

Financial Overview

From the Vice President for Finance and the Treasurer

Fiscal year 2025 tested Harvard in ways few could have anticipated.

We began the year with challenges already in view: expenses rising faster than revenues, inflationary pressures amid broader economic uncertainty, and the ongoing work of renewing and rebuilding our community. We closed it confronting the abrupt termination of nearly all of Harvard's federal research grants, facing potential constraints on the exchange of international scholars, and considering how we will absorb the enactment of a substantial increase to the federal tax on endowment income, scheduled to take effect in fiscal 2027.

All of these developments have raised new questions about the financial foundations of higher education and underscore a shifting federal policy environment that will shape the future.

The consequences of these shifts are only beginning to be felt. Harvard ended the year with a \$113 million deficit, a -1.7% margin on a \$6.7 billion operating revenue base.

This result could have been worse. It reflects not only the magnitude of the disruption, but also the discipline of a university community that acted quickly and with resolve. Leaders across the University worked in concert to identify savings—leaving open positions unfilled, deferring non-critical capital projects where possible, freezing next year's salary increases for exempt staff, and undertaking targeted workforce reductions. These measures were painful, particularly where they touched colleagues and programs, but they were guided by a commitment to stewarding resources wisely in pursuit of our research and teaching mission in a time of constraint.

The sobering outlook also propelled us to secure the balance sheet for what lies ahead. The University issued \$1.2 billion of long-term debt, a measure taken both to bolster liquidity and to sustain essential capital

investments. At a moment when capital markets themselves have become less predictable, the proceeds provide strategic flexibility. Alongside the University's Aaa/AAA ratings, they reflect Harvard's ability to navigate an uncertain terrain.

The endowment remains central to navigating the uncertainty—not as a source of short-term relief but as a covenant across generations. In fiscal year 2025, Narv Narvekar and his colleagues at Harvard Management Company delivered an 11.9% return for the endowment. Over 80% of its funds are restricted to particular purposes, and its spending rate is deliberately managed to balance the demands of today with the needs of tomorrow's scholars. That discipline is not a constraint; it is the very reason Harvard's mission can endure across centuries.

Each year, the endowment is put to work, and the impact of its work is tangible. We spend from it annually—\$2.5 billion in fiscal year 2025, nearly 40% of the University's operations—to make a Harvard education accessible, to support faculty in their teaching and research, and to aid the daily work of discovery. Endowment support enabled the continued expansion of Harvard's financial aid program, with undergraduate students from families earning below \$100,000 now able to attend for free, and those from families earning below \$200,000 able to attend tuition-free. Endowment support fueled over \$750 million in financial aid across Harvard, including more than \$250 million in need-based scholarships—not loans—to 55% of undergraduate students, and over \$500 million in graduate student support. Endowment support allowed us to sustain vital research even as federal funding contracted. And it helped make possible the groundbreaking work of our faculty, one of whom alchemized curiosity and time into biological insights recognized by a Nobel Prize. These achievements remind us that the pursuit of truth does not pause in the face of uncertainty. It persists.

That same spirit of persistence is evident in Allston, where the campus is evolving. The David Rubenstein Treehouse—a conference center and convening space—opened this fall. The Goel Center for Performance and Creativity, a new home for the American Repertory Theatre, is well on its way. And across campus, new partnerships with industry and the community are beginning to take root. These projects embody Harvard’s ability to scale back when needed and build back with purpose. By keeping our eye on the horizon, we are reshaping the horizon line itself.

This year’s financial results are also a reflection of extraordinary generosity. Alumni and friends gave over \$600 million in current-use gifts—the highest total in the University’s history. Our donors’ support is essential. It provides a stabilizing force in times of trial and serves as a critical catalyst for discovery and renewal. To everyone who includes Harvard among your philanthropic priorities, thank you.

Looking forward, daunting challenges await: the declining trajectory of federal research support, the forthcoming increase in the endowment tax, the still-unfolding challenges to our ability to host international students and scholars and ongoing litigation—all against the backdrop of serious geopolitical and economic pressures and the potential for significant inflation. Structural changes and reductions across our Schools and units will be necessary, and they will not be easy. Our work is far from finished.

And yet, adversity has a way of clarifying what matters most. For Harvard, that clarity lies in sustaining a community where teaching, research, and service remain central—and where resources are stewarded not just to meet the needs of the present but to safeguard the promise of the future. Prudence, in this sense, is not merely financial; it is an act of stewardship. By aligning financial discipline with academic purpose, Harvard can emerge from this period with renewed commitment to meet the demands of a world that looks to universities for knowledge, leadership, and hope.

