

FACULTY OF ARTS AND SCIENCES

DEAN'S ANNUAL REPORT



FISCAL YEAR 2009

HARVARD UNIVERSITY

CONTENTS

A Note from the Dean.....	2
The Year (and a Third) in Review	4
Harvard College	9
Graduate School of Arts and Sciences (GSAS).....	14
School of Engineering and Applied Sciences (SEAS)	16
Arts and Humanities	20
Social Science	23
Science	25
Division of Continuing Education (DCE).....	28
Harvard College Library (HCL)	29
Diversity and Professional Development.....	32
Sustainability.....	35
Financial Status.....	37
Appendix: Consolidated Report of Operating Revenue and Expenses	42



HARVARD UNIVERSITY

FACULTY OF ARTS AND SCIENCES

OFFICE OF THE DEAN

UNIVERSITY HALL
CAMBRIDGE, MASSACHUSETTS 02138

October 2009

Dear Colleagues and Friends,

It is my pleasure to share with you the Dean's Annual Report. This report documents the activities of the Faculty of Arts and Sciences from the end of the last Annual Report (February 2008) through June 2009, completes the official record of what the FAS accomplished during that time period, and closes the books on fiscal years 2008 and 2009.

In this year of unprecedented financial challenges, I am honored to report that our community has come together with a renewed sense of purpose. Everywhere I look, individuals and groups are going above and beyond to ensure that we retain our excellence in and our focus on our core mission. Although I am unable to acknowledge everyone, there are a number of individuals whose leadership deserves special recognition.

First and foremost, I would like to express my gratitude to President Drew Gilpin Faust, the Lincoln Professor of History, for her firm and reassuring leadership as Harvard has faced the daunting challenges of the past year. I would also like to thank our academic deans – Jeremy Bloxham, Allan Brandt, Evelyn Hammonds, Stephen Kosslyn, Diana Sorensen, and Frans Spaepen – who have worked tirelessly to both respond to the needs and concerns of their divisions and schools, as well as to help the FAS meet the challenge of its changed economic circumstances. I am also deeply grateful to the members of the Caucus of Chairs, the Faculty Council, and the Priorities Committees, whose ideas and leadership helped guide our efforts. Through their creativity, dedication, and wise counsel, the FAS has been able to forge a way forward that leads with our priorities and maintains our steadfast commitment to excellence.

Now more than ever, we – the faculty – are grateful for the hard work and dedication of an administrative staff of great talent and experience. I am particularly indebted to Nina Zipser, Dean for Faculty Affairs, and Brett Sweet, Dean for Administration and Finance, for their professionalism and support. My thanks also go to Robert Scalise, Director of Athletics, for his selfless service as Interim Executive Dean.

We as a faculty are enduringly grateful for the support of our loyal alumni/ae and friends who, through their unwavering commitment, have helped us meet our goals even as obstacles rise before us. In particular, this past year saw the launch of a Dean's Task Force on Leadership Giving, chaired by Carl Martignetti AB '81, MBA '85 and charged with

developing a plan to increase flexible current-use funds without adversely impacting gifts to the endowment. I am indebted to Mr. Martignetti and to the members of the task force for their leadership on this important issue.

We are also grateful for the seemingly limitless energy and ideas of our extraordinary students who are, of course, why we are all joined here as members of this community.

I am honored to serve you and President Faust as we together sustain and reshape our special community of scholars. Though our financial resources are diminished, I am reminded daily of how enviable our intellectual resources are. These resources demand an intensified commitment to developing better processes, better tools, and a better understanding of our academic identity. Like a bridle for Pegasus, the result of such commitment will help us harness our financial and administrative resources to better serve our academic mission. In the pages that follow, I share with you the many exciting achievements of the past 16 months, a time that was characterized by great accomplishments as well as great challenges.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Michael D. Smith". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping tail.

Michael D. Smith

THE YEAR (AND A THIRD) IN REVIEW

Looking back to February 2008, we have a time that straddles two radically different worlds – the one before the beginning of the global financial crisis, and the one that came after it. Even with the seismic change in our financial outlook, we were able to accomplish much in the pursuit of our priorities. Furthermore, the crisis has done little to change our highest aspirations and our most important activities.

We entered 2009 with an unwavering desire to:

- Renew the undergraduate experience for the 21st century student;
- Nurture and support existing and emerging intellectual communities; and
- Strengthen our commitment to teaching and learning.

We had entered 2008 with one additional priority: to reshape our physical environment in support of our expanding academic mission. This remains an aspiration, but one we will have to pursue more slowly than originally envisioned.

The Impact of the Global Economic Crisis. Unprecedented economic conditions have challenged all institutions, and Harvard has not been immune. Because of the global nature of the crisis and its rapid onset, the Harvard Corporation told us in December to base our planning on a 30 percent drop in the value of the endowment for the fiscal year ending June 30, 2009. Overall, there continues to be great volatility and unpredictability in the markets, making planning both extremely difficult and important.

The impact of this crisis on the FAS has been immense. The FAS depends on income from the endowment to fund more than half of its annual operating expenses. With a projected decrease of 30 percent in our endowment value, we realized in the early fall that we needed to begin planning for a future with 15 percent less annual income (i.e., 30 percent less endowment distribution, multiplied by our roughly 50 percent dependence on this particular income stream). Since the global economic crisis affected all our income streams, prudent planning meant that we could not rely on offsetting increases in our other income streams. Thus we had to identify ways in which the FAS could reduce its total annual operating expenses by approximately 15 percent. Phased in over time, these operating cost reductions would reset our expenses to a level commensurate with our new fiscal reality.

The questions we immediately faced were: How quickly would our annual income be reduced? Would the University follow a gentle slope, perhaps providing the same amount of endowment income in FY10 as was provided in FY09, and then gliding gradually toward 30 percent less over several years? Or would it follow a steeper path that more quickly adjusted the endowment distribution downward? In either case, the endowment spend rate – i.e., the amount of income distributed from the endowment for expenses in a given fiscal year divided by the value of the endowment at the end of that fiscal year – would be significantly higher than it had ever been in Harvard's history.

In March, the University announced that the endowment distribution in FY10 would be 8 percent less than that in FY09, and it instructed the Schools to plan for a decrease of at least that same magnitude in FY11. For the FAS, this guidance translated into \$52 million less endowment payout in FY10 than in FY09, with a drop of at least the same magnitude expected for FY11. This cumulative, two-year reduction of more than \$100 million further expanded an existing large budget gap created by the recent additions of faculty, staff, and buildings, and by changes in our financial aid policies for undergraduate and graduate students.

As we move forward, we are taking every possible measure to protect our core mission, to support our priorities, and even to pursue some new initiatives in the midst of this crisis. We share a bond that unites us together in the pursuit of excellence in teaching and research, and we must support, in the best ways we know how, our very special community. The decisions we make are now and will always be guided by this common bond and common vision. I deeply appreciate all the hard work, sacrifice, and civic-mindedness that has driven our activities to date. We will overcome the significant financial challenge before us and emerge stronger and better able to execute our mission.

Leadership. When I began my tenure as Dean, there were significant disconnects between our academic and administrative leadership that hampered the activities of both. Our administrative processes did not yield the data we needed or the outcomes we desired, and the academic leadership had not been allowed to develop a fluency and comfort with the overall FAS financial picture and of the intricacies of the resources of their individual divisions and schools. This inhibited coordination and discussion between individual units and the FAS leadership and made informed decision-making difficult. This disconnect was also reflected in our budgeting process, which did not closely tie academic planning to budgetary planning.

Harvard, and the activities we undertake in pursuit of our academic mission, had changed dramatically over the last decade, but the organization of the FAS had not. Change was necessary to capitalize fully on the opportunities before us. As I outlined in my letter to you in the fall of 2008, part of that change was an enhanced role in FAS decision-making for the divisional deans – in the Arts and Humanities, Social Science, and Science – as well as for the deans of Harvard College, the Graduate School of Arts and Sciences, and the School of Engineering and Applied Sciences (SEAS).

The first enhancement was an increase in consultation. I recast the Academic Planning Group (APG) as my leadership team. Membership in the APG includes the three divisional deans as well as the deans of the College, Graduate School, and SEAS. The Dean for Faculty Affairs and the Dean for Administration and Finance staff the APG. These deans meet weekly with me to discuss a wide range of policy and budgetary issues, making many decisions as a group.

The second enhancement involved a broader understanding of FAS processes and finances by our deans, department chairs, center directors, and other leaders of our faculty

and staff. This effort began with a series of summer retreats with the APG. The retreats had three main goals: first, to discuss and finalize a new annual planning process that tied financial planning directly to academic planning; second, to discuss the new responsibilities and authorities of the enhanced divisional dean positions; and third, to understand the FAS financial picture, including our fund balances and structural deficit. As mentioned earlier, the FAS had grown significantly in recent years, creating a shortage of unrestricted funds that was, even then, hampering our ability to pursue new initiatives.

The third enhancement was greater budgetary authority for all academic deans. This was in the form of additional discretionary funds and a faculty hiring “checkbook” for the divisional deans that would allow them more flexibility in managing faculty hiring across their divisions. Each academic dean would manage both the academic aspirations and the resources of their divisions or school, and each was staffed with an administrative dean to assist them in carrying out these new responsibilities.

When the global financial crisis hit in the fall of 2008, it was clear almost immediately how the changes we had made would help the FAS to respond well. After receiving formal word of the anticipated 30 percent loss to the value of the endowment and reviewing how the downturn would likely affect other sources of revenue and our costs in areas such as financial aid, we began discussions with the faculty and staff about the impact on the FAS and how we would respond. Together, we devised a planning approach that gathered data and cost-reduction plans from individual departments and units, creating a budget informed by our important priorities. To ensure coordination across the departments and units, the deans worked together to refine the local plans and develop a comprehensive plan for the FAS that would enable it to maintain its unique commitment to excellence: excellence in teaching, excellence in research, and excellence in training future generations of academic and world leaders.

The academic deans have played a critical role in creating better processes, better tools, and a better understanding of our academic identity and priorities. We are working together to shed outdated structures and to build an efficient organization that serves our faculty and students well. As I have said many times, it is my firm belief that the FAS will emerge from the current financial crisis a stronger, healthier, and more vibrant institution. We have already come a long way toward that goal.

That said, there is much yet to be done. We are still working to improve the exchange of academic priorities and financial data so that conversations between local departments, centers and offices, the academic deans, and the FAS Finance Office can be based on shared assumptions. We are working toward the general adoption of shared principles for the application of many of our policies. And most significantly, we are working to build trust through clarity, responsiveness, and improved services.

Fundraising. In this time of financial crisis, it is more important than ever that the FAS be prepared to respond thoughtfully to fundraising opportunities. Fundamental to our approach over the past year are the academic plans coming out of departments and centers, which have helped to define our future fundraising priorities. Our well-known and long-

standing commitment to raising funds for professorships and financial aid is included in these priorities.

This past year also saw the FAS launch a renewed focus on unrestricted current-use giving. Current-use funds allow us to address immediate priorities, enhance existing programs, and launch new initiatives. They are also critical to our mission as they cover part of the basic operating costs of the FAS. In this environment of uncertainty, flexibility in the funds we raise will be crucial for recruiting and retaining the best faculty and students, and undertaking exciting new academic opportunities as they arise. It is critical to our identity as a learning community that we continue to do new things. Unrestricted current-use giving has been, and will continue to be, essential to our ability to pursue these goals.

Allston. For the past three years, the University has been actively planning the Allston Science Complex, Harvard's first major Allston development beyond the Business School and athletic facilities. For the FAS, Allston provided an unparalleled opportunity to expand both our campus and our academic mission as we imagined an integrated campus on both sides of the river. Now, radically changed financial circumstances have forced a careful review of all of Harvard's capital planning projects, including the Allston Science Complex and future Allston projects.

While planning teams continue to assess options with regard to the complex, the research teams that had planned to move to the new facility in the near-term have been accommodated elsewhere on campus. The Department of Stem Cell and Regenerative Biology, which includes faculty from the Harvard Medical School and area teaching hospitals as well as the FAS, will now join their colleagues on the Cambridge campus, the first time that they have been joined together in one location. The Wyss Institute for Biologically Inspired Engineering, another interfaculty initiative, will have space on both the Cambridge and Longwood Medical Area campuses. In both instances, the new locations will yield benefits in terms of new collaborations and greater access to students.

As President Faust has said, although long-term planning for other Allston development will occur at a pace slower than originally imagined, Harvard's long-term vision for Allston is undiminished, regardless of these short-term challenges. Allston remains vital to Harvard's and the FAS's future. The opportunity it represents to expand our academic mission and to create a new part of campus attractive to all students is one that we must, as a community, continue to pursue.

Program in General Education. Harvard has long required that undergraduates take a set of courses outside their concentration in order to ensure that their education encompasses a broad range of topics and approaches. As part of the Harvard College Curricular Review, the FAS voted in May 2007 to replace the existing, 30-year-old Core Curriculum requirements with a new Program in General Education. "Gen Ed" will better align these requirements with the educational needs of Harvard College students at the dawn of the 21st century.

In contrast with the Core Curriculum, which required that students be exposed to a number of different “ways of knowing,” Gen Ed seeks explicitly to “connect a student’s liberal education – that is, an education conducted in a spirit of free inquiry, rewarding in its own right – to life beyond college.” In addition, Gen Ed seeks to provide new opportunities for students to learn, and faculty to teach, in ways that cut across traditional departmental and intra-University lines.

Gen Ed has come a long way in the past two years. I am proud to say that our faculty have embraced the challenge of creating this new program, and have developed a wide range of innovative and exciting courses that will be essential to the program’s success.

With more than 200 Gen Ed courses in place and more in development, the program officially launched in September for the Class of 2013. The Classes of 2010-2012 have the choice to switch to Gen Ed or stay with the Core. A number of Gen Ed courses were offered this past year, all of which also count toward the Core in order to ease transition for current students.

In the development of this new curriculum, faculty have considered both what we teach and how we teach, and we have made progress on both fronts. For example, all of the courses in the Gen Ed curriculum consciously connect our students and the materials they are learning to the world in which they live. The Gen Ed curriculum also puts a premium on pedagogical innovation. Last year saw the College put together a team of specialists that helped the faculty incorporate extensive innovation in the design of their courses and in their plans for teaching. Our goal, looking forward, is to build on Gen Ed’s growing momentum by developing even more creative new courses.

HARVARD COLLEGE

In June 2008, Evelyn M. Hammonds became the first woman and the first African American appointed as Dean of Harvard College. Dean Hammonds, also the Barbara Gutmann Rosenkrantz Professor of the History of Science and of African and African American Studies, was formerly the University's Senior Vice Provost for Faculty Diversity and Development, a post she assumed in 2005 after serving as a faculty member at Harvard and as the founding director of the Center for the Study of Diversity in Science, Technology, and Medicine at the Massachusetts Institute of Technology.

