	(7,712)
Total designated for current operations	<u>\$ (21,533)</u>	<u>\$ (21,175)</u>
Net non-operating investment return (loss):		
Without donor restriction	13,980	(27,682)
With donor restriction	23,432	(13,805)

## 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:

- (a) The original value of gifts with permanent donor-directed use restrictions.
- (b) 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.

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

- (a) The duration and preservation of the fund
- (b) The purposes of Howard and the donor-restricted endowment fund
- (c) General economic conditions
- (d) The possible effect of inflation and deflation
- (e) The expected total return from income and appreciation of investments
- (f) Other resources of Howard
- (g) 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:

- (a) General economic conditions
- (b) The possible effect of inflation and deflation
- (c) The expected tax consequences, if any
- (d) The role of an investment/action in context of the entire portfolio
- (e) The expected total income and appreciation
- (f) Other University resources
- (g) The needs to preserve capital and make distributions
- (h) An asset's special relationship or value to the University's charitable purpose.

The change in value and the composition of amounts classified as endowment as of June 30, 2023 is as follows:

<b>ENDOWMENT CHANGE IN VALUE</b>	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
Endowment net assets, beginning of year	\$ 403,766	\$ 455,159	\$ 858,925
Investment return:			
Investment income	9,746	14,780	24,526
Net appreciation (realized and unrealized)	22,328	15,143	37,471
Total investment return	\$ 32,074	\$ 29,923	\$ 61,997
Contributions	408	24,765	25,173
Appropriation of endowment assets for operations	(13,010)	(8,523)	(21,533)
Other changes:			
Transfer and other changes	3,418	4,726	8,144
Endowment net assets, end of year	\$ 426,656	\$ 506,050	\$ 932,706
Donor-restricted endowment funds	—	506,720	506,720
Underwater endowment funds	—	(670)	(670)
Board designated quasi-endowment	426,656	—	426,656
Endowment net assets, end of year	<u>\$ 426,656</u>	<u>\$ 506,050</u>	<u>\$ 932,706</u>

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

<b>ENDOWMENT CHANGE IN VALUE</b>	<b>WITHOUT DONOR RESTRICTIONS</b>	<b>WITH DONOR RESTRICTIONS</b>	<b>TOTAL</b>
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	<u>\$ 403,766</u>	<u>\$ 455,159</u>	<u>\$ 858,925</u>

The original gift amount and net appreciation of net assets with donor restrictions as of June 30, 2023 and 2022 is as follows:

<b>ENDOWMENT NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>2023</b>	<b>2022</b>
Original Gift	\$ 277,472	\$ 248,119
Net Appreciation	228,578	207,040
Total	<u>\$ 506,050</u>	<u>\$ 455,159</u>

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, 2023 and 2022 receivables of \$6,073 and \$0, respectively are 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 \$670 and \$1,489 as of fiscal years ended June 30, 2023 and 2022, 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.

<b>FUNDS WITH DEFICIENCIES</b>	<b>2023</b>	<b>2022</b>
Fair value of underwater endowments	\$ 25,223	\$ 29,107
Original endowment gift amount	25,893	30,596
Deficiencies of underwater endowment funds	<u>\$ (670)</u>	<u>\$ (1,489)</u>

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**Return Objectives and Risk Parameters** - Howard has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to minimize the risk associated with obtaining such income streams. Endowment assets include those that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated endowment funds. Under these policies the endowment assets are invested through a diversified investment program designed to exceed the risk-adjusted performance of the market benchmark representative of each asset class over rolling five-to-seven-year periods. Howard's objective, over time, is to obtain an average total real rate of return (inflation adjusted) that exceeds its targeted distribution amount over rolling five-to-seven-year periods. Howard's investment strategy aims for a low to moderate level of investment risk. Actual returns in any given year may significantly vary from this objective.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, Howard relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). Howard targets a diversified asset allocation which places greater emphasis on global public equity-based investments complimented by private markets, real estate and fixed income strategies to achieve its long-term return objectives within prudent risk constraints. The endowment's long-term target asset allocation is approved by the Investment Committee of the Board of Trustees.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - Howard's spending policy allows for distribution each year of up to 4 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, Howard considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

**10. Long-Lived Assets**

<b>LONG-LIVED ASSETS</b>	<b>2023</b>	<b>2022</b>
Land and land improvements	\$ 63,547	\$ 63,547
Buildings and building improvements	1,027,145	989,754
Property held for expansion	45,891	55,562
Furniture and equipment	358,844	362,173
Library books	92,264	92,224
Works of art, historical treasures, literary works and artifacts	43,755	43,703
Software	106,932	107,201
Software in progress	12,135	12,222
Construction in progress	149,795	120,074
Long-lived assets, gross	<u>1,900,308</u>	<u>1,846,460</u>
Accumulated depreciation and amortization	(1,189,578)	(1,167,657)
Long-lived assets, net	<u>\$ 710,730</u>	<u>\$ 678,803</u>

For fiscal years ended June 30, 2023 and 2022, there were \$19,379 and \$20,187, respectively, in sales, disposals and retirements. There were no disposals of works of art, historical treasures, literary works and artifacts for either fiscal year presented.

Depreciation expense for the years ended June 30, 2023 and 2022 was \$42,241 and \$47,196, respectively. For fiscal years ended 2023 and 2022, net interest costs of \$2,938 and \$9,031, respectively, were incurred during construction and capitalized as part of the cost of capital projects.

Long-lived assets include property held for expansion, consisting of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use. Long-lived assets include capitalization of donated artwork that is not subject to depreciation.

