



The Howard University
Consolidated Financial Statements
For the Fiscal Year Ended June 30, 2025

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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, 2025, as described in Note 14 of the accompanying consolidated financial statements.

Wayne A.I. Frederick, M.D., MBA
President

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

December 17, 2025



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 statement of financial position as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year 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, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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.

Report on Summarized Comparative Information

We have previously audited the University's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 5, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent in all material respects with the audited consolidated financial statements from which it has been derived.

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 audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2025 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 17, 2025

The Howard University
Consolidated Statements of Financial Position
June 30, 2025 and 2024
(In thousands)

	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 109,839	\$ 95,789
Operating investments	10,482	9,632
Deposits with trustees	—	14,093
Receivables, net	155,085	141,783
Healthcare contract assets, net	1,872	2,730
Inventories, prepaids and other assets	54,395	50,131
Restricted investments	56,053	57,611
Total Current Assets	387,726	371,769
Long Term Assets:		
Deposits with trustees	28,944	26,818
Receivables, net	35,030	32,506
Inventories, prepaids and other assets	10,135	10,679
Unexpended bond proceeds	250,941	315,096
Restricted investments	9,928	9,374
Endowment investments	1,119,926	1,032,497
Operating lease right of use assets, net	101,988	69,491
Finance lease right of use assets, net	61,108	31,118
Overfunded defined benefit pension plan	14,771	21,390
Long-lived assets, net	959,148	816,298
Total Long Term Assets	2,591,919	2,365,267
Total Assets	<u>\$ 2,979,645</u>	<u>\$ 2,737,036</u>
Current Liabilities:		
Accounts payable and accrued expenses	\$ 285,234	\$ 192,053
Deferred revenue	130,600	123,599
Other liabilities	43,628	32,256
Accrued post-retirement benefits	4,074	4,130
Reserve for self-insured liabilities	16,676	19,426
Line of credit	25,000	—
Notes payable	331	605
Operating lease obligations	14,913	15,542
Finance lease obligations	7,306	5,094
Bonds payable, net	24,596	13,617
Total Current Liabilities	552,358	406,322
Long Term Liabilities:		
Other liabilities	3,064	2,545
Accrued post-retirement benefits	34,457	35,100
Reserve for self-insured liabilities	39,363	41,100
Operating lease obligations	91,689	53,581
Finance lease obligations	50,967	22,532
Bonds payable, net	791,659	797,404
Refundable advances under Federal Student Loan Program	4,583	4,583
Total Long Term Liabilities	1,015,782	956,845
Total Liabilities	1,568,140	1,363,167
Net Assets:		
Without donor restrictions	407,445	464,799
With donor restrictions	1,004,060	909,070
Total Net Assets	1,411,505	1,373,869
Total Liabilities and Net Assets	<u>\$ 2,979,645</u>	<u>\$ 2,737,036</u>

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, 2025 and 2024
(In thousands)

For the year ended June 30, 2025 (with summarized comparative information for fiscal year ended June 30, 2024)	Without Donor Restrictions	With Donor Restrictions	Total 2025	Summarized 2024
Operating				
Revenues, support and reclassifications:				
Academic services:				
Tuition and fees, net of financial aid	\$ 280,880	\$ —	\$ 280,880	\$ 255,535
Grants and contracts	92,636	—	92,636	108,661
Auxiliary services	63,331	—	63,331	51,648
Clinical services:				
Patient service - Hospital, net	273,803	—	273,803	269,687
Patient service - Faculty Practice Plan, net	23,035	—	23,035	23,118
Patient service - Dental clinic, net	1,657	—	1,657	1,595
Public support:				
Federal appropriation	250,639	73,840	324,479	279,596
Contributions of cash and other financial assets	17,966	42,692	60,658	65,520
Endowment returns made available for operations	17,053	13,965	31,018	28,580
Operating investment income, net	18,422	—	18,422	25,436
Real property	3,127	—	3,127	3,102
Other income	15,158	646	15,804	26,598
Total revenues and support	1,057,707	131,143	1,188,850	1,139,076
Net assets released from restrictions	58,460	(58,460)	—	—
Total revenues, support and reclassifications	1,116,167	72,683	1,188,850	1,139,076
Expenses:				
Academic and student support	389,318	—	389,318	360,346
Research	93,289	—	93,289	95,067
Healthcare services	309,942	—	309,942	318,571
Auxiliary enterprises	63,506	—	63,506	56,700
Administrative and support services	337,122	—	337,122	343,363
Total operating expenses	1,193,177	—	1,193,177	1,174,047
(Deficiency) excess of operating revenue over expenses	(77,010)	72,683	(4,327)	(34,971)
Non-operating				
Investment income in excess of amount designated for operations	46,292	35,426	81,718	106,834
Endowment returns made available for operations	(17,053)	(13,965)	(31,018)	(28,580)
Net unrealized gain in beneficial interest trust	—	383	383	466
Net periodic benefit cost other than service cost	(1,046)	—	(1,046)	800
Change in funded status of defined benefit pension plan	(7,463)	—	(7,463)	(1,648)
Change in obligation for post-retirement benefit plan	(1,033)	—	(1,033)	(1,373)
Change in funded status of supplemental retirement plan	(9)	—	(9)	(6)
Other non-operating items, net	(32)	463	431	(8,980)
Increase in non-operating activities	19,656	22,307	41,963	67,513
Change in net assets	(57,354)	94,990	37,636	32,542
Net assets, beginning of year	464,799	909,070	1,373,869	1,341,327
Net assets, end of year	\$ 407,445	\$ 1,004,060	\$ 1,411,505	\$ 1,373,869

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, 2025 and 2024
(In thousands)

For the years ended	2025	2024
Cash flows from operating activities		
Change in net assets	\$ 37,636	\$ 32,542
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	46,483	42,528
Amortization of premiums and discount on debt, including issuance cost	1,136	988
Reinvested investment income	(9,027)	(5,966)
Net realized gain on sale of investments	(23,047)	(32,854)
Net unrealized gain on investments	(26,232)	(48,532)
Impairment of net investment in lease	—	21,988
Stock distributions	(4,488)	(13,015)
Contributions restricted in perpetuity	(19,302)	(29,265)
Loss on sale/disposal of long-lived assets	8	130
Pension/post-retirement benefits	5,920	(553)
Reserve for self-insured liabilities	(4,487)	(669)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Deposits with trustees	11,967	(13,743)
Receivables (excluding notes), net of reserve for doubtful accounts	(16,181)	18,189
Healthcare contract assets	858	(329)
Inventories, prepaids and other assets	(3,720)	(3,947)
Operating lease right of use assets	24,205	21,833
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	32,598	11,355
Deferred revenue	7,001	(14)
Other liabilities	11,891	3,469
Operating lease obligations	(19,223)	(17,132)
Refundable advances under Federal Student Loan Program	—	546
Net cash provided by (used in) operating activities	<u>53,996</u>	<u>(12,451)</u>
Cash flows from investing activities		
Proceeds from investment sales	1,285,197	1,474,004
Purchases of investments	(1,309,678)	(1,489,773)
Return on unexpended bond proceeds	64,155	25,290
Purchases and renovations of long-lived assets	(121,345)	(120,363)
Lease restructuring disbursement	—	(22,510)
Net cash used in investing activities	<u>(81,671)</u>	<u>(133,352)</u>
Cash flows from financing activities		
Contributions restricted in perpetuity	19,302	29,265
Net proceeds from line of credit	25,000	—
Payments on notes payable	(274)	(264)
Proceeds from bonds payable	17,714	1,271
Payments on bonds payable	(13,616)	(12,966)
Principal payments on finance lease obligations	(6,016)	(5,601)
Change in finance lease right of use assets and finance lease obligations	(740)	—
Change in student loans collected	355	1,684
Sales-type lease proceeds	—	22,510
Net cash provided by financing activities	<u>41,725</u>	<u>35,899</u>
Increase (decrease) in cash and cash equivalents	<u>14,050</u>	<u>(109,904)</u>
Beginning cash and cash equivalents	95,789	205,693
Ending cash and cash equivalents	<u>\$ 109,839</u>	<u>\$ 95,789</u>

Supplemental cash flow information continued on the next page

The Howard University
Consolidated Statements of Cash Flows
For the years ended June 30, 2025 and 2024
(In thousands)

For the years ended	<u>2025</u>	<u>2024</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 37,293	\$ 37,748
Supplemental non-cash investing and financing activities:		
Acquisition of equipment and office space under financing leases	35,342	11,878
Acquisition of equipment and office space under operating leases	56,702	51,978
Capital expenditures incurred but not yet paid	60,583	23,575
Stock distributions	4,488	13,015
Reinvested investment income	9,027	5,966

Refer to Note 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, 2025 and 2024
(In thousands)

1. University Organization

Howard University (the "University") is a private, nonprofit institution of higher education which also operates Howard University Hospital (the "Hospital") located in Washington, D.C. The University provides academic programs at the undergraduate, graduate, and postdoctoral levels and engages in research, training, and other sponsored activities supported by grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States government. The University also provides patient healthcare services at the Hospital and through clinical activities performed by certain University faculty as part of its academic clinical activities.

Under Public Law 87-262 (75 Stat. 542), enacted on September 21, 1961, Freedmen's Hospital was transferred to the University in furtherance of its mission in medical education and community healthcare. Effective January 1, 2024, Howard University Hospital Corporation ("HUHC") became a fully incorporated entity and continues to serve as the wholly owned Howard University Hospital and a subsidiary of the University

The consolidated financial statements also include the activities of the University's 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 financial position, and all intercompany balances have been eliminated in consolidation.

The Research Institute for Tactical Autonomy ("RITA") is a University Affiliated Research Center ("UARC") designated and competitively awarded to Howard University by the U.S. Department of Defense in 2023.

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The Howard University
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024
(In thousands)

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These consolidated statements include summarized comparative information for the prior year in total, without classification by net asset type. Such summarized information does not include all disclosures required by U.S. GAAP and should be read in conjunction with the University's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

The consolidated statements of activities present all transactions affecting net assets. Operating results reflect revenues and expenses attributable to the University's ongoing educational and institutional activities. Non-operating items include investment returns in excess of amounts appropriated for operations pursuant to the University's spending policy, unrealized gains and losses on investments, unrealized gains and losses on beneficial interests in perpetual trusts, endowment transfers, and actuarial and other adjustments associated with pension and post-retirement benefit plans.

(b) Net Asset Classifications

U.S. GAAP requires the University to classify net assets based on whether donor-imposed restrictions limit their use.

Without Donor Restrictions – Net assets without donor restrictions are available to support operations at the discretion of the Board and/or management. The Board may designate amounts for specific purposes, which limits management's discretionary use of those resources.

