



# Sustaining HBS's Unique Economic Model

**Harvard Business School's continued excellence requires ongoing investment—** in people, programs, and ideas. Philanthropy is essential to the School's financial health, providing the security and flexibility that will ensure HBS's distinction in its second century.

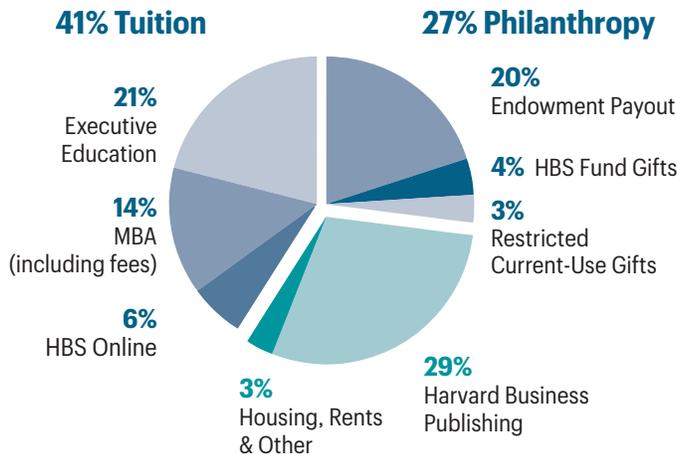
The School's economic model is closely aligned with its mission of educating leaders who make a difference in the world. Through careful management, a portfolio of programs and activities—including the MBA Program, Executive Education, Harvard Business School Online, and Harvard Business Publishing—generates revenues to support faculty research and course development.

Philanthropy is another crucial component of this equation. The School relies on philanthropic revenue

from past and current giving to fund over a quarter of its annual operating expenses. The HBS endowment, built over decades with gifts from alumni and friends, provides important support in the form of an annual payout—typically earmarked for specific purposes by the donors. Current use gifts to the HBS Fund provide a steady influx of resources that can be spent immediately to strengthen core priorities, seed-fund new initiatives, and respond swiftly to unexpected challenges.

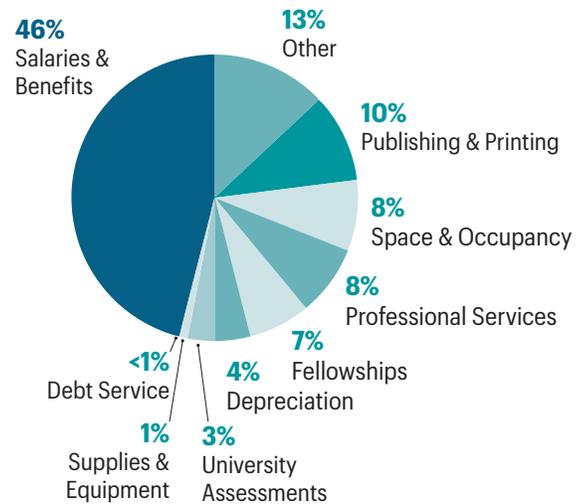
FY23 Operating Revenues

## \$1,067M



FY23 Operating Expenses

## \$1,003M



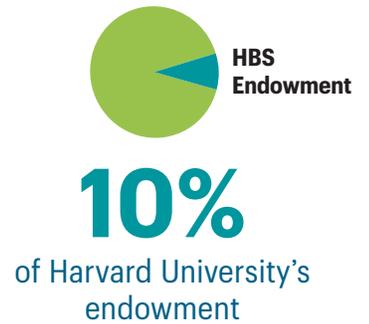
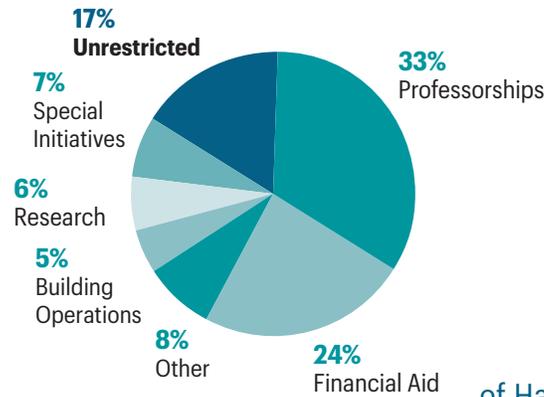
HBS employs disciplined budgeting processes—including forecasting and multi-year financial planning—to monitor expense growth and to invest in areas of strategic importance. The School's operating surplus (\$64M in FY23) bolsters Harvard's overall financial standing (and bond ratings), strengthens the School's reserves, helps finance ongoing campus renewal and expansion projects, and, at times, adds to the HBS endowment. **Learn more at [www.hbs.edu/annualreport](http://www.hbs.edu/annualreport).**



## The Role of the HBS Endowment

The HBS endowment is an aggregation of funds established by individual donors, corporations, foundations, and alumni groups—most of which are earmarked for donor-specified purposes. In order to preserve the endowment’s purchasing power for future generations, HBS can only spend a small fraction of its value each year. Harvard University determines the annual payout rate—typically around 5 percent of the endowment’s prior year-end market value. The value of the HBS endowment and current use funds stood at \$5.1 billion on June 30, 2023.

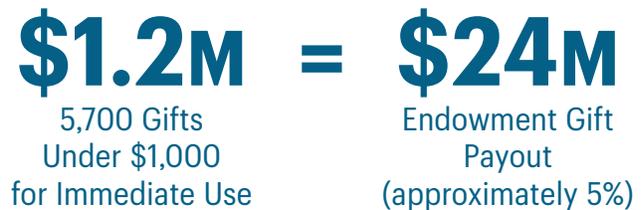
### Endowment Payout Components



## Why Give Annually?

In contrast to the HBS endowment, annual gifts to the HBS Fund can be spent in full immediately and wherever they are needed most—although donors have the option of directing their support to one of several key priorities. By making a gift to the HBS Fund each year, alumni and friends bolster the School’s financial aid offerings and enable faculty members to pursue ambitious research agendas without the constraints often imposed by outside grants. HBS Fund donors also provide essential funding to launch and sustain new initiatives.

### Gifts of All Sizes Make a Difference



Median Gift  
**\$250**

HBS Fund Investors Society Members\*  
**1,760**

\*Alumni and friends who make leadership annual gifts to the HBS Fund



## Fueling Innovation

Examples of the power of the HBS Fund to fuel innovation abound. A few notable ones include the Harvard Innovation Labs, HBS Online, and the School’s global research centers and offices. In all of these cases, the School’s leaders were eager to test and iterate on new concepts, but to do so they needed funds they could deploy flexibly and immediately—two key attributes that distinguish the HBS Fund from the School’s endowment. In that way, the HBS Fund is akin to a venture capital fund.

Recently, the School tapped the HBS Fund to launch two new initiatives—the Institute for the Study of Business in Global Society and the Digital Data Design Institute at Harvard. And HBS will continue to depend on annual gifts to the HBS Fund to spur on and sustain the evolution and growth of these exciting endeavors. In addition, HBS Fund gifts are helping to make an MBA education more affordable, fuel innovation in the MBA Program, and advance diversity and equity on campus and in business and society.