KPMG

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Financial Statements

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)

KPMG

345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Trustees
The Cooper Union for the Advancement
of Science and Art:

We have audited the accompanying consolidated balance sheets of The Cooper Union for the Advancement of Science and Art (The Cooper Union) as of June 30, 2002 and 2001, and the related consolidated statements of changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of The Cooper Union's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Cooper Union for the Advancement of Science and Art as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 13, 2002

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Balance Sheets

June 30, 2002 and 2001

Assets		2002	2001
Cash and cash equivalents	$	6,612,312	478,275
Investments (note 2)		77,267,794	100,956,854
Contributions receivable, net (note 3)		6,084,664	7,537,906
Other receivables		707,365	724,540
Prepaid expenses and other assets (note 5)		2,319,815	1,642,957
Loans to students, net of allowance for doubtful loans of $32,570 in 2002 and 2001		448,161	412,660
Funds held by trustee (notes 2 and 5)		3,760,290	3,786,584
Plant assets, net (note 4)		49,118,692	50,991,782
Total assets	$	146,319,093	166,531,558
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	5,220,335	4,303,061
Deferred revenue		704,400	544,956
Accrued interest (note 5)		773,130	788,003
Other liabilities		393,269	357,809
Liability under lease agreement (note 8)		1,000,000	2,000,000
Liability under charitable trusts and annuity agreements		4,427,170	4,653,330
Obligations to Dormitory Authority of the State of New York (note 5)		27,531,911	28,192,538
Accrued postretirement benefit costs (note 7)		7,734,414	7,656,020
Total liabilities		47,784,629	48,495,717
Net assets:			
Unrestricted		22,609,376	36,089,635
Temporarily restricted (note 6)		26,093,545	34,973,347
Permanently restricted (note 6)		49,831,543	46,972,859
Total net assets		98,534,464	118,035,841
Total liabilities and net assets	$	146,319,093	166,531,558

See accompanying notes to consolidated financial statements.

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Statements of Changes in Unrestricted Net Assets

Years ended June 30, 2002 and 2001

		2002	2001
Operations:			
Revenues:			
Investment income:			
Income from real estate (note 8)	$	12,544,634	12,268,247
Investment return utilized for operations (note 2)		2,642,070	4,802,398
Student tuition and fees		24,216,121	8,385,547
Tuition discount		(22,588,558)	(7,016,040)
Net student tuition and fees		1,627,563	1,369,507
Contributions		8,432,804	4,209,318
Government grants and contracts		1,030,284	1,229,105
Appropriations -- State of New York aid		89,086	100,967
Rental income (note 8)		1,395,346	1,365,638
Auxiliary enterprises		1,315,415	1,255,683
Other revenue (note 4)		2,297,915	1,029,155
		31,375,117	27,630,018
Net assets released from restrictions (note 6)		11,378,874	2,711,608
Total revenues		42,753,991	30,341,626
Expenses:			
Program services:			
Instruction		14,785,552	14,080,804
Academic support		9,634,349	9,170,867
Public service		1,951,295	1,885,796
Research		232,986	289,973
Student services		2,363,962	2,229,305
Student aid		1,320,345	1,209,595
Auxiliary enterprises		1,871,598	1,861,040
		32,160,087	30,727,380
Supporting services:			
Management and general		8,112,972	8,530,018
Fund-raising		2,543,068	2,198,666
		10,656,040	10,728,684
Total expenses		42,816,127	41,456,064
Excess of expenses over revenues from operations before nonoperating activity		(62,136)	(11,114,438)
Nonoperating activity:			
Deficiency of investment return over amount utilized for operations (note 2)		(13,418,123)	(19,226,913)
Decrease in unrestricted net assets	$	(13,480,259)	(30,341,351)

See accompanying notes to consolidated financial statements.

