



1867

HOWARD

UNIVERSITY

The Howard University

Financial Statements

For the Three Month Period Ended September 30, 2011 (unaudited)
and Fiscal Years Ended June 30, 2011 and 2010

	Page(s)
Officer Certification.....	2
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	5
Notes to the Financial Statements.....	6-54

HOWARD UNIVERSITY

Office of the Senior Vice President
Chief Financial Officer and Treasurer

Report of Treasurer on Financial Statements

The management of Howard University is responsible for the preparation, accuracy, integrity and objectivity of the financial statements contained herein. Such 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 management's best estimates and judgments. Actual amounts could differ from those estimates.

These financial statements have been prepared under my supervision. Based on my knowledge, these financial statements fairly present, 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 September 30, 2011, as described in Note 17 of the accompanying financial statements.



Robert M. Tarola
Senior Vice President, Chief Financial Officer
and Treasurer
November 18, 2011



Statements of Financial Position As of September 30, 2011 (unaudited), June 30, 2011 and 2010 <i>(in thousands)</i>	Sept 30, 2011	June 30, 2011	June 30, 2010
Assets:			
Cash and cash equivalents	\$ 47,264	\$ 27,280	\$ 31,568
Operating investments	40,225	43,812	33,955
Deposits with trustees	41,014	48,622	37,321
Receivables, net	131,167	109,048	119,092
Inventories, prepaids and other assets	25,670	16,556	12,435
Unexpended bond proceeds	101,029	102,429	42
Restricted Investments	29,844	33,392	25,413
Endowment investments	425,635	473,100	399,678
Property, plant and equipment, net	611,616	604,352	589,358
Total Assets	\$ 1,453,464	\$ 1,458,591	\$ 1,248,862
Liabilities:			
Accounts payable and accrued expenses	\$ 94,916	\$ 94,941	\$ 102,711
Deferred revenue	61,571	8,454	7,057
Other liabilities	31,627	32,096	29,858
Accrued post retirement benefits	195,170	185,017	183,192
Underfunded defined benefit pension plan	131,666	74,560	133,625
Reserves for self-insured liabilities	75,828	79,799	83,154
Notes payable	45,198	30,770	45,553
Capital lease obligations	42,637	43,547	24,187
Bonds payable	293,861	294,057	152,151
Interest rate swap	77	104	5,582
Refundable advances under Federal Student Loan Program	6,829	7,343	7,871
Total Liabilities	979,380	850,688	774,941
Net Assets:			
Unrestricted	157,915	284,160	191,474
Temporarily restricted	201,608	209,045	178,539
Permanently restricted	114,561	114,698	103,908
Total Net Assets	474,084	607,903	473,921
Total liabilities and net assets	\$ 1,453,464	\$ 1,458,591	\$ 1,248,862

Statements of Activities For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended June 30, 2011 and 2010 <i>(in thousands)</i>	Sept 30, 2011	June 30, 2011	June 30, 2010
Academic services:			
Tuition and fees, net	\$ 34,255	\$ 143,398	\$ 124,848
Grants and contracts	15,827	61,422	61,192
Auxiliary services	15,240	61,135	62,151
Clinical services:			
Patient service - Hospital	61,296	255,641	245,478
Patient service - Faculty medical practice	8,030	32,518	28,540
Patient service - Dental clinic	378	1,764	1,935
Public support:			
Federal appropriation	57,744	231,073	231,411
Contributions and investments designated for current operations	3,205	20,337	19,161
Other income and net assets released from restrictions	5,521	26,318	30,747
Total unrestricted operating revenue	201,496	833,606	805,463
Total temporarily restricted operating revenue	5,634	1,804	1,748
Total permanently restricted operating revenue	743	2,045	3,087
Total operating revenues	207,873	837,455	810,298
Salaries and wages	93,041	381,243	369,277
Employee benefits other than retirement plans	16,400	73,099	73,198
Retirement plans including amortization of actuarial losses previously recognized as non-operating items (\$2,530, \$9,792 and \$7,720, respectively)	10,685	41,447	37,799
Utilities and telecommunications	7,536	33,812	30,685
Medical and office supplies	10,643	49,787	42,406
Repairs and maintenance	4,473	18,933	18,994
Food service costs	3,094	11,582	12,848
Grant subcontracts	4,487	16,021	20,454
Insurance and risk management	6,033	21,287	23,695
Professional and administrative services	32,013	115,218	114,052
Provision for bad debts	624	558	3,942
Interest expense	6,456	10,890	9,233
Depreciation	12,383	50,460	49,460
Total operating expenses	207,868	824,337	806,043
Operating revenues over (under) operating expenses	5	13,118	4,255
Investment income/(loss) in excess of amount designated for operations	(31,605)	38,187	14,541
Restructuring costs	(1,267)	(516)	(3,025)
Change in funded status of defined benefit pension plan	(76,509)	61,424	(52,634)
Change in obligation for post-retirement benefit plan	(7,932)	5,953	(6,868)
Loss on extinguishment of debt	--	(11,695)	--
Change in value of interest rate swap, net	27	1,873	(1,621)
Other items, net	(2,587)	(11,809)	(7,619)
Total unrestricted non-operating income and expenses	(119,873)	83,417	(57,226)
Total temporarily restricted non-operating income and expenses, net	(13,071)	28,702	18,998
Total permanently restricted non-operating income and expenses, net	(880)	8,745	5,309
Total non-operating income and expenses	(133,824)	120,864	(32,919)
Unrestricted	(126,245)	92,686	(57,806)
Temporarily restricted	(7,437)	30,506	20,746
Permanently restricted	(137)	10,790	8,396
Change in net assets	\$ (133,819)	\$ 133,982	\$ (28,664)

The accompanying notes are an integral part of these financial statements

Statements of Cash Flows For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended June 30, 2011 and 2010 <i>(in thousands)</i>	Sept 30, 2011	June 30, 2011	June 30, 2010
Cash flows from operating activities			
Change in net assets	\$ (133,819)	\$ 133,982	\$ (28,664)
Adjustment to reconcile change in net assets to net cash and cash equivalents provided by operating activities:			
Non-operating activities	133,824	(120,864)	32,919
Non-cash operating items:			
Depreciation	12,383	50,460	49,460
Retirement plan amortization	2,530	9,792	7,720
Investment appreciation	(2,153)	(15,635)	(12,507)
Changes in net assets adjusted for non-cash and non-operating items	12,765	57,735	48,928
Change in receivables (excluding notes)	(22,099)	9,608	(7,570)
Change in inventory, prepaid expenses and other assets	(9,114)	(4,121)	424
Change in deposits with trustees	7,608	(11,301)	2,884
Change in accounts payable and accrued expenses, net	(9,951)	(14,401)	(29,092)
Change in deferred revenue	53,117	1,397	(2,423)
Change in reserve for self-insured liabilities	(3,971)	(3,355)	6,316
Change in other liabilities	(415)	2,238	(2,577)
Change in refundable advances under federal student loan program	(514)	(527)	(282)
Net cash and cash equivalents provided by operating activities	27,426	37,273	16,608
Cash flows from investing activities			
Proceeds from sale of investments	50,327	203,644	295,071
Purchases of investments	(33,078)	(210,583)	(281,312)
Change in unexpended bond proceeds	1,302	(102,387)	2,581
Purchases and renovations of property, plant and equipment	(18,690)	(39,651)	(36,399)
Proceeds from sales of property, plant and equipment	--	--	973
Net cash and cash equivalents used in investing activities	(139)	(148,977)	(19,086)
Cash flows from financing activities			
Proceeds from notes payable	15,000	79,913	81,720
Payment on notes payable	(574)	(94,696)	(77,722)
Proceeds from bonds payable	--	293,190	--
Payment on bonds payable	(242)	(163,364)	(7,185)
Cash contributions to defined benefit pension plan	(20,000)	--	--
Payment on interest rate swap	--	(3,606)	--
Capital leases (payments) receipts, net	(1,867)	(6,012)	1,070
Student loans issued	(467)	(1,016)	(621)
Student loans collected	494	1,452	1,316
Contributions restricted for endowment	353	1,555	2,603
Net cash and cash equivalents used in financing activities	(7,303)	107,416	1,181
Net increase (decrease) in cash and cash equivalents	19,984	(4,288)	(1,297)
Cash and cash equivalents at beginning of year	27,280	31,568	32,865
Cash and cash equivalents at end of period	\$ 47,264	\$ 27,280	\$ 31,568
Supplemental cash flow information:			
Net cash paid for interest	\$ 1,475	\$ 9,819	\$ 8,882
Supplemental non-cash investing activities:			
Acquisition of equipment under capital leases	957	25,372	10,127
Supplemental non-cash financing activities:			
Donated securities	--	691	197

The accompanying notes are an integral part of these financial statements

Note 1 **Summary of Significant Accounting Policies**

(a) ***General***

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. Howard is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

The financial statements of Howard have been prepared in accordance with accounting principles generally accepted in the United States of America.

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

The preparation of 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 also 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, 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 asset retirement obligations.

(d) ***Net Assets***

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

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions pursuant to those stipulations.

Permanently restricted – Net assets subject to donor-imposed stipulations that do not expire with time. Generally, the donors of these assets permit Howard to use all or part of the income earned on related investments for general or specific purposes.

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 unrestricted revenues. 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 temporarily restricted net assets to unrestricted 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.

(e) ***Receivables and Revenue Recognition***

- (1) **Contributions**, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Howard has elected not to recognize or capitalize contributions of works of art, historical treasures, and similar assets held as part of collections. Contributions revenue at September 30, 2011 and June 30, 2011 and 2010 are shown below:

Contribution Revenue	Sept 30, 2011	June 30, 2011	June 30, 2010
Unrestricted	\$ 1,051	\$ 4,702	\$ 6,654
Temporarily restricted	641	4,118	4,611
Permanently restricted	353	1,555	2,603
Total contribution revenue	\$ 2,045	\$ 10,375	\$ 13,868

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

- (2) **Tuition and fees** from student services are recognized ratably over the academic time period to which they apply. Student receivables represent unpaid tuition and fees assessed in current and prior periods that are generated when a student registers for classes through the University's formal registration process. Howard maintains a policy of offering qualified applicants admission to the University without regard to financial circumstance. Student financial aid is generally fulfilled through a combination of scholarships, fellowships, loans, and employment during

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

the academic year. Tuition and fees are recorded net of discounts for scholarships, fellowships, graduate remissions and need. Funding for financial aid may come from donor designated sources or from unrestricted operations and assets. Financial aid for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 was \$14,214, \$71,149 and \$62,455, respectively.