Administration. Shortly after stepping into her new role and as part of a larger reorganization of the top structure of the College's administration, Dean Hammonds appointed two top deputies. She named Jay Harris, Harry Austryn Wolfson Professor of Jewish Studies, Master of Cabot House, and recent chair of the Department of Near Eastern Languages and Civilizations, as Dean of Undergraduate Education, reinforcing the centrality of undergraduate education to the mission of Harvard College.

Dean Hammonds also appointed Georgene B. Herschbach, a longtime member of the Harvard community who has served the FAS in a wide range of administrative capacities, as Dean for Administration, responsible for planning, strategic management, and coordination of services supporting College students' undergraduate experience.

Admissions and Financial Aid. More than 29,000 students applied to Harvard College for entrance in September 2009, surpassing the previous year's record of 27,462 and greatly exceeding the 22,955 who applied for admission just two years earlier. The number of minority students accepted exceeded last year's total, reflecting increased financial aid and diligent efforts by students in the College's Undergraduate Minority Recruitment Program as well as the hard work of the many alumni/ae volunteers who assist Harvard's recruiting efforts throughout the country and the world.

The College's financial aid program has grown significantly over the past five years as we have increased our support for talented students from all economic backgrounds. Last academic year, the College awarded nearly \$137.2 million in need-based undergraduate scholarships to more than 3,850 students. The College now provides two-thirds of its undergraduates with some form of financial aid, including scholarships, loans, and jobs; 57.6 percent receive need-based scholarships from Harvard, averaging just under \$35,500.

Approximately 25 percent of the Class of 2012 qualifies for the Harvard Financial Aid Initiative (HFAI), which requires no parental contribution from families whose annual income is below \$60,000 and a significantly reduced contribution for those whose incomes range from \$60,000 to \$80,000. Since the program began four years ago, there has been a 33-percent increase in the number of first-year students from these income groups.

In December 2007, Harvard expanded its financial aid program to relieve pressure on middle- and upper-income families. This initiative, which took effect in the 2008-09 academic year, provides that families with incomes between \$120,000 and \$180,000 and assets typical for these income levels pay, on average, 10 percent of their income toward the costs of attending Harvard. Families with incomes of \$120,000 or less contribute on a declining scale from an average of 10 percent to zero. Families with incomes at \$60,000 and below continue to have no expected parent contribution. This “Zero to 10 Percent Standard” has reduced the cost of a Harvard education for students across the income spectrum, and is particularly important to families challenged by the current economic crisis.

Undergraduate Education. The new Program in General Education, or “Gen Ed,” officially launches this fall, making the entering Class of 2013 the first to matriculate under the new requirements. The new curriculum includes offerings in eight categories: aesthetic and interpretive understanding, culture and belief, empirical and mathematical reasoning, ethical reasoning, the science of living systems, the science of the physical universe, societies of the world, and the United States in the world.

Faculty proposals for Gen Ed courses have poured in over the past year; as of this writing, more than 200 have been approved. Some 60 of these courses are brand new or substantially revised. Many of the new Gen Ed courses explore new pedagogical opportunities: integrating media and technology in the classroom and in assignments, team teaching across divisional lines, creating new and exciting hands-on learning opportunities, and experimenting with interactive lectures and unconventional sections.

To help foster this process, the Graduate School of Arts and Sciences, under the leadership of Dean Allan Brandt, launched a new set of Graduate Seminars in General Education (GSGE) as a way to help faculty develop new Gen Ed courses. GSGEs engage graduate students in the intellectual and pedagogical challenges of developing undergraduate courses, discussing issues of syllabus and assignment design along with the methodological and scholarly content of the field. Seven GSGEs were offered in 2008-09, resulting in four new Gen Ed courses, and almost a dozen GSGEs are slated for the current academic year.

Concentrations and Secondary Fields. Figure 1 shows that recent years have seen a small decline in the number of social science concentrators, and a slight increase in the number of science concentrators.

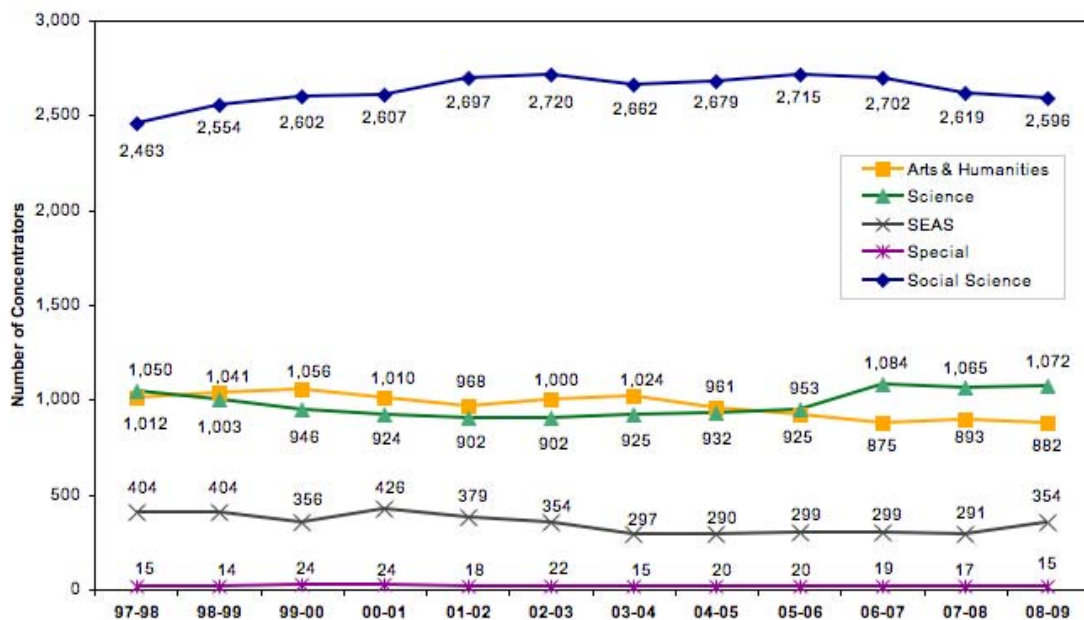


Figure 1. Number of concentrators in each division over time

Although not shown in the figure, the number of students participating in secondary fields continues to grow, suggesting that students continue to embrace this change introduced by a vote of the Faculty in 2006. In June 2009, 532 graduating seniors – approximately one-third of the class – had completed the requirements for a secondary field, up from 295 the previous year.

Science Education. The Program for Research in Science and Engineering (PRISE), the 10-week summer residential community of Harvard College scientists and engineers, continues to be a popular and inspirational program that enhances our students’ introduction to the world of scientific research. Through PRISE, approximately 120 undergraduates participate in a lively environment outside the research laboratory, where these young scholars develop interdisciplinary networks and interact in scientific and social activities that foster their sense of community.

The American Association for the Advancement of Science (AAAS) has conducted an independent assessment of PRISE for each of the first three years of the pilot program. AAAS’s analysis shows the success and benefits of PRISE: Participation in the 10-week community strengthens students’ connectedness to their peers and to their concentration, consistently producing a positive research experience. In the words of the AAAS assessors, PRISE “smooths the path at the induction stage of research, allowing participants to view science through the different lenses of peers who span the spectrum of disciplines.”

Originally funded by the Office of the Provost, PRISE will continue as a full-fledged program of Harvard College and the FAS.

Education Abroad. The number of students advised and supported by our Office of International Programs in various ventures abroad has grown enormously in the last several years. A total of 611 undergraduates received academic credit for work abroad in 2008-09, including 180 students during term time and 432 who studied abroad in summer 2008. These numbers represent a nearly fourfold increase from the 160 students who studied abroad for credit in 2001-02.

Reaccreditation. The College has been engaged for much of the past year in gathering information for reaccreditation by the New England Association of Schools and Colleges. Focusing most directly on the College and the Graduate School of Arts and Sciences, these data encompass both academic experience and student life as we assess our programs and note changes and developments over the past decade. Margo Seltzer, Herchel Smith Professor of Computer Science, has led this process as faculty chair of a steering committee drawn from across the University.

Advising. Faculty members have responded generously to the Advising Programs Office's (APO) call for new advisers: In 2005-06, fewer than 30 percent of freshman advisers were faculty, a proportion that has now risen to 45 percent. In that time, the total number of first-year advisers has grown from roughly 200 in 2005-06 to more than 460 in 2008-09, meaning the absolute number of faculty advisers has more than tripled in three years.

The Peer Advising Fellows (PAF) program continues to thrive, with more than 650 upperclassmen applying for 190 positions in 2008-09. The Sophomore Advising Program, now in its second year, has enjoyed an extremely positive response from the students it serves, with 87 percent of those who completed the House Life Survey in 2007-08 satisfied or very satisfied with their sophomore advising experience. Tutors report that the program has enabled them to develop more intellectually substantive relationships with sophomores and to engage more directly with students' academic lives.

Last spring the APO organized its third annual Advising Fortnight, which facilitated more than 3,000 conversations between freshmen and representatives of all 45 undergraduate concentrations. More than 60 events offered during the two weeks, such as panel discussions describing differences among concentrations, helped students distinguish between subject areas and provided forums for questions.

Career Services. The Office of Career Services (OCS) has engaged in a new focus on "turning up the volume" on diverse career options. Last academic year the OCS offered 55 fall programs and 39 spring events on careers in fields as diverse as entertainment, sports management, fashion, culinary arts, human rights, global public health, entrepreneurship, the environment, consulting, and finance. In addition, the OCS conducts numerous programs on applying for fellowships, to graduate programs, and to law, business, and medical schools.

Despite the economic downturn, the OCS hosted more than 140 organizations at its annual Career Forum and 100 organizations and Harvard-affiliated opportunities at its annual Summer Opportunities Fair. This year, the OCS conducted more than 3,200 interviews for full-time opportunities, and scheduled more than 3,000 spring interviews for summer internships and full-time hires. Newly expanded drop-in hours have greatly increased foot traffic, drawing students with specific questions as well as those who do not know where to begin. Counselors conducted more than 1,900 of these drop-in sessions and nearly 1,800 individual counseling appointments for FAS students during the fall semester.

Envisioning a House System for the 21st Century. Renewal of the undergraduate Houses continues to move forward. Given the scale of the undertaking and its financial implications, President Faust, Provost Hyman, Dean Smith, Dean Hammonds, and key staff continue to work together to develop a comprehensive strategy for House Renewal – one encompassing programmatic planning for residential life, physical planning, and financial analysis and modeling.

This year Dean Hammonds spearheaded the House Program Planning Committee, an effort to define the programmatic dimensions of House Renewal through broad consultation with faculty, staff, and students. A survey of undergraduates last November drew responses from more than 20 percent of the College’s student body, revealing broad agreement that the House system is integral to undergraduate education at Harvard, uniquely integrating students’ academic and social lives.

Chris Gordon of the Allston Development Group now manages physical planning for this project, in close coordination with staff from the FAS. Financial planning is carried out under the direction of Dan Shore, the University’s Vice President for Finance, working in close collaboration with program and physical planning staff and the FAS Finance Office.

GRADUATE SCHOOL OF ARTS AND SCIENCES (GSAS)

Early in 2008, Allan M. Brandt, Amalie Moses Kass Professor of the History of Medicine and Professor of the History of Science in the Faculty of Arts and Sciences, took up the reins as Dean of the Graduate School of Arts and Sciences. Dean Brandt established three major priorities: increased levels of fellowship support for all PhD programs; closer relationships between the College and GSAS to enhance teaching and curricular development; and new interdisciplinary activities across Harvard's graduate programs.

Admissions. In 2007-08, the Graduate School experienced a modest increase in the size of the applicant pool, growing to 10,131 candidates as compared with 10,066 in 2006-07. GSAS programs remained highly selective, admitting only 12.6 percent (1,276 students) of the overall applicant pool and only 11 percent (1,084) of the PhD applicant pool.

The recruitment of the most talented graduate students remains fiercely competitive in all fields and GSAS was pleased that the overall yield for fall 2008 increased to 62 percent (786 students), as compared with 58 percent (689) the previous year. The entering class in fall 2008 was the largest in the history of the Graduate School. In line with the Graduate School's plan for more modest growth of the PhD programs, first-year PhD enrollments increased by 18 percent over the previous year to 665, as compared with 564 in 2006-07.

While continued growth was anticipated in 2007-08, the economic crisis that began in fall 2008 changed the course of the 2008-09 admissions season. There was good news on the applicant side: The Graduate School received 11,328 applications for admission to PhD and AM programs for entrance in fall 2009, an increase of 12 percent over the number of applications processed in 2008. To respond to the newly emerging fiscal constraints, however, GSAS moved to reduce the size of the incoming class in 2009. Offers of admission were made to 1,105 applicants, 9.75 percent of the applicant pool, representing a decrease in offers of 13 percent from the previous year. The entering class for 2009-10 is expected to total 665 PhD and AM candidates, a yield of 60 percent. This entering class will be 15 percent smaller than last year's class of 786.

Financial Support. The steady improvement of the stipend for entering PhD students in FAS social sciences and humanities culminated with the announcement of a 10.8 percent increase for 2008-09, bringing Harvard's student stipend level toward the median of what is offered by the peer institutions. The recent addition of two summers of support, bringing Harvard's total to four summers, is in line with peer institutions and will help make Harvard's financial aid packages more competitive. As further good news, the summer support also benefits the current G-3 and G-4 students.

Despite the economic crisis, stipends will rise modestly in 2009-10. In the social sciences and humanities, the typical fellowship package includes payment of tuition and required medical and insurance fees as well as a 12-month stipend of \$26,796. In the sciences stipends vary by department, ordinarily between \$28,440 and \$29,700 for 12 months.

Interdisciplinary Graduate Consortia. Spring 2008 marked the beginning of discussions about the Harvard Interdisciplinary Graduate Consortia. This new program was established by Dean Brandt to encourage collaboration not only between adjacent disciplines but across the entire University. Graduate Consortia are intended to draw together faculty from a range of FAS departments, as well as from other Schools, to offer proseminars, courses, lectures, and conferences in important interdisciplinary topics.

The first such consortium was developed by the University's Microbial Sciences Initiative, a field that has attracted intense interdisciplinary interest. The next consortium, organized in 2007-08 and launched in fall 2008, was the Graduate Consortium on Energy and the Environment. This consortium will foster a new community of doctoral students who will be well versed in the broad, interconnected issues of energy and the environment, while maintaining their focus on their primary discipline.

Graduate Seminars in General Education. In spring 2008, Dean Brandt announced a new program for Graduate Seminars in General Education, which provides an opportunity for faculty and graduate students to undertake the planning and development of courses for the new undergraduate General Education curriculum. Giving graduate students a substantive role in course design and implementation offers them a chance to sharpen important intellectual and pedagogic skills. By the end of spring 2008, seven Graduate Seminars in General Education had been proposed, ranging from a seminar on the history of food in America to a course on probability, jointly taught by a philosopher and a molecular biologist. In 2009-10, the inaugural year of the Gen Ed curriculum, 12 seminars will be offered, including seminars in evolutionary medicine, the ethics of atheism, the Middle Ages, the genomics and evolution of infectious diseases, and the arts of Asia.