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2002 and 2001

	2002	2001
Changes in unrestricted net assets:		
Operations:		
Total unrestricted revenues, before net assets released from restrictions	$ 31,375,117	27,630,018
Net assets released from restrictions (note 6)	11,378,874	2,711,608
Total unrestricted expenses	(42,816,127)	(41,456,064)
Excess expenses over unrestricted revenues from operations	(62,136)	(11,114,438)
Deficiency of investment return over amount utilized for operations (note 2)	(13,418,123)	(19,226,913)
Decrease in unrestricted net assets	(13,480,259)	(30,341,351)
Changes in temporarily restricted net assets:		
Contributions	9,121,715	7,534,194
Investment losses (note 2)	(6,622,643)	(9,689,420)
Net assets released from restrictions (note 6)	(11,378,874)	(2,711,608)
Decrease in temporarily restricted net assets	(8,879,802)	(4,866,834)
Changes in permanently restricted net assets:		
Contributions	2,858,684	2,021,020
Increase in permanently restricted net assets	2,858,684	2,021,020
Decrease in net assets	(19,501,377)	(33,187,165)
Net assets at beginning of year	118,035,841	151,223,006
Net assets at end of year	$ 98,534,464	118,035,841

See accompanying notes to consolidated financial statements.

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

Consolidated Statements of Cash Flows

Years ended June 30, 2002 and 2001

	2002	2001
Cash flows from operating activities:		
Decrease in net assets	$ (19,501,377)	(33,187,165)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Gain on sale of building	(2,242,472)	—
Depreciation and amortization expense	3,698,006	3,698,021
Realized and unrealized losses of fair value of investments	18,726,455	25,993,250
Permanently restricted contributions	(2,858,684)	(2,021,020)
Changes in assets and liabilities:		
Decrease (increase) in contributions receivable, net of permanently restricted portion	1,203,242	(6,046,384)
Decrease in other receivables	17,175	39,039
(Increase) decrease in prepaid expenses and other assets, net of amortization of bond issuance costs	(710,061)	88,885
Increase in loans to students	(35,501)	(62,241)
Increase in accounts payable and accrued expenses	917,274	650,287
Increase (decrease) in deferred revenue	159,444	(114,874)
Decrease in accrued interest	(14,873)	(125,127)
Increase (decrease) in other liabilities	35,460	(121,413)
Decrease in liability under lease agreement	(1,000,000)	(1,000,000)
Increase in accrued postretirement benefit costs	78,394	25,993
Net cash used in operating activities	(1,527,518)	(12,182,749)
Cash flows from investing activities:		
Proceeds from sale of building	2,600,500	—
Purchases of investments	(88,830,591)	(188,224,840)
Proceeds from sales of investments	93,793,196	201,931,568
Decrease in funds held by trustee	26,294	2,693,270
Purchases of plant assets	(2,135,368)	(5,945,197)
Net cash provided by investing activities	5,454,031	10,454,801
Cash flows from financing activities:		
Permanently restricted contributions	2,858,684	2,021,020
Decrease in permanently restricted contributions receivable	250,000	250,000
Payment of obligation to Dormitory Authority of the State of New York	(675,000)	(550,000)
(Decrease) increase in liability under charitable trusts and annuity agreements	(226,160)	27,869
Net cash provided by financing activities	2,207,524	1,748,889
Net increase in cash and cash equivalents	6,134,037	20,941
Cash and cash equivalents at beginning of year	478,275	457,334
Cash and cash equivalents at end of year	$ 6,612,312	478,275
Supplemental cash flow information:		
Cash paid during the year for interest	$ 1,561,136	1,701,133

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

Organization

The accompanying consolidated financial statements include the financial position, changes in net assets, and cash flows of The Cooper Union for the Advancement of Science and Art (the College) and its affiliates, The Cooper Union Research Foundation, Inc. (CURF) and Astor Place Holding Corporation (Astor Place).

The College was founded in 1859 through the bequest of Peter Cooper, a noted industrialist and philanthropist. Consistent with Peter Cooper's wishes, the College remains one of the few private, full-tuition scholarship colleges in the United States. The College has designated a $25,000 tuition charge for full-time students to facilitate eligibility for outside tuition assistance programs. All new students are required to apply to such programs. The College is dedicated exclusively to preparing students for the professions of architecture, art, and engineering. The College was incorporated under a special act of the New York State Legislature in 1859 and is subject to the jurisdiction of the Regents of the University of the State of New York.

