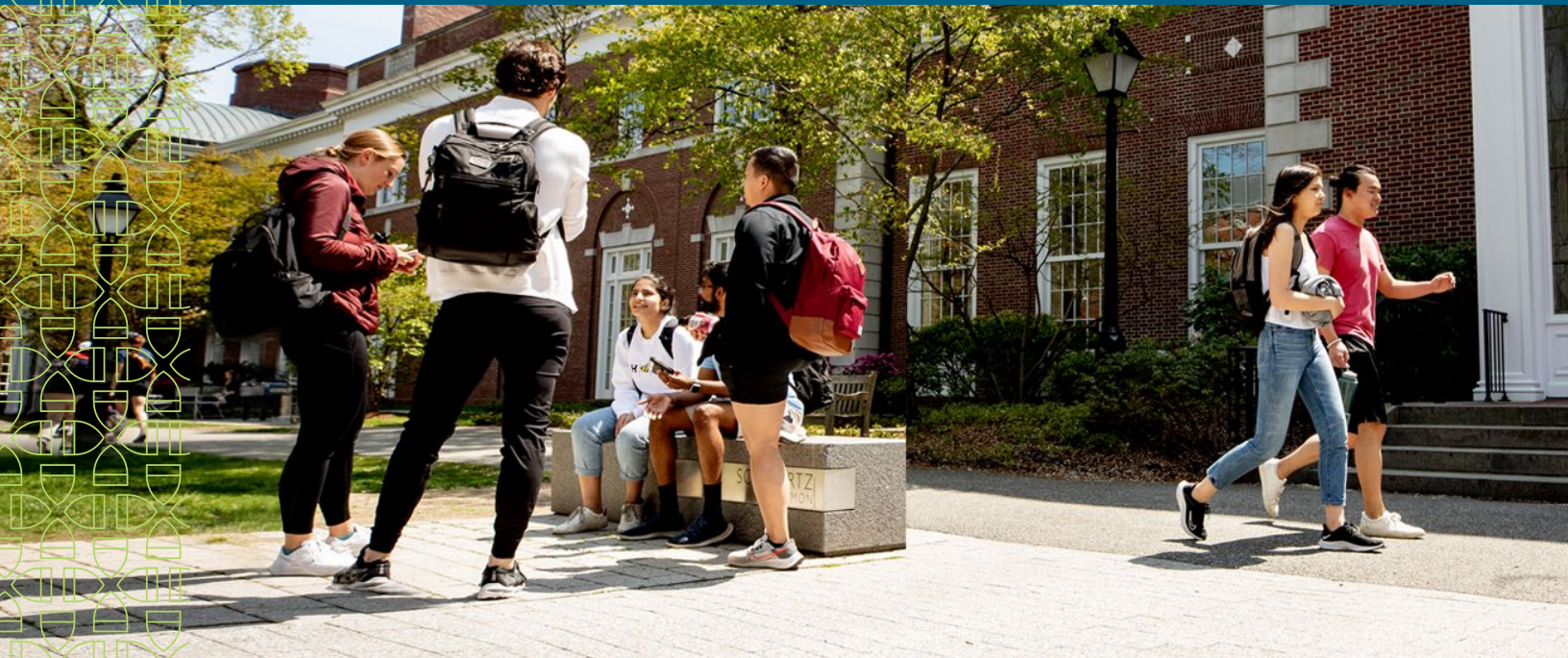




Harvard
Business
School



2022

ANNUAL REPORT

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From the Dean

When people ask me about the impact of the global pandemic on Harvard Business School (HBS), I tell them that it has been the gateway to our future. This may sound counterintuitive, but rather than grinding us to halt, the pandemic required us to find new ways to achieve our mission of educating leaders who make a difference in the world. It propelled us into a future full of possibilities we otherwise might never have imagined. Over the past year, our vision for that future has crystallized in the form of exciting new initiatives that have the potential to reshape management practice and the very role of business in society.

We began the academic year focused on welcoming our entire community back to campus. The vagaries of COVID-19 notwithstanding, we were determined to restore the vibrancy and dynamism of our campus while building on the knowledge and skills we had gained in hybrid learning and remote work. Our new normal will be to take what we've always done well—teaching and research—and infuse it with new tools and platforms to extend our reach and accelerate our impact.

To achieve this vision, we must embrace digitalization to a much greater extent. The digital transformation effort we launched is exploring how we can use data and technology to fundamentally rethink aspects of our organization and activities. It's a long-term goal, but we are already pursuing three opportunities that could yield near-term results, including lifelong learning for alumni, supporting a digital research infrastructure, and expanding the reach and impact of our ideas, courses and cases.

Just as we are focused on digital transformation, it's clear that digital technologies and data science, including artificial intelligence and machine learning, are disrupting operations and business models around the world. The Digital, Data, and Design Institute at Harvard (D³) launched last year provides HBS and other schools in the University with a powerful foundation for accelerating research on big, multidisciplinary problems. Several teams of faculty have already launched labs, each pursuing insights to large, complex problems. Their work will position us as a global leader in reshaping the landscape of the digital-first world and the role of business in that transformation.

Another major development for the School has been the announcement of the Institute for the Study of Business in Global Society (BiGS). Business has long been an



engine for prosperity in the world, but more is needed (and expected) if we are to address challenges like economic inequality, racial equity, or climate change. We are excited to deepen, accelerate, and amplify the work we do in this arena through research, teaching, convening, and dissemination.

As you'll see in this report, these major new undertakings are becoming interwoven in the day-to-day work of the School. Our ambition to bring groundbreaking management insights into the classroom has never been greater and we continue to do the demanding work of improving equity and inclusion for all members of our community, which is so critical to our collective success.

I look forward to sharing further updates with you in the year ahead.

A handwritten signature of Srikanth Datar in blue ink.

SRIKANT DATAR
DEAN OF THE FACULTY

The Year in Review

FY 22

After a tumultuous two years of figuring out how to adapt and thrive in the face of COVID-19, fiscal year 2022 brought a steady return to normalcy at Harvard Business School. It seemed like two different years wrapped into one, beginning with an intense effort around welcoming the entire community back and culminating in a joyous crescendo of multiple commencements and alumni reunions—with more than 23,000 in attendance, including graduates, friends, and family members. Throughout it all, HBS faculty, students, and staff displayed the resilience, flexibility, and innovative spirit that have become our hallmark in these challenging times.



Students Arrive

More than 9,700 applicants sought a place in the MBA Program and nearly 1,000 applicants in the Doctoral Programs; the acceptance rate for both was highly competitive, at 13 percent and 3 percent, respectively.

Fellowships in fiscal year 2022 were awarded to 817 MBA students, with an average fellowship of \$43,794.

MBA Class of 2023

1,013

Students

9,773 Applications
13% Acceptance Rate

Incoming Doctoral Students

23

Students

995 Applications
3% Acceptance Rate

New Faculty

Twenty-three faculty members, including new tenure-track professors, visitors, and practitioners, participated in START, a deep-dive orientation to the School that took place virtually over three days in July 2021 with one day on campus in August. The program provides an overview of Harvard Business School and a window into research and research support at the School, the case method, and the classroom experience. Teaching faculty join study groups and practice preparing and opening a case, and then receive feedback and advice from experienced colleagues.

Assistant Professors



Row 1 (left to right)

Anjali M. Bhatt, *Organizational Behavior*
Julian De Freitas, *Marketing*
Summer R. Jackson, *Organizational Behavior*
Jung Koo Kang, *Accounting & Management*

Row 2

Rebecca A. Karp, *Strategy*
Shirley Lu, *Accounting & Management*
Edward McFowland III, *Technology & Operations Management*
Seth Neel, *Technology & Operations Management*

Row 3

Charlotte L. Robertson, *Business, Government & the International Economy*
Marco Sammon, *Finance*
Lumumba B. Seegars, *Organizational Behavior*



Faculty Promotions

Two faculty members were promoted in 2022.

Full Professor (left)

Scott Duke Kominers, *Entrepreneurial Management*

Associate Professor (right)

Mark L. Egan, *Finance*



Synergies Across Executive Education & HBS Online

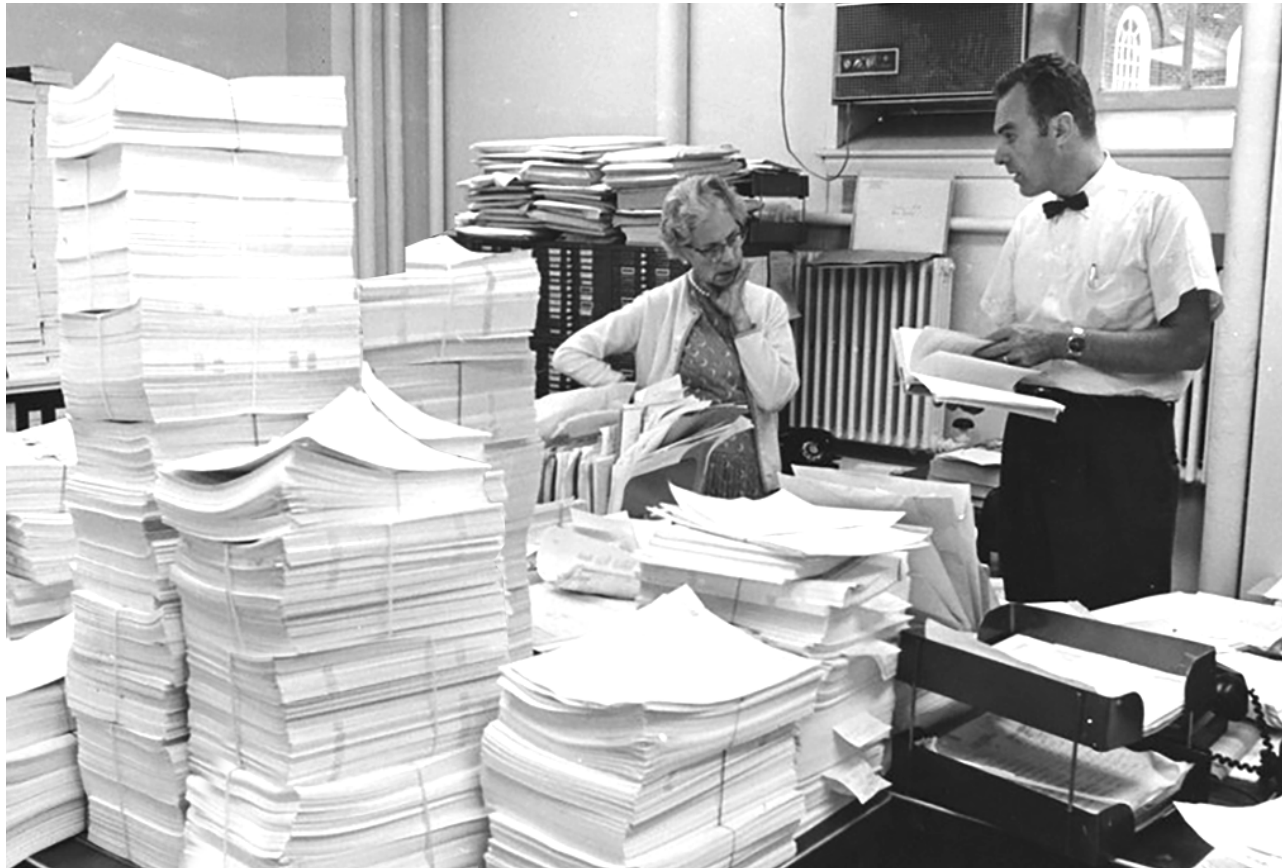
HBS Online and Executive Education were combined under one management structure to reflect and respond to emerging trends toward programs that utilize both in-person and online components, and will further amplify HBS's efforts in professional development. Patrick Mullane, previously at the helm of HBS Online, took on the newly designed role of Executive Director of Executive Education and HBS Online, joining Professor Luis Viceira, who serves as Senior Associate Dean for these groups as well. This new organizational structure will allow the School to expand and leverage opportunities across the constituencies and learners they serve while further strengthening their individual positions and managing their growth and long-term success.

