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HOWARD

UNIVERSITY

The Howard University

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

For the year ended June 30, 2019

EIN 53-0204707

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OFFICE OF THE SENIOR VICE PRESIDENT
CHIEF FINANCIAL OFFICER AND TREASURER

Report of Treasurer on Consolidated Financial Statements

The administration of The Howard University is responsible for the preparation, accuracy, integrity and objectivity of the consolidated financial statements contained herein. Such consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include certain amounts that represent our best estimates and judgments. Actual amounts could differ from those estimates.

These consolidated financial statements have been prepared under my supervision. Based on my knowledge, these financial statements present fairly, in all material respects, the financial position, changes in net assets and cash flows of The Howard University for the periods presented herein.

Furthermore, I hereby certify that The Howard University, as Borrower under separate agreements with certain banks and lending institutions, is in compliance with the respective financial covenants as of June 30, 2019, as described in Note 12 of the accompanying consolidated financial statements.

Michael J. Masch

Senior Vice President, Chief Financial Officer and Treasurer

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

Controller and Chief Accounting Officer

December 23, 2019



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Independent Auditor's Report

Board of Trustees
The Howard University
Washington, DC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Howard University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (“CRF”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University’s internal control over financial reporting and compliance.

Emphasis of Matters

As discussed in Note 1 to the consolidated financial statements, in the year ended June 30, 2019, the University adopted Accounting Standards Updates (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), and ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (“ASU 2016-14”).

In addition, as discussed in Note 1 to the consolidated financial statements, in the year ended June 30, 2019, the University adopted a change in accounting principle with respect to the recognition of contributed works of art and historical treasures. Our opinion is not modified with respect to these matters.



Report on Summarized Comparative Information

We have previously audited The Howard University's 2018 consolidated financial statements, and we expressed an unmodified opinion on those consolidated financial statements in our report dated December 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, LLP

December 23, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(in thousands)</i>	June 30, 2019	June 30, 2018
Current Assets:		
Cash and cash equivalents	\$ 29,515	\$ 32,998
Operating investments	27,266	44,693
Deposits with trustees	2,917	1,732
Receivables, net	127,940	89,771
Inventories, prepaids and other assets	25,425	11,862
Restricted investments	34,126	49,988
Total Current Assets	247,189	231,044
Long Term Assets:		
Deposits with trustees	12,865	13,386
Receivables, net	17,611	22,607
Inventories, prepaids and other assets	214	13,667
Unexpended bond proceeds	3,104	3,117
Restricted investments	23,664	4,126
Endowment investments	692,832	688,562
Operating right of use assets	4,761	3,764
Finance right of use assets	51,525	56,085
Long-lived assets	541,698	510,261
Total Long Term Assets	1,348,274	1,315,575
Total Assets	\$ 1,595,463	\$ 1,546,619
Current Liabilities:		
Accounts payable and accrued expenses	\$ 137,741	\$ 131,804
Deferred revenue	15,862	15,710
Other liabilities	25,814	15,206
Accrued post-retirement benefits	3,066	3,842
Underfunded defined benefit pension plan	1,513	-
Reserve for self-insured liabilities	10,446	10,392
Notes payable	8,562	-
Operating lease obligations	232	211
Finance lease obligations	4,017	7,732
Bonds payable	13,213	11,200
Total Current Liabilities	220,466	196,097
Long Term Liabilities:		
Deferred revenue	-	4,495
Other liabilities	3,110	5,949
Accrued post-retirement benefits	46,055	44,599
Underfunded defined benefit pension plan	157,020	116,807
Reserve for self-insured liabilities	55,091	56,699
Operating lease obligations	4,782	3,637
Finance lease obligations	47,115	47,024
Bonds payable	384,231	397,444
Refundable advances under Federal Student Loan Program	6,517	6,333
Total Long Term Liabilities	703,921	682,987
Total Liabilities	924,387	879,084
Net Assets:		
Without donor restrictions	217,376	233,839
With donor restrictions	453,700	433,696
Total Net Assets	671,076	667,535
Total Liabilities and Net Assets	\$ 1,595,463	\$ 1,546,619

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2019 (with summarized comparative information for fiscal year ended June 30, 2018) (in thousands)	Without Donor Restrictions	With Donor Restrictions	June 30, 2019	Summarized June 30, 2018
Operating				
Revenues and reclassifications:				
Academic services:				
Tuition and fees, net	\$ 142,365	\$ -	\$ 142,365	\$ 143,631
Grants and contracts	48,791	-	48,791	53,251
Auxiliary services	32,550	-	32,550	37,445
Clinical services:				
Patient service - Hospital, net	238,161	-	238,161	207,977
Patient service - Faculty medical practice, net	27,965	-	27,965	23,047
Patient service - Dental clinic, net	2,364	-	2,364	2,049
Public support:				
Federal appropriation	232,051	3,405	235,456	229,844
Contributions	45,798	7,781	53,579	33,111
Endowment transfer	10,308	13,154	23,462	22,197
Operating investment income	984	-	984	4,541
Real Property	43,669	-	43,669	20,535
Other income	11,752	317	12,069	15,043
Total revenues	836,758	24,657	861,415	792,671
Net assets released from restrictions	8,276	(8,276)	-	-
Total revenues and reclassifications	845,034	16,381	861,415	792,671
Expenses:				
Academic and research:				
Instruction	218,158	-	218,158	180,759
Research	42,925	-	42,925	41,928
Public service	12,495	-	12,495	12,250
Academic support	53,599	-	53,599	38,610
Student services	34,089	-	34,089	34,893
Total academic and research	361,266	-	361,266	308,440
Healthcare services	280,124	-	280,124	285,658
Administrative support:				
Institutional support	164,356	-	164,356	127,477
Fundraising	4,800	-	4,800	5,084
Auxiliary enterprises	40,043	-	40,043	65,161
Total administrative support	209,199	-	209,199	197,722
Total operating expenses	850,589	-	850,589	791,820
Net insurance proceeds	30,889	-	30,889	-
Operating revenues over operating expenses	25,334	16,381	41,715	851
Non-operating				
Investment income in excess of amount designated for	22,798	20,571	43,369	59,196
Endowment transfer	(6,254)	(17,208)	(23,462)	(22,197)
Net unrealized gain in beneficial interest trust	-	260	260	367
Change in funded status of defined benefit pension plan	(49,296)	-	(49,296)	15,436
Change in obligation for post-retirement benefit plan	(9,045)	-	(9,045)	(6,746)
Change in funded status of supplemental retirement plan	-	-	-	78
(Decrease) increase in non-operating activities	(41,797)	3,623	(38,174)	46,134
Change in net assets	(16,463)	20,004	3,541	46,985
Net assets, beginning of year	233,839	433,696	667,535	620,550
Net assets, end of year	\$ 217,376	\$ 453,700	\$ 671,076	\$ 667,535

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in thousands)</i>	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Change in net assets	\$ 3,541	\$ 46,985
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by/(used in) operating activities:		
Depreciation and amortization	47,167	39,814
Net Insurance proceeds	30,889	-
Bond discount amortization	205	221
Bonds issuance costs	254	255
Net realized gain on sale of investment	(56,055)	(40,056)
Unrealized loss (gain) on investments	11,810	(23,982)
Donated long-lived asset	(37,719)	(12,727)
Gain on sales type lease	(36,519)	-
Loss (gain) on sale/disposal of long-lived assets	1,626	(16,306)
Change in deposits with trustees	(664)	341
Change in receivables (excluding notes)	(29,468)	(8,059)
Change in allowance for doubtful receivables	(232)	5,671
Change in inventory, prepaids and other assets	(110)	1,292
Change in operating right of use assets	(997)	835
Change in accounts payable and accrued expenses	5,937	35,012
Change in deferred revenue	(4,343)	4,346
Change in other liabilities	7,769	968
Change in pension/post retirement liability	42,406	(28,793)
Change in reserve for self-insured liabilities	(1,554)	(7,123)
Change in operating lease obligation	1,166	(251)
Change in refundable advances under Federal Student Loan Program	184	(8)
Net cash and cash equivalents used in operating activities	(14,707)	(1,565)
Cash flows from investing activities		
Proceeds from sale of investments	753,650	454,112
Purchases of investments	(699,924)	(439,371)
Loss (return) on unexpended bond proceeds	13	(79)
Proceeds from sales type lease	2,040	-
Proceeds from property/land sale	-	18,392
Purchases and renovations of long-lived assets	(33,525)	(16,503)
Restricted contributions	(7,781)	(8,439)
Net cash and cash equivalents provided by investing activities	14,473	8,112
Cash flows from financing activities		
Proceeds from notes payable	98,562	45,000
Payment on notes payable	(90,000)	(45,000)
Payment on bonds payable	(11,658)	(2,798)
Principal payments on finance lease obligations	(3,624)	25,758
Change in finance right of use assets	(4,331)	(35,248)
Student loans issued	(1,769)	(483)
Student loans collected	1,790	1,883
Proceeds from restricted contributions	7,781	8,439
Net cash and cash equivalents used in financing activities	(3,249)	(2,449)
(Decrease) increase in cash and cash equivalents	(3,483)	4,098
Cash and cash equivalents at beginning of year	32,998	28,900
Cash and cash equivalents at end of year	\$ 29,515	\$ 32,998
Supplemental cash flow information:		
Cash paid for interest	\$ 27,466	\$ 23,143
Supplemental non-cash investing and financing activities:		
Acquisition of equipment under financing leases	7,679	34,942
Stock distributions	1,477	2,434

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

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

1. Summary of Significant Accounting Policies

(a) *Description of the University*

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

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

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

The Hospital has a 49% joint venture interest in the Howard University Dialysis Center LLC (LLC). Howard accounts for its interest in the LLC using the equity method which requires Howard to record a proportional share of the LLC's net income or loss as increases and decreases to the initial investment are received.

Howard is recognized as an organization exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax. Any unrelated business income tax generated by Howard is recorded as income tax using the liability method under which deferred tax assets and liabilities are determined based on the differences between the financial accounting and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the currently enacted tax rate expected to apply to taxable income in the period that the deferred tax asset or liability is expected to be realized or to be settled. In addition, Howard analyzed its tax positions for the

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

years ended June 30, 2019 and 2018 and determined that there were no uncertain tax positions that would have a material impact on Howard's consolidated financial statements.

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

The consolidated financial statements of Howard have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Howard has elected to show summarized comparative financial information with respect to the statement of activities for the year ended June 30, 2018. Such summarized information is prepared in a manner consistent with the statement of activities information from which it was derived.

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

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

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

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

Short-term investments with maturities at date of purchase of nine months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by

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Notes to the Consolidated Financial Statements

(amounts in thousands)

external endowment investment managers are classified as Deposits with trustees or Investments, respectively. Cash equivalents include certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at approximate fair value. Howard classifies any cash or money market accounts held by external managers as investments, as these amounts are not readily available for operations and are part of the long-term investment portfolio.

(e) **Investments**

Investments are segregated between operating, donor restricted and endowment investments and deposits with trustees on the consolidated statements of financial position, all of which are stated at fair value and defined as follows:

Operating Investments – represent investments free of any donor or lender-imposed restrictions. These investments include items that are short-term in nature and can be liquidated at the discretion of the Board of Trustees (the “Board”) to meet operational demands. Operating investments also includes a non-controlling interest in a dialysis joint venture (see Note 21).

Restricted Investments – represent non-endowed investments whose principal and or income are restricted by external sources, including liquidation restrictions. The use of the principal and interest of these investments is not subject to the discretion of the Board.

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

The fair values of Howard’s investments are determined by the most relevant available and observable valuation inputs as defined in Note 6. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based upon average historical value (cost of securities purchased or the fair market value at date of gift, if received by donation). Dividend and interest income are recorded on an accrual basis. Accrued but unpaid dividends, interest and proceeds from investment sales at the report date are recorded as investment receivables.

Investment income (losses) are allocated in a manner consistent with interest and dividends, to either net assets with donor restrictions or net assets without donor restrictions (distinguished between operating and non-operating), based on

THE HOWARD UNIVERSITY

Notes to the Consolidated Financial Statements

(amounts in thousands)

donor intent or lack thereof. Such amounts may be expended for operations, based on donor time or purpose restrictions or held in perpetuity at the donor's request. Investment income (losses) on loan funds are accumulated in permanently restricted net assets.

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

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

(1) **Revenue**

The University adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606) on July 1, 2018, using the modified retrospective approach. As a result, the University updated its revenue recognition accounting policies as outlined below. The accompanying consolidated statement of activities for the year ended June 30, 2019, is presented in accordance with ASC 606 and ASC Subtopic 958-605 *Not for Profit Entities - Revenue* (where applicable), while prior period amounts are not adjusted and continue to be recorded in accordance with historic accounting guidance, namely ASC 605, Revenue Recognition.

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

Disaggregation of Revenue from Contracts with Customers

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

THE HOWARD UNIVERSITY
Notes to the Consolidated Financial Statements

(amounts in thousands)

Judgements

The University earns revenue primarily through instruction in the form of tuition and fees on its Washington, DC campuses. The University serves both domestic and international students. Tuition and fees are recognized over the course of the semester based on the published start and end dates for classes. In addition to tuition and fees, the University also earns revenue through auxiliary services and other sources. These sources of revenue can be disaggregated by whether there is a contract with a student or non-student, or if there is no contract. The University recognizes non-student contracts based on the date of the event or when the service is provided. The following tables show the disaggregation and the adjustments required to return certain June 30, 2019 financial statement contract balances to legacy GAAP:

STATEMENT OF ACTIVITIES	As Presented	Legacy GAAP	Adjustments
Tuition and fees, net:			
Contracts with customer - student	\$ 268,644	\$ 268,644	\$ -
Financial aid - student	(111,935)	(111,935)	-
Refund liability - student	(1,739)	(1,739)	-
Bad debt - student	(4,231)	-	(4,231)
Scholarships/discounts - student	(8,374)	(8,374)	-
Total Tuition and fees, net	\$ 142,365	\$ 146,595	\$ (4,231)
Auxiliary Services:			
Contract - student	\$ 16,736	\$ 16,736	\$ -
Public stations	8,178	8,178	-
Student events	642	642	-
No contract	6,994	6,994	-
Total Auxiliary Services	\$ 32,550	\$ 32,550	\$ -
Clinical Services:			
Patient service – hospital	\$ 238,161	\$ 286,311	\$ (48,150)
Bad debt – hospital	-	(48,150)	48,150
Patient service - faculty medical practice (FPP)	27,965	35,039	(7,074)
Patient service – dental	2,364	2,506	(142)
Bad debt – FPP / dental	-	(7,216)	7,216
Total Clinical Services	\$ 268,490	\$ 268,490	\$ -
Expenses:			
Bad debt expense	-	(4,231)	(4,231)
Total Adjustments – Statement of Activities			\$ -

THE HOWARD UNIVERSITY
Notes to the Consolidated Financial Statements

(amounts in thousands)

STATEMENT OF FINANCIAL POSITION	As Presented	Legacy GAAP	Adjustments
Student accounts receivable less allowance	\$ 17,526	\$ 17,526	\$ -
Auxiliary receivables	4,219	4,219	-
Hospital accounts receivable less contractual adjustments	36,960	36,960	-
FPP receivable less contractual adjustments	7,180	7,180	-
Dental receivable less contractual adjustments	1,739	1,739	-
Total Adjustments - Statement of Financial Position			\$ -

Performance Obligations

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

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

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

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

Tuition and fees from student services are recognized ratably over the academic time period to which they apply. A portion of tuition and fees charged in the current fiscal year for the summer term is deferred and recognized in the following fiscal year due to summer sessions between May and July crossing fiscal years. Tuition discounts in the form of scholarships and grants-in-aid, including those funded by the endowment, research funds, and gifts, are reported as a reduction of tuition revenues. A tuition discount represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. For any such arrangements, the transaction price only includes tuition and fees net of the awarded discounts or institutional aid. The University also grants a tuition discount in the form of a tuition rebate program to incentivize students to earn their degree early or on-time. On-time or early graduates are

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Notes to the Consolidated Financial Statements

(amounts in thousands)

eligible to receive a 50 percent discount on their tuition for their final semester. The rebate is applicable to direct payments made to the University by the student or family toward the final semester's tuition.

NET TUITION REVENUE	2019	2018
Gross tuition and fees	\$ 254,300	\$ 259,701
Financial aid:		
Merit	76,166	68,463
Need	10,484	9,670
Talent	7,775	7,999
Other	17,510	29,938
Total financial aid	\$ 111,935	\$ 116,070
TOTAL NET TUITION	\$ 142,365	\$ 143,631

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

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

The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per-diem payments. Retroactive

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adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third-party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital.

NET PATIENT SERVICE REVENUE	2019	2018
Gross Revenues	\$ 826,942	\$ 713,815
Third-party settlement revenue	68,983	60,309
Contractual allowances and adjustments	-	(488,292)
Price concessions	(627,435)	-
Charity services	-	(10,445)
Bad debt	-	(42,314)
Total net patient service revenue	\$ 268,490	\$ 233,073

Auxiliary services revenue is generally recognized when services are rendered or as activities have been completed. Auxiliary receivables are comprised primarily of amounts due from advertisers on Howard's commercial radio station WHUR and bookstore vendors.

AUXILIARY SERVICES REVENUE	2019	2018
Student housing	\$ 3,730	\$ 7,358
Meal plans	16,474	16,457
Radio station	8,142	8,732
Bookstore	262	682
Parking fees	2,163	1,844
Vending sales and fees	532	1,006
Ticket sales	642	614
Licensing	135	150
Other	470	602
Total auxiliary services revenue	\$ 32,550	\$ 37,445

Real property revenue is comprised of income and gains from real estate transactions including lease income and is recognized as revenue in the period it is earned and collectible. Revenue recognition for real property lease income transactions is disclosed in further detail in Note 11.

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

Grants and contracts revenue is recognized when reimbursable expenses are incurred (for cost plus contracts) or when deliverables or milestones are met (for fixed price contracts). Howard adopted ASU 2018-08, *Not for Profit Entities*, Topic 958 on July 1, 2018. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The University adopted this standard in fiscal year 2019 using the modified prospective approach and it did not have a material impact to Howard's Consolidated Financial Statements. For the year ended June 30, 2019, Howard recognized \$48,310 of revenue subject to Topic 958 and \$481 of revenue subject to ASC 606, *Revenue from Contracts with Customers*.

Revenues include recoveries of eligible direct expenses and indirect costs for facilities and administration, which are generally determined as a negotiated or agreed-upon percentage of direct costs. Receivables under research grants and development agreements represent the amounts due from Federal, state, local, private grants, contracts and others.

GRANTS AND CONTRACTS REVENUE	2019	2018
Reimbursement of direct expenses	\$ 42,365	\$ 45,413
Recovery of indirect costs	6,426	7,838
Total grants and contracts revenue	\$ 48,791	\$ 53,251
Indirect costs recovery as a % of direct costs	15%	17%

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

GRANTS AND CONTRACTS REVENUE BY TYPE	2019	2018
Research	\$ 25,956	\$ 34,839
Training	13,680	11,665
Service/other	9,155	6,747
Total grants and contracts revenue by type	\$ 48,791	\$ 53,251

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of

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restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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

Contribution revenue for fiscal years ended June 30, 2019 and 2018 is shown below:

CONTRIBUTIONS REVENUE	2019	2018
Without donor restrictions	\$ 45,798	\$ 17,904
With donor restrictions	7,781	15,207
TOTAL	\$ 53,579	\$ 33,111

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

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are capitalized. Donations of such collections are recorded for financial statement purposes as contributions. Proceeds from sales of such items are used to acquire other items for the collections.

Federal appropriation revenue is recognized when received and expended. Howard receives a Federal appropriation that can be used for support of the University's educational mission, a portion of which is held as a temporarily restricted term endowment which is required to be held for 20 years. For fiscal years ended June 30, 2019 and 2018, Howard received 27% and 29%, respectively, of its revenue support from the Federal appropriation. The \$3,405 and \$3,405, receivable for the fiscal years ended June 30, 2019 and 2018, respectively, represents the portion to be collected on the Federal term endowment as defined in Note 14.

- (2) **Student receivables** represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through

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the University's formal registration process. Howard maintains a policy of offering qualified applicants' admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans and employment during the academic year. Tuition and fees are recorded net of discounts for scholarships (merit, talent, and need based), fellowships, graduate remission and employee tuition remission. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for fiscal years ended June 30, 2019 and 2018 was \$111,935 and \$116,070, respectively.

