Course Goals

After this course, you will be able to explain:

- The purpose of Harvard’s Chart of Accounts (CoA)
- The types of information tracked by the Chart
- How local transactions impact University reporting
- How donor and sponsor restrictions impact funds
- Where to get Harvard financial policies and support
What Is the Chart of Accounts (CoA)?

- A 7-segment, 33-digit code that accompanies each financial transaction at the University
- An organizing framework used to:
  - Establish and track budgets
  - Record details about income and expenses
  - Provide accurate and consistent financial reports
  - Ensure compliance with accounting regulations, donor restrictions, and sponsored requirements

CoA codes are also referred to as billing codes or costing strings.

What Does the CoA Tell Us?

610.55850.6640.000001.780008.0000.0000

**Tub**
- **WHO:** Which school and department created the transaction

**Org**
- **WHAT:** What type of income or expense the transaction represented

**Object**
- **WHERE:** Which account the transaction impacted and if it was a general or restricted fund

**Fund**
- **WHY:** What the funds were used for and if a faculty member was involved

**Activity**

**Sub-activity**

**Root**
The Segments – Tub

- Tub is the highest financial reporting level at Harvard
  - These are usually schools or high-level units
  - FAS, HBS, HMS, and HKS are split into multiple tubs
- There are over 75 tubs at Harvard
  - A full list is available at the Office of the Controller’s Financial Accounting and Reporting page: https://oc.finance.harvard.edu/

The Segments – Org

- Orgs identify financial groups within a Tub, usually departments within a school or administrative unit
- New orgs are set up by a tub’s financial office (TFO)
- Lists of Orgs can be generated in the OBI reporting tool
The Segments – Object

Object Codes:
- Identify the type of transaction
- Are grouped into categories and ranges
- Roll-up into related categories for reporting
- Are established by Central Administration

The Unabridged Object Code List is available at:
https://oc.finance.harvard.edu/unabridged-object-code-list

<table>
<thead>
<tr>
<th>Category</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>0001 - 1999</td>
</tr>
<tr>
<td>Liabilities</td>
<td>2000 - 3699</td>
</tr>
<tr>
<td>Net Asset Balances</td>
<td>3700 - 3999</td>
</tr>
<tr>
<td>Revenue (Income)</td>
<td>4000 - 5999</td>
</tr>
<tr>
<td>Expenses</td>
<td>6000 - 8999</td>
</tr>
<tr>
<td>Non-operating activity</td>
<td>9000 - 9999</td>
</tr>
</tbody>
</table>
Understanding the Harvard Chart of Accounts

Assets

- An asset is something of value that the University owns or controls, such as:
  - Cash
  - Investments
  - Buildings and Land
  - Money owed to Harvard (accounts receivable)

Liabilities

- Liabilities are claims against the University, or money that it owes
  - Bills to be paid for goods or services already received (accounts payable)
  - Debt
  - Pension
  - Security deposits
Net Asset Balances

- The difference between what Harvard owns and what it owes is called “net assets”
- Values in this range represent fund balances at the beginning of the fiscal year and are used for reporting purposes
  - Harvard’s fiscal year runs from July 1st through June 30th

Net Asset Balance code balances may not be changed during the year

Revenue (Income)

Revenue is income received to support the work of the University. Examples include:
- Tuition
- Gifts, grants, & endowments
- Sales of goods
- Health clinic fees
- Admissions
- Parking
Expenses

The costs of goods or services purchased for University business are expenses. Examples include:

- Salaries & benefits
- Scholarships & student awards
- Supplies, materials & equipment
- Space & occupancy

Range for Expenses
6000 - 8999

Non-operating activity

Non-operating activity codes are used for transactions that are not reported as part of the University’s operations. These “below the line” items include:

- appreciation on investments
- fund balance transfers
- endowment capitalizations or decapitalizations

Range for Non-operating Activity
9000 - 9999

Non-operating activity object codes are generally used by Central Administration only.
Understanding the Harvard Chart of Accounts

**Special Types of Object Codes**

- Detailed vs. General Expense Codes
- “Unallowable Expenses”
- Capitalized Expenses
- Roll-Up Reporting Codes
- Budget-Only Codes
- Internal Transfers