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**11. Accounts Payable and Accrued Expenses**

Components of this line item at June 30, 2023 and 2022 are as follows:

<b>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</b>	<b>2023</b>	<b>2022</b>
Vendor invoices	\$ 113,075	\$ 121,496
Accrued salaries and wages	23,893	23,230
Accrued employee benefits	3,633	4,440
Accrued annual leave	6,214	5,775
Accrued interest	7,404	9,940
Other	2,904	2,939
Total	<u>\$ 157,123</u>	<u>\$ 167,820</u>

**12. Other Liabilities and Deferred Revenue**

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. These obligations include the following at June 30, 2023 and 2022:

<b>OTHER LIABILITIES</b>	<b>2023</b>	<b>2022</b>
Environmental liabilities	\$ 1,519	\$ 1,801
Due to third-party student housing partner	6,520	5,890
Unclaimed property	6,228	6,677
Student deposits and refunds	7,687	7,524
Reserve for legal contingencies	3,495	2,583
Deposits held in custody for others	1,951	2,655
Other	3,932	4,805
Total	<u>\$ 31,332</u>	<u>\$ 31,935</u>

Deferred revenue represents cash received, but not earned as of June 30, 2023. This is primarily composed of refundable grant revenue advances, deferred lease income and Medicare advance payment program. 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, 2023 and 2022 of \$282 and \$1,545, respectively.

<b>DEFERRED REVENUE</b>	<b>2023</b>	<b>2022</b>
Deferred tuition, room and board	\$ 5,774	\$ 5,032
Deferred grant revenue	63,442	54,031
Deferred lease income	48,243	16,338
Medicare advance payment	2,432	3,618
Other	3,722	5,292
Total	<u>\$ 123,613</u>	<u>\$ 84,311</u>

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**13. Leases**

***Finance Leases***

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 also obligated under other finance leases for office, technology and medical equipment that extend through fiscal year 2032.

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:

<b>FINANCE RIGHT OF USE ASSETS</b>	<b>2023</b>	<b>2022</b>
Right of use assets	\$ 41,111	\$ 95,887
Accumulated amortization	(17,670)	(41,525)
Finance right of use assets, net	<u>\$ 23,441</u>	<u>\$ 54,362</u>

***Operating Leases***

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

In May 2021, a lease amendment was executed with Rock Creek Property Group, LLC to allow for additional purchase options of the underlying asset. At the time of the amendment, the University was reasonably expected to exercise the purchase option. As such, the Rock Creek lease agreement was adjusted and reclassified as a finance lease. Based upon various factors, as of June 30, 2023, Howard University did not exercise its option to purchase the property and the option expired. As such, the Rock Creek lease agreement has been remeasured and reclassified as an operating lease as of June 30, 2023.

Rent expense is recognized on a straight-line basis and is allocated in the consolidated statements of activities by function. Rent expense related to building space and equipment for fiscal years ended June 30, 2023, and 2022 was \$25,707 and \$15,128, respectively. Of the amounts disclosed, \$11,336 and \$2,892, respectively, were related to short-term leases. 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:

<b>OPERATING RIGHT OF USE ASSETS</b>	<b>2023</b>	<b>2022</b>
Right of use assets	\$ 65,016	\$ 52,212
Accumulated amortization	(25,670)	(12,837)
Operating right of use assets, net	<u>\$ 39,346</u>	<u>\$ 39,375</u>

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

<b>LEASE EXPENSE</b>	<b>2023</b>	<b>2022</b>
Finance lease expense:		
Amortization of right of use assets	\$ 4,129	\$ 8,516
Interest on lease liabilities	1,974	2,910
Operating lease expense	14,371	12,052
Total	<u>\$ 20,474</u>	<u>\$ 21,492</u>

<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR LEASES</b>	<b>2023</b>	<b>2022</b>
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows	\$ 2,755	\$ 12,037
Financing cash flows	4,514	9,129
Change in operating right of use (ROU) leases:		
Operating cash flows	\$ 2,966	\$ 31,620

<b>OTHER INFORMATION</b>	<b>2023</b>	<b>2022</b>
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Finance leases	\$ 3,885	\$ 64,520
Operating leases	11,912	37,671
Weighted-average remaining lease term (in years):		
Finance leases	7.09	4.10
Operating leases	5.61	3.84
Weighted-average discount rate:		
Finance leases	6.65%	5.19%
Operating leases	5.65%	5.56%

As of June 30, 2023, the minimum future payments were as follows:

<b>LEASE OBLIGATIONS</b>	<b>FINANCE</b>	<b>OPERATING</b>	<b>TOTAL</b>
Future principal and interest years ending June 30			
2024	\$ 5,138	\$ 10,552	\$ 15,690
2025	4,003	7,409	11,412
2026	3,519	7,341	10,860
2027	3,300	4,491	7,791
2028	2,751	2,284	5,035
2029 and thereafter	9,121	8,439	17,560
Obligation, gross	<u>\$ 27,832</u>	<u>\$ 40,516</u>	<u>\$ 68,348</u>
Amounts representing interest rates from 2% to 9%	(6,484)	(6,239)	
Total lease obligations, net	<u>\$ 21,348</u>	<u>\$ 34,277</u>	



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***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.

On July 28, 2023, the University, as lessor, entered into the second amendment to East Towers Lot. Refer to Note 25 – Subsequent Events for further explanation of the amendment.

