Financial Highlights

Total Revenues
Total revenues increased by $37 million, or 11.2 percent, from last year to $368 million, and were more than 6.9 percent above the School’s forecast.

MBA Program Revenues
MBA Program revenues grew by $5 million, or 7.4 percent, to $73 million due to normal increases in tuition and fees and higher admissions yield.

Executive Education and HBS Publishing Revenues
Revenues from Executive Education and HBS Publishing (HBSP) increased by a combined $18 million, or 9.9 percent, to $200 million.

Endowment Income
Endowment income distributed for operations rose by $9 million, or 14.5 percent, the result of an increase in the endowment payout and new gifts from the capital campaign. The increased distribution was used primarily to fund financial aid awards and faculty research.

Operating Expenses
Operating expenses increased by $38 million, or 12.4 percent, to $345 million, largely reflecting greater variable costs due to increased activity in Executive Education and HBSP, as well as higher costs related to a 7 percent increase in faculty full-time equivalents (FTE).

Cash from Operations
Cash from operations decreased by $1 million to $23 million. In addition, gifts from prior years, available to be spent pursuant to the donors’ specifications, added $14 million to the School’s cash flow, $1 million greater than the prior year. Cash before capital activities was thus level at $37 million.
Revenue Components, FY 2006

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<tbody>
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<td>MBA Tuition &amp; Fees</td>
<td>$286</td>
<td>$319</td>
<td>$309</td>
<td>$331</td>
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<td>Housing, Rents, &amp; Other</td>
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<td>Executive Education Tuition</td>
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<td>Endowment Distribution &amp; Current-Use Gifts</td>
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Revenue (Dollars in millions)
Capital Expenses
Capital expenses for construction and renewal of campus facilities decreased by $30 million to $49 million. The primary capital costs were the conclusion of the Aldrich Hall and Baker Library projects, as well as the Hamilton Hall renovation. Additional funding came from gift accounts for specific capital projects amounting to $12 million, as well as $38 million in new borrowings. The new debt includes debt taken in fiscal 2006 replacing other funding from fiscal 2005 (related to the $26 million in other activity). The comparable fiscal 2005 amounts were $49 million and $7 million, respectively.

Debt
Total building debt outstanding at June 30, 2006, increased to $108 million, from $74 million a year earlier.

Reserves
Unrestricted reserves increased by $8 million to $60 million at the end of fiscal 2006. In addition, HBS maintains endowment reserves, with a June 30, 2006, end-of-year value of approximately $56 million.

Endowment
The market value of the HBS endowment increased by 13 percent to $2.3 billion as of June 30, 2006, from $2.1 billion a year earlier, reflecting both strong returns and new endowment gifts. Total return on the endowment for fiscal 2006 was +16.7 percent.

Gifts
Alumni and friends continued to be generous in fiscal 2006. As the School’s capital campaign came to a close, cash from gifts decreased to $55 million from the campaign’s peak of $123 million in fiscal 2005. This generosity remained vital in fiscal 2006, as current-use gifts and endowment distribution together generated 22 percent of the School’s revenues, up from 21 percent last year. Approximately 30 percent of MBA alumni made a gift to the School in fiscal 2006.
Expense Components, FY 2006

- Salaries & Benefits: 49%
- Publishing & Printing: 12%
- Professional Services: 6%
- Fellowships: 6%
- University Assessments: 3%
- Debt Service: 1%
- Supplies & Equipment: 4%
- Other: 8%
- Space & Occupancy: 11%
- University Assessments: 3%
- Other: 8%