Treasurer’s Report

Fiscal Year 2014

June 30, 2014
Executive Summary

**Operating Results**
For the year ended June 30, 2014, the consolidated Howard University operating loss is $45 million (the loss was forecasted at $44 million). The Howard University generated operating profit of $13 million and the Howard University Hospital generated an operating loss of $58 million. Losses associated with the Howard University Hospital were primarily derived from lower-than-expected patient service revenues.

**Operating Revenues**
Consolidated operating revenues of $804 million are $6 million above the forecasted amount of $798 million. Howard University operating revenues of $559 million are $11 million above the forecasted amount of $548 million. Howard University Hospital operating revenues of $245 million are $5 million below fiscal year end forecast of $250 million. This is mainly attributed to actual net patient service revenue of $210 million versus forecasted amount of $215 million.

**Operating Expenses**
Consolidated operating expenses of $849 million are $7 million above the forecast of $842 million. Howard University operating expenses of $546 million are $2 million below the forecasted amount of $548 million. Howard University Hospital operating expenses of $303 million are $9 million above the forecasted amount of $294 million.
Other Items of Note

Fall 2013 enrollment was 10,297 students, 3 percent higher than the prior year enrollment of 10,002. Spring 2014 enrollment was 9,850 students, 4 percent higher than the prior year enrollment of 9,460.

Total grant revenues were $57 million, $1 million (2 percent) lower than the prior year to date. Grant revenues were slightly impacted by the sequestration.

The Federal appropriation was $223 million for FY2014. The prior year Federal appropriation was $234 million. In FY2015, the appropriation is forecasted to be $222 million.

Unusual Items

In September 2013, Moody’s downgraded the District of Columbia Revenue Bonds Series 2011A and Series 2011B (Taxable) to Baa1 from A3 with a negative outlook.

In March 2014, Standard & Poor's Ratings Services lowered its long-term and underlying rating on the District of Columbia's $293 million revenue bonds issued for Howard University to BBB-plus from A-minus. The outlook is stable. At the same time, Standard & Poor's lowered its stand-alone credit profile on the university to BBB-plus from A-minus.

At March 31, 2014, the Howard University Bookstore ended operations. A contract with Barnes & Noble College Booksellers, LLC has been executed to take over operation of the bookstore for the period from April 1, 2014 to March 31, 2015.
# Financial Results and Key Drivers

## Revenues

## Net Assets

## Capital Investments and Commitments

## Cash and Endowment Investments

## Retirement Plans

## Employee Peak Census

## Line of Credit Covenants

## Bond Covenant

## Grants and Contracts
Financial Results and Key Drivers

Highlights – FY2014 vs. FY2013

Operating Revenues decreased by $38 million (5 percent) to $804 million compared to FY2013.

• Academic Services Revenue - which includes tuition, fees, grants and auxiliaries increased by $6 million (2 percent) compared to FY2013.

• Clinical Services Revenue - which includes the Hospital, faculty practice and dental clinic, is 11 percent lower than FY2013, due to unfavorable Hospital net patient service revenue of $210 million compared to $241 million in FY2013.

• Public Support Revenue - which includes the federal appropriation, private contributions and operating investment income, other income and endowment transfer, decreased by $15 million (5 percent) from FY2013. This is primarily due to the $11 million (5 percent) decrease in federal appropriation received by the University FY2014 as compared to FY2013. Contributions decreased $2 million (10 percent) to $12 million compared to $14 million for FY2013. During the year ended June 30, 2013, the University received an expected contribution of approximately $4 million attributing to the variance.

Operating Expenses were $849 million, a $17 million (2 percent) increase compared to FY2013. Major increases include professional and administrative services ($6 million), grants and subcontracts ($3 million), repairs and maintenance ($2 million), food service costs ($2 million) and depreciation ($3 million), offset by decreases in medical and office supplies ($5 million) and insurance & risk management ($4 million).

Change in Net Assets reflects the operating loss of $45 million, endowment transfer of $13 million and restructuring cost of $3 million, offset by positive returns from investment portfolios of $87 million and net retirement obligations of $4 million.

