



University
of Basel

Annual Report 2016

Summary

Legal note

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www.unibas.ch/de/Universitaet/Portraet/Jahresbericht

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Our sincere thanks also go to all those who lent the university their know-how in boards and committees. First and foremost we would like to mention the members of the investment committee and the real estate committee.

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University of Basel

fiscal year 2016

At a glance

in CHF million	2016	2015	2014	2013
Income statement				
Public contributions	536.3	496.1	472.4	458.4
Third-party contributions, including SNSF	147.9	158.6	147.1	125.3
Fees, services and investment income	64.2	55.5	77.2	50.6
Out-of-period income	4.0	18.4	17.4	16.0
Total income	752.4	728.7	714.1	650.3
Personnel costs	381.7	381.7	353.3	341.5
Material expenses	316.0	290.1	281.4	266.5
Depreciation on fixed assets	30.6	29.9	29.6	28.8
Liquidation (-) / allocation (+) of unused project funds	4.0	38.9	22.9	7.6
Out-of-period expenses	1.1	19.3	0.3	0.2
Liquidation (-) / formation (+) of reserves	19.5	-14.8	20.0	2.3
Total expenses	753.0	745.1	707.4	646.9
Year-end result	-0.6	-16.4	6.7	3.4
Balance sheet				
Current assets	289.1	304.5	265.4	227.9
Fixed capital	633.1	560.1	529.6	481.3
Total assets	922.1	864.5	795.0	709.2
Borrowed capital	347.7	313.0	251.1	214.9
Committed funds	336.7	332.7	293.8	270.9
Reserves	225.0	205.4	220.2	200.3
Free equity capital	12.8	13.4	29.8	23.1
Total liabilities	922.1	864.5	795.0	709.2

The annual financial statement lists rounded figures; small rounding differences are therefore possible.

Commentary:

fiscal year 2016

Introductory remarks and appraisal of the 2016 annual financial statement

The 2016 fiscal year closed with a slightly negative result of CHF 0.6 million which, like the previous year (deficit of CHF 16.4 million), was distinguished by one-off effects related to the pension fund (see explanation later in this report). Without these one-off items, 2016 would have finished with a surplus of CHF 6.4 million, well over both the budget (deficit of CHF 8.0 million) and the previous year (deficit of CHF 1.2 million).

This positive result compared to the budget and the previous year can be attributed on the one hand to savings on the expenses side (e.g. closure of the Institute for Urban and Landscape Studies, professorship vacancies unfilled). On the other hand, it is primarily due to greater one-off income from the federal government (last payment of federal subsidies for minor investments).

Along with the favorable year-end result – excluding pension fund effects – this third year of the third performance period of the state agreement also brought positive developments in other key indicators for teaching and research. For example, student numbers have stabilized at a consistently high rate, with the University of Basel continuing to prove attractive to students from other cantons as well as doctoral candidates. The university has also been successful in attracting third-party funding for many years now. Although the funds received from the Swiss National Science Foundation (SNSF) in 2016 fell below the record set in 2015, they have remained at a very high level as compared to the past several years, despite recent changes to the procedures for assigning these funds. For other third-party funding, 2016 represented a high water mark. These developments mean that the University of Basel's stated goal – further expanding its position as a prominent, regionally anchored yet internationally oriented academic institution, while maintaining close links with society, culture and business – is closer to fruition than ever.

This report offers comprehensive details on the activities and influences of the 2016 fiscal year with the aim of providing investors, as well as interested members of the public, with the most accurate depiction possible of both the progress and the risk

of the university's operations. This transparency is particularly important in light of the challenging fiscal environment presently confronting public investors (supporting cantons, federal government). In this context, one-off effects – including the pension fund reform, with its major financial impact on the income statement and the balance sheet, as well as the accounting adjustments in 2015 in the area of federal contributions required under the University Funding Act – all affect the legibility or ready interpretation of the year-end results for 2016. These one-off postings are nonetheless necessary from an accounting practice perspective and on the basis of legal considerations, even if they cause major fluctuations when comparing the fiscal year and previous year in precisely those items mentioned above.

The financial results for 2015 and 2016 were distinguished by one-off transactions associated with the pension fund held with that of the Basel-Stadt canton (see table "Postings associated with the pension fund").

The switch from benefit plan to contribution plan, along with the simultaneous drop in the technical interest rate from 4% to 3% as at 1 January 2016, resulted in the following postings:

- The vested deposit for prevention of hardship among older insured persons in the amount of CHF 30.5 million had already been fully posted in the 2015 fiscal year. This contribution is borne by the insured persons and the university as the employer at a rate of 50% each. The employer's proportion impacted the year-end result for 2015 in the amount of CHF 15.24 million.
- Once the corresponding parliamentary resolution on the supporting cantons' refinancing of the one-off charge in connection with the pension fund became definitive (with a referendum in the canton of Basel-Landschaft), the University Council decided to also pay the proportion for pension recipients in the amount of CHF 34.0 million into the pension fund. This payment aimed at offsetting the loss in the policy reserve is met at a rate of 50% by the employer, as with the actively insured, and has an associated impact on the year-end result and equity in 2016. The other half must be borne by the pension recipients, who

Postings in connection with the pension fund

in CHF million	2016	2015	Total
Employer contribution for vested rights, actively insured	–	15.2	15.2
Employer contribution for offsetting increased pension capital	17.0	–	17.0
Total pension plan adjustment and reduction of actuarial interest rate	17.0	15.2	32.3
Extraordinary contributions from the supporting cantons (2 x CHF 15.0 million)	–30.0	–	–30.0
Reserve for anticipated pension fund charges in 2018-2021 performance period	20.0	–	20.0
Total influence on annual financial statement	7.0	15.2	22.3

forgo inflation compensation. It is recorded in the balance sheet as an employer advance and amortized by pension recipients over several years.

In 2016, the university received notice that, in the state accounts for the two supporting cantons, the special contributions for compensation of one-off employer contributions to the pension fund had already been earmarked as an obligation to the university in 2015, and according to parliamentary bills they would be paid out in equal tranches of CHF 3 million per year, per canton, over 5 years (2017–2021). This means that a corresponding receivable toward the supporting cantons had to be posted in the university's annual financial statement for 2016. In the accounts for 2016, this posting leads to a one-off gain of CHF 30 million.

