

**Enclosure 3**Department of Finance  
and Personnel

25 August 2014

**Accounts of the IT University of Copenhagen as per 30 June 2014****Introduction**

This report presents the income, cost and cash flow as per 30 June 2014 summed up in table 1 on the next page 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 2 and 3 shows the admission numbers as well as the forecasted income from tuition.

At the Board Seminar on 26 of May 2014, the Board approved the accounts after the first quarter 2014 with a deficit of DKK 2.9m. As a consequence, forecast 1 now functions as the new budget for 2014. Hence, income and costs are measured relatively to forecast 1.

**Income**

At the end of the second quarter 2014, the income of the university amounted to DKK 131.4m, which is 0.8m more than expected after first quarter.

The freshly updated "STÅ forecast" of 8 August confirms the results regarding STÅ after the first quarter as shown in table 3. In total, the income from tuition for 2014 is going to be DKK 1.5m less than expected in the initial budget. This is due to an expected reduction in the number of bachelors earning completion bonus and lesser income from single subject students. Income from tuition is still uncertain, mainly because the number of passed exams in August is not yet finalised.

Reversely, other income is expected to be somewhat higher due to profit from intellectual property rights and financial income, which has performed very well in the first half of 2014. Unstable political environments in some parts of the world have resulted in fluctuations in share prices in the latest months. None the less, we expect that the return on investments will be lower, but still positive in the second half of 2014.

Finally, it is expected that income from externally funded projects will be approximately DKK 28.2m in 2014, which is just above the DKK 27,6m expected after the first quarter.

All together, the forecast after the second quarter predicts that total income in 2014 will be DKK 262.2m.

**Expenditure – Wages and salaries**

The labour costs after the second quarter was DKK 79m. For the entire year, the forecasted use of wages and salaries at DKK 161.6m, this is in line with the forecast after the first quarter.

The DKK 0.9m reduction of the budget regarding employer contributions, flexible job scheme etc. reflects the utilisation of local wage pools in the departments as well as lesser realisation of individual performance contracts than expected.

**Table 1: Total Q2, forecast 2, and budget 2014 (DKK '000)**

<b>Income DKK '000</b>	<b>Ac- counts Q2 (1)</b>	<b>Forecast 2 (2)</b>	<b>Forecast 1 (3)</b>	<b>Differ- ence (2)-(3)</b>
Government Grants	43,930	87,860	87,860	0
Tuition	71,103	142,206	143,739	-1,533
Research Grants (Government and other sources)	11,593	28,211	27,644	567
Rental Income	894	1,800	1,800	0
Other Income	3,599	3,533	2,541	992
Extraordinary Income	0	0	0	0
Administrative Savings	-1,848	-3,696	-3,696	0
Financial income	2,097	2,300	1,500	800
<b>Total income</b>	<b>131,368</b>	<b>262,214</b>	<b>261,388</b>	<b>826</b>
<b>Costs</b>				
<b>Wages and Salaries</b>				
Management	2,151	4,263	4,263	0
Communication Department	2,681	5,674	5,647	27
Department of Finance and Personnel	7,204	14,480	14,395	85
Employer contributions, Flexible job scheme, Overtime ect.	298	892	1,802	-910
IT Department	5,061	10,466	10,451	15
Facilities Management	2,694	5,318	5,288	30
Student Affairs and Programmes	7,553	15,068	15,015	53
Faculty incl. RL, Study Board, PhD School	44,571	89,774	89,314	460
Research Projects	6,827	15,672	15,414	258
<b>Total Wages and Salaries</b>	<b>79,040</b>	<b>161,607</b>	<b>161,589</b>	<b>18</b>
<b>Other Operations</b>				
Management	616	2,400	3,370	-970
Communication Department	2,129	3,947	3,897	50
Library	943	1,913	1,913	0
Department of Finance and Personnel	2,434	6,472	6,640	-168
IT Department	2,408	4,909	4,959	-50
Facilities Management	7,591	15,969	15,969	0
Student Affairs and Programmes	4,698	9,434	9,434	0
Faculty incl. RL, Study Board, PhD School	3,448	7,416	6,795	621
Research Projects	1,521	4,793	4,306	487
Depreciations and provisions	22,342	45,551	45,415	136
Financial costs	0	15	15	0
<b>Total other operations</b>	<b>48,130</b>	<b>102,819</b>	<b>102,713</b>	<b>106</b>
<b>Result</b>	<b>4,198</b>	<b>-2,212</b>	<b>-2,914</b>	<b>702</b>

### Expenditure – Other Operations

The expenditure in operation cost after the second quarter was DKK 48.1m which is slightly below the budget.

Some variances between departments are due to initiatives financed by management's pools. E.g. Executive Management has approved DKK 0,67m to implementation of the Study Progress Reform, DKK 0,25m to strengthen research in Critical Systems and has increased the budget for the marketing of part-time courses with DKK 0,05m.

### The Result for 2014

The forecast after the second quarter shows a DKK 4.2m surplus. However, a deficit of DKK 2.2m is expected for the entire year. This corresponds to an improvement of the annual result by DKK 0.5m since the revised budget was decided at the Board Seminar on 26<sup>th</sup> of May 2014.

The executive management is aiming at a breakeven, but finds it equally important to ensure a soft landing without losing unnecessary momentum in the drive towards the university's goals.