These leases are defined as sales-type leases 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. As of June 30, the lease receivable for sales-type leases in reverse chronological order is as follows:

<b>SALES-TYPE LEASE PAYMENTS RECEIVABLE</b>	<b>2023</b>	<b>2022</b>
East Towers Lot	\$ 40,500	\$ 40,500
Howard Manor	9,884	9,983
Shining Star	2,826	2,903
Total sales-type lease payments receivable	<u>\$ 53,210</u>	<u>\$ 53,386</u>

As of June 30, 2023, the future minimum sales-type lease payments receivable to be received for years ending at June 30 is as follows:

<b>SALES-TYPE LEASE PAYMENTS RECEIVABLE</b>	<b>June 30</b>
2024	\$ 40,874
2025	377
2026	380
2027	383
2028	386
2029 and thereafter	10,969
Total undiscounted cash flows lease obligations, net	<u>\$ 53,369</u>
Impact of present value discount	(159)
Total sales-type lease payments receivable	<u>\$ 53,210</u>

***Lessor Operating Leases***

Lot 3 Lease

In fiscal year 2023, the University as lessor executed a 99-year ground lease for the Lot 3 property located on Georgia Avenue, NW, Washington D.C. for \$32,402. The lease payments will be paid via (i) upfront closing of \$9,969, (ii) \$13,385 on or before June 30, 2023, (iii) \$8,951 by June 30, 2024 and (iv) rent in the amount of \$1 per year. Additionally, the University will be entitled to receive annual participation payment 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.

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HURB-1 Lease

In fiscal year 2022, the University as lessor executed a 99-year ground lease for approximately 42,750 square feet of land at 1840 7th Street, NW Washington, D.C., for (i) rent in the amount of \$1 per year, (ii) upfront closing of \$16,240, 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.

Howard's leased properties are comprised of (i) the Wonder Plaza Building, (ii) space available on the top of certain buildings, and (iii) the ground lease of Barry Place. Other standalone buildings owned by Howard are leased to private companies such as (iv) a public charter school, (v) a car rental company, (vi) a pharmacy, (vii) student housing facilities, (viii) cosmetic store, (ix) restaurant and (x) 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.

Howard University receives rental income under these lease agreements, which have termination dates through 2023 and thereafter. The total lease income earned for fiscal years ended June 30, 2023, and 2022 was \$4,806 and \$61,758, respectively and are reported in real property revenue on the statements of activities.

<b>LEASE INCOME</b>	<b>2023</b>	<b>2022</b>
<i>Sales Type Lease Income</i>		
Lease income	\$ —	\$ 59,397
Less: leased assets book values	—	821
Total sales type lease income	\$ —	\$ 58,576
Interest income on sales type lease	186	193
Operating lease income	4,620	2,989
Total lease income	<u>\$ 4,806</u>	<u>\$ 61,758</u>

As of June 30, 2023, the future minimum operating lease payments receivable to be received for years ending at June 30 is as follows:

<b>OPERATING LEASE PAYMENTS RECEIVABLE</b>	<b>June 30</b>
2024	\$ 2,015
2025	1,977
2026	1,419
2027	1,129
2028	1,014
2029 and thereafter	66,456
Total operating lease payments receivable	<u>\$ 74,010</u>

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**14. Bonds Payable and Notes Payable**

**(a) Bonds Payable**

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

<b>BONDS PAYABLE</b>	<b>2023</b>	<b>2022</b>
<i>District of Columbia issues:</i>		
2023A Future Advance Project Funding Bonds, 3.653% Serial due 2026 through 2053	\$ 2,491	\$ —
2022A Taxable bonds, 5.209% Serial due through 2053	300,000	300,000
2021A Taxable bonds, 3.89% to 4.76% Serial due through 2051	151,285	151,285
2020B Taxable bonds, 1.99% to 3.48% Serial due through 2042	209,085	209,085
2020A Taxable bonds, 2.42% to 3.00% Serial due through 2031	123,720	135,465
2011B Taxable bonds, 7.63% Serial due through 2035	49,325	49,325
2010 Revenue bonds, 5.05% Serial due through 2025	2,314	3,162
Total bonds payable, gross	\$ 838,220	\$ 848,322
Unamortized bond discount	(4,992)	(5,260)
Unamortized bond issuance costs	(11,500)	(9,703)
Total bonds payable, net	<u>\$ 821,728</u>	<u>\$ 833,359</u>

**(1) Series 2023A Future Advance Project Funding Bonds**

In January 2023, the University issued the Series 2023A Bonds under the Historically Black College and University Capital Loan Financing Program, a federal program run under the Department of Education. The proceeds of the Series 2023A Bonds will be used to finance a STEM Building to be located on the premises of the University. The Series 2023A Bonds are a non-conventional bond issuance as financing adopts a draw down convention versus traditional bond issuances where net proceeds from closing are delivered to a designated account. The total draw down of this facility is not to exceed \$224,000. The bonds will bear interest at the prevailing U.S. Treasury yields at the time of each draw. The bonds will have a maturity date of April 1, 2053. At fiscal year ended June 30, 2023, a total of \$2,491 had been drawn under the 2023A Bonds at an interest rate of 3.653%.

**(2) Series 2022A Taxable Bonds**

In March 2022, the University issued the Series 2022A Taxable 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. The bonds bear interest at 5.209% repayable from 2022 to 2053.

**(3) Series 2021A Taxable Bonds**

In March 2021, the University issued the Series 2021A Taxable 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 2022 bonds require Howard to maintain a debt service fund of \$11,657. At the fiscal year ended June 30, 2023 the fund balance was \$11,889.

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

In July 2020, Howard issued \$209,085 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 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.

**(6) 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. As of June 30, 2023 the fund balance was \$13,561.

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.

**(7) 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.

**(b) Line of Credit**

As of June 30, 2023, Howard has a \$75,000 JP Morgan Revolving Credit Agreement.

There was no outstanding balance at either June 30, 2023 or 2022. 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, Series 2023A Bonds and the Revolving Credit Agreement all contain restrictive financial covenants as summarized in the table below as of June 30, 2023.