In addition, the University Council has decided to create a reserve of CHF 20 million in the 2016 accounts as early acknowledgment of the expected further drop in the actuarial interest rate (currently 3%). This means that the coming performance period is provided for, as the present challenging fiscal environment suggests that the supporting cantons will not be making further special contributions. This reserve means that the university will reflect actual circumstances in its balance sheet, as the pension liability to the Basel-Stadt pension fund (PKBS) is presently valued too low with an actuarial interest rate of 3%. The use of this reserve is at the discretion of the University Council and is dependent on the decision of the PKBS, its financial impact on the university's pension fund as well as the fluctuation reserve available at the time. Although this earmarking reduces the free equity capital and thus the university's future room to maneuver in its strategic development, it also further hedges against a significant financial risk, thereby giving the university greater financial stability with respect to the next performance period.

Factors impacting the 2016 result

A deficit in the amount of CHF 0.6 million was reported for 2016. On the expenses side, there was a total increase of CHF 7.9 million over the previous year.

A more detailed view of total spending reveals the following: The ordinary total expenditure (i.e. not including out-of-period effects and the formation/liquidation of reserves) fell by CHF 8.2 million compared to the previous year, although in this area, too, there were compensatory effects. The largest single item, personnel expenses, remained almost unchanged (CHF +0.1 million), while construction expenditure increased significantly by CHF 14.8 million at the expense of the real estate fund, and there were further sizable increases in occupancy costs (CHF +3.3 million), non-capitalized small investments in the area of IT and equipment (CHF +1.1 million) and depreciation on fixed assets (CHF +0.7 million). The newly configured remuneration for teaching and research in the university's Center for Dental Medicine Basel (UZB), in the amount of CHF 10.9 million, must be recorded as an increase in purely mathematical terms, although there is effectively no change associated with this item in relation to the ordinary operating result because this remuneration, although still distributed among the existing expense and income items, had already been recorded in the previous year. There was an effective drop in operating costs (CHF –3.1 million) and non-capitalized expenses for furnishings, building services and construction investments (CHF –1.1 million) and there was a particular drop in the allocation of unused project funds affecting expenditure, down CHF 34.9 million in comparison to the previous year. On the other hand, the balance of out-of-period effects and formation/liquidation of reserves increased by CHF 16.1 million over the previous year.

Income increased by a total of CHF 23.7 million over fiscal year 2015. This increase is due to the following movements: On the one hand, public contributions increased by a total of CHF 40.2 million in 2016, with CHF 30.0 million of this increase attributable to the one-off effect associated with the special contribution from the supporting cantons for the pension fund. Along with this, on the basis of decisions for the third performance period, there was an increase in global contributions totaling CHF 4.2 million, with increases also arising in federal funds stipulated by the University Funding Act (CHF +4.8 million) and the funds defined by the Intercantonal Agreement on Universities (CHF +1.2 million).

On the other hand, there was a net decrease of CHF 10.7 million in project awards from the SNSF and third parties. Project awards from the SNSF fell by CHF 10.9 million compared to the previous year. With project awards from other third parties only increasing by CHF 0.2 million, this brought the upward trend in project funding seen over the last two years to a halt. Finally, despite the aforementioned one-off effect on the university's Dental Medicine department effective 1 January 2016, the university's own income (fees, service and investments) fell by CHF 8.6 million over the previous year, with out-of-period income recording a significant decrease of CHF 14.4 million.

Operating result/year-end result

in CHF million	2016	2015	2014	2013
Ordinary operating result	16.0	-30.3	9.6	-10.1
Out-of-period income	4.0	18.4	17.4	16.0
Out-of-period expenses	-1.1	-19.3	-0.3	-0.2
Formation (-) / liquidation (+) of reserves	-19.5	14.8	-20.0	-2.3
Reported year-end result	-0.6	-16.4	6.7	3.4

The substantial increase of CHF 46.3 million in the ordinary operating result – the balance of income and expenses before out-of-period transactions and the formation/liquidation of reserves – can be attributed on the one hand to the increased ordinary income compared to the previous year (CHF +38.1 million) and on the other to a drop in ordinary expenses (CHF -8.2 million). However, these movements are greatly influenced by the aforementioned postings in connection with the pension fund. Without these influences, the ordinary income increased by CHF 8.1 million and ordinary expenses by CHF 10.0 million.

The increase on the income side is primarily attributable to greater federal contributions. The decrease in project awards from the SNSF is largely offset by higher investment income. On the expenses side, the higher outgoings for maintenance and repair measures in the real estate fund is more than offset by a lower accrual for unused project funds.

Along with several minor items, the positive balance for this year's out of period transactions in the amount of CHF 2.9 million is partly attributable to actual receipts of federal contributions under the University Funding Act that were higher than requested. In any case, the total amount of CHF 90.8 million is only slightly (CHF 2.3 million) higher than the claim submitted in late 2015. The positive balance is also partly attributable to the relocation of the university's Dental Medicine department to the University Center for Dental Medicine Basel (UZB) effective 1 January 2016 and the associated transfer of asset balances from the university to the UZB as of 31 December 2015, resulting in net out-of-period income of CHF 0.8 million (revaluation surplus based on the opening balance of the UZB). By contrast, out-of-period expenses includes a final settlement received from the Conference of Cantonal Ministers of Education for Intercantonal Agreement on Universities (IUV) for 2014, which resulted in a reimbursement of CHF 0.2 million.

In 2016, the University of Basel formed reserves in the amount of CHF 19.5 million. This balance is the result of the formation of reserves totaling CHF 34.5 million. On the one hand, this represents reserves for the anticipated pension fund charges of CHF 20.0 million and, on the other hand, reserves for measures that are already decided, most of which were included in the 2016 budget and which will not be cost-effectively implemented in the university until 2017 or later. By contrast, in the 2016 fiscal year the reserves accumulated in previous years, totaling CHF 15.0 million, were properly liquidated. Specifically, this relates to liquidations of the committed reserves for fixed assets (CHF -3.5 million), the committed funds of the University Council (CHF -0.1 million) and reserves as per financing regulations (CHF -11.4 million). The details of the accumulated and liquidated reserves in fiscal year 2016 are explained in the following and listed in Notes 24 to 27 in the annex.