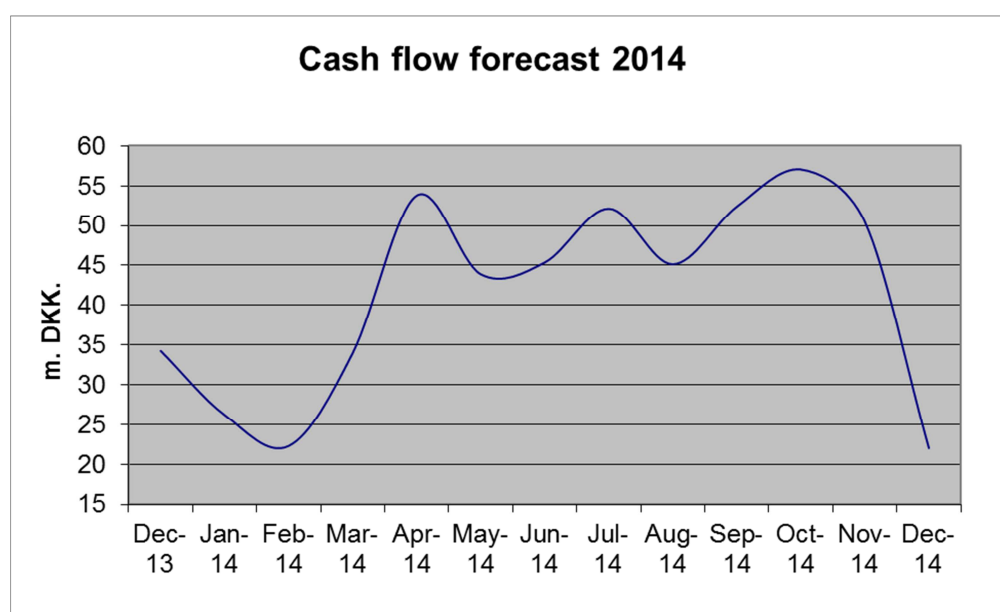
The apparent difference between the result after the second quarter and the forecast for the entire year (DKK -2.2m) is due to the fact that the majority of the income (tuition and government grant) are accrued evenly across the year, while the costs accumulate with the rate at which the resources are consumed (e.g. ongoing recruitment, funds from Management pools not materialized 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 second quarter to be DKK 2.1m.

The forecasted increase in liquid funds in April is a result receipt of payment of project funds from the EU and the Danish Agency for Science, Technology and Innovation. In August, DKK 5m 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.

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



## Forecast 2014

Table 1 above states the forecast of the university for the entire year after the second quarter. The predicted operating result indicates a loss of DKK 2.2m.

### Overview of forecast 2 2014 compared to budget 2014

As for income, the university expect revenue at DKK 262.2m, which is an improvement compared to the forecast 1. Changes in revenue will occur from research grants, profit from intellectual property rights and further financial return.

The total cost is still expected to be at the same level as in the revised budget.

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

DKK ´000	Forecast 2 2014	Forecast 1 2014
<b>Income</b>	<b>262,214</b>	<b>261,388</b>
Wages and salaries incl. holiday allowance	161,607	161,589
Other operations incl. depreciation	102,819	102,713
<b>Cost</b>	<b>264,426</b>	<b>264,302</b>
<b>Result</b>	<b>-2,212</b>	<b>-2,914</b>
<b>Equity</b>	<b>44,817</b>	<b>44,115</b>

This results in a forecasted equity of the university around DKK 44.8m by the end of 2014, corresponding to 17.1 per cent of the turnover.

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

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

Concerning income, uncertainty is still associated with the students' study activities, as the actual number of passed exams in August is not yet known and it is not yet possible to quantify the number of part-time students accurately. Adjustments of income from completion bonus and operations covered by income should also be expected.

As described above, the financial income is quite difficult to predict due to unstable political situations around the world.

The uncertainties of expenditure are related to the externally financed research projects, spending on wages and salaries, the completion of projects in progress and realisations of the management's strategic pools. Furthermore, the IT University has requested a significant reduction in the rent for the tenancy at Rued Langgaards Vej. Not only the costs of this request but also the outcome, could have significant effects on the 2014 result.

The following describes the assumptions on which the tuition forecast are based.

#### Income from education

Income from education has decreased; see Table 3 and 4 below. The forecast is based on a data from August 2014.

The production of FTE from part-time students is still rather uncertain at this point.

**Table 3: Income from Education**

	<b>Forecast 2 2014</b>	<b>Rev. Budget 2014</b>
Master of Science, FTEs	767	762
Completion bonus, MSc	112	112
Bachelor, FTEs	469	471
Completion bonus, BSc	124	142
Part-time students, FTEs	117	123
	<b>DKK ´ 000</b>	<b>DKK ´ 000</b>
Income full-time students	117,296	117,012
Total completion bonus	10,079	11,019
Total Income part-time (tariff and tuition)	14,830	15,709
<b>Total Income from education</b>	<b>142,206</b>	<b>143,740</b>

**Table 4: Admission of students – forecast as of 8<sup>th</sup> August 2014**

	<b>Admission (budget)</b>	<b>Admission Achieved*</b>	<b>Expected Admission as per October 1<sup>st</sup></b>
	<b>Spring 2014</b>	<b>Spring 2014</b>	<b>Fall 2014</b>
K-DDK	0	1	154
K-DIM	30	28	67
K-SDT	50	44	79
K-GAMES	0	0	70
Bach, SWU	0	0	93
Bach, DMD	0	0	81
Bach, GBI	0	0	63
<b>Total</b>	<b>80</b>	<b>73</b>	<b>607</b>

\* There may be minor adjustments to the admission of F14 as they are calculated definitively by 30 September 2014.