

Financial Overview

From the Vice President for Finance and the Treasurer

Fiscal year 2026 put Harvard's financial resilience to an extraordinary test. The abrupt termination of federal research grants in the spring of 2025 had unsettled a research enterprise built over decades—along with the discoveries, treatments and trained scientists it continues to produce. As the year progressed, responding to immediate disruption gave way to the harder work of reshaping operations for a changed environment.

Against that backdrop, Harvard ended fiscal year 2026 with an operating surplus of \$100 million on a \$6.7 billion revenue base—a 1.5% margin. Revenues were largely unchanged, while expenses fell by more than 2%. Salaries and wages, our largest expense category, declined by \$104 million, or 3.8%. A hiring freeze, attrition and restructurings reduced Harvard's workforce.

Those two facts—a surplus, and a smaller community—sit uneasily together. Yet they cannot be separated. Achieving a surplus demanded an extraordinary amount from this community. To the faculty and staff who did this work, we are deeply grateful. To colleagues directly affected by these changes, we owe more than gratitude: our respect, and our recognition of all they contributed to Harvard.

We should be careful not to mistake a positive financial result for an easy success. The 1.5% margin is modest relative to the scale of change across the University, reflecting elevated legal costs along with other pressures that show little sign of abating. It is also the net of two different results: a surplus in restricted funds—gifts and grants that can be spent only as donors and sponsors direct—and a deficit in unrestricted funds, which support general operations. Restricted and unrestricted resources are not interchangeable, which is why the surplus alone is an insufficient measure of Harvard's financial health. The better measure is resilience.

Financial resilience matters because it enables Harvard to absorb shocks and adapt our cost base, while not only protecting but advancing our most essential work—scholars asking consequential questions and students learning how to ask better ones.

The largest of those shocks came in federally sponsored research, where reported revenue declined 20% in fiscal year 2026. That figure understates the contraction in activity because fiscal year 2025 revenues were depressed by the termination of grants that spring. On a comparable basis, federally sponsored research activity fell by roughly one-third. Fewer new awards and slower spending on existing awards drove the decline—the consequence of a longstanding relationship between the federal government and American research universities now called into question.

Harvard nevertheless sustained over \$1.2 billion in research activity. Federal sponsors funded just over \$500 million while non-federal sponsors funded approximately \$300 million; University resources supported the \$400 million balance.

The value of that support is visible in the work itself. This year, Harvard researchers brought quantum computing closer to practical use; traced 10,000 years of natural selection in the human genome through ancient DNA from West Eurasia; identified what may be one of the earliest biological changes associated with Alzheimer's disease; and contributed to the development of a new FDA-approved drug for pancreatic cancer.

Work of this kind begins with faculty imagination and takes shape through rigorous inquiry over years of effort. It depends on resources that remain committed over the long term—from sponsored research, endowment distributions, and philanthropy.

This year, philanthropy was an especially significant source of that support. Gifts received exceeded \$1.5 billion, including over \$640 million for current use—the highest level of current-use giving in the University's history. As the financial model underpinning American research universities changes, our donors' generosity has become more essential than ever. To everyone who includes Harvard among your philanthropic priorities, thank you.

We extend our gratitude to our colleagues at Harvard Management Company, who generated a 27.1% investment return. While markets can easily take back what they give, that return will strengthen the endowment's capacity to support the University over time.

The endowment, now nearly \$68 billion, is sometimes described as though it were wealth held apart from Harvard's work. In practice, it is deeply embedded in that work. The distribution was \$2.6 billion, nearly 40% of the University's operating revenue. More than 80% of that distribution carries donor restrictions—supporting a professorship, a scholarship fund, a laboratory—and cannot be redirected to general operations. The unrestricted remainder is already committed to the ongoing costs of teaching and research; it is not a reserve. The University deliberately smooths distributions so that operating support does not rise and fall with the markets. Strong investment returns therefore support Harvard's work gradually, through future distributions; they neither create immediate flexible resources nor, on their own, resolve structural gaps between recurring revenues and expenses. That is why exceptional investment returns and difficult structural changes can, and did, occur in the same year.