<b>COVENANT</b>	<b>INSTRUMENT</b>	<b>MEASUREMENT DATE</b>	<b>CRITERIA</b>
Debt Service Coverage Ratio	All Debt Instruments	June 30 each year	1.10:1.00
Liquidity Ratio	Revolving Credit Agreement	Quarterly	\$160 million

As of June 30, 2023 and 2022, Howard was compliant with the Debt Service Coverage Ratio measurements for the 2011B, 2020A, 2020B, 2021A, 2022A, and 2023A Bonds and the Liquidity Ratio for Revolving Credit Agreement.

The University has pledged revenue for payment obligations to the Series 2020A, Series 2020B, Series 2022A, and Series 2023A 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.

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The Series 2020A, Series 2020B, and Series 2021A Bonds are also secured by the Restricted Academic Property. Restricted Academic Property consists of the properties on the Main Campus of the University for so long as any such property is actively in-use for the principal purpose of instruction, research, student activity or academic administration. The properties on the Main Campus that constitute Restricted Academic Property consist of the following:

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

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, 2023:

AGGREGATE ANNUAL MATURITIES	AMOUNT
2024	\$ 12,966
2025	13,617
2026	24,596
2027	24,690
2028	25,325
2029 and thereafter	737,026
Total	<u>\$ 838,220</u>

**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 \$529 and \$583 at fiscal years ended June 30, 2023 and 2022, respectively. The amounts not yet reflected in operating expenses, but included in net assets without donor restrictions pertain to accumulated losses of \$260 and \$273 at June 30, 2023 and 2022, 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, 2023 are consistent with the method and assumptions used for the defined benefit pension plan.

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**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 \$23,120 and \$21,522 for fiscal years ended June 30, 2023 and 2022, 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.

The reconciliation of the Plan’s funded status to amounts recognized in the consolidated financial statements at fiscal years ended June 30, 2023 and 2022 are as follows:

	Pension		Medical and Life Insurance		Supplemental	
	2023	2022	2023	2022	2023	2022
<b>Retirement Benefits</b>						
Change in benefit obligation						
Projected benefit obligation at beginning of year	\$ 584,733	\$ 698,745	\$ 41,450	\$ 49,764	\$ 583	\$ 694
Service cost	—	—	334	306	—	—
Interest cost	26,201	19,497	1,908	1,415	25	19
Actuarial (gain)/loss	(8,152)	(91,048)	(2,116)	(6,707)	18	(33)
Benefits paid	(41,844)	(42,461)	(3,365)	(3,675)	(97)	(97)
Medicare Part D subsidy	—	—	—	49	—	—
Employee contributions	—	—	255	298	—	—
Projected benefit obligation at end of period	\$ 560,938	\$ 584,733	\$ 38,466	\$ 41,450	\$ 529	\$ 583
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 605,633	\$ 689,465	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets	17,751	(41,371)	—	—	—	—
Employer contributions	—	—	3,110	3,328	97	97
Employee contributions	—	—	255	298	—	—
Medicare Part D subsidy	—	—	—	49	—	—
Benefits paid	(41,844)	(42,461)	(3,365)	(3,675)	(97)	(97)
Fair value of plan assets at end of period	\$ 581,540	\$ 605,633	\$ —	\$ —	\$ —	\$ —
Funded status of the plan	\$ 20,602	\$ 20,900	\$ (38,466)	\$ (41,450)	\$ (529)	\$ (583)

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Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions at fiscal years ended June 30, 2023 and 2022:

Retirement Benefits	Pension		Medical and Life Insurance		Supplemental	
	2023	2022	2023	2022	2023	2022
Recognized in Statement of Activities:						
Service cost	\$ —	\$ —	\$ 226	\$ 306	\$ —	\$ —
Interest cost	26,201	19,497	1,532	1,415	25	19
Amortization of prior service cost	100	100	(1,132)	(1,489)	—	45
Amortization of net actuarial loss	7,511	12,103	(198)	495	31	—
Expected return on plan assets	(37,556)	(39,201)	484	—	—	—
Net periodic benefit cost	<u>\$ (3,744)</u>	<u>\$ (7,501)</u>	<u>\$ 912</u>	<u>\$ 727</u>	<u>\$ 56</u>	<u>\$ 64</u>
Net actuarial loss (gain) during the year	11,653	(10,476)	(2,116)	(6,707)	18	(33)
Amortization of prior service cost	(100)	(100)	1,132	1,489	—	—
Amortization of net actuarial loss	(7,511)	(12,103)	198	(495)	(31)	(45)
Total change in funded status or obligation	<u>\$ 4,042</u>	<u>\$ (22,679)</u>	<u>\$ (786)</u>	<u>\$ (5,713)</u>	<u>\$ (13)</u>	<u>\$ (78)</u>
Total recognized in Consolidated Statements of Activities	<u>\$ 298</u>	<u>\$ (30,180)</u>	<u>\$ 126</u>	<u>\$ (4,986)</u>	<u>\$ 43</u>	<u>\$ (14)</u>

Amounts included in net assets without donor restrictions at fiscal years ended June 30, 2023 and 2022:

Retirement Benefits	Pension		Medical and Life Insurance	
	2023	2022	2023	2022
Net actuarial loss	\$ (227,825)	\$ (223,683)	\$ (5,762)	\$ (3,844)
Prior service cost	(1,801)	(1,901)	(58)	(1,190)
Total	<u>\$ (229,626)</u>	<u>\$ (225,584)</u>	<u>\$ (5,820)</u>	<u>\$ (5,034)</u>

Over the next fiscal year, an estimated net actuarial loss of \$1,533, a prior services cost/(credit) of \$42, and transition obligation of \$0, are projected to be accounted for as part of the net periodic benefit cost for the pension and post-retirement plans.

