

**Cost Accounting Standards Board
Disclosure Statement
Revision 2 submitted October 11, 2019

Harvard Medical School**

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**INDEX
HARVARD MEDICAL SCHOOL**

Effective date July 1, 2017

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**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**GENERAL INSTRUCTIONS
HARVARD MEDICAL SCHOOL
Effective date July 1, 2017**

1. This Disclosure Statement has been designed to meet the requirements of Public Law 100-679, and persons completing it are to describe the educational institution and its cost accounting practices. For complete regulations, instructions and timing requirements concerning submission of the Disclosure Statement, refer to Section 9903.202 of Chapter 99 of Title 48 CFR (48 CFR 9903).
2. Part I of the Statement provides general information concerning each reporting unit (e.g., segments, business units, and central system or group (intermediate administration) offices). Parts II through VI pertain to the types of costs generally incurred by the segment or business unit directly performing under Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). Part VII pertains to the types of costs that are generally incurred by a central or group office and are allocated to one or more segments performing under Federally sponsored agreements.
3. Each segment or business unit required to disclose its cost accounting practices should complete the Cover Sheet, the Certification, and Parts I through VI.
4. Each central or group office required to disclose its cost accounting practices for measuring, assigning and allocating its costs to segments performing under Federally sponsored agreements should complete the Cover Sheet, the Certification, Part I and Part VII of the Disclosure Statement. Where a central or group office incurs the types of cost covered by Parts IV, V and VI, and the cost amounts allocated to segments performing under Federally sponsored agreements are material, such office(s) should complete Parts IV, V, or VI for such material elements of cost. While a central or group office may have more than one reporting unit submitting Disclosure Statements, only one Statement needs to be submitted to cover the central or group office operations.
5. The Statement must be signed by an authorized signatory of the reporting unit.
6. The Disclosure Statement should be answered by marking the appropriate line or inserting the applicable letter code which describes the segment's (reporting unit's) cost accounting practices.
7. A number of questions in this Statement may need narrative answers requiring more space than is provided. In such instances, the reporting unit should use the attached continuation sheet provided. The continuation sheet may be reproduced locally as needed. The number of the question involved should be indicated and the same coding required to answer the questions in the Statement should be used in presenting the answer on the continuation sheet. Continuation sheets should be inserted at the end of the pertinent Part of the Statement. On each continuation sheet, the reporting unit should enter the next sequential page number for that Part and, on the last continuation sheet used, the words "End of Part" should be inserted after the last entry.

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8. Where the cost accounting practice being disclosed is clearly set forth in the institution's existing written accounting policies and procedures, such documents may be cited on a continuation sheet and incorporated by reference. In such cases, the reporting unit should provide the date of issuance and effective date for each accounting policy and/or procedures document cited. Alternatively, copies of the relevant parts of such documents may be attached as appendices to the pertinent Disclosure Statement Part. Such continuation sheets and appendices should be labeled and cross-referenced with the applicable Disclosure Statement Item number. Any supplementary comments needed to fully describe the cost accounting practice being disclosed should also be provided.

9. Disclosure Statements must be amended when disclosed practices are changed to comply with a new CAS or when practices are changed with or without agreement of the Government (Also see 48 CFR 9903.202-3).

10. Amendments shall be submitted to the same offices to which submission would have to be made were an original Disclosure Statement being filed.

11. Each amendment should be accompanied by an amended cover sheet (indicating revision number and effective date of the change) and a signed certification. For all resubmissions, on each page, insert "Revision Number 2" and "Effective Date July 1, 2017" in the Item Description block; and, insert "Revised" under each Item Number amended. Resubmitted Disclosure Statements must be accompanied by similar notations identifying the items which have been changed.

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**COVER SHEET AND CERTIFICATION
HARVARD MEDICAL SCHOOL
Effective date July 1, 2017**

0.1

Educational Institution

- (a) Name: HARVARD MEDICAL SCHOOL
- (b) Street Address: 25 Shattuck Street
- (c) City, State and ZIP Code: Boston, MA 02115
- (d) Division or Campus of: Harvard University
(if applicable)

0.2

Reporting Unit is: (Mark one.)

- A. ☐ Independently Administered Public Institution
- B. ☐ Independently Administered Nonprofit Institution
- C. ☐ Administered as Part of a Public System
- D. ☒ Administered as Part of a Nonprofit System
- E. ☐ Other (Specify) _____

0.3

Official to Contact Concerning this Statement:

R

- (a) Name and Title: Grace Shin, Associate Director of Cost Analysis,
Office of Finance

R

- (b) Phone Number (include area code and extension): (617) 432-5637

0.4

Statement Type and Effective Date:

- A. (Mark type of submission. If a revision, enter number)

R

- (a) ☐ Original Statement
- (b) ☒ Amended Statement; Revision No. 2

R

- B. Effective Date of this Statement: (Specify) July 1, 2017

C-1

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**COVER SHEET AND CERTIFICATION
HARVARD MEDICAL SCHOOL**

July 1, 2017

0.5

R

Statement Submitted To (Provide office name, location and telephone number, include area code and extension):

- A. Cognizant Federal Agency:**
Mr. Michael Leonard
College and University National Specialist,
Grants Finance and Administration Services
Program Support Center
U.S. Department of Health and Human Services
26 Federal Plaza, Room 3412
New York, NY 10278
(212) 264-4301
- B. Cognizant Federal Auditor:**
Regional Inspector General for Audit Services
Department of Health and Human Services
Room 2425 Office of Inspector General
John F. Kennedy Federal Building
Boston, MA 02203
(617) 565-2689

CERTIFICATION

I certify that to the best of my knowledge and belief this Statement, as amended in the case of a Revision, is the complete and accurate disclosure as of the date of certification shown below by the above-named organization of its cost accounting practices, as required by the Disclosure Regulations (48 CFR 9903.202) of the Cost Accounting Standards Board under 41 U.S.C. § 422.

Date of Certification:

10-10-19

R


(Signature)

R

Michael White
(Print or Type Name)

Chief Financial Officer
(Title)

**THE PENALTY FOR MAKING A FALSE STATEMENT IN THIS DISCLOSURE
IS PRESCRIBED IN 18 U.S.C. § 1001**

C-2

<p align="center"> COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS </p>		<p align="center">PART I - GENERAL INFORMATION</p>
		<p align="center"> NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL </p>
Item No.	<p align="center"> Revision Number 2, Effective date July 1, 2017 Item description </p>	
	<p align="center">Part I</p>	
1.1.0	<p> <u>Description of Your Cost Accounting System</u> for recording expenses charged to Federally sponsored agreements (e.g., contracts, grants and cooperative agreements). (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.) </p> <p> A. <input type="checkbox"/> Accrual B. <input checked="" type="checkbox"/> Modified Accrual Basis <u>1/</u> C. <input checked="" type="checkbox"/> Cash Basis Y. <input type="checkbox"/> Other <u>1/</u> </p>	
1.2.0	<p> <u>Integration of Cost Accounting with Financial Accounting.</u> The cost accounting system is: (Mark one. If B or C is marked, describe on a continuation sheet the costs which are accumulated on memorandum records.) </p> <p> A. <input type="checkbox"/> Integrated with financial accounting records (Subsidiary cost accounts are all controlled by general ledger control accounts.) B. <input type="checkbox"/> Not integrated with financial accounting records (Cost data are accumulated on memorandum records.) C. <input checked="" type="checkbox"/> Combination of A and B </p>	
1.3.0	<p> <u>Unallowable Costs.</u> Costs that are not reimbursable as allowable costs under the terms and conditions of Federally sponsored agreements are: (Mark one) </p> <p> A. <input type="checkbox"/> Specifically identified and recorded separately in the formal financial accounting records. <u>1/</u> B. <input type="checkbox"/> Identified in separately maintained accounting records or work papers. <u>1/</u> C. <input type="checkbox"/> Identifiable through use of less formal accounting techniques that permit audit verification. <u>1/</u> D. <input checked="" type="checkbox"/> Combination of A, B or C <u>1/</u> E. <input type="checkbox"/> Determinable by other means. <u>1/</u> </p> <p><u>1/</u> Describe on a Continuation Sheet.</p>	
	<p align="center">Part I</p>	

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART I - GENERAL INFORMATION
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
1.3.1	Treatment of Unallowable Costs. (Explain on a continuation sheet how unallowable costs and directly associated costs are treated in each allocation base and indirect expense pool, e.g., when allocating costs to a major function or activity; when determining indirect cost rates; or, when a central office or group office allocates costs to a segment.)	
1.4.0	Cost Accounting Period: <u>July 1 - June 30</u> (Specify the twelve month period used for the accumulation and reporting of costs under Federally sponsored agreements, e.g., 7/1 to 6/30. If the cost accounting period is other than the institution's fiscal year used for financial accounting and reporting purposes, explain circumstances on a continuation sheet.)	
1.5.0	State Laws or Regulations. Identify on a continuation sheet any State laws or regulations which influence the institution's cost accounting practices, e.g., State administered pension plans, and any applicable statutory limitations or special agreements on allowance of costs.	
	1/ Describe on a Continuation Sheet.	
	Part I	

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**CONTINUATION SHEET
PART I - GENERAL INFORMATION**

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

**Item
No.**

**Revision Number 2, Effective date July 1, 2017
Item description**

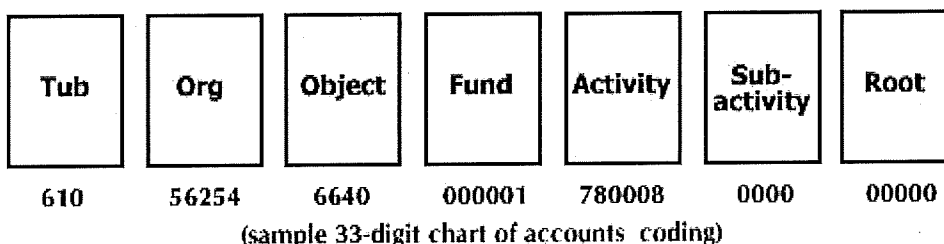
1.1.0A

Description of Cost Accounting System

R

The Medical School's accounting system is based on the principles of Fund Accounting. Direct costs are charged to sponsored agreements on the cash basis, except for charges for fringe benefits based on the University's fringe benefit rate and certain accounts payable accruals recorded at year-end. Indirect cost and fringe benefit rates are allocated to eligible direct costs. Direct and indirect costs are reconciled to the University's annual financial statements, including normal accruals for accounts payable, pensions, and post-retirement health benefits.