CURF is an affiliated, not-for-profit corporation which was founded in February 1976 for the purpose of enhancing the quality of education at the College by promoting, encouraging, and supporting scientific investigation and research by faculty and students.

The College is the sole stockholder of Astor Place, a corporation organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof less expenses to the College.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the College, CURF, and Astor Place (collectively referred to as The Cooper Union). All significant interorganizational balances and transactions have been eliminated in consolidation.

Summary of Significant Accounting Policies

Basis of Presentation

Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of The Cooper Union or the passage of time. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by The Cooper Union. Generally, the donors of these assets permit The Cooper Union to use all or part of the income earned on related investments for general or specific purposes.

Income Tax Status

The College and CURF are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Astor Place is exempt from Federal income tax under Section 501(c)(2) of the Internal Revenue Code.

Cash Equivalents

Cash equivalents consist of short-term investments with original maturities of three months or less, except for those short-term investments which are managed by The Cooper Union's investment managers and trustees and are included in investments.

Depreciation and Amortization

Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives ranging from three to forty years. Leasehold improvements are amortized on a straight-line basis over their estimated useful lives or the life of the lease, whichever is shorter.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The fair value of investments other than real estate and limited partnerships is based on quoted market prices at the reporting date. The carrying amount of bonds payable approximates fair value because they carry an interest rate similar to the market rate offered by similar instruments. The carrying amounts of all other financial instruments approximate fair value because of the short maturity of those instruments.

Reclassifications

Certain 2001 amounts have been reclassified to conform to the current year presentation.

Other Significant Accounting Policies

Other significant accounting policies are set forth in the consolidated financial statements and the following notes.

(Continued)

(2) Investments

Investments in debt and equity securities are reported at fair value based on quoted market values. Limited partnerships are reported at fair value as determined by the general partner. The College owns the Chrysler Building. Legal title to both the land and building, subject to a lease (see note 8) which is scheduled to run until the year 2147, rests with the College. The College's investments in real estate have been recorded at appraised value at the date of gift or at cost.

Investments at fair value, including debt service reserve and other funds held by the trustee, consist of the following at June 30, 2002 and 2001:

	2002	2001
Cash, cash equivalents, and short-term investments held by investment managers and trustees	$ 9,285,305	3,898,502
Bonds, promissory note, long-term U.S. Treasury note, and certificates of deposit	22,844,621	23,257,180
Equity securities	42,728,147	70,664,007
Real estate and other	754,574	709,574
Limited partnerships	1,654,647	2,427,591
	77,267,794	100,956,854
Funds held by trustee invested in U.S. Treasuries	3,760,790	3,786,584
	$ 81,028,084	104,743,438

Included in investments are charitable trusts and gift annuities amounting to $3,783,965 and $4,467,735 at June 30, 2002 and 2001, respectively. In addition, included in fixed assets is a building of $2,549,115, which is also subject to a gift annuity agreement.

The Cooper Union has committed to invest an additional $3.9 million in limited partnerships.

The Cooper Union utilizes a spending rate of 6% of the average of the previous three years' fair value of investments as the investment return to be utilized for operations. Amounts in excess of such amounts are reported as nonoperating (expense) revenue. The components of investment return for the years ended June 30, 2002 and 2001 are as follows:

	2002	2001
Interest and dividends	$ 1,898,883	2,669,235
Unrealized losses in fair value of investments	(2,070,675)	(29,725,089)
Realized (losses) gains in fair value of investments	(16,655,780)	3,731,839
Investment expenses	(571,124)	(789,920)
	(17,398,696)	(24,113,935)
Temporarily restricted	(6,622,643)	(9,689,420)
Amount utilized for operations	2,642,070	4,802,398
Deficiency of investment return over amount utilized for operations and classified as temporarily restricted	$ (13,418,123)	(19,226,913)

(3) Contributions Receivable

Contributions receivable at June 30, 2002 are scheduled to be collected as follows:

	Amount
Year ending June 30:	
2003	$ 5,471,477
2004 through 2008	836,000
	6,307,477
Adjustment to reflect contributions receivable at discount value of 7%	(122,813)
Less allowance for uncollectible contributions receivable	(100,000)
	$ 6,084,664