New Doctoral Programs and Secondary Fields. An exciting new PhD program in Film and Visual Studies was developed and approved in 2007-08 and welcomes its first entering class in fall 2009. Interdisciplinary in its impetus, the new PhD program brings together course offerings in Visual and Environmental Studies, as well as other FAS departments, to study film and the spatial arts in all their varieties and to investigate the place of visual arts in the humanities.

With encouragement from the GSAS and the Graduate Policy Committee, 11 graduate programs have established new secondary fields in PhD studies: African and African American Studies; Celtic Medieval Languages and Literatures; several subfields in Classics, Comparative Literature; Film and Visual Studies; Historical Linguistics; Linguistics Theory; Medieval Studies; Music; Romance Languages and Literatures; and Women, Gender, and Sexuality. A secondary field in PhD studies consists of a set of graduate courses within a discipline, interdisciplinary area, or intellectually coherent subfield. Secondary fields have become attractive options for many PhD students and are intended to enhance the intellectual breadth, competitiveness, and professional reach of doctoral students.

SCHOOL OF ENGINEERING AND APPLIED SCIENCES (SEAS)

On September 15, 2008, SEAS marked its first full academic year as a school. The same date saw the arrival of Frans Spaepen, John C. and Helen F. Franklin Professor of Applied Physics, as interim dean, following Dean Venkatesh “Venky” Narayanamurti’s decade-long appointment. One month later Harvard Business School alumnus Hansjörg Wyss gave the single largest gift in Harvard’s history to establish a bold new multi-institutional enterprise in biologically inspired engineering.

In March the University community warmly greeted the appointment of Cherry A. Murray as next dean of SEAS, effective July 1, 2009. Dean Murray has led some of the nation’s most brilliant scientists and engineers as an executive at Bell Laboratories and the Lawrence Livermore National Laboratory (LLNL).

In a note to her colleagues at LLNL, Dean Murray wrote: “My offer at Harvard is an opportunity that comes once in a lifetime and I am excited about the opportunities ahead. SEAS has been a focus of growth for Harvard in the last few years, and is proposed to grow in strength and size. My job will be to build Harvard’s interdisciplinary engineering and applied sciences into a powerhouse that builds collaborations across the sciences and all of the professional schools at Harvard to work on global challenges. I will work with the faculty to form a curriculum for 21st-century engineers and scientists and to educate the next generation of world leaders to be unafraid of science and technology through general education requirements for all undergraduates.”

Administrative Structure. Over the 2008-09 academic year, SEAS has continued to integrate and adjust an administrative structure appropriate to support its status as a school, making key appointments in finance, human resources, research administration, and information technology. SEAS has enhanced its academic structure, including area associate deans with broad intellectual responsibility in chemical/biological sciences and engineering, computer science and electrical engineering, and applied mathematics.

Physical Resources. In light of the slowdown of the Allston campus, strengthening SEAS’s physical resources remains one of the School’s most critical challenges. The need for flexible or additional facilities to support research and teaching has steadily increased due to the addition of experimentalists and the increase in the undergraduate and graduate student and postdoctoral populations. Such an increase is a sign of the increasing strength and desirability of SEAS’s educational and research programs. Locating part of the Wyss Institute in Cambridge (slated for future occupancy at 60 Oxford St.), which is critical to sustaining our interdisciplinary efforts, has created additional space pressures. In response, the physical resources team at SEAS is finding ever more creative ways to use existing facilities.

The execution of such plans and the ongoing development of a strategy for achieving SEAS’s longer-term aims – enhancement of its educational programs, further support for fundamental and collaborative science, and the development of promising areas, such as

biological and chemical engineering – have all been pursued prudently with the current challenging financial circumstances in mind. In his 2008 Fall/Winter SEAS Newsletter, Dean Spaepen wrote, “Our new school will continue to mature and thrive, but at an adjusted and more measured pace.”

Enhancing Education. To advance the goal of providing more “hands-on” experiences for undergraduates, SEAS is now fully utilizing the new teaching labs in Pierce Hall under the guidance of the School’s first director of instructional technology, Dr. Anas Chalah. In March 2009, the SEAS teaching labs offered a mini-course on rapid prototyping, three-axis milling, and three-dimensional printing.

Faculty committees at SEAS are developing the broad outlines of two new concentrations: Bioengineering and Technology & Society. The recommendations by the Graduate Education Committee chaired by Steven Wofsy, Abbott Lawrence Rotch Professor of Atmospheric and Environmental Science, were finalized (including course requirements and the introduction of model programs).

The concentration in Applied Mathematics continues to attract an unprecedented number of students. SEAS is taking steps to strengthen the educational and administrative aspects of this concentration while, at the same time, shoring up applied mathematics as a core discipline. To help with this process, Michael Brenner, Glover Professor of Applied Mathematics and Applied Physics, was appointed SEAS’s first associate dean for applied mathematics in April 2009.

With the debut of ES 1, “Introduction to Engineering Sciences,” an integrative introduction to engineering sciences, SEAS made a significant step towards creating a broad-based “point of entry” for students of all backgrounds considering the concentration.

Enrollment in CS 50, “Introduction to Computer Science,” has nearly doubled from prior years – and gender balance has improved dramatically. The first-ever CS 50 fair (where students showcased their final projects), held at the end of the fall semester in 2008, attracted nearly 900 members of the Harvard community and several industry recruiters.

Finally, the main teaching auditorium in Pierce Hall was completely refurbished, and during the summer the Harvard Extension School upgraded two existing auditoriums in Maxwell Dworkin to facilitate the live streaming and recording of classes, colloquia, and other events.

Advancing Research. SEAS’s role as a “connector and integrator” remains vital. In addition to playing a key administrative and academic role in the organization and operation of the Wyss Institute (including the recruitment of two new joint faculty appointments), SEAS is also in the process of managing the transition of the Initiative in Innovative Computing (IIC) from its current status as an interfaculty initiative overseen by the Office of the Provost to a new effort managed by the School. The aim is to foster many existing activities begun at IIC and to fuel other new and exciting opportunities in computational science, a strategic area for SEAS.

This past year, SEAS completed a wave of faculty hiring appointments (all of which had been ongoing for several years) to bolster existing areas such as computer science, as well as to foster emerging areas such as biologically inspired engineering and engineering and economic development. Of the four senior and five junior hires, one was a cross-School appointment and three were joint departmental arrangements.

While government research funding was volatile prior to the passage of the economic stimulus bill, SEAS's intellectual diversity has kept sponsored research relatively level. Two junior faculty members won NSF CAREER awards; the Materials Research Science and Engineering Center (MRSEC) was funded for \$12.2 million over six years; and new and continued grants came from a variety of sources, including the National Human Genome Research Institute and the Defense Advanced Research Projects Agency. Key corporate sponsors included Microsoft (sustainable computing), NVIDIA (programming for graphic processing units), and GlaxoSmithKline (stem cell science). In addition, the BASF Advanced Research Initiative, a new type of collaboration officially launched in 2008 that emphasizes close contact between corporate and university researchers, has proven to be a model program.

In coordination with the University and departments throughout the FAS, SEAS faculty are collaborating on several major proposals (in particular, ones related to computer science, energy, and the environment) and revising existing grants to take advantage of the dramatic increase in government funding for science and "shovel-ready" projects.

Making an Impact. While the economic climate has proved challenging, SEAS is and will continue to play a bridging role within the broader University community, advancing basic science and translating innovations and discoveries into practical solutions. Professor Narayanamurti's new role as director of the Science, Technology, and Public Policy Program at the Harvard Kennedy School's Belfer Center for Science and International Affairs and the appointment of Professor Spaepen as interim director of the FAS's Center for Nanoscale Systems will further facilitate such efforts.

Other examples of such a collaborative approach abound:

- Donhee Ham, Gordon McKay Professor of Electrical Engineering and Applied Physics, and Robert Wood, Assistant Professor of Electrical Engineering, were recognized by *Technology Review* magazine as among the world's top innovators under the age of 35; Ham for building one of the smallest complete nuclear magnetic resonance systems to date, and Wood for designing a life-sized microrobotic fly.
- A group of Harvard students in concentrations ranging from engineering to philosophy to economics created a microbial fuel-cell-based lighting system, suitable for sub-Saharan Africa, which runs on refuse. Another team of undergraduates engineered a bacterial biosensor with electrical output as part of the 2008 International Genetically Engineered Machine competition held at MIT.

- The Technology and Entrepreneurship Center at Harvard (TECH), in collaboration with the Harvard College Entrepreneurship Forum and Harvard Student Agencies, launched the inaugural Harvard College Innovation Challenge.
- Two recent faculty-based start-ups received an infusion of venture capital: SiEnergy Systems, a spin-off that aims to commercialize solid oxide fuel cell technology, and SiOnyx, a spin-off dedicated to commercializing black silicon.
- Other research that received major attention included: Computer scientists developing a model for studying tissue networks by cell division; implants “mimicking” infection to rally the immune system against tumors; control of the assembly of nanobristles into helical clusters for use in storage, photonics, adhesion, capture and release systems, and chemical mixing; the measurement of an elusive repulsive force, related to what is called the Casimir force, which may lead to a wide range of nanomechanical devices based on quantum levitation; the creation of inhalable chocolate; and an assessment that global wind power could harness enough power to supply more than 40 times present-day levels of electricity consumption.

ARTS AND HUMANITIES

The past year has seen significant activity, both within the Division of Arts and Humanities and across the University, geared toward advancing the role of the arts and humanities as central to the liberal arts.

The University Task Force on the Arts, convened by President Faust, published its report in December 2008, affirming that “to allow innovation and imagination to thrive on our campus, to educate and empower creative minds across all disciplines, to help shape the twenty-first century, Harvard must make the arts an integral part of the cognitive life of the University: for along with the sciences and the humanities, the arts – as they are both experienced and practiced – are irreplaceable instruments of knowledge.” The report calls for “far-reaching changes in the undergraduate curriculum, for the creation of new graduate programs, and for the construction of major new facilities to give the arts a greater presence at Harvard.” The dean, departments, faculty, and students within the Division of Arts and Humanities are playing a central role in these developments.

With President Faust’s support, Dean Diana Sorensen, James F. Rothenberg Professor of Romance Languages and Literatures and of Comparative Literature, has worked with faculty, Associate Dean Sara Oseasohn, and Director of the Freshman Seminars Program Sandra Naddaff to introduce art-making into courses which had once been entirely about the study (and not the practice) of artistic forms. This has meant creating opportunities for students to engage in hands-on learning and making (whether it is making an illuminated manuscript in a course on medieval books, or producing and acting in a play in a course on classical comedy). We have created 25 such courses, and we are planning an exhibition and performance fair for the end of the academic year. These new courses with art-making tend to reside beyond the usual departmental homes for art making, which are the departments of Music and Visual and Environmental Studies, and where a rich array of offerings continues to give our students opportunities for artistic practice.

Interdisciplinary Activities. Other ambitious activities are building upon existing commitments to innovation and interdisciplinarity. Contributions to the new Program in General Education include courses such as “Poetry without Borders,” taught by Professor Stephanie Sandler, whose students will join in Poetry@Harvard, an iSite described on page 21. Faculty across the Division have engaged energetically in the development of new Gen Ed courses, such as “Theater, Dream, Shakespeare,” taught by Professor Marjorie Garber and A.R.T. Artistic Director Diane Paulus, or Professors Stephen Owen and David Damrosch’s “Writing Across Cultures,” which teaches the literatures of the world in a capacious multi-ethnic context.

Foreign Languages and Global Cultures. Foreign language instruction is being developed so as to integrate it into our ongoing efforts to internationalize Harvard. Language learning is a bridge to academic work in literature and the arts, history, the social sciences, and even the sciences. An ongoing effort to build **bridge courses** in the language and literature departments has yielded impressive results even in difficult languages such

as Arabic and Chinese. Working with FLAG, the Foreign Language Advisory Group created by Dean Sorensen in 2007, Maria Polinsky, Professor of Linguistics, taught Harvard's first collective language pedagogy course in the Spring of 2009. This course brings together language instructors from across the Division to share best practices for language teaching, and to offer rigorous pedagogical training to graduate students before they begin their teaching career. Dean Diana Sorensen is planning to expand this successful effort and encourage more interdepartmental faculty collaboration in the creation of courses.

Digital Humanities. In December 2008, more than 100 faculty and students attended the Digital Humanities Fair, a first-ever comprehensive display of Harvard's digital resources for scholars and students of the humanities. On hand were representatives from across Harvard: FAS IT, the Derek Bok Center for Teaching and Learning, the Harvard University Library's Visual Information Access, the Division of Continuing Education, the Office for Scholarly Communication, Harvard University Press, and the Center for Geographic Analysis.

A major collective effort in the Digital Humanities was launched in April: **Poetry@Harvard** gathers Harvard College Library colleagues, students and faculty around poetry, its teaching and craft, its relationship with other art forms, and its extraordinary tradition at Harvard. Woodberry Poetry Room Director Christina Evans has contributed generously to our efforts. This iSite is another instance of collaboration that Dean Sorensen plans to expand in the Division.

Reaching out to Students. The "Passion for the Arts" event in February 2009 represented a new level of communication and outreach to encourage students to consider courses, concentrations, and careers in the arts and humanities. Over two days, "Passion" invited visiting artists and professionals to tell the stories of their lives, as inspiration to those who are in the first embrace of university life. Guest after guest praised the passion and breadth that come with studying the arts and humanities. Featured guests included President Faust; celebrated cellist Yo-Yo Ma; Stephen Greenblatt, John Cogan University Professor of the Humanities; Noah Feldman, Bemis Professor of International Law at Harvard Law School; journalist Sally Jenkins; and Hollywood screenwriter, producer, and director Gary Ross. It was a uniquely successful event which helped launch the Harvard Arts Initiative at a full Sanders Theater.

Ethnic Studies. In collaboration with the Division of Social Science, the Division of Arts and Humanities succeeded in its efforts to reinvigorate the Standing Committee on Ethnic Studies. Under the leadership of Werner Sollors, Henry B. and Anne M. Cabot Professor of English Literature and Professor of African and African American Studies, it now focuses on ethnicity in dialogue with key questions associated with global migration, citizenship, the status of Native American populations, and human rights. The Standing Committee now includes colleagues from FAS departments as well as from other schools, such as the Harvard Law School, the Kennedy School of Government, and the Graduate School of Education. Students continue their lively involvement in matters pertaining to ethnic studies, helping the Division play a useful role in thinking about diver-

sity on campus. This year we are working to establish internship opportunities with Boston area organizations. In the spring, there will be a major Ethnic Studies conference as a joint student-faculty venture. We have been able to find a home for Ethnic Studies and our student groups at 2 Arrow Street, next to the Pluralism Project. This is a great opportunity to join forces with an organization with great local outreach potential.