Summary Financial Results

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY2014 Actual</th>
<th>FY2013 Actual</th>
<th>FY2012 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic Services</td>
<td>$ 287</td>
<td>$ 281</td>
<td>$ 267</td>
</tr>
<tr>
<td>Clinical Services</td>
<td>246</td>
<td>275</td>
<td>300</td>
</tr>
<tr>
<td>Public Support</td>
<td>271</td>
<td>286</td>
<td>285</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>804</td>
<td>842</td>
<td>852</td>
</tr>
<tr>
<td>Program Services</td>
<td>636</td>
<td>619</td>
<td>627</td>
</tr>
<tr>
<td>Supporting Services</td>
<td>213</td>
<td>213</td>
<td>215</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>849</td>
<td>832</td>
<td>842</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>(45)</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Non-Operating Income (Loss)</td>
<td>75</td>
<td>192</td>
<td>(159)</td>
</tr>
<tr>
<td>Change in Net Assets</td>
<td>$ 30</td>
<td>$ 202</td>
<td>$ (149)</td>
</tr>
</tbody>
</table>
**Student Statistics**

<table>
<thead>
<tr>
<th>Spring Semester</th>
<th>Spring 2014 FTE Actual</th>
<th>Spring 2014 Head Count Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Undergraduates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts and Sciences</td>
<td>3,142</td>
<td>3,326</td>
</tr>
<tr>
<td>Business</td>
<td>891</td>
<td>917</td>
</tr>
<tr>
<td>Communications</td>
<td>972</td>
<td>1,005</td>
</tr>
<tr>
<td>Education</td>
<td>104</td>
<td>106</td>
</tr>
<tr>
<td>Engineering/Arch/Comp Sci</td>
<td>560</td>
<td>590</td>
</tr>
<tr>
<td>Nursing and AHS</td>
<td>566</td>
<td>620</td>
</tr>
<tr>
<td>Dental Hygiene</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Exchange Program</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Consortium</td>
<td>17</td>
<td>51</td>
</tr>
<tr>
<td><strong>Total Undergraduate</strong></td>
<td>6,270</td>
<td>6,633</td>
</tr>
<tr>
<td><strong>Change % (Y o Y)</strong></td>
<td></td>
<td>5.4%</td>
</tr>
</tbody>
</table>

| **Graduate & Professional** |                        |                               |
| Graduate School            | 623                    | 872                           |
| Dentistry                  | 315                    | 321                           |
| Law                        | 397                    | 414                           |
| Medicine                   | 449                    | 451                           |
| Pharmacy                   | 293                    | 297                           |
| Arts and Sciences           | 20                     | 26                            |
| Business                   | 112                    | 136                           |
| Communications             | 23                     | 32                            |
| Divinity                   | 101                    | 136                           |
| Education                  | 109                    | 163                           |
| Nursing & AHS              | 128                    | 162                           |
| Social Work                | 170                    | 199                           |
| Consortium                 | 3                      | 8                             |
| **Total Graduate & Professional** | 2,743              | 3,217                         |
| **Change % (Y o Y)**        |                       | 1.5%                          |

| **Grand total** | 9,013                  | 9,850                         |
| **Change % (Y o Y)** |                   | 4.1%                          |

**Spring 2014 by Student Type**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th># Variance</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing</td>
<td>9,223</td>
<td>8,930</td>
<td>293</td>
<td>3.3%</td>
</tr>
<tr>
<td>FTIC</td>
<td>20</td>
<td>15</td>
<td>5</td>
<td>33.3%</td>
</tr>
<tr>
<td>FTG</td>
<td>128</td>
<td>122</td>
<td>6</td>
<td>4.9%</td>
</tr>
<tr>
<td>FSR</td>
<td>194</td>
<td>214</td>
<td>(20)</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Transfer</td>
<td>140</td>
<td>85</td>
<td>55</td>
<td>64.7%</td>
</tr>
<tr>
<td>Other*</td>
<td>145</td>
<td>94</td>
<td>51</td>
<td>54.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,850</td>
<td>9,460</td>
<td>390</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

*includes Consortium, Continuing Education, Unclassified, Undetermined, Visiting, etc.