With Donor Restrictions – Net assets with donor restrictions are subject to legal or donor-imposed stipulations that may be fulfilled by the passage of time, through actions taken by the University pursuant to those stipulations, or both. These net assets include endowment funds subject to the requirements of the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 ("DC UPMIFA"), the District of Columbia's enactment of the Uniform Prudent Management of Institutional Funds Act, which governs the use, investment, and appropriation of donor-restricted endowment funds. The original gift amount, any subsequent donor contributions, and related investment returns remain classified as net assets with donor restrictions until appropriated for expenditure by the governing body or as otherwise permitted by law.

Contributions are generally recorded as revenue in the appropriate net asset category. However, contributions with donor-imposed restrictions that are met within the same fiscal year are reported as revenue without donor restrictions. When donor restrictions are satisfied (e.g., the specific purpose is achieved or the required time period has passed), funds are reclassified from net assets with donor restrictions to net assets without donor restrictions. Donor restrictions on gifts for long-lived assets are considered fulfilled when the asset is 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

Howard University, HUHC, and the University's other wholly owned subsidiaries (collectively, the "University") are tax-exempt organizations under section 501(c)(3) of the Internal Revenue Code, except where noted below. For the years ended June 30, 2025 and 2024, there were no uncertain tax positions considered to be material.

HUHC is currently operating as a tax-exempt organization and is obtaining reinstatement of tax exempt status from the Internal Revenue Service. Management does not expect the outcome of the IRS determination process to have a material impact on the University's consolidated financial position or changes in net assets.

The Howard University
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024
(In thousands)

The Tax Cuts and Jobs Act (the Act), enacted on December 22, 2017, introduced various changes affecting the University, including excise taxes on executive compensation and net investment income, as well as new rules for calculating unrelated business taxable income. Based on guidance from the Act, the University estimated related tax expense of \$101 and \$512 for the years ended June 30, 2025 and 2024, respectively.

(e) Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid financial instruments with original maturities of three months or less, including U.S. Treasury securities and other short-term investments, all carried at fair value. Amounts held in the endowment fund or by investment managers are classified as investments rather than cash and cash equivalents.

The University's aggregate cash and cash equivalents held at financial institutions exceed federal insurance limits by approximately \$108,089 and \$93,789 as of June 30, 2025, and 2024, respectively. While these funds are exposed to risk, the University has not experienced any losses due to this exposure.

(f) Investments

Investments are categorized in the consolidated statements of financial position as operating investments, donor restricted investments, endowment investments, and deposits with trustees. All investments are reported at fair value or net asset value and are defined as follows:

Operating Investments – represent liquid, unrestricted short-term assets available at the discretion of the Board of Trustees to meet operational needs.

Restricted Investments – represent non-endowed investments with principal and/or income restricted by external sources, including liquidation constraints. These funds are not available for discretionary use by the Board or management.

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 or DC UPMIFA.

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

The fair values of the University's investments are determined using 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, consistent with the allocation of interest and dividends, to net assets with donor restrictions or net assets without donor restrictions (distinguished between operating and non-operating) based on donor intent or lack thereof of donor stipulations. Such amounts may be appropriated for operations subject to donor-imposed time or purpose restrictions or retained in perpetuity when required under the terms of the gift. Investment income (losses) associated with loan funds is accumulated in net assets without donor restrictions.

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

(g) Revenue Recognition

The University recognizes revenue from contracts with customers based on the consideration specified in the contract. Revenue is recognized when the University satisfies its performance obligations by transferring goods or services to the customer. The University applies the five-step revenue recognition model: (i) identify the contract; (ii) identify performance obligations; (iii) determine transaction price; (iv) allocate transaction price; and (v) recognize revenue.

The Howard University
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024
(In thousands)

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 from instructional activities, including tuition and fees, patient care, and auxiliary services provided on its Washington, D.C. campuses. These revenue sources may be disaggregated by whether they result from contracts with students, contracts with non-student, or non-contract activities. Revenue from patient care and other non-student services is recognized on the event date or when services are rendered.

The performance obligations related to contracts with students involve providing instruction, housing and dining (if applicable), and access to University facilities and services for the duration of the contract term. Consequently, these performance obligations are satisfied over time ratably throughout the contract period.

The University enters contracts that include various service components, which are generally capable of being distinct and are therefore recognized as separate performance obligations.

Tuition and fees, net of financial aid, are recognized as revenue in the period in which the related academic services are provided. Tuition and fees received in advance of service delivery are recorded as deferred revenue. The University awards institutional financial aid to eligible students based on demonstrated financial need or academic merit, typically as part of an aid package. Financial aid may include loans, work-study compensation, or grants and scholarship. Loans are primarily offered through U.S. government programs (direct and guaranteed loans) for which the University's obligations are limited to certain administrative responsibilities.

Institutional grants and scholarships are funded through private donor contributions, endowment income restricted for student aid, and University funding. In accordance with U.S. GAAP, this institutional aid is considered a reduction of the transaction price, as it represents consideration payable to the student. Consequently, the University presents tuition and fees, net of financial aid. Financial aid for fiscal years ended June 30, 2025 and 2024 was \$280,880 and \$255,535, respectively.

TUITION AND FEES, NET	2025	2024
Tuition and fees before applying financial aid*	\$ 489,235	\$ 444,744
Deduction for financial aid:		
Undergraduate	186,535	169,395
Graduate	4,222	3,833
Professional	17,598	15,981
Total reduction for financial aid	208,355	189,209
Total tuition and fees, net of financial aid	<u>\$ 280,880</u>	<u>\$ 255,535</u>

**Tuition and fees before applying financial aid are shown net of tuition discounts and net of the ASC 606 revenue adjustment.*

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). Grants and contracts revenues include recoveries of allowable direct and indirect costs for facilities and administration, which are determined under negotiated or prescribed rates. The University evaluates whether such agreements constitute conditional or unconditional contributions (nonreciprocal transactions) or as revenue from contracts where the government agencies are the customer, under ASC 606.

For the years ended June 30, 2025 and 2024, the University recognized \$91,496 and \$107,046 of revenue that is considered nonreciprocal, respectively, and \$1,140 and \$1,615 of revenue subject to ASC 606, respectively. Receivables under research grants and development agreements represent the amounts due from federal, state, local, private grants, contracts and other sponsors. As of June 30, 2025, and 2024, a sponsor accounted for 11% and a sponsor accounted for 10% of grants and contracts revenue, respectively.

The Howard University
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024
(In thousands)

GRANTS AND CONTRACTS REVENUE	2025	2024
Reimbursement of direct expenses	\$ 79,656	\$ 95,263
Recovery of indirect costs	12,980	13,398
Total grants and contracts revenue	<u>\$ 92,636</u>	<u>\$ 108,661</u>
Indirect costs recovery as a % of direct costs	16%	14%

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

GRANTS AND CONTRACTS REVENUE BY TYPE	2025	2024
Research	\$ 64,878	\$ 78,078
Training	13,741	14,508
Service/other	14,017	16,075
Total grants and contracts revenue by type	<u>\$ 92,636</u>	<u>\$ 108,661</u>

Auxiliary services revenue is recognized when services are rendered or as activities are completed. Auxiliary revenue consists of meal plans, advertising income from the University's commercial radio station (WHUR), sponsorship agreement to support the University's athletics programs, and student housing. Advertising revenue is recognized when the advertising spots are aired. Other revenues include the University's television station (WHUT) and preschool center fees.

The University evaluates collectability, price concessions, and other forms of variable consideration in determining the transaction price for each auxiliary revenue stream.

AUXILIARY SERVICES REVENUE	2025	2024
Student housing	\$ 15,014	\$ 11,664
Meal plans	29,448	25,973
Royalties	7,643	—
Radio station	5,903	7,116
Bookstore	750	947
Parking fees	1,495	2,325
Other	3,078	3,623
Total auxiliary services revenue	<u>\$ 63,331</u>	<u>\$ 51,648</u>

Net patient service revenue arises from contracts to provide health care services to patients. Revenue is recognized when services are rendered and related performance obligations are fulfilled. Such revenue often involves third-party payors (e.g., Medicare, Medicaid, and insurance companies), with transaction prices dependent on terms governed by negotiated terms. The University 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 reflect discounts. The University records implicit price concessions for uninsured accounts, based on historical collections.

The Hospital and the Faculty Practice Plan participate 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.

The Howard University
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024
(In thousands)

NET PATIENT SERVICE REVENUE	2025	2024
Gross Revenues	\$ 712,293	\$ 752,173
Third-party settlement revenue	82,570	75,093
Price concessions	(496,368)	(532,866)
Total net patient service revenue	<u>\$ 298,495</u>	<u>\$ 294,400</u>

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

Federal appropriation revenue is recognized as funds are received and expended. The University receives a federal appropriation to support its educational mission. Of this appropriation, \$73,840 is restricted: \$70,435 is designated for the construction and renovation of the Hospital, and \$3,405 is restricted for a term endowment required to be held for 20 years. For fiscal years ended June 30, 2025 and 2024, the federal appropriation accounted for 27% and 25%, respectively, of the University's total revenue support. There is a \$3,405 receivable at both June 30, 2025 and 2024, that represents the portion to be collected on the federal term endowment as defined in Note 16.

Contribution of cash and other financial assets, including unconditional promises to give, are recognized at fair value within the appropriate category of net assets upon receipt. Contributions with donor-imposed restrictions that are fulfilled within the same fiscal year are reported in net assets without donor restrictions. Unconditional promises to give are initially measured at fair value, considering expected future cash receipts and discounted at a risk-adjusted rate. Conditional promises to give are recognized only when the specified conditions are substantially satisfied.

Contribution revenue derived from government and private grant and contracts—generally classified as nonreciprocal transactions—is recognized as qualifying expenditures are incurred and the conditions under the agreements are met. Payments received in advance of conditions being satisfied are recorded as deferred revenue on the consolidated statements of financial positions. The University recognized approximately \$0 and \$5,364 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, 2025 and 2024, respectively.

Contributions income for fiscal years ended June 30, 2025 and 2024 is shown below:

CONTRIBUTIONS INCOME	2025	2024
Without donor restrictions	\$ 17,966	\$ 32,866
With donor restrictions	42,692	32,654
Total contributions income	<u>\$ 60,658</u>	<u>\$ 65,520</u>

For the year ended June 30, 2025, the University had one donor with gifts that represented greater than 10% of contribution income. For the year ended June 30, 2024, the University had two donors with gifts that each represented greater than 10% of contribution income.

