

THE COOPER UNION FOR THE ADVANCEMENT OF SCIENCE AND ART

**Board of Trustees Meeting**  
Foundation Building, The Cooper Union  
June 3, 2022 | 9:00 AM

PARTICIPANTS

Trustees:	Anne Chao, Maurice Cox, Brickson Diamond, Elias Dills, Wanda Felton, Pam Flaherty, Judy Freyer, Adriana Gomez, Dana Hughes, Aftab Hussain (Vice Chair), Anthony Ianno, Malcolm King (Chair), Jamie Levitt, Lou Manzione, Cristina Ross, Brian Steinwurtzel, Robert Tan, Carol Wolf, Ben Vinson, Shirley Yan
Officers:	President Laura Sparks, Treasurer John Ruth, Secretary Charlotte Wessell
Financial Monitor:	Richard Faughnan and Ron Salluzzo
Representatives:	Diana Agrest, Raffaele Bedarida, Steven Hillyer, Beverly Joel
Absent:	Joseph Dobronyi, Tim Ingrassia, Wanda Felton, Elizabeth Graziolo

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The meeting was called to order at 9:05 a.m. and began with an Executive Session. The Regular Session was called to order at 9:15 a.m.

The Board reviewed items on the Consent Agenda for approval, which was provided for advance review. Upon motion duly made and seconded, the Consent Agenda including the following items was approved:

- March 11, 2022 Board of Trustees minutes, with a clarifying edit
- Resolution 2022-03 Certification as Grants and Annuities Society in the State of California
- Resolution 2022-04 Special Permit to Issue Charitable Gift Annuities in New Jersey

*Chair's Report*

Mr. King reported that during the Executive Session:

- Ben Vinson was elected as Trustee to the Board.
- Anthony Ianno was elected as Alumni Trustee to the Board.
- Elias Dills was elected as Student Trustee to the Board.
- The updated Committee membership was approved, reflecting changes of incoming and departing Trustees.

Mr. King welcomed the three new Trustees to the Board. He also recognized the service of departing Trustee, Adriana Gomez, who joined the Board in December of 2020 as a Student Trustee. Now a rising senior in the School of Art, she has brought a much-needed perspective during the last 18 months, particularly during the challenging circumstances of the pandemic. The Board is grateful for the time, expertise, and viewpoint she brought to the role.

Mr. King reported on the Board Retreat, held the day before in the Civic Projects Lab of 41 Cooper Square. At the Retreat, the Board completed annual governance training as required under the Consent Decree. Counsel

from Patterson Belknap's Tax-Exempt Organizations group provided training focused on the responsibilities the Board has for stewardship of the institution's investments. The training provided a) an education session on best practices for investment oversight given the importance of Cooper Union's investment portfolio to annual operations and long-term financial health, and b) additional decision-making context for an approval item on the Board's agenda for this meeting, when the Investment Committee will recommend a statement relating to Environmental, Social, and Governance considerations to be incorporated into Cooper Union's Investment Policy Statement. Counsel commended the institution's Investment Policy Statement and governance practices related to the investment portfolio, emphasizing the importance of a clear policy to define the investment decision-making process.

As this was the first in-person Board Retreat since 2019, a number of guided tours were incorporated into the day to provide opportunities for Trustees to become re-acquainted with facilities and student work at Cooper. These included an interactive tour of the IDC Foundation AACE Lab, guided tour of select End of Year Show exhibitions, architectural tour of the Foundation Building, and in-depth look at the Library's Peter Cooper and Cooper Union Archives.

During the second part of the day, Trustees participated in group discussions and breakout sessions to focus on strategic priorities and initiatives. The group discussion concentrated on student success and strengthening components of a student's experience that may positively impact their life at Cooper Union. Trustees provided important viewpoints based on their knowledge of industry and the broader societal dynamics facing current students. Breakout sessions then covered the following topics:

1. Generative Considerations for Strategic Planning
2. Key Metrics in the Plan to Return to Full Tuition Scholarships (Plan)
3. Institutional Communications and Key Messages

Ideas and follow-up actions from the discussions will be incorporated into the Board and Committee Work Plans for the upcoming year. Mr. King thanked Trustees for their active participation in the discussions and the Retreat, as well as their time and oversight during this academic year.