**Detailed vs. General Expense Codes**

<table>
<thead>
<tr>
<th>Detailed Codes</th>
<th>General Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>7651 - Airfare(^)</td>
<td>7650</td>
</tr>
<tr>
<td>Domestic Travel</td>
<td>Domestic Travel, GENERAL</td>
</tr>
<tr>
<td>7652 - Lodging(^)</td>
<td></td>
</tr>
<tr>
<td>Domestic Travel</td>
<td></td>
</tr>
<tr>
<td>7653 - Ground Transportation(^)</td>
<td></td>
</tr>
<tr>
<td>Domestic Travel</td>
<td></td>
</tr>
<tr>
<td>7654 - Meals + Incidental(^)</td>
<td></td>
</tr>
<tr>
<td>Domestic Travel</td>
<td></td>
</tr>
<tr>
<td>7655 - Business Meals + Entertainment(^)</td>
<td>Check with your local financial office for guidelines</td>
</tr>
<tr>
<td>Domestic Travel</td>
<td></td>
</tr>
</tbody>
</table>

Which to use depends on…
- University policies
- Sponsored requirements
- Tub or department level requirements
“Unallowable” Expense Codes

- Some types of expenses cannot be charged to government funded accounts
  - These are called Expenses Ineligible for Federal Reimbursement
- Individuals can be reimbursed by the University for these expenses, but the government will not reimburse Harvard
- “Unallowable” expenses must be charged to object 8450
  - Expenses coded to 8450 will not be included in federal reports
  - Some departments use 8451-8459 to record extra details
- All University spending is subject to these rules, whether or not it comes from sponsored accounts, since federal grants indirectly support Harvard’s general operating costs

“Unallowable” Expense Types

- Expenses ineligible for federal reimbursement include:
  - Alumni activities
  - Antiques, art, or decorative objects for private offices
  - Bad debts
  - Business-related entertainment
  - Charitable contributions
  - Employee celebratory events
  - Flowers
  - Fines and penalties
  - Fundraising or commencement expenses
  - Gifts and awards to Harvard employees and non-Harvard personnel
  - Institutional advertising and promotion, including printed materials
  - Liquor, including liquor purchased with a meal
  - Lobbying, including memberships in lobbying organizations

Details about unallowable expenses, Harvard’s travel and reimbursement policy, and other financial guidelines are at: http://policies.fad.harvard.edu/
Capitalized Expenses

- Some expenses represent the purchase of assets
- To track depreciation of assets, there are separate object codes for purchases involving equipment that has a unit cost of $5,000 or above
  - 6750 – Computer Hardware <$5000, GENERAL
  - 6803 – Computer, Non-Sponsored^Equip >=$5000
  - 6804 – Computer, Sponsored^Equip >=$5000
- Purchases over $100k may be considered capital projects and be subject to different procedures

When making purchases of $5,000 or more, check with your financial office to see if special coding is required.

Roll-Up Reporting Codes

Transactions are recorded in distinct object codes. Roll-up codes organize related objects into logical groups for reporting.

You can report on the totals of each object code...

8511 - Local Telephone Usage
8512 - Long Distance Usage
8513 - Telephone Lines
8514 - One-Time Charges
8515 - Phone Repair & Maint.
8516 - Communications Equip.

...or you can report on total of the rolled-up "super" code:

S851 - Telephone + Telecommunications Expenses
Understanding the Harvard Chart of Accounts

Reporting Roll-Up Levels

- Tera
  - Combined Totals
- Giga
  - Financial Statement
- Mega
  - High-Level Summary
- Super
  - Low-Level Summary
  - Individual Transactions
- Object (Numeric)

Roll-Up Example

- Rollup Level
  - Tera
  - Giga
  - Mega
  - Super
  - Transaction / Data Entry

Sample Expense Object Codes

- T600 Total Expenses
- G601 Salaries
- G760 Other Expenses
- G650 Supplies
- M853 Reproduction
- M764 All Travel
- M846 Telephone
- S765 Domestic Travel
- S767 Foreign Travel
- 7651 Airfare^ Domestic Travel
- 7652 Lodging^ Domestic Travel
- 7654 Meals^ Domestic Travel
- 7671 Airfare^ Foreign Travel
- 7672 Lodging^ Foreign Travel
- 7674 Meals^ Foreign Travel
Budget-Only Object Codes