Contributed works of art, historical treasures, literary works and artifacts, which are preserved for educational, research and public exhibition purposes are capitalized. Such nonfinancial gifts are recorded at their estimated fair value on the date of donation. When donor-imposed stipulations specify a required usage period, these contributions are recorded as net assets with donor restrictions; otherwise, they are recorded as net assets without donor restrictions.

Real property revenue is comprise income and gains from real estate activities including lease income and is recognized as revenue in the period in which it is earned and deemed collectible. Real property receivables include the net present value of the minimum lease payments from sales-type leases. Further details regarding the revenue recognition for real property lease transactions are presented in Note 13.

Other income comprises income from activities that are not ongoing and central to the University's core operations and is recognized as revenue in the period in which it is earned and deemed collectible. For the year ended June 30, 2025, other income consisted principally of revenue recognized from insurance proceeds, athletics, and real estate transactions in the amounts of \$2,928, \$1,265, and \$1,077, respectively. For the year ended June 30, 2024 other income consisted principally of revenue recognized from settlements, athletics, and treasuries in the amounts of \$3,000, \$2,855, and \$2,655, respectively.

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Notes receivable comprise loans the University extended to students through institutional resources and federal student loan programs with outstanding balances, including the Federal Perkins Loans. Management assesses the adequacy of the allowance for credit losses on student loans by performing continuous evaluations of borrower financial condition, the broader economic environment, and the level and aging of delinquent loans.

As of June 30, 2025, the University has assigned all outstanding Perkins loans to the Department of Education, and is in the process of formally liquidating its Perkins portfolio.

(h) Inventories, Prepaids and Other Assets

Inventories consist primarily of medical supplies and are recorded at the lower of cost or net realizable value, determined on a first-in, first-out basis. Prepaid expenses consist principally of insurance, dues, subscriptions, and other related fees and are amortized over the useful period. Other assets consist primarily of deferred health charges, intellectual property holdings, and beneficial interests in trusts.

(i) Long-Lived Assets

Long-lived assets comprise property, property held for expansion (including land and buildings acquired for future educational, research, and institutional use), capital improvements, equipment, software, library books, and art and historical treasures. Such assets are recorded at cost, or at fair value on the date of gift, net of 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 Board-approved projects is capitalizable and not depreciated until assets are placed in service. Land, including land improvements and property held for expansion, is not subject to depreciation.

The University capitalizes purchased and donated works of art and historical treasures within the consolidated statement of financial position. These assets are not depreciated when their economic benefit or service potential is consumed so gradually that their estimated useful lives are considered extraordinarily long. In the event of impairment, such works are written down to fair value, with the resulting loss recognized in the consolidated statement of activities. The University's collections management policy provides that proceeds from the disposal of art and historical treasures be used exclusively for the direct care of the remaining collection. In addition, proceeds received from the loans of collection are applied to activities that maintain the quality of the collection. The University defines direct care as expenditures used to maintain the value, integrity, and quality of the collection including appraisals, insurance, security, storage with climate control, installation and related transportation, and conservation.

Depreciation for all long-lived assets is recognized using the straight-line method over the estimated useful lives of the respective assets. The useful lives applicable to the fiscal years presented are as follows:

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 with funds provided by government grants or contracting agencies is vested in the University and, as such, is included in reported property balances; however these assets are subject to potential transfer or disposition by the cognizant agency. Interest eligible for capitalization comprises the costs of restricted borrowings, net of interest earned on the temporary investment of those proceeds, from the date of borrowing until the associated qualifying assets are placed in service for their intended use.

The recorded values of certain properties include the fair value of environmental remediation required to satisfy contractual or regulatory mandates. Such obligations primarily pertain to the removal and disposal of asbestos.

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(j) Unexpended Bond Proceeds

Unexpended bond proceeds comprise investments in government debt security funds, which are reported at amortized cost and are not subject to daily quotation. As of June 30, 2025 and 2024, unexpended bond proceeds totaled \$250,941 and \$315,096, respectively, including earnings of \$43,165 and \$29,040 from invested funds during the respective periods.

(k) Compensated Absences

The University recognizes a liability for future employee absences attributable to services performed in the current and prior periods, subject to prescribed carry over limits. This obligation is presented within accounts payable and accrued expenses in the consolidated statements of financial position (see Note 11).

(l) Pension and Post-Retirement Benefits

The funded status of the University's pension benefit (the "Plan") is actuarially determined and presented 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. The actuarially determined post-retirement benefit obligation is similarly recognized on the consolidated statements of financial position as a liability. Administration of the Plan is conducted in accordance with Internal Revenue Service ("IRS") requirements (see Note 15).

(m) Reserves for Self-Insured Liabilities

The reserve for self-insured liabilities consists primarily of amounts accrued for asserted medical malpractice and worker's compensation claims and incorporates estimates of the ultimate cost to resolve such claims (see Note 7 *Reserves for Self-insured Liabilities*). The reserve also encompasses an estimate of the cost to resolve unasserted claims that actuarial analyses deem probable of assertion in the future. Medical malpractice claim reserves are presented at undiscounted amounts.

(n) Refundable Advances Under Federal Student Loan Program

Funds provided by Department of Education ("ED") under the Federal Student Loan Programs are extended to qualified students and may be re-loaned after collections. The portion of these funds provided by the ED are ultimately refundable to the ED and is recognized as liabilities in the consolidated statements of financial position and as a financing activity in the consolidated statements of cash flows. Loans disbursed to students are reflected as receivables in the consolidated statements of financial position.

(o) Leases

The University and the Hospital are parties to a range of operating and finance leases for office space and equipment. Lease assets and lease liabilities are measured using the discount rate implicit in the lease. If that rate is unavailable or readily determinable, the University utilizes its risk-free rate. Operating lease expense, excluding short-term lease costs, is recognized on a straight-line basis. Additional disclosure regarding lease arrangements is provided in Note 13.

(p) Measure of Operations

The University's measure of operations comprise all revenue and expenses that are integral to its continuing core program services, with the key objective of enhancing the predictability of operating results. This measure includes the gains and losses from real estate related transactions.

(q) Reclassifications

Certain prior year amounts (2024) have been reclassified to conform to the current-year (2025) presentation. These reclassifications had no impact on the University's previously reported net asset balances.

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3. Liquidity and Availability of Resources

As of June 30, 2025 and 2024, financial assets and liquidity resources that are available within one year for general expenditures consists of the following:

FINANCIAL ASSETS AND LIQUIDITY RESOURCES	2025	2024
<i>Financial Assets:</i>		
Cash and cash equivalents	\$ 109,839	\$ 95,789
Operating investments	10,482	9,632
Receivables, net (excluding donor-restricted contributions)	124,453	111,325
Healthcare contract assets, net	1,872	2,730
Endowment funds appropriated for current use	34,603	31,018
Total financial assets available within one year	<u>\$ 281,249</u>	<u>\$ 250,494</u>
<i>Liquidity Resources:</i>		
Unused bank line of credit available	50,000	75,000
Total financial assets and liquidity resources available within one year	<u><u>\$ 331,249</u></u>	<u><u>\$ 325,494</u></u>

None of the financial assets listed above are subject to donor-imposed or contractual restrictions that would render them unavailable for general expenditures within one year of the consolidated statement of financial position. Receivables include time-restricted pledges expected to be collected within one year. Earnings from unspent bond proceeds of \$43,165 may be utilized for bond-related or general operating needs at management's discretion.

The University's endowment investments, which include donor-restricted and quasi-endowment assets, are subject to a Board-established spending policy of 5 percent. Except for the portion allocated for general expenditures, quasi-endowment funds may be accessed, if necessary, with Board authorization. Further disclosures regarding Board-designated quasi-endowment assets are provided in Notes 9 and 16.

To address any unanticipated liquidity needs, the University maintains a committed line of credit of \$75,000, which can be drawn upon through December 31, 2025, if needed. As of June 30, 2025, there was an outstanding balance of \$25,000 on the line of credit.

4. Receivables, Net

The major components of receivables, net of reserves for doubtful accounts of \$18,100 and \$15,100 as of June 30, 2025 and 2024, respectively, were as follows:

RECEIVABLES	2025	2024
Student	\$ 35,761	\$ 16,643
Notes	2,565	2,940
Federal appropriation	3,405	3,405
Patient receivables - HUHC	22,568	33,423
Third-party and insurance recoveries - HUHC	26,707	17,380
Patients and third-party payors - FPP	6,129	3,114
Grants and contracts	28,188	29,061
Contributions	36,241	44,649
Auxiliary services	4,247	4,259
Real property	20,944	15,017
Other	3,360	4,398
Total receivables	<u><u>\$ 190,115</u></u>	<u><u>\$ 174,289</u></u>

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As of June 30, 2025, the University had one single customer, donor, or party that represented greater than 10% of total receivables. As of June 30, 2024, the University did not have any single customer, donor, or party that represented greater than 10% of total receivables.

Student receivables comprise unpaid tuition and fees assessed in current and prior periods that originate when a student enroll through the University's formal registration process.

Patient receivables comprise unpaid health care fees for health care services provided to the patients are measured based on management's estimates of the consideration expected to be realized from patients and third-party payors.

Contributions receivable at June 30, 2025 and 2024 are expected to be received as follows:

CONTRIBUTIONS RECEIVABLE	2025	2024
Within one year	\$ 39,369	\$ 38,312
Between one and five years	8,315	13,900
Thereafter	9	1,201
Contributions receivable gross	47,693	53,413
Unamortized discount on contributions receivable (2%-6.5%)	(1,127)	(1,375)
Contributions receivable, net of discounts	46,566	52,038
Allowance for uncollectible contributions	(10,325)	(7,389)
Total contributions receivable, net of discounts and allowance	<u>\$ 36,241</u>	<u>\$ 44,649</u>

Conditional Gifts

In fiscal year 2025, the University entered into a grant agreement with The Bloomberg Family Foundation Inc. to support the medical education of enrolled students, including financial aid and wrap-around services. The total amount conditionally promised under this agreement is \$182,250, of which \$13,780 has been received as of June 30, 2025. The remaining payments are subject to the University fulfilling specified conditions including (i) the submission and approval of an investment plan and (ii) demonstrating satisfactory progress toward program objectives. Payments are scheduled to be made through December 31, 2027.

5. Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts as of June 30, 2025 and 2024 are as follows:

INVENTORIES, PREPAIDS, AND OTHER ASSETS	2025	2024
Inventories - Hospital	\$ 5,117	\$ 5,972
Prepaid expenses	14,663	20,066
Capitalized internal-use software	18,906	16,779
Beneficial interest trust	3,679	3,296
Self-insured assets	5,574	5,328
Intellectual property costs	692	778
Other	15,899	8,591
Total inventories, prepaids, and other assets	<u>\$ 64,530</u>	<u>\$ 60,810</u>

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6. Deposits with Trustees

DEPOSITS WITH TRUSTEES (DEDICATED ASSETS)	2025	2024
Debt service reserve	\$ 28,726	\$ 26,407
Advanced bond payments	—	13,681
Health insurance trust	218	823
Total deposits with trustees	<u>\$ 28,944</u>	<u>\$ 40,911</u>

Debt Service Reserve Fund

As required by the 2011B Revenue Bonds and 2021A bonds, the University maintains a debt service reserve fund designed to meet or exceed the Debt Service Fund Requirements of \$24,292. As of June 30, 2025 and 2024, the balance of the debt service reserve fund was \$28,726 and \$26,407, respectively. The assets comprising this reserve fund consist primarily of cash, fixed income investments, capitalized interest and other short-term securities.

In June 2024, the University made advanced payments toward upcoming bond obligations. These payments are recorded under the current portion of deposits with trustees. No advance payments were made as of June 30, 2025.

7. Reserve for Self-insured Liabilities

RESERVE FOR SELF-INSURED LIABILITIES	2025	2024
Professional liability	\$ 46,722	\$ 51,672
Workers' compensation	5,097	4,988
Health insurance trust	4,220	3,866
Total reserve for self-insured liabilities	<u>\$ 56,039</u>	<u>\$ 60,526</u>

(a) Professional Liability

The University is subject to various claims and litigation related to its hospital and clinical operations. Based on assessments from actuaries and legal counsel, the University has accrued professional liability reserves of \$46,722 and \$51,672, as of fiscal years ended June 30, 2025 and 2024, respectively. These reserves are intended to cover probable losses from both filed (asserted) and potential (unasserted) claims. Professional liability reserves are reported as part of self-insured liabilities in the consolidated statement of financial position.

The following tables summarizes changes in professional liability for fiscal years ended June 30, 2025 and 2024:

PROFESSIONAL LIABILITY	2025	2024
Beginning balance	\$ 51,672	\$ 52,104
Malpractice claims expense	(4,674)	10,661
Settlement payments	(276)	(11,093)
Ending balance	<u>\$ 46,722</u>	<u>\$ 51,672</u>

(b) Workers' Compensation

For fiscal years ended June 30, 2025 and 2024, the University maintained \$5,251 and \$5,221 in letters of credit, respectively, as collateral for specific insurance carriers. The University is self-insured for workers' compensation claims up to per occurrence retention of \$500, with any excess covered through commercial insurance.

Workers' compensation expenses were \$1,654 and \$1,633 for fiscal years ended June 30, 2025 and 2024, respectively, and are included in employee benefits. The total liability for future workers' compensation claims includes amounts for claims covered under existing insurance policies. Reserves are based on actuarial estimates for both asserted and unasserted claims.

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(c) Health Insurance

The University has established a revocable self-insured trust fund to partially fund group health benefits for its employees. The fund's assets primarily consist of money market investments. Deposits to the fund include employee payroll withholdings and University contributions, based on estimates provided by the claims administrator. Disbursements from the fund are made in accordance to the payment plan prescribed by 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. The accounting standards establish a hierarchy which consists of three-level hierarchy for fair value measurements based the nature and observability on the nature and observability of valuation inputs:

- 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.
- (4) Alternative investments include the University'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, U.S. treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or

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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 the University's bonds is determined based on quoted market prices. As of June 30, 2025 and 2024, the estimated fair value was approximately \$738,845 and \$736,075, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. The University 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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The University's financial liabilities, as referenced above, are presented in Footnote 14. The University's financial assets as of June 30, 2025 and 2024 are subject to fair value accounting. Fair value as of June 30, 2025 is as follows:

FAIR VALUE	Level 1	Level 2	Level 3	Total
Non-investment assets				
Unexpended bond proceeds (5)	\$ —	\$ 250,941	\$ —	\$ 250,941
Deposits with trustees (6)	218	28,726	—	28,944
Other assets (7)	—	—	4,002	4,002
Total non-investment assets	\$ 218	\$ 279,667	\$ 4,002	\$ 283,887
Operating investments				
Common stock (3)	10,482	—	—	10,482
Total operating investments	\$ 10,482	\$ —	\$ —	\$ 10,482
Restricted investments				
Money market instruments (1)	—	7,521	—	7,521
Common stock (3)	29,681	—	—	29,681
Fixed income				
Corporate bonds (2)	9,830	—	—	9,830
Total restricted investments	\$ 39,511	\$ 7,521	\$ —	\$ 47,032
Endowment investments				
Money market funds (1)	5,836	65,870	—	71,706
Common stock (3)	194,828	—	—	194,828
Fixed income				
Corporate bonds (2)	53,162	—	—	53,162
Mutual funds investment				
Domestic common stock (3)	1,628	—	—	1,628
Domestic fixed income (2)	69,928	—	—	69,928
International equity security (3)	3,145	—	—	3,145
Total endowment investments	\$ 328,527	\$ 65,870	\$ —	\$ 394,397
Investment receivables not subject to fair value reporting (8)	4,043	—	—	4,043
Investment payables not subject to fair value reporting (8)	(2,839)	—	—	(2,839)
Total investments	\$ 379,724	\$ 73,391	\$ —	\$ 453,115
Total non-investments and investments, net of liabilities	\$ 379,942	\$ 353,058	\$ 4,002	\$ 737,002
Total investments measured at the NAV as a practical expedient (4)				743,275
Total assets and liabilities measured at fair value				\$ 1,480,277

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Fair value as of June 30, 2024 is as follows:

FAIR VALUE	Level 1	Level 2	Level 3	Total
Non-investment assets				
Unexpended bond proceeds (5)	\$ —	\$ 315,096	\$ —	\$ 315,096
Deposits with trustees (6)	14,505	26,406	—	40,911
Other assets (7)	—	—	3,620	3,620
Total non-investment assets	\$ 14,505	\$ 341,502	\$ 3,620	\$ 359,627
Operating investments				
Common stock (3)	9,632	—	—	9,632
Total operating investments	\$ 9,632	\$ —	\$ —	\$ 9,632
Restricted investments				
Money market instruments (1)	—	19,433	—	19,433
Common stock (3)	30,482	—	—	30,482
Total restricted investments	\$ 30,482	\$ 19,433	\$ —	\$ 49,915
Endowment investments				
Money market funds (1)	6,792	15,476	—	22,268
Common stock (3)	213,181	—	—	213,181
Fixed income				
Corporate bonds (2)	55,677	—	—	55,677
Mutual funds investment				
Domestic common stock (3)	9,950	—	—	9,950
Domestic fixed income (2)	58,191	—	—	58,191
Total endowment investments	\$ 343,791	\$ 15,476	\$ —	\$ 359,267
Investment receivables not subject to fair value reporting (8)	13,738	—	—	13,738
Investment payables not subject to fair value reporting (8)	(1,537)	—	—	(1,537)
Total investments	\$ 396,106	\$ 34,909	\$ —	\$ 431,015
Total non-investments and investments, net of liabilities	\$ 410,611	\$ 376,411	\$ 3,620	\$ 790,642
Total investments measured at the NAV as a practical expedient (4)				678,098
Total assets and liabilities measured at fair value				\$ 1,468,740

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Investments measured at the NAV as a practical expedient at June 30, 2025 are summarized as follows:

INVESTMENTS MEASURED AT NAV	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds(a)	\$ 92,261	\$ 1,800	Monthly-Annually	45-90 days
Common stock	16,294	—	Monthly	<30 days
Real estate funds(b)	54,373	3,837	—	1-10 years
Common/collective trusts(c)	72,898	—	Monthly	—
Limited partnerships(d)	507,449	147,379	—	≤ 10 years
Total investments measured at the NAV as practical expedient	<u>\$ 743,275</u>	<u>\$ 153,016</u>		

Investments measured at the NAV as a practical expedient at June 30, 2024 are summarized as follows:

INVESTMENTS MEASURED AT NAV	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds(a)	\$ 77,227	\$ 157	Monthly-Annually	45-90 days
Common Stock	43,694	—	Monthly	<30 days
Real estate funds(b)	53,838	7,222	—	1-10 years
Common/collective trusts(c)	56,788	—	Monthly	—
Limited partnerships(d)	446,551	149,950	—	≤ 10 years
Total investments measured at the NAV as practical expedient	<u>\$ 678,098</u>	<u>\$ 157,329</u>		

The tables presented above represent the University's net asset value of investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2025 and 2024. 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 commingled 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, 2025, 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 income (loss) is summarized as follows for fiscal years June 30, 2025 and 2024:

NET INVESTMENT INCOME (LOSS)	2025	2024
Interest and dividends	\$ 43,916	\$ 32,317
Net realized gains	23,047	40,389
Net unrealized gains	26,205	45,292
Other investment income, net of expense	133	2
Investment expenses	(10,621)	(10,113)
Total net investment income	<u>\$ 82,680</u>	<u>\$ 107,887</u>
Current-year unrestricted operating return	986	1,875
Current-year non-operating investment return (loss):		
Without donor restriction	46,095	47,395
With donor restriction	35,599	58,617
Total current year investment return	<u>\$ 82,680</u>	<u>\$ 107,887</u>
Prior-year (earnings) designated for current operations:		
Without donor restriction	(17,053)	(14,528)
With donor restriction	(13,965)	(14,052)
Total designated for current operations	<u>\$ (31,018)</u>	<u>\$ (28,580)</u>
Net non-operating investment return:		
Without donor restriction	29,042	32,867
With donor restriction	21,634	44,565

9. Endowment Fund

The University's endowment consists of numerous individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. The management and investment of these funds are governed by the provisions of the DC UPMIFA.