### *Faculty Presentation*

For this quarter's presentation, School of Architecture faculty members Diana Agrest and Lydia Kallipoliti shared a selection of work from the master's program that was on display as part of the End of Year Show exhibition in the Houghton Gallery. The Architecture graduate program is a post-professional degree program with a studio-based curriculum alongside seminars and advanced research through a thesis project. Work from Professor Agrest's studio articulated the question of the body as an object of study, from a critical and trans-discursive approach. Professor Kallipoliti shared select thesis work. The thesis allows every student to define their own disciplinary ground or field of inquiry to discover the ways in which architecture constructs, distributes, and leverages power. Student work this year focused heavily on the impact of climate change and related policies on the built environment, which Professor Kallipoliti shared has become increasingly central to the graduate program's emphasis. Trustees engaged in a discussion with faculty about student research and the models exhibited.

### *President's Report*

President Sparks delivered her quarterly report. She began by welcoming the three new Trustees and the new Representative to the Board, Beverly Joel. Professor Joel is an adjunct faculty member in the School of Art and will represent the part-time faculty for a four-year term as Representative. Ms. Sparks thanked Adriana Gomez for her service as Student Trustee. She also echoed Mr. King's gratitude for Trustees' active participation in the previous day's Retreat.

Ms. Sparks reflected on the past academic year. Returning to in-person learning required intense planning, careful execution, and incredible dedication and commitment from students, faculty, and staff. As a result of these efforts, Cooper Union was able to have a relatively uninterrupted year back on campus engaged in important in-person academic and community experiences, including most recently, the End of Year Show exhibition and Commencement in the Great Hall. Ms. Sparks shared critical efforts that lie ahead in the coming year to support Cooper Union’s institutional goals and strategic priorities, including:

- search for the new Dean of Architecture;
- search for a Vice President of Academic Affairs;
- new faculty hires in the Humanities and Social Sciences;
- executing on new programming grants, including a \$1.17MM grant from the Robert Lion Gardiner Foundation for a three-year series of events related to historic themes highlighted in the Voices of the Great Hall archive;
- critical deferred maintenance work on campus buildings; and
- continued fiscal discipline in order to achieve these efforts consistent with the institution’s long-term financial plan (Plan).

In addition to these near-term initiatives, Ms. Sparks recapped the longer-term planning discussions held at the Board Retreat, when Trustees discussed financial progress and priorities for the next five to ten years, looking ahead to the next phase of the institution’s strategic planning that will define the next set of institutional goals and strategic priorities once the current Plan is completed.

*Committee Reports*

Five Committees of the Board met for their quarterly meetings in May. Based on the Board’s annual Work Plan, the Finance and Business Affairs Committee and Investment Committee delivered in-depth reports at the meeting. The remaining Committees provided written updates prior to the meeting, included below.

Finance and Business Affairs Committee

The Committee Chair shared an overview of year-to-date (as of March 31, 2022) financial results and forecast and the FY22 Budget Variance Report. The report synopsis is as follows: (in 000’s):

	FY21 Actual	YTD Mar 22	FY22 Budget	% Earned or Spent
Total Revenue Before Endowment Payout	\$81,667	\$76,129	\$83,216	91%
Less: Total Expenditures	(\$70,733)	(\$58,005)	(\$82,084)	71%
Surplus Before Endowment Payout	\$10,934	\$18,124	\$1,132	
Plus: Endowment Payout	\$4,680	\$4,024	\$5,365	75%
Total Surplus Available for Plan Priorities	\$15,614	\$22,148	\$6,497	

The key points included:

- As previously shared, the final real estate tax assessments decreased by 3.7% from budgeted levels. Tax rates in New York City rose 0.58% to slightly reduce this negative variance.
- A new forbearance agreement with a retail tenant yielded additional unbudgeted revenue.
- Undergraduate student enrollment is 862 for Fall 2021, up significantly from 797 in Fall

2020 (reduced because of pandemic effects, including challenges for international students acquiring visas and increased leaves of absence). Spring semester enrollment of 827 is also higher than the previous spring (763). Historically, enrollment decreases during the spring semester, primarily due to seniors having completed required courses by December but not graduating until the end of the academic year in May. The budget assumed resumption to pre-pandemic enrollment levels (840 in Fall 2019, 813 in Spring 2020), which was surpassed in excess of 2%. Scholarships remain at Plan target levels of 78.5% overall.