The endowment's impact is evident in the students it enables to attend. The University provided more than \$775 million in financial aid—\$265 million in need-based scholarships to 55% of Harvard College undergraduates, and approximately \$510 million in support for graduate and professional students. Fiscal year 2026 was the first year of Harvard College's expanded aid program, under which students from families earning less than \$100,000 attend for free while those from families earning less than \$200,000 attend tuition-free. In a year of cutting back, the College expanded its commitment to financial aid.

Beginning in fiscal year 2027, endowment resources will face an additional constraint, with the federal excise tax on Harvard's net investment income rising nearly six-fold, from 1.4% to 8%. We estimate the higher rate will cost roughly \$300 million a year. Because the tax applies to realized net investment income, that amount will vary considerably with market performance—in a year of returns like this one, it would be several times larger. The balance sheet now also reflects a \$1.9 billion tax liability, most of it deferred—an accounting estimate of future taxes on unrealized gains. As those gains are realized, the resulting taxes will reduce resources otherwise available to support faculty, students, and academic programs.

The University's balance sheet provides room to manage what comes next. Liquidity remains strong, debt was essentially unchanged, Harvard maintained its Aaa credit rating, and strong endowment performance

increased net assets. These resources allow us to absorb disruption and protect critical priorities; they cannot indefinitely replace the revenue needed to support ongoing teaching and research.

We would like to tell you that the uncertainty of the past two years is behind us. It is not. The trajectory of federal research support, our ability to welcome and retain international students and scholars, and ongoing litigation all remain unsettled, against a volatile geopolitical and economic backdrop. Rapid advances in artificial intelligence are creating new possibilities for research and placing new demands on how we teach. Uncertainty is not an interlude.

Forging ahead through the uncertainty will require financial strength and institutional judgment: knowing what to change and what to preserve, when to recalibrate and when to invest. The work ahead cannot be defined by restraint alone. The University's enduring commitment is to direct its financial capacity to exceptional teaching, consequential research, and the people and ideas that make both possible.

To the faculty, students, and staff who carried Harvard forward through real disruption; to the Deans and unit leaders who made difficult choices quickly and thoughtfully; and to the alumni and friends who provided essential support: thank you. This year's results are yours. Your work protected and propelled Harvard's capacity to teach, to question, to discover—and to put knowledge to work in service of a world that needs it.