We are profoundly grateful to our community of faculty, students, and staff for their resilience and dedication during a trying year. Harvard’s future will be secured not by resources alone, but by the collective commitment of its community to expand knowledge and serve society. With humility and resolve, we will continue to meet that responsibility.



Ritu Kalra
VICE PRESIDENT FOR FINANCE AND
CHIEF FINANCIAL OFFICER



Timothy R. Barakett
TREASURER

October 2025

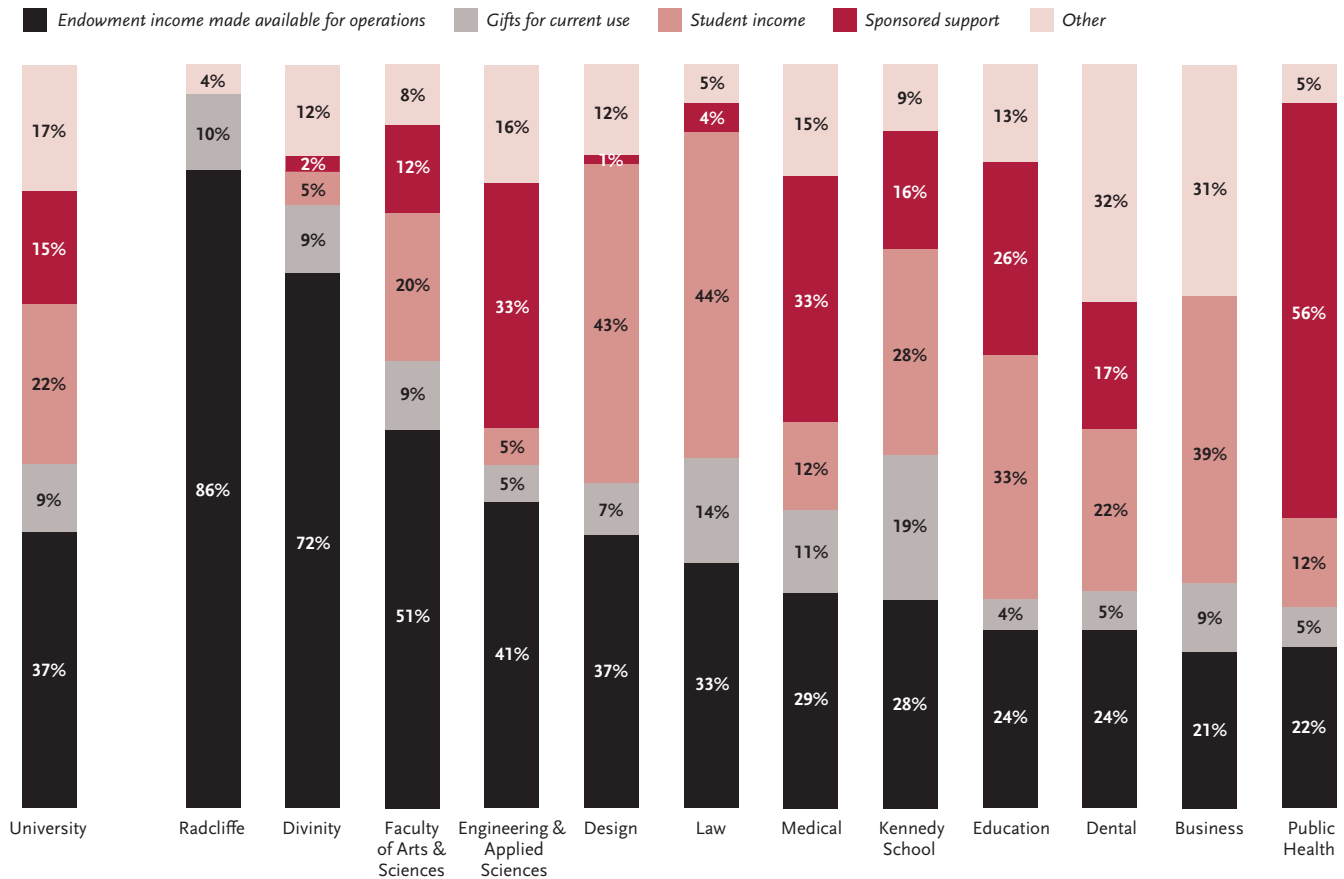
FINANCIAL OVERVIEW

The University ended fiscal year 2025 with an operating deficit of \$113 million on an operating revenue base of \$6.7 billion, representing a -1.7% operating margin. Within this total, funds without donor restrictions had a deficit of \$212 million, while funds with donor restrictions had a surplus of \$99 million, reflecting donor restricted resources received but not yet spent. Overall net assets grew to \$68.7 billion, a 6.8% increase from fiscal year 2024.