- Occupancy in the student dorm is approximately 93%, compared to 40% last year when there were significantly more density restrictions in place for the pandemic. A few apartments are designated for quarantine purposes this year, keeping levels below full occupancy.
- The budget assumed facilities rentals, which were put on hold for the pandemic, could resume in earnest this year. However, the appetite for rentals and events has been slow to develop, resulting in a negative variance.
- The Payroll Protection Program loan from April 2020 was fully forgiven this fall. As a result, \$6.6MM of additional revenue will be reflected in FY22. The expenses associated with this revenue were borne by the institution in FY21.
- Expenses relating to health and safety measures in place, specifically on-campus COVID testing and related security, are higher than budget. Though much of these costs were offset by government funding, we expect to be over budget by \$1MM total.

During the May quarterly meeting, the Finance & Business Affairs Committee formally recommended the FY23 budget and endowment spend rate, provided to Trustees for their review in advance. Vice President for Finance and Business Affairs John Ruth shared the FY23 budget including proposed changes in revenue and expenses and the associated budget risks and opportunities. The proposed budget accounts for lasting uncertainties from the pandemic alongside Cooper Union's adjustment back to pre-pandemic operations. As a reminder, the FY22 budget reflected a significant negative variance to Plan, anticipating continued impact from the pandemic, particularly negative effects to enrollment, retail revenue, and health and safety expenses. However, the forecast for the year is well ahead of budget, projecting a \$13.6MM net surplus compared to the budgeted \$6.5MM and a \$1.5MM positive variance to Plan. This was achieved in part through government forgiveness of the Payroll Protection Program loan received in 2020 and grant funding received through the Higher Education Emergency Relief Fund. These one-time grants were provided to cover COVID-related expenses and are not a renewable revenue source. Revenue challenges were also offset by additional cost-saving measures, most of which were one-time initiatives such as hiring delays or deferrals.

Key points, including variances from Plan, are as follows:

- The revenue budget decreased \$5.5MM (6%) from \$95.7MM Forecast for FY22 to \$90.2MM budgeted for FY23.
  - Real estate revenue continues to be challenged, as vacancy in the Chrysler Building has led to lower assessments.
  - Retail revenue remains lower with market challenges and the need to relet five vacant properties.
  - As previously reviewed by the Committee, the budget includes an additional capital provision of \$1.8MM to help address deferred maintenance projects.
  - The budget anticipates greater revenue from the launch of new continuing education programs.
- The expense budget increased by \$3.8MM (6.6%) from \$57.3MM forecast for FY22 to \$61.1MM budgeted for FY23.
  - Deferred positions from FY22 have been returned to the proposed budget, along with investments in the academic programs as called for in the Plan to maintain academic quality and enrollment.

- COVID-related expenses are included for the full year, though dependent on the state of the pandemic, weekly testing may not continue through the full year.
- Investment management fees related to the Long-Term Investment Pool have increased as the portfolio has grown.
- Debt service remains flat for FY23 at \$18.5MM budgeted.
- The capital expenditures budget decreases to \$4.3MM (31%) from \$6.2MM in FY22. This higher amount was primarily due to the Foundation Building façade repair project.
- In aggregate, this results in a \$6.7MM negative variance to Plan. This is mitigated by prior years' positive variances to Plan.

Trustees discussed key points of the proposed budget, emphasizing the critical need for capital projects to continue alongside ongoing maintenance of the institution’s infrastructure. The Board also discussed the proposed variances from Plan on revenue and expenses, noting that after two years of unanticipated savings and federal grants, there are a number of academic investments that need to be made to further the institution’s strategic priorities. Trustees emphasized the importance of fundraising to keep pace with Plan, though noting caution about external factors, including inflation and the volatility of the investment market. These factors affect the economic climate as a whole, and in turn, affect fundraising and the real estate market, two critical revenue streams for Cooper Union.