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

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

(g) **Recently Adopted Accounting Pronouncements**

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, Not-For Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. As a result of adopting the pronouncement, Howard changed its presentation of net assets classes and expanded the footnote disclosure as required, reclassified the opening underwater endowed net assets balances from without donor restrictions to with donor restrictions, classified capital gifts for construction as net assets without donor restrictions when the associated long-lived asset is placed in service and netted investment expenses against investment returns in the consolidated statement of activities. Howard opted to adopt the modified retrospective basis and not disclose liquidity and availability information for fiscal year 2018 as permitted under the ASU in the year of adoption. Howard has opted to disclose functional expenses by nature for fiscal year 2018 (see Note 15).

In May 2014 the FASB issued ASC 606, *Revenue Recognition from Contracts with Customers* (ASC 606). The core principle of guidance is that an entity should

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recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Howard adopted ASC 606 on July 1, 2018 and elected the modified retrospective approach for implementation. See Note 1(f) above.

In December 2016, the FASB issued ASU number 2016-18 (Topic 230), *Statement of Cash Flows*. The ASU provides guidance on all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The University adopted this standard in fiscal year 2019. The University has not recorded any cash restrictions during any of the years presented.

In August 2016, the FASB issued ASU number 2016-15 (Topic 230), *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*. The ASU provides guidance on all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The University adopted this standard in fiscal year 2019. The University has addressed Topic 230 of settlement of insurance claims by reporting specific repair reimbursements in the amount of \$30,889 within the operating section of the statement of cash flows for fiscal year 2019. No material items were identified for the comparative period 2018.

In January 2016, the FASB issued ASU number 2016-01 (Subtopic 825-10), *Financial Instruments—Overall*. The ASU provides guidance on certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The Board also addressing measurement of credit losses on financial assets in a separate project. The updates affect all entities that hold financial assets or owe financial liabilities. The University adopted this standard in fiscal year 2019 and there was no material impact that required further disclosure.

(h) ***Changes in Accounting Principle***

Prior to fiscal year 2019, Howard University (HU) had elected to not recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. During fiscal year 2019, HU changed its accounting policy and will capitalize and recognize works of art on the consolidated statements of financial position. HU has adopted the prospective approach for recording the works of art under ASC 250-10-45-7 and 9(c), *Accounting Changes and Error Corrections*. ASC 250 provides guidance on the accounting for and reporting of accounting changes and error corrections. An accounting change can be a change

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in an accounting principle, an accounting estimate, or the reporting entity. HU has adopted the provisions of ASC 958-605-25-2 and will capitalize art work that has been appraised by qualified third parties at fair market value if it exceeds \$10. The capitalized works of art will be recorded as "long lived assets" on the consolidated statements of financial position and will not be depreciated. Donated works of art will be capitalized and recognized as contribution revenue without donor restrictions unless the donor imposes restrictions on the contribution. At year-end, HU has recognized currently held works of art as contribution revenue in the amount of \$37,719, and prospectively, all contributed works of art will be recognized at fair market value in the period of donation. Independent appraisals of the collection will be performed periodically and material changes in fair value will be recorded.

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

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

(j) ***Long-Lived Assets***

Long-lived assets include property, plant, equipment, art and historical treasures for the University. Property, plant, equipment is stated at cost or at fair value if received by gift, less accumulated depreciation and amortization. Property, plant, equipment is capitalizable when the unit cost is equal to or exceeds \$3 and has a useful life of more than one year.

During fiscal year 2019, the University changed its accounting policy (see Note 1 h) and will capitalize and recognize purchased and donated works of art and historical treasures on the balance sheet that exceed \$10. Howard does not depreciate inexhaustible collections, works of art and historical treasures where the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long. However, impaired works of art are adjusted to fair market value, with change in value being recognized as a gain or loss on the statement of activities.

Depreciation for all other long lived assets is computed using the straight-line method over the estimated useful lives of the assets. The useful lives for fiscal years reported are as follow:

Land improvements	1-25 years
Building and building improvements	5-40 years

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Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

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

Interest costs eligible for capitalization are the costs of restricted borrowings, less any interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until qualifying assets are placed in service for their intended use.

The recorded values of certain properties include the fair value of any environmental remediation necessary to meet contractual or regulatory requirements for disposal or remediation of the property. This primarily pertains to the cost of removal and disposal of asbestos.

(k) ***Compensated Absences***

Howard records an amount due to employees for future absences, which are attributable to services performed in the current and prior periods and subject to a maximum carryover. This obligation is recognized on the consolidated statements of financial position as part of accounts payable and accrued expenses. At fiscal years ended June 30, 2019 and 2018 the obligation was \$4,866 and \$4,840, respectively.

(l) ***Other Liabilities***

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

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

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

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

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

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

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

(p) ***Net Assets***

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

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

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

Contributions are reported in the appropriate category of revenue, except that contributions with donor-imposed restrictions met in the same fiscal year are included in revenues without donor restrictions. Expirations of temporary restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from with donor restrictions net assets to without donor restrictions net assets. Donor restrictions on gifts to acquire long-lived assets are considered fulfilled in the period in which the assets are acquired or placed in service.

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(q) ***Measure of Operations***

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the gains and losses from real estate related transactions which were previously recorded as non-operating items. Howard uses a spending rate methodology to determine the amount of endowment assets allocated to operations in a given year. Non-operating income and expenses include realized and unrealized appreciation (depreciation), investments, changes in retirement plan liabilities due to market factors, restructuring credits and (costs) that do not pertain to continuing core program services.

(r) ***New Accounting Pronouncements***

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

In March 2019, the FASB issued ASU 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*, effective for annual financial statements issued for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. ASU 2019-03 modifies the definition of the term "collections" so that they are subject to an organizational policy that stipulates the use of proceeds from collection items that are sold to be for the acquisition of new collection items, the direct care of existing collections, or both. Howard is evaluating the impact of ASU 2019-03.

In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842): Codification Improvements*, effective for fiscal years beginning after December 15, 2020. The ASU aligns the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842 with that of existing guidance. As a result, the fair value of the underlying asset at lease commencement is its cost, reflecting any volume or trade discounts that may apply. However, if there has been a significant lapse of time between when the underlying asset is acquired and when the lease commences, the definition of fair value (in Topic 820, *Fair Value Measurement*) should be applied. Howard is evaluating the impact of ASU 2019-01.

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In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, effective for annual periods beginning after December 15, 2020. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by these amendments. Howard is evaluating the impact of ASU 2018-15.

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans*, effective for annual periods beginning after December 15, 2020. The amendments modify the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Howard is evaluating the impact of ASU 2018-14.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, effective for fiscal years beginning after December 15, 2019. ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. Howard is evaluating the impact of ASU 2018-13.

(s) **Reclassifications**

Certain prior year amounts have been reclassified to conform to the current year's presentation. Howard adopted ASU 2016-14 in July 2018. The ASU modifies Not-for Profit (NFP) reporting requirements by changing the way NFPs classify net assets and results in significant changes to financial reporting and disclosures for NFPs. The standard requires Howard to reclassify its net assets (i.e., unrestricted, temporarily restricted, and permanently restricted) into two categories: net assets without donor restrictions and net assets with donor restrictions, among other requirements. The guidance also enhances disclosures about the composition of net assets, liquidity and expenses by both natural and functional classification. There is no significant impact to total net assets or total expenses from these changes.

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As a result of adopting this standard, net assets as of June 30, 2019, in thousands of dollars, have been reclassified as follows:

NET ASSETS CLASSIFICATIONS as of June 30, 2018	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL NET ASSETS
As previously presented:			
Unrestricted	\$ 233,839	\$ -	\$ 233,839
Temporarily restricted	-	291,409	291,409
Permanently restricted	-	142,287	142,287
TOTAL NET ASSETS, REVISED	\$ 233,839	\$ 433,696	\$ 667,535

2. Liquidity and Availability of Resources

As of June 30, 2019, financial assets and liquidity resources that are available within one year for general expenditures consists of the following:

FINANCIAL ASSETS AND LIQUIDITY RESOURCES	2019
<i>Financial Assets:</i>	
Cash and cash equivalents	\$ 29,515
Operating investments	27,266
Receivables, net (excluding pledges with donor restrictions)	126,051
Other investments appropriated for current use	24,536
Total financial assets available within one year	\$ 207,368
<i>Liquidity Resources:</i>	
Bank line of credit	100,000
Total financial assets and liquidity resources available within one year	\$ 307,368

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. Receivables includes pledges that are subject to implied time restrictions but are expected to be collected within one year. The University's endowment investments consist of donor-restricted and quasi-endowment assets that is subject to a board spending policy of 4 percent. Within the next year, \$24,000 is expected to be made available for general expenditures from the endowment. Although the University requires Board approval to spend from its Board-designated quasi-endowment assets, other than investment income appropriated for general expenditures, amounts from the quasi-endowment could be made available if necessary. See Notes 7 and 14 for additional disclosures on Board-designated quasi-endowment assets. In addition, to help manage unanticipated liquidity needs, the University has a committed line of credit in the amount

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of \$100,000 which it could draw upon. As of June 30, 2019, there was no outstanding balance on the line of credit.

3. Receivables

Accounts receivable, prior to adjustment for doubtful collections, are summarized as follows at fiscal years ended June 30, 2019 and 2018:

RECEIVABLES	2019	2018
Student	\$ 29,369	\$ 33,140
Notes	13,445	13,467
Federal appropriation	3,405	3,405
Patients and third-party payors - Hospital	48,674	87,493
Patients and third-party payors - FPP	4,671	6,656
Patients and third-party payors - Dental	1,421	1,908
Grants and contracts	14,829	16,477
Contributions	9,767	10,726
Insurance claims	-	3,954
Auxiliary services	4,415	5,190
Real property	34,145	-
Other	5,086	6,448
Total	\$ 169,227	\$ 188,864

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

Allowance for doubtful receivables is summarized as follows at fiscal years ended June 30, 2019 and 2018:

ALLOWANCE FOR DOUBTFUL ACCOUNTS	2019	2018
Student	\$ 11,843	\$ 12,520
Notes	6,556	6,421
Patients and third-party payors - Hospital	-	49,657
Patients and third-party payors - FPP	-	3,199
Patients and third-party payors - Dental	-	538
Grants and contracts	616	616
Contributions	4,219	3,029
Auxiliary services	196	506
Real property	246	-
Totals	\$ 23,676	\$ 76,486
Total receivables, net	\$ 145,551	\$ 112,378

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Provision for bad debt is summarized as follows at fiscal years ended June 30, 2019 and 2018:

PROVISION FOR BAD DEBT	2019	2018
<i>Non-clinical services:</i>		
Student services	\$ 4,390	\$ 6,276
Notes	-	(788)
Contributions	1,189	162
Other	-	22
Total non-clinical	\$ 5,579	\$ 5,672
<i>Clinical services:</i>		
Patients and third-party payors - Hospital	-	36,292
Patients and third-party payors - FPP	-	6,221
Patients and third-party payors - Dental	-	(199)
Total clinical services	\$ -	\$ 42,314
Total provision for bad debt	\$ 5,579	\$ 47,986

Bad debt expense of \$5,579 and \$5,672 for fiscal years ended June 30, 2019 and 2018, respectively, reflected in total operating expenses under Institutional support on the statements of activities excludes bad debt expense related to certain clinical services determined to be uncollectible. Clinical services bad debt expense, as shown in the table above, has been netted against patient service revenues.

Contributions receivable at June 30, 2019 and 2018 are expected to be received as follows:

CONTRIBUTIONS RECEIVABLE	2019	2018
Within one year	\$ 4,748	\$ 4,510
Between one and five years	5,797	6,960
Thereafter	100	394
Contributions receivable gross	10,645	11,864
Unamortized discount on contributions receivable (2%-6.5%)	(878)	(1,138)
Contributions receivable, net of discounts	9,767	10,726
Allowance for uncollectible contributions	(4,219)	(3,029)
Contributions receivable, net of discounts and allowance	\$ 5,548	\$ 7,697

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4. Inventories, Prepaids and Other Assets

Components of inventories, prepaids and other assets accounts at fiscal years ended June 30, 2019 and 2018 are as follows:

INVENTORIES, PREPAIDS, AND OTHER ASSETS	2019	2018
Inventories - Hospital	\$ 3,720	\$ 3,784
Prepaid expenses	6,995	7,738
Beneficial interest trust	6,212	5,968
Self-insured assets	6,248	6,248
Intellectual property costs	1,296	1,240
Other	1,168	551
Total	\$ 25,639	\$ 25,529

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

DEDICATED ASSETS		
	2019	2018
Debt service reserve	\$ 12,865	\$ 13,386
Workers' compensation	2	4
Health insurance trust	2,915	1,728
Total	\$ 15,782	\$ 15,118
LIABILITIES		
	2019	2018
Professional liability	\$ 45,371	\$ 46,979
Workers' compensation	13,882	14,442
Health insurance trust	6,284	5,670
Total	\$ 65,537	\$ 67,091

(a) Debt Service Reserve Fund

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

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(b) Professional Liability

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice that have been asserted against the Hospital and certain faculty physicians are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through June 30, 2019. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued for fiscal years ended June 30, 2019 and 2018 of approximately \$45,371 and \$46,979, respectively is adequate to provide for losses resulting from probable asserted and unasserted claims and pending or threatened litigation.

Professional liability activity is summarized as follows for fiscal years ended June 30, 2019 and 2018 in the table below.

PROFESSIONAL LIABILITY	2019	2018
Beginning balance	\$ 46,979	\$ 53,976
Malpractice claims expense	2,927	6,153
Settlement payments	(4,535)	(13,150)
Ending balance	\$ 45,371	\$ 46,979

(c) Workers' Compensation

Prior to July 1, 2012, Howard had established a revocable trust fund to partially provide for the satisfaction of its liability under applicable workers' compensation liability. The assets in the workers' compensation trust fund consisted of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. As of June 30, 2018, workers' compensation liabilities are being satisfied as claims arise. For fiscal years ended June 30, 2019 and 2018, Howard maintained \$6,340 and \$6,248 in letters of credit, respectively, which serve as collateral for specific insurance carriers. Howard is self-insured for workers' compensation claims up to per occurrence retention of \$500. The excess is covered through commercial insurance.

For fiscal years ended June 30, 2019 and 2018 expenses related to workers' compensation were \$2,356 and \$2,318, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately \$13,882 and \$14,442 at June 30, 2019 and 2018, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as

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unasserted claims arising from reported and unreported incidents. This liability is recorded on the accompanying consolidated statements of financial position in reserves for self-insured liabilities. Estimated claims for which payments will be covered under existing insurance policies were \$0 at June 30, 2019 and 2018, net of allowances for uncollectible amounts and are reflected in other receivables.

(d) *Health Insurance*

Prior to July 1, 2012, Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consisted primarily of investments in money market funds. As of June 30, 2018, health insurance claims are being funded as incurred. Deposits to the fund are amounts withheld from employees' salaries and wages and Howard's contributions based on estimates established by the claims administrator. Disbursements from the fund are made in accordance with the payment plan established with the claims administrator. The total estimated liability for asserted and unasserted probable claims at June 30, 2019 and 2018, is approximately \$6,284 and \$5,670, respectively.

6. Fair Value Measurements

Howard applies applicable accounting standards for fair value measurements, defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. These accounting standards establish a hierarchy which consists of three categories for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

- Level 1 – quoted market prices for identical assets or liabilities in active markets.
- Level 2 – quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which all significant inputs and significant value drivers are observable in active markets either directly or indirectly.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are not observable.

Howard's financial assets and liabilities as of June 30, 2019 and 2018 are subject to fair value accounting.

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

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

Level 3 investments were 34% of total investments.

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

FAIR VALUE AS OF JUNE 30, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (5)	\$ -	\$ 3,117	\$ -	\$ 3,117
Deposits with trustees (6)	1,732	13,386	-	15,118
Other assets (7)	6,248	-	5,968	12,216
Total assets (non investment)	\$ 7,980	\$ 16,503	\$ 5,968	\$ 30,451
Operating investments				
Common Stock (3)	39,940	-	-	39,940
Equity Investment (7)	-	-	4,753	4,753
Total operating investments	\$ 39,940	\$ -	\$ 4,753	\$ 44,693
Restricted investments				
Money Market Instrument (1)	-	1,036	-	1,036
Common Stock (3)	49,672	-	-	49,672
Private Equity (4)	-	-	3,156	3,156
Real Estate (4)	-	-	250	250
Total restricted investments	\$ 49,672	\$ 1,036	\$ 3,406	\$ 54,114
Endowment investments				
Money Market Fund (1)	8,870	50,901	-	59,771
Comingled Funds				
Emerging Market Equity (3)	-	35,128	-	35,128
Global Fixed Income Security (2)	-	38,588	-	38,588
International Equity Security (3)	-	118,435	-	118,435
Commodity Inflation Hedging (7)	-	12,897	-	12,897
Common Stock (3)	63,351	-	-	63,351
Fixed Income				
Corporate Bond (2)	-	12	-	12
Hedge Funds				
Equity Long/short (4)	-	20,777	-	20,777
Event driven (4)	-	-	12	12
Global opportunities (4)	-	5,832	-	5,832
Multi-strategy (4)	-	34,585	2	34,587
Credit Opportunities (4)	-	10,150	-	10,150
Mutual Funds				
Emerging Market Equity Security (3)	15,458	-	-	15,458
Domestic Common Stock (3)	36,527	-	-	36,527
Domestic Fixed Income (2)	83,341	-	-	83,341
International Equity Security (3)	10,069	-	-	10,069
Private Equity and Venture Capital (4)	-	-	105,268	105,268
Real estate (4)	-	-	38,698	38,698
Total endowment investments	\$ 217,616	\$ 327,305	\$ 143,980	\$ 688,901
Total investments	\$ 307,228	\$ 328,341	\$ 152,139	\$ 787,708
Assets not subject to fair value reporting (8)	718	-	-	718
Liabilities not subject to fair value reporting (8)	(1,057)	-	-	(1,057)
Total assets and liabilities measured at fair value	\$ 314,869	\$ 344,844	\$ 158,107	\$ 817,820

Level 3 investments were 19% of total investments.

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The following assumptions and estimates were used to determine fair value of each class of financial instruments listed above:

- (1) Money market instruments include investments in open ended mutual funds that invest in US treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.
- (2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.
- (3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets - are priced using available quotes and other market data that are observable as of the reporting date and are classified as Level 2. Investments in comingled funds with underlying securities in common stock are classified as Level 2 because there is a readily determinable unit price and the units held can be redeemed in less than one month.
- (4) Alternative investments include Howard’s limited partnership interests, hedge funds, private equity and real estate and commodity funds. Trading in this class of funds is infrequent and, as a result, market values are not readily determinable. The investments in privately held funds are valued based on valuation techniques that take into account each fund’s underlying assets and include valuation methods such as market, cost and income approaches. In accordance with ASC 820, *Fair Value Measurement*, which governs the classification of certain investments with the option of Net Asset Value redemption value as Level 2, Howard has classified qualifying investments in Hedge Funds and Commodity Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. Hedge Funds and Commodity Funds with liquidation terms in excess of 90 days are classified as Level 3. Limited partnerships including private equity and real estate funds and other non-redeemable funds are categorized as Level 3.

These investments cannot be redeemed or withdrawn prior to termination of the partnership. Instead, the distributions are received through liquidation of the underlying assets of the fund. No active market exists for these funds and

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their valuation is based on unobservable and/or significantly adjusted inputs using the best available information provided by the partnership, including management assumptions. Due diligence procedures performed by management indicate that the values reported are reasonable. These investments are classified as Level 3.

- (5) Unexpended bond proceeds include investments in government debt security funds. These funds are not quoted daily and are valued at amortized cost. These investments are classified as Level 2.
- (6) Deposits held with trustees, including workers' compensation, professional and general liability, health insurance and bond debt service deposits, are comprised primarily of money market instruments, US treasury securities, mortgage-backed securities and corporate bonds. Money market investments are classified as either Level 1 or Level 2 based on whether their prices are quoted daily. Investments in US treasury securities are classified as Level 1 and other fixed income securities are classified as Level 2.
- (7) Other assets represent the University's beneficial interest in certain trust assets held by third parties. The underlying trust assets comprise of a variety of investments, primarily exchange-traded funds and corporate fixed income. The fair value of this interest has been measured using the income approach as there is no active principal market trading in this interest. This interest was valued using the quoted market value for the underlying marketable securities of the Trust discounted for expected future cash flows to the University. These interests are classified as Level 3 assets as the reported fair values are based on a combination of observable and unobservable inputs.
- (8) Assets and liabilities not subject to fair value reporting represent exchanges between the University and its investment managers that have been entered into but not settled by the reporting date of June 30, 2019. These transactions are shown net with endowment investments.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while Howard believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

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The following tables present the changes in amounts included in the consolidated statements of financial position for financial instruments classified within Level 3 of the valuation hierarchy defined above.

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

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

There were no transfers into or out of Level 3 during fiscal year ended June 30, 2019. Transfers, when made, are deemed to be made at the end of the fiscal year.