- (3) **Federal appropriation** revenue is recognized ratably over the award period. 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. For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 Howard received 28%, 28% and 29% , respectively of its revenue support from the federal appropriation. The \$4,489, \$3,595 and \$7,833, receivable as of September 30, 2011, June 30, 2011 and 2010, respectively, represents the portion to be collected on the term endowment.
- (4) **Net patient service revenue** is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and bad debt expense. The Hospital and University faculty physicians have arrangements with third-party payors that provide for payments at established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per-diem payments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Patient and third party healthcare payor receivables are the amount due for patient care services rendered by the University's Faculty Practice Plan (FPP) and the Hospital. Effective July 1, 2010, Howard early adopted the applicable accounting standard for the presentation and disclosure for net patient service revenue, which requires patient revenue to be presented net of the provision for bad debts.

Net Patient Service Revenue	Sept 30, 2011	June 30, 2011	June 30, 2010
Gross Revenues	\$ 176,761	\$ 722,215	\$ 643,397
Third-party settlement revenue	6,274	35,940	36,165
Contractual allowances and adjustments	(91,613)	(386,197)	(343,863)
Charity services	(12,988)	(51,658)	(32,788)
Bad debt	(8,730)	(30,377)	(26,958)
Total Net Patient Service Revenue	\$ 69,704	\$ 289,923	\$ 275,953

- (5) **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). These revenues include recoveries of eligible direct expenses and of 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 amounts due from Federal, state, local, private grants, contracts and others.
- (6) **Auxiliary services** include student housing and dining, bookstore, radio and television stations. Revenues are 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, bookstore vendors, and property rents.
- (7) **Notes receivable** represent loans the University extended to students from institutional resources and Federal Student Loan programs with outstanding balances approximating fair market value at the report date. The notes have stated interest rates and repayment terms. 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.

- (8) **Other receivables** includes checks pending deposit at period end and year end, dental clinic patient receivables and certain vendor credit balances.
- (f) ***Cash and Cash Equivalents***

Short-term investments with maturities at date of purchase of three months or less are classified as cash equivalents, except that any such investments purchased with funds on deposit with bond trustees, or with funds held in trusts or by external endowment investment managers are classified as Deposits with Trustees or Investments, respectively. Cash equivalents include repurchase agreements, certificates of deposit, short-term U.S. Treasury securities and other short-term, highly liquid investments and are carried at fair value. Howard's practice is to enter into repurchase agreements only when collateralized by government or other

agency securities held in safekeeping by a bank. These transactions are recorded on the balance sheet, with any earnings recorded as interest income.

(g) ***Investments***

Investments are segregated between operating, restricted, and endowment investments and deposits with trustees on the 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 are short-term in nature and can be liquidated as needed to meet operational demands.

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

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

Deposits with Trustees – represent short-term investments in various operating trusts, designed to meet certain of Howard's obligations including professional liability, workers' compensation, health insurance and the debt service reserve fund. Investment balances may include some cash and cash equivalents held by investment managers for a specific purpose.

Fair values are determined by the most relevant available and observable valuation inputs. Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs utilize data points that are observable, such as quoted prices for comparable assets, interest rates and yield curves. Level 3 inputs are based on data points consistent with applicable valuation methodologies for similar assets and could include situations where there is little, if any, market activity for the asset.

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.

Realized and unrealized investment gains and losses are allocated in a manner consistent with interest and dividends, to either unrestricted, temporarily restricted or permanently restricted net assets (distinguished between operating and non-operating), based on donor intent. Such amounts may be expended for operations, for specified donor purposes if temporarily restricted, or held in perpetuity at the donor's request. Realized and unrealized investment gains and losses on loan funds are accumulated in permanently restricted net assets.

Operating investment income includes interest, dividends and operating investment returns. Howard follows the total return concept, which combines interest and dividends with market appreciation to measure investment return.

(h) ***Inventories***

Inventories consist primarily of bookstore items and medical supplies, and are recorded at the lower of cost or realizable value on a first-in, first-out basis.

(i) ***Property, Plant and Equipment***

Property, plant and equipment are stated at cost or at estimated fair value if received by gift, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. A half year of depreciation is recorded in the year of acquisition. The useful lives for fiscal years reported are as follow:

Land and land improvements	0-25 years
Building and building improvements	5-40 years
Furniture and equipment	3-20 years
Software	3-10 years
Library books	10 years

Property, plant and equipment acquired under capital leases are amortized in a manner consistent with Howard's normal depreciation policy for owned assets. Lease obligations are amortized using the straight-line method, over the shorter period of the lease term or the estimated useful life.

Property held for expansion consists 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.

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. 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 intended for use.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

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

(j) ***Refundable Advances under Federal Student Loan Program***

Funds provided by the United States Government under the Federal Student Loan Programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the Government and are reported as liabilities in the Statements of Financial Position and as cash flows from financing activities in the Statements of Cash Flows. Loans issued to students are reported as receivables in the Statements of Financial Position.

(k) ***Functional Expenses***

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 depreciation of fixed assets and interest expense, are allocated among programs and institutional support based upon square footage.

For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, expenses were allocated across functions as follows:

Functional expenses	Sept 30, 2011	June 30, 2011	June 30, 2010
Program services:			
Instruction	\$ 47,653	\$ 214,949	\$ 211,611
Research	10,474	34,433	34,673
Public service	2,981	9,856	9,135
Academic support	7,132	38,827	28,586
Student services	6,804	23,525	23,009
Patient care	70,085	287,164	278,795
Total program services expenses	145,129	608,754	585,809
Supporting services:			
Institutional support	40,902	142,400	150,782
Auxiliary Enterprises	21,837	73,183	69,452
Total supporting services	62,739	215,583	220,234
Total program and supporting services expenses	\$ 207,868	\$ 824,337	\$ 806,043

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

The reserve for self-insured liabilities is comprised primarily of amounts accrued for asserted medical malpractice 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. Beginning in fiscal year 2010, medical malpractice claim reserves were stated at an undiscounted amount. The impact of this change was \$6,607 and reflected in the June 30, 2010 Statements of Activities as a non-operating expense.

(m) ***Other Liabilities***

Other liabilities are comprised primarily of asset retirement obligations, unclaimed property, student deposits, reserves for legal and other contingencies, and miscellaneous items.

(n) ***Compensated Absences***

Howard records a liability for amounts due to employees for future absences, which are attributable to services performed in the current and prior periods.

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

The funded status of Howard's pension benefit is actuarially determined and recognized in the Statements of Financial Position as 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 Statements of Financial Position as a liability.

Howard follows the Internal Revenue Service (IRS) guidelines in the administration of the Plan.

(p) ***Measure of Operations***

Howard includes in its measure of operations all revenue and expenses that are integral to its continuing core program services with the key objective being predictability of indicated results. Such measures include the amortization of actuarial gains and losses 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) in endowment investment, changes in retirement plan liabilities due to market factors, and (charges) credits that do not pertain to continuing core program services.

(q) ***Restricted Income and Expense***

The table below details the items of restricted income and expense summarized in the Statements of Activities at September 30, 2011 and June 30, 2011 and 2010.

Restricted income and expense	Sept 30, 2011	June 30, 2011	June 30, 2010
Federal appropriation	\$ 895	\$ 3,595	\$ 3,566
Contributions	641	4,118	4,611
Investment income designated for operations	6,404	7,000	7,507
Release from restrictions	(2,306)	(12,909)	(13,936)
Temporarily restricted operating revenues	5,634	1,804	1,748
Investment income (loss) in excess of amount designated for operations	(12,631)	24,016	14,855
Other items, net	(440)	4,686	4,143
Temporarily restricted non-operating income (expense)	(13,071)	28,702	18,998
Total temporarily restricted income (expense)	\$ (7,437)	\$ 30,506	\$ 20,746
Contributions	\$ 353	\$ 1,555	\$ 2,603
Investment income designated for operations	390	490	484
Permanently restricted operating revenues	743	2,045	3,087
Investment income (loss) in excess of amount designated for operations	(1,203)	7,417	2,893
Other items, net	323	1,328	2,416
Permanently restricted non-operating income (expense)	(880)	8,745	5,309
Total permanently restricted income (expense)	\$ (137)	\$ 10,790	\$ 8,396

(r) ***Reclassification***

Certain prior year amounts have been reclassified to conform to the current year's presentation.

Note 2 Fundraising Expenses

For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, Howard incurred expenses of approximately \$2,095, \$6,598, and \$6,166, respectively, in connection with its fundraising activities. These amounts are reflected on the accompanying Statements of Activities within each respective expense category.

Note 3 **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 of charges forgone for services furnished under the Hospital's charity care policy and the DC Alliance program were \$12,988, \$51,658 and \$32,788 for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, respectively. Total uncompensated care charges under all of Howard's clinical services which includes bad debt write offs as well as charity care, for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 were \$21,718, \$82,035, and \$59,746, respectively.

Note 4 **Insurance and Risk Management**

Howard, along with 15 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. Pinnacle reinsures 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 15 other higher education institutions. Genesis reinsures general liability and automobile liability risks of its shareholders. At June 30, 2011, Howard had an approximate 6% controlling interest of Genesis and Pinnacle, respectively. Howard's interest in Genesis and 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.