Harvard's Chart of Accounts consists of seven segments comprising 33 digits, each with a numerical value.



- Tub** Represents the highest financial reporting level at Harvard and is usually a school or high-level unit
- Org** Identifies a group within a tub, usually a department within a school or unit
- Object** Indicates the nature of a transaction
- Fund** Identifies the source of the money
- Activity** Identifies the project or effort for which the money is being used and is assigned an A-21 functional attribute
- Sub-activity** Tracks the discrete components of an Activity
- Root** Tracks the University building, faculty member or department associated with the transaction (where applicable)

Part I Continuation

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART I - GENERAL INFORMATION
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
1.2.0 A	<p><u>Integration of Cost Accounting with Financial Accounting</u></p> <p>The direct costs charged to sponsored agreements are posted directly in the University's financial accounting system using a unique identifier, "activity code" that captures all expenses for each award.</p> <p>The amounts included in the Medical School's indirect cost pools are based on cost information generated by the financial accounting system and are reconciled with the University's published financial statements. Expenses are assigned to direct base functions and indirect cost pools based on the function (i.e. instruction, G&A, etc.) of the sub-department in which they were incurred.</p> <p>Adjustments and reclassification are made to support the accumulation of costs as required by 2 CFR 200 Appendix III. The specific adjustments and reclassifications are listed and explained in schedules included in the Medical School's indirect cost proposal.</p> <p>Also, as stated in 3.1.0, interest indirect cost pools and some of the costs in the departmental administration pool are not accumulated by the formal accounting system and must therefore be accumulated through cost finding techniques or other calculations. As also discussed in 3.1.0, some indirect cost pools are HMS' share of costs allocated by Harvard University</p> <p>Finally the allocation of indirect costs and fringe benefits, and the development of indirect cost and fringe benefit rates, are accomplished through cost finding procedures in accordance with 2 CFR 200.</p> <p>Costs recognized as direct cost sharing are accumulated in the formal accounting system.</p> <p>Each grant listed as A01, instruction and departmental research, is reviewed and those deemed to be research training are removed from the instruction base and moved to the research base. There is no effect on any of the indirect cost pools; the reclassification of the base dollars allows for a proper space/base allocation when the cost pools are distributed.</p>	

Part I Continuation

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART I - GENERAL INFORMATION
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
1.3.0 A	<p><u>Unallowable Costs.</u></p> <p>Unallowable costs are charged to specific expense classes (object codes) in the accounting system. The costs recorded in these object codes are excluded from the direct and indirect costs charged to sponsored agreements.</p>	
1.3.1 A R	<p><u>Treatment of Unallowable Costs.</u></p> <p>Unallowable costs and activities are excluded from indirect cost pools and are reclassified to the Other Institutional Activity base as required. Indirect costs are allocated to these activities as part of the indirect cost proposal preparation process. Unallowable costs, including unallowable directly associated costs as defined in CAS 505, are excluded from charges to Federally sponsored agreements. Whenever unallowable costs would normally be part of a regular indirect cost allocation base, they will remain in that base. Where an unallowable cost of research is identified, it will remain in the organized research base if the cost is of the type that would normally be included in the MTDC base of organized research.</p> <p>Costs incurred by organizational units whose overall functions are unallowable (e.g., The Medical School's Development Office, the Public Relations Office, etc.) are identified by unit and removed from the indirect cost pools allocated to sponsored agreements.</p> <p>Reviews are made to ensure that unallowable costs are not included in indirect cost pools during the development of indirect cost proposals.</p>	
1.5.0 A	<p>The Harvard Medical School (HMS) has no knowledge of State laws or regulations that materially affect its cost accounting practices.</p>	
End of Part I		

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART II - DIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
	Instructions for Part II	
	<p>Institutions should disclose what costs are, or will be, charged directly to Federally sponsored agreements or similar cost objectives as Direct Costs. It is expected that the disclosed cost accounting practices (as defined at 48 CFR 9903.302-1) for classifying costs either as direct costs or indirect costs will be consistently applied to all costs incurred by the reporting unit.</p>	
2.1.0	<p><u>Criteria for Determining How Costs are Charged to Federally Sponsored Agreements or Similar Cost Objectives.</u> (For all major categories of cost under each major function or activity such, as instruction, organized research, other sponsored activities and other institutional activities, describe on a continuation sheet, your criteria for determining when costs incurred for the same purpose, in like circumstances, are treated either as direct costs only or as indirect costs only with respect to final cost objectives. Particular emphasis should be placed on items of cost that may be treated as either direct or indirect costs (e.g., Supplies, Materials, Salaries and Wages, Fringe Benefits, etc.) depending upon the purpose of the activity involved. Separate explanations on the criteria governing each direct cost category identified in this Part II are required. Also, list and explain if there are any deviations from the specified criteria.)</p>	
2.2.0	<p><u>Description of Direct Materials.</u> All materials and supplies directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the principal classes of materials which are charged as direct materials and supplies.)</p>	
2.3.0	<p><u>Method of Charging Direct Materials and Supplies.</u> (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.)</p>	
2.3.1	<p>Direct Purchases for Projects are Charged to Projects at:</p> <p>A. _____ Actual Invoiced Costs</p> <p>B. <u> X </u> Actual Invoiced Costs Net of Discounts Taken</p> <p>Y. _____ Other(s) <u> 1 </u>/</p> <p>Z. _____ Not Applicable</p>	
2.3.2	<p>Inventory Requisitions from Central or Common, Institution-owned Inventory. (Identify the inventory valuation method used to charge projects):</p> <p>A. _____ First In, First Out</p> <p>B. _____ Last In, First Out</p> <p>C. _____ Average Costs <u> 1 </u>/</p> <p>D. _____ Predetermined Costs <u> 1 </u>/</p> <p>Y. _____ Other(s) <u> 1 </u>/</p> <p>Z. <u> X </u> Not Applicable</p>	
	<p style="text-align: right;">Part II</p>	

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

PART II - DIRECT COSTS

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

Item No.	Revision Number 2, Effective date July 1, 2017 Item description																														
2.4.0	Description of Direct Personal Services. All personal services directly identified with Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet the personal services compensation costs, including applicable fringe benefits costs, if any, within each major institutional function or activity that are charged as direct personal services.)																														
2.5.0	<p>Method of Charging Direct Salaries and Wages. (Mark the appropriate line(s) for each Direct Personal Services Category to identify the method(s) used to charge direct salary and wage costs to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, fully describe on a continuation sheet, the applicable methods used.)</p> <table border="0"> <thead> <tr> <th></th> <th align="center"><u>Faculty</u> (1)</th> <th align="center"><u>Staff</u> (2)</th> <th align="center"><u>Students</u> (3)</th> <th align="center"><u>Other</u> ^{1/} (4)</th> </tr> </thead> <tbody> <tr> <td>A. Payroll Distribution Method (Individual time card/actual hours and rates)</td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> </tr> <tr> <td>B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)</td> <td align="center"><u> X </u></td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> </tr> <tr> <td>C. After-the-fact Activity Records (Percentage Distribution of employee activity)</td> <td align="center">_____</td> <td align="center"><u> X </u></td> <td align="center"><u> X </u></td> <td align="center">_____</td> </tr> <tr> <td>D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)</td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> </tr> <tr> <td>Y. Other(s) ^{1/}</td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> <td align="center">_____</td> </tr> </tbody> </table> <p>^{1/} Describe on a Continuation Sheet.</p>		<u>Faculty</u> (1)	<u>Staff</u> (2)	<u>Students</u> (3)	<u>Other</u> ^{1/} (4)	A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	_____	_____	_____	B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	<u> X </u>	_____	_____	_____	C. After-the-fact Activity Records (Percentage Distribution of employee activity)	_____	<u> X </u>	<u> X </u>	_____	D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	_____	_____	_____	_____	Y. Other(s) ^{1/}	_____	_____	_____	_____
	<u>Faculty</u> (1)	<u>Staff</u> (2)	<u>Students</u> (3)	<u>Other</u> ^{1/} (4)																											
A. Payroll Distribution Method (Individual time card/actual hours and rates)	_____	_____	_____	_____																											
B. Plan - Confirmation (Budgeted, planned or assigned work activity, updated to reflect significant changes)	<u> X </u>	_____	_____	_____																											
C. After-the-fact Activity Records (Percentage Distribution of employee activity)	_____	<u> X </u>	<u> X </u>	_____																											
D. Multiple Confirmation Records (Employee Reports prepared each academic term, to account for employee's activities, direct and indirect charges are certified separately.)	_____	_____	_____	_____																											
Y. Other(s) ^{1/}	_____	_____	_____	_____																											