Changes in Level 3 securities for the period ended June 30, 2018 is as follows:

CHANGES IN LEVEL 3 FOR THE YEAR ENDED JUNE 30, 2018	Private Equity / Debt	Hedge Funds	Real Estate	Other Assets	Total
Balance July 1, 2017	\$ 87,511	\$ 74	\$ 21,786	\$ 10,655	\$ 120,026
Gain and Loss (Realized and unrealized)	11,881	(60)	5,082	66	16,696
Acquisitions	29,321	-	19,600	-	48,921
Sales	(20,289)	-	(7,520)	-	(27,809)
Balance June 30, 2018	\$ 108,424	\$ 14	\$ 38,948	\$ 10,721	\$ 158,107
Change in unrealized investments held	\$ 11,353	\$ 2	\$ 9,050	\$ 367	\$ 20,772

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

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Net investment income (loss) is summarized as follows for fiscal years June 30, 2019 and 2018:

NET INVESTMENT INCOME (LOSS)	2019	2018
Interest and dividends	\$ 17,490	\$ 9,728
Net realized gains	45,243	35,004
Net unrealized (losses) gains	(11,892)	23,982
Other investment income, net of expense	323	297
Investment expenses	(6,806)	(5,274)
Net investment income (loss)	\$ 44,358	\$ 63,737
Current year unrestricted operating return (loss)	\$ 984	\$ 4,541
Current year non-operating investment return (loss):		
Without donor restriction	22,798	31,406
With donor restriction	20,576	27,790
Total current year investment return	\$ 44,358	\$ 63,737
Prior year return designated for current operations:		
Without donor restriction	(10,308)	(9,967)
With donor restriction	(13,154)	(12,230)
Total designated for current operation	\$ (23,462)	\$ (22,197)
Net non-operating investment return:		
Without donor restriction	12,490	21,439
With donor restriction	7,422	15,560

Liquidity Terms and Unfunded Commitments – The following tables represent Howard’s investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2019 and 2018. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

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

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INVESTMENTS AS OF JUNE 30, 2018	Fair Value	Unfunded Commitments	Redemption/ Withdrawal Frequency	Redemption/ Withdrawal Notice Period
Hedge funds	\$ 71,358	\$ -	Monthly - Annually	45 - 90 days
Real estate funds	38,948	16,934	-	2 - 10 years
Common/collective trusts	205,161	-	Monthly	-
Limited partnerships	108,424	67,330	-	≤ 10 years

7. Endowment Fund

Howard’s endowment includes approximately 935 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Howard is subject to the District of Columbia Uniform Prudent Management of Institutional Funds Act of 2008 (DC UPMIFA).

Interpretation of Relevant Law

Net Asset Classification - The Board of Trustees of Howard has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift dates of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Howard classifies as permanently restricted net assets:

1. The original value of gifts with permanent donor-directed use restrictions.
2. The value of accumulations in accordance with the applicable donor gift instrument at the time the accumulation occurs.

Any portion of the donor-restricted gift is classified as net assets with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

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

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

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

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

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

ENDOWMENT CHANGE IN VALUE FOR YEAR ENDING JUNE 30, 2018	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Endowment net assets, beginning of year	\$ 351,681	\$ 298,280	\$ 649,961
Investment return:			
Investment income	3,965	5,044	9,009
Net appreciation (realized and unrealized)	20,039	23,053	43,092
Total investment return	\$ 24,004	\$ 28,097	\$ 52,101
Contributions	1,230	7,040	8,270
Appropriation of endowment assets for operations	(8,973)	(13,224)	(22,197)
Other changes:			
Match release	2,566	(2,566)	-
Transfer and other changes	3,463	369	3,832
Endowment net assets, end of year	\$ 373,971	\$ 317,996	\$ 691,967
Donor-restricted endowment funds	\$ -	\$ 317,996	\$ 317,996
Underwater endowment funds	(3,209)	-	(3,209)
Board designated quasi-endowment	377,180	-	377,180
Endowment net assets, end of year	\$ 373,971	\$ 317,996	\$ 691,967

Howard's endowment net assets include receivables related to the federal term endowment and contributions, which have not been invested and therefore not included as part of endowment investments. For fiscal years ended June 30, 2019 and 2018 receivables of \$8,670 and \$3,405, respectively were recorded, and represent the difference between endowment investments reflected on consolidated statements of financial position and endowment net assets reported above.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Trustees require Howard to retain as a fund of perpetual duration. Deficiencies of this nature, so called "underwater accounts", are reported in net assets with donor restriction and totaled \$3,182 and \$3,209 as of fiscal years ended June 30, 2019 and 2018, respectively. Howard has adopted a policy allowing spending in certain situations from underwater, donor-restricted endowment funds, absent overriding provisions in donor agreements. Howard's investment and spending policy is intended to conform with the UPMIFA which allows spending in underwater endowments, in support of an endowment's purpose.

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

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

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

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8. Long-Lived Assets

LONG-LIVED ASSETS	2019	2018
Land and land improvements	\$ 40,759	\$ 40,750
Buildings and building improvements	872,246	871,565
Property held for expansion	56,929	56,929
Property held under leases	32,053	28,773
Furniture and equipment	344,176	331,188
Library books	92,178	92,106
Historical Works and Artifacts	37,719	-
Software	116,909	115,988
Software in progress	414	369
Construction in progress	23,305	12,714
Long-lived assets, gross	1,616,688	1,550,382
Accumulated depreciation and amortization	(1,074,990)	(1,040,121)
Long-lived assets, net	\$ 541,698	\$ 510,261

For the fiscal year ended June 30, 2019 there were \$7,524 in sales, disposals and retirements. For the fiscal year ended June 30, 2018 there were \$18,392 in disposals.

Depreciation expense for the years ended June 30, 2019 and 2018 were \$47,167 and \$39,814, respectively. For fiscal years ended June 30, 2019 and 2018, net interest costs of \$0 were incurred during construction and capitalized as part of the cost of capital projects.

Long-lived assets include property held for expansion, consisting of land and buildings acquired for future use in carrying out educational, research and other activities in line with the overall mission of Howard. Depreciation for buildings commences when property is converted to use. Starting fiscal year 2019, long-lived assets include capitalization of donated artwork that is not subject to depreciation (see Note 1 (j)).

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9. Accounts Payable and Accrued Expenses

Components of this liability account at fiscal years ended June 30, 2019 and 2018 are as follows:

ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2019	2018
Vendor invoices	\$ 95,836	\$ 94,356
Accrued salaries and wages	28,190	24,268
Accrued employee benefits	4,956	3,807
Accrued annual leave	4,866	4,840
Accrued interest	4,449	4,475
Other	(556)	58
Total	\$ 137,741	\$ 131,804

10. Other Liabilities and Deferred Revenue

These obligations include the following at fiscal years ended June 30, 2019 and 2018:

OTHER LIABILITIES	2019	2018
Environmental liabilities	\$ 4,683	\$ 4,799
Residence halls	6,747	5,621
Unclaimed property	3,166	3,380
Student deposits and refunds	4,561	1,487
Reserve for legal contingencies	3,850	2,450
Deposits held in custody for others	1,960	1,309
Other	3,957	2,109
Total	\$ 28,924	\$ 21,155

DEFERRED REVENUE	2019	2018
Deferred tuition, room and board	\$ 1,567	\$ 1,727
Deferred grant revenue	9,454	13,186
Other	4,841	5,292
Total	\$ 15,862	\$ 20,205

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Amounts for the fiscal years ended June 30, 2019 and 2018, were as follows:

ENVIRONMENTAL LIABILITIES	2019	2018
Accumulated depreciation	\$ (4)	\$ (4)
Environmental liabilities	4,683	4,799
Total	\$ 4,679	\$ 4,795

Howard incurred costs related to remediation during fiscal years ended June 30, 2019 and 2018 of \$116 and \$294, respectively.

11. Leases

Lease Obligations

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

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

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

- a. The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- b. The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- c. The lease term is for the major part of the remaining economic life of the underlying asset. However, if the commencement date falls at or near the end of the economic life of the underlying asset, this criterion shall not be used for purposes of classifying the lease.
- d. The present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already reflected in the lease payments in

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accordance with paragraph 842-10-30-5(f) equals or exceeds substantially all of the fair value of the underlying asset.

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

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

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

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

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

Finance Leases

In the prior year, Howard University entered into a seven-year network management service agreement with IBM for equipment that included an imbedded lease. Howard elected to use the practical expedient election under ASC 842-10-15-37, which allows the lessee to not separate non-lease components from lease components and instead account for each lease component as a single lease.

Howard determined that the lease is a finance type lease based on transfer of ownership of the underlying assets, and the length of the lease term

Howard is obligated under other finance leases for office, technology and medical equipment that extend through 2024, and the chiller plant that extends through 2031, in the amounts of \$51,132 and \$54,756, respectively at fiscal years ended June 30, 2019 and 2018. Lease payments for the chiller plant include both fixed and variable payments. The variable payments are based upon consumption exceeding the threshold specified in the lease.

Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities. With the exception of leases for certain medical equipment that will expend its useful life by the end of the lease, management reviews each lease option to modify terms on a case by case basis . The right-of-use assets are amortized over their estimated useful lives. The finance lease

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right-of-use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

FINANCE RIGHT OF USE ASSETS	2019	2018
Right of use assets - financing	\$ 127,762	\$ 121,944
Accumulated amortization	(76,237)	(65,859)
Right of use assets, net	\$ 51,525	\$ 56,085

The discount rates used in measuring the finance right-of-use assets and liabilities are the rates as explicitly stated in each lease (if applicable) or Howard's incremental borrowing rate of 6.5%.

At June 30, 2019, the future minimum lease payments under finance leases (with initial or remaining lease terms in excess of one year) are as follows:

LEASE OBLIGATIONS	FINANCE LEASES
Future principal and interest years ending June 30	
2020	\$ 10,972
2021	10,838
2022	9,823
2023	9,092
2024	8,349
2025 and thereafter	18,665
Obligation, gross	67,739
Amounts representing interest rates from 2% to 10%	(16,607)
Total Lease Obligations, net	\$ 51,132

At June 30, 2019, the minimum interest payments under finance leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

LEASE OBLIGATIONS - INTEREST	FINANCING LEASES
Future interest years ending June 30	
2020	\$ 3,296
2021	2,826
2022	2,323
2023	1,851
2024	1,383
2025 and thereafter	4,928
Total Lease Obligations interest	\$ 16,607

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Operating Leases

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

Rent expense is recognized on a straight-line basis and is allocated in the statements of activities by function. Rent expense related to building space and equipment for fiscal years ended June 30, 2019 and 2018 was \$7,452 and \$6,837, respectively. Howard considered the likelihood of exercising renewal or termination terms in measuring its right-of-use lease assets and lease liabilities, and has included renewal periods in its assessment of lease terms. The right-of-use assets are amortized over their estimated useful lives. The operating lease right-of-use assets and accumulated amortization for the fiscal years ended June 30 are as follows:

OPERATING RIGHT OF USE ASSETS	2019	2018
Right of use assets - operating	\$ 4,761	\$ 3,764
Right of use assets, net	\$ 4,761	\$ 3,764

At June 30, 2019, the minimum future payments under operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follows:

LEASE OBLIGATIONS	OPERATING LEASES
Future principal and interest years ending June 30	
2020	\$ 633
2021	653
2022	674
2023	697
2024	720
2025 and thereafter	3,439
Obligation, gross	\$ 6,816
Amounts representing interest rates from 2% to 10%	(1,802)
Total Operating Lease Obligations, net	\$ 5,014

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LEASE OBLIGATIONS - INTEREST	OPERATING LEASES
Future interest years ending June 30	
2020	\$ 317
2021	295
2022	270
2023	243
2024	211
2025 and thereafter	466
Total Lease Obligations Interest	\$ 1,802

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

LEASE EXPENSE	2019	2018
Finance lease expense:		
<i>Amortization of right of use assets</i>	\$ 9,043	\$ (676)
<i>Interest on lease liabilities</i>	3,594	3,951
Operating lease expense	602	542
Total	\$ 13,239	\$ 3,817
Other information		
Cash paid for amounts included in the measurements of lease liabilities for finance leases:		
Operating cash flows	\$ 475	\$ 3,951
Financing cash flows	7,955	9,490
Change in operating right of use (ROU) leases:		
Operating cash flows	(998)	835
Right of use (ROU) assets obtained in exchange for lease liabilities:		
Finance leases	38,036	34,942
Operating leases	4,772	-
Weighted-average remaining lease term (in years):		
Finance leases	4.90	8.38
Operating leases	9.37	10.44
Weighted-average discount rate:		
Finance leases	6.22%	7.14%
Operating leases	6.50%	6.50%

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Operating Lease Agreement - Benning Road

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

Lease Income

Sales-Type Lease

930 Club

Howard University as lessor has entered into a 99-year ground lease of certain property at 9th and V Street and the related meaningful connection to the 930 Club building to 9th AND W OWNER, LLC on June 28, 2019. The lease proceeds are a one-time payment of \$34,384 and a yearly lease payment of \$1 per year. The land and meaningful connection has a leasehold fair market value of \$32,304. This lease is a sales type lease under ASC 842-10-25-3 because the present value of the minimum lease payments is substantially higher than the fair value of the underlying value of the asset. As a result, Howard recorded a receivable for the proceeds and removed the value of the leased property from the statement of financial position at of June 30, 2019. Given the length of the lease term and that all proceeds are expected within one year of the commencement date, a net investment in the lease was not recorded.

Howard Center

Howard University has entered a 40-year transaction to lease certain floors of the Howard Center, (known as Lot 36, Square 3065 at 2225 Georgia Avenue, N.W, Washington, DC) to 9th and Provident Group-Howard Center, Inc. on November 1, 2018. the University received a one-time payment of \$2,040, which the University shall use for the redevelopment of the 78,131 square foot Miner Building for use by the Howard University School of Education and the Howard University Charter Middle School for Mathematics and Science. The Provident Group will maintain control of leased area and remit annual commissions to Howard, commencing in fiscal year 2020. This lease is a sales type lease under ASC 842-10-25-3 because the lease term will consume more than 75% of the estimated economic life of the leased property.

Lessor Operating Leases

A lease conveys the right to use an identified asset for a period of time. The University assesses all its rental contracts using the provisions within ASC 842 to determine if they

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meet the criteria of a sales type lease. Leases that do not meet the criteria are defined and treated as operating leases. . The University recognizes earned rental income on a straight-line basis, while the underlying leased asset remains on the University’s statement of financial position and is continuously depreciated.

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

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

Howard University receives rental income under these lease agreements, which have termination dates through 2024 and thereafter. The total lease income received for fiscal years ended June 30, 2019 and 2018 was \$3,497 and \$3,965, respectively and are reported in real property revenue on the statements of activities.

LEASE INCOME	2019	2018
<i>Sales Type Lease Income</i>		
Lease Payments	\$ 2,040	\$ 18,392
Less: Leased Assets Book Values	1,531	2,086
Total Sales Type Lease Income	\$ 509	\$ 16,306
<i>Operating Lease Income</i>	3,497	3,965
Total Lease Income	\$ 4,007	\$ 20,071

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At June 30, 2019, the future minimum lease income for years ending at June 30 is as follows:

FUTURE MINIMUM LEASE INCOME	JUNE 30
2020	\$ 1,857
2021	1,903
2022	1,963
2023	1,962
2024	1,853
2025 and thereafter	27,526
Total Minimum Lease Income Receipts	\$ 37,064

12. Bonds Payable and Notes Payable

(a) ***Bonds Payable***

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

BONDS PAYABLE	2019	2018
<i>District of Columbia issues:</i>		
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	\$ 5,466	\$ 6,161
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	192,145	192,145
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	56,855	59,639
2016 Revenue bonds 1.98% Serial due 2015 through 2031	151,805	160,000
Total bonds payable, gross	\$ 406,271	\$ 417,945
Unamortized bond discount	(4,628)	(4,873)
Unamortized bond issuance costs	(4,199)	(4,428)
Total bonds payable, net	\$ 397,444	\$ 408,644

(1) **2010 Revenue Bonds**

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

(2) **2011 Revenue Bonds**

In April 2011, Howard issued \$225,250 of tax exempt revenue bonds (Series 2011A) and \$65,065 of taxable revenue bonds (Series 2011B) to refund the Series 1998 and Series 2006 bonds and to finance new capital

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improvements. The interest rate on the tax exempt bonds range from 5.25% to 6.50% and the bonds are repayable from 2020 to 2041. The taxable bonds bear interest between 4.31% and 7.63% and are repayable from 2015 to 2035. The average coupon is 6.57%. The 2011 bonds require Howard to maintain a debt service fund of \$12,634. At the fiscal year ended June 30, 2019 the fund balance was \$12,865.

The Series 2011A Bonds maturing on or after October 1, 2021 are subject to optional redemption by the District of Columbia, at the written direction of Howard, in its sole discretion, on or after April 1, 2021 in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2011A Bonds being redeemed, plus accrued interest, if any, to the redemption date.

In fiscal year 2017, Howard University entered into a Service Concession Agreement with Corvias Campus Living – HU, LLC. resulting in a bond defeasance of \$33,105 for the 2011A Bonds. The defeased bonds are deemed to be paid and no longer outstanding bonds of the District of Columbia. This is reported as a part of income from continuing operations on the statement of activities after total operating expenses. See Note 21 for a description of the Service Concession Agreement.

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

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

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

2011 Bond proceeds of \$19,782 were used to create a deposit for capitalized interest. The remaining balance of this fund is \$0 at June 30, 2019 and 2018.

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(3) **2016 Revenue Bonds**

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

(4) **Fair Value of Bonds**

Currently the estimated fair value of Howard’s bonds is determined based on quoted market prices. At fiscal years ended June 30, 2019 and 2018, the estimated fair value was approximately \$424,822 and \$436,340, respectively. Fair value estimates are made at a specific point in time, are subjective in nature, and involve uncertainties and matters of judgment. Howard is not required to settle its debt obligations at fair value and settlement is not possible in most cases because of the terms under which the debt was issued and legal limitations on refunding tax-exempt debt.

(b) **Notes Payable**

In June 2016, Howard entered into a \$75,000 JP Morgan Revolving Credit Agreement. The initial agreement, which was to terminate in June 2019, was extended during the fiscal year to June 2021. In addition, the commitment was increased from \$75,000 to \$100,000. There was no outstanding balance at June 30, 2019 and 2018. Howard is paying a quarterly non-refundable commitment fee.

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

(c) **Compliance with Contractual Covenants**

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

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

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At June 30, 2019 and 2018, Howard was compliant with the Liquidity Ratio measurements and with the Debt Service Coverage Ratio measurements for the 2011 and 2016 Revenue Bonds and the Revolving Credit Agreement.

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

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

AGGREGATE ANNUAL MATURITIES	2019	2018
2019	\$ -	\$ 11,675
2020	22,299	13,736
2021	14,502	14,502
2022	15,316	15,316
2023	16,148	16,148
2024	17,066	17,066
2025 and thereafter	329,502	329,502
Subtotal	414,833	417,945
Bond discounts	(4,628)	(4,873)
Bond issuance costs	(4,199)	(4,428)
Total	\$ 406,006	\$ 408,644

(e) ***Bond Downgrade***

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

The rating action reflects Howard’s placement on Heightened Cash Monitoring 2 (HCM2) status by the U.S. Department of Education (DOE). Note that subsequent to the year ended June 30, 2019, the DOE removed Howard from any Heightened Cash Monitoring.

13. Retirement Plans

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

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

During fiscal year 2017 there was a reduction to the life insurance benefits of future retirees for Howard plans which created a new prior service cost base of \$8,635 to be recognized starting in fiscal year 2018. Howard stopped including the value of fully-insured premium payments in both Employee contributions and Benefits paid from plan because the non-Class I post-65 retirees moved out of the Howard plan into an exchange. This had no impact on net obligations or net payments from the plan.

Supplemental Retirement Plan – Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is \$1,358 and \$1,383 at fiscal years ended June 30, 2019 and 2018, respectively. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of \$966 and \$921 at June 30, 2019 and 2018, 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, 2019 are consistent with the method and assumptions used for the defined benefit pension plan.

Savings Plan – Howard supplements its pension plan by offering employees a defined contribution plan under Section 403(b) of the Internal Revenue Code. Eligible employees received a contribution of 6% of base salary and are also permitted to contribute up to 15% of their base pay to the plan. The administration of the plan is provided by three active financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Voya Financial. Effective July 1, 2011 Lincoln Financial was replaced as a financial administrator by Voya Financial. While Lincoln Financial is no longer an active financial administrator of Howard, employees with investments with Lincoln are still allowed to hold their investments with Lincoln Financial. These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the consolidated statements of activities were \$20,726 and \$18,231 for fiscal years ended June 30, 2019 and 2018, respectively. The fair value of plan assets for the savings plan for fiscal years ended June 30, 2019 and 2018 were \$698,299 and \$982,470, respectively. These investments are held by Howard on behalf of its employees and excluded from the consolidated statements of financial position.

