

Statement of Activity and Cash Flows*

<i>In millions</i>	<i>For the year ended June 30,</i>		
	2004	2003	2002
Revenues			
MBA Tuition & Fees	\$ 65	\$ 61	\$ 58
Executive Education Tuition	71	67	64
Publishing	98	93	92
Endowment Distribution	56	53	50
Unrestricted Current Use Gifts	8	8	9
Housing Rents & Other	8	8	8
Interest Income	3	4	5
Total Revenues	309	294	286
Expenses			
Salaries & Benefits	\$139	\$135	\$130
Publishing & Printing	35	35	38
Space & Occupancy	31	31	30
Supplies & Equipment	24	23	19
Professional Services	14	14	17
Fellowships	15	14	12
University Assessments	10	9	8
Debt Service	4	5	5
Other Expenses	22	20	20
Total Expenses	294	286	279
Cash from Operations	15	8	7
Use of Endowment Gifts or Appreciation	13	14	13
Cash Before Capital Activities	28	22	20
Capital Expenses	(54)	(39)	(34)
Use of Gifts for Capital Projects	28	27	10
Net Capital Expenses	(26)	(12)	(24)
New Borrowings	7	7	15
Debt Principal Payments	(8)	(33)	(7)
Other Activity	(1)	2	(2)
Net Debt & Other	(2)	(24)	6
Change in Unrestricted Reserves	–	(14)	2
Unrestricted Reserves, Beginning Balance	56	70	68
Unrestricted Reserves, Ending Balance	\$ 56	\$ 56	\$ 70

* This Statement of Activity and Cash Flows presents a managerial view of HBS operations focused primarily on cash available for use. It is not intended to present the financial results in accordance with generally accepted accounting principles (GAAP). A presentation in accordance with GAAP would report higher operating revenues for gifts and endowment distribution and would include depreciation expense, yielding income from operations of \$8 million in fiscal 2004. Cash flows, however, would be equivalent under GAAP.