Note 5 Restructuring Costs

In fiscal year 2010, Howard executed a voluntary retirement program as part of a cost reduction and restructuring plan. The program provided eligible staff with the opportunity to retire and receive severance pay in addition to regular retirement benefits, or separate by resigning and receive severance pay and limited free basic life insurance coverage with portability. The cost incurred for the year ended June 30, 2010 was \$3,025. In fiscal year 2011, an involuntary action incurred \$516 of cost. During the three month period ended September 30, 2011, \$1,267 of restructuring costs were incurred.

Note 6 Concentration of Credit Risk

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.

Concentrations of credit risk with respect to receivables pertain mainly to self-pay patients of Howard's clinical services, and to students.

Note 7 Receivables

Accounts receivable, prior to adjustment for doubtful collections, is summarized as follows at September 30, 2011 and June 30, 2011 and 2010:

Receivables	Sept 30, 2011	June 30, 2011	June 30, 2010
Student	\$ 24,139	\$ 8,404	\$ 9,097
Notes	11,037	11,063	11,499
Federal Appropriation	4,489	3,595	7,833
Patients and third-party payors - FPP	8,677	8,923	9,324
Patients and third-party payors - Hospital	84,284	78,927	73,090
Research grants and development agreements	25,524	19,822	23,871
Contributions	3,661	3,504	4,435
Insurance claims	14,172	14,397	12,863
Investments	830	773	5,454
Auxiliary Services	4,882	4,800	6,247
Other	1,828	2,860	4,114
Totals	\$ 183,523	\$ 157,068	\$ 167,827

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Allowance for doubtful receivables is summarized as follows at September 30, 2011 and June 30, 2011 and 2010:

Allowance for Doubtful Receivables	Sept 30, 2011	June 30, 2011	June 30, 2010
Student	\$ 2,755	\$ 2,295	\$ 4,594
Notes	2,549	2,516	2,446
Federal appropriation	--	--	--
Patients and third-party payors - FPP	4,555	4,915	4,302
Patients and third-party payors - Hospital	33,607	29,078	25,794
Research grants and development agreements	3,918	3,918	5,016
Contributions	1,640	1,620	2,113
Insurance claims	2,480	2,856	2,403
Investments	--	--	--
Auxiliary services	699	671	884
Other	153	151	1,183
Totals	\$ 52,356	\$ 48,020	\$ 48,735

Provision for bad debt is summarized as follows at September 30, 2011 and June 30, 2011 and 2010:

Provision for Bad Debt	Sept 30, 2011	June 30, 2011	June 30, 2010
<i>Non-clinical services:</i>			
Student	\$ 210	\$ 22	\$ 1,662
Notes	--	(17)	40
Federal appropriation	--	--	--
Research grants and development agreements	--	--	604
Contributions	--	--	--
Insurance claims	(375)	686	432
Investment income	--	--	--
Auxiliary services	28	(166)	730
Other	761	33	474
Total non-clinical services	624	558	3,942
<i>Clinical services:</i>			
Patients and third-party payors - FPP	1,913	8,285	7,150
Patients and third-party payors - Hospital	6,817	22,092	19,808
Total clinical services	8,730	30,377	26,958
Total provision for bad debt	\$ 9,354	\$ 30,935	\$ 30,900

Bad debt expense of \$624, \$558 and \$3,942 for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 reflected in total operating expenses on the Statements of Activities excludes bad debt expense related to clinical services. Clinical services bad debt expense, as shown in the table above, has been netted against patient service revenues on the Statements of Activities.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Contributions receivable at September 30, 2011 and June 30, 2011 and 2010 are expected to be received as follows:

Contributions Receivable	Sept 30, 2011	June 30, 2011	June 30, 2010
Within one year	\$ 2,851	\$ 2,694	\$ 2,515
Between one and five years	855	855	1,211
Thereafter	49	49	1,219
Contributions receivable gross	3,755	3,598	4,945
Unamortized discount on contributions receivable (2%-5%)	(94)	(94)	(510)
Contributions receivable, net of discounts	3,661	3,504	4,435
Allowance for uncollectible contributions	(1,640)	(1,620)	(2,113)
Contributions receivable, net of discounts and allowance	\$ 2,021	\$ 1,884	\$ 2,322

Note 8 **Accounts Payable and Accrued Expenses**

Components of this liability account at September 30, 2011 and June 30, 2011 and 2010 are as follows:

Accounts Payable and Accrued Expenses	Sept 30, 2011	June 30, 2011	June 30, 2010
Vendor invoices	\$ 39,626	\$ 44,503	\$ 47,941
Accrued salaries and wages	24,405	27,069	31,995
Accrued employee benefits	20,775	19,435	20,350
Accrued interest	8,257	2,786	1,439
Other	1,853	1,148	986
Total	\$ 94,916	\$ 94,941	\$ 102,711

Note 9 Other Liabilities and Deferred Revenue

These obligations include the following at September 30, 2011 and June 30, 2011 and 2010:

Other liabilities	Sept 30, 2011	June 30, 2011	June 30, 2010
Asset retirement obligation	\$ 11,886	\$ 11,806	\$ 11,343
Environmental remediation	3,000	3,000	3,000
Unclaimed property	3,247	3,026	2,954
Student deposits and refunds	2,334	3,944	6,434
Reserve for legal contingencies	6,593	6,663	1,224
Other	4,567	3,657	4,903
Total	\$ 31,627	\$ 32,096	\$ 29,858

Deferred revenue	Sept 30, 2011	June 30, 2011	June 30, 2010
Deferred tuition, room and board	\$ 56,493	\$ 2,114	\$ 3,839
Deferred grant revenue	4,397	4,573	3,218
Other	681	1,767	--
Total	\$ 61,571	\$ 8,454	\$ 7,057

Note 10 Deposits with Trustees and Self-insured Liabilities

	Dedicated Assets			Liability		
	Sept 30, 2011	June 30, 2011	June 30, 2010	Sept 30, 2011	June 30, 2011	June 30, 2010
Debt service reserve fund	\$ 12,778	\$ 12,967	\$ 10,176	NA	NA	NA
Capitalized interest fund	19,782	19,782	--	NA	NA	NA
Professional liability	3,429	10,385	23,368	\$ 41,285	\$ 43,141	\$44,955
Workers' compensation	3,294	3,290	3,635	30,768	30,830	31,181
Health insurance trust	1,731	2,198	142	3,775	5,828	7,018
Total	\$ 41,014	\$ 48,622	\$ 37,321	\$ 75,828	\$ 79,799	\$ 83,154

NA = Not applicable

(a) Debt Service Reserve Fund

As required by the 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, \$12,634 and \$10,176 for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, respectively. The assets in the debt service reserve fund consist primarily of cash, fixed income and other short-term securities.

(b) *Capitalized Interest Fund*

As required by the Revenue Bonds, Howard maintains a capitalized interest fund of \$19,782 for three month period ended September 30, 2011 and fiscal year ended June 30, 2011. These funds will be used to satisfy bond interest payments through June 30, 2014.

(c) *Professional Liability*

Howard is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and certain faculty physicians and are currently in various stages of litigation. Additional claims may be asserted arising from services provided to patients through September 30, 2011. It is the opinion of management based on the advice of actuaries and legal counsel that estimated malpractice costs accrued at the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 of approximately \$41,285, \$43,141 and \$44,955, respectively is adequate to provide for losses resulting from probable unasserted claims and pending or threatened litigation.

(d) *Workers' Compensation*

Howard has 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 consists of U.S. Treasury Bills and obligations, as well as domestic and foreign corporate bonds. Howard also maintains \$10,565 in letters of credit, which serve as collateral for specific insurance carriers. These letters of credit are secured by Howard's principal lending bank. Howard is self-insured for workers' compensation claims up to per occurrence retention of \$500. The excess is covered through commercial insurance. For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 expenses related to workers' compensation were \$376, \$1,629 and \$4,510, respectively and are reflected in employee benefits.

The total liability for future workers' compensation liability claims was approximately \$30,768, \$30,830 and \$31,181 at September 30, 2011 and June 30, 2011 and 2010, respectively, and includes liabilities for claims covered under existing insurance policies. Reserves reflect actuarially determined estimates for losses on asserted claims, as well as unasserted claims arising from reported and unreported incidents. This liability is recorded on the accompanying Statements of Financial Position in reserves for self-insured liabilities. Estimated claims for which payments will be covered under existing insurance policies were \$11,691, \$11,541 and \$10,454 at September 30, 2011 and June 30, 2011 and 2010,

respectively, net of allowances for uncollectible amounts and are reflected in other receivables.

(e) ***Health Insurance***

Howard established a revocable self-insured trust fund for the purpose of partially funding group health benefits for its employees. The assets consist primarily of investments in money market funds. 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 September 30, 2011 and June 30, 2011 and 2010, is approximately \$3,775, \$5,828 and \$7,018, respectively.

Note 11 **Fair Value Measurements**

Effective July 1, 2008, Howard adopted the 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 three categories for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date as follows:

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

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Howard's financial assets and liabilities as of September 30, 2011 and June 30, 2011 and 2010 are subject to fair value accounting.