OPERATING REVENUES

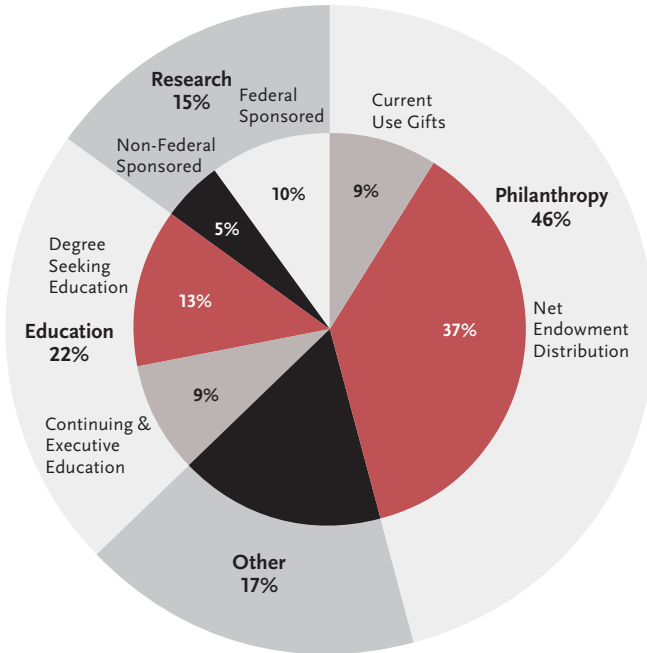
Harvard's revenue structure is both broad and differentiated, reflecting the diverse academic and research missions of its Schools. The revenue profiles of Harvard's many schools and units vary widely, illustrating the complexity of Harvard's financial ecosystem, in which each School's revenue mix reflects its unique mission, scale, and external partnerships. Taken together, these distinct profiles underscore the University's reliance on multiple, complementary revenue streams that sustain its academic enterprise, as depicted in the following table:

FISCAL YEAR 2025 SOURCES OF OPERATING REVENUE BY SCHOOL



Harvard’s diversified, mission-driven activities rely on three main sources of revenue: **education** or tuition, sponsored **research**, and **philanthropy**, both past and present. The University’s operating revenue rose by \$210 million or 3% to \$6.7 billion for fiscal year 2025.

FISCAL YEAR 2025 OPERATING REVENUES



Education

In fiscal year 2025, across its 12 Schools, Harvard enrolled 24,519 degree-seeking students from around the globe, including 6,980 undergraduates at Harvard College. Total education revenue comprised 22% of revenue, inclusive of tuition, room and board—net of financial aid—from both traditional degree seeking students (undergraduate, graduate, and professional), as well as professional and lifelong learners.

Harvard is committed to cultivating a community of bright and talented students regardless of their ability to pay. Thanks to our robust financial aid program, approximately 55% of Harvard College students receive need-based scholarships and pay an average of \$16,000 for tuition, fees, housing and food. Since launching the Harvard Financial Aid Initiative in 2004, the College has awarded more than \$3.6 billion in grant aid, and undergraduate financial aid has more than tripled from \$80 million in 2005 to more than \$250 million in 2025.

Harvard College has continued its ongoing efforts to expand financial aid. In March 2025, the College raised the family income threshold for full assistance for the upcoming academic year to \$100,000, and added a new threshold for full tuition assistance for family incomes at \$200,000. This change means that 25% of families do not have to contribute anything and will pay zero toward tuition, fees, housing or food. In addition, to ensure that students can participate fully in the Harvard experience, the University provides the most highly aided students with funding for health insurance, emergency expenses, event fees, and other activities. First-year students from families with incomes below \$100,000 receive a \$2,000 Start-Up Grant to help cover the initial costs of beginning their studies at Harvard, as well as a \$2,000 Launch Grant in their junior year to support expenses associated with preparing for life after graduation.

