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CAPITAL EXPENSES

Capital expenses for construction and renewal of campus facilities increased by \$20 million to \$40 million. The primary capital costs were renewal projects for Gallatin Hall and the McCollum classrooms, as well as investments in the School’s central chiller facility. Additional funding came from gifts for specific capital projects amounting to \$5 million, as well as \$22 million in new borrowings. The new debt primarily reflects debt funding for the Gallatin work. The comparable fiscal 2007 amounts were \$3 million and \$7 million, respectively.

DEBT

Total building debt outstanding at June 30, 2008, increased from \$108 million to \$121 million, reflecting the \$22 million of new borrowings offset by \$9 million of principal repayments.

RESERVES

Unrestricted reserves increased by \$14 million to \$79 million at the end of fiscal 2008. In addition, HBS maintains endowment reserves, with a June 30, 2008, end-of-year value of approximately \$126 million, including a \$25 million transfer performed in fiscal 2008 (the majority of the \$33 million in “Other Activity”).

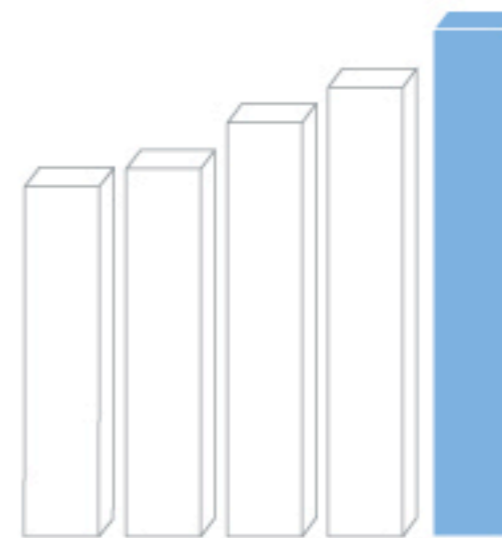
ENDOWMENT

The market value of the HBS endowment and current use funds increased by approximately 7.1 percent to nearly \$3.0 billion as of June 30, 2008, from \$2.8 billion a year earlier, reflecting both solid returns and new endowment gifts. Total return on the Harvard University endowment for fiscal 2008 was +8.6 percent.

GIFTS

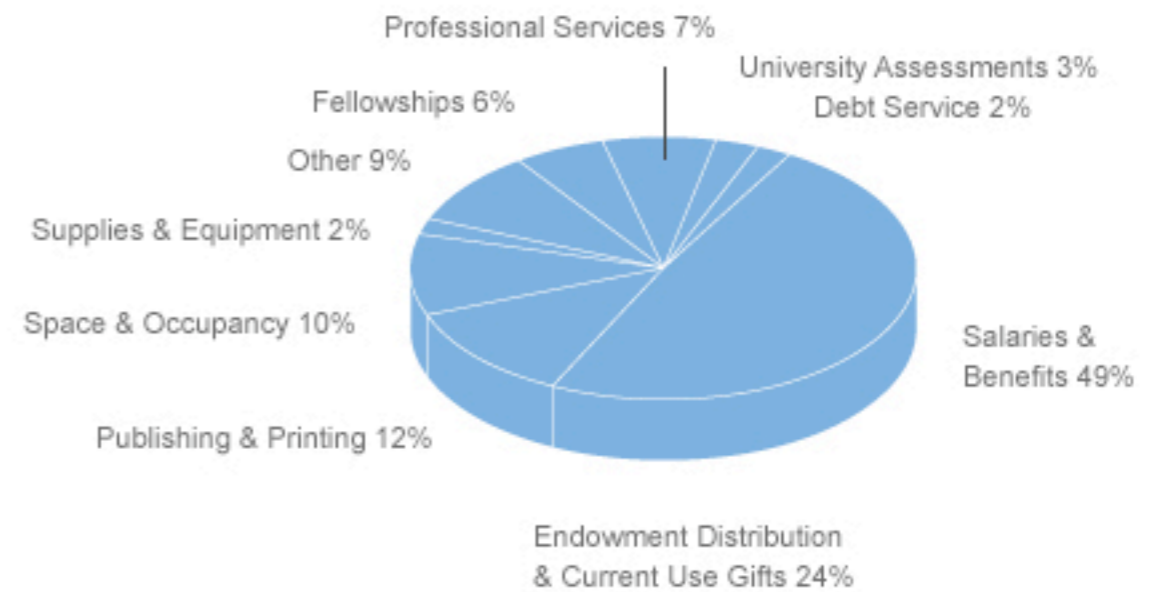
Alumni and friends continued to be generous in fiscal 2008. Cash from gifts was \$51 million, consistent with total giving from the prior two years. This generosity remained vital in fiscal 2008, as unrestricted current use gifts and endowment distribution together generated 24 percent of the School’s revenues, up from 23 percent last year. Approximately 30 percent of the School’s MBA alumni made a gift to the School in fiscal 2008.

\$294 \$307 \$345 \$375 \$423



FY 2004 2005 2006 2007 2008

Expenses
(Dollars in Millions)



Expense Components, FY 2008
(Dollars in Millions)