There were no contributions to the pension plan in fiscal years ended June 30, 2023 and 2022, respectively. No contributions are projected for fiscal year 2024.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2023 and 2022 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2023	2022	2023	2022
Discount rate	5.10%	4.67%	5.65%	4.82%
Expected return on plan assets	6.50%	6.50%	—%	—%
Rate of compensation increase	—%	—%	3.50%	3.50%

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The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2023 and 2022 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2023	2022	2023	2022
Discount rate	4.67%	2.89%	2.95%	2.95%
Expected return on plan assets	6.50%	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.

Pension plan investments as of June 30, 2023 were as follows:

PENSION PLAN INVESTMENTS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money Market Funds (4)	\$ —	\$ 1,763	\$ —	\$ 1,763
U.S. Government Securities (3)	83,420	—	—	83,420
Common Stock (1)	44,707	—	—	44,707
Fixed Income	5,008	—	—	5,008
Mortgage Backed Securities (2)	—	9,547	—	9,547
Corporate Bond (2)	—	133,820	—	133,820
Obligations of Foreign Governments (3)	—	201	—	201
Mutual Fund				
Domestic Fixed Income (4)	103,121	—	—	103,121
<b>Total assets</b>	<b>\$ 236,256</b>	<b>\$ 145,331</b>	<b>\$ —</b>	<b>\$ 381,587</b>
Liabilities:				
Financial Derivatives – Option Contracts	\$ —	\$ (1,934)	\$ —	\$ (1,934)
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ (1,934)</b>	<b>\$ —</b>	<b>\$ (1,934)</b>
Operating asset not subjected to fair value reporting	\$ 20,771	\$ —	\$ —	\$ 20,771
Operating liabilities not subjected to fair value reporting	(18,754)	—	—	(18,754)
<b>Total pension plan investments, net of liabilities</b>	<b>\$ 238,273</b>	<b>\$ 143,397</b>	<b>\$ —</b>	<b>\$ 381,670</b>
Total investments measured at the NAV as a practical expedient				201,925
<b>Total plan assets</b>				<b>\$ 583,595</b>

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

<b>PENSION PLAN INVESTMENTS</b>	<b>LEVEL 1</b>	<b>LEVEL 2</b>	<b>LEVEL 3</b>	<b>TOTAL</b>
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
Mutual Fund				
Domestic Fixed Income (4)	53,436	—	—	53,436
<b>Total assets</b>	<b>\$ 206,920</b>	<b>\$ 91,072</b>	<b>\$ —</b>	<b>\$ 297,992</b>
Liabilities:				
Financial Derivatives – Option Contracts	\$ —	\$ 603	\$ —	\$ 603
<b>Total liabilities</b>	<b>\$ —</b>	<b>\$ 603</b>	<b>\$ —</b>	<b>\$ 603</b>
Operating asset not subjected to fair value reporting	\$ 16,680	\$ —	\$ —	\$ 16,680
Operating liabilities not subjected to fair value reporting	(11,885)	—	—	(11,885)
<b>Total pension plan investments, net of liabilities</b>	<b>\$ 211,715</b>	<b>\$ 91,675</b>	<b>\$ —</b>	<b>\$ 303,390</b>
Total investments measured at the NAV as a practical expedient				303,784
<b>Total plan assets</b>				<b>\$ 607,174</b>

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, 2023 and 2022.

- (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.

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(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.

Plan investments measured at the NAV as a practical expedient are summarized for fiscal year 2023 as follows:

INVESTMENTS	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds (a)	\$ 13,569	\$ —	Monthly- Annually	45-90 days
Real estate funds (b)	21,984	3,210	—	1-5 years
Common/collective trusts (c)	44,952	—	Monthly	—
Limited partnerships (d)	121,420	29,906	—	< 10 years
Total investments measured at the NAV as practical expedient	<u>\$ 201,925</u>	<u>\$ 33,116</u>		

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

INVESTMENTS	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
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	<u>\$ 303,784</u>	<u>\$ 43,567</u>		

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, 2023 and 2022. 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.

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

<b>PENSION PLAN ASSET ALLOCATION</b>	<b>2023</b>	<b>2022</b>
Mid-Large Cap U.S. Equity	4.4%	11.7%
Small Cap U.S. Equity	—%	3.4%
International Equity - Developed	4.8%	4.0%
Private Equity/Venture Capital	9.7%	10.5%
Private Debt	7.2%	6.6%
Hedge Funds	1.6%	6.7%
Inflation Hedging	3.9%	4.2%
Emerging Markets Equity	1.1%	3.0%
Real Estate	8.3%	7.6%
Liability Hedging Assets	56.1%	29.0%
Cash and Cash Equivalents	2.9%	13.3%
Total	<u>100.0%</u>	<u>100.0%</u>

As a result of the Pension Plan achieving fully funded status, a trigger-point methodology is used to determine the allocation for each class.

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2023 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.