The following can be said about the individual items on the income statement:

Revenue side

Public contributions totaling CHF 536.3 million are broken down into global contributions from the two supporting cantons Basel-Stadt (CHF 165.3 million) and Basel-Landschaft (CHF 164.0 million), federal contributions under the University Funding Act (CHF 100.8 million) and contributions from other cantons in accordance with the Intercantonal Agreement (CHF 74.5 million). Separately, and therefore not included in the overall funding, the Canton of Basel-Stadt provides additional contributions covered by the special service agreements for the public mandate for the University Library (CHF 1.2 million) and Student Advice Center (CHF 0.5 million). In addition, the commitment of the two cantons to paying CHF 15 million each (across the years 2017–2021) in connection with the pension fund is delineated in the balance sheet

as a claim on the supporting cantons, which leads to an equivalent special contribution totaling CHF 30 million in the 2016 income statement (see Notes 1 to 5).

For project funds from the Swiss National Science Foundation, the University of Basel was unable to continue the upward trend in project funding seen over the last two years (see Note 6). In comparison with the record year 2015, the decrease amounts to CHF 10.9 million, which still puts the funds received from the Swiss National Science Foundation in 2016 at fourth place in a ten-year ranking. Along with entirely normal annual fluctuations, this fall in 2016 is partly due to procedural changes at the Swiss National Science Foundation. On the one hand, this has resulted in the postponement of submission deadlines for Sinergia projects, resulting in later payments for approved projects (January instead of June). On the other hand, on 1 October 2016 the Swiss National Science Foundation introduced an upper limit of one to two project awards per applicant.

However, declines in almost every faculty contributed to this considerable drop in revenues compared to the previous year. The Faculty of Science (CHF -7.9 million, previous year CHF +4.1 million), the Faculty of Humanities (CHF -2.4 million, previous year CHF +0.2 million), the Faculty of Law (CHF -0.8 million, previous year CHF +1.2 million), the Faculty of Psychology (CHF -0.6 million, previous year CHF -1.0 million), and the Faculty of Business and Economics (CHF -0.1 million, previous year CHF +0.2 million) all recorded decreased revenue compared with the previous year. Only the Faculty of Medicine (CHF +0.9 million, previous year +1.4 million) recorded slightly higher income than in the previous year. The Swiss Tropical Institute – which is associated with the university and whose Swiss National Science Foundation funding is managed by it – once again experienced growth of CHF 0.3 million (previous year CHF +1.3 million). These postings also include contributions made to the National Center of Competence in Research (NCCR) Molecular Systems Engineering (CHF 4.2 million, unchanged), to the NCCR Iconic Criticism (CHF 1.2 million, unchanged) and to the NCCR Quantum Science and Technology with leading house ETH Zurich and co-leading house University of Basel (CHF 1.6 million, previous year CHF 1.1 million). Provided they were not used in 2016, the committed project funds were reported on the balance sheet as ‘Committed funds’.

The university received CHF 80.1 million (previous year CHF 79.9 million) in third-party project funds (see Note 7). With the exception of a few

major projects, these funds break down into several awards covering all faculties, with contributions ranging from CHF 0.1 million to CHF 0.6 million. Large, topically related domains within these funds include awards for EU projects (CHF 15.5 million, previous year CHF 9.9 million) and special federal programs (CHF 12.7 million, previous year CHF 19.0 million), such as SystemsX research, the Swiss Centre for Applied Human Toxicology (SCAHT) and the Commission for Technology and Innovation (CTI). Specific mention should be made of the CTI-financed Competence Center for Research in Energy, Society and Transition (CREST), for which the university was the leading house and which reported receipts of CHF 4.1 million in 2016 (previous year CHF 4.2 million). Overhead payments of the Swiss National Science Foundation came to CHF 9.6 million (previous year CHF 7.3 million). The total is directly related to the procurement of project funds from the Swiss National Science Foundation and is provided largely to fund infrastructure. Finally, project funds include the earmarked contribution of CHF 4.5 million from the Canton of Aargau for the operation of the Swiss Nano Institute, CHF 0.5 million lower than the previous year. Third-party research funding of the university hospitals and the associated institutions of the university are not included in these figures. According to separate reporting, they amounted to CHF 82.8 million in 2016 (previous year CHF 105.7 million). Details can be found in the consolidated financial statistics in the statistical data. Provided they were not used in 2016, the committed project funds were reported on the balance sheet as ‘Committed funds’.

Miscellaneous revenues record a net increase of CHF 8.7 million. In 2016, revenues from the university’s own services fell by CHF 1.1 million over the previous year (see Note 9), and revenues from fees by CHF 1.3 million (see Note 8). However, investment proceeds increased by CHF 11.1 million. This development in investment proceeds can be attributed to the sharp rise in the balance of unrealized capital gains/losses for financial assets over the previous year (CHF +8.0 million) – which were subject to large fluctuations in line with developments in investment markets – and the rise in effectively realized financial receipts (CHF +2.1 million). The balance from foreign exchange gains/losses also recorded a small gain (CHF +1.0 million) compared with last year, due to relatively stable currency developments (see also the remarks in Notes 10 and 27).

Expenditure side

Personnel costs of the university (see Note 12) remained almost unchanged compared with the previous year (CHF +0.1 million). This includes a one-off effect that is directly related to the transition in the area of the university's pension funds. With the transition of the Basel-Stadt pension fund from benefit plan to contribution plan, and due to the reduction of the actuarial interest rate for the vested rights regulation for pension recipients in 2016, the employer's contribution was posted in the sum of CHF 17.0 million under personnel costs 2016 (the previous year included the vested rights regulation for the actively insured to the amount of CHF 15.24 million). When adjusted for these and other one-off effects associated with the pension fund reform (see Note 12), there was a decline in the adjusted personnel costs for 2016 of around CHF 1.9 million. The following developments are responsible for this decline: For the positions funded by ordinary budget resources, the relocation of the university's Dental Medicine department effective 1 January 2016 led to a reduction in personnel costs of CHF 11.2 million. Growth of CHF 4.2 million was recorded in the area of third-party funding, including the Swiss National Science Foundation, resulting in a net increase in the areas funded by ordinary budget resources, teaching, research and self-administration of CHF 5.1 million in 2016. Details can also be found in the personnel overview in the statistical data.