Fair value as of September 30, 2011 is as follows:

Fair Value as of September 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ 101,029	\$ --	\$ --	\$ 101,029
Deposits with trustees (7)	28,577	12,437	--	41,014
Total Asset (non investment)	129,606	12,437	--	142,043
Operating investments				
Fixed Income-Government Bonds (2)	5,074	--	--	5,074
Common Stock (3)	35,151	--	--	35,151
Total operating investments	40,225	--	--	40,225
Restricted investments				
Money Market Instrument (1)	--	435	--	435
Common Stock (3)	26,078	--	--	26,078
Private Equity (4)	--	--	3,081	3,081
Real Estate (4)	--	--	250	250
Total restricted investments	26,078	435	3,331	29,844
Endowment Investments				
Money Market Instrument (1)	--	8,038	--	8,038
Commingled Funds				
Emerging Market Equity Security (3)	--	25,929	--	25,929
Global Fixed Income Security (2)	--	27,169	--	27,169
International Equity Security (3)	--	38,212	--	38,212
US Common Stock (3)	--	12,732	--	12,732
Common Stock (3)	37,951	--	--	37,951
Fixed Income (2)				
Government Bonds	19,188	--	--	19,188
Asset backed securities	--	1,899	--	1,899
Corporate Bonds	--	6,620	--	6,620
Hedge Funds (4)				
Distressed Debt	--	2,333	--	2,333
Equity Long/Short	--	3,972	--	3,972
Event Driven	--	2,557	3,274	5,831
Global Opportunities	--	3,891	--	3,891
Multi-strategy	--	46,513	1,829	48,342
Inflation hedge	--	17,906	--	17,906
Mutual Funds Investment				
Domestic Common Stock (3)	20,672	--	--	20,672
Domestic Fixed Income (2)	57,268	--	--	57,268
Private Equity and Venture Capital (4)	--	--	79,938	79,938
Real Estate (4)	--	--	7,744	7,744
Total endowment investments	135,079	197,771	92,785	425,635
Liabilities:				
Interest rate swaps (5)	--	77	--	77
Total assets and liabilities measured at fair value	\$ 330,988	\$ 210,720	\$ 96,116	\$ 637,824

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Fair value as of June 30, 2011 is as follows:

Fair Value as of June 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ 102,429	\$ --	\$ --	\$ 102,429
Deposits with trustees (7)	26,069	22,553	--	48,622
Total Asset (non investment)	128,498	22,553	--	151,051
Operating investments subject to fair value reporting				
Fixed Income-Government Bonds (2)	4,592	--	--	4,592
Common Stock (3)	39,220	--	--	39,220
Total operating investments subject to fair value reporting	43,812	--	--	43,812
Restricted Investment subject to fair value reporting				
Money Market Fund (1)	--	5,008	--	5,008
Common Stock (3)	25,038	--	--	25,038
Private Equity (4)	--	--	3,096	3,096
Real Estate (4)	--	--	250	250
Total restricted investments subject to fair value reporting	25,038	5,008	3,346	33,392
Endowment Investments				
Money Market Instrument (1)	906	18,069	--	18,975
Commingled Funds				
Emerging Market Equity Security (3)	--	25,483	--	25,483
Global Fixed Income Security (2)	--	26,563	--	26,563
International Equity Security (3)	--	41,367	--	41,367
US Common Stock (3)	--	14,643	--	14,643
Common Stock (3)	55,958	--	--	55,958
Fixed Income (2)				
Government Bonds	25,189	--	--	25,189
Asset backed securities	--	2,022	--	2,022
Corporate Bonds	--	5,900	--	5,900
Hedge Funds (4)				
Distressed Debt	--	2,494	--	2,494
Equity Long/short	--	4,146	--	4,146
Event driven	--	2,846	3,277	6,123
Global opportunities	--	4,009	--	4,009
Inflation hedge	--	17,306	--	17,306
Multi-strategy	--	48,058	1,918	49,976
Mutual Funds Investment				
Domestic Common Stock (3)	21,110	--	--	21,110
Domestic Fixed Income (2)	57,872	--	--	57,872
Private Equity and Venture Capital (4)	--	--	85,324	85,324
Real Estate (4)	--	--	8,640	8,640
Total endowment investments	161,035	212,906	99,159	473,100
Liabilities:				
Interest rate swap (5)	--	104	--	104
Total assets and liabilities measured at fair value	\$ 358,383	\$ 240,571	\$ 102,505	\$ 701,459

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Fair value as of June 30, 2010 is as follows:

Fair Value as of June 30, 2010	Level 1	Level 2	Level 3	Total
Assets:				
Unexpended bond proceeds (6)	\$ --	\$ 42	\$ --	\$ 42
Deposits with trustees (7)	26,992	10,329	--	37,321
Total Asset (non investment)	26,992	10,371	--	37,363
Operating investments				
Fixed Income-Government Bonds (2)	3,395	--	--	3,395
Common Stock (3)	30,560	--	--	30,560
Total operating investments	33,955	--	--	33,955
Restricted investments				
Money Market Instrument (1)	--	194	--	194
Common Stock (3)	22,868	--	--	22,868
Private Equity (4)	--	--	2,101	2,101
Real Estate (4)	--	--	250	250
Total restricted investments	22,868	194	2,351	25,413
Endowment Investments				
Money Market Instrument (1)	661	14,899	--	15,560
Commingled Funds				
Emerging Market Equity Security (3)	--	19,826	--	19,826
Global Fixed Income Security (2)	--	23,195	--	23,195
International Equity Security (3)	--	38,345	--	38,345
Common Stock (3)	51,258	--	300	51,558
Fixed Income (2)				
Government Bonds	25,175	--	--	25,175
Asset backed securities	--	3,200	287	3,487
Corporate Bonds	--	5,664	--	5,664
Hedge Funds (4)				
Distressed Debt	--	2,258	--	2,258
Equity Long/short	--	3,892	--	3,892
Event driven	--	2,753	2,849	5,602
Inflation hedge	--	4,324	--	4,324
Multi-Global opportunities	--	13,229	--	13,229
Multi-strategy	--	48,482	1,618	50,100
Mutual Funds Investment				
Domestic Common Stock (3)	14,525	--	--	14,525
Domestic Fixed Income (2)	47,179	--	--	47,179
Private Equity and Venture Capital (4)	--	--	68,386	68,386
Real Estate (4)	--	--	7,373	7,373
Total endowment investments	138,798	180,067	80,813	399,678
Liabilities:				
Interest rate swaps (5)	--	5,582	--	5,582
Total assets and liabilities measured at fair value	\$ 222,613	\$ 196,214	\$ 83,164	\$ 501,991

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 U.S. treasury securities, US agency bonds, certificates of deposit and corporate bonds. Funds that are quoted daily in active markets are classified as Level 1. Funds that are not quoted daily with prices based on amortized cost are classified as Level 2.
- (2) For investments in government securities and corporate bonds, fair value is based first upon quoted market prices for those securities that can be classified as Level 1. For securities where an active market is not available, fair value is determined with reference to similar securities using market prices and broker quotes for similar instruments and are classified as Level 2.
- (3) Common stocks are largely valued based on the last sales price for identical securities traded on a primary exchange. These investments are classified as Level 1. Securities that trade infrequently, or that have comparable traded assets – that trade in either active or inactive markets, are priced using available quotes and other market data that are observable as of the reporting date, and are classified as Level 2.
- (4) Alternative investments include Howard’s limited partnership interests, hedge funds, private equity and real estate 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 by the investment manager 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 an accounting standard update governing the classification of certain investments which provide the option of NAV redemption value as Level 2, Howard has classified investments in Hedge Funds as Level 2. These investments can be redeemed on a quarterly basis with a 30 to 90 days redemption notice period. 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 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) Interest rate swaps are valued using observable and unobservable inputs, such as quotations received from counterparty dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of the observed inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, pre-payment rates, assumptions for non-performance risk, and correlations of such inputs. Certain parts of the interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore, classified as Level 2 within the fair value hierarchy.
- (6) 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 1 for the three month period ended September 30, 2011 and fiscal year ended June 30, 2011 and as Level 2 in fiscal year ended June 30, 2010.
- (7) 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.

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.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

The following tables present the changes in amounts included in the 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 September 30, 2011 is as follows:

Changes in Level 3 for the Three month period ended September 30, 2011	Private Equity and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2011	\$ 88,420	\$ 5,195	\$ 8,890	\$ 102,505
Gain and Loss (Realized and unrealized)	(7,522)	(92)	(702)	(8,316)
Purchases	4,717	--	--	4,717
Sales	(2,596)	--	(194)	(2,790)
Balance September 30, 2011	\$ 83,019	\$ 5,103	\$ 7,994	\$ 96,116

There were no transfers into or out of Level 3 during the three month period ended September 30, 2011.

Changes in Level 3 for the year ended June 30, 2011	Private Equity and Venture Capital	Hedge Funds	Fixed Income	Common Stock	Real Estate	Total
Balance July 1, 2010	\$ 70,487	\$ 4,467	\$ 287	\$ 300	\$ 7,623	\$ 83,164
Gain and Loss (Realized and unrealized)	15,689	728	(50)	--	1,044	17,411
Purchases	17,117	--	--	--	432	17,549
Transfer out and Sales	(14,873)	--	(237)	(300)	(209)	(15,619)
Balance June 30, 2011	\$ 88,420	\$ 5,195	\$ --	\$ --	\$ 8,890	\$ 102,505

There were \$200 transfers out of Level 3 during fiscal year ended June 30, 2011.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Changes in Level 3 securities for the period ended June 30, 2010 is as follows:

Changes in Level 3 for the year ended June 30, 2010	Private Equity and Venture Capital	Fixed Income	Hedge Funds	Common Stock	Real Estate	Total
Balance July 1, 2009	\$ 54,716	\$ 2,034	\$ 64,853	\$ --	\$ 9,365	\$ 130,968
Gain and Loss (Realized and unrealized)	9,813	(89)	467	--	(2,392)	7,799
Purchases	11,873	--	4,000	300	650	16,823
Transfer out and Sales	(5,915)	(1,658)	(64,853)	--	--	(72,426)
Balance June 30, 2010	\$ 70,487	\$ 287	\$ 4,467	\$ 300	\$ 7,623	\$ 83,164

There were \$64,853 transfers out of Level 3 during fiscal year ended June 30, 2010. These transfers represent the reclassification of hedge funds to Level 2, from Level 3, in accordance with the applicable accounting standard update.

Net investment income (loss) is summarized as follows for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010:

Net Investment Income (Loss)	Sept 30, 2011	June 30, 2011	June 30, 2010
Interest and dividends	\$ 1,530	\$ 7,433	\$ 8,263
Net realized gains (loss)	3,164	18,887	16,102
Net unrealized gains (loss)	(40,611)	64,740	29,959
Other investment income (expenses)	(271)	3,625	633
Investment expenses	(302)	(1,941)	(2,170)
Net investment income (loss)	\$ (36,490)	\$ 92,744	\$ 52,787
Unrestricted operating investment income	\$ 2,153	\$ 15,635	\$ 12,507
Unrestricted non-operating investment income (loss)	(31,605)	38,187	14,541
Temporarily restricted investment income (loss)	(6,227)	31,016	22,362
Permanently restricted investment income (loss)	(811)	7,906	3,377
Net investment income (loss)	\$ (36,490)	\$ 92,744	\$ 52,787

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Investment Commitments – Howard’s investment commitments as of September 30, 2011 and June 30, 2011 and 2010, are summarized below. Some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions.