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

<b>EXPECTED FUTURE BENEFIT PAYMENTS</b>	<b>POST-RETIREMENT BENEFITS</b>			
	<b>PENSION BENEFITS</b>	<b>EXCLUDING SUBSIDY</b>	<b>SUBSIDY PAYMENTS</b>	<b>NET OF SUBSIDY</b>
Year ending June 30:				
2024	\$ 48,514	\$ 3,914	\$ 76	\$ 3,838
2025	47,625	3,805	70	3,735
2026	46,694	3,675	64	3,611
2027	45,624	3,573	58	3,515
2028	44,388	3,470	53	3,417
Years 2029-2033	197,256	15,598	200	15,398
Total	<u>\$ 430,101</u>	<u>\$ 34,035</u>	<u>\$ 521</u>	<u>\$ 33,514</u>

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

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

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

**16. Net Assets**

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

<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>2023</b>	<b>2022</b>
Subject to expenditure or use for specified purpose:		
Scholarships	\$ 77,200	\$ 71,894
Professorships	25,195	21,982
Student loans	3,224	3,202
General operations and other	104,205	104,848
Total subject to purpose restrictions	<u>\$ 209,824</u>	<u>\$ 201,926</u>
Funds subject to time restrictions and to be held in perpetuity:		
Subject to time restrictions	\$ —	\$ —
To be held in perpetuity	302,902	263,807
Total funds to be held in perpetuity and subject to time restrictions	<u>\$ 302,902</u>	<u>\$ 263,807</u>
Endowments subject to spending policy and appropriation:		
Scholarships	\$ 85,409	\$ 75,177
Professorships	32,769	32,038
Student loans	41	27
Federal term endowment	186,536	176,227
General operations and other	10,972	9,809
Total endowments subject to spending policy and appropriation	<u>\$ 315,727</u>	<u>\$ 293,278</u>
Total net assets with donor restrictions	<u>\$ 828,453</u>	<u>\$ 759,011</u>

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 restrictions at the end of each 20-year period. There were no transfers for fiscal year ended June 30, 2023 and there were transfers of \$14,283 for fiscal year ended June 30, 2022.

For the fiscal years ended June 30, 2023 and 2022, net assets without donor restrictions were \$512,874 and \$530,902, 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.

**The Howard University**  
Notes to the Consolidated Financial Statements  
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Net assets without donor restrictions include the following at June 30:

<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>2023</u>	<u>2022</u>
Non-board designated	\$ 86,218	\$ 127,137
Board designated - Endowment	426,656	403,765
Total	<u>\$ 512,874</u>	<u>\$ 530,902</u>

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 the fiscal years ended June 30, 2023 and 2022 are as follows:

<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>2023</u>	<u>2022</u>
Restrictions released based on purpose:		
Scholarships and fellowships	\$ 13,194	\$ 24,655
Professorships	1,079	907
Student loans	515	12
General operations and other	3,955	5,092
Total	<u>\$ 18,743</u>	<u>\$ 30,666</u>

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**The Howard University**  
Notes to the Consolidated Financial Statements  
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**17. Consolidated Statements of Functional Expenses**

Howard presents its statements of activities by program. 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.

Howard engages in fundraising activities in support of the University. Costs associated with fundraising for fiscal years ended June 30, 2023 and 2022 are \$4,850 and \$4,076, respectively, and are included in Administrative and Support Services.

For the year ended June 30, 2023	Program Services					Administrative and Support Services	Total Expenses
	Academic and Student Support	Research	Healthcare services	Auxiliaries	Total Program Services		
Operating expenses:							
Compensation	\$ 227,374	\$ 40,753	\$ 189,016	\$ 8,020	\$ 465,163	\$ 77,990	\$ 543,153
Medical and office supplies	8,115	5,122	31,202	816	45,255	4,893	50,148
Repairs and maintenance	11,089	1,453	1,680	1,999	16,221	6,747	22,968
Food service costs	21	10	3,792	20,299	24,122	198	24,320
Grant subcontracts	13,553	21,578	1	19	35,151	352	35,503
Insurance and risk management	11,752	—	5,413	—	17,165	6,836	24,001
Professional and administrative services	53,933	9,834	60,921	9,637	134,325	112,768	247,093
Other costs	12,492	1,176	4,892	1,998	20,558	2,611	23,169
Total operating expenses before interest, depreciation, and amortization	338,329	79,926	296,917	42,788	757,960	212,395	970,355
Interest expense	—	—	2,843	—	2,843	30,558	33,401
Depreciation and amortization	20,814	1,945	6,096	3,296	32,151	10,090	42,241
Interest, depreciation, and amortization	20,814	1,945	8,939	3,296	34,994	40,648	75,642
Total operating expenses	\$ 359,143	\$ 81,871	\$ 305,856	\$ 46,084	\$ 792,954	\$ 253,043	\$ 1,045,997

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**The Howard University**  
Notes to the Consolidated Financial Statements  
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For the year ended June 30, 2022	Program Services						Total Expenses
	Academic and Student Support	Research	Healthcare services	Auxiliaries	Total Program Services	Administrative and Support Services	
Operating expenses:							
Compensation	\$ 202,573	\$ 34,400	\$ 158,352	\$ 6,246	\$ 401,571	\$ 75,265	\$ 476,836
Medical and office supplies	4,129	3,261	32,026	369	39,785	5,423	45,208
Repairs and maintenance	10,312	2,745	1,679	1,453	16,189	6,916	23,105
Food service costs	152	6	4,229	18,269	22,656	—	22,656
Grant subcontracts	11,088	13,457	53	—	24,598	287	24,885
Insurance and risk management	8,564	—	7,188	—	15,752	15,560	31,312
Professional and administrative services	59,458	7,034	81,425	8,529	156,446	108,441	264,887
Other costs	9,316	957	5,478	1,651	17,402	14,719	32,121
Total operating expenses before interest, depreciation, and amortization	305,592	61,860	290,430	36,517	694,399	226,611	921,010
Interest expense	7	—	2,936	10	2,953	19,038	21,991
Depreciation and amortization	17,211	1,847	8,978	3,268	31,304	15,892	47,196
Interest, depreciation, and amortization	17,218	1,847	11,914	3,278	34,257	34,930	69,187
Total operating expenses	\$ 322,810	\$ 63,707	\$ 302,344	\$ 39,795	\$ 728,656	\$ 261,541	\$ 990,197

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**The Howard University**  
Notes to the Consolidated Financial Statements  
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**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.