The decline in operating costs totaling CHF 3.1 million compared with the previous year can be attributed on the one hand to a CHF 1.1 million increase in university funds and on the other to a drop in financing from third-party funding, including the Swiss National Science Foundation (CHF -4.2 million). This increase in university funds compared to the previous year can be attributed to a balance movement. With the relocation of the university's Dental Medicine department effective 1 January 2016 (CHF -3.2 million), the expenses borne by budget funds in 2016 effectively rose by CHF 4.3 million. Individual expense categories revealed larger swings in expenses for materials and third-party services (CHF -1.4 million), contributions to institutes, fees to third parties and guest speakers (CHF -0.7 million) and administrative expenses (CHF -0.7 million). Further detailed items in operating costs are shown in Note 13 in the annex.

Compared to the previous year, occupancy costs (see Note 14) showed a net increase of CHF 3.3 million. This increase can be attributed to an increase in property rental paid to third parties (CHF +3.6 million). This is related to further rentals

on the Rosental site, in order to provide the training rooms urgently required for the Department of Chemistry, the laboratory space for the National Center of Competence in Research (NCCR) Molecular Systems Engineering, as well as the necessary temporary space (until construction site 4 on the Schällemätteli campus is developed). The delta of all other items was a net decrease of CHF 0.3 million. The basic rent for use of cantonal properties in the amount of CHF 27.7 million (previous year CHF 27.8 million), third-party rent in the amount of CHF 21.5 million (previous year CHF 17.9 million) and costs for cleaning and energy in the amount of CHF 15.1 million (previous year CHF 14.8 million) were the largest individual items under occupancy costs.

Non-capitalized small investments (purchases under CHF 1,000) increased by around CHF 1.1 million over the previous year. As in the previous year, this item (see Note 15) also includes non-capitalized expenses for software development, service contracts and investment contributions to partners.

The item for furnishings, building services and construction investments (see Note 16) shows a total net decrease of around CHF 1.1 million compared with the previous year. The expenses for furnishings (CHF -1.4 million) as well as minor investments in construction and building services (each CHF -0.3 million) fell in 2016. Deducting the capitalizable operational facilities (CHF +0.9 million compared to the previous year) brings the balance to the net decline shown.

The maintenance and investments real estate fund increased by CHF 14.8 million compared to the previous year to CHF 41.3 million (see Note 17). While expenses in the area of maintenance in construction and building services (CHF +0.1 million) as well as the services of construction and building services (CHF +0.2 million) recorded only slight growth, there was a significant increase of CHF 14.5 million in the area of building maintenance and structural modifications compared with last year. One focal area in the individual projects in 2016 was the construction works of the temporary space for the Department of Chemistry at the Rosental site (buildings WRO-1060 and WRO-1096), for which a total of CHF 16.3 million has been spent. Further significant expenditure came with the refurbishment of the cafeteria at Klingelbergstrasse 82 (CHF 2.6 million), the complete refurbishment of the property at Rheinsprung 21 (CHF 3.3 million) as well as the maintenance works at Schönbeinstrasse 6 (CHF 1.6 million). With a number of larger projects underway, current planning points to a considerable consumption of funds over the next four years.

The negative balance for the item liquidation/ allocation of unused project funds is CHF 34.9 million (previous year CHF 16.0 million).

Based on the university's accounting regulations, this item includes the effective liquidations or allocations to the corresponding liability items on the balance sheet (see detailed description in Note 22 "Liquidation/allocation of unused project funds" in the annex).

The reserves item (see notes 24–27) includes the formation and liquidation of reserves in line with the accounting regulations and financing rules of the university and approved by the University Council with the annual financial statement. The following reserves totaling CHF 34.7 million were formed for future or planned expenditure in 2016: CHF 3.5 million carried over from binding appointment awards in 2016 and a total of CHF 29.3 million for earmarked carryovers from the operating budget (CHF 7.7 million) or from the investment budget (CHF 1.6 million) in fiscal year 2016. This also includes a special amount for "matching funds" in the area of competitively acquired external funding for performance-based financial support of research groups (CHF 3.0 million, previous year CHF 3.3 million). In addition, and separately listed in Note 24, for 2016 an earmarked special reserve of CHF 20.0 million for the university's pension fund with the Basel-Stadt pension fund was formed, to ensure that the required employer's contribution can still be paid in the event of a reduction in the actuarial interest rate. Use of this reserve is at the discretion of the University Council. To hedge risks in the area of financial assets, CHF 2.0 million was accounted for in the reserves. Conversely, proper liquidations of the reserves totaling CHF 15.2 million accumulated in previous years was carried out according to their earmarking. This breaks down into CHF 8.8 million in assigned budget carryovers and CHF 2.8 million for new appointments. Committed funds from the University Council (CHF 0.1 million) and reserves for fixed assets (CHF 3.5 million) were also liquidated.

Outlook for 2017 and the fourth performance period 2018–2021

In December 2017, the University of Basel's third performance period of joint sponsorship of the two cantons of Basel-Landschaft and Basel-Stadt comes to a close. In October 2016, the university presented its planning foundations for the next, fourth performance period covering the years 2018 to 2021 in a report to the supporting cantons, along with a corresponding finance application.

Analysis of present key figures shows that the University of Basel has made outstanding progress in recent years. After the State Treaty came into force in 2007, it managed to consolidate its curricular range and to adopt a clear profile with the establishment and targeted promotion of strategic focal areas. At the organizational and infrastructural level, too, the university has experienced a boost in development in recent years. With over 10,000 students at the bachelor's and master's level, plus around 2,700 doctoral candidates, there is no doubt that it is presently one of the strongest universities in Switzerland, or indeed Europe, in terms of research profile and international recognition, especially in its main strategic areas. As the University of Basel is considered mid-sized in national terms and among the smaller universities in international terms, this achievement proves the extraordinarily high academic productivity of this university.

At the same time, the University of Basel is adept at reconciling international excellence with regional positioning. Not only does it focus on areas that are of particular interest to the local economy, namely life sciences and medicine, it also contributes greatly to regional value creation. This contribution includes its work with the University of Applied Sciences and Arts Northwestern Switzerland, ETH Zurich and associated hospitals and institutes (Swiss Tropical and Public Health Institute, Friedrich Miescher Institute, Swisspeace, Basel Institute on Governance). According to an estimate by BAK Basel, each franc that the cantons Basel-Stadt and Basel-Landschaft invest in the university generates three francs in the region. This makes the university an investment with high returns for the region. At the same time, the university is an innovation driver for both the Basel cantons and contributes greatly to north-western Switzerland's status as the most innovative region in the country. Innovation is essential for prosperity in our country and in our cantons, as 70–80% of our economic growth comes from innovation. Conversely, this means that a lack of investment in innovative institutions, such as the university, could brake the innovation driver and economic growth could ultimately suffer.