Investment Commitments	Sept 30, 2011	June 30, 2011	June 30, 2010
Private Equity and Venture Capital Funds	\$ 136,703	\$ 136,703	\$ 134,203
Real Estate Funds	15,000	15,000	15,000
Total financial commitment	151,703	151,703	149,203
Amounts funded	114,551	109,833	95,169
Unfunded commitment	\$ 37,152	\$ 41,870	\$ 54,034

Note 12 Net Assets

Temporarily restricted net assets consist of the following at September 30 and June 30:

Temporarily Restricted Net Assets	Sept 30, 2011	June 30, 2011	June 30, 2010
Scholarships	\$ 45,160	\$ 46,179	\$ 40,302
Professorships	27,189	27,093	22,949
Student loans	831	536	307
Federal term	106,206	104,403	92,918
General operations and other	22,222	30,834	22,063
Total	\$ 201,608	\$ 209,045	\$ 178,539

The Federal term restriction is for 20 years for each contribution beginning in 1985. Howard transfers the amount of the original contribution plus accumulated investment returns to unrestricted net assets at the end of each 20 year period.

Permanently restricted net assets are held in perpetuity and the income therefrom is only expendable for the noted purposes at September 30 and June 30.

Permanently Restricted Net Assets	Sept 30, 2011	June 30, 2011	June 30, 2010
Scholarships	\$ 50,666	\$ 50,700	\$ 49,332
Professorships	17,005	16,613	14,513
Student loans	36,044	35,692	34,186
General operations and other	10,846	11,693	5,877
Total	\$ 114,561	\$ 114,698	\$ 103,908

Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purpose specified by the donors as noted for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010.

Net Assets Released from Restrictions	Sept 30, 2011	June 30, 2011	June 30, 2010
Federal term	\$ --	\$ 6,174	\$ 6,663
Restrictions released based on time	--	--	576
Restrictions released based on purpose:			
Scholarships and fellowships	1,636	4,088	2,632
Professorships	92	846	924
Student loans	26	155	247
General operations and other	552	1,646	2,894
Total	\$ 2,306	\$ 12,909	\$ 13,936

Note 13 Endowment Fund

Howard’s endowment includes approximately 800 individual accounts established to fund scholarships, professorships, student loans, general operations and other purposes. Effective July 1, 2008, Howard adopted Financial Accounting Standards Board Staff Position – Endowments of Not-for-profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. 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 that is not classified as permanently restricted is classified as temporarily restricted 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

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 Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

As of September 30, 2011 and June 30, 2011 and 2010, total endowment funds classified as permanently restricted and temporarily restricted net assets were:

Restricted Endowment	Sept 30, 2011	June 30, 2011	June 30, 2010
Permanently Restricted Net Assets The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA	\$ 67,080	\$ 74,530	\$ 72,257
Temporarily Restricted Net Assets Time restricted funds The portion of perpetual endowment Funds subject to a time restriction under DC UPMIFA:	\$ 109,205	\$ 118,789	\$ 109,827
Without purpose restrictions	3,683	3,972	3,210
With purpose restrictions	50,940	56,094	44,371
Total endowment funds classified as temporarily restricted net assets	\$ 163,828	\$ 178,855	\$ 157,408

The change in value and the composition of amounts classified as endowment for the three month period ended September 30, 2011 is as follows:

Endowment Change in Value period ended September 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695
Investment return:				
Investment income	953	181	204	1,338
Net depreciation (realized and unrealized)	(18,324)	(10,447)	(8,117)	(36,888)
Total investment return	(17,371)	(10,266)	(7,913)	(35,550)
Contributions	194	895	252	1,341
Appropriation of endowment assets for operations	(6,954)	(5,719)	(106)	(12,779)
Other changes:				
Match release	--	--	--	--
Transfer and other changes	37	63	317	417
Endowment net assets, end of year	\$ 199,216	\$ 163,828	\$ 67,080	\$ 430,124
Donor-restricted endowment funds	\$ (6,349)	\$ 163,828	\$ 67,080	\$ 224,559
Board-designated endowment funds	205,565	--	--	205,565
Endowment net assets, end of year	\$ 199,216	\$ 163,828	\$ 67,080	\$ 430,124

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

The change in value and the composition of amounts classified as endowment as of June 30, 2011 is as follows:

Endowment Change in Value year ended June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 177,846	\$ 157,408	\$ 72,257	\$ 407,511
Investment return:				
Investment income	4,276	2,221	129	6,626
Net appreciation (realized and unrealized)	39,090	31,419	537	71,046
Total investment return	43,366	33,640	666	77,672
Contributions	318	3,777	1,273	5,368
Appropriation of endowment assets for expenditure	(4,339)	(9,807)	(123)	(14,269)
Other changes:				
Match release	6,174	(6,174)	--	--
Transfer and other changes	(55)	11	457	413
Endowment net assets, end of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695
Donor-restricted endowment funds	\$ (4,990)	\$ 178,855	\$ 74,530	\$ 248,395
Board-designated endowment funds	228,300	--	--	228,300
Endowment net assets, end of year	\$ 223,310	\$ 178,855	\$ 74,530	\$ 476,695

The change in value and the composition of amounts classified as endowment for the year ended June 30, 2010 is as follows:

Endowment Change in Value year ended June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 164,045	\$ 140,240	\$ 66,478	\$ 370,763
Investment return:				
Investment income	6,502	3,699	176	10,377
Net appreciation (realized and unrealized)	15,287	17,351	379	33,017
Total investment return	21,789	21,050	555	43,394
Contributions	--	4,816	2,902	7,718
Appropriation of endowment assets for operations	(7,575)	(7,402)	(124)	(15,101)
Other changes:				
Match release	6,663	(6,663)	--	--
Transfer and other changes	(7,076)	5,367	2,446	737
Endowment net assets, end of year	\$ 177,846	\$ 157,408	\$ 72,257	\$ 407,511
Donor-restricted endowment funds	\$ (9,409)	\$ 157,408	\$ 72,257	\$ 220,256
Board-designated endowment funds	187,255	--	--	187,255
Endowment net assets, end of year	\$ 177,846	\$ 157,408	\$ 72,257	\$ 407,511

Howard's endowment net assets include receivables related to the federal term endowment, which have not been received and therefore not included as part of endowment investments. For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 receivables of \$4,489, \$3,595 and \$7,833, respectively were recorded, and represent the difference between

endowment investments reflected on the 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 unrestricted net assets and totaled \$6,349, \$4,990 and \$9,409 as of September 30, 2011, June 30, 2011 and 2010, 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.

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 well-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 exceed 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 5 percent of its endowment fund's market value, excluding Federal term and Islamic Funds, based upon a three-year moving average with the most recent year removed. In establishing this policy, 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.

Note 14 Estimated Third-Party Settlements

Certain services rendered by the Hospital and Faculty Practice Plan are reimbursed by third-party payors at cost, based upon cost reports filed after year-end. Contractual allowances are recorded based upon preliminary estimates of reimbursable costs. Net patient service revenue recorded under cost reimbursement agreements for the current and prior years is subject to audit and retroactive adjustments by significant third-party payors for the following years:

Medicare 2002-2011
Medicaid 2008-2011

Final settlements and changes in estimates related to Medicare and Medicaid third-party cost reports for prior years resulted in an increase to net patient service revenues of approximately \$714, \$1,382 and \$1,999 for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, respectively.

Note 15 Property, Plant and Equipment

Property, Plant and Equipment	Sept 30, 2011	June 30, 2011	June 30, 2010
Land and land improvements	\$ 27,910	\$ 27,711	\$ 27,711
Buildings and building improvements	776,241	775,547	758,091
Property held for expansion	57,007	57,007	56,872
Furniture and equipment	271,482	270,232	261,931
Library books	89,794	89,777	89,246
Equipment under capital leases	64,421	63,463	33,681
Software	94,759	94,416	91,203
Software in progress	3,234	3,222	357
Construction in progress	45,970	29,757	27,224
Property, plant and equipment, gross	1,430,818	1,411,132	1,346,316
Accumulated depreciation and amortization	(819,202)	(806,780)	(756,958)
Property, plant and equipment, net	\$ 611,616	\$ 604,352	\$ 589,358

Depreciation and amortization expenses for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 were \$12,383, \$50,460 and \$49,460, respectively. For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, respectively, the net interest costs of \$0, \$360 and \$72, were incurred during construction and were capitalized as part of the cost of capital projects.

Howard's asset retirement costs and obligations are reported in property, plant and equipment and other liabilities in the Statements of Financial Position, respectively. The asset retirement obligation has been discounted using a rate of 4.9%. Amounts for the reporting periods ended were as follows:

Asset Retirement Costs and Obligations	Sept 30, 2011	June 30, 2011	June 30, 2010
Asset retirement costs	\$ 4,565	\$ 4,565	\$ 4,565
Accumulated depreciation	2,079	2,033	1,966
Asset retirement obligation	11,886	11,806	11,343

Howard incurred costs related to asbestos abatement during the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 of \$66, \$16 and \$128, respectively.

Note 16 **Leases**

Lease Obligations

Howard is obligated under capital leases for office and medical equipment that extend through 2014 in the amounts of \$42,637, \$43,547 and \$24,187, respectively at September 30, 2011 June 30, 2011 and 2010. The assets are amortized over their estimated useful lives. Accumulated amortization related to the leased assets is \$28,166, \$26,165 and \$20,326 at September 30, 2011, June 30, 2011 and 2010, respectively.

At September 30, 2011, Howard has a remaining commitment to draw an additional \$32,835 under existing lease financing arrangements to finance medical and information technology equipment. The lease periods commence in future months and continue for a period of five years after the start date.