Ritu Kalra
VICE PRESIDENT FOR FINANCE AND
CHIEF FINANCIAL OFFICER



Timothy R. Barakett
TREASURER

October 2026

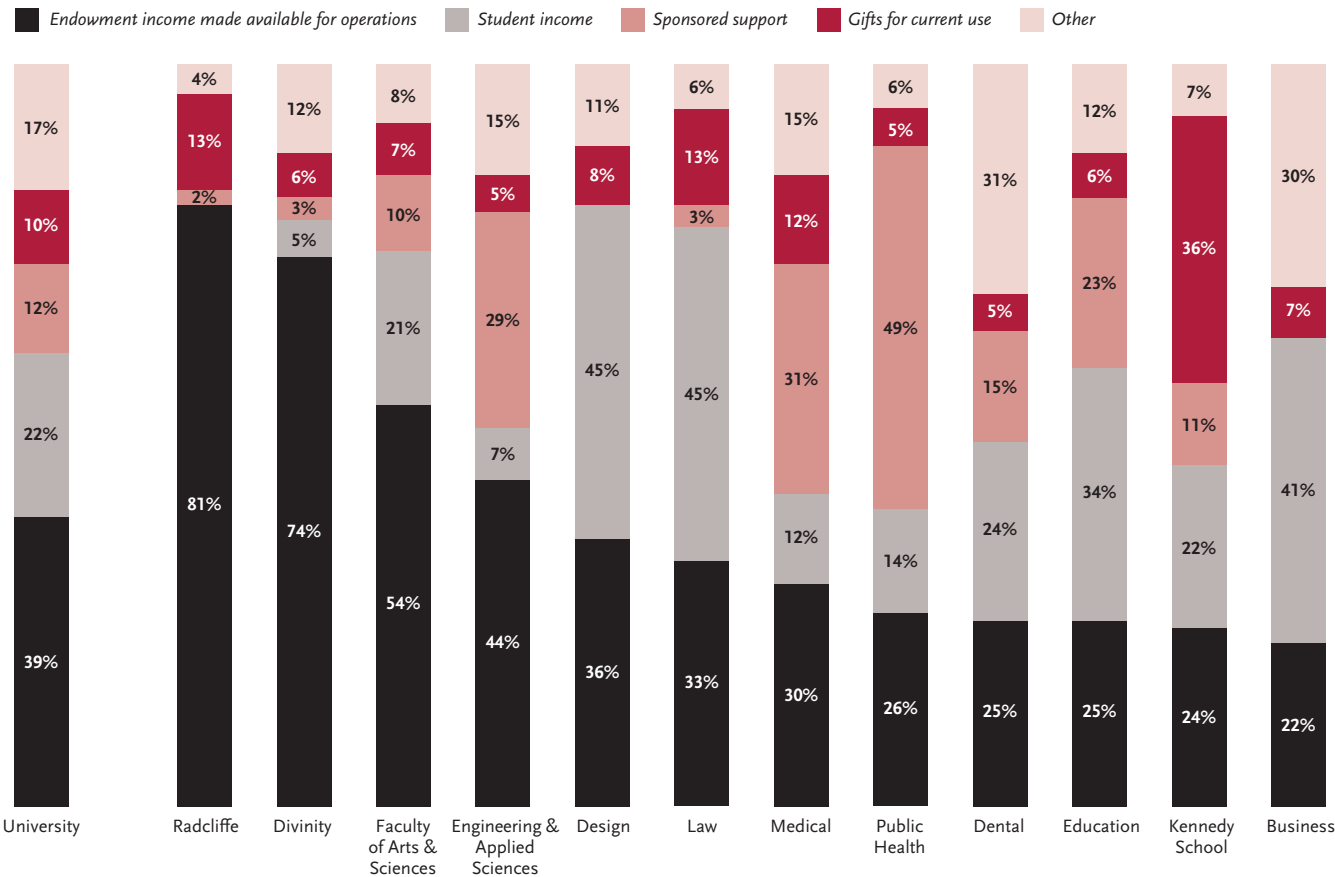
FINANCIAL OVERVIEW

The University ended fiscal year 2026 with an operating surplus of \$100 million on an operating revenue base of \$6.7 billion, representing a 1.5% operating margin. Overall net assets grew to \$82.3 billion, a 19.8% increase from fiscal year 2025.

OPERATING REVENUES

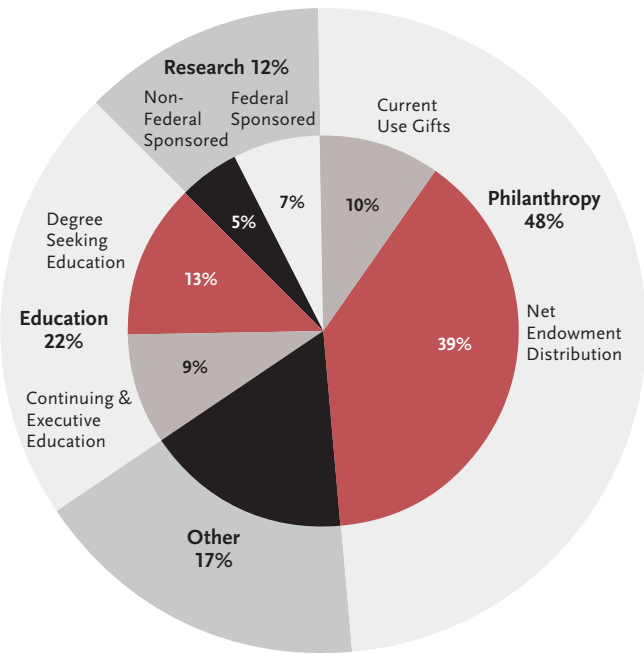
Harvard's revenue structure is both broad and differentiated, reflecting the diverse academic and research missions of its Schools. The revenue profiles of Harvard's many schools and units vary widely, illustrating the complexity of Harvard's financial ecosystem, in which each School's revenue mix reflects 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 chart:

FISCAL YEAR 2026 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.

FISCAL YEAR 2026 OPERATING REVENUES



Percentages may not sum due to rounding.