In its application for the 2018–2021 performance period, the University of Basel was obliged to consider the "provisions and developments of the supporting cantons" as defined in the 2014-2017 University Mandate. A public statement, which claimed that the canton of Basel-Landschaft could reduce its annual contribution by CHF 20–25 mil-

lion, would mean that the canton of Basel-Stadt, according to the state agreement, would reduce its overall funding by the same amount, which on balance would entail a reduction of contributions from the supporting cantons of CHF 40–50 million. These publicly discussed scenarios aside, the supporting cantons have signaled to the university that they are looking for an overall reduction with respect to the residual deficit. Because the university's third-party funding capacity is directly reliant on basic funding by the supporting cantons, any such change would also bring significant losses in other public funding sources (contributions from the federal government and other cantons) as well as the procurement of third-party funding. This would have a domino effect that the university would be unable to withstand.

Savings would have an impact on the performance of the university and with it its position in the national and international environment. By contrast, the competition at the national level (particularly institutes of technology) and internationally are making major investments. Should the supporters of the University of Basel forgo such investment, they risk a deterioration in the university's standing.

One factor of great importance for the long-term success of the university is structural development. In the life sciences in particular, research and teaching rely on up-to-date infrastructure. It is primarily the aging structure and associated safety issues that make implementation of the construction project on the Schällemätteli campus so important. The costs associated with this building project present a major challenge in the financing of the university.

Regardless of these financial challenges, the university will work economically with the global contributions of the supporting cantons – just as it always has in the past – and will aim to realize financing opportunities from internal restructuring and efficiency gains. In addition, the university will undertake major efforts to further expand innovation and knowledge transfer in the private sector (including the Innovation Park Northwestern Switzerland). This would represent a major contribution to a higher added value in the Basel region. At the same time, major emphasis will be placed on fund-raising to increase third-party funding, high though it already is in international comparison. This is expected to further strengthen research, even in the face of today's challenging fiscal environment.

University of Basel income statement 2016

in Swiss francs	Statement 2016	Statement 2015
Revenue		
Overall funding Canton of Basel-Stadt	165,300,000	163,200,000
Overall funding Canton of Basel-Landschaft	164,000,000	161,900,000
Federal funding as per the University Funding Act	100,762,067	95,987,163
Funding from other cantons under the Intercantonal Agreement	74,504,788	73,264,884
Special contributions	31,754,100	1,754,100
Public contributions	536,320,955	496,106,147
Project awards from the SNSF	67,775,682	78,716,708
Project awards from other third parties	80,101,359	79,906,769
Project awards from the SNSF and third parties	147,877,042	158,623,477
Revenue from fees	24,560,418	25,888,953
Revenue from services	30,848,534	31,901,770
Investment proceeds	8,783,657	-2,267,065
Other revenue sources	64,192,609	55,523,659
Out-of-period income	3,998,240	18,427,017
Out-of-period income	3,998,240	18,427,017
Total income	752,388,846	728,680,300
Expenses		
Personnel costs	381,732,881	381,650,840
Operating costs	106,012,234	109,081,029
Occupancy costs	66,998,454	63,726,537
Small-scale IT and equipment investments	5,685,395	4,556,605
Furnishings, building services and construction investments	3,218,938	4,363,104
Maintenance and investments in real estate fund	41,280,726	26,491,357
Compensation for teaching and research in clinical medicine at university hospitals and hospitals with university clinics	81,906,834	81,906,834
Remuneration for teaching and research in the university's Center for Dental Medicine Basel	10,918,225	-
Depreciation on real estate	1,770,790	1,770,796
Depreciation on fixed assets	28,868,462	28,146,554
Liquidation (-) / allocation (+) of unused project funds	3,968,171	38,862,144
Ordinary expenses	732,361,112	740,555,801
Out-of-period expenses	1,087,387	19,341,905
Out-of-period expenses	1,087,387	19,341,905
Liquidation (-) / formation (+) of reserves as per financing regulations	21,161,886	-8,154,381
Liquidation (-) / formation (+) committed allocations University Council	-126,167	-784,211
Liquidation (-) / formation (+) committed reserves for fixed assets	-3,476,458	-141,243
Liquidation (-) / formation (+) committed reserves for investment risks	1,951,937	-5,718,278
Reserves	19,511,198	-14,798,113
Total expenses	752,959,696	745,099,593
Year-end result		
Annual net profit	-570,850	-16,419,293

University of Basel balance sheet as at December 31, 2016

in Swiss francs	12/31/2016	12/31/2015
Assets		
Liquid assets	64,266,757	111,756,319
Short-term financial assets	52,668,862	74,918,837
Receivables from third parties	24,216,144	24,653,156
Receivables from the Confederation	110,429,720	88,500,000
Receivables due from supporting cantons	30,000,000	–
Receivables due from affiliates	77,960	143,086
Operational stocks	449,762	483,748
Accruals	6,980,877	3,997,166
Total current assets	289,090,081	304,452,312
Long-term financial assets	288,077,325	282,294,332
Investments	1,228,167	1,204,100
Employer advance pension fund	55,690,855	49,214,476
Loans receivable	6,984,198	–
Properties for operational needs	54,379,704	56,150,493
Facilities	95,619,444	99,095,903
Facilities under construction	131,074,688	72,108,463
Total fixed capital	633,054,381	560,067,766
Total assets	922,144,462	864,520,078
Liabilities		
Liabilities toward third parties	53,905,335	44,361,617
Mortgages	1,250,000	1,250,000
Loans, supporting cantons	60,000,000	60,000,000
Loans, restructuring pension fund	30,468,538	34,000,000
Loans, assets under construction	126,961,591	66,332,347
Balance sheet reserves	42,996,554	49,375,304
Accrued liabilities	32,163,004	57,709,254
Total borrowed capital	347,745,022	313,028,523
Project funds Swiss National Science Foundation	114,522,620	110,859,459
Project funds Man-Society-Environment (MSE)	389,377	389,377
Real estate fund	32,696,946	39,163,858
Other project funds (field-specific or earmarked)	152,099,492	145,335,581
Committed capital funds, foundations and associations	36,945,416	36,938,038
Total committed funds	336,653,851	332,686,313
Reserves from appointments	17,936,290	17,245,069
Reserves from budget carryovers	68,279,897	47,809,232
Committed awards University Council	2,125,487	2,251,654
Committed reserves for fixed assets	95,619,442	99,095,901
Committed reserves for investment risks	40,995,003	39,043,066
Total reserves	224,956,119	205,444,922
Free capital funds and foundations	7,772,215	7,660,550
Free reserves	5,588,105	22,119,063
Year-end result	–570,850	–16,419,293
Total free equity capital	12,789,470	13,360,320
Total liabilities	922,144,462	864,520,078