Humanities Center. The Humanities Center continues to be an intellectual crossroads for the entire University. Under the leadership of Director Homi Bhabha and Executive Director Steven Biel, the Humanities Center welcomed its first group of postdoctoral fellows. Four postdoctoral fellows were in residence in 2008-09 (two of them sponsored by the Volkswagen Foundation), and joined by a senior fellow, the novelist Claire Messud.

Humanities Center activities this year included:

- Three post-performance conversations with actress-playwright Anna Deavere Smith, part of a collaboration with the American Repertory Theatre;
- For Harvard's Sustainability Week, an event titled "A Delicious Revolution" with chef Alice Waters, Josh Viertel, President of Slow Food USA, and Anna Deavere Smith;
- To celebrate the 60th anniversary of the Universal Declaration of Human Rights, an event titled "Witness: Arts, Humanities, and Human Rights," featuring novelist Toni Morrison, cellist Yo-Yo Ma and members of his Silk Road Ensemble, and dancer Damian Woetzel, which drew a capacity audience of more than 800 to Memorial Church; and
- Continuation of the "20 Questions" series, frequent literary events, and bi-weekly lunches for new faculty.

The Humanities Center launched three other major new initiatives in 2008-09:

- A series of master classes led by Harvard faculty featured Helen Vendler on Yeats's *Vacillations*, Claire Messud on Thomas Bernhard's *The Loser*, Peter Burgard on Caravaggio's *The Incredulity of St. Thomas*, Louis Menand on *Bonnie and Clyde*, and Peter Galison and Robb Moss on their documentary *Secrecy*;
- A series titled "The Church of What's Happening Now," a collaboration with the Harvard University Art Museums, brought the artists Paul Chan, Kerry James Marshall, Luc Tuymans, and Phil Collins to campus; and
- A University-wide medical humanities initiative began with a symposium on medicalization.

SOCIAL SCIENCE

Although ensuring the financial health of the Division of Social Science has necessarily been among its most important efforts during FY09, the Division continued to focus a significant amount of time and energy on three other priorities: the reorganization of the Department of Anthropology, continued commitment to teaching, and the implementation of the Dean's Initiatives.

Changes in the Department of Anthropology. The status of the Department of Anthropology came to the fore when the department's biological anthropology wing sought formal recognition as a department in its own right. A May 11 vote of the full FAS Faculty approved the creation of the new Department of Human Evolutionary Biology (HEB), which is now part of the Division of Science.

The departure of HEB necessitated a reconfiguration of the Department of Anthropology as a new entity with two programs: Archaeology and Social Anthropology. The impacts of this change are significant and multifaceted, requiring modifications in everything from curricular planning to research funding to administrative support. Although the planning of this departmental reorganization has been a major focus of the Division in 2008-09, full implementation of the new vision for the Department of Anthropology will require another two to three years. These changes will necessarily pose many challenges, but they also afford a unique opportunity for Harvard's Department of Anthropology to become even stronger in the areas of social and cultural anthropology. The department has risen to the challenge, and is making excellent progress in moving forward.

Focus on Teaching. Consistent with one of the FAS's major priorities, the Division continued to focus its efforts on providing high-quality teaching for its many undergraduate concentrators and graduate students. Ensuring excellence during a time of significant financial constraint has required the Division to think creatively about its teaching resources.

Toward this end the Division is evaluating the approaches used by each of its departments in carrying out their shared educational mission. This fall, department chairs will share with Dean Stephen Kosslyn, and with one another, their instructional philosophy, curricular organization, methods of defining and assigning service courses, instructional priorities, and use of specific resources to meet their goals. Dean Kosslyn, in collaboration with the department chairs, will use these data to establish instructional standards to be used across the Division, thereby ensuring a more efficient and predictable use of resources. This will be important as the Division continues working to strengthen instruction while also developing its budget for FY11 and beyond.

The Division also discussed this year a new Activity-Based Learning (ABL) initiative. The goal of the ABL initiative is to help students connect activities in their day-to-day lives with material they have learned in the classroom by participating in a wide range of extracurricular activities – from community service to working in laboratories to travel-

ing abroad. The initiative is currently being piloted in four departments: Anthropology, Government, History of Science, and Sociology.

In addition, the Division of Social Science is organizing a cross-divisional group of researchers to explore how best to profit from scientific discoveries about learning and memory to enhance learning in the classroom. This group will consider applications of basic research in the context of technological innovations, and will aim to conduct research in the classroom that leads to proven, practical applications.

Dean's Initiatives. Finally, the Division has launched a set of initiatives designed to address three overarching goals in the social sciences. These include:

- *Creation of a coherent group of social science departments through development of shared goals, conceptual foundations, and sets of assumptions.* Striking points of scholarly intersection exist among the Division's faculty; one goal would be to see these intersections used to build stronger connections among the many social science disciplines.
- *Addressing the "two cultures" problem.* C.P. Snow famously described the evolution of Western society as veering toward "two cultures," science and humanism. Many of the departments in the Division have such a divide. Both cultures clearly have much to contribute to each other, and the Division is working to bridge such divides here at Harvard.
- *Drawing the University's professional schools more closely into the teaching and research missions of the FAS.* Social scientists abound in the professional schools, but these interactions could be more productive in both directions. The Division is investigating ways for the professional school faculty to contribute more fully to all aspects of undergraduate education for both the benefit of the FAS and the broader University.

In pursuit of these three goals, Dean Kosslyn has developed four exciting new cross-department and cross-school programs. Three of these (Harvard Hard Problems in Social Science, The New Harvard Bookshelf, and Harvard Works) are scheduled to officially launch in the next academic year. The fourth, The Dean's Conversations, began in 2008-09 and will continue this year. This program recognizes that the social sciences incorporate diverse methodologies and fields of inquiry. In order to promote interactions among scholars in different parts of the social sciences – i.e., to bridge the cultural divide – and to disseminate methodological and technical innovations, Dean Kosslyn chooses each semester a topic and a moderator, who then organizes a conversation between faculty members from different departments or schools within Harvard. The events are open to the entire FAS community, and a recording of the first conversation (Thinking with Medicine: What Research on Medicine Teaches Social Scientists) is available online.

SCIENCE

For the Division of Science, 2008-09 was marked by the completion of a major new facility, gains in computing facilities, improved support for both undergraduate research and graduate programs, and a number of faculty honors.

Northwest Laboratory (NWL). In fall 2008, the Northwest Laboratory (NWL) officially opened. Located just north of the Harvard Museum of Natural History and housing 520,000 square feet of laboratories, classrooms, and office space, the NWL offers the FAS a building whose design fosters the increasingly interdisciplinary nature of today's science and research, allowing researchers from various disciplines working on similar problems to collaborate and experiment together in one location. The programming plan for NWL, eschewing traditional departmental, research, and teaching boundaries, groups faculty by shared research interests rather than by specific departmental affiliation, creating more opportunities for interdisciplinary collaboration.

Additionally, NWL provides a flexible facility that improves our ability to offer hands-on learning experiences to undergraduates and provides much-needed classroom space. Two floors of the building are largely dedicated to teaching, housing two lecture halls and nine classrooms knit together by a large, sky-lit concourse to serve as a freeform student meeting place.

The building's more than 10,000 square feet of teaching laboratory space dramatically increases our capacity to provide every student taking a science or engineering course the opportunity for experiential learning. One of these laboratories, named in honor of renowned chemist and former FAS Dean Jeremy R. Knowles, has a highly flexible design to accommodate the hands-on component of courses in a variety of disciplines. Another space serves as an interdisciplinary laboratory for research in which small teams of students can tackle inquiry-based research projects.

An example of the building's cross-disciplinary programming is the installation of the FAS's first human fMRI scanner. This installation, among the first to incorporate a teaching laboratory within the scanning facility, will allow unprecedented student access to both the equipment and the research it facilitates. The scanning facility also represents opportunities for research around brain function and disease.

Computing Facilities. With this year's creation of Odyssey, ranked the 60th-fastest computer in the world, the FAS has significantly improved its high-performance research computing capabilities. Odyssey enables computational research at a level that has not previously been possible at Harvard.

Undergraduate Program and Research. Spring 2007 marked the launch of the Department of Stem Cell and Regenerative Biology (SCRB), a joint department in the FAS and Harvard Medical School. In fall 2009, SCRB is beginning to accept undergraduates into its first concentration, Human Developmental and Regenerative Biology, which of-

fers students both rigorous coursework and integrated hands-on learning experiences in the laboratory.

Students are seeking more opportunities to conduct and engage in research, and applications to the Program for Research in Science and Engineering (PRISE) and the Harvard College Research Program (HCRP) have risen accordingly. To help meet the increasing demand for experiential learning, the Division has strengthened support of these programs, defraying travel expenses for students working in non-Harvard-affiliated laboratories and allowing HCRP to offer additional awards to students requesting funds for summer research.

As the community of students interested in research has grown, so has the demand for venues through which to connect, network, and showcase projects. With the support of the Division of Science and other administrative offices, undergraduates have established two science research organizations to address these needs.

Now in its second year, the Harvard College Undergraduate Research Association (HCURA) connects students with research opportunities, promotes regular interactions between faculty and students, and encourages the exchange of ideas between students of various scientific backgrounds. HCURA provides support to Harvard's community of undergraduate scientists through its peer advising program, monthly developmental workshops, and monthly journal club meetings.

In addition to these activities, HCURA hosts an annual campus symposium that showcases the diverse research conducted by undergraduates and promotes collaborations across the life, physical, engineering, and social sciences. This symposium also exposes faculty and administrators to the scope of research undertaken yearly by our undergraduates and introduces freshmen to undergraduate research at Harvard. This year's campus symposium featured 75 poster presenters and five student plenary speakers.

To connect our undergraduates with those in the greater Boston community, HCURA also hosts the Boston Undergraduate Research Symposium (BURS). Based on HCURA's campus symposium model, this larger event takes advantage of the intellectual resources in the Boston area to provide undergraduates the opportunities to network with peers and faculty from other institutions and to experience a wider variety of research possibilities.

Also in its second year, *The Harvard Undergraduate Research Journal (THURJ)* is a bi-annual publication presenting peer-reviewed undergraduate research from many scientific disciplines. In addition to familiarizing students with the process of manuscript submission and evaluation, *THURJ* provides an opportunity for scientific discourse about cutting-edge research. Advised and trained by a faculty board, *THURJ* staff review manuscripts using a rigorous, double-blind process to ensure that only the best submissions are accepted for publication.

THURJ also features faculty spotlight pieces that highlight career paths in science ranging from industry to scientific public policy. Perhaps most important among its achievements, *THURJ* fosters a vibrant community of scholars.

Faculty Honors. Over the past year and a half, the Division of Science has seen numerous high-profile faculty honors:

- Three faculty were awarded MacArthur Fellowships (Kirsten Bomblied, Assistant Professor of Organismic and Evolutionary Biology, Peter Huybers, Assistant Professor of Earth and Planetary Sciences, and Susan Mango, Professor of Molecular and Cellular Biology);
- Four faculty were elected to the National Academy of Sciences (Lars Hernquist, Mallinckrodt Professor of Astrophysics, Eric Jacobsen, Sheldon Emery Professor of Chemistry, Lisa Randall, Frank B. Baird, Jr. Professor of Science, and Cumrun Vafa, Donner Professor of Science);
- One faculty member received the prestigious National Academy of Sciences Award in Mathematics, given only every four years, for excellence in published mathematical research (Clifford Taubes, William Petschek Professor of Mathematics);
- Four faculty were elected to the American Academy of Arts and Sciences (Lene Hau, Mallinckrodt Professor of Physics and of Applied Physics, Stein B. Jacobsen, Professor of Geochemistry, Scott Edwards, Professor of Organismic and Evolutionary Biology and Alexander Agassiz Professor of Zoology, and Sunney Xioaliang Xie, Mallinckrodt Professor of Chemistry and Chemical Biology);
- Two faculty were elected as fellows of the American Association for the Advancement of Science (Charles Alcock, Professor of Astronomy and Director of the Harvard-Smithsonian Center for Astrophysics, and Cynthia Friend, Theodore William Richards Professor of Chemistry and Professor of Materials Science); and
- One faculty member was named Assistant to the President for Science and Technology in President Obama's administration, a position popularly referred to as the President's "science czar" (John P. Holdren, Teresa and John Heinz Professor of Environmental Policy at the Kennedy School and Professor of Environmental Science and Public Policy in the FAS).

DIVISION OF CONTINUING EDUCATION (DCE)

Despite a challenging economic climate, the Division of Continuing Education (DCE) experienced another year of rising enrollments for the Extension School and the Summer School. In 2008-09, the Extension School enrolled 14,054 students, an 11 percent increase over the previous year. Within this, the number of distance education enrollments also grew, accounting for 19 percent of Extension School enrollments. In 2008, 6,340 students enrolled in the Summer School, a 14 percent increase from 2007. Thirty-five percent of students were international, representing 105 nations. The Summer School's Secondary School Program for academically motivated high school students also grew, enrolling more than 1,400 students in 2008. Finally, the Harvard Institute for Learning in Retirement retained its membership of approximately 550 retired and semi-retired academics and professionals participating in peer-led seminars.

The Extension School offered more than 600 courses in 65 diverse fields ranging from accounting and biochemistry to Celtic mythology and philosophy. Demand for courses in management and biological sciences continued to be very strong. The Extension School offered a record number of online courses (122), including 30 Harvard College courses that enrolled students from all parts of the United States and around the world. An evaluation project of the Harvard College-Harvard Extension online course initiative was formally concluded and resulted in the creation of an Office for the Study of Online Teaching and Learning. Finally, the need for additional high-quality classrooms that can support live interactive learning with distant audiences has led the DCE to partner with the School of Engineering and Applied Sciences in an extensive renovation of Maxwell Dworkin's two largest lecture halls.

In 2008, the Summer School offered more than 300 on-campus courses. More than 20 study abroad programs were offered across Africa, the Americas, Asia, Europe, and the Middle East. For the 290 Harvard undergraduates and 13 graduate students who studied abroad, these programs form an essential part of their educational experience.

The DCE anticipates future growth in several Extension School and Summer School programs as the Division continues to benefit from a troubled international economy and favorable continuing education trends. Applications to the Extension School's undergraduate and applied professional studies programs in management, biotechnology, and environmental management have been steadily increasing reflecting a national trend toward continuing education in professional areas. Similarly, the DCE expects increased demand for distance education to continue over the next several years. Within the Summer School, the Secondary School Program has experienced significant and continuing growth, reflecting changes in the population and the desire for students to distinguish themselves in the increasingly competitive process of college admittance. Growth in these areas ensures the Division will continue on as a healthy entity, serving the local, national, and international community and contributing to the academic and financial well-being of the University.

HARVARD COLLEGE LIBRARY (HCL)

Over the past 16 months, despite changing fiscal conditions, the Library has actively focused its resources to promote scholarship and discovery. The work of the Harvard College Library is aligned with FAS goals in significant ways, and it has implemented a number of initiatives to serve students, faculty, and staff of the FAS, while also maintaining its commitment as an internationally renowned research library.