(4) Plant Assets

Plant assets consist of the following at June 30, 2002 and 2001:

		2002	2001
Land and land improvements	$	7,094,159	7,274,159
Buildings, building improvements, and equipment		86,986,169	72,563,194
Leasehold improvements		3,001,629	3,001,629
Construction in progress		—	12,760,834
		97,081,957	95,599,816
Accumulated depreciation and amortization		(47,963,265)	(44,608,034)
	$	49,118,692	50,991,782

During 2002, The Cooper Union sold a building and received proceeds of $2,600,500 and realized a gain of $2,242,472, which is included in other revenue in the accompanying consolidated statements of changes in unrestricted net assets.

(5) Obligations to Dormitory Authority of the State of New York

The Cooper Union completed a major renovation of the exterior of its Foundation Building, one of the College's main academic and administrative sites. The cost of the renovations was substantially financed by a bond issue of the Dormitory Authority of the State of New York (DASNY) Insured Revenue Bonds, Series 1999 (Series 1999 Bonds) maturing serially to July 1, 2029. The original principal amount of the bonds was $11,500,000 and they bear interest rates ranging from 4.5% to 6.25%, payable semiannually.

As a result of issuing the Series 1999 Bonds, The Cooper Union incurred bond issuance costs of $544,274 and a net bond premium of $152,495. These amounts have been deferred and are being amortized over the life of the related debt. The unamortized net bond premium was $138,632 and $143,766 as of June 30, 2002 and 2001, respectively.

During 1993, The Cooper Union completed construction of a facility, 84.5% of which provides student residence space, with the remainder (15.5%) intended for retail use. Construction of the student residence portion of the building was financed by a bond issue of DASNY (Series 1990 Bonds) maturing serially to July 1, 2020. The original principal amount of the bonds was $17,975,000 and they bore interest at rates ranging from 5.7% to 7.2%, payable semiannually. On November 1, 1996, The Cooper Union replaced these bonds with $18,825,000 of DASNY Insured Revenue Bonds, Series 1996 (Series 1996 Bonds) which mature in 2020 and bear interest at rates ranging from 3.6% to 5.375%. The proceeds from the issuance of the Series 1996 Bonds were deposited with the trustee of the Series Bonds and were used to acquire direct obligations of the United States Government; the principal of and the interest on such obligations will be sufficient to (a) pay the interest on and the redemption price of the Series 1990 Bonds when they are due; (b) make required deposits to the debt service fund, debt service reserve fund, and buildings and equipment reserve fund; and (c) pay the cost of issuing the Series 1996 Bonds. As a result, the Series 1990 Bonds are considered retired in the accompanying consolidated financial statements. The amount of defeased Series 1990 Bonds outstanding at June 30, 2001 was $15,645,000. The Bonds were paid as of July 1, 2001.

As a result of issuing the Series 1996 Bonds, The Cooper Union incurred bond issuance costs of $360,650 and a bond discount of $473,606. These amounts have been deferred and are being amortized over the life of the related debt. The unamortized bond discount at June 30, 2002 and 2001 was $366,721 and $386,228, respectively.

Interest expense on the Series 1999 and 1996 bond issues in 2002 and 2001 was $1,546,263 and $1,576,006, respectively. The Series 1990 Bonds proceeds also provided funds for the defeasement of a previous bond issue. (At June 30, 2002 and 2001, $1,040,000 and $1,380,000, respectively, of such defeased bonds are outstanding.) The Cooper Union has pledged to DASNY the rental income derived from the facility and, to the extent such income is insufficient, unrestricted endowment income.

The Cooper Union has received a grant from the Department of Health and Human Services which provides $96,747 annually to meet interest charges applicable to the Series 1996 Bonds.