Notes to the University of Basel Annual Financial Statement 2016

Scope of consolidation

Based on the recognized business principles for corporate groups with the duty to consolidate or business-like organizations, the annual financial statement of the University of Basel encompasses all asset, capital and performance figures for all departments and service divisions belonging to the University of Basel as a public corporation as well as all figures for legally independent and non-independent foundations, funds and associations that have significant economic relationships with the university. In addition, it reports all funds given by third parties for the fulfillment of the university's performance mandate or which make it possible to carry out supplementary projects in research and teaching for the university or its representatives.

Alternatively, the following rules apply for the principle of inclusion in the annual financial statement:

- Foundations, funds and associations are included if the majority of the members of the legally established body which has influence over the management and assets of the respective organization as the supreme authority consists of university members who are exercising their university function.
- Economic relationships are considered significant if the majority of the assets and/or contributions benefit the other units that are included in the university's scope of consolidation.

The departments and service divisions are listed at the end in the table of financial performance figures in the statistical data for the annual financial statement. Non-independent legal funds and foundations refers to around 60 different gifts and legacies from third parties that benefit the university, individual departments or institutes, or that benefit university hospitals and individual university museums. The university manages a large portion of these funds in accordance with the wishes of the donors in the unified university assets. Legally independent foundations and associations also refer to funds given to the university by third parties. The foundations that are wholly integrated according to civil law are subject to the cantonal supervisory law and are also managed by the university.

The foundations and associations according to civil law are the following:

- Alfred Mutz-Stiftung
- Bernd Hollander-Stiftung
- Frey-Grynäische Stiftung
- Friedrich Zschokke-Stiftung
- Fritz Mangold-Stiftung
- Josef-Anton Häfliger-Stiftung
- Nikolaus und Bertha Burckhardt-Bürgin-Stiftung
- Rudolf Riggenschach-Stiftung
- Stiftung für das Knochentumor-Referenzzentrum Basel
- Stiftung für theologische und philosophische Studien
- Stiftung Schweizerisches Wirtschaftsarchiv
- Stiftung Zschokke-Haus
- Stiftung zur Förderung der biologischen Forschung
- Swiss Foundation for Excellence and Talent in Biomedical Research
- Universitätsstiftung Basel
- Verein AlumniBasel
- Verein zur Förderung des Wirtschaftswissenschaftlichen Zentrums der Universität Basel

Art. 31 para. 1 of the agreement between the Cantons of Basel-Landschaft and Basel-Stadt concerning the joint sponsorship of the University of Basel states: "Medical teaching and research is sponsored by the university, in particular the Faculty of Medicine. Services are performed both in the university departments and institutes as well as at the university hospitals and hospitals with university clinics." As part of the State Agreement negotiations, the costs for clinical teaching and research at the university hospitals and hospitals with university clinics were separated and integrated into the university's overall budget. Because the responsibility for accounting and supervision of the clinics remains in the hands of the cantons, the university accounting presented here does not consolidate the operational assets, capital and performance figures of the university hospitals (including the research department) or the hospitals with university clinics, the Institute of Forensic Medicine or the university's Center for Dental Medicine Basel (UZH). From the 2007 fiscal year, the hospital services rendered for the Faculty of Medicine are financially compensated

(UZB from 2016), thus constituting a purchase of services on the part of the university from the hospitals. As in the past, their SNSF research funds and individual grants in the area of external funding are integrated in the university's management of SNSF funds and external funding and are part of the university's annual financial statement.

Receivables and liabilities with respect to the two cantons are reported as "Receivables/liabilities due from affiliates". The financial involvements within the university have been eliminated.

University accounting practices

When the State Agreement came into effect in 2007, a significant change was made to the funding bases for the university. The new equal sponsorship of the university by both of the Basel cantons introduced new accounting requirements. The following describes the university's accounting principles required by the State Agreement, which have been fully adhered to since 2007.

Accounting principles

The university gaining its autonomy in 1997 resulted in strict accounting requirements. For this reason, as part of the effort to provide affiliates as well as third parties with open and transparent accountability for the funds entrusted to the university, the university's accounting in the subsequent years was gradually modified to comply with current and recognized accounting principles such as those defined in the specialized accounting recommendations (Swiss GAAP FER). The new equal sponsorship of the university by the two Basel cantons from 2007 was accompanied by additional changes to the accounting practices, which has further increased the already high standards in terms of transparency. The accounting standards introduced at the university are described below, with the primary goal being to realize the principle of a "true and fair view":

- Clear structure of the annual financial statement, consisting of a revenue and expense income statement, investment- and financing-appropriate balance sheet as well as notes with additional remarks on the annual financial statement that include regrouping of the funds and foundations of the university with respect to earmarking and availability.
- Appraisal of the university's own properties and other properties used for university purposes at acquisition costs minus the economically necessary adjustments. The revaluation reserves resulting from the initial inventory are reported as committed reserves and are adjusted annually by

the result from capitalizations, write-offs and investment contributions (federal subsidies, real estate fund contributions, third-party contributions).

