

**Enclosure 3**

Department of Finance and Personnel

6 November 2014

**Accounts of the IT University of Copenhagen as per 30 September 2014**

This report presents income, cost and cash flow as per 30 September 2014 summed in table 1 on page 2 and figure A on page 3. Furthermore, the forecast for the rest of the year is presented, followed by information about uncertainties related to the forecast. At the end of the report, table 3 and 4 shows the admission numbers as well as the forecasted income from tuition.

The revised budget, with an expected deficit of DKK 2.9m was approved at the Board Seminar on 26 May 2014.

Income

At the end of the third quarter 2014, the income of the university amounted to DKK 194.1m, which was somewhat less than expected. Therefore, the total income forecast after the third quarter is DKK 0.4m less than expected in the revised budget.

The expected drop in income is caused by lower numbers of expected MSc's and BSc's earning completion bonuses as well as the production of part-time students FTE, cf. the tuition FTE forecast of 16 October 2014 in table 3. In total, the expected income from tuition for 2014 is going to be DKK 1.5m less than in the revised budget.

This is countered by Other Income, which is expected to be 0.8m higher than in the revised budget due to profit from intellectual property rights and financial income, which have performed very well so far this year. We expect that the return on investments will be somewhat lower, but still positive in the last quarter of 2014.

Finally, the income from externally funded research projects after the third quarter was DKK 18.5m. Moreover, the expectations are that income from externally funded research projects will be approximately DKK 27.5m in 2014, just below the DKK 27.6m which was expected in the revised budget.

Expenditure – Wages and salaries

The labour costs after the third quarter was DKK 116.4m. For the entire year, the forecasted use of wages and salaries is DKK 159.4m, which is DKK 2.2m less than expected in the revised budget. This is mainly due to vacancies and unrealised consumption at the Faculty and Study Board.

Expenditure – Other Operations

The expenditure in operation cost after the third quarter was DKK 72.5, which was somewhat less than expected. This was partly caused by the displacements of expenses to the electronic document and records management system from 2014 to 2015, which results in less consumption at the Department of Finance and Personnel. Hence, the Executive Management has reallocated funds in order to match on-going activities at the university.

**Table 1: Total Q3, forecast 3, and revised budget 2014 (DKK '000)**

Income DKK '000	Accounts Q3 (1)	Forecast 3 (2)	Revised budget after 1 quarter (3)	Difference (2)-(3)
Government Grants	65,895	87,860	87,860	0
Tuition	106,378	142,284	143,739	-1,455
Research Grants (Government and other sources)	18,553	27,521	27,644	-123
Rental Income	1,181	1,650	1,800	-150
Other Income	2,976	3,345	2,541	804
Extraordinary Income	0	0	0	0
Administrative Savings	-2,772	-3,696	-3,696	0
Financial income	1,843	2,000	1,500	500
<b>Total Income</b>	<b>194,054</b>	<b>260,964</b>	<b>261,388</b>	<b>-424</b>
<b>Costs</b>				
<b>Wages and Salaries</b>				
Management	3,227	4,284	4,263	21
Communication Department	4,086	5,674	5,647	27
Department of Finance and Personnel	10,840	14,479	14,395	84
Employer contributions, Flexible job scheme, Overtime etc.	-1,396	792	1,802	-1,010
IT Department	7,522	10,066	10,451	-385
Facilities Management	3,908	5,318	5,288	30
Student Affairs and Programmes	11,453	15,068	15,015	53
Faculty incl. RL, Study Board, PhD School	66,100	88,500	89,314	-814
Research Projects	10,635	15,189	15,414	-225
<b>Total Wages and Salaries</b>	<b>116,375</b>	<b>159,370</b>	<b>161,589</b>	<b>-2,219</b>
<b>Other Operations</b>				
Management	794	1,473	3,370	-1,897
Communication Department	2,657	3,947	3,897	50
Library	1,367	1,947	1,913	34
Department of Finance and Personnel	3,900	5,672	6,640	-968
IT Department	3,304	6,209	4,959	1,250
Facilities Management	11,381	16,089	15,969	120
Student Affairs and Programmes	7,079	9,543	9,434	109
Faculty incl. RL, Study Board, PhD School	5,320	7,605	6,795	810
Research Projects	3,023	4,381	4,306	75
Rent, property tax, provision and depreciations	33,711	46,051	45,415	636
Financial Costs	0	15	15	0
<b>Total Other Operations</b>	<b>72,536</b>	<b>102,932</b>	<b>102,713</b>	<b>219</b>
<b>Result</b>	<b>5,143</b>	<b>-1,338</b>	<b>-2,914</b>	<b>1,576</b>

### The Result for 2014

The result after the third quarter shows a DKK 5.1m surplus. However, a deficit of DKK 1.3m is expected for the entire year. This corresponds to an improvement of the annual result by DKK 1.6m of the revised budget.