The Cooper Union is required to maintain, as on the last day of the second and fourth quarters of each fiscal year, expendable unrestricted net assets of not less than 100% of the sum of the principal amount of all outstanding Series 1999 Bonds plus any outstanding long-term indebtedness incurred subsequent to the issuance of the 1999 Bonds. As of June 30, 2002, The Cooper Union is in violation of this requirement. DASNY has informed The Cooper Union that it has no intention to accelerate the Series 1999 Bonds based on this violation. MBIA Insurance Corporation has consented as well not to accelerate the Series 1999 Bonds. The College is subject to certain restrictions regarding the issuance of any additional long-term debt. A reserve for debt service and building and equipment was not required by DASNY on the Series 1999 bond issue.

The Cooper Union is required to maintain a minimum debt service reserve fund on the Series 1996 Bonds equal to the lesser of (1) the principal and interest on the bonds coming due within the next year, or (2) 10% of the net proceeds on the sale of the bonds. DASNY also requires The Cooper Union to maintain a building and equipment reserve fund with a funding requirement of $728,500. The debt service reserve fund of $1,440,292 and the building and equipment reserve fund of $856,336 are included in funds held by trustee at June 30, 2002.

The projected debt service for the next five years is as follows:

	Principal	Interest	Total
Year ending June 30:			
2003	$ 705,000	1,511,913	2,216,913
2004	740,000	1,475,838	2,215,838
2005	775,000	1,436,126	2,211,126
2006	815,000	1,394,363	2,209,363
2007	860,000	1,349,750	2,209,750

(6) Net Assets

Temporarily restricted net assets at June 30, 2002 and 2001 are available for the following purposes or periods:

		2002	2001
Purpose restrictions:			
Academic support	$	11,683,039	7,299,649
Student aid		4,462,324	14,343,069
Instruction		134,296	5,319,050
Other		2,667,139	2,617,671
Time restrictions		7,146,747	5,393,908
Total temporarily restricted net assets	$	26,093,545	34,973,347

Permanently restricted net assets at June 30, 2002 and 2001 are restricted to investments in perpetuity, the income from which is expendable to support:

		2002	2001
Specific purposes of The Cooper Union, principally instructional and student financial aid	$	33,145,319	30,352,159
General activities of The Cooper Union		16,686,224	16,620,700
Total permanently restricted net assets	$	49,831,543	46,972,859

During 2002 and 2001, net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or by the occurrence of other events specified by donors:

		2002	2001
Purpose restrictions accomplished:			
Academic support	$	646,762	921,810
Student aid		6,614,035	617,968
Instruction		3,290,383	568,702
Other		827,694	603,128
Total restrictions released	$	11,378,874	2,711,608

(Continued)

In the past, The Cooper Union has received donor-restricted contributions for scholarships. Prior to 2002, the direct cash assistance provided to students was released from restrictions for these funds. Legal counsel has advised The Cooper Union that these funds could be used to fund the tuition discounts provided to students. Accordingly, the amounts available for scholarships have been released in 2002 to provide for tuition discounts. The effect of the change in interpretation is to increase net assets released from restrictions by approximately $5.4 million.

(7) Pension Plan and Postretirement Benefits

A noncontributory, defined contribution and annuity pension plan is available to all eligible employees who have met stipulated length-of-service and age requirements. The expenses for the plan for the years ended June 30, 2002 and 2001 amounted to approximately $1,354,000 and $1,300,000, respectively.

The Cooper Union provides medical insurance benefits for its retired employees. The following provides information about the plan's funded status reconciled with the amount reported in The Cooper Union's consolidated balance sheets as of June 30, 2002 and 2001:

		2002	2001
Change in benefit obligation:			
Benefit obligation at beginning of year	$	4,851,854	5,355,994
Service cost		160,003	154,948
Interest cost		356,652	330,218
Actuarial loss (gain)		20,596	(1,159,661)
Assumptions		365,091	302,829
Benefits paid		(189,690)	(132,474)
Benefit obligation at end of year	$	5,564,506	4,851,854
Change in plan assets:			
Fair value of plan assets at beginning of year	$	—	—
Employer contribution		189,690	132,474
Benefit paid		(189,690)	(132,474)
Fair value of plan assets at end of year	$	—	—
Funded status	$	(5,564,506)	(4,851,854)
Unrecognized net gain		(2,169,908)	(2,804,166)
Net amount recognized in the consolidated balance sheets	$	(7,734,414)	(7,656,020)