**Financial Aid by Fund Type**

- NEED AND MERIT-BASED SCHOLARSHIP 35%
- TALENT-BASED ACADEMIC AID 8%
- NEED-BASED GRANT 18%
- MERIT-BASED OTHER 1%
- TALENT-BASED OTHER 1%
- SCHOLARSHIP (OTHER CRITERIA) 9%
- OTHER 1%

FY14 Treasurer's Report – June 2014
Revenues

Public Support (all sources)

- Federal appropriation revenue was $223 million as of FY2014, $11 million lower than FY2013.
- The annual endowment allocation was $13 million and is calculated at 5% of a three year rolling average of the endowment investments, excluding the Federal matching endowment.
- Other revenue from Public Support for FY2014 decreased $2 million to $23 million compared to FY2013 due to decreases in other income offset by operating investment income.

Donor Gifts

- Gifts from donors, on average, represent 2% of operating revenues.
- Approximately 71% and 72% of total new contributions were restricted in both FY2014 and FY2013, respectively.
- Total contributions in FY2014 decreased 10% or $1 million compared to FY2013.
Net Assets

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Period</td>
<td>$608</td>
<td>$459</td>
<td>$661</td>
</tr>
<tr>
<td>Operating Income (Loss)</td>
<td>10</td>
<td>10</td>
<td>(45)</td>
</tr>
<tr>
<td>Investment (Loss) Income</td>
<td>(17)</td>
<td>53</td>
<td>87</td>
</tr>
<tr>
<td>Endowment Transfer</td>
<td>(13)</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Pension Plan</td>
<td>(120)</td>
<td>28</td>
<td>19</td>
</tr>
<tr>
<td>Retiree Health/Life</td>
<td>3</td>
<td>121</td>
<td>(15)</td>
</tr>
<tr>
<td>Restructuring</td>
<td>(24)</td>
<td>(2)</td>
<td>(3)</td>
</tr>
<tr>
<td>Other</td>
<td>12</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>End of Period</td>
<td>$459</td>
<td>$661</td>
<td>$691</td>
</tr>
</tbody>
</table>

Highlights

Despite an operating loss of $45 million, endowment transfer of $13 million and restricting costs of $3 million, total net assets were favorably impacted by investment returns of $87 million and net employee benefit programs of $4 million.

The decrease in net employee benefits is due to the FY13 change in Other Postretirement Employee Benefits (OPEB) related to the Affordable Care Act.
Capital Investments and Commitments

FY2014 Major Capital Projects - FY2014

<table>
<thead>
<tr>
<th>Project (in thousands)</th>
<th>FY2014 Spend</th>
<th>Project to Date</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Building</td>
<td>$ 22,117</td>
<td>$ 27,235</td>
<td>Bonds</td>
</tr>
<tr>
<td>Residence Hall Roofs</td>
<td>3,224</td>
<td>3,224</td>
<td>Bonds</td>
</tr>
<tr>
<td>Burr Gym</td>
<td>694</td>
<td>11,565</td>
<td>Bonds</td>
</tr>
<tr>
<td>LK Downing Phase I</td>
<td>21</td>
<td>4,562</td>
<td>Bonds</td>
</tr>
<tr>
<td>LK Downing Phase II</td>
<td>336</td>
<td>376</td>
<td>Bonds</td>
</tr>
<tr>
<td>College of Medicine (Honeywell)</td>
<td>4,410</td>
<td>14,593</td>
<td>Cash</td>
</tr>
<tr>
<td>New Residence Halls</td>
<td>58</td>
<td>4,057</td>
<td>Cash</td>
</tr>
<tr>
<td>Surgical Simulation Center</td>
<td>830</td>
<td>5,186</td>
<td>Cash</td>
</tr>
<tr>
<td>Cramton Auditorium Renovation</td>
<td>95</td>
<td>4,986</td>
<td>Cash</td>
</tr>
<tr>
<td>Howard University Town Center</td>
<td>106</td>
<td>220</td>
<td>Cash</td>
</tr>
<tr>
<td>Undergraduate Library</td>
<td>845</td>
<td>994</td>
<td>Cash</td>
</tr>
<tr>
<td>Dental Clinic Renovation</td>
<td>1,082</td>
<td>1,082</td>
<td>Cash</td>
</tr>
<tr>
<td>EE Just Hall Labs</td>
<td>467</td>
<td>467</td>
<td>Cash</td>
</tr>
<tr>
<td>PFM Critical Items</td>
<td>377</td>
<td>377</td>
<td>Cash</td>
</tr>
<tr>
<td>School of Social Work: Founders Room</td>
<td>16</td>
<td>16</td>
<td>Cash</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$34,678</strong></td>
<td><strong>$78,940</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Highlights**

- Only FY2011 Bonds and Cash were used to finance the capital projects listed.