Education

In fiscal year 2026, across its 12 Schools, Harvard enrolled approximately 24,400 degree-seeking students from around the globe, including 7,300 undergraduate students. Education revenue comprised 22% of total revenue, inclusive of tuition, room and board—net of financial aid—for undergraduate, graduate and professional degree-seeking students, 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 robust financial aid programs, in fiscal year 2026, the University extended more than \$775 million to undergraduate and graduate students in the form of financial aid and scholarships.

Harvard College meets 100% of each student’s demonstrated financial need. Approximately 55% of Harvard College students receive need-based scholarships and the average parent contribution is \$14,000 for tuition, fees, housing and food. Since launching the Harvard Financial Aid Initiative in 2004, the College has awarded more than \$3.9 billion in grant aid, and undergraduate financial aid has more than tripled from \$80 million in 2005 to \$265 million in 2026.

For the 2025-2026 academic year, Harvard College expanded its financial aid program: students from families earning less than \$100,000 attend free, while students from families earning less than \$200,000 attend tuition free. As a result, 25% of families pay nothing toward the cost of attendance.

To ensure that students can participate fully in the Harvard experience, financial aid for students from families with incomes of \$100,000 or less also covers expenses such as health insurance, travel between campus and home, winter clothing, event fees and other activities. These students receive a \$2,000 Start-Up Grant in their first year 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.

Research

Research at Harvard is supported through both external sponsorship and University institutional resources. In fiscal year 2026, Harvard’s research expenditures totaled \$1.2 billion. External sponsors provided \$839 million of this funding, consisting of \$506 million in federal sponsored revenue and \$333 million in non-federal sponsored revenue.

Institutional support makes up the difference and is a critical component of Harvard’s research enterprise. 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.

Federal sponsored revenue is generally recognized as allowable expenditures are incurred. In fiscal year 2026, federal sponsored revenue declined to \$506 million, compared with \$629 million in fiscal year 2025, a decrease of \$123 million or 19.5%. However, the fiscal year 2025 figure does not reflect \$116 million of revenue tied to federal awards that had been terminated even as spending continued. These previously terminated awards were reinstated in fiscal year 2026, and the \$116 million was recognized as non-operating revenue. As such, spending on federal awards declined more sharply, by 32.1%, reflecting fewer new awards, slower spending on existing awards, and delays in research activities following the suspension and termination of federal grants in spring 2025.

Non-federal sponsored revenue, including support from corporations, foundations, and other non-federal sponsors, was \$333 million in fiscal year 2026, compared with \$345 million in fiscal year 2025. Non-federal sponsored support is an important research funding source but can fluctuate from year to year because many private grants and contracts are project-specific, time-limited, or tied to multi-year award cycles.

Philanthropy

Philanthropy, in all its forms, provides critical support to nearly every facet of the University's mission. Donors often dedicate their gifts to the priorities they value most, such as recruiting faculty, advancing new lines of research, caring for our museums and libraries, and supporting campus life. Gifts directed in this way have built Harvard's financial aid programs, propelled groundbreaking discoveries, and established hundreds of professorships across the University.

Gifts reach Harvard in two principal forms. Gifts for current use are spent in the year they arrive or soon after, meeting immediate needs. Endowed gifts are invested in perpetuity, and a portion of their earnings are distributed each year to the purpose originally selected by donors. Of the more than \$1.5 billion in gifts received in fiscal year 2026, \$684 million was for current use—the highest in the University's history and a 9% increase year-over-year—and more than \$525 million was for the endowment. The remainder supported capital projects, sponsored research, and other designated purposes. Donors also redesignated \$41 million of gifts made in earlier years from current use to the endowment (see *Note 15*),

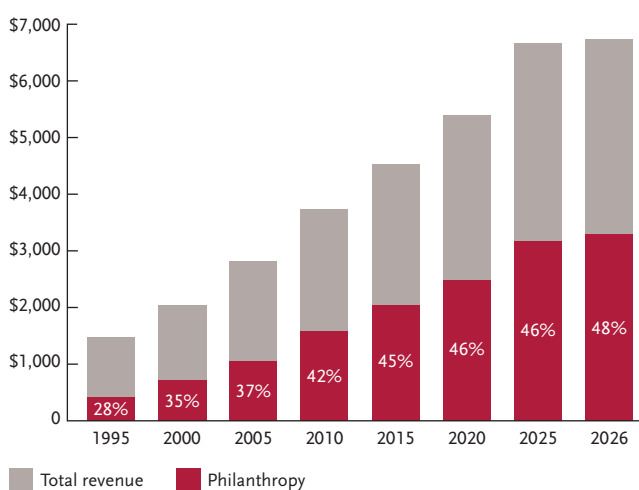
leaving \$643 million in current-use gifts recorded in operating revenue.