FY22 was marked by a return to in-person learning. For Executive Education this meant welcoming over 10,000 participants to campus in Comprehensive Leadership, Focused, Global, and Custom programs. And, while the HBS Online portfolio continued its rapid growth with four new certificate programs and three new Certificates of Specialization, it also hosted Connex, an annual gathering of learners, in a hybrid format with over 1,500 attendees, as well as a campus-based reunion for the Harvard Business Analytics Program's 400 participants who had attended virtual immersions in 2020 and 2021.



FIELD Immersion Experience Returns

After a two-year hiatus because of COVID-19, the first-year required Field Immersion Experiences for Leadership Development (FIELD) course returned. Given the unpredictability of pandemic travel restrictions, the program pivoted to focus on US challenges and opportunities, taking more than 1,000 students to one of 15 domestic locations. With a lens on the course's three modules—contextual intelligence, team effectiveness, and design thinking—teams took on challenges in cities such as Tulsa, OK and Columbus, OH. Smaller group sizes allowed for faster implementation of change and gave students transferrable concepts and skills to leverage throughout their careers.



Celebrating 100 Years of the Case Method

The 2021–22 academic year marked the centennial of the introduction of the case method at Harvard Business School. The very first case, General Shoe Company, was published in 1921, at a time when the field of management education was still quite new. Dean Wallace Donham strongly believed that the best way to teach business education was by discussion, not by lecture. His visionary approach had an impact on hundreds of other business schools, thousands of companies, and millions of managers around the world. The case method teaches students how to learn: to practice drilling down to the root cause of issues, asking questions, and listening to others' viewpoints. A new website, an exhibition by Baker Library Special Collections, numerous community events, as well as a video collection of faculty discussing their most impactful cases marked the 100th anniversary of this pedagogy.

Diversity, Equity & Inclusion



Making the MBA Program More Affordable

Over the past several years, the School has taken measures to make the MBA Program more affordable to students from different socio-economic backgrounds. Last year, that involved implementing a new approach to evaluating and awarding need-based scholarships. In addition to individual income and assets, a student's socioeconomic background—including their family's income and assets—will also be considered in determining aid. This change will help better account for intergenerational wealth differences and help remove a barrier for outstanding candidates from lower socioeconomic backgrounds, working toward the School's goal of strengthening diversity at HBS.

RISE Fellows

As part of the School's Action Plan for Advancing Racial Equity, 20 MBA students were selected as the inaugural recipients of the Recognizing Individuals Seeking Equity (RISE) Fellowship. The fellows were chosen for their demonstrated commitment to serving Black/African American, Hispanic/Latinx, and other communities of color within the US prior to enrolling at HBS.

2021 RISE fellows are MBA 2023's Adán Acevedo, Jerome Fulton Jr., Amari Griffin, Tarebi John, Zoe Matthew, Alejandro Molina, Ted Obi, Chidalu Onyenso, Lanita Patton, Nashae Roundtree, David Velasquez, Mireille Verdonk; and MBA 2022's Siham Adous, Aaron Hancock, Brian Hollins, Diego Salas, Devon Sanford, Lucas Santos, Xonana Scrubb, and Tracey Thompson.

Faculty & Staff Demographics

HBS has been publicly tracking and reporting on the composition of faculty and staff employees with an eye towards identifying and responding to trends.

Faculty

322

Total faculty

28% Female
28% Minority

Staff

1,325

Total Staff

65% Female
26% Minority



Cash House Dedication

On April 11, 2022, James I. Cash, the James E. Robinson Professor of Business Administration, Emeritus, joined Dean Srikant Datar, former Dean Nitin Nohria, and University President Lawrence Bacow, to dedicate the newly named and renovated Cash House. Cash, a prolific teacher, author, mentor, and scholar of impeccable character, was the first Black faculty member to receive tenure in 1985. One of the first campus construction projects completed after the launch of the Advancing Racial Equity plan, the renovation reflects the School's efforts to partner with minority-owned businesses and bolster job site diversity.



Sustainability on Campus & Beyond

Sustainability continues to be a top priority for HBS that cuts across all aspects of our work from teaching and scholarship to day-to-day operations. The School's stability framework focuses on emissions and energy; campus operations; nature and ecosystems; health and wellbeing; and culture and learning. With support from Operations, student leadership (Student Sustainability Associates Program), employee engagement (Green Office Program), and Executive Education outreach, the entire community is engaged in this effort, all of which ties back to our commitment to Harvard's Sustainability and Climate Action Plan.

The School's influence on sustainability and climate change extends well beyond campus boundaries. Faculty research related to environmental issues comprises nearly 1,000 cases and teaching materials currently available for use. The Business and Environment Initiative inspires innovation and action through activities such as the popular Climate Rising podcast, reaching thousands of listeners around the world.

Campus Sustainability Metrics

- 16 projects have earned LEED certification, the globally recognized symbol of sustainability achievement and leadership.
- 51% of Klarman Hall irrigation water was supplied by a rain water tank in calendar year 2021.
- 9 green roofs on campus assisted with stormwater management, which helped reduce pollution in the Charles River.
- 4 beehives contributed to bee health research and generated honey for the campus.



Commencements

May 25–26, 2022 marked the first in-person Class Day and Commencement in two years, with 770 students receiving their MBA degrees in the Class of 2022. The day also marked the first graduation of the MS/MBA Biotechnology: Life Sciences cohort of 11 students, a joint program among HBS, the Graduate School of Arts and Sciences, and Harvard Medical School through the Harvard Department of Stem Cell and Regenerative Biology. In addition, 20 students in the Doctoral Program earned PhD degrees in programs offered jointly with the Harvard Graduate School of Arts and Sciences in the fields of business administration, business economics, and organizational behavior. Class Day remarks were made by Class of 2022 Student Association Co-Presidents Brett Andersen and Irvin Gómez followed by student Class Day speaker Peter James Kiernan, a faculty awards presentation, as well as Class Day speaker Robert L. Ryan (MBA 1970).

Reunions and commencements were also held for those in the Classes of 2020 and 2021, whose celebrations were virtual during the pandemic. Saturday saw receptions and reunion activities, followed by the opportunity on Sunday for students to join a procession to Harvard Yard with Harvard University President, Lawrence Bacow. Afterward, graduates crossed the stage at HBS and celebrated with their families and friends.



Launch of the Digital, Data, and Design Institute at Harvard

The Digital, Data, and Design Institute at Harvard (D³) strives to educate the next generation of leaders, reinventing how companies and organizations will compete and thrive in the age of artificial intelligence. Based at HBS but open to all faculty across the University, the Institute will leverage and extend the School's strengths and resources as well as University partnerships to bring cross-disciplinary focus to key business and societal challenges.

The structure of the Institute encompasses research programs and labs that drive foundational and applied research on topics critical to business; engagement platforms that catalyze connections among faculty members, companies, practitioners, and ideas outside of HBS; and a core that provides key data and administrative services.



Dean's Awards

Four members of the HBS MBA Class of 2022 were named the recipients of the School's Dean's Award, which celebrates the extraordinary achievements of graduating students who have made a positive impact on Harvard, HBS, and/or broader communities through exceptional acts of leadership. Aaron Hancock, Peter James Kiernan, Bethany Rolan, and April Weathers were formally recognized during graduation week.

Left to Right:

Aaron Hancock, *MBA 2022*

Peter James Kiernan, *MBA 2022*

Bethany Rolan, *MBA 2022*

April Weathers, *MBA 2022*



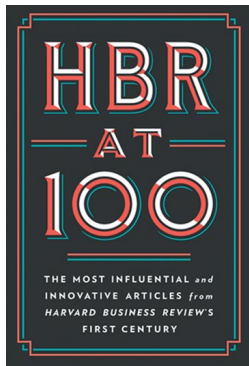
Institute for the Study of Business in Global Society Established

The Institute for the Study of Business in Global Society (BiGS) brings together a community of students, scholars, and practitioners to explore the role business can and should play in finding solutions to complex societal challenges.

BiGS' engages faculty from across the School and deploys a diverse array of methodologies to explore how the power of business can be harnessed to make capitalism work better. The goal of BiGS and its faculty is to tie research to practice, developing insights, tools, and metrics that managers can use to guide their decisions and leadership goals.

During its initial phase, the Institute will focus on several key areas, in partnership with related Initiatives and other faculty at HBS. Topics include race, diversity, and inequality; climate change and sustainability; and economic inclusion.

The inaugural cohort of BiGS Visiting Fellows joined the School in fall 2022.



100 Years of *Harvard Business Review*

The year 1922 was pivotal at HBS not only for the establishment of the School's signature teaching methodology, but also for the creation of Harvard Business Publishing's flagship publication, *Harvard Business Review* (HBR). For the past century, HBR has been required reading in executive suites around the world and a sought-after platform for business scholars and thought leaders. In 2022, HBR highlighted its favorite articles and published a new book, *HBR at 100: The Most Influential and Innovative Articles from Harvard Business Review's First Century*.



New Venture Competition Turns 25

Celebrating a quarter century of innovation and entrepreneurship, the New Venture Competition in March featured 20 student and alumni finalist teams coming together to compete for a share of \$315,000 cash and in-kind prizes. A parallel Tough Technology track recognizes the unique challenges of companies commercializing breakthrough technology. This year, 295 teams entered the virtual competition—117 in the Student Business Track, 48 in the Student Social Enterprise Track, and 130 in the Alumni Track. Since its inception in 1997, there have been more than 6,700 participants, and over \$3 million has been awarded to the winning teams.

Winning Teams

CashEx, Coprata, Carbon Vacuum, Fleetzero

Runners-Up

ClearCut Surgical, Collective, Feather Health

Crowd Favorites

CardioPhi, ClearCut Surgical, SurgiBox



Alumni Return to Campus

Honoring the School's commitment to alumni whose in-person reunions were converted to virtual gatherings due to the pandemic, Reunion Celebration 2022 saw 37 MBA classes and 22 Executive Education programs return to campus and reconnect over a span of six weeks. More than 14,000 attendees engaged in on-campus discussions and presentations, including over 100 faculty-led programs and innovative new events like Alumni Dialogues and an Entrepreneurs Exchange.

Rising Scholars Conference Hosted

The School hosted the Rising Scholars Conference, which originated at Stanford Graduate School of Business in 2020, to support doctoral student and faculty diversity. Through opportunities to gain feedback, insight, exposure, and to expand academic networks, the virtual conference brought together doctoral and postdoctoral students from across the country who had the opportunity to present their work and interact with faculty at HBS and other academic institutions.



**Harvard
Business
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Mid-US Research Office Opens

The Mid-US Research Office opened in November 2021 and joins 10 HBS research centers and eight regional offices located around the world. In order to capitalize on the varied geographic, demographic, and business make-up of the Mid-US region, the new office will be the School's first "networked" office, with the director, Alicia Dadlani, based in Columbus, OH and additional staff and researchers eventually operating from strategic locations throughout the region. The center works closely with HBS faculty and experts in the field, developing case studies, managing research projects, performing in-depth field and on-line research, and representing the School.

Brand Identity Refreshed

The new year brought a refresh to Harvard Business School's iconic brand, the first in over a decade. In December, after nearly a year of research, design, and collaborative effort, Marketing & Communications unveiled the new wordmark, font, color palette, and patterns that will represent the School in current and future websites, publications, collateral, and advertisements. These new materials will reflect a brand that is engaged, global, inclusive, innovative, inspiring, and visionary, yet with a strong connection to the overarching Harvard University brand.

First HBS Fund Investors Society Challenge a Success

More than 500 alumni from the 15 most recent MBA classes (2007–2021) participated in the first-ever HBS Fund Investors Society Challenge in FY22. Together, they unlocked \$1 million from Ben Faw (MBA 2014) and his wife Julia Yoo, who sponsored the Challenge to motivate fellow younger alumni to make leadership gifts to the HBS Fund. The Challenge also helped set a new annual record for Investors Society membership overall.



NEW LEADERSHIP

Information Technology

Elizabeth Clark assumed the role of Chief Information Officer role. Clark joined HBS in 2012 as managing director of educational technology services. She has spearheaded initiatives ranging from the successful implementation of several enterprise technology solutions—including Canvas, Salesforce, ServiceNow, and Zoom—as well as ongoing IT operational improvements. Most recently, as deputy CIO, she led the development and deployment of hybrid and virtual classroom models that enabled crucial pedagogical flexibility during the pandemic.