- High-level categories used for budgeting
- These values are stored in the General Ledger and used as a reference point for reporting
- Object descriptions are followed by the phrase “Budget Only”
- Using a budget-only code in a regular transaction will return an error message

Internal Transfers

- Internal transfers are used for:
  - Interdepartmental billing
  - Correcting coding errors
  - Transfer of funds
- Transfers must debit and credit the same income, expense, or non-operating object code
- Transferring funds out of gift accounts have many additional restrictions

Refer to the “Internal Transfers” policy for rules & examples
http://policies.fad.harvard.edu/pages/internal-transfers
Internal Transfer Exceptions

Transactions with these Tubs are treated as normal external expenses, not as internal transfers:

- 130 Harvard Magazine
- 185 Student Agencies & HUECU
- 190 Yenching Institute
- 295 American Repertory Theatre
- 455 HBS Research Centers
- 595 HPRE 3rd Party
- 660 HMC Investment Trusts
- 670
- 685

These “non-consolidated” Tubs are treated as external entities because their year-end totals are not included in Harvard’s annual Financial Statement.

Fund Accounting

Unrestricted Account
Fund 000001
Fund Accounting Basics

- Fund Accounting is common to all not-for-profit organizations
- Many funds have restrictions on how they can be used based on donor, sponsor, or departmental stipulations
- Expenses from restricted funds must comply with all of the restrictions or we cannot use the money
- Harvard's CoA allows for the tracking of sources through the fund segment

The Segments – Fund

- The fund identifies the source of the money
- There are more than 32,000 active funds
- Contact your Tub Chart Administrator if you have questions about setting up a new fund in your Tub
Understanding the Harvard Chart of Accounts

### Fund Types and Ranges

<table>
<thead>
<tr>
<th>Type</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Unrestricted</td>
<td>000001</td>
</tr>
<tr>
<td>Designated</td>
<td>000002</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>000003 – 001999</td>
</tr>
<tr>
<td>Designated</td>
<td>002000 – 054999</td>
</tr>
<tr>
<td>Sponsored Support</td>
<td>100000 – 299999</td>
</tr>
<tr>
<td>Gifts – <em>Unrestricted</em></td>
<td>300000 – 301999</td>
</tr>
<tr>
<td>Gifts – <em>Restricted</em></td>
<td>302000 – 399999</td>
</tr>
<tr>
<td>Endowments – <em>Unrestricted</em></td>
<td>400000 – 429999</td>
</tr>
<tr>
<td>Endowments – <em>Restricted</em></td>
<td>430000 – 699999</td>
</tr>
<tr>
<td>Other Fund Balances</td>
<td>700000 – 749999</td>
</tr>
</tbody>
</table>

### Sources of Income

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>University</td>
<td>10%</td>
</tr>
<tr>
<td>Facilities</td>
<td>8%</td>
</tr>
<tr>
<td>Division</td>
<td>7%</td>
</tr>
<tr>
<td>Faculty</td>
<td>4%</td>
</tr>
<tr>
<td>Student Support</td>
<td>3%</td>
</tr>
<tr>
<td>Gift for current use</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

[Bar chart for sources of income]
Who Owns the Endowment?

**Market Value of the Endowment as of June 30, 2017**

In millions of dollars:
- Faculty of Arts & Sciences: $15,017
- Divinity: $403
- Engineering & Applied Sciences: $3,450
- Public Health: $1,679
- Business: $1,472
- Medical: $1,077
- President's funds: $1,962
- Law: $1,883
- Kennedy School: $1,732
- Radcliffe Institute: $567
- Design: $478
- Education: $339
- University professorships: $358
- Other departments: $2,447
- Dental: $145

**Total Market Value: $37,096**

University Operating Expenses

**Fiscal Year 2017 Operating Expenses**

In millions of dollars:
- Salaries, wages, and employee benefits: $2,455
- Services purchased: $579
- Other expenses: $515
- Space and occupancy: $531
- Depreciation: $345

**Total Operating Expenses: $4,885**

From the Harvard University FY17 Annual Financial Report: https://finance.harvard.edu/annual-report
### The Segments – Activity

- Identifies the *generic administrative function* or the *specific project* that an expense relates to
- Required by all organizations that receive direct or indirect federal funding (ref. OMB Uniform Guidance)
- Contact your Tub Chart Administrator if you have questions about setting up a new activity in your Tub