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees has interpreted the DC UPMIFA as requiring the preservation of the fair value of the original gift, as determined at the date of contribution, for donor-restricted endowment funds absent explicit donor instructions to the contrary. Pursuant to this interpretation, the University classifies the following as donor-restricted net assets to be maintained in perpetuity:

- (a) The original value of gifts with permanent donor-directed use restrictions; and
- (b) Accumulations that must be retained under the terms of the donor's 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, the University 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 the University 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 the University
- (g) The investment policies of the University

Management and Investment - In accordance with DC UPMIFA, the University 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, 2025 is as follows:

ENDOWMENT CHANGE IN VALUE	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$ 481,711	\$ 562,100	\$ 1,043,811
Investment return:			
Investment income	14,351	21,713	36,064
Net appreciation (realized and unrealized)	30,985	11,777	42,762
Total investment return	\$ 45,336	\$ 33,490	\$ 78,826
Contributions	5,233	19,302	24,535
Appropriation of endowment assets for operations	(17,053)	(13,965)	(31,018)
Other changes:			
Transfer and other changes	32,672	(26,975)	5,697
Endowment net assets, end of year	\$ 547,899	\$ 573,952	\$ 1,121,851
Donor-restricted endowment funds	—	574,132	574,132
Underwater endowment funds	—	(180)	(180)
Board designated quasi-endowment	547,899	—	547,899
Endowment net assets, end of year	<u>\$ 547,899</u>	<u>\$ 573,952</u>	<u>\$ 1,121,851</u>

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The change in value and the composition of amounts classified as endowment as of June 30, 2024 is as follows:

ENDOWMENT CHANGE IN VALUE	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$ 426,656	\$ 506,050	\$ 932,706
Investment return:			
Investment income	9,747	15,646	25,393
Net appreciation (realized and unrealized)	30,387	38,689	69,076
Total investment return	\$ 40,134	\$ 54,335	\$ 94,469
Contributions	10,452	29,265	39,717
Appropriation of endowment assets for operations	(14,528)	(14,052)	(28,580)
Other changes:			
Transfer and other changes	18,997	(13,498)	5,499
Endowment net assets, end of year	\$ 481,711	\$ 562,100	\$ 1,043,811
Donor-restricted endowment funds	—	562,233	562,233
Underwater endowment funds	—	(133)	(133)
Board designated quasi-endowment	481,711	—	481,711
Endowment net assets, end of year	<u>\$ 481,711</u>	<u>\$ 562,100</u>	<u>\$ 1,043,811</u>

The original gift amount and net appreciation of net assets with donor restrictions as of June 30, 2025 and 2024 is as follows:

ENDOWMENT NET ASSETS WITH DONOR RESTRICTIONS	2025	2024
Original gift	\$ 315,982	\$ 302,358
Net appreciation	257,970	259,742
Total endowment net assets with donor restrictions	<u>\$ 573,952</u>	<u>\$ 562,100</u>

The University's endowment net assets comprise receivables related to the federal term endowment and uninvested contributions. As these amounts have not yet been invested, they are not reflected within endowment investments. At June 30, 2025 and 2024 receivables of \$1,925 and \$11,314, 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 - On Occasion, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donors have required the University to preserve in perpetuity. These deficiencies, described as “underwater accounts”, are reported within net assets with donor restrictions and totaled \$180 and \$133 as of fiscal years ended June 30, 2025 and 2024, respectively. The University has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. The University's investment and spending policy is intended to conform with DC UPMIFA which allows spending in underwater endowments, in support of an endowment’s purpose.

FUNDS WITH DEFICIENCIES	2025	2024
Fair value of underwater endowments	\$ 7,908	\$ 2,432
Original endowment gift amount	8,088	2,565
Deficiencies of underwater endowment funds	<u>\$ (180)</u>	<u>\$ (133)</u>

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Return Objectives and Risk Parameters - The University employs investment and spending policies for its endowment assets that seek to provide a predictable source of funding to programs supported by its endowment while managing the risks inherent in achieving such returns. Endowment assets consist of donor-restricted funds to be held in perpetuity for specified period, 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. The University's long-term objective is to achieve an average inflation-adjusted total return that exceeds its targeted distribution rate, while sustaining a low to moderate level of investment risk. Actual returns in any individual year may vary substantially from this objective.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and yield (interest and dividends). The University 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 - The University's spending policy allows for distribution each year of up to 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, the University considered the long-term expected return on its endowment consistent with its general goal of facilitating the ability of endowments (specifically permanent and time specific endowments) to best fulfill the purposes for which they were designed.

10. Long-Lived Assets

LONG-LIVED ASSETS	2025	2024
Land and land improvements	\$ 63,547	\$ 63,547
Buildings and building improvements	1,187,354	1,043,659
Property held for expansion	45,891	45,891
Furniture and equipment	370,808	366,798
Library books	92,285	92,264
Works of art, historical treasures, literary works and artifacts	43,758	43,758
Software	109,701	109,401
Software in progress	12,135	12,135
Construction in progress	300,146	266,561
Long-lived assets, gross	2,225,625	2,044,014
Accumulated depreciation	(1,266,477)	(1,227,716)
Long-lived assets, net	<u>\$ 959,148</u>	<u>\$ 816,298</u>

For fiscal years ended June 30, 2025 and 2024, there were \$197 and \$164, 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 and amortization expense for the years ended June 30, 2025 and 2024 was \$46,483 and \$42,528, respectively. For fiscal years ended 2025 and 2024, net interest costs of \$8,098 and \$4,971, 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 the University. 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, 2025 and 2024 are as follows:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2025	2024
Vendor invoices	\$ 236,717	\$ 146,563
Accrued salaries and wages	24,515	22,284
Accrued employee benefits	6,168	8,052
Accrued annual leave	8,138	7,284
Accrued interest	8,097	7,706
Other	1,599	164
Total accounts payable and accrued expenses	<u>\$ 285,234</u>	<u>\$ 192,053</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, 2025 and 2024:

OTHER LIABILITIES	2025	2024
Environmental liabilities	\$ 167	\$ 560
Due to third-party student housing partner	9,327	6,122
Unclaimed property	7,452	7,007
Student deposits and refunds	11,374	5,554
Reserve for legal contingencies	2,880	5,240
Deposits held in custody for others	3,064	2,545
Gifts with uncertainties regarding realizability	6,557	2,434
Miscellaneous	5,871	5,339
Total other liabilities	<u>\$ 46,692</u>	<u>\$ 34,801</u>

The University incurred costs related to remediation of environmental liabilities during fiscal years ended June 30, 2025 and 2024 of \$393 and \$959, respectively.

Deferred revenue represents cash received, but not earned as of June 30, 2025 and 2024. This is primarily composed of refundable grant revenue advances, deferred lease income and Medicare advance payment program.

DEFERRED REVENUE	2025	2024
Deferred tuition, room and board	\$ 7,944	\$ 8,050
Deferred grant revenue	69,846	61,202
Deferred lease income	48,613	47,756
Medicare advance payment	—	2,950
Other	4,197	3,641
Total deferred revenue	<u>\$ 130,600</u>	<u>\$ 123,599</u>

The beginning deferred revenue balance for the year ended June 30, 2024 was \$123,613.

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13. Leases

Finance Leases

In fiscal year 2024, the University entered a lease with Cisco Capital to refresh the existing campus wireless network by replacing access points and switches with new models from Cisco Capital. This upgrade aims to streamline and modernize the network, simplify network operations, and improve the student experience. The lease has a term of 60 months and payments of \$1,429 are made annually.

In July 2024, the University entered into a new finance lease with 2711 Georgia Ave, NW, Washington, D.C. Rock Creek – Bison LLC, on the property known as The Oliver, to lease commercial space. The lease has a 20-year lease term to provide 41,000 square feet to be used by the University for administrative purposes.

The University is also obligated under other finance leases for office, technology and medical equipment that extend through fiscal year 2096.

The University 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.

Operating Leases

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

In January 2025, the University entered into two 15-year separate operating lease agreements with Jemal's Wonder LLC for property located at 641 S Street NW, Washington, D.C. The lease terms commenced on January 1, 2025, and extends through December 31, 2039. Under the first agreement, the University leased the first floor of the building which will be utilized as a temporary medical clinic. Under the second agreement, the University leased the third and fourth floors which will be used as temporary office space for University employees.

In July 2024, The University entered into a new operating lease with 2711 Georgia Ave, NW, Washington, D.C. Rock Creek – Bison LLC, on the property known as The Oliver, to lease residential space. The purpose of the lease is to lease 93 residential units, providing housing and parking for students and faculty for a 5-year lease term.

The University entered a 7-year lease for 400 Florida Ave, NE (The Lanes) with HH DC Property, LLC to lease residential housing from July 1, 2024, to June 30, 2031. The property contains 110 residential units with 32 units being vacant immediately. The University will lease the 32 vacant units and will have the option to add additional units as they become available.

The University 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 finance lease right-of-use assets and accumulated amortization, operating lease right-of-use assets and corresponding liabilities for the fiscal years ended June 30 are as follows:

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LEASE RIGHT OF USE ASSETS AND OBLIGATIONS

	2025	2024
Finance lease right of use assets	\$ 84,213	\$ 52,990
Finance lease accumulated amortization	(23,105)	(21,872)
Finance lease right of use assets, net	\$ 61,108	\$ 31,118
Operating lease right of use asset	101,988	69,491
Total right of use assets, net	\$ 163,096	\$ 100,609
Finance lease obligation	\$ 58,273	\$ 27,626
Operating lease obligation	106,602	69,123
Total lease obligation	\$ 164,875	\$ 96,749

As of June 30, 2025, the minimum future payments were as follows:

LEASE OBLIGATIONS

	FINANCE	OPERATING	TOTAL
Future principal and interest years ending June 30			
2026	\$ 10,324	\$ 19,496	\$ 29,820
2027	9,094	16,061	25,155
2028	8,304	13,501	21,805
2029	5,705	12,785	18,490
2030	4,735	9,108	13,843
2031 and thereafter	42,192	63,838	106,030
Obligation, gross	\$ 80,354	\$ 134,789	\$ 215,143
Amounts representing interest rates from 2% to 9%	(22,081)	(28,187)	(50,268)
Total lease obligations, net	\$ 58,273	\$ 106,602	\$ 164,875

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

LEASE EXPENSE

	2025	2024
Finance lease expense:		
Amortization of right of use assets	\$ 7,413	\$ 4,203
Interest on lease liabilities	3,213	1,747
Total finance lease expense	\$ 10,626	\$ 5,950
Operating lease expense	28,222	24,434
Short term lease expense	13,118	8,665
Total lease expense	\$ 51,966	\$ 39,049

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION FOR LEASES

	2025	2024
Cash paid for amounts included in the measurements of lease liabilities:		
Operating cash flows	\$ 19,223	\$ 17,132
Financing cash flows	6,016	5,601

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OTHER INFORMATION

	2025	2024
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Finance leases	\$ 37,090	\$ 11,878
Operating leases	56,702	51,978
Weighted-average remaining lease term (in years):		
Finance leases	12.53	5.94
Operating leases	10.03	8.73
Weighted-average discount rate:		
Finance leases	5.27%	6.12%
Operating leases	4.61%	4.73%

Lessor Sales-Type Leases

Howard Manor Lease

In fiscal year 2020, the University, as lessor, entered into a 99-year ground lease and development agreement with Manor Lessee LLC ("Manor") for the approximately 75,000 square foot building at 654 Girard Street, NW, Washington, D.C., ("Howard Manor"). The lease proceeds were a one-time payment of \$3,000 and annual rent of \$120 per year with an annual 2.25% rent escalation to the University. Under the agreement, Manor is obligated to construct an 80-unit apartment/housing complex. The University retained contractual right to repurchase Manor's lease and to regain management interest and control over the land and improvements.