Part II

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART II - DIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
2.5.1	Salary and Wage Cost Distribution Systems. Within each major function or activity, are the methods marked in Item 2.5.0 used by all employees compensated by the reporting unit? (If "NO", describe on a continuation sheet, the types of employees not included and describe the methods used to identify and distribute their salary and wage costs to direct and indirect cost objectives.) <div style="display: flex; justify-content: center; gap: 50px;"> <div style="text-align: center;"> <u> X </u> <u> </u> </div> <div style="text-align: center;"> Yes No </div> </div>	
2.5.2	Salary and Wage Cost Accumulation System. (Within each major function or activity, describe, on a continuation sheet, the specific accounting records or memorandum records used to accumulate and record the share of the total salary and wage costs attributable to each employee's direct (Federally sponsored projects, non-sponsored projects or similar cost objectives) and indirect activities. Indicate how the salary and wage cost distributions are reconciled with the payroll data recorded in the institution's financial accounting records.)	
2.6.0	<u>Description of Direct Fringe Benefits Costs.</u> All fringe benefits that are attributable to direct salaries and wages and are charged directly to Federally sponsored agreements or similar cost objectives. (Describe on a continuation sheet <u>all</u> of the different types of fringe benefits which are classified and charged as direct costs, e.g., actual or accrued costs of vacation, holidays, sick leave, sabbatical leave, premium pay, social security, pension plans, post retirement benefits other than pensions, health insurance, training, tuition, tuition remission, etc.)	
2.6.1	<u>Method of Charging Direct Fringe Benefits.</u> (Describe on a continuation sheet, how each type of fringe benefit cost identified in item 2.6.0. is measured, assigned and allocated (for definitions, See 9903.302-1); first, to the major functions (e.g., instruction, research); and, then to individual projects or direct cost objectives within each function.)	
2.7.0	<u>Description of Other Direct Costs.</u> All other items of cost directly identified with Federally sponsored agreements or similar cost objectives. (List on a continuation sheet the principal classes of other costs which are charged directly, e.g., travel, consultants, services, subgrants, subcontracts, malpractice insurance, etc.)	
Part II		

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

PART II - DIRECT COSTS

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

**Item
No.**

**Revision Number 2, Effective date July 1, 2017
Item description**

2.8.0

Cost Transfers. When Federally sponsored agreements or similar cost objectives are credited for cost transfers to other projects, grants or contracts, is the credit amount for direct personal services, materials, other direct charges and applicable indirect costs always based on the same amount(s) or rate(s) (e.g., direct labor rate, indirect costs) originally used to charge or allocate costs to the project (Consider transactions where the original charge and the credit occur in different cost accounting periods). (Mark one, if "No", explain on a continuation sheet how the credit differs from original charge.)

 X Yes
_____ No

2.9.0

Interorganizational Transfers. This item is directed only to those materials, supplies, and services which are, or will be transferred to you from other segments of the educational institution. (Mark the appropriate line(s) in each column to indicate the basis used by you as transferee to charge the cost or price of interorganizational transfers or materials, supplies, and services to Federally sponsored agreements or similar cost objectives. If more than one line is marked in a column, explain on a continuation sheet.)

R

	<u>Materials</u> (1)	<u>Supplies</u> (2)	<u>Services</u> (3)
A. At full cost <u>excluding</u> indirect costs attributable to group or central office expenses.	<u> X </u>	<u> X </u>	<u> X </u>
B. At full cost <u>including</u> indirect costs attributable to group or central office expenses.	_____	_____	_____
C. At established catalog or market price or prices based on adequate competition.	_____	_____	_____
Y. Other(s) <u>1/</u>	_____	_____	_____
Z. Interorganizational transfers are not applicable	_____	_____	_____

1/ Describe on a Continuation Sheet.

Part II

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART II - DIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
2.1.0 A	Criteria for Determining How Costs Are Charged to Federally Sponsored Agreements or Similar Cost Objectives. Harvard Medical School follows the general guidelines in determining the treatments of costs as direct or indirect. Accordingly, costs that can be identified specifically with a particular sponsored project, instructional activity, or other institutional activity, or can be directly assigned to such activities relatively easily with a high degree of accuracy, are treated as direct costs. Conversely, costs incurred for common or joint objectives that cannot be identified readily and specifically with a particular sponsored project, instructional activity or other institutional activity are treated as indirect costs. The Harvard Medical School's indirect costs are consistent with the definitions of specific indirect cost categories in 2 CFR 200.413 and 414. The Harvard Medical School also follows the guidelines related to administrative costs which specify the normal treatment of certain costs commonly incurred by academic departments and organized research units.	
R	Every effort is made to classify costs incurred for the same purpose, in like circumstances, consistently as either direct or indirect costs. Harvard Medical School provides supplemental interpretation for the charging of administrative salaries as described below. Within academic departments and organized research units, major cost categories are treated as follows: The portions of salaries and fringe benefits of faculty, research associates, technicians, lab assistants, research fellows and teaching fellows associated with effort on sponsored projects, instructional activities and other direct cost objectives, are treated as direct costs if they meet the requirements of 2 CFR 200.413(C). The portions of salaries and fringe benefits of faculty and professional staff associated with administrative activities are treated as indirect costs. Salaries and fringe benefits of administrative and clerical staff are normally treated as indirect costs, as required by 2 CFR 200.413(C). However, these costs are treated as direct costs when the nature of the work performed under a particular project requires an extensive amount of administrative or clerical support, the costs are explicitly budgeted on the project (or are approved in a rebudgeting action), and the individual's work involved can be identified specifically with the project. These situations are considered "unlike circumstances" under CAS 502.	
Part II Continuation		

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2.1.0 A	<p>The costs of laboratory supplies (e.g., chemicals, glassware), instructional supplies, animals, animal care and other specialized services, travel, consulting services, and the other items enumerated in 2.2.0 and 2.7.0 identifiable to sponsored activities, instruction, or other direct cost objectives in accordance with 2 CFR 200.413 are treated as direct costs.</p> <p>Costs normally treated as indirect, such as administrative and clerical salaries, are charged directly to non-federal sponsored agreements if permitted by the sponsor. Since these costs would otherwise have been included in the indirect costs allocable to federally sponsored agreements, this practice reduces the costs of federal programs.</p> <p>Rent and other facility costs of off-campus facilities used to conduct sponsored activities or other direct cost objectives are normally treated as direct costs when they meet the requirements of 2 CFR 200.413.</p> <p>Often, non-federal sponsors pay less than full overhead recovery. When such sponsors agree to a specific line item in their budget to pay for facilities costs, such payments are considered fees for the recovery of indirect costs and are treated by the accounting system in the same way that other overhead recovery payments are treated.</p> <p>The costs of office supplies and postage are normally treated as indirect costs. Under certain exceptional circumstances, considered "unlike circumstances" under CAS 502, office supplies and postage may be directly charged if they meet the requirements of 2 CFR 200.413. Exceptional circumstances apply when a project has a special or unique need for such supplies and postage that clearly differs from the normal use of these items by other activities of the institution. The use of the supply or postage must be significantly greater than the level of such items provided by academic departments and must be used specifically for the technical purposes of the project rather than to support administrative or clerical efforts. This could be the case, for example, of a project that requires significant data collection through an extensive mail survey.</p> <p>The cost of memberships in business, technical and professional organizations costs are also treated as indirect, except under very rare circumstances.</p>	
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2.1.0 A	To assure consistent treatment of costs between sponsored agreements and sponsored activities, "direct charge equivalents" (DCE) are used to assign an appropriate amount of departmental general fund expenses (e.g. general support salaries, travel, telephones, etc). DCEs are mathematical formulas which estimate the portion of general fund expenses that should be assigned directly to non-sponsored activities and the portion that should be included in the Departmental Administration indirect cost pool. (See description of the accumulation of Departmental Administration expenses in 3.1.0.A). The use of DCEs is a long established accounting convention at academic institutions that is designed to help achieve consistent treatment of costs as required by 2 CFR 200.412 and CAS 502, and at the same time recognize the generally accepted accounting practices of the institutions.	
R	Salaries and other direct costs contributed to sponsored agreements as committed cost sharing are identified at the proposal and award stage. The funding sources for these costs used for committed cost sharing are included in each activity's direct cost base per CAS 502.	
2.2.0 A	The principal types of materials and supplies charged directly to sponsored agreements and other direct cost objectives include: laboratory consumable supplies such as chemicals, glassware, plastic ware, and other consumable supplies.	
2.4.0 A	<u>Description of Direct Personal Services.</u> The principal classes of direct personal service costs are faculty, research associates, technicians, lab assistants, research fellows, graduate students, and teaching fellows. The direct charges include salaries and fringe benefits and in the case of graduate students, tuition remission and related fees. Salaries and fringe benefits of administrative and clerical staff are charged directly under the conditions described in 2.1.0 A.	
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2.5.2 A	<u>Salary and Wage Cost Accumulation System</u> Salaries and wages for faculty, as defined in 2.5.0, are initiated through a “New Hire” form. The form captures all data necessary to place individuals on payroll, including demographics, pay rate, effective and end dates, pay group, and salary and wage distribution. Data from the paper New Hire form is input into the PeopleSoft system.	
R	Salaries and wages for staff, as defined in 2.5.0, are initiated through the “Harvard Careers” on-line application system. Harvard Careers captures information regarding employees including demographics, pay rate, effective and end dates, pay group, and salary and wage distribution. A manual push from the Harvard Careers system feeds the PeopleSoft system.	
R	Prospective changes to any payroll data element for staff are initiated by preparing a Job Data Change Form (JDCF) in PeopleSoft. There are separate roles for preparing, reviewing, approving, and submitting the JDCFs. Department administrators may prepare and review, HR administrators may approve and submit.	
R	Changes to faculty payroll are initiated by completing a paper “ETAD” form. The ETAD form is available in MARS (Medical Area Reporting System) and is used to communicate all changes to the payroll records including salary distribution, increase/decrease salaries, record transfers and upgrades, or make other changes to the payroll records. These forms are completed by authorized individuals in the departments and sent to the Payroll office for approval and data input. Authorized individuals are those employees approved for access to payroll and human resources data. Retroactive changes to payroll costing distribution are corrected directly in the formal accounting system by journal entries. Access to the general ledger is controlled by the Finance Office.	
	The university manages three different payroll cycles: monthly (faculty and teaching fellows payroll), bi-weekly (staff payroll except temporary and custodial union employees) and weekly (temporary and custodial union employees) payrolls. Payroll is run in the PeopleSoft system; the data is posted to the financial system, on an automated basis, based on cost allocations/payroll distributions input into the PeopleSoft system. The payroll system updates the General Ledger through an interface that occurs immediately after each payroll run is complete. No reconciliation is necessary; errors are identified and corrected via journal entries as noted above.	
R	Authorized individuals access payroll data via MARS (Medical Area Reporting System) and a suite of HR QlikView applications (My Workforce, My Costing, and My Earnings). Departmental financial staff meet regularly with the principal investigators to confirm activity for the past month and plan for upcoming periods. Based on these conversations ETAD are updated, or JDCFs are submitted, or journal entries are posted.	
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2.6.0 A

Description of Direct Fringe Benefits Costs.