In fiscal year 2025, Harvard extended a total of over \$750 million of funds to undergraduate and graduate students in the form of financial aid and scholarships.

Research

Research is a partnership between the University and external sponsors. In fiscal year 2025, University expenditures toward research exceeded \$1.4 billion. These activities were both sponsor-funded and institutionally supported. Institutional support reflects the University’s enduring commitment to advancing discovery and innovation, sustaining critical research infrastructure, and supporting faculty and student engagement across disciplines.

Funding from external sponsors to support research made up 15% of revenue. Since University faculty and researchers first conduct work on the research and then seek reimbursement pursuant to their grant terms, revenue from sponsored research is typically recognized as expenditures are incurred. Prior to the suspension and termination of federal grants this Spring, federal sponsored revenues were trending toward a 9% increase over fiscal year 2024. Instead, the University recognized \$629 million in federal sponsored revenue in fiscal year 2025, an 8% decrease from fiscal year 2024. Payments received on federal sponsored grants that were subsequently reinstated will be recognized as revenue in fiscal year 2026.

In addition to federal support, the University received \$345 million in non-federal sponsored revenue in fiscal year 2025, which includes funding from corporations, foundations, and other non-federal sponsors. This represents an increase of 6% or \$19 million, driven by new multi-year awards in fiscal year 2025. Non-federal sponsored revenue fluctuates from year to year due to the variable nature of private grants and contracts, which are often project-specific and time-limited.

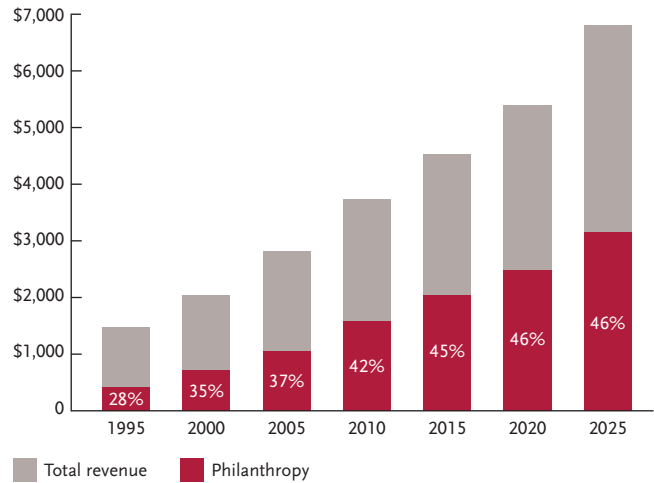
Philanthropy

Philanthropy, in all its forms, is evident in every aspect of the University’s operations. In fiscal year 2025, support from past and present donors provided 46% of revenue through endowment income (37%) and current use gifts (9%), reflecting their generosity and belief in the broad impact of education and research at Harvard. Every gift helps Harvard to support excellence in our teaching and research, recruit and retain our world class faculty, help students thrive, and provide greater access through financial aid.

In fiscal year 2025, Harvard received current use gifts from alumni, foundations, and others totaling \$629 million, representing approximately 9% of operating revenues and an increase of 19% or \$101 million.