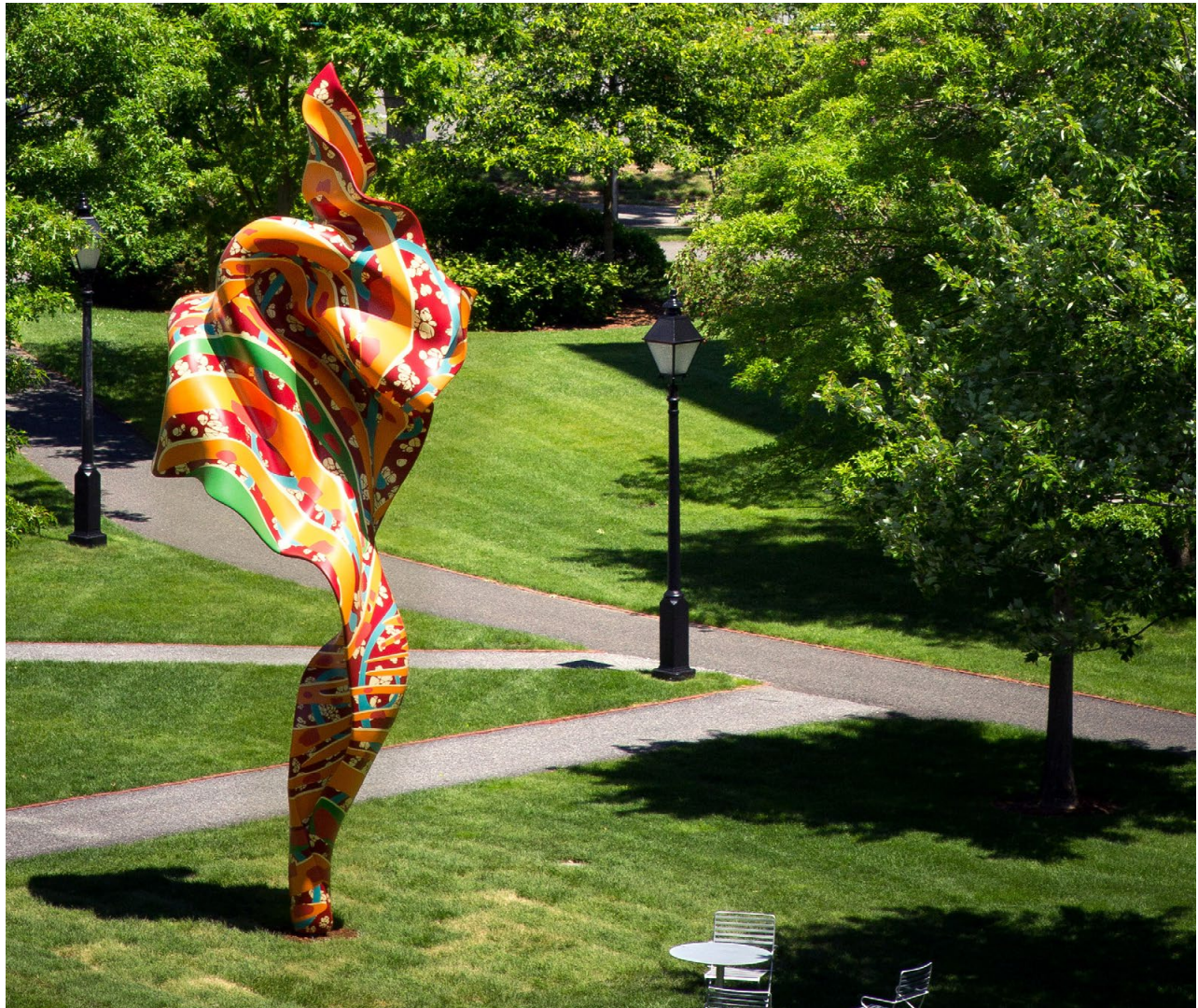
NEW LEADERSHIP

Baker Library

Kenneth Peterson joined HBS as the School's Executive Director for Baker Library. Peterson leads his team in acquiring, creating, managing, preserving, and disseminating information. Baker Library provides a range of critical services to faculty, staff, and students including research and course support, information and data management services, and information products. They also manage contemporary and historical collections, the HBS Art Collection & Program, and a content management system and discovery platform.

Executive Fellows Announced

The 31 members of the Executive Fellows Program for the 2021–2022 academic year—the largest cohort yet—leveraged their expertise as practitioners to enhance teaching and learning at the School. Activities in which they engage included: co-teaching courses and Short Intensive Programs (SIPs) in the MBA program; offering career counseling and development coaching; and delivering workshop sessions. They also brought their expertise to the School's HBS Online and Executive Education programs by collaborating with faculty in case development and other research projects.



Campus Art Installed

The HBS Art Collection & Program consists of over 1,000 original works and serves as a key teaching and learning resource, inspiring the HBS community to think creatively and incorporate art into their lives. Four new sculptures debuted on campus as part of the School's ongoing contemporary sculpture program. A sculpture by Yinka Shonibare CBE RA is a new addition to the C. Ludens Ringnes Sculpture Collection, and a sculpture by Melvin Edwards and two works by Thaddeus Mosley are on loan to the School for the 2021–2023 exhibition. They join campus sculptures by Mary Frank, Jaume Plensa, John Safer, and Joel Shapiro in the School's permanent collection.

Pictured: *Wind Sculpture (SG) V*, 2019, by Yinka Shonibare CBE RA. Stainless steel armature with hand painted glass reinforced polyester cast. 275 1/2 × 100 × 78 5/8 in. C. Ludens Ringnes Sculpture Collection, Harvard Business School. © Yinka Shonibare CBE. All Rights Reserved, DACS/ARS, NY 2022. Executive Education Lawn, Harvard Business School.



Initiatives Fuel Research

Initiatives are research-fueled communities of engagement where faculty, students, and alumni connect with practitioners in the field to develop insights that drive impact. Activities include awarding fellowships, such as the Goldsmith Fellowship—established in 1988 by the Horace W. Goldsmith Foundation and Richard L. Menschel (MBA 1959)—to encourage students from the non-profit and public sector to attend HBS. Monami Chakraborty, Joe English, Kendall Ernst, Furman Haynes, Quintin Haynes, Vi Mai, Colin McWatters, Nikita Ramanujam, Andrew Seo, Amara Warren, and Ava Zhang were 2021 Fellowship recipients.

Other 2022 Initiative activities included the Gender and Work Symposium, which turns a critical eye toward current ideas about how to eradicate inequality, as well as the Blavatnik Fellowship in Life Science Entrepreneurship, which is a one-year program for alumni in health care startups. Recipients for 2021–22 were Dan Ahlstedt (MBA 2021), Nicole Black (PhD 2020), Ying Kai Chan (PhD 2015), Jannine Versi (MBA 2014), and Ananya Zutshi (MS/MBA 2021).



Leadership Fellows

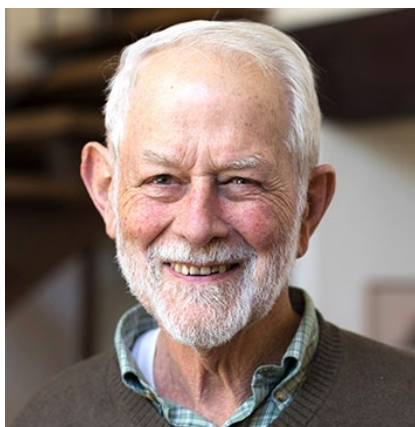
The Leadership Fellows program strives to develop a network of HBS graduates with cross-sector experience who are committed to addressing societal issues throughout their careers. The program is based on University Professor Michael Porter's vision of developing a network of HBS graduates with cross-sector experience who are committed to addressing societal issues throughout their careers. 2022 Leadership Fellows include:

Front Row (left to right)

Fatima AlBassam, *City of Boston Mayor's Office*
 Fiona Liao, *Environmental Defense Fund*
 Kaley Martin, *City of Detroit Mayor's Office*
 Merve Ciplak, *The Juilliard School*
 Sue Chuang, *Lincoln Center for the Performing Art*
 Jenny Zhou, *Harlem Children's Zone*

Back Row

Nikita Chuyko, *MBTA*
 Marie Rose Muir, *Boston Ballet*
 Elizabeth Arenz, *Environmental Defense Fund*
 Elisa MacColl, *MassHealth*
 Audrey Sheng, *Whitney Museum of American Art*
 Dan Segal, *NewSchools Venture Fund*



Alumni Achievement Awards 50th Cohort

Each year, the School recognizes a small number of outstanding alumni by conferring on them its highest honor, the Alumni Achievement Award. Throughout their careers, these distinguished graduates have contributed significantly to their companies and communities while upholding the highest standards and values in everything they do. Exemplary role models, they inspire all those who aspire to have an impact on both business and society. The 2022 awardees were:

Top Row (left to right)

Patricia C. "Tosh" Barron, MBA 1972
*Former President, Engineering Systems;
Former President, Office Products Division,
Xerox Corporation*

Salman A. Khan, MBA 2003
Founder and CEO, Khan Academy

Naina Lal Kidwai, MBA 1982
*Former Executive Director, Board of HSBC
Asia Pacific; Former Chair, HSBC India; Founder
and Chair, India Sanitation Coalition*

Bottom Row

Robert L. Ryan, MBA 1970
Retired Senior VP and CFO, Medtronic Inc.

Robert B. Wilson, MBA 1961, DBA 1963
*Adams Distinguished Professor of
Management, Emeritus, Stanford University;
2020 Sveriges Riksbank Prize in Economic
Sciences in Memory of Alfred Nobel*

In Memoriam

Barbara Cleary
*Division of Research and Faculty
Development, retired*

Colyer Crum
*James R. Williston Professor of Business
Administration, Emeritus*

J. Ronald (Ron) Fox
*Jaime and Josefina Chia Tiampo Professor of
Business Administration, Emeritus*

Joseph (Joe) Dias
Restaurant Associates

Susan Hamilton
External Relations, retired

Elizabeth Karpati
MBA Program Office, retired

Peter J. Martel
Human Resources, retired

Jane McCormick
MBA Admissions, retired

Dolores D. Mullin
Audio Visual Services, retired

Alvin (Al) J. Silk
*Lincoln Filene Professor of Business
Administration, Emeritus*

Richard (Dick) Eugene Walton
*Wallace Brett Donham Professor of Business
Administration, Emeritus*

Key Metrics

FOR THE FISCAL YEAR ENDED JUNE 30,

Key Financial Data (in millions)	2022	2021	2020	2019
Revenues	\$ 966	\$ 805	\$ 861	\$ 925
Expenses	908	779	831	821
Net Operating Surplus	58	26	30	104
Capital Investments	43	22	43	38
Building Debt Outstanding	28	33	40	46
Unrestricted Reserves	227	211	174	129
Endowment	5,086	5,265	4,092	3,985
Total Assets	\$ 6,603	\$ 6,755	\$ 5,558	\$ 5,420

MBA Program

Incoming Class

Applications	8,264	9,773	9,304	9,228
Percent Admitted	15%	13%	13%	12%
Yield	86%	87%	85%	89%
Gender: Female	46%	44%	43%	41%
International Citizenship	37%	35%	35%	34%
US Race / Ethnicity ¹				
American Indian / Alaska Native	0%	0%	0%	0%
Asian	24%	19%	17%	21%
Black / African American	12%	11%	9%	7%
Hispanic / Latino / Latinx	11%	9%	11%	8%
Multi-Race / Non-Hispanic	4%	6%	5%	3%
Native Hawaiian / Other Pacific Islander	0%	0%	0%	0%
White	47%	53%	57%	59%
Did Not Report / Unknown	1%	1%	1%	2%

All Students

Enrollment	1,870	1,609	1,877	1,881
Tuition	\$ 73,440	\$ 73,440	\$ 73,440	\$ 73,440
Average Fellowship Aid per Student	\$ 43,794	\$ 42,786	\$ 42,225	\$ 42,034