Each year a portion of the endowment is paid out as an annual distribution to support operations. Every dollar of that distribution began as a gift—many of them made generations ago, by donors who never met the faculty and students their generosity now supports. In setting the distribution, the University balances two obligations—funding the operating budget with stable and predictable support, and preserving the endowment's purchasing power so it can do the same for generations still to come.

Together, these two forms of giving provided 48% of Harvard's revenue in fiscal year 2026: 39% through the endowment distribution, and 10% from gifts for current use.

PHILANTHROPY AS A PERCENTAGE OF TOTAL REVENUE OVER TIME

In millions of dollars



OPERATING EXPENSES

Harvard's operating expenses fall into three primary categories: compensation for the faculty, staff, and other people who carry out the University's work; the classrooms, laboratories, and other spaces in which that work takes place; and the supplies and services used to advance it. The University's operating expenses decreased by \$152 million or 2% to \$6.6 billion for fiscal year 2026.

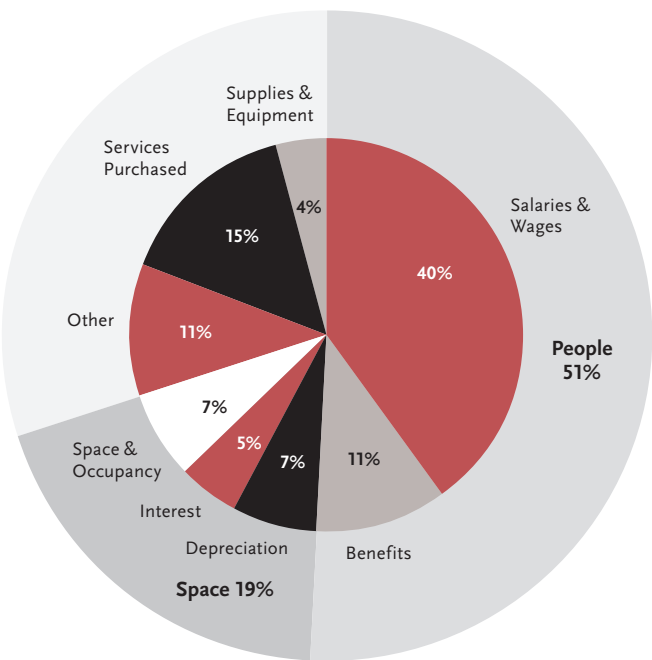
Compensation expenses—including salaries, wages, and employee benefits—accounted for over half of

the University's total operating costs in fiscal year 2026. Salaries and wages decreased by \$104 million, or 3.8%, to \$2.7 billion, reflecting lower headcount due to an ongoing hiring freeze, strategic workforce actions and a wage freeze for the University's non-union employees in fiscal year 2026. Employee benefit expenses decreased by \$18 million, or 2%, to \$737 million as lower headcount reduced the number of employees covered by health plans, muting higher underlying medical and prescription drug costs.

Subcontracted services expense decreased by \$81 million, or 39%, in fiscal year 2026, reflecting the slowdown in federally sponsored research activity. With fewer new federal awards and reduced spending on existing awards, the University engaged fewer collaborating institutions to perform work under sponsored research agreements.

All other expenses, including the cost of supplies and services purchased, increased \$51 million, or 1%. Continued increases in legal costs were partially offset by broader cost-saving initiatives.

