

Message from the President

I write to report on Harvard University's financial results for fiscal year 2017.

The past year was one of great progress toward our educational and research goals. Advances in scholarship and discovery helped to confront some of society's greatest challenges; increases in financial aid ensured that talented students could pursue their highest aspirations regardless of their means; and the renovation and expansion of Harvard's physical spaces enhanced our teaching, learning, and research environments.

We undertook these efforts amid ongoing financial challenges across higher education. The past year was marked by deep uncertainty over levels of federal research funding. Continued pressures on the cost of educating students confront institutions even as we seek to contain tuition, increase affordability, and broaden access. And there is a shared understanding across higher education that endowment returns are likely to be more constrained in the decade to come.

The University is taking steps to address these new realities while continuing to advance its mission. The creative efforts of Harvard's Schools and academic units have seen sustained growth in continuing and executive education. Our efforts, alongside others' across higher education, have helped secure significant federal budget increases for biomedical research funding. The new CEO at Harvard Management Company, Narv Narvekar, is implementing an ambitious and far-reaching plan to improve endowment returns, and prudent financial management has the University positioned to weather future uncertainties.

With less than a year remaining, The Harvard Campaign continues to showcase the deep and lasting connection between the University and its alumni and supporters, and contributions from more than 143,000 households already have begun to make an impact. More than \$1 billion has been raised to support financial aid, broadening access and making the opportunities available at Harvard a reality for thousands of talented individuals across all of our Schools. This generosity has enabled Harvard to deepen its long-standing commitment to financial aid for undergraduate and graduate students.

The Campaign also has enabled a transformation of our physical spaces. The new Harvard Kennedy School campus will soon be completed, while across the river at Harvard Business School, Tata Hall, the Ruth Mulan Chu Chao Center, and Klarman Hall will provide additional classroom, meeting, and conference space. House renewal has enhanced our undergraduates' residential experience, and great progress has been made on common spaces designed to strengthen our sense of community and encourage spontaneous interactions. Cabot Library and the adjoining Pritzker Commons reopened in April, and the Richard A. and Susan F. Smith Campus Center is on track to reopen in 2018.

In Allston, the new Science and Engineering Complex—the future home of the Harvard John A. Paulson School of Engineering and Applied Sciences—is taking shape. At the center will be the Maker Space, a state-of-the-art manufacturing and assembly studio for engineers, designers, artists, and other creators in the Harvard community. Last fall, the Pagliuca Harvard Life Lab joined the i-lab and Launch Lab, establishing a dynamic cluster that will foster a cross-disciplinary approach to entrepreneurship and innovation.

Across the University, Harvard researchers have continued their efforts to find solutions to some of the world's great challenges. They have probed the potential role of infection in Alzheimer's disease, made breakthroughs in the treatment of hearing loss, and unraveled molecular reactions that suggest ways to thwart some of the detrimental effects of aging. They have created innovations in robotics to assist with disease modeling, improve screening of new drugs, and help the heart beat, potentially opening new treatment options for people suffering from heart failure. They have resolved a major conflict in estimates of how much the Earth will warm in response to a doubling of carbon dioxide in the atmosphere, enabling more accurate climate change modeling. They have worked to improve early childhood education, uncovered and begun to address some of the underlying causes of the opioid epidemic, and so much more.

The University also has expanded its academic offerings, announcing a joint master's degree program between the Business School and the Harvard Paulson School as well as a dual program between the Faculty of Arts and Sciences and Berklee College of Music, launching the Bloomberg Harvard City Leadership Initiative at the Kennedy School in collaboration with the Business School, and kicking off a University-wide Data Science Initiative.

In all of these projects and initiatives, as well as many others across Harvard's campus, members of the University community in Boston, Cambridge, and beyond are strengthening our capacity to advance ideas and innovation every day. With careful stewardship of resources, we are laying the groundwork for future generations of faculty and scholars to confront the challenges of their times. It is with deep thanks, therefore, that I present the University's financial report for fiscal year 2017.

Sincerely,



Drew Gilpin Faust
PRESIDENT

October 26, 2017