- Due to the Fogg Art Museum renovations, the Fine Arts Library relocated to two renovated sites: space within the Littauer building, which houses the book, journal, and print photograph collections and features a new reading room and reference area; and within the Sackler Museum building, which houses the Fine Arts Library's digital image and slide collections, making them adjacent to the History of Art and Architecture faculty. In preparation for the move, a significant number of its collections were rehoused to protect them against deterioration and to facilitate long-term use.
- Loeb Music Library received the archive of Rubén Blades, a graduate of the Harvard University Law School and award-winning actor and musician. The archive of his personal papers includes rare recordings of rehearsals and concerts, interviews and films, books, and other material. The arrival of the archive marks the opening of a whole new vein of intellectual pursuit and a new opportunity for study of Latin American popular culture.
- "Ask Us Live," an instant messaging chat function for reference services, launched, giving library users access to research librarians online and in real time. This new feature is a complement to other reference services available on the HCL web site, such as "Ask a Librarian" and "Research Contacts."
- Harvard students now enjoy free admission to screenings at the Harvard Film Archive's (HFA) Cinematheque. The HFA has initiated a more extensive program schedule by showing films on evenings and weekends and has begun an outreach program connecting its screenings and visiting artists to relevant classes. The international scope of its collections supports a broad range of academic programs.
- Librarians across HCL are collaborating with the Academic Technology Group, the Derek Bok Center for Teaching and Learning, the Harvard College Writing Program, the Bureau of Study Counsel, the Media Production Center, and the University's museums to work with faculty members as they plan their General Education courses. The emphasis of this collaboration is exploring how active learning can be employed in the classroom by incorporating skills such as discovering the collections, assessing information needs, identifying and evaluating sources in a variety of media, and understanding the ethical and social issues, including academic integrity, involving information technology and communication.
- Another collaboration among librarians, FAS humanities faculty, and information technology groups has resulted in the creation of a valuable new web resource, Poetry@Harvard (<http://poetry.harvard.edu>). A portal that takes a multidisciplinary approach to the teaching and practice of poetry at Harvard, the site brings to-

gether diverse teaching resources and library collections and represents the vibrant community of poets at Harvard. Complementing this development is a new set of programs hosted in the Woodberry Poetry Room, including Reel Time featuring samplings from the extensive acoustical archives.

Last fall, the Library, like other FAS units, began to respond to the economic downturn and resultant decrease in the University's endowment with a series of budget reductions, many intended to allow the prospect of rebuilding recognized areas of strength once the financial conditions improve. The Library is transforming into a leaner operation by carefully realigning collecting priorities, reducing staff, delaying capital projects and eliminating programs that are not critical to core objectives. However, the Library's core mission remains: to build and steward collections and content; to make resources accessible; and to engage with users to help them navigate through the Library's vast array of collections, programs, and services. However, the Library expects to work differently and creatively with fewer resources and will rely more than ever on the knowledge, resourcefulness, and expertise of library staff.

Over the past few years, with the increase in publishing output and diminished strength of the dollar in international markets, staff were challenged in using constrained collections budgets to meet the information needs of the Harvard community, building assets for today's research and teaching and, at the same time, anticipating future academic requirements and expectations. Collections budgets have been affected by the economy's impact on Harvard's endowment, as well as on other income streams to the Library. In the collections realm, in particular, continuing changes in the information landscape compound the challenges of adjusting to lower budgets and smaller staffs. HCL has redefined its principles, goals, and priorities in order to respond to this new environment. In addition, this fall librarians will be engaging in a series of conversations with FAS faculty members in order to explain the Library's current fiscal situation and to elicit advice on collecting priorities in order to most effectively support the diverse range of academic programs. Innovations in the use of staffing are also being employed to cover areas affected by gaps, including shifting and realigning responsibilities and staffing across HCL's libraries.

Despite constrained budgets, collecting units have acquired or preserved some exceptional materials for the collections, items that distinguish Harvard's libraries and support key areas of teaching and research:

- The Harvard Film Archive worked with the Korea Institute to acquire Korean films in response to curricular needs.
- Widener Library, the Fine Arts Library, and the Harvard Film Archive jointly purchased an exceptional film stills collection, many of them rare and contain potentially unique images from the studios of the 1930-60s.
- A faculty member on sabbatical acquired research materials from Pakistan, items that would not have appeared in any regular trade channels, on behalf of Widener Library's Middle Eastern Division.

- The Slavic Division brought to completion the [Harvard Project on the Soviet Social System Online](#).

Within HCL, new fields in teaching and research create new demands on collection development, challenging the libraries to maintain traditional collections while also responding to new areas of intellectual interest. An example of these divergent interests occurred at the Eda Kuhn Loeb Music Library, which holds preeminent collections of Bach and Mozart, but this year also directed attention to supporting global pop music, with an emphasis on building collections on jazz, musical theater, and electronic composition of the late 20th century.

The use of the library as a place is also changing. While students continue to come to the libraries to consult print and online collections and seek assistance from staff, they are also now increasingly using the libraries for other activities, such as small group study, collaborative course assignments, checking e-mail, access to Internet resources, listening to poetry and music, or simply as a space to relax or study between classes. Several HCL libraries have begun a more deliberate assessment of how students use library facilities. In addition, HCL created a working group that reviewed instructional spaces across the libraries, identified library instructional needs, and based on those findings, planned a new collaborative learning space to be located in Lamont Library. This space is being designed to encourage teaching and learning exchanges between librarians and students in a flexible, collaborative environment, and during times when the librarians are not using the space, students may use it for group study, practice presentations and more. In Widener Library, the assessment has focused on exploring ways to improve both user and teaching spaces. Several other HCL units have spent time and attention learning more about what students expect from libraries and library staff. In response, the Cabot Science Library was able to create two more group study rooms, designated other spaces as “quiet” areas, and installed more electrical outlets for laptops; Houghton Library installed new teaching technology in its heavily scheduled seminar room; and, other libraries are modifying the use of some of their spaces or their approach to services.

The major goal over the coming year will be to rebuild HCL with a dramatically smaller base of resources, and it will likely emerge a vastly different organization than it has been. It will take bold, innovative, and creative initiatives, rather than modest, incremental changes to take the Library through the current economic difficulties and emerge stronger for the future.

DIVERSITY AND PROFESSIONAL DEVELOPMENT

Faculty. Since the reenergizing work of the Task Force on Women Faculty and the Task Force on Women in Science and Engineering in 2005, the FAS has worked to move beyond mere recognition of the challenges of creating a genuinely diverse faculty, and toward organizational structures and policies that effect meaningful and long-lasting change.

In January 2009, Michèle Lamont, the Robert I. Goldman Professor of European Studies and Professor of Sociology and of African and African American Studies, agreed to serve as the new Senior Adviser to the Dean on Faculty Development and Diversity, advising not only the FAS Dean but also the divisional deans, SEAS dean, and the faculty on matters related to gender, racial, and ethnic diversity in the FAS. She also provides advice on new FAS policies and appropriate metrics for achieving and measuring progress on faculty development and diversity, and leads implementation efforts in faculty development and diversity. Furthermore, she monitors the effectiveness of the FAS's faculty diversity programs, and works closely with the Senior Vice Provost for Faculty Development and Diversity on University-wide efforts.

In collaboration with the Dean for Faculty Affairs, the SEAS Dean, the divisional deans, and the Standing Committee on Women, Professor Lamont provides guidance on the best practices and policies in the areas of mentoring, professional development, and effective search strategies; seeks input in developing initiatives; and keeps the faculty informed of diversity efforts and of progress made.

Since her appointment, Professor Lamont has consulted broadly with FAS and University faculty and administrators on the FAS's efforts in the area of faculty development and diversity and has convened an advisory council on faculty development and diversity. She has also analyzed faculty mentoring, conducting a preliminary survey of FAS tenure-track faculty on mentoring involvement and opportunities; engaged divisional deans and departments to gauge their mentoring needs; consulted with Harvard mentoring experts and reviewed selected literature on best practices; and formed a plan for strengthening professional development networks for tenure-track faculty.

Faculty Diversity Trends. Figure 2 shows the number of ladder faculty in the FAS from the fall of 2000 through the fall of 2009 by gender. During this time, the percentage of women increased from 20 percent to 25 percent of the FAS faculty. In 2000, 15 percent of tenured faculty and 34 percent of tenure-track faculty were women. As of September 1, 2009, 21 percent of tenured faculty and 37 percent of tenure-track faculty are women. The number of women in the FAS decreased slightly between the fall of 2008 and the fall of 2009. Nonetheless, of the 31 searches conducted in academic year 2008-09, 9 have culminated in accepted offers to date, of which women represent 44 percent.

Ladder Faculty Head Counts by Gender, 2000-2009

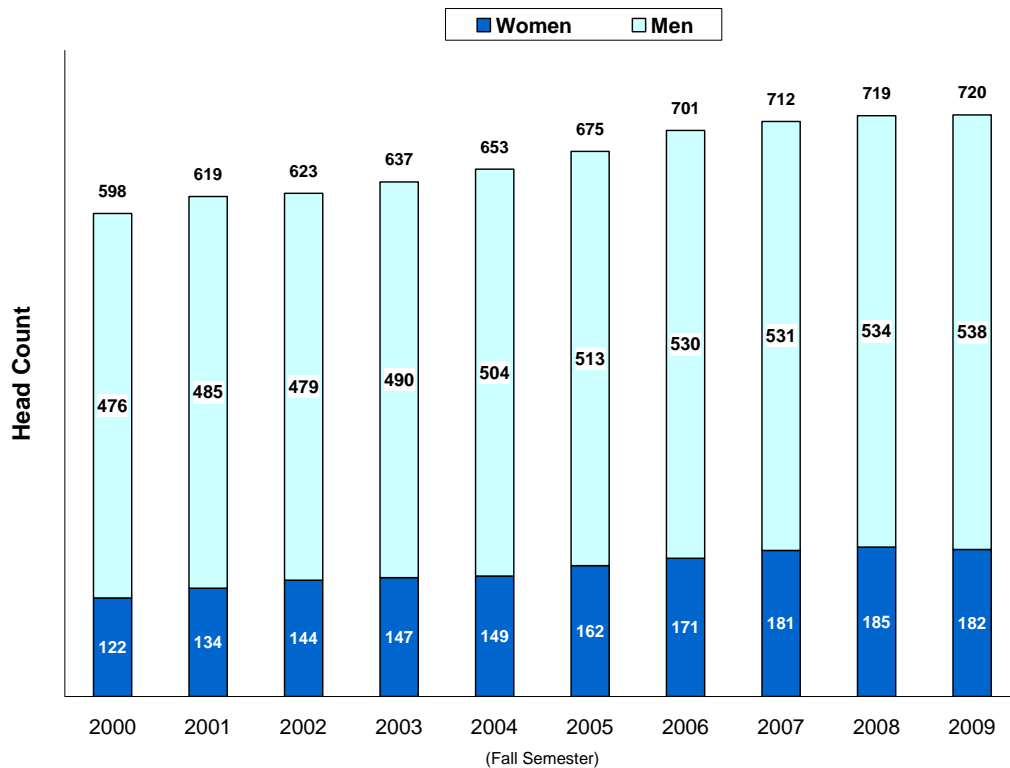


Figure 2. Number of women and men in ladder faculty counts over time*

As the size of the faculty grew from the fall of 2000 and the fall of 2009, so did the number and percentage of minority faculty. During this time, the percentage of minorities increased from 11 percent to 16 percent. In 2000, 9 percent of tenured faculty and 15 percent of tenure-track faculty were minorities. As of September 1, 2009, 13 percent of tenured faculty and 22 percent of tenure-track faculty are minorities. Similar to the statistics for women, of the 31 searches conducted in academic year 2008-09, minorities represent 44 percent of the accepted offers to date.

Diversification is also evident in the tenure promotion statistics. Of the 12 successful tenure cases in academic year 2008-09, 42 percent were women and 25 percent were minorities.

** Note: The fall 2008 and fall 2009 faculty counts represent a September 1st snapshot, whereas the fall 2000 through fall 2007 counts represent a July 1st snapshot as in previous annual reports. This new counting methodology was implemented in order to capture appointments starting on September 1st.*

Staff. The FAS has also worked hard in recent years to enhance the diversity of its administration and staff. To further strengthen this effort, Andrea Kelton-Harris was appointed Assistant Dean for Human Resources and Director of Staff Diversity in July 2008. FAS Human Resources (HR) also formed a Committee on FAS Staff Diversity,

chaired by Geoffrey Peters, Associate Dean for Administrative Resources, to seek the advice of Harvard faculty whose academic work focuses on minority employment, as well as that of administrators committed to and knowledgeable about promoting and supporting diversity. Taking advantage of this ongoing advice, the committee sponsors speakers, special sessions for supervisors, and forums on such topics as evaluation and mentoring.

Staff in FAS HR launched the Sustainable Excellence Via Enhanced Diversity (SEED) Initiative in 2008 as a means of developing a more inclusive workplace culture. SEED includes pipeline programs to increase diversity at all levels by supporting individual FAS administrative departments in their efforts to find and retain the most talented and promising employees.

To ensure the most inclusive pools of strong candidates for open positions, FAS HR is developing new resources, and reviewing and enhancing existing ones. The following is a partial list of some of the activities of the past year:

- Creation of a framework for staff and manager discussions regarding diversity;
- Hosting of several discussions about diversity, including sessions led by author and veteran *New York Times* reporter Lena Williams and Michèle Lamont;
- Development of an informational interview process whereby candidates are proactively screened for potential openings;
- Development of a contacts database to more easily access resumes of individuals who help us meet our affirmative action goals and diversity aspirations; and
- Development of a diversity module for the FAS supervisors training program.

Since 2007, the FAS has realized small gains in the racial and gender diversity of its staff. Preliminary analysis reveals the most significant increase in the number of minorities to be among service and maintenance employees, with the lowest increase coming among professional positions. For women, the most significant increase has been in executive/administrative/managerial positions, with the lowest increase among secretarial and clerical jobs. We continue to work toward better diversity at higher levels, particularly in positions with decision-making or supervisory responsibilities.

A University-wide analysis released in April 2009 suggests that part of the FAS's increase in minority staff may be due to efforts made during 2008 to increase the presence of the FAS at job fairs and other events geared towards minority job seekers. In 2008 the FAS also experienced a significant decrease in the turnover rate for minority staff. The SEED Initiative, which focuses on work culture and engagement as well as staff representation, may help the FAS continue these positive trends seen in 2008.

SUSTAINABILITY

The FAS formally launched its Greenhouse Gas Reduction Program with an event in November 2008. In keeping with University-wide goals set by President Faust, the FAS aims to slash 30 percent from its 2006 greenhouse gas emissions by the year 2016.

The President's challenge is all the more daunting in light of substantial growth in FAS facilities since the start of 2006. New buildings totaling nearly a million square feet have reached completion or full occupancy during that time. When their energy use is factored in, the FAS will need to reduce its greenhouse gas emissions by closer to 40 percent over eight years. Marking a strong start, since 2006 the FAS has reduced greenhouse gas emissions from its existing Cambridge buildings from 93,792 to 79,755 metric tons of carbon dioxide equivalent (MTCDE, a common measure of greenhouse gases), which is a 15% reduction.