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

Howard recognizes a plan's overfunded or underfunded status as an asset or liability, with an offsetting adjustment to unrestricted net assets. The reconciliation of the Plan's funded status to amounts recognized in the consolidated financial statements at fiscal years ended June 30, 2019 and 2018 are as follows:

Retirement Benefits	Pension		Medical and Life Insurance		Supplemental	
	2019	2018	2019	2018	2019	2018
Change in benefit obligation						
Projected benefit obligation at beginning of year	\$ 656,792	\$ 679,561	\$ 48,441	\$ 54,995	\$ 1,383	\$ 1,533
Service Cost	-	-	194	223	-	-
Interest Cost	27,804	26,610	2,047	2,140	56	57
Actuarial (gain)/loss	59,951	(8,085)	1,676	(6,110)	152	37
Benefits paid	(48,367)	(41,294)	(3,833)	(3,624)	(233)	(244)
Medicare Part D subsidy	-	-	74	-	-	-
Employee contributions	-	-	522	817	-	-
Projected benefit obligation at end of period	\$ 696,180	\$ 656,792	\$ 49,121	\$ 48,441	\$ 1,358	\$ 1,383
Change in plan assets:						
Fair value of plan assets at beginning of year	539,985	540,515	-	-	-	-
Actual return on plan assets	33,253	29,531	-	-	-	-
Employer contributions	14,287	11,233	3,237	2,807	-	-
Employee contributions	-	-	522	817	233	244
Medicare Part D subsidy	-	-	74	-	-	-
Benefits paid	(48,367)	(41,294)	(3,833)	(3,624)	(233)	(244)
Fair value of plan assets at end of period	\$ 539,158	\$ 539,985	\$ -	\$ -	\$ -	\$ -
Total	\$ (157,022)	\$ (116,807)	\$ (49,121)	\$ (48,441)	\$ (1,358)	\$ (1,383)

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Components of net periodic benefit cost and other amounts recognized in unrestricted net assets at fiscal years ended June 30, 2019 and 2018:

Retirement Benefits	Pension		Medical and Life Insurance		Supplemental	
	2019	2018	2019	2018	2019	2018
Recognized in Statement of Activities						
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization of prior service cost	100	100	-	-	-	-
Amortization of net actuarial loss	8,026	8,695	270	458	108	115
Total amortization	\$ 8,126	\$ 8,795	\$ 270	\$ 458	\$ 108	\$ 115
Service Cost	-	-	194	223	-	-
Interest Cost	27,804	26,610	2,047	2,140	56	57
Curtailement recognition of prior service credit	-	-	(7,639)	(13,314)	-	-
Expected return on plan assets	(30,724)	(30,975)	-	-	-	-
Recognized in operating expenses	\$ 5,206	\$ 4,430	\$ (5,128)	\$ (10,493)	\$ 164	\$ 172
Amortization of prior service cost	(100)	(100)	-	-	-	-
Amortization of net actuarial loss	(8,026)	(8,695)	(270)	(458)	(108)	(115)
Total amortization	\$ (8,126)	\$ (8,795)	\$ (270)	\$ (458)	\$ (108)	\$ (115)
Net actuarial (gain) loss during the year	57,423	(6,641)	1,676	(6,110)	152	37
Curtailement recognition of prior service credit	-	-	7,639	13,314	-	-
Total recognized in other changes in unrestricted net assets	\$ 49,297	\$ (15,436)	\$ 9,045	\$ 6,746	\$ 44	\$ (78)
Total recognized in Statements of Activities	\$ 54,503	\$ (11,006)	\$ 3,917	\$ (3,747)	\$ 208	\$ 94

Amounts included in unrestricted net assets at fiscal years ended June 30, 2019 and 2018:

Retirement Benefits	Pension		Medical and Life Insurance	
	2019	2018	2019	2018
Net actuarial loss	\$ (302,150)	\$ (252,754)	\$ (1,103)	\$ 303
Prior service cost	(2,201)	(2,301)	5,657	13,296
Total	\$ (304,351)	\$ (255,055)	\$ 4,554	\$ 13,599

The estimated net actuarial loss, prior service cost/(credit), and transition obligation for the pension and post-retirement plans that were accounted for as a part of net periodic benefit cost over the next fiscal year are \$11,524, (\$1,389), and \$0, respectively.

Contributions to the pension plan of \$14,287 and \$11,233 were made in fiscal years ended June 30, 2019 and 2018, respectively. Contributions of \$14,264 are projected for fiscal year 2019.

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The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for fiscal years ended June 30, 2019 and 2018 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2019	2018	2019	2018
Discount rate	3.62%	4.39%	3.64%	4.40%
Expected return on plan assets	7.00%	7.00%	0.00%	0.00%
Rate of compensation increase	-	-	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for fiscal years ended June 30, 2019 and 2018 were as follows:

Actuarial Assumptions	Pension Benefits		Post-retirement Benefits	
	2019	2018	2019	2018
Discount rate	4.39%	4.05%	4.40%	4.05%
Expected return on plan assets	7.00%	7.00%	0.00%	0.00%
Rate of compensation increase				
To age 35	-	-	3.50%	3.50%
Thereafter	-	-	3.50%	3.50%

The overall long-term rate of return for the pension plan assets was developed by estimating the expected long-term real return for each asset class within the portfolio. An average weighted real rate of return was computed for the portfolio which reflects the Plan's targeted asset allocation. Consideration was given to the correlation between asset classes and the anticipated real rate of return and was added to the anticipated long-term rate of inflation.

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

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

Level 3 investments were 29% of total plan investments.

Refer to Note 6 – Fair Value Measurements for further explanation of financial instrument classifications.

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

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

Level 3 investments were 17% of total plan investments.

Refer to Note 6 – Fair Value Measurements for further explanation of financial instrument classifications.

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

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

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

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

Pension Plan Liquidity Terms and Unfunded Commitments – The following tables represent Howard’s investments by asset class and their respective liquidity terms and unfunded commitments as of June 30, 2019 and 2018. Real estate funds and limited partnerships do not have readily ascertainable market values and may be subject to withdrawal restrictions.

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

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

The asset allocation of the Plan is analyzed annually to determine the need for rebalancing to maintain an allocation that is within the allowable ranges. The investment strategy is to invest in asset classes that are negatively correlated to minimize overall risk in the portfolio. Interim targets outside of the allowable ranges were set to allow for flexibility in reaching the long-term targets in the private equity and real estate categories.

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

PENSION PLAN ASSET ALLOCATION	2019	2018	Allowable Range
Mid-Large Cap U.S. Equity	9.9%	9.7%	7-23%
Small Cap U.S. Equity	2.5%	3.8%	1-5%
International Equity - Developed	8.2%	16.8%	7-17%
Private Equity/Venture Capital	10.3%	11.7%	2-20%
Private Debt	6.5%	-%	2-8%
Hedge Funds	6.7%	4.5%	1-5%
Inflation Hedging	2.6%	6.9%	1-5%
Emerging Markets Equity	3.3%	3.4%	2-8%
Real Estate	10.9%	4.5%	3-11%
Liability Hedging Assets	34.3%	36.9%	25-45%
Cash and Cash Equivalents	4.8%	1.7%	0-5%
Total	100%	100%	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2019 is 6.09%. This growth rate was assumed to decrease gradually to 4.5% in 2038 and to remain at this level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

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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:				
2020	48,116	3,647	127	3,774
2021	47,862	3,584	122	3,706
2022	47,588	3,523	117	3,640
2023	46,978	3,432	111	3,543
2024	46,269	3,336	104	3,440
Years 2025-2029	216,238	15,444	429	15,873
Total	\$ 453,051	\$ 32,966	\$ 1,010	\$ 33,976

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

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

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

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14. Net Assets

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

NET ASSETS WITH DONOR RESTRICTIONS	2019	2018
Subject to expenditure or use for specified purpose:		
Scholarships	\$ 22,104	\$ 20,057
Professorships	18,078	16,846
Student loans	2,492	2,219
Federal term endowment	157,649	144,119
General operations and other	28,335	23,988
Total subject to expenditure for specified purpose	\$ 228,658	\$ 207,229
Funds to be held in perpetuity and subject to time restriction:		
Subject to time restrictions	\$ 2,895	\$ 3,646
To be held in perpetuity	148,426	142,187
Total funds to be held in perpetuity and subject to time restriction	\$ 151,321	\$ 145,933
Endowments subject to spending policy and appropriation:		
Scholarships	\$ 39,725	\$ 40,953
Professorships	21,691	22,566
Student loans	(215)	1
General operations and other	12,520	17,014
Total endowments subject to spending policy and appropriation	\$ 73,721	\$ 80,534
Total net assets with donor restrictions	\$ 453,700	\$ 433,696

The Federal term endowment restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to net assets without donor restriction at the end of each 20 year period. For fiscal years ended June 30, 2019 and 2018, the transfer amounts were \$0 and \$719, respectively.

For the fiscal years ended June 30, 2019 and 2018, net assets without donor restriction were \$217,376 and \$233,839, respectively. Net assets without donor restrictions include board-designated and non-board designated amounts. Any revenue or expense transactions funded by contributions or sources that have no external donor restrictions are classified as non-board designated amounts.

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Net assets without donor restrictions include board-designated funds as follows at June 30:

NET ASSETS WITHOUT DONOR RESTRICTIONS	2019	2018
Non-board designated	\$ 203,772	\$ 157,545
Board designated	13,604	76,294
Total	\$ 217,376	\$ 233,839

Release of net assets with donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for fiscal years ended June 30, 2019 and 2018 are as follows:

NET ASSETS RELEASED FROM RESTRICTIONS	2019	2018
Federal term	\$ -	\$ 2,566
Restrictions released based on purpose:		
Scholarships and fellowships	3,720	3,491
Professorships	1,317	1,513
Student loans	129	162
General operations and other	3,110	2,791
Total	\$ 8,276	\$ 10,523

15. Functional Expenses

Howard presents its statements of activities by function. Howard allocates its expenses on a functional basis among its various programs and institutional support. Expenses that can be identified with a specific program are charged directly. Costs related to the operation and maintenance of physical plant including utilities, depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

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(amounts in thousands)

Consolidated Statements of Functional Expenses For year ended June 30, 2019 <i>(in thousands)</i>	Academic and Research	Healthcare Services	Administrative Support	Total
Operating expenses:				
Compensation	\$ 213,119	\$ 175,535	\$ 48,661	\$ 437,315
Medical and office supplies	6,160	32,504	2,517	41,181
Repairs and maintenance	2,948	193	3,089	6,230
Food service costs	449	-	14,061	14,510
Grant subcontracts	15,545	-	239	15,784
Insurance and risk management	10,870	1,222	2,514	14,606
Professional and administrative services	11,908	49,254	35,262	96,424
Other costs	68,035	2,483	71,010	141,528
Total operating expenses before interest, depreciation, and amortization	329,034	261,191	177,353	767,578
Interest expense	10,896	3,758	12,796	27,450
Depreciation	21,336	12,842	12,989	47,167
Amortization of retirement plan actuarial losses	-	2,333	6,061	8,394
Interest, depreciation, and amortization	32,232	18,933	31,846	83,011
Total operating expenses	\$ 361,266	\$ 280,124	\$ 209,199	\$ 850,589

Consolidated Statements of Functional Expenses For year ended June 30, 2018 <i>(in thousands)</i>	Academic and Research	Healthcare Services	Administrative Support	Total
Operating expenses:				
Compensation	\$ 187,572	\$ 179,226	\$ 45,666	\$ 412,464
Medical and office supplies	6,063	27,381	1,725	35,169
Repairs and maintenance	2,964	1,264	6,952	11,180
Food service costs	1,114	-	15,259	16,373
Grant subcontracts	15,029	-	6	15,035
Insurance and risk management	11,564	2,030	2,590	16,184
Professional and administrative services	10,434	59,318	31,991	101,743
Other costs	50,286	1,384	59,966	111,636
Total operating expenses before interest, depreciation, and amortization	285,026	270,603	164,155	719,784
Interest expense	7,520	4,117	11,332	22,969
Depreciation	15,894	8,251	15,669	39,814
Amortization of retirement plan actuarial losses	-	2,687	6,566	9,253
Interest, depreciation, and amortization	23,414	15,055	33,567	72,036
Total operating expenses	\$ 308,440	\$ 285,658	\$ 197,722	\$ 791,820

16. 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.

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

Medicare 2018-2019
 Medicaid 2018-2019

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an decrease in net patient service revenues of approximately \$1,271 for fiscal year ended June 30, 2019 and an increase of approximately \$6,467 for fiscal year ended June 30, 2018,.

THIRD-PARTY SETTLEMENT REVENUE	2019	2018
Medicare pass-through	\$ 10,212	\$ 11,519
Disproportionate Share Hospital	50,461	38,755
Graduate and Indirect Medical Education	8,195	9,682
Other	115	353
Total third-party settlement revenue	\$ 68,983	\$ 60,309

17. 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 \$4,143 and \$3,620 for fiscal years ended June 30, 2019 and 2018, respectively.

Total uncompensated care costs under all of Howard’s clinical services, which includes implicit price concessions on self-pay accounts (bad debt) as well as charity care, for fiscal years ended June 30, 2019 and 2018 were \$59,888 and \$52,759, respectively.

18. Insurance and Risk Management

Howard, along with 17 other institutions of higher education, is a subscriber in Pinnacle Consortium of Higher Education, a Vermont Reciprocal Risk Retention Group. Pinnacle provides commercial general and certain specific liability coverage. Howard’s annual payments to Pinnacle for insurance coverage are based on actuarial studies and are charged to expense. Through December 31, 2015, Pinnacle reinsured 95% of its risk to Genesis, Ltd. (Genesis), an affiliated reinsurer. Genesis, a Class 2 reinsurer under the Insurance Act of 1978 of Bermuda, was jointly formed by Howard and 16 other higher education institutions. Genesis reinsured general liability and automobile liability risks of

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its shareholders. On January 1, 2016, Genesis merged into Pinnacle. At June 30, 2019, Howard had an approximate 6% interest in Pinnacle. Howard's interest in Pinnacle is included in restricted investments. Liability insurance coverage in excess of the primary coverage has been purchased by Howard, with limits of \$125,000 from commercial insurance companies.

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

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

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

INSURANCE AND RISK MANAGEMENT	2019	2018
Malpractice claims expense	\$ 2,927	\$ 6,153
Malpractice excess insurance	2,025	1,430
Student health	10,659	11,004
General and other	3,906	3,659
Totals	\$ 19,517	\$ 22,246

19. Concentration of Risks

Financial instruments that potentially subject Howard to significant concentrations of credit risk consist principally of deposits of cash, cash equivalents, and investments in financial institutions in excess of the applicable government insurance limits. The limit was \$250 per cash account as of June 30, 2019.

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

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(amounts in thousands)

potentially subject Howard to market risk consist primarily of investments. Howard attempts to mitigate this risk through its investment strategy.

20. Commitments and Contingencies

(a) ***Federal Awards***

Howard receives substantial revenues from government grants, contracts, and Federal student financial assistance programs authorized by Title IV and Title VII of the Higher Education Act of 1965. Previous compliance audits have reported certain deficiencies in the administration of both the University’s Title IV and Title VII programs and its federal grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government or its designees.

(b) ***Litigation and Other Claims***

During the ordinary course of business, Howard is a party to various litigation and other claims in the ordinary course of business including claims of malpractice by the Hospital and faculty physicians. It is also subject to potential future claims based on findings or accusations arising from past practices under governmental programs and regulations and tort law. In fiscal years ended June 30, 2019 and 2018 Howard reserved \$3,850 and \$2,450, respectively for legal contingencies. In the opinion of management and Howard’s general counsel, an appropriate monetary provision has been made to account for probable losses upon ultimate resolution of these matters.

(c) ***Collective Bargaining Agreements***

Howard has several collective bargaining agreements currently in effect with unions representing approximately 1,307 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

21. Related Party Transactions

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

The Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. The Middle School is a separate legal entity. For fiscal years ended June 30, 2019 and 2018, Howard has contributed to the Middle School as follows:

RELATED PARTY TRANSACTIONS	2019	2018
Cash operating support	\$ 1,000	\$ 500
Facility leased (market value)	1,451	1,451
Total	\$ 2,451	\$ 1,951

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

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

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

As of fiscal years ending June 30, 2019 and 2018, the consolidated statements of financial position for the LLC are as follows:

HOWARD DIALYSIS CENTER, LLC STATEMENTS OF FINANCIAL POSITION	2019	2018
Total Assets	\$ 11,481	\$ 10,625
Total Liabilities	\$ 1,923	\$ 925
Equity		
Partner	5,086	5,086
Retained earning	4,471	4,615
Total Equity	\$ 9,557	\$ 9,701
ARA interest	\$ 4,766	\$ 4,948
Howard interest	\$ 4,781	\$ 4,753

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

The University entered into a 40-year ground lease with Provident Group – Howard Properties, LLC and Provident Resources Group, Inc. (“Owner”) in which the Owner will design, construct and furnish the College Hall North and South dormitory facilities ("dorms") for the benefit of the University. The Owner issued \$113,900 in revenue bonds through the District of Columbia to finance the construction of the dorms. The University and Owner entered into a management agreement such that the University will be responsible for managing, operating and maintaining the dorms in conjunction with general business. In general, revenues and expenses associated with the dorm are the responsibility of the Owner. The bonds will be repaid solely from revenues from the dorms. A management fee and ground lease payment will be paid to the University only upon the settlement of various expenses and if minimum cash requirements are made. No such payments were received in fiscal year 2019. Reimbursement of utilities expense will be subordinate to debt service. Ownership of the dorms will revert to Howard upon termination of the Ground Lease and full repayment of the debt. The University has not recorded any transactions related to potential future title to or ownership in the dorms for the year ended June 30, 2019 or 2018.

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- (d) ***Barnes & Noble College Booksellers, LLC***
The University engaged Barnes & Noble College Booksellers, LLC to manage and operate its bookstore. The original relationship was for the period of April 1, 2014 through March 31, 2019 with an option to renew for an additional five two-year periods, subject to mutual agreement. In January 2019, the parties agreed to exercise an option to renew the agreement from April 1, 2019 through March 31, 2024.
- (e) ***Campus Apartments***
In August 2014, The University entered into a subcontractor agreement with Campus Apartments to perform all management responsibilities relating to the newly constructed Student Dormitory Facilities that were completed and placed into service in August 2014.
- (f) ***Paladin Healthcare***
Howard signed a five year Management Service Agreement (MSA) with Paladin Healthcare, effective October 1, 2014, with an option to extend the agreement for an additional five years. On that date, Paladin Healthcare assumed responsibility for day-to-day operations of the Hospital under the oversight of a joint Howard and Paladin Healthcare Management Committee, while Howard continued to be the licensed operator of the Hospital. The MSA was terminated as of April 30, 2019.
- (g) ***Corvias Campus Living – HU, LLC***
In January, 2017, the University, Howard Dormitory Holdings 1, LLC, a wholly-owned subsidiary of Howard University and Corvias Campus Living – HU, LLC entered into a 40 year term service concession agreement. Under this agreement, Corvias Campus Living – HU, LLC handled the financing, design, engineering, renovation, management, operation, maintenance, and repair of the East Tower, the West Tower, Drew Hall and Cook Hall. The University and Howard SPE pledged all revenues from these properties to Corvias Campus Living. As part of this agreement, Corvias Campus Living – HU, LLC, entered into a construction contract with Gilbane Building Company for the renovation of the East Tower and the West Tower, which were completed in fall of 2018.
- (1) ***Residence Life Service Provider*** – In January 2017, as part of the aforementioned service concession agreement, Corvias Campus Living – HU, LLC entered into a 40 year term Residence Life Management Agreement with Corvias Campus Management, Inc., an independent contractor, to manage on its behalf, any and all of the residence life duties and responsibilities relating to the East Tower, the West Tower, Drew Hall and Cook Hall. In compensation for the performance of its duties under this Agreement, the Residence Life Service Provider will be paid the Residence Life

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Management Fee as set forth in Section 6.3 of the Service Concession Agreement escalating by three percent (3%) per annum on the first day of each Fiscal Year of the Term. In August 2018, this relationship was expanded such that Corvias will manage any and all residence life duties and responsibilities for the University's central office of residence life (inclusive of the Annex). Management of the central office of residence life was transferred back to Howard in October of 2019.