FISCAL YEAR 2026 OPERATING EXPENSES

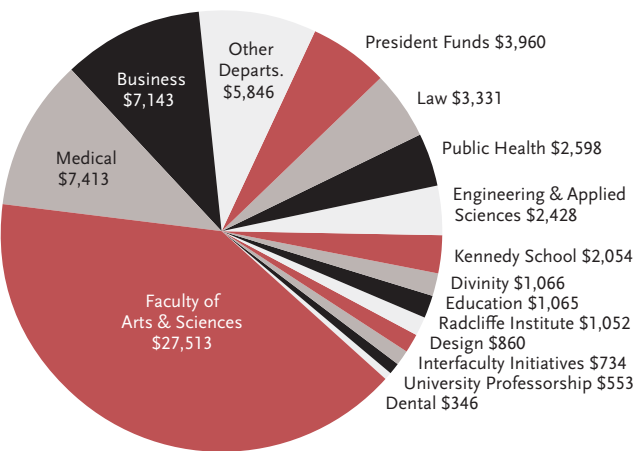


HARVARD'S ENDOWMENT

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 15,000 individual funds, the endowment is designed to support nearly every facet of the University's mission.

MARKET VALUE OF THE ENDOWMENT AS OF JUNE 30, 2026

In millions of dollars



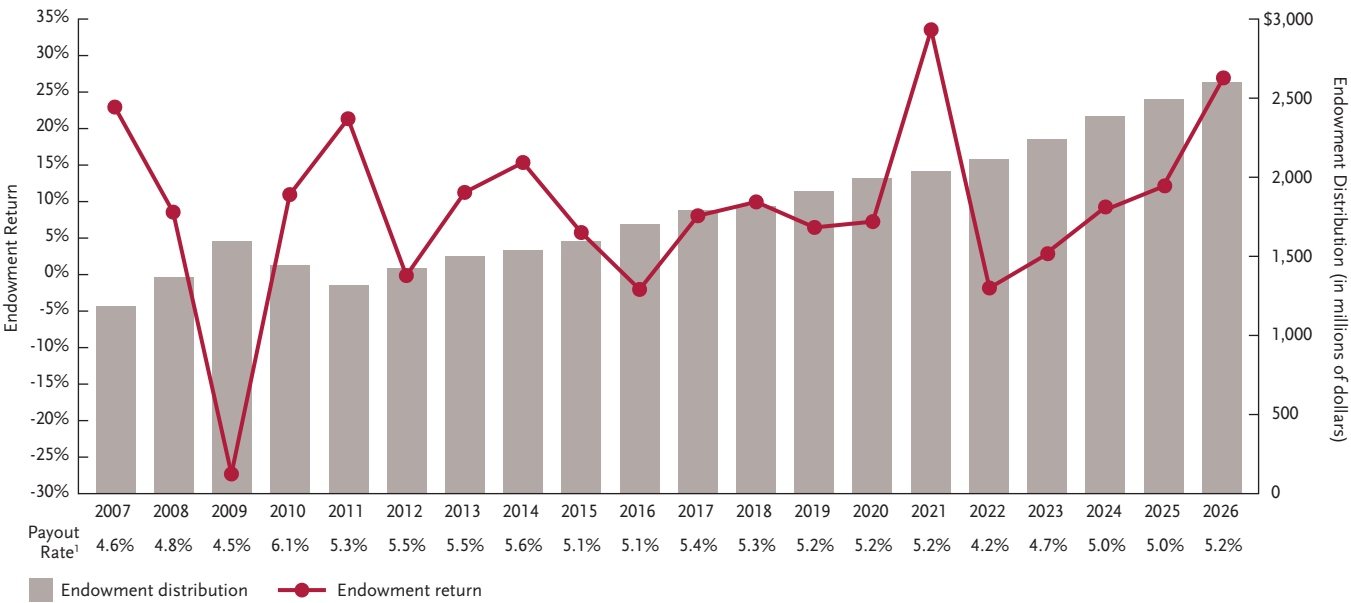
TOTAL MARKET VALUE \$67,962

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.