In addition to embracing "green" construction in its recent capital projects, the FAS has employed a long list of energy-saving tactics in its existing buildings:

- The FAS has significantly reduced the energy it uses to ventilate buildings. A "Shut the Sash" campaign, aimed at laboratories, has encouraged researchers to close unused fume hoods, saving \$500,000 to date;
- The FAS has taken full advantage of utility companies' subsidies for energy-saving upgrades, receiving more than \$1.7 million in rebates since 2006;
- The FAS announced this year that temperatures in its buildings would be adjusted from a year-round 72 degrees to 68 degrees in the winter and 75 degrees in the summer, cutting greenhouse gas emissions by an estimated 1,200 tons a year;
- Solar panels have been installed on the roofs of the Science Center, 3 Sacramento St., and at the Harvard Forest; and
- The FAS has achieved further savings by retrofitting lighting fixtures, using occupancy sensors to control lights, refining scheduling of ventilation systems based on building occupancy, and installing low-flow toilets, showers, and sinks.

In FY09, the FAS saved \$2,189,939 from these and other past investments in energy savings.

Upgrades this year to Thayer Hall await Leadership in Energy and Environmental Design for Existing Buildings (LEED-EB) certification. As part of this project:

- All furniture in Thayer and other dormitories is now manufactured within 500 miles of Cambridge;
- A 100 percent recycled matting system installed in entryways prevents dirt and debris from being tracked into the building;
- Thayer has experienced a 56 percent reduction in water use;

- All paint used in the building (and in all other Yard buildings) is free of volatile organic compounds (VOCs); and
- All cleaning products used in Thayer – and 73 percent of those used across the FAS – are Green Seal certified.

Twenty-three other FAS projects have applied for Leadership in Energy and Environmental Design for Commercial Interiors (LEED-CI) certification, many of these in laboratory buildings.

Going forward, an estimated two-thirds of the FAS's reductions in greenhouse gas emissions will be achieved by shaping individuals' behavior, by ensuring that new construction is as green as possible, and by retrofitting existing buildings to improve energy efficiency. The remainder will be achieved through FAS support of fuel switching and general efficiency improvements in the University's central plant.

The Greenhouse Gas Reduction Plan is structured in four-year cycles so the FAS can periodically consider how best to incorporate new technology and new findings by scientists.

FINANCIAL STATUS

This year we introduce a new format for reporting Harvard's Faculty of Arts and Sciences fiscal year-end results. While the new format greatly expands the amount of information reported, it is not intended to present our financial results in accordance with generally accepted accounting principles (GAAP). Instead, it is meant to be a managerial view of our finances and operations. Its purpose is to explain how our financial resources changed and how they were used during the last fiscal year in support of our academic mission.

The Annual Report presents the FAS consolidated financial results for the fiscal years ending June 30, 2008 (FY08) and June 30, 2009 (FY09). The appendix also shows financial results for the fiscal year ending June 30, 2007. This is a restatement of the data from the last Dean's Annual Report (dated May 2008) and is meant as a bridge between the old method of presentation and the new. Since these results were discussed extensively in the last [Annual Report](#), we do not discuss the FY07 results further in the body of this section.

From this point forward, we will publish each year in October an Annual Report that will contain a managerial view of the financial results for the most recently closed fiscal year. According to the new schedule, the Annual Report will be released just a few months after the close of the fiscal year, instead of nine months or more as was typical under the old schedule. This new schedule will better serve the needs of our community.

The FAS budget is both large (slightly more than a billion dollars) and highly decentralized, with sizable spending under the direct control of departments, centers, libraries, and museums. The consolidated Statement of Activity examines important categories of revenues and expenses for the FAS as a whole. This view lumps together what is typically called the "Core" of the FAS, which comprises our core academic components (i.e., the faculty, the College, and the Graduate School of Arts and Sciences) together with the other major tubs of the FAS (i.e., Athletics, the Division of Continuing Education, Dumbarton Oaks, the Harvard College Library, the Museums, and the School of Engineering and Applied Sciences).

Since the Core constitutes about 72 percent of the FAS FY09 consolidated revenues and nearly 74 percent of FY09 consolidated expenses, we also present a FY09 Statement of Activity for just the Core. We include this particular view because it highlights an area of FAS finances (the unrestricted budget of the FAS Core) that has been under financial stress for many years.

Finally, we present a Balance Sheet for the consolidated FAS that shows our major assets and liabilities at the end of FY08 and FY09.

Overall, the FAS had a strong financial year in FY08, as it had in FY07, with exceptional endowment growth and an operating surplus of \$34.5 million, or about 3 percent of its operating budget. Operating expenses grew by 7.8 percent to \$1.04 billion, while operat-

ing revenues grew by 8.5 percent to \$1.10 billion, driven primarily by endowment growth.

As we all know, the financial landscape changed dramatically a few months into FY09. I stood before the faculty early in the Fall Semester 2008 and spoke about a budget with a \$30 million unrestricted deficit in its Core. In particular, my [Fall Letter](#) dated October 9, 2008 said, "... the FAS is facing a structural deficit in unrestricted income created primarily by building projects and faculty growth. This deficit, if not addressed, will limit our ability to undertake new initiatives, will hamper campus renewal, and will stifle educational innovation." By October 2008, the global financial crisis had descended on Harvard, the nation, and the world. By April, we had an estimate of the impact of the worldwide financial crisis on the value of Harvard's endowment (i.e., the value of the endowment was projected to be down 30 percent), and the Corporation had published updated planning assumptions for the endowment distribution in FY10 (down 8 percent) and FY11 (down a projected 12 percent). Without any action, the \$30 million FY09 unrestricted deficit in the FAS Core subsequently became a projected \$220M annual unrestricted deficit in FY11.

The \$220M budget gap projected in April was never viewed as something that we had to solve in a single year. To preserve the excellence of our programs, faculty, and students, this challenge would require a thoughtfully executed, multi-year process. With this in mind, we determined to make FY09 a year in which we would resize where we could, as the benefit of saving early would compound in subsequent years. It was also a year in which we would begin to identify which activities were fundamental to our mission as an educational and research institution and where we must continue to invest even as our resources diminished. The FAS reserves and endowment would provide the time and the cushion needed to ease our transition to a new, lower baseline of annual funding.

The proper context for the FY09 financial results then are the budgetary and financial goals put in place after our analysis of the global financial crisis and the launching of the multi-year plan to match annual revenues and expenses across the FAS. In particular, we set three primary goals:

1. Avoid spending all of our FY09 income, and in particular avoid an unrestricted deficit in the FAS core, so we may save funds for the future.
2. Rebalance FAS fundraising and emphasize the importance of unrestricted current-use funds to our dedicated alumni/ae base.
3. Hire new faculty and staff only when funding is assured and we can demonstrate a long-term commitment to the open position.

The first goal reflects the fact that the income we received in FY09 would be much greater than the income we can expect to receive in FY10 or any other near-term future fiscal year. To avoid a rather sudden and dramatic cut in expenses, we would need to save some of our cash in FY09 for future years to allow us time to more thoughtfully change our activities and lower our annual expenses. Also, since the greatest pressure in previous

years had been on the unrestricted portion of our budget, we wanted to focus our cost-saving efforts on expenses paid by unrestricted funds.

The second goal, emphasizing the importance of unrestricted current use giving, became an FAS objective even before the global financial crisis hit. We had already recognized the fact that we were out of sync with the performance of our peer institutions in the area of current-use unrestricted giving, and this was putting the FAS at a disadvantage. To address this issue, Mr. Carl Martignetti AB '81 MBA '85 volunteered to lead an alumni/ae Dean's Task Force on Leadership Giving, whose challenge was to determine how to change the focus of FAS fundraising toward current-use unrestricted giving while preserving our well-established and successful endowment giving program.

The third goal reflects the fact that nearly 50 percent of the FY09 budget of the FAS is allocated to salaries, wages, and benefits. We need to manage future hiring very carefully, for uncontrolled growth in this area could have a significant negative effect on our finances.

We were successful in accomplishing these goals, as the accompanying FY09 Statement of Activity for the consolidated FAS demonstrates. Overall, our revenues exceeded our expenses by \$79.2 million. A similar trend is evident when viewing only unrestricted revenues and expenses for the consolidated FAS.

Of course, this consolidated view merges the performance of every unit of the FAS. It is informative to view an FY09 Statement of Activity for only the FAS Core, where we have historically struggled to balance our unrestricted revenues and expenses. This view shows too that our revenues were greater than our expenses, and thus we were able to save \$58.6 million of unrestricted funds generated in FY09, reserving them for future years when the endowment distribution is expected to be much less.

Still, the \$58.6 million unrestricted surplus in the bottom line of the FY09 Statement of Activity for the FAS Core overstates our performance. The majority of this surplus is the result of one-time events. The financial results based on an analysis of recurring activities are presented in the table on page 40. It removes two very large anonymous gifts – unrestricted gifts of this size occur infrequently and the receipt of two gifts in a single year is even more rare. It also adjusts for the use of \$20 million of proceeds from a strategic endowment decapitalization performed in 2008 to help offset the increased costs of the middle-income financial aid initiative. In FY10 and beyond, the unrestricted budget will again have to cover these costs of the financial aid program.

FY09 FAS Core Unrestricted Results

Net Change in Unrestricted FY Activity	\$58.6 M
Large unrestricted anonymous gift	\$7.5 M
Large unrestricted anonymous bequest	\$25.0 M
FY08 decapitalization for financial aid	\$20.0 M
Unrestricted Surplus from Recurring Activities	\$6.1 M

The small unrestricted surplus from recurring activities plus these one-time influges of cash in FY09 allowed us to grow our FAS reserves by \$58.6 million.

A generalized breakdown of the unrestricted swing in the FAS Core from a projected \$30 million operating deficit to the actual \$6 million adjusted unrestricted surplus is explained as follows. First, we had lower-than-expected costs for utilities and expenses associated with the operations and maintenance of our physical plant. The \$12 million difference was due mostly to a reduction in utility rates and lower consumption across the campus. Some of the difference was also a result of lower occupancy rates in LISE and NW resulting from changes in our hiring plans. Second, we achieved about \$7 million in savings from lower costs associated with faculty recruitment, relocation, housing subsidies, and start-up funds. Third, in the spring, I asked all academic and administrative departments to reduce their spending of the unrestricted subvention dollars I provided to them. In addition to reducing their requested subventions in FY10, every tub and department was able to return some subvention dollars in FY09. The total savings was approximately \$5 million. Finally, we were able to collect revenues greater than budgeted in FY09, and for all of these categories, we believe that we can maintain these new revenue levels in FY10 and beyond – making them structural changes to our budget. The biggest components of this \$12 million in additional revenues were \$3 million of greater-than-budgeted current-use funds from the Harvard College Fund, \$4 million of additional facilities and administrative (also known as “indirect”) cost recovery from a greater amount of sponsored research than budgeted, and an additional \$2 million in revenues from the Division of Continuing Education.

The Balance Sheet of the FAS shows a significant drop in our total net assets. The majority of this drop is a consequence of the -27.3 percent return on investments, as reported in early September by the Harvard Management Company.

Looking ahead, as we strive to balance our budget, we must seek further expense reductions, operational efficiencies, and ways to increase revenue streams. The positive results from FY09 allow us more time to implement these strategies so that we can bring our finances back into balance.

APPENDIX

FACULTY OF ARTS AND SCIENCES MANAGERIAL FINANCIAL REPORT

FISCAL YEAR 2009

HARVARD UNIVERSITY

LEGAL NOTE:

The following financial report, including the financial statements and related footnotes, are intended solely for use by members of the Harvard community and should not be relied upon by investors or other third parties. The report addresses the activities of the Faculty of Arts and Sciences only, and not the University as a whole. The audited financial statements of the University are available at <http://cdn.wds.harvard.edu/2009fullreport.pdf>.

The figures presented in the report have not been audited, and are not intended to present financial results in accordance with generally accepted accounting principles (GAAP).

(in millions)

Faculty of Arts and Sciences
Consolidated
Statement of Activity
Fiscal Year Ending June 30, 2009

	note	Fiscal Year 2009		
		Unrestricted	Restricted	Total
Revenues				
Tuition and Fees		387.8	0.0	387.8
<i>Less: Financial Aid</i>	(1)	<u>(48.2)</u>	<u>(143.9)</u>	<u>(192.1)</u>
Net Tuition and Fees		339.6	(143.9)	195.7
Grants and Contracts - direct	(2)	-	132.5	132.5
Grants and Contracts - indirect		42.2	0.0	42.2
Endowment Distribution	(3)	221.5	433.8	655.3
Other Investment Income	(4)	10.3	12.2	22.5
Current-Use Gifts		40.6	36.0	76.6
Transfers from University - Academic Programs	(5)	40.5	21.0	61.5
Other Income	(6)	<u>33.9</u>	<u>1.0</u>	<u>34.9</u>
Total Revenues (a)		728.6	492.6	1,221.2
Expenses				
Salaries and Wages	(7)	230.6	211.7	442.3
Employee Benefits		68.7	49.3	118.0
Fellowships and Awards		14.3	43.4	57.7
Supplies, Materials and Equipment		12.7	53.0	65.7
Operations and Maintenance of Plant	(8)	105.8	39.4	145.2
Principal and Interest on Debt		86.3	0.1	86.4
Transfers to University - University Assessment	(9)	28.9	-	28.9
Transfers to University - Academic Programs	(10)	9.2	-	9.2
Services Purchased		40.9	37.5	78.4
Other Expenses	(11)	<u>24.8</u>	<u>41.1</u>	<u>65.9</u>
Total Expenses (b)		622.2	475.5	1,097.7
Net Operating Results		<u>106.4</u>	<u>17.1</u>	<u>123.5</u>
Investment in Plant and Equipment, net (c)	(12)	<u>(42.0)</u>	<u>(15.8)</u>	<u>(57.8)</u>
Net Transfer (to)/from Endowment (d)	(13)	<u>(3.1)</u>	<u>(11.8)</u>	<u>(14.9)</u>
Other Changes in Net Assets (e)	(14)	<u>26.3</u>	<u>2.1</u>	<u>28.4</u>
Net Change in Fiscal Year Activity (a-b+c+d+e)		<u>87.6</u>	<u>(8.4)</u>	<u>79.2</u>

This statement presents a managerial view of Harvard's Faculty of Arts and Sciences operations. It is not intended to present financial results in accordance with generally accepted accounting principles (GAAP), and therefore should not be read as a subset of the University's financial statements and related footnotes.