As required by the Consent Decree, the Financial Monitor provided its opinion on the proposed FY22 budget and recommended the Board approve it as presented. The Financial Monitor stated the proposed budget appropriately and adequately assesses potential risks and rightly prioritizes investments in the academic experience.

There were no further questions and upon motion duly made and seconded, the Board approved a resolution to adopt Cooper Union’s Budget for FY23 as presented, pending final enrollment and tuition numbers. The Board also approved the Finance Committee’s recommended 4.0% endowment spending rate, proposed with the goal of continuing to build the endowment. The FY23 Budget summary attached to the resolution is below:

***Fiscal Year 2023 Operating Budget for The Cooper Union for the Advancement of Science and Art***

<u><b>Budget</b></u>	<u><b>Unrestricted Budget</b></u>	<u><b>Full</b></u>
<b><i>Revenue</i></b>		
Real Estate	\$57,219	\$57,219
Undergraduate and Graduate Tuition and Fees, net of scholarships	13,782	13,782
Contributions	9,779	15,000
Student Housing and Other Rental Income	2,736	3,828
Endowment Payout	6,330	6,330
Other Revenue	342	5,250
<b>Total Revenue</b>	<b>\$90,188</b>	<b>\$101,409</b>

### *Expenditures*

Education, General and Auxiliaries	\$61,117	\$66,182
Debt Service and Capital	22,779	23,137
Depreciation, Amortization and Other Non-Cash		9,620
<b>Total Expenditures</b>	<b>\$83,896</b>	<b>\$98,939</b>
<b>Net Surplus</b>	<b>\$6,292</b>	<b>\$2,470</b>

Mr. Ruth summarized the discussion at the May Committee meeting that Trustees had about assessing the timing for the return to full-tuition scholarships. The Committee identified a number of questions and metrics to consider in the analysis. This topic was also discussed at the Retreat on the previous day. Trustees determined the following considerations of importance: deferred maintenance needs, long-term enrollment planning, the economy and investment market, and Cooper Union's reserve targets and operating margins, particularly defining the appropriate margin range to target when back to a full-tuition scholarship model. The Board will continue to monitor the long-term forecast and the Composite Financial Index, a measure of institutional financial health that is integral to achieving the Plan, particularly amid investment market volatility and other indicators of economic uncertainty.

### Investment

The Committee Chair reported a summary of Cooper Union's investment portfolio performance and market outlook. For the quarter ended March 31, 2022, The Cooper Union investment portfolio balance was \$299.2MM (down from \$305.8MM in the previous quarter). Following the approval of a rebalancing proposal at the May quarterly meeting, asset classes are all within policy target ranges.

Through the third quarter of the fiscal year, the portfolio returned +1.6% versus -0.7% for the benchmark for the fiscal year to date. The performance shows a slowing of the market, which continued through the months of April and May. These results exclude private investment returns, which are reported on a lagging basis.

Portfolio/ Benchmark	Month to Date	Fiscal Year to Date (7/1-3/31)	Trailing 1- Year	Trailing 3- Year	Trailing 5- Year	Since Inception
<b>Total Assets</b>	0.6	1.6	9.4	12.5	10.2	5.9
<b>Total Assets Benchmark</b>	0.6	-0.7	4.3	9.1	7.5	5.1

The Committee Chair shared a summary of the Committee's ongoing work, discussing whether and how to integrate environmental, social, and governance (ESG) considerations into Cooper's investment strategy. As a result of the most recent discussion, the Committee is recommending the following statement for the Board to approve for incorporation into to Cooper Union's Investment Policy Statement:

The Investment Committee of The Cooper Union supports investments that encompass Environmental, Social, and Governance (ESG), Socially Responsible Investment (SRI) and Diversity, Equity, and Inclusion (DEI) investment criteria.