The University's endowment spending practices balance two 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 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

ENDOWMENT RETURNS MADE AVAILABLE FOR OPERATIONS BY YEAR

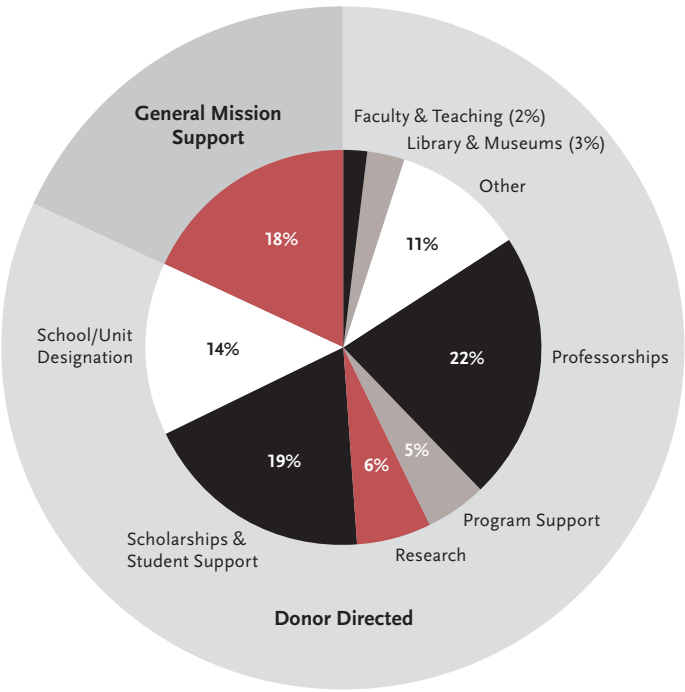


¹ Reflects the aggregate payout rate, inclusive of decapitalizations and net investment income tax. See Note 8 for additional information regarding the endowment distribution policy.

the expense of future generations, undermining the endowment’s fundamental purpose of maintaining intergenerational equity. This critical source of funding distributed \$2.6 billion in the fiscal year ending June 30, 2026—representing 39% 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. Less than 20% 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



Investments

The return on the endowment in fiscal year 2026 was 27.1%. Its value (after the impact of the net investment income tax liability, distributions from the endowment for operations, and the addition of new gifts during the year) stood at \$68 billion, an increase of \$11 billion from \$57 billion at the end of fiscal year 2025. 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 \$3.0 billion at June 30, 2026, compared to \$2.4 billion at June 30, 2025 (see *Note 2*).

Tax liabilities

Tax liabilities are \$1.9 billion as of June 30, 2026, increasing \$1.6 billion from the prior year. The increase reflected the remeasurement of Harvard's existing net investment income excise tax obligation following the increase in the federal net investment income excise tax rate from 1.4% to 8%. The liability includes current taxes due and the obligation for accumulated appreciation in the University's investment portfolio that is expected to become taxable as investment gains are realized over time.

Debt

Bonds and notes payable remained relatively unchanged at \$8.3 billion at June 30, 2026, increasing by \$30 million compared to June 30, 2025 as a result of a \$752 million issuance of tax-exempt bonds during fiscal year 2026 primarily to refinance existing tax-exempt debt. The University maintained its AAA rating by S&P Global Ratings and Aaa by Moody's Investor Services.

Fixed assets

The University invested \$969 million in capital expenditures in fiscal year 2026, reflecting continued strategic priorities such as undergraduate and graduate house renewal, addressing deferred maintenance, strategic investment in spaces that accommodate academic programs, 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. The opening of the Enterprise Research Campus (ERC) represented a significant milestone in the broader Allston development during fiscal year 2026. The ERC was developed by a third party on land leased from the University; therefore, the buildings are not owned by the University and are not reported in the University's financial statements.

THE ENDOWMENT TAX AND HIGHER EDUCATION

Harvard's endowment is a collection of thousands of donor gifted funds that together provide enduring support for the University's mission. Its investment returns help fund financial aid and access, sustain faculty and academic programs, and support research and discovery, while disciplined spending allows that support to extend across generations.

The 2025 One Big Beautiful Bill Act substantially increased the federal excise tax on net investment income for certain colleges and universities. For Harvard, the applicable rate will rise from 1.4% to 8%, resulting in an estimated \$300 million in annual tax payments beginning in fiscal year 2027. This

represents resources that otherwise could support the University's mission today or remain invested to support it in the future. The estimated cost of the tax is equivalent to nearly 40% of the financial aid Harvard provides to students each year.