R

The following fringe benefits attributable to sponsored research, instruction and other direct cost objectives are treated as direct costs:

Health insurance

Dental insurance

University Health Services supplement eliminating in 2021

Life insurance

Disability insurance

Massachusetts Paid Family and Medical Leave Program

Retirement plans

Post-retirement health benefits

FICA

Tuition Assistance Program (TAP)

Unemployment insurance

Workers' compensation

Business travel insurance

Employee Assistance Program - provides counseling services

Childcare scholarships

Athletic subsidy (for employee use of athletic facilities)

Professional Development and Learning – Center for Workplace Development

Leave costs (e.g., holiday and sick leave) are included in the normal charges for salaries and wages and are not a part of direct fringe benefits costs.

Transportation*

Health & Wellness Programs**

Fringe benefits administration***

Vacation leave accrual****

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Supplemental Harvard Medical School Fringe Benefits:

- Day care/Office for Work and Family (1)
- Sabbatical and maternity leave costs (2)
- Fitness (3)
- Severance pay (4)
- Cafeteria subsidy (5)
- Health service space costs (6)
- Joint Committee on the Status of Women (7)

2.6.0 A

Notes relating to the University Fringe benefits

R

***Transportation includes a 50% subsidy on public transportation (subway, bus, commuter rail) passes provided by the Massachusetts Bay Transportation Authority; Faculty and Staff usage share of the Medical Area Shuttle, a Harvard transportation system that travels between the Cambridge campus and the medical campus in Boston; and a subsidy for parking.**

**** Health and Wellness administers programs designed to promote the health of Harvard's employees and their dependents.**

*****Fringe benefits administration is the actual expense of administering the above programs, including actuarial, legal, administrative and auditing expenses.**

******Vacation leave is accrued for exempt and unionized non-exempt employees. Those rates are included in the fringe benefit rate.**

R

These costs are included in a supplement to the University fringe benefit rates for employees at the Harvard Medical School.

- (1) HMS portion of costs of Longwood Medical Child Care Center and the Office of Work and Family**
- (2) HMS costs associated with faculty sabbatical and maternity leaves**
- (3) HMS support for employee fitness due to distance from Cambridge athletic facilities**
- (4) HMS expenses for severance pay**
- (5) HMS costs associated with Faculty and Staff cafeteria subsidy**
- (6) HMS expense for on-campus space utilized by the University Health Service**
- (7) HMS expense for professional equity and inclusion**

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**2.6.1 A
R**

Method of Charging Direct Fringe Benefits.

HMS uses the annual fringe benefit rates that Harvard University calculates. The University negotiates seven fringe benefit rates: faculty, exempt, union (non-exempt), union (exempt), temporary employees, post-doctoral fellows, and teaching assistants. There are additional categories of fringe benefit rates for extra compensation including pensionable and non-pensionable. The pensionable rate is made up of the Social Security tax rate and the pension rate. The non-pensionable rate consists of only the Social Security tax.

The University's fringe benefit rates are calculated by dividing each group's benefit costs by that group's salary and wage base. Fringe benefit rates are then applied to the group's payroll. Benefits are assigned and allocated by payroll group to all major functions, individual projects, indirect cost pools and other direct costs that have eligible salaries charged to them.

Federal fringe benefit rates are negotiated annually with the cognizant federal agency. Fringe benefit costs are projected annually based on actual prior year costs, computed as described above, adjusted as necessary to reflect anticipated costs. Carry-forward adjustments are made in the rate computation to compensate for prior year over- or under-recoveries.

**2.7.0 A
R**

Description of Other Direct Costs.

Principal categories of other direct costs include: subcontract; lab supplies and materials; lab, technical, and professional services; animal per diems; travel; equipment and equipment maintenance; printing and publications; and temporary staff.

End of Part II

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Instructions for Part III

Institutions should disclose how the segment's total indirect costs are identified and accumulated in specific indirect cost categories and allocated to applicable indirect cost pools and service centers within each major function or activity, how service center costs are accumulated and "billed" to users, and the specific indirect cost pools and allocation bases used to calculate the indirect cost rates that are used to allocate accumulated indirect costs to Federally sponsored agreements or similar final cost objectives. A continuation sheet should be used wherever additional space is required or when a response requires further explanation to ensure clarity and understanding.

The following Allocation Base Codes are provided for use in connection with Items 3.1.0 and 3.3.0.

- A. Direct Charge or Allocation
- B. Total Expenditures
- C. Modified Total Cost Basis
- D. Modified Total Direct Cost Basis
- E. Salaries and Wages
- F. Salaries, Wages and Fringe Benefits
- G. Number of Employees (head count)
- H. Number of Employees (full-time equivalent basis)
- I. Number of Students (head count)
- J. Number of Students (full-time equivalent basis)
- K. Student Hours -- classroom and work performed
- L. Square Footage
- M. Usage
- N. Unit of Product
- O. Total Production
- P. More than one base (Separate Cost Groupings) 1/
- Y. Other(s) 1/
- Z. Category or Pool not applicable

1/ List on a continuation sheet, the category and subgrouping(s) of expense involved and the allocation base(s) used.

Part III

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3.1.0

Indirect Cost Categories - Accumulation and Allocation. This item is directed at the identification, accumulation and allocation of all indirect costs of the institution. (Under the column heading, "Accumulation Method," insert "Yes" or "No" to indicate if the cost elements included in each indirect cost category are identified, recorded and accumulated in the institution's formal accounting system. If "No," describe on a continuation sheet, how the cost elements included in the indirect cost category are identified and accumulated. Under the column heading "Allocation Base," enter one of the allocation base codes A through P, Y, or Z, to indicate the basis used for allocating the accumulated costs of each indirect cost category to other applicable indirect cost categories, indirect cost pools, other institutional activities, specialized service facilities and other service centers. Under the column heading "Allocation Sequence," insert 1, 2, or 3 next to each of the first three indirect cost categories to indicate the sequence of the allocation process. If cross-allocation techniques are used, insert "CA." If an indirect cost category listed in this section is not used, insert "NA.")

<u>Indirect Cost Category</u>	<u>Accumulation Method</u>	<u>Allocation Base Code</u>	<u>Allocation Sequence</u>
(a) Depreciation/Use Allowances/Interest			<u>1</u>
R Building	<u>Yes</u>	<u>L</u>	
Equipment	<u>No</u>	<u>P</u>	
Capital Improvements to Land <u>1/</u>	<u>NA</u>	<u>Z</u>	
Interest <u>1/</u>	<u>No</u>	<u>L</u>	
R (b) Operation and Maintenance	<u>Yes</u>	<u>P</u>	<u>2</u>
R (c) General Administration and General Expense	<u>No</u>	<u>C</u>	<u>CA</u>
(d) Departmental Administration	<u>No</u>	<u>D</u>	
R (e) Sponsored Projects Administration	<u>No</u>	<u>P</u>	
(f) Library	<u>No</u>	<u>P</u>	
(g) Student Administration and Services	<u>Yes</u>	<u>A</u>	
R (h) Other <u>1/</u>	<u>No</u>	<u>Z</u>	

1/ Describe on a Continuation Sheet.

Part III

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3.2.0	<p><u>Service Centers.</u> Service centers are departments or functional units which perform specific technical or administrative services primarily for the benefit of other units within a reporting unit. Service Centers include "recharge centers" and the "specialized service facilities" defined in Section J of Circular A-21. (The codes identified below should be inserted on the appropriate line for each service center listed. The column numbers correspond to the paragraphs listed below that provide the codes. Explain on a Continuation Sheet if any of the services are charged to users on a basis other than usage of the services. Enter "Z" in Column 1, if not applicable.)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 5%;"></th> <th style="width: 15%;"></th> <th style="width: 10%;">(1)</th> <th style="width: 10%;">(2)</th> <th style="width: 10%;">(3)</th> <th style="width: 10%;">(4)</th> <th style="width: 10%;">(5)</th> <th style="width: 10%;">(6)</th> </tr> <tr> <td style="vertical-align: top;">(a)</td> <td>Scientific Computer Operations</td> <td style="text-align: center;">Z</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="vertical-align: top;">(b)</td> <td>Business Data Processing</td> <td style="text-align: center;">Z</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="vertical-align: top;">(c)</td> <td>Animal Care Facilities</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> <td style="text-align: center;">C</td> <td style="text-align: center;">B</td> <td style="text-align: center;">A</td> <td style="text-align: center;">Y</td> </tr> <tr> <td style="vertical-align: top;">(d)</td> <td colspan="7">Other Service Centers with Annual Operating Budgets exceeding \$2,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)</td> </tr> <tr> <td></td> <td>Biopolymers Facility</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> <td style="text-align: center;">C</td> <td style="text-align: center;">B</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> </tr> </table>					(1)	(2)	(3)	(4)	(5)	(6)	(a)	Scientific Computer Operations	Z						(b)	Business Data Processing	Z						(c)	Animal Care Facilities	A	B	C	B	A	Y	(d)	Other Service Centers with Annual Operating Budgets exceeding \$2,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)								Biopolymers Facility	A	B	C	B	A	B
		(1)	(2)	(3)	(4)	(5)	(6)																																												
(a)	Scientific Computer Operations	Z																																																	
(b)	Business Data Processing	Z																																																	
(c)	Animal Care Facilities	A	B	C	B	A	Y																																												
(d)	Other Service Centers with Annual Operating Budgets exceeding \$2,000,000 or that generate significant charges to Federally sponsored agreements either as a direct or indirect cost. (Specify below; use a Continuation Sheet, if necessary)																																																		
	Biopolymers Facility	A	B	C	B	A	B																																												
R	<p>(1) <u>Category Code:</u> Use code "A" if the service center costs are billed only as direct costs of final cost objectives; code "B" if billed only to indirect cost categories or indirect cost pools; code "C" if billed to both direct and indirect cost objectives.</p> <p>(2) <u>Burden Code:</u> Code "A" -- center receives an allocation of all applicable indirect costs; Code "B" -- partial allocation of indirect costs; Code "C" -- no allocation of indirect costs.</p> <p>(3) <u>Billing Rate Code:</u> Code "A" -- billing rates are based on historical costs; Code "B" -- rates are based on projected costs; Code "C" -- rates are based on a combination of historical and projected costs; Code "D" -- billings are based on the actual costs of the billing period; Code "Y" -- other (explain on a Continuation Sheet).</p> <p>(4) <u>User Charges Code:</u> Code "A" -- all users are charged at the same billing rates; Code "B" -- some users are charged at different rates than other users (explain on a Continuation Sheet).</p> <p>(5) <u>Actual Costs vs. Revenues Code:</u> Code "A" -- billings (revenues) are compared to actual costs (expenditures) at least annually; Code "B" -- billings are compared to actual costs less frequently than annually.</p> <p>(6) <u>Variance Code:</u> Code "A" -- Annual variances between billed and actual costs are prorated to users (as credits or charges); Code "B"--variances are carried forward as adjustments to billing rate of future periods; Code "C"--annual variances are charged or credited to indirect costs; Code "Y"--other (explain on a Continuation Sheet).</p>																																																		
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3.3.0