PHILANTHROPY AS A PERCENTAGE OF TOTAL REVENUE OVER TIME

In millions of dollars



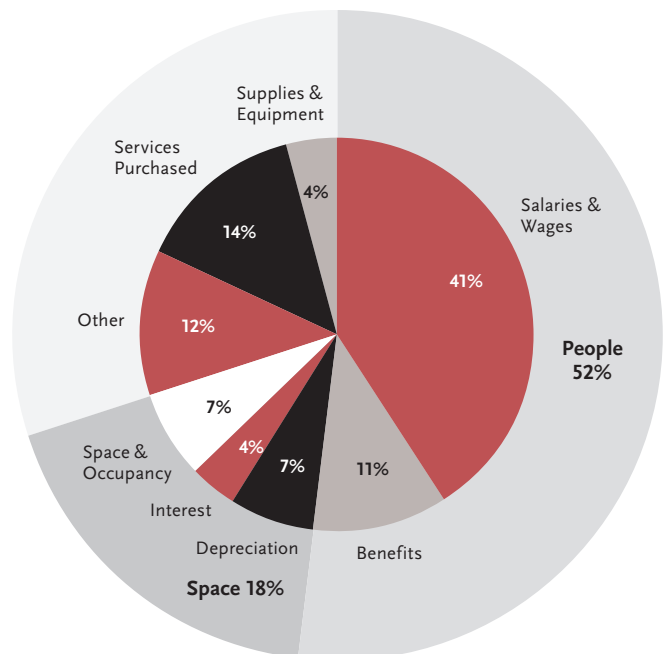
OPERATING EXPENSES

Harvard’s spending encompasses three primary categories, related to the faculty, staff and other **people** who make Harvard’s work come alive; the classrooms, labs and other **spaces** in which their work is done; and the **supplies and services** they use to advance the work. The University’s operating expenses rose by \$367 million or 6% to \$6.8 billion for fiscal year 2025.

All other expenses, including the cost of supplies and services, increased 5% or \$105 million, driven primarily by legal costs and continued investment in technology infrastructure and academic resources. These increases reflect broader external trends, including heightened legal complexity and expanded commitments to digital transformation.

Compensation, or people, expenses—including salaries, wages, and benefits—accounted for over half of the University’s total operating costs in fiscal year 2025, with salaries and wages increasing by 5% or \$127 million, to \$2.8 billion. This growth stemmed from wage increases and investments in new faculty and staff across campus, along with targeted expansion in key initiatives. The increase was moderated by a hiring freeze implemented in March 2025. Employee benefit expenses grew 9% or \$65 million, to \$756 million, resulting from increased employee healthcare costs and growth in benefits-eligible headcount.

FISCAL YEAR 2025 OPERATING EXPENSES



Space-related expenses grew by 6% or \$70 million, driven by a focus on addressing deferred maintenance projects and ongoing renewal needs with underlying cost escalation, as well as financing costs associated with capital projects underway.

BALANCE SHEET

Investments and endowment

The return on the endowment in fiscal year 2025 was 11.9%. Its value (after the impact of distributions from the endowment for operations, and the addition of new gifts during the year) stood at \$56.9 billion, an increase of \$3.7 billion from \$53.2 billion at the end of fiscal year 2024. Additional information is available in the *Message from the CEO of Harvard Management Company*, found later in this report.

The University has a policy of maintaining liquidity outside of the endowment for operating purposes. These cash, cash equivalents and short-term investments totaled \$2.4 billion at June 30, 2025, compared to \$1.8 billion at June 30, 2024 (see *Note 2*).

Debt

Bonds and notes payable increased from \$7.1 billion at June 30, 2024, to \$8.3 billion at June 30, 2025. The increase was driven by the issuance of \$503 million

in tax-exempt bonds (Series 2025A) to fund certain University capital projects that are currently underway and \$750 million in taxable bonds (Series 2025B) in Spring 2025. The University maintained its AAA rating by S&P Global Ratings and Aaa by Moody's Investor Services.

Fixed assets

The University invested \$927 million in capital expenditures in fiscal year 2025, compared to \$639 million in fiscal year 2024, reflecting strategic priorities such as undergraduate and graduate house renewal and continued development in Allston. The University's investments in Allston are part of a comprehensive, long-term strategy to expand its academic, research, and community infrastructure. Projects such as the David Rubenstein Treehouse and David E. and Stacey L. Goel Center for Creativity and Performance, are supported by philanthropy.

HARVARD'S ENDOWMENT

Harvard's endowment has existed for nearly four centuries and serves as a crucial resource for current and future generations of Harvard students, faculty, and researchers. Comprising approximately 14,765 individual funds, the endowment is designed to support nearly every facet of the University's mission. Donors have restricted the earnings on many of these funds for specific purposes—ranging from student financial aid to neighborhood programs, from museum and library preservation to campus

activities, from faculty and fellow positions to scientific advancement.

Donor contributions to the endowment have enabled leading financial aid programs, groundbreaking scientific discoveries, and the establishment of hundreds of professorships across a wide range of academic fields. Each year, a portion of the endowment is paid out as an annual distribution to support the University's operations. The University strives to maximize its responsible draw each year, while balancing both present and future needs.