		2002	2001
Amount recognized in the consolidated balance sheets consists of:			
Prepaid benefits cost	$	7,656,020	7,630,027
Net periodic benefit cost		268,084	158,467
Employer contribution		(189,690)	(132,474)
Net amount recognized	$	7,734,414	7,656,020
Weighted average discount rate assumptions as of June 30		7.00%	7.50%

For measurement purposes, a 5.5% and 6% annual rate of increase in the per capita cost of covered health care benefits was assumed for fiscal years 2002 and 2001, respectively. The rate was assumed to decrease gradually to 5.5% for fiscal year 2003 and remain at that level thereafter.

		2002	2001
Component of net periodic benefit cost:			
Service cost	$	160,003	154,948
Interest cost		356,652	330,218
Recognized actuarial gain		(248,571)	(326,699)
Net periodic benefit cost	$	268,084	158,467

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

		One-percentage-point increase	One-percentage-point decrease
Effect on total of service and interest cost components	$	84,154	(67,386)
Effect on postretirement benefit obligation		659,119	(538,011)

(Continued)

(8) Operating Leases

In February 1998, The Cooper Union entered into an operating lease agreement, which expires on December 31, 2147, for the land under the Chrysler Building. Under the terms of the lease agreement, annual rental income from the real property includes:

- An amount of basic annual rent of $5,500,000 through December 31, 2007, $7,000,000 through December 31, 2012, and $7,750,000 through December 31, 2017. As of January 1, 2018 and each ten year's anniversary thereafter, the basic rent shall be adjusted based on fair value of the property.
- An amount equivalent to the taxes payable on the real property were it subject to taxation. Such amount is based on New York City's assessment of the value of the land and building subject to the existing tax rate.

Under the lease agreement, The Cooper Union has agreed to reimburse the tenant for overpayments of previous years' tax equivalency portions of the rent of $7,118,764. As of June 30, 2002, $6,118,764 has been credited to the tenant.

In 1989, The Cooper Union entered into an operating lease agreement expiring in 2038, as the lessee of property on Third Avenue in New York City where the student residence building is located. Space at the Third Avenue site is subleased to tenants under operating leases that expire at various dates through 2024. Rent and related expenses for this lease were $940,908 and $917,384 in 2002 and 2001, respectively. Sublease income for this lease was $594,195 and $552,613 in 2002 and 2001, respectively. The following is a schedule by year of future minimum rental payments and sublease income, including future rent escalations, as of June 30, 2002, for the Third Avenue site:

		Minimum rental payments	Sublease income
Year ending June 30:			
2003	$	695,000	559,000
2004		710,000	584,000
2005		725,000	610,000
2006		740,000	638,000
2007		755,000	667,000
2008 and thereafter		30,743,000	14,310,000

Other properties owned by The Cooper Union are leased under various operating leases. Under the terms of the leases, the lessees pay The Cooper Union basic annual rents, as well as additional rents based on certain real estate taxes assessed each year. Income for these leases was $593,700 and $578,280 in 2002 and 2001, respectively. The following is a schedule of future minimum rentals on these noncancelable operating leases:

	Minimum rental payments
Year ending June 30:	
2003	$ 323,000
2004	349,000
2005	363,000
2006	372,000
2007	379,000
2008 and thereafter	679,000

In addition, The Cooper Union leases, under an operating lease agreement, office space at 30 Cooper Square in New York City. This operating lease commenced July 1, 1992 and expires in 2007. Space at 30 Cooper Square is subleased to a tenant under an operating lease which expires on August 31, 2007. Rent expense for this lease was $501,120 and $473,280 in 2002 and 2001, respectively. Sublease income for this lease was $35,174 and $33,366 in 2002 and 2001, respectively. The following is a schedule by year of future minimum rental payments and sublease income, excluding future rent escalations, at June 30, 2002:

	Minimum rental payments	Sublease income
Year ending June 30:		
2003	$ 529,000	37,000
2004	529,000	40,000
2005	529,000	42,000
2006	529,000	44,000
2007	529,000	47,000
2008 and thereafter	—	7,900