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

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

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

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

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

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

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

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

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

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

In October 2018, Howard entered into a Consulting Services Agreement with ENGIE Development, LLC (EDL). EDL provides advisory and consulting services related to the design and, in collaboration with Howard, implementation of a temporary heating solution for Howard’s main campus for the 2018-2019 school year. As part of the agreement, EDL provided a proposal for the long-term overhaul, modernization and ongoing operation of the steam plant and its related facilities including a financing plan for implementation. The proposal is under review and Howard has not decided on the partner to complete the project.

(m) ***Howard Center Project***

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

(n) ***It’s My Corner, LLC***

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

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Notes to the Consolidated Financial Statements

(amounts in thousands)

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.

22. Subsequent Events

- (a) In April 2018, the Department of Education began an extensive program review and, in August 2018, elected to place Howard University on Heightened Cash Monitoring 2 status to closely monitor the institution's financial aid management. On June 27, 2019, Howard University was removed from the Heightened Cash Monitoring 2 (HCM2) method of payment and elevated to Heightened Cash Monitoring 1 (HCM1). On December 16, 2019, the Department of Education notified Howard University that it has been removed from the Heightened Cash Monitoring (HCM1) method of payment. Howard has been returned to the advanced method of payment, effective immediately. Under this new method of payment, Howard may now draw down Title IV funds without approval from the Department of Education and is no longer required to make disbursements to eligible students with institutional funds before drawing down funds.
- (b) In July 2019, the University, and Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc. entered into a 40 year term agreement. Under this agreement, Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc. will handle the financing, design, engineering, renovation, management, operation, maintenance, and repair of the Tubman Quad. The University pledged all revenues from these properties to Provident Group – Tubman Quad Properties LLC and Provident Resources Group Inc.

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



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

Board of Trustees
The Howard University
Washington, DC

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Howard University (the “University”) which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 23, 2019.

Internal Control Over Financial Reporting

In connection with our audit of the consolidated financial statements of the University, we considered University’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of University’s internal control. Accordingly, we do not express an opinion on the effectiveness of University’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2019-001 through 2019-003 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-004 through 2018-006 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

University's Response to Findings

The University's response to the findings identified in our engagement is described in the accompanying management's corrective action plan. The University's response was not subjected to the auditing procedures applied in the engagement to audit the consolidated financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 23, 2019



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

Board of Trustees
The Howard University
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited The Howard University’s (the “University”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs for the year ended June 30, 2019. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the University’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University’s compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-007 through 2019-017. Our opinion on each major federal program is not modified with respect to this matter.

The University's response to the noncompliance findings identified in our audit is described in the accompanying management's corrective action plan. The University's response was not subjected to our auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2019-007, 2019-008, 2019-010, 2019-011, 2019-012, 2019-013 and 2019-015 that we consider to be significant deficiencies.



The University's response to the internal control over compliance findings identified in our audit are described in the accompanying management's corrective action plan. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

September 30, 2020

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
<u>ANNUAL APPROPRIATION</u>				
DEPARTMENT OF EDUCATION				
Annual Appropriation		84.915A	\$ 235,455,801	\$ -
TOTAL ANNUAL APPROPRIATION			235,455,801	-
<u>FEDERAL ENDOWMENTS</u>				
DEPARTMENT OF JUSTICE				
Constitutional Law Chair Endowment		16.000	6,048,175	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			6,048,175	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Excellence in Health Professional Education Endowment		93.375	5,070,862	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,070,862	-
DEPARTMENT OF EDUCATION				
Matching Endowment		84.000	163,179,410	-
Law School Clinical Endowment		84.998D	9,855,481	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			173,034,891	-
TOTAL FEDERAL ENDOWMENTS			184,153,928	-
<u>STUDENT FINANCIAL ASSISTANCE CLUSTER</u>				
DEPARTMENT OF EDUCATION				
Federal Supplemental Educational Opportunity Grants		84.007	953,614	-
Federal Work Study		84.033	421,691	-
Federal Pell Grant Program		84.063	13,815,692	-
Federal Direct Loans		84.268	175,919,370	-
Teacher Education Assistance for College and Higher Education Grants (TEACH)		84.379	25,282	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			191,135,649	-

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Scholarship for Disadvantaged Students		93.925	480,580	-
Scholarship for Disadvantaged Students		93.925	652,726	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,133,306</u>	-
TOTAL FOR THE STUDENT FINANCIAL ASSISTANCE CLUSTER			<u>192,268,955</u>	-
<u>TRIO CLUSTER</u>				
DEPARTMENT OF EDUCATION				
Office of Postsecondary Education				
Upward Bound Program		84.047A	591,664	-
Upward Bound Program		84.047M	276,967	-
Subtotal for the Office of Postsecondary Education			<u>868,631</u>	-
TOTAL FOR THE TRIO CLUSTER			<u>868,631</u>	-
<u>RESEARCH AND DEVELOPMENT CLUSTER</u>				
Direct Research and Development Awards				
DEPARTMENT OF COMMERCE				
Howard University Partnership Development and Design (HUPDD)		11.802	100,414	-
			<u>100,414</u>	-
National Oceanic and Atmospheric Administration				
NOAA Center for Atmospheric Sciences at Howard University		11.481	305,472	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	604,854	321,125
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	145	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	8,945	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	730	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	252,495	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	1,205,090	363,518
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	289	-
NOAA Cooperative Science Center in Atmospheric Sciences and Meteorology at Howard University		11.481	60,576	-
Subtotal for the National Oceanic and Atmospheric Administration			<u>2,438,596</u>	<u>684,643</u>
SUBTOTAL FOR THE DEPARTMENT OF COMMERCE			<u>2,539,010</u>	<u>684,643</u>

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF DEFENSE				
Examination of Molecular Recognition of Amino Acid Based Macromolecular Assemblies.		12.300	13,926	-
Polymer based replicated multi-modal fiber Bragg grating (FBG) for Fentanyl detection		12.910	76,964	-
Technical Assessment of Small Business Innovation Research and small Business Technology Transfer Programs		12.630	88,337	-
US Army Medical Command				
Diverting the Pathway to Substance Misuse by Improving Sleep		12.420	34,276	-
Subtotal for the US Army Medical Command			<u>34,276</u>	-
US Army Materiel Command				
Optimizing the Dynamic Response of Ultrafine Grain and Hybrid Alloys under Impact Loading		12.630	61,627	-
Enhancing research in the STEM disciplines at Howard University by investigating novel regulation of the 26S proteasome		12.630	52,320	-
Acquisition of a PET/CT Imaging System for STEM Research and Education at Howard University		12.630	385,000	-
			<u>498,947</u>	-
Atomic Layered Two Dimensional Material-based Metasurfaces for Terahertz Modulators				
The Effect of Multi-Mode Induced Transition in a Hypersonic Boundary Layers		12.800	53,081	-
Novel Methods for Fatigue Life Prediction for Turbine Engine Components		12.800	109,214	-
			<u>284,224</u>	-
Subtotal for the US Army Materiel Command			<u>783,171</u>	-
SUBTOTAL FOR THE DEPARTMENT OF DEFENSE			<u>996,674</u>	-
DEPARTMENT OF THE INTERIOR				
Contemporary Recreational Use Study at Median Hill park and the Parklands		15.945	4,278	-
Document and Interpret Buffalo Soldiers Trail to Mount Whitney		15.945	17,548	-
SUBTOTAL FOR THE DEPARTMENT OF THE INTERIOR			<u>21,826</u>	-
DEPARTMENT OF JUSTICE				
Domestic Violence Homicide Prevention TA Initiative		16.526	197,791	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>197,791</u>	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
ROSES -2016 / Solar System Observations (SSD) Program		43.001	26,416	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>26,416</u>	-

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
NATIONAL ENDOWMENT FOR THE HUMANITIES				
Race and Forensic Science in American Literature, 1894 -1959		45.160	29,455	-
Gender, Segregation, and Urban Life in Literature by African American Women		45.160	38,769	-
			68,224	-
The Africana Theatre and Dance Collection as a Teaching Resource and Curriculum Development		45.162	60,970	-
SUBTOTAL FOR THE NATIONAL ENDOWMENT FOR THE HUMANITIES			129,194	-
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
Efficient Operation and Control of Power System Networks with Increased DG Penetration		47.041		
Workshop: Sustainable Energy		47.041	73,251	22,100
I-Corps Sites : Howard University		47.041	21,130	-
MRI: Development of Testbed Platform for Advanced Multi-Stage Automation and Control for Smart and Micro Grid		47.041	37,925	33,482
CAREER: Passive Seismic Protective Systems for Nonstructural System and Components in Multistory Building		47.041	19,198	-
Bridging the Gap Between Education and Research through Pre-College Engineering Systems (PCES) Outreach Program		47.041	19,980	-
Collaborative Proposal: EiR : Understanding Interactions of Gold and silver Nanoparticles with Proteins to Achieve Optimum Surface Plasmon Effect.		47.041	133,834	-
A Pre-College for Engineering Systems (PCES) Outreach Program		47.041		
Subtotal for the Engineering Grants			305,318	55,582
Mathematical and Physical Sciences				
REU Site in Physics at Howard University		47.049	20,544	-
Collaborative Research -RUI: Toward Structure-Based Models of Chiral Recognition by Amino Acid Based Macromolecular Assemblies		47.049	23,684	-
CAREER: Understanding the Effects of the immediate environment on Intrinsic Properties of 2D Crystals: From Fundamental Science to Real World Applications		47.049	87,293	-
REU Site in Physics at Howard University		47.049	77,055	-
2018 NSF-CBMS Conference on Mathematical Biology: Modeling and Analysis at Howard University		47.049	3,784	-
Personnel Act (IPA) Assignment		47.049	103,965	-
Collaborative Research: Linking Pharmacokinetics to Epidemiological Models of Vector- Born Diseases and Drug Resistance Prevention		47.049	20,675	-
Subtotal for the Mathematical and Physical Sciences			337,000	-

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Computer and Information Science and Engineering				
Compsustnet: Expanding the Horizons of Computational Sustainability		47.070	25,469	-
CICI: SSC: Real-Time Operating System and Net work Security for Scientific Middleware		47.070	259,398	-
CAREER: leveraging Wireless Virtualization for Enhancing Network Capacity, Coverage, Energy Efficiency and Security.		47.070	64,455	-
GIRLS ROCK TECH: Integrating Computer Science Education into a National Drills Empowerment Program		47.070	46,520	20,350
Collaborative Research: II-NEW: RUI: ROAR - A Research Infrastructure for Real-time Opportunistic Spectrum Access in Cloud based Cognitive Radio Networks		47.070	13,046	-
CPS: Breakthrough: Collaborative Research: Track and Fallback: Intrusion Detection to Counteract Carjack Hacks with Fail- Operational Feedback.		47.070	79,898	-
CS 10K: The Partnership for Early Engagement in Computer Sciences High School Program		47.070	41,144	-
Subtotal for the Computer and Information Science and Engineering			529,930	20,350
Biological Sciences				
Cannabinoid Signaling in olfactory Glomeruli		47.074	73,167	13,236
Collaborative Research: ABI Innovation: FuTRES, an Ontology-Based Functional Trait Resource for Paleo- and Neo-biologists		47.074	42,899	-
Excellence in Research : Involvement of MEF -2 transcription factor in mitochondrial stress response through SOD2		47.074	17,379	-
Collaborative Research: Digitization TCN: The Mid-Atlantic megalopolis: Achieving a Greater Scientific Understanding of Our Urban World.		47.074	536	-
Excellence in Research : Investigation of RECQ1 helicase in DNA transactions upon oxidative stress		47.074	34,241	-
Excellence in Research : Contribution of Terrestrial Bacteria to Iodine Biogeochemical Cycling		47.074	79,698	-
Subtotal for the Biological Sciences			247,920	13,236

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Social, Behavioral, and Economic Sciences				
Collaborative Proposal: Developmental mechanisms of African American Ethnic and Racial Identity during the transition to adulthood.		47.075	99,126	-
EAGER: Toward a General Framework for Optimal Experimentation in Computational Cognition		47.075	19,902	-
Excellence in Research : A Comparison of Educational Outcomes at Institutions of Higher Education.		47.075	70,164	-
Subtotal for the Social, Behavioral, and Economic Sciences			189,192	-
Education and Human Resources				
Chemistry, Mathematics, and Physics Scholarships (CMaPS) at Howard University		47.076	104,304	-
Targeted Infusion Project: Integrating Innovation in Engineering Design		47.076	267,367	-
Experimental Centric Based Engineering Curriculum for HBCUs.		47.076	55,690	-
Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers		47.076	114,596	-
Collaborative Research ; AGEP Transformation Alliance : CIRTL AGEP - Improved Academic Climate for STEM Dissertators and Postdocs to Increase Interest in Faculty Careers		47.076	14,157	-
Multiple Consciousnesses: Investigating the Identities (Academic, Gender, Race and Disability) of Black Women Undergraduate Students in STEM and Their Impact on Persistence		47.076	222,367	13,649
EAGER: Exploring the Influence of an Asset-Focused Intervention on Students' Interest, Motivation and Sense of Belonging in the Life Sciences		47.076	156,802	-
E-Communities: Investigating how a collaboration between STEM educators and engineers impact underserved youth's participation in engineering design.		47.076	146,061	29,379
2015 - 2020 Washington Baltimore Hampton Roads (WBHR) Louis Stokes Alliances for Minority Participation Program		47.076	627,438	317,199
HBCU-RISE: Security Engineering for Resilient Mobile Cyber - Physical Systems		47.076	56,255	-
Research Initiation Award : Investigation on Tribo-charging behavior of Agricultural Particles in the Development of Water-free Bio-separation Approach for Biomass Residues		47.076	38,897	-
Research Initiation Award : A Model plant Group to Study the Evolution of Diverse Reproductive Systems		47.076	67,896	-
Research Initiation Award : Spatial Organization and Temporal Coordination involved in secretory vesicle trafficking and exocytosis in live cells		47.076	55,824	-
LSAMP BD: Howard University Washington Baltimore Hampton Roads		47.076	119,920	-
Targeted Infusion Project : Promoting Environmental Education in Urban Social - Ecological Resilience		47.076	109,543	-
Research Initiative Award : Mathematical Modeling On The Geometric Optics Problem of Refraction		47.076	133,035	-
ACE Implementation Grant: STEM Global Undergraduate Research Initiative		47.076	334,842	15,000
Subtotal for the Education and Human Resources			2,624,994	375,227
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			4,234,354	464,395

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF VETERANS AFFAIRS				
The Age-Related Muscle Function Study (ARMS) Phase II - Assessment and Intervention		64.RD	290	-
SUBTOTAL FOR THE DEPARTMENT OF VETERANS AFFAIRS			290	-
DEPARTMENT OF EDUCATION				
National Resource Centers		84.015A	166,413	-
National Resource Center and Foreign Language and Area Studies Fellowships		84.015A	92,181	-
National Resource Center and Foreign Language and Area Studies Fellowships		84.015B	278,335	-
Foreign Language and Area Studies Fellowships		84.015B	15,949	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			552,878	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Humanized EGFR and EGFRvIII-bispecific Immunotoxin for HNSCC Therapy		93.121	57,577	-
Howard University Summer Research Experience Program in Oral Health Disparity for Underrepresented Racial and Ethnic Students		93.121	18,729	-
			76,306	-
Howard University NWDP Project		93.137	351,826	-
Howard University NWDP Project		93.137	98,460	-
			450,286	-
Functional Mechanisms Underlying the Inteabulbar Associational Circuit in the Olfactory System.		93.173	159,838	-
Howard University Substance Abuse and HIV Prevention Outreach Program (HU SHOP II)		93.243	118,135	-
Howard University Minority AIDS Network Effort (HUMMANE) Project		93.243	104,712	-
Howard University SBIRT Medical Professional Program		93.243	28,666	1,372
Mental Health Awareness at Howard University		93.243	48,279	-
Howard University Hospital-Unit Health Care Screening Brief Intervention and Referral to Treatment (SBIRT) Program		93.243	133,957	-
			433,749	1,372

Howard University

Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Mental Health Research Grants				
Elucidating Olfactory Mechanisms of PTS Vulnerability and Trauma Resilience		93.242	16,897	-
Improving Child mental Service Utilization in Ibadan Nigeria Using a Community Based Participatory Research Approach		93.242	23,864	-
REU Site in Physics at Howard University		93.242	26,414	-
Subtotal for the Mental Health Research Grants			<u>67,175</u>	-
Alcohol Research Programs				
Excessive Alcohol Drinking Associated with GABA Alpha 2-Regulated TLR4 Expression		93.273	210,755	-
Subtotal for the Alcohol Research Programs			<u>210,755</u>	-
Center for Substance abuse Prevention				
Ward 2 Drug Free Community Coalition		93.276	94,538	-
Subtotal for Center for Substance abuse Prevention			<u>94,538</u>	-
Drug Abuse and Addiction Research Programs				
Using Implementation Science for Community- Based SBIRT Delivery to Older Adults		93.279	179,471	55,028
Subtotal for the Drug Abuse and Addiction Research Programs			<u>179,471</u>	<u>55,028</u>
National Institute on Minority Health and Health Disparities				
Washington DC-Baltimore Research Center on Child Health Disparities		93.307	704	-
Biomedical Infrastructure for Health Disparities Research		93.307	7,524	-
Biomedical Infrastructure for Health Disparities Research		93.307	123,433	-
Biomedical Infrastructure for Health Disparities Research		93.307	208,868	-
Biomedical Infrastructure for Health Disparities Research		93.307	189	-
Biomedical Infrastructure for Health Disparities Research		93.307	13,594	-
Biomedical Infrastructure for Health Disparities Research		93.307	1,888	-
Biomedical Infrastructure for Health Disparities Research		93.307	457,868	-
Biomedical Infrastructure for Health Disparities Research		93.307	3,091	-
Biomedical Infrastructure for Health Disparities Research		93.307	531,305	-
Biomedical Infrastructure for Health Disparities Research		93.307	658,759	-
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	177,892	-
Violence Exposure, Immune Function and HIV AIDS Risks in African American Young Adults		93.307	461	-
International Conference on Stigma		93.307	2,956	-
International Conference on Stigma 2018		93.307	49,330	-
Health Disparities Research through International Exchange		93.307	133,165	-
Howard University Research Center for Minority Health and Health Disparities		93.307	40,329	-
Subtotal for the National Institute on Minority Health and Health Disparities			<u>2,411,356</u>	-
Leadership om Public Health Social Work Education Grant Program				
Leadership in Public Health Social Work Education Grant Program		93.330	104,965	-
Subtotal for the Leadership om Public Health Social Work Education Grant Program			<u>104,965</u>	-

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
National Cancer Institute				
1/2 Howard/ Hopkins IntelCenter Collaboration in HPV-Associated Cancer Studies		93.393	45,810	-
1/2 Howard/ Hopkins IntelCenter Collaboration in HPV-Associated Cancer Studies Genetic Signatures Underlying Prostate Cancer Metastasis in African Americans		93.393	2,339	-
			77,766	-
Subtotal for the National Cancer Institute			<u>125,915</u>	-
Cardiovascular Diseases Research				
Stress, Sleep and Cardiovascular Risk		93.837	276,849	-
Inhibition of HIV-1 in Sickle Cell Disease		93.837	3,720	-
Subtotal for the Cardiovascular Diseases Research			<u>280,569</u>	-
National Heart, Lung, and Blood Institute				
Center for Hemoglobin Research in Minorities(CHaRM)		93.839	1,115,438	31,141
Inhibition of HIV-1 in Sickle Cell Disease		93.839	576,135	-
Subtotal for the National Heart, Lung, and Blood Institute			<u>1,691,573</u>	<u>31,141</u>
National Institute of Neurological Diseases and Stroke				
Investigating the Neural Correlates of Fatigue in Myalgic Encephalomyelitis / Chronic Fatigue Syndrome (ME/CFS)		93.853	44,394	-
Sub total for National Institute of Neurological Diseases and Stroke			<u>44,394</u>	-
Allergy and Infectious Diseases Research				
In Vitro and in Vivo Studies of Cytomegalovirus MIE Gene Regulation		93.855	84,279	-
Effective Replicating Adenovirus- HIV Vaccines		93.855	42,978	-
Subtotal for the Allergy and Infectious Diseases Research			<u>127,257</u>	-
Biomedical Research and Research Training				
Crosstalk and the Cytoskeleton in Dendritic Cell Antigen Presentation		93.859	6,250	-
Molecular Analysis of RECQ1 Functions in Genome Maintenance		93.859	246,715	-
HU MARC USTAR Program		93.859	40,389	-
Novel Nanotechnology Platform for Breast Cancer Treatment		93.859	153,624	-
Development of Tolerogenic Dendritic Cell-based Immunotherapies and Restorative Insulin Approaches to Alleviate Type 1 Diabetes		93.859	373,927	-
Subtotal for the Biomedical Research and Research Training			<u>820,905</u>	-
National Institute of Aging				
Advancing Aging Research Through Development of Minority Gerontologists		93.866	250,849	-
APOE genotype and sex dependent effects of 17 -alpha-estradiol and AD pathology		93.866	23,586	-
Genes, Exercise, Neurocognitive and Neurodegeneration: Community-Based Approach		93.866	357,767	-
Urinary Incontinence, Mobility, Muscle Function in Older Women		93.866	51,358	10,194
Advancing Aging Research through Development of Minority Gerontologists		93.866	3,392	-
Subtotal for the National Institute of Aging			<u>686,952</u>	<u>10,194</u>