- Assessment of operational facilities with respect to acquisition costs less economically necessary adjustments. The revaluation reserves resulting from the initial inventory are reported as committed reserves and are adjusted annually by the result from capitalizations and write-offs.
- University contributions in the area of upkeep and development of cantonal properties are treated as investment contributions by the university and are therefore not capitalized. In the domain of properties belonging to the university and properties used for university purposes, the value-enhancing investment contributions in the area of upkeep and development are capitalized and written off in accordance with the capitalization rules.
- Properties with rooms that are not used for university purposes but instead for rental revenue for the purposes of foundations and funds (e.g. scholarships disbursements) are allocated to financial assets and appraised at market value.
- Valuation of financial assets at market values.
- Compliance with the gross assets principle (reporting gross investment income and its use according to the resolution passed by the University Council for the distribution of profits within the scope of Swiss National Science Foundation and external funding administration of the university). Value adjustments are built up or liquidated in the amount of unrealized exchange gains/losses in the income statement and allocated to the centrally managed reserve for market risks.
- There is an allocated reserve for investment risks, taking into account the risk structure of the financial investments. This includes the value adjustments for unrealized capital gains and can be additionally accumulated for adequate protection against market risks from the effective investment income.
- Shares are valued at their acquisition cost.
- Operational stocks are valued according to the lowest value principle.
- Liquidity encompasses cash in hand, postal account and bank balances as well as cash equivalents with a remaining maturity of at least 90 days. They are appraised at their nominal value.
- Balance sheet reserves are formed when an event creates a probable liability before the balance sheet date and for which the amount and/or due date is uncertain but can be estimated. Balance sheet reserves are assessed at their nominal value.

- Reporting of deferred income and expenses on an accrual basis.
- Formation of reserves for university-internal awards that involve commitment or earmarking of own resources according to the financial regulations:
 - For unused funds from appointment awards
 - For approved earmarking from budget carry-overs of the organizational units
 - For committed awards of the University Council.
- The organizational units have submitted a declaration of completeness and thus confirmed that they have reported all relevant transactions to the central authorities. In the course of reasonable efforts taken on the part of the university administration, this makes it possible to establish that the criteria for completeness have been met on the reporting date, especially with respect to the scope of consolidation and recording of the external funds received.
- Small rounding differences may result because values are rounded off in the annual financial statement.

It should be noted that the overall picture of the annual financial statement is a comprehensive material representation of the activities of the university, in particular the income statement.

Outlook for developments

The following measures have already been adopted or introduced for the further development of the university accounting instruments in 2017:

- Based on the constantly arising additions to auditing standards as well as internal needs, the existing university accounting manual must be successively expanded upon and updated.
- In 2017, the university is once again stepping up its university-wide integration efforts in the area of the central SAP administration software. Work on the university's hiring process will therefore be further intensified in the personnel area on the basis of workflow solutions and the planning system which has been fully integrated with the new SAP personnel system since 2016. This also includes those involved locally in the hiring process who will receive new evaluation options as part of personnel control measures. Finally, in 2017 the SAP Competence Center, which is integrated into the Office of the Administrative Director, will continue developing the first version of a business warehouse solution for President's Board, faculties and departments in accordance with their requirements. The solution, which went live in the fall of 2016, will aim to offer the already extensive data volumes in the SAP administration systems in the form of up-to-date evaluations appropriate for each level of management.

Risk management and the internal control system of the university

Principles and concept

The University Council and the President's Board of the University of Basel are responsible for establishing and maintaining a risk management system and reasonable internal checks. The internal control system (ICS) of the university was designed to provide the University Council and the President's Board with an appropriate level of dependability in financial reporting as well as for the creation and presentation of the published annual financial statement reflecting the actual circumstances.

In addition to the control measures described on the level of the university at large, the internal control system of the university includes guidelines for risk assessment and a list of numerous checks on the process level that have already been implemented for several years now. Based on this concept, the Office of the Administrative Director created a documented risk control matrix for the key financial risks in 2009 and worked out the necessary checkpoints. The documented and evaluated processes are summarized in eight core processes. In addition, the new signature and initialing regulations that came into effect on 1 January 2011 have been implemented across the board, thus formalizing and standardizing the signature authorities and accounting checks throughout the entire university.

In close cooperation with the University Council, the President's Board has also developed a comprehensive risk assessment procedure and university risk profile in order to document both financial risks and the key risks for the university and to set out any necessary measures. The University Council has acknowledged this very comprehensive work and commissioned the President's Board with implementing the necessary measures.

The President's Board regularly reviews, at least once annually, the risk assessment report and the prepared university risk profile in order to identify new key risks for the university and to take any necessary measures in timely fashion on the basis of this report. The results from these audits are presented to the University Council in a risk report.

Projects in progress

In view of the statutory regulations, an overarching risk management concept and internal control system at the University of Basel have been adopted by the University Council. Due to the highly complex implications and the necessary differentiated view, the associated work in the line constitutes a permanent process in which both the university's procedures as well as the implemented control activities are continuously reviewed, updated or modified if necessary and expanded upon by the responsible administrative levels of the university.

Statistical data 2016

Financial performance figures from the departments and service divisions (revenue)

CHF thousand	Contributions state sponsors Statement 2016	Financial awards SNSF third parties Statement 2016	Fees Services Other revenue sources Statement 2016	Total Revenue Statement 2016	Total Revenue Statement 2015
Departments					
Theology Studies	3,398	1,159	155	4,712	5,105
Law	11,241	1,494	601	13,336	13,836
Biomedicine	16,873	16,438	9,923	43,234	38,791
Dental Medicine	10,566	120	922	11,608	15,944
Sport, Exercise and Health	4,895	519	296	5,710	5,559
Public Health	2,728	3,012	1,786	7,525	8,986
Biomedical Engineering	837	3,281	344	4,462	7,318
Clinical Medicine (Uni Clinics) ¹⁾	82,180	13,051	379	95,610	93,458
Medicine, unallocated	5,925	795	62	6,782	7,326
Foreign Languages and Literary Studies	10,100	4,142	82	14,324	14,676
Studies of the Ancient World	3,543	3,197	70	6,810	6,587
Social Sciences	6,234	4,349	164	10,747	11,113
History	3,956	2,449	46	6,451	7,211
Arts, media and philosophy	6,211	1,755	112	8,078	9,665
Humanities, unallocated	4,765	2,621	189	7,575	7,153
Physics	10,971	12,188	1,636	24,795	25,752
Environmental Sciences	18,359	6,621	1,532	26,512	27,472
Mathematics and Computer Science	6,956	2,275	249	9,481	10,349
Chemistry	12,594	12,956	317	25,867	24,983
Pharmacy	11,593	3,245	1,591	16,428	15,272
Biozentrum	42,064	19,926	898	62,888	62,893
Natural Sciences, unallocated	1,155	128	0	1,283	1,297
Economics	9,810	8,623	774	19,207	18,367
Psychology	10,793	3,882	1,728	16,403	15,686
Institute for European and Global Studies	1,912	603	65	2,580	2,734
Institute for Biomedical Ethics	786	703	9	1,498	1,339
Center for Philanthropy Studies	218	585	461	1,264	1,297
Institute of Education Studies	513	176	–	689	671
Institute of Urban and Landscape Studies	1,408	290	3	1,701	205
Service divisions					
University Library	23,225	1,282	2,799	27 306	25 879
IT Services	17,879	973	66	18 918	18 364
University administration	29,115	955	3,065	33 135	34 602
University-wide, unallocated ²⁾	163,517	14,086	37,867	215 470	188 789