**New Residence Halls**

- Clark Construction was selected as the Construction Manager for the Residence Halls Project under the direction of Provident Resource Group, LLC (owner) and Campus Development Partners (developer). The bond issuance was completed in February by Provident.

  - Project completion is scheduled for August 2014.

- Howard has been fully reimbursed for all project costs incurred ($3.9 million) and should have no future obligation to complete the residence halls.

**Science Building**

- Turner Construction was selected as the Construction Manager for the Howard Interdisciplinary Research Building Project under the direction of Brailsford & Dunlavey (developer/owner’s representative).

  - Project completion is scheduled for December 2014.
Cash and Endowment Investments

**Highlights**

- Endowment investment portfolio is managed by 75 investment fund manager and 2 investment consulting firms. Management fees as of June 30, 2014 were $8.7 million.

- Growth from FY2013 was partially driven by liquidating positions and reinvesting the realized gains.

- All investment balances continue to fluctuate with the capital markets.

- Asset classes are monitored and re-balanced based on liquidity and strategic guidelines.

### Endowment Investments

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money Market Instruments</td>
<td>$40</td>
<td>9%</td>
<td>$28</td>
</tr>
<tr>
<td>U.S. Treasury and Other Governments</td>
<td>$3</td>
<td>1%</td>
<td>$2</td>
</tr>
<tr>
<td>Bonds</td>
<td>$97</td>
<td>21%</td>
<td>$90</td>
</tr>
<tr>
<td>Stocks</td>
<td>$176</td>
<td>38%</td>
<td>$244</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>$43</td>
<td>9%</td>
<td>$48</td>
</tr>
<tr>
<td>Private Equity and Real Estate</td>
<td>$102</td>
<td>22%</td>
<td>$102</td>
</tr>
<tr>
<td>Other*</td>
<td>-</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$461</td>
<td>100%</td>
<td>$514</td>
</tr>
</tbody>
</table>

*Assets/Liabilities not subject to Fair Value Reporting

### Total Financial Assets

<table>
<thead>
<tr>
<th>($ in millions)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance Sheet Assets:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$35</td>
<td>$35</td>
<td>$15</td>
</tr>
<tr>
<td>Operating Investments</td>
<td>34</td>
<td>36</td>
<td>40</td>
</tr>
<tr>
<td>Restricted Investments</td>
<td>32</td>
<td>38</td>
<td>44</td>
</tr>
<tr>
<td>Endowment Fund</td>
<td>461</td>
<td>514</td>
<td>592</td>
</tr>
<tr>
<td>Pension Fund*</td>
<td>461</td>
<td>489</td>
<td>547</td>
</tr>
<tr>
<td>Insurance Trusts</td>
<td>13</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Capitalized Interest</td>
<td>12</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Unexpended Bonds</td>
<td>87</td>
<td>72</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total Balance Sheet Assets</strong></td>
<td>$1,148</td>
<td>$1,202</td>
<td>$1,298</td>
</tr>
</tbody>
</table>

| **403b Assets***: | | | |
| TIAA-CREF | 542 | 572 | 610 |
| Valic | 236 | 249 | 265 |
| Lincoln | 25 | 26 | 26 |
| ING | 7 | 13 | 19 |
| **Total 403b Assets** | 810 | 860 | 920 |
| **Total Fiduciary Assets** | $1,958 | $2,062 | $2,218 |
Retirement Plans

NOTE: Retirement Plan information is updated quarterly.

Retiree obligations represent the largest single obligation of the University.

### Defined Benefit Plan

The estimated unfunded liability decreased by $15 million between June 30, 2013 and June 30, 2014. The contributing factors to the deficit decrease were favorable investment performance in excess of the Plan’s expected return of $80 million and contributions of $7 million, offset by increases in benefits paid from the plan of $33 million and discount rate changes of $43 million.

### Retiree Health/Life Plan

The estimated accumulated postretirement benefit obligation increased by $3 million between June 30, 2013 and June 30, 2014. The contribution factors to the deficit increase were benefits paid from the plan of $10 million and discount rate changes of $3 million, offset by employer contributions to the plan of $5 million and employee earned rights of $5 million.

### 403(b) Savings Plan

In FY2014, approximately $22 million was contributed into the employee 403(b) savings plan compared to $16 million in FY2013.