Howard entered into an agreement in March 2010, to construct an air conditioning system (or called "chiller plant") for a price of \$14,500. The construction was completed and the asset placed into service in May 2011. The purchase of the chiller plant will be paid over 20 years through a commodity supply agreement which requires Howard to purchase minimum quantities of output from the facility, which will be owned and operated by third parties. The facility is accounted for as a capital lease asset with a corresponding capital lease obligation. The minimum payments due under the commodity purchase agreement approximate \$23,000.

Howard has several non-cancelable operating leases for office space and equipment that expire by 2019. Rental payments are recognized on a straight-line basis and reflected in the Statements of Activities within professional and

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

administrative services expense. Rent expense related to building space and equipment for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 was approximately \$1,982, \$8,254 and \$10,016, respectively.

The minimum lease payments under capital leases and non-cancelable operating leases (with initial or remaining lease terms in excess of one year) for future years ending June 30, are as follow:

Lease Obligations	Capital Leases	Operating Leases
October 1, 2011 through June 30, 2012	\$ 7,098	\$ 2,850
2013	8,221	4,329
2014	6,372	2,022
2015	5,255	623
2016	2,336	517
2017 and thereafter	16,178	2,104
Obligation, gross	45,460	12,445
Amounts representing interest rates from 4% to 8%	(2,823)	--
Total Lease Obligations, net	\$ 42,637	\$ 12,445

Lease Income

Howard leases property to several area businesses, non-profit organizations and individuals under non-cancelable operating leases. Howard receives monthly income under these lease agreements, which have termination dates through 2017 and thereafter.

The future minimum lease income for years ending at June 30 is as follow:

Future minimum lease income	June 30
October 1, 2011 through June 30, 2012	\$ 474
2013	543
2014	488
2015	493
2016	469
2017 and thereafter	1,968
Total minimum lease income receipts	\$ 4,335

Note 17 Bonds and Notes Payable

(a) *Bonds Payable*

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

Bonds Payable	Sept 30, 2011	June 30, 2011	June 30, 2010
<i>District of Columbia issues:</i>			
2006A Revenue Refunding bonds, 5.00% Serial due 2021 through 2031	\$ --	\$ --	\$ 53,490
2006B Revenue Refunding bonds, weekly rate, serial due 2007 through 2026	--	--	39,500
1998 Revenue Refunding bonds, 5.00% to 5.50% Serial due 2021 through 2031	--	--	56,080
2010 Revenue bonds, 5.05% Serial due 2010 through 2025	9,922	10,163	--
2011A Revenue bonds 5.00% to 6.50% Serial due 2020 through 2041	225,250	225,250	--
2011B Revenue bonds 4.31% to 7.63% Serial due 2015 through 2035	65,065	65,065	--
Total bonds payable, gross	\$ 300,237	\$ 300,478	\$ 149,070
Unamortized bond premium (discount)	(6,376)	(6,421)	3,081
Total bonds payable, net	\$ 293,861	\$ 294,057	\$ 152,151

(1) **1996 Revenue Refunding Bonds**

In 1996 Howard issued the Series 1996 unsecured revenue refunding bonds. These bonds were defeased with the proceeds of the 2006 refunding bonds (see below).

(2) 1998 Revenue Refunding Bonds

In March 1998 Howard issued \$109,425 of Series 1998 unsecured revenue refunding bonds with a premium of \$4,283. The bonds bear interest ranging from 5.00% to 5.50% and are repayable from 2021 through 2031. In a single previously issued series of transactions Howard has defeased \$94,325 of bonds through the establishment of an irrevocable trust. The 1998 Bonds provides for the maintenance of a debt service reserve fund. Howard had obtained an insurance policy which provided for the payment of regularly scheduled principal and interest obligations. These bonds were defeased with the proceeds of the 2011 Revenue Bonds (see below).

(3) 2006 Revenue Refunding Bonds

In July 2006, Howard issued \$53,490 of Series 2006A bonds and \$44,175 of Series 2006B bonds. A portion of the proceeds of the Series 2006B bonds were used to defease the Series 1996 bonds. The Series 2006A bonds bear interest at 5% are repayable from 2021 through 2031. The Series 2006B bonds bear interest at a rate which is reset weekly through a remarketing process. Payments on the 2006B bonds are due 2007 through 2026. These bonds were defeased with the proceeds of the 2011 Revenue Bonds (see below).

(4) 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. A portion of the proceeds were used to retire an expiring equipment note. The remaining proceeds will be used to fund energy related projects.

(5) 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 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. For the period ended September 30, 2011, the fund balance was \$12,778.

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.

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. \$19,782 of the 2011 Bond proceeds has been used to create a deposit for capitalized interest. This amount is reflected in deposits with trustees on the Statements of Financial Position.

(6) Letter of Credit and Reimbursement Agreement

In June 2008 in connection with the conversion of the Series 2006B bonds to a weekly rate from an "auction rate" setting mechanism, Howard entered into a Letter of Credit and Reimbursement Agreement with the trustee of the bonds that expired June 19, 2011. As of June 30, 2011, the Letter of Credit Agreement has been terminated in conjunction with the 2011 Revenue Bond issuance.

(7) Fair Value of Bonds and Notes Payable

The estimated fair value of Howard's bonds is determined based on quoted market prices. At September 30, 2011, and June 30, 2011 and 2010, the estimated fair value was approximately \$316,831, \$297,806, and \$154,290, 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.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

(b) *Notes Payable*

Howard is obligated with respect to the following notes payable at September 30 and June 30:

Notes Payable	Sept 30, 2011	June 30, 2011	June 30, 2010
Bank of America Commercial Loan Due monthly, July 2007 through March 31, 2013 fixed interest rate of 6.685%	\$ 1,547	\$ 1,833	\$ 2,982
Bank of America Property Loan Due monthly, through February 28, 2014 fixed interest rate of 5.01%	8,508	8,795	9,942
Multi-bank Credit Agreement Due June 24, 2014, variable interest rate at one month LIBOR plus 1.25%	35,143	20,142	29,285
Bank of America Equipment Note Due October 6, 2010 fixed interest rate of 4.81% per annum	--	--	3,344
Total Notes Payable	\$ 45,198	\$ 30,770	\$ 45,553

In June 2011, Howard replaced its annually renewable revolving credit facilities that aggregated \$65,000 with a \$135,000 Multi-bank Credit Agreement that extends through June, 2014. Outstanding borrowings under that agreement were \$35,143 at September 30, 2011 and \$20,142 at June 30, 2011.

On July 21, 2011, Howard entered into an interest rate cap with SunTrust Bank to protect against 1 month Libor rising above 2% over the next three years on a notional value of \$20,000.

(c) *Compliance with Contractual Covenants*

In May 2011, Howard's debt covenants were amended in conjunction with the 2011 Bond issuance and Multi-bank Credit Agreement execution.

The 2011 Bond and Credit Agreement contain restrictive financial covenants as summarized in the table below as of September 30, 2011.

Covenant	Instrument	Measurement Date	Criteria
Debt Service Coverage Ratio	2011 Revenue Bonds	June 30 each year	1.10:1.00
Debt Service Coverage Ratio	Multi-bank Credit Agreement	June 30 each year	1.25:1.00
Liquidity Ratio	Multi-bank Credit Agreement	June 30 and December 31	0.35:1.00

At September 30, 2011 Howard was in compliance with the Debt Service Coverage Ratio and Liquidity Ratio.

(d) *Scheduled Bond and Note Repayments*

At September 30 and June 30 the scheduled repayments of bonds and notes payable, including sinking fund requirements, is as follows:

Aggregate Annual Maturities	Sept 30, 2011	June 30, 2011	June 30, 2010
2011	\$ --	\$ --	\$ 42,471
2012	2,786	2,786	10,241
2013	2,061	2,349	10,195
2014	36,833	21,832	6,889
2015	1,718	1,718	5,694
Thereafter	302,036	302,563	119,133
Subtotal	345,434	331,248	194,623
Bond premiums/(discounts)	(6,375)	(6,421)	3,081
Total	\$ 339,059	\$ 324,827	\$ 197,704

(e) *Interest Rate Swaps*

Howard uses variable rate debt to finance certain activities. These debt obligations expose Howard to variability in interest payments, due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense also decreases.

In April 1998, Howard entered into an interest rate swap agreement, a derivative instrument, with Bank of America, N.A., whereby Howard agreed to pay Bank of America a 6.7% fixed rate of interest on \$17,233 in exchange for the receipt of a floating interest payment based on the 30-day London Interbank Offered Rate (LIBOR) plus 75 basis points. (LIBOR at September 30, 2011 was 0.24%). This agreement is to continue in effect until March 31, 2013.

In December 2004, Howard entered into an interest rate swap agreement, a derivative instrument with Goldman Sachs, whereby Howard agreed to pay Goldman Sachs a 3.5% fixed rate of interest on \$42,675, subject to an annual adjustment which began October 1, 2007, in exchange for the receipt of a floating interest payment based on sixty-seven percent of the 30-day LIBOR rate. This agreement, previously tied to the 2006B Bonds, was terminated in May 2011.

The gains and losses recognized under the interest rate swap agreements for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010 were as follows:

Interest Rate Swaps	Sept 30, 2011	June 30, 2011	June 30, 2010
Cumulative gain (loss) at beginning of year	\$ (104)	\$ (5,582)	\$ (3,961)
Gain (loss) during the year	27	1,873	(1,621)
Extinguishment of interest rate swap	--	3,605	--
Cumulative gain (loss) at end of year	\$ (77)	\$ (104)	\$ (5,582)

In 2010, Howard was subject to margin call payments on the Goldman Sachs swap when unrealized losses exceeded \$5,000.

Note 18 Retirement Plans

Pension Plan - Howard has a noncontributory defined benefit pension plan (the Plan) 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.