CHF thousand	Contributions state sponsors Statement 2016	Financial awards SNSF third parties Statement 2016	Fees Services Other revenue sources Statement 2016	Total Revenue Statement 2016	Total Revenue Statement 2015
Summary by faculty					
Faculty of Theology	3,398	1,159	155	4,712	5,105
Faculty of Law	11,241	1,494	601	13,336	13,836
Faculty of Medicine	124,004	37,216	13,711	174,931	177,383
Faculty of Humanities and Social Sciences	34,809	18,513	664	53,986	56,406
Faculty of Science	103,692	57,338	6,223	167,253	168,018
Faculty of Business and Economics	9,810	8,623	774	19,207	18,367
Faculty of Psychology	10,793	3,882	1,728	16,403	15,686
Interdisciplinary units	4,837	2,356	538	7,732	6,247
Service divisions	70,218	3,211	5,930	79,359	78,844
University-wide, unallocated ²⁾	163,517	14,086	37,867	215,470	188,789
	536,321	147,877	68,191	752,389	728,680

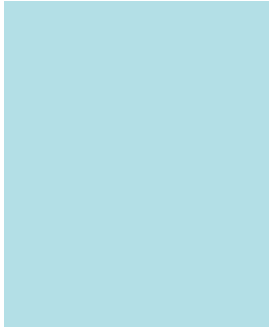
- 1) The third-party awards reported for the university clinics essentially only include awards from the Swiss National Science Foundation that were processed and posted by the university authority responsible for administration of the contributions. The other external funding in the area of teaching and research in clinical medicine is granted directly to the individual clinics.
- 2) Unallocated university-wide figures include the public contributions that are not allocated directly to the organizational units, project funds that have not been finally allocated and tuition fees.

Financial performance figures from the departments and service divisions (expenses)

CHF thousand	HR costs Statement 2016	Misc. Expenses Statement 2016	Depreciation fixed assets 2016	Total Expenses Statement 2016	Total Expenses Statement 2015
Departments					
Theology Studies	5,985	478	42	6,505	6,834
Law	12,666	1,343	150	14,159	13,785
Biomedicine	27,419	11,951	2,654	42,024	38,107
Dental Medicine ¹⁾	153	11,511	–	11,664	15,840
Sport, Exercise and Health	5,215	425	309	5,949	5,661
Public Health	5,409	1,634	33	7,076	7,256
Biomedical Engineering	2,516	369	263	3,148	1,742
Medical research (Uni clinics) ²⁾	11,478	86,017	281	97,775	97,951
Medicine, unallocated	3,993	2,645	73	6,711	6,250
Foreign Languages and Literary Studies	13,780	778	217	14,776	14,556
Studies of the Ancient World	5,860	725	165	6,750	6,032
Social Sciences	10,304	1,262	161	11,728	10,926
History	5,975	599	104	6,679	6,982
Arts, media and philosophy	8,037	682	139	8,858	8,907
Humanities, unallocated	6,782	1,167	155	8,103	7,439
Physics	20,058	3,742	3,715	27,516	27,809
Environmental Sciences	22,151	3,651	1,531	27,333	29,098
Mathematics and Computer Science	9,119	517	274	9,910	10,583
Chemistry	18,964	4,626	3,153	26,743	26,159
Pharmacy	11,992	2,351	1,368	15,711	15,656
Biozentrum	43,827	12,025	8,396	64,248	61,843
Natural Sciences, unallocated	884	41	24	949	874
Economics	13,312	5,281	244	18,837	17,370
Psychology	12,711	2,271	608	15,591	15,517
Institute for European and Global Studies	2,353	437	29	2,820	2,530
Institute for Biomedical Ethics	1,434	53	14	1,500	1,358
Center for Philanthropy Studies	999	303	12	1,314	1,126
Institute of Education Studies	648	41	1	689	671
Institute of Urban and Landscape Studies	1,283	205	7	1,495	247
Service divisions					
University Library	16,937	9,658	388	26,984	25,856
IT Services	10,228	7,060	2,010	19,299	18,957
University administration	27,236	6,450	470	34,156	35,766
University-wide, unallocated ³⁾	42,025	160,288	3,648	205,962	205,410

CHF thousand	HR costs Statement 2016	Misc. Expenses Statement 2016	Depreciation fixed assets 2016	Total Expenses Statement 2016	Total Expenses Statement 2015
Summary by faculty					
Faculty of Theology	5,985	478	42	6,505	6,834
Faculty of Law	12,666	1,343	150	14,159	13,785
Faculty of Medicine	56,183	114,552	3,613	174,348	172,807
Faculty of Humanities and Social Sciences	50,738	5,214	942	56,895	54,840
Faculty of Science	126,995	26,953	18,461	172,409	172,023
Faculty of Business and Economics	13,312	5,281	244	18,837	17,370
Faculty of Psychology	12,711	2,271	608	15,591	15,517
Interdisciplinary units	6,716	1,040	62	7,818	5,933
Service divisions	54,401	23,168	2,868	80,438	80,580
University-wide, unallocated ²⁾	42,025	160,288	3,648	205,962	205,410
	381,733	340,588	30,639	752,960	745,100

- 1) From 2016, Dental medicine contains remuneration for teaching and research at the UZB (CHF 10.9 million).
- 2) Miscellaneous expenses for medical research (university clinics) contains remuneration for teaching and research in clinical medicine at the university hospitals and hospitals with university clinics in the amount of CHF 81.9 million (previous year CHF 82.0 million).
- 3) The figure "University wide, unallocated" includes central personnel costs (e.g. pension inflation, social allowances, substitutes for vacant professorships, restructuring of the pension funds), the real estate fund, the liquidation/allocation of unused project funds, Unisport, SKUBA, AVUBA, expenses from federal programs (e.g. career advancement), basic rent for use of cantonal properties belonging to the Canton of Basel-Stadt, premises costs for energy, third-party rent and cleaning, and the formation of reserves for earmarked budget carryovers.



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