### June 30, 2014

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Pension Plan</th>
<th>Retiree Health/Life Plan</th>
<th>403(b) Savings Plan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning of year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations</td>
<td>$ (616)</td>
<td>$ (68)</td>
<td>$</td>
<td>(684)</td>
</tr>
<tr>
<td>Assets</td>
<td>489</td>
<td>-</td>
<td>860</td>
<td>1,349</td>
</tr>
<tr>
<td>Funded status</td>
<td>(127)</td>
<td>(68)</td>
<td>860</td>
<td>665</td>
</tr>
<tr>
<td>Benefit payments</td>
<td>(33)</td>
<td>(10)</td>
<td>-</td>
<td>(43)</td>
</tr>
<tr>
<td>Howard contributions</td>
<td>11</td>
<td>5</td>
<td>22</td>
<td>38</td>
</tr>
<tr>
<td>Change in obligation</td>
<td>(43)</td>
<td>(3)</td>
<td>-</td>
<td>(46)</td>
</tr>
<tr>
<td>Return on assets, net</td>
<td>80</td>
<td>-</td>
<td>38</td>
<td>118</td>
</tr>
<tr>
<td>Annual earned rights</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>End of year:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations</td>
<td>(659)</td>
<td>(71)</td>
<td>-</td>
<td>(730)</td>
</tr>
<tr>
<td>Assets</td>
<td>547</td>
<td>-</td>
<td>920</td>
<td>1,467</td>
</tr>
<tr>
<td>Funded status</td>
<td>$ (112)</td>
<td>$ (71)</td>
<td>$ 920</td>
<td>$ 737</td>
</tr>
<tr>
<td>Change in funded status</td>
<td>$ 15</td>
<td>$ (3)</td>
<td>$ 60</td>
<td>$ 72</td>
</tr>
</tbody>
</table>

NOTE: Information from the "Mercer ASC 715 Estimates" as of 6/30/2014
Employee Peak Census

<table>
<thead>
<tr>
<th>Employee Census</th>
<th>October FY2013</th>
<th>December FY2013</th>
<th>March FY2013</th>
<th>October FY2014</th>
<th>December FY2014</th>
<th>March FY2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>HU Faculty</td>
<td>1,287</td>
<td>1,309</td>
<td>1,299</td>
<td>1,258</td>
<td>1,274</td>
<td>1,274</td>
</tr>
<tr>
<td>Faculty Paid over 12-Months</td>
<td>808</td>
<td>815</td>
<td>807</td>
<td>844</td>
<td>830</td>
<td>852</td>
</tr>
<tr>
<td>Faculty Paid over 9-Months</td>
<td>479</td>
<td>494</td>
<td>492</td>
<td>414</td>
<td>444</td>
<td>422</td>
</tr>
<tr>
<td>Graduate Assistants</td>
<td>411</td>
<td>524</td>
<td>522</td>
<td>495</td>
<td>528</td>
<td>526</td>
</tr>
<tr>
<td>HUSalaried Staff</td>
<td>1,867</td>
<td>1,919</td>
<td>1,942</td>
<td>1,934</td>
<td>1,944</td>
<td>1,884</td>
</tr>
<tr>
<td>HU Wage Staff</td>
<td>709</td>
<td>683</td>
<td>669</td>
<td>501</td>
<td>672</td>
<td>695</td>
</tr>
<tr>
<td>Total HU Headcount</td>
<td>4,274</td>
<td>4,435</td>
<td>4,432</td>
<td>4,188</td>
<td>4,418</td>
<td>4,379</td>
</tr>
<tr>
<td>HUH Physicians</td>
<td>16</td>
<td>15</td>
<td>18</td>
<td>18</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>HUH Staff</td>
<td>1,685</td>
<td>1,692</td>
<td>1,663</td>
<td>1,659</td>
<td>1,600</td>
<td>1,741</td>
</tr>
<tr>
<td>HUH Residency Program</td>
<td>274</td>
<td>272</td>
<td>267</td>
<td>261</td>
<td>272</td>
<td>264</td>
</tr>
<tr>
<td>Total HUH FTEs</td>
<td>1,975</td>
<td>1,979</td>
<td>1,948</td>
<td>1,938</td>
<td>1,912</td>
<td>2,045</td>
</tr>
<tr>
<td>Total Institution</td>
<td>6,249</td>
<td>6,414</td>
<td>6,380</td>
<td>6,126</td>
<td>6,330</td>
<td>6,424</td>
</tr>
</tbody>
</table>

NOTE: HU information from Peoplesoft HR Module
HUH information from Lawson HR Module

Highlights

• Total employment expense at June 30, 2014 was $475 million compared to $467 million in FY2013, a increase of 2% compared to FY2013
### Line of Credit - Liquidity

#### Highlights

In July 2014, the University enhanced its liquidity with a renewed contract for a one year credit facility of $100 million.