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient	
Eunice Kennedy Shriver national Institute of Child Health & Human Development					
Defining the Novel Role for the RNA Binding Protein ETR-1 in C Elegans Gametogenesis			93.865	83,284	-
Placental Mitochondria and Pregnancy related Disorders			93.865	10,849	-
Subtotal for the Eunice Kennedy Shriver national Institute of Child Health & Human Development			<u>94,133</u>	<u>-</u>	
Subtotal for National Institutes of Health			<u>6,939,958</u>	<u>96,363</u>	
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>8,060,137</u>	<u>97,735</u>	
DEPARTMENT OF HOMELAND SECURITY					
2016 DHS Scientific Leadership Awards for Minority Serving Institutions (MSI)			97.062	288,345	4,000
Subtotal for the Department of Homeland Security			<u>288,345</u>	<u>4,000</u>	
Subtotal for the Direct Research and Development Awards			<u>17,046,915</u>	<u>1,250,773</u>	
Pass-Through Research and Development Awards					
DEPARTMENT OF AGRICULTURE					
Get Fruved: A Peer-Led, Train-In-The-Trainer Social Marketing Intervention to Increase Fruit and Vegetable Intake and Prevent Childhood Obesity (The University of Tennessee Knoxville)	2014-67001-2185		10.RD	1,189	-
Subtotal for the Department of Agriculture			<u>1,189</u>	<u>-</u>	
DEPARTMENT OF DEFENSE					
Tailoring the Properties of Stimuli Responsive Nanocomposite Hydrogels for Potential Use in Wound Healing and Prevention of Antimicrobial Infection (Massachusetts Institute of Technology)	5710004062		12.431	4,585	-
Data Provenance Assurance in Cloud using Black Chain Old Dominion University Research Foundation	19-115-100728-010		12.910	32,063	-
Effects of Traumatic Brain Injury and Post-Traumatic Stress Disorder and Alzheimer's Disease on Brain Tu in Vietnam Veterans using ADNI (University of Northern California)	69989675		12.RD	1,360	-
Subtotal for the Department of Defense			<u>38,008</u>	<u>-</u>	
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001		43.003	60,390	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001		43.003	26,099	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001		43.003	82,626	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001		43.003	82,626	-

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Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
at College Park)	46384 -Z6121001	43.003	7,425	-
Center for Research and Exploration in Space Science and Technology (CRESST) II (University of Maryland at College Park)	46384 -Z6121001	43.003	3,780	-
			<u>180,320</u>	-
National space Grant College and Fellowship Program (SPACE Grant) Training Grant 2015-2018 (American University)	31377-HU-16	43.008	13,918	-
Investigation of a Radiation Susceptibility Prediction Method for Electronic Components - California Institute of Technology	RSA No.1607769	43.001	24,999	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>219,237</u>	-
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
Investigation into Alternative human-Machine interface Strategies in Delay-Tolerant Networks (California Institute of Technology)	1609912	43.000	9,000	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>9,000</u>	-
NATIONAL SCIENCE FOUNDATION				
Engineering Grants				
EIR : Doping Cubic Boron Nitride, and Extreme Material for Power Electronics and Radiation (Morgan State University)	HU-183-01	47.041	14,328	-
Engineering Research Center for Power Optimization for Electro-Thermal Systems (POETS) (University of Illinois)	073708-16490 (REU)	47.041	22,207	-
Engineering Research Center for Power Optimization for Electro-Thermal Systems (POETS) (University of Illinois)	073708-17032	47.041	33,920	-
NSF Engineering Research Center for Smart Lighting (Rensselaer Polytechnic Institute)	EEC-0812056	47.041	9,750	-
Subtotal for the Engineering Grants			<u>80,205</u>	-
Mathematical and Physical Sciences				
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	17,898	-
Center for Integrated Quantum Materials (Harvard University)	123826-5056261	47.049	55,030	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	5,560	-
Center for Integrated Quantum Materials (Harvard University)	123826- 5056261	47.049	2,343	-
Center for Integrated Quantum Materials (Harvard University)	123826-5056261	47.049	55,384	-
Subtotal for the Mathematical and Physical Sciences			<u>136,215</u>	-
Computer and Information Science and Engineering				
Emerging Frontiers of the Science of Information (Purdue University)	0939370-CCF	47.070	81,832	-
Subtotal for the Computer and Information Science and Engineering			<u>81,832</u>	-
Biological Sciences				

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Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Center for the Environmental Implications of Nanotechnology (Duke University)	14-NSF-1050	47.074	255,391	-
Subtotal for the Biological Sciences			<u>255,391</u>	-
Social, Behavioral, and Economic Sciences				
Education and Human Resources				
Program to Integrate Mobile, Hands-on Experiments into the ME, AE, and ECE Curricula (Georgia Institute of Technology)	RH386-G1	47.076	49,606	-
National Research Experience for Undergraduates Program (NREUP) (Mathematical Association of America)	3-8-710-890	47.076	21,904	-
Subtotal for the Education and Human Resources			<u>71,510</u>	-
Office of International Science and Engineering				
PIRE: Building Extreme Weather Resiliency and Global Community Resiliency through Improved Weather and Climate Prediction and Emergency Response Strategies (Harvard University)	15-65	47.079	112,520	-
PIRE: Building Extreme Weather Resiliency and Global Community Resiliency through Improved Weather and Climate Prediction and Emergency Response Strategies (Harvard University)	15-65	47.079	80,136	-
Subtotal for the Office of International Science and Engineering			<u>192,656</u>	-
SUBTOTAL FOR THE NATIONAL SCIENCE FOUNDATION			<u>817,809</u>	-
DEPARTMENT OF ENERGY				
Consortium Risk Evaluation with Stakeholder Participation III (Vanderbilt University)	19067-S1	81.000	64,326	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			<u>64,326</u>	-
DEPARTMENT OF EDUCATION				
Investing in the National Writing Project's College-Ready Writers Program: Expanding the Reach of Effective Teacher- Leaders to Support All Students (National Writing project)	95-DC01-SEED2017-CRWPPI	84.367D	7,181	-
Investing in the National Writing Project's College-Ready Writers Program: Expanding the Reach of Effective Teacher- Leaders to Support All Students (National Writing project)	95-DC01-SEED2017-ILI	84.367D	5,097	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			<u>12,278</u>	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
The Hampton University Reginal Transdisciplinary Collaborative Center	HU-140005	93.007	2,541	-
Poverty Research Center (University of Wisconsin)	860K543	93.239	45,516	-
Poverty Research Center (University of Wisconsin)	780K931	93.239	18,401	-
			<u>63,917</u>	-
Develop New Dental Composites With Long Lifetime (Morehouse College)	003HU16	93.307	1,220	-
Sickle Cell Treatment Demonstration Program (John Hopkins University)	056282296	93.365	5,934	-

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Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Sickle Cell Treatment Demonstration Program (John Hopkins University)	056282296	93.365	31,174	-
			37,108	-
National Institutes of Health				
Alzheimer's Disease Neuroimaging Initiative 3 (ADNI3) (University of Northern California)	79685223	93.051	48,038	-
Biomarker and Safety Study of Clozapine in Benign Ethnic Neutropenia (University of Maryland, Baltimore)	1R01MH102215-01A1	93.242	36,033	-
Quantification of Regional Brain energy Metabolism in Developmental Brain Injury - Children's National Medical Center	DC-IDDRC	93.312	25,000	-
JHU - UMD Diabetes Research Center (John Hopkins University)	05282296	93.847	23,193	-
JHU - UMD Diabetes Research Center (John Hopkins University)	5P30DK079637-08	93.847	6,996	-
JHU - UMD Diabetes Research Center (John Hopkins University)	PO-DRC-2002061853	93.847	57,982	-
			88,171	-
Functional Inhibitor of RACK1A Protein Potentially Regulates IRES Mediated Virus Translation: A Target for HIV-1 Proliferation Inhibition (George Washington University)	M-0025R	93.856	1,809	-
National Center for Advancing Translational Sciences				
Center for Clinical and Transitional Sciences - (Georgetown University)	413464_GR412897-HU-TL	93.350	46,756	-
Center for Clinical and Transitional Sciences - (Georgetown University)	412182_GR411430-HU-Howell	93.350	319	-
Center for Clinical and Transitional Sciences - (Georgetown University)	412987_GR412892-HU-ADM	93.350	259,874	22,326
Center for Clinical and Translational Sciences - (Georgetown University)	412988_GR412893-HU-TSB	93.350	117,078	-
Center for Clinical and Translational Sciences - (Georgetown University)	412989_GR412894-HU-REM	93.350	100,375	-
Center for Clinical and Translational Sciences - (Georgetown University)	412990_GR412895-HU-RIP	93.350	468,273	-
Center for Clinical and Translational Sciences - (Georgetown University)	412991_GR412896-HU-NRO	93.350	61,449	-
Center for Clinical and Translational Sciences - (Georgetown University)	413008_GR412898-HU-KL2	93.350	27,277	-
Subtotal for the National Center for Advancing Translational Sciences			1,081,401	22,326
Allergy and Infectious Diseases Research				
BELIEVE: Bench to Bed Enhanced Lymphocyte Infusions to Engineer Viral Eradication (Cornell University)	183723-07	93.855	25,670	-
Therapeutics Targeting Filoviral Interferon-Antagonist and Replication Functions (Georgia State University)	SP00013286-06	93.855	276,522	-
District of Columbia Center for AIDS Research (DC CFAR) (George Washington University)	18-M39R	93.855	45,263	-
District of Columbia Center for AIDS Research (DC CFAR) (George Washington University)	18-M38R	93.855	42,630	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	18-M06R	93.855	40,468	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	18-M07R	93.855	1,699	-
Terry Beirn CPCRA Clinical Trials Unit (George Washington University)	18-M07R	93.855	21,837	-
Subtotal for the Allergy and Infectious Diseases Research			454,089	-

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Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Drug Abuse and Addiction Research Programs				
Implementation of Seek, Test, Treat & Retain Strategies among People who Inject Drugs in Malaysia (Yale University)	GR104676 (CON-80001487)	93.279	15,910	-
Drug Abuse and Addiction Research Programs (John Hopkins University)	056282296	93.279	76,261	-
Subtotal for the Drug Abuse and Addiction Research Programs			<u>92,171</u>	-
National Cancer Institute				
Analysis of Racial Disparities in HCC by Systems Metabolomics (Georgetown University)	U01CA185188-01A1	93.396	16,261	-
Metabolomic Characterization of Conditionally Reprogramed Cells Derived from Racially Diverse Hepatocellular Carcinoma Patients (Georgetown University)	412581_GR412538-HU	93.396	13,520	-
Subtotal for the National Cancer Institute			<u>29,781</u>	-
Aging Research				
District of Columbia Intellectual an Development Disabilities Research Center (Children's Research Institute)	30003624-01	93.865	112,357	-
Alzheimer's Disease Neuroimaging Imitative (ADNI3) (University of Southern California)	87744943	93.866	17,263	-
Alzheimer's Disease Cooperative Study - A4 Study (University of Southern California)	75696148	93.866	4,523	-
Subtotal for the Aging Research			<u>21,786</u>	-
			<u>134,143</u>	-
Cell Therapy for Neuroprotection in Congenital Heart Disease (Children's Research Institute)	30004431	93.837	18,186	-
Blood Diseases and Resources Research				
DISPLACE: Dissemination and Implementation of Stroke Prevention Looking at the Care Environment (Medical University of South Carolina)	MUSC17-0628C868	93.839	18,468	-
Subtotal for the Blood Diseases and Resources Research			<u>18,468</u>	-
Subtotal for the National Institutes of Health			<u>2,027,290</u>	<u>22,326</u>
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,132,076</u>	<u>22,326</u>
SOCIAL SECUTIRYTY ADMINSTRATION				
Center for Financial Security Retirement and Disability Research Consortium - (University of Wisconsin)	851K351	96.007	57,880	-
Center for Financial Security Retirement and Disability Research Consortium - (University of Wisconsin)	870K343	96.007	18,832	-
SUB TOTAL FOR SOCIAL SECUTIRYTY ADMINSTRATION			<u>76,712</u>	-
Subtotal for the Pass-Through Research and Development Awards			<u>3,370,635</u>	<u>22,326</u>
TOTAL FOR THE RESEARCH AND DEVELOPMENT CLUSTER			<u>20,417,550</u>	<u>1,273,099</u>

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
<u>HIGHWAY PLANNING AND CONSTRUCTION CLUSTER</u>				
DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction				
Traffic Data Center at Howard University (DC - Department of Transportation)	PO595256	20.205	319,111	
Fiscal Year 2019 Summer Internship Program with Howard University (DC - Department of Transportation)	PO605342	20.205	9,520	-
2017-2018 Operations, OITI & Communications Internships (DC - Department of Transportation)	PO 571568	20.205	44,089	-
Summer 2018 Transportation Institute mentors with Howard University and DDOT (DC - Department of Transportation)	PO584804	20.205	14,880	-
District Freight Trip Generation - On Site Berths and the Curbside Implications Study (DC - Department of Transportation)	PO552953	20.205	36,973	36,973
Summer 2018 Transportation Institute Mentors with Howard University and DDOT (DC - Department of Transportation)	PO585108	20.205	1,888	-
Renewable Energy Generation for Transportation Infrastructure (DC - Department of Transportation)	PO 576020	20.205	12,150	12,150
Research and ITS Internship Program (DC - Department of Transportation)	PO 581917	20.205	36,719	-
Analysis of Bicycle and Pedestrian Crash causes and Interventions (DC - Department of Transportation)	PO 559711	20.205	33,934	33,934
Automated Enforcement of Bus Lanes and Bus Zones (DC - Department of Transportation)	PO 566898	20.205	16,550	16,550
DDOT Transportation Research Administration Support with Howard University (DC - Department of Transportation)	PO 576053	20.205	42,335	-
Research Interns Summer 2018 Program (DC - Department of Transportation)	PO 584806	20.205	79,167	-
Experimental Study for Non-standard Pedestrian Cording Sing in DC (DC - Department of Transportation)	PO 576052	20.205	51,960	-
2018 Semester Research Internship Program with Howard University (DC - Department of Transportation)	PO592928	20.205	43,831	-
Transportation Research Administration Support with Howard University for the 2018-2019 School Year (DC - Department of Transportation)	PO598103	20.205	27,937	-
Subtotal for the Highway Planning and Construction			771,044	99,607
State and Community Highway Safety				
2018 Seat Belt use Survey Design for Washington DC (DC - Department of Transportation)	PO 581947	20.600	22,680	-
2019 District of Columbia Annual Seatbelt Usage Survey (DC - Department of Transportation)	DCKA-2018-T-0055	20.600	13,976	-
Subtotal for the State and Community Highway Safety			36,656	-
TOTAL FOR THE HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			807,700	99,607
<u>AIDS EDUCATION AWARDS</u>				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
AIDS Education Training Centers Program		93.145	314,563	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178(131293-1)	93.145	11,474	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (131293-1)	93.145	26,017	-

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Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (131293-1)	93.145	12,938	-
AIDS Education and Training Centers (University of Pittsburgh)	0050178 (131293-1)	93.145	208,062	-
AIDS Education and Training Centers (University of Pittsburgh)	0056096(131886-1)	93.145	6,559	-
TOTAL FOR THE AIDS EDUCATION AWARDS			579,613	-
<u>HIV AND RYAN WHITE AWARDS</u>				
Direct HIV and Ryan White Awards				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Health Resources and Services Administration				
Ryan White Part C Out Patient EIS Program		93.918	11,726	-
Ryan White Part C Outpatient EIS Program		93.918	271,804	-
Dental Reimbursement Program		93.924	179,211	-
Subtotal for the Health Resources and Services Administration			462,741	-
Subtotal for the Direct HIV and Ryan White Awards			462,741	-
Pass-Through HIV and Ryan White Awards				
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
HIV Emergency Relief Project Grants				
FY2017 Ryan White HIV/AIDS Program Part - A (DC - Department of Health)	18B016	93.914	137,034	-
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	19C016	93.914	45,382	-
Subtotal for the HIV Emergency Relief Project Grants			182,416	-
HIV Care Formula Grants				
Ryan White Non-Medical Case Management Program Support Service (DC - Department of Health)	CW56350-DOC323866	93.917	123,585	-
FY 2017 Ryan White HIV/AIDS Program Parts A and B (DC - Department of Health)	19C404	93.917	73,735	-
FY2017 Ryan White HIV/AIDS Program Part - A (DC - Department of Health)	188404	93.917	324,452	-
Subtotal for the HIV Care Formula Grants			521,772	-
Subtotal for the Health Resources and Services Administration			704,188	-
Subtotal for the Pass-Through HIV & Ryan White Awards			704,188	-
TOTAL FOR THE HIV AND RYAN WHITE AWARDS			1,166,929	-

Howard University

Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient	
<u>OTHER FEDERAL AWARDS</u>					
DEPARTMENT OF JUSTICE					
Do DOJ Intervention and Citizen Oversight Improve Police Accountability			16.566	90,611	-
SUBTOTAL FOR THE DEPARTMENT OF JUSTICE			<u>90,611</u>	-	
U.S. DEPARTMENT OF STATE					
Academic Exchange Programs					
Mandela Washington Fellowship, the Flagship Program of the Young African Leaders Initiative (YALI) (IREX)	FY18-YALI-PM-Howard-05		19.009	70,435	-
2019 Thomas R. Pickering Foreign Affairs Fellowship Graduate Program			19.013	506,792	-
Subtotal for the Academic Exchange Programs			<u>577,227</u>		
Charles B. Rangel International Affairs Program					
2018 Charles B. Rangel International Affairs Program			19.02	1,937,989	-
Charles B. Rangel Foreign Affairs Fellowship and Summer Enrichment Program			19.02	42,228	-
2019 Charles B. Rangel International Affairs Graduate Fellowship			19.02	671,512	-
The 2016 Charles B. Rangel International Affairs Program			19.02	288,563	-
The 2017 Charles B. Rangel International Affairs Program			19.02	1,263,264	-
Subtotal for the Charles B. Rangel International Affairs Program			<u>4,203,556</u>	-	
SUBTOTAL FOR THE U.S. DEPARTMENT OF STATE			<u>4,780,783</u>	-	
DEPARTMENT OF TRANSPORTATION					
Mineta Consortium for Transportation Mobility (MCTM)	21-1100-5726-HU		20.701	190,316	-
SUBTOTAL FOR THE DEPARTMENT OF TRANSPORTATION			<u>190,316</u>	-	
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION					
NASA Early Opportunities Program for Underrepresented Minorities in Earth and Space Sciences			43.001	123,830	16,171
Developing and Electrochemistry - Based Geochemical Framework for Organic Systems - California Institute of Technology	RSN No. 1615603		43.001	4,223	-
SUBTOTAL FOR THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			<u>128,053</u>	<u>16,171</u>	
SMALL BUSINESS ADMINISTRATION					
Small Business Development Centers (District of Columbia)	SBAHQ-17- B-0036		59.037	91,407	12,000
Small Business Development Centers (District of Columbia)	SBAHQ-19-B-0035		59.037	271,397	38,521
SUBTOTAL FOR THE SMALL BUSINESS ADMINISTRATION			<u>362,804</u>	<u>50,521</u>	

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Schedule of Expenditure of Federal Awards