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:

- (a) Medicare 2020-2021
- (b) Medicare 2021-2022
- (c) Medicare 2022-2023

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 \$406 for fiscal year ended June 30, 2023 and an increase of approximately \$30,321 for fiscal year ended June 30, 2022.

**THIRD-PARTY SETTLEMENT REVENUE**

	<b>2023</b>	<b>2022</b>
Medicare pass-through	\$ 14,168	\$ 10,563
Disproportionate Share Hospital	59,948	75,529
Graduate and Indirect Medical Education	16,786	12,874
Other	3,313	7,209
Total third-party settlement revenue	\$ 94,215	\$ 106,175

**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 \$8,566 and \$1,802 for the years ended June 30, 2023 and 2022, 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. Howard had an approximate 6% interest in Pinnacle, which is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of \$125,000 from commercial insurance companies.

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



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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:

<b>INSURANCE AND RISK MANAGEMENT</b>	<b>2023</b>	<b>2022</b>
Malpractice claims expense	\$ 5,239	\$ 9,584
Malpractice excess insurance	3,133	2,031
Student health	8,971	8,507
General and other	6,658	11,190
Totals	<u>\$ 24,001</u>	<u>\$ 31,312</u>

## 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, 2023 and 2022.

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, 2023 and 2022 Howard reserved \$3,495 and \$2,583 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 11% 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.

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(In thousands)

**(a) Howard University**

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 of COVID-19. The University expended \$17,100 of the remaining funds received for the HEERF grant during the year ended June 30, 2022, resulting in the grant being fully expended. No funds were expended for the year ending June 30, 2023. This amount is included in grant revenue and recognized as academic expense on the consolidated statements of activities.

During the year ended June 30, 2022, 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 related to relief efforts in light of COVID-19. During the years ended June 30, 2023 and 2022, the University recognized contribution revenue of approximately \$5,991 and \$23,600, respectively, for the institutional portion of this grant.

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

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. No amount was recognized during the year ended June 30, 2023. 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. No amount was recognized during the year ended June 30, 2023. 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.

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. No amount was recognized for the year ending June 30, 2023.

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, 2021. Recoupment of the funds began in April 2022 through a reduction of payment made on Medicare claims. As of June 30, 2023 the Hospital had no deferred revenue related to the Accelerated and Advanced Payment Program.

**The Howard University**  
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**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, 2023 and 2022, Howard has contributed to the Middle School as follows:

RELATED PARTY TRANSACTIONS	2023	2022
Cash operating support	\$ 500	\$ 500
Facility leased (market value)	1,451	1,451
Total	\$ 1,951	\$ 1,951

**(b) The Howard Dialysis Center**

Howard and American Renal Associates, LLC (ARA) entered into a joint venture agreement on March 1, 2012, for the operation of Howard Dialysis Center LLC (the LLC). Both parties are bound by a non-compete agreement, and Howard is additionally committed to co-guaranteeing the LLC's obligations. 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. As of June 30, 2022, Howard's interest in the LLC was \$4,429.

In fiscal year 2023, the joint venture partners mutually decided to liquidate the LLC and close the Dialysis Center. As of June 30, 2023, Howard has deemed its investment in the LLC fully impaired, acknowledging that the carrying amount of the investment is unrecoverable due to the imminent dissolution.

**(c) Provident Group – Bison Properties Inc. (Provident)**

On July 13, 2022, Provident Resources Group Inc., acquired all outstanding 5.91% Senior Secured Notes due June 30, 2031, from Corvias Campus Living-HU LLC, under a Note Purchase Agreement associated with a Service Concession Agreement. Provident, as the Required Holder and Approved Lender, terminated (i) the Concessionaire Account Manager; (ii) Corvias as the Concessionaire, (iii) Corvias Management, LLC as the Project Manager and Residence Life Service Provider. Provident assumed the Concessionaire role and appointed the University to temporarily oversee management and resident life services.

On December 1, 2022, The District of Columbia authorized the issuance of (i) its District of Columbia Revenue Bonds (Provident Group - Bison Properties Issue), Senior Series 2022A, in the aggregate principal amount of \$225,000, (ii) its District of Columbia Revenue Bonds, Subordinate Series 2022B-1, in aggregate principal amount of \$25,000, and (iii) its District of Columbia Revenue Bonds, Subordinate Series 2022B-2, in the aggregate principal amount of \$49,882. These bonds, maturing on July 1, 2059, facilitated a loan to Provident Group - Bison Properties and utilized to repay accrued interest on the Series 2020 loan and the principal of the Towers, Drew, and Cook Secured Note.

Repayment of the bonds is secured by revenues from the student housing facilities, including Axis (formerly Provident Group - Howard Center Inc.), Quad, Drew, Cook and Towers, which are owned by Howard University in fee simple. In connection with the issuance of the Series 2022 Bonds, The University and Provident agreed to terminate and re-execute the ground leases to align with the terms of the bonds and the loan. The University, as the ground lessor, will receive ground lease payments after all expenses and cash reserve requirements are met. The properties and associated revenues will revert to the University after the ground leases end, and debts are fully paid.

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**(d) *Provident Group - Howard Properties LLC (Provident)***

On February 14, 2013, the University entered a 40-year ground lease with Provident Group – Howard Properties, LLC and Provident Resources Group, Inc. (Owner). The Owner committed to the designing, constructing, and furnishing the College Hall North and College Hall South housing facilities for the University's benefit. Provident Group financed this construction by issuing \$107,965 in revenue bonds through the District of Columbia. Repayment of the bonds is secured by revenues from the student housing facilities, which are owned by Howard University in fee simple. The University, as the ground lessor, will receive ground lease payments after all expenses and cash reverses requirements are met. College Hall North and College Hall South and associated revenues will revert to the University after the ground lease end on the earlier of January 31, 2053, or the date on which the Series 2013 bonds are fully paid.