In fiscal year 2024, the University exercised its repurchase rights pursuant to the original agreement, remitting a one-time payment of \$25,791 to Manor and thereby resuming control of the land and improvements. Thereafter, the University, as lessor, entered into a 31-year ground lease with Provident Group Girard Properties Inc. (PGGPI) for Howard Manor. The terms of the lease are: (i) a one-time payment of \$22,510, provided by funding PGGPI received from Amazon under their Affordable Housing Program; and (ii) annual rent payments of \$400 per year with an annual 2.25% rent escalation. The lease term was extended to 40 years subsequent to the commencement of the lease.

These leases are classified as sales-type leases pursuant to ASC 842-10-25-3, following management's assessment that the present value of the minimum lease payments approximates substantially all of the fair value of the underlying asset. As of June 30, the lease receivable for sales-type leases in reverse chronological order is as follows:

SALES-TYPE LEASE PAYMENTS RECEIVABLE

	2025	2024
Howard Manor	\$ 8,539	\$ 4,836
Shining Star	2,668	2,752
East Towers Lot	163	—
Total sales-type lease payments receivable	<u>\$ 11,370</u>	<u>\$ 7,588</u>

As of June 30, 2025, the future minimum sales-type lease payments receivable to be received for years ending at June 30 is as follows:

SALES-TYPE LEASE PAYMENTS RECEIVABLE

	June 30
2026	\$ 1,115
2027	673
2028	683
2029	693
2030	703
2031 and thereafter	7,647
Total undiscounted cash flows lease obligations, net	\$ 11,514
Impact of present value discount	(144)
Total sales-type lease payments receivable	<u>\$ 11,370</u>

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Lessor Operating Leases

East Towers Lot Lease

In prior years, 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., (the "East Towers Lot") for \$60,500. Lease consideration was structured in three installments: (i) \$20,000 at the June 2022 initial closing; (ii) \$22,000 upon the earlier of June 30, 2023 or 30 days following the alley closure pursuant to the agreement; and (iii) \$18,500 on the due 15 days after receipt of final approvals for alley closure. The University also retained a contingent right to 15% of net proceeds from any refinancing or disposition of the lessee's interest upon satisfaction of stipulated internal rate of return. On July 28, 2023, the University entered into a second amendment to the East Towers Lot agreement converting \$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, and the lease was reclassified from a sales-type to an operating lease.

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. Lease consideration was structured in four installments (i) an upfront closing payment of \$9,969; (ii) \$13,385 on or before June 30, 2023; (iii) \$8,951 by June 30, 2024; and (iv) nominal annual rent of \$1. The University is entitled to an annual participation payment equal to 1.5% of net cash flow for the prior calendar year, due no later than April 30th of each calendar year. At conclusion of the lease term, title to all improvements on the property and the tenant's leasehold interest will automatically vest in the University at no additional cost and free of all encumbrances. The lease does not include a guaranteed residual value.

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) nominal annual rent of \$1; (ii) an upfront closing payment of \$16,240; and (iii) an annual participation payment equal to 1.5% of net cash flow for the preceding calendar year, due on or before April 30. At the termination of the lease, title to all improvements and the tenant's leasehold interest will automatically revert to the University, free of all mortgages, liens, impositions, and defects in title. No guaranteed residual value is provided under the lease.

The University maintains additional operating leases for retail and commercial spaces, with rent payments established at lease commencement. In assessing the appropriate lease term, the University evaluates the likelihood of its tenant renewal or termination, with consideration to historical renewal or extension patterns, anticipated sales and revenue performance, and other pertinent factors. Certain tenants retain the ability to renegotiate or extend their lease upon expiration. Termination provisions are clearly defined in each lease. Lease payments are governed by the contractual terms and are generally fixed, although some lease agreements provide for payment escalations based on Consumer Price Index. The University includes only consideration attributable to lease components in its measurement of lease payments.

The University's leased properties are comprise: (i) the Wonder Plaza Building; (ii) rooftop licensing on select buildings; and (iii) Barry Place ground lease. Additionally, the University leases several buildings to private entities, including (iv) a public charter school, (v) an automobile rental company, (vi) a pharmacy, (vii) student housing facilities, (viii) a cosmetic store, (ix) a restaurant and (x) a fast food chain. The University also leases Hospital space to a large private pharmacy.

The University's lease agreements do not grant tenants an option to purchase the underlying asset upon expiration of the lease term, nor do they incorporate any residual value guarantees.

The 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, 2025, and 2024 was \$3,127 and \$3,102, respectively and are reported in real property revenue on the statements of activities.

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LEASE INCOME	2025	2024
Interest income on sales type lease	\$ 161	\$ 151
Operating lease income	2,966	2,951
Total lease income	<u>\$ 3,127</u>	<u>\$ 3,102</u>

As of June 30, 2025, the future minimum operating lease payments receivable to be received for years ending at June 30 is as follows:

OPERATING LEASE PAYMENTS RECEIVABLE	June 30
2026	\$ 1,059
2027	941
2028	876
2029	885
2030	892
2031 and thereafter	64,405
Total operating lease payments receivable	<u>\$ 69,058</u>

14. Bonds Payable, Notes Payable, and Line of Credit

(a) Bonds Payable

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

BONDS PAYABLE	2025	2024
2023A Future Advance Project Funding Bonds, 3.653% to 4.755% Serial due 2026 through 2053	\$ 21,476	\$ 3,762
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 2041	209,085	209,085
2020A Taxable bonds, 2.52% to 3.00% Serial due through 2031	98,965	111,645
2011B Taxable bonds, 7.63% Serial due through 2035	49,325	49,325
2010 Revenue bonds, 5.05% Serial due through 2025	486	1,423
Total bonds payable, gross	\$ 830,622	\$ 826,525
Unamortized bond discount	(4,435)	(4,713)
Unamortized bond issuance costs	(9,932)	(10,791)
Total bonds payable, net	<u>\$ 816,255</u>	<u>\$ 811,021</u>

(1) Series 2023A Future Advance Project Funding Bonds

In January 2023, the University issued the Series 2023A Bonds ("2023A Bonds") through the Historically Black College and University Capital Loan Financing Program, a federal financing initiative administrated by the Department of Education. The proceeds will be used to finance a STEM Building on the University's campus. The 2023A Bonds constitute a non-conventional bond issuance, with financing provided through a draw-down structure versus traditional bond issuances where net proceeds from closing are delivered to a designated account. The total draw-down the facility may not exceed \$224,000. Interest accrues at the applicable U.S. Treasury yield prevailing at the time of each draw is executed. The bonds mature on April 1, 2053. At fiscal year ended June 30, 2025, a total of \$21,476 had been drawn under the 2023A Bonds at interest rates between 3.653% and 4.755%. As a requirement a portion of each draw must be deposited in an escrow fund. As of June 30, 2025 the balance was \$1,074.

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(2) Series 2022A Taxable Bonds

In March 2022, the University issued the Series 2022A Taxable Bonds ("2022A Bonds") in the amount of \$300,000. The proceeds will be used to finance or reimburse the University for (i) capital projects expenditures, and (ii) costs of issuance related to the 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 ("2021A Bonds") in the amount of \$151,285. The proceeds will be used to finance a new steam generation plant on the University's Main Campus, a distribution system, and related expenditures (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. To secure its payment obligations, the University will grant to the Trustee, for the benefit of the bondholders, a first-priority perfected lien on its Pledged Revenues. The 2024 bonds require the University to maintain a debt service fund of \$11,657. At the fiscal year ended June 30, 2025 the fund balance was \$12,699.

(4) Series 2020B Taxable Bonds

In July 2020, the University issued \$209,085 of Series 2020B Bonds ("2020B Bonds") to refund the 2011A bonds and to purchase securities which, along with cash, were deposited with an escrow agent to fund all future debt service obligations owed to holders of the 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, the University issued the Series 2020A Taxable Bonds ("2020A 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 were used to repay and settle the total outstanding principal amount of the Series 2016 Revenue Bonds. The University received a more favorable interest rate with the 2020 bonds compared to the 2016 bonds.

(6) 2011B Taxable Bonds

In April 2011, the University issued \$65,065 of Series 2011B Bonds ("2011B Bonds") to refund the Series 1998 and Series 2006 bonds and to finance new capital improvements. The 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 the University to maintain a debt service fund of \$12,634. As of June 30, 2025 the fund balance was \$14,953.

The 2011B Bonds are eligible for optional redemption prior to maturity in whole or in part on any business day at the Make-Whole Redemption Price, at the direction of the University.

(7) 2010 Revenue Bonds

In August 2010, the University issued \$10,400 of Series 2010 Revenue Bonds ("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, 2025, the University has a \$75,000 JP Morgan Revolving Credit Agreement that terminates on December 31, 2025 with an outstanding balance of \$25,000 on the line of credit. There was no outstanding balance at June 30, 2024. The University is paying a quarterly non-refundable unutilized commitment fee at a rate of 1.55%.

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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, 2025.

COVENANT	INSTRUMENT	MEASUREMENT DATE	CRITERIA
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, 2025 and 2024, the University was compliant with the Debt Service Coverage Ratio measurements for the Series 2011B, Series 2020A, Series 2020B, Series 2021A, Series 2022A, and Series 2023A Bonds and the Liquidity Ratio covenant under the 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 include of all gross revenues of the University (including all undergraduate and graduate schools and colleges) derived from (i) tuition, net of University funded student financial aid; and (ii) certain student fees intended to support student instruction and related administrative costs. Pledged Revenues will exclude all revenues associated with room and board, special-purpose fees such as health and wellness fees, net patient service revenue from Hospital operations. Pledged Revenues exclude all revenues generated from clinical services affiliated with the Hospital and the University's federal appropriation.

The Series 2020A, Series 2020B, and Series 2021A Bonds are further secured by the Restricted Academic Property. Restricted Academic Property is comprised of the properties located on the University's Main Campus for so long as any such property is 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, 2025:

AGGREGATE ANNUAL MATURITIES	AMOUNT
2026	\$ 24,596
2027	24,690
2028	25,510
2029	26,391
2030	27,148
2031 and thereafter	702,287
Total aggregate annual maturities	<u>\$ 830,622</u>

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15. Retirement Plans

Employee Retirement Plan - The University 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, the University'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 - The University provides post-retirement medical benefits and life insurance to employees who, at the time they retire, meet specified eligibility and service requirements. The University 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 - The University 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 \$476 and \$500 at fiscal years ended June 30, 2025 and 2024, respectively. The amounts not yet reflected in operating expenses, but included in net assets without donor restrictions pertain to accumulated losses of \$274 and \$266 at June 30, 2025 and 2024, 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, 2025 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan - The University 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 the University, 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 \$29,236 and \$27,030 for fiscal years ended June 30, 2025 and 2024, respectively.