The difference between the result after the third quarter and the forecast for the entire year is caused by the fact, that the majority of the income (tuition and government grant) are accrued evenly across the year whereas the costs accumulate with the rate at which the resources are consumed (e.g. ongoing recruitment, funds from the Executive Management pools not materialised and unused predisposed funds).

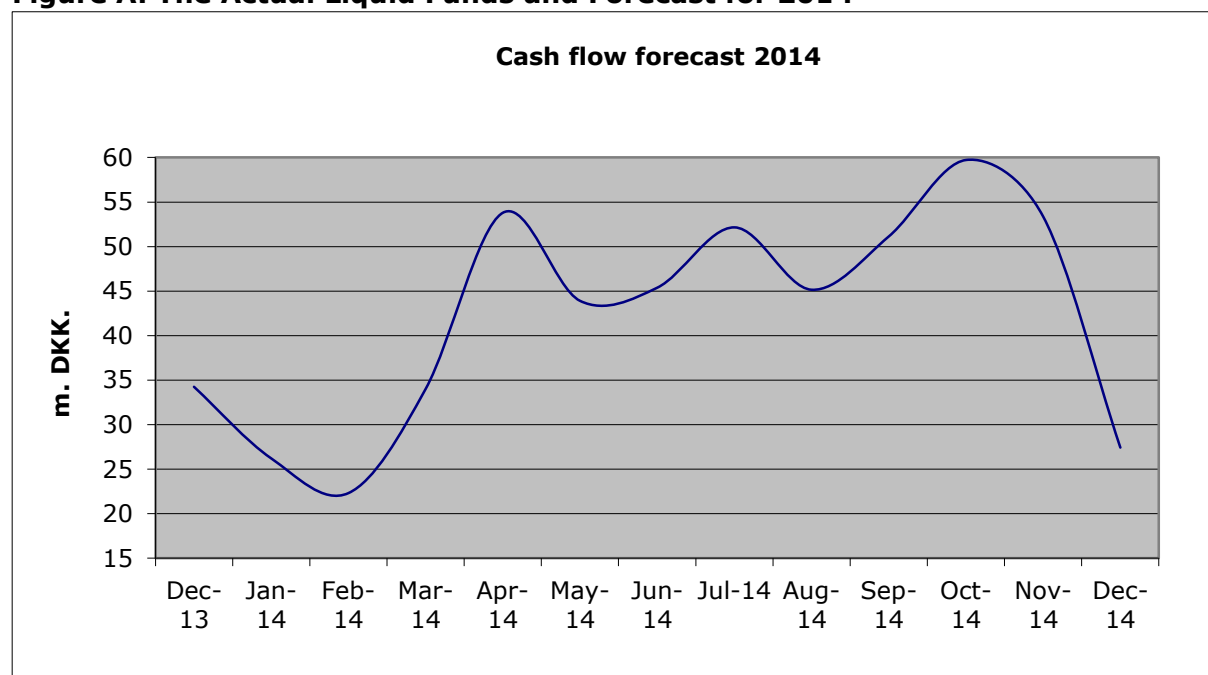
### **Cash flow and investments**

The cash flow of the IT University of Copenhagen is very good, cf. figure A below. The return on investment via Danske Capital (incl. unrealised returns) is recognised in the third quarter to be DKK 1.8m.

The increase in liquid funds in April is a result of receipt of payment of project funds from the EU and the Danish Agency for Science, Technology and Innovation. In August, DKK 5.0m was transferred to ITU Business Development. In September, the IT University of Copenhagen invoices part-time education. During the last month of the year, the administration fee (wages and salaries) and the EBUSS programme are paid to Copenhagen Business School.