Indirect Cost Pools and Allocation Bases

(Identify all of the indirect cost pools established for the accumulation of indirect costs, excluding service centers, and the allocation bases used to distribute accumulated indirect costs to Federally sponsored agreements or similar cost objectives within each major function or activity. For all applicable indirect cost pools, enter the applicable Allocation Base Code A through P, Y, or Z, to indicate the basis used for allocating accumulated pool costs to Federally sponsored agreements or similar cost objectives.)

Indirect Cost Pools

**Allocation
Base Code**

A. Instruction

☒ On-Campus
☒ Off-Campus
☐ Other 1/

A
Z

B. Organized Research

☒ On-Campus
☒ Off-Campus
☒ Other 1/

D
D
D

C. Other Sponsored Activities

☒ On-Campus
☒ Off-Campus
☐ Other 1/

D
D

D. Other Institutional Activities 1/

Z

3.4.0

Composition of Indirect Cost Pools. (For each pool identified under Items 3.1.0 and 3.2.0, describe on a continuation sheet the major organizational components, subgroupings of expenses, and elements of cost included.)

1/ Describe on a Continuation Sheet.

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3.1.0 A	<u>Indirect Cost Categories-Accumulation and Allocation.</u> Accumulation Method Building Depreciation Pool - The capitalized costs of buildings and associated depreciation are recorded in the University accounting system (General Ledger). The data on the capitalized costs of buildings is extracted from the General Ledger and used in the indirect cost calculations. The depreciation methods and useful lives for indirect cost purposes are the same used for calculating depreciation in the financial statements. R Equipment Depreciation Pool – Equipment acquisition costs and associated depreciation costs are recorded in university accounting system and allocated over space. The depreciation methods and useful lives of equipment for indirect cost purposes are the same used for calculating equipment depreciation in the financial statements. There are one exceptions. <ul style="list-style-type: none"> ○ Depreciation of IT assets supporting research is accumulated in a single cost pool and allocated over direct FTEs in research departments. R Interest - The University issues various series of external debt to build pools of funding to finance capital projects. The interest expense in the indirect cost pool represents external interest on debt associated with buildings, equipment, and capital improvements as defined in Uniform Guidance 2 CFR 200 Appendix III. For each construction project for which it is allowable according to Uniform Guidance, external interest expense is capitalized during the construction period. The capitalized interest amount becomes a component of the construction project's subsequent depreciation. R Operation and Maintenance – Operation and Maintenance expenses accumulate in the General Ledger and generally allocate over space, except the following: <ul style="list-style-type: none"> ○ O&M costs incurred by IT to support the research infrastructure is accumulated in a single cost pool and allocated over direct FTEs in research departments. ○ The expenses of Central Services O&M are accumulated separately in a second O&M pool called "Central Services O&M" and are allocated over space. These services include university facilities planning, utilities, and other infrastructure facility costs. 	
Part III Continuation		

<p align="center">COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</p>		<p align="center">CONTINUATION SHEET PART III - INDIRECT COSTS</p>
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3.1.0 A R	<p>General Administration and General Expense – Harvard University’s general administration and general expenses are included in the University’s records. The Central University offices allocate these costs to each school. Harvard Medical School uses this allocation in addition to costs that are identified directly in the general ledger for the Medical School in preparing the indirect cost proposal.</p> <p>Departmental Administration - Departmental administration expenses are only partially identified by the accounting system. This cost pool consists of the administrative costs of the dean’s office; costs associated with the administrative work of department heads, faculty and other professional research and academic staff; and other departmental support services. The administrative costs of the dean’s office are identified by the accounting system. The costs associated with administrative activities of department heads, faculty and other professional research and academic staff are covered by a standard allowance of 3.6% of modified total direct costs.</p> <p>Departmental support costs include the salaries and fringe benefits of administrative and clerical staff (excluding direct charges for administrative and clerical services under the conditions discussed in 2.1.0.A), professional departmental administrators, office supplies, telephone expense, travel associated with administrative activities, etc. This portion of departmental administration expenses are accumulated through an analysis of departmental general fund accounts and the application of "Direct Charge Equivalents" (DCEs). Harvard Medical School employs the Comprehensive Rate information System (CRIS) software by Maximus to develop the Department Administration cost pool, using the standard DCE/DA methodology and the 3.6 Faculty Administrative Allowance. Please see Appendix D of the CRIS manual for an in-depth explanation of the methodology for allocation of labor costs and non-labor costs. Non-labor costs, referred to as “Other supplies and expenses” in CRIS are allocated based on the proration method. This involves developing the ratio of DA salaries divided by total non-sponsored salaries, then applying this ratio to the total non-sponsored other expense for each department.</p>	

Part III Continuation

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3.1.0 A R	Sponsored project administration (SPA) - Sponsored project administration costs are only partially identified in the accounting system. The cost pool receives an allocation of Central Sponsored Services from the Central Harvard SPA office. Sponsored administration costs are allocated to each rate area's SPA Cost Groups on the basis of OSP FTEs or on total sponsored expenditures, then on MTDC. Harvard Medical School's preaward office costs, research subject protection costs and other SPA costs are identified directly in the general ledger and accumulate in this cost pool.	
R	Library – University-Wide Library costs are accumulated and allocated to rate areas based on FTEs in each user category (professional staff in academic schools, students and other users). Costs allocated to students go to Instruction. Costs allocated to other users go to Other Institutional Activities. Cost allocated to Professional Staff are allocated to functioned based on their functionalized salaries and wages.	
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3.2.0 A	<u>Service Centers</u> <u>Animal Care Facility</u> R Animal rates are fully loaded with direct and indirect costs in accordance with methodologies described in the Cost Analysis and Rate Setting Manual for Animal Research Facilities (CARS). HMS houses animals in some facilities that are not owned or operated by Harvard University. All users are billed at the same rates with the exception of those external users who own or lease the space where the animals are housed. In those circumstances the rate is set to cover only the direct costs; the charges exclude the portion of the rate for the space costs. The annual loss for the Animal Care Facility is absorbed by HMS, no losses are carried forward to future years nor included in future rates.	
R	<u>Biopolymers Facility</u> All users are billed at the same rates with the exception of external users. User rates for external customers include an incremental component for space costs. The amount is based on the cost per square foot for the facility divided by the total estimated billable units of service. This amount is added to the direct costs for all non-Harvard users of the facility. Annual losses outside of HMS breakeven threshold amounts are absorbed by facility or department discretionary funds. No losses are included in future rates.	
Part III Continuation		

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART III - INDIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017	
	Item description	
3.3.0 A	<p><u>Indirect Cost Pools and Allocation Bases</u></p> <p>The Vicinity Rate base includes all the HMS direct costs of organized research for activities that are physically located at the Veterans Administration Hospitals and other Affiliated Institutions.</p> <p>The Other Institutional Activities cost pool includes the accumulated costs relating to auxiliary activities at HMS. This includes the costs of the Development and Public Relations departments, social events put on by students and the cost to run the cafeterias. Indirect cost cross allocations from F&A cost pools are made to this function during the F&A rate development process performed by the CRIS software. Other Institutional Activities are included in the MTDC base to receive its share of expense from the General Administrative and General Expense cost pool. Indirect costs assigned to Other Institutional Activities are not distributed to Organized Research or Other Sponsored Activities; these activities are funded by other HMS sources of funds</p>	
Part III Continuation		

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART III - INDIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
3.4.0 A	<p><u>Composition of Indirect Cost Pools</u></p> <p><u>Depreciation.</u> Included in this pool are the depreciation expenses of the institution's buildings, capital improvements to buildings, and equipment as defined in 2 CFR 200 Appendix III. Additional information on depreciation is included in Part IV.</p> <p>The depreciation cost pools exclude depreciation on assets paid for with Federal funds and open non-federal sponsored agreements.</p> <p><u>Interest.</u> Included in this pool are the external interest expenses associated with certain buildings, equipment and capital improvements as defined in 2 CFR 200 Appendix III. Please refer to 3.1.0 A for additional detail regarding the methodology employed to accumulate interest costs.</p> <p><u>Operation and Maintenance.</u> Included in this pool are the expenses incurred for the administration, supervision, operation (including utility costs), maintenance, preservation, and protection of the institution's physical plant as defined in 2 CFR 200 Appendix III, with all applicable cross allocations from other indirect cost pools.</p> <p>This pool also includes Harvard Medical School's allocable share of central university O&M expenses. The expenses of a small number of centralized services are accumulated separately in an O&M pool called "Central Services O&M", including all applicable allocations from other indirect cost pools. These services include University Facilities Planning, pooled insurance costs, University Police and some O&M support costs of other central functions.</p> <p><u>General Administration and General Expense.</u> This pool is Harvard Medical School's allocable share of expenses incurred for the general administrative functions of Harvard University and other expense of a general character which do not relate solely to any major function of the institution, as defined in 2 CFR 200 Appendix III with all applicable cross allocations from other indirect cost pools.</p>	
R	<p><u>Departmental Administration.</u> Included in this pool are the HMS expenses incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research institutes, study centers and research centers, as defined in 2 CFR 200 Appendix III, with all applicable cross allocations from other indirect cost pools. Also included in this pool is the standard allowance of 3.6% of modified total direct costs as to</p>	
Part III Continuation		