Doctoral Programs

Incoming Class

Applications	896	995	797	748
Percent Admitted	4%	3%	4%	5%
Yield	66%	68%	87%	81%
Gender				
Male	37%	50%	48%	43%
Female	63%	50%	52%	57%
Non-Binary / Gender Queer / Other Gender	— ²	—	—	—
Did Not Report / Unknown	0%	0%	0%	0%
International Citizenship	21%	38%	52%	29%
US Race / Ethnicity ^{1,3}				
American Indian / Alaska Native	0%	0%	0%	0%
Asian / Asian American	21%	15%	20%	24%
Black / African American	11%	0%	4%	0%
Hispanic / Latino / Latinx	5%	0%	0%	5%
Multi-Race / Non-Hispanic	0%	0%	0%	0%
Native Hawaiian / Other Pacific Islander	—	—	—	—
White	42%	46%	28%	38%
Did Not Report / Unknown	0%	0%	0%	5%

All Students

Enrollment	130	129	133	131
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Key Metrics

FOR THE FISCAL YEAR ENDED JUNE 30,

Executive Education	2022	2021	2020	2019
Enrollment	10,575	13,101	10,881	12,605
Gender ⁴				
Male	68%	68%	70%	72%
Female	32%	32%	30%	28%
Gender Queer / Different Identity	0%	0%	0%	0%
Prefer Not to Answer	0%	— ²	—	—
Did Not Report / Unknown	0%	0%	0%	0%
International Citizenship	63%	60%	69%	68%
US Race / Ethnicity ¹				
American Indian / Alaska Native	0%	0%	—	—
Asian / Asian American	12%	6%	—	—
Black / African American	9%	4%	—	—
Hispanic / Latino / Latinx	8%	4%	—	—
Multi-Race / Non-Hispanic	2%	1%	—	—
Native Hawaiian / Other Pacific Islander	0%	0%	—	—
White	43%	22%	—	—
Did Not Report / Unknown	26%	64%	—	—

HBS Online				
Enrollment	40,667	38,725	29,192	19,568
CORe Participants	5,183	7,687	7,477	5,963

Faculty				
Positions (full-time equivalent)	272	256	244	233
Positions (all)	322	293	280	267
Gender: Female	28%	27%	28%	26%
US Race / Ethnicity ¹				
American Indian / Alaska Native	— ²	—	—	—
Asian	19%	19%	19%	19%
Black / African American	3%	3%	4%	3%
Hispanic / Latino / Latinx	2%	2%	2%	2%
Multi-Race / Non-Hispanic	4%	4%	4%	4%
Native Hawaiian / Other Pacific Islander	—	—	—	—
White	72%	71%	71%	72%
Did Not Report / Unknown	—	—	—	—
Teaching Materials	637	668	676	626
Research Articles on HBR.org	296	307	231	177
Books	22	16	15	14
Faculty Leadership				
Positions	46	44	47	46
Gender: Female	24%	25%	23%	15%
US Race / Ethnicity ¹				
American Indian / Alaska Native	—	—	—	—
Asian	17%	20%	17%	26%
Black / African American	2%	2%	4%	0%
Hispanic / Latino / Latinx	0%	0%	0%	2%
Multi-Race / Non-Hispanic	13%	2%	2%	2%
Native Hawaiian / Other Pacific Islander	—	—	—	—
White	67%	75%	77%	70%
Did Not Report / Unknown	—	—	—	—

Key Metrics

FOR THE FISCAL YEAR ENDED JUNE 30,

Staff	2022	2021	2020	2019
Positions ⁵	1,325	1,289	1,232	1,229
Gender				
Male	34%	35%	35%	35%
Female	65%	65%	65%	65%
Non-Binary / Gender Queer / Different Identity	0%	0%	0%	0%
Did Not Report / Unknown	0%	0%	0%	0%
US Race / Ethnicity ¹				
American Indian / Alaska Native	0%	0%	0%	0%
Asian / Asian American	11%	11%	11%	10%
Black / African American	5%	5%	4%	4%
Hispanic / Latino / Latinx	7%	6%	6%	6%
Multi-Race / Non-Hispanic	2%	2%	2%	1%
Native Hawaiian / Other Pacific Islander	0%	0%	0%	0%
White	74%	76%	77%	79%
Did Not Report / Unknown	0%	0%	0%	0%
Staff Leadership				
Positions	94	83	78	— ²
Gender: Female	55%	59%	55%	—
US Race / Ethnicity ¹				
American Indian / Alaska Native	0%	0%	0%	—
Asian / Asian American	4%	4%	3%	—
Black / African American	2%	2%	1%	—
Hispanic / Latino / Latinx	1%	1%	1%	—
Multi-Race / Non-Hispanic	0%	0%	0%	—
Native Hawaiian / Other Pacific Islander	0%	0%	0%	—
White	93%	93%	95%	—
Did Not Report / Unknown	0%	0%	0%	—

Publishing				
Cases Sold	16,726,000	15,392,000	15,209,000	14,539,000
Harvard ManageMentor Active Users	7,384,000	6,061,000	5,037,000	2,837,000
HBR.org Average Monthly Users	11,239,000	11,787,000	9,956,000	6,916,000

FOR THE CALENDAR YEAR

Sustainability	2021	2020	2019	2018
GHG Emissions (metric tons of CO ₂ equivalent) ⁶	9,098	9,103	11,562	11,614
Energy (kbtu) ⁷	121,948,442	122,569,467	150,713,824	152,538,748
Water (100 cubic feet) ⁸	32,735	40,754	51,025	48,626
Municipal Solid Waste (tons) ⁹	204	196	394	357

¹ **US Race / Ethnicity** is only collected for US citizens and permanent residents. Per federal guidelines, people who identify as Hispanic, Latino, or Latinx and any other race are represented as Hispanic, Latino, or Latinx only. People who identify with two or more races other than Hispanic, Latino, or Latinx are represented as Multi-Race , Non-Hispanic only.

² **Dashes** represent that data is not available.

³ **Doctoral US Race / Ethnicity** numbers do not total 100% because ethnicity is presented as % of total entering class but only represents US students.

⁴ **Executive Education Gender** is reported for Open Enrollment Programs only, not all programs.

Key Metrics

⁵ **Staff** includes employees classified as admin & professional, internal post docs, service & trade hourly, and support staff.

⁶ **GHG Emissions** is calculated using the location-based reporting methodology and Harvard University follows The Climate Registry (TCR) General Reporting Protocol for the Voluntary Greenhouse Gas (GHG) Reporting Program. The GHG inventory consists of direct emissions from onsite fuel combustion (Scope 1) and indirect emissions from purchased electricity (Scope 2) sources.

- In addition to the reduced occupancy impacting the % reduction, it was also impacted by the increased ventilation to help reduce disease transmission (which increases GHG emissions).
- Harvard University calculates its GHG emissions factor, but there is a delay in getting current grid data to feed into that calculation.

⁷ **Energy** includes steam and electricity from Harvard's Blackstone Steam Plant, electricity from the grid, electricity from our solar panels (solar renewable energy credits [SRECs], which represent the environmental benefit, are sold to the Harvard Utility to meet its state renewable energy requirements), natural gas used in boilers, cogeneration units and kitchens, along with diesel used in backup generators.

- In addition to the reduced occupancy impacting the % reduction, CY2021 was also impacted by the increased ventilation to help reduce risk of disease transmission (which increases energy use).

⁸ **Water** represents the total water withdrawal from our water utility for irrigation, domestic, kitchen and chilled water plant cooling tower needs.

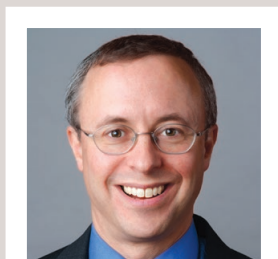
- In addition to the reduced occupancy impacting the % reduction, CY2021 was extremely rainy so irrigation needs were significantly down. We had nearly double the inches of rainfall we typically see across the irrigating season.

⁹ **Municipal Solid Waste** is the trash hauled from buildings from typical campus operations. It does not include construction waste, recycling, electronic waste, waste disposed of as part of contracted services, or anaerobic digestion for organics streams.

Financial Highlights

- Operating revenues increased 20 percent to a record \$966 million, while operating expenses increased 17 percent to \$908 million.
- The largest revenue drivers were Executive Education, MBA tuition and fees, and Harvard Business Publishing.
- The major areas of expense growth were salaries and benefits, other expenses, printing and publishing, and professional services.
- New gifts and pledges totaled \$172 million, compared with \$162 million in fiscal 2021.
- The return on the University's endowment was -1.8 percent, compared with 33.6 percent in fiscal 2021.
- The value of the School's endowment (after the net impact of distributions from the endowment and the addition of new gifts) decreased to \$5.1 billion, from \$5.3 billion a year earlier.
- Capital investments in campus facilities and new construction increased to \$43 million from \$22 million in fiscal 2021.
- The School generated an operating surplus of \$58 million, compared with \$26 million for the prior year.
- HBS ended fiscal 2022 with an unrestricted reserves balance of \$227 million, compared with \$211 million a year earlier.
- The School's total net assets decreased to \$6.2 billion as of June 30, 2022, from \$6.4 billion as of June 30, 2021, primarily reflecting a change in the total market value of the endowment.

From the Chief Financial Officer



After a year and a half of disruption caused by the global pandemic, fiscal 2022 was a year of renewal and growth for Harvard Business School. We set a bold intellectual agenda, delivered on ambitious goals to strengthen the community, and charted an aspirational course for the future, demonstrating the resilience of the School's faculty, staff, and students and the strength of the HBS economic model.

Total revenues increased to a record level in fiscal 2022, exceeding our forecast and outpacing the growth in expenses. As a result, our net operating surplus more than doubled, enabling us to invest in the School's emerging strategic priorities while maintaining a healthy unrestricted reserves balance to spur new initiatives.

In view of the School's accomplishments this past year, it's fair to say that the pandemic has taught us important lessons. Financially and operationally, the pandemic strengthened HBS as an institution. We developed and integrated new technology into the classroom, expanded our research initiatives, and created new muscles in the area of virtual and blended teaching and learning.

THE HBS ECONOMIC MODEL

What distinguishes the HBS economic model is a commitment to research that is largely internally funded. At the heart of this research is the School's faculty, scholars who are passionate about advancing knowledge, shaping the practice of management, and inspiring passion in their students. Our faculty members stay close to practice, interacting in the field with leaders and managers who are confronting the day's most pressing business challenges.

They apply knowledge gained in the field to generate intellectual capital, including case studies, books, articles, and online content to educate leaders and influence the managers on a global scale. Completing the self-sustaining cycle, income earned through key revenue streams—Executive Education, Harvard Business Publishing (HBP), and Harvard Business School Online—supplements revenues from MBA tuition and alumni gifts as key sources of funding for faculty research. These programs help provide the financial resources that enable the School to deliver on its mission of educating leaders who make a difference in the world.

Over the history of HBS, we have aspired to serve as a living model of a well-run organization, one that applies the skills, tools, and frameworks taught across the School's programs. Transparency is a cornerstone of this goal. Toward this end, I invite you to review our financial results in detail in the Supplemental Financial Information section of this Annual Report beginning on page 32.

The balance of this letter discusses our fiscal 2022 results in the context of our economic model, concluding with the financial forecast for fiscal 2023 and some thoughts on the longer-term strategic outlook.

FISCAL 2022 REVIEW

Total revenues grew 20 percent year over year to a record \$966 million, driven primarily by Executive Education, HBP, and MBA tuition and fees.

After a challenging fiscal 2021 in which Executive Education was forced to halt operations and then rapidly transition to all-virtual programming because of the

pandemic, the group returned to largely on campus programming in fiscal 2022. Revenues increased 115 percent year over year to \$174 million, exceeding our forecast. Equally significant was the group's ability to integrate the knowledge gained during the pandemic, complementing 116 residential programs with 52 fully virtual programs. The rebound in Executive Education revenue is even more impressive considering that the group's on-campus programming was paused for a significant portion of the winter to prevent an increase in COVID-19 cases associated with the Omicron variant.