Howard University is in compliance with the liquidity requirements at June 30, 2014.

### LIQUIDITY RATIO

<table>
<thead>
<tr>
<th>Ratio of Cash and Cash Equivs, plus Mkt Secs to Cash Op Ex (min 0.25)</th>
<th>6/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$14,820</td>
</tr>
<tr>
<td><strong>Marketable Securities</strong></td>
<td></td>
</tr>
<tr>
<td>(Total Investments - (Includes Illiquid Investments)</td>
<td></td>
</tr>
<tr>
<td>Operating Investments</td>
<td>40,095</td>
</tr>
<tr>
<td>Endowment Investments (UR Portion)</td>
<td>299,889</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>$339,984</td>
</tr>
<tr>
<td>less: Illiquid Investments</td>
<td></td>
</tr>
<tr>
<td>(i) Illiquid Investments</td>
<td></td>
</tr>
<tr>
<td>Real Estate and Private Equity</td>
<td>54,798</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>28,247</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>83,045</td>
</tr>
<tr>
<td><strong>TOTAL LIQUIDITY</strong></td>
<td>$271,759</td>
</tr>
</tbody>
</table>

#### Cash Operating Expenses

(Total Annual Operating Expenses - Depr, Amort and Pension Exp)

| Total Operating Expenses                                      | 848,736   |
| less: Depreciation                                           | 55,900    |
| less: Retirement Plan Amortization Charged to Operating Expense | 8,672    |
| **TOTAL CASH OPERATING EXPENSE**                             | $784,164  |

#### LIQUIDITY RATIO CALCULATION

Liquidity divided by: Cash Operating Expenses (most recent FYE audited balance)  

- **Liquidity**: $271,759  
- **Cash Operating Expenses**: $784,164

**Compliance (Yes/No) - minimum 0.25**

- Yes
Howard University is not in compliance with the debt service coverage requirements at June 30, 2014.

This debt service coverage calculation is prepared in accordance with the new requirements under the renewed Line of Credit Agreement dated July 2014.

<table>
<thead>
<tr>
<th>DEBT SERVICE COVERAGE RATIO</th>
<th>6/30/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of Cashflow Available to Annual Debt Service (min 1.25)</td>
<td></td>
</tr>
<tr>
<td><strong>Cashflow Available for Debt Service</strong></td>
<td></td>
</tr>
<tr>
<td>(i) Total Unrestricted Operating Revenue</td>
<td>800,753</td>
</tr>
<tr>
<td>less: Total Operating Expenses</td>
<td>848,736</td>
</tr>
<tr>
<td>OPERATING PROFIT</td>
<td>$(47,983)</td>
</tr>
<tr>
<td>(ii) plus: Depreciation/Amortization</td>
<td>55,900</td>
</tr>
<tr>
<td>(iii) plus: Total Interest Expense/Credit Facility Fee and Commitment Fees</td>
<td>23,197</td>
</tr>
<tr>
<td>less: Interest Expense from Capitalized Interest Fund</td>
<td>3,737</td>
</tr>
<tr>
<td>(iv) plus: Non Cash Portion of Retirement Expenses (Amortization)</td>
<td>8,672</td>
</tr>
<tr>
<td><strong>ADJUSTMENTS - SUBTOTAL</strong></td>
<td>$ 84,032</td>
</tr>
<tr>
<td><strong>CASHFLOW AVAILABLE FOR DEBT SERVICE</strong></td>
<td>$ 36,049</td>
</tr>
<tr>
<td><strong>Payments Required to have been made</strong></td>
<td></td>
</tr>
<tr>
<td>(i) plus: Debt Service (Principal) - Notes Payable</td>
<td>1,052</td>
</tr>
<tr>
<td>plus: Debt Service (Principal) - Bonds payable</td>
<td>541</td>
</tr>
<tr>
<td>plus: Debt Service (Interest)</td>
<td>19,460</td>
</tr>
<tr>
<td>plus: Debt Service (Principal) - Leases</td>
<td>10,152</td>
</tr>
<tr>
<td><strong>ANNUAL DEBT SERVICE</strong></td>
<td>$ 31,205</td>
</tr>
<tr>
<td><strong>DEBT SERVICE COVERAGE RATIO CALCULATION</strong></td>
<td></td>
</tr>
<tr>
<td>Cashflow Available for Debt Service</td>
<td>$ 36,049</td>
</tr>
<tr>
<td>divided by: Required Debt Service Payments, principal and interest</td>
<td>$ 31,205</td>
</tr>
<tr>
<td><strong>Compl. Compliance (Yes/No) - minimum 1.25</strong></td>
<td>No</td>
</tr>
</tbody>
</table>
Howard University is in compliance with the debt service coverage requirements at June 30, 2014. The calculation was prepared in accordance with the 2011 Bond Prospectus dated April 2011.