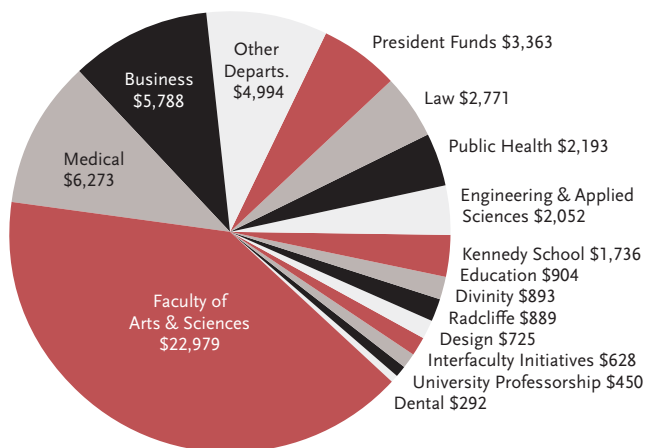
Guided by the principle of intergenerational equity, Harvard's endowment is carefully managed to ensure that future generations benefit just as much as the current one.

Endowment returns made available for operations

The University's endowment spending practices balance two competing goals: the need to provide a stable and sufficient distribution to fund the operating budget, and the obligation both legally and to our donors to maintain the long-term value of the endowment in order to preserve its future purchasing power. There is a common misconception that endowments, including Harvard's, can be easily