Turning to HBP, revenues increased to \$302 million, the highest in the group's 28-year history and more than 10 percent higher than the prior year. The group leaned into its mission to improve the practice of management and its impact in a changing world, introducing new content, products, and capabilities. Circulation for *Harvard Business Review*, the group's flagship publication, grew

total revenues. The increase reflected the University's distribution rate and the size of the endowment, which includes gifts from alumni and transfers from the School to the endowment reserve.

The HBS alumni community gave generously in fiscal 2022, with a combined \$69 million in restricted and unrestricted current use giving, or 46 percent of total cash received from gifts. Unrestricted giving was particularly robust this past year, \$45 million, 10 percent higher than fiscal 2021. These gifts represent the philanthropic cornerstone on which the School pursues new opportunities and advances the faculty's pedagogical and research agenda. During the year, HBS welcomed back to campus more than 14,000 alumni for MBA and Executive Education reunions that had been postponed because of the pandemic.

MBA tuition and fees increased \$24 million, or 21 percent

Fellowships (in millions)	MBA	Total*
FY 22	\$ 44	\$ 57
FY 21	40	53
FY 20	45	57
FY 19	42	51
FY 18	40	50

* Includes Doctoral Programs, Executive Education, and HBS Online.

Investment in Research (in millions)	
FY 22	\$ 140
FY 21	126
FY 20	131
FY 19	152
FY 18	144

to a record 352,000 readers in fiscal 2022, reflecting the strong demand for high-quality digital and print content that gives managers and executives the tools to enhance both personal and organizational competitiveness.

HBS Online revenues declined \$2 million to \$74 million in fiscal 2022 from \$76 million in the prior year, primarily reflecting higher customer acquisition costs amid increased competition in the educational technology market. Total enrollment grew to 40,667 participants, 5 percent higher than the prior year. Although down slightly on a year-over-year basis, HBS Online's fiscal 2022 revenue was 72 percent higher than that of fiscal 2019, the most recent pre-COVID year.

The School's annual endowment distribution for FY22 increased 4 percent to \$191 million, or 20 percent of

for the fiscal year, to \$137 million. The increase resulted primarily from the arrival of students who had elected the deferral and leave options implemented in fiscal 2021 in response to the pandemic. Total enrollment in the MBA increased to 1,870 students from 1,609 students in the prior year. Fiscal 2022 marked the return of the Field Immersion Experiences for Leadership Development (FIELD) course after a two-year absence. In addition, the MBA program graduated the first class of students from the MS/MBA Biotechnology: Life Sciences Program.

The School invested \$43 million on capital spending in fiscal 2022, up from \$22 million in the prior year. Campus renewal initiatives included the renovations of Cash House and Cumnock Hall, the addition and fit-out of new leased co-working office space at 114 Western Avenue, as well as smaller projects. To ensure that the

HBS campus meets the needs of students, faculty, staff, and alumni over the next decade, the School launched a campus framework planning process. Designed to align future capital needs with the mission of HBS, the process will inform strategic planning for the faculty ecosystem, academic programs, residential campus, and digital transformation.

In addition to campus renewal and maintenance, this past year we continued to invest steadily in Information Technology, which remains integral to the School's growth. IT operating spending increased 9 percent in fiscal 2022 to \$98 million, accounting for 11 percent of total operating expenses. New investments included the build-out of additional hybrid classrooms and conference rooms. These and other infrastructure investments support the School's adaptive approaches to teaching, learning, and working and prepare HBS for the evolving future of the workplace.

Publishing Revenue (in millions)	
FY 22	\$ 302
FY 21	274
FY 20	262
FY 19	262
FY 18	240

With the exponential growth of digitalization across the globe, the need for a seamless digital infrastructure at HBS has never been more clear. In that regard, a growing part of future budgets will involve digital transformation. Launched as a strategic priority by Dean Srikant Datar in fiscal 2022, digital transformation centers on exploring new ways to use data and information technology to extend the reach of the School's research and teaching endeavors and to facilitate deeper connections throughout the HBS community.

Dean Datar also launched two new Institutes: the Digital, Data, and Design Institute at Harvard (D³) and the Institute for Study of Business in Global Society (BiGS). The purpose of D³ is to study how technological changes such as machine learning, digitalization, and artificial intelligence are affecting business and society. The goal of BiGS is to help harness business to address society's

greatest challenges, such as economic inequality, environmental destruction and racial injustice. In both areas, the faculty is creating foundational and applied research that is brought back to the classroom to guide students in their understanding of companies and other types of organizations.

Against this revenue and capital investment backdrop, we maintained our posture of prudent expense management and financial discipline in fiscal 2022. Operating expenses grew 17 percent to \$908 million, to support the School's higher revenues and the increased level of activity on campus.

While in any given year our largest expense—people—is always the same, the budget dynamics from one year to the next can be markedly different. In fiscal 2021, with the uncertainty around the scope and economic impact of the pandemic, the primary objective was to

Executive Education Tuition (in millions)	
FY 22	\$ 174
FY 21	81
FY 20	146
FY 19	222
FY 18	207

avoid layoffs and furloughs. The School scaled back on myriad expenses, curbed overtime, and froze pay rates for faculty and exempt staff. As a result, salaries and benefits increased just 3 percent from FY20 to FY21. In fiscal 2022, with the world having returned to a greater semblance of normalcy, the emphasis shifted to ensuring a smooth re-entry for students back to campus, and attracting and retaining our faculty and staff.

Salaries and benefits totaled \$428 million, or 47 percent of total operating expenses, up 11 percent from the prior year. The difference reflects an increase in full-time equivalent (FTE) faculty and staff coupled with performance-related rate increases and the growth in Executive Education payments. Consistent with the School's effort to grow the faculty, and by extension broaden its research base, faculty FTEs grew to 272 this past year, 6 percent higher than fiscal 2021.

Increased enrollment in fiscal 2022 drove a 14 percent increase in space and occupancy expenses, which rose to \$73 million from \$64 million in the prior year. As a percentage of total operating expenses, space and occupancy was flat at 8 percent versus fiscal 2021.

Buoyed by the increase in revenue, the School's operating surplus increased 123 percent to \$58 million.

FISCAL 2023 OUTLOOK

As I begin my 20th year as chief financial officer of HBS, I have never been more excited about the opportunities we have to fundamentally influence the future of business leadership at a global level through our renewed academic programs, digital transformation, and new Institutes.

We have prioritized our commitment to diversity, equity, and inclusion (DEI) initiatives across HBS as we continue

lifelong learning, as well as creating a digital incubator to provide resources for the exploration of new ideas.

With that as background, let me provide a brief look at our near-term financial expectations. On the top line, we are forecasting total revenue growth of 9 percent year over year in fiscal 2023. Combined revenue from HBP, Executive Education, and HBS Online are expected to grow about 10 percent from the prior year, as these groups continue to focus on leveraging new technologies and platforms to expand their reach. With enrollment increasing to nearly 2,000 students in fiscal 2023, MBA tuition and fees are expected to grow about 12 percent.

The ongoing support of HBS alumni will remain vital in fiscal 2023 and beyond. Restricted and unrestricted current use gifts are critical to the School's ability to propel innovative strategic priorities, ensure we can provide

Capital Investment (in millions)	
FY 22	\$ 43
FY 21	22
FY 20	43
FY 19	38
FY 18	92

IT Investment (in millions; excludes capital expenses)	
FY 22	\$ 98
FY 21	90
FY 20	96
FY 19	87
FY 18	82

to develop the infrastructure of the School's recently formed Office of Diversity, Equity, and Inclusion (ODEI) and develop a School-wide DEI strategy. One of the initial priorities includes increasing our supplier diversity through the expansion of our partnerships with Black- and minority-owned services providers. We look to further our DEI progress through community engagement, learning and development opportunities, and recruitment and retention plans.

Fiscal 2023 will be a year of significant investment in the new digital transformation effort, as the School begins to develop a holistic approach to collecting and managing data across the HBS enterprise. Over time, capital will be invested in talent and tools to advance the transformation. Plans include launching Centers of Excellence to cultivate expertise in areas such as digital marketing and social outreach, and community and

need-based financial aid to talented students, and support the faculty's innovative research.

The HBS endowment distribution is budgeted to increase 9 percent in fiscal 2023, which represents the Corporation's 4.5 percent approved increase, plus distributions on new gifts.

Looking at expenses, our fiscal 2023 operating plan assumes an increase of approximately 11 percent in total operating expenses, about 46 percent of which relates to compensation for faculty and administrative staff. Factoring in salary increases, benefit costs, and anticipated vacancies, total compensation expense is expected to increase from fiscal 2022. Collectively, the School's other line items are expected to increase 12 percent, primarily related to investments to grow Executive Education, HBP, and HBS Online.

The School's capital budget for fiscal 2023 is \$39 million, 9 percent less than the \$43 million invested in fiscal 2022. In addition to ongoing work at 114 Western Avenue and Cumnock Hall, this budget includes investments to complete the campus framework plan, create start-up space for D^3 in Coting House, and upgrade several Executive Education hybrid classrooms.

In summary, we begin fiscal 2023 positioned to deliver on the HBS mission by continuing to provide robust support for innovative teaching and research. Across the School's core programs and activities, the resilience and growth we demonstrated this year underlines the value of our contribution to a connected world. As always, we remain committed to being good stewards of the School's resources.



RICHARD P. MELNICK, MBA 1992
CHIEF FINANCIAL OFFICER
NOVEMBER 21, 2022

Building Debt Outstanding (in millions)

FY 22	\$ 28
FY 21	33
FY 20	40
FY 19	46
FY 18	55

Harvard Endowment Returns

FY 22	- 1.8%
FY 21	33.6
FY 20	7.3
FY 19	6.5
FY 18	10.0
FY 17	8.1
FY 16	- 2.0
FY 15	5.8
FY 14	15.4
FY 13	11.3

Supplemental Financial Information

Revenues

HBS funds its operations with cash from three primary sources: MBA tuition and fees; earned income from Harvard Business Publishing (HBP), Executive Education, and HBS Online; and philanthropic revenues (including current use gifts and distribution from the endowment).

In fiscal 2022, the School's total revenues increased by \$161 million, or 20 percent, to \$966 million from \$805 million in the prior year, primarily reflecting the growth in Executive Education tuition revenue, MBA tuition and fees, and HBP. Following a year of entirely virtual programming, Executive Education returned to its traditional residential model in fiscal 2022, blending its in-person programming with virtual learning.

MBA Tuition & Fees

Student tuition and fee revenue from the MBA program increased 21 percent to \$137 million from \$113 million in fiscal 2021. In that year, a number of students elected to take advantage of the School's deferral and leave policies because of COVID, reducing enrollment by 14 percent from fiscal 2020. By contrast, enrollment in fiscal 2022 was 1,870 students, in line with the School's average enrollment between 2013 and 2020.

First-year MBA tuition in fiscal 2022 was \$73,440, flat with fiscal 2021. Combined tuition and fees for fiscal 2022 were at the bottom of the peer business schools tracked by HBS and amounted to 14 percent of the School's total revenues.

From an enrollment standpoint, the mix of first- and second-year MBA students was different in fiscal 2022 than in a typical year. From 2015 through 2020, total enrollment averaged about 940 students per class. Because of the deferral and leave options, in fiscal 2021 that number decreased to 729 first-year students and 880 second-year students. The School staggered the start of students who elected a deferral or leave of absence, allowing roughly half to enroll in fiscal 2022 and half in the current fiscal year. This resulted in fiscal 2022 enrollment of 1,013 first-year students and 857 second-year students.

Harvard Business Publishing

HBP's three market groups—*Harvard Business Review* Group, HBP Education, and Corporate Learning—each delivered year-over-year revenue growth in fiscal 2022. As a result, total Publishing revenue increased 10 percent from fiscal 2021 to \$302 million.

HBP international revenue continued its steady progress, increasing 15 percent and representing 42 percent of the group's total annual sales in fiscal 2022.

Harvard Business Review provided subscribers with timely articles from its flagship magazine, website (hbr.org) and social media presence. In addition, HBR Press released a number books, podcasts, webinars, and HBR Live events. HBR Group sales increased 3 percent year-over-year, while paid circulation grew 1 percent to a record 352,000 subscribers.

