

Statement of Activity & Cash Flows*

| IN MILLIONS | FOR THE FISCAL YEAR ENDED JUNE 30, | | |
|---|------------------------------------|----------------|----------------|
| | 2009 | 2008 | 2007 |
| REVENUES | | | |
| MBA Tuition & Fees | \$ 84 | \$ 82 | \$ 77 |
| Executive Education Tuition | 107 | 106 | 91 |
| Publishing | 137 | 139 | 128 |
| Endowment Distribution | 113 | 94 | 78 |
| Unrestricted Current Use Gifts | 12 | 14 | 17 |
| Housing, Rents, & Other | 13 | 9 | 9 |
| Interest Income | 6 | 7 | 5 |
| TOTAL REVENUES | \$ 472 | \$ 451 | \$ 405 |
| EXPENSES | | | |
| Salaries & Benefits | \$ 212 | \$ 206 | \$ 179 |
| Publishing & Printing | 52 | 53 | 51 |
| Space & Occupancy | 42 | 42 | 40 |
| Supplies & Equipment | 12 | 11 | 9 |
| Professional Services | 31 | 29 | 25 |
| Fellowships | 33 | 26 | 22 |
| University Assessments | 13 | 12 | 11 |
| Debt Service | 6 | 7 | 7 |
| Other Expenses | 37 | 37 | 31 |
| TOTAL EXPENSES | \$ 438 | \$ 423 | \$ 375 |
| Cash from Operations | \$ 34 | \$ 28 | \$ 30 |
| Use of Endowment Gifts or Appreciation | 11 | 41 | 14 |
| CASH BEFORE CAPITAL ACTIVITIES | \$ 45 | \$ 69 | \$ 44 |
| Capital Expenses | \$ (19) | \$ (40) | \$ (20) |
| Use of Gifts for Capital Projects | 0 | 5 | 3 |
| NET CAPITAL EXPENSES | \$ (19) | \$ (35) | \$ (17) |
| New Borrowings | \$ 3 | \$ 22 | \$ 7 |
| Debt Principal Payments | (5) | (9) | (7) |
| Other Activity | (7) | (33) | (22) |
| NET DEBT & OTHER | \$ (9) | \$ (20) | \$ (22) |
| CHANGE IN UNRESTRICTED RESERVES | \$ 17 | \$ 14 | \$ 5 |
| BEGINNING BALANCE, UNRESTRICTED RESERVES | \$ 79 | \$ 65 | \$ 60 |
| ENDING BALANCE, UNRESTRICTED RESERVES | \$ 96 | \$ 79 | \$ 65 |

* This statement presents a managerial view of Harvard Business School 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 \$31 million in fiscal 2009. Cash flows, however, would be equivalent under GAAP.

Consolidated Balance Sheet

| IN MILLIONS | FOR THE FISCAL YEAR ENDED JUNE 30, | | |
|---|------------------------------------|-----------------|-----------------|
| | 2009 | 2008 | 2007 |
| ASSETS | | | |
| Cash | \$ 8 | \$ 14 | \$ 16 |
| Unrestricted Reserves | 96 | 79 | 65 |
| Receivables, Loans, & Other Assets | 161 | 176 | 182 |
| Invested Funds: | | | |
| Endowment Investments | 1,971 | 2,804 | 2,654 |
| Current Fund Investments | 33 | 27 | 16 |
| Interest in Trusts Held by Others | 113 | 140 | 151 |
| Facilities, Net of Accumulated Depreciation | 444 | 444 | 416 |
| TOTAL ASSETS | \$ 2,826 | \$ 3,684 | \$ 3,500 |
| LIABILITIES | | | |
| Deposits, Advances, & Other | \$ 37 | \$ 38 | \$ 39 |
| Deferred Revenue | 52 | 63 | 50 |
| Other Debt Owed to University | 26 | 29 | 26 |
| Building Debt | 119 | 121 | 108 |
| TOTAL LIABILITIES | \$ 234 | \$ 251 | \$ 223 |
| COMPOSITION OF NET ASSETS | | | |
| Unrestricted Reserves | \$ 96 | \$ 79 | \$ 65 |
| Undistributed Income & Other | 5 | 18 | 33 |
| Pledge Balances | 39 | 33 | 40 |
| Student Loan Funds | 10 | 10 | 10 |
| Investment in Facilities | 325 | 322 | 308 |
| Endowment & Other Invested Funds | 2,117 | 2,971 | 2,821 |
| TOTAL ASSETS NET OF LIABILITIES | \$ 2,592 | \$ 3,433 | \$ 3,277 |