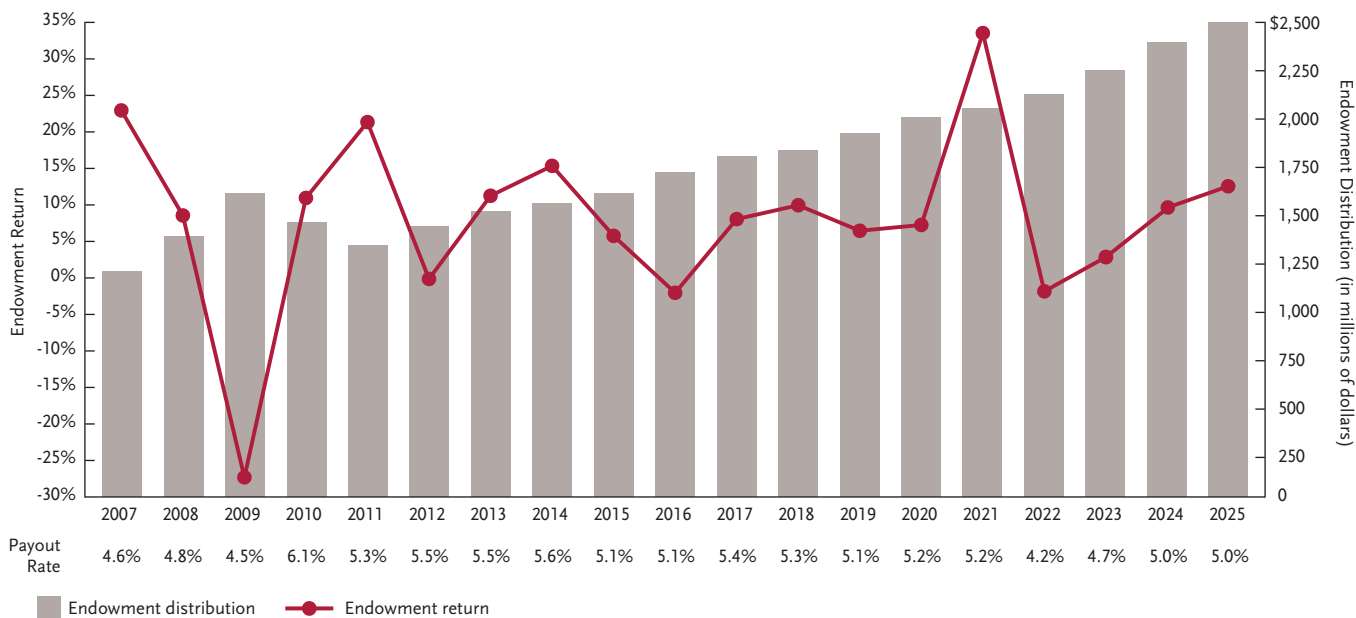
MARKET VALUE OF THE ENDOWMENT AS OF JUNE 30, 2025

In millions of dollars



TOTAL MARKET VALUE \$56,930

ENDOWMENT RETURNS MADE AVAILABLE FOR OPERATIONS BY YEAR



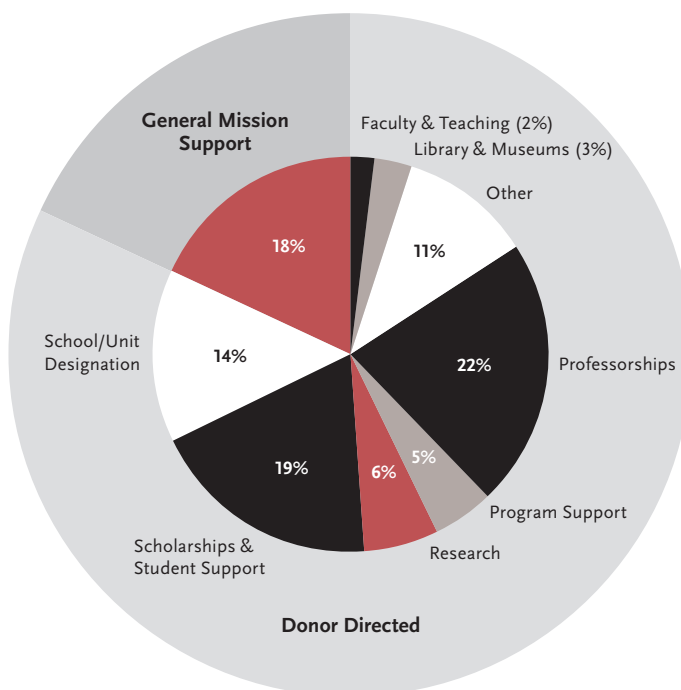
accessed like checking accounts, available for any purpose at any time as long as funds exist. In reality, Harvard’s flexibility in spending from the endowment is limited by donor conditions and the principle that endowed funds are designed to last forever, crucial for serving future generations of students and advancing new knowledge.

Harvard is obligated to preserve the endowment’s purchasing power by spending only a sustainable portion of its value each year. Spending significantly more than that over time would favor the present at the expense of future generations, undermining the endowment’s fundamental purpose of maintaining intergenerational equity. Generally, the annual endowment payout is 5% of its market value, though the actual payout rate can vary each year based on endowment returns. This critical source of funding distributed \$2.5 billion in the fiscal year ending June 30, 2025 — representing 37% of Harvard’s total operating revenue — and is the single largest source of revenue supporting the University. In this way, the endowment bridges the gap between revenue from tuition and research grants and the critical costs associated with the University’s teaching and research activities.

While the endowment is a critical source of funding, more than 80% of its market value is legally restricted under the terms of donor agreements and subject to prudent distribution requirements under the Uniform Prudent Management of Institutional

Funds Act (UPMIFA). These restrictions apply both to purpose, with funds designated for specific programs, departments, or activities, and to time, as many endowment gifts must be held in perpetuity in accordance with donor intent. The remaining 18% of the endowment generally offers more flexibility, although it is mostly restricted at a high level such as to a particular school or unit. Less than 5% of the endowment is fully unrestricted to support programs across the University. These less restricted funds are essential for general mission support and to advance transformative, strategic initiatives.

ENDOWMENT FLEXIBILITY



FEDERAL FUNDING DRIVES RESEARCH PROGRESS

Research serves as the cornerstone of progress, making it possible to drive innovation, fuel technological advancements, and address the most urgent challenges facing society. Since World War II, the partnership between American universities and the federal government has created an innovation ecosystem that is unrivaled globally. This strong alliance has catalyzed groundbreaking discoveries—transforming lives, bolstering economies, and securing the United States’ position as a global leader in science and technology.

This past spring, following individual cuts to grants focused on areas such as global health, the federal government abruptly terminated over 900 multiyear research grants to Harvard. Although the majority of those awards have since been reinstated, the disruption that occurred has real and lasting consequences for patients, students, faculty, staff, and researchers. Additionally, proposed cuts to indirect cost recovery rates and federal agency budgets including the National Institutes of Health (NIH)

and the National Science Foundation (NSF) threaten to endanger the potential for scientific breakthroughs and our ability to prevent, treat, and cure diseases affecting millions of people.

The impact of federal funding cuts extends far beyond the boundaries of Harvard’s campus. Through its research collaborations with hospitals, universities, and research institutions across the country—from St. Jude’s to the University of Alabama to Baylor College of Medicine—Harvard plays a vital role in advancing scientific discovery nationwide. Disruptions to this funding have a ripple effect, hindering progress and stability at these partner institutions and across the broader research community.

Without adequate and sustained investment in research, we risk falling behind—not just individual institutions like Harvard, but as a nation dedicated to discovery, progress, and the prosperity of future generations.