### Highlights

<table>
<thead>
<tr>
<th>DEBT SERVICE COVERAGE RATIO</th>
<th>6/30/2014 Actual (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of Non-Permanently Restricted (PR) Net Assets to Annual Long-Term Debt Service (in thousands)</td>
<td></td>
</tr>
<tr>
<td>Cashflow Available for Debt Service</td>
<td></td>
</tr>
<tr>
<td>1. Change in non PR Net Assets</td>
<td>27,104</td>
</tr>
<tr>
<td>less:</td>
<td></td>
</tr>
<tr>
<td>A Less: Gains/Losses from disposal of property</td>
<td>(1,793)</td>
</tr>
<tr>
<td>B Less: Any non-recurring non-cash gains or losses realized or incurred during FY</td>
<td>-</td>
</tr>
<tr>
<td>C Less: Unrealized gains/Losses on Derivatives</td>
<td>-</td>
</tr>
<tr>
<td>D Less: Unrealized gains/Losses on Investments</td>
<td>(40,003)</td>
</tr>
<tr>
<td>E Less: Change in Funded status of Pension Plans</td>
<td>(19,283)</td>
</tr>
<tr>
<td>F Less: Any change in Post Retirement obligations</td>
<td>15,003</td>
</tr>
<tr>
<td>G Less: Amortization of actuarial gains/losses in Retirement Plans</td>
<td>8,672</td>
</tr>
<tr>
<td>H Less: Restructuring costs</td>
<td>3,433</td>
</tr>
<tr>
<td>I Less: Non-Operating non-cash items</td>
<td>970</td>
</tr>
<tr>
<td></td>
<td>CHANGE IN NON-PR NET ASSETS</td>
</tr>
<tr>
<td>plus:</td>
<td></td>
</tr>
<tr>
<td>2. Depreciation expense</td>
<td>55,900</td>
</tr>
<tr>
<td>3. Interest payments (less Int. from Capitalized interest fund) net of fees</td>
<td>19,460</td>
</tr>
<tr>
<td>ADJUSTMENTS - SUBTOTAL</td>
<td>$ 75,360</td>
</tr>
<tr>
<td>CASHFLOW FROM NON-PR NET ASSETS</td>
<td>$ 69,463</td>
</tr>
</tbody>
</table>

Annual Debt Service (Current portion of long-term debt)

| plus: | Debt Service (Principal) - Notes Payable | 1,052 |
| plus: | Debt Service (Principal) - Bonds payable | 541 |
| plus: | Debt Service (Interest) net of fees and Cap. Int. fund | 19,460 |
| plus: | Debt Service (Principal) - Leases | 10,152 |
| ANNUAL DEBT SERVICE | $ 31,205 |

### DEBT SERVICE COVERAGE RATIO CALCULATION

| Cashflow Available for Debt Service | $ 69,463 |
| divided by: | Debt Service, principal and interest | $ 31,205 |
| Compliance (Yes/No) - minimum 1.10 | 2.2260 |
| | Yes |
Grants and Contracts