Effective July 1, 2010, the Savings Plan was modified such that the University shall automatically contribute 6% of an eligible employee's base compensation, regardless of tenure or election into the Savings Plan. The University also contributes a matching contribution of up to 2% of employee-elected contributions.

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The reconciliation of the Plan's funded status to amounts recognized in the consolidated financial statements at fiscal years ended June 30, 2025 and 2024 are as follows:

	Pension		Medical and Life Insurance		Supplemental	
	2025	2024	2025	2024	2025	2024
Retirement Benefits						
Change in benefit obligation						
Projected benefit obligation at beginning of year	\$ 544,179	\$ 560,938	\$ 38,730	\$ 38,466	\$ 500	\$ 529
Service cost	—	—	246	268	—	—
Interest cost	27,928	27,386	2,100	2,065	26	27
Actuarial (gain) loss	5,435	(2,339)	762	885	44	38
Benefits paid	(42,236)	(41,806)	(4,027)	(3,195)	(94)	(94)
Medicare Part D subsidy	—	—	41	—	—	—
Employee contributions	—	—	203	241	—	—
Projected benefit obligation at end of period	\$ 535,306	\$ 544,179	\$ 38,055	\$ 38,730	\$ 476	\$ 500
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 565,569	\$ 581,540	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets	26,744	25,835	—	—	—	—
Employer contributions	—	—	3,783	2,954	94	94
Employee contributions	—	—	203	241	—	—
Medicare Part D subsidy	—	—	41	—	—	—
Benefits paid	(42,236)	(41,806)	(4,027)	(3,195)	(94)	(94)
Fair value of plan assets at end of period	\$ 550,077	\$ 565,569	\$ —	\$ —	\$ —	\$ —
Funded status of the plan	\$ 14,771	\$ 21,390	\$ (38,055)	\$ (38,730)	\$ (476)	\$ (500)

Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions at fiscal years ended June 30, 2025 and 2024:

	Pension		Medical and Life Insurance		Supplemental	
	2025	2024	2025	2024	2025	2024
Retirement Benefits						
Recognized in Statement of Activities:						
Service cost	\$ —	\$ —	\$ 246	\$ 268	\$ —	\$ —
Interest cost	27,928	27,386	2,100	2,065	26	27
Amortization of prior service cost	100	100	—	(58)	—	—
Amortization of net actuarial loss	7,231	7,035	(271)	(430)	35	32
Expected return on plan assets	(36,103)	(36,957)	—	—	—	—
Net periodic benefit cost	\$ (844)	\$ (2,436)	\$ 2,075	\$ 1,845	\$ 61	\$ 59
Net actuarial loss (gain) during the year	14,794	8,783	762	885	44	38
Amortization of prior service cost	(100)	(100)	—	58	—	—
Amortization of net actuarial loss	(7,231)	(7,035)	271	430	(35)	(32)
Total change in funded status or obligation	\$ 7,463	\$ 1,648	\$ 1,033	\$ 1,373	\$ 9	\$ 6
Total recognized in consolidated statements of activities	\$ 6,619	\$ (788)	\$ 3,108	\$ 3,218	\$ 70	\$ 65

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Amounts included in net assets without donor restrictions at fiscal years ended June 30, 2025 and 2024:

	Pension		Medical and Life Insurance	
	2025	2024	2025	2024
Retirement Benefits				
Net actuarial loss	\$ (237,136)	\$ (229,573)	\$ (3,414)	\$ (4,447)
Prior service cost	(1,601)	(1,701)	—	—
Total retirement benefits	<u>\$ (238,737)</u>	<u>\$ (231,274)</u>	<u>\$ (3,414)</u>	<u>\$ (4,447)</u>

Over the next fiscal year, an estimated net actuarial loss of \$4,818, a prior services cost/(credit) of \$100, 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, 2025 and 2024, respectively. No contributions are projected for fiscal year 2026.

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2025 and 2024 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2025	2024	2025	2024
Discount rate	5.33%	5.37%	5.54%	5.72%
Expected return on plan assets	6.50%	6.50%	—%	—%
Rate of compensation increase	—%	—%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2025 and 2024 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2025	2024	2025	2024
Discount rate	5.37%	5.10%	5.72%	5.65%
Expected return on plan assets	6.50%	6.50%	—%	—%
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. A weighted average real rate of return was computed for the portfolio which reflects the Plan's targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

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Pension plan investments as of June 30, 2025 were as follows:

PENSION PLAN INVESTMENTS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money market funds (4)	\$ —	\$ 14,716	\$ —	\$ 14,716
U.S. government securities (3)	74,644	—		74,644
Common stock (1)	34,659	—	—	34,659
Fixed income	4,107	—	—	4,107
Mortgage backed securities (2)	—	23,398	—	23,398
Corporate bonds (2)	33,586	147,851	—	181,437
Obligations of foreign governments (3)	—	7,717	—	7,717
Mutual funds				
Domestic fixed income (4)	97,038	—	—	97,038
Total assets	\$ 244,034	\$ 193,682	\$ —	\$ 437,716
Assets/(Liabilities):				
Financial derivatives – option contracts	\$ —	\$ 10,509	\$ —	\$ 10,509
Total assets/(liabilities)	\$ —	\$ 10,509	\$ —	\$ 10,509
Operating asset not subjected to fair value reporting	\$ 57,770	\$ —	\$ —	\$ 57,770
Operating liabilities not subjected to fair value reporting	(112,842)	—	—	(112,842)
Total pension plan investments, net of liabilities	\$ 188,962	\$ 204,191	\$ —	\$ 393,153
Total investments measured at the NAV as a practical expedient				156,924
Total plan assets				\$ 550,077

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Pension plan investments as of June 30, 2024 were as follows:

PENSION PLAN INVESTMENTS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Pension Plan Investments				
Assets:				
Money market funds (4)	\$ —	\$ 6,726	\$ —	\$ 6,726
U.S. government securities (3)	71,015	—		71,015
Common stock (1)	27,832	—	—	27,832
Fixed income	5,521	—	—	5,521
Mortgage backed securities (2)	—	12,830	—	12,830
Corporate bonds (2)	24,628	149,771	—	174,399
Obligations of foreign governments (3)	—	4,060	—	4,060
Mutual funds				
Domestic fixed income (4)	115,017	—	—	115,017
Total assets	\$ 244,013	\$ 173,387	\$ —	\$ 417,400
Liabilities:				
Financial derivatives – option contracts	\$ —	\$ 1,828	\$ —	\$ 1,828
Total liabilities	\$ —	\$ 1,828	\$ —	\$ 1,828
Operating asset not subjected to fair value reporting	\$ 71,361	\$ —	\$ —	\$ 71,361
Operating liabilities not subjected to fair value reporting	(96,425)	—	—	(96,425)
Total pension plan investments, net of liabilities	\$ 218,949	\$ 175,215	\$ —	\$ 394,164
Total investments measured at the NAV as a practical expedient				171,405
Total plan assets				\$ 565,569

The asset or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the measurement. Consistent with ASC 820, 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, 2025 and 2024.

- (1) **Common Stock:** Valued at the closing price as reported on the relevant stock exchange.
- (2) **Corporate Bonds, Mortgage-Backed Securities:** 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 Funds, 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 2025 as follows:

INVESTMENTS MEASURED AT NAV	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds (a)	\$ 13,339	\$ —	Monthly- Annually	45-90 days
Real estate funds (b)	19,891	1,800	—	1-10 years
Common/collective trusts (c)	15,148	—	Monthly	—
Limited partnerships (d)	109,224	20,599	—	< 10 years
Total investments measured at the NAV as practical expedient	<u>\$ 157,602</u>	<u>\$ 22,399</u>		

Plan investments measured at the NAV as a practical expedient are summarized for fiscal year 2024 as follows:

INVESTMENTS MEASURED AT NAV	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Common stock	\$ 6,087	\$ —	Monthly	0
Real estate funds (b)	20,630	2,234	—	1-5 years
Common/collective trusts (c)	31,577	—	Monthly	0
Limited partnerships (d)	114,927	23,910		< 10 years
Total investments measured at the NAV as practical expedient	<u>\$ 173,221</u>	<u>\$ 26,144</u>		

The tables presented above represent the University's net asset value of investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2025 and 2024. 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 Plan's asset allocation is evaluated annually to determine the need for rebalancing in order 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:

PENSION PLAN ASSET ALLOCATION	2025	2024
Mid-Large Cap U.S. Equity	5.3%	8.3%
Small Cap U.S. Equity	3.1%	—%
International Equity - Developed	—%	2.3%
Private Equity/Venture Capital	8.7%	9.2%
Private Debt	6.4%	7.0%
Inflation Hedging	4.2%	4.1%
Real Estate	6.0%	7.3%
Liability Hedging Assets	63.1%	57.4%
Cash and Cash Equivalents	3.2%	4.4%
Total pension plan asset allocation	100.0%	100.0%

As a result of the 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 years 2025 and 2024 is 6.26% and 5.31%, respectively. 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:

EXPECTED FUTURE BENEFIT PAYMENTS	PENSION BENEFITS	POST-RETIREMENT BENEFITS		
		EXCLUDING SUBSIDY	SUBSIDY PAYMENTS	NET OF SUBSIDY
Year ending June 30:				
2026	\$ 59,296	\$ 4,027	\$ 47	\$ 3,980
2027	58,141	3,884	43	3,841
2028	56,694	3,737	39	3,698
2029	55,026	3,577	35	3,542
2030	43,549	3,433	32	3,401
Years 2031-2035	188,839	15,025	116	14,909
Total expected future benefit payments	\$ 461,545	\$ 33,683	\$ 312	\$ 33,371

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:

RETIREMENT AGE	ASSUMED RATE OF RETIREMENT
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:

NET ASSETS WITH DONOR RESTRICTIONS	2025	2024
Restricted for specified purposes:		
Scholarships	\$ 78,001	\$ 79,909
Professorships	28,605	27,029
Student loans	3,626	3,298
General operations and other	221,462	136,215
Total subject to purpose restrictions	<u>\$ 331,694</u>	<u>\$ 246,451</u>
Total perpetual funds	<u>\$ 329,430</u>	<u>\$ 316,399</u>
Endowments subject to spending policy and appropriation:		
Scholarships	\$ 92,995	\$ 95,299
Professorships	35,389	36,474
Student loans	93	115
Federal term endowment	197,989	199,728
General operations and other	16,470	14,604
Total endowments subject to spending policy and appropriation	<u>\$ 342,936</u>	<u>\$ 346,220</u>
Total net assets with donor restrictions	<u><u>\$ 1,004,060</u></u>	<u><u>\$ 909,070</u></u>

The Federal term endowment restriction is for 20 years for each contribution beginning in 1985. The University transfers the original contribution amount, plus accumulated investment returns, to net assets without donor restrictions at the end of each 20-year period. For fiscal years ended June 30, 2025 and 2024, there were transfers of \$27,540 and 12,665, respectively.

