

A picture perfect gift. The Globe Collection - curated vintage photos taken by renowned Globe photographers. Shop now.

TEXT SIZE | MANAGE ACCOUNT | LOG OUT

The Boston Globe

NEWS ▶	METRO	
MARKETS ▶	TECHNOLOGY ▶	
BETABOSTON ▶	OPINION ▶	
POLITICS ▶	LIFESTYLE ▶	
MAGAZINE ▶	INSIDERS ▶	
TODAY'S PAPER ▶		

E-MAIL
FACEBOOK
TWITTER
GOOGLE
LINKEDIN

27

By **Beth Healy**

GLOBE STAFF NOVEMBER 07, 2014

Harvard University officials warned of “financial headwinds” in their annual report released Friday, citing pinched federal research budgets and pressure to control the rising cost of wages and benefits, even as they spend millions to improve the campus.

Harvard’s revenue rose 5 percent to \$4.4 billion in the fiscal year that ended June 30. But the world’s richest university spent virtually all the money it took in, as it did in the prior few years.

Harvard had a \$49 million operating surplus in fiscal 2014, an improvement over a \$34 million deficit



Drew Gilpin Faust, president of Harvard.

the prior year.

But the small

gain was nearly

erased by a \$46

million charge for a change in pension accounting.

Harvard president Drew Gilpin Faust said in the report that the university's financial hurdles "continue to challenge all of us to prioritize and adapt, and to act creatively, thoughtfully, and decisively as a community."

Financial executives went further, saying Harvard is facing "foundational financial pressures."

The university adopted a no-new-debt policy last year, and its \$5.6 billion debt load declined from a high of \$6.3 billion in 2011. Harvard said it's trying to "control staff growth" and "opportunistically seek efficiencies" in other areas.

In September, Harvard announced changes to health care benefits for faculty and nonunion employees that angered many on campus. The restructuring will lower workers' insurance premiums starting in 2015 but will also, for the first time, require deductibles on some care.

Faculty have decried the health plan overhaul and this week voted that the university should undo the changes.

About half of Harvard's \$4.4 billion operating budget covers employee pay and benefits.

But the university has other big-ticket costs, too. For instance, its travel expenses were \$88 million last year, up from \$84 million in 2013.

The university counts on contributions from its \$36.4 billion endowment for 35 percent of its annual spending. Last year, Harvard received \$1.5 billion from the fund, up 3 percent from 2013.

The university said its big fund-raising campaign has brought in more than \$4.3 billion so far, including a \$150 million gift from Kenneth Griffin, chief executive of Citadel, a Chicago investment firm.

Harvard also has made progress with ambitious capital projects, investing \$465 million in the renovation of its art museums, undergraduate housing, and a new hall for the business school's executive education program. The university also is pressing ahead with its Allston expansion.

The Allston plan had been put on hold during the financial crisis in 2008 and 2009, when Harvard experienced sharp losses in its endowment and a cash crunch. Since then, the institution has rebuilt its cash position to \$2.1 billion and has taken risk out of its endowment.

Still, financial executives Katherine Lapp and Paul Finnegan said Harvard must be "vigilant and disciplined" amid stock market volatility and a 5 percent decline in money from federal grants.

They also cited a matter of economic and political concern across the country — the stagnation of median household income — as a challenge for Harvard. As family incomes fail to rise, more students are unable to afford tuition, and Harvard must spend more to meet its financial aid commitment to thousands who want to attend the school.

Beth Healy can be reached at beth.healy@globe.com. Follow her on Twitter [@HealyBeth](https://twitter.com/HealyBeth). Globe correspondent Matt Rocheleau contributed to this report.

[E-MAIL](#)
[FACEBOOK](#)
[TWITTER](#)
[GOOGLE+](#)
[LINKEDIN](#)

SHOW 27 COMMENTS



Make **thousands** renting out your vacation home.

HomeAway [List your property now](#)

Top 10 Trending Articles

[Most Viewed](#)
[Most Commented](#)
[Most Shared](#)

UMass Amherst cuts ties with Bill Cosby

Ferguson must force us to face anti-blackness

Surgical error at Tufts Medical Center prompts widespread ...

Aerosmith's Joey Kramer to open first Rockin' & Roastin' cafe

Patriots-Packers matchup has it all

Marco Rubio is GOP's lone With Rubio, GOP hope on immi...

Learn more

Area towns among nation's priciest home markets, new rep...

How to talk (really talk) to your kids

[MY ACCOUNT](#)

[LOGOUT](#)

Brookline removes textbook over passage about slavery

[MY SAVED LIST](#)

[MANAGE HOME DELIVERY](#)

BU moves to quash summons to compel Brown to appear b...

[MANAGE ON PHONE](#)

CONTACT

[HELP](#)

[FAQS](#)

[GLOBE NEWSROOM](#)

[ADVERTISE](#)

SOCIAL

[FACEBOOK](#)

[TWITTER](#)

[GOOGLE+](#)

MORE

[ARCHIVES](#)

[PRIVACY POLICY](#)

[TERMS OF SERVICE](#)

[TERMS OF PURCHASE](#)

[YOUR AD CHOICES](#)

[DIGITAL JOBS AT BOSTON GLOBE MEDIA](#)

[VIEW ALL JOBS AT BGM](#)