HBP Education sales of course materials for participant-centered learning in business education increased 11 percent from fiscal 2021. HBP Education provides course materials for online, hybrid and face-to-face applications with content that adds dynamic, real-life perspectives to undergraduate, MBA, and executive education programs

Revenue from Corporate Learning products and services increased 18 percent from fiscal 2021. Corporate Learning partners with companies to co-create leadership development solutions that align with strategy and engage learners.

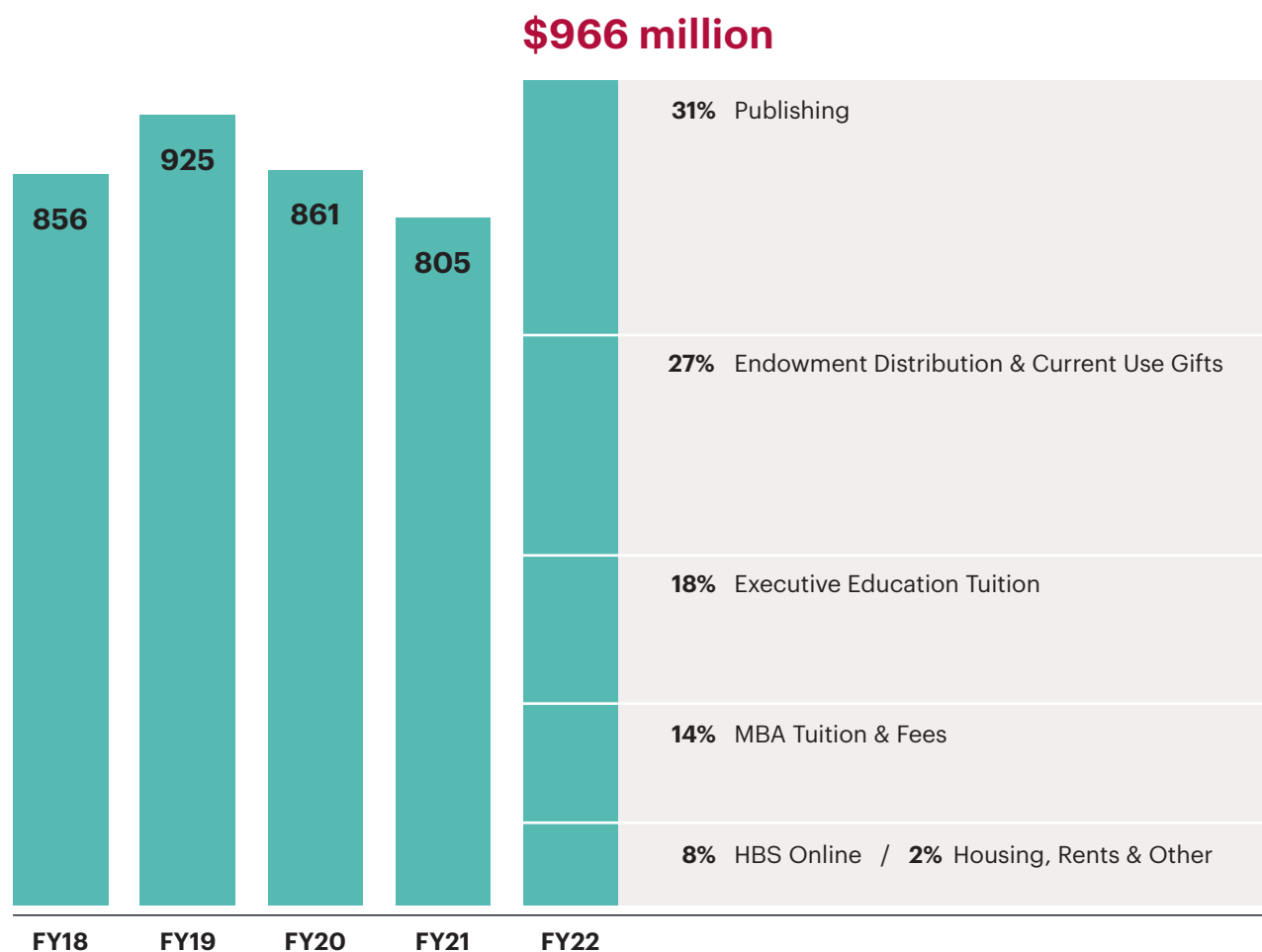
Total HBP revenue amounted to 31 percent of the School's total revenues in fiscal 2022, 3 percentage points lower than in fiscal 2021.

Executive Education

Executive Education tuition increased by \$93 million to \$174 million in fiscal 2022 from \$81 million in the prior year, reflecting the return of on-campus programming. The group produced 116 residential programs and 52 fully virtual programs for 10,575 participants.

A combined 81 Topic-Focused and Comprehensive Leadership programs were designed and delivered for more than 6,300 global participants, representing an increase of 40 percent compared with fiscal 2021. The group also delivered custom programs in a range of industries, on-boarding 18 new clients into the portfolio and successfully navigating the return to on-campus programming, more than 80 percent of which was either entirely residential or blended. Internationally, the group launched new cohorts for its Senior Leadership

REVENUES (in millions)



Programs in India and the Middle East.

Total Executive Education tuition revenue accounted for 18 percent of the School's total revenues in fiscal 2022, compared with 10 percent of total revenues in fiscal 2021.

HBS Online

Although HBS Online revenue declined 3 percent to \$74 million in fiscal 2022 from \$76 million a year earlier, the group performed well in the face of increased competition and higher learner acquisition costs.

Total enrollment increased 5 percent to nearly 41,000, a compound annual growth rate of more than 67 percent since the group launched in fiscal 2014. Women comprised 42 percent of the total enrollment in fiscal 2022, while international students made up 67 percent.

HBS Online expanded its course offerings with three new offerings: Design Thinking and Innovation, Power and Influence for Positive Impact, and Sustainable Investing.

Total HBS Online revenue amounted to 8 percent of the School's total revenues in fiscal 2022, compared with 9 percent for the prior year.

Gifts & Endowment

Philanthropic revenue has long been vital to sustaining the School's annual operations. In fiscal 2022, total revenue from the School's three philanthropic sources—distribution from the endowment, unrestricted current use gifts, and restricted current use gifts—increased to \$260 million from \$244 million in fiscal 2021. This revenue amounted to 27 percent of the School's total revenues, compared with 30 percent a year earlier. For the University as a whole, philanthropic revenue amounted to 45 percent of total operating revenues for fiscal 2022.

The School's annual endowment distribution for fiscal 2022 increased 4 percent from the prior year to \$191 million, amounting to 20 percent of total revenue. In any given year, the change in the endowment distribution is governed by three factors: a specified rate increase set by the University, which in fiscal 2022 was 2.5 percent; new gifts to the endowment, which consists of more than 1,000 discrete funds established over the years by individual donors, corporations, and reunion classes; and cash transfers by the School to the endowment

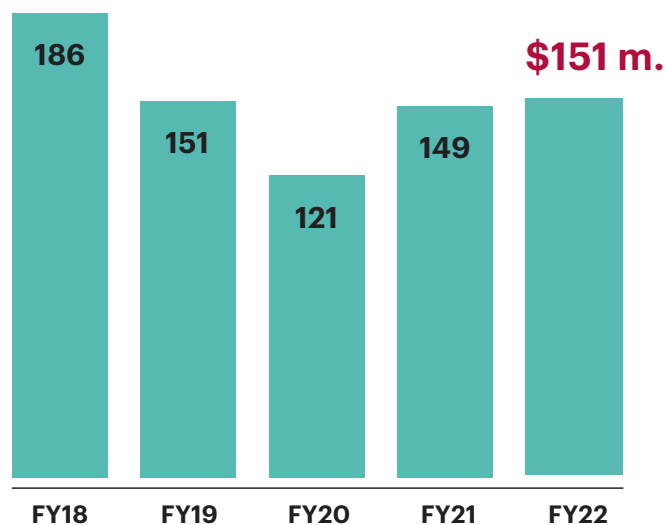
reserve. The School budgets the use of endowment distributions to support operations in accordance with the donors' intentions and the terms of each gift.

Harvard is obligated to preserve the purchasing power of the endowment by spending only a small fraction of its value each year. Spending more than that over time, for whatever reason, would privilege the present over the future in a manner inconsistent with an endowment's fundamental purpose of maintaining intergenerational equity.

The University executes on this obligation in determining each year's endowment payout rate—that is, the percentage of the endowment's fair market value withdrawn and distributed annually for operations and for one-time or time-limited strategic purposes. This rate applies to HBS and to all schools at Harvard.

Consistent with the long-term goal of preserving the value of the endowment in real terms (after inflation) and generating a predictable stream of available income, the University's targeted annual payout range is 5.0 to 5.5 percent of market value.

CASH RECEIVED FROM GIFTS (in millions)



The payout rate for fiscal 2022 was 4.2 percent, down 100 basis points from the prior year. The utilization of a payout formula means that the annual payout rate is generally lower following years of relatively high investment returns, as was the case in fiscal 2022, and higher following years of lower investment returns. Adjustments can be made in succeeding years, keeping in mind the long-term payout goals of balancing budgetary stability with the preservation of the endowment's purchasing power. Each year the Harvard Corporation approves the final distribution amount.

Funds within the HBS endowment, along with those of the other Harvard schools, are managed by Harvard Management Company (HMC), a nonprofit, wholly owned subsidiary of the University. HMC has managed the Harvard endowment portfolio since 1974. Its mission is to ensure the University has the financial resources to confidently maintain and expand its leadership in education and research for future generations. The return on endowment assets for fiscal 2022, net of investment expenses and fees, was -1.8 percent, reflecting significant weakness in the equity and bond markets during the past year caused by persistent inflation and tightening monetary policies. Endowment

returns for fiscal 2021 and 2020 were 33.6 percent and 7.3 percent, respectively.

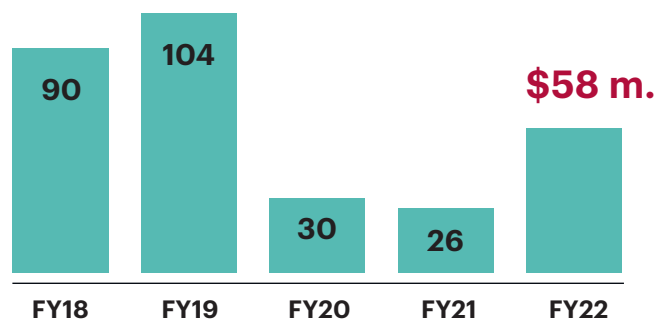
The value of the University's endowment declined to \$50.9 billion at the end of fiscal 2022 from \$53.2 billion at the end of the prior year. This value reflects investment returns, net of expenses and fees, as well as cash gifts to the endowment received during the year, net of the University's annual distributions and decapitalizations.

The fiscal 2022 year-end market value of the HBS endowment was \$5.1 billion as of June 30, 2022, compared with \$5.3 billion a year earlier. The change reflected the negative return on the University's endowment, less the School's annual distribution and decapitalizations, offset by endowment gifts received by HBS during the year and transfers to the School's endowment reserve.

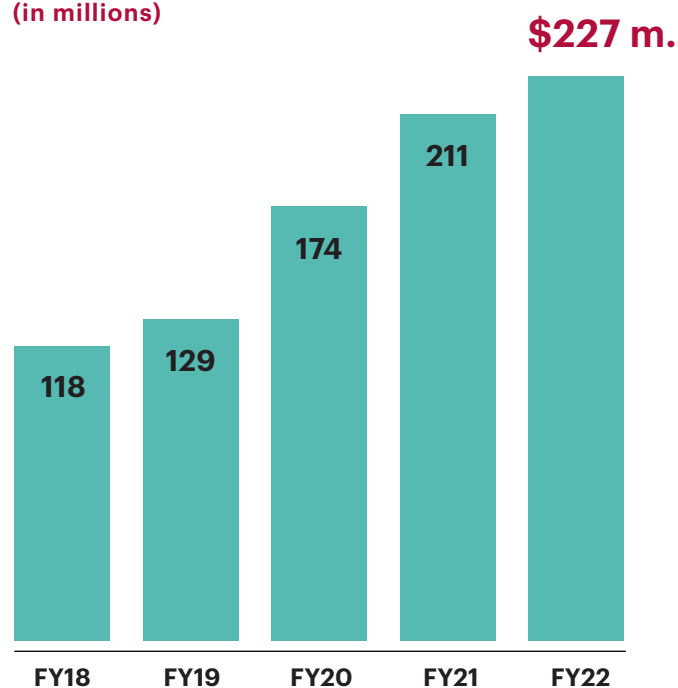
HBS received gifts from more than 10,200 donors in fiscal 2022, including MBA, Doctoral, and Executive Education program alumni, as well as friends of the School.

