Total cash received from all types of gifts was $51 million in fiscal 2008, compared with $56 million in fiscal 2007. HBS received gifts from more than 12,000 individual donors during the year, including alumni of the School’s MBA, Doctoral, and Executive Education programs, as well as other friends of the School. Nearly 30 percent of the School’s MBA alumni gave to HBS in fiscal 2008—a remarkable participation rate equal to those seen during the campaign years.

**EXPENSES**

**SUMMARY**
The School’s total operating expenses increased by $48 million, or 12.8 percent, in fiscal 2008 to $423 million, from $375 million in fiscal 2007.

As in prior years, the School’s expense growth in fiscal 2008 was largely driven by variable costs associated with expanding business operations at HBP and Executive Education, as well as spending for fellowships and the faculty’s increasingly global research activities. From a financial management perspective, these functional areas transect numerous line items on the School’s Statement of Activity and Cash Flows.

For example, faculty research expense includes a significant portion of faculty salaries and benefits expense, as well as direct costs for research support staff, travel, and IT services. Also included in the cost of faculty research are allocated expenses for the School’s network of global research centers, as well as library resources, campus facilities, technology, and administration. When viewed in this way, the School’s annual investment in faculty research has increased at a compound annual rate of 7.2 percent for the past five years, growing to $102 million in fiscal 2008, from $72 million in fiscal 2003.

In HBP and Executive Education, expenses include direct costs for staff compensation, specialized outside professional services in areas such as IT and marketing, and residence expenses for executive program participants. These expenses have risen in line with growth in the HBP and Executive Education product and program portfolios, and in the physical scope of their operations. At the same time, by successfully controlling their fixed costs, both operations have delivered margins on the incremental revenue. In turn, HBS has reinvested those margins to fund the School’s teaching and research activities.

**SALARIES AND BENEFITS**

Faculty and staff compensation is the School’s largest expense. Amid increasing global demand for outstanding faculty, and with plans to expand the size of the faculty over the next decade, HBS recruits aggressively. The ability to offer competitive salary and benefits packages is crucial to success in the market for academic talent.

While growing the faculty remains a priority at the School, the total number of faculty, as measured in full-time equivalents (FTEs), can increase or decrease in any given year as a result of retirements, departures, and normal fluctuations in recruiting activity. In fiscal 2008, faculty FTEs grew to 219 from 206 last year, leading to a corresponding increase in compensation expense. Salaries and benefits for faculty and their research associates represented approximately 40 percent of the School’s employee compensation costs in fiscal 2008, or approximately 19 percent of total expenses.