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART III - INDIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
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R	<p>cover the costs associated with administrative activities of department heads, faculty and other professional academic staff. See 3.1.0 A for additional information on the accumulation and allocation of Departmental Administration expenses.</p> <p><u>Sponsored Project Administration.</u> Included in this pool are Harvard Medical School's allocable share of expenses incurred by Harvard University's central administration of sponsored projects . This pool also includes expenses incurred by the Sponsored Programs Administration and Research Subject Protection offices at Harvard Medical School. These offices are established to administer Sponsored Projects as defined in 2 CFR 200 Appendix III. This pool includes all applicable allocations from other indirect cost pools.</p> <p><u>Library.</u> Included in this pool are Harvard Medical School's allocable share of the expenses incurred for the operation of the University Central Library System, as defined in 2 CFR 200 Appendix III, with all applicable allocations from other indirect cost pools. See 3.1.0 A for additional information on the composition and accumulation of library costs.</p> <p><u>Student Administration and Services.</u> This group of expenses includes expenses incurred to administer student support in such areas as admission, registration and student services, with all applicable allocations from other indirect cost pools.</p>	
Part III Continuation		

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART III - INDIRECT COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017	
	Item description	
3.5.0 A R	<p><u>Composition of Allocation Bases</u></p> <p>The allocation bases identified in Section 3.1.0 are square footage, Modified Total Cost, Modified Total Direct Cost, and Full-time equivalent basis.</p> <p><u>Square Footage</u> - Space data includes, on a building-by-building and room-by-room basis, information regarding measurement, and occupancy. Allocations are based upon net assignable square footage. In preparation for the indirect cost proposal, a comprehensive space inventory completely updates occupancy information by identifying new space and modifying existing space. Space functions are assigned based on occupancy usage and funding source.</p> <p><u>Total Cost Basis</u> - Total costs per the financial statements less agency funds, auxiliaries, service centers, and scholarship and student aid funds.</p> <p><u>Modified Total Direct Cost Basis</u> - Consists of salaries and wages, fringe benefits, materials and supplies, services and travel. The following items are excluded from the Modified Total Direct Cost base: capital expenditures (buildings, individual items of equipment; alterations and renovations), that portion of each subaward in excess of \$25,000; hospitalization and other fees associated with patient care whether the services are obtained from an owned, related, or third party hospital or other medical facility; rental/maintenance of off-site activities; student tuition remission and student support costs (e.g., student aid, stipends, dependency allowances, scholarships, fellowships).</p> <p><u>Full-time equivalent basis (Library)</u> The FTEs include the total University FTEs for each user category (professional staff in academic schools, students and other users).</p> <p><u>Full-time equivalent basis (O&M Research Support)</u> The FTEs include the total faculty, staff, and student FTEs in research departments paid on direct base activities. Also included is an allocation for other users.</p> <p style="text-align: right;">End of Part III</p>	

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**PART IV - DEPRECIATION AND USE
ALLOWANCES**

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

**Item
No.**

**Revision Number 2, Effective date July 1, 2017
Item description**

4.1.0

Part IV

Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives. (For each asset category listed below, enter a code from A through C in Column (1) describing the method of depreciation; a code from A through D in Column (2) describing the basis for determining useful life; a code from A through C in Column (3) describing how depreciation methods or use allowances are applied to property units; and Code A or B in Column (4) indicating whether or not the estimated residual value is deducted from the total cost of depreciable assets. Enter Code Y in each column of an asset category where another or more than one method applies. Enter Code Z in Column (1) only, if an asset category is not applicable.)

	<u>Depreciation Method</u> (1)	<u>Useful Life</u> (2)	<u>Property Unit</u> (3)	<u>Residual Value</u> (4)
<u>Asset Category</u>				
(a) Land Improvements	<u>Z</u>	<u> </u>	<u> </u>	<u> </u>
(b) Buildings	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(c) Building Improvements	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(d) Leasehold Improvements	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
(e) Equipment	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(f) Furniture and Fixtures	<u>A</u>	<u>C</u>	<u>B</u>	<u>B</u>
(g) Automobiles and Trucks	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(h) Tools	<u>A</u>	<u>C</u>	<u>A</u>	<u>B</u>
(i) Enter Code Y on this line if other asset categories are used and enumerate on a continuation sheet each such asset category and the applicable codes. (Otherwise enter Code Z.)	<u>Y</u>	<u>C</u>	<u>A</u>	<u>B</u>

Column (1)--Depreciation Method Code

A. Straight Line
B. Expensed at Acquisition
C. Use Allowance
Y. Other or more than one method ^{1/}
by OMB Circular No. A-21

^{1/} Describe on a Continuation Sheet

Column (2)--Useful Life Code

A. Replacement Experience
B. Term of Lease
C. Estimated service life
D. As prescribed for use allowance
Y. Other or more than one method

Part IV

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART IV - DEPRECIATION AND USE ALLOWANCES																		
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL																		
Item No.	Revision Number 2, Effective date July 1, 2017 Item description																			
4.1.0	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <u>Column (3)</u>--Property Unit Code A. Individual units are accounted for separately B. Applied to groups of assets with similar service lives C. Applied to groups of assets with varying service lives Y. Other or more than one method <u>1/</u> </td> <td style="width: 50%; vertical-align: top;"> <u>Column (4)</u>--Residual Value Code A. Residual value is deducted B. Residual value is not deducted Y. Other or more than one method <u>1/</u> </td> </tr> </table>		<u>Column (3)</u>--Property Unit Code A. Individual units are accounted for separately B. Applied to groups of assets with similar service lives C. Applied to groups of assets with varying service lives Y. Other or more than one method <u>1/</u>	<u>Column (4)</u>--Residual Value Code A. Residual value is deducted B. Residual value is not deducted Y. Other or more than one method <u>1/</u>																
<u>Column (3)</u>--Property Unit Code A. Individual units are accounted for separately B. Applied to groups of assets with similar service lives C. Applied to groups of assets with varying service lives Y. Other or more than one method <u>1/</u>	<u>Column (4)</u>--Residual Value Code A. Residual value is deducted B. Residual value is not deducted Y. Other or more than one method <u>1/</u>																			
4.1.1	<u>Asset Valuations and Useful Lives.</u> Are the asset valuations and useful lives used in your indirect cost proposal consistent with those used in the institution's financial statements? (Mark one.) A. <u> X </u> Yes B. <u> </u> No <u>1/</u>																			
4.2.0	<u>Fully Depreciated Assets.</u> Is a usage charge for fully depreciated assets charged to Federally sponsored agreements or similar cost objectives? (Mark one. If yes, describe the basis for the charge on a continuation sheet.) A. <u> </u> Yes B. <u> X </u> No																			
4.3.0	<u>Treatment of Gains and Losses on Disposition of Depreciable Property.</u> Gains and losses are: (Mark the appropriate line(s) and if more than one is marked, explain on a continuation sheet.) <table style="width: 100%; border: none;"> <tr> <td style="width: 10%;">A.</td> <td style="width: 10%;"><u> </u></td> <td style="width: 80%;">Excluded from determination of sponsored agreement costs</td> </tr> <tr> <td>B.</td> <td><u> X </u></td> <td>Credited or charged currently to the same pools to which the depreciation of the assets was originally charged</td> </tr> <tr> <td>C.</td> <td><u> </u></td> <td>Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved</td> </tr> <tr> <td>D.</td> <td><u> </u></td> <td>Not accounted for separately, but reflected in the depreciation reserve account</td> </tr> <tr> <td>Y.</td> <td><u> </u></td> <td>Other(s) <u>1/</u></td> </tr> <tr> <td>Z.</td> <td><u> </u></td> <td>Not applicable</td> </tr> </table>		A.	<u> </u>	Excluded from determination of sponsored agreement costs	B.	<u> X </u>	Credited or charged currently to the same pools to which the depreciation of the assets was originally charged	C.	<u> </u>	Taken into consideration in the depreciation cost basis of the new items, where trade-in is involved	D.	<u> </u>	Not accounted for separately, but reflected in the depreciation reserve account	Y.	<u> </u>	Other(s) <u>1/</u>	Z.	<u> </u>	Not applicable
A.	<u> </u>	Excluded from determination of sponsored agreement costs																		
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Z.	<u> </u>	Not applicable																		
Part IV																				

<p align="center"> COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS </p>		<p align="center"> PART IV - DEPRECIATION AND USE ALLOWANCES </p>
		<p align="center"> NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL </p>
Item No.	<p align="center"> Revision Number 2, Effective date July 1, 2017 Item description </p>	
4.4.0	<p> <u>Criteria for Capitalization.</u> (Enter (a) the minimum dollar amount of expenditures which are capitalized for acquisition, addition, alteration, donation and improvement of capital assets, and (b) the minimum number of expected life years of assets which are capitalized. If more than one dollar amount or number applies, show the information for the majority of your capitalized assets, and enumerate on a continuation sheet the dollar amounts and/or number of years for each category or subcategory of assets involved which differs from those for the majority of assets.) </p>	
R	<p> A. Minimum Dollar Amount: \$5,000 for equipment, software and donated assets; \$100,000 for buildings, improvements, and construction in progress; \$500,000 for internally developed software. </p> <p> B. Minimum Life Years: <u>More than one year.</u> </p>	
4.5.0	<p> <u>Group or Mass Purchase.</u> Are group or mass purchases (initial complement) of similar items, which individually are less than the capitalization amount indicated above, capitalized? (Mark one.) </p> <p> A. <u> X </u> Yes <u>1/</u> B. <u> </u> No </p>	
	<p> <u>1/</u> Describe on a Continuation Sheet. </p>	
	<p align="center">Part IV</p>	