For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
DEPARTMENT OF ENERGY				
Consortium for Pipeline Development of Skilled Workforce through Advanced Manufacturing (North Carolina A&T University)	270129E	81.123	66,932	-
Project Starfish: Dynamic Testing of ABS FDM parts		81.117	22,017	-
SUBTOTAL FOR THE DEPARTMENT OF ENERGY			88,949	-
DEPARTMENT OF EDUCATION				
NCR: Teacher Training, Outreach Activities, Production of Experts, LCTL Support, and Broadening Public Knowledge (Ohio State University)	60069711	84.015A	2,026	-
Summer 2018 Intensive Advanced Yoruba Language GPA Course in Nigeria		84.021A	25,536	-
2018-2019 Fulbright-hays Intensive Advanced Yoruba Group Project Abroad		84.021A	40,965	-
Institutional Research Engagement Program at Howard University (IREPHU)		84.120A	168,762	-
Content, Community, and Collaboration: Advancing Children's Learning through Personalized Media Experiences - Corporation for Public Broadcasting		84.295A	38,186	-
Office of Special Education and Rehabilitative Services				
Howard University Pipeline for Leaders and Scholars in Communication Disorders		84.325K	243,964	-
Title II-B - Math-Science Partnership (DC - State Education Office)	72366B	84.366B	83,657	-
Subtotal for the Office of Special Education and Rehabilitative Services			327,621	-
SUBTOTAL FOR THE DEPARTMENT OF EDUCATION			603,096	-
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Hayes Senior Wellness Center (DC Office of Aging)	HUSWC-18	93.043	301,381	138,343
Dental Faculty Loan Repayment		93.059	8,233	-
			309,614	138,343
Centers for Disease Control and Prevention				
Centers of Excellence		93.157	618,694	-
Centers of Excellence		93.157	76,194	-
			694,888	-
HIV/AIDS Twinning Center Program, PERPFAR HBCU Initiative- American International Health Alliance Field - Imitated Program	H-FD-HBC-18-P-PTR-HWRD-00	93.266	160,196	-
Health Careers Opportunity Program		93.433	5,874	4,279
		93.822	348,524	53,796
Behavioral Health Workforce Education and Training (BHWET) Program		93.732	35,894	-
Behavioral Health Workforce Education and Training (BHWET) Program		93.732	330,984	-
			366,878	-

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Schedule of Expenditure of Federal Awards For the year ended June 30, 2019

Program Description	Pass-Through Identifying Number	CFDA Number	Total	Pass through to Subrecipient
Southeastern/ Atlantic Regional Medical Library- University of Maryland	1600679	93.879	1,138	-
Dental Faculty Loan Repayment		93.884	69,616	-
Substance Abuse and Mental Health Services Administration				
Drug-Free Communities Support Program Grants				
Ward 1 Drug Free Coalition		93.276	24,921	-
Subtotal for the Drug-Free Communities Support Program Grants			<u>24,921</u>	-
Subtotal for Substance Abuse and Mental Health Services Administration			<u>24,921</u>	-
SUBTOTAL FOR THE DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u><u>1,981,649</u></u>	<u>196,418</u>
 AGENCY FOR INTERNATIONAL DEVELOPMENT				
USAID Foreign Assistance for Programs Overseas				
Strengthening Integrated Delivery of HIV AIDS Services (SIDHAS) - Nigeria (Family Health International)	AID-620-A-11-00002	98.001	1,187,403	-
Donald Payne Fellowship Program		98.001	1,692,630	-
USAID Tulonge Afya - Tanzania (Family Health International)	AID-621-A-17-002	98.001	55,804	-
Open Door Project - Zambia		98.001	29,155	-
Clinical HIV/ AIDS System Strengthening (CHASS) (Family Health International)	AID-656-A-00-10-00113-00	98.001	1,039,328	-
Foreign Service Diversity Fellowship Program		98.001	18,445	-
SUBTOTAL FOR THE AGENCY FOR INTERNATIONAL DEVELOPMENT			<u>4,022,765</u>	-
 CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
Jumpstart DC at Howard University Program	410200	94.006	102,584	-
Jumpstart DC at Howard University Program	410200	94.006	26,601	-
SUBTOTAL FOR THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>129,185</u>	-
 TOTAL FOR THE ALL OTHER FEDERAL AWARDS			<u>12,378,211</u>	<u>263,110</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 648,097,318</u>	<u>\$ 1,635,816</u>

The Howard University

Notes to the Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the expenditures of The Howard University (the “University”) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, and cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards made to the University by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. CFDA numbers and pass through numbers are provided when available.

The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjusted upon the results of these reviews. Management believes that the results of any such adjustment would be immaterial to the University’s consolidated financial position or changes in net assets. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

All of the University’s federal awards were in the form of cash assistance for the year ended June 30, 2019.

Due to the certain restrictions resulting from the COVID-19 pandemic and subsequent shutdown of the University’s campus in March of 2020, the University elected to delay the submission of its data collection form and complete submission no later than September 30, 2020 as required.

2. Summary of Significant Accounting Policies for Federal Award Expenditures

Basis of Presentation

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

Expenditures

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

Expenditures for federal student financial aid programs are recognized as incurred and include Federal Pell Grant Program awards to students, Federal Supplemental Educational Opportunity Grant awards to students and Federal Work-Study Program wages paid, certain other federal financial assistance grants for students, administrative cost allowances, and loan disbursements.

The Howard University

Notes to the Schedule of Expenditures of Federal Awards

3. Facilities and Administrative Costs (“F&A Costs”)

Expenditures for non-financial aid awards include indirect costs, relating primarily to facilities operation and maintenance, general, divisional, and departmental administrative services, which are allocated to direct cost objectives (including federal award programs) based on negotiated formulas commonly referred to as indirect cost rates, which were negotiated with the Department of Health and Human Services. A portion of indirect costs allocated to some awards for the year ended June 30, 2019 were based on individual grantor rates.

The University operates under predetermined F&A cost rates. Base rates for the other F&A cost recoveries ranged from 8% to 55% for the year ended June 30, 2019.

4. Federal Student Loan Programs

The University receives awards to make loans to eligible students under the Federal Perkins Loan Program and Federal Direct Student Loans Program of the Department of Education, and Health Professions and Nursing Student Loan Programs of the Department of Health and Human Services. Campus-based loan programs which include the Federal Perkins Loan Program are administered directly by the University. Balances and transactions relating to these programs are included in the University's basic financial statements. These administrative allowances related to these loan programs for the year ended June 30, 2019 were zero. Additional information regarding these programs as of June 30, 2019 is summarized below:

Campus-Based Loan Programs	CFDA #	Outstanding June 30, 2019
Federal Perkins Loans	84.038	\$ 2,328,976
Health Professional and Disadvantaged Students	93.342	2,967,653
Nursing Student Loans	93.364	137,864
Total Campus-Based Loan Programs		\$5,434,493

The University is responsible for the performance of certain administrative duties with respect to Federal Direct Student Loans disbursed by the Department of Education on behalf of the University's students under the Federal Direct Student Loans programs (Subsidized Stafford Loans, Unsubsidized Stafford Loans, and Parent PLUS Loans). These loan programs collectively are CFDA number 84.268 and are disclosed on the Schedule in the amount of \$175,767,032. It is not practical to determine the balance of loans outstanding to students and former students of the University under these federally guaranteed loan programs at June 30, 2019.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section I—Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditor’s report issued on compliance for major federal and state programs:

Unmodified

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

X yes no

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
Various	Highway Planning and Construction Cluster
16.000	Constitutional Law Chair Endowment
19.020	Charles B. Rangel International Affairs Program
84.000	Matching Endowment
84.998D	Law School Clinical Endowment
98.001	USAID Foreign Assistance for Programs Overseas

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

\$3,000,000

Auditee qualified as low-risk auditee?

 yes X no

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section II - Financial Statement Findings Section

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

FINDING 2019-001

Criteria:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain issues with respect to the operation of the human resources and payroll functions at the University.

Condition:

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

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

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

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

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

- 2) Similar to prior years, we were unable to obtain supporting documentation for a selection of employees selected for testing, including original employment documentation. This includes employees that were hired during the year ended June 30, 2019, as well as employees selected that were hired in prior years.
- 3) We were unable to obtain support for benefit plan changes and elections for the OPEB and Pension census data for a number of selected participants. In addition, we were unable to establish eligibility for some Plan participants due to missing support or lack of access to systems. Note that the census data used to support the actuarial calculation of the liability is the census data as of July 1, 2018, and this is the population that we used for our testing procedures in support of that calculation. These issues were noted with both University and Hospital Plan participants, but there was a larger number of Hospital employees for whom support was never provided.

As a result of the above controls issues, the University is exposed to several potential financial reporting issues such as inaccurate payroll accruals (which in turn can also impact expected cash flows and the accuracy of budgeting), inaccurate actuarial estimates for material liabilities on the Statement of Financial Position, and the risk of fraud and/or misappropriation from fictitious employees.

Cause:

The University did not have adequately designed internal controls over various processes within the human resources department and payroll function that were operating effectively during the fiscal year.

Effect or Possible Effect:

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

Recommendation:

Management should verify that changes made during the year ended June 30, 2019 have appropriately addressed the issues surrounding the structure and overall processes and procedures surrounding the University's (including Hospital) human resources function. Such matters include overall on-boarding process, documentation maintenance/retention, and internal control procedures over pay rate changes as well as key benefit functions.

Views of Responsible Officials:

Leadership changes in the Benefits Administration division of Howard's Office of Human Resources over the past year and a half have positioned OHR to be able to improve operations significantly. Management is confident that these changes will favorably impact future audits and limit or eliminate new or repeat findings. Evidence of the anticipated future improvement can be seen in the fact that the number of specific HR-related findings has already been reduced - from as many as eight (8) in prior years to just three (3) in FY19.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Management moved the administration of Howard's defined benefit plan to a new actuary in FY19. As part of that transition, Howard implemented a massive data cleanup and consolidation project that is expected to greatly enhance the ability of OHR to respond in a more timely and complete manner to future auditor data requests.

The data clean-up has been followed up with more thorough, accurate and timely updating of benefit plan participant records which will continue to improve the accuracy and completeness of OHR's responses to future auditor information requests. The impact of the changes can be expected to be realized incrementally over the next several years as historical employee data files are refined and corrected.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-002

Criteria:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain issues related to the appropriate approval of significant agreements and contracts.

Condition:

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

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

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

In the current year, we noted that the Office of the General Counsel management instituted a new contracts review process subsequent to the year ended June 30, 2019. As the timing of this remediation took place after the end of the current fiscal year, we were unable to obtain a definitive list of material contracts executed during the year and test that the review occurred for the year under audit. As a result, a portion of this the finding has repeated, but with the effective

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

implementation of the new contracts review process described, this portion of the finding should not repeat for the fiscal year ended June 30, 2020.

Cause:

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

Effect or Possible Effect:

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

Recommendation:

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

Views of Responsible Officials:

The contract review, legal sufficiency and execution process instituted by the Office of the General Counsel will be updated by management to include confirmation of available budget and vendor acceptance prior to contract execution.

Management will establish a contract repository for all executed contracts to be housed by the Office of Procurement and Contracting.

Material contracts will be provided to the Office of the Controller for assessment of proper accounting and disclosure on a timely basis.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-003

Criteria:

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. During our audit procedures, we noted certain deficiencies related to the estimation of patient accounts receivable reserves at the Hospital.

Condition:

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

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

Cause:

The University did not have adequately designed internal controls over patient accounts receivable and the related reserves that were operating effectively. Additionally, the University did not have adequately designed internal controls over the adoption of new accounting pronouncements.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Effect or Possible Effect:

The University did not have adequately designed internal controls over patient accounts receivable (including the estimate of allowances for doubtful accounts and contractual adjustments) or the adoption of new accounting pronouncements.

Recommendation:

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

Views of Responsible Officials:

The Hospital has and continues to implement BDO's recommendations. Hospital has been reviewing contractual allowance methodologies, enhancing processes and looking closely into reimbursement and payor changes. The Hospital has been following the consultant-provided assessment in relation to operational trends, current contracts and payor mix. Howard Hospital is now working closely with Adventist HealthCare as part of a management agreement that was effective in Feb 2020. This partnership should bring the appropriate management that BDO recommended.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-004

Criteria:

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we noted certain deficiencies related to the student refund process.

Condition:

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

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

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

Cause:

The University did not have adequately designed internal controls over students accounts receivable that were operating effectively.

Effect or Possible Effect:

The University's student accounts receivable balance was not properly stated and thus significant adjustments were required to adjust the consolidated financial statements for the year ended June 30, 2019.

Recommendation:

BDO recommends that the University implement internal controls verifying the appropriate existence of student refunds per Banner by routinely reconciling the open student refunds to the records of the Accounts Payable team. This should include adequate levels of approval within both the Accounts Payable and Enrollment Management teams prior to payment generation.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials:

The Enrollment Management and Accounts Payable teams have created a new process to remedy the identified problems. Beginning in FY20, the production of the previous interface report has been discontinued, and controls have been put in place to ensure that only approved refunds result in the generation of payments and cancelations are properly processed. Live check generation has been reduced substantially through the increased use of direct deposit, which has additional controls not present in the check disbursement process.

Requests for check cancelations also have been reduced substantially, as preventive controls have been optimized on the front end of the refund process that eliminate the need for cancellations.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-005

Criteria:

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we noted certain deficiencies with respect to user access and segregation of duties conflicts within the procurement process.

Condition:

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

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

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

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

Cause:

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

Effect or Possible Effect:

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

Recommendation:

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

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials:

The Office of Procurement & Contracting (“OPC”) has reviewed the user access and roles of all FTEs in AP and OPC and developed a corrective action plan which we believe will mitigate any future IT User Access segregation of duty conflict of interest within the P2P process.

Currently, regular vendor setup and maintenance occur within OPC based on an approved vendor setup request form. However, there are circumstances in which AP is required to access the Vendor Master to set up students and staff for payment of student stipends, student refunds and staff reimbursements.

As a result, there is an AP Technician and a Supervisor with access to the Vendor Master in PeopleSoft.

In order to mitigate the segregation of duties conflict, we are now requiring an automatic weekly vendor maintenance activity report to be generated, reviewed and certified by the supervisors in AP and OPC.

This certification process will ensure that OPC is responsible for vendor setup as defined, and AP is responsible for student and staff set up as necessary. Any violation of this control will result in the removal of the FTE’s PS access for vendor maintenance and additional discipline.

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Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-006

Criteria:

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. During our audit procedures, we noted certain deficiencies related to fixed asset reconciliations.

Condition:

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

Cause:

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

Effect or Possible Effect:

Certain fixed asset balances (including the related accumulated depreciation) were not properly stated and thus significant adjustments were required to adjust the consolidated financial statements for the year ended June 30, 2019.

Recommendation:

We recommend that the Hospital simplify the fixed asset reconciliation process. The main source of complexity in the reconciliation is due to various assets being tracked and reconciled based on manual spreadsheets outside of the Asset Management (“AM”) system. Fixed assets are in the AM system, but have not been updated to all reflect the correct useful life, historical cost, and accumulated depreciation. Correcting the assets in the AM system would help to reduce the manual work needed during the month end close process and would reduce the complexity of the reconciliation.

Views of Responsible Officials:

Hospital management is revising its fixed asset reconciliation process to include reconciliation of accumulated depreciation per the AM/Lawson System to the trial balance by asset class. HUH management is now consistently reviewing the useful lives of its assets based on the relevant asset classes on a quarterly basis. HUH management will account for fixed asset items in accordance with AHA guidelines. Correction of AM system will not be effective in FY20, but efforts will continue until findings are addressed.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Section III - Federal Awards Findings and Questioned Costs Section

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses and material instances of noncompliance, including questioned costs and material abuse). Where practical, findings should be organized by federal agency or pass-through entity.

FINDING 2019-007

Federal Program Information:

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

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

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

Condition:

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

Cause:

Insufficient internal controls and administrative oversight resulted in the untimely reporting of certain Federal Direct Loans and Federal Pell Grant Program payment data.

Effect or Potential Effect:

The University is not in compliance with COD reporting requirements. Failure to submit and update COD records in a timely manner could result in improper awards of Title IV funds.

Questioned Costs:

None.

Context:

- For 15 of 40 students selected for disbursement testing, the University did not report the Federal Direct Loan disbursements to COD within the required time frame.
- For 1 of 40 students selected for disbursement testing the University was unable to provide documentation to support that a valid master promissory note was received prior to the disbursement of funds.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

- For 19 of 40 students selected for disbursement testing, the University did not report the Federal Pell Grant disbursements to COD within the required time frame.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-012 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend the University enhance its internal controls to ensure that disbursement dates are entered into the COD website no earlier than 7 days before and no later than 15 days after disbursement as required by federal regulations.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, all origination and disbursement records created in the Ellucian Banner system are transmitted to COD daily. This is accomplished through the use of the UC4 (Atomic) Job Scheduler which is the responsibility of the Enrollment Systems Team under the direction of Konya White, Director of Enrollment Systems.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-008

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

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

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

Condition:

The University did not submit an accurate status change notification or failed to submit timely notification to the NSLDS website for certain students who graduated, withdrew or had a change in their enrollment status (full time, half time or less than half time) during the year. Additionally, the University's fiscal year SCHER1 report, included multiple instances in which error records were not corrected within the required timeframe.

Cause:

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

Effect or Potential Effect:

The University is not in compliance with enrollment reporting requirements. Failure to promptly report accurate and timely changes in enrollment status may adversely impact the repayment status for student loan borrowers.

Questioned Costs:

None.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Context:

- For 18 of 40 students sampled whose status changed during the fiscal year, the University failed to submit a timely notification to the NSLDS website.
- For 14 out of 40 students sampled whose status changed during the fiscal year, the University was unable to provide documentation that an accurate notification was submitted to the NSLDS website.
- For 9 of 12 months in the fiscal year, error records identified in Error/Acknowledgment files were not corrected within the required timeframe.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-013 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University properly follow its policies and procedures and enhance its internal controls over the applicable compliance requirements of the enrollment reporting requirement to ensure that all status changes are submitted to the NSLDS website within the required timeframe and error records are corrected and submitted timely.

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

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

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-009

Federal Program Information:

Student Financial Assistance Cluster (CFDA#: Various)

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

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

Condition:

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

Cause:

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

Effect:

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

Questioned Costs:

None.

Context:

For 3 of 40 students selected for testing, the credit balance created by the disbursement of Title IV awards was not refunded to the student within the required 14 day timeframe.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-017 in the prior year schedule of findings and questioned costs.

Recommendation:

We recommend that the University enhance its policies and procedures by implementing a process to disburse credit balances created by federal awards within the required time frame.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, Title IV refunds are identified daily through a report generated in Ellucian Banner. The audit report from Banner is sent to VP of Treasury (Bobby Young) to approve the amount of the file. The Bursar or designee reviews final file output for discrepancies or exclusions. Approved Direct deposit file is forwarded to the Treasury office for final approval and then uploaded to Bank of America. Confirmation of the bank transaction by Treasury is emailed to the Bursar's Office to ensure timely delivery of refunds within the Title IV regulatory requirements.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-010

Federal Program Information:

Federal Work Study Program (CFDA# 84.033)

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

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

Condition:

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

Cause:

Insufficient internal controls and administrative oversight with respect to disbursement of federal awards.

Effect:

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

Questioned Costs:

Indeterminable.

Context:

6 of 22 students tested were paid FWS compensation pay rates that exceeded required limits.

Identification as a Repeat Finding:

No similar findings noted in the prior year.

Recommendation:

We recommend the University follow its policies and procedures and enhance its internal controls to ensure that students receiving FWS compensation are paid wage rates that do not exceed required limits.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, The Office of Career Services collaborates with Human Resources to ensure that the wage rates for FWS students reflect competitive levels with the local wage rate for similar off-campus employment. Billiecia Brown, Associate Director of Student Awards, Tamara Kemp, Career Placement Specialist, Deborah Seabreeze, Payroll Manger reviews the payroll report to ensure that the student wage rates reconcile with their FWS contract rates.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-011

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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

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

Condition:

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

Cause:

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

Effect:

The University is not in compliance with award notification requirements.

Questioned Costs:

None.

Context:

- For 6 of 40 students selected for testing who received Federal Direct PLUS Loan funds, the University did not properly notify the parent borrower as required.
- For 40 of 40 students selected for testing, the University was unable to provide documentation confirming that an award notification was sent and thus, we were unable to determine whether notifications were made within the required timeframe.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-019 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, the disbursement notifications are the responsibility of Frederick Jasper, Associate Director of Bursar Operations. To ensure quality control, the following areas of focus are addressed:

- Daily Notifications (Students)
- Parent Disbursement Notifications
- Reporting

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

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-012

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

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

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

Condition:

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

Cause:

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

Effect:

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

Questioned Costs:

None.

Context:

For 2 of 15 students selected for refund calculation testing, written notification providing the student the opportunity to accept all or part of a post-withdrawal disbursement of Title IV loan funds was not sent within the required timeframe.

For 9 of 15 students selected for refund calculation testing, the required refund was not adjusted within the COD system within the required timeframe.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-014 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, Malik Artis, Reconciliation Coordinator and Billiecia Brown, Associate Director of Student Awards conduct second level of reviews for quality control of R2T4 calculations to ensure accuracy and timeliness of the returns performed.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-013

Federal Program Information:

Federal Work Study Program (CFDA# 84.033)

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

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

Condition:

The University was unable to provide documentation to support that the seven percent FWS earmarking requirement was met for the year.

Cause:

Insufficient internal controls and administrative oversight with respect to FWS earmarking requirements.

Effect:

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

Questioned Costs:

None.

Context:

The University was unable to provide documentation to support that the seven percent FWS earmarking requirement was met for the year.

Identification as a Repeat Finding:

No similar findings noted in the prior year.