The impact of the tax is substantial, but the purpose of the endowment remains unchanged. In a more constrained financial environment, the resources provided by the endowment are increasingly important to Harvard's ability to expand opportunity, pursue consequential research, and sustain the teaching and discovery that advance knowledge and serve society.

EMPOWERING IDEAS

Ideas begin with curiosity about the world and what is possible. Across Harvard, faculty, students, and researchers ask questions—large and small—that challenge accepted wisdom and open new pathways for discovery.

The University nurtures ideas by investing in talented people, supporting excellence in research and teaching, and bringing together different disciplines and perspectives. With the freedom of open inquiry, faculty, students, and researchers fully explore those ideas through scholarship and collaboration. This work advances fundamental research and expands the frontiers of knowledge. Partnerships with industry

can strengthen this work by accelerating discovery and helping translate discoveries into applications and solutions.

From discoveries that advance human health to new technologies that improve how we live and work, ideas developed at Harvard can transform industries, communities, and lives far beyond campus. However, realizing the impact requires patience and persistence, particularly when answers to the most ambitious questions may be years, or even decades, away. This search for knowledge is enduring and sustaining it across generations is central to Harvard's mission and its capacity to benefit society.

Genuinely hard problems

A new seminar is taking a novel approach to scientific education by challenging first-year students to tackle problems that have stumped scientists despite decades of research. Taught by Jeff Lichtman, the Jeremy R. Knowles Professor of Molecular and Cellular Biology, and Logan McCarty, the associate dean of science education, the course encourages students to think across disciplines and pursue new pathways that could lead to future discoveries.



A discovery decades in the making

Fundamental research by the late Joel Habener, Harvard Medical School professor of medicine emeritus at Massachusetts General Hospital, helped lead to the discovery and characterization of the hormone GLP-1. More than three decades later, collaboration across academic and industry has translated that breakthrough into treatments that are transforming care for obesity, diabetes, and cardiometabolic disorders affecting more than a billion people worldwide.



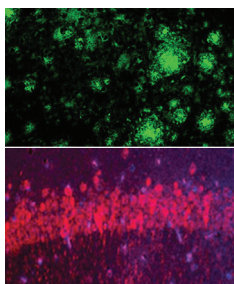
Exploring the origins of life

After years of theoretical exploration, Juan Pérez-Mercader, a senior research fellow in the Department of Earth and Planetary Sciences and Origins of Life Initiative, and a team of Harvard scientists created artificial cell-like systems that mimic essential features of life. Their findings bring scientists a step closer to understanding how life may have emerged from simple chemicals billions of years ago.



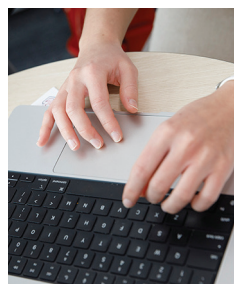
Could lithium explain and treat Alzheimer's disease?

Decades after he first demonstrated that amyloid beta is toxic, Bruce Yankner, professor of genetics and neurology in the Blavatnik Institute at Harvard Medical School, and colleagues found that the loss of lithium in the brain may help drive Alzheimer's disease, and that a lithium compound reversed the disease in a preclinical model. Their findings raise hopes that researchers could one day treat Alzheimer's disease in its entirety rather than focusing on a single facet such as amyloid beta or tau.



Bringing ethics into technology

Harvard's Embedded EthiCS program, housed at the Edmond & Lily Safra Center for Ethics, takes an interdisciplinary approach to technology education, bringing philosophers directly into computer science courses to examine the ethical questions raised by emerging technologies. By combining technical and humanistic perspectives, the program prepares students to develop ideas and technologies with a deeper understanding of their potential impact on people and society.



Scientists create first ever smell map

Sandeep (Robert) Datta, professor of neurobiology in the Blavatnik Institute at Harvard Medical School, and his team created the first-ever map of where smell receptors sit in the nose in mice. They found that the receptors line up in neat horizontal stripes from the top of the nose to the bottom, a far more orderly layout than scientists had expected. Our basic understanding of smell has lagged behind that of vision, hearing, and touch, and their research provides foundational knowledge needed to develop better therapies for loss of smell.