Research Improving Lives



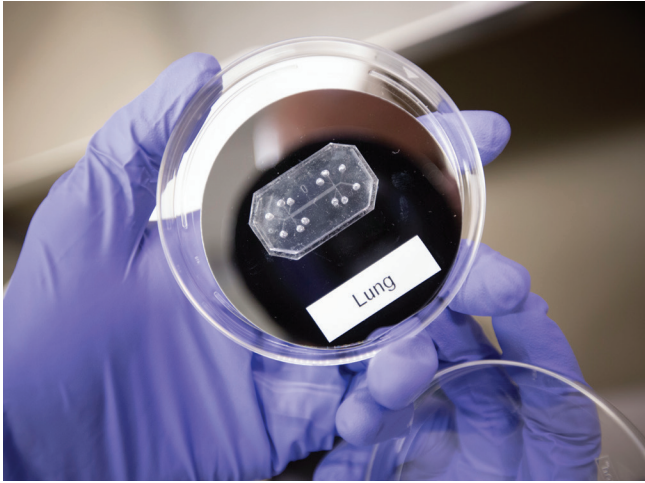
Tuberculosis research

Sarah Fortune, the John LaPorte Given Professor of Immunology and Infectious Diseases, leads a groundbreaking tuberculosis (TB) research program at Harvard T.H. Chan School of Public Health. Fortune’s research includes an award from the NIH for a project, which she describes as a “TB moonshot” focused on understanding, diagnosing, treating, and preventing TB. Globally, TB remains a major health crisis, responsible for approximately 10 million new infections and 1.5 million deaths each year. The research has the potential to develop a vaccine that would protect millions of people against TB.



Reading and attention research

As an Assistant Professor of Education at the Harvard Graduate School of Education, Phil Capin conducts research aimed at improving reading instruction for children. His research includes an award from the NIH for a project aimed at testing the effects of a single, unified intervention called Supporting Attention and Reading for Kids (SPARK), which is designed to improve word reading, vocabulary, and reading comprehension in elementary school students. The research could better the lives of students with reading difficulties at a time when reading scores are declining in the United States.



Novel drug research

As the Founding Director of the Wyss Institute for Biologically Inspired Engineering, Don Ingber, the Judah Folkman Professor of Vascular Biology at Harvard Medical School and Hansjörg Wyss Professor of Biologically Inspired Engineering at the Harvard John A. Paulson School of Engineering and Applied Sciences, leads multidisciplinary teams in developing breakthrough bioinspired technologies for healthcare and sustainability. His research includes three awards from BARDA for his organ-on-a-chip projects. The primary project investigates how radiation damages human tissues, specifically the lung, intestine, bone marrow, and lymph node. He is leveraging these models to identify new drugs to protect people from radiation as nuclear power expands, improve cancer radiation treatments, and strengthen preparedness for nuclear accidents or attacks.



ALS research

David Walt, the Hansjörg Wyss Professor of Biologically Inspired Engineering at Harvard Medical School, is pioneering diagnostic tools and biomarker assay technologies to enable earlier detection of cancers and neurodegenerative diseases such as Alzheimer's, Parkinson's, and ALS. His research includes an award from the NIH for a project focused on developing an ultrasensitive diagnostic test for ALS that detects biomarkers present in the blood at the earliest stages of the disease. Early detection allows patients to begin treatment sooner, increasing the chance of successful intervention and saving more lives. The research may pave the way for breakthroughs that could benefit countless patients and their families.



Cancer research

As an Assistant Professor of Genetics at Harvard Medical School, Kamila Naxerova studies cancer genetics and somatic evolution. Her research includes multiple federal awards to study how cancer cells spread, focused specifically on colorectal cancer. Incidence rates for colorectal cancer are rising, and the disease is projected to become the leading cause of cancer-related death in people under 50 within the next 20 years. The research may lead to innovations in diagnosis and treatment.



Pulmonary/climate research

Mary Rice, the director of the Center for Climate Health and the Global Environment and the Mark and Catherine Winkler Associate Professor of Environmental Respiratory Health at Harvard T.H. Chan School of Public Health, investigates the influence of environmental exposures on the respiratory health of children and adults. Her research includes an award from the NIH for a clinical trial investigating whether air purifiers in patients' homes can improve chronic obstructive pulmonary disease (COPD). The research could help prevent harmful exposure to air pollution that can trigger the disease.