Total cash received from gifts in fiscal 2022, including new endowment gifts and gifts for capital construction projects, payments on prior years' pledges, and restricted and unrestricted current use giving, was \$151 million

NET OPERATING SURPLUS (in millions)



UNRESTRICTED RESERVES (in millions)



compared with \$149 million in the prior year. Cash giving to the endowment decreased to \$77 million, from \$80 million in fiscal 2021. Cash giving for capital projects totaled \$5 million, compared with \$8 million in the prior year.

Current use giving—both restricted and unrestricted—provides crucial funding for innovation across the School. Because current use gifts can be spent immediately, they have a significant impact on the net operating surplus and, therefore, the School’s ability to capitalize on emerging strategic opportunities. For example, current use giving has enabled the School to enhance the Harvard Innovation Labs ecosystem, expand the reach of HBS Online, and broaden the faculty’s ambitious research agenda.

Revenue from unrestricted current use gifts increased 10 percent to \$45 million in fiscal 2022. Sustaining the HBS community’s remarkable commitment to unrestricted current use giving remains instrumental in achieving the mission of the School.

Restricted current use giving typically varies from year to year in line with the School’s changing fundraising

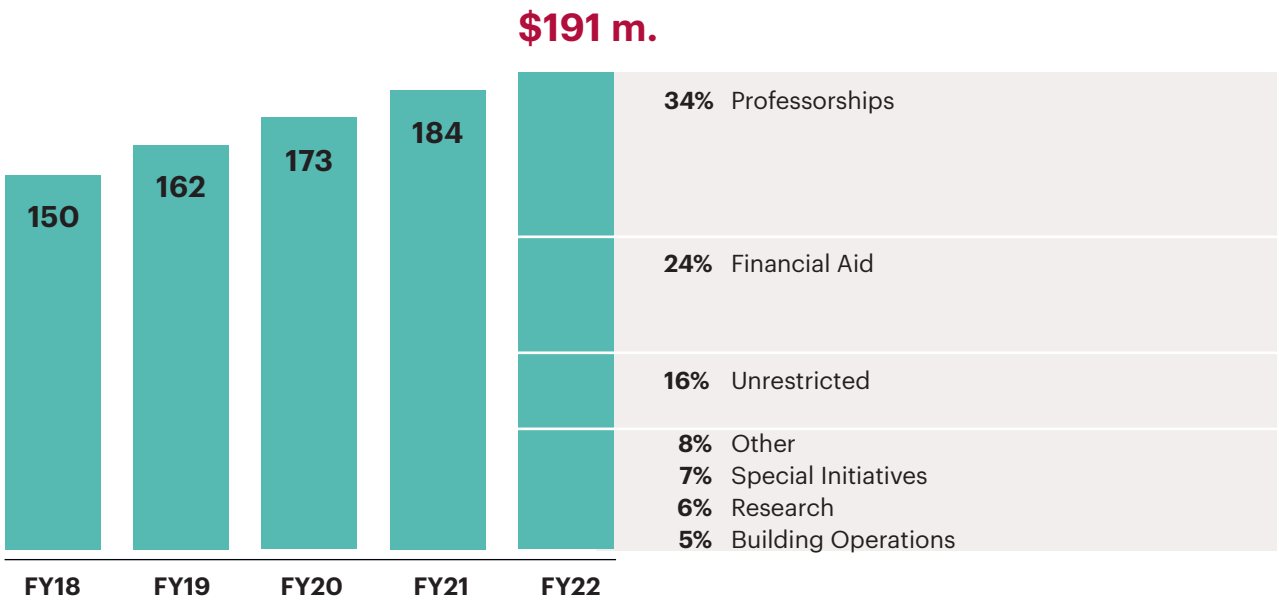
priorities and strategic needs. In fiscal 2022, revenue from these restricted gifts increased 26 percent from a year earlier to \$24 million.

Housing, Rents, Interest Income & Other

With more students on campus in fiscal 2022, total revenue from the housing, rents, and other category increased by \$3 million from the prior year to \$19 million. The School reported no interest income in fiscal 2022, compared with \$1 million a year earlier. Total housing, rents, interest income, and other revenue amounted to 2 percent of the School’s total revenues in fiscal 2022, consistent with the prior year.

Endowment (in millions)	
FY 22	\$ 5,086
FY 21	5,265
FY 20	4,092
FY 19	3,985
FY 18	3,787

ENDOWMENT DISTRIBUTION (in millions)



Expenses

Executive Education, HBP, and HBS Online operating costs, as well as the School's faculty research costs, cut across multiple expense line items in the Statement of Activity and Cash Flow on page 41.

Faculty research expenses include a portion of faculty salaries and benefits expense, as well as direct costs for faculty support staff and travel, and for the School's network of global offices. Additionally, HBS allocates a portion of the costs associated with library resources, campus facilities, technology, and administration to this category. Faculty research expenses totaled \$140 million in fiscal 2022, comprising 15 percent of the School's operating budget.

Although HBS characterizes costs charged to HBP, HBS Online, and Executive Education as operating expenses, in a profit-seeking enterprise they would in large part be considered cost of goods sold. These expenses include direct costs for staff compensation, specialized outside professional services in Information Technology and other functional areas, marketing costs, and residence expenses for Executive Education program participants.

Total operating expenses for fiscal 2022 were \$908 million, an increase of \$129 million, or 17 percent, from \$779 million for fiscal 2021. The increase was primarily attributable to other expense and salaries and benefits.

Salaries & Benefits

Compensation for faculty and staff is the largest expense at HBS. The School's salaries and benefits expense for fiscal 2022 increased 11 percent to \$428 million from \$386 million in fiscal 2021. This represented 47 percent of the School's total operating costs, compared with 50 percent in the prior year. The change in salaries and benefits was attributable to both an increase in full-time equivalent (FTE) faculty and staff and rate increases.

Expanding the size and diversity of the faculty is a strategic priority for the School. These efforts enhance the strength of our MBA and Doctoral Programs; fuel the growth of HBP, Executive Education, and HBS Online; and expand our ability to conduct innovative research. In fiscal 2022, six candidates accepted Assistant Professor positions, and two faculty members were promoted to associate or tenured positions. The total number of

faculty, as measured in full-time equivalent (FTE), can rise or fall in any given year reflecting retirements, departures, and fluctuations in recruiting activity. Net of retirements and departures, the size of the HBS faculty increased to 272 FTEs in fiscal 2022, from 256 FTEs a year earlier.

The School's staff grew to a budgeted 1,325 FTEs in fiscal 2022, from 1,289 in the prior year.

To capitalize on new opportunities, the School invested to expand the faculty, increase Information Technology staffing to accommodate the growth in virtual and hybrid learning, and grow HBS Online. The increase in IT staffing also reflects the School's continuing investments to further strengthen the security of the School's data infrastructure.

Fellowships

The School categorizes fellowships, or financial aid, as an expense line item on the Statement of Activity and Cash Flows. Making education at HBS affordable to a broad cross section of applicants, regardless of their financial circumstances, is a long-standing goal of the School.

The prospect of entering or returning to the workforce with high levels of education debt can deter strong MBA candidates from applying to HBS and restrict their career choices upon graduation. This is particularly true for younger students, women, those from outside the United States, and students whose early career paths have not enabled them to reduce their undergraduate loans. Consequently, the School strives to assist students in minimizing their debt at graduation by ensuring that fellowship support more than keeps pace with tuition and fees.

Total fellowships expense for fiscal 2022, including assistance for MBA students, Doctoral candidates, and a limited number of Executive Education participants, increased by \$4 million, or 8 percent, from fiscal 2021 to \$57 million. The increase in fellowships reflected the increase in student enrollment. Fellowships amounted to 6 percent of the School's total operating costs in fiscal 2022, down one point from the prior year.

Approximately half of the School's MBA students currently

receive fellowships, which cover an average of more than 50 percent of a student’s total tuition. About 26 percent of total tuition—more than \$35 million—was awarded as fellowships in fiscal 2022.

Average fellowship support per student totaled nearly \$44,000 in fiscal 2022 and was up 2 percent from the prior year. Over the past five fiscal years, the School’s average two-year MBA fellowship award has grown from more than \$75,000 for the class of 2018 to \$86,000 for the class of 2023.

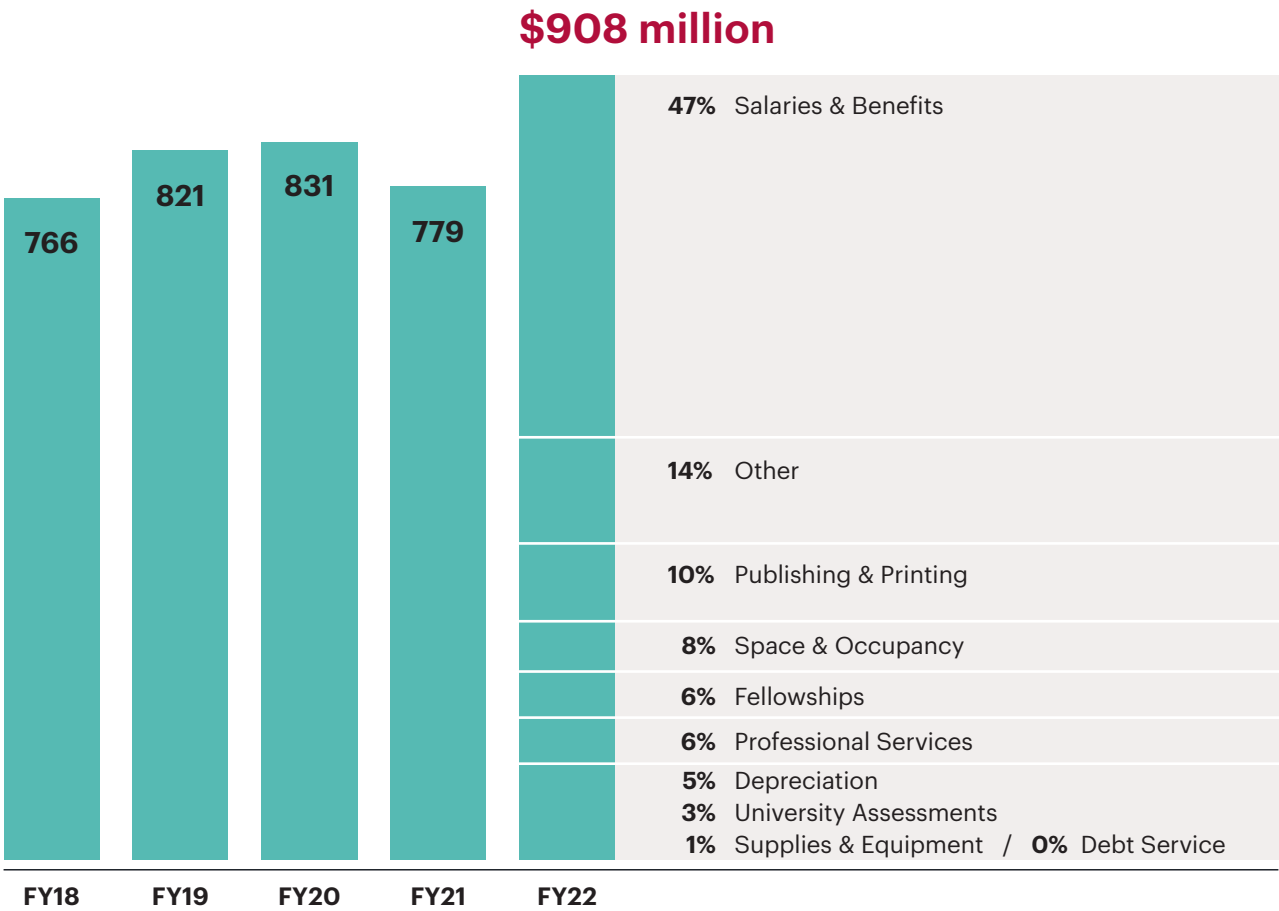
Funding for fellowships comes from restricted endowment and current use giving by HBS alumni and friends. These funds are supplemented by unrestricted funds as necessary, which totaled \$1.2 million in fiscal 2022.