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

Supplemental Retirement Plan - Howard also has a supplemental retirement plan available to certain retired executives. The plan is noncontributory, unfunded and has a June 30 measurement date. The projected benefit obligation is \$2,246 at September 30, 2011, \$2,235 at June 30, 2011 and \$2,191 at June 30, 2010. The amounts not yet reflected in operating expenses, but included in unrestricted net assets pertain to accumulated losses of \$1,193 as of June 30, 2011 and \$1,167 as of June 30, 2010. 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 period ended June 30, 2011 are consistent with the method and assumptions used for the defined benefit pension plan. An actuarial valuation as of September 30, 2011 was not performed.

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 financial administrators: Teachers Insurance and Annuity Association/College Retirement Equities Fund, American International Group – Variable Annuity Life Insurance Company, and Lincoln Financial. These administered plans provide additional retirement benefits including the purchase of annuity contracts for eligible employees. Total costs recognized in the Statements of Activities were \$5,841, \$22,118 and \$12,402, for the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, respectively. The fair value of plan assets for the savings plan as of September 30, 2011 and fiscal years ended June 30, 2011 and 2010 were \$765,000, \$812,031 and \$792,000, respectively. These investments are held by Howard on behalf of its employees and excluded from the Statements of Financial Position.

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. Effective July 1, 2011 Lincoln Financial has been replaced as a financial administrator by ING Financial Advisors.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

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 financial statements at September 30, 2011, June 30, 2011 and June 30, 2010 are as follows:

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental			Total		
	9/30/2012	2011	2010	9/30/2012	2011	2010	9/30/2012	2011	2010	9/30/2012	2011	2010
Change in benefit obligation:												
Projected benefit obligation at beginning of year	\$ 537,993	\$ 544,255	\$ 462,854	\$ 185,017	\$ 183,192	\$ 165,924	\$ 2,235	\$ 2,191	\$ 2,152	\$ 725,245	\$ 729,638	\$ 630,930
Service cost	-	-	7,424	118	487	392	-	-	-	118	487	7,816
Interest cost	7,495	30,299	31,818	2,541	10,186	11,343	29	117	142	10,065	40,602	43,303
Actuarial (gain)/loss	37,001	(10,140)	82,327	9,467	137	13,581	29	115	193	46,497	(9,888)	96,101
Benefits paid	(6,639)	(26,421)	(23,960)	(3,119)	(12,993)	(13,207)	(47)	(188)	(296)	(9,805)	(39,602)	(37,463)
Special termination benefits	-	-	-	-	-	181	-	-	-	-	-	181
Medicare Part D subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Employee contributions	-	-	-	1,146	4,008	4,978	-	-	-	1,146	4,008	4,978
Prior service amendment	-	-	-	-	-	-	-	-	-	-	-	-
Curtailment	-	-	(16,208)	-	-	-	-	-	-	-	-	(16,208)
Projected benefit obligation at end of the period	\$ 575,850	\$ 537,993	\$ 544,255	\$ 195,170	\$ 185,017	\$ 183,192	\$ 2,246	\$ 2,235	\$ 2,191	\$ 773,266	\$ 725,245	\$ 729,638
Change in plan assets:												
Fair value of plan assets at beginning of year	463,433	410,630	389,095	-	-	-	-	-	-	463,433	410,630	389,095
Actual return on plan assets	(32,610)	79,224	45,495	-	-	-	-	-	-	(32,610)	79,224	45,495
Employer contributions	20,000	-	-	1,973	8,985	8,229	5,888	22,306	12,698	27,861	31,291	20,927
Employee contributions	-	-	-	1,146	4,008	4,978	-	-	-	1,146	4,008	4,978
Medicare Part D subsidy	-	-	-	-	-	-	-	-	-	-	-	-
Benefits paid	(6,639)	(26,421)	(23,960)	(3,119)	(12,993)	(13,207)	(47)	(188)	(296)	(9,805)	(39,602)	(37,463)
Fair value at end of the period	\$ 444,184	\$ 463,433	\$ 410,630	\$ -	\$ -	\$ -	NA	NA	NA	NA	NA	NA
Total	\$ (131,666)	\$ (74,560)	\$ (133,625)	\$ (195,170)	\$ (185,017)	\$ (183,192)	NA	NA	NA	NA	NA	NA

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Components of net periodic benefit cost and other amounts recognized in
unrestricted net assets at September 30, 2011, June 30, 2011 and June 30, 2010:

Retirement Benefits	Pension			Medical and Life Insurance			Savings Plan and Supplemental			Total		
	9/30/2012	2011	2010	9/30/2012	2011	2010	9/30/2012	2011	2010	9/30/2012	2011	2010
Recognized in Statements of Activities:												
Amortization of transition obligation	\$ -	\$ -	\$ -	\$ 944	\$ 3,774	\$ 3,774	\$ -	\$ -	\$ -	\$ 944	\$ 3,774	\$ 3,774
Amortization of prior service cost	-	-	3	534	2,253	2,254	-	-	-	534	2,253	2,257
Amortization of net actuarial loss	973	3,613	1,612	57	63	-	22	89	77	1,052	3,765	1,689
Total amortization	973	3,613	1,615	1,535	6,090	6,028	22	89	77	2,530	9,792	7,720
Service cost	-	-	7,424	118	487	392	5,841	22,118	12,402	5,959	22,605	20,218
Interest cost	7,495	30,299	31,818	2,541	10,186	11,343	30	118	142	10,066	40,603	43,303
Expected return on plan assets	(7,870)	(31,553)	(33,627)	-	-	-	-	-	-	(7,870)	(31,553)	(33,627)
Curtailement loss	-	-	4	-	-	-	-	-	-	-	-	4
Special termination benefit recognized	-	-	-	-	-	181	-	-	-	-	-	181
Recognized in operating expenses	\$ 598	\$ 2,359	\$ 7,234	\$ 4,194	\$ 16,763	\$ 17,944	\$ 5,893	\$ 22,325	\$ 12,621	\$ 10,685	\$ 41,447	\$ 37,799
Amortization of transition obligation	-	-	-	(944)	(3,774)	(3,774)	-	-	-	(944)	(3,774)	(3,774)
Amortization of prior service cost	-	-	(3)	(534)	(2,253)	(2,254)	-	-	-	(534)	(2,253)	(2,257)
Amortization of actuarial loss	(973)	(3,613)	(1,612)	(57)	(63)	-	(22)	(89)	(77)	(1,052)	(3,765)	(1,689)
Total amortization	(973)	(3,613)	(1,615)	(1,535)	(6,090)	(6,028)	(22)	(89)	(77)	(2,530)	(9,792)	(7,720)
Net actuarial (gain) loss during the year	77,482	(57,811)	54,249	9,467	137	12,896	29	115	193	86,978	(57,559)	67,338
Prior service cost arising during period	-	-	-	-	-	-	-	-	-	-	-	-
Curtailement loss	-	-	-	-	-	-	-	-	-	-	-	-
Total recognized in other changes in unrestricted net assets	\$ 76,509	\$ (61,424)	\$ 52,634	\$ 7,932	\$ (5,953)	\$ 6,868	\$ 7	\$ 26	\$ 116	\$ 84,448	\$ (67,351)	\$ 59,618
Total recognized in Statements of Activities	\$ 77,107	\$ (59,065)	\$ 59,868	\$ 12,126	\$ 10,810	\$ 24,812	\$ 5,900	\$ 22,351	\$ 12,737	\$ 95,133	\$ (25,904)	\$ 97,417

Amounts included in unrestricted net assets at September 30, 2011, June 30, 2011 and June 30, 2010:

Retirement Benefits	Pension			Medical and Life Insurance		
	9/30/2012	2011	2010	9/30/2012	2011	2010
Net actuarial loss	\$(234,824)	\$(158,315)	\$(219,739)	\$ (25,987)	\$ (16,577)	\$ (16,503)
Prior service cost	--	--	--	(41,266)	(41,800)	(44,053)
Transition obligation	--	--	--	(6,617)	(7,561)	(11,335)
Total	\$(234,823)	\$(158,315)	\$(219,739)	\$ (73,870)	\$ (65,938)	\$ (71,891)

The estimated net actuarial loss, prior service cost, and transition obligation for the pension and post-retirement plans that will be accounted for as a part of net periodic benefit cost over the current fiscal year are \$4,120, \$2,137 and \$3,774, respectively. Expected employer contributions into the pension plan for the current fiscal year is \$30,000. As of September 30, 2011 a contribution of \$20,000 has been made. Cash payments of \$20,000 to \$30,000 are expected annually beginning in fiscal year 2012.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

The weighted average assumptions used to determine the benefit obligation in the actuarial valuations for the periods ended September 30, 2011, June 30, 2011 and June 30, 2010 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	9/30/2012	2011	2010	9/30/2012	2011	2010
Discount rate	5.15%	5.76%	5.75%	5.10%	5.69%	5.75%
Expected return on plan assets	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%
Rate of compensation increase	--	--	--	3.50%	3.50%	3.50%

The weighted average assumptions used to determine net periodic cost in the actuarial valuations for the periods ended September 30, 2011, June 30, 2011 and June 30, 2010 were as follows:

Actuarial Assumptions	Pension Benefits			Post-retirement Benefits		
	9/30/2012	2011	2010	9/30/2012	2011	2010
Discount rate	5.76%	5.75%	7.10%	5.69%	5.75%	7.10%
Expected return on plan assets	7.50%	7.50%	7.50%	0.00%	0.00%	0.00%
Rate of compensation increase						
To age 35	--	--	3.50%	3.50%	3.50%	3.50%
Thereafter	--	--	3.50%	3.50%	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.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Pension plan investments as of September 30, 2011 were as follows:

Pension Plan Investments as of September 30, 2011	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Money Market Instrument (1)	\$ 70	\$ 28,848	\$ --	\$ 28,918
Commingled Funds				
International Equity Security (3)	--	39,653	--	39,653
US Common Stock (3)	--	20,547	--	20,547
Common Stock (3)	82,088	--	--	82,088
Fixed Income (2)				
Asset backed securities	--	7,313	--	7,313
Corporate Bonds	--	7,428	--	7,428
Government Bond	4,584	--	--	4,584
Hedge Funds (4)				
Distressed Debt	--	2,333	--	2,333
Equity Long/short	--	3,972	--	3,972
Event driven	--	2,180	2,619	4,799
Inflation hedge	--	16,225	--	16,225
Multi-Global opportunities	--	3,337	--	3,337
Multi-strategy	--	44,973	1,879	46,852
Mutual Funds Investment				
Domestic common stock (3)	15,597	--	--	15,597
Domestic Fixed Income (2)	70,227	--	--	70,227
Private Equity and Venture Capital (4)	--	--	81,321	81,321
Real Estate (4)	--	--	8,186	8,186
Total pension plan investments	\$ 172,566	\$ 176,809	\$ 94,005	\$ 443,380
Assets not subject to fair value reporting	1,579	--	--	1,579
Liabilities not subject to fair value	(775)	--	--	(775)
Total plan assets	\$ 173,370	\$ 176,809	\$ 94,005	\$ 444,184

Refer to Note 11 – Fair Value Measurements for explanation of financial instrument classifications.