For the fiscal years ended June 30, 2025 and 2024, net assets without donor restrictions were \$407,445 and \$464,799, respectively. Net assets without donor restrictions include board-designated and undesignated amounts. Any revenue or expense transactions funded by contributions without external donor restrictions are classified as undesignated amounts.

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

NET ASSETS WITHOUT DONOR RESTRICTIONS	2025	2024
Board-designated	\$ 407,445	\$ 464,799
Total net assets without donor restrictions	<u><u>\$ 407,445</u></u>	<u><u>\$ 464,799</u></u>

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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, 2025 and 2024 are as follows:

NET ASSETS RELEASED FROM RESTRICTIONS	2025	2024
Expiration of time and other restrictions	\$ 27,540	\$ 12,665
Satisfaction of purpose restrictions:		
Scholarships and fellowships	14,442	15,258
Professorships	1,424	1,228
Student loans	92	337
General operations and other	14,962	8,394
Total net assets released from restrictions	<u>\$ 58,460</u>	<u>\$ 37,882</u>

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17. Consolidated Statements of Functional Expenses

The University presents its statements of activities by program. The University 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.

The University engages in fundraising activities in support of the University. Costs associated with fundraising for fiscal years ended June 30, 2025 and 2024 are \$13,061 and \$7,741, respectively, and are included in Administrative and Support Services.

For the year ended June 30, 2025	Program Services				Administrative and Support Services	Total Operating Expenses
	Academic and Student Support	Research	Healthcare Services	Auxiliary Enterprises		
Operating expenses:						
Compensation	\$ 247,112	\$ 52,880	\$ 207,747	\$ 7,338	\$ 515,077	\$ 110,637
Medical and office supplies	4,929	5,270	30,367	852	41,418	3,520
Repairs and maintenance	13,958	1,590	998	2,294	18,840	8,460
Food service costs	147	7	2,543	25,534	28,231	104
Grant subcontracts	15,651	14,448	—	1	30,100	—
Insurance and risk management	11,019	—	—	—	11,019	5,689
Professional and administrative services	67,688	16,402	52,820	22,949	159,859	147,568
Other costs	11,897	1,119	5,455	1,873	20,344	12,452
Total operating expenses before net interest, depreciation, and amortization	372,401	91,716	299,930	60,841	824,888	288,430
Net interest expense	—	—	3,202	—	3,202	30,174
Depreciation and amortization	16,917	1,573	6,810	2,665	27,965	18,518
Net interest, depreciation, and amortization	16,917	1,573	10,012	2,665	31,167	48,692
Total operating expenses	\$ 389,318	\$ 93,289	\$ 309,942	\$ 63,506	\$ 856,055	\$ 337,122
						\$1,193,177

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For the year ended June 30, 2024	Program Services					Administrative and Support Services	Total Operating Expenses
	Academic and Student Support	Research	Healthcare Services	Auxiliary Enterprises	Total Program Services		
Operating expenses:							
Compensation	\$ 226,540	\$ 49,148	\$ 203,880	\$ 7,055	\$ 486,623	\$ 111,094	\$ 597,717
Medical and office supplies	5,201	6,068	30,299	171	41,739	4,441	46,180
Repairs and maintenance	6,663	2,431	527	1,463	11,084	24,344	35,428
Food service costs	81	—	4,173	22,470	26,724	15	26,739
Grant subcontracts	15,195	20,296	—	—	35,491	72	35,563
Insurance and risk management	9,748	—	13,651	—	23,399	8,557	31,956
Professional and administrative services	63,896	13,902	52,546	20,315	150,659	123,638	274,297
Impairment of net lease investment (receivable)	—	—	—	—	—	22,151	22,151
Other costs	11,454	1,206	4,344	1,811	18,815	8,669	27,484
Total operating expenses before net interest, depreciation, and amortization	338,778	93,051	309,420	53,285	794,534	302,981	1,097,515
Net interest expense	—	—	3,208	—	3,208	30,796	34,004
Depreciation and amortization	21,568	2,016	5,943	3,415	32,942	9,586	42,528
Net interest, depreciation, and amortization	21,568	2,016	9,151	3,415	36,150	40,382	76,532
Total operating expenses	<u>\$ 360,346</u>	<u>\$ 95,067</u>	<u>\$ 318,571</u>	<u>\$ 56,700</u>	<u>\$ 830,684</u>	<u>\$ 343,363</u>	<u>\$1,174,047</u>

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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 fiscal years ending 2021, 2022, and 2023.

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an increase in net patient service revenues of approximately \$1,357 for fiscal year ended June 30, 2025 and a decrease of approximately \$2,507 for fiscal year ended June 30, 2024.

THIRD-PARTY SETTLEMENT REVENUE

	2025	2024
Medicare pass-through	\$ 15,710	\$ 16,841
Disproportionate Share Hospital	11,625	39,971
Medicaid Directed Payments	37,742	—
Graduate and Indirect Medical Education	16,042	17,482
Other	1,450	799
Total third-party settlement revenue	<u>\$ 82,569</u>	<u>\$ 75,093</u>

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 \$4,330 and \$3,209 for the years ended June 30, 2025 and 2024, respectively.

20. Insurance and Risk Management

The University is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group consisting of 17 peer institutions of higher education. Pinnacle provides commercial general and specific liability coverage. The University's annual payments to Pinnacle for insurance coverage are based on actuarial studies and are recorded as expenses. The University holds an approximate 6% interest in Pinnacle, classified in restricted investments. Additionally, the University has purchased liability insurance coverage exceeding primary coverage, with limits of \$125,000 from commercial insurers.

The University's self-insured program covers professional liability costs up to seven thousand five hundred dollars per occurrence, depending on the cause. Two layers of excess insurance provide additional coverage:

- (a) First layer: Coverage up to thirty five thousand dollars on a claims-made basis is purchased through the Howard University Capitol Insurance Company Ltd. (HUCIC), a captive insurance company organized under Cayman Islands law.
- (b) Second layer: Coverage up to fifty thousand dollars on a claims-made basis is provided by an independent excess insurance company. This layer also covers patient care-related general and professional liability.

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

INSURANCE AND RISK MANAGEMENT	2025	2024
Malpractice claims (recovery) expense	\$ (5,919)	\$ 9,349
Malpractice excess insurance	3,567	3,766
Student health	10,825	9,738
General and other	8,235	9,103
Totals insurance and risk management	<u>\$ 16,708</u>	<u>\$ 31,956</u>

21. Commitments and Contingencies

The University's commitments and contingencies reflect exposures consistent with the operating risks described in Notes 18 and 20. In addition to third-party reimbursement uncertainties and insurance related claims, the University is subject to legal, regulatory, and collective bargaining contingencies. The existing reserves and risk management programs are adequate to address these exposures.

- (a) **Federal Awards** - The University 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, the University 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, 2025 and 2024, the University reserved \$2,880 and \$5,240 respectively for legal contingencies. In the opinion of management and the University'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** - The University 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 31% of the labor force is covered by a CBA, and 20% covered by an agreement that will expire within one year.

22. Related Party Transactions

(a) *Howard University Charter Middle School*

The Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science (the Middle School), which operates from premises owned by the University. The Middle School is a separate legal entity. For fiscal years ended June 30, 2025 and 2024, the University has contributed to the Middle School as follows:

RELATED PARTY TRANSACTIONS	2025	2024
Cash operating support	\$ 500	\$ 500
Facility leased (market value)	1,451	1,451
Total related party transactions	<u>\$ 1,951</u>	<u>\$ 1,951</u>

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(b) 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.

(c) 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.

(d) 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.

(e) Adventist Healthcare, Inc.

The 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 the University continues to be the licensed operator of the Hospital.

(f) 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, D.C. IMC also owned real property located on Florida Avenue, NW, Washington, D.C. The properties were combined and will be developed by IMC as a mixed-use project with a new building.

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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.

(g) *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.

23. Subsequent Events

The University evaluated subsequent events through December 17, 2025, 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) In July 2025, the University entered into a multi-year dining services agreement with Aramark Higher Education to provide comprehensive food service operations across the University's dining halls, retail locations, catering services, and catering operations. The agreement outlines provisions for operating responsibilities, capital investment commitments, meal plan pricing structures, and performance expectations designed to enhance the student dining experience and modernize dining infrastructure.

Under the terms of the agreement, Aramark will manage daily dining operations; invest in facility renovations and equipment upgrades; and implement expanded meal plan options and service innovations. The University will continue to monitor financial performance and compliance with service-level expectations in accordance with the contract.

- (b) In July 2025, the federal One Big Beautiful Bill ("OBBB") was enacted, introducing new requirements impacting student health plans, federal health-related grants, and employer health-benefit programs. The OBBB also implements significant changes to Title IV federal student aid and federal student loan programs, including new annual and lifetime loan limits, elimination of Graduate PLUS loans for new borrowers beginning July 1, 2026, revised repayment options, and adjustments to Pell Grant eligibility. Management does not expect the OBBB to materially affect the University's consolidated financial position; however, certain provisions may affect future operating results as additional federal guidance is issued
- (c) In November 2025, the University completed the requirements to receive a \$182,250 contribution from Bloomberg Philanthropies of which \$168,470 will be held in an endowment fund and \$13,780 can be expended to implement the initiative. The gift is intended to support the medical education of students. The gift will be recognized as contribution revenue in the University's consolidated financial statements for the fiscal year ending June 30, 2026.
- (d) In November 2025, the University received a \$80,000 unrestricted gift from philanthropist MacKenzie Scott, representing one of the largest single contributions in the University's history. The gift consists of \$63,000 to support the University's general operations and strategic priorities and \$17,000 to support the Howard University College of Medicine. The full amount of the contribution will be recognized as contribution revenue in the University's consolidated financial statements for the fiscal year ending June 30, 2026.
- (e) In October 2025, the University drew down \$50,000 on its existing line of credit.