Proposal Submissions Processed and Dollars Proposed

<table>
<thead>
<tr>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2014 Budget</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal Submissions Processed</td>
<td>447</td>
<td>454</td>
<td>408</td>
<td>404</td>
<td>450</td>
</tr>
<tr>
<td>Proposed Dollars</td>
<td>$118,922</td>
<td>$112,238</td>
<td>$88,293</td>
<td>$110,423</td>
<td>$113,000</td>
</tr>
</tbody>
</table>

Awards Processed and Awarded Dollars

<table>
<thead>
<tr>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2014 Budget</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards Processed</td>
<td>266</td>
<td>267</td>
<td>270</td>
<td>267</td>
<td>270</td>
</tr>
<tr>
<td>Awarded Dollars</td>
<td>$56,437</td>
<td>$56,811</td>
<td>$50,949</td>
<td>$58,383</td>
<td>$58,000</td>
</tr>
</tbody>
</table>

NOTE: Information for this slide is from the “Research and Sponsored Projects Activity (G&C) Report – June 2014”
# Grants and Contracts (cont.)

## Revenue and Profitability Analysis

<table>
<thead>
<tr>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014 Budget</th>
<th>FY2014</th>
<th>% of Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>$37,530</td>
<td>$34,089</td>
<td>$31,034</td>
<td>$31,380</td>
<td>$28,400</td>
</tr>
<tr>
<td>Training</td>
<td>18,659</td>
<td>15,802</td>
<td>14,734</td>
<td>13,773</td>
<td>14,800</td>
</tr>
<tr>
<td>Service</td>
<td>5,233</td>
<td>9,875</td>
<td>12,516</td>
<td>11,011</td>
<td>10,800</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$61,422</td>
<td>$59,766</td>
<td>$58,284</td>
<td>$56,164</td>
<td>$54,000</td>
</tr>
<tr>
<td>Incremental Direct Costs</td>
<td>(26,010)</td>
<td>(25,349)</td>
<td>(25,159)</td>
<td>(10,966)</td>
<td>(24,000)</td>
</tr>
<tr>
<td>Cost of Research Administration</td>
<td>(3,000)</td>
<td>(3,500)</td>
<td>(3,000)</td>
<td>(875)</td>
<td>(3,500)</td>
</tr>
<tr>
<td>Contribution Profit to Howard</td>
<td>$32,412</td>
<td>$30,917</td>
<td>$30,125</td>
<td>$44,323</td>
<td>$26,500</td>
</tr>
<tr>
<td>Direct Costs Billed to Sponsors</td>
<td>$52,019</td>
<td>$51,390</td>
<td>$50,318</td>
<td>$21,932</td>
<td>$43,600</td>
</tr>
<tr>
<td>Indirect Cost Recovery from Sponsors</td>
<td>$9,403</td>
<td>$8,376</td>
<td>$7,966</td>
<td>$13,720</td>
<td>$10,400</td>
</tr>
<tr>
<td>Indirect cost recovery as % of direct costs</td>
<td>18%</td>
<td>16%</td>
<td>16%</td>
<td>63%</td>
<td>24%</td>
</tr>
<tr>
<td>Contribution profit as % of revenue</td>
<td>53%</td>
<td>52%</td>
<td>52%</td>
<td>79%</td>
<td>49%</td>
</tr>
<tr>
<td>Cash collected</td>
<td>$64,448</td>
<td>$64,290</td>
<td>$62,289</td>
<td>$54,862</td>
<td>$57,402</td>
</tr>
</tbody>
</table>

## Top 10 PI's by Revenue

- Wutoh, Anthony K. | $6,302
- Porter, Carol A. | $2,484
- Mellman, Thomas A. | $2,438
- Southerland, William M. | $2,196
- Morris, Vernon R. | $2,157
- Jenkins, Renee R. | $1,750
- Chouikha, Mohamed F. | $1,398
- Harris, Gary L. | $1,322
- Lee, Clarence M. | $1,263
- Mitchell, James W. | $1,205

## Top 10 sponsors by Revenue

- National Institute of Health | $7,849
- Department of Health & Human Services | $7,509
- National Science Foundation | $5,021
- DC Government | $4,366
- Department of Education | $3,722
- Family Health International | $3,158
- Department of State | $2,396
- Georgetown University | $2,292
- National Oceanic & Atmospheric Administration | $2,157
- Center for Disease Control | $1,546

NOTE: Information for this slide is from the “Research and Sponsored Projects Activity (G&C) Report – June 2014”