## **Appendix G: Definitions**

**Acquisition Cost:** is the cost of an asset including the cost to ready the asset for its intended use. The acquisition cost of capital equipment includes the purchase price of the item, the cost of any upgrades, attachments, accessories, or auxiliary apparatus necessary to make it usable for purpose for which it is required (e.g., costs necessary to obtain and prepare the asset for use, shipping costs, taxes, protective in transit insurance, and installation. The acquisition cost of donated assets is the fair market value at the time of donation. Acquisition cost does not include repairs, service contracts, or supplemental warranties.

**Additional Functionality:** an increase in equipment’s condition beyond its current state or an increased range of operations, increase equipment’s useful function or service capacity, or improve the quality of the service(s) delivered through equipment’s use.

**Alteration:** change to the internal structural arrangement or other physical characteristics of an existing asset so that it may be effectively used for a newly designated purpose.

**Area:** includes all Harvard University schools, tubs, local units, affiliate institutions, allied institutions, entities and University-wide initiatives.

**Betterments:** See Upgrades.

**Capital Equipment:** moveable, tangible property with a useful life of one year or more, and a per-unit acquisition cost of $5,000 or more, OR equipment fixed to the building with a useful life of one year or more and a per unit acquisition cost of $100,000 or more if individually purchased (no threshold if part of a larger construction project). Capital equipment includes, for example, scientific equipment, fabrications, software, and donated assets. Capital equipment is recorded on the University’s general ledger as a capital asset and expensed to the capital equipment object code.

**Capital Leases**: See [Accounting for Leases Policy](https://policies.fad.harvard.edu/accounting-leases)

**Collections:** works of art, historical and other treasures, or similar assets that meet all of the following criteria: (a) they are held for public exhibition, education, or research in furtherance of public service rather than financial gain, (b) they are protected, kept unencumbered, cared for, and preserved, and (c) they are subject to an organizational policy that requires the proceeds of items that are sold to be used to acquire other items for collections.

**Componentized buildings:** in research buildings, asset components are grouped and depreciated in separate categories with differing useful lives. These components include the shell, roof, finishes, fixed equipment acquired in the course of a construction project.

**Construction Authorization Form (CA):** See [Oracle CAPS system.](https://fss.finance.harvard.edu/applications)

**Construction Close Request Form (CCR):** See [Oracle CAPS system.](https://fss.finance.harvard.edu/applications)

**CPATH – Capital Plans Projects:** Capital Planning at Harvard (CPATH) is an automated, web-based, and centralized system that collects and reports on the University’s annual five-year capital plan. CPATH also provides Schools/Units the opportunity to manage individual project information in their capital plan portfolio throughout the year. All Capital Projects are entered into CPATH as the first step in the planning and approval processes.

**Disposal:** represents the physical removal of an asset from Harvard oversight and its removal from OFA. See also Retirement.

**Enhancements:** See **Upgrades.**

**Fabrication:** Fabrications consist of non-­‐expendable, tangible property, physically constructed by Harvard personnel

**Fixed equipment:** includes assets that are bolted to or part of the operations of a building (i.e. elevators, coolers, boilers, etc.). It is different from moveable furnishings and equipment (MFE), as defined below.

**Government-Furnished Property (GFP):** equipment purchased by the government and subsequently delivered to or made available to the University and where the government retains title.

**Government-Titled Equipment (GTE):** equipment purchased by Harvard for which title stays with the federal government.

### Impairment: The condition that exists when the net book value an asset exceeds its fair value.

### Improvements: See Upgrades.

**Integral Costs:** include any material or supply that becomes a permanent part of an asset, any internal service centers charges, and any external shop fees. Harvard labor costs which are outside of a service center cannot be capitalized and cannot be charged to the WIP object codes.

**Land Improvements:** Enhancements or alterations to a plot of land to make the land more usable or visually appealing. Examples include driveways and parking lots, landscaping, fences, lighting, sewer systems, etc.

**Large Schools/Units:** Following the Harvard Financial Accounting and Reporting (FAR) quarterly review definition, FAS, HMS, HBS, and SPH are considered large units.

**Lease Agreements:** An agreement entered into by the University, both as a lessee and as a lessor.

**Leasehold Improvements:** Enhancements paid for by a tenant to leased space. Examples include Interior walls and ceilings, electrical and plumbing additions, built-in cabinetry, etc.

**Maintenance:** costs associated with recurring work required to preserve or immediately restore a facility to such condition that it can be effectively used for its designated purpose (i.e., not a new purpose).

**Moveable furnishings and equipment (MFE):** a type of equipment that is usually incorporated into a construction or renovation project, such as moveable walls, audio-visual equipment, etc. See [CAPS Policies & Guidelines Wiki Page](https://wiki.harvard.edu/confluence/pages/viewpage.action?pageId=192940708)

**Multicomponent Equipment:** individual components of commercially-available equipment or materials requisitioned together that are assembled to operate as a system (e.g., a microscope, camera, laser, optics, etc.). Component pieces can be purchased from one or more vendors.

**Off-Campus**: Facilities not owned or rented by Harvard or to which facilities costs are not directly charged.

**Phased Projects**: projects that have separate and distinct phases that are independent of one another (i.e., one phase can be placed in service before other phases begin or end).

**Place In Service (PIS):** the date at which an asset is available and ready for its intended purpose. Placing an asset in service initiates depreciation for that asset.

**Preservation and Restoration:** costs associated with maintaining special assets(e.g., works of art) or returning them to a level of quality as close to their original state as possible.

**Project Proposal Form (PP):** See [Oracle CAPS system.](https://fss.finance.harvard.edu/applications)

**Research and Development Costs:** Costs incurred related to search or critical investigation aimed at discovery of new knowledge with the hope that such knowledge will be useful in developing a new product or service (referred to as product) or a new process or technique (referred to as process) or in bringing about a significant improvement to an existing product or process.

**Retire/retirement:** the process by which capital equipment owned by Harvard or for which Harvard is responsible is impaired or disposed of from the University’s inventory records. Retirements must be processed in the event of physical disposal, loss or theft, external sale or transfer, trade-in, donation, salvage, or return of capital equipment. A retirement is processed when an asset 1 – is no longer in service for its intended use,

2 – is partial or fully impaired, or 3) when an asset is disposed of (first step in disposal process)

**Small School/Unit:** Following the Harvard Financial Accounting and Reporting (FAR) quarterly review definition, all units or schools EXCEPT FAS, HMS, HBS, and SPH are considered small units.

**Upgrades:** (also known as betterments, enhancements, or modifications) additions to an item of capital equipment that adds new functionality or extends the useful life by one year or more. Replacement parts or repairs are not considered upgrades.

**Useful Life:** expected life of an asset for which it is expected to be utilized for its intended use

**Work in Progress (WIP):** an equipment asset still under construction, not yet placed in service or not yet producing intended results.