(in millions)

Faculty of Arts and Sciences
Consolidated
Statement of Activity
Fiscal Year Ending June 30, 2008

	note	Fiscal Year 2008		
		Unrestricted	Restricted	Total
Revenues				
Tuition and Fees		365.8	-	365.8
<i>Less: Financial Aid</i>	(1)	(52.6)	(105.6)	(158.2)
Net Tuition and Fees		313.2	(105.6)	207.6
Grants and Contracts - direct	(2)	-	119.9	119.9
Grants and Contracts - indirect		39.8	-	39.8
Endowment Distribution	(3)	182.0	370.8	552.8
Other Investment Income	(4)	9.6	11.8	21.4
Current-Use Gifts		23.6	39.4	63.0
Transfers from University - Academic Programs	(5)	40.0	18.3	58.3
Other Income	(6)	33.6	(0.2)	33.4
Total Revenues (a)		641.8	454.4	1,096.2
Expenses				
Salaries and Wages	(7)	232.1	190.7	422.8
Employee Benefits		67.0	45.9	112.9
Fellowships and Awards		11.8	39.1	50.9
Supplies, Materials and Equipment		17.8	50.7	68.5
Operations and Maintenance of Plant	(8)	102.1	33.8	135.9
Principal and Interest on Debt		67.3	0.1	67.4
Transfers to University - University Assessment	(9)	26.7	-	26.7
Transfers to University - Academic Programs	(10)	21.4	-	21.4
Services Purchased		39.9	30.8	70.7
Other Expenses	(11)	20.7	45.7	66.4
Total Expenses (b)		606.8	436.8	1,043.6
Net Operating Results		35.0	17.6	52.6
Investment in Plant and Equipment, net (c)	(12)	(43.3)	(3.6)	(46.9)
Net Transfer (to)/from Endowment (d)	(13)	14.1	(3.1)	11.0
Other Changes in Net Assets (e)	(14)	12.7	5.1	17.8
Net Change in Fiscal Year Activity (a-b+c+d+e)		18.4	16.1	34.5

This statement presents a managerial view of Harvard's Faculty of Arts and Sciences operations. It is not intended to present financial results in accordance with generally accepted accounting principles (GAAP), and therefore should not be read as a subset of the University's financial statements and related footnotes.

(in millions)

Faculty of Arts and Sciences
Core
Statement of Activity
Fiscal Year Ending June 30, 2009

	note	Fiscal Year 2009		
		Unrestricted	Restricted	Total
Revenues				
Tuition and Fees		321.8	0.0	321.8
<i>Less: Financial Aid</i>	(1)	(41.7)	(137.1)	(178.8)
Net Tuition and Fees		280.1	(137.1)	143.0
Grants and Contracts - direct	(2)	-	104.3	104.3
Grants and Contracts - indirect		30.5	-	30.5
Endowment Distribution	(3)	169.0	332.7	501.7
Other Investment Income	(4)	5.8	8.1	13.9
Current-Use Gifts		32.7	25.4	58.1
Transfers from University - Academic Programs	(5)	23.0	19.5	42.5
Other Income	(6)	(14.6)	(0.8)	(15.4)
Total Revenues (a)		526.5	352.1	878.6
Expenses				
Salaries and Wages	(7)	159.4	156.8	316.2
Employee Benefits		48.3	34.5	82.8
Fellowships and Awards		13.4	40.0	53.4
Supplies, Materials and Equipment		6.2	28.5	34.7
Operations and Maintenance of Plant	(8)	84.7	29.7	114.4
Principal and Interest on Debt		83.7	0.1	83.8
Transfers to University - University Assessment	(9)	21.9	-	21.9
Transfers to University - Academic Programs	(10)	6.7	-	6.7
Services Purchased		23.6	28.5	52.1
Other Expenses	(11)	12.1	32.1	44.2
Total Expenses (b)		460.0	350.2	810.2
Net Operating Results		66.5	1.9	68.4
Investment in Plant and Equipment, net (c)	(12)	(31.3)	(10.7)	(42.0)
Net Transfer (to)/from Endowment (d)	(13)	(3.0)	(10.7)	(13.7)
Other Changes in Net Assets (e)	(14)	26.4	2.3	28.7
Net Change in Fiscal Year Activity (a-b+c+d+e)		58.6	(17.2)	41.4

This statement presents a managerial view of Harvard's Faculty of Arts and Sciences operations. It is not intended to present financial results in accordance with generally accepted accounting principles (GAAP), and therefore should not be read as a subset of the University's financial statements and related footnotes.

Faculty of Arts and Sciences
Consolidated Balance Sheet

(in millions)

	note	June 30	
		2009	2008
ASSETS:			
Deposits with the University		563.1	\$ 576.3
Receivables			
Student Receivables		2.5	4.3
Other Receivables		5.4	2.7
Prepayments and deferred charges.....		11.4	9.8
Notes Receivable	(15)	127.4	119.7
Pledges Receivable		206.0	201.0
Fixed assets, net of accumulated depreciation	(16)	1,655.2	1,598.5
Interests in perpetual trusts held by others		69.3	78.0
Long-term investments (primarily endowment).....	(17)	11,618.0	16,557.4
TOTAL ASSETS		14,258.3	19,147.7
LIABILITIES:			
Accounts payable		13.1	14.2
Deposits and other liabilities.....		36.0	41.4
Debt and Notes payable.....	(18)	1,083.5	1,011.5
Government loan advances	(19)	11.3	18.8
TOTAL LIABILITIES		1,143.9	1,085.9
TOTAL NET ASSETS	(20)	\$ 13,114.4	\$ 18,061.8

This sheet presents a managerial view of Harvard's Faculty of Arts and Sciences operations. It is not intended to present financial results in accordance with generally accepted accounting principles (GAAP), and therefore should not be read as a subset of the University's financial statements and related footnotes.

NOTES TO STATEMENT OF ACTIVITIES

1. FINANCIAL AID

Financial aid granted to undergraduate, graduate, and continuing education students includes institutional scholarships, student loans, and governmental Pell Grants and Supplemental Educational Opportunity Grants (SEOG). Total financial aid in FY09 was \$192.1 million. This was \$33.9 million or 21 percent more than in FY08 and reflects the increased need of our students due to the economic downturn as well as program enhancements, announced in December of 2007, which dramatically reduce the amount families are expected to contribute to the cost of attending Harvard College. Under the new plan, undergraduate students are no longer required to take out loans. In addition, parents with annual incomes between \$120,000 and \$180,000 are asked to contribute an average of ten percent of their income, with a declining percentage – from ten to zero – for parents with annual incomes between \$120,000 and \$60,000. The low-income initiative continues to remain in place, with no contribution expected for families with incomes of under \$60,000.

<i>(in millions)</i>	FY 2009			FY 2008		
	Unrestricted	Restricted ⁽¹⁾	Total	Unrestricted	Restricted ⁽¹⁾	Total
Undergraduate	\$ 18.1	\$ 119.1	\$ 137.2	\$ 24.6	\$ 82.2	\$ 106.8
Graduate	23.9	22.7	46.6	23.0	21.2	44.2
Continuing Education	6.2	2.2	8.4	5.0	2.2	7.2
	\$ 48.2	\$ 143.9	\$ 192.1	\$ 52.6	\$ 105.6	\$ 158.2

(1) Includes gifts, endowment income, and sponsored support

In FY09 restricted spending on financial aid reflects the use of the prior year's "strategic" endowment decapitalization for \$20 million, allowing one-time relief to the unrestricted budget. Financial aid presented in the table above excludes \$57.7M of fellowships and awards, primarily to graduate students. These costs are captured in expenses.

2. GRANTS AND CONTRACTS

Grants and contracts increased by 9 percent in FY09 to \$174.7 million, from \$159.7 million in FY08. Grants and contracts are comprised of the following:

<i>(in millions)</i>	FY 2009			FY 2008		
	Direct	Indirect	Total	Direct	Indirect	Total
Federally Sponsored Research						
National Institutes of Health (NIH)	34.6	17.2	51.8	35.3	16.4	51.6
National Science Foundation (NSF)	22.7	10.5	33.2	22.2	9.8	32.0
Department of Defense (DoD)	13.0	4.5	17.5	11.0	4.2	15.2
Other	11.9	4.8	16.7	13.6	6.1	19.8
Subtotal - Federally-Sponsored Research	82.1	37.1	119.1	82.1	36.5	118.7
Non-Federally Sponsored Research	35.1	5.2	40.3	22.0	3.3	25.3
Other Sponsored Awards	15.3	0.0	15.3	15.7	0.0	15.7
Total Sponsored	132.5	42.2	174.7	119.9	39.8	159.7
Effective Indirect cost rate			31.9%			33.2%

Grants and contracts normally provide for the recovery of direct costs and partial recovery of indirect costs. Direct costs are those costs directly associated with the grant-funded activity (e.g., lab reagents and research materials). Indirect cost recoveries help to pay for things such as facilities, libraries and research administration. Recovery of indirect costs is generally recorded at a predetermined rate negotiated with the federal government and other sponsors. The negotiated federal rate for the University (including the FAS) was 67 percent for organized on-campus research in FY09 and FY08. Non-federal sponsors vary in the extent of their financial support for indirect costs. The blended actual or “effective indirect rate” for the FAS, which reflects both the federal/non-federal mix of support as well as the types of activities and expenditures contemplated in federal grants and contracts (only some of which is eligible for the full 67 percent recovery), was 31.9 percent in FY09, down from 33.2 percent in FY08.

3. ENDOWMENT DISTRIBUTION

Endowment distribution for operations increased by 19 percent to \$655.3 million in FY09, from \$552.8 million in FY08. This increase was possible as a result of our endowment appreciation, as well as growth from new gifts and other additions to the endowment. Endowment income represented 54 percent and 51 percent of the FAS’s total revenues in FY09 and FY08, respectively.

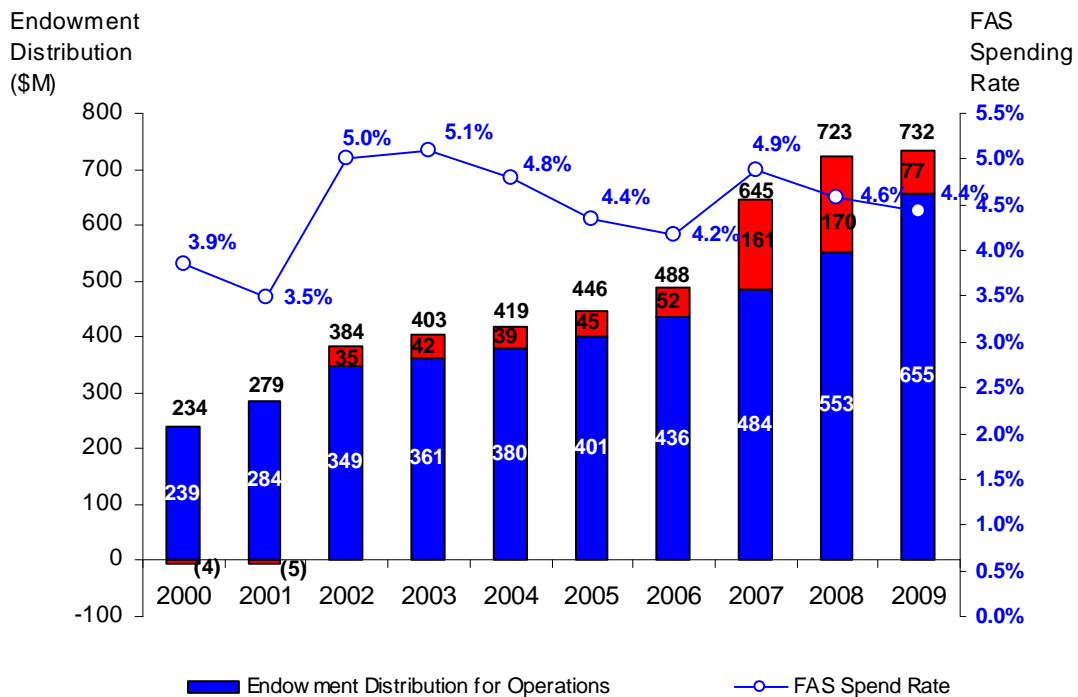
In addition to the normal endowment distribution for operations, the FAS utilizes the endowment’s capacity through decapitalizations and the central assessment for administrative overhead. The Corporation approved an endowment strategic decapitalization for the FAS in FY08 as discussed in Note 13.

Combining all of the distributions from the endowment, the aggregate FAS spending rate (total spending from endowment divided by beginning-of-year endowment value) was 4.4 percent in FY09 and 4.6 percent in FY08, as detailed in the table below:

<i>(in millions)</i>	% of Market		% of Market	
	FY 2009	Value	FY 2008	Value
Endowment distribution	\$655.3	3.9%	\$552.8	3.5%
Decapitalization for central administrative overhead	81.8	0.5%	78.5	0.5%
Net normal endowment (caps) / decaps	(5.1)	0.0%	(3.7)	0.0%
Strategic decapitalization	-	0.0%	95.4	0.6%
Total spending from endowment	\$732.0	4.4%	\$723.0	4.6%

Beginning-of-year endowment market value	\$16,555.0	\$15,773.3
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The chart below shows the FAS endowment distribution and spending rate since FY00:



4. OTHER INVESTMENT INCOME

Other investment income includes interest received on faculty mortgages, educational loans and reserves, as well as short-term fund interest income and special investment returns.

5. TRANSFERS FROM UNIVERSITY - ACADEMIC PROGRAMS

In FY09, the FAS received \$61.5 million in income transfers from the Offices of the President and Provost, including funding from the Harvard University Science and Engineering Committee (HUSEC). Twenty-one million dollars was related to gifts and endowments held by the University but restricted for FAS purposes, including professorships, financial aid and academic program support; another \$14.5 million of University support was for the Harvard College Library, which benefits the entire University; and \$26.0 million of income transfers were to support the FAS (including undergraduate and graduate aid) and University-wide initiatives that are housed within the FAS, such as the Harvard University Center for the Environment, the Institute for Quantitative Social Science (IQSS), the Harvard China Fund, and the Program for Research in Science and Engineering (PRISE).

6. OTHER INCOME

Other income included the following in FY09 and FY08:

<i>(in millions)</i>	FY 2009	FY 2008
Rental income	\$7.2	\$7.8
Sales of services	6.9	6.3
Admissions application fees	4.2	3.9
Program and event income	2.8	2.8
Royalty income	2.1	1.9
Publication income	1.7	1.9
Miscellaneous income	10.0	8.8
Other Income	\$34.9	\$33.4

Miscellaneous income includes library fees, other fines and fees, and commissions.

7. SALARIES, WAGES AND BENEFITS

Salaries, wages and benefits represented 51 percent of total FAS expenses in FY09 and FY08. These costs totaled \$560.3 million in FY09 (a 4.6 percent increase over FY08). The increase included a 4.6 percent growth in salary and wage costs and a 4.5 percent growth in benefit expenses.