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART IV - DEPRECIATION AND USE ALLOWANCES																					
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL																					
Item No.	Revision Number 2, Effective date July 1, 2017 Item description																						
4.1.0 A R	<u>Depreciation Charged to Federally Sponsored Agreements or Similar Cost Objectives</u> (i) Other Asset Categories. University capitalizes software with a minimum value of \$500,000 and depreciates using the straight-line method with a useful life of four years. University capitalizes donated assets with a minimum market value, at time of donation, of \$5,000, and depreciates using the straight-line method with a useful life relevant to the type of asset that is being donated.																						
4.1.1 A R	<u>Asset Valuations and Useful Lives.</u> The computation of depreciation for research facilities is substantially more complex than for non-research buildings. The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, and the renewal and replacement policies followed for the individual items or classes of assets involved. Research buildings are depreciated according to the useful lives of their major components, e.g. shell, finishes, services, fixed equipment and roof, ranging from 10 to 45 years. Non-research buildings are not componentized but are depreciated as single assets over one useful life of 35 years. The University uses the same methods for asset depreciation for financial statement reporting purposes as it does for F&A calculation purposes.																						
R	<u>Criteria for Capitalization.</u> Equipment, as an asset category, has three subcategories with different useful lives, i.e. general equipment, seven years; computer equipment, four years; and scientific equipment, eight years. Each sub-category of equipment is depreciated with the straight line method and defined by the same threshold for capitalization, \$5,000. Other capitalized items, also having \$5,000 threshold values, are depreciated using the following criteria: <table border="0" style="margin-left: 40px;"> <tr> <td colspan="4">Furnishings & Fixtures</td> </tr> <tr> <td>Residential</td> <td>Straight Line</td> <td>3 yr.</td> <td></td> </tr> <tr> <td>Office</td> <td>Straight Line</td> <td>7 yr.</td> <td></td> </tr> <tr> <td>Vehicles</td> <td>Straight Line</td> <td>4 – 10 yr.</td> <td></td> </tr> <tr> <td>Software</td> <td>Straight Line</td> <td>4 yr.</td> <td></td> </tr> </table>			Furnishings & Fixtures				Residential	Straight Line	3 yr.		Office	Straight Line	7 yr.		Vehicles	Straight Line	4 – 10 yr.		Software	Straight Line	4 yr.	
Furnishings & Fixtures																							
Residential	Straight Line	3 yr.																					
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Part IV Continuation																							

<div>COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS</div>		<div>CONTINUATION SHEET</div> <div>PART IV - DEPRECIATION AND USE ALLOWANCES</div> <div>NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL</div>
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4.5.0 A	<p><u>Group or Mass Purchase.</u> As part of a building acquisition or construction project, costs may be incurred to fit out space with new furnishings and equipment. When such purchases are made as part of an acquisition/construction project, if the aggregate cost of these expenditures exceeds \$5,000 and the items have a useful life of more than one year, the costs are capitalized even though some of the individual items cost less than \$5,000.</p> <p>End of Part IV</p>	

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
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PART V - OTHER COSTS AND CREDITS

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

**Item
No.**

**Revision Number 2, Effective date July 1, 2017
Item description**

5.1.0

Part V

Method of Charging Leave Costs. Do you charge vacation, sick, holiday and sabbatical leave costs to sponsored agreements on the cash basis of accounting (i.e., when the leave is taken or paid), or on the accrual basis of accounting (when the leave is earned)? (Mark applicable line(s))

A. X Cash

B. X Accrual 1 /

5.2.0

Applicable Credits. This item is directed at the treatment of "applicable credits" as defined in 2 CFR 200 and other incidental receipts (e.g., purchase discounts, insurance refunds, library fees and fines, parking fees, etc.). (Indicate how the principal types of credits and incidental receipts the institution receives are usually handled.)

A. The credits/receipts are offset against the specific direct or indirect costs to which they relate.

B. The credits/receipts are handled as a general adjustment to the indirect pool.

C. The credits/receipts are treated as income and are not offset against costs.

D. X Combination of methods 1 /

Y. Other 1 /

 1 Describe on a Continuation Sheet.

Part V

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

CONTINUATION SHEET

PART V - OTHER COSTS AND CREDITS

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

**Item
No.**

**Revision Number 2, Effective date July 1, 2017
Item description**

5.1.0 A

Method of Charging Leave Costs

All leave is charged on a cash basis except vacation leave. Effective July 1, 2007, accrued vacation leave for biweekly paid exempt and union/non-exempt staff is included in the HMS fringe benefit rates.

5.2.0 A

R

Applicable Credits.

Applicable credits, such as purchase discounts and insurance refunds, are offset against the specific direct or indirect costs to which they relate. Rebate-program credits are categorized as OM or GA by object codes or department, then credited to indirect cost pools. Library fees and fines may be accumulated as either income or expense credits, but are treated equally as expense credits to offset library costs for indirect cost purposes. Miscellaneous receipts that are treated as income are not offset against costs.

End of Part V

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
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**PART VI - DEFERRED COMPENSATION AND
INSURANCE COSTS**

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

**Item
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**Revision Number 2, Effective date July 1, 2017
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Instructions for Part VI

This part covers the measurement and assignment of costs for employee pensions, post retirement benefits other than pensions (including post retirement health benefits) and insurance. Some organizations may incur all of these costs at the main campus level or for public institutions at the governmental unit level, while others may incur them at subordinate organization levels. Still others may incur a portion of these costs at the main campus level and the balance at subordinate organization levels.

Where the segment (reporting unit) does not directly incur such costs, the segment should, on a continuation sheet, identify the organizational entity that incurs and records such costs. When the costs allocated to Federally sponsored agreements are material, and the reporting unit does not have access to the information needed to complete an item, the reporting unit should require that entity to complete the applicable portions of this Part VI. (See item 4, page (i), General Instructions)

6.1.0

Pension Plans.

6.1.1

Defined-Contribution Pension Plans. Identify the types and number of pension plans whose costs are charged to Federally sponsored agreements. (Mark applicable line(s) and enter number of plans.)

Type of Plan

Number of Plans

A. _____ Institution employees participate in
State/Local Government Retirement Plan(s)

B. _____ Institution uses TIAA/CREF plan or
other defined contribution plan that
is managed by an organization not
affiliated with the institution

C. X Institution has its own Defined-
Contribution Plan(s) 1

 2

1/ Describe on a Continuation Sheet.

Part VI

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		PART VI - DEFERRED COMPENSATION AND INSURANCE COSTS
		NAME OF REPORTING UNIT HARVARD MEDICAL SCHOOL
Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
6.1.2	<p>Defined-Benefit Pension Plan. (For each defined-benefit plan (other than plans that are part of a State or Local government pension plan) describe on a continuation sheet the actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)</p>	
6.2.0	<p><u>Post Retirement Benefits Other Than Pensions (including post retirement health care benefits) (PRBs).</u> (Identify on a continuation sheet all PRB plans whose costs are charged to Federally sponsored agreements. For each plan listed, state the plan name and indicate the approximate number and type of employees covered by each plan.)</p>	
6.2.1	<p>Z. <input type="checkbox"/> Not Applicable</p>	
6.3.0	<p><u>Determination of Annual PRB Costs.</u> (On a continuation sheet, indicate whether PRB costs charged to Federally sponsored agreements are determined on the cash or accrual basis of accounting. If costs are accrued, describe the accounting practices used, including actuarial cost method, the asset valuation method, the criteria for changing actuarial assumptions and computations, the amortization periods for prior service costs, the amortization periods for actuarial gains and losses, and the funding policy.)</p>	
6.4.0	<p><u>Self-Insurance Programs (Employee Group Insurance).</u> Costs of the self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When accrued (book accrual only)</p> <p>B. <input type="checkbox"/> When contributions are made to a nonforfeitable fund</p> <p>C. <input type="checkbox"/> When contributions are made to a forfeitable fund</p> <p>D. <input type="checkbox"/> When the benefits are paid to an employee</p> <p>E. <input type="checkbox"/> When amounts are paid to an employee welfare plan</p> <p>Y. <input checked="" type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input type="checkbox"/> Not Applicable</p> <p><u>Self-Insurance Programs (Worker's Compensation, Liability and Casualty Insurance.)</u></p> <p><u>1/</u> Describe on a Continuation Sheet.</p>	

Part VI

**COST ACCOUNTING STANDARDS BOARD
DISCLOSURE STATEMENT
REQUIRED BY PUBLIC LAW 100-679
EDUCATIONAL INSTITUTIONS**

**PART VI - DEFERRED COMPENSATION AND
INSURANCE COSTS**

**NAME OF REPORTING UNIT
HARVARD MEDICAL SCHOOL**

Item No.	Revision Number 2, Effective date July 1, 2017 Item description
6.4.1	<p><u>Worker's Compensation and Liability.</u> Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When claims are paid or losses are incurred (no provision for reserves)</p> <p>B. <input type="checkbox"/> When provisions for reserves are recorded based on the present value of the liability</p> <p>C. <input type="checkbox"/> When provisions for reserves are recorded based on the full or undiscounted value, as contrasted with present value, of the liability</p> <p>D. <input type="checkbox"/> When funds are set aside or contributions are made to a fund</p> <p>Y. <input checked="" type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input type="checkbox"/> Not Applicable</p>
6.4.2	<p>Casualty Insurance. Costs of such self-insurance programs are charged to Federally sponsored agreements or similar cost objectives: (Mark one.)</p> <p>A. <input type="checkbox"/> When losses are incurred (no provision for reserves)</p> <p>B. <input type="checkbox"/> When provisions for reserves are recorded based on replacement costs</p> <p>C. <input type="checkbox"/> When provisions for reserves are recorded based on reproduction costs new less observed depreciation (market value) excluding the value of land and other indestructibles.</p> <p>D. <input type="checkbox"/> Losses are charged to fund balance with no charge to contracts and grants (no provision for reserves)</p> <p>Y. <input checked="" type="checkbox"/> Other or more than one method <u>1/</u></p> <p>Z. <input type="checkbox"/> Not Applicable</p> <p><u>1/</u> Describe on a Continuation Sheet.</p> <p style="text-align: right;">Part VI</p>