During 2014, the IT University of Copenhagen receives FTE payment according to the expectations set forward in the original FTE forecast for 2014. However, as the number of FTE for 2014 will be lower than the original expectations, the IT University of Copenhagen will have to repay some of the FTE payment by the end of the year on the Supplementary Appropriation Act in December.

**Figure A: The Actual Liquid Funds and Forecast for 2014**



## Forecast 2014

Table 1 on page 2, states the forecast of the university for the entire year after the third quarter. The predicted operating result indicates a deficit of DKK 1.3m.

### Overview of forecast 3 2014 compared to revised budget 2014

The university expects revenue at DKK 261.0m, which is slightly lower than the expected DKK 261.4m set forward in the revised budget.

The total cost is expected to be DKK 2.0m less than in the revised budget.

**Table 2: Overview of forecast 3 2014 compared to the revised budget 2014**

DKK '000	Forecast 3 2014	Rev. Budget 2014
<b>Income</b>	<b>260,964</b>	<b>261,388</b>
Wages and salaries incl. holiday allowance	159,370	161,589
Other operations incl. depreciation	102,932	102,713
<b>Cost</b>	<b>262,302</b>	<b>264,302</b>
<b>Result</b>	<b>-1,338</b>	<b>-2,914</b>
<b>Equity</b>	<b>47,128</b>	<b>45,552</b>

This results in a forecasted equity of the university around DKK 47.1m by the end of 2014, corresponding to 18.1 per cent of the turnover.

### **Uncertainties in relation to the forecast**

The uncertainties in the forecast after the third quarter are mainly related to income and a less extent to cost.

The revenue from completion bonuses is not only dependent on our own graduates, but also the number of graduates from the other seven universities in Denmark. Thus, the Minister for Higher Education and Science may reduce the IT University of Copenhagen's supplement appropriation by the end of the year if the total net expenditure exceeds the fiscal year appropriations as stated in the Budget Act.

Another uncertainty on the revenue side is financial income, which varies with the development in the capital markets.

The uncertainties of expenditure are related to the externally funded research projects, spending on wages and salaries, the completion of development projects in progress and realisations of the Executive Management's strategic pools.

Furthermore, the IT University has requested a significant reduction in the rent for the tenancy at Rued Langgaards Vej. The outcome of this case by the Danish Building & Property Agency will first be seen in 2015.

### Income from education

Tables 3 and 4 below show the expected tuition as stated in the FTE forecast of 16 October 2014. As seen, the number of MSc FTE's is expected to be somewhat higher than the expectations from the revised budget forecast. However, the number of MSc's and BSc's earning completion bonuses as well as the production of part-time students FTE is expected to be somewhat lower than expected in the revised budget.

**Table 3: Income from Education**

<b>Number</b>	<b>Forecast 3 2014</b>	<b>Rev. Budget 2014</b>
Master of Science, FTE's	775	762
Bonus triggering Master of Science	106	112
Bachelor of Science, FTE's	470	471
Bonus triggering Bachelor of Science	127	142
Part-time Students, FTE's	111	123
<b>DKK '000</b>	<b>Forecast 3 2014</b>	<b>Rev. Budget 2014</b>
Income, Full-time Students	118,111	117,012
Total Completion Bonus	10,026	11,019
Total Income Part-time (tariff and tuition)	14,147	15,709
<b>Total Income from Education</b>	<b>142,284</b>	<b>143,739</b>

**Table 4: Admission of students – forecast as of 16 October 2014**

	<b>Admission Budget</b>	<b>Admission Achieved</b>	<b>Admission Budget</b>	<b>Admission Achieved</b>
	<b>Spring 2014</b>	<b>Spring 2014</b>	<b>Fall 2014</b>	<b>Fall 2014</b>
Master of Science, DDK	0	1	150	152
Master of Science, DIM (EBUSS)	30	28	70	71
Master of Science, SDT	50	44	80	76
Master of Science, GAMES	0	0	70	69
Bachelor of Science, SWU	0	0	90	92
Bachelor of Science, DMD	0	0	80	81
Bachelor of Science, GBI	0	0	60	66
<b>Total</b>	<b>80</b>	<b>73</b>	<b>600</b>	<b>607</b>