### Activity Examples

- Sponsored research
- Course
- Conference
- Project
- Seminar
- Publication
- Office Administration

*All University expenses must be coded to the appropriate activity.*
Generic Activity Example

**Activity Value:** 780008

**CADM^ (A6) General Admin+General Expense**

- Tub prefix
- Generic functional description
- Federal OMB code

Each Tub has their own set of generic activities codes

Specific Activity Example

**Activity 346483 (Sponsored Research)**

**FCOR^ A02 NIH-NIMH Panic & Cognition PSYC**

- Tub prefix
- Federal OMB code
- Sponsor name
- Award title
- Keyword

There are many different types of relationships between Funds and Activities, depending on the details of the funding source and the specific project.
Understanding the Harvard Chart of Accounts

The Segments – Subactivity

Subactivity values:
• Help identify different tasks, phases, or subcategories of an activity for reporting purposes
• Are dependent on the activity value
• Are required for sponsored funds

Subactivity Example

- Activity: 335020 – Navy Biomagnetic Study
- Subactivity is used to track special reporting requirements

<table>
<thead>
<tr>
<th>Activity</th>
<th>Subactivity</th>
<th>Subactivity Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>335020</td>
<td>0000</td>
<td>Unspecified</td>
</tr>
<tr>
<td></td>
<td>0101</td>
<td>335020^Mass General Y1</td>
</tr>
<tr>
<td></td>
<td>0102</td>
<td>335020^Dana Farber Y1</td>
</tr>
<tr>
<td></td>
<td>0201</td>
<td>335020^Mass General Y2</td>
</tr>
<tr>
<td></td>
<td>0202</td>
<td>335020^Dana Farber Y2</td>
</tr>
</tbody>
</table>
The Segments – Root

• Root is a dual purpose segment that tracks when expenses are related to a particular:
  • Faculty member or principle investigator of a grant
  • Harvard building (generally for construction expenses)
• Contact your Tub Chart Administrator if you have questions on setting up a new root in your Tub

Root: Ranges

<table>
<thead>
<tr>
<th>Root Type</th>
<th>Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>00001 - 09999</td>
</tr>
<tr>
<td>Faculty / PI</td>
<td>10000 - 99999</td>
</tr>
</tbody>
</table>
Example: Building Root Value

Root Value: 03363
FCOL^ Mass Hall Bldg 951

Tub prefix Building name or address “Bldg” Original bldg code if built before 2000

This allows construction expenses to be easily tracked for buildings that are used by multiple schools.

Example: Faculty Root Value

Root Value: 47304
FATH^ Brady Tom P 12200236

Tub prefix Last name First name Middle initial University ID#

This allows easy tracking of faculty expenses even when they are involved in interdepartmental research.
Support Sites

For online training and work instructions, go to:
https://trainingportal.harvard.edu

For financial forms, policies, schedules, and job aids, go to:
https://finance.harvard.edu/resources and
https://oc.finance.harvard.edu/services
Additional Training Resources

In-Person Financial Classes at CWD
- [http://hr.harvard.edu/learning-development](http://hr.harvard.edu/learning-development)
  - Basic & Adv Accounting
  - Ethics and Accountability
  - Fraud Awareness
  - HCOM Shopping
  - Concur Reimbursements
  - HUBS Budgeting System
  - OBI Financial Reporting

Online versions of many of these classes are available at:
[http://trainingportal.harvard.edu](http://trainingportal.harvard.edu)

Further Support

- Office of the Controller
  - Financial Accounting & Reporting, policies, and assistance
- Office of Financial Strategy and Planning
  - Harvard Fact Book and annual financial reports
- Office for Sponsored Programs
  - Grant management support
- Risk Management & Audit Services
  - Identifying and mitigating financial risk
- Financial Systems Solutions
  - Financial applications and procedures
- Procurement, Travel, Banking, Payroll, & other financial services
Essential Points

- It is our responsibility to ensure that Harvard’s funds are spent & accounted for in accordance with policy, federal regulations, and sponsored terms.
- If you have questions, contact:
  - Your local financial office
  - Financial Accounting & Reporting (FAR)
  - Office for Sponsored Programs (OSP)