Recommendation:

We recommend the University follow its policies and procedures and enhance its internal controls to ensure that the FWS earmarking requirement is met and that documentation supporting such requirements is maintained for adequate period of time.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Procedures have been put in place by the Office of Career Services (Tamara Kemp, Career Placement Specialist) to ensure that Howard University provides FWS students an opportunity provide community service activities. Moreover, the University has formed additional partnerships in 2020 with community organizations to ensure the University is meeting the 7% requirement for community service activity.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-014

Federal Program Information:

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

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

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

Condition:

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

Cause:

Lack of administrative oversight over the disbursement of FSEOG funds.

Effect:

The University is not in compliance with required federal guidelines.

Questioned Costs:

Below reporting threshold.

Context:

Of the total population of students awarded FSEOG funds during the year, 5 students were given priority over Federal Pell Grant recipients.

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-016 in the prior year schedule of findings and questioned costs.

Recommendation:

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

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Currently, Comparative award reports are generated in Ellucian Banner by the Enrollment Systems team to identify discrepancies between FSEOG and Federal Pell. The exceptions are reviewed by the Office of Financial Aid Counseling staff and resolved accordingly.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-015

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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

I. Procurement and Suspension and Debarment - The Uniform Guidance requires recipients of federal awards to have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification, provide for retention of files, and that supporting documentation corroborates compliance with these requirements. All procurement transactions are required to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Additionally, procurement records and files for purchases in excess of the small purchase threshold (\$25,000) shall include a) a basis for contractor selection, b) justification for the lack of competition when competitive bids or offers are not obtained, and c) a basis for award cost or price. Organizations are also required to be alert to any organizational conflicts of interest (2 CFR 215.40 - 215.48).

Condition:

The University's purchasing policy and procedures are not being appropriately followed in all cases with respect to the procurement of goods and services funded by federal awards. As a result, certain competitive bidding documentation was not retained, and certain sole source documentation could not be provided or did not appear to give adequate reasoning for the lack of a competitive bidding process. Additionally, the University's procurement policy was not approximately updated to reflect the new Procurements requirements in the Uniform Guidance.

Cause:

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

Effect:

The University was not in compliance with Procurement compliance requirements.

Questioned Costs:

None.

Context:

The University did not have formal policies and procedures in place during the fiscal year to ensure compliance with the Procurement requirements included in the Uniform Guidance, resulting in 4 of 8 procurement transactions selected for testing not having adequate sole source or competitive bidding documentation.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Identification as a Repeat Finding:

This is a repeat finding from prior year. This was reported as finding 2018-021 in the prior year schedule of findings and questioned costs.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

A draft procurement policy has been developed to implement the procurement requirements in the Uniform Guidance. The policy includes improved standards for conducting free and open competition, and clearly defines specific criteria for conducting a sole procurement. The policy also expands upon what documentation is required to justify the vendor selection, or the lack of a competitive bidding process. Procurement requests that are not in compliance with the policy will be denied.

The policy will be formally adopted once approved by the University Policy Committee. The Office of Procurement and Contracting is responsible for implementation.

All relevant stakeholders, including Principal Investigators, Project Directors, Grants & Contracts, Office of Procurement & Contracting, and Research Administrative Services will be trained on the updated policy. Trainings will begin in October 2020 and continue throughout the year.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

FINDING 2019-016

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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

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

Condition:

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

Cause:

Lack of administrative oversight in regard to Equipment and Real Property Management requirements.

Effect:

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

Questioned Costs:

None.

Context:

The University was unable to provide documentation to support that a physical inventory of federally funded equipment was performed every 2 years as required.

Identification as a Repeat Finding:

No similar findings noted in the prior year.

The Howard University

Schedule of Findings and Questioned Costs Year Ended June 30, 2019

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions and Conclusion:

Howard University agrees with the finding and will perform a physical inventory of property and equipment once the COVID-19 pandemic is reasonably contained. The anticipated completion date is contingent upon the University's safe reopening.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

FINDING 2018-001

Type of Finding:

Financial statement finding.

Condition:

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

- 1) As noted in prior years, issues remain within the hiring and on-boarding process:
 - a. The current workflow of the ePAR process allows for several points of failure that considerably slow or entirely halt the hiring process - leading in several instances to the loss of highly desired candidates (as asserted by several University stakeholders);
 - b. Inconsistent job descriptions and role responsibilities remain an issue, resulting in widely varying pay for similar types of job duties;
- 2) We also noted that aspects of the hiring process for faculty is still heavily paper-dependent, despite the implementation of the ePar system in prior years; there are still communication issues remaining within the terminations process, consistent with what we noted in prior years. The initial responsibility for communicating that a termination, separation, or retirement has occurred lies with the individual University departments.

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

- 3) In prior years, a segregation of duties issue was noted with respect to the University's former benefits administrator. While some steps were taken to change access rights in the Plan's Trustee's system and further segregate controls, in the current year we noted that management does not maintain documentation to support who should have access to which benefits systems, and whether access changes were appropriately authorized;
- 4) Consistent with prior years, we noted data integrity issues with the personnel files and records maintained by the Office of Human Resources for employees that were hired prior to the year ended June 30, 2018. With respect to payroll testing, we were unable to substantiate the data within PeopleSoft and had to perform the more time consuming step of confirming pay rate information with individual departments. However, we noted that employees that were newly hired during the current year did have employee contracts to support their pay information. With respect to testing of Plan participants, documentation to support participant data or participant changes was either incomplete or entirely missing.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

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

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-001.

FINDING 2018-002

Type of Finding:

Financial statement finding.

Condition:

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

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

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

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

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

Lastly, we noted instances where there were credits rolling forward in student accounts for former students that had withdrawn from the University. Of the accounts we reviewed that had credit

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

balances and withdrawals, we also noted that the University had issued refund checks to three of the students shortly before their withdrawals.

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-003

Type of Finding:

Financial statement finding.

Condition:

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

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

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-002.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

FINDING 2018-004

Type of Finding:

Financial statement finding.

Condition:

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

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

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

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-003.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

FINDING 2018-005

Type of Finding:

Financial statement finding.

Condition:

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

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

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

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

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

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

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-006

Type of Finding:

Financial statement finding.

Condition:

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

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

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

Finally, in the current year, we noted that the Hospital does not continuously assess the reasonableness of useful lives assigned to fixed assets. The useful lives assigned to certain assets in prior years were not in accordance with American Hospital Association (AHA) guidelines. Upon re-assessing useful lives, the Hospital identified 416 units for which they determined it was necessary to change the useful life estimate. This resulted in a \$4.3 million audit adjustment to increase

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

depreciation expense and accumulated depreciation. We recommend that the Hospital develop a consistent method of assigning useful lives of fixed assets based on the relevant asset class. The issues noted with the design of the reconciliation and estimation controls had a direct impact on the financial reporting numbers for the period, and also impacted management and the Board of Trustees' ability to effectively monitor the University's fiscal performance during the course of the year.

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-006.

FINDING 2018-007

Type of Finding:

Financial statement finding.

Condition:

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

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

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-005.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

FINDING 2018-008

Type of Finding:

Financial statement finding.

Condition:

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

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-009

Type of Finding:

Financial statement finding.

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

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

1. The Hospital did not correctly account for lease modifications where there is no new lease contract under ASC 842-20-35-4, which resulted in an audit adjustment in the current year under audit to increase right-of-use assets by approximately \$500,000.
2. The Hospital began amortizing multiple right-of-use assets a month early, which resulted in an audit adjustment in the current year under audit to decrease amortization expense by approximately \$135,000.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

3. When calculating a true up entry for right-of-use assets as part of adopting ASC Topic 840, the Hospital did not include the entirety of accumulated amortization of lease assets per the trial balance, resulting in an overstatement of amortization expense. Refer to finding 2018-03.
4. Additionally, we noted that amortization expense was incorrectly calculated on one lease due to using the incorrect lease term. This resulted in an audit adjustment to decrease amortization expense by approximately \$385,000.
5. Further, note that the Hospital's lease accounting process is manual in nature and there was not an adequate detailed review performed of underlying schedules to prevent misstatement.

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-003.

FINDING 2018-010

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

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

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

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

Condition:

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-011

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

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

Condition:

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-012

Type of Finding:

Federal award finding.

Federal Program Information:

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

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

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

Condition:

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-007.

Summary Schedule of Prior Year Findings
Year Ended June 30, 2019

FINDING 2018-013

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

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

Condition:

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2018-008.

FINDING 2018-014

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (various CFDA #'s)

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

N. Special Tests and Provisions - Return of Title IV Funds: The amount of earned Title IV grant or loan assistance is calculated by determining the percentage of Title IV grant or loan assistance that has been earned by the student and applying that percentage to the total amount of Title IV grant

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

or loan assistance that was or could have been disbursed to the student for the payment period or period of enrollment as of the student's withdrawal date.

Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to Department of Education or the appropriate FFEL lender as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew. Returns by check are late if the check is issued more than 45 days after the institution determined the student withdrew or the date on the canceled check shows the check was endorsed more than 60 days after the date the institution determined that the student withdrew (34 CFR section 668.173(b)).

Condition:

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-012.

FINDING 2018-015

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Work Study Program (CFDA# 84.033)

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

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

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

Condition:

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-016

Type of Finding:

Federal award finding.

Federal Program Information:

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

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

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

Condition:

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-014.

Summary Schedule of Prior Year Findings
Year Ended June 30, 2019

FINDING 2018-017

Type of Finding:

Federal award finding.

Federal Program Information:

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

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

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

Condition:

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-009.

FINDING 2018-018

Type of Finding:

Federal award finding.

Federal Program Information:

Student Financial Assistance Cluster (CFDA#: Various)

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

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

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

Condition:

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-019

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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

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

Condition:

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

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-011.

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

FINDING 2018-020

Type of Finding:

Federal award finding.

Federal Program Information:

Federal Direct Loans (CFDA# 84.268)

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

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

Condition:

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

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

FINDING 2018-021

Type of Finding:

Federal award finding.

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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

I. Procurement and Suspension and Debarment - The Uniform Guidance requires recipients of federal awards to have adequate procedures and controls in place to ensure that the procurement transactions are properly documented in the entity's files, provide full and open competition supported by a cost or price analysis, provide a vendor debarment or suspension certification,

**Summary Schedule of Prior Year Findings
Year Ended June 30, 2019**

provide for retention of files, and that supporting documentation corroborates compliance with these requirements. All procurement transactions are required to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Additionally, procurement records and files for purchases in excess of the small purchase threshold (\$25,000) shall include a) a basis for contractor selection, b) justification for the lack of competition when competitive bids or offers are not obtained, and c) a basis for award cost or price. Organizations are also required to be alert to any organizational conflicts of interest (2 CFR 215.40 - 215.48).

Condition:

The University's purchasing policy and procedures are not being appropriately followed in all cases with respect to the procurement of goods and services funded by federal awards. As a result, certain competitive bidding documentation was not retained and certain sole source documentation could not be provided or did not appear to give adequate reasoning for the lack of a competitive bidding process.

Status of Findings as of June 30, 2019:

This finding was not fully remediated as of June 30, 2019 and is part of Finding 2019-015.

FINDING 2018-022

Type of Finding:

Federal award finding.

Federal Program Information:

Research and Development Cluster (various CFDA #'s)

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

N. Special Tests and Provisions (Publications) - Per grant agreements between the University and multiple federal agencies, all publications (including conference presentations, promotional material, agendas and internet sites) that result from federal grant support by the grantors must include an acknowledgement of support and a disclaimer that the contents are the responsibility of the authors and not of the grantors.

Condition:

The University did not properly include the appropriate acknowledgement of support and a disclaimer of responsibility in certain publications selected for testing.

Status of Findings as of June 30, 2019:

No similar findings noted in the current year.

**Management's Corrective Action Plan
Year Ended June 30, 2019**

FINDING 2019-001

Name of Responsible Individual: Larry Callahan, Chief Human Resource Officer

Corrective Action: Leadership changes in the Benefits Administration division of Howard's Office of Human Resources over the past year and a half have positioned OHR to be able to improve operations significantly. Management is confident that these changes will favorably impact future audits and limit or eliminate new or repeat findings. Evidence of the anticipated future improvement can be seen in the fact that the number of specific HR-related findings has already been reduced - from as many as eight (8) in prior years to just three (3) in FY19.

Management moved the administration of Howard's defined benefit plan to a new actuary in FY19. As part of that transition, Howard implemented a massive data cleanup and consolidation project that is expected to greatly enhance the ability of OHR to respond in a more timely and complete manner to future auditor data requests.

The data clean-up has been followed up with more thorough, accurate and timely updating of benefit plan participant records which will continue to improve the accuracy and completeness of OHR's responses to future auditor information requests. The impact of the changes can be expected to be realized incrementally over the next several years as historical employee data files are refined and corrected.

Anticipated Completion Date: June 30, 2020

FINDING 2019-002

Name of Responsible Individual: Florence Prioleau, Vice President and General Counsel and Rawle Howard, AVP & Chief Procurement Officer

Corrective Action: The contract review, legal sufficiency and execution process instituted by the Office of the General Counsel will be updated by management to include confirmation of available budget and vendor acceptance prior to contract execution.

Management will establish a contract repository for all executed contracts to be housed by the Office of Procurement and Contracting.

Material contracts will be provided to the Office of the Controller for assessment of proper accounting and disclosure on a timely basis.

Anticipated Completion Date: June 30, 2020

**Management's Corrective Action Plan
Year Ended June 30, 2019**

FINDING 2019-003

Name of Responsible Individual: Joe Perry, HUH CFO

Corrective Action: The Hospital has and continues to implement BDO's recommendations. Hospital has been reviewing contractual allowance methodologies, enhancing processes and looking closely into reimbursement and payor changes. The Hospital has been following the consultant-provided assessment in relation to operational trends, current contracts and payor mix. Howard Hospital is now working closely with Adventist HealthCare as part of a management agreement that was effective in Feb 2020. This partnership should bring the appropriate management that BDO recommended.

Anticipated Completion Date: June 30, 2020

FINDING 2019-004

Name of Responsible Individual: Tashni Dubroy, Executive Vice President and Chief Operating Officer

Corrective Action: The Enrollment Management and Accounts Payable teams have created a new process to remedy the identified problems. Beginning in FY20, the production of the previous interface report has been discontinued, and controls have been put in place to ensure that only approved refunds result in the generation of payments and cancelations are properly processed. Live check generation has been reduced substantially through the increased use of direct deposit, which has additional controls not present in the check disbursement process.

Anticipated Completion Date: June 30, 2020

FINDING 2019-005

Name of Responsible Individual: Rawle Howard, AVP & Chief Procurement Officer

Corrective Action: The Office of Procurement & Contracting (OPC) has reviewed the user access and roles of all FTEs in AP and OPC and developed a corrective action plan which we believe will mitigate any future IT User Access segregation of duty conflict of interest within the P2P process.

Currently, regular vendor setup and maintenance occur within OPC based on an approved vendor setup request form. However, there are circumstances in which AP is required to access the Vendor Master to set up students and staff for payment of student stipends, student refunds and staff reimbursements.

As a result, there is an AP Technician and a Supervisor with access to the Vendor Master in PeopleSoft.

**Management's Corrective Action Plan
Year Ended June 30, 2019**

In order to mitigate the segregation of duties conflict, we are now requiring an automatic weekly vendor maintenance activity report to be generated, reviewed and certified by the supervisors in AP and OPC.

This certification process will ensure that OPC is responsible for vendor setup as defined, and AP is responsible for student and staff set up as necessary. Any violation of this control will result in the removal of the FTE's PS access for vendor maintenance and additional discipline.

Anticipated Completion Date: June 30, 2020

FINDING 2019-006

Name of Responsible Individual: Joe Perry, HUH CFO

Corrective Action: Hospital management is revising its fixed asset reconciliation process to include reconciliation of accumulated depreciation per the AM/Lawson System to the trial balance by asset class. HUH management is now consistently reviewing the useful lives of its assets based on the relevant asset classes on a quarterly basis. HUH management will account for fixed asset items in accordance with AHA guidelines. Correction of AM system will not be effective in FY20, but efforts will continue until findings are addressed.

Anticipated Completion Date: June 30, 2020

FINDING 2019-007

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

Corrective Action: Currently, all origination and disbursement records created in the Ellucian Banner system are transmitted to COD daily. This is accomplished through the use of the UC4 (Atomic) Job Scheduler which is the responsibility of the Enrollment Systems Team under the direction of Konya White, Director of Enrollment Systems.

Anticipated Completion Date: June 30, 2020

**Management's Corrective Action Plan
Year Ended June 30, 2019**

FINDING 2019-008

Name of Responsible Individual: LaTrice Byam, Executive Director of Admission & University Registrar

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

Anticipated Completion Date: June 30, 2020

FINDING 2019-009

Name of Responsible Individual: Kathy Jewett, Interim Bursar

Corrective Action: Title IV refunds are identified daily through a report generated in Ellucian Banner. The audit report from Banner is sent to VP of Treasury (Bobby Young) to approve the amount of the file. The Bursar or designee reviews final file output for discrepancies or exclusions. Approved Direct deposit file is forwarded to the Treasury office for final approval and then uploaded to Bank of America. Confirmation of the bank transaction by Treasury is emailed to the Bursar's Office to ensure timely delivery of refunds within the Title IV regulatory requirements.

Anticipated Completion Date: June 30, 2020

FINDING 2019-010

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

Corrective Action: Currently, The Office of Career Services collaborates with Human Resources to ensure that the wage rates for FWS students reflect competitive levels with the local wage rate for similar off-campus employment. Billiecia Brown, Associate Director of Student Awards, Tamara Kemp, Career Placement Specialist, Deborah Seabreeze, Payroll Manger reviews the payroll report to ensure that the student wage rates reconcile with their FWS contract rates.

Anticipated Completion Date: June 30, 2020

**Management's Corrective Action Plan
Year Ended June 30, 2019**

FINDING 2019-011

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

Corrective Action: Currently, the disbursement notifications are the responsibility of Frederick Jasper, Associate Director of Bursar Operations. To ensure quality control, the following areas of focus are addressed:

- Daily Notifications (Students)
- Parent Disbursement Notifications
- Reporting

Disbursement notifications are sent via "Bursar Help" email account to students and parents. A daily report is generated by the Enrollment Systems team that extracts the parent's name and email address, student's ID and name, and the parent PLUS loan disbursement amount. These are emailed to the Bursar's staff. The data from this report is then merged into emails which are sent through Microsoft Outlook to students/parents. The email notifications are stored in the Bursar's Outlook folder for record-keeping.

Anticipated Completion Date: June 30, 2020

FINDING 2019-012

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

Corrective Action: Malik Artis, Reconciliation Coordinator and Billiecia Brown, Associate Director of Student Awards conduct second level of reviews for quality control of R2T4 calculations to ensure accuracy and timeliness of the returns performed.

Anticipated Completion Date: June 30, 2020

FINDING 2019-013

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

Corrective Action: Procedures have been put in place by the Office of Career Services (Tamara Kemp, Career Placement Specialist) to ensure that Howard University provides FWS students an opportunity provide community service activities. Moreover, the University has formed additional partnerships in 2020 with community organizations to ensure the University is meeting the 7% requirement for community service activity.

Anticipated Completion Date: June 30, 2020

Management's Corrective Action Plan
Year Ended June 30, 2019

FINDING 2019-014

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

Corrective Action: Comparative award reports are generated in Ellucian Banner by the Enrollment Systems team to identify discrepancies between FSEOG and Federal Pell. The exceptions are reviewed by the Office of Financial Aid Counseling staff and resolved accordingly.

Anticipated Completion Date: June 30, 2020

FINDING 2019-015

Name of Responsible Individual: Rawle Howard, AVP & Chief Procurement Officer

Corrective Action: A draft procurement policy has been developed to implement the procurement requirements in the Uniform Guidance. The policy includes improved standards for conducting free and open competition, and clearly defines specific criteria for conducting a sole procurement. The policy also expands upon what documentation is required to justify the vendor selection, or the lack of a competitive bidding process. Procurement requests that are not in compliance with the policy will be denied.

The policy will be formally adopted once approved by the University Policy Committee. The Office of Procurement and Contracting is responsible for implementation.

All relevant stakeholders, including Principal Investigators, Project Directors, Grants & Contracts, Office of Procurement & Contracting, and Research Administrative Services will be trained on the updated policy. Trainings will begin in October 2020 and continue throughout the year.

Anticipated Completion Date: October 31, 2020

FINDING 2019-016

Name of Responsible Individual: John Gordon, AVP, Controller and Chief Accounting Officer

Corrective Action: Howard University agrees with the finding and will perform a physical inventory of property and equipment once the COVID-19 pandemic is reasonably contained. The anticipated completion date is contingent upon the University's safe reopening.

Anticipated Completion Date: April 30, 2021