**(e) *Campus Apartments Management, LLC***

On December 20, 2022, the University, acting as Manager of all student housing facilities, delegated daily operations, management, maintenance, and repair responsibilities to Campus Apartment LLC for a term of five years through a sub-management agreement.

**(f) *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.

**(g) *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.

**(h) *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.

**The Howard University**  
Notes to the Consolidated Financial Statements  
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**25. Subsequent Events**

The University evaluated subsequent events through December 11, 2023 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 28, 2023, the University, as lessor, executed the second amendment to the East Towers Lot agreement. The University decided to convert \$22,000 of outstanding lease receivables into variable payments through first and second-tier project participation. Consequently, in fiscal year 2024, the University recognized an impairment on its net lease receivable.

## Supplementary Information

**The Howard University**  
**Financial Responsibility Supplemental Schedule**  
**Year Ended June 30, 2023**  
(In thousands)

Reference	Ratio/Variable Description	Data	Strength Factor	Strength Factor Calculation	Strength Factor Weight	Weighted Strength Factor	
<b>Primary Reserve Ratio</b>							
Statement of Financial Position	Net assets without donor restrictions	+ \$ 512,874					
Statement of Financial Position	Net assets with donor restrictions	+ 828,453					
Note 16	Net assets with donor restrictions: restricted in perpetuity	— 302,902					
Note 9	Annuities, term endowment, and life income funds with donor restrictions	— 203,148					
N/A	Intangible assets	— —					
Statement of Financial Position	Pre-Implementation net property, plant and equipment (See Note A)	— 230,669					
Statement of Financial Position	Post-Implementation net property, plant and equipment with outstanding debt (See Note A)	— —					
Statement of Financial Position	Post-Implementation net property, plant and equipment without outstanding debt (See Note A)	— 330,266					
Note 9	Construction in progress	— 149,795					
Statement of Financial Position	Finance lease right of use assets	— 23,441					
Statement of Financial Position	Operating lease right of use assets	— 39,346					
Statement of Financial Position	Post-employment and defined benefit pension liabilities	+ 38,995					
Statement of Financial Position	Pre-Implementation long-term debt for long-term purposes (See Note B)	+ 46,648					
Statement of Financial Position	Post-Implementation long-term debt for long-term purposes (See Note B)	+ 831,574					
(Note C to this Schedule)	Unsecured related-party receivables (See Note C to this schedule)	— —					
		<b>Numerator total</b>					
		<b>\$ 978,977</b>					
<hr/>							
Statement of Activities	All expenses and losses without donor restrictions less any losses without donor restrictions on investments post-employment and defined benefit pensions, and annuities	+ \$ 1,031,814					
		<b>Denominator total</b>					
		<b>\$ 1,031,814</b>					
		<b>Primary Reserve Ratio:</b>	<b>0.95</b>	10.00	3.00	0.40	1.20
<hr/>							
<b>Equity Ratio</b>							
Statement of Financial Position	Net assets without donor restrictions	+ 512,874					
Statement of Financial Position	Net assets with donor restrictions	+ 828,453					
N/A	Intangible assets	— —					
(Note C to this Schedule)	Unsecured related-party receivables (see Note C to this schedule)	— —					
		<b>Numerator total</b>					
		<b>\$ 1,341,327</b>					
Statement of Financial Position	Total assets	+ 2,635,844					
N/A	Intangible assets	— —					
N/A	Unsecured related-party receivables (see Note C to this schedule)	— —					
		<b>Denominator total</b>					
		<b>2,635,844</b>					
		<b>Equity Ratio:</b>	<b>0.51</b>	6.00	3.00	0.40	1.20
<hr/>							
<b>Net Income Ratio</b>							
Statement of Activities	Change in net assets without donor restrictions	+ \$ (18,028)					
		<b>Numerator total</b>					
		<b>\$ (18,028)</b>					
Statement of Activities	Total revenues without donor restriction, including net assets released from restrictions and gains	+ \$ 1,059,204					
		<b>Denominator total</b>					
		<b>\$ 1,059,204</b>					
		<b>Net Income Ratio:</b>	<b>(0.02)</b>	1 + (25x)	0.50	0.20	0.10
<hr/>							
<b>Strength Factor Score</b>						<b>2.5</b>	

**The Howard University**  
Notes to the Financial Responsibility Supplemental Schedule  
Year Ended June 30, 2023  
(In thousands)

**Note A. Property, Plant and Equipment, Net and Right of Use Assets**

<i>June 30,</i>	<b>2023</b>
Pre-Implementation	
Net property, plant and equipment	\$ 230,669
Post-Implementation	
Net property plant and equipment - With outstanding debt for original purchase	—
Net property plant and equipment - Without outstanding debt for original purchase	330,266
Finance right of use asset	23,441
Operating lease right of use asset	39,346
Construction in progress	149,795
Total property and equipment, net and finance and operating right of use asset	\$ 773,517

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

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

<i>June 30,</i>	<b>2023</b>
Long term debt for long term purposes - pre-implementation	\$ 46,648
Long term debt for long term purposes - post-implementation	775,080
Notes payable	869
Finance lease obligations	21,348
Operating lease obligations	34,277
Total Long term debt for long term purposes - post-implementation	831,574
Total long-term debt for long-term purposes	\$ 878,222

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 June 30, 2023.