Publishing & Printing

This expense category includes a portion of HBP’s production costs plus a small amount of spending related to the School’s printed materials and publications. The production costs include, for example, *Harvard Business Review’s* printing expense. They also include strategic investments in digital infrastructure and content designed to extend the group’s record of consistent growth at a time of significant change in the way information is consumed.

Publishing and printing expenses for fiscal 2022 increased by \$11 million, or 14 percent, from the prior year to \$89 million, reflecting the growth of HBP. Printing and publishing accounted for 10 percent total operating costs, consistent with the prior year.

EXPENSES
(in millions)



Space & Occupancy

The HBS campus includes 36 buildings encompassing 2 million square feet. Space and occupancy expenses include costs related to maintaining and operating the School's buildings and campus infrastructure. Additionally, facilities improvement and renovation costs that do not qualify as capital expenses are generally included in this category.

Also included are expenses related to dining facilities and other campus services; costs associated with leased space for HBP, HBS Online, and the School's global offices; as well as residence costs for Executive Education program participants.

With MBA enrollment returning to its historical average in fiscal 2022, the School's space and occupancy expenses increased by \$9 million, or 14 percent, from the prior year to \$73 million. Space and occupancy expense accounted for 8 percent of the School's total operating costs in fiscal 2022, consistent with the prior year.

Professional Services

A large portion of the School's professional services expense is related to spending that a for-profit business would categorize as cost of goods sold.

For fiscal year 2022, professional services expenses increased \$7 million, or 15 percent, from the prior year to \$53 million. This result primarily reflected the resumption of on-campus activities in fiscal 2022 and the need for professional services to support the School's larger revenue base.

IT spending represented 11 percent of the School's total operating expenses in fiscal 2022. Controlling IT costs is an important financial priority for the School, and to that end HBS has begun to shift toward software-as-a-service platforms rather than custom-developed applications. The School also is moving toward greater use of third-party IT service providers and transitioning IT applications to the cloud.

Supplies & Equipment & Other Expenses

Supplies and equipment expenses for fiscal 2022 were \$10 million, or 1 percent of the School's total operating costs, consistent with the prior year. In the other expense category, fiscal 2022 spending was \$124 million, up approximately 70 percent from the prior year. This

amounted to 14 percent of the School's total operating costs versus 9 percent in fiscal 2021. The increase of on-campus activity with the fading of COVID-19 resulted in a significant rise in the other expenses line. The largest expense increases occurred in areas such as catering, travel, and advertising.

Debt Service

HBS finances major capital projects with a mix of three sources of funding: gifts, unrestricted reserves of internally generated cash, and the strategic use of debt financed through the University.

The HBS balance sheet historically has been only modestly leveraged, and debt leverage remained low in fiscal 2022. HBS paid down \$5 million in building debt in fiscal 2022, compared with \$7 million in the prior year. The School's year-end fiscal 2022 building debt-to-net asset ratio was 0.5 percent, unchanged from the prior year. Other University debt increased by \$4 million to \$83 million.

The School's debt service expense consists of interest payments to the University. Fiscal 2022 debt service expense remained at \$2 million. As in fiscal 2021, this expense was mainly associated with borrowings to finance prior years' campus expansion. Consistent with the four prior years, the interest portion of the School's debt service amounted to less than 1 percent of total operating costs in fiscal 2022.

University Assessments

The University Assessments expense encompasses services provided to HBS by Harvard University, including payroll and benefits administration, processing of accounts receivable and payable, and legal services. The amount charged to HBS in any given year is primarily calculated as a percentage of the School's total expenses. The School's expense for these assessments increased \$6 million to \$27 million, or 3 percent of total operating costs. Of the total increase, approximately \$5 million represented the reinstatement of an assessment waived by the University in fiscal 2021 in response to the challenging economic environment. The other \$1 million represented regular annual increases in the assessments.

Depreciation

The School computes depreciation using the straight-

line method over the estimated useful lives of the assets. The depreciation expense for fiscal 2022 decreased by \$1 million, or 2.2 percent, from the prior year to \$45 million. The School's depreciation expense for fiscal 2022 amounted to 5 percent of total operating costs, compared with 6 percent a year earlier.

CASH BEFORE CAPITAL ACTIVITIES

The School's cash operations totaled \$58 million in fiscal 2022, compared with \$26 million in fiscal 2021, reflecting the School's ability to increase revenue faster than expenses. As in fiscal 2021, this cash was largely generated by margin contributions from the School's competitive business units—HBP, Executive Education, and HBS Online—as well as generous giving to the School by alumni and friends of HBS. In addition, depreciation is a non-cash item that added back \$45 million to the School's cash flow in fiscal 2022, compared with \$46 million in the prior year.

NET CAPITAL EXPENSES

Given continued uncertainty about the pandemic heading into fiscal 2022, capital spending was limited to select projects. These included the renovations of Cash House and Cumnock Hall as well as construction at 114 Western Avenue for new leased co-working office space. Total capital expenses for fiscal 2022 increased to \$43 million from \$22 million in the prior year. The School's net capital expenses for fiscal 2022 totaled \$28 million, down \$2 million from the prior year.

Changes in Debt & Other

The School's debt and other cash activities decreased by \$63 million in fiscal 2022, compared with a decrease of \$5 million in the prior year. The change in debt and other cash activities primarily related a transfer to the HBS endowment of \$65 million in unrestricted cash, made possible by the School's operating surplus, to fund future capital needs.

Because gifts, internally generated cash, and unrestricted reserves have been available and sufficient to finance capital activities, fiscal 2022 marked the School's 14th consecutive year with no new borrowings. Debt principal payments were \$6 million in fiscal 2022 compared with \$7 million a year earlier.

Capitalization of endowment income—or cash used to

purchase endowment units—was a \$5 million use of cash in fiscal 2022, down \$1 million from the prior year. In compliance with federal and state legal requirements, the School's objective is to spend as much of the endowment distribution as possible in any given year, according to the terms of each gift. Funds unspent as a result of gift restrictions are generally reinvested in the endowment.

In compliance with the law, HBS accesses the investment appreciation within existing endowment accounts when the terms of the gift require funds to be withdrawn at a rate higher than the University's payout rate in any given year. Decapitalization of endowment income—or cash drawn from endowment appreciation—was a \$4 million source of cash in fiscal 2022, compared with a \$1 million source of cash in fiscal 2021.

Ending Balance, Unrestricted Reserves

Approximately 57 percent of the School's revenues in fiscal 2022 came from HBP, Executive Education, and HBS Online—business units that are sensitive to fluctuations in the economy. Consequently, maintaining an ample balance of unrestricted reserves outside of the endowment is crucial to providing HBS with sufficient liquidity to finance ongoing campus renewal and expansion projects and to capitalize on emerging strategic opportunities through economic cycles over the long term.

Continuing its focus on generating strong cash from operating activities, HBS concluded fiscal 2022 with an unrestricted current use reserves balance of \$227 million, compared with \$211 million a year earlier. This level is substantially above the required level of unrestricted reserves for liquidity management purposes.

Statement of Activity & Cash Flows¹⁰

FOR THE FISCAL YEAR ENDED JUNE 30,

Revenues (in millions)	2022	2021	2020
MBA Tuition & Fees	\$ 137	\$ 113	\$ 136
Executive Education Tuition	174	81	146
HBS Online	74	76	58
Publishing	302	274	262
Endowment Distribution	191	184	173
Unrestricted, Current Use Gifts	45	41	37
Restricted, Current Use Gifts	24	19	23
Housing, Rents, Interest Income & Other	19	17	26
Total Revenues	\$ 966	\$ 805	\$ 861
Expenses			
Salaries & Benefits	\$ 428	\$ 386	\$ 375
Publishing & Printing	89	78	81
Space & Occupancy	73	64	71
Supplies & Equipment	10	10	12
Professional Services	53	46	59
Fellowships	57	53	57
University Assessments	27	21	26
Debt Service	2	2	3
Depreciation	45	46	45
Other Expenses	124	73	102
Total Expenses	\$ 908	\$ 779	\$ 831
Net Operating Surplus	\$ 58	\$ 26	\$ 30
Depreciation	45	46	45
Non-Cash Items	4	—	1
Cash Available for Capital Activities	\$ 107	\$ 72	\$ 76
Capital Expenses	\$ (43)	\$ (22)	\$ (43)
Change in Capital Project Pre-Funding	10	(14)	8
Use of Gifts for Capital Projects	5	6	5
Net Capital Expenses	\$ (28)	\$ (30)	\$ (30)
New Borrowings	\$ 0	\$ 0	\$ 0
Debt Principal Payments	(6)	(7)	(7)
Capitalization of Endowment Income	(5)	(6)	(3)
Decapitalization of Endowments	4	1	2
Other Non-Reserve Activity	(56)	7	7
Changes in Debt & Other	\$ (63)	\$ (5)	\$ (1)
Increase (Decrease) in Reserves	\$ 16	\$ 37	\$ 45
Beginning Reserves Balance	\$ 211	\$ 174	\$ 129
Ending Reserves Balance	\$ 227	\$ 211	\$ 174

Consolidated Balance Sheet

FOR THE FISCAL YEAR ENDED JUNE 30,

Assets (in millions)	2022	2021	2020
Cash	\$ 133	\$ 124	\$ 124
Current Use Reserves	227	211	174
Receivables, Loans, & Other Assets	251	243	221
Invested Funds:			
Endowment	4,747	4,915	3,799
Endowment Interest in Trusts Held by Others	178	211	167
Endowment Pledges	148	137	119
Undistributed General Investment Income	13	2	7
Current Use Investments	63	70	63
Current Use Pledges	110	104	122
Facilities, Net	733	738	762
Total Assets	\$ 6,603	\$ 6,755	\$ 5,558
Liabilities			
Deposits, Advances & Other	\$ 94	\$ 69	\$ 62
Deferred Revenue	194	206	191
Other Debt Owed to University	83	79	81
Building Debt	28	33	40
Total Liabilities	\$ 399	\$ 387	\$ 374
Net Assets			
Current Use Reserves	\$ 227	\$ 211	\$ 174
Endowment Funds	5,086	5,265	4,092
Current Use Funds	172	174	185
Unexpended Endowment Income	3	2	—
Student Loan Funds	11	11	11
Investment in Facilities	705	705	722
Total Net Assets	\$ 6,204	\$ 6,368	\$ 5,184
Total Liabilities + Net Assets	\$ 6,603	\$ 6,755	\$ 5,558

¹⁰ In pursuit of greater comparability across the Harvard schools, the University has asked all the schools to report their net results in accordance with generally accepted accounting principles (GAAP) in the United States. In addition to results for fiscal 2021, the School's results for fiscal years 2019 and 2020 are presented in accordance with GAAP within the Statement of Activity and Cash Flows on the preceding page.

www.hbs.edu/annualreport

Harvard Business School is led by the Dean of the Faculty in conjunction with various advisory and oversight groups comprising faculty, staff, alumni, academics, and business practitioners. Harvard University appoints a Visiting Committee to review Harvard Business School's strategic goals and objectives and to provide advice and input to the Dean. The group meets biannually and reports to Harvard University's Board of Overseers.

This document is intended to provide insight into the way Harvard Business School manages its resources and plans strategically for its future. Further information about the School can be found at www.hbs.edu.

We welcome questions and comments from our readers. Please direct correspondence to Richard P. Melnick, Chief Financial Officer: rmelnick@hbs.edu or to the Office of the Dean: officedean@hbs.edu.