COST ACCOUNTING STANDARDS BOARD DISCLOSURE STATEMENT REQUIRED BY PUBLIC LAW 100-679 EDUCATIONAL INSTITUTIONS		CONTINUATION SHEET PART VI - DEFERRED COMPENSATION AND INSURANCE COSTS
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6.1.1 A	<p><u>Defined Contribution Plans.</u></p> <p>1. Harvard University Retirement Income Plan for Teaching Faculty, 1973 is a 403(b) defined-contribution plan toward which the University makes contributions on behalf of its faculty. Faculty are not required or permitted to make contributions.</p> <p>2. Harvard University Defined Contribution Retirement Plan is a 401(a) defined contribution plan for exempt and union/non-exempt and union/hourly employees. Under the plan, the University makes contributions to accounts based on age of employee and a fixed percentage of pay.</p>	
Part VI Continuation		

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6.1.2 A R	<p>Defined-Benefit Pension Plans. The costs of the Harvard University Retirement Plans are calculated under actuarial methods and assumptions that are consistent with Financial Accounting Standards Board Accounting Standards Codification (ASC 715), as follows:</p> <p>1. Actuarial cost method The actuarial cost method is the projected unit credit method, as required by ASC 715. Under this method, benefits are projected to retirement (or earlier termination) based on assumptions as to future salary increases. Projected benefits are then allocated between past and future years.</p> <p>2. Asset valuation method The Market-Related Value of Assets has been determined using the 4 Year Average Market Value Method. Under this method capital appreciation or depreciation of any year is gradually recognized over the 4-year period. Each year the new average market value is determined by adjusting the prior year's value by receipts less disbursements for the year preceding the valuation date plus 25% of the total capital appreciation (depreciation), both realized and unrealized, which occurred during the 4 years preceding the valuation date. The Market-Related Value of Assets includes the assets in the Master Trust.</p> <p>3. Criteria for changing actuarial assumptions and computations The actuarial assumptions employed in the development of pension cost have been selected by the University, with the concurrence of its accountants and actuaries. ASC 715 requires that "each significant assumption used shall reflect the best estimate solely with respect to that individual assumption." An actuarial assumption is revised when there is a material difference between the assumption and anticipated future experience.</p> <p>4. Amortization periods for prior service costs The initial unfunded/overfunded liability is amortized on a straight – line basis over 15 years. Prior service costs due to plan amendments are amortized over the expected average future service of active participants expected to receive benefits under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service.</p> <p style="text-align: right;">Part VI Continuation</p>	

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5. Amortization periods for actuarial gains and losses

Cumulative net actuarial gains and losses in excess of a corridor amount of 10% of the lesser of the market-related value of assets or the projected benefit obligation are amortized over the expected average future service of active participants expected to receive benefits under the plan.

6. Funding Policy

The university contributes, as necessary, the ASC 715 Net Period Pension Cost, calculated under the policies and procedures above.

**6.2.0 A
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Post Retirement Benefits Other Than Pensions (including post retirement health care benefits - PRBs)

Harvard University offers medical insurance and life insurance (to age 70) as a post-retirement benefit to its eligible retirees and their dependents. Contributions are made to post retirement medical and dental insurance for retirees. Contributions are also made for life insurance for the same level of free coverage that the employee had at the time of retirement. The retirees also contribute to the costs of these insurances. Approximately 3,800 faculty and staff are covered as retirees.

Part VI Continuation

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<p> 6.2.1 A R </p>	<p> <u>Determination of Annual PRB Cost.</u> The Harvard University Postretirement Welfare Plan costs are calculated using actuarial methods and assumptions consistent with ASC 715, as follows: </p> <p> 1. Actuarial cost method The actuarial cost method is the projected unit credit method, allocated from date of hire to full eligibility date, as required by ASC 715. Under this method, benefits are projected to retirement (or earlier termination) based on assumptions as to future salary increases. Projected benefits are then allocated between past and future years. </p> <p> 2. Asset valuation method Not applicable. The Harvard University Postretirement Welfare Plan is not a funded plan. See the funded policy in 6.2.1 number 6. below. </p> <p> 3. Criteria for changing actuarial assumptions and computations The actuarial assumptions employed in the development of the postretirement benefit cost have been selected by the University, with the concurrence of its accountants and actuaries. ASC 715 requires that each significant assumption "individually represent the best estimate of a particular future event." An actuarial assumption is revised when there is a material difference between the assumption and anticipated future experience. </p> <p> 4. Amortization periods for prior service costs The initial transition obligation is amortized on a straight-line basis over 20 years. Prior service costs due to plan amendments are amortized over the expected average future service to full eligibility age of active participants. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service. </p> <p> <u>5. Amortization periods for actuarial gains and losses</u> Cumulative net actuarial gains and losses in excess of a corridor amount are amortized over the expected average future service of active participants. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants shall be used instead of average remaining service. </p> <p> <u>6. Funding Policy</u> The plan is currently funded on a pay-as-you-go (or cash) basis plus a 2% of pay contribution to invested reserves. </p> <p align="right"> Part VI Continuation </p>	

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6.3.0 A

Self-Insurance Programs (Employee Group Insurance)

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The University has a Short-term Disability Plan that is self-insured. The assessment included in the current year fringe rate is based on projections for actual Short-term Disability costs during the fiscal year. During the year, actual costs are accumulated and, at year-end, these costs are fully funded from the fringe assessment reserves. Any over- or under- recovery for a given year would be included as part of the carry-forward adjustment for future fringe rates as described in item 2.6.1.

Part VI Continuation

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6.4.1 A R	<p><u>Self-Insurance Programs (Worker's Compensation and Liability)</u></p> <p>The assessment included in the current year fringe rate for Worker's and Unemployment Compensation is based on projections for actual Worker's and Unemployment Compensation costs during the fiscal year. During the year, actual costs are accumulated and, at year-end, these costs are fully funded from the fringe assessment reserves. Any over- or under- recovery for a given year would be included as part of the carry-forward adjustment for future fringe rates as described in item 2.6.1.</p> <p>The University also is self-insured on two other liability programs: Comprehensive General Liability and Automobile Liability. Comprehensive General Liability: this program provides coverage for the University, including its directors, officers, employees while acting within their duties as such, from claims alleging bodily injury or property damage and due to the their negligence. A comprehensive general liability reserve exists to fund any such losses. Each year departments are assessed a charge to maintain an actuarially determined reserve balance that contemplates costs associated with losses, administration and excess premiums. This assessment is allotted to each department based on the ratio of employee headcount assigned to that against that of the entire University.</p> <p>Automobile Liability: the University self-insures the vehicles owned by the University against claims alleging bodily injury or property damage due to negligent operation. This self-insurance also extends to University employees while driving University-owned vehicles. Each year departments that operate University owned vehicles are assessed a charge to maintain an actuarially determined reserve balance that contemplates costs associated with losses, administration and excess premiums. This assessment is allotted to each department based an internally derived premium rate that varies by vehicle and use factors.</p> <p>All the self-insurance reserves are actual reserves are eligible to accrue investment income. The income earned by the reserves is a credit against the costs of the self-insurance programs.</p>	
<p align="center">Part VI Continuation</p>		

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6.4.2 A	<u>Self-Insurance Programs (Casualty Insurance)</u> R The University self-insures academic and commercial buildings owned by the University. A property reserve is set up to fund any losses to University buildings and each year departments are charged a property premium, allocated by building value (not by square footage), to maintain this reserve, which pays for losses, administration, and excess premiums. The Self-Insured Property Program is based as closely as possible on commercial insurance guidelines with regards to coverage and exclusions. Buildings are insured for replacement cost, and the repairs or replacement must be of like kind and quality. Included in the Self-Insured Property Program is the cost of a Boiler and Machinery Policy that is a commercial insurance policy that insures the University's boilers, heating, ventilation and air conditioning (HVAC) equipment against loss due to accidental breakdown. All the self-insurance reserves are actual reserves and earn income. The income earned by the reserves is a credit against the costs of the self-insurance programs.	
	End of Part VI	

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	<p align="center">DISCLOSURE BY CENTRAL SYSTEM OFFICE, OR GROUP (INTERMEDIATE ADMINISTRATION) OFFICE, AS APPLICABLE.</p> <p align="center">Instructions for Part VII</p> <p>This part should be completed <u>only</u> by the central system office or a group office of an educational system when that office is responsible for administering two or more segments, where it allocates its costs to such segments and where at least one of the segments is required to file Parts I through VI of the Disclosure Statement.</p> <p>The reporting unit (central system or group office) should disclose how costs of services provided by the reporting unit are, or will be, accumulated and allocated to applicable segments of the institution. For a central system office, disclosure should cover the entire institution. For a group office, disclosure should cover all of the subordinate organizations administered by that group office.</p> <p>7.1.0 <u>Organizational Structure.</u></p> <p>On a continuation sheet, list all segments of the university or university system, including hospitals, Federally Funded Research and Development Centers (FFRDC's), Government-owned Contractor-operated (GOCO) facilities, and lower-tier group offices serviced by the reporting unit.</p> <p>7.2.0 <u>Cost Accumulation and Allocation.</u></p> <p>On a continuation sheet, provide a description of:</p> <ul style="list-style-type: none"> A. The services provided to segments of the university or university system (including hospitals, FFRDC's, GOCO facilities, etc.), in brief. B. How the costs of the services are identified and accumulated. C. The basis used to allocate the accumulated costs to the benefiting segments. D. Any costs that are transferred from a segment <u>to</u> the central system office or the intermediate administrative office, and which are reallocated to another segment(s). If none, so state. E. Any fixed management fees that are charged to a segment(s) in lieu of a pro rata or allocation basis and the basis of such charges. If none, so state. <p align="right">Part VII</p>	

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Item No.	Revision Number 2, Effective date July 1, 2017 Item description	
Part VII	<div>Part VII – Does not apply to Harvard Medical School. Part VII is included in the Harvard University Area and Central Administration Disclosure Statement.</div> <div>End of Disclosure Statement</div>	