The Investment Committee will work with Cambridge Associates to recommend investments that incorporate ESG, SRI and DEI criteria in recommendations for active public market managers,

hedge funds, and private market investments in venture capital, private equity, and private debt. These recommendations must be made within the parameters of the Investment Policy Statement, including asset allocation ranges and target returns and guided by the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the New York Prudent Management of Institutional Funds Act (NYPMIFA).

The Cooper Union will explore membership in organizations that support ESG, SRI and DEI investment criteria as well as organizations committed to reducing the impact of climate change on our planet.

The Board held a robust discussion about the institution's position on this issue; the high level of focus faculty, staff, and students place on it; and the importance of making a statement and taking actions to support it. The Board considered the primary importance of fulfilling fiduciary responsibilities, as noted by Cooper Union's outside legal counsel during the previous day's Retreat, which includes financial and mission considerations. The Committee Chair shared that the statement incorporates the flexibility in incorporating ESG considerations that will be required in practice given Cooper Union's portfolio size and structure. Trustees commented that benchmarking and reviewing performance will continue to be key as this statement is implemented. Following the discussion, the Board voted to approve the statement.

#### *Committee Updates*

The following Committees met during the second quarter of the year and shared relevant updates for the Board in the meeting materials. Key points include:

#### Audit

As previously shared with the Board, the Committee approved the 2020 IRS Form 990 (covering July 1, 2020 – June 30, 2021) and related documents for filing by the May 16 deadline. There are no significant changes planned for this year's institutional audit, and Grant Thornton plans to present the draft financial statements to the Audit Committee at its November meeting, then to the full Board at the December meeting.

As part of the Committee's Enterprise Risk Management (ERM) work, members reviewed and discussed the monitoring plan and mitigating factors related to the possibility of low support due to prior or future contentious relationships with community members and engaged in discussion about the importance of government engagement strategies, public relations efforts, alumni feedback mechanism, and transparent communications to maintain positive relationships with external stakeholders. The Committee also reviewed additional actions taken in the last year to further mitigate risks to community safety and the campus's physical plant: a long-term capital expenditures plan was drafted to address deferred maintenance; new security cameras were installed, and master replacement plan was drafted; curb and drain system repairs were made; and a fractional Chief Information Security Officer was hired as an external resource.

#### Governance

The Committee spent time during the May meeting interviewing prospective Student Trustee candidates and the candidate for Alumni Trustee. The Committee is pleased to welcome the three new Trustees elected for this meeting. After a busy two years responding to Trustee turnover, the Committee plans to focus on long-term cultivation efforts to prepare for openings in June 2023.

## Academic and Student Affairs

During the Committee's final meeting of the 2021-2022 academic year, the Deans presented highlights from the spring semester for the Trustees' review and discussion. The Committee also reviewed and discussed current and planned efforts for integrating public service and civic mindedness into academics, as articulated in the Board-approved strategic priorities in 2018.

As was shared as an update to the Board during the previous quarterly meeting, Cooper Union's School of Art is moving forward with plans to leave its discipline-specific accrediting body, the National Association for Schools of Art & Design (NASAD) given the Association's shifting relevance in the field. The peer assessment and external review that is a central feature of the NASAD accreditation process had previously been a useful accountability and assessment measure. However, the changing membership of NASAD, including the exit of all major independent art schools, and as a result, the changing composition of the peer reviewers, now make the assessment less meaningful and relevant. Management has discussed the potential exit with Cooper's accrediting body, Middle State Commission on Higher Education and will move forward to discontinue NASAD membership this summer.

Vice President for Enrollment Mark Campbell shared a high-level summary of goals and outcomes for Fall 2022 enrollment. Cooper expects to enroll 222 first-year students, on target with the overall goal and close to sub-goals in each school and major. Financial Aid is currently on budget with flexibility to provide additional targeted aid on appeal where circumstances support it. The Committee will review the full enrollment report, as typical, during the November quarterly meeting.

There was no New Business to discuss. Representatives provided input throughout the meeting and had no additional comments. The Board then moved to an extended Executive Session at approximately 11:20 a.m. The meeting adjourned at approximately 12:50 p.m.