(\$ in millions)	FY 2009 ⁽¹⁾		FY 2008 ⁽¹⁾	
	n	\$M	n	\$M
Faculty:				
Ladder Faculty	719		712	
Non-Ladder Faculty	326		330	
Visiting Faculty	66		64	
Research and Academic Support ⁽²⁾	112		101	
Total Faculty Headcount	1,223	\$147.8	1,207	\$141.2
Staff FTEs ⁽³⁾	3,781	\$294.5	3,596	\$281.6
Total salaries and wages	5,004	\$442.3	4,803	\$422.8
Employee Benefits		\$118.0		\$112.9
Grand Total		\$560.3		\$535.7

(1) Counts are as of the beginning of the academic year - Fall 2008 and Fall 2007 respectively.

(2) Includes Research Associates, Research Fellows, and other faculty with limited or no teaching responsibilities.

(3) Staff figures include administrative & professional, clerical and technical (including Post Docs)

8. OPERATIONS & MAINTENANCE (O&M) OF PLANT

At the end of FY09, the FAS campus included 264 buildings comprising approximately 9.6 million square feet of space. Operations and maintenance of plant includes the cost of utilities (\$51.2M), custodial, security and groundskeeping services (\$41.2M), repairs and maintenance (\$39.3M) and rental fees (\$13.5M). FAS's effective O&M per gross square foot is \$15.12/SF.

9. TRANSFERS TO UNIVERSITY - UNIVERSITY ASSESSMENT

The University Assessment is calculated at 2.6 percent of the FAS total operating expenses, on a two-year lagging basis (the FY09 assessment is based on the FY07 expense base). This assessment helps to pay for services provided to the FAS by the University, including legal services, general accounting, and maintenance of PeopleSoft and our other enterprise IT systems. All schools within Harvard University pay the same 2.6 percent rate to the University.

10. TRANSFERS TO UNIVERSITY - ACADEMIC PROGRAMS

In FY09, the FAS transferred \$9.2 million to the University for academic program support related to the Academic Initiatives Fund. The Academic Initiatives Fund, which began in FY00, provides support for interfaculty initiatives and is managed by the Office of the Provost.

In FY08, the FAS transferred \$8.9 million to the Academic Initiatives Fund and \$12.5 million to the Harvard University Science and Engineering Committee (HUSEC). The HUSEC transfer was combined with other University resources to establish an initial start-up fund of \$50 million to support University-wide science initiatives.

11. OTHER EXPENSES

Other expenses include travel, postage, insurance, telephone and miscellaneous expenses. Major cost components in this category include: travel and entertainment costs (\$23.4 million), and telephone and photocopying costs (\$10.9 million), and insurance (\$6.8 million). The balance (\$24.8 million) is made up of a number of miscellaneous costs.

12. INVESTMENT IN PLANT AND EQUIPMENT, NET

FAS capital spending for buildings and equipment totaled \$167.6 million in FY09. Total capital expenditures included \$37.9 million for capital equipment, \$41.0 million for the continued fit-out of the Northwest and LISE buildings, and \$88.7 million of investments in existing plant, including life safety projects in the College residential houses, capital renewal projects, and faculty recruitment.

Funding for capital spending in FY09 and FY08 came from the following sources:

<i>(in millions)</i>	FY 2009	FY 2008
Total capital spending	(\$167.6)	(\$224.1)
Less: debt proceeds	\$95.3	\$168.1
Less: construction gifts	\$0.0	\$3.8
Less: support from the University	\$18.7	\$4.4
Less: funds designated for Construction in Progress/Other	(\$4.2)	\$0.9
Investment in plant and equipment, net	(\$57.8)	(\$46.9)

13. NET TRANSFER (TO)/FROM ENDOWMENT

Net transfers (to)/from the endowment represent changes in the endowment related to endowment capitalizations and decapitalizations. Endowment distributions are often capitalized when a fund has not reached the University minimum principal balance for activation. Endowment decapitalizations occur on funds where the Corporation has approved spending beyond the normal spending rate to meet programmatic goals or to take advantage of extraordinary returns.

In FY09, the FAS reinvested \$14.9 million into the endowment, representing the net of endowment capitalizations and decapitalizations.

In FY08, the University encouraged schools to perform “strategic” endowment decapitalizations in order to take advantage of the significant growth in market value of the endowment to further mission-critical activities. In response, the FAS decapitalized \$95.3 million in FY08 for capital projects, one-time expenses, financial aid, and to fund the FAS Core unrestricted deficit.

14. OTHER CHANGES IN NET ASSETS

Other changes in net assets include income received from life income funds and other matured planned gifts. In FY09, \$25 million of the other changes in net assets came from a single exceptional unrestricted bequest.

NOTES TO BALANCE SHEET

15. NOTES RECEIVABLE

Notes Receivable as of June 30, 2009 and 2008 were as follows:

<i>(in millions)</i>	2009	2008
Student Notes Receivable:		
Perkins Loan Program	\$ 13.3	\$ 13.9
University Loan Program	24.9	23.1
Faculty and Staff	89.2	82.7
Total Notes Receivable	\$ 127.4	\$ 119.7

The Perkins Loan Program is a federal loan program where funds are distributed by the federal government to universities that in turn provide loans to students. Faculty and staff notes receivable are primarily mortgages and educational loans. Mortgages include shared appreciation loans and loans that bear interest at the Applicable Federal Rate (AFR). In addition, certain mortgages bear interest at the current market rate, which may be subsidized for an initial period. Educational loans are primarily zero-interest loans.

16. FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION

Fixed assets are recorded at cost or fair market value on the date of acquisition, net of accumulated depreciation. Depreciation is computed using the straight-line method computed over the useful life of the asset.

The table below summarizes FAS assets as of June 30, 2009 and 2008:

<i>(in millions)</i>	2009	2008
Research facilities	\$ 988.2	\$ 966.2
Classrooms and offices	411.4	355.2
Housing facilities	385.0	370.7
Libraries	204.6	176.9
Museums and assembly facilities	119.4	91.6
Athletic facilities	129.5	114.6
Service facilities	12.8	12.8
Capital leasehold improvements	31.4	29.2
Land	1.5	1.5
Construction in Progress	75.6	110.7
Equipment	258.9	221.2
Total fixed assets at cost	<u>2,618.3</u>	<u>2,450.6</u>
Less: accumulated depreciation	<u>(963.1)</u>	<u>(852.1)</u>
Total fixed assets, net	<u>\$ 1,655.2</u>	<u>\$ 1,598.5</u>

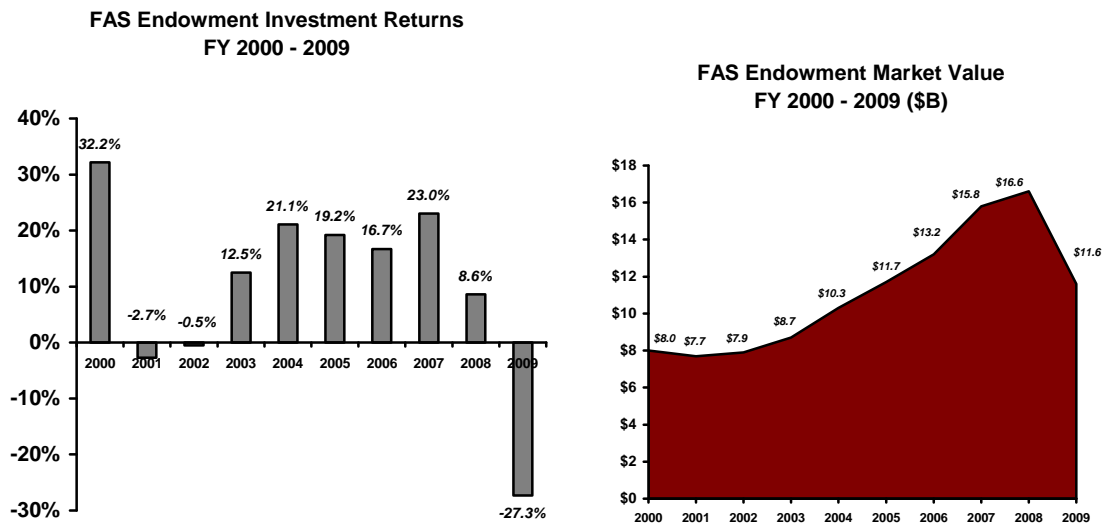
17. LONG-TERM INVESTMENTS (PRIMARILY ENDOWMENT)

The FAS's investments, primarily in endowment, totaled \$11.6 billion at FY09 year end. The market value of these investments decreased by \$4.9 billion, or 30 percent, from June 30, 2008. The decrease in market value is largely driven by the net of return on investments of -27.3 percent and the funding of the FY09 endowment distribution. The change in market value includes all endowment activity: investment appreciation and depreciation; endowment income distributions; new gifts; additions to endowment (capitalizations); and the use of appreciation for specific purposes approved by the Corporation (decapitalizations).

The table below summarizes the FAS's long-term investments as of June 30, 2009 and 2008:

<i>(in millions)</i>	2009	2008
General Operating Account investments	\$ 1.0	\$ 1.5
Gift fund investments	\$ 0.6	\$ 0.9
Endowment investments	\$ 11,616.4	\$ 16,555.0
Total investments	\$ 11,618.0	\$ 16,557.4

The charts below summarize the investment returns from FY00 through FY09 and their impacts on the value of the FAS endowment.



18. DEBT AND NOTES PAYABLE

At the end of FY09, outstanding debt was \$1.08 billion, or \$72 million (7.1 percent) more than FY08.

<i>(in millions)</i>	2009		2008	
Long-Term Debt	\$	994.5	\$	938.0
Faculty Loans		89.0		73.5
Total Debt and Notes Payable	\$	1,083.5	\$	1,011.5

Changes in long-term debt reflect new borrowings and principal payments. New borrowings were for campus renewal and construction, including life safety projects in the College's residential houses, continued fit-out of the Northwest Building, and the completion of the Laboratory for Integrated Science and Engineering (LISE).

19. GOVERNMENT LOAN ADVANCES

Government student loans are funded principally with federal advances to the University under the Perkins Loan Program and other programs.

20. NET ASSETS

Net assets comprise the endowment and the General Operating Account (GOA), which are general or current use funds of the FAS, as well as assets and liabilities related to student and faculty loans and facilities. The GOA is managed by the University, which manages deposits made by University departments and arranges external financing for major capital projects. The GOA manages all transactions except those related to investment activities conducted by the Harvard Management Company.

(in millions)

Faculty of Arts and Sciences
Consolidated
Statement of Activity
Fiscal Year Ending June 30, 2007

	Fiscal Year 2007		
	Unrestricted	Restricted	Total
Revenues			
Tuition and Fees	351.9	-	351.9
<i>Less: Financial Aid</i>	(55.7)	(90.6)	(146.3)
Net Tuition and Fees	296.2	(90.6)	205.6
Grants and Contracts - direct	-	119.8	119.8
Grants and Contracts - indirect	38.0	-	38.0
Endowment Distribution	157.4	326.5	483.9
Other Investment Income	9.4	9.4	18.8
Current-Use Gifts	21.9	35.7	57.6
Transfers from University - Academic Programs	33.4	17.0	50.4
Other Income	34.4	1.6	36.0
Total Revenues (a)	590.7	419.4	1,010.1
Expenses			
Salaries and Wages	201.7	191.2	392.9
Employee Benefits	56.7	42.0	98.7
Fellowships and Awards	14.1	36.9	51.0
Supplies, Materials and Equipment	17.4	44.4	61.8
Operations and Maintenance of Plant	99.0	22.9	121.9
Principal and Interest on Debt	83.6	-	83.6
Transfers to University - University Assessment	24.7	-	24.7
Transfers to University - Academic Programs	8.6	-	8.6
Services Purchased	35.6	29.7	65.3
Other Expenses	26.6	32.9	59.5
Total Expenses (b)	568.0	400.0	968.0
Net Operating Results	22.7	19.4	42.1
Investment in Plant and Equipment, net (c)	(50.3)	(73.1)	(123.4)
Net Transfer (to)/from Endowment (d)	25.8	51.2	77.0
Other Changes in Net Assets (e)	14.7	2.1	16.8
Net Change in Fiscal Year Activity (a-b+c+d+e)	12.9	(0.4)	12.5

This statement presents a managerial view of Harvard's Faculty of Arts and Sciences operations. It is not intended to present financial results in accordance with generally accepted accounting principles (GAAP), and therefore should not be read as a subset of the University's financial statements and related footnotes.

The financial results presented in this report have been adjusted to remove the Harvard Stem Cell Institute (HSCI). Beginning in FY08, the HSCI is no longer consolidated into the financial results of the FAS. As a result, FAS total revenues were reduced by \$10.7M and expenses by \$12.1M. The FAS Net Change in Fiscal Year Activity has therefore been adjusted from \$11.3M to \$12.5M.

In the new report format, certain revenue and expense categories have been reclassified resulting in minor changes to the revenue and expense lines versus the prior report. These include reclassifying principal payments on debt from "Non-Operating Activity" to expenses and other miscellaneous changes.

FUND ACCOUNTING GLOSSARY OF TERMS

CURRENT-USE GIFTS:

Current-use gifts are gifts that may be spent down. Current-use gifts are typically used within a relatively short time frame (one to three years). These gifts may be unrestricted or restricted depending on the terms set forth by the donor. Unrestricted gifts to the FAS are largely contributions to the Harvard College Fund. Foundation gifts may be categorized as current-use, endowment or non-federal grants, depending on the stated terms.

FUNDS (BY TYPE):

Unrestricted Funds are those funds which are unencumbered by any restriction. The major sources of unrestricted revenues are tuition and fees, some current-use gifts such as the Harvard College Fund, endowment distribution on some of our endowments, indirect grants and contracts revenue, and a miscellany of sales and other revenues. Unrestricted funds also include funds that are legally unrestricted funds but have been designated for purposes assigned by Harvard's internal policies or decisions.

Restricted Funds include grants and contracts, current-use gifts, and endowment funds with donor-imposed restrictions as well as certain endowment funds that have been internally-designated for a specific purpose. Funds with donor restrictions have constraining terms assigned by individual or foundation donors. Terms describe how the dollars should be spent. The FAS holds approximately 5,700 endowment funds and over 1,400 gift funds. In the case of current-use gifts, the funds are intended to be spent down. Endowment funds are invested in the General Investment Account, a pooled fund managed by the Harvard Management Company. The distribution rate is set annually by the Corporation which strives to maintain the purchasing power of the endowment while providing a reliable source of current income.

Restricted funds also include sponsored funds (often referred to as research funds) that are primarily received from government agencies for a specific project or purpose. The University also receives non-federal funds from corporations and foundations; these funds may be included if they concur with sponsored guidelines. The funds may generate an overhead recovery rate that contributes to the support of related facilities and administrative costs.

FUND BALANCES:

The FAS holds deposits in the University in each of our fund types. In some cases these balances represent accumulated distributions on "hard-to-spend" funds because the terms set forth by the donor may be very restrictive (e.g., the FAS holds an endowed scholarship fund to be used for scholarships for students from Gadsden High School, Gadsden, Alabama), in other cases we have accumulated balances in anticipation of significant costs on the horizon, including those related to faculty growth, new buildings, curricular initiatives, study abroad and other strategic investments.