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Pension plan investments as of June 30, 2011 were as follows:

Pension Plan Investments as of June 30, 2011	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Money Market Instrument (1)	\$ 401	\$ 11,919	\$ --	\$ 12,320
Commingled Funds				
International Equity Security (3)	--	42,782	--	42,782
US Common Stock (3)	--	21,965	--	21,965
Common Stock (3)	102,604	--	--	102,604
Fixed Income (2)				
Asset backed securities	--	8,639	--	8,639
Corporate Bonds	--	4,999	--	4,999
Government Bond	4,432	--	--	4,432
Hedge Funds (4)				
Distressed Debt	--	2,494	--	2,494
Equity Long/short	--	4,146	--	4,146
Event driven	--	2,276	2,622	4,898
Inflation hedge	--	15,671	--	15,671
Multi-Global opportunities	--	3,432	--	3,432
Multi-strategy	--	45,240	1,919	47,159
Mutual Funds Investment				
Domestic common stock (3)	17,192	--	--	17,192
Domestic Fixed Income (2)	75,773	--	--	75,773
Private Equity and Venture Capital (4)	--	--	85,327	85,327
Real Estate (4)	--	--	8,640	8,640
Total pension plan investments	\$ 200,402	\$ 163,563	\$ 98,508	\$ 462,473
Assets not subject to fair value reporting	1,386	--	--	1,386
Liabilities not subject to fair value	(426)	--	--	(426)
Total plan assets	\$ 201,362	\$ 163,563	\$ 98,508	\$ 463,433

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Pension plan investments as of June 30, 2010 were as follows:

Pension Plan Investments as of June 30, 2010	Level 1	Level 2	Level 3	Total
Pension Plan Investments				
Money Market Instrument (1)	\$ --	\$ 5,370	\$ --	\$ 5,370
Commingled Funds-International Equity Security (3)	--	37,366	--	37,366
Common Stock (3)	78,425	14,049	310	92,784
Fixed Income (2)				
Asset backed securities	--	9,954	232	10,186
Corporate Bonds	--	5,326	--	5,326
Government Bond	2,490	--	--	2,490
Hedge Funds (4)				
Distressed Debt	--	2,258	--	2,258
Equity Long/short	--	3,892	--	3,892
Event driven	--	2,202	2,279	4,481
Inflation hedge	--	11,980	--	11,980
Multi-Global opportunities	--	3,768	--	3,768
Multi-strategy	--	47,038	1,618	48,656
Mutual Funds Investment				
Domestic common stock (3)	11,951	--	--	11,951
Domestic Fixed Income (2)	78,064	--	--	78,064
Private Equity and Venture Capital (4)	--	--	68,392	68,392
Real Estate (4)	--	--	7,373	7,373
Total pension plan investments	\$ 170,930	\$ 143,203	\$ 80,204	\$ 394,337
Assets not subject to fair value reporting	16,681	--	--	16,681
Liabilities not subject to fair value	(388)	--	--	(388)
Total plan assets	\$ 187,223	\$ 143,203	\$ 80,204	\$ 410,630

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at September 30, 2011.

Changes in Level 3 for The Three Month Period Ended September 30, 2011	Equity – Private and Venture Capital	Hedge Funds	Real Estate	Total
Balance July 1, 2011	\$ 85,327	\$ 4,541	\$ 8,640	\$ 98,508
Gain and Loss (Realized and Unrealized)	(6,209)	(43)	(253)	(6,505)
Purchases	4,801	--	--	4,801
Transfer out and Sales	(2,598)	--	(201)	(2,799)
Balance at September 30, 2011	\$ 81,321	\$ 4,498	\$ 8,186	\$ 94,005

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011 (unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2011.

Changes in Level 3 for Fiscal Year Ended June 30, 2011	Equity – Private and Venture Capital	Hedge Funds	Fixed Income	Common Stock	Real Estate	Total
Balance July 1, 2010	\$ 68,392	\$ 3,897	\$ 232	\$ 310	\$ 7,373	\$ 80,204
Gain and Loss (Realized and Unrealized)	15,950	644	(41)	--	1,113	17,666
Purchases	17,275		--	--	432	17,707
Transfer out and Sales	(16,290)		(191)	(310)	(278)	(17,069)
Balance at June 30, 2011	\$ 85,327	\$ 4,541	\$ --	\$ --	\$ 8,640	\$ 98,508

The following table presents changes in amounts for financial instruments classified within Level 3 of the valuation hierarchy previously defined, at June 30, 2010.

Changes in Level 3 for Fiscal Year Ended June 30, 2010	Equity – Private and Venture Capital	Hedge Funds	Fixed Income	Common Stock	Real Estate	Total
Balance July 1, 2009	\$ 51,354	\$ --	\$ 2,034	\$ --	\$ 10,562	\$ 63,950
Gain and Loss (Realized and Unrealized)	11,301	397	(8)	--	(3,992)	7,698
Purchases	12,672	3,500	--	310	978	17,460
Transfer out and Sales	(6,935)	--	(1,794)	--	(175)	(8,904)
Balance June 30, 2010	\$ 68,392	\$ 3,897	\$ 232	\$ 310	\$ 7,373	\$ 80,204

The Howard University
Notes to the Financial Statements
For The Three Month Period Ended September 30, 2011(unaudited) and Fiscal Years Ended
June 30, 2011, and 2010 (amounts in thousands)

Pension Plan Investment Commitments – Howard’s investment commitments as of September 30, 2011, June 30, 2011 and June 30, 2010 are summarized below. Additionally, some of these investments do not have readily ascertainable market values and may be subject to withdrawal restrictions and are less liquid than Howard’s other investments.

Pension Plan Investment Commitments	Sept 30, 2011	June 30, 2011	June 30, 2010
Private Equity Funds	\$ 136,703	\$ 136,703	\$ 134,203
Real Estate Funds	15,000	15,000	15,000
Total financial commitment	151,703	151,703	149,203
Amounts funded	114,634	109,833	95,169
Unfunded commitment	\$ 37,069	\$ 41,870	\$ 54,034

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 the periods ended September 30 and June 30, and the allowable range is as follows:

Pension Plan Asset Allocation	Sept 30, 2011	June 30, 2011	June 30, 2010	Allowable Range
Mid-Large Cap U.S. Equity	14.6%	16.6%	12.3%	10-25%
Small Cap U.S. Equity	3.8%	4.8%	6.5%	3.5-7%
Global ex U.S. Equity	13.7%	15.8%	14.1%	11-21%
Private Equity/Venture Capital	18.3%	16.3%	15.2%	10-20%
Hedge Funds	13.8%	13.8%	14.7%	10-20%
Inflation Hedging	9.1%	9.3%	7.7%	5-15%
Emerging Markets Equity	0.0%	0.0%	4.4%	2-8%
U.S. Core Bonds	20.2%	20.8%	13.2%	10-20%
Global Bonds	0.0%	0.0%	5.2%	2.5-7.5%
High Yield Bonds	0.0%	0.0%	0.0%	0-3%
Cash and Cash Equivalents	6.5%	2.6%	6.7%	0-0%
Total	100%	100%	100%	

The trend rate for growth in health care costs, excluding dental, used in the calculation for fiscal year 2012 is 8.7%. This growth rate was assumed to decrease gradually to 4.5% in 2030 and to remain at this level thereafter. The growth rate in the trend rate dental care costs used in the calculations for fiscal year 2012 was 5.8%. The growth rate was assumed to decrease gradually to 4.5% by 2030 and to remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the obligations reported for the health care plans.

A one-percentage change in assumed annual health care cost trend rate would change the service and interest components of retiree medical expense by approximately \$300 - \$400, and the post retirement obligation by approximately \$4,000 - \$5,000 in each year presented.

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:				
2012	\$ 35,017	\$ 13,469	\$ (635)	\$ 12,834
2013	34,597	13,815	(707)	13,108
2014	35,974	14,034	(783)	13,251
2015	37,217	14,189	(860)	13,329
2016	38,168	14,307	(576)	13,731
Years 2017-2021	198,914	70,868	(1,046)	69,822
Total	\$ 379,887	140,682	\$ (4,607)	\$ 136,075

Note 19 **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 the opinion of management and Howard's general counsel, an appropriate monetary provision has been made to account for probable losses and the ultimate resolution of these matters.

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

Howard has several collective bargaining agreements currently in effect with unions representing approximately 1,800 employees. Certain of these agreements are in negotiations and have been extended beyond the stated expiration date.

Note 20 Related Party Transactions

Howard University Board of Trustees founded Howard University Charter Middle School of Mathematics and Science, which operates from premises owned by Howard. For the three month period ended September 30, 2011 and fiscal years ended June 30, 2011 and 2010, Howard has contributed to the Middle School as follows:

Related Party Transactions	Sept 30, 2011	June 30, 2011	June 30, 2010
Cash operating support	\$ --	\$ 769	\$ 492
Donated computer equipment	250	231	258
Facility leased (market value)	252	1,009	946
Total	\$ 502	\$ 2,009	\$ 1,696

Note 21 Subsequent Events

Howard performed an evaluation of subsequent events through